Bilancio consolidato al 31 dicembre 2008

Consolidated financial statements 2008

CONSOLIDATED ACCOUNTS FOR THE YEAR ENDING
31 DECEMBER 2008

club
CAMPAR

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HIGHLIGHTS

	2008 €milioni	2007 €milioni	% change	%change at constant
Net sales	**942.3**	**957.5**	**–1.6**	**0.1**
Contribution margin	341.2	341.5	–0.1	1.7
EBITDA before one-offs	218.3	223.0	–2.1	–0.1
EBITDA	214.7	220.1	–2.5	–0.4
EBIT before one-offs	199.0	203.4	–2.1	–0.1
EBIT	**195.4**	**200.6**	**–2.6**	**–0.4**
EBIT margin (EBIT/net sales)	**20.7%**	**20.9%**		
Profit before tax	172.4	183.3	–5.9	–3.9
Group and minorities' net profit	126.7	125.2	1.2	3.2
Group net profit	**126.5**	**125.2**	**1.1**	**3.1**
Basic and diluted earnings per share (€)	**0.44**	**0.43**		
Average number of employees	1,646	1,589		
Free cash flow	123.0	125.3		
Acquisitions of companies and trademarks	(86.6)	(29.3)		
Net debt	326.2	288.1		
Shareholders' equity – Group and minorities	955.0	878.6		
Fixed assets	1,134.4	995.7		
ROI % (EBIT/fixed assets)	**17.2%**	**20.1%**		

CORPORATE OFFICERS

BOARD OF DIRECTORS (1)

Luca Garavoglia
Chairman

Robert Kunze-Concewitz
Managing Director and Chief Executive Officer

Paolo Marchesini
Managing Director and Chief Executive Officer

Stefano Saccardi
Managing Director and Officer Legal Affairs and Business Development

Eugenio Barcellona
Director and member of the Remuneration and Appointments Committee

Enrico Corradi
Director, member of the Remuneration and Appointments Committee and member of the Audit Committee

Cesare Ferrero
Director and member of the Audit Committee

Marco P. Perelli-Cippo
Director and member of the Audit Committee

Renato Ruggiero
Director and member of the Remuneration and Appointments Committee

BOARD OF STATUTORY AUDITORS (2)

Antonio Ortolani
Chairman

Alberto Lazzarini
Statutory Auditor

Giuseppe Pajardi
Statutory Auditor

Alberto Giarrizzo Garofalo
Deputy Auditor

Gian Paolo Porcu
Deputy Auditor

Paolo Proserpio
Deputy Auditor

INDEPENDENT AUDITORS (3)

Reconta Ernst & Young S.p.A.

(1) The nine-member Board of Directors was appointed by the ordinary shareholders' meeting of 24 April 2007 and will serve for the three-year period 2007-2009. Luca Garavoglia was confirmed as Chairman and granted powers in accordance with the law and the company's articles of association.
The shareholders' meeting of 29 April 2008 ratified the appointment of Robert Kunze-Concewitz as Director on 8 May 2007.
At the same meeting on 8 May 2007, the Board of Directors vested Managing Directors Paolo Marchesini and Stefano Saccardi with the following powers for three years until approval of the 2009 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 the value or time limits deemed to fall outside ordinary activities.
On 14 May 2008 the Board of Directors confirmed Robert Kunze-Concewitz in the post of Managing Director with the same powers as those granted on 23 July 2007 and those granted to Paolo Marchesini and Stefano Saccardi.

(2) The Board of Statutory Auditors was appointed by the shareholders' meeting of 24 April 2007 and will remain in office until the approval of the 2009 accounts.

(3) Appointed by the shareholders' meeting of 24 April 2007, which confirmed that Reconta Ernst & Young S.p.A. would audit the 2007, 2008 and 2009 accounts.

CAMPARI

SIGNIFICANT EVENTS DURING THE YEAR

Termination of the distribution agreement for 1800 tequila and Gran Centenario

Distribution by the Campari Group under licence of 1800 tequila and Gran Centenario in the US ended on 31 December 2007.

In future, distribution will be managed by the brands’ owner, José Cuervo, via a wholly-owned subsidiary.

Acquisition of Cabo Wabo

In accordance with the agreement signed in May 2007, the acquisition of Cabo Wabo was completed on 2 January 2008.

The acquisition cost was US$ 80.8 million, equivalent to 11.9 times 2007 EBITDA (€56.9 million including legal and other expenses).

The Group will have the opportunity to acquire the remaining 20% of Cabo Wabo in two tranches of 15% and 5% through call/put options that can be exercised in 2012 and 2015 respectively.

Cabo Wabo, an important ultra premium tequila brand with a reputation for extremely high quality, has won several awards.

The product range includes Cabo Wabo añejo, Cabo Wabo blanco, Cabo Wabo Reposado and the ultra luxury brand, Cabo Uno.

Distribution of Morrison Bowmore Scotch whiskies and Flor de Caña rum in the US market

After signing two new distribution agreements, on 1 January 2008 Skyy Spirits, LLC became the sole distributor for the US market of the Scotch whiskies produced by Morrison Bowmore Distilleries (a subsidiary of Japanese group Suntory) and Flor de Caña rum, a brand owned by Compañia Licorera de Nicaragua and the biggest selling rum in Central America.

The Morrison Bowmore agreement relates to the single malt brands Bowmore (Islay), Auchentoshan (Lowland) and Glen Garioch (Highland), while the agreement with Compañia Licorera de Nicaragua covers the full range of Flor de Caña rums.

The addition of these super premium brands further strengthens the spirits portfolio of Skyy Spirits, LLC in rum and Scotch whiskies, two key segments of the US market, the top three segments of the US spirits market being whisky, rum and vodka.

Sale of a building in Cinisello Balsamo

On 27 February 2008, Davide Campari-Milano S.p.A. completed the sale of an industrial building, used as a warehouse for finished products, in Cinisello Balsamo (province of Milan).

With the closure of the plant in Sesto San Giovanni and the transfer of production to Novi Ligure, the Cinisello Balsamo warehouse, near the old facility, was no longer needed.

The building was sold for €6.7 million, resulting in a capital gain of €6.1 million.

Launch of SKYY Infusions

In March 2008, Skyy Spirits, LLC announced the launch of SKYY Infusions, a new range of highly innovative products in the flavoured vodka category.

SKYY Infusions is an all-natural product made from SKYY vodka and fruit essences, blended using an exclusive patented infusion process.

There are five flavours in the range: lemon, raspberry, cherry, passion fruit and grape.

Prior to the launch, the product underwent quality testing at the Beverage Testing Institute (BTI) in Chicago, and each of the five flavours outperformed all the other flavoured vodkas in the same category.

The presentation of the product took place in March and distribution began in April.

The SKYY Infusions range is packaged using the new SKYY Vodka bottle: a taller, sleeker bottle, but still in the characteristic cobalt blue colour.

New distribution agreement in Spain

On 1 April 2008, responsibility for the distribution of the Campari Group's main products in Spain was given to Zadibe, part of the Diego Zamora group, a leading international producer and distributor of wines and spirits.

This date also marked the end of the agreement with the previous distributor, Summa S.L., a joint venture set up with the Gonzalez Byass group.

As a result, the Group subsequently formalised the sale of its 30% of Summa S.L. to Gonzalez Byass on 14 April 2008.

Winding-up of Campari Teoranta and Lacedaemon B.V.

On 2 April 2008 the Group launched procedures for the winding-up of Campari Teoranta, a Dublin-based holding and services company, as part of the ongoing programme of streamlining the Group's structure.

Lacedaemon B.V., a holding company based in Amsterdam, was also wound up.

Launch of illyquore

In June 2008, illyquore, a coffee liqueur produced in conjunction with coffee company illycaffè was launched.

The new liqueur is based on an innovative recipe, made using illy's 100% arabica coffee and without any artificial flavours or colouring.

The distribution of illyquore, managed by the Group, began in Italy in July 2008 and in certain other international markets in early 2009.

Acquisition of Mondoro for the US market

In August 2008, the Parent Company completed the acquisition of the Mondoro brand for the US market for €1.0 million, thereby taking full worldwide ownership of the brand.

New plant in Brazil and warehouse in Scotland

The project to build a new plant in Pernambuco, northern Brazil, was launched in 2008.

The new production facility, which will cover an area of around 70,000 square metres, including some 20,000 square metres of cellars, bottling areas and warehouses, will significantly increase local production capacity, in keeping with the Group's ambitious plans for expansion in Brazil and South America generally.

The new plant will join the main Sorocaba production facility, in the state of São Paulo, whereas the Jaboatão facility, also in Pernambuco, will cease operations when the new plant comes on stream, which should be at the end of 2009.

The group has also completed the purchase of a warehouse to store and age whisky at Burncrook in Scotland, not far from the Glen Grant distillery; work began during the year on the warehouse, which should be in operation at the end of 2009.

Collapse of Lehman Brothers

On 15 September 2008, the investment bank Lehman Brothers filed for bankruptcy protection.

As the Group had entered into a number of interest rate hedging agreements in respect of its bonds and private placements with this bank, it exercised the early termination option provided for in the agreement in the event of counterparty default.

The derivative instruments concerned were therefore classified among medium/long-term financial receivables at their fair value on the date the bank collapsed, adjusted to their estimated realisable value, calculated as 30% of the nominal value of the receivables.

The overall effect on the 2008 results was a net financial charge of €3.3 million.

Agreement for the production and sale of Cointreau in Brazil

In October 2008 an agreement was finalised with French group Remy Cointreau for the production and distribution of Cointreau liqueur on the Brazilian market from 1 January 2009.

The agreement will run for three years, and may be renewed for a further two years.

Acquisition of Destiladora San Nicolas

On 11 November 2008, the Campari Group signed an agreement to acquire 100% of Destiladora San Nicolas, S.A. de C.V., whose assets include a distillery, the Espolón and San Nicolas tequila brands, tequila stocks and a distribution structure for the Mexican market.

The acquisition price, paid in cash, was US$ 17.5 million for 100% of the share capital.

At the exchange rate in force on the date of the transaction, and including related costs, this equated to €14.0 million.

The total value of the transaction includes the company's debt, which amounted to US$ 10.0 million (€8.2 million) on the transaction date, and the provision of an earn-out for 2009, 2010 and 2011 based on increases in sales volumes in each of these years.

In terms of multiples, the total value of the transaction corresponds to around 10 times estimated 2009 EBITDA, after synergies.

The product portfolio, with a total volume of around 50,000 nine-litre cases, is mainly distributed in Mexico, and comprises the tequila brands Espolón (Espolón Blanco, Espolón Reposado and Espolón Añejo), which has won several awards, and San Nicolás (San Nicolás Blanco and San Nicolás Joven).

Espolón is made using a 100% natural process and in full compliance with rigorous quality standards that result in one of the purest and most delicate tequilas; it has a strong reputation and in 2006 won a Gold Award at the World Spirits Competition in San Francisco.

The acquisition is a strategic one in that it enables the Campari Group to gain direct access to the Mexican market via an established production and distribution structure, and to strengthen its presence in a growing market for premium spirits.

Acquisition of Sabia

On 28 November 2008, the Group completed the acquisition of 70% of the capital of Argentine company Sabia S.A. for US$ 4.2 million (€3.4 million at the exchange rate in force on the transaction date), in addition to debt of US$ 3.6 million (€2.8 million at the exchange rate in force on the transaction date).

The total value of the transaction corresponds to around 8 times estimated 2009 EBITDA.

Sabia S.A. was established in 2006 by a group of Allied Domecq managers and its assets consist of a production plant, one of the biggest spirits and wine sales and distribution operations in Argentina, and distribution licences for a broad portfolio of major national and international brands.

This transaction represents a strategic opportunity for the Group to generate substantial synergies and to expand its own portfolio on the Argentine market.

Joint venture in India

On 23 December 2008 the Group acquired a 26% stake in the joint venture Focus Brands Trading (India) Private Ltd., which operates in India.

The majority stake in the company is owned by the Jubilant group, an Indian conglomerate operating in various businesses.

The company distributes imported Group brands and Old Smuggler, a brand used for Scotch whisky, rum and gin products produced locally under licence.

Sesto San Giovanni site

In 2008, construction work continued on the new premises for some of the Italian Group companies at Sesto San Giovanni.

These works are almost complete and the new offices should be occupied during the first half of 2009.

SALES PERFORMANCE

Overall performance

2008 sales were affected by the slowdown in orders in the fourth quarter due to the financial crisis in the US that rapidly spread, to differing degrees, to almost all the world's economies.

In particular, the liquidity squeeze on the financial markets triggered a credit crunch that hit distributors, prompting drastic cuts in stock levels.

However, despite the deterioration in consumer confidence, overall consumption levels held up well.

Net sales for the year totalled €942.3 million, only slightly lower (–1.6%) than in 2007, as negative external growth (–2.7%) and exchange rate movements (–1.6%) more than offset organic growth of 2.7%; this was a satisfactory result given the unfavourable situation on the markets.

The table below shows the year-on-year change in net sales in value and percentage terms, and highlights the negative effects of external growth and exchange rates.

	€ million	% change on 2007
– Net sales 1 January-31 December 2008	942.3	
– Net sales 1 January-31 December 2007	957.5	
Total change	**–15.2**	**–1.6%**
of which:		
organic growth	26.0	2.7%
external growth	–25.5	–2.7%
exchange rate effect	–15.7	–1.6%
Total change	**–15.2**	**–1.6%**

Organic growth was achieved thanks to a good performance from most of the main brands, with SKYY Vodka and Aperol delivering double-digit growth, and Campari, Crodino and Cinzano posting low but positive growth.

External growth showed a negative balance of €25.5 million (–2.7%), mainly because of the termination of distribution of 1800 tequila in the US.

The end of this important distribution agreement on 31 December 2007 reduced sales in 2008 by €53.9 million versus the previous year, and this was only partly offset by the external growth of €28.4 million generated by sales of Cabo Wabo and X-Rated (€22.4 million combined), the new distribution agreements

in the US for Morrison Bowmore and Flor de Caña (€5.3 million) and those for the third-party brands sold by the newly-acquired Sabia S.A. in Argentina (€0.7 million, December 2008 only).

Regarding the two brands acquired in 2007, the performance of X-Rated Fusion Liqueur was very positive and in line with growth targets, while first-year sales of Cabo Wabo were below expectations, due to the general decline in consumption of ultra premium products in the on-trade channel and the normal difficulties associated with the transfer of the brand from the previous owner's distribution operation to that of Skyy Spirits, LLC.

2008 sales: breakdown of external growth	€ million
X-Rated Fusion Liqueur	6.8
Cabo Wabo	15.6
Sub-total – Group brands	**22.4**
Suspension of tequila distribution in the US	–53.9
Third-party brands (Morrison Bowmore and Flor de Caña in the US; brand distributed by Sabia S.A. in Argentina)	6.0
Sub-total - third-party brands	**–47.9**
Total external growth	**–25.5**

Fluctuating exchange rates also had a negative impact on the Group's sales, resulting in a fall of 1.6% overall versus 2007.

In the second half of 2008, the sharp rise in value of the US dollar partly offset the negative exchange rate effect, which was more marked in the first half of the year (2.5%).

The average value of the US dollar in 2008 fell by 6.8% versus the euro, although on 31 December 2008, its value was 5.8% higher versus the euro than on the same day of the previous year.

The Brazilian real, meanwhile, saw a marked depreciation in the last few months of 2008, while the average value for the year was broadly in line with that of 2007 (–0.4%); however, on 31 December 2008 it was 19.5% lower versus the euro than a year earlier.

Among the Group's other significant currencies, sterling was particularly weak in 2008, while the Swiss franc rose slightly in value.

The table below shows the average and year-end rates for 2008 versus 2007.

Exchange rates	2008	2007	% change
US$ x €1 annual average	1.471	1.371	–6.8%
US$ x €1 at 31 December	1.392	1.472	5.8%
BRL x €1 annual average	2.675	2.665	–0.4%
BRL x €1 at 31 December	3.244	2.611	–19.5%
CHF x €1 annual average	1.587	1.643	3.5%
CHF x €1 at 31 December	1.485	1.655	11.4%
CNY x €1 annual average	10.225	10.419	1.9%
CNY x €1 at 31 December	9.496	10.752	13.2%
GBP x €1 annual average	0.797	0.685	–14.1%
GBP x €1 at 31 December	0.953	0.733	–23.0%
ARS x €1 annual average	4.641	4.271	–8.0%
ARS x €1 at 31 December	4.804	4.637	–3.5%

Sales by region

Sales in 2008 increased in Europe and the rest of the world and duty free segment but fell slightly in Italy and more markedly in the Americas, though the latter result was chiefly due to the negative impact of external growth and exchange rates.

The first table below shows sales growth by region, while the second breaks down the overall change in each region by organic growth, external growth and exchange rate effects.

	2008		2007		% change
	€million	%	€million milioni	%	2008 / 2007
Italy	387.3	41.1%	393.2	41.1%	–1.5%
Europe	212.9	22.6%	197.6	20.6%	7.8%
Americas	296.5	31.5%	322.9	33.7%	–8.2%
Rest of the world and duty free	45.6	4.8%	43.8	4.6%	4.0%
Total	**942.3**	**100.0%**	**957.5**	**100.0%**	**–1.6%**

Breakdown of % change	Total	organic growth	external growth	exchange rate effect
Italy	–1.5%	–1.5%	0.0%	0.0%
Europe	7.8%	8.3%	0.0%	–0.5%
Americas	–8.2%	4.1%	–8.0%	–4.3%
Rest of the world and duty free	4.0%	5.1%	0.4%	–1.5%
Total	**–1.6%**	**2.7%**	**–2.7%**	**–1.6%**

Italy, with sales of €387.3 million was again the Group's biggest market in 2008, representing 41.1% of total sales – unchanged from last year.

Sales fell by 1.5% in Italy in 2008, as good performances from Aperol, Crodino and, to a lesser extent, Campari, were insufficient to fully offset the decline posted by CampariSoda, the slight fall in wine sales and a sharp contraction in soft drink and mineral water volumes, mostly in the important second half of the year.

Sales in **Europe** increased by 7.8% overall (+8.3% at constant exchange rates) versus 2007, to €212.9 million.

All the Group's main European markets, especially Germany, Russia and Switzerland, but also France, Belgium and Spain, posted positive results in 2008.

The performance of the Russian market was particularly significant, with double-digit growth, despite a slowdown in orders for Cinzano vermouth in the last few months of the year.

In the **Americas**, 2008 sales were €296.5 million, a fall of 8.2% overall versus 2007, due to negative external growth (–8.0%) and exchange rate movements (–4.3%), although organic growth was satisfactory at 4.1%.

The table below provides further details of sales in this region, of which the US and Brazil account for around 94%.

	2008		2007		% change
	€million	%	€million	%	2008 / 2007
US	203.2	68.5%	229.4	71.1%	–11.4%
Brazil	76.6	25.8%	79.8	24.7%	–4.0%
Other countries	16.7	5.6%	13.7	4.2%	22.4%
Total	**296.5**	**100.0%**	**322.9**	**100.0%**	**–8.2%**

Breakdown of % change	Total	organic growth	external growth	exchange rate effect
US	–11.4%	5.9%	–11.9%	–5.4 %
Brazil	–4.0%	–3.6%	0.0%	–0.4%
Other countries	22.4%	18.8%	11.3%	–7.7%
Total	**–8.2%**	**4.1%**	**–8.0%**	**–4.3%**

The **US**, where around two-thirds of sales in the Americas are recorded, posted a decline of 11.4%, with organic growth of 5.9% more than offset by negative external growth (–11.9%) and US dollar depreciation (–5.4%).

This result is, however, extremely positive given the macroeconomic environment and the significant events that affected the business of Skyy Spirits, LLC.

During the year, the company's portfolio underwent major changes, which impacted on the management and organisation of sales and marketing operations, notably:

– distribution of 1800 tequila, a third-party brand that generated sales of around US$ 74 million in 2007 ended on 31 December 2007;
– sales of the newly-acquired Cabo Wabo tequila began in January 2008, as did distribution of new third-party brands such as Morrison Bowmore and Flor de Caña;
– in April 2008, SKYY infusions – a new flavoured vodka range – was introduced, and at the same time, the packaging of the entire SKYY Vodka range was changed.

In view of these changes, the SKYY brand achieved year-on-year growth of 9.2%, a highly satisfactory result.

In **Brazil**, organic growth for the year was –3.6% (–4.0% at constant exchange rates), entirely due to poor sales to distributors in the fourth quarter.

Although sales to end consumers of alcoholic drinks did not fall to any great degree, and consumption of the Group's main brands (Campari, Old Eight, Drury's and Dreher) continued to show solid growth, the financial crisis affected the ability of important customers to place orders.

In addition, in the first half of the year, a substantial increase in VAT (ICMS) was implemented in the state of São Paulo, where the Group has a particularly strong position; this had a negative impact on sales of lower-priced brands, such as Dreher and Cynar.

Sales in the **other countries in the Americas** were extremely positive, posting organic growth of 18.8%, attributable mainly to Argentina, Canada and Mexico.

In the **rest of the world and duty free** segment, sales rose by 4.0% during the period (+5.1% at constant exchange rates and on a same-structure basis).

The sales trend continues to be positive for the duty free channel (which represents more than 40% of the segment's sales), despite a drop in air travel in the fourth quarter that impacted on sales.

Elsewhere, sales were robust in Japan (Campari and Cinzano sparkling wines), but fell in Australia where orders slowed for Riccadonna, the main brand exported to the country.

Sales by business area

The slight fall in overall sales in 2008 (–1.6%) was entirely due to negative external growth (–2.7%) and exchange rate effects (–1.6%); organic growth was 2.7% – a satisfactory performance given the market situation.

By business area, the only segment that did not produce a positive result overall was spirits (–3.4%), where almost all of the negative external growth and exchange rate effects were felt, cancelling out organic growth of 2.4%.

The other segments delivered organic growth overall: 4.4% for wines, 0.6% for soft drinks and 14.2% for other sales.

The first of the two tables below shows sales growth by business area, while the second breaks down the overall change in each segment by organic growth, external growth and exchange rate effects.

	2008		2007		% change
	€ million	%	€ million	%	2008 / 2007
Spirits	663.9	70.5%	687.1	71.8%	–3.4%
Wines	157.6	16.7%	151.3	15.8%	4.1%
Soft drinks	103.0	10.9%	102.4	10.7%	0.6%
Other sales	17.8	1.9%	16.7	1.7%	6.6%
Total	**942.3**	**100.0%**	**957.5**	**100.0%**	**–1.6%**

Breakdown of % change	Total	organic growth	external growth	exchange rate effect
Spirits	–3.4%	2.4%	–3.8%	–2.0%
Wines	4.1%	4.4%	0.3%	–0.6%
Soft drinks	0.6%	0.6%	0.0%	0.0%
Other sales	6.6%	14.2%	0.0%	–7.6%
Total	**–1.6%**	**2.7%**	**–2.7%**	**–1.6%**

Spirits

In 2008, sales of spirits totalled €663.9 million, accounting for more than 70% of total sales; this segment therefore represents the Group's core business.

Organic growth was 2.4% versus the previous year, but sales fell by 3.4% overall because of negative external growth (–3.8%) and exchange rate (–2.0%) effects.

As regards external growth, the termination of distribution of 1800 tequila was only partly offset by sales of new Group brands (X-Rated and Cabo Wabo) and third-party brands distributed by the Group (Morrison Bowmore and Flor de Caña).

Turning to the segment's main brands, sales of **Campari** were up 2.0% at constant exchange rates (1.3% at actual exchange rates).

The brand did well in Italy and the main European markets, though sales fell in Germany and Brazil.

In 2008, sales volumes in Germany continued to be affected by the substantial price increase implemented in the second half of 2007, which hit sales to the discounter channel.

The slight fall in Campari sales in Brazil was attributable to the sharp drop in orders from distributors in the fourth quarter.

However, consumption of the brand continued to grow steadily.

Sales of the **SKYY** brand (SKYY Vodka and Infusions) increased by 11.1% at constant exchange rates and 4.1% at actual exchange rates.

On the US market, which still accounts for 85% of total sales, results were boosted by the successful launch of the new SKYY Infusions range in April 2008, while SKYY Vodka posted double-digit growth in export sales: Italy, Germany, Canada and the duty free channel are the main markets, and continue to deliver solid growth, while a robust increase in sales to China was particularly encouraging.

2008 was not a positive year for **CampariSoda**: sales of this brand – which are almost entirely concentrated on the Italian market – were down 6.3% versus 2007.

CampariSoda’s sales are mostly recorded in the on-trade channel, and were affected by the reduction in stock levels following the financial markets crisis in the last quarter of the year; however, according to Nielsen sell-out data, there was only a modest contraction in sales over the year as a whole, with an improvement in the second half of the year, partly thanks to a new TV campaign.

Aperol again recorded double-digit growth (+13.3%).

This exceptionally positive performance was boosted by solid growth on the Italian market (more than 80% of the total), and on certain European markets, especially Germany and Austria, where sell-in and consumption both exceeded expectations.

Sales of **Aperol Soda**, however, were down 4.0% versus the previous year.

The **Brazilian brands** Dreher, Old Eight and Drury’s suffered a slight decline versus 2007, with sales down 0.5% in local currency and 0.8% at actual exchange rates.

The sell-in of these products was affected by the various tax measures that have been introduced and the fall in sales in the last quarter of the year.

However, Old Eight and Drury’s posted steady growth for the year as consumption reached record levels, and in view of the forthcoming increase in excise duties (IPI) from January 2009, while sales of Dreher were hit by the increase in VAT (ICMS) in the state of São Paulo introduced on 1 February 2008, which affected lower-priced products.

Combined sales of **Glen Grant** and **Old Smuggler** fell by 6.0% at constant exchange rates and 7.3% at actual exchange rates because of a fall in value of the Argentine peso, which had a negative impact on Old Smuggler sales.

In the case of Glen Grant, the drop in sales was 4.6% (–4.8% at actual exchange rates); a combination of a decline in Italy and Germany and good growth in newer markets, such as China.

On the important Italian market, where the whisky segment is in decline, Glen Grant increased its market share.

For Old Smuggler (–9.0% at constant exchange rates), the fall was largely attributable to the termination of direct sales in the United States, where the Group assigned production and distribution rights to third parties at the beginning of the year.

Results on the Argentine market were very good, however, where the Group continued to operate via production and distribution contracts with two local operators.

Moreover, following the recent acquisition of a 70% stake in Sabia S.A., this local company will distribute all of the Group’s other brands (except Cinzano) in addition to Old Smuggler from 2009.

Ouzo 12 sales were up 10.3% at constant exchange rates (+9.6% at actual exchange rates), thanks to excellent results in Germany, now the main market for this brand, and Greece, its second-biggest market.

Sales of **Cynar** fell sharply (–15.4% at constant exchange rates and –15.0% at actual exchange rates) due to lower volumes in Brazil, where the brand – like Dreher – was hit by the rise in VAT (ICMS) in the state of São Paulo.

In Italy, its sales grew slightly, thanks to a new advertising campaign, while results in Switzerland – Cynar’s third-biggest market – were very good.

Sales of Mirto di Sardegna and other **Zedda Piras** liqueurs, which are mainly recorded in Italy, were down 6.1%, mainly due to a decline in volumes in Sardinia as fewer tourists visited the island during the summer.

As regards the main **third-party brands**, in 2008:

- sales of Jack Daniel’s and Jägermeister fell by 6.0% and 6.4% respectively (both brands are distributed in Italy);
- Scotch whisky sales grew by 4.1% (–2.0% at actual exchange rates), largely thanks to a good performance from Cutty Sark in the US;

- the C&C brands recorded growth of 6.8% (growth was flat at actual exchange rates), while the Suntory brands declined by 6.0% (–11.9% at actual exchange rates); both are mainly distributed in the US;
- Russian Standard vodka posted strong growth in distribution and sales, thanks to good results in Germany and Switzerland; the brand was also launched in Italy and Austria at the end of the previous year;
- sales of Grand Marnier, which is distributed in Italy and other European markets, fell.

Wines

Sales of wines in 2008 totalled €157.6 million (16.7% of total sales), up 4.1% compared with 2007.

The segment benefited from external growth of 0.3% relating to the newly-acquired Argentine company, and organic growth of 4.4%; the exchange rate effect reduced overall growth by 0.6%.

Sales of **Cinzano vermouth** rose by 9.5% at constant exchange rates (8.3% at actual exchange rates), thanks to an excellent performance in Russia, Germany, Poland, Spain and in the duty free channel.

In Russia, the brand's main market, growth was relatively modest in 2008 as orders from the local distributor declined sharply in the last few months of the year.

Cinzano sparkling wines grew by 1.5% at constant exchange rates (1.2% at actual exchange rates) thanks to a good performance in Russia, other Eastern European countries and Japan, which offset the contraction in the two main markets Germany and Italy, where sales were partly affected by a reduction in promotional activity in the important fourth quarter.

In the main wine category, growth in the period was broadly flat for the **Sella & Mosca** (+1.0%) and **Cantina Serafino** (–0.3%) brands, but more robust for **Teruzzi & Puthod** wines (+21.0%), which benefited from new international distribution agreements.

Sales of **Riccadonna** sparkling wines were down 5.5% (–6.4% at constant exchange rates), following a decline in Australia and New Zealand, the two main export markets.

Lastly, **Mondoro** sparkling wines delivered excellent results (+33.6% at constant exchange rates and +33.3% at actual exchange rates), courtesy of good growth in the main market Russia once again, and steady growth in sales in Ukraine and the US.

Soft drinks

In 2008 sales of soft drinks totalled €103.0 million, a 0.6% advance on 2007.

In this segment (10.9% of total Group sales), sales of Crodino and the traditional soft drinks showed diverging trends.

Crodino continued to post very good performances in Italy, its main market, with sales up by 4.1%, boosted by an increase in consumption that strengthened its leading position on the Italian market.

Sales of **Lemonsoda, Oransoda** and **Pelmosoda** were flat in 2008 versus the previous year, while sales of **Crodo** brand soft drinks and **mineral waters** fell by 20% overall after bad weather affected the second-quarter results.

Other sales

In 2008, other sales, which include sales of raw materials, semi-finished and finished goods to third parties, totalled €17.8 million (1.9% of Group sales).

This represents an overall increase of 6.6% on the previous year: growth was 14.2% at constant exchange rates, but exchange rate movements had a negative impact of 7.6%.

A significant portion of these sales are denominated in sterling and relate to malt distillate sold to the Pernod Ricard group.

In terms of organic growth, a substantial increase was posted in bulk sales of Old Smuggler to third parties in the US.

FINANCIAL PERFORMANCE

Consolidated income statement

New format

In 2008 the Group introduced a new format for its consolidated income statement.

The differences relate to the aggregation of cost categories and the introduction of a new item, the contribution margin.

This revised presentation corresponds to the new income statement format introduced internally for planning and control purposes, in line with the classifications adopted by the main sector operators.

Under the new presentation, distribution costs are now included in cost of goods sold, in order to show the cost of the product at the point of sale.

Consequently, gross profit is shown after distribution costs and trading profit is replaced by the contribution margin, which is shown before structure costs.

In breaking down results by business area, in future we will refer to the contribution margin and not to trading profit.

This means that costs relating to sales operations are no longer allocated to products or business areas, since such allocations have become increasingly arbitrary given the gradual shift from indirect, commission-based sales structures to direct, salary-based ones.

To provide a like-for-like comparison with the results for 2008, the figures for the same period of 2007 have been reclassified in the new format.

For further clarification, the figures for the previous year are shown in the old and new formats in the table below.

Income statement 2007			
previous format	€ million	€ million	new format
Net sales	**957.5**	**957.5**	**Net sales**
Cost of goods sold	(407.2)		
		(441.4)	Cost of goods sold after distribution costs
Gross profit	**550.3**		
		516.2	**Gross profit after distribution costs**
Advertising and promotional costs	(174.6)	(174.6)	Advertising and promotional costs
Sales and distribution costs	(105.1)		
		341.5	**Contribution margin**
Trading profit	**270.6**		
General and administrative costs	(67.2)		
		(138.1)	Structure costs
EBIT before one-offs	**203.4**	**203.4**	**EBIT before one-offs**
One-offs: income and charges	(2.8)	(2.8)	One-offs: income and charges
EBIT	**200.6**	**200.6**	**EBIT**

Comments on changes:

- the item sales and distribution costs is no longer shown under the new format, since:
  - distribution costs (€34.2 million in 2007), which are mostly variable, are now included in the cost of goods sold, together with the previous components (materials and manufacturing costs);
  - sales costs, i.e. the costs relating to sales and marketing operations (€70.9 million in 2007), are now included, together with general and administrative costs, in the new item structure costs;

- the figure for the cost of goods sold is higher in the new format as it includes distribution costs;
- the gross profit figure is lower, since it is now shown after distribution costs;
- trading profit, shown in the previous format, has been replaced by the contribution margin;
- the figure for the contribution margin is higher than that for trading profit as it no longer includes sales costs (i.e. the costs related to sales and marketing operations);
- the item structure costs, introduced in the new format, includes sales and distribution costs, as well as general and administrative expenses.

As the table below shows, EBIT before one-offs and EBIT remain unchanged, as do all subsequent income statement items; they are therefore fully comparable with results for previous years.

Income statement 2008

The Campari Group's results for 2008 were significantly impacted by unfavourable exchange rate effects (sharp fall in value of the US dollar) and negative external growth (termination of distribution of 1800 tequila in the United States).

The percentage increases or decreases versus the previous year, shown in the table below, are overall changes that include the negative impact of these factors.

	2008		2007		% change
	€million	%	€million	%	%
Net sales	**942.3**	**100.0**	**957.5**	**100.0**	**–1.6**
Cost of goods sold after distribution costs	(428.2)	–45.4	(441.4)	–46.1	–3.0
Gross profit after distribution costs	**514.1**	**54.6**	**516.2**	**53.9**	**–0.4**
Advertising and promotional costs	(172.9)	–18.3	(174.6)	–18.2	–1.0
Contribution margin	**341.2**	**36.2**	**341.5**	**35.7**	**–0.1**
Structure costs	(142.2)	–15.1	(138.1)	–14.4	3.0
EBIT before one-offs	**199.0**	**21.1**	**203.4**	**21.2**	**–2.1**
One-offs: income and charges	(3.6)	–0.4	(2.8)	–0.3	
EBIT	**195.4**	**20.7**	**200.6**	**20.9**	**–2.6**
Net financial income (charges)	(22.2)	–2.4	(17.0)	–1.8	30.7
Profit (loss) of companies valued at equity	0.2	–	(0.3)	–	–175.8
Put option charges	(1.0)	–0.1	–	–	
Profit before taxes and minority interests	**172.4**	**18.3**	**183.3**	**19.1**	**–5.9**
Tax	(45.7)	–4.8	(58.1)	–6.1	–21.4
Net profit	**126.7**	**13.5**	**125.2**	**13.1**	**1.2**
Minority interests	(0.2)	–	–	–	–
Group net profit	**126.5**	**13.4**	**125.2**	**13.1**	**1.1**
Total depreciation and amortisation	(19.3)	–2.0	(19.5)	–2.0	–1.3
EBITDA before one-offs	218.3	23.2	223.0	23.3	–2.1
EBITDA	**214.7**	**22.8**	**220.1**	**23.0**	**–2.5**

In 2008, **net sales** fell by 1.6% overall to €942.3 million, as organic growth of 2.7% was more than offset by negative external growth (–2.7%) and exchange rate effects (–1.6%).

For more details on these effects and on sales by region and business area, please refer to the Sales performance section above.

Cost of goods sold after distribution costs stood at 45.4% of sales, 0.7 percentage points lower than in 2007 (46.1%).

This improvement is entirely attributable to the termination of distribution of 1800 tequila in the US and the positive effect this had on the sales mix; if this factor is excluded from the 2007 consolidated income statement (i.e. almost on a same-structure basis compared to 2008), the cost of goods sold as a proportion of sales would have been 45.2%.

The real change in the proportion of the cost of goods sold to sales (+0.2%) relates to the increased cost of certain raw materials and transport after the oil price soared; however, these negative effects were partly offset by the reduction in production costs following the closure of the Sulmona plant.

Gross profit after distribution costs was €514.1 million, slightly lower (–0.4%) than in 2007.

In 2008, gross profit represented 54.6% of net sales, an increase of 0.7 percentage points compared to 2007, reflecting the lower cost of goods sold as a proportion of sales.

Advertising and promotional costs stood at 18.3% of sales, a slight increase on 2007 (18.2%).

The end-of-year advertising and promotional campaign was more intensive than in 2007, despite the progressive decline in market conditions.

The **contribution margin** for 2008 was €341.2 million, broadly in line with that of the previous year (–0.1%); organic growth of 2.8% was more than offset by negative external growth (–1.2%) and exchange rate effects (–1.8%).

As regards the external growth component, the negative impact was more marked on sales (–2.7%) than on the contribution margin (–1.2%), as the new Group brands Cabo Wabo and X-Rated are more profitable than 1800 tequila, which is no longer distributed by the Group.

Structure costs, which in the new income statement format include sales and marketing costs in addition to general and administrative expenses, increased by 3.0% overall in 2008, in line with expectations of low growth.

EBIT before one-offs fell by 2.1% in 2008 to €199.0 million, entirely due to negative exchange rate effects (–2.0%) and external growth (–2.5%); at constant exchange rates and on a same-structure basis, however, organic growth was 2.4%.

One-offs showed a negative balance of €3.6 million.

In 2008, the most significant figures were a capital gain of €6.1 million from the sale of the building at Cinisello Balsamo, booked under income, while the following were recorded under costs:

- €3.4 million needed to complete commercial transactions;
- €3.4 million in extraordinary personnel costs;
- €1.5 million in charges for the early termination of distribution agreements;
- €0.8 million for risk provisions.

The year-on-year change in this item (from a negative balance of €2.8 million), was €0.8 million in 2008.

EBIT was €195.4 million in 2008, a fall of 2.6% year-on-year, which was entirely due to negative exchange rate effects (–2.1%) and external growth (–2.4%); organic growth was 2.0%.

The EBIT margin was broadly in line with the 2007 figure (20.9%) at 20.7%.

Depreciation and amortisation charges totalled €19.3 million, a slightly lower figure than in 2007 (€19.5 million): the increase in amortisation charges was more than offset by the reduction in depreciation following the closure of the Sulmona plant.

Year-on-year performances at EBITDA level were in line with the changes in the EBIT before one-offs and EBIT figures.

EBITDA before one-offs decreased by 2.1% (–0.1% at constant exchange rates) to €218.3 million, while **EBITDA** fell by 2.5% (–0.4% at constant exchange rates) to €214.7 million.

Net financial charges increased to €22.2 million, from €17.0 million in 2007.

In 2008, this item included a net charge of €3.3 million relating to interest rate hedging agreements entered into with Lehman Brothers; the value of these agreements was written down following the bank's collapse.

Stripping out this component, net interest charges were only marginally higher than in 2007 since, although the average debt figure increased slightly, there was a reduction in the average interest rate paid.

Moreover, the fall in US interest rates, together with the depreciation of the dollar versus the euro, also helped keep down the overall amount of interest paid.

In the eurozone, where most of the Group's debt is held, average interest rates for the year were slightly higher in 2008 than in 2007, despite the deep cuts implemented from September onwards.

The Group's portion of **profits or losses of companies valued at equity** showed a positive balance of €0.2 million, compared with a negative balance of €0.3 million the previous year.

The companies accounted for by the equity method are two trading joint ventures that distribute products made by the Group and its partners, which are located in Belgium and the Netherlands.

The item **charges for put option** (€1.0 million) on the 2008 income statement relates to minority interests in Cabo Wabo, LLC and Sabia S.A.

In view of the put/call options on the minority holdings, which can be exercised in 2012 and 2015, the possible future purchase of the remaining 20% of Cabo Wabo and 30% of Sabia S.A. has been recorded on the balance sheet under liabilities, while 100% of the acquisition price has been recognised under assets in each case.

As a result, the portion of profit pertaining to the owners of the remaining stakes in Cabo Wabo and Sabia S.A. is not included in minority interests on the income statement, but is booked separately under liabilities.

Profit before tax and minority interests declined by 5.9% (–3.9% at constant exchange rates) compared with 2007, to €172.4 million.

Tax (deferred and current) totalled €45.7 million in 2008, substantially lower than the 2007 figure of €58.1 million.

The reduction was due to the lower amount of taxable income generated and to the significant cut in tax rates introduced in Italy in 2008.

Net profit before minority interests was €126.7 million, up 1.2% on the previous year (+3.2% at constant exchange rates), thanks to the lower tax rates.

Minority interests for the year were low, at €0.2 million.

Group net profit grew 1.1% compared to the previous year, to €126.5 million (+3.1% at constant exchange rates).

The net margin improved by 0.3% to 13.4% in 2008, from the 2007 result of 13.1%, which was already a highly positive figure.

Profitability by business area

Preliminary comments and new format

IAS 14 states that financial information should be provided in relation to both business area and region, and that companies must determine which of these is the primary reportable segment, and therefore subject to greater disclosure.

The Campari Group's primary reportable segment is business area; its results are therefore broken down into spirits, wines, soft drinks and other sales, and a results summary is provided for these four business areas.

As mentioned above, from 2008 reference will be made to the contribution margin rather than trading profit in this section (this change was initially implemented in the report for the six months ending 30 June 2008).

To provide a like-for-like comparison with 2008 results, the figures for 2007 have been reclassified using the new format; in addition, the reclassified figures by business area are presented side by side in the old and new formats in the table below.

The changes in the new format are:

- the figure for the cost of goods sold is now higher, as it includes distribution costs, while the gross profit figure is lower, since it is now shown after distribution costs;
- in the old format, profitability by brand and therefore business area was represented by trading profit, which has now been replaced by the contribution margin;
- the figure for the contribution margin is higher than that for trading profit as it no longer includes sales costs (i.e. the costs related to sales and marketing operations).

Reclassified tables for 2007

total - 2007			
previous format	€ million	€ million	new format
Net sales	957.5	957.5	Net sales
Gross profit	550.3		
		516.1	Gross profit after distribution costs
		341.5	Contribution margin
Trading profit	270.6		

spirits - 2007			
previous format	€ million	€ million	new format
Net sales	687.1	687.1	Net sales
Gross profit	424.6		
		405.9	Gross profit after distribution costs
		269.7	Contribution margin
Trading profit	219.3		

wines - 2007			
previous format	€ million	€ million	new format
Net sales	151.3	151.3	Net sales
Gross profit	65.7		
		59.3	Gross profit after distribution costs
		30.4	Contribution margin
Trading profit	16.6		

soft drinks - 2007			
previous format	€ million	€ million	new format
Net sales	102.4	102.4	Net sales
Gross profit	56.9		
		48.0	Gross profit after distribution costs
		38.5	Contribution margin
Trading profit	31.8		

other sales - 2007			
previous format	€ million	€ million	new format
Net sales	16.7	16.7	Net sales
Gross profit	3.2		
		2.9	Gross profit after distribution costs
		2.9	Contribution margin
Trading profit	2.9		

Profitability by business area 2008

The contribution margin was broadly unchanged versus 2007 at € 341.2 million (–0.1%); while the proportion of profit generated by each of the four business areas changed only slightly.

In particular, the contribution of spirits decreased from 79.0% in 2007 to 78.1% in 2008, while that of wines increased from 8.9% to 9.6%.

Contribution margin	2008		2007		2008/2007
	€ million	% of total	€ million	% of total	% change
Spirits	266.5	78.1%	269.7	79.0%	–1.2%
Wines	32.8	9.6%	30.4	8.9%	8.0%
Soft drinks	38.4	11.3%	38.5	11.3%	–0.1%
Other	3.5	1.0%	2.9	0.9%	20.2%
Total	**341.2**	**100.0%**	**341.5**	**100.0%**	**–0.1%**

Spirits

The contribution margin for spirits was €266.5 million in 2008, and although this represented a decline of 1.2% versus 2007 that was entirely due to negative exchange rate effects and external growth, as a proportion of net sales, the segment increased its contribution from 39.2% in 2007 to 40.1% in 2008.

	2008		2007		2008/2007
	€ million	% of sales	€ million	% of sales	% change
Net sales	663.9	100.0%	687.1	100.0%	–3.4%
Gross profit after distribution costs	403.3	60.7%	405.9	59.1%	–0.6%
Contribution margin	266.5	40.1%	269.7	39.2%	–1.2%

The table below shows overall profitability figures for spirits, breaking down the year-on-year changes in organic growth, external growth and exchange rate effects.

	total % change	organic growth	external growth	exchange rate effect
Net sales	–3.4%	2.4%	–3.8%	–2.0%
Gross profit after distribution costs	–0.6%	3.1%	–1.8%	–1.9%
Contribution margin	–1.2%	2.3%	–1.6%	–1.9%

As regards the performance of spirits on a same-structure basis and at constant exchange rates, note that:

– organic sales growth of 2.4% came from the good results of SKYY Vodka, Aperol, Brazilian whiskies, and to a lesser extent, Campari (all high-margin brands);

– the overall increase in gross profit at organic level (3.1%) was higher than that of sales (2.4%), thanks to a favourable sales mix;

– the more than proportional increase in advertising and promotional expenses meant that the increase in the contribution margin (2.3%) was lower than growth at gross margin level (3.1%).

The negative exchange rate effects attributable to US dollar depreciation had a similar impact on the contribution margin (–1.9%) and sales (–2.0%).

This is due to the fact that in important markets such as the US and Brazil, local production supplies local businesses, which means that any exchange rate differences at the sales and cost of sales levels are partly offset.

For external growth, the decline in the contribution margin (–1.6%) was less than proportional compared to sales (–3.8%) because the profitability of the third-party brands no longer distributed in 2008 (1800 tequila) was lower than that of the Group's own brands and its recent acquisitions X-Rated and Cabo Wabo.

Wines

The contribution margin for wines was €32.8 million in 2008, an increase of 8.0% on the previous year.

The contribution of wines to profitability also increased, from 20.1% in 2007, to 20.8%.

	2008		2007		2008/2007
	€ million	% of sales	€ million	% of sales	% change
Net sales	157.6	100.0%	151.3	100.0%	4.1%
Gross profit after distribution costs	59.6	37.8%	59.3	39.2%	0.5%
Contribution margin	32.8	20.8%	30.4	20.1%	8.0%

The table below shows overall profitability figures for wines, breaking down the year-on-year changes in organic growth, external growth and exchange rate effects.

	total % change	organic growth	external growth	exchange rate effect
Net sales	4.1%	4.4%	0.3%	–0.6%
Gross profit after distribution costs	0.5%	1.5%	0.3%	–1.3%
Contribution margin	8.0%	9.2%	0.6%	–1.8%

As regards the performance of wines on a same-structure basis and at constant exchange rates, note that:

- organic growth of 4.4% was boosted significantly by the good results of Cinzano vermouth (a low-margin brand);
- the increase in gross profit at organic level (1.5%) was lower than that of sales (4.4%), due to an unfavourable sales mix;
- lower advertising and promotional spending than in 2007 meant that growth in the contribution margin (9.2%) was higher than that of sales (4.4%).

The breakdown of the changes in exchange rate effects and external growth shows that exchange rates had a more negative impact on the contribution margin (–1.8%) than on sales (–0.6%).

It is worth noting that the situation for wines is different from that of spirits in terms of exchange rate effects, as for wines the impact on profit is more than proportional than on sales.

This is because production mostly takes place in Italy and the related costs are denominated in euro, so it is not possible for exchange rate fluctuations to offset the effects recorded at sales level.

The modest increase in external growth relates to third-party wines distributed by the newly-acquired company Sabia S.A. in Argentina (December 2008 only).

Soft drinks

The contribution margin for soft drinks was essentially flat versus 2007 at €38.4 million (–0.1%); in 2008 this segment represented 37.3% of sales (37.6% in 2007).

	2008		2007		2008/2007
	€ million	% of sales	€ million	% of sales	% change
Net sales	103.0	100.0%	102.4	100.0%	0.6%
Gross profit after distribution costs	47.6	46.2%	48.0	46.9%	–0.7%
Contribution margin	38.4	37.3%	38.5	37.6%	–0.1%

Sales of soft drinks are almost entirely concentrated on the Italian market and are therefore unaffected by exchange rates; external growth, meanwhile, had no effect during the period.

Sales (+0.6%) and profitability for this segment were broadly in line with the previous year.

Soft drink sales suffered more than other segments as a result of the rise in raw material costs (especially glass), as the products are mostly sold in small bottles and packaging costs are high.

Although the sales mix was positive, with growth of 4.1% in Crodino (a high-margin brand), the sharp rise in raw material costs impacted on the segment's gross profit for the year, taking it into negative territory (–0.7%).

Advertising and promotional expenses were largely unchanged versus 2007, but fell as a percentage of sales, which had a moderately positive effect at contribution margin level.

Other sales

The contribution margin for this minor segment, which includes sales of raw materials, and semi-finished and finished goods to third parties, grew by 20.2% versus 2007 to €3.5 million.

	2008		2007		2008/2007
	€ million	% of sales	€ million	% of sales	% change
Net sales	17.8	100.0%	16.7	100.0%	6.6%
Gross profit after distribution costs	3.6	20.4%	2.9	17.7%	23.2%
Contribution margin	3.5	20.0%	2.9	17.7%	20.2%

The table below shows overall profitability figures for the other sales segment, breaking down the year-on-year changes in organic growth, external growth and exchange rate effects.

	total % change	organic growth	external growth	exchange rate effect
Net sales	6.6%	14.2%	–	–7.6%
Gross profit after distribution costs	23.2%	37.8%	–	–14.6%
Contribution margin	20.2%	34.8%	–	–14.6%

Growth in sales and profitability for this segment came from the increase in bulk sales of Old Smuggler to third parties under a new bottling and distribution licence in the US; however, sales of the finished product fell in this market.

As the table above shows, the segment was hit by negative exchange rate effects (–7.6% on sales and –14.6% on profitability) in relation to the sales of malt distillate – these are recorded in the UK, and therefore in sterling, which fell sharply in value during the year.

FINANCIAL SITUATION

Cash flow statement

The table below shows a simplified and reclassified cash flow statement.

The main reclassification is the exclusion of cash flows relating to changes in short-term and long-term debt, and in investments in marketable securities: in this way, the total cash flow generated (or used) in the period coincides with the change in net debt.

This table also shows free cash flow; in other words, cash flow from operating activities net of interest and current investments.

	2008 €million	2007 €million
Operating profit	195.4	200.6
Depreciation	19.3	19.5
Changes in non-cash items	(10.8)	(1.4)
Changes in non-financial assets and liabilities	6.6	20.0
Taxes paid	(38.2)	(39.5)
Cash flow from operating activities before changes in working capital	**172.4**	**199.2**
Changes in operating working capital	(0.9)	(29.3)
Cash flow from operating activities	**171.5**	**169.9**
Net interest paid	(15.9)	(15.7)
Cash flow used for investment	(32.6)	(28.9)
Free cash flow	**123.0**	**125.3**
Acquisitions	(86.6)	(29.3)
Other changes	(5.9)	3.0
Dividend paid out by the Parent Company	(31.8)	(29.0)
Total cash flow used in other activities	**(124.3)**	**(55.4)**
Exchange rate differences and other changes	(10.3)	21.5
Change in net debt due to operating activities	**(11.6)**	**91.4**
Payables for exercise of put option and potential earn-out payment	(26.6)	–
Total net cash flow for the period = change in net debt	**(38.1)**	**91.4**
Net debt at the start of the period	(288.1)	(379.5)
Net debt at the end of the period	(326.2)	(288.1)

In 2008, **cash flow from operating activities** was €171.5 million, slightly higher than the amount generated the previous year (€169.9 million); however, although the increase of €1.6 million was relatively small, the impact of some of the components making up this item varied substantially in the two periods.

These changes mainly concerned:

- a €5.2 million drop in EBIT;
- a reduction in depreciation and amortisation charges of €0.2 million;
- a significant increase in the negative balance of non-cash items (€9.4 million), of which the main item – capital gains on asset sales – was €6.5 million in 2008, compared with €1.5 million the previous year;

- a €13.4 million negative change in non-financial assets and liabilities; in 2008 the portion relating to the change in tax credits and liabilities (increase in excise duty and VAT) was €6.6 million, compared to €20.0 million in 2007;
- a decrease in taxes paid of €1.3 million;
- an increase in operating working capital (at constant exchange rates) of only €0.9 million, compared to an increase of €29.3 million in 2007; this result was achieved courtesy of tighter control over inventories and trade receivables.

After paying net financial charges (€15.9 million) and financing investments (€32.6 million), both higher than in 2007, the Group's **free cash flow** amounted to €123.0 million in 2008, slightly below the 2007 figure (€125.3 million).

Gross investments (see Investments section below for more detail) totalled €50.0 million in 2008; the amount of net cash flow required was partly offset by:

- trade allowances received of €1.9 million;
- advances deducted of €6.8 million;
- proceeds from disposals of €8.7 million.

Cash flow used in other activities totalled €124.3 million in 2008, of which the largest portion (€86.6 million) was spent on acquisitions; the acquisitions completed during the year were:

- 80% of Cabo Wabo, LLC for €56.9 million;
- 100% of Destiladora San Nicolas, S.A. de C.V. for €14.0 million, but at a total cost of €20.9 million taking into account the company's debt (€8.2 million) and cash (€1.4 million);
- 70% of Sabia S.A. for €3.4 million, but at a total cost of €6.2 million taking into account the company's debt (€2.8 million);
- 26% of the new joint venture in India, for €0.5 million;
- Mondoro brands for the US (€1.0 million) and X-Rated (€1.1 million, required to complete the acquisition).

The other components included in this item included the purchase of own shares for €4.5 million and a Parent Company dividend payout of €31.8 million.

In 2007, cash flow used in other (non-operating) activities was substantially lower (€55.4 million), owing to a smaller amount spent on acquisitions (€29.3 million), proceeds from the sale of own shares (€1.5 million) and a lower dividend payout (€29.0 million).

Lastly, in 2008 **exchange rate differences and other changes** had a negative impact of €10.3 million on the cash flow statement, compared with a positive impact of €21.5 million in 2007.

The 2008 figure comprises:

- exchange rate gains of €11.5 million relating to operating working capital (which is always reported at constant exchange rates in the cash flow statement); these gains resulted from the sharp fall in value of the Brazilian real and sterling, which were partly offset by the rise in the US dollar at the end of the year;
- the effect of negative translation differences of €19.8 million on shareholders' equity;
- other exchange rate losses that had on impact on net debt of €2.0 million.

The Group's net debt position at 31 December 2008 also includes financial payables of €26.6 million relating to:

– possible exercise of a put option by minority shareholders of Cabo Wabo, LLC and Sabia S.A.;
– potential earn-out payments relating to the acquisitions of X-Rated in 2007 and Destiladora San Nicolas, S.A. de C.V. in 2008.

In respect of these financial payables, the stakes concerned have been recognised at a value corresponding to 100% of the share capital, including potential earn-out payments.

Further details of the agreements covering these acquisitions and the procedures for calculating the value of the put options and any earn-out payments are provided in the notes to the accounts (section 7 Business combinations).

Following the recognition of financial payables for the put option and earn-out, the net debt figure increased by €38.1 million.

Breakdown of net debt

The Group's debt relating to operating activities stood at €299.7 million at 31 December 2008, up from €288.1 million at 31 December 2007.

The main cash flow items that led to the year-on-year increase in net debt are shown in the cash flow statement.

The table below shows the debt structure at the beginning and end of the period.

	31 December 2008 €million	31 December 2007 €million
Cash and equivalents	172.6	199.8
Payables to banks	(107.5)	(114.4)
Real estate lease payables	(3.4)	(3.2)
Short-term portion of private placement	(8.9)	(8.4)
Other financial receivables and payables	(7.4)	(7.6)
Short-term net cash position	**45.5**	**66.3**
Payables to banks	(0.9)	(1.8)
Real estate lease payables	(10.5)	(12.9)
Private placement and bond	(337.4)	(338.8)
Other financial receivables and payables	3.7	(1.0)
Medium/long-term net debt	**(345.1)**	**(354.4)**
Debt relating to operating activities	**(299.7)**	**(288.1)**
Payables for potential exercise of put option and potential earn-out payments	(26.6)	–
Net debt	**(326.2)**	**(288.1)**

A comparison of figures for the two years under review reveals a balanced and unchanged financial structure.

In particular, the short-term net cash position was €45.5 million (€66.3 million at end-2007), while medium/long-term debt, mainly comprising a private placement and bond issue, decreased to €345.1 million from €354.4 million in 2007.

For more details on the two issues please refer to the notes to the accounts (section 36 Financial liabilities).

The Group's net debt position at 31 December 2008 also includes payables of €26.6 million relating to:

- the possible exercise of a put option by minority shareholders of Cabo Wabo, LLC and Sabia S.A.;
- potential earn-out payments relating to the acquisitions of X-Rated in 2007 and Destiladora San Nicolas, S.A. de C.V. in 2008.

The Group has recorded 100% of these companies under assets, and the financial payable represented by the put option and the potential earn-out payments under liabilities.

Further details of the agreements covering these acquisitions and the procedures for calculating the value of the put option and earn-out payments are provided in the notes to the accounts (section 7 Business combinations).

Excluding these liabilities, the Group's net debt at 31 December 2008 was €326.2 million, an increase of €38.1 million versus 2007.

Balance sheet

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

	31 December 2008 € million	31 December 2007 € million
Fixed assets	1,134.4	995.7
Other non-current assets and liabilities	(71.9)	(63.3)
Operating working capital	285.7	290.4
Other current assets and liabilities	(66.9)	(56.1)
Total invested capital	**1,281.2**	**1,166.7**
Shareholders' equity	955.0	878.6
Net debt	326.2	288.1
Total financing sources	**1,281.2**	**1,166.7**

Net invested capital at 31 December 2008 stood at €1,281.2 million, an increase of €114.5 million versus 31 December 2007; in particular, the €138.7 million increase in fixed assets related to:

- increases due to acquisitions totalling €103.6 million (including put option and earn-out);
- increases due to investments of €50.0 million;
- decreases due to depreciation and amortisation charges of €19.3 million;
- other positive net changes, including exchange rate effects, of €4.4 million.

The reduction in operating working capital versus 2007 (–€4.7 million), achieved at a time when the liquidity crisis is making such an achievement very difficult, is testimony to the Group's efforts and prudential management in this area.

The balance of all other current and non-current assets and liabilities (excluding those of a financial nature) shows a €24.1 million increase in liabilities, which kept down the total amount of net invested capital.

Contributing to this change were deferred taxes in respect of goodwill and trademark amortisation deductible locally (€11.7 million) and an increase in tax payables (€4.7 million).

With a substantial increase in invested capital (€114.5 million), some €76.4 million of financial coverage came from self-financing, with the remaining €38.1 million coming from debt.

This meant that the Group's solid financial structure remained more or less unchanged in 2008, with a debt-to-equity ratio of 34.2%, compared with 32.8% in 2007.

Investments

In 2008 investments totalled €50.0 million, of which:

- €44.5 million was spent on tangible assets;
- €2.8 million was spent on biological assets;
- €2.7 million was spent on intangible assets with a finite life.

Investments in tangible assets included €24.3 million relating to the new site in Sesto San Giovanni; this project, launched in 2006, will be completed in 2009 (total investment: around €40 million).

The remaining amount spent on tangible assets during the period was incurred by the Parent Company at its Novi Ligure, Canale and Crodo sites (€11.2 million), by Glen Grant Distillery Ltd. for a warehouse (€2.1 million) and by the Group's subsidiaries, mainly at their production plants (€6.9 million).

During the year, the Group received capital grants in respect of investments made of €1.9 million.

The investment in biological assets relates to the planting of new vines by Sella & Mosca S.p.A.

Lastly, the €2.7 million spent on finite-life intangible assets during the period related almost entirely to the purchase of licences and the development of additional SAP system modules relating to planning, cash management, product traceability and the Group's website.

Structure of the Campari Group

For information on changes in the Group's structure in 2008, see note 2 of the notes to the accounts Basis of consolidation.

EVENTS TAKING PLACE AFTER THE END OF THE YEAR

Acquisition of Odessa

On 13 March 2009 the Campari Group completed the acquisition of 99.25% of the capital of Ukrainian company CJSC Odessa Plant of Sparkling Wines, which was previously announced in December 2008.

The price, paid in cash was US$ 18.1 million (€14.2 million at the exchange rate in force on the transaction date), corresponding to 7 times estimated 2009 EBITDA; the remaining 0.75% of the share capital continues to be held by a small number of shareholders who are independent of the sellers of the majority stake.

With a total volume of 11 million bottles, mainly sold in Ukraine, the company owns a number of strong sparkling wine brands sold locally, and differentiates its products on price.

The brands, which have a prestigious reputation in Ukraine, include Odessa, Golden Duke and L'Odessika.

The business also includes a sparkling wine production plant.

The acquisition represents an important opportunity for Campari, as it strengthens its position in key markets in Eastern Europe.

In particular, the Ukraine is the second-biggest market for sparkling wines in Eastern Europe after Russia and is growing rapidly.

Distribution of Licor 43 in Germany

Following the agreements signed in January 2009, in March 2009 the Group began distributing Licor 43 and Villa Massa limoncello on the German market; the two brands are owned by Spanish group Diego Zamora (which also distributes the Group's brands in Spain).

OUTLOOK

Although the Group's fourth-quarter performance was below expectations due to the severe turbulence that spread from the financial markets to the real economy, the results for the year as a whole were satisfactory, especially in light of one-off factors – aside from the third-quarter financial crisis – that had a considerable impact on the business.

These included:

– the termination of distribution of a major and growing brand (1800 tequila) that gave the Group a significant presence in an important category of the US market;

– the difficulties inherent in integrating newly-acquired brands (Cabo Wabo and X-Rated) into the Group;

– the oil price spike and the attendant rise in the price of key raw materials, particularly glass, and in transport costs;

– the substantial depreciation of the US dollar leading to negative exchange rate effects.

The global economic situation means that forecasts for 2009 are necessarily cautious, as many countries around the world will suffer a recession.

The last few months of 2008 indicated that the credit crunch may have a negative and immediate effect on the ability of customers to maintain adequate stock levels, respect agreed payment terms, and in some cases, to survive the current crisis.

In such a scenario, tight controls over costs and working capital are a key objective.

However, the Group believes that the recession will have a limited effect on alcohol consumption, and that its main brands are robust, as shown by the growth in market share in the most important countries.

In addition, the fall in the oil price and, therefore, in the cost of other raw materials and transport, as well as a potentially more favourable euro / US dollar exchange rate compared to 2008, should mitigate to some extent the risks related to global economic uncertainty.

CORPORATE GOVERNANCE

Davide Campari-Milano S.p.A. has adopted the provisions of the Code of Conduct for Listed Companies published in March 2006 as its model for corporate governance.

The corporate governance report for 2008 was prepared based on the Trial format for corporate governance reports published by Borsa Italiana.

In accordance with article 89-*bis* of the Regulations issued by Consob with Resolution 11971 of 24 February 1999, the aim of this report is to provide the market and shareholders with comprehensive information on the Company's chosen corporate governance model and on the specific adoption, during the 2008 financial year, of all the recommendations contained in the Code, providing explanations of any non-compliance with any of the Code's principles and the action taken in this regard.

The report is available online at www.camparigroup.com, in the Investors / Corporate Governance section.

RISK MANAGEMENT

Risks related to the current global economic situation

2008 was marked by the crisis in the global financial system, which was exacerbated by the collapse of Lehman Brothers, one of the world's biggest investment banks, in the last quarter of the year.

The recession affecting the world's major economies is so far having a limited impact on alcohol consumption, even though the financial markets are in sharp decline.

The tighter credit conditions imposed on the corporate sector by banks have started to cause major liquidity problems, especially for smaller companies, and this has led to some customers reducing their orders and stock levels.

Risks relating to international trade and operations in emerging markets

In line with its international growth strategy, the Group currently operates in numerous markets, and plans to expand in certain emerging countries, especially in Eastern Europe, Asia and Latin America.

Operating in emerging markets makes the Group vulnerable to various risks inherent in international business, including exposure to an often unstable local political and economic environment, exchange rate fluctuations (and related hedging issues), export and import quotas, and limits or curbs on investment, advertising or repatriation of dividends.

Risks relating to licences for the use of third-party brands and licences granted to third parties for use of the Group's brands

At 31 December 2008, some 14% of the Group's consolidated net sales came from production and/or distribution under licence of third-party products.

Should any of these licensing agreements be terminated for any reason or not renewed, this could have a negative effect on the Group's activities and operating results.

Risks relating to market competition

The Group operates in the highly-competitive alcoholic and soft drinks segments, which attract a large number of players.

The main competitors, however, are large international groups involved in the current wave of mergers and acquisitions, which are operating aggressive strategies at global level.

The Group's competitive position vis-à-vis the most important global players, which often have greater financial resources and benefit from a more highly diversified portfolio of brands and geographic locations, means that its exposure to market competition risks is particularly significant.

Risks relating to consumer preference and propensity to spend

An important success factor in the drinks industry is the ability to interpret consumer preferences and tastes – particularly those of young people – and to continually adapt sales strategies to anticipate market trends and strengthen and consolidate the product image.

If the Group's ability to understand and anticipate consumer tastes and expectations and to manage its own brands were to decline significantly, this could considerably affect its activities and operating results.

Moreover, the unfavourable economic situation in certain markets is dampening the confidence of consumers, making them less likely to buy drinks.

Risks relating to legislation in the drinks industry

Activities relating to the alcoholic and soft drinks industry – production, distribution, import and export, sales and marketing – are governed by complex national and international legislation, often drafted with somewhat restrictive aims.

The increasing requirement to protect the health of consumers, particularly young people, could in the future lead to the adoption of new laws and regulations aimed at discouraging or reducing the consumption of alcoholic drinks.

Such measures could include restrictions on advertising or tax increases for certain product categories.

Any tightening of regulations in the main countries in which the Group operates could lead to a fall in demand for its products.

Tax risks

At the reporting date, a tax dispute was pending with the Brazilian legal authorities, and there was also a risk of further tax inspections following the notification of an investigation relating to the financial years 2004 and 2005 with reference to the Parent Company and Campari Italia S.p.A. (see note 38 Reserves for risk and future liabilities for more information).

Risks relating to environmental policy

The Group's industrial activities do not carry any specific risks relating to environmental policy; however, its industrial management has implemented procedures dedicated to safety and quality control in the area of environmental pollution and disposal of solid waste and waste water.

These activities have been carried out in compliance with the regulations in force in the countries in which the Group operates.

Risks relating to product compliance and safety

The Group is exposed to risks relating to its responsibility to ensure that its products are safe for consumption.

It has therefore put in place procedures to ensure that products manufactured in Group plants are compliant and safe in terms of quality and hygiene, in accordance with the laws and regulations in force, and voluntary certification standards.

In addition, the Group has defined guidelines to be implemented if quality is accidentally compromised, such as withdrawing and recalling products from the market.

Risks relating to employees

In the various countries where the Group has subsidiaries, its dealings with employees are regulated and protected by collective labour agreements and the regulations in force locally.

Any reorganisation or restructuring undertaken, where this becomes essential for strategic reasons, is defined on the basis of plans agreed with employee representatives.

Moreover, the Group has implemented specific procedures to monitor workplace safety, and it is worth noting that the accident rate at Group plants is very low and that any accidents that do happen tend to be minor.

Exchange rate and other financial risks

Around 41.2% of the Group's consolidated net sales in 2008 came from outside the European Union.

With the growth in the Group's international operations in areas outside the eurozone, a significant fluctuation in exchange rates could hit the Group's activities and operating results, particularly in relation to the US dollar and Brazilian real.

For more information about financial risks, see note 44 Nature and extent of risks arising from financial instruments.

RECONCILIATION OF THE PARENT COMPANY AND GROUP NET PROFIT AND SHAREHOLDERS' EQUITY

Pursuant to the Consob communication of 28 July 2006, the table below shows a reconciliation between the net profit for the period and shareholders' equity for the Group and the Parent Company Davide Campari–Milano S.p.A.

	31 December 2008		31 December 2007	
	Shareholders' equity €/000	Profit €/000	Shareholders' equity €/000	Profit €/000
Shareholders' equity and net profit of Davide Campari-Milano S.p.A.	548,455	33,494	543,727	27,483
Elimination of book value of consolidated shareholdings:				
Difference between book value and pro rata value of shareholders' equity of shareholdings	476,763		436,933	
Pro rata results of subsidiaries		160,689		318,268
Portion of net profit attributable to minorities	(2,805)	(1,187)	(1,928)	(33)
Elimination of the effects of transactions between consolidated companies:				
Elimination of intragroup dividends		(61,523)		(213,750)
Elimination of intragroup profits and capital gains	(13,935)	(4,866)	(12,059)	(14,834)
Other operations:				
Harmonisation of accounting policies	116	–	122	249
Taxes on subsidiaries' reserves	(625)	(61)	(564)	7,767
Conversion differences on goodwill in foreign currency	(35,355)		(61,469)	
Conversion difference	(19,754)	–	(28,135)	–
Group shareholders' equity and net profit	**952,861**	**126,547**	**876,627**	**125,150**
Shareholders' equity and net profit attributable to minorities	2,136	199	1,928	33
Consolidated shareholders' equity and net profit	954,997	126,746	878,555	125,184

Investor information

Macroeconomic situation and equity markets

The main events in the first half of 2008 were the continuing US subprime mortgage crisis, which triggered a credit crunch and contributed to increasing volatility in share prices, and strong inflationary pressure on the commodities markets.

The global financial crisis worsened considerably in the second half of the year, and September 2008 saw substantial upheaval for some of the biggest US financial institutions in the US and Europe.

The widespread uncertainty over possible counterparty insolvencies after the investment bank Lehman Brothers filed for bankruptcy protection sent stock markets plummeting, which raised fears of a financial system collapse and recession in the advanced economies.

Governments and central banks worldwide took coordinated action, providing a flow of liquidity to financial institutions and the economy, widening guarantees on bank deposits, and in many countries, shoring up the balance sheets of banks in difficulty.

Despite the partial alleviation of the financial crisis, the world's main economies declined rapidly.

The downturn in economic activity led to a sharp fall in commodities prices, particularly energy, which in turn brought down consumer price inflation in the major economies.

With inflation falling and the economic situation deteriorating, deep cuts in interest rates were implemented in the US (to almost zero), the eurozone and elsewhere.

In the eurozone, the slide in export demand and the credit crunch impacted on corporate investment decisions.

Towards the end of the year, industrial output showed signs of decline and all confidence indicators began to deteriorate.

After short and medium-term inflation expectations were revised down sharply, the European Central Bank cut its key interest rates by a total of 175 basis points in the fourth quarter of 2008.

In Italy, GDP contracted by 0.3% in 2008, reflecting a sharp decline in corporate investment, a drop in exports and stagnation of consumer spending.

The economic situation continued to worsen in the last few months of 2008, as the recession dampened demand for corporate and consumer credit from banks.

Loans to small firms fell particularly sharply, partly because of progressively tighter lending conditions.

Against this backdrop, all of the world's equity markets ended 2008 in negative territory.

The MSCI Europe index closed down 44.8%, while in Italy the S&P/MIB and Midex declined by 49.5% and 52.4% respectively; in the US the S&P 500 lost 38.5% over the year.

On the currency markets, the euro's rise in value against the other major currencies continued in the first few months of 2008, while at the end of the year, the US dollar strengthened significantly, particularly against the euro.

Spirits segment and Campari shares

In 2008, companies in the spirits segment were affected by the general fall on the equity markets; the FTSEurofirst Beverages benchmark index fell 39.4%.

This performance showed that while the spirits segment is more defensive than other sectors, it was not totally immune to the unfavourable economic conditions.

The negative performance of the benchmark index was caused by various factors, including:

- fears of slowing consumption in western markets, particularly in the US and emerging countries;
- the general increase in commodities prices, partly as the recession reduced spirits companies' pricing power;
- refinancing risks, for companies with high levels of debt;
- ongoing currency volatility;
- the possibility of increases in excise duties as governments seek to bolster dwindling tax revenues.

Given these macroeconomic and market conditions, Campari shares, which are listed on the blue chip segment of the Italian stock market, recorded a fall of 26.8% in absolute terms in 2008 compared with the closing price at 28 December 2007.

The Campari stock fared decidedly better than the Italian market and sector indices, notably outperforming the Mibtel, S&P/MIB and Midex by 21.9%, 22.8% and 25.6% respectively.

It also outperformed the FTSEurofirst Beverages index by 12.6%.

In 2008, the minimum and maximum closing prices of €3.85 and €6.60 were recorded on 5 December and 2 January respectively.

In 2008, the daily average trading value for Campari shares was €3.7 million, with an average daily volume of 663 thousand shares.

At 31 December 2008, Campari's market capitalisation was €1,394 million.

Performance of the Campari share price and the Mibtel and FTSEurofirst Beverages indices since 1 January 2008

Revised shareholder base

At 31 December 2008, the main shareholders were:

Shareholder (1)	No. of ordinary shares	% of share capital
Alicros S.p.A.	148,104,000	51.000%
Cedar Rock Capital	21,857,798	7.527%

(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%.

Dividend

The dividend proposed for 2008 is €0.11 per share outstanding, unchanged from the previous year.

The dividend will be paid on 21 May 2008 (coupon no. 5 should be detached on 18 May 2008) except on own shares.

Stock information (1)		2008	2007	2006	2005	2004	2003	2002	2001
Reference share price									
Price at end of period	€	4.80	6.56	7.52	6.24	4.73	3.85	3.00	2.64
Maximum price	€	6.60	8.41	8.10	6.78	4.78	3.85	3.78	3.10
Minimum price	€	3.85	6.50	6.28	4.48	3.57	2.74	2.53	2.18
Average price	€	5.55	7.54	7.32	5.74	4.04	3.30	3.16	2.72
Capitalisation and volume:									
Average daily trading volume	Number of shares	662,927	763,806	594,348	487,006	429,160	378,940	530,930	723,750
Average daily trading value	€million	3.7	5.8	4.4	2.8	1.7	1.3	1.7	2.1
Stock market capitalisation (2) at end of period	€million	1,394	1,904	2,183	1,812	1,372	1,117	871	766
Dividend:									
Dividend per share (3)	€	0.11	0.11	0.10	0.10	0.10	0.088	0.088	0.088
Total dividend (3)(4)	€million	31.7	31.8	29.0	28.1	28.1	24.7	24.7	24.7

(1) Ten-for-one share split effective as of 9 May 2005.
(2) Initial Public Offering on 6 July 2001 at the price of €3.10 per share. Average daily volumes after the first week of trading were 422,600 shares in 2001; the average daily value after the first week of trading was €1,145,000 in 2001.
(3) Classified on an accruals basis.
(4) In 2001, 2002 and 2003, 280,400,000 shares carried dividend rights. Figures for subsequent years were: 281,048,090 shares in 2004; 281,356,013 shares in 2005; 290,399,453 shares in 2006 and 289,355,546 shares in 2007.

Stock market indicators [1]		2008 IAS / IFRS	2007 IAS / IFRS	2006 IAS / IFRS	2005 IAS / IFRS	2004 IAS / IFRS	2003 Italian accounting standards	2002 Italian accounting standards	2001 Italian accounting standards
Shareholders' equity per share	€	3.29	3.03	2.74	2.39	2.15	1.89	1.65	1.48
Price/book value	x	1.46	2.17	2.74	2.61	2.20	2.04	1.82	1.78
Earnings per share (EPS) [2]	€	0.44	0.43	0.41	0.42	0.35	0.27	0.30	0.22
P/E (price/earnings)	x	10.9	15.2	18.3	14.9	13.7	14.0	10.1	12.1
Payout ratio (dividend/net profit) [3]	%	25.1	25.4	24.7	23.8	29.0	30.9	28.5	38.9
Dividend yield (dividend/price) (3) (4)	%	2.3	1.7	1.3	1.6	2.1	2.3	2.9	3.3

(1) Ten-for-one share split effective as of 9 May 2005.
(2) For the 2004, 2005, 2006 and 2007 financial years, this is calculated using the weighted average number of ordinary shares outstanding as defined in IAS 33.
(3) Proposed dividend for the 2008 financial year.
(4) Dividend yield calculated using the share price at the end of the period.

Investor relations

The company attaches great importance to its relationships with shareholders and institutional investors.

As part of the company's reporting procedures, including regular results disclosure and the announcement of extraordinary operations, the Group spoke to investors at important international and sector conferences and organised a number of meetings in Italy and all the main financial centres in Europe, the United States and Japan.

In order to facilitate its dialogue with shareholders, the Group has dedicated a section on its website to investor relations, which it constantly updates (http://investors.camparigroup.com).

In addition to financial information (press releases, presentations, annual, half-yearly and quarterly reports, stock market trading information, etc.), the investor relations section also contains information and documents of interest to shareholders, such as organisational charts (composition of the Board of Directors and Board of Statutory Auditors) and corporate governance reports.

CONSOLIDATED ACCOUNTS

FINANCIAL STATEMENTS

Consolidated income statement

	Note	2008 €/000	of which: related parties €/000	2007 €/000	of which: related parties €/000
Net sales	10	**942,329**	**12,922**	**957,510**	**19,527**
Cost of goods sold	11	(428,211)	*16*	(441,356)	*75*
Gross profit		**514,118**	**12,938**	**516,154**	**19,602**
Advertising and promotional costs		(172,875)	*(4,070)*	(174,639)	*(9,268)*
Contribution margin		**341,243**	**8,868**	**341,515**	**10,334**
Structure costs	12	(145,856)	*(1,286)*	(140,947)	*(240)*
of which: one-offs	*17*	*(3,649)*	*(1,541)*	*(2,835)*	–
EBIT		**195,387**	**7,582**	**200,568**	**10,094**
Financial income and charges	18	(22,205)	*19*	(16,984)	*128*
of which: one-offs	*18*	*(3,308)*		–	
Share in profit (loss) of companies valued at equity	8	230	*230*	(303)	*(303)*
Put option charges	19	(987)	–	–	–
Profit before tax		**172,426**	**7,830**	**183,281**	**9,919**
Tax	20	(45,680)	–	(58,097)	–
Net profit		**126,746**	**7,830**	**125,184**	**9,919**
Minority interests	35	(199)	–	(33)	–
Group net profit		**126,547**	**7,830**	**125,150**	**9,919**
Basic and diluted earnings per share (€)		0.44		0.43	

Consolidated balance sheet

	Note	31 December 2008 € / 000	of which: related parties € / 000	31 December 2007 € / 000	of which: related parties € / 000
ASSETS					
Non-current assets					
Net tangible fixed assets	22	176,486	–	155,418	–
Biological assets	23	18,018	–	15,899	–
Investment property	24	666	–	4,014	–
Goodwill and trademarks	25	920,315	–	812,192	–
Intangible assets with a finite life	27	5,105	–	5,089	–
Investments in affiliated companies and joint ventures	8	1,101	–	608	–
Deferred tax assets	20	14,362	–	15,875	–
Other non–current assets	28	7,473	–	10,009	–
Total non-current assets		**1,143,525**	–	**1,019,103**	–
Current assets					
Inventories	29	165,717	–	166,937	–
Trade receivables	30	272,096	*5,192*	279,986	*8,553*
Short–term financial receivables	31	4,093	*636*	2,878	*823*
Cash and equivalents	32	172,558	–	199,805	–
Other receivables	30	32,447	*1,551*	37,140	*3,015*
Total current assets		**646,912**	***7,379***	**686,747**	***12,390***
Non-current assets available for sale	33	12,670	–	2,473	–
Total assets		**1,803,107**	***7,379***	**1,708,323**	***12,390***
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	34	29,040		29,040	
Reserves	34	923,821		847,587	
Parent Company's portion of shareholders' equity		952,861		876,627	
Minorities' portion of shareholders' equity	35	2,136		1,928	
Total shareholders' equity		**954,997**	–	**878,555**	–
Non-current liabilities					
Bonds	36	316,852	–	287,651	–
Other non-current financial liabilities	36	56,654	–	72,602	–
Defined benefit plans	37	10,663	–	11,657	–
Reserve for risks and future liabilities	38	9,013	–	11,038	–
Deferred tax liabilities	20	69,486	–	60,696	–
Other non-current liabilities					
Total non-current liabilities		**462,668**	–	**443,644**	–
Current liabilities					
Payables to banks	36	107,454	–	114,375	–
Other financial payables	36	25,843	–	21,168	–
Payables to suppliers	39	152,145	*1,012*	156,552	*3,262*
Payables to tax authorities	41	59,273	*22,016*	54,592	*20,107*
Other current liabilities	39	40,727	–	39,437	–
Total current liabilities		**385,442**	***23,028***	**386,124**	***23,369***
Total liabilities and shareholders' equity		**1,803,107**	***23,028***	**1,708,323**	***23,369***

Consolidated cash flow statement

	Note	2008 € / 000	2007 € / 000
Cash flow from (used in) operating activities			
Operating profit		195,387	200,568
Adjustments to reconcile net profit and cash flow:			
Depreciation and amortisation	13	19,301	19,548
Gains on sales of fixed assets	17	(6,471)	(1,489)
Write-downs of tangible fixed assets	22	204	47
Fund provisions	37-38	3,293	5,072
Use of funds	37-38	(5,868)	(4,620)
Other non-cash items		(1,921)	(403)
Changes in operating working capital		(859)	(29,332)
Other changes in non-financial assets and liabilities		6,649	20,000
Taxes paid		(38,201)	(39,510)
		171,514	**169,882**
Cash flow from (used in) investing activities			
Purchase of tangible and intangible fixed assets	22-23-27	(48,108)	(33,622)
Gains on sales of tangible fixed assets	33	8,704	2,579
Payments on account in respect of fixed assets	30	6,834	2,168
Acquisition of trademarks	25	(2,100)	(29,328)
Acquisition of companies or holdings in subsidiaries	7	(84,474)	
Debt assumed with acquisitions	7	11,024	
Interest income		9,494	9,855
Dividends received		148	231
Other changes		193	1,571
		(98,286)	**(46,546)**
Cash flow from (used in) financing activities			
Repayment of medium/long-term financing	36	(13,129)	(12,380)
Net change in short-term bank debt	36	(17,272)	(90,992)
Interest expense		(25,415)	(25,542)
Change in other financial payables and receivables		1,880	36
Purchase and sale of own shares	42	(4,510)	1,465
Dividends paid to minority shareholders		(686)	
Net change in securities	31	(3,103)	975
Dividend paid out by Parent Company	34	(31,829)	(29,040)
		(94,065)	**(155,478)**
Exchange rate differences and other changes in shareholders' equity			
Effect of exchange rate differences on operating working capital		11,513	4,045
Other exchange rate differences and other changes in shareholders' equity		(17,923)	(11,073)
		(6,409)	**(7,029)**
Net increase (decrease) in cash and cash equivalents		**(27,246)**	**(39,170)**
Cash and cash equivalents at start of period	32	199,805	238,975
Cash and cash equivalents at end of period	32	172,558	199,805

Statement of changes in shareholders' equity

	Group shareholders' equity					Minority	Total
	Share capital	Legal reserve	Retained earnings	Other reserves	**Total**	interests	shareholders' equity
	€/000	**€/000**	**€/000**	**€/000**	**€/000**	**€/000**	**€/000**
Balance at 1 January 2007	**29,040**	**5,808**	**765,360**	**(4,320)**	**795,888**	**1,895**	**797,783**
Dividend payout to Parent Company shareholders	–	–	(29,040)	–	**(29,040)**	–	(29,040)
Purchase of own shares	–	–	(11,132)	–	**(11,132)**	–	(11,132)
Sale/use of own shares	–	–	9,544	–	**9,544**	–	9,544
Stock options	–	–	406	2,512	**2,918**	–	2,918
Conversion difference	–	–	–	(28,135)	**(28,135)**	–	(28,135)
Capital gains on sale of own shares	–	–	3,053	–	**3,053**	–	3,053
Valuation of hedging instruments (cash flow hedge)	–	–	–	7,873	**7,873**	–	7,873
Tax effect on profit (loss) allocated directly to shareholders' equity	–	–	507	–	**507**	–	507
Profit for the period	–	–	125,150	–	**125,150**	33	125,184
Balance at 31 December 2007	**29,040**	**5,808**	**863,848**	**(22,070)**	**876,626**	**1,928**	**878,555**
Dividend payout to Parent Company shareholders	–	–	(31,829)	–	**(31,829)**	–	(31,829)
Purchase of own shares	–	–	(4,510)	–	**(4,510)**	–	(4,510)
Stock options	–	–	–	3,879	**3,879**	–	3,879
Conversion difference	–	–	–	(19,754)	**(19,754)**	8	(19,746)
Valuation of hedging instruments (cash flow hedge)	–	–	(239)	2,141	**1,902**	–	1,902
Profit for the period	–	–	126,547	–	**126,547**	199	126,746
Balance at 31 December 2008	**29,040**	**5,808**	**953,817**	**(35,803)**	**952,861**	**2,136**	**954,997**

Statement of total Group profits and losses

	2008 € / 000	2007 € / 000
Net gains on valuations at fair value, excluding tax effect	1,902	7,873
Capital gain on sale of own shares		3,053
Tax effect on profits (losses) allocated directly to shareholders' equity		507
Conversion difference	(19,754)	(28,135)
Profits (losses) allocated directly to shareholders' equity	**(17,852)**	**(16,702)**
Net profit for the year	126,547	125,150
Total profits (losses) reported by the Group for the year	**108,695**	**108,448**
Minorities' profits (losses)	199	33
Conversion difference	8	
Total profits (losses) reported for the year	**108,902**	**108,481**

NOTES TO THE ACCOUNTS

1. General information

Davide Campari S.p.A. is a company listed on the Italian stock market, with registered office at Via Filippo Turati 27, Milan, Italy.

The company is registered with the Milan companies register and REA (business administration register) under no. 1112227.

Davide Campari-Milano S.p.A., is controlled by Alicros S.p.A., which is controlled by Fincorus S.p.A.

The Group operates in 190 countries, boasting a leading position on the Italian and Brazilian markets and prime positions in the US, Germany and continental Europe.

The Group has an extensive product portfolio in three segments: spirits, wines and soft drinks.

The spirits segment encompasses internationally-recognised brands such as Campari, SKYY Vodka and Cynar, as well as brand leaders in local markets including Aperol, CampariSoda, Glen Grant, Ouzo 12, Zedda Piras, Dreher, Old Eight and Drury's.

In the wines segment, apart from Cinzano, which is well-known all over the world, the main brands are Liebfraumilch, Mondoro, Riccadonna, Sella & Mosca and Teruzzi & Puthod.

Lastly, the soft drinks segment covers the extended ranges of Crodino and Lemonsoda, which are leading brands on the Italian market.

The consolidated accounts of the Campari Group for the year ending 31 December 2008 were approved on 18 March 2009 by the Board of Directors of the Parent Company Davide Campari-Milan S.p.A., which has authorised their publication.

The Board of Directors reserves the right to amend the results should any significant events occur that require changes to be made, up to the date of the shareholders' meeting of the Parent Company.

The accounts are presented in euro, the reference currency of the Parent Company and many of its subsidiaries.

2. Preparation criteria

The consolidated accounts for the year ending 31 December 2008 were prepared in accordance with the international accounting standards (IFRS) issued by the International Accounting Standards Board (IASB) and ratified by the European Union.

These also include all the revised international accounting standards (International Accounting Standards – IAS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).

The accounts were prepared on a cost basis, with the exception of financial derivatives, biological assets and new acquisitions, which were reported at fair value.

The book value of assets and liabilities subject to fair value hedging transactions, which would otherwise be recorded at cost, has been adjusted to take account of the changes in fair value attributable to the risk being hedged.

Unless otherwise indicated, the figures reported in these notes are expressed in thousand euro.

Consolidation principles

The consolidated accounts include the financial statements of the Parent Company and the Italian and foreign companies over which the Parent Company exercises direct or indirect control, as defined in IAS 27 (Consolidated and Separate Financial Statements).

These accounting statements, based on the same financial year as the Parent Company and drawn up for the purposes of consolidation, have been prepared in accordance with the international accounting standards adopted by the Group.

Joint ventures and companies over which the Group exercises a significant influence are accounted for by the equity method.

Form and content

In accordance with the format selected by the Group, the income statement is classified by function, and the balance sheet shows current and non-current assets and liabilities separately.

We consider that this format will provide a more meaningful representation of the items that have contributed to the Group's results and its balance sheet and financial position.

In the income statement (classified by function), the EBIT line is shown before and after one-offs such as capital gains/losses on the sale of shareholdings, restructuring costs and any other non-recurring income/expenses.

The definition of "non-recurring" or "one-off" conforms to that set out in the Consob communication of 28 July 2006 (DEM/6064296).

In 2008, the Group did not carry out any atypical and/or unusual transactions, which are defined in the Consob communication as significant/substantial transactions that are atypical and/or unusual because the counterparties, the object of the transaction, the method used to determine the price and timing of the transaction (proximity to year end) could give rise to doubts over the accuracy or completeness of the information provided in the accounts, conflicts of interest, safeguarding of company assets and the protection of minority shareholders.

The cash flow statement was prepared using the indirect method.

With regard to the segment information required by IAS 14, the Group's primary reporting is by business segment and its secondary reporting by geographical segment.

Basis of consolidation

The following changes in the basis of consolidation occurred in 2008:

- on 2 January 2008, as part of the acquisition of Cabo Wabo, the Group obtained 80% stakes in Cabo Wabo, LLC, a company based in San Francisco, US, and Redfire Mexico S. de R.L. de C.V., headquartered in Jalisco, Mexico;
- on 1 October 2008, Campari Japan Ltd., a company that will operate solely in sales and marketing, was established;
- on 7 November 2008, 100% of Destiladora San Nicolas, S.A. de C.V., based in Jalisco, Mexico, was acquired;
- on 19 November 2008, the acquisition of 70% of Sabia S.A., a company based in Buenos Aires, Argentina, was completed;
- in the fourth quarter of the year, Lacedaemon B.V., a holding company based in Amsterdam, was wound up.

Please see note 7 – Acquisitions – for information on the effects of these acquisitions.

The following transactions also related to the basis of consolidation, but with no effects:

- Kaloyiannis Bros S.A. and Koutsikos Distilleries S.A. merged on 2 April 2008;
- Campari Teoranta, a Dublin-based financial and services company was placed in liquidation on 2 April 2008.

The following changes concern the stakes held by the Group in joint ventures and affiliates:

- on 1 January, the Group's stake in MCS S.c.a.r.l., an affiliated company, rose from 33.33% to 50% following the exit of one of the partners from the shareholder base;

– on 14 April 2008 the stake in the joint venture Summa S.L., which operates in Spain, was sold to the Gonzalez Byass group, owner of the rest of the shares;
– on 23 December 2008, a minority stake of 26% was acquired in the Indian joint venture Focus Brands Trading (India) Private Ltd., in which the majority stake is held by the Jubilant group.

The tables below list the companies included in the basis of consolidation at 31 December 2008.

		Share capital at 31 December 2008		% owned by the Parent Company		
Name, activity	Head office	Currency	Amount	Direct	Indirect	Direct shareholder
PARENT COMPANY						
Davide Campari-Milano S.p.A. holding and manufacturing company	Via Filippo Turati, 27, Milan	€	29,040,000			
FULLY CONSOLIDATED COMPANIES						
Italy						
Campari Italia S.p.A., trading company	Via Filippo Turati, 27, Milan	€	1,220,076	100.00		
Sella & Mosca S.p.A., manufacturing, trading and holding company	I Piani, Alghero	€	15,726,041	12.00	88.00	Zedda Piras S.p.A. (88%), Davide Campari-Milano S.p.A. (12%)
Sella & Mosca Commerciale S.r.l., trading company	I Piani, Alghero	€	100,000		100.00	Sella & Mosca S.p.A.
Zedda Piras S.p.A., manufacturing, trading and holding company	Piazza Attilio Deffenu 9, Cagliari (operational headquarters in Alghero)	€	16,276,000	100.00		
Turati Ventisette S.r.l., dormant company	Via Filippo Turati, 27, Milan	€	10,000	100.00		
Europe						
Campari Deutschland GmbH, trading company	Bajuwarenring 1, Oberhaching	€	5,200,000		100.00	DI.CI.E. Holding B.V.
Campari Finance Belgium S.A., finance company	Avenue Louise 149/24, Brussels	€	246,926,407	26.00	74.00	Davide Campari-Milano S.p.A (26%), Glen Grant Ltd. (39%), DI.CI.E Holding B.V. (35%)
Campari Teoranta, holding and services company (*)	Merchants Hall, 25-26 Merchants Quay, Dublin	€	1,000,000		100.00	DI.CI.E. Holding B.V.
Campari France, manufacturing company	15 ter, Avenue du Maréchal Joffre, Nanterre	€	2,300,000		100.00	DI.CI.E. Holding B.V.
Campari International S.A.M., trading company	7 Rue du Gabian, Monaco	€	180,000,000		100.00	DI.CI.E. Holding B.V.
Campari Schweiz A.G., trading company	Lindenstrasse 8, Baar	CHF	2,000,000		100.00	DI.CI.E. Holding B.V.
DI.CI.E. Holding B.V., holding company	Atrium, Strawinskylaan 3105, Amsterdam	€	15,015,000		100.00	
Kaloyiannis - Koutsikos Distilleries S.A., manufacturing and trading company	6 & E Street, A' Industrial Area, Volos	€	8,884,200		75.00	O-Dodeca B.V.
O-Dodeca B.V., holding company	Atrium, Strawinskylaan 3105, Amsterdam	€	2,000,000		75.00	DI.CI.E. Holding B.V.

Name, activity	Head office	Share capital at 31 December 2008 Currency	Amount	% owned by the Parent Company Direct	Indirect	Direct shareholder
Prolera LDA, services company	Rua Dos Murças 88, Funchal	€	5,000	100.00		
Société Civile du Domaine de Lamargue, manufacturing and trading company	Domaine de la Margue, Saint Gilles	€	4,793,183		100.00	Sella & Mosca S.p.A.
Glen Grant Whisky Company Ltd., dormant company	Glen Grant Distillery, Rothes, Morayshire	GBP	1,000,000		100.00	DI.CI.E. Holding B.V.
Glen Grant Distillery Company Ltd., manufacturing and trading company	Glen Grant Distillery, Rothes, Morayshire	GBP	1,000,000		100.00	Glen Grant Ltd.
Glen Grant Ltd., holding company	Glen Grant Distillery, Rothes, Morayshire	GBP	24,949,000		100.00	DI.CI.E. Holding B.V.
Old Smuggler Whisky Company Ltd., manufacturing and trading company	Glen Grant Distillery, Rothes, Morayshire	GBP	1,000,000		100.00	Glen Grant Ltd.
Campari Austria GmbH, trading company	Parkring 10 / Liebenberggasse 7, Vienna	€	500,000		100.00	DI.CI.E. Holding B.V.
Americas						
Campari Argentina S.R.L., trading company	Avenida Alicia Moreau de Justo 1120, Piso 4, Oficina 404-A, Buenos Aires	ARS	11,750,000		100.00	DI.CI.E. Holding B.V. (95%), Campari do Brasil (5%)
Campari do Brasil Ltda., manufacturing and trading company	Alameda Rio Negro 585, Edificio Demini, Conjunto 62, Alphaville-Barueri-SP	BRC	218,631,059	100.00		
Gregson's S.A., trademark holder	Plaza de Cagancha 1335, Oficina 604, Montevideo	UYU	175,000		100.00	Campari do Brasil Ltda.
Redfire, Inc., holding company	One Beach Street, Suite 300, San Francisco	US$	266,324,274	100.00		
Skyy Spirits, LLC, trading company	One Beach Street, Suite 300, San Francisco	US$	54,897,000		100.00	Redfire, Inc.
Cabo Wabo, LLC, trading company	One Beach Street, Suite 300, San Francisco	US$	2,312,252		80.00	Redfire, Inc.
Sabia S.A., manufacturing and trading company	4554 Vedia St, Buenos Aires	ARS	6,000,000		70.00	DI.CI.E. Holding B.V.
Destiladora San Nicolas S.A. de C.V., manufacturing and trading company	Hidalgo n. 1225, Col. Americana, C.P. 44200, Guadalajara, Jalisco	MXN	25,000,000		100.00	DI.CI.E. Holding B.V.
Red Fire Mexico, S. de R.L. de C.V., trading company	Camino Real Atotonilco, 1081, Rancho San Nicolas, Arandas, Jalisco	MXN	1,254,250		80.00	DI.CI.E. Holding B.V.
Asia						
Qingdao Sella & Mosca Winery Co. Ltd., manufacturing and trading company	8 Pingdu Horticultural Farm, Yunshan County, Pingdu City, Qingdao, Shandong Province	RMB	24,834,454		93.67	Sella & Mosca S.p.A.

Name, activity	Head office	Share capital at 31 December 2008 Currency	Amount	% owned by the Parent Company Direct	Indirect	Direct shareholder
Campari (Beijing) Trading Co. Ltd., trading company	Xingfu Dasha Building, block B, room 511, n° 3 Dongsanhuan BeiLu, Chaoyang District, Beijing	RMB	1,005,530		100.00	DI.CI.E. Holding B.V.
Campari Japan Ltd., trading company	6-17-15, Jingumae Shibuya-ku, Tokyo, Japan, 150-0003	JPY	3,000,000		100.00	DI.CI.E. Holding B.V.

Name, location, activity		Share capital at 31 December 2008 Currency	Amount	% owned by the Parent Company Indirect	Direct shareholder	Valuation method
Other holdings						
Fior Brands Ltd., trading company (*)	C/o Ernst & Young - Ten George Street, Edinburgh	GBP	100	50.00	DI.CI.E. Holding B.V.	equity method
International Marques V.o.f., trading company	Nieuwe Gracht 11, Haarlem	€	210,000	33.33	DI.CI.E. Holding B.V.	equity method
M.C.S. S.c.a.r.l., trading company	Millennium Park, Avenue de la Métrologie 10, Brussels	€	309,872	50.00	DI.CI.E. Holding B.V.	equity method
Focus Brands Trading (India) Private Ltd., manufacturing and trading company	15th Floor, Devika Towers, 6, Nehru Place, New Delhi	INR	15,998,250	26.00	DI.CI.E. Holding B.V.	equity method

(*) company in liquidation

Subsidiaries

All subsidiaries are consolidated on a line-by-line basis.

Under this method, all assets and liabilities, and expenses and revenues for consolidated companies, are fully reflected in the consolidated accounts.

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

Any positive difference is recorded under the assets item goodwill, and any negative amount is taken to the income statement.

The minority interests in shareholders' equity and net profit are reported under appropriate items in the accounts; in the case of shareholders' equity, the amount is determined on the basis of the values assigned to assets and liabilities on the date control was assumed, excluding any related goodwill.

Affiliated companies and joint ventures

These companies are reported in the consolidated accounts using the equity method, starting on the date when significant influence or joint control begins and ending when such influence or control ceases.

If the Group's interest in any losses of affiliates exceeds the book value of the equity investment in the accounts, the value of the equity investment is eliminated, and the Group's portion of further losses is not reported, unless, and to the extent to which, the Group is responsible for covering such losses.

Transactions eliminated during the consolidation process

When preparing the consolidated accounts, unrealised profits and losses resulting from intra-group transactions are eliminated, as are the entries giving rise to payables and receivables, and costs and revenues between the companies included in the basis of consolidation.

Unrealised profits and losses generated on transactions with affiliated or joint venture companies are eliminated to the extent of the Group's percentage interest in those companies.

Dividends collected from consolidated companies are eliminated.

Currency conversion criteria and exchange rates applied to the accounts

Figures expressed in currencies other than the accounting currency (euro) are converted as follows:

– income statement loss items are converted at the average exchange rate for the year, while balance sheet items are converted at year-end exchange rates; exchange rate differences resulting from the application of the different methods for conversion to euro of income statement and balance sheet items are recorded under the shareholders' equity reserve foreign currency conversion reserve, until the holding in question is sold;
– any conversion differences between the value of shareholders' equity at the beginning of the year, as converted at the prevailing rate, and the value of shareholders' equity converted at the year-end rate for the previous year are also recorded under the foreign currency conversion reserve.

When preparing the consolidated cash flow statement, average exchange rates were used to convert the cash flows of foreign subsidiaries.

The exchange rates used for conversion transactions are shown below.

	31 December 2008		31 December 2007	
	Average rate	Final rate	Average rate	Final rate
US dollar	1.4706	1.3917	1.3706	1.4721
Swiss franc	1.5871	1.4850	1.6427	1.6547
Brazilian real	2.6745	3.2436	2.6646	2.6108
Uruguayan peso	30.6205	33.9046	32.0720	31.6992
Chinese renminbi	10.2247	9.4956	10.4186	10.7524
UK pound	0.7965	0.9525	0.6846	0.7334
Indian rupee	63.7012	67.6360	–	–
Japanese yen	152.3306	126.1400	–	–
Argentine peso	4.6409	4.8044	4.2708	4.6369
Mexican peso	16.29666	19.2333	15.2746	16.0547

3. Summary of accounting principles

Intangible assets

Intangible assets include all assets without any physical form that are identifiable, controlled by the company and capable of producing future benefits, as well as goodwill when purchased for consideration.

Intangible assets acquired are posted to assets, in accordance with IAS 38 (Intangible Assets), when it is likely that the use of the assets will generate future financial benefits, and when the cost can be reliably determined.

If acquired separately, these assets are reported at purchase cost including all allocable ancillary costs.

Assets produced internally, excluding development costs, are not capitalised and are reported on the income statement for the financial year in which they are incurred.

Intangible assets acquired through business combinations are capitalised at fair value on the acquisition date.

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

The period of amortisation of intangible assets with a finite life is reviewed at least at the end of every financial year in order to ascertain any changes in their useful life, which if identified, will be considered as changes in estimates.

The costs of development projects and studies are recorded in the income statement in full in the year in which they are incurred.

Advertising costs are recorded in full in the year in which they are incurred.

Costs relating to industrial patents, concessions, licences and other intangible assets are listed on the assets side of the balance sheet only if they are able to produce future economic benefits for the company; these costs are amortised according to the period of use, if this can be defined, or according to contract duration.

Software licences represent the cost of purchasing licences and, if incurred, external consultancy fees or internal personnel costs necessary for development; these costs are booked in the year in which the internal or external costs are incurred for training personnel and other related costs.

Goodwill and trademarks resulting from acquisitions, which qualify as intangible assets with an indefinite life, are not amortised.

The possibility of recovering their reported value is ascertained at least annually, and in any case, when events occur leading to the assumption of a reduction in value using the criteria indicated in the Impairment section.

For goodwill, a test is performed on the smallest aggregate to which the goodwill relates.

On the basis of this, management directly or indirectly assesses the return on investment including goodwill.

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

Business combinations

Business combinations are booked using the purchase method.

Goodwill acquired in mergers and acquisitions is initially measured as the excess of the cost of the business combination over the Group's portion of the net fair value of the identifiable assets, liabilities and contingent liabilities (of the acquired company).

After the initial entry, goodwill is measured at cost less cumulative impairment.

To establish whether impairment has occurred, the goodwill acquired in a business combination is allocated from the date of the acquisition to the individual cash-generating units of the Group or to the groups of cash-generating units likely to benefit from merger synergies, whether or not other assets or liabilities from the acquisition are assigned to these units or groups of units.

When the goodwill is part of a cash-generating unit (group of cash-generating units) and some of the internal assets of the unit are sold, the goodwill associated with the assets sold is included in the book value of the assets in order to establish the profit or loss generated by the sale.

Goodwill sold in this way is measured according to the value of the assets sold and the value of the remaining portion of the unit.

Tangible fixed assets

Property, plant and equipment are recorded at acquisition or production cost, gross of capital grants (if received) and directly charged expenses, and are not revalued.

Any costs incurred after purchase are capitalised provided that they increase the future financial benefits generated by using the asset.

The replacement costs of identifiable components of complex assets are allocated to assets on the balance sheet and depreciated over their useful life. The residual value recorded for the component being replaced is allocated to the income statement; other costs are charged to the income statement when the expense is incurred.

Financial charges are posted to the income statement when incurred.

Ordinary maintenance and repair expenses are charged to the income statement in the period in which they are incurred.

If there are current obligations for dismantling or removing assets and cleaning up the related sites, the assets' reported value includes the estimated (discounted) costs to be incurred when the structures are abandoned, which are reported as a contra entry to a specific reserve.

Assets held under finance lease contracts, which essentially assign to the Group all the risks and benefits tied to ownership, are recognised as Group assets at their current value, or the present value of the minimum lease payments, whichever is lower.

The corresponding liability to the lessor is reported in the accounts under financial payables.

These assets are depreciated using the policies and rates indicated below.

Leasing arrangements in which the lessor, in essence, retains all the risks and benefits tied to the ownership of the assets, are classified as operating leases, and the related costs are reported in the income statement over the term of the contract.

Depreciation is applied using the straight-line method, based on each asset's estimated useful life as established in accordance with the company's plans for use of such assets, taking into account wear and tear and technological obsolescence, and the likely estimated realisable value net of disposal costs.

When the tangible asset consists of several significant components with different useful lives, depreciation is applied to each component individually.

The amount to be depreciated is represented by the reported value less the estimated net market value at the end of its useful life, if this value is significant and can be reasonably determined.

Land, even if acquired in conjunction with a building, is not depreciated, nor are available-for-sale tangible assets, which are reported at the lower of their recorded value and fair value less disposal costs.

Rates are as follows:

– major real estate assets and light construction:	3%-5%
– plant and machinery:	10%-25%
– furniture, and office and electronic equipment:	10%-30%
– motor vehicles:	20%-40%
– miscellaneous equipment:	20%-30%

Depreciation ceases on the date when the asset is classified as available for sale, in accordance with IFRS 5, or on the date on which the asset is eliminated for accounting purposes, whichever occurs first.

A fixed asset is eliminated from the balance sheet at the time of sale or when there are no future economic benefits associated with its use or disposal.

Any profits or losses are included in the income statement in the year of this elimination.

Capital grants

Capital grants are recorded when there is a reasonable certainty that all requirements necessary for access to such grants have been met and that the grant will be disbursed.

This generally occurs at the time the decree acknowledging the benefit is issued.

Capital grants relating to tangible assets are reported as deferred revenues and credited to the income statement over the period corresponding to the useful life of the asset concerned.

Impairment

The Group ascertains, at least annually, whether there are indicators of a potential loss in value of intangible and tangible assets.

If the Group finds that such indications exist, it estimates the recoverable value of the relevant asset.

In addition, intangible assets with an indefinite useful life, or that are not available and ready for use, are subject to an impairment test each year, or more frequently if there is an indication that the asset may have been subject to a loss in value.

The ability to recover the assets is ascertained by comparing the reported value to the related recoverable value, which is represented by the greater of the fair value less disposal costs and the value in use.

In the absence of a binding sale agreement, the fair value is estimated on the basis of recent transaction values in an active market, or based on the best information available to determine the amount that could be obtained from selling the asset.

The value in use is determined by discounting expected cash flows resulting from the use of the asset, and if significant and reasonably determinable, the cash flows resulting from its sale at the end of its useful life.

Cash flows are determined on the basis of reasonable, documentable assumptions representing the best estimate of the future economic conditions that will occur during the remaining useful life of the asset, with greater weight given to outside information.

The discounting is done using a rate that takes into account the implicit risk of the business segment.

When it is not possible to determine the recoverable value of an individual asset, the Group estimates the recoverable value of the unit that incorporates the asset and generates cash flows.

A loss of value is reported if the recoverable value of an asset is lower than its book value.

This loss is posted to the income statement unless the asset was previously written up through a shareholders' equity reserve.

In this case, the reduction in value is first allocated to the revaluation reserve.

If, in a future period, a loss on assets, other than goodwill, does not materialise or is reduced, the book value of the asset or unit generating cash flows is increased up to the new estimate of recoverable value, and may not exceed the value that would have been determined if no loss from a reduction in value had been reported.

The recovery of a loss of value is posted to the income statement, unless the asset was previously reported at its revalued amount. In this case, the recovery in value is first allocated to the revaluation reserve.

Investment property

Property and buildings held to generate lease income (investment property) are valued at cost less accumulated depreciation and losses due to a reduction in value.

The depreciation rate for buildings is 3%, while land is not depreciated.

Investment property is eliminated from the balance sheet when sold or when it becomes permanently unusable and no future economic benefits are expected from its disposal.

Biological assets

Biological assets are valued, when first reported and at each subsequent reporting date, at their fair value, less estimated point-of-sale costs.

The related agricultural produce is valued at cost, which is approximately the fair value less estimated point-of-sale costs at harvest.

Financial instruments

Financial instruments held by the Group are categorised as follows.

Financial assets include holdings in affiliated companies and joint ventures, short-term securities, financial receivables, which in turn include the positive fair value of financial derivatives, trade and other receivables and cash and cash equivalents.

Specifically, cash and cash equivalents include cash, bank deposits and highly marketable securities that can be quickly converted into cash, and which carry an insignificant risk of a change in value.

The maturity of deposits and securities in this category is less than three months.

Short-term securities include securities maturing in one year or less, and marketable securities representing a temporary investment of cash that do not meet the requirements for classification as cash equivalents.

Financial liabilities include financial payables, which in turn include the negative fair value of financial derivatives, trade payables and other payables.

Financial assets and liabilities, other than equity investments, are booked in accordance with IAS 39 (Financial instruments: Recognition and Measurement) in the following categories:

Financial assets at fair value with changes recorded in the income statement

This category includes all financial instruments held for trading and those designated at the initial reporting at fair value with changes recorded in the income statement.

Financial assets held for trading are all those instruments acquired with the intention of sale in the short term; this category also includes derivatives that do not satisfy the requirements set out by IAS 39 for consideration as hedging instruments.

These instruments at fair value with changes recorded in the income statement are booked in the balance sheet at fair value, while the related profits and losses are reported in the income statement.

Investments held to maturity

Current financial assets and securities to be held until maturity are reported on the basis of the trading date, and, at the time they are first entered in the accounts, they are valued at purchase cost, represented by the fair value of the initial consideration given in exchange plus transaction costs (e.g. commissions, consulting fees, etc.).

The initial reported value is then adjusted to take into account repayments of principal, any write-downs and the amortisation of the difference between the repayment amount and the initial reported value. Amortisation is applied on the basis of the effective internal interest rate represented by the rate which, at the time of initial reporting, would make the present value of expected cash flows equal to the initial reported value (known as the amortised cost method).

The profits and losses are entered in the income statement when the investment is eliminated for accounting purposes or when impairment occurs beyond the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments, which are not listed on an active market.

After the initial reporting, these instruments are valued according to the criterion of amortised cost using the effective discount rate method net of any provision for loss of value.

Profits and losses are recorded in the income statement when loans and receivables are eliminated for accounting purposes or when a loss of value is apparent beyond the amortisation process.

Financial assets available for sale

Financial assets available for sale, excluding derivatives, are those designated as such or not classified under any of the three previous categories.

After the first reporting, the financial instruments available for sale are valued at fair value.

If the market price is not available, the current value of financial instruments available for sale is measured using the most appropriate valuation methods, such as the analysis of discounted cash flows performed using market information available on the reporting date.

In the absence of reliable information, they are held at cost.

Profits and losses on financial assets available for sale are recorded directly in shareholders' equity up to the time the financial asset is sold or written down.

At that time the accumulated profits and losses, including those previously posted to shareholders' equity, are included in the income statement for the period.

Loss in value of a financial asset

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

A financial asset or a group of financial assets is written down only if there is objective evidence of a loss in value caused by one or more events that occurred following the initial reporting date of the asset or group of assets and which had an impact that can be reliably estimated on the future cash flows that may be generated by the asset or group of assets themselves.

Elimination of financial assets and liabilities

A financial asset (or where applicable, part of a financial asset or part of a group of similar financial assets) is eliminated from the accounts when:

- the rights to receive income from financial assets are no longer held;
- the Group reserves the right to receive income from financial assets, but has taken on a contractual obligation to pay such income in full and without delay to a third party;
- the Group has transferred the right to receive income from financial assets and (i) has transferred substantially all the risks and benefits relating to the ownership of the financial asset, or (ii) has neither transferred nor retained all the risks and benefits relating to the ownership of the financial asset, but has transferred control of the asset.

When the Group has transferred the rights to receive financial income from an asset, and it has neither transferred nor retained all the risks and benefits, or it has not lost control of the same, the asset is reported on the balance sheet to the extent of the Group's remaining involvement in the asset.

A financial liability is eliminated from the accounts when the underlying obligation of the liability is no longer held, or cancelled, or has been settled.

In cases where an existing financial liability is substituted by another with the same lender under different conditions, or where the conditions of an existing liability are changed, the substitution or change is treated in the accounts as an elimination of the original liability, and a new liability is reported, with any difference in the accounting values allocated to the income statement.

Financial derivatives and hedging transactions

Financial derivatives are used solely for hedging purposes to reduce exchange and interest rate risk.

In accordance with IAS 39, financial derivatives may be recorded using hedge accounting procedures only if, at the beginning of the hedge, a formal designation has been made and the documentation for the hedge relationship exists.

It is assumed that the hedge is highly effective: it must be possible for this effectiveness to be reliably measured, and the hedge must prove highly effective during the accounting periods for which it is designated.

All financial derivatives are measured at their fair value pursuant to IAS 39.

Where financial instruments meet the requirements for being reported using hedge accounting procedures, the following accounting treatment is applied:

- *fair value hedge* – if a financial derivative is designated to hedge exposure to changes in the fair value of an asset or liability attributable to a particular risk that could have an impact on the income statement, the profits or losses resulting from the subsequent valuations of the fair value of the hedging instrument are reported in the income statement; the gain or loss on the hedged entry, which is attributable to the hedged risk, is reported as a portion of the book value of this entry and as a contra entry in the income statement;

- *cash flow hedge* – if a financial instrument is designated as a hedge of exposure to fluctuations in the future cash flow of an asset or liability reported in the accounts, or of a highly likely expected transaction that could have an impact on the income statement, the effective portion of the profits or losses on the financial instrument is reported under shareholders' equity; accumulated profits or losses are removed from shareholders' equity and recorded in the income statement in the same period in which the transaction being hedged has an impact on the income statement; the profit or loss associated with a hedge, or the portion of the hedge that has become ineffective, is posted to the income statement when the ineffectiveness is reported.

If a hedge instrument or hedge relationship is closed out, but the transaction being hedged has not been carried out, the accumulated profits and losses, which, until that moment had been posted to shareholders' equity, are reported in the income statement at the time the related transaction is carried out.

If the transaction being hedged is no longer considered likely to take place, the pending unrealised profits or losses in shareholders' equity are recorded in the income statement.

If hedge accounting cannot be applied, the profits or losses resulting from the valuation of the financial derivative at its present value are posted to the income statement.

IAS 39 (Financial Instruments: Recognition and Measurement) allows the foreign currency risk of a highly probable intragroup transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the company entering into the transaction and that the foreign currency risk will affect the consolidated financial statements.

In addition, if the hedge of a forecast intragroup transaction qualifies for hedge accounting, any gain or loss that is recognised directly in shareholders' equity, in accordance with the rules of IAS 39, must be reclassified in the income statement in the same period in which the currency risk of the hedged transaction affects the consolidated income statement.

Own shares

Own shares are reported as a reduction in respect of shareholders' equity.

The original cost of the own shares and the economic effects of any subsequent sales are reported as movements in shareholders' equity.

Inventories

Inventories of raw materials, and semi-finished and finished products are valued at the lower of purchase or manufacturing cost, determined using the weighted average method, and market value.

Work in progress is recorded at the purchase cost of the raw materials used including the actual manufacturing costs incurred at the point of manufacturing reached.

Inventories of raw materials and semi-finished products no longer useable in the production cycle and inventories of unsaleable finished products are fully written down.

Low-value replacement parts and maintenance equipment not used in connection with a single asset item are reported as inventories and recorded in the income statement when used.

Non-current assets available for sale

Non-current assets classified as available for sale include non-current assets (or disposal groups) whose book value will be recovered primarily from their sale rather than their ongoing use, and whose sale is highly probable in the short term (within one year) and in the assets' current condition.

Non-current assets classified as available for sale are valued at the lower of their net book value and current value, less sale costs.

Employee benefits

Post-employment benefit plans

Group companies provide post-employment benefits for staff, both directly and by contributing to external funds.

The procedures for providing these benefits vary according to the legal, fiscal and economic conditions in each country in which the group operates.

Group companies provide post-employment benefits through defined contribution and/or defined benefit plans.

Defined benefit plans

The Group's obligations and the annual cost reported in the income statement are determined by independent actuaries using the projected unit credit method.

The net accumulated value of actuarial profits and losses is reported in the income statement.

The costs associated with an increase in the present value of the obligation, resulting from the approach of the time when benefits will be paid, are included under financial charges.

Defined contribution plans

Since the Group fulfils its obligations by paying contributions to a separate entity (a fund), with no further obligations, the company records its contributions to the fund in respect of employees' service, without making any actuarial calculation.

Where these contributions have already been paid at the reporting date, no liabilities are recorded on the balance sheet.

Compensation plans in the form of stock options

The Group pays additional benefits in the form of stock option plans to employees, directors and individuals who regularly do work for one or more Group companies.

Pursuant to IFRS 2 (Share-Based Payment), the total fair value of the stock options on the allocation date is to be reported as a cost in the income statement, with an increase in the respective shareholders' equity reserve, in the period beginning at the time of allocation and ending on the date on which the employees, directors and individuals who regularly do work for one or more Group companies become fully entitled to receive the stock options.

Changes in the present value following the allocation date have no effect on the initial valuation, while in the event of changes to the terms and conditions of the plan, additional costs are booked for every change in the plan that determines an increase in the current value of the recognised option.

No cost is recognised if the stock options have not been vested; if an option is cancelled, it is treated as if it had been vested on the cancellation date and any cost that has not been recognised is recorded immediately.

The fair value of stock options is represented by the value of the option determined by applying the Black-Scholes model, which takes into account the conditions for exercising the option, as well as the current share price, expected volatility and the risk-free rate.

The stock options are recorded at fair value with a contra entry under stock option reserve.

The Group applied the transitional provisions of IFRS 2, and therefore applied the principle to allocations of stock options approved after 7 November 2002 that had not accrued on the effective date of IFRS 2 (1 January 2005).

The dilutive effect of options not yet exercised is included in the calculation of diluted earnings per share.

Reserve for risks and future liabilities

Provisions for risks and future liabilities are reported when:

– the existence of a current legal or implicit obligation, resulting from a past event, is likely;

- it is likely that the fulfilment of the obligation will require some form of payment;
- the amount of the obligation can be reliably estimated.

Provisions are reported at a value representing the best estimate of the amount the company would reasonably pay to discharge the obligation or transfer it to third parties on the reporting date.

Where the financial impact of time is significant, and the payment dates of the obligations can be reliably estimated, the provision is discounted. The increase in the related reserve over time is allocated to the income statement under financial income (charges).

Reserves are periodically updated to reflect changes in cost estimates, collection periods and discount rates. Estimate revisions made in respect of reserves are allocated to the same item in the income statement where the provision was previously reported, or, where the liability relates to tangible assets (e.g. dismantling and restoration), these revisions are reported as a contra entry to the related asset.

When the Group expects that all or part of the reserves will be repaid by third parties, the payment is booked under assets only if it is virtually certain, and the provision and related repayment are posted to the income statement.

Restructuring reserves

The Group reports restructuring reserves only if there is an implicit restructuring obligation and a detailed formal restructuring programme that has led to the reasonable expectation by the third parties concerned that the Company will carry out the restructuring, either because it has already started the process or because it has already communicated the main aspects of the restructuring to the third parties concerned.

Recording of revenues, income and charges in the income statement

Revenues are reported to the extent to which it is likely that economic benefits will flow to the Group and in respect of the amount that can be determined reliably.

Revenues are reported at the fair value of the sum received, net of current and deferred discounts, allowances, excise duties, returns and trade allowances.

In particular:

- sales revenues are recorded when the risks and benefits associated with owning the items are transferred to the buyer, and the revenue amount can be reliably determined;
- service revenues are reported when services are rendered; allocations of revenues related to partially performed services are reported on the basis of the percentage of the transaction completed on the reporting date, when the revenue amount can be reliably estimated;
- financial income and charges are booked in the period to which they relate;
- capital grants are credited to the income statement in proportion to the useful life of the related assets;
- dividends are reported on the date of the shareholders' meeting resolution;
- lease income from investment property is booked on a straight-line basis for the duration of the existing leasing contracts.

Costs are recognised in the income statement when they relate to goods and services sold or consumed during the period, as a result of systematic apportionment or when the future utility of such goods and services cannot be determined.

Personnel and service costs include stock options (given their largely remunerative nature) that were allocated to employees, directors and individuals who regularly do work for one or more Group companies starting in 2004. The cost is determined in relation to the fair value of the option assigned.

The portion applicable to the period is determined proportionally over the period to which the incentive applies (known as the vesting period).

Costs incurred in studying alternative products or processes, or in conducting technological research and development are considered current costs and allocated to the income statement in the period when they are incurred.

Tax

Current income taxes are calculated on estimated taxable income, and the related payable is recorded under tax payables.

Payables and receivables in respect of current taxes are recorded in the amount expected to be paid to/received from tax authorities by applying the tax rates and regulations in force or effectively approved on the reporting date.

Current taxes relating to items posted directly to shareholders' equity are included in shareholders' equity.

Other non-income taxes, such as property and capital taxes, are included in operating expenses.

Deferred tax assets and liabilities are calculated on temporary differences between the asset and liability values recorded in the accounts and the corresponding values recognised for tax purposes using the liability method.

Deferred tax assets are reported when their recovery is likely.

Deferred tax assets and liabilities are determined on the basis of tax rates projected to be applicable under the respective laws of the countries in which the Group operates, in those periods when the temporary differences are generated or eliminated.

Current and deferred tax assets and liabilities are set off when these relate to income taxes levied by the same tax authority and a legal right of set-off exists, provided that realisation of the asset and settlement of the liability take place simultaneously.

Deferred tax assets and liabilities are classified under non-current assets and liabilities.

The balance of any set-off, made only in cases where income taxes have been levied by the same tax authority and there is a legal right of set-off, is posted to deferred tax assets if positive and deferred tax liabilities if negative.

Transactions in foreign currencies (not hedged with derivatives)

Revenues and costs related to foreign currency transactions are reported at the exchange rate in force on the date the transaction is completed.

Monetary assets and liabilities in foreign currencies are converted to euro at the exchange rate in effect on the reporting date with any related impact posted to the income statement.

Earnings per share

Base earnings per share are calculated by dividing the Group's net profit by the weighted average number of shares outstanding during the period, excluding any own shares held.

For the purposes of calculating the diluted earnings (loss) per share, the weighted average of outstanding shares is adjusted in line with the assumption that all potential shares with a diluting effect will be converted.

The Group's net profit is also adjusted to take into account the impact of the conversion, net of taxes.

Use of estimates

The preparation of the accounts and related notes in accordance with IFRS requires the management to make estimates and assumptions that have an impact on the value of balance sheet assets and liabilities and on disclosures concerning contingent assets and liabilities at the reporting date.

The actual results could therefore differ from these estimates.

Estimates are used to identify provisions for risks in respect of receivables, obsolete inventory, depreciation and amortisation, asset write-downs, employee benefits, taxes, restructuring reserves and other provisions and reserves.

Figures for the individual categories are set out in the notes to the accounts.

Estimates and assumptions are reviewed periodically, and the effects of each change are reflected in the income statement in the period in which the review of the estimate occurred if such review had an impact on that period only, or additionally in subsequent periods if the review had an impact on both the current and future years.

Goodwill is subject to annual impairment tests to verify any losses in value.

The calculations are based on the financial flows expected from the cash-generating units to which the goodwill is attributed, as inferred from the budget and multi-year plans.

4. Changes in accounting standards

Accounting standards applicable from 1 January 2008

- On 2 November 2006, IFRIC issued interpretation document IFRIC 11 on IFRS 2 (Group and Treasury Share Transactions): this clarifies the accounting treatment for share-based payments for which companies need to buy their own shares, and for share-based payments by one group company (e.g. the parent company) to the employees of other group companies; the Group applied this standard in advance, in 2007.
- As regards the improvements to IFRS issued by the IASB in May 2008, described in more detail below, the Group took advantage of the option for early application, on 1 January 2008, of the amendment to IAS 38 (Intangible Assets), due to come into effect retrospectively from 1 January 2009. The amendment stipulated that advertising and promotional costs should be disclosed on the income statement; such costs must be recorded when the company has received the goods or services in question. The impact of early application of this standard was €1. 2 million net of tax. The standard was also amended to permit companies to adopt the unit of production method to calculate the amortisation of intangible assets with a finite life. No additional costs were required to be posted to the balance sheet due to this amendment.
- On 13 October 2008, the IASB issued amendments to IAS 39 (Financial Instruments: Recognition and Measurement) and to IFRS 7 (Financial Instruments: Disclosures), which introduced the limited option to reclassify financial instruments that had previously been recorded in the categories valued at fair value and changes reported on the income statement and available for sale; the standard took effect from 1 July 2008 and does not have any impact on the Group.

The following interpretations were also issued but had no impact on the Group's balance sheet:

- IFRIC 12 (Service Concession Arrangements): effective from 1 January 2008;
- IFRIC 14 on IAS 19 (Defined Benefit Assets and Minimum Funding Requirements): effective from 1 January 2008, this interpretation provides general guidelines on how to determine the defined benefit limit established in IAS 19 for the recognition of assets used in the plans and explains the accounting effects of the clause on minimum funding requirements for the plan.

New accounting standards not yet applied

- On 30 November 2006, the IASB issued accounting standard IFRS 8 (Operating Segments), which will replace IAS 14 (Segment Reporting) from 1 January 2009.

  IFRS 8 requires the Group to report segment information based on the factors used by management to make operating decisions; this therefore requires operating segments to be identified on the basis of internal reporting, which is reviewed regularly by management for the purpose of making decisions about resources to be allocated to each segment and assessing its performance.

  This standard has not been applied by the Group in advance and, at the present time, is not expected to have any effect on the notes to the consolidated accounts of Davide Campari-Milano S.p.A.
- On 29 March 2007, the IASB issued a revised version of IAS 23 (Borrowing Costs), which takes effect from 1 January 2009.

This revised version requires borrowing costs to be capitalised when these costs relate to assets which take a substantial period of time to be prepared for use or sale.

The Group will adopt the standard prospectively for borrowing costs relating to capitalised assets from 1 January 2009.

As at 31 December 2008, no qualifying assets had been identified requiring the capitalisation of borrowing costs.

- Revised IAS 1 (Presentation of Financial Statements)

  The revised IAS 1 (Presentation of Financial Statements) was approved on 6 September 2007 and was due to come into force on 1 January 2009.

  The standard separates changes in shareholders' equity into shareholders' and non-shareholders' portions.

  The statement of changes in shareholders' equity will include only transactions with shareholders, while all changes relating to transactions with non-shareholders will be reported in the statement of comprehensive income, which contains all the revenue and cost items for the period recorded in the income statement, as well as any other revenue and cost items.

  The statement of comprehensive income may be presented in the form of either a single statement or two related statements.

  The change to this statement was not applied in advance and will not have any effect on the valuation of any balance sheet items.

- IFRS 3R (Business Combinations) and IAS 27R (Consolidated and Separate Financial Statements)

  The two revised standards were approved on 10 January 2008 and will enter into force on 1 July 2009 for all financial statements relating to accounting periods beginning after this date; this means that for the Group, the standards will apply from 1 January 2010.

- IFRS 3R introduces some changes to the accounting for business combinations, which will affect the amount of goodwill disclosed, and the net profit for both the year of acquisition and subsequent years.

  IAS 27R requires that a change in the percentage shareholding in a subsidiary is accounted for as a capital transaction.

  As a result, this change will have no impact on goodwill and will not give rise to either profits or losses.

  Furthermore, the revised standards introduce changes to the accounting for losses suffered by a subsidiary and the loss of control of a subsidiary.

  The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority shareholders.

- IFRS 2 (Share-Based Payments - Vesting Conditions and Cancellations)

  This amendment to IFRS 2 (Share-Based Payments) was published on 17 January 2008 and was due to come into force on 1 January 2009.

  The standard narrows the definition of "vesting conditions" to one condition that includes an explicit or implicit obligation to provide a service.

  Every other condition constitutes a "non-vesting condition" and must be taken into consideration when determining the fair value of the instrument representing the capital assigned.

  If a grant of equity instruments does not occur because it fails to meet a non-vesting condition that is under the control of the entity or the counterparty, this must be booked as a cancellation.

  The Group has not carried out any transactions involving share-based payments with non-vesting conditions, and therefore does not expect any significant impact on the accounting for option-based payment agreements.

- Amendments to IAS 32 and IAS 1 relating to financial instruments available for sale (puttable financial instruments).

- The changes to IAS 32 and IAS 1 were approved on 14 February 2008 and was due to come into force on 1 January 2009.

- The change to IAS 32 requires that certain puttable financial instruments and financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity should be classified as equity if they meet certain conditions.
- The amendment to IAS 1 requires that some information on puttable options classified as equity is provided in the notes to the accounts.
- The Group does not expect these changes to have any impact on the consolidated accounts as it has not issued any instruments of this type.
- On 22 May 2008, the IASB issued a series of annual improvements to IFRS, approved with European Commission Regulation 70/2009 on 23 January 2009; we list below those advised by the IASB as containing changes that affect the presentation, recognition and valuation of items on the financial statements and omit those that include only terminological or editorial changes with minimal effects on the accounts.
  - IFRS 5 (Non-current Assets Available for sale and Discontinuing Operations): the change must be applied to all financial years beginning after 1 July 2009, which means that it will apply to the Group prospectively from 1 January 2010.

    If a company is committed to a plan to sell involving the loss of control of a subsidiary, all the subsidiary's assets and liabilities must be reclassified under assets available for sale, even if the entity will retain a non-controlling interest in its former subsidiary after the sale.
  - IAS 1 (Presentation of Financial Statements) – previously revised in 2007: the change, which must be applied prospectively from 1 January 2009, requires that derivative financial instruments not classified as held for trading must not automatically be classified under current items; classification depends on management's intentions; the adoption of this amendment does not produce any change in the valuation of items in the accounts.
  - IAS 16 (Property, Plant and Equipment): the amendment must be applied from 1 January 2009.

    This change consists of redefining "recoverable value" as the higher of fair value less sales costs and value in use; the Group will change its accounting standards although it is not expected that this amendment will have any impact on the accounts.
  - IAS 19 (Employee Benefits): the amendment must be applied prospectively, with effect from 1 January 2009, to any changes in benefits occurring after this date.

    This amendment clarifies the definition of cost/income relating to employees' past service.

    If a plan is curtailed, the effect to be booked immediately to the income statement must only include the reduction of benefits for future periods.

    The Board also redefined short-term and long-term benefits and revised the definition of return on plan assets.

    It further determined that this item must be disclosed excluding any administration costs that are not already included in the value of the liability.

    The Group has not applied this amendment in advance and therefore does not expect it to have any significant impact on the accounts.
  - IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance): the change, which must be applied prospectively, from 1 January 2009, requires that all government grants issued at below-market rate or interest-free must be accounted for as if they had been issued at market rate; the difference between the proceeds received and the carrying amount is treated as a government grant and accounted for in accordance with IAS 20; such loans must be valued in accordance with IAS 39 (Financial Instruments); the Group has not applied this amendment in advance and therefore does not expect its application to have any impact on the accounts.
  - IAS 23 (Borrowing Costs): the change, which must be applied from 1 January 2009, revised the definition of the borrowing costs of a loan, describing them as interest expense calculated using the effective interest method set out in IAS 39; consequently, the Group will change its accounting standards but does not expect this amendment to have any impact on its financial position.

- IAS 27 (Consolidated and Separate Financial Statements): this amendment and subsequent changes, incorporated in European Commission Regulation 69/2009 on 23 January 2009, must be applied prospectively, from 1 January 2009.

  When an entity prepares separate financial statements, it must account for its holdings in subsidiaries, joint ventures and affiliates at cost or in compliance with IAS 39.

  Equity investments valued at cost and available for sale must be accounted for according to the provisions of IFRS 5.

  However, the valuation of investments accounted for at fair value according to IAS 39 in a separate balance sheet does not change if they are classified as available for sale.

  A further amendment to IAS 27, also issued in May 2008, requires that all dividends received by a subsidiary, joint venture or affiliate, even if paid out of pre-acquisition reserves, must be recorded on the income statement.

  The payment of dividends relating to pre-acquisition reserves must be considered when identifying indications of impairment as part of the valuation of such investments.

  This amendment does not apply to the Group's consolidated accounts.
- IAS 28 (Investments in Associates): the amendment, which must be applied from 1 January 2009, establishes that any impairment in subsidiaries valued at equity must not be allocated to individual assets (particularly goodwill) making up the book value of the investment, but to the book value of the holding in its entirety.

  If, therefore, a subsequent reversal of the loss in value is warranted, this must be recognised in its entirety.

  The Group does not expect the application of this amendment to have any significant impact on the accounts.
- IAS 28 (Investments in Associates) and IAS 31 (Interests in Joint Ventures): these amendments, which must be applied from 1 January 2009, require the provision of additional information on investments in associates and joint ventures valued at fair value as per IAS 39; at the same time, amendments were made to IFRS 7 (Financial Instruments: Disclosures) and IAS 32 (Financial Instruments: Presentation); in addition, more detail was given on the calculation of impairment for investments in associates valued at equity; the adoption of this amendment will not lead to any changes in the valuation of items in the accounts.
- IAS 29 (Financial Reporting in Hyperinflationary Economies): the previous version of the standard did not reflect the fact that some assets and liabilities could be reported in the accounts at current value rather than historical cost; the amendment that includes this possibility must be applied from 1 January 2009; no impact is expected from the application of this amendment.
- IAS 36 (Impairment of Assets): the amendment, which must be applied from 1 January 2009, requires the disclosure of additional information on the discount rates applied to the cash flow projections, the growth rate used and the period over which cash flows have been projected in cases where Discounted Cash Flow (DCF) has been used to estimate the fair value less sales costs; this information is the same as that required when DCF is used to estimate value in use; the adoption of this amendment has no immediate impact on the Group's accounts as the recoverable value is estimated by determining the value in use.
- IAS 39 (Financial instruments: Recognition and Measurement): the amendment must be applied retrospectively from 1 January 2009; this change clarifies that the new effective interest rate of a financial instrument must be determined when fair value hedge accounting is discontinued.

  As at the date of this report, the Group is assessing the impact of adopting this amendment.
- IAS 40 (Investment Property): the change, which must be applied prospectively from 1 January 2009, establishes that investment property under construction falls within the remit of IAS 40; if the fair value cannot be determined, the investment property under construction must be calculated at cost until such time as the fair value can be determined or the building is complete; the Group considers that such changes will not have any effect on the consolidated balance sheet.

- IAS 41 (Agriculture): the amendment must be applied from 1 January 2009.

  This standard expands the concept of agricultural activity to include not only the transformation of biological assets for sale, but also the harvesting and transformation of biological assets into agricultural produce.

  In addition, if companies discount the expected future financial cash flows of the assets to net present value to determine their fair value, such discounting to current market rates must not take account of the tax effect.

  The Group considers that such changes will not have any significant impact on the balance sheet.

– On 31 July 2008, the IASB issued another amendment to IAS 39 (Financial instruments: Recognition and Measurement) relating to the "Hedged items" section; this amendment must be applied retrospectively to the financial statements of accounting years starting after 1 July 2009; the standard seeks to clarify the requirements for a risk to be identified as a suitable item for hedging.

IFRIC also issued the following interpretation document:

– IFRIC 16 (Hedges of a Net Investment in a Foreign Operation), issued on 3 July 2008.

  Hedge accounting for this type of investment may be applied to hedging operations against the exchange rate difference between the functional currency of the foreign operation and that of the parent company.

  The interpretation also clarifies that in a hedge of a net investment in a foreign operation, the hedging instrument may also be held indirectly by the parent entity via the parent companies of its subsidiaries.

  The interpretation must be applied from 1 January 2009.

Lastly, IFRIC issued the following interpretation documents on issues that do not affect the Group:

– IFRIC 13 (Customer Loyalty Programmes): effective from 1 January 2009.
– IFRIC 15 (Agreements for the Construction of Real Estate): effective from 1 January 2009, provides guidelines for defining the scope of application of IAS 11 (Construction Contracts) and IAS 18 (Revenue).
– IFRIC 17 (Distributions of Non-Cash Assets to Owners): establishes the accounting and valuation rules for distributing non-cash assets to owners; specifically the dividend payable for distribution to owners must be recognised when it is appropriately authorised (i.e. by the shareholders' meeting); an entity should measure the dividend payable at the fair value of the net assets to be distributed at the time the related payable to owners is recognised.
– The interpretation must be applied prospectively from 1 January 2010.
– IFRIC 18 (Transfers of Assets from Customers): effective from 1 January 2010. This clarifies the IFRS requirements for agreements in which an entity receives from a customer an item of property, plant and equipment that the company must then use either to connect the customer to a network or to provide the customer with access to a supply of goods and services.

5. Seasonal factors

Sales of some Group products are more affected than others by seasonal factors, because of different consumption patterns or consumer habits.

In particular, soft drink consumption tends to increase during the hottest months of the year (May – September) and summer temperature variations from one year to the next may have a substantial effect on comparative sales figures.

For other products, such as sparkling wines, sales in some countries are concentrated in certain periods of the year, largely around Christmas.

While external factors do not affect sales of these products, the commercial risk for the Group is higher, since the full-year sales result is determined in just two months.

In general, the Group's diversified product portfolio, which includes spirits, soft drinks and wines, and the geographical spread of its sales, help to reduce substantially any risks relating to seasonal factors.

6. Default risk: negative pledges and debt covenants

The contracts relating to the bond issued by the Parent Company, the private placement and two committed credit lines negotiated by Redfire, Inc. include negative pledges and covenants.

The negative pledge clauses are intended to limit the Group's ability to grant significant rights to the Group's assets to third parties, in particular by establishing specific restrictions on selling or pledging assets.

The covenants include the Group's obligation to attain particular levels for certain financial indicators, most notably the ratio of net debt to measures of Group profitability.

If the Group fails to fulfil these obligations, after an observation period in which any breach has not been rectified, it could be served with notice to repay the residual debt.

The ratios are monitored by the Group at the end of each quarter and have so far been far from the thresholds that would constitute non-compliance.

7. Acquisitions

During the year, the Group concluded a number of acquisitions, which are examined individually below. These were: Cabo Wabo, Destiladora San Nicolas S.A. de C.V. and Sabia S.A.

The Group also acquired a 26% stake in an Indian joint venture, which does not constitute a business combination as per the provisions of IFRS 3 and is therefore discussed in section 8 – Investments in affiliated companies and joint ventures.

The Group also acquired Odessa Plant of Sparkling Wines after the closing date of these accounts.

The net cash outlay on the acquisitions made during the year was €73.5 million, excluding the cash acquired (€1.4 million) and the disposal of the stake in the joint venture Summa S.L. (€0.1 million).

Taking into account the company debt acquired by the Group (€11.0 million), the investment is shown in the cash flow statement at €84.5 million, plus investment in trademarks of €2.1 million.

The Group also recorded financial payables worth an initial value of €25.5 million for the future exercise of put options and the payment of earn-outs on trademarks acquired.

These figures are stated at the exchange rate at the closing dates of individual acquisitions and may therefore differ from the figures shown in the notes to the balance sheet, which were converted at the final exchange rates of the period.

Moreover, the present values of Destiladora San Nicolas S.A. de C.V. and Sabia S.A., which were acquired in the last quarter of the year, are still to be recognised; the difference between price paid and shareholders' equity has been provisionally booked to goodwill. As the acquisitions were made at the end of the year, this provisional allocation has no significant impact on the income statement compared to a complete purchase price allocation.

Cabo Wabo Tequila

On 2 January 2008, the Campari Group concluded an agreement with the entrepreneur and rock star Sammy Hagar, to acquire an 80% shareholding in Cabo Wabo, LLC and Redfire Mexico S. de R.L. de C.V.

The transaction was worth US$ 80.8 million.

At exchange rates at the time of the transaction and including costs directly attributable to the acquisition, the outlay was €56.9 million.

The amount was paid in cash.

Under the agreement the Group will have the opportunity to acquire the rest in two tranches of 15% and 5% through call/put options that can be exercised in 2012 and 2015 respectively.

The strike price of the options will be calculated on the basis of contractually agreed earnings multiples.

The Group recorded the total value of the investment in the companies acquired and the financial payable relating to the put options.

The table below shows the fair values on the date the assets and liabilities were transferred.

	Book value €/000	Fair value at the date of acquisition €/000
Fixed assets		
Trademarks	68	48,407
Total fixed assets	**68**	**48,407**
Current assets		
Other receivables	1,584	1,584
Total current assets	**1,584**	**1,584**
Total assets	**1,652**	**49,991**
Goodwill generated by the acquisition		**24,603**
Purchase cost		**74,594**
of which:		
Price paid, including related costs (80% stake)		56,931
payable for portion to be acquired by put option (20%)		17,663

The cost of the above acquisition includes both the part already paid in cash on 2 January 2008 and the future payable for the exercise of the put options; this payable was included in the Group's non-current financial payables.

The acquired companies, which were consolidated from 2 January 2008, contributed about €15.6 million to consolidated sales and €2.5 million to the Group's net profit.

Destiladora San Nicolas

On 7 November 2008, the Group concluded the 100% acquisition of Destiladora San Nicolas, S.A. de C.V, based in Jalisco, Mexico.

Its assets include a distillery, the Espolón and San Nicolas tequila brands, tequila stocks and distribution operations for the Mexican market.

The cost of the acquisition was US$ 17.5 million; at the exchange rate in force on the date of the transaction, the deal was worth €14.0 million, including related charges.

The amount was paid in cash.

In addition, the acquisition included company debt of US$ 10.0 million (€8.2 million at the exchange rate on the date of the transaction) and also provides for an earn-out based on increases in sales volumes in the three years following the date the deal was completed.

The table below shows the book values of the shareholders' equity on the date of acquisition, valued at the exchange rate in force on that date.

	Book value €/000
Fixed assets	
Tangible and intangible assets, excluding trademarks	1,626
Other fixed assets	2
Total fixed assets	**1,628**
Current assets	
Inventories	4,275
Receivables from customers	1,150
Other receivables	224
Cash and banks	1,352
Total current assets	**7,001**
Total assets	**8,629**
Non-current liabilities	
Non-current financial liabilities	8,217
Current liabilities	
Payables to suppliers	513
Other payables	360
Total current liabilities	**874**
Total liabilities	**9,091**
Goodwill generated by acquisition	**14,679**
Cost of investment	**14,217**
of which:	
Price paid in cash, including related costs	14,032
Payable for earn-out	185
Total investment cost, excluding cash and including company debt acquired	**21,082**
of which:	
Price paid in cash, including related costs	14,032
Payable for earn-out	185
Cash acquired	–1,352
Company debt acquired	8,217

SABIA

On 19 November 2008, the Group finalised the acquisition of 70% of the capital of Sabia S.A., based in Buenos Aires, Argentina for a price of US$ 4.2 million.

The cost at the exchange rate on the date of the transaction, including related costs, was €3.4 million.

The acquisition included company debt of US$ 3.6 million (€2.8 million at the exchange rate on the date of the transaction).

Under the contract, the Group has the opportunity to acquire the remaining portion of Sabia S.A via call/put options that may be exercised in 2012.

The strike price of these options will be equivalent to 30% of the value of the business, established when the first tranche is acquired, plus a component calculated on the basis of earnings multiples determined contractually.

The Group recorded 100% of the investment in the company acquired and the financial payable relating to the put options.

The table below shows the book values of the assets and liabilities, valued at the exchange rate in force on that date.

	Book value €/000
Fixed assets	
Tangible and intangible assets, excluding trademarks	1,737
Trademarks	123
Other fixed assets	99
Total fixed assets	**1,959**
Current assets	
Inventories	1,555
Receivables from customers	2,594
Other receivables	2,229
Cash and banks	5
Total current assets	**6,383**
Total assets	**8,342**
Non-current liabilities	
Non-current financial liabilities	979
Current liabilities	
Non-current financial liabilities	1,827
Payables to suppliers	3,109
Other payables	1,031
Total current liabilities	**5,967**
Total liabilities	**6,947**
Goodwill generated by acquisition	**3,690**
Payment of investment	**5,085**
of which:	
Price paid in cash, including related costs	3,437
Payable for put option	1,648
Total investment cost, excluding cash and including company debt acquired	**7,886**
of which:	
Price paid in cash, including related costs	3,437
Payable for put option	1,648
Cash acquired	–5
Company debt acquired	2,806

Odessa

On 13 March 2009, the Campari Group acquired 99.25% of the capital of Ukrainian company CJSC Odessa Plant of Sparkling Wines.

The price, paid in cash, was US$ 18.1 million (€14.2 million at the exchange rate in force on the date of acquisition); the remaining 0.75% of the share capital continues to be held by a number of shareholders who are independent of the sellers of the majority stake.

The acquisition had no effect on the consolidated accounts for 2008, since it was finalised after 31 December 2008.

At the time of first consolidation, the acquisition cost of US$ 18.1 million will be allocated to the acquired business's assets, and to trademarks.

8. Investments in affiliated companies and joint ventures

The Group has shareholdings in various joint ventures with the aim of promoting and marketing its own products in the markets where these joint ventures operate.

On 31 December 2008, these investments included International Marques V.O.F., operating in Holland (33.33% stake), MCS S.c.a.r.l., operating in Belgium (the stake rose to 50% during the year) and Focus Brands Trading (India) Private Ltd., operating in India (26% stake).

The following changes occurred during the year:

- on 14 April 2008, the Group sold its 30% stake in the joint venture Summa S.L., which operates in Spain, for a sale price of €0.1 million;
- on 23 December 2008, the Group, through DI.CI.E Holding B.V., acquired 26% of the Indian joint venture Focus Brands Trading (India) Private Ltd., part of the Jubilant group; the deal was worth €0.5 million.

These companies were consolidated using the equity method; specifically, the portions of profit relating to the Group were recognised on the basis of the financial statements prepared by the entities themselves, using the same account closing date as the Group's.

The following table shows the Group's portion of assets, liabilities, revenues and costs of its joint ventures:

	31 December 2008 €/000	31 December 2007 €/000
Group's portion in the accounts of affiliates and joint ventures:		
Balance sheet		
Non-current assets	91	213
Current assets	7,107	18,151
	7,198	**18,363**
Non-current liabilities	625	507
Current liabilities	5,473	17,249
	6,098	**17,756**
Book value of shareholdings	**1,101**	**608**
Portion of affiliates' and joint ventures' revenues and costs:		
Revenues	14,005	27,426
Cost of goods sold	(10,370)	(20,754)
Sales and administrative costs	(3,317)	(6,086)
Financial charges	(5)	(153)
Profit before tax	312	433
Tax	(83)	(122)
Net profit	230	311

9. Segment reporting

Pursuant to IAS 14, the segment reporting tables for the primary segment structure are shown below.

The Group's primary reporting is by business segment. A business segment is defined as a clearly identifiable part of the Group which provides a range of similar products and which is subject to risks and benefits that differ from those of the Group's other segments.

Secondary reporting gives certain information by geographical region.

The accounting standards used for reporting segment information in the notes are consistent with those used for preparing the consolidated accounts.

The business segments identified were the four following business areas in which the Group controls production and sale:

- spirits – alcohol-based beverages with alcohol content either below or above 15% by volume. Drinks above 15% are defined by law as spirit drinks;
- wines – both sparkling and still wines including aromatised wines such as vermouth;
- soft drinks – non-alcoholic beverages;
- other – raw materials, semi-finished and finished products bottled for third parties.

Information given by region is based on the geographical location of the activities and, for net sales, on the geographical location of the customers.

This information is shown for Italy, Europe, the Americas and the rest of the world.

Primary reporting

The following two tables show the Group's revenues and costs as well as balance sheet assets and liabilities broken down by segment as at 31 December 2008 and 31 December 2007.

31 December 2008	Spirits €/000	Wines €/000	Soft drinks €/000	Other sales €/000	Total €/000
Revenues(*)					
Net sales to third parties	663,942	157,606	103,016	17,765	942,329
Income and profits					
Income by sector(**)	266,468	32,826	38,430	3,519	341,243
Unallocated expenses					(145,856)
EBIT					**195,387**
Net financial income (charges)					(22,205)
Portion of profits of companies valued at equity	168	46	16		230
Put option liabilities					(987)
Tax					(45,680)
Minority interests					(199)
Group net profit					**126,547**
Assets and liabilities					
Assets allocated to segments	1,066,149	267,674	43,256		1,377,079
Equity investments valued at equity	804	220	77		1,101
Other unallocated assets					424,927
Total assets					**1,803,107**
Liabilities allocated to segments	112,294	36,201	18,044		166,539
Other unallocated liabilities					681,571
Total liabilities					**848,110**
Other information					
Investments in tangible fixed assets(***):					
– allocated to segments	10,526	11,309	1,524		23,359
– unallocated to segments					27,280
Total					**50,639**
Investments in intangible fixed assets(***):					
– allocated to segments	97,574	1,028	–		98,602
– unallocated to segments					3,749
Total					**102,351**
Depreciation of tangible fixed assets:					
– allocated to segments	7,429	6,589	1,589		15,607
– unallocated to segments					998
Total					**16,606**
Amortisation of intangible fixed assets:					
– allocated to segments	536	29	3		568
– unallocated to segments					2,126
Total					**2,695**

(*) There were no inter-segment sales.
(**) In line with the reclassification of the income statement in 2008, income by sector is represented by the contribution margin.
(***) In accordance with IAS 14.57, investments also include assets acquired during the period.

31 December 2007	Spirits € / 000	Wines € / 000	Soft drinks € / 000	Other sales € / 000	Total € / 000
Revenues (*)					
Net sales to third parties	687,131	151,336	102,380	16,663	957,510
Income and profits					
Income by sector (**)	269,672	30,406	38,481	2,949	341,508
Unallocated expenses					(140,940)
EBIT					**200,569**
Net financial income (charges)					(16,985)
Portion of result of companies valued at equity	(204)	(70)	(30)	–	(303)
Tax					(58,097)
Minority interests					(33)
Group net profit					**125,150**
Assets and liabilities					
Assets allocated to segments	1,052,608	262,305	47,119		1,362,032
Equity investments valued at equity	408	140	59		607
Other unallocated assets					345,683
Total assets					**1,708,322**
Liabilities allocated to segments	115,603	38,493	20,930		175,026
Other unallocated liabilities					654,740
Total liabilities					**829,766**
Other information					
Investments in tangible fixed assets (***)					
– allocated to segments	7,616	6,150	1,798	–	15,564
– unallocated to segments					15,435
Total					**30,999**
Investments in intangible fixed assets (**):					
– allocated to segments	29,327	–	–	–	29,327
– unallocated to segments					3,322
Total					**32,649**
Depreciation of tangible fixed assets:					
– allocated to segments	7,145	6,120	2,266		15,531
– unallocated to segments					1,996
Total					**17,527**
Amortisation of intangible fixed assets:					
– allocated to segments	132	25	16		173
– unallocated to segments					1,847
Total					**2,020**

(*) There were no inter-segment sales.
(**) Reclassified in line with the new format of the income statement introduced in 2008.
(***) In accordance with IAS 14.57, investments also include assets acquired during the year.

Secondary reporting

The following tables show revenues, expenditure on investment in fixed assets and information on the group's assets broken down into geographical segments as at 31 December 2008 and 31 December 2007.

31 dicembre 2008	Italy € / 000	Europe € / 000	Americas € / 000	Rest of the world € / 000	Total € / 000
Revenues					
Net sales to third parties	387,302	212,938	296,488	45,601	942,329
Assets					
Allocated assets	752,769	101,748	682,033	44,959	1,581,509
Equity investments valued at equity		590		511	1,101
Unallocated assets					220,497
Total assets					**1,803,107**
Other information					
Investments in tangible fixed assets (*)	40,510	3,935	6,160	34	50,639
Investments in intangible fixed assets (*)	3,099	665	98,533	53	102,350

31 dicembre 2008	Italy € / 000	Europe € / 000	Americas € / 000	Rest of the world € / 000	Total € / 000
Revenues					
Net sales to third parties	393,197	197,618	322,869	43,827	957,510
Assets					
Allocated assets	692,858	112,826	542,258	14,090	1,362,032
Equity investments valued at equity		607			607
Unallocated assets					345,683
Total assets					**1,708,322**
Other information					
Investments in tangible fixed assets:					
– allocated to segments	11,763	2,917	821	63	15,564
– unallocated to segments					15,434
Total					**30,998**
Investments in intangible fixed assets:					
– allocated to segments	–	–	29,327	–	29,327
– unallocated to segments					3,322
Total					**32,649**

(*) In accordance with IAS 14.57, investments also include assets acquired during the year.

10. Revenues

	2008 € / 000	2007 € / 000
Sale of goods	935,728	951,483
Provision of services	6,601	6,027
Total net sales	**942,329**	**957,510**

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

Please refer to the relevant section in the Report on operations for a detailed analysis of this item.

11. Cost of goods sold

In 2008, in line with the structural reclassification of the income statement, distribution costs were added to the cost of goods sold, to give a more complete picture of the cost of the finished product at the point of sale.

A summary of the cost of goods sold by function, in which the items are reclassified both for the current period and for the same period in 2007, is shown below, followed by a breakdown of the cost of goods sold by nature.

Cost of goods sold by function	2008 € / 000	2007 € / 000
Materials and manufacturing costs	393,737	407,183
Distribution costs	34,474	34,173
Total cost of goods sold	**428,211**	**441,356**

	2008 € / 000	2007 € / 000
Raw materials and finished goods acquired from third parties	333,377	349,365
Personnel costs	28,355	30,374
Depreciation of tangible fixed assets	14,582	15,202
Amortisation of intangible fixed assets	82	144
Depreciation/amortisation	14,665	15,347
Utilities costs	6,531	6,958
External production and maintenance costs	11,913	11,762
Variable transport costs	26,291	25,268
Other costs	7,081	2,283
Total cost of goods sold	**428,211**	**441,356**

12. Structure costs

In 2008, the cost of goods sold was included in structure costs as part of the structural reclassification of the income statement.

The following two tables show a summary of structure costs by function (with the 2007 figures appropriately reclassified) and a breakdown of these costs by nature.

Breakdown of structure costs by function	2008 € / 000	2007 € / 000
Sales costs	72,003	70,891
General and administrative expenses	73,853	70,056
Total structure costs	**145,856**	**140,947**

Breakdown of structure costs by nature	2008 € / 000	2007 € / 000
Agents and other variable sales costs	14,731	18,918
Depreciation/amortisation	4,584	4,143
Personnel costs	69,006	63,180
Travel, transfers, training and meetings	12,897	13,248
Utilities	3,669	3,568
Services, maintenance and insurance	16,311	16,273
Operating leases and rental expenses	9,565	8,619
Other	11,444	10,163
Non-recurring (income) and charges	3,649	2,835
Total structure costs	**145,856**	**140,947**

13. Depreciation/amortisation

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

	2008 € / 000	2007 € / 000
Depreciation and amortisation included in cost of goods sold		
– Tangible fixed assets	(14,582)	(15,210)
– Intangible fixed assets	(82)	(144)
Depreciation and amortisation included in structure costs		
– Tangible fixed assets	(2,026)	(2,321)
– Intangible fixed assets	(2,611)	(1,872)
Total depreciation and amortisation		
– Tangible fixed assets	(16,608)	(17,523)
– Intangible fixed assets	(2,693)	(2,016)
Total	**(19,301)**	**(19,548)**

There were no impairment losses in the two years concerned.

14. Personnel costs

This item breaks down as follows:

	2008 € / 000	2007 € / 000
Wages and salaries	72,405	70,868
Social security contributions	16,651	16,337
Cost of defined contribution pension plans	3,210	3,038
Cost of defined benefit pension plans	628	(8)
Other costs relating to long-term benefits	588	1,383
Cost of share-based payments	3,879	2,768
	97,361	**94,386**

15. Research and development costs

The Group's research and development activities relate solely to ordinary production and commercial activities; namely, ordinary product quality control and packaging studies in various markets.

Related costs are recorded in full in the income statement for the year in which they are incurred.

16. Other costs

Minimum payments under operating leases in 2008 were €4,033 thousand (€3,961 thousand in 2007) and relate to contracts held by Group companies on IT equipment, company cars and other equipment.

This item does not include office rentals, which are not considered operating leases.

The change compared to 2007 was due to the increase in company car and hardware leasing costs, offset by a reduction in the Parent Company's costs obtained by rationalising leasing contracts on other machinery.

17. Other one-offs: income and charges

EBIT for the year was affected by the following one-off income and charges.

	2008 € / 000	2007 € / 000
Capital gains on the sale of buildings	5,907	
Other capital gains on the sale of fixed assets	582	1,487
Other one-offs: income		8,436
Total one-offs: income	**6,489**	**9,923**
Provisions for risks and future liabilities	(822)	(3,040)
Expenses for the completion of commercial transactions	(3.419)	
Demolition and scrapping costs		(328)
Write-downs of fixed assets	(114)	(61)
Capital losses on the sale of fixed assets		(37)
Personnel restructuring costs	(3,403)	(2,523)
Subsidiary registration taxes		(4,200)
Miscellaneous taxes for subsidiaries		(610)
Penalty for the early termination of a distribution relationship	(1,541)	
Other one-offs: charges	(839)	(1,959)
Total one-offs: charges	**(10,138)**	**(12,758)**
Net total	**(3,649)**	**(2,835)**

Of the capital gains totalling €6,489 thousand, €6,052 thousand relates to the sale by the Parent Company of a factory and its plant in Cinisello Balsamo.

Provisions for risks and future liabilities totalling €822 thousand relate to disputes involving Campari do Brasil Ltda. (in 2007 these provisions related to potential tax risks involving the Parent Company and Campari Italia S.p.A.).

Expenses for the completion of commercial transactions (€3,370 thousand) relate to Campari Italia S.p.A., and consist of costs arising from commercial agreements with clients which had been the subject of disputes and which were settled during the year.

The personnel restructuring costs were incurred by the Brazilian and German subsidiaries for the restructuring of their sales forces, and by the Italian and US companies for the restructuring of various positions.

The penalty paid for the early termination of a distribution relationship was recorded after the Group's withdrawal from the joint venture Summa S.L., when an agreement was signed with the Zadibe Group for the distribution of the Group's products in Spain.

In addition, financial income and charges were affected by one-off charges of €3,308 thousand associated with the collapse of investment bank Lehman Brothers. Further details are given in the next section.

18. Financial income and charges

Net financial charges for the year break down as follows:

	31 December 2008 € / 000	31 December 2007 € / 000
Bank and term deposit interest	8,548	9,337
Other income	1,131	1,402
Total financial income (at cost)	**9,678**	**10,738**
Net change in the fair value of bonds and derivative hedging instruments		773
Cash flow hedging reserve allocated to the income statement during the year	871	
Total financial income	**10,549**	**11,512**
Net financial charges on bonds and private placement	(19.279)	(19,091)
Interest payable on leases	(772)	(820)
Interest payable to banks	(5,160)	(5,976)
Bank charges	(474)	(487)
Other charges	(1,120)	(1,501)
Total financial charges (at cost)	**(26,806)**	**(27,875)**
Net change in the fair value of bonds and derivative hedging instruments	(568)	
Actuarial interest	(420)	(541)
Total financial charges	**(27,794)**	**(28,416)**
Net realised exchange rate differences	(1,045)	330
Net unrealised exchange rate differences	(607)	(411)
Exchange rate differences	**(1,652)**	**(80)**
Net change in the fair value of derivatives not used for hedging	6.839	
Write-down of financial assets	(10,147)	
One-offs: charges	**(3,308)**	
Net financial income (charges)	**(22,205)**	**(16,984)**

Bank interest income was lower than in 2007 due to lower average cash holdings and a considerable reduction in market rates in the last quarter both in the eurozone and in the dollar area.

Interest payable to banks was lower than in the same period last year, due to lower gross average debt in the period.

There were no substantial changes in financial charges on the bond and private placement due to combined interest rate effects in the eurozone and in US dollar areas.

Charges relating to the eurozone in particular posted an increase due to higher market rates in the area in the first three quarters of the year, compared to the same period in the previous year.

Interest charges for the US dollar area were less than in 2007 due to lower rates and debt, together with the depreciation of the currency.

Net financial charges on the bond loan and related derivatives were as follows:

	2008			2007
	Parent Company	Redfire, Inc.	Total	Total
	€ / 000	€ / 000	€ / 000	€ / 000
Financial charges to bondholders	(9,132)	(6,283)	(15,415)	(16,829)
Financial income (charges) on swaps	(4,532)	668	(3,864)	(2,262)

Please see section 36 - Financial liabilities, for further details on the current contract conditions.

One-off financial charges relate to derivatives in respect of Lehman Brothers.

Following the collapse of the bank, the Group exercised the early termination option of the above-mentioned contracts, which terminated the hedging relationship at the date of the last positive effectiveness test.

Subsequent changes in the value of the derivatives, net of the write-down to their estimated realisable value, generated a one-off net financial charge of €3,308 thousand.

19. Put option liabilities

Put option liabilities relate to the portions of the profit or loss pertaining to the minority shareholders of Cabo Wabo, LLC, Redfire Mexico S. de R.L. de C.V. and Sabia S.A.

The agreements to acquire Cabo Wabo and Sabia S.A. provide for the option of increasing the Group's holdings via call/put options that can be exercised in 2012 and 2015 for Cabo Wabo and 2012 for Sabia S.A.

In keeping with international accounting standards, the Group therefore recorded these acquisitions at 100%, including a financial payable for the portions not yet owned.

The portions of profits or losses pertaining to minority shareholders for the year were recorded under a specific heading on the income statement, and the corresponding payable included under the financial payables for put options, net of dividends distributed during the year.

20. Income taxes

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

	2008 € / 000	2007 € / 000
Corporate income tax - current		
– taxes for the period	(39,186)	(42,863)
– taxes relating to previous financial years	2,024	(284)
Deferred income tax		
– newly reported and cancelled temporary differences	(8,518)	(14,950)
Income tax posted to the income statement	**(45,680)**	**(58,097)**

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

	2008 € / 000	2007 € / 000
Current taxes relating to profits (losses) posted directly to shareholders' equity	–	507
Deferred taxes on profits (losses) from cash flow hedging	(1,858)	(2,829)
	(1,858)	**(2,322)**

The table below shows a reconciliation of the theoretical tax charge with the Group's actual tax charge.

Note that, in order to provide a clearer picture, IRAP has not been taken into account since, being a tax calculated on a tax base other than pre-tax profit, it would have had distortive effects.

Theoretical taxes were therefore calculated solely by applying the current tax rate in Italy for IRES, i.e. 27.5% for 2008 and 33% for 2007.

With regard to the calculation of deferred taxes, note that at 31 December 2007, the Group's Italian companies had already aligned their tax rates with the new rate of 27.5%, the impact of which was included on the 2007 income statement.

Reconciliation of the theoretical tax charge with the actual charge	2008 € / 000	2007 € / 000
Group profit before tax	172,227	183,247
Applicable tax rate in Italy	27.50%	33,00%
Group's theoretical taxes at current tax rate in Italy	(47,362)	(60,472)
Difference in tax rate of foreign companies compared to the theoretical rate	6,632	7,997
Difference in tax rate of Italian companies compared to the theoretical rate	223	(981)
Taxes relating to previous financial years	2,024	
Permanent differences	(1,928)	(428)
Other consolidation differences	(8)	1,479
IRAP	(5,259)	(5,692)
Actual tax charge	(45,680)	(58,097)
Actual tax rate	26.5%	31.7%

Details of deferred tax income/assets and expenses/liabilities posted to the income statement and balance sheet are broken down by nature below.

	Balance sheet		Income statement	
	31 December 2008	31 December 2007	2008	2007
	€ / 000	€ / 000	€ / 000	€ / 000
Deferred expenses	1,251	2,421	(486)	(385)
Taxed reserves	4,313	7,672	(452)	(719)
Past losses	4,479	5,660	(418)	(845)
Other	4,320	122	966	(159)
Deferred tax assets/income	**14,362**	**15,875**	**(390)**	**(2,108)**
Accelerated depreciation	(5,338)	(6,105)	158	1,069
Capital gains subject to deferred taxation	(2,759)	(2,250)	(503)	1,452
Goodwill and trademarks deductible locally	(57,185)	(46,149)	(11,736)	(10,692)
Fair value valuations	(5,434)	(3,845)	300	(2,747)
Reserves subject to taxation in the event of dividend payments	(624)	(564)	(61)	(433)
Adjustment to Group accounting principles	4,725	3,922	804	(1,195)
Leasing	(2,629)	(325)	325	(325)
Other	(243)	(5,379)	2,586	27
Deferred tax liabilities/expenses	**(69,486)**	**(60,696)**	**(8,128)**	**(12,843)**
Total			**(8,518)**	**(14,950)**

Deferred tax assets in respect of tax losses are entirely attributable to Campari do Brasil Ltda.

Local legislation does not set a time limit for their use, but does set a quantitative limit for each individual year, based on declared taxable income.

The Company has also begun to use them against taxable income.

21. Basic and diluted earnings per share

Basic earnings per share are calculated as the ratio of the Group's portion of net profits for the year to the weighted average number of ordinary shares outstanding during the year; own shares held by the Group are, therefore, excluded from the denominator.

Diluted earnings per share are determined by taking into account the potential dilution effect resulting from options allocated to beneficiaries of stock option plans in the calculation of the number of outstanding shares.

Basic earnings per share are calculated as follows.

Basic earnings	2008			2007		
	Profit € / 000	Shares number	Earnings per share €	Profit € / 000	Shares number	Earnings per share €
Net profit attributable to ordinary shareholders	126, 547			125, 150		
Weighted average of ordinary shares outstanding		289, 189, 750			290, 104, 136	
Basic earnings per share			**0.44**			**0.43**

Diluted earnings per share are calculated as follows:

Diluted earnings	2008			2007		
	Profit	Shares	Earnings per share	Profit	Shares	Earnings per share
	€ / 000	number	€	€ / 000	number	€
Net profit attributable to ordinary shareholders	126,547			125,150		
Weighted average of ordinary shares net of dilution		290,612,972			291,638,707	
Diluted earnings per share			**0.44**			**0.43**

22. Net tangible fixed assets

Changes in this item are indicated in the table below.

	Land and buildings € / 000	Plant and machinery € / 000	Other € / 000	Total € / 000
Opening book value	133,292	202,830	30,680	366,802
Opening accumulated amortisation	(44,037)	(145,121)	(22,225)	(211,383)
Balance at 31 December 2007	**89,254**	**57,710**	**8,453**	**155,418**
Change in basis of consolidation	1,961	767	628	3,356
Investments	21,454	18,226	4,787	44,466
Disposals	–	–	(162)	(162)
Depreciation	(3,145)	(10,236)	(2,502)	(15,883)
Reclassification as assets held for sale	(4,597)	(2,004)	(1,203)	(7,803)
Other reclassifications	623	238	(861)	–
Write-downs	(7)	(117)	(83)	(207)
Exchange rate differences and other changes	(1,399)	(928)	(371)	(2,698)
Balance at 31 December 2008	**104,145**	**63,654**	**8,687**	**176,486**
Closing book value	143,136	194,267	31,650	369,053
Closing accumulated depreciation	(38,991)	(130,612)	(22,964)	(192,568)

The change in the basis of consolidation, of €3,356 thousand, was due to the acquisition of Sabia S.A. for €1,733 thousand and Destiladora San Nicolas S.A. de C.V. for €1,623 thousand.

Investments in land and buildings for the period, amounting to €21,454 thousand, include construction costs of €15,784 thousand for the new headquarters at Sesto San Giovanni.

Note that the total costs incurred by this project were €39,889 thousand and include an amount of €24,258 thousand, which was capitalised during the year; of this, €8,474 thousand was included under plant and machinery.

The Parent Company also made investments of €998 thousand in rebuilding and expanding its plants: €660 thousand related to the Crodo plants, €190 thousand to Canale and €147 thousand to Novi Ligure.

The remaining portion relates to the Glen Grant Distillery Company Ltd.'s acquisition of a storage facility for semi-finished products at Burncrook for €2,056 thousand, and Sella and Mosca S.p.A.'s purchase of two areas of land for grape cultivation and production, one in Gallura, Sardinia (€743 thousand) and one in Alba, Piedmont (€329 thousand).

The vines on these areas of land are classified under biological assets.

Sella and Mosca S.p.A also made investments in the facilities around the productive area, which included renovating the changing rooms (€115 thousand) and building new changing rooms, a new staff restaurant and a new medical facility, totalling €577 thousand.

Lastly, the Group also purchased a building worth €203 thousand as part of the acquisition of the vineyards in Gallura, Sardinia.

Investments in plant and machinery, amounting to €18,226 thousand, primarily included:

– investments made by the Parent Company totalling €14,035 thousand, broken down as follows: €8,474 thousand for the new Group headquarters; at the production sites, €2,262 thousand was spent on innovations to production lines at Canale, €1,021 thousand on line maintenance at Crodo and €2,278 thousand on line improvements and the replacement of sterilisers at Novi Ligure;
– investments made by Sella & Mosca S.p.A., totalling €1,959 thousand, relating to numerous projects and the purchase of new plants at the company's various production sites;
– investment by Skyy Spirits, LLC of €509 thousand relating to the new packaging project for SKYY Vodka and SKYY Infusions launched during the year.

Other investments in tangible fixed assets, of €4,787 thousand, included:

– €1,225 thousand relating to Campari do Brasil Ltda, of which €525 thousand was for the building of a new storage facility at Sorocaba and €700 thousand for a new production site at Suape;
– €1,067 thousand relating to Sella & Mosca S.p.A., of which €267 thousand was for the purchase of wooden barrels;
– €797 thousand relating to Glen Grant Distillery Company Ltd., of which €575 thousand was for the purchase of barrels to age whisky;
– €333 thousand invested by the Parent Company in equipment for its factories.

The reclassification of €7,803 thousand to assets held for sale relates to the Parent Company's planned sale of the plant at Sulmona.

The plant ceased production on 30 September 2007 after an industrial reorganisation by the Group.

Lastly, please note that, for greater clarity, fixed assets in progress of €27,876 thousand are included under the categories to which they relate, depending on the nature of the investment.

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

	Owned fixed assets € / 000	Fixed assets under finance leases € / 000	Total € / 000
Land and buildings	80,751	23,394	104,145
Plant and machinery	62,627	1,028	63,654
Other tangible fixed assets	8,628	60	8,687
	152,005	**24,481**	**176,486**

23. Biological assets

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

Sella & Mosca S.p.A. owns vineyards covering approximately 600 hectares north of Alghero in Sardinia, 92 hectares near San Gimignano in Tuscany and around ten hectares near Alba in Piedmont.

The Group also owns 73 hectares of vineyards in Saint Gilles in France, through Société Civile du Domaine de La Margue.

Changes in this item are indicated in the table below.

	Assets valued at fair value €/000	Assets valued at cost €/000	Total €/000
Opening value	2,226	17,963	20,188
Opening accumulated depreciation		(4,290)	(4,290)
Balance at 31 December 2007	**2,226**	**13,673**	**15,899**
Investments	944	1,873	2,817
Fair value valuation charges	36		36
Disposals	(61)		(61)
Depreciation		(672)	(672)
Balance at 31 December 2008	**3,144**	**14,874**	**18,018**
Closing value	3,144	20,424	23,568
Closing accumulated depreciation		(5,550)	(5,550)

The increase of €2,817 thousand during the year relates to productive vineyards acquired by Sella & Mosca S.p.A as part of the larger purchase of land in the regions of Gallura in Sardinia and Alba in Piedmont.

Specifically, in Sardinia, the Group acquired 22 hectares of land, including 14 with vineyards, which are recorded under biological assets at €591 thousand.

Moreover, the increase during the year that relates to Sella & Mosca S.p.A includes capitalised internal labour costs of €2,032 thousand.

In Piedmont, Sella & Mosca S.p.A. acquired five hectares of vineyards at a value of €194 thousand.

Disposals of €61 thousand relate to the sale of a vineyard of 16 acres in Tuscany.

As for the biological assets in Sardinia, with respect to the application of IAS 41 on the accounting treatment of biological assets (vines) and biological products (grapes), given the unique situation of the territory in which Sella & Mosca S.p.A. operates, as described below, it was decided to continue recording these assets at cost, less accumulated depreciation, since valuation at fair value would require the following conditions to be met, which do not apply in the context in which the Company operates:

- the existence of an active market for biological products and assets; this is not the case in Sardinia, as the market cannot absorb grapes and vines in the quantities concerned, due to a lack of buyers, and it is not possible to set potential market prices in a scenario in which all products or biological assets are made available for sale;
- the adoption of the alternative cash flow valuation method, which cannot be used due to both the inability to set a reliable price for the biological products concerned in the quantity concerned, and the inability to determine or measure the projected cash flows.

Similarly, the price paid for the acquisition of vineyards in Gallura during the year cannot be assumed to be the fair value of Sella & Mosca S.p.A.'s vineyards on account of the small areas of land acquired compared with the vineyards already owned.

The depreciation rate used by Sella & Mosca S.p.A. is 5%.

Other biological assets are valued at fair value, based on expert surveys of agricultural land and the related vineyards.

At 31 December 2008, non-productive biological assets totalled €5,690 thousand (€5,584 thousand at 31 December 2007).

Specifically, vineyard assets in pre-production in Alghero, Sardinia, were booked to the tune of €4,537 thousand, and refer to vineyards replanted mainly in 2005, 2006, 2007 and 2008.

Non-productive vineyards in Tuscany are valued at €1,043 thousand, and mainly refer to those planted in 2006, 2007 and 2008; vineyards in pre-production in Piedmont were less significant, and totalled €110 thousand.

Agricultural output during the year totalled approximately 3,893,400 kg in Sardinia, around 768,500 kg in Tuscany and some 67,600 kg in Piedmont.

Given that it was all processed, there were no inventories of this production at the year end.

24. Investment property

Investment property includes apartments and one shop in the provinces of Milan, Bergamo and Verbania, and two buildings in rural locations, located in the province of Cuneo.

Changes in this item are indicated in the table below.

	€ / 000
Balance at 31 December 2007	4,014
Reclassified as held for sale	(3,307)
Disposals	(43)
Balance at 31 December 2008	**666**

The change in this item, which was down €3,307 thousand, was due to the reclassification under non-current assets held for sale of surplus land near Rome during 2008.

This reclassification was made following the conclusion of a preliminary sale agreement, which is described in more detail in section 33 - Non-current assets held for sale.

The decrease relates to the sale of one property in Bergamo, which generated a capital gain of €222 thousand for the Parent Company.

The reported value of investment property is close to its fair value.

25. Goodwill and trademarks

Changes during the year are shown in the table below.

	Goodwill € / 000	Trademarks € / 000	Total € / 000
Opening book value	657,396	154,796	812,192
Opening impairment	–	–	–
Balance at 31 December 2007	**657,396**	**154,796**	**812,192**
Change in basis of consolidation	42,971	48,530	91,501
Investments		8,084	8,084
Exchange rate differences and other changes	4,280	4,258	8,538
Balance at 31 December 2008	**704,647**	**215,668**	**920,315**
Closing book value	704,647	215,668	920,315
Closing impairment	–	–	–

Intangible assets with an indefinite life are represented by goodwill and trademarks, both deriving from acquisitions.

The Group expects to obtain positive cash flow from these assets for an indefinite period of time.

Goodwill and trademarks are not amortised but are subject to impairment tests.

The form taken by these tests is shown in note 26 – Impairment.

The change in the basis of consolidation relating to goodwill, amounting to €42,971 thousand, was due to the acquisitions made during the year. Of the goodwill generated by the acquisitions, €24,603 thousand was attributed to Cabo Wabo, €14,679 thousand to Destiladora San Nicolas S.A. de C.V. and €3,689 thousand to Sabia S.A..

The change in the basis of consolidation relating to brands, amounting to €48,530 thousand, relates partly to the value of the Cabo Wabo brand (€48,407 thousand) and partly to trademarks acquired through Sabia S.A.

For further information, see note 7 - Acquisitions.

Investment in trademarks (€8,084 thousand) included an amount of €7,057 thousand relating to X-Rated.

The agreement to acquire this brand in 2007 provided for earn-out payments to be made, which will be calculated based on increases in sales volumes in the three years following completion of the deal.

In 2008, an earn-out payment of €1,072 thousand was made based on this clause. The remaining part was recorded under financial liabilities.

Lastly, the Parent Company made an investment of €1,028 thousand to acquire the Mondoro brand for the US.

Exchange rate differences of €8,538 thousand were due to the adjustment to year-end exchange rates on the goodwill of Skyy Spirits, LLC , Cabo Wabo, LLC, Campari do Brasil Ltda., Sabia S.A. and Destiladora San Nicolas S.A. de C.V. , as well as the X-Rated and Cabo Wabo trademarks.

26. Impairment

The Group ascertains the possibility of recovering the goodwill and trademarks posted to the accounts by carrying out impairment tests annually, or more frequently if there are indications of a loss in value.

For the purposes of the impairment tests, the amounts for goodwill and trademarks were allocated to the respective units (or groups of units) that generated cash flows (cash generating units) on the closing date of the accounts.

Specifically, the cash flow generated by individual products or groups of products (i.e. the Group’s brands) was used.

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

	31 December 2008		31 December 2007	
	Goodwill € / 000	Trademarks € / 000	Goodwill € / 000	Trademarks € / 000
Former Bols brands	4,612	1,992	4,612	1,992
Ouzo 12	9,976	7,429	9,976	7,429
Cinzano	51,457	772	51,457	772
Brazilian acquisition	55,750	–	69,275	–
Skyy Spirits, LLC	345,852	–	326,963	–
Zedda Piras S.p.A. and Sella & Mosca S.p.A.	57,254	21	57,254	21
Barbero 1891 S.p.A.	137,859	–	137,859	–
Riccadonna	–	11,300	–	11,300
Glen Grant and Old Smuggler	–	104,277	–	104,277
X-Rated		36,809		28,117
Cabo Wabo	25,979	51,017		
Destiladora San Nicolas S.A. de C.V.	12,662			
Sabia S.A.	3,246	108		
Mondoro		1,028		
Other	–	915	–	888
	704,647	**215,668**	**657,395**	**154,796**

The main assumptions for determining the value used by the cash generating units (i.e. the present value of estimated future cash flows that are assumed to result from the continuing use of the asset) are based on the discount and growth rates.

In particular, the Group used discount rates of 8%, which are believed to properly reflect market valuations (on the reference date of the estimate) of the present value of money and specific risks connected to individual cash generating units.

The projections for operating cash flow are derived from the most recent budgets and plans prepared by the Group for the next five years and extrapolated over ten years on the basis of medium-/long-term growth rates, prudently revised to take account of the macroeconomic conditions, and depending on the various characteristics of the assets, but in any event, at rates no higher than the average long-term growth rate in the market in which the Group operates.

The use of a ten-year period is justified by the life cycle of the products with respect to the reference market.

Cash flow projections relate to current operating conditions and therefore do not include cash flows connected with any one-off operations.

Future cash flows were estimated on the basis of prudential criteria which hold sales volumes constant after the projected horizon of the analysis.

In addition, the projections are based on reasonableness and consistency with respect to the allocation of future general expenses, expected trends in capital investment, conditions of financial equilibrium and macroeconomic assumptions with a particular focus on product price increases, which take into account forecast inflation rates.

None of the impairment tests produced a valuation resulting in a permanent loss of value in 2008 or 2007. A sensitivity analysis was carried out using downgraded assumptions relating to growth plans and discount rates.

The net present values obtained by these tests are in line with the book values of the assets.

27. Intangible assets with a finite life

Changes in this item are indicated in the table below.

	Software € / 000	Other € / 000	Total € / 000
Opening book value	10,951	12,123	23,074
Opening accumulated amortisation	(7,650)	(10,335)	(17,985)
Balance at 31 December 2007	**3,302**	**1,789**	**5,089**
Change in basis of consolidation	31		31
Investments	1,190	1,544	2,734
Amortisation for the period	(1,676)	(1,017)	(2,694)
Write-downs	(21)	–	(21)
Exchange rate differences and other changes	144	(181)	(35)
Balance at 31 December 2008	**2,970**	**2,135**	**5,105**
Closing book value	10,730	13,492	24,222
Closing accumulated amortisation	(7,760)	(11,357)	(19,117)

Intangible assets with a finite life were amortised on a straight-line basis in relation to their remaining useful life.

The change in the basis of consolidation relating to software, amounting to €31 thousand, relates to the acquisition of Sabia S.A.

Investments of €2,734 thousand for the year were attributable as follows: €2,230 thousand to the Parent Company for the purchase of software licenses and for developing the SAP R/3 system, which includes software for cash management, the consolidation process, product traceability and the Group's web portal; €254 thousand to Campari International S.A.M. for the implementation of the SAP R/3 system and other SAP upgrades, and the remaining amount to other Group subsidiaries for investments relating to SAP and BW.

28. Other non-current assets

This item breaks down as follows:

	31 December 2008 € / 000	31 December 2007 € / 000
Financial assets: interest rate swaps		5,736
Financial receivables from Lehman Brothers	4,480	
Other financial receivables	93	104
Non-current financial assets	**4,573**	**5,840**
Equity investments in other companies	293	302
Security deposits given	557	1,085
Receivables from employee benefit funds	692	653
Other non-current receivables	1,358	2,130
Other non-current assets	2,900	4,169
Other non-current assets	**7,473**	**10,009**

The financial receivables from Lehman Brothers, amounting to €4,480 thousand, include the value of derivative instruments that the Group had negotiated with the investment bank.

Following the collapse of the bank and the Group's decision to terminate the agreements early, the derivative instruments were reclassified at their fair value on the date the bank filed for bankruptcy, and adjusted to their estimated realisable value, calculated as 30% of the nominal value of the receivables.

At 31 December 2007, financial assets in respect of interest rate swaps represented the positive fair value of the hedges against the interest rate risk of Redfire, Inc.'s private placement.

All these contracts were agreed with Lehman Brothers.

For further information, see note 43 - Financial instruments: disclosures.

Note that non-current financial assets are included in the Group's net debt figure.

Security deposits decreased following the resolution of disputes by the Brazilian subsidiary and the payment of these amounts.

Receivables from employee benefit funds represent a surplus of assets servicing the plan in respect of the present value of benefit obligations at year end.

For further information, see comments under note 37 - Defined benefit plans.

Other non-current receivables mainly include a receivable of €629 thousand due from the tax authorities, posted by the Parent Company, and the current value of the remaining receivable of Campari do Brasil Ltda. relating to the sale of the plant in Alphaville for €589 thousand, due in 2010.

29. Inventories

This item breaks down as follows:

	31 December 2008 € / 000	31 December 2007 € / 000
Raw materials, supplies and consumables	23,054	23,644
Work in progress and semi-finished products	72,528	71,819
Finished products and goods for resale	70,136	71,473
	165,717	**166,937**

The figure at 31 December 2008 includes a change in the basis of consolidation of €5,830 thousand, of which €4,275 thousand was attributable to Destiladora San Nicolas S.A. de C.V. and €1,555 thousand to Sabia S.A.

Despite the increase in inventories due to the change in the basis of consolidation, the overall reduction was in line with the Group's policy of limiting the value of its stocks.

Inventories are reported minus the relevant provisions for write-downs.

The changes are reported in the table below:

	€ / 000
Balance at 31 December 2007	**2,882**
Change in basis of consolidation	396
Provisions	391
Amounts used	(699)
Exchange rate differences and other changes	(18)
Balance at 31 December 2008	**2,951**

30. Trade receivables and other receivables

This item breaks down as follows:

	31 December 2008 € / 000	31 December 2007 € / 000
Trade receivables from external customers	245,185	249,756
Trade receivables from affiliated companies	5,192	8,553
Receivables in respect of contributions to promotional costs	21,719	21,678
Trade receivables	**272,096**	**279,986**
Advances to suppliers of non-current assets	4,178	11,012
Pre-payments and other receivables from suppliers	3,626	4,408
Tax credits	6,676	6,646
Receivables from main shareholders for tax consolidation	1,536	3,000
Receivables from agents and miscellaneous customers	3,701	1,680
Pre-paid expenses	5,220	6,103
Other	7,509	4,292
Other receivables	**32,447**	**37,140**

All the receivables shown above are due within twelve months.

Their book value is considered to be close to their fair value.

Trade receivables are shown net of year-end bonuses and payables for promotional costs.

This item is reported net of the related provision for write-downs, reflecting the actual risk of uncollectibility, consistent with the disclosure of revenues on the income statement.

The change in the basis of consolidation relating to trade receivables, of €3,744 thousand, was due to the acquisition of Destiladora San Nicolas S.A. de C.V. for €1,150 thousand and Sabia S.A. for €2,594 thousand.

The change in other receivables was €4,036 thousand.

Advances to suppliers of non-current assets included a pre-payment of €3,044 thousand, paid by the Parent Company in respect of a contract for the design and construction of the new Sesto San Giovanni headquarters (this item was €8,935 thousand at 31 December 2007).

Receivables from the main shareholder refer to the receivable from Fincorus S.p.A., for the national tax consolidation scheme.

Excluding the debit balance of the Italian subsidiaries to Fincorus S.p.A., the Group has net debt of €14,928 thousand; please see note 46 - Related parties, for further details.

The increase in receivables from agents and miscellaneous customers, totalling €2,021 thousand, is due to the Parent Company's recording of a receivable from its glass supplier as reimbursement for a claim made during the year.

The item other, amounting to €7,509 thousand, includes a receivable of €1,614 thousand posted by the Parent Company for the assessment of town planning standards in Sesto San Giovanni, the site of the new headquarters for some of the Group's Italian subsidiaries, which is currently being built.

The item also includes the remaining portion (€3,186 thousand) of the price for which the Parent Company sold the building in Via Filippo Turati in 2003.

The amount bears interest at market rates and is expected to be received on 30 April 2009.

The item also includes the short-term portion of the receivable for the sale of the Alphaville plant by Campari do Brasil Ltda., totalling €1,195 thousand.

The table below breaks down receivables by maturity; note that the other receivables column shows the total of receivables from agents and miscellaneous customers and the other item, as shown in the table above.

This breakdown excludes advances to suppliers of non-current assets, prepayments, tax credits and deferred charges.

31 dicembre 2008	Trade receivables € / 000	Other receivables € / 000
Not due	222,391	10,913
Due and not written down:		
Less than 30 days	19,668	138
30-90 days	16,764	37
Within 1 year	10,113	116
Within 5 years	2,057	7
Due after 5 years	132	
Total due and not written down	48,734	298
Due and written down	6,376	97
Amount written down	(5,404)	(97)
Total	**272,096**	**11,210**

31 dicembre 2007	Trade receivables € / 000	Other receivables € / 000
Not due	221,311	5,785
Due and not written down:		
Less than 30 days	14,117	125
30-90 days	34,807	138
Within 1 year	6,864	(5)
Within 5 years	1,434	78
Due after 5 years	137	–
Total due and not written down	57,359	336
Due and written down	6,224	635
Amount written down	(4,907)	(634)
Total	**279,986**	**6,122**

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

	Bad debt provisions	
	Trade receivables € / 000	Other receivables € / 000
Balance at 31 December 2007	4,907	634
Provisions	1,814	
Amounts used	(1,138)	(486)
Exchange rate differences and other changes	(179)	(51)
Balance at 31 December 2008	**5,404**	**97**

Provisions for the year totalling €1,814 thousand comprise €1,401 thousand for trade receivables at Campari Italia S.p.A. and €279 thousand for bad debts relating to Campari's traditional sales channel, Sella & Mosca S.p.A. and Sella & Mosca Commerciale S.r.l.

The rise in provisions for bad debts and increased allocation for the year was partly due to the tighter credit conditions operated by banks on account of the unfavourable economic situation, the effects of which led to a slowdown, especially in corporate lending, that was particularly critical towards the end of the year.

The amounts used include €872 thousand in respect of Campari Italia S.p.A. following the settlement of lawsuits outstanding from previous years.

The remaining portion comprises €80 thousand relating to the Parent Company and €115 thousand relating to Sella & Mosca S.p.A. and Sella & Mosca Commerciale S.r.l.

As regards other receivables, Campari Italia S.p.A. made a provision of €486 thousand to write off a loan to a company distributor that was already recorded under bad debts in 2007.

31. Short-term financial receivables

This item breaks down as follows:

	31 December 2008 € / 000	31 December 2007 € / 000
Securities	3,453	350
Net accrued swap interest income/expense on bonds	–	126
Valuation at fair value of forward contracts		1,577
Other financial assets and liabilities	4	2
Short-term financial receivables from affiliates and joint ventures	636	823
Other short-term financial receivables	640	2,529
Short-term financial receivables	**4,093**	**2,878**

Securities mainly include short-term or marketable securities representing a temporary investment of cash, but which do not satisfy all the requirements for classification under cash and equivalents.

Specifically, the item includes securities that fall due within one year.

The decrease in other short-term financial receivables was mainly due to the fact that at 31 December 2007, the item included the fair value of forward purchases and sales of foreign currency to hedge receivables and payables or future sales and purchases.

The fair value of these contracts at 31 December 2008 was negative and therefore recorded under current financial liabilities.

Short-term financial receivables from joint ventures include a loan to MCS S.c.a.r.l. granted by Campari Finance Belgium S.A.; note that this asset item is not included in the calculation of the Group's net debt figure.

All financial payables are current and due within a year.

32. Cash and equivalents and reconciliation with net debt

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

	31 December 2008 € / 000	31 December 2007 € / 000
Bank current accounts and cash	101,217	71,548
Term deposits	71,341	128,257
Cash and equivalents	**172,558**	**199,805**

The cash and equivalents item consists of bank current accounts, other sight deposits and those that can be withdrawn within a maximum period of three months from the reporting date, held at leading banks that pay variable interest rates based on LIBOR for the currency and period concerned.

It also includes securities that can be readily converted to cash consisting of short-term, highly liquid financial investments that can be quickly converted to known cash instruments, with an insignificant risk of change in value.

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

	31 December 2008 € / 000	31 December 2007 € / 000
Cash and equivalents	172,558	199,805
Liquidity (A)	**172,558**	**199,805**
Securities	3,453	350
Other short-term financial receivables	4	1,706
Short-term financial receivables (B)	**3,457**	**2,055**
Short-term bank debt	(107,454)	(114,375)
Current portion of real estate lease payables	(3,397)	(3,171)
Current portion of private placement and bond	(8,862)	(8,378)
Other short-term financial payables	(10,839)	(9,619)
Short-term financial debt (C)	**(130,552)**	**(135,543)**
Short-term net financial position (A+B+C)	**45,463**	**66,317**
Medium/long-term bank debt	(887)	(1,782)
Real estate lease payables	(10,531)	(12,860)
Private placement and bond	(337,368)	(338,813)
Other medium/long-term financial payables	(903)	(1,061)
Payables in respect of put option and earn-out	(26,562)	–
Medium/long-term financial debt (D)	**(376,251)**	**(354,516)**
Net debt (A+B+C+D)(*)	**(330,788)**	**(288,199)**
Reconciliation with the Group's net debt, shown in the directors' report:		
Medium/long-term financial receivables	4,573	104
Group's net debt	(326,214)	(288,095)

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

For all information concerning the items that make up net debt excluding liquidity, please refer to note 31 – Financial receivables, and note 36 – Financial liabilities.

33. Non-current assets held for sale

This item includes surplus real estate assets with a high probability of being sold, or for which there is an irrevocable commitment to sell with a third party.

These assets, which are valued at the lower of net book value and fair value net of sales costs, totalled €12,670 thousand at 31 December 2008 and €2,473 thousand at 31 December 2007.

Changes during the period are as follows:

	€ / 000
Balance at 31 December 2007	**2,473**
Sales	(913)
Reclassifications from fixed assets	7,803
Reclassifications from investment property	3,307
Balance at 31 December 2008	**12,670**

The change in 2008 is due to:

– disposals totalling €913 thousand relating to the Parent Company; specifically, €275 thousand relates to the sale of two areas of the Termoli production site that had not been used for any productive activity since the industrial reorganisation initiated in 2003, and €598 thousand to the sale of a factory in Cinisello

Balsamo; the remainder derives from the sale of land in Peschiera Borromeo (the related capital gains were recorded under one-offs: income and charges; please see note 17 - One-offs: income and charges, for details);

- the reclassification from fixed assets totalling €7,803 thousand relates to the Sulmona plant, which has not been operational since the second half of 2007; the Group has started formal negotiations for the sale of the whole area;
- the reclassification from investment property of €3,307 thousand relates to land owned by the Parent Company in Ponte Galeria, Rome; during the year a preliminary proposal to acquire future building rights in the area around the land was agreed; as a result of this preliminary purchase agreement, an amount of €900 thousand was paid to the Parent Company as a deposit; this will be deducted from the full amount of €4,500 thousand (this advance payment was recorded under current liabilities).

The part of the Termoli plant not yet sold, for which sale negotiations are under way, is still recorded under non-current assets held for sale.

34. Shareholders' equity

The Group manages its capital structure and makes changes to it depending on the economic conditions and the specific risks of the underlying asset.

To maintain or change its capital structure, the Group may adjust the dividends paid to the shareholders and/or issue new shares.

In this context, like other groups operating in the same sector, the Group uses the net debt/EBITDA ratio as a monitoring tool.

For this purpose, debt is equivalent to the Group's net debt figure, while EBITDA corresponds to the Group's operating profit before depreciation, amortisation and minority interests.

For information on the composition and changes in shareholders' equity for the periods under review, please refer to Statement of changes in shareholders equity.

Share capital

At 31 December 2008, the share capital was made up of 290,400,000 ordinary shares with a nominal value of €0.10 each, fully paid-up.

Outstanding shares and own shares

The following table shows the reconciliation between the number of outstanding shares at 31 December 2008 and in the two prior years.

	Number of shares			Nominal value		
	31 December 2008	31 December 2007	31 December 2006	31 December 2008 €	31 December 2007 €	31 December 2006 €
Outstanding shares at the beginning of the period	289,355,546	289,049,453	281,356,013	28,935,555	28,904,945	28,135,601
Purchases for the stock option plan	(896,293)	(1,580,268)		(89,629)	(158,027)	
Sales		1,886,361	7,693,440		188,636	769,344
Outstanding shares at the end of the period	288,459,253	289,355,546	289,049,453	28,845,925	28,935,555	28,904,945
Total own shares held	1,940,747	1,044,454	1,350,547	194,075	104,445	135,055
Own shares as a % of share capital	0.7%	0.4%	0.5%			

In 2008, 896,293 own shares were acquired at a purchase price of €4,510 thousand, which equates to an average price of €5.03 per share.

Further purchases of own shares totalling 269,000 shares at an average purchase price of €4.20 per share were made after the reporting date and before the report was authorised to be published.

Dividends paid and proposed

The table below shows the dividends approved and paid in 2008 and 2007, and dividends subject to the approval of the shareholders' meeting to approve the accounts for the year ending 31 December 2008.

	Total amount		Dividend per share	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	€ / 000	€ / 000	€	€
Dividends approved and paid during the year on ordinary shares	31,829	29,040	0.110	0.100
Dividends proposed on ordinary shares	31,701 (*)	31,829	0.110	0.110

(*) Calculated on the basis of outstanding shares at the date of the Board of Directors' meeting on 18 March 2009.

Other reserves

This item breaks down as follows:

	Stock options	Cash flow hedging	Conversion of results in foreign currency	Total
	€ / 000	€ / 000	€ / 000	€ / 000
Balance at 31 December 2007	**6,032**	**10,873**	**(38,975)**	**(22,070)**
Cost of stock options for the year	3,879			3,879
Profits (losses) reported in the income statement		(1,686)		(1,686)
Cash flow hedging reserve allocated to shareholders' equity		5,446		5,446
Tax effect allocated to shareholders' equity		(1,858)		(1,858)
Tax effect reclassified under profit carried forward		239		239
Conversion difference	(180)		(19,573)	(19,754)
Balance at 31 December 2008	**9,731**	**13,014**	**(58,549)**	**(35,803)**

The stock option reserve contains the provision made as a contra entry for the cost reported in the income statement for stock options allocated. The provision is determined based on the fair value of the options established using the Black-Scholes model.

For information on the Group's stock option plans, see note 42 - Stock option plans.

The hedging reserve contains amounts (net of the related tax effect) pertaining to changes resulting from fair value adjustments of financial derivatives recorded using the cash flow hedging methodology.

For further information, see note 43 - Financial instruments.

The conversion reserve reflects all exchange rate differences relating to the conversion of the accounts of subsidiaries denominated in currencies other than euro.

35. Minority interests

The minorities' portion of shareholders' equity, which amounted to €2,136 thousand at 31 December 2008 (€1,928 thousand at 31 December), relates to O-Dodeca B.V. and Kaloyiannis-Koutsikos Distilleries S.A. (25%) and Qingdao Sella & Mosca Winery Co. Ltd (6.33%), all of which are fully consolidated on a line-by-line basis.

With reference to the stakes held in Cabo Wabo, LLC (20%) and Sabia S.A. (30%), given that the Group agreed call/put options to acquire the remaining minority stakes, the companies were consolidated at 100% and the related payable to the holders of these options was recorded under financial liabilities (please see the next section for further details).

36. Financial liabilities

The table below shows a breakdown of financial liabilities reported in the accounts:

	31 December 2008 € / 000	31 December 2007 € / 000
Non-current liabilities		
Bonds	221,564	188,354
Private placement	95,287	99,297
Total bonds and private placement	**316,852**	**287,651**
Payables and loans to banks	887	1,782
Property leases	10,531	12,860
Derivatives on bond issues	20,516	56,899
Payables in respect of put option and earn-out	23,817	
Other debt	903	1,061
Total other non-current financial liabilities	**56,654**	**72,602**
Current liabilities		
Payables and loans to banks	**107,454**	**114,375**
Short-term portion of private placement	8,862	8,378
Accrued interest on bonds	7,475	7,253
Accrued swap interest on bonds	1,879	1,747
Property leases	3,397	3,171
Financial liabilities: hedging contracts	1,123	281
Financial liabilities: non-hedging contracts	–	46
Payables in respect of put option and earn-out	2,745	
Other debt	362	293
Total other financial payables	25,843	21,168
Total	**506,802**	**495,796**

The table below shows a breakdown of the Group's main financial liabilities, together with effective interest rates and maturities.

Note that, as regards the effective interest rate of hedged liabilities, the rate reported includes the effect of the hedging itself.

Furthermore, the values of hedged liabilities are shown here net of the value of the related derivative, whether it is an asset or liability.

	Effective interest rate for the period ending 31 December 2007	Maturity € / 000	31 December 2008 € / 000	31 December 2007
Payables and loans to banks	3.5% on €, 1.6% on US$	2008	108,340	116,157
Private placement	fixed rate 6.43%	2008-2012	104,150	101,938
Bonds	6-month €LIBOR + 60 basis points fixed rate from 4.25% to 4.37% (1)	2015-2018	242,081	245,253
Property leases	3-month €LIBOR + 60 basis points	2008-2012	13,928	16,030
Other debt	0.90%	2008-2015	1,265	1,355

(1) Rate applied to the portion of the bond issue hedged by an interest rate swap.

Bond and private placement

The bond issue with a nominal value of US$ 300 million was placed with US institutional investors by the Parent Company in 2003.

The transaction was structured in two tranches of US$ 100 million and US$ 200 million, maturing in 2015 and 2018 respectively, with a bullet repayment at maturity.

Coupons, which are to be paid semi-annually, bear interest at a fixed rate.

A cross currency swap hedging instrument, whose maturity coincides with that of the bond being hedged, was used to neutralise the risks related to fluctuations of the US dollar and interest rates, and the US dollar-based fixed interest rate was changed to a variable euro rate.

The Parent Company has an interest rate swap with interest payments, from July 2008, at a fixed rate of 4.25% on an underlying of US$ 50 million (maturity 2015) and 4.37% on an underlying of US$ 50 million (maturity 2018).

In December 2008, the Parent Company also agreed an interest rate swap at a fixed rate of 4.28% on an underlying of US$ 25 million (maturity 2018) starting July 2009.

Note that subsequent to the reporting date of these accounts, additional hedging contracts were agreed on a total underlying of US$ 75 million (maturity 2018), at an average fixed rate of 4.19%, applicable from July 2009.

The changes recorded in the value of the bond issue in 2008 only relate to the higher values of the hedges and the related effects on the bond.

For more information on these changes, see note 43 - Financial instruments: disclosures.

The item private placement relates to a bond issue with a nominal value of US$ 170 million placed by Redfire, Inc. in the US institutional market in 2002.

The transaction was structured in three tranches of US$ 20 million, US$ 50 million and US$ 100 million, maturing in 2009 (average life of 5 years), 2012 (average life of 7.5 years), and in 2012 with a bullet payment, respectively.

At 31 December 2008, the nominal value of the outstanding debt was US$ 137.3 million, of which US$ 12.3 million matures in July 2009.

Coupons are to be paid semi-annually, and bear interest at a fixed rate of between 5.67% and 6.49%.

The change in value during the year includes the portion repaid in 2008 (US$ 12.3 million), as well as the higher value of the outstanding hedges in the first half of the year and the related effects on the bond issue.

For more information on these changes, see note 43 - Financial instruments: disclosures.

Payables to banks

At 31 December 2008, the non-current portion of payables to banks also included the residual amount of a medium/long-term bank loan taken out by Société Civile du Domaine de la Margue of €369 thousand.

The item also includes €518 thousand relating to a loan obtained by Sella & Mosca S.p.A., secured by mortgages on land and buildings and liens on machinery and equipment.

The current portion of payables to banks (€107,454 thousand, versus €114,375 thousand at 31 December 2007), relates mainly to loans secured by Campari Finance Belgium S.A., as well as short-term credit lines and other loans used locally by some subsidiaries.

Leasing

Leasing payables refer to finance leases entered into by the Parent Company in 2004, with expiry in 2012, for the property complex in Novi Ligure.

This item also includes a finance lease taken out by Sabia S.A. on a building acquired in 2008; the outstanding amount on the loan at 31 December 2008 was €1,039 thousand.

Payables in respect of put option and earn-out

The agreements for the two acquisitions, Cabo Wabo and Sabia S.A., permit the Group to acquire the remaining portions of 20% and 30% respectively by exercising call/put options.

The investments were recorded at 100%, and a financial payable corresponding to the estimated value of the options was shown in the balance sheet; the non-current portion of the debt therefore also includes these options, which will be paid partly in 2012 and partly in 2015.

Moreover, the agreements to acquire X-Rated in 2007 and Destiladora San Nicolas S.A. de C.V. in 2008 provided for earn-out payments to be made, which will be calculated based on increases in sales volumes of the products acquired in the three years following completion of the deal.

In addition to the estimated earn-out liabilities for 2009, the current portion of these payables includes the dividends on the part of the 2008 profits belonging to the minority shareholders of Cabo Wabo, LLC, Redfire Mexico S.R.L. de C.V. and Destiladora San Nicolas S.A. de C.V. that had not yet been paid at year-end.

Other debt

This item includes a Parent Company loan agreement with the industry ministry, for repayment in ten annual instalments starting in February 2006.

Financial liabilities on forward contracts

At 31 December 2008, this item related to the fair value of forward purchases and sales of foreign currency, classified as hedging operations.

A portion of this item relates to the hedging of cash flows not yet generated and has been allocated directly to shareholders' equity, net of the related tax effect.

For further details, see note 43 - Financial instruments: disclosures.

37. Defined benefit plans

Group companies provide post-employment benefits for staff, both directly and by contributing to external funds.

The procedures for providing these benefits vary according to the legal, fiscal and economic conditions in each country in which the group operates.

The benefits are provided through defined contribution and / or defined benefit plans.

For defined contribution plans, Group companies pay contributions to private pension funds and social security institutions, based on either legal or contractual obligations, or on a voluntary basis.

The companies fulfil all their obligations by paying the said contributions.

At the end of the financial year, any liabilities for contributions to be paid are included in the other current liabilities item; the cost for the period is reported according to function in the income statement.

Defined benefit plans may be unfunded or fully or partially funded by contributions paid by the company, and sometimes by its employees, to a company or fund which is legally separate from the company and which pays out benefits to employees.

As regards the Group's Italian subsidiaries, the defined benefit plans consist of the staff severance fund (TFR), to which its employees are entitled by law.

Following the reform of the supplementary pension laws in 2007 for companies with at least 50 employees, TFR contributions accrued up to 31 December 2006 remain in the company, while for contributions accruing from 1 January 2007, employees have the choice to allocate them to a supplementary pension scheme, or keep them in the company, which will transfer the TFR contributions to the INPS fund.

As a result, TFR contributions accrued up to 31 December 2006 will continue to be classified as defined benefit plans, with the actuarial valuation criteria remaining unchanged in order to show the current value of the benefits payable on the amounts accrued at 31 December 2006 when employees leave the company.

TFR contributions accrued from 1 January 2007 are classified as defined contribution plans.

As the Group's Italian companies pay contributions through a separate fund, without further obligations, the Company records its contributions to the fund for the year to which they relate, in respect of employees' service, without making any actuarial calculation.

For the portion of the staff severance fund considered as a defined benefit plan, this is an unfunded plan that therefore does not hold any dedicated assets.

In addition, some Group companies have the same type of plans for their current and/or former employees.

These plans have the benefit of dedicated assets.

The liability relating to the Group's defined benefit plans, which is calculated on an actuarial basis using the projected unit credit method, is reported on the balance sheet, net of the fair value of any dedicated assets.

In cases where the fair value of dedicated assets exceeds the value of the post-employment benefit obligation, and where the Group has the right to reimbursement or to reduce its future contributions to the plan, the surplus is reported as a non-current asset, in accordance with IAS 19.

The following table provides details of the staff severance fund in the last four financial years:

Staff severance fund	31 December 2008 € / 000	31 December 2007 € / 000	31 December 2006 € / 000	31 December 2005 € / 000
Defined benefit obligations	10,378	11,565	12,631	12,534

The following table provides details of other defined benefit plans, which are financed by dedicated assets, in the last four financial years:

Other plans	31 December 2008 € / 000	31 December 2007 € / 000	31 December 2006 € / 000	31 December 2005 € / 000
Defined benefit obligations	3,561	3,336	2,405	1,754
Assets dedicated to the plan (–)	(3,969)	(3,898)	(2,610)	(1,165)
Plan surplus (deficit)	407	562	205	(589)

The following table provides details of the net cost of defined benefit plans reported in the income statement in 2008 and 2007:

Net cost of the benefit	Staff severance fund		Other plans	
	2008 € / 000	2007 € / 000	2008 € / 000	2007 € / 000
Cost for current work provided	73	112	109	
Financial charges	407	440	157	101
Expected income on plan assets			(144)	(96)
Net actuarial (gains)/losses	276	(29)	21	(91)
Curtailment effect		72	167	
	756	**595**	**310**	**(86)**

The following table reports changes in the present value of defined benefit obligations in 2008 and 2007:

Changes in current value of obligations	Staff severance fund		Other plans	
	31 December 2008 € / 000	31 December 2007 € / 000	31 December 2008 € / 000	31 December 2007 € / 000
Present value at 1 January	11,565	12,631	3,336	2,406
Cost of current work provided	73	112	109	
Benefits paid	(2,415)	(1,759)	(129)	(200)
Financial charges	407	440	157	101
Actuarial gains (losses)	276	(29)	21	(91)
Curtailment	–	72	167	
Other changes	471	98	(100)	1,121
Present value at 31 December	**10,378**	**11,565**	**3,561**	**3,336**
Dedicated assets deducted directly from the obligation			(3,277)	(3,245)
Staff severance fund and other pension funds	**10,378**	**11,565**	**285**	**92**

The following table shows the changes in the fair value of dedicated assets in defined benefit plans in the last three years.

Dedicated assets	31 December 2008 € / 000	31 December 2007 € / 000	31 December 2006 € / 000
Present value at 1 January	3,898	2,610	1,165
Expected yield	144	96	
Employer contributions	160	336	1,070
Contributions from participating employees	63	59	357
Benefits paid	(644)	(75)	
Settlements			
Actuarial gains (losses)	7		18
Other changes	341	873	
Present value at 31 December	**3,969**	**3,898**	**2,610**
Dedicated assets deducted directly from the obligation	(3,277)	(3,245)	(2,405)
Receivables from employee benefit funds	**692**	**653**	**205**

Obligations related to the plans described above are calculated on the basis of the following actuarial assumptions.

Main actuarial assumptions	Staff severance fund			Other plans		
	31 December 2008	31 December 2007	31 December 2006	31 December 2008	31 December 2007	31 December 2006
Discount rate	4.5%	4.5%	4.0%	3.3%	4.5%	4.5%
Future salary increases	2.1%	3.0%	3.0%	2.0%		
Future pension increases		1.3%	1.3%		1.5%	1.5%
Expected yield from assets dedicated to the plan				3.2%	4.0%	4.0%
Staff turnover rate	5.0%	5.0%	5.0%			
Inflation rate	2.0%	2.0%	1.5%			

The rates relating to the costs of health benefits are not included in the assumptions used in determining the above obligations.

Thus, any changes in these rates would not have any effect.

38. Reserves for risks and future liabilities

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

	Tax reserve €/000	Reserve for industrial restructuring €/ 000	Agent severance fund €/000	Other €/000	Total €/000
Balance at 31 December 2007	**3,456**	**3,508**	**1,071**	**3,002**	**11,038**
Provisions	63	–	304	1,879	2,246
Amounts used	(189)	(1,107)	(304)	(1,830)	(3,430)
Reclassifications	278	–	9	(278)	9
Exchange rate differences and other changes	(310)	–	(6)	(533)	(850)
Balance at 31 December 2008	**3,298**	**2,401**	**1,075**	**2,240**	**9,013**
of which, projected disbursement					
due within 12 months		2,401		816	3,217
due after 12 months	3,298		1,075	1,423	5,796

The tax reserve, which stood at €3,298 thousand at 31 December 2008, mainly covers probable tax liabilities that could arise for the Parent Company and Campari Italia S.p.A. as a result of the tax inspection in 2006 and 2007 in respect of the tax years of 2003, 2004 and 2005.

Provisions of €63 thousand for the year relate to Campari do Brasil Ltda.

The reserve for industrial restructuring, which amounted to €2,401 thousand, relates to liabilities recorded following the termination of production at the Sulmona plant in 2007, based on the special agreement with the trades unions regarding the programme of alternative measures and support for employees.

The procedure that led to the creation of this reserve will be abolished in 2009, and the remaining amount fully used.

Amounts used in the year, of €1,107 thousand, relate to payments disbursed by the Parent Company to employees who took redundancy.

The agent severance fund covers the estimate of the probable liability to be incurred for disbursing the additional compensation due to agents at the end of the relationship.

This amount was discounted using an appropriate rate.

At 31 December 2008, the other reserves item includes the estimated liability for miscellaneous lawsuits and staff settlements.

It also includes, with regard to Campari Italia S.p.A., the costs deriving from existing agreements with customers, the amount of which is defined based on transactions completed in the first few months of 2009, and adjustments to sales for deferred discounts, price differences and returns on sales invoiced in 2008, for which it was not possible to determine reliably and objectively the amount and existence at the reporting date, as well as future liabilities stemming from a lawsuit currently under way with a transport logistics services supplier, totalling €1,000 thousand, for which €500 thousand has been allocated.

The amounts used figure of €1,830 thousand breaks down into €827 thousand for the Parent Company and €117 thousand for Campari Italia S.p.A. and comprises invoices relating to 2007 in respect of promotional agreements completed in 2008.

For completeness of information, note that at 31 December 2007, the company was in dispute with the Brazilian tax authorities, which have contested the classification of products sold by Campari do Brasil Ltda. for production tax (IPI) purposes, levying additional taxes and penalties totalling BRL 96.9 million (€37.1 million).

The company has contested this claim in full, appointing local advisors.

Based on the opinions expressed by the advisors, it is deemed unnecessary at present to establish a special provision.

As a result, no provisions were made for this item in the accounts for the year ending 31 December 2008.

39. Trade payables and other current liabilities

This item breaks down as follows.

	31 December 2008 € / 000	31 December 2007 € / 000
Trade payables to external suppliers	151,133	153,290
Trade payables to affiliated companies	1,012	3,262
Payables to suppliers	**152,145**	**156,552**
Payroll	16,682	18,728
Amounts due to agents	4,908	4,395
Deferred income	4,900	4,689
Deferred realised capital gains	2,548	3,296
Unconfirmed contributions received	2,443	1,011
Other	9,247	7,317
Other current liabilities	**40,727**	**39,437**

The change in the basis of consolidation relating to trade payables was €3,623 thousand.

The item deferred realised capital gains refers to an adjustment to the Parent Company's capital gains from the sale of the property in Via Filippo Turati in Milan, and takes into account expected future contractual expenses for site refurbishment.

The payable for unconfirmed contributions received relates to advances collected by Sella & Mosca S.p.A. in respect of the regional operating programme (POR) for Sardinia, to investments in progress, and to contributions received for vineyards in the pre-production phase.

These contributions will be confirmed only after the vineyards have gone into production, and will then be reported in the income statement based on the useful life of the vineyards.

A breakdown of these payments is given in the following paragraph.

The increase of €1,924 thousand in this item includes €900 thousand posted by the Parent Company; this amount relates to a down payment made as a deposit on the preliminary sales agreement signed during the year for land at Ponte Galeria, Rome.

The table below sets out the maturities for trade payables and other current liabilities, such as amounts due to agents and the “other” item in the above table.

31 dicembre 2008	Sight	Within 1 year	Due in 1 to 2 years	Due in 3 to 5 years	Due in more than 5 years	Total
	€ / 000	€ / 000	€ / 000	€ / 000	€ / 000	€ / 000
Trade payables	28,060	123,079	1,007	–	–	152,145
Other payables	1,207	12,409	538	–	–	14,154
Total	**29,267**	**135,488**	**1,545**	**–**	**–**	**166,300**

31 dicembre 2007	Sight	Within 1 year	Due in 1 to 2 years	Due in 3 to 5 years	Due in more than 5 years	Total
	€ / 000	€ / 000	€ / 000	€ / 000	€ / 000	€ / 000
Trade payables	17,545	138,985	21	–	–	156,552
Other payables	183	11,166	362	–	–	11,712
Total	**17,728**	**150,152**	**383**	**–**	**–**	**168,263**

40. Capital grants

The following table provides details of changes in deferred income related to capital grants between one financial year and the next.

In some cases grants have not yet been confirmed; in these instances a liability must be recorded against the grant received.

Once the grants are confirmed, they are classified as deferred income and are reported in the income statement based on the useful life of the plant.

In the interests of clarity, the table below illustrates changes in both payables and deferred income.

Monies received during the year relate to Sella & Mosca S.p.A. for vineyards in the pre-production phase under the regional operating programme for Sardinia.

31 December 2008	Payables to tax authorities	Deferred income
	€ / 000	€ / 000
Balance at 1 January 2008	1,011	3,797
Proceeds for the period	1,909	
Grants certain to be received	(337)	337
Amounts posted to the income statement	(285)	(362)
Other changes	145	
Balance at 31 December 2008	**2,443**	**3,772**

31 December 2007	Payables to tax authorities € / 000	Deferred income € / 000
Balance at 1 January 2007	2,188	2,795
Proceeds received in the period	639	11
Grants certain to be received	(1,524)	1,524
Amounts posted to the income statement		(671)
Other changes	(292)	138
Balance at 31 December 2007	**1,011**	**3,797**

41. Payables to tax authorities

This item breaks down as follows.

	31 December 2008 € / 000	31 December 2007 € / 000
Income taxes	8,056	7,572
Due to controlling shareholder for tax consolidation	16,464	20,107
Due to controlling shareholder for Group VAT	5,552	–
Value-added tax	6,076	7,115
Tax on alcohol production	20,689	17,022
Withholding and other taxes	2,436	2,777
	59,273	**54,592**

Payables to the controlling shareholder for tax consolidation at 31 December 2008 relate to income tax payables due to Fincorus S.p.A. from the Italian subsidiaries of Davide Campari-Milano S.p.A.

For further details on amounts in respect of related parties, please refer to note 46 - Related parties.

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

These payables are all due within 12 months.

42. Stock option plan

Pursuant to Consob resolution 11971 of 14 May 1999 as amended, and Consob communication 11508 of 15 February 2000, the following information is provided on the stock option plan (the "Plan") approved by the Board of Directors of Davide Campari-Milano S.p.A. on 15 May 2001, which incorporated the framework plan for the general regulation of stock options for the Campari Group, approved by the shareholders' meeting on 2 May 2001.

The purpose of the plan is to offer beneficiaries who occupy key positions in the Group the opportunity of owning shares in Davide Campari-Milano S.p.A., thereby aligning their interests with those of other shareholders and fostering loyalty, in the context of the strategic goals to be achieved.

The recipients are employees, directors and/or individuals who regularly do work for one or more Group companies, who have been identified by the Board of Directors of Davide Campari-Milan S.p.A., and who, on the plan approval date and until the date that the shares were allocated, worked as employees and/or directors and/or in any other capacity at one or more Group companies without interruption.

The regulations for the Plan do not provide for loans or other incentives for share subscriptions pursuant to article 2358, paragraph 3 of the Italian civil code.

The Board of Directors of Davide Campari-Milano S.p.A. has the right to draft regulations, select beneficiaries and determine the share quantities and values for the execution of stock option plans. In addition, Davide Campari-Milano S.p.A. reserves the right, at its sole discretion, to modify the Plan and regulations as necessary or appropriate to reflect revisions to laws in force, or for other objective reasons that would warrant such modification.

The first allocation of options in July 2001 was unconditional and enabled beneficiaries to exercise options on the day after the plan's expiry, i.e. on 30 June 2006.

These options were fully exercised in July 2006.

In 2004 and 2005, four more allocations of stock options were approved, also governed by the framework plan approved by the shareholders' meeting of 2 May 2001. These allocations enable beneficiaries to exercise options for a period of 30 days starting on the day after the maturity of options assigned in 2004, i.e. 30 June 2009, while for allocations in 2005, the exercise periods will be between November 2009 and November 2011.

The share subscription price is equivalent to the weighted average market price for the month preceding the date on which the options were allocated.

In 2006, new allocations of stock options were approved, which may be exercised in certain monthly windows between July 2011 and July 2013.

In 2007, further stock option allocations were approved, which may be exercised in four monthly windows between February 2012 and August 2014.

New allocations of stock options were also approved in 2008.

These may be exercised in four monthly windows between February 2012 and August 2014.

The number of options granted for the purchase of the same number of shares was 7,703,905, with the average allocation price at €5.69, equivalent to the weighted average market price in the month preceding the day on which the options were granted.

The Group's Italian companies have designated the exercise of the option by the employee as the event triggering the recognition of the liability in respect of share contributions.

Thus, the liability in respect of share contributions will be calculated and recognised when the employee exercises the option.

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

	31 December 2008		31 December 2007	
	Number of shares	Average allocation/ exercise price €	Number of shares	Average allocation/ exercise price €
Options outstanding at the beginning of the period	11,047,120	5.38	11,951,311	5.84
Options granted during the period	7,703,905	5.69	1,266,890	7.74
(Options cancelled during the period)	(500,085)	7.39	(1,634,720)	6.53
(Options exercised during the period)(*)	–	–	(536,361)	3.98
(Options expired during the period)	–	–	–	–
Options outstanding at the end of the period	18,250,940	5.89	11,047,120	5.38
of which those that can be exercised at the end of the period				

(*) The average market price on the exercise date was €8.41 in 2007.

The average remaining life of outstanding options at 31 December 2008 was 3.4 years (3.2 years at 31 December 2007).

The exercise price interval for these options, divided into annual allocation intervals, is as follows.

	Average exercise price €
Allocations: 2004	3.99
Allocations: 2005	6.20
Allocations: 2006	7.66
Allocations: 2007	7.74
Allocations: 2008	5.69

The average fair value of options granted during the year was €1.08 (€1.89 in 2007).

The fair value of stock options is represented by the value of the option determined by applying the Black-Scholes model, which takes into account the conditions for exercising the option, as well as the current share price, expected volatility and the risk-free rate.

Volatility was estimated with the help of data supplied by a market information provider together with a leading bank, and corresponds to the estimate of volatility recorded in the period covered by the plan.

The following assumptions were used for the fair value valuation of options issued in 2007 and 2008.

	2008	2007
Expected dividends (€)	0.11	0.11
Expected volatility (%)	19%	17%
Historical volatility (%)	23%	15%
Market interest rate	3.50%	4.52%
Expected option life (years)	6.04	5.00
Exercise price (€)	5.69	7.74

Davide Campari-Milano S.p.A. has a number of own shares that can be used to cover stock option plans. The following table shows changes in the number of own shares held during the comparison periods.

	Number of own shares		Purchase price €	
	2008	2007	2008	2007
Balance at 1 January	**1,044,454**	**1,350,547**	**7,009,752**	**5,422,370**
Purchases	896,293	1,580,268	4,510,171	11,132,207
Sales			(1,886,361)	(9,544,825)
Balance at 31 December	**1,940,747**	**1,044,454**	**11,519,923**	**7,009,752**
% of share capital	0.67%	0.36%		

43. Financial instruments - additional information

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

31 dicembre 2008	Loans and receivables € / 000	Financial liabilities at amortised cost € / 000	Hedge derivatives € / 000
Cash and equivalents	172,558		
Short-term financial receivables	4,093		
Other non-current financial assets	4,573		
Trade receivables	272,096		
Other receivables	32,447		
Payables to banks		(108,340)	
Real estate lease payables		(13,928)	
Bonds		(221,564)	
Private placement		(104,150)	
Accrued liabilities on bond issues		(7,475)	
Other current liabilities		(1,265)	
Put option payable		(26,562)	
Trade payables		(152,145)	
Other payables		(40,727)	
Non-current liabilities: hedge derivatives			(20,516)
Current liabilities: hedge derivatives			(3,002)
Total	**485,768**	**(676,157)**	**(23,518)**

31 dicembre 2007	Loans and receivables € / 000	Financial liabilities at amortised cost € / 000	Assets and liabilities measured at fair value with changes recognised in the income statement € / 000	Hedge derivatives € / 000
Cash and equivalents	199,805			
Short-term financial receivables	1,175			
Other non-current financial assets	104			
Trade receivables	279,986			
Other receivables	37,140			
Payables to banks		(116,157)		
Real estate lease payables		(16,030)		
Bonds		(188,354)		
Private placement		(107,675)		
Accrued liabilities on bond issues		(7,253)		
Other financial liabilities		(1,355)		
Trade payables		(156,552)		
Other payables		(39,436)		
Non-current assets: hedge derivatives				5,736
Current assets: hedge derivatives				1,704
Non-current liabilities: hedge derivatives				(56,899)
Current liabilities: hedge derivatives				(2,028)
Liabilities: derivatives not used for hedging			(46)	
Total	**518,210**	**(632,811)**	**(46)**	**(51,487)**

Fair value of financial assets and liabilities

For each category of financial assets and liabilities, a comparison between the fair value of the category and the corresponding book value is shown below.

	Book value		Fair value	
	31 December 2008 € / 000	31 December 2007 € / 000	31 December 2008 € / 000	31 December 2007 € / 000
Cash and equivalents	172,558	199,805	172,558	199,805
Interest accrued on swaps on private placement		126		126
Assets: other hedge derivatives		1,577		1,577
Other short-term financial receivables	4,093	1,175	4,093	1,175
Assets: private placement derivative		5,736		5,736
Other non-current financial assets	4,573	104	4,573	104
Financial assets	**181,224**	**208,523**	**181,224**	**208,523**
Payables to banks	108,340	116,157	108,340	116,157
Real estate lease payables	13,928	16,030	12,931	16,522
Bonds	221,564	188,354	214,640	178,175
Private placement	104,150	107,675	97,888	107,004
Accrued interest on bonds	7,475	9,000	7,475	9,000
Liabilities: derivatives on bond issues	20,516	56,899	20,516	56,899
Liabilities: other hedge derivatives	3,002	281	3,002	281
Liabilities: other derivatives not used for hedging		46		46
Other debt	1,265	1,355	1,265	1,355
Payables in respect of put option and earn-out	26,562		26,562	
Financial liabilities	**506,802**	**495,796**	**492,619**	**485,437**
Net financial assets (liabilities)	**(325,578)**	**(287,272)**	**(311,395)**	**(276,913)**

The method used for determining fair value was as follows:

- for financial assets and liabilities that are liquid or nearing maturity, it is assumed that the book value equates to fair value; this assumption also applies to term deposits, securities that can be readily converted to cash and variable-rate financial instruments;
- for the valuation of hedging instruments at fair value, the company used valuation models based on market parameters;
- the fair value of medium/long-term financial payables was obtained by discounting all remaining cash flows at the rates in effect at the end of the period;

For commercial items and other receivables and payables, fair value corresponds to the book value; these are not reported in the table below.

Hedging transactions

The Group currently holds various derivative instruments to hedge both the fair value of underlying instruments and cash flows.

The table below shows the fair value of these derivative instruments, recorded as assets or liabilities.

	31 December 2008		31 December 2007	
	Assets	Liabilities	Assets	Liabilities
	€ / 000	€ / 000	€ / 000	€ / 000
Hedge derivatives at fair value				
Interest rate swap on private placement			5,736	
Interest rate and currency swap on bond issue		(32,194)		(70,772)
Accrued liabilities on private placement and bond issue		(1,879)	126	(1,747)
Forward currency contracts		(98)	419	
	–	**(34,171)**	**6,281**	**(72,519)**
Derivates used to hedge cash flows				
Interest rate swap on bond issue		11,678		13,873
Forward currency contracts		(1,025)	1,158	(281)
	–	**10,653**	**1,158**	**13,592**
Derivatives not used for hedging		–		(46)
Total derivatives	**–**	**(23,518)**	**7,440**	**(58,972)**

At 31 December 2007, the Parent Company and Redfire, Inc. had outstanding interest rate swap hedging instruments on the bond issue and private placement, negotiated with Lehman Brothers.

Following the collapse of the bank in September 2008, the Group exercised the early termination option on these contracts.

On the date of default, the receivables in question were adjusted to their estimated realisable value, calculated using an estimated recovery value of 30% and reclassified under financial receivables; the outstanding loan of €4,573 thousand was shown under non-current financial assets at 31 December 2008.

Please see section 18 - Financial income and charges, for details of the impact of this event on the income statement.

Fair value derivative hedges

The Group has the following contracts that meet the definition of hedging instruments under IAS 39.

• *Cross currency swap on bond issue*

At the reporting date, a cross currency swap totalling a notional US$ 300 million was outstanding on the Parent Company's bond issue.

This instrument has the same maturity as the underlying liability.

The derivative is valued at fair value and any changes are reported on the income statement; having established the effectiveness of the hedging transactions, the gain or loss on the hedged item attributable to the hedged risk is used to adjust the book value of the underlying liability and is immediately reported on the income statement.

The change in the fair value of these instruments reported on the income statement in 2008 was positive to the tune of €33,550 thousand.

The loss recorded on the hedged item was €33,210 thousand.

At 31 December the Parent Company's cross currency swap had a negative fair value of €32,194 thousand, reported under non-current financial liabilities.

• *Foreign currency hedges*

At 31 December 2008, Campari International S.A.M. held forward contracts on receivables and payables in currencies other than the euro in its accounts.

The contracts were negotiated to match maturities with projected incoming and outgoing cash flows resulting from sales and purchases in individual currencies.

The fair value of these contracts at the reporting date (€98 thousand) is recorded under current financial liabilities.

Gains and losses on the hedged and hedging instruments used in cash flow hedges are summarised below.

	31 December 2008 € / 000	31 December 2007 € / 000
Gains on hedging instruments	34,041	3,877
Losses on hedging instruments	(344)	(16,859)
Total gains (losses) on hedging instruments	**33,697**	**(12,982)**
Gains on hedged items	373	17,502
Losses on hedged items	(33,708)	(3,753)
Total gains (losses) on hedged items	**(33,335)**	**13,749**

- *Cash flow hedge derivatives*

The Group uses the following contracts to hedge its cash flows.

- *Interest rate swap on bond issues*

The Group has an outstanding interest rate swap, with fixed rate interest payments of 4.25% and 4.37% respectively on the underlyings of US$ 50 million (maturity 2015) and US$ 50 million (maturity 2018) from July 2008.

In December 2008, the Company also agreed an interest rate swap with a fixed rate of 4.28% on an underlying of US$ 25 million (maturity 2018) starting in July 2009.

As the hedge met the requirements for effectiveness, an appropriate shareholders' equity reserve was created with a gross value of €19,493 thousand; this figure includes the fair value variations of derivative contracts taken out with Lehman Brothers and recorded before the bank's collapse.

As required by IAS 39, the cash flow hedging reserve relating to these contracts will be recognised on the income statement with the same maturities as the cash flows related to the payable.

During the period, an unrealised gain of €6,491 thousand was posted to the reserve, together with the corresponding deferred tax effect of €1,785 thousand.

In addition, an amount of €871 thousand was included in the income statement (the associated tax effect of €239 thousand was reclassified under profit carried forward).

The following table shows maturities for the Group's cash flows, at 31 December 2008, indicating the periods in which cash flows relating to the hedged part are due; these cash flows consist only of interest and have not been discounted.

31 dicembre 2008	Due within 1 year € / 000	Due within 1–5 years € / 000	Due after 5 years € / 000	Total € / 000
Cash outflows	5,543	22,171	22,232	49,946

31 dicembre 2008	Due within 1 year € / 000	Due within 1–5 years € / 000	Due after 5 years € / 000	Total € / 000
Cash outflows	3,816	24,754	32,719	61,289

- *Hedging of future purchases and sales of foreign currencies*

At 31 December 2008, the Group held forward currency contracts, designated as hedging instruments, on expected future sales and purchases based on its own 2009 estimates.

These transactions are highly probable.

Contracts were negotiated to match maturities with projected incoming and outgoing cash flows resulting from sales and purchases in individual currencies.

The main currencies hedged are the US dollar (nominal amount of US$ 11.6 million), Japanese yen (JPY 1.0 million) and the Canadian dollar (CAD 3.6 million).

These hedging transactions met the requirements for effectiveness, and an unrealised loss of €1,045 thousand was initially recorded in shareholders' equity reserves, net of the related deferred tax effect.

All cash flows concerned will materialise in 2009.

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

31 dicembre 2008	Gross amount € / 000	Tax effect € / 000	Net amount € / 000
Opening balance	14,749	(3,876)	10,873
Recognised in income statement during the period	(1,747)	61	(1,686)
Recognised in equity during the period	5,446	(1,858)	3,588
Reclassified under profit carried forward		239	239
Amount allocated to reserves at 31 December 2008	**18,448**	**(5,434)**	**13,014**
Ineffectiveness recognised in income statement	(20)	(1)	(21)

31 dicembre 2007	Gross amount € / 000	Tax effect € / 000	Net amount € / 000
Opening balance	4,113	(1,113)	3,000
Recognised in income statement during the period	(939)	66	(873)
Recognised in equity during the period	11,575	(3,004)	8,572
Recognised in equity in respect of the change in tax rates during the period		174	174
Amount allocated to reserves at 31 December 2007	**14,749**	**(3,876)**	**10,873**
Ineffectiveness recognised in income statement	(29)		(29)

44. Nature and scale of the risks arising from financial instruments

The Group's main financial instruments include current accounts, short-term deposits, short and long-term bank loans, finance leases and bonds.

The purpose of these is to finance the Group's operating activities.

In addition, the Group has trade receivables and payables resulting from its operations.

The main financial risks to which the Group is exposed are market (currency and interest rate risk), credit and liquidity risk.

These risks are described below, together with an explanation of how they are managed.

To cover these risks, the Group makes use of derivatives, primarily interest rate swaps, cross currency swaps and forward contracts, to hedge interest rate and foreign exchange risks.

Credit risk

With regard to trade transactions, the Group works with medium-sized and large customers (mass retailers, domestic and international distributors) on which credit checks are performed in advance.

In addition, the trade conditions initially granted are particularly tight.

Each company subsequently initiates an assessment and control procedure for its customer portfolio.

As a result, historical losses on receivables represent a very low percentage of revenues and do not require special coverage and/or insurance.

The maximum risk at the reporting date is equivalent to the book value of trade receivables recorded under financial assets.

Financial transactions are carried out with leading domestic and international institutions.

The ratings of these companies are monitored to ensure that the risk of insolvency is kept to a minimum.

The maximum risk at the reporting date is equivalent to the book value of these assets.

Liquidity risk

The Group's ability to generate substantial cash flow through its operations allows it to reduce liquidity risk to a minimum.

This risk is defined as the difficulty of raising funds to cover the payment of the Group's financial obligations.

The table below summarises financial liabilities at 31 December 2008 by maturity based on the contractual repayment obligations, including non-discounted interest.

For details of trade payables and other liabilities, see note 39 - Trade payables and other current liabilities.

31 dicembre 2008	Sight	Due within 1 year	Due in 1 to 2 years	Due in 3 to 5 years	Due in more than 5 years	Total
	€ / 000	€ / 000	€ / 000	€ / 000)	€ / 000	€ / 000
Payables and loans to banks		107,454	264	600	142	108,460
Bonds		9,765	9,765	29,295	250,172	298,998
Liabilities: derivatives on bond issues		(629)	(1,721)	1,138	48,477	47,265
Private placement		14,904	11,578	91,566	–	118,048
Property leases		3,494	3,494	6,530	–	13,518
Other financial payables		196	196	588	393	1,373
Total financial liabilities	**–**	**135,183**	**23,575**	**129,718**	**299,185**	**587,661**

31 dicembre 2007	Sight	Due within 1 year	Due in 1 to 2 years	Due in 3 to 5 years	Due in more than 5 years	Total
	€ / 000	€ / 000	€ / 000	€ / 000)	€ / 000	€ / 000
Payables and loans to banks		114,695	925	518	623	116,761
Bonds		9,232	9,232	18,463	254,972	291,899
Liabilities: derivatives on bond issues		3,259	1,551	4,207	68,800	77,817
Private placement		14,589	14,086	26,970	75,970	131,615
Property leases		3,494	3,494	6,988	3,036	17,012
Other financial payables		196	196	392	785	1,569
Total financial liabilities	**–**	**145,465**	**29,484**	**57,538**	**404,186**	**636,673**
Assets: derivatives on private placement		(2,178)	(2,768)	(3,048)	(424)	(8,418)
Financial liabilities excluding hedging assets	**–**	**143,287**	**26,715**	**54,491**	**403,762**	**628,255**

The Group's financial payables, with the exception of non-current payables with a fixed maturity, consist of short-term bank debt.

Thanks to its liquidity and sound management of cash flow from operations, the Group has sufficient resources to meet its financial commitments at maturity.

It also has unused lines of credit, which it could use for any additional liquidity requirements.

Market risks

- Interest rate risk

The Group is exposed to the risk of fluctuating interest rates in respect of its financial assets, short-term payables to banks and long-term lease agreements.

Under long-term financial liabilities, fixed rates apply to certain loans obtained by Sella & Mosca S.p.A., and one of the Parent Company's small loans.

The private placement of Redfire, Inc. is also subject to a fixed rate.

The Parent Company's bond issue, originally issued at a fixed rate in US dollars, was reported at a variable rate in euro, via derivative agreements; subsequently part of this loan changed to a fixed rate, again using derivative agreements in the form of interest rate swaps in euro.

At 31 December 2008, therefore, the portion of the total loan at a fixed rate was around 40%.

Note that, as a result of the credit crunch in the last quarter of 2008, spreads applied by the banks to loans widened substantially; the Group is exposed to this risk in respect of its current loans and any new long-term loans taken out.

Sensitivity analysis

The following table shows the effects on the Group's income statement of a possible change in interest rates, if all other variables remain constant.

A negative value in the table indicates a potential net reduction in profit and equity, while a positive value indicates a potential net increase in these items.

The assumptions used in terms of a potential change in rates are based on an analysis of the trend at the reporting date.

The table illustrates the full-year effects on the income statement in the event of a change in rates, calculated for the Group's variable-rate financial assets and liabilities.

As regards the fixed-rate financial liabilities hedged by interest rate swaps, the change in assets offsets the change in the underlying liability, with practically no effect on the income statement.

The net tax effects of the effects on the income statement are also included.

31 dicembre 2008	Increase/decrease in interest rates in basis points	Income statement	
		Increase in interest rates € / 000	Decrease in interest rates € / 000
Euro	+/– 260 basis points	72	–72
US dollar	+/– 350 basis points	863	–863
Other currencies	+/– 170 basis points on CHF Libor +/– 410 basis points on GBP Libor +/– 230 basis points on R$ Libor	440	–440
Total effect		1,375	–1,375

31 dicembre 2007	Increase/decrease in interest rates in basis points	Income statement	
		Increase in interest rates € / 000	Decrease in interest rates € / 000
Euro	+/– 11 basis points	–11	11
US dollar	+/168 basis points	513	–513
Other currencies	+/– 16 basis points on CHF Libor +/– 47 basis points on GBP Libor +/– 136 basis point s on R$ Libor	301	–301
Total effect		802	–802

- Foreign exchange risk

The expansion of the Group's international business has resulted in an increase in sales on markets outside the eurozone, which accounted for 41.2% of the Group's net sales in 2008.

However, the establishment of Group entities in countries such as the United States, Brazil and Switzerland allows this risk to be partly hedged, given that both costs and income are denominated in the same currency.

In the case of the US, moreover, some of the cash flows from operations are used to redeem the US dollar-denominated private placement taken out locally to cover the acquisitions of certain companies.

Therefore, exposure to foreign exchange transactions generated by sales and purchases in currencies other than the Group's functional currencies only represented around 4% of consolidated sales in 2008.

For these transactions, Group policy is to mitigate the risk by using forward sales or purchases.

In addition, the Parent Company has issued a bond in US currency, where the foreign exchange risk has been hedged by a cross currency swap.

Sensitivity analysis

The following table shows the effects on the Group's income statement of a possible change in exchange rates against the euro, if all other variables remain constant.

This analysis does not include the effect on the consolidated accounts of the conversion of the financial statements of subsidiaries denominated in a foreign currency following a possible change in exchange rates.

A negative value in the table indicates a potential net reduction in profit and equity, while a positive value indicates a potential net increase in these items.

The assumptions adopted in terms of a potential change in rates are based on an analysis of forecasts provided by financial information agencies at the reporting date.

The effects on the income statement concern the change in fair value of monetary assets and liabilities held in a currency other than the functional currency.

The types of transaction included in this analysis are the Parent Company's bond issue, denominated in US dollars, and sales and purchase transactions in a currency other than the Group's functional currency.

The Parent Company's bond issue is hedged by cross currency swaps, while the other transactions are hedged by forward contracts; in both cases, therefore, a change in exchange rates would entail a corresponding change in the fair value of the hedging transaction and hedged item, but this would have no effect on the income statement.

The effects on shareholders' equity are determined by changes in fair value of the Parent Company's interest rate swap and forward contracts on future transactions, which are used as cash flow hedges.

The deferred net tax effects on the income statement described earlier are also included.

31 December 2008	% exchange rate change	Income statement		Shareholders' equity	
		Increase in exchange rate € / 000	Decrease in exchange rate € / 000	Increase in exchange rate € / 000	Decrease in exchange rate € / 000
US dollar	+/– 13%	–	–	–559	507
Other currencies	+/– 10%	–	–	–1,294	446
Total	**–**	**–**	**–**	**–1,853**	**953**

31 December 2007	% exchange rate change	Income statement		Shareholders' equity	
		Increase € / 000	Decrease € / 000	Increase € / 000	Decrease € / 000
US dollar	+/– 11%	–	–	–532	664
Other currencies	+/– 2%	–	–	–106	110
Total effect	**–**	**–**	**–**	**–638**	**774**

45. Commitments and risks

The main commitments and risks of the Campari Group on the closing date of the accounts are shown below.

Non-cancellable operating leases with the Campari Group as lessee

The following table shows the amounts owed by the Group, broken down by maturity, in future periods for leases on property.

Minimum future payments under operating leases	31 December 2008 €/000	31 December 2007 €/000
Under one year	2,225	3,023
One to five years	3,253	4,439
Over five years	–	

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

Non-cancellable finance leases with the Campari Group as lessee

The commitment in relation to finance lease contracts entered into by the Parent Company in 2003 for the property complex in Novi Ligure and by the newly-acquired subsidiary, Sabia S.A., stipulates the following future minimum payments. The relationship between these and their present value is also reported.

Finance leases	31 December 2008		31 December 2007	
	Minimum future payments €/000	Present value of future payments €/000	Minimum future payments €/000	Present value of future payments €/000
Under one year	3,703	3,382	3,557	3,171
One to five years	10,925	10,478	13,523	12,860
Over five years	–			
Total minimum payments	14,627	13,860	17,080	16,030
Financial charges		(767)	(1,049)	
Present value of minimum future payments	**13,860**	**13,860**	**16,030**	**16,030**

Existing contractual commitments for the purchase of properties, equipment and machinery

These commitments totalled €17.1 million, and all expire within the year.

This item includes around €16 million in respect of the Parent Company for the contract to build the new headquarters at Sesto San Giovanni and the new storage facility for finished products at Novi Ligure.

Other commitments

The Group's other commitments for purchases of goods or services primarily consist of:

- purchases of raw materials relating to wine and grapes for the production of Cinzano still and sparkling wines; these multi-year contracts are entered into directly with the sellers pursuant to the Moscato d'Asti producers agreement;
- contractual agreements for the purchase of materials and advertising services;
- contractual agreements for the purchase of packaging, goods and maintenance materials and supplies, as well as services associated with the activities of the production units;
- leases and rentals amounting to €4.8 million for the Parent Company's lease agreement for the property located at Via Filippo Turati in Milan, the head office of some of the Group's Italian subsidiaries;
- sponsorship contracts.

Restrictions on the title and ownership of properties, equipment and machinery pledged to secure liabilities

The Group has several existing loans, with a current balance of €710 thousand, secured by mortgages on land and buildings and liens on machinery and equipment.

The original amount of these securities was €5.3 million.

Other guarantees

The Group has issued other forms of security in favour of third parties in the shape of customs bonds for excise taxes totalling €43.7 million at 31 December 2008 (€31.8 million at 31 December 2007).

46. Related parties

Davide Campari-Milano S.p.A. is controlled by Alicros S.p.A., with which the Group has not entered into transactions. Alicros S.p.A. is in turn controlled by Fincorus S.p.A.

In 2007, Fincorus S.p.A., and Davide Campari-Milano S.p.A. and its Italian subsidiaries joined the national tax consolidation scheme governed by articles 117 *et seq*. of the consolidation law on income tax (TUIR) for 2007, 2008 and 2009.

The tax receivables and payables of the individual Italian companies are therefore recorded as payables to the Parent Company's controlling shareholder, Fincorus S.p.A.

The Group's balance sheet at 31 December 2008 shows a receivable of €1,536 thousand due to Davide Campari-Milano S.p.A from its controlling shareholder Fincorus S.p.A and a payable of €16,464 thousand due to Fincorus S.p.A from the Italian subsidiaries.

The table below shows the net debit balance of €14,928 thousand.

In addition, in 2008 Fincorus S.p.A., Davide Campari-Milano S.p.A. and its Italian subsidiaries joined the Group-wide VAT scheme for the three-year period 2008-2010, pursuant to article 73, paragraph 3 of Presidential Decree 633/72.

At 31 December 2008, the Parent Company and its Italian subsidiaries recorded a debit balance of €5,552 thousand due to Fincorus S.p.A.

Dealings with related parties and joint ventures form part of ordinary operations and are carried out under market conditions (i.e. conditions that would apply between two independent parties) or using criteria that allow for the recovery of costs incurred and a return on invested capital.

All transactions with related parties were carried out in the Group's interest.

In compliance with the requirements of Consob communication DEM 6064293 of 28 July 2006, the following table details the amounts of trade and financial transactions entered into with related parties.

31 December 2008	Trade receivables € / 000	Trade payables € / 000	Financial receivables € / 000	Receivables (payables) for tax consolidation € / 000	Receivables (payables) for Group VAT € / 000	Other € / 000
Fior Brands Ltd.	1,144	–	16	–	–	
International Marques V.o.f.	1,483	(252)	–	–	–	
M.C.S. S.c.a.r.l.	2,565	(697)	621	–	–	14
Summa S.L.	–	(63)	–	–	–	
Fincorus S.p.A.				(14,928)	(5,552)	
	5,192	**(1,012)**	**636**	**(14,928)**	**(5,552)**	**14**
Balance sheet percentage of related item	2%	1%	16%	28%	11%	0%

31 December 2007	Trade receivables € / 000	Trade payables € / 000	Financial receivables € / 000	Receivables (payables) for tax consolidation € / 000	Receivables (payables) for Group VAT € / 000	Other € / 000
Fior Brands Ltd.	1,485	(269)	67	–	–	
International Marques V.o.f.	1,330	(358)	–	–	–	
M.C.S. S.c.a.r.l.	2,340	(769)	756	–	–	14
Summa S.L.	3,397	(1,865)	–	–	–	
Fincorus S.p.A.	–	–	–	(17,107)	–	–
	8,553	**(3,262)**	**823**	**(17,107)**	**–**	**14**
Balance sheet percentage of related item	3%	2%	29%	36%	–	0%

31 December 2008	Sale of merchandise € / 000	Trade allowances € / 000	Other income and charges € / 000	Financial income € / 000	Profit (loss) of joint ventures € / 000
Fior Brands Ltd.	–	–	232	–	–
International Marques V.o.f.	3,813	(1,636)	46	–	65
M.C.S. S.c.a.r.l.	8,370	(1,516)	36	19	177
Summa S.L.	740	(918)	(1,585)	–	(12)
	12,922	**(4,070)**	**(1,270)**	**19**	**230**

31 December 2007	Sale of merchandise € / 000	Trade allowances € / 000	Other income and charges € / 000	Financial income € / 000	Profit (loss) of joint ventures € / 000
Fior Brands Ltd.	1,609	(1,028)	(252)	90	(614)
International Marques V.o.f.	3,675	(1,806)	14	–	107
M.C.S. S.c.a.r.l.	7,167	(2,367)	49	38	200
Summa S.L.	7,076	(4,067)	24	–	3
	19,527	**(9,268)**	**(165)**	**128**	**(303)**

Financial receivables at 31 December 2008 include a loan to MCS S.c.a.r.l. of €621 thousand granted by Campari Finance Belgium S.A.

This loan carries variable-rate interest at 3-month Euribor + 25 basis points.

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

	31 December 2008 €/000	31 December 2007 €/000
Short-term benefits	4,032	5,647
Defined contribution benefits	42	39
Stock options	1,026	823
	5,100	**6,509**

47. Employees

The following tables indicate the average number of employees at the Group, broken down by business sector, category and region.

Business sector	31 December 2008	31 December 2007
Production	673	686
Sales and distribution	654	593
General	319	310
Total	**1,646**	**1,589**

Category	31 December 2008	31 December 2007
Managers	109	96
Clerical	974	918
Manual	564	575
Total	**1,646**	**1,589**

Region	31 December 2008	31 December 2007
Italy	837	859
Abroad	809	730
Total	**1,646**	**1,589**

48. Events taking place after the end of the year

Acquisition of Odessa

On 13 March 2009, the Campari Group acquired 99.25% of the share capital of Ukrainian company CJSC Odessa Plant of Sparkling Wines.

Please see the relevant section in the directors' report for further information.

Milan, 18 March 2009

Chairman of the Board of Directors
Luca Garavoglia

Certification of the consolidated accounts pursuant to article 81-*ter* of Consob Regulation 11971 of 14 May 1999 as amended

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

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

of the administrative and accounting procedures used to prepare the 2008 consolidated accounts.

2. We also certify that the consolidated accounts for the year ending 31 December 2008:

a) accurately represent the figures contained in the accounting records;

b) were prepared in accordance with the International Financial Reporting Standards adopted by the European Commission according to the procedure set out in article 6 of Regulation (EC) 1606/02 of the European Parliament and of the Council of 19 July 2002, and are therefore considered to give a true and fair view of the financial situation of the issuer and its subsidiaries.

Milan, 18 March 2009

Managing Director
Robert Kunze-Concewitz

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

Managing Director
Stefano Saccardi

REPORT OF THE INDEPENDENT AUDITORS

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Independent auditors' report
pursuant to Article 156 of Legislative Decree No. 58 of February 24, 1998
(Translation from the original Italian text)

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

1. We have audited the consolidated financial statements of Davide Campari-Milano S.p.A. and its subsidiaries, (the "Campari Group") as of and for the year ended December 31, 2008, comprising the balance sheet, the statement of income, changes in shareholders' equity and cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38/2005 is the responsibility of the Davide Campari-Milano S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit

2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 10, 2008.

3. In our opinion, the consolidated financial statements of Campari Group at December 31, 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and the cash flows of the Campari Group for the year then ended.

4. The management of Davide Campari-Milano S.p.A. is responsible for the preparation of the Directors' report in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements as required by art. 156, paragraph 4-bis, letter d) of the Legislative Decree 58/98. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Directors' report is consistent with the consolidated financial statements of the Campari Group as of December 31, 2008.

Milan, April 10, 2009

Reconta Ernst & Young S.p.A.
signed by: Alberto Romeo, partner

Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CC.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

DAVIDE CAMPARI MILANO S.p.A.

Registered office at via Filippo Turati, 27 – MILAN

Share capital: 29,040,000 euro

Tax code – Companies Register no. 06672120158 – REA (business administration register) no. 1112227

Report of the Board of Statutory Auditors on the consolidated accounts for the year ending 31 December 2008 pursuant to article 41 of Legislative Decree 127 of 9 April 1991

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To the shareholders of the Parent Company Davide Campari Milano S.p.A.

As part of our duties we have audited, pursuant to article 41 of Legislative Decree 127/91, the consolidated accounts of the Parent Company Davide Campari Milano S.p.A. for the year ending 31 December 2008, which were drawn up in accordance with IAS/IFRS, pursuant to Legislative Decree 38 of 28 February 2005 implementing EC Regulation 1606 of 18 July 2002. The accounts for the year ending 31 December 2008 show net profit for the year of € 126,746 thousand (of which € 199 thousand pertains to third parties), total assets of € 1,803,107 thousand and shareholders' equity of € 954,997 thousand (of which € 2,136 thousand is attributable to minorities). Memorandum accounts are no longer included since, following the adoption of IAS, they are now recorded as a liability in the balance sheet or described as commitments; they are therefore shown in this way in the accounts and accompanying documents submitted for review.

A) Audit of the consolidated balance sheet

1. We conducted our audit in accordance with the standards for internal auditors provided by the Italian association of chartered accountants. In keeping with these standards, we referred to the legislation governing consolidated accounts, interpreted and supplemented by accounting principles issued by the Italian association of chartered accountants and Consob recommendations where relevant, as well as IAS/IFRS accounting standards, pursuant to Legislative Decree 38 of 28 February 2005 implementing EC Regulation 1606 of 18 July 2002, in accordance with the interpretation provided by the Italian Accounting Body (OIC);

2. The legal audits of the Italian subsidiaries' accounts were conducted by their respective boards of statutory auditors, while the accounting audit was carried out by the external auditor, Reconta Ernst & Young S.p.A, in its capacity as principal auditor.

   We have not audited the accounts of the subsidiaries directly as this task was beyond our remit, and therefore our opinion applies solely to the consolidated accounts;

3. We have examined the basis of consolidation and have noted that all subsidiaries are fully consolidated and that joint ventures and affiliated companies have been valued at equity.

The changes in the basis of consolidation versus the previous year are discussed in detail in the notes to the accounts. These changes are the consequence of new acquisitions. Although the mergers and liquidations carried out during the year led to changes in the basis of consolidation, they had no effect on it.

4. The consolidation principles adopted comply with the provisions of IAS 27. In particular:

   - the basis of consolidation is defined based on the concept of financial control exercised directly or indirectly by the Parent Company and its Italian subsidiaries pursuant to IAS 27, and on the concept of significant influence;
   - the reporting date for the consolidated accounts coincides with the end of the Parent Company's financial year (31 December 2008), and the accounts are based on the financial statements of the companies included in the basis of consolidation which have the same financial year;
   - the assets and liabilities, and expenses and revenues for consolidated companies are fully reflected in the consolidated accounts; the book value of the equity investments is eliminated against the corresponding portion of the shareholders' equity of the subsidiaries (individual assets and liabilities are assigned the value given to them on the date control was acquired) and any differences are recorded either under the asset item "goodwill", if positive, or are allocated to the income statement if negative;
   - minority interests in shareholders' equity are reported under appropriate items in the

accounts; these are determined on the basis of the current values assigned to assets and liabilities on the date control was assumed, excluding any related goodwill.

5. The following companies, in which the Group owns a minority stake, were consolidated using the equity method: Fior Brands Ltd (in liquidation), International Margue V.o.f., M.C.S. S.c.a.r.l., and Focus Brands Trading (India) Private Ltd.
6. Reconta Ernst & Young, the company appointed to audit the consolidated accounts, has informed us that the auditors' report will be issued on time and that it will make no recommendations.
7. The documentation examined and the information obtained do not show any departure from the legislation governing consolidated accounts as supplemented by the above-mentioned accounting principles and by the regulations governing the conduct of boards of statutory auditors.
8. The form and content of the notes to the accounts are in accordance with IAS 1. In particular:
   - the consolidated accounts include the income statements and balance sheets of the Parent Company and the Italian and foreign companies over which the Parent Company exercises direct or indirect control, as defined in IAS 27 (Consolidated and Separate Financial Statements);
   - the IAS/IFRS principles in force at the end of the accounting year were applied, as interpreted by the OIC;
   - the use of the fair value method as provided for or allowed by IAS/IFRS is illustrated by the directors, who also report on its effects;
   - the formats stipulated by the relevant international accounting standards for the preparation of the balance sheet, income statement and notes to the accounts have been complied with. In particular, the income statement is classified by function, and the balance sheet shows current and non-current assets and liabilities separately;
   - the notes to the accounts have been drafted in accordance with IAS 1; in addition, the list

of consolidated companies and the consolidation methods applied comply with IAS 27, and the directors provide comprehensive information on the basis of consolidation and any changes thereto, as well as on the consolidation methods. They also provide comments on individual items, and, in the report on operations, on the most significant facts, including events taking place after the end of the period.

- These accounting criteria have been uniformly applied, and no extraordinary situations or cases arose requiring exceptions to be made. There were therefore no changes compared to the previous year.

9. The new accounting standards applied to the consolidated accounts since last year are the following:

- the amended IAS 38 (Intangible Assets), applied early on an optional basis from 1 January 2008, which establishes the recognition of advertising and promotional costs in the income statement. The directors have also highlighted the effects of this change;
- the amended IAS 39 (Financial Instruments: Recognition and Measurement);
- the amended IFRS 7 (Financial Instruments: Disclosures).

The following interpretations were also issued during the period but had no impact on the Group's balance sheet:

- IFRIC 12 (Service Concession Arrangements), effective from 1 January 2008;
- IFRIC 14 on IAS 19 (Defined Benefit Assets and Minimum Funding Requirements), effective from 1 January 2008.

10. The notes to the accounts provide information on the nature and function of the new standards and the effects of their application, and on any amendments to the standards and/or their future application from 1 January 2009 and thereafter.

11. In our opinion, the above-mentioned consolidated accounts give a true and fair view of the Davide Campari Milano S.p.A. Group's balance sheet and income statement at 31 December 2008, in accordance with legislation governing consolidated accounts, as referred to in point

B) Review of the report on operations

1. We have reviewed the report on operations, which accompanies the consolidated financial statements, to verify that it complies with the minimum content required and that it is consistent with the consolidated accounts.

2. As a result of the review carried out, the Board of Auditors considers that the Group's report on operations is accurate and consistent with the consolidated financial statements.

Milan, 8 April 2009

Chairman of the Board of Statutory Auditors

Antonio Ortolani

Statutory auditors

Alberto Lazzarini

Giuseppe Pajardi

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Bilancio consolidato al 31 dicembre 2008 **Consolidated financial statements 2008**