CAMPARI

This document contains the translation into English of the Full Consolidated Financial statements of Davide Campari-Milano S.p.A. as at 31 December 2000, as well as of the relevant accompanying notes and reports.

The translation is provided for your convenience only, for any information in respect of Davide Campari-Milano S.p.A. the original financial statements in Italian “Bilancio consolidato al 31 dicembre 2000” should be exclusively relied upon.

Davide Campari - Milano S.p.A.

Consolidated Financial Statements as at 31 December 2000

Index

Davide Campari - Milano S.p.A.

Corporate Officers

Board of Directors

Luca Garavoglia	*Chairman*
Marco Perelli-Cippo	*Managing Director and Chief Executive Officer*
Stefano Saccardi	*Managing Director and Officer Legal Affairs and Business Development*
Paolo Marchesini	*Chief Financial Officer*
Joern Boettger	*Managing Director and Chief Operating Officer Italy*
Vincenzo Visone	*Chief Operating Officer International*
Cesare Ferrero	*Member of Audit committee*
Gert Gaarnat	
Franzo Grande Stevens	*Member of Appointments and remuneration committee*
Nicholas J. Kramer	
Giovanni Rubboli	*Member of Audit committee and of Appointments and remuneration committee*
Renato Ruggiero	*Member of Appointments and remuneration committee*
Marco Vitale	*Member of Audit committee*
Machiel Anton Zondervan	

* Appointed by the Shareholders' Meeting of 2 May 2001

Board of Statutory Auditors

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

** Appointed by the Shareholders' Meeting of 2 May 2001

Independent Auditors

Reconta Ernst & Young S.p.A. - Milano

*** Appointed by the Shareholders' Meeting of 3 March 2001

Davide Campari - Milano S.p.A.

Directors' Report on the Consolidated Financial Statements as at 31 December 2000

To our Shareholders:

The year 2000 saw a significant growth in the size of the Group, which achieved total sales (net of discounts) of Lire 963.2 billion, representing an increase of 19.5% with respect to the previous year.

This increase was due to the combined effects of three decisive factors: growth in product range, following the full consolidation in the year 2000 of the sales of the new brands acquired by the Group and the benefits deriving from the extension of license rights; the organic growth of existing brands in the portfolio; and a positive exchange rate effect due to the strength of the US dollar.

As regards the first of the three factors above, Cinzano incremental sales amounted to 12.6% of previous year consolidated net sales, Ouzo 12 amounted to 1.2% and the effect of full consolidation of sales deriving from the Lipton Ice Tea extension of distribution rights to supermarkets and chain stores represented 0.9% of 1999 consolidated net sales.

The total organic growth of the Group's brands has generated an increase of 2.8% in net sales, while the strengthening of the US dollar resulted in an increase of 2.0%.

In line with the Group's sales growth, the operating result has increased in overall terms by 27.5%, reaching a total of Lire 165.3 billion, net of amortisation of trademarks and goodwill of Lire 15.3 billion.

Operating income has also risen following the growth in size, which took place principally in the wines and soft drinks segments, and which involved a less than proportional increase in production costs and general and administrative expenses.

Consolidated net income amounted to Lire 102.3 billion, representing a slight decrease from Lire 105.4 billion of the previous year, following an increase in the provision for income taxes for the year, amounting to Lire 50.3 billion, which include a provision for tax assessments related to prior years amounting to Lire 33 billion and other prior year taxes for Lire 3.1 billion.

Earnings before interest, taxation, depreciation and amortisation ("EBITDA"), amounted to Lire 215.9 billion, representing an increase of 20.1%, with respect to the previous year, while earnings before interest and taxation ("EBIT") amounted to Lire 178.5 billion, representing an increase of 25.6% with respect to 1999:

	1999		2000		2000	2000
	(lire/millions)	%	(lire/millions)	%	(Euro/millions)	Change
Gross sales	806,225	113.8%	963,187	114.6%	497.4	19.5%
Net sales	708,678	100.0%	840,442	100.0%	434.0	18.6%
Operating income	129,585	18.3%	165,253	19.7%	85.3	27.5%
Net income	105,403	14.9%	102,296	12.2%	52.8	2.9%
EBITDA	179,858	25.4%	215,877	25.7%	111.5	20.0%
EBIT	142,108	20.1%	178,470	21.2%	92.2	25.6%

1. Reclassified Income Statement

The table below shows the consolidated income statement for the year ended on 31st December 2000, reclassified according with international practice.

	1999		2000		2000	2000
	(lire/millions)	%	(lire/millions)	%	(Euro/millions)	Change
Sales						
Gross sales	806,225	113.8%	963,187	114.6%	497.4	19.5%
Less: excise duties	(97,547)	–13.8%	(122,765)	14.6%	–63.4	25.9%
Net sales	708,678	100.0%	840,422	100.0%	434.0	18.6%
Cost of sales						
Materials	239,021	33.7%	283,878	33.8%	146.6	18.8%
Production costs	60,226	8.5%	67,865	8.1%	35.0	12.7%
	299,247	42.2%	351,743	41.9%	181.7	17.5%
Gross margin	**409,431**	**57.8%**	**488,679**	**58.1%**	**252.4**	**19.4%**
Advertising and marketing expenses	120,825	17.0%	154,130	18.3%	79.6	27.6%
Selling and distribution expenses	84,387	11.9%	94,924	11.3%	49.0	12.5%
General and administrative expenses	59,335	8.4%	59,075	7.0%	30.5	–0.4%
Amortisation of goodwill and trademarks	15,229	2.2%	15,297	1.8%	7.9	0.0%
	279,846	39.5%	323,426	38.5%	167.0	15.6%
Operating income	**129,585**	**18.3%**	**165,253**	**19.7%**	**85.3**	**27.5%**
Other income						
Other income/(expenses)	9,151	1.3%	10,245	1.2%	5.3	12.0%
Gains (losses) on exchange, net	(169)	0.0%	190	0.0%	0.1	–212.4%
Minority interest	40	0.0	126	0.0	0.1	215.0%
Other income, net	12,652	1.8%	12,901	1.5%	6.7	2.0%
Income before income taxes	151,259	21.3%	188,715	22.5%	97.5	24.8%
Income taxes	45,856		86,419		44.6	88.5%
Net income	**105,403**	**14.9%**	**102,296**	**12.2%**	**52.8**	**–2.9%**

Net sales in 2000 increased by 18.6% for the combined effects of organic growth, expanded product range and positive currency exchange effects. Net sales revenue, which amounted to Lire 840.4 billion, included revenue of Lire 5.8 billion deriving from the production of Smirnoff Ice on behalf of the UDV group.

The cost of materials amounted to Lire 283.9 billion, the incidence of such cost on net sales revenue remained substantially stable, from 33.7% to 33.8%, in presence of an increase in the share compared of the sales of soft drinks and wines in relation to consolidated sales revenue.

Production costs, amounting to Lire 67.8 billion, increased by 12.7% with respect to the previous year, due partly to the costs associated with the production of Smirnoff Ice, which amounted to Lire 3.5 billion. As a percentage of net sales, production costs have fallen from 8.5% to 8.1%, due in part to the fact that the entire production of Cinzano is oubourced, and therefore its costs are included in the cost of materials purchased.

Gross margin, which amounted to Lire 488.7 billion, has increased both in absolute terms, by 19.4%, and in relation to net sales, rising from 57.8% to 58.1%.

Advertising and promotion expenses amounted to Lire 154.1 billion, increasing from 17% to 18.3% as a percentage of net sales, due to the combined effects of a general increase in media costs and of trade promotions, together with the significant investment in the advertising campaign for the re-launch of the Cinzano brand.

Selling and distribution expenses, the majority of which are variable, amounted to Lire 94.9 billion, slightly decreasing as a percentage of net sales (11.3%) with respect to the previous year due to the decrease of the fixed component of such costs.

General and administrative expenses, which amounted to Lire 59.1 billion, have remained practically unchanged with respect to the previous year, despite the necessary steps taken to strengthen the structure for the management of the new brands acquired; these costs decreased from 8.4% to 7% as a percentage of net sales.

Operating result, net of amortisation of trademarks and goodwill, has risen to Lire 165.3 billion, showing an increase in absolute terms of 27.5%. Lower cost of goods and operating costs in relation to net sales have resulted in an increase in Return on Sales (ROS), which has risen from 18.3% to 19.7%.

Other net income is primarily comprised of gains realised on the sale of real estate in Switzerland and Italy, as well as on Group share of profits deriving from Skyy Spirits LLC.

Income before taxes has risen by 24.8% in absolute terms, reaching a total of Lire 188.7 billion, representing 22.5% of net sales.

Income taxes of Lire 86.4 billion include the amount accrued by the Company for provisions related to prior years, amounting to Lire 33 billion (as disclosed in the explanatory notes), and Lire 3.1 billion related to other taxes of the prior year.

Net income, totalling Lire 102.3 billion is slightly below net income in the previous year.

2. Net sales and trading margin by business segment

The table below shows net sales and trading margins for the Group's three segments and the reconciliation between the results of the three segments with the consolidated operating result:

	1999		2000		2000	2000
	(lire/millions)	%	(lire/millions)	%	(Euro/millions)	Change
Net sales						
Sprits	423,580	59.8%	456,930	54.4%	236.0	7.9%
Soft Drinks	234,584	33.1%	240,739	28.6%	124.3	2.6%
Wines	50,154	7.1%	136,944	16.3%	70.7	171.1%
Total	708,678	100.0%	834,613	99.3%	431.0	17.8%
Other			5,809		3.0	
Total general	708,678	100.0%	840,422	100.0%	434.0	18.6%
Trading margin						
Sprits	158,390	78.1%	173,898	72.6%	89.8	9.8%
Soft Drinks	35,374	17.4%	36,138	15.1%	18.7	2.2%
Wines	9,055	4.5%	27,332	11.4%	14.1	201.7%
Total	202,819	100.0%	237,358	99.1%	122.6	17.0%
Other			2,267		1.2	
Total general	202,819	100.0%	239,625	100.0%	123.8	18.1%
Unallocated costs						
General and administrative expenses	59,335	8.4%	59,075	7.0%	30.5	–0.4%
Amortisation of goodwill and trademarks	15,299	2.2%	15,297	1.8%	7.9	0.0%
Others	–1,400	–0.2%		0.0%		
Operating income	**129,585**	**18.3%**	**165,253**	**19.7%**	**85.3**	**27.5%**

Further detail and analysis relative to the consolidated sales and trading margins of the three individual business segments are provided below.

3. Performance and geographical analysis of consolidated net sales

The table below shows consolidated sales revenue, net of discounts and excise duties, by geographical area:

	1999		2000		2000
	(lit/millions)	%	(lit/millions)	%	(Euro/millions)
Area					
Italy	458,856	64.7%	482,484	57.4%	249.2
EU countries	156,344	22.1%	206,117	24.5%	106.5
Americas	41,856	5.9%	70,357	8.4%	36.3
Other European country	26,888	3.8%	39,749	4.7%	20.5
Rest of the world	24,734	3.5%	41,715	5.0%	21.5
Total	708,678	100.0%	840,422	10.0%	434.0

The year 2000 saw an increase in net sales in all five areas. The full consolidation of sales of Cinzano and, to a lesser extent, of those of Ouzo 12, have led to an increase in the importance of non-Italian markets, which represented 42.6% of total net sales in 2000.

In 2000, sales in *Italy* increased by 0.8% in terms of volume and 5.1% in terms of value.

In particular, the spirits segment reflects Campari's positive performance , with an increase of 3.4% in terms of volume and 4.1% in terms of value; CampariSoda, with an increase of 1.1% and 1.8% in terms of volume and value, respectively; and Jägermeister, with an increase of 5.5% and 4.0% in terms of volume and value, respectively.

The renewed consolidation of sales of Biancosarti, the distribution of which was entrusted to S.I.L. S.p.A. (subsequently sold by the Group) during 1999, accounted for 0.9% of the increase in the value of total Italian sales.

In the soft drinks portfolio, Crodino posted an increase of 1.2% in terms of volume and 0.5% in terms of value; Lemonsoda, Oransoda and Pelmosoda together posted a growth of 5% and 3.3% in terms of volume and value, respectively.

The effect of the full consolidation of sales of Lipton Ice Tea to supermarkets and chain stores, yielding an increase of 10.7% and 12.9% in terms of volume and value, respectively, has been partially offset by the contraction in the net sales of Crodo and third party brands.

Crodo mineral water, after a difficult period lasting for a number of years, has reached stability in terms of volume sold, with net sales increasing by 4.7%.

No meaningful comparison can be made between sales of Cinzano in 2000 and those in 1999, as the 1999 figures relate to November and December only.

The commercialisation of Cinzano products for the Italian market, entrusted to F.lli Gancia S.p.A., has only partially achieved the expected results, due to the difficulties encountered by the licensee in the management of a product portfolio, which contains also Gancia own brands, perceived by the consumer similar to Cinzano. Therefore, it was agreed to limit the licensing contract to the exclusive production of Cinzano products for the Italian market; beginning in May 2001, the Italian subsidiary Campari S.p.A., distributor of the brand leaders in the aperitifs market, such as Campari, CampariSoda and Crodino, will become the new distributor of this brand for the Italian market, thus enriching its product range with the prestigious line of Cinzano vermouth and sparkling wines.

Regarding other *EU countries,* total net sales increased by 41.9% in terms of volume and of 31.8% in terms of value. This increase was generated by the full consolidation of both the sales of Cinzano (principally in the German market, but also in Sweden, UK, Belgium, Spain and Denmark), and those of Ouzo 12, (principally in the German and Greek markets).

On the negative side European sales of Campari decreased in 2000 by 8.4% and 8.8% in terms of volume and value, respectively.

In Germany (which represents Campari's largest EU market as a consequence of the acquisitions) 41.3%, 39.6% and 8.6% of sales were derived from Campari, Cinzano and Ouzo 12, respectively. The overall increase, which amounts to 36.9% in terms of volume and 32.8% in terms of value, has been partially offset by the unfavourable performance of Campari, CampariSoda and Cynar. Steps are currently being taken which are specifically designed to recreate the market conditions necessary for the future expansion of such brands.

Including the full consolidation of the new brands acquired the Group's volumes sold in the EU were split as follows: Germany (47.4%), Greece (8.9%), Spain (6.9%), Belgium (6.7%), UK (5.6%), Holland (5.0%), France (4.1%) and Sweden (4.1%).

In the *Americas*, total net sales increased by 51.9% and 68.1% in terms of volume and value, respectively. This increase was generated both by the full consolidation of Cinzano sales and by the acquisition of the distribution rights for Grant's and Glenfiddich whisky on the Brazilian market, and by the positive effects of the strength of the US dollar with respect to the consolidation currency.

In the Group's largest market, *Brazil*, where 83.6% and 8.2% of total sales are currently represented by Campari and Cinzano, respectively, the overall increase, amounting to 33.9% in terms of volume and 47.8% in terms of value, was partially supported by the positive performance of Campari, which grew by 1.1% in terms of volume.

The Group's sales in the Americas in 2000, expressed in terms of volume, were spread among the following principal markets: Brazil (65.9%), USA (11.7%) and Canada (12.0%).

The reader should note that sales of Cinzano in Argentina (which is an important market in terms of volumes) are not presently consolidated following the license contract for production and distribution stipulated with a third party, SAVA.

European countries outside the EU have posted an increase in total net sales of 92.4% and of 47.8% in terms of volume and of value, respectively; this increase was due to the full consolidation of Cinzano sales.

In *Switzerland*, the Group's largest non-EU European market, 52%, 10.2%, 5.3% and 4.8% of sales in 2000 were attributable to Campari, Cinzano, CampariSoda and Crodino, respectively. Sales in Switzerland increased 47.2% and 19.7% in terms of volume and of value, respectively, and were supported by organic growth, principally due to the positive performance of Campari, which increased by 9.2% and by 2.6% in terms of volume and of value, respectively.

The Group's sales in the non-EU European markets in 2000, expressed in terms of volume, were spread over the following main markets: Switzerland (34.2%), Czech Republic (19.6%), Poland (12.4%).

Regarding the *Rest of the World*, the Group registered an increase in total net sales of 45.7% in terms of volume and of 68.7% in terms of value; this growth was generated by the full consolidation of Cinzano sales.

The Group's sales in these markets at year-end, expressed in terms of volume, were principally spread over the following two countries: Japan (44.6%) and Australia (30.9%).

4.1 Spirits

4.1.1 Performance and geographical distribution of net sales - spirits

The table below shows the geographical distribution of consolidated net sales in the spirits segment:

	1999		2000		2000
	(lit/millions)	%	(lit/millions)	%	(Euro/millions)
Area					
Italy	219,819	51.9%	230,222	50.4%	118.9
EU countries	131,195	31.0%	130,498	28.6%	67.4
Americas	40,043	9.5%	57,482	12.6%	29.7
Other European countries	20,374	4.8%	24,364	5.3%	12.6
Rest of the world	12,149	2.8%	14,364	3.1%	7.4
Total	423,580	100.0%	456,930	100.0%	236. 0

4.1.2 Sales performance of the Group brands

The consolidated net sales of *Campari* increased by 3.9% in terms of value, while, as a result of the above-mentioned problems encountered in certain markets, the volume of sales decreased by 1.1%.

In particular, the analysis of sales volume shows positive results achieved in important markets such as Italy, Brazil, Switzerland, Japan and Belgium, while unsatisfactory results were registered in markets such as Germany, France, USA, Spain, the Netherlands,Austria, Greece and the UK.

Sales of *CampariSoda* in Italy, the main market for this product, have increased by 1.1% in terms of volume and by 1.8% in terms of value, however, this increase has been partially offset by the relatively unsatisfactory performance of sales in Switzerland, Germany and Austria.

The consolidated sales of *Cynar* have increased by 4.8% in terms of volume and by 1.2% in terms of value, mainly due to the commencement from July 2000 of the supply of this product to Bols-Cynar-Ballantyne AG for sale on the Swiss market. Conversely, this brand has shown signs of slowing sales in principal markets such as Italy and Germany.

Ouzo 12 posted an increase in net sales of 90.3% in terms of volume and of 87.8% in terms of value due to the effects of the full consolidation of sales (in 1999 sales started in late Spring).

The results achieved in the principal markets, such as Greece and Germany, were in line with expectations.

4.1.3 Sales performance of third party brands

Sales of *Jägermeister* were extremely positive, particularly considering the marked decline in the bitters market; in fact, sales of this product increased by 6.5% in terms of volume and by 4.6% in terms of value.

Skyy underwent a significant increase, amounting to 99.3% in terms of volume and 115.6% in terms of value, thus confirming the brand's strong market potential and the validity of the Group's investment in the company which owns this brand.

Grand Marnier, for which the Group holds exclusive distribution rights in the German market, has suffered slightly from difficulties which we believe to be of a cyclical nature.

4.1.4 Consolidated Income Statement - spirits

The table below shows the reclassified consolidated income statement for the year ended on 31st December 2000 for the spirits segment:

	1999		2000		2000	2000
	(lire/millions)	%	(lire/millions)	%	(Euro/millions)	Change
Net sales	423,580	100.0%	456,930	100.0%	236.0	7.9%
Gross margin	298,158	70.4%	323,405	70.8%	167.0	8.5%
Trading margin	158,390	37.4%	173,898	38.1%	89.8	9.8%

Organic growth was achieved by increasing both sales of brands owned by the Group, such as Campari and CampariSoda, as well as by increasing sales of third party brands, such as Jägermeister and Skyy.

Gross margin (net sales less cost of materials and production costs) amounted to Lire 323.4 billion, representing an increase of 8.5% with respect to the previous year.

Trading margin (gross margin less advertising, promotion, sales and distribution costs) increased by 9.8%, reaching Lire 173.9 billion. Trading margin as a percentage of sales rose from 37.4% in 1999 to 38.1% in 2000.

4.2 Wines

4.2.1 Performance and geographical distribution of net sales - wines

The table below shows the geographical distribution of consolidated net sales in the wines segment:

	1999		2000		2000
	(lit/millions)	%	(lit/millions)	%	(Euro/millions)
Area					
Italy	9,587	19.0%	11,697	8.5%	6.0
EU countries	22,058	43.7%	71,889	52.5%	37.1
Americas	1,769	3.5%	12,833	9.4%	6.6
Other European countries	4,704	9.3%	13,309	9.7%	6.9
Rest of the world	12,396	24.5%	27.216	19.9%	14.1
Total	50,514	100.0%	136,944	100.0%	70.7

4.2.2 Sales performance of the Group brands

Sales of *Cinzano* suffered slightly from the inevitable friction related to the switch to the international sales network of the Campari Group from that of UDV. In terms of profitability, on the other hand, the first full year of the brand's management by the Campari Group has yielded results well above expectations, in particular, we believe that vermouth has promising potential of future growth, which shall only be fully exploited through the maintenance of the current level of investment in advertising and marketing.

Regarding the sales of vermouth, the principal markets are Germany, UK, Canada, Brasil, Japan, Belgium, Spain, Czech Republic and USA. No meaningful comparison can be made with the sales results in 1999 since the brand was only acquired in November 1999.

As regards the sales of sparkling wines, whose principal market is Germany, the decision to reposition Asti Cinzano at a level more in line with the brand's traditional image resulted in the Group's decision not to supply the hard discount supermarket chains, ultimately leading to a significant decrease in volumes sold.

Among the many steps taken towards reconstructing the image of the Cinzano brand, important was the decision to sponsor the Motorcycling World Championship, in particular the Italian, German, Brazilian and British Grand Prix. Another important step has been the completed restyling of the packaging of sparkling wines and the restyling, still in progress, of the packaging of vermouths.

4.2.3 Sales performance of third party brands
Sales of *Riccadonna*, whose main market is Australia, showed a slight decrease in terms of volume with respect to the previous year, while in terms of value, due in part to a favourable trend in exchange rates, the increase reached 9.7%.

The distribution contract for this brand has been extended to 31st December 2005, however, certain minor foreign markets for this brand, such as USA, Romania and Germany, will be managed directly by the company which owns the brand.

Sales of *Henkell Trocken*, for which the Campari Group holds exclusive distribution rights for the Swiss market, were below expectations.

4.2.4 Consolidated Income Statement - wines
The following table shows the reclassified consolidated income statement for the year ended on 31st December 2000 for the wines segment:

	1999		2000		2000	2000
	(lire/millions)	%	(lire/millions)	%	(Euro/millions)	Change
Net sales	50,514	100.0%	136,944	100.0%	70.7	171.1%
Gross margin	12,449	24.6%	58,726	42.9%	30.3	371.7%
Trading margin	9,055	17.9%	27,322	20.0%	14.1	201.7%

The growth in net sales is due to the full consolidation of the sales of Cinzano.

Gross margin (net sales less cost of raw materials and production costs) in 2000 totalled Lire 58.7 billion.

Trading margin (gross margin less advertising, promotion, sales and distribution expenses) in 2000 totalled Lire 27.3 billion.

Trading margin as a percentage of net sales rose from 17.9% to 20.0%, despite the increase in advertising and marketing expenses relative to the re-launching of the brand acquired.

4.3 Soft drinks

4.3.1 Performance and geographical distribution of net sales - soft drinks
The table below shows the geographical distribution of consolidated net sales for the soft drinks segment.

	1999		2000		2000
	(lit/millions)	%	(lit/millions)	%	(Euro/millions)
Area					
Italy	229.450	97,8%	234.756	97,5%	121,2
Abroad	5.134	2,2%	5.983	2,5%	3,1
Total	234.584	100,0%	240.739	100,0%	124,3

4.3.2 The Group brands

Consolidated sales of *Crodino* were satisfactory, both in terms of volume, with an increase of 1.4%, and in terms of value, with an increase of 0.7%.

Sales in Italy, which represents 95% of the total market for this product, increased by 1.2% in terms of volume and 0.5% in terms of value.

Crodino achieved excellent results both in Holland and Switzerland, its second and third largest markets, respectively, which showed an increase in sales value of 22.5% and 10.2%, respectively.

Positive results were also achieved by *Lemonsoda*, the consolidated sales of which increased by 1.7% in terms of volume and by 1.1% in terms of value; *Oransoda*, which registered an increase of 3.8% in terms of volume and of 2.4% in terms of value; and *Pelmosoda*, which, in the second year of marketing since its launch, posted an increase of 67.4% in volume and 60.6% in sales.

After several years of decline, sales of *Crodo mineral water* succeeded in maintaining volumes at 1999 levels, and increasing the sales values by 5.2%. The concentration of sales in those geographical areas closest to the production sites and the restructuring of the sales network have enabled the Group to achieve a reasonable business positioning.
Crodo brand soft drinks, contrary to mineral water, suffered an extremely unsatisfactory year, with a drop in sales volume of 33.5%, however this shortfall in volume has not significantly affected the profitability of the soft drinks segment since such products, having no clear brand image, are characterised by low contribution margins.

4.3.3 Sales performance of third party brands

Lipton Ice Tea enjoyed a very good year, with an increase in volumes of 10.7%, and in value of 12.9%. In light of the performance of recent years, our objective for the current year is to maintain the level of growth already achieved.

4.3.4 Consolidated Income Statement - soft drinks

The table below shows the reclassified consolidated income statement for the year ended on 31st December 2000 for the soft drinks segment:

	1999		2000		2000	2000
	(lire/millions)	%	(lire/millions)	%	(Euro/millions)	Change
Net sales	234,584	100.0%	240,739	100.0%	124.3	2.6%
Gross margin	97,385	41.5%	104,280	43.3%	53.9	7.1%
Trading margin	35,374	15.1%	36,138	15.0%	18.7	2.2%

The increase of 2.6% in net sales is due principally to the positive performance of the Group's own brands, such as Crodino, Oransoda and Lemonsoda and of those of third parties, such as Lipton Ice Tea. This increase was partially eroded by the unsatisfactory performance of sales of Crodo branded products and other third private label products.

Gross margin (net sales less cost of raw materials and production costs) increased 7.1% in 2000 to Lire 104.3 billion.

Trading margin (gross margin less advertising, promotion, sales and distribution expenses) increased by 2.2% reaching Lire 36.1 billion. Trading margin as a percentage of net sales was 15%, in line with that of 1999.

5. Investments

The Group's investments, principally related to the production, consisted of the purchase of plant and machinery, land (in Sulmona in view of future expansion of the plant's activities), and investments in the area of safety and environment.

During 2000, the implementation of the SAP R/3 system in the Italian subsidiaries was finalized, customizing sales and distribution modules and those related to management reporting and control and fixed assets' management, which became operational on 1st January 2001.

Campari Deutschland and Campari International did not encounter any problems in the use of the SAP R/3 system, the planning phase of which was completed during the previous year.

6. Research and Development activity

The Group's research and development activities during the year related exclusively to ordinary production and commercial activities; accordingly the related costs were fully recognised in the income statement for the year.

7. Increase in share capital and conversion into Euro

On 28th June 2000 the Company's share capital was converted into Euro, by means of an increase in share capital from Lire 14,520 million to Euro 29,040,000, utilising Lire 41,709 million from equity reserves, and each ordinary share with a nominal value of Lire 10,000 per share was converted into a new ordinary share with a nominal value of Euro 20 per share.

On 1st March 2001 the Company resolved to split its share capital of Euro 29,040,000 into 29,040,000 ordinary shares with a nominal value of Euro 1 per share.

8. Related party transactions

The table below reports sales of goods and services of the Company, Davide Campari-Milano S.p.A., to its subsidiaries:

Davide Campari – Milano S.p.A.	(millions of lire)
Campari – Crodo S.p.A.	8,535
Campari S.p.A.	125,643
Francesco Cinzano S.p.A.	1,029
Cinzano Investimenti e Partecipazioni S.p.A.	30
SAMO S.p.A.	513
Campari France S.A.	–21,626
Campari International S.A.M.	57,873
Campari Management S.A.M.	–3,479

No transactions involving the sale of goods and services took place during the year with the parent company of Davide Campari-Milano S.p.A. or with any other companies controlling the same parent company.

9. Organizational changes before and after the year end

The major changes which took place in the Group structure during 2000, are as follows:

- the merger between the Greek subsidiaries N. Kaloyannis Bros. AEBE, V. Kaloyannis Distillery T.E.A.E. and A. Distillery I. Kaloyannis A.E., acquired in 1999 together with the Ouzo 12 trademark. This operation has rationalized and simplified the structure of the Group's Greek investments;
- the acquisition of the Portuguese company Prolera Lda and its subsidiary Zytronna Lda., which carried out service activities on behalf of the Group's other foreign companies;
- the service companies DI.CI.F. Investments N.V. and KEVRON Securities N.V. were sold to third parties.

The major changes which took place in the Group's structure after the year-end are as follows:

– the finalisation of the acquisition of the Brazilian company UDVIC Ltda. and of its subsidiary companies UDV do Brasil Ltda., Dreher S.A. and Kenston Sales and Services S.A., together with that of the Uruguayan company Gilbey's S.A. Steps have been taken to assign UDVIC Ltda, which in the meantime was renamed DCM Partecipaçoes Ltda ("DCM"), to Campari do Brasil which will subsequently incorporate DCM. Such changes will simplify and rationalise the structure of the Group in Brazil. Gilbey's S.A. was renamed Gregson's S.A.
– the sale of the investment of 10% in SIAM Monticchio S.p.A. to third parties;
– the acquisition of a 6% interest, previously held by F.lli Gancia & C. S.p.A., in the company Cinzano Investimenti e Partecipazioni S.p.A., thus increasing the Group's holding from 94% to 100%. The respective Boards of Directors have approved the merger by incorporation of Cinzano Investimenti e Partecipazioni S.p.A. in Campari-Crodo S.p.A.;
– the sale of the service company Zytronna Lda to third parties;
– the closing of the operations of the service company Campari Management S.AM., put into liquidation.

10. Own shares and shares in parent companies

Neither the Company nor its subsidiaries holds at 31st December 2000, nor held at any time during 2000, any of their own shares or shares in parent companies, either directly or through trust companies or nominees.

11. Significant post balance sheet events

11.1 Acquisitions in Brazil

On 31st January, 2001 the Campari Group finalized the acquisition, from the UDV Group, of the company UDVIC which, together with its subsidiaries, owns certain leading brands in the Brazilian and Uruguayan markets, such as Dreher, Old Eight, Drury's, Liebfraumilch and Gregson's.

Dreher, an aguardente present on the market for over 25 years, is Brazil's best selling spirit (after caçhaca).

Old Eight and Drury's, are the second and third best selling whiskies on the Brazilian market, respectively.

Liebfraumilch is a Brazilian wine which has registered considerable growth in recent years.

Finally, Gregson's is the leading whisky on the Uruguayan market. The license for the production and distribution of Gregson's was granted to the UDV Group in the frame of the acquisition deal.

The Brazilian activities acquired include, in addition to the brands mentioned above, the Sorocaba factory (located 100 km. from Sao Paulo), which, following the acquisition, became the Group's largest factory in terms of production capacity for spirits, and the Jaboatao factory (Recife). As part of the reorganisation of the South American productive structure, we anticipate the closing of the previously-existing Barueri factory and the transfer of its production to the new factories acquired.

At the same time as the above-mentioned acquisition, a production agreement was stipulated with the UDV Group for manufacturing the following products: Smirnoff Vodka, Bell's Scotch Whisky, Gilbey's Gin, Master's Choice, Berro De Agua.

11.2 Distribution of Cinzano on the Italian market

As mentioned above, the distribution of sparkling wines and vermouth in the Italian market shall, as of 1st May 2001, pass to the subsidiary company Campari S.p.A.. As part of the agreement reached with the licensee F.lli Gancia S.p.A., on 13th March 2001 Campari Crodo S.p.A reacquired 6% of the total share capital of Cinzano Investimenti e Partecipazioni S.p.A..

11.3 Distribution license for Granini on the Italian market

Early in 2001, the Campari Group acquired from Eckes the Italian distribution rights for the Granini brand of fruit juices, the market leader in Germany.

The Granini contract is very important to the licensee, Samo S.p.A., not only for the economic value of the terms negotiated but also because these products will add weight to a product portfolio which appeared particularly weakened following the transfer of the distribution of Lipton Ice Tea to Campari S.p.A.. Therefore, we expect this to lead to a recovery in the sales of Crodo branded soft drinks.

12. Project for the listing of the Company's shares on the Italian Stock Exchange

During the year the Company started the project for the listing of its shares on the Mercato Telematico Azionario of the Italian Stock Exchange. This will involve a public offering of the Company's shares owned by Wessanen Europa B.V. and Gioch S.A. Société Anonyme, to the general public in Italy and a private placement for Italian and foreign institutional investors. Shares will also be reserved for the Group's employees and other specific categories.

In carrying out this project, in addition to the steps necessary in order to conform the Company's Bu-laus and procedures in line with the rules of corporate governance (discussed in further detail in paragraph 13 below), the Company has strenghtened its administrative and management control functions in order to fulfil the additional financial reporting requirements for listed companies. The shares registrar and investor relations' functions will be managed by an external specialised company.

13. Corporate Governance

On 1st March 2001, the Company adopted a new Corporate By-Laws in order to conform to the self-regulatory code for corporate governance for listed companies, as recommended by Borsa Italiana S.p.A.. In particular, this Statute foresees the following:

- Art. No. 20: obligation for the Managing Directors or Chairman of the Executive Committee to report, at least on a quarterly basis, to the Board of Directors and the Board of Statutory Auditors on the activities carried out in the exercise of their duties, on the significant transactions carried out by the Company or other Group companies, or on transactions which involve a conflict of interest;
- Art. No. 21: the appointment of one or more persons responsible for the internal control of the procedures (administrative and operational) adopted, in order to ensure correct and efficient management, and the obligation for such persons to report upon their activities and eventual findings to those by whom they were appointed, and also to the Audit Committee, when applicable;
- Art. No. 22: the faculty for the Board of Directors to appoint a committee for internal control ("Audit Committee") with proactive consulting functions, comprised principally of those members of the Board of Directors who are free from contractual and/or shareholding relationships with the group to whom the Company belongs;
- Art. No. 23: the power for the Board of Directors to appoint a committee for remuneration and nominations ("Remuneration and Nominations Committee") with proactive consulting functions, comprised primarily of members of the Board of Directors who are free from contractual and/or shareholding relationships with the group to whom the Company belongs;
- Art. No. 28: the appointment of the Statutory Auditors by means of voting list in order to guarantee to minority interest shareholders a representative on the Board of Statutory Auditors.

The committees required by the new company By-Laws have already been created and are comprised entirely of independent directors. The person responsible for internal control has also been appointed.

14. Forecast for the year 2001

The current year shall be strongly influenced by the outcome of the integration process of the Brazilian activities acquired during the year 2001.

For the coming year we expect to achieve results in line with those achieved for the year ended on 31st December 2000.

The Chairman
of the Board of Directors
(Dott. Luca Garavoglia)

Davide Campari - Milano S.p.A.

Independent Auditors' Report
(Translation from the original Italian text)

DAVIDE CAMPARI MILANO S.P.A.

REPORT OF THE BOARD OF STATUTORY AUDITORS
ON THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED 31st DECEMBER 2000
PURSUANT TO ARTICLE 41 OF LAW DECREE
N. 127 OF 9th APRIL 1991

* * *

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

Pursuant to Article 41 of Law Decree n. 127/91, we have examined, perfoming our duties, the consolidated financial statements of Davide Campari – Milano S.p.A. and Subsidiaries as of and for the year ended 31st December 2000, prepared in million of Lire, which report net income for the year of Lire 102,296 million, total assets of Lire 1,160,690 million, net equity of Lire 669,707 million (excluding net income for the year), total memorandum accounts of Lire 126,965 million. We also examined the Directors' report.

A) Examination of the consolidated financial statements

1. Our examination has been made in accordance with the standards issued by the National Council of the Italian Certified Public Accountants applicable to the duties of the Boards of Statutory Auditors and, in accordance with such standards, we have made reference to the Italian regulations governing consolidated financial statements, supplemented by the accounting principles issued by the National Council of the Italian Certified Public Accountants.

2. The financial statements of the consolidated subsidiaries have been legally examined by the Boards of Statutory Auditors of the individual companies; the primary examination of such financial statements has, accordingly, been made by such Boards. We have read the reports issued by the Boards and in such reports there is no indication of errors or irregularities.

3. We have read the preliminary audit report issued by the independent auditors Reconta Ernst & Young., which have been engaged to voluntarily audit the consolidated financial statements. Such report does not mention any error or irregularity.

4. We have reviewed the consolidation area and examined the accounting principles utilized for consolidation and the valuation criteria applied.

5. We report that no deviations from the Italian regulations governing consolidated financial statements, supplemented by the accounting principles identified above, have been made, and no deviations from the standards to be applied by the Board of Statutory Auditors have been made.

6. In our opinion, the consolidated financial statements referred to above, in all material respects, give a true and fair view of the financial position of Davide Campari - Milano S.p.A. and Subsidiaries as of 31st December 2000, and the results of their operations for the year then ended in accordance with Italian regulations governing consolidated financial statements referred to under point A) above.

B) Examination of the Directors' report

1. The Directors' report, which accompanies the consolidated financial statements, has been examined to verify the application of the requirements of Article 40 of Law Decree n. 127/91 and to ascertain its consistency with the consolidated fianncial statements, as required by Article 41 of Law Decree n. 127/91.

2. On the basis of our work, the Board believes that the Director' report has been properly prepared and is consistent with the consolidated fianncial statements.

The Statutory Auditors

Signed by
Avv. Umberto Tracanella
Dr. Antonio Ortolani
Avv. Marco Di Paco

Davide Campari - Milano S.p.A.

Auditors' Report
(Translation from the original Italian Text)

RECONTA ERNST & YOUNG

AUDITORS' REPORT
(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. as of and for the year ended December 31, 2000. These consolidated financial statements are the responsibility of the Davide Campari – Milano S.p.A.'s management. Our responsibility is to express an opinion on these consolidated 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 in order to determine whether the consolidated financial statements are materially misstated and if such consolidated 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 consolidated financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion. The financial statements of a subsidiary, which represents, respectively, 4% and 18% of consolidated total assets and consolidated revenues, have been examined by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the data relating to this subsidiary, is based also on the report of the other auditors.

   For our opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated June 8, 2000.

3. In our opinion, the consolidated financial statements of Davide Campari – Milano S.p.A. comply with the Italian regulations governing consolidated financial statements; accordingly, they clearly present and give a true and fair view of the consolidated financial position of Davide Campari – Milano S.p.A. as of December 31, 2000, and the consolidated results of its operations for the year then ended.

Milan, April 3, 2001

Reconta Ernst & Young S.p.A.
Signed by: Giovanni Aspes
(Partner)

Davide Campari - Milano S.p.A.

Consolidated Financial Statements
as at 31 December 2000 (millions of Lire)

Davide Campari - Milano S.p.A.

Consolidated Financial Statements
as at 31 December 2000 (millions of Lire)

Balance Sheet – Assets	31/12/2000	31/12/1999
A. Amounts due from Shareholders		
B. Fixed Assets		
I Intangible fixed assets		
1. Start up and expansion costs	207	412
3. Industrial patents and intellectual property rights	952	822
4. Concessions, license rights, trademarks and similar rights	26,021	28,311
5. Consolidation differences	161,440	174,674
6. Intangibile assets in progress and advances to suppliers of intangible fixed assets	2,901	545
7. Other intangible fixed assets	2,711	2,893
	194,232	**207,657**
II Tangible fixed assets		
1. Land and buildings	103,691	108,753
2. Plant and machinery	48,943	48,587
3. Industrial and commercial equipment	9,728	9,216
4. Other tangibile fixed assets	7,743	5,820
5. Fixed assets under construction and advances to suppliers of tangible fixed assets	443	383
	170,548	**172,759**
III Financial fixed assets		
1. Equity investments:		
b) associated companies	1,099	1,146
d) other companies	32,107	33,065
2. Receivables:		
d) other companies		
due within 12 months	5,057	6,445
due after 12 months	3,754	7,200
3. Marketable securities	884	879
	42,901	**48,735**
Total Fixed Assets	**407,681**	**429,151**
C. Current Assets		
I Inventories		
1. Raw, ancillary and consumable materials	27,539	25,082
2. Work in progress and semifinished products	38,789	41,627
4. Finished products and goods for resale	29,970	24,156
	96,298	**90,865**
II Receivables		
1. Due from customers		
due within 12 months	173,848	222,651
due after 12 months	165	1,366
3. Due from associated companies		
due within 12 months	4,907	3,375
4. Due from parent companies		
due after 12 months	3,213	2,941
5. Other receivables		
due within 12 months	144,360	67,877
due after 12 months	391	3,962
	326,884	**302,172**
III Financial assets not held as fixed assets		
6. Marketable securities	3,675	17,058
	3,675	**17,058**
IV Liquid funds		
1. Bank and post office deposit accounts	324,709	259,739
2. Cheques	41	
3. Cash and cash equivalents	25	56
	324,775	**259,795**
Total Current Assets	**751,632**	**669,890**
D. Accrued income and prepaid expenses		
Sundry	1,377	971
Total accrued income and prepaid expenses	**1,377**	**971**
Total Assets	**1,160,690**	**1,100,012**

Balance sheet – Liabilities and Shareholders' Equity		31/12/2000	31/12/1999
A	**Shareholders' Equity**		
I	Share capital	56,229	14,520
IV	Legal reserve	2,904	2,904
VII	Other reserves:		
	Extraordinary reserves	15,455	15,455
	Reserves upon which tax has been suspended	5,889	47,598
	Merger differences	11,011	11,011
	Consolidation reserve	578,219	517,250
IX	Net income for the period	102,296	105,403
	Total Group Share of Shareholders' Equity	**772,003**	**714,141**
	Minority interest:		
	Share capital and reserves	9,775	9,783
	Net income loss for the period	(126)	(40)
	Total Minority interest share of Shareholders' equity	**9,649**	**9,743**
	Total Shareholders' equity	**781,652**	**723,884**
B.	**Reserves for risks and charges**		
	1. Leaving indemnities, pension funds and similar	3,518	3,254
	2a. Taxation	34,848	4,651
	2b. Deferred taxation	9,159	7,505
	3. Other reserves	8,622	6,371
	Total Reserves for risks and charges	**56,147**	**21,781**
C.	**Employees' Leaving indemnity - Italy**	**24,167**	**22,472**
D.	**Payables**		
	3. Due to banks:		
	due within 12 months	25,366	28,247
	due after 12 months	29,728	33,146
	4. Due to other financial institutions		
	due after 12 months	2,026	
	5. Advance payments received		
	due within 12 months	1,070	1,365
	6. Due to suppliers		
	due within 12 months	131,909	145,372
	9. Due to associated companies		
	due within 12 months	2,465	1,200
	11. Due to tax authorities		
	due within 12 months	43,318	33,701
	due after 12 months	13,993	18,877
	12. Due to social security institutions		
	due within 12 months	5,231	4,725
	13. Other payables		
	due within 12 months	40,800	62,210
	Total Payables	**295,906**	**328,843**
E.	**Accrued expenses and deferred income**		
	Sundry	2,818	3,032
	Total accrued expenses and deferred income	**2,818**	**3,032**
	Total liabilities and shareholders' equity	**1,160,690**	**1,100,012**

Memorandum accounts	31/12/2000	31/12/1999
1. Guarantees		
– to third parties	45,647	45,095
2. Commitments		
– to third parties	79,330	
3. Risks		
– to third parties	1,988	1,998
Total Memorandum accounts	**126,965**	**47,093**

Income Statement	31/12/2000	31/12/1999
A. Value of production		
1. Revenue from sales of goods and services	983,875	835,488
2. Variation in work in progress, semi finished and finished products inventories	3,303	30,136
5. Other income and revenues		
Sundry revenues (of which operating grants = 0)	28,043	24,260
Total value of production	**1,015,221**	**889,884**
B. Prouduction Costs		
6. Raw, ancillary and consumable materials and goods for resale	331,564	302,747
7. Services	257,623	228,593
8. Rental and lease charges	4,980	5,082
9. Personnel		
a) Wages and salaries	57,937	53,000
b) Social security contributions	19,592	17,595
c) Employees' leaving indemnity – Italy	3,026	3,170
d) Supplementary retirement pensions and agents' leaving indemnity	558	214
e) Other personnel related costs	3,331	4,084
10. Amortisation, depreciation and write-downs		
a) Amortisation of intangible fixed assets	18,546	18,212
b) Depreciation of tangible fixed assets	18,861	19,538
d) Write-down of receivables included in current assets and of liquid funds	515	612
11. Variation in raw, ancillary and consumable materials and goods for resale	(2,130)	(1,085)
12. Provisions for risks	39,619	1,043
13. Other provisions	491	
14. Other operating expenses	133,953	105,250
Total cost of production	**888,466**	**758,055**
Difference between the value and cost of production	**126,755**	**131,829**
C. Financial income and expenses		
15. Income from equity investments in other companies	6	5,273
16. Other financial income		
a) Receivables recorded as fixed asset		
from other companies	280	379
c) Securities recorded as current assets	45	572
d) Income not included above		
from parent companies	103	327
from other companies	24,083	16,531
17. Interest and other financial charges		
from other companies	(14,074)	(8,730)
Total net financial income and expenses	**10,443**	**14,352**
D. Adjustments to the value of financial assest		
18. Revaluation		
a) equity investments	4,904	3,106
19. Write-down		
a) equity investments	(1,524)	
Total adjustments to the value of financial assets	**3,380**	**3,106**
E. Extraordinary income and expenses		
20. Income		
Gains on disposal of fixed assets	14,861	4,165
Other income	4,057	14,689
21. Expenses		
Losses on disposal of fixed assets	(89)	(12,135)
Other expenses	(3,812)	(7,627)
Prior year taxes	(3,174)	
Total extraordinary items	**11,843**	**(908)**
Income (loss) before taxes	**152,421**	**148,379**
22. Income taxes for the period		
Current taxes	45,452	41,421
Deferred taxes	6,173	6,681
Prepaid taxes	(1,374)	(5,086)
Total income taxes for the period	**50,251**	**43,016**
23. Net income for the period	102,170	105,363
Loss minority interests	**(126)**	**(40)**
Group Share of Net income	**102,296**	**105,403**

Davide Campari - Milano S.p.A.

Consolidated Financial Statements as at 31 December 2000
Notes to the financial statements

Structure and contents of the consolidated financial statements

The consolidated financial statements, comprising balance sheet, income statement and explanatory notes thereon, have been prepared in accordance with the provisions contained in the Legislative Decree No.127 of 9th April 1991, supplemented and interpreted, where necessary, by the accounting principles issued by the Italian Institutes of Accountants (Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri).

Where specifically required by legislation, the Board of Statutory Auditors' approval on the application of specific accounting principles was obtained.

The explanatory notes, which form an integral part of these financial statements, explain, analyse and, in certain cases, supplement the data reported in the consolidated financial statements. Furthermore, additional information is provided in order to present a true and fair view of the Group, even where this is not required by specific legislation.

Comparative figures as of 31st December 1999 are provided for each consolidated balance sheet and income statement balance.

The consolidated financial statements include the financial statements of the parent company (Davide Campari – Milano S.p.A.) as of 31st December 2000, together with the financial statements of those companies in which the parent company holds a majority interest, in accordance with the first and second paragraphs of Article No. 2359 of the Italian Civil Code.

A list of companies included in consolidation is provided for in Appendix No. 1.

The following changes have taken place in consolidation during the year 2000, with respect to the previous year:

Companies consolidated for the first time:
- Prolera Servicios Consulting & Marketing Ldo Funchal (Portugal) Service company
- Zytronna Trading & Marketing Ldo Funchal (Portugal) – Service company

Companies no longer consolidated during the year:
- DI.CI.F. N.V. – Curaçao(Dutch Antilles) – Service company
- Kevron Securities N.V. – Curaçao(Dutch Antilles) – Service company

The financial statements of those companies included in consolidation are consolidated on a line-by-line basis (global integration method).

The financial statements used for the consolidation were those of the individual consolidated companies for the year ended on 31st December 2000, approved by the Shareholders' Meetings or those prepared by the respective Board of Directors for the Shareholders' approval, reclassified and adjusted, where necessary, in order to conform to the accounting principles and presentation criteria used by the parent company.

Unless otherwise specified, the financial statements are expressed in millions of Lire. Appendix No. 4 shows the consolidated financial statements converted into Euros.

Appendix No. 5 shows the consolidated financial statements in Lire reclassified according to international practice.

Consolidation Principles

The consolidation was carried out on a line-by-line (global integration) basis. The assets, liabilities, income and expenses of the individual companies consolidated on a line-by-line basis were included in full in the consolidated financial statements, regardless of the percentage of share capital held by the parent company.

For those companies acquired during the year, the consolidated income statement includes only the results for the period from the date of acquisition to 31st December 2000.

Consolidation of investments in subsidiary companies

The negative differences between the book values of the investments recorded in the financial statements and the net equity of the individual consolidated companies at year-end are recorded under the heading "Consolidation reserve". The positive differences, when reflecting the effective higher value of tangible or intangible fixed assets, are capitalised a increase the value of the relative fixed asset, while any remaining positive differences are recorded under the heading "Consolidation differences".

Elimination of intercompany balances and transactions

Gains and losses deriving from operations carried out among consolidated companies and not yet realised at the balance sheet date are eliminated, as are all receivables, payables, income and charges among companies included in consolidation.

Dividends and taxation

All dividends received from consolidated companies are eliminated.

The non-recoverable taxes due on payment of dividends are accrued when dividends are expected to be distributed from subsidiary companies to the parent company.

Translation of foreign currency financial statements

Translation of the financial statements of the foreign companies into Italian Lire is carried out as follows:

– Income statement items are converted into Italian Lire using the average exchange rates for the year, while balance sheet items are converted at the year-end exchange rate. The exchange differences deriving from the use of different exchange rates for the conversion into Italian Lire of the income and equity balances of the financial statements of the foreign companies are recorded under "Reserve for translation adjustments" in the equity section of the balance sheet (see Appendix 2).
– The following exchange rates were utilised for the conversion of foreign currency and Euro financial statements:

Currency	Year-end exchange rate	Average exchange rate
Euro	1936.270	1936.270
US Dollar	2080.892	2095.930
German Deutsche Mark	989.999	989.999
French Franc	295.182	295.182
Belgian Franc	47.998	47.998
Swiss Franc	1271.186	1242.613
Greek Drachma	5.702	5.748

Exchange gains or losses arising from the conversion at the current exchange rate of the net equity of the foreign companies, converted at the historical exchange rates, are recorded under "Reserve for translation adjustments" in the equity section of the balance sheet (see Appendix 2).

Minority interest

The minority shareholders' interest in the share capital and reserves of the consolidated companies is shown separately under "Total minority interest share of shareholders' equity". The part of consolidated net income relative to minority shareholders' interest is recorded in the consolidated income statement under "Income (loss) attributable to minority interests".

Accounting principles and valuation criteria

The accounting principles adopted in the preparation of the consolidated financial statements for the year ended 31st December 2000 are consistent with those used in the preparation of the previous year's consolidated financial statements.

The financial statements have been prepared on a going concern basis in accordance with the accrual basis.

Accordingly, only income and gains realised or received prior to the balance sheet date are recorded, while risks and losses are recorded even if discovered after the balance sheet date but prior to the date of approval of the financial statements by the Board of Directors.

Unless otherwise indicated, the accounting principles and valuation criteria shown below correspond to those utilised in for preparation of the parent company's statutory financial statements.

In particular, the following accounting principles were adopted in the preparation of the consolidated financial statements:

Intangible fixed assets
These are recorded at purchase or internal production cost, inclusive of directly-related charges and are amortised annually on a straight-line basis over their residual lifespan or over the period during which they are expected to benefit the Group.

Start-up and expansion costs are capitalised and amortised on a straight-line basis over a period not exceeding five years, with the Board of Statutory Auditors' consent, in accordance with Article No. 2426/5 of the Italian Civil Code.

Research and development costs are entirely charged to the income statement in the year in which they are incurred.

Advertising expenses are charged to the income statement in the year in which they are incurred, in accordance with the accrual basis. Where such costs relate to two or more accounting periods they are recognised, over the duration of the advertising campaign.

The cost of industrial patents, concessions, licenses, trademarks and other similar rights are only capitalised when they are expected to give rise to future benefits recorded. Such costs are amortised over the duration of their useful lives, where determinable, or over the duration of the related contracts.

The purchase cost of software and licenses and additional costs relative to external consultants or personnel charges relative to the use of internal resources necessary for the development of software are allocated to "Other intangible fixed assets". Internal and external costs incurred for training staff to the use of new softwares and other eventual accessory costs are charged to the income statement in the year in which such costs are incurred. The costs are amortised over a three year period.

Trademarks and consolidation differences deriving from acquisitions, which essentially reflect the value of the trademarks and brand names owned by the companies acquired, are amortised over a period of 10 or 20 years, in accordance with the accounting principles issued by the Italian Institute of Accountants (Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri) and with International Accounting Standard No. 38. Such periods are considered consistent with the importance of brands and rights acquired directly, or indirectly through the acquisition of those companies who owned such trademarks and brand names.

Intangible fixed assets are written down to their economic value in cases when this value is permanently lower than the residual book value, and are restored to the original cost value, net of accumulated amortisation, should the reasons for such write-down no larger apply.

Tangible fixed assets
These are stated at purchase or production cost, gross of capital grants received, and include directly related charges.

The cost of fixed assets may include internal production costs and interest or other financial charges matured during the period between payment and the date in which the related asset is utilized. Such capitalizations, when significant, are disclosed in the explanatory notes.

The cost of fixed assets is adjusted, in certain circumstances, in accordance with the specific laws enacted. Surpluses arising from such revaluation are recorded in a reserve in shareholders' equity, and are exclusively utilised for increasing share capital or coverage of losses.

Ordinary maintenance expenses are entirely charged or covering losses to the income statement during the year in which they are incurred. Incremental maintenance, which prolongs the useful lives of the related assets, upgrades their technological capacity and/or improves the safety and production capacity thereof, is capitalised and depreciated over the residual useful lives of the assets.

Depreciation is charged from the period in which the asset is available for use.

Depreciation is calculated annually on a straight-line basis over the useful economic life of the individual assets, determined in accordance with company asset utilisation plans which consider the physical and technological wear and tear and take account of the estimated realisable value of the assets net of disposal expenses.

The following annual depreciation rates are applied:

Land, buildings and light construction	3% -5%
Plant and machinery	10% - 25%
Furniture, office machinery and electronic machinery	10% - 30%
Motor vehicles and heavy goods vehicles	20% - 40%
Sundry equipment	20% - 30%

In the event of a permanent impairment in value, tangible fixed assets, whose residual economic value is lower than the relative net book value at year-end are written down to residual economic value. Such write-downs are reversed in subsequent periods should the reasons for such write-down no longer apply.

Financial (or capital) leases are recorded in accordance with the "financial" method, which consists in the capitalisation of the asset under the heading "tangible fixed assets" at the fair value of the asset plus the purchase option price, and, at the same time, a debt payable for the same amount is recorded in the liabilities side of the balance sheet and progressively reduced, in line with the repayment plan, by the capital portion of the leasing installments paid. The gross book value of the asset capitalised is depreciated at the same annual rate as that used for ordinary purchases of fixed assets in the same asset category. It should be noticed that the abovementioned lease contracts are recorded in the statutory financial statements of the various Group companies as operating leases, in accordance with local accounting practice.

Financial fixed assets
Investments in associated companies are valued at net equity resulting from the latest available financial statements.

Investments in other companies (owned below 20%) are stated at purchase cost, inclusive of directly related charges and written down in the event of a permanent impairment in value.

The write-down of these investments is however limited to the net equity or to estimated net realisable value in the case of those investments in process of being sold. The investments are restored to their original cost in subsequent accounting periods should the reasons for such write-downs no longer apply.

Historical cost includes the price paid for the initial acquisition plus that paid for any subsequent acquisition, the cost of underwriting any increase in share capital, the decrease in book value due to sales of parts of the investment and reductions in share capital as a result of shareholders' resolutions to refund capital.

Reductions of share capital in order to cover losses and for relative reconstitution, within the limits of the previous share capital, do not constitute a variation in historical cost.

Inventories

Inventories of raw and ancillary materials, semi-finished goods and finished products are recorded at the lower of purchase or production cost, inclusive of directly related charges, and estimated realisable value based on market trends.

Work-in-progress is recorded at the purchase cost of the raw materials utilised plus production costs actually incurred in order to reach the products' current stage of production.

Cost is calculated according to the average weighted cost method. The annual LIFO valuation method is adopted in the statutory financial statements of the Italian companies and of certain foreign companies.

Net realisable value is determined taking into account both production costs yet to be incurred and direct sales costs.

The cost incurred for the purchase of advertising material destined for sale to Group companies, determined in line with the above criteria, is recorded in year-end inventories.

Inventories of raw materials and semi-finished products no longer usable in the production cycle and inventories of finished products considered not sales-worthy are fully written down.

Marketable securities

These are stated at the lower of cost or market value.

Interest matured and not yet received is recorded under the heading "Accrued income".

Receivables and payables

Receivables are stated at their estimated net realisable value recording their nominal value on the assets side of the Balance Sheet directly adjusted to take account of any reasonably foreseeable losses.

Receivables from customers undergoing proven financial difficulties or against whom it would be useless to take legal action are fully written-off or are written down to the extent to which information available and the procedures in course imply their recoverability.

Payables are stated at nominal value.

Amounts due to tax authorities for current income taxes are calculated on the basis of the current tax rate applied to a realistic estimate of taxable income, in accordance with the fiscal legislation in effect at the time of preparation of the financial statements. Wherever the tax payable for the year is lower than the tax credits, the advance payments made and taxes withheld from the consolidated companies, the difference represents a tax receivable which is recorded in the assets side of the balance sheet.

Receivables and payables expressed in foreign currency are converted into lire using the exchange rates in effect at the transaction date. Unrealised gains and losses deriving from the conversion of these receivables and payables at year-end exchange rates are recorded in the income statement for the period.

Receivables and payables expressed in the foreign currency of those countries belonging to the European Monetary Union (Euro zone) are recorded at the fixed exchange rate established on 31st December 1998.

Liquid funds
Balances receivable from banks for deposit or current accounts are recorded in the financial statements at their estimated net realisable value.
Cash and revenue stamps on hand are stated at nominal value.

Accruals and prepayments
Accrued income and prepaid expenses include income matured in the current period to be received in subsequent periods and costs paid in the current period but maturing in subsequent periods, respectively.

Accrued expenses and deferred income include costs matured in the current period to be paid in subsequent periods and income received during the period but maturing in subsequent periods.

Reserves for risks and charges
These reserves are recorded in the liabilities side of the balance sheet in order to cover the risks relative to the Company's contingent liabilities.

These reserves relate to existing or likely losses or liabilities, the extent and timing of which cannot be determined at the year-end.

The provisions accrued, calculated on the basis of conservative estimates, are recorded in the income statement.

The reserves for risks and charges also include the provisions accrued for direct and indirect taxes relative to positions not yet finalised or under dispute as well as accruals to the deferred tax reserve.

The valuation criteria adopted by the Company relative to taxation conforms with Accounting Principle No. 25. This principle, issued by the Italian Institute of Accountants (Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri), requires that deferred taxes be calculated on the timing differences between the reporting basis and the tax basis of assets and liabilities (liability method). In calculating deferred taxes, account is also taken of those items which, although not recorded in the balance sheet, may give rise to future tax credits (for example, taxable losses carried forward).

In accordance with such accounting principle, deferred tax assets are recognised in the financial statements even if they exceed the deferred tax liability.

The following items are taken into account in recognising deferred tax assets :

- Tax losses are recognised when, on the basis of the expected future results, it is reasonably certain that they will be recovered;
- Accruals for contingencies are recognised when, on the basis of their expected utilisation, and thus becoming tax deductible, it is reasonably certain that they will be recovered;

Deferred tax assets, recognised on the basis of the timing differences between the reporting basis and the tax basis of assets and liabilities, are written down in the event that there no longer exists reasonable certainty of their future recoverability.

No deferred tax asset is recorded in the financial statements for timing differences if there is no reasonable certainty of their future recoverability and, similarly, no deferred tax liability is recorded against timing differences where the Company does not expect to pay any tax in future periods.

Employees' leaving indemnity

The employees' leaving indemnity (T.F.R.) represents the liability towards its Italian employees at balance sheet date for leaving indemnity matured over the duration of their employment and payable at the moment in which they leave the Group, in accordance with current legislation and national labour contracts.

This indemnity is revalued annually in line with the increase in the cost of the living index, as prepared by the Italian government.

Memorandum Accounts

The memorandum accounts disclose the guarantees and secured guarantees given directly or indirectly by Group companies, together with their values: unsecured guarantees are valued at the amount of the effective commitment, while secured guarantees are disclosed at the book value of the asset or other right pledged in guarantee.

Commitments, risks and other memorandum accounts include, amongst others, off-balance sheet financial transactions represented by derivatives contracts carried out in order to protect the value of the individual asset and/or liability from the risk of fluctuation in interest and currency exchange rates. These contracts are valued on a basis consistent with that of the underlying assets and liabilities. The differentials arising from such operations are recorded in the income statement. The value recorded in the memorandum accounts corresponds to the notional value of the contracts at the balance sheet date.

Derivative contracts

These contracts are valued on a basis consistent with that of the underlying assets and liabilities. Differentials arising from such operations are recorded in the income statement. The value recorded in the memorandum accounts corresponds to the notional value of the contracts at the balance sheet date.

Revenue, income and cost recognition

Revenue is recorded net of returns, discounts, bonuses and direct sales taxes. In addition:

- revenue from the sale of goods is recognised at the time ownership transfers, which is generally upon shipment to the customer. Sales are shown gross of the excise duties on alcohol;
- revenue from services rendered is recognised at the time the service is rendered and in accordance with underlying contracts;
- financial income and expenses are recorded on an accruals basis;
- contribution grants for capital expenditure are recorded at the time of receipt, or, if earlier, at the time of notification of the formal resolution thereof. These are recorded in the balance sheet under the heading "Deferred income" and credited to the income statement over the useful lives of the assets to which they relate;
- income tax is calculated on the basis of estimated taxable income for the period, in accordance with current fiscal legislation, applying the tax rates in force locally in those countries in which the individual companies are based;
- research and development expensesare charged to the income statement in the period in which they are incurred.
- advertising costsare charged to the income statement in the period in which they are incurred.

Transactions with the parent company of Davide Campari- Milano S.p.A.

Certain financial transactions take place with the parent company of Davide Campari- Milano S.p.A., while no transactions of a commercial nature are entered with such company.

Comments on the principal Balance Sheet headings – Assets

Fixed Assets

Intangible fixed assets

Lire million	Start-up	Industrial and expansion costs	License rights, patents	Consolidation trademarks and advances	In differences	Others progress	Total
Book value at 1 January 2000	3,943	1,230	47,126	207,548	545	15,453	275,845
Accum. Amort at 1 Jan. 2000	(3,531)	(408)	(18,815)	(32,874)		(12,560)	(68,188)
Balance at 1 Jan. 2000	412	822	28,311	174,674	545	2,893	207,657
Additions		464	265		2,706	1,704	5,139
Disposals						(18)	(18)
Amortisation	(221)	(680)	(2,535)	(13,234)		(1,876)	(18,546)
Reclassification		350			(350)		0
Translation adjustments and other movements	16		(4)	(20)		8	0
Balance at 31 Dec. 2000	207	952	26,021	161,440	2,901	2,711	194,232
Book value at 31 Dec. 2000	4,284	2,040	41,356	207,548	2,901	17,145	275,274
Accum. Amort at 31 Dec. 2000	(4,077)	(1,088)	(15,335)	(46,108)	0	(14,434)	(81,042)

Start-up and expansion costs relate principally to registration tax on corporate operations and, with the agreement of the Board of Statutory Auditors, they are amortised over a period of five years.

Industrial patents relate to the purchase of software licences, SAP in particular, and are amortised over a period of three years.

License rights, trademarks and other similar rights and consolidation differences (goodwill) are comprised as follows:

	License rights, trademarks	Consolidation differences
Products		
acquired from Bols	6,339	26,071
OUZO 12	17,269	20,758
Cinzano	1,792	114,611
Others	621	–
	26,021	161,440

License rights, trademarks and consolidation differences are amortised over a period of 10 years for products acquired from Bols, over a period of 20 years for Ouzo 12 and Cinzano. The reason for the length of these amortisation periods is due to the fact that both effectively relate to brands and trademarks, a topic already discussed in the note relative to accounting principles.

Intangible assets in progress and advances to suppliers of intangible fixed assets include costs incurred for to the implementation of the SAP information technology system relative to sales and customer management modules.

Of the total increase of Lire 1,704 million in other intangible fixed assets, Lire 763 million is due to the customization of software related to the SAP project; other information technology projects account for the remainder.
Intangible fixed assets include Lire 142 million for revaluation of the originally capitalised costs, in accordance with the enacted laws No. 576/75 and No. 413/91.

Tangible fixed assets

	Land and Buildings	Plant and machinery	Industrial and commercial equipment to suppliers	Other assets	Assets under construction and advances	Total
Book value at 1 January 2000	173,429	176,645	63,642	26,634	383	440,733
Accumulated depreciation at 1 January 2000	(64,676)	(128,058)	(54,426)	(20,814)		(267,874)
Balance at 1 January 2000	108,753	48,587	9,216	5,820	383	172,759
Additions	3,699	11,069	4,555	3,802	443	23,568
Disposals	(4,958)	(2,954)	(413)	(266)		(8,591)
Depreciation	(4,741)	(9,078)	(2,548)	(2,491)		(18,858)
Reclassifications	(469)	1,162	(1,082)	772	(383)	0
Exchange differences and other movements	1,407	157		106		1,670
Balance at 31 December 2000	103,691	48,943	9,728	7,743	443	170,548
Gross book value at 31 December 2000	170,418	180,976	66,778	28,997	443	447,612
Accum. Depreciation at 31 December 2000	(66,727)	(132,033)	(57,050)	(21,254)	0	(277,064)

The more significant additions relate to the following:

- The purchase of land for expansion at Sulmona — Lire 2,859 million;
- Extraordinary maintenance and improvements to buildings — Lire 840 million;
- Investments relative in safety and in the environment — Lire 1,382 million;
- SIDEL equipment for PET bottles and accessory costs — Lire 3,644 million;
- Investment in plant and machinery for a total of — Lire 6,043 million, consisting of : plant for the Campari and CampariSoda plants in Italy at Sesto San Giovanni; Berchi packing machine at Termoli; improvement of production lines in Sulmona; adaptation to the new Crodo format; tanks for liquor in the Brazilian factory;
- Investments in information services — Lire 2,749 million;
- New returnable packing materials introduced into the production cycle — Lire 3,991 million;
- Furniture, motor vehicles and other — Lire 1,053 million.

Sales of tangible fixed assets related mainly to buildings (Lire 4,958 million) and production plant (Lire 2,954 million).

Tangible fixed assets include revaluations of the original cost, in accordance with the enacted laws, for a total of Lire 22,984 million, as follows:

	Land and buildings	Plant and machinery	Other assets	Total
Law No. 576 of 02/12/75	261	571	–	832
Law No. 72 of 19/03/83	4,110	5,646	216	9,972
Law No. 413 of 30/12/91	12,180	–	–	12,180
Total	16,551	6,217	216	22,938

Campari – Crodo S.p.A. contracted a 1st degree mortgage (not yet formally cancelled) on the prior Sipan building for Lire 17,836 million, as security for a loan received from ISVEIMER, that was fully repaid on 31st October 1998.

Land and buildings include Lire 16,162 million relative to assets held under capital lease contracts.

Financial fixed assets

	Investments in associated companies	Investments in other companies	Receivables from other companies within 12 months	Receivables from other companies after 12 months	Other
Balance at 1 January 2000	1,146	33,065	6,445	7,200	884
Increases		566		41	
Write-downs		(1,524)			
Decreases	(47)		(1,388)	(3,487)	
Balance at 31 December 2000	1,099	32,107	5,057	3,754	884
Composition of balance at 31 December 2000					
MCS S.c.a r.l. – Bruxelles - 33,3%	300				
International Marques V.o.f. – Haarlem - 33,3%	557				
Longhi & Associati S.r.l. – Milan - 30%	242				
Skyy Spirits L.L.C. – Delaware (USA) – 10%		31,790			
SIAM Monticchio S.p.A. – Rionero – 10%		150			
Other investments below 10%		167			
Loans to Bersano Riccadonna S.p.A.			4,675		
Loans to SIAM Monticchio S.p.A.			382	1,225	
Advance payment of taxes on staff leaving indemnity				2,192	
Idreg Piemonte S.p.A. bonds					879
Others				337	5
Balance at 31 December 2000	1,099	32,107	5,057	3,754	884

The write-down of investments in other companies relates to SIAM Monticchio S.p.A., whose amount has been devalued to reflect the net value realised from the sale of this investment in early 2001.

The increase of investments in other companies is due to the revaluation of the 10% share in the company Skyy Spirits LLC on the basis of the results for the year ended 31st December 2000.

The loans receivable from Bersano Riccadonna S.p.A. corresponds to the residual value of two loans granted at the time of the sale of this former subsidiary, repayable in annual instalments through 31st March 2001, with interest maturing from 16th July 1998 at a rate equivalent to the annual Euribor rate. The non-interest bearing loan to SIAM Monticchio S.p.A. has a similar origin.

"Others" comprise loans to employees and long-term deposits.

Current Assets

Inventories

	31/12/2000	31/12/1999	Change
Raw, ancillary and consumable materials	27,539	25,082	2,457
Work-in-progress and semi-finished goods	38,789	41,627	(2,838)
Finished products and goods for resale	29,970	24,156	5,814
Total	96,298	90,865	5,433

The financial statements of the Italian Group companies and of certain foreign Group companies value inventories using the LIFO method. The higher value resulting from the adoption of the average cost valuation in the consolidated financial statements amounts to Lire 5,647 million.

Inventories, taking into consideration the allowance for obsolete and slow moving items, for a total of Lire 565 million, are all available for production and sale.

Receivables

	31/12/2000	31/12/1999	Change
Due from customers within 12 months	173,848	222,651	(48,803)
Due from customer after 12 months	165	1,366	(1,201)
Due from associated companies within 12 months	4,907	3,375	1,532
Due from parent company after 12 months	3,213	2,941	272
Other receivables due within 12 months	144,360	67,877	76,483
Other receivables due after 12 months	391	3,962	(3,571)
Total	326,884	302,172	24,712

Lire 45,700 million of the total decrease of Lire 50,004 million in receivables outstanding from customers (trade receivables) is due to the receivables of Francesco Cinzano 8 C.IA S.p.A., that were included in the financial statements for the year ended on 31st December 1999, and were related to sales which took place prior to the date of acquisition. All of these receivables were paid during the early months of the year 2000.

Trade receivables, deriving from normal sales transactions, are stated net of the related provision for bad debts, which amounts to Lire 7,897 million and derives mainly from positions taken over from the companies acquired from the Wessanen Group in 1995 and not yet collected.

Conservative write-downs have been made on the basis of a careful evaluation of both specific and general risks.

The following changes took place in the provision for bad debts:

Balance at 31/12/1999	9,763
Utilisation	(2,381)
Provision accrued	515
Balance at 31/12/2000	7,897

The receivables due from the parent company (Alicros S.p.A.) relate to the acquisition of tax credits by the former company Crodo Sud S.p.A. (incorporated by Campari – Crodo S.p.A. during 1999).

"Other receivables " are comprised of the following at 31st December 2000:

	31/12/2000	31/12/1999	Change
Fixed term bank deposits and commercial paper	91,024	20,000	71,024
Due from tax authorities	14,908	10,326	4,582
Deferred tax assets	12,987	9,995	2,992
Advances to suppliers	13,299	19,527	(6,228)
Receivables for sundry sales	3,882	2,537	1,345
Interest income	1,541	1,527	14
Due from agents and distribution centres (net of the prov. for bad debts of Lire 7,794 million)	4,133	1,237	2,896
Others (net of the prov. for bad debts of Lire 2,890 million)	2,977	6,690	(3,713)
Total	144,751	71,839	72,912

The fixed bank term deposits and commercial paper relate to short-term investment of liquidity which mature within a three-month period.

The receivables due from fiscal authorities consist of VAT credits, tax credits on income and sundry withholding taxes. The advances from suppliers relate principally to advertising and promotional costs incurred by the Group and subsequently debited to suppliers in accordance with trade agreements with the owners of the brands distributed.

The significant increase in receivables due from agents and distribution centres relates to payments received from them during the last few working days of the year and not deposited in bank accounts at the balance sheet date.

Other receivables include : Lire 821 million for refunds of EU export duties on sugar products and Lire 970 million for re-insurance on pension funds, together with a receivable of Lire 2,891 million, written down by an allowance of Lire 2,890 million, deriving from an uncollectible receivable of Dolphin Capital Corp. guaranteed by the Company.

Financial assets not held as fixed assets

	31/12/2000	31/12/1999	Change
Marketable securities	3,675	17,058	(13,383)

These consist of quotas of listed investment funds (SICAV funds).

Liquid funds

	31/12/2000	31/12/1999	Change
Bank and post office deposit accounts	324,709	259,739	64,970
Cheques	41		41
Cash on hand	25	56	(31)
Total	324,775	259,795	64,980

Bank and post office deposit accounts include the positive balances of current accounts and short term use of liquid funds.

Bank transactions are conducted at market interest rates, of which the following average rates were applied during the year:

Rate for current account overdrafts:	7.75%
Commercial paper rate:	4.75%
Deposit rate:	3.25%

The net financial position of Lire 364,380 million consists of:

	31/12/2000	31/12/1999	Change
Liquid funds	324,775	259,795	64,980
Payables to banks – within 12 months	(25,366)	(28,247)	2,881
Payables to banks – after 12 months	(29,728)	(33,146)	3,418
	269,681	198,402	71,279
Fixed term bank deposits and comm. paper (incl. in other receivables)	91,024	20,000	71,024
Marketable securities	3,675	17,058	(13,383)
	364,380	235,460	128,920

Accrued Income and Prepaid Expenses

	31/12/2000	31/12/1999	Change
Sundry accrued income and prepaid expenses	1,377	971	406

These expenses consist of Lire 701 million interest income matured and of Lire 676 million sundry prepayments.

Liabilities and shareholders' equity

Shareholders' Equity

Movements in shareholders' equity during the year are disclosed in detail in Appendix 2.

The Shareholders' Meeting of 28th June 2000 resolved the conversion of the parent company's share capital from Italian Lire into Euro, by means of a share capital increase from Lire 14,520 million to Euro 29,040,000, utilising Lire 41,709 million from reserves upon which tax has been suspended in accordance with Law No. 544/92 and the conversion of the existing shares with a nominal value of Lire 10,000 per share to new shares with a nominal value of Euro 20 per share, maintaining unaltered the number of shares issued and outstanding.

Net income for the previous year was distributed to shareholders as a dividend for Lire 49,368 million.

The share capital is comprised of 1,452,000 ordinary shares with a nominal value of Euro 20 per share and is fully paid up.

The extraordinary reserve and the consolidation reserve basically represent income reserves; the latter derives from the elimination of the value of the investments against the corresponding net equity of the consolidated companies.

The difference deriving from the use of different exchange rates for the conversion of the balance sheet and for the income statement is allocated to the reserve for exchange differences.

The minority interest share of net equity relates to a 6% holding in Cinzano Investimenti e Partecipazioni S.p.A. and a 25% holding in O-Dodeca B.V.

Reserve For Risks and Charges

	31/12/2000	31/12/1999	Change
Leaving indemnities, pension funds and similars	3,518	3,254	264
Taxation	34,848	4,651	30,197
Deferred taxation	9,159	7,505	1,654
Other reserves	8,622	6,371	2,251
Total	56,147	21,781	34,366

Reserves for risks and charges are provided to cover known or likely losses or liabilities, the extent and timing of which cannot be precisely determined at year-end. No provision is made for those risks which are merely possible, only probable risks are provided for.

The break-down of the reserves for supplementary pension funds and agents' leaving indemnity relate to the former for Lire 1,949 million and to the latter for for Lire 1,569 million.

The Company's management, also on the basis of the opinions expressed by their own tax consultants, decided to accrue a provision of Lire 33,000,000,000 against the risks deriving from the fiscal disputes described below.

On 19th December 2000 the Company was notified that the District Office of Direct Taxes of Milan *(Ufficio Distrettuale delle Imposte Dirette di Milano)* had issued a tax assessment relative to the 1994 fiscal year in which the tax authorities calculated a taxable income (for IRPEG and ILOR taxes) higher than declared by the Company by Lire 48,216,399,000 in addition to penalties for Lire 25,651,125,000.

The above assessment is based, for Lire 47,598,169,000, on the recovery of taxation due on a presumed gain, which arose following the operation of conferral of investments between various EU member countries in accordance with Law No. 544/92, and for Lire 618,230,000 on amortisation of start-up and expansion costs considered non-deductible by the fiscal authorities. The Company appealed against this assessment, providing explanations of the correctness of their interpretation and operations, before the Milan Provincial Tax Commission *(Commissione Tributaria Provinciale di Milano)* on 13th February 2001.

Furthermore, during the year the Company was notified of the minutes of contestation by the District Office of Direct Taxes of Milan *(Ufficio Distrettuale delle Imposte Dirette di Milano)* which contain remarks of a fiscal nature which the Company, on the basis of the opinions expressed by its own tax consultants, believes to be without merit and against which, in the event that these give rise to future tax charges, it intends to appeal to the competent authorities.

Details of the abovementioned minutes of contestation are given below:

1. On 5th Decemebr 2000 the Regional Tax Office (Direzione Regionale delle Entrate) for the Lombardy region notified the Company of a contestation relative to the fiscal years 1997 and 1998, showing a higher taxable income for IRPEG/ILOR of Lire 3,888,010,000 million together with sanctions and penalties of Lire 2,069,021,000 for the year 1997 and a higher taxable income for IRPEG/IRAP of Lire 2,972,229,000 together with sanctions and penalties for Lire 1,281,460,000 for the year 1998.
2. On 21st December 2000 the Company was notified of contestation raised by the Regional Tax Office (Direzione Regionale delle Entrate) for the Lombardy region in connection with a specific inspection for the 1995 fiscal period. These minutes, following an interpretation provided by the Ministry of Finance in Circular No. 53/E of 26/02/1999, contested the criteria used by the Company to determine the write-down of an investment recorded in the financial statements relative to the year 1995; the tax deductible value of the write-down has been reduced by an amount of Lire 41,064,839,000. The Company has, in turn, contested the position assumed by the fiscal authorities, stating its reasons relative to the legitimacy of the valuation carried out and fiscally deducted.

It is Management's opinion that the resolution of the abovementioned disputes will not have any significant effect on the Company's financial statements.

Reference should be made to the comments on deferred tax assets for information relative to deferred taxation.

Other reserves represent payments in lieu of notice to agents who left the Company during the year for Lire 1,918 million, disputes with agents for Lire 3,578 million, renewal of plant for Lire 770 million, social security contributions for employees of the Brazilian companies for Lire 651 million, and other sundry risks for Lire 1,705 million.

Employees' leaving indemnity

This indemnity, payable at the time in which the employee leaves the Group, relates to employees of the Group's Italian companies. The reserve accrued represents the Company's effective liability towards employees at 31st December 2000, net of advances paid and of amounts transferred to supplementary pension funds.

Opening balance	22,472
Provision for the year	3,026
Utilisation and advances to employees	(1,331)
Closing balance	24,167

Payables

	31/12/2000	31/12/1999	Change
Banks – within 12 months	25,366	28,247	(2,881)
Banks – after 12 months	29,728	33,146	(3,418)
Other suppliers of finance - after 12 months	2,026	–	2,026
Advance payments received – within 12 months	1,070	1,365	(295)
Suppliers – within 12 months	131,909	145,372	(13,463)
Associated companies - within 12 months	2,465	1,200	1,265
Tax authorities – within 12 months	43,318	33,701	9,617
Tax authorities – after 12 months	13,993	18,877	(4,884)
Social security institutions - within 12 months	5,231	4,725	506
Other payables – within 12 months	40,800	62,210	(21,410)
Total	295,906	328,843	(32,937)

The payable due to banks consists of the following:

	Within 12 months	After 12 months	Total
Short-term debt	22,176	–	22,176
Credito Emiliano for lease of real estate	3,190	29,511	32,701
Others	–	217	217
	25,366	29,728	55,094

The payable due to Credito Emiliano represents the capital portion of the installments outstanding on a nine-year real estate lease, expiring on 20th February 2006, on the building occupied by the head offices of the parent company and of certain subsidiary companies in Milan, recorded as a capital lease. The remaining lease installments are due as follows:

Year	amount
2001	3,190
2002	3,596
2003	3,828
2004	4,155
2005	4,506
Thereafter	13,426
Total	32,701

Short-term debt relates for Lire 6,998 million to the parent company and for Lire 14,566 million to the subsidiary company Redfire Inc., USA.

At 31st December 2000 the Group had available credit facilities for a total of Lire 536 billion.

Payables towards other providers of finance relate to a loan finance contract with the Ministry of Industry and Commerce, in accordance with Article No. 16 of Law No. 46 of 17/02/1982.

Advances from customers relate to advances received on the sale of buildings.

The payables to suppliers relate to trade payables. The decrease during the year is due to the payment of the existing debts deriving from the acquisition of Cinzano for Lire 21,617 million.

Payables towards associated companies represent advertising contributions granted to MCS Scarl and International Marques VoF.

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

	31/12/2000	31/12/1999	Change
Income tax	15,854	18,431	(2,577)
Value added tax (VAT)	5,850	4,255	1,595
Taxes on alcohol	14,560	6,864	7,696
Withholding and other sundry taxes	7,054	4,151	2,903
Total	43,318	33,701	9,617

Income tax payable is shown net of advance payments of tax and of tax withheld at source.

The increase in taxes on alcohol is due principally to the increase in sales of Cinzano in Germany.

Withholding and other sundry taxes include the current portion of Lire 4,884 million of the payment over 5 years of the substitutive tax generated from the sale of the equity investments, prior to the date of acquisition, by Cinzano Investimenti e Partecipazioni S.p.A. The non-current portion of Lire 13,993 million has been classified under Payables due to tax authorities after 12 months.

Payables due to social security institutions relate to social contributions matured related to employees' wages and salaries for the month of December, contributions matured on the 13th monthly salary and on the accrual for the 14th monthly salary, where applicable.

Other payables are as follows:

	31/12/2000	31/12/1999	Change
DIAGEO Group	631	22,659	(22,028)
Deposits on packaging materials	13,335	13,139	196
Year-end customer bonuses	14,376	12,277	2,099
Payroll	7,769	6,239	1,530
Commissions payable	2,304	1,793	511
Advances from customers	371	4,664	(4,293)
Others	2,014	1,439	575
Total	40,800	62,210	(21,410)

Other payables towards the DIAGEO group at 31st December 1999 have been fully paid; these related to the adjustment of the cost of the investment in the company Cinzano Investimenti e Partecipazioni S.p.A..

None of the above payables is due after five years from the balance sheet date.

No secured guarantees exist other than those already disclosed in these explanatory notes.

Accrued expenses and deferred income

	31/12/2000	31/12/1999	Change
Sundry	2,818	3,032	(214)

These consist of deferred income related to capital grants received from Prominvest of Lire 2,203 million, other deferred income of Lire 53 million and accrued expenses of Lire 562 million.

Memorandum Accounts

	31/12/2000	31/12/1999	Change
Guarantees to third parties	45,647	45,095	552
Commitments to third parties	79,330	–	79,330
Risks to third parties	1,988	1,998	(10)
Total	126,965	47,093	79,872

Guarantees to third parties comprise the following:

	31/12/2000
Government bodies for excise duties	39,644
VAT credits and EU customs duties	134
Consumers' promotions	3,596
Long-term contracts	1,423
Various	850
Total	45,647

Commitments to third parties include:

- Derivative transactions for a total of Lire 64,330 million, entered to cover the exchange risk related to the acquisition of the investment in UDV Ic Ltda, which subsequently changed its name to DCM Partecipacoes Ltda. Therefore the options purchased are not subject to valuation as they represent hedging transactions.
- Commitments for the sponsorship of sporting events in the motor racing sector amounting to Lire 15,000 million.

Comments on the principal income statement headings

Value of production

Revenue from sales of goods and services comprises the following:

	31/12/2000	31/12/1999	Change
Sales of the Group's principal production, net of excise duties	834,613	708,678	125,935
Excise duties	122,765	97,547	25,218
Sales of wines and must to UDV Operations S.p.A. for production	25,044	25,913	(869)
Sundry sales and directly related income	1,453	3,350	(1,897)
	983,875	835,488	148,387

Sales performance is discussed in the Directors' Report.

Sales revenue may be analysed by business segment as follows:

	31/12/2000	31/12/1999	Change
Spirits	609,996	569,568	40,428
Soft drinks	242,044	235,875	6,169
Wines	131,835	30,045	101,790
Total	983,875	835,488	148,387

Sales revenue may also be analysed by geographic area, as follows:

	31/12/2000	31/12/1999	Change
Italy	555,610	536,612	18,998
EU countries	267,885	203,329	64,556
Other European countries	48,412	26,319	22,093
Americas	69,099	41,856	27,243
Rest of the world	42,869	27,372	15,497
Total	983,875	835,488	148,387

Other income and revenues

Other income and revenues at 31st December 2000 consist of:

Advertising contributions received	12,637
Production subcontracted by third parties – Smirnoff Ice	5,809
Real estate income	1,967
Sundry sales revenue	1,460
Recovery of sundry expenses	1,423
Intra EU duties draw-back	1,168
Capital grants	793
Gains on disposal of fixed assets	589
Others	2,197
	28,043

Production Costs

The increase of Lire 130,411 million derives from the increase in turnover following the acquisitions of new products and companies, in particular Cinzano and Ouzo 12.

Production costs consist of:

	31/12/2000	31/12/1999	Change
Raw, ancillary, consumable materials and goods for resale	331,564	302,747	28,817
Services	257,623	228,593	29,030
Rental and lease charges	4,980	5,082	(102)
Personnel	84,444	78,063	6,381
Amortisation of intangible fixed assets	18,546	18,212	334
Depreciation of tangible fixed assets	18,861	19,538	(677)
Write-down of receivables included in current assets and liquid funds	515	612	(97)
Variation in inventories of raw, ancillary and consumable materials	(2,130)	(1,805)	(1,045)
Provision for risks	39,619	1,043	38,576
Other provisions	491	–	491
Other operating costs	133,953	105,250	28,703
	888,466	758,055	130,411

Services

Services relate mainly to advertising and marketing costs (Lire 150,108 million), transport costs (Lire 36,416 million), commissions (Lire 20,112 million) and other sundry expenses (Lire 50,987 million).

Personnel

This represents the entire personnel cost and includes bonuses, salary increases, the cost of holidays not taken and other provisions accrued in accordance with current legislation and labour contracts.

The increase during the year is due to the increase in the average number of employees as a result of the acquisitions carried out during the year.

Amortisation, depreciation and write-downs

Detailed information has already been provided related to the amortisation and depreciation rates used as well as the composition of and movements in accumulated amortisation and depreciation.

The table below shows the amortisation of trademarks and consolidation differences (goodwill) by brand:

	31/12/2000	31/12/1999	Change
Products acquired from Bols	6,736	6,736	–
Cinzano	6,467	6,467	–
Ouzo 12	2,094	2,096	(2)
Others	472	666	(194)
	15,769	15,965	(196)

Provisions for risks

These mainly consist of the provision for fiscal risks for Lire 33 billion, of the write-down of the uncollectible receivable from Dolphin Capital Corp. for Lire 2,890 million, discussed above, and of those provisions related to agents for Lire 2,500 million and for for year-end bonuses for Lire 500 million.

Other operating expenses

These comprise the following:

	31/12/2000	31/12/1999	Change
Excise duties and other taxes on alcohol	123,482	97,547	25,935
Sundry	10,471	7,703	2,768
	133,953	105,250	28,703

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

Financial Income and Expenses

	31/12/2000	31/12/1999	Change
Income from investments in other companies	6	5,273	(5,267)
Other financial income from receivables included in fixed assets	280	379	(99)
Other financial income from marketable securities	45	572	(527)
Sundry financial income from other companies	24,186	16,858	7,328
Interest and other financial charges from other companies	(14,074)	(8,730)	(5,344)
	10,443	14,352	(3,909)

Sundry financial income from other companies includes gains on exchange of Lire 9,250 million.

Interest and other financial charges from other companies include exchange losses of Lire 9,060 million.

The decrease in net interest derives from a fall in interest rates and the decrease in average consolidated liquidity as a result of the acquisitions carried out during the year.

Adjustments to the value of financial assets

	31/12/2000	31/12/1999	Change
Revaluation of investments	4,904	3,106	1,798
Write-down of investments	(1,524)	–	(1,524)
	3,380	3,106	274

The revaluation of investments derives from the adjustment of the value of the investment of 10% in Skyy Spirits L.L.C. for Lire 4,268 million and from the adjustment of the investment in the associated companies for the remainder.

The write-down in the value of investments, mentioned earlier in these explanatory notes, relates to SIAM Monticchio S.p.A..

Extraordinary income and expenses

	31/12/2000	31/12/1999	Change
Gains on disposal of fixed assets	14,861	4,165	10,696
Other income	4,057	14,689	(10,632)
Losses on disposal of fixed assets	(89)	(12,135)	12,046
Other expenses	(3,812)	(7,627)	3,815
Prior year taxes	(3,174)	–	(3,174)
	11,843	(908)	12,751

Gains on disposal of fixed assets

These relate to gains on sales of real estate in Italy and Switzerland for Lire 13,990 million and on the disposal of equity investments for Lire 871 million.

Sundry extraordinary income

This relates to the reversal of Lire 1,000 million of provisions no longer considered necessary and to sundry non-recurring income for Lire 3,057 million.

Sundry extraordinary expenses

These relate almost entirely to non-recurring expenses.

Taxes relative to prior years

These relate to taxes payable by the Dutch companies for the years 1998 and 1999.

Income Taxes for the period

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

Income before taxes	2000	1999
Income before taxes	152,421	148,379

Income taxes for the year	2000	1999
Current taxes	45,452	41,421
Deferred taxes	6,173	6,681
Prepaid taxes	(1,374)	(5,086)
Total	50,251	43,016

The difference between the nominal Government tax (IRPEG tax) rate and the effective tax rate is due to the benefits deriving from the application of the Dual Income Tax in accordance with Law No. 466/97; the utilisation of fiscal losses brought forward, in accordance with the terms of Article No. 102 of the Unified Tax Law; to the different fiscal legislation in force in the foreign countries in which the Group operates and to the local tax (IRAP tax) which is applied on a different taxable income for the Italian Group companies.

The available tax net operating losses brought forward were entirely utilised during 2000 for an amount of Lire 24,878 million, while in 1999 such tax losses were utilised for Lire 31,736 million.

In calculating deferred taxation account was also taken of the taxes to be paid upon distribution of Lire 38,725 million of profits from consolidated companies, payment of which is expected to take place in the year 2001.

Diversely, no taxation was calculated on the reserves (amounting to Lire 265,238 million) of those subsidiary and associated companies which are not expected to distribute any dividend.

The timing differences which have given rise to deferred tax liabilities and assets (advance taxation) relate principally to: provisions for write-down of inventories and of receivables due from agents and customers, provisions for other sundry risks and charges, accelerated depreciation, the allocation over several periods of capital gains, the recording of leasing in accordance with the financial method and the elimination of intercompany profits.

The reserve for risks and charges also includes a provision of Lire 33 billion against contingent liabilities deriving from fiscal disputes in progress.

Loss attributable to minority interests

This relates to the minority holding of 25% in the company O-Dodeca B.V. and of 6% in the company Cinzano Investimenti e Partecipazioni S.p.A.

Results By Segment Of Business

Reference should be made to the Directors' Report.

Other Information

Personnel

The average number of employees of the companies included in consolidation are shown below, analysed by category and by geographical area:

By category	31/12/2000	31/12/1999	Change
Managers	50	37	13
Clerical staff	520	506	14
Manual workers	362	362	
Total	932	905	27

By geographic area	31/12/2000	31/12/1999	Change
Italy	684	678	6
Other countries	248	227	21
Total	932	905	27

The increase in the Group's workforce, particularly in the foreign companies, is directly related to the increase in the product portfolio following the acquisitions which took place during the year and the increasing internationalisation of the Group.

Remuneration To Directors And Statutory Auditors

The remuneration for the year 2000 are due to the Directors and to the Statutory Auditors of the parent company also for their duties in the consolidated companies as follows:

Directors	9,183
Statutory Auditors	204
Total	9,387

The above remuneration is stated net of social contributions and value added tax (VAT).

Reconciliation with the parent company's statutory financial statements

The net equity and the result for the year reported in the statutory statements of the parent company as at 31st December 2000 are reconciled with those of the consolidated financial statements as follows:

	Net Equity	Net income for the year
1. Statutory financial statements of the parent company	449,371	34,005
2. Difference between book value and net equity value of investments in consolidated companies	367,733	206,661
3. Elimination of dividends received from consolidated companies	–	(62,253)
4. Elimination of unrealized intercompany profit, net of related tax effect	(37,076)	(78,153)
5. Application of parent company's accounting principles	(8,025)	2,036
Consolidated financial statements	772,003	102,296

On behalf of the Board of Directors
Luca Garavoglia
(Chairman)

Davide Campari - Milano S.p.A.

Consolidated Financial Statements
Appendices to the Consolidated Financial Statements

Davide Campari - Milano S.p.A.

Companies Consolidated on a line-by-line Basis (Global integration method) Appendix 1

Companies Consolidated on a line-by-line Basis (Global integration method)

Name, location and activity	Share capital currency	thousands	% owned		Owned through
ITALY					
Davide Campari - Milano S.p.A. Milan Holding, manufacturing and service company	EUR	29.040			Parent company
Campari S.p.A. Milan Trading company	EUR	1.220	100%	100%	Campari - Crodo S.p.A.
Campari - Crodo S.p.A. Milan Holding and manufacturing company	EUR	21.957	100%	100%	DI.CI.E. Holding B.V.
Cinzano Investimenti e Partecipazioni S.p.A. Milano Holding company	EUR	2.400	94%	94%	Campari - Crodo S.p.A.
Francesco Cinzano & C.ia S.p.A. Milan Trading company	EUR	1.200	94%	94%	Cinzano Invest.e Partec. S.p.A.
Immobiliare Vassili 1981 S.r.l Milan Real-estate company	EUR	100	100%	100%	Lacaedemon Holding B.V.
Società Acque Minerali Ossolane S.p.A. Milan Trading company	EUR	104	100%	100%	Campari - Crodo S.p.A.
REST OF EUROPE					
Campari Deutschland G.m.b.h. Muenchen (Germany) Trading company	DEM	10.000	100%	100%	DI.CI.E. Holding B.V.
Campari Finance Teoranta Dublin (Ireland) Finance company	EUR	1.000	100%	100%	direct
Campari France S.A. Nanterre (France) Manufacturing company	FRF	15.000	100%	100%	DI.CI.E. Holding B.V.
Campari Holding A.G. Roveredo (Switzerland) Holding company	CHF	15.000	100%	100%	direct
Campari International S.A.M. Monaco Trading company	EUR	310	100%	100%	DI.CI.E. Holding B.V.
Campari Management S.A.M. Monaco Service company	EUR	160	100%	75% 25%	DI.CI.E. Holding B.V. Lacaedemon Holding B.V.
Campari Schweiz A.G. Zug (Switzerland) Trading company	CHF	2.000	100%	100%	Campari Holding A.G.
DI.CI.E. Holding B.V. Amsterdam (Netherlands) Holding company	EUR	14.975	100%	100%	direct
Lacaedemon Holding B.V. Amsterdam (Netherlands) Holding company	EUR	10.437	100%	100%	Campari Holding A.G.
N. Kaloyannis Bros. A.E.B.E. Piraeus (Greece) Trading company	GRD	108.500	75%	75%	O-Dodeca S.A.
O-Dodeca S.A. Amsterdam (Netherlands) Holding company	EUR	2.000	75%	75%	Lacaedemon Holding B.V.
Prolera Lda Funchal (Portugal) Service company	EUR	5	100%	98% 2%	direct DI.CI.E. Holding B.V.

(../..)

Companies Consolidated on a line-by-line Basis (Global integration method)

Name, location and activity	Share capital currency	thousands	% owned		Owned through
Sovinac S.A. Brussels (Belgium) Real-estate company	BEF	24.750	100%	100%	Lacaedemon Holding B.V.
Zytronna Lda Funchal (Portugal) Service company	EUR	5	100%	100%	Prolera Lda
AMERICAS					
Campari do Brasil Ltda Barueri (Brazil) Manufacturing and trading company	BRC	8.500	100%	100%	direct
Redfire Inc. Wilmington (DE - USA) Holding company	USD	7.950	100%	100%	DI.CI.E. Holding B.V.

Companies Consolidated using the net equity method

Name, location and activity	Share Capital currency	thousands	% owned		Owned through
International Marques V.o.f. Harleem (Netherlands) Trading company	NLG	450	33,3%	33,3%	DI.CI.E. Holding B.V.
M.C.S. S.c.a.r.l. Brussels (Belgium) Trading company	BEF	18.750	33,3%	33,3%	DI.CI.E. Holding B.V.
Longhi & Associati S.r.l. Milan Service company	ITL	20.000	30%	30%	Lacaedemon Holding B.V.

Davide Campari - Milano S.p.A.

Schedule of movements in consolidated shareholders' equity (millions of lire)
Appendix 2

Moviments	Share Capital	Legal Reserve	Extra Ordinary reserve	Reserve in suspens of tax	Merger differences	Consoli- dation reserve	Reserve for transalation adjustments	Net income (loss) for the year	Total Shareholders' equity
Balance as of 31.12.1999	14,520	2,904	15,455	47,598	11,011	517,138	112	105,403	714,141
Dividends								(49,368)	(49,368)
Transfers	41,709			(41,709)		56,147	(112)	(56,035)	
Exchange differences and other movements						4,831	103		4,934
Net income for the year								102,296	102,296
Balance as of 31.12.2000	56,229	2,904	15,455	5,889	11,011	578,116	103	102,296	772,003

Davide Campari - Milano S.p.A.

Consolidated statements of cash flow (millions of lire)
Appendix 3

Description	2000	1999
Cash flows from operating activities		
Net income for the year	102.296	105.403
Adjustments to reconcile net income to net cash provided from operations:		
Depreciation, amortization and write-downs	37.404	37.750
Provision for tax assessments	33.000	
Deferred income taxes	4.799	490
Gains on sale of fixed assets	(13.990)	(2.765)
Provision for employees' leaving indemnity	3.026	3.170
Other non cash items	5.704	7.070
Payment of employees' leaving indemnity	(1.331)	(3.800)
Net change in operating assets and liabilities:		
– *Trade receivables*	48.803	(33.372)
– *Inventories*	(5.433)	1.538
– *Trade payables*	(36.122)	45.705
– *Taxes*	24.211	33.044
– *Other, net*	523	10.449
Net Cash provided from operations	**202.890**	**204.682**
Cash flow from investing activities		
Purchases of tangible fixed assets	(23.568)	(17.067)
Income from disposals of tangible fixed assets	19.300	5.123
Purchases of intangible fixed assets	(5.139)	(23.592)
Acquisition of new subsidiaries, net of cash acquired	(19.472)	(160.716)
Net change in equity investments	(566)	(26.876)
Net change in marketable securities	(57.641)	53.889
Net change in financial receivables	4.843	3.676
Net Cash used in investing activities	**(82.243)**	**(165.563)**
Cash Flow from Financing activities		
Payment of lease installments	(3.231)	(2.929)
Net change in bank borrowings	(3.068)	(21.486)
Dividends paid	(49.368)	(49.368)
Net Cash used in financing activities	**(55.667)**	**(73.783)**
Net increase (decrease) in cash and banks	64.980	(34.664)
Cash and banks at beginning of year	259.795	294.459
Cash and banks at end of year	**324.775**	**259.795**

Davide Campari - Milano S.p.A.

Consolidated Financial Statements (Euro)
Appendix 4

Balance Sheet – Assets		31/12/2000	31/12/1999
A.	**Amounts due from Shareholders**		
B.	**Fixed Assets**		
I	**Intangible fixed assets**		
	1. Start-up and expansion costs	106.907	212.780
	3. Industrial patents and intellectual property rights	491.667	424.528
	4. Concessions, license rights, trademarks and similar rights	13.438.725	14.621.411
	5. Consolidation differences	83.376.802	90.211.592
	6. Intangibile assets in progress and advances to suppliers of intangible fixed assets	1.498.241	281.469
	7. Other intangible fixed assets	1.400.115	1.494.110
		100.312.456	**107.245.890**
II	**Tangible fixed assets**		
	1. Land and buildings	53.551.932	56.166.237
	2. Plant and machinery	25.276.950	25.093.091
	3. Industrial and commercial equipment	5.024.093	4.759.667
	4. Other tangibile fixed assets	3.998.926	3.005.779
	5. Fixed assets under construction and advances to suppliers of tangible fixed assets	228.790	197.803
		88.080.691	**89.222.577**
III	**Financial fixed assets**		
	1. Equity investments:		
	b) associated companies	567.586	591.860
	d) other companies	16.581.882	17.076.647
	2. Receivables:		
	d) other companies		
	due within 12 months	2.611.723	3.328.565
	due after 12 months	1.938.779	3.718.490
	3. Marketable securities	456.548	453.966
		22.156.517	**25.169.527**
	Total Fixed Assets	**210.549.665**	**221.637.995**
C.	**Current assets**		
I	**Inventories**		
	1. Raw, ancillary and consumable materials	14.222.707	12.953.772
	2. Work in progress and semifinished products	20.032.847	21.498.551
	4. Finished products and goods for resale	15.478.213	12.475.533
		49.733.766	**46.927.856**
II	**Receivables**		
	1. Due from customers		
	due within 12 months	89.784.999	114.989.645
	due after 12 months	85.215	705.480
	3. Due from associated companies		
	due within 12 months	2.534.254	1.743.042
	4. Du from parent companies		
	due after 12 months	1.659.376	1.518.900
	5. Other receivables		
	due within 12 months	74.555.718	35.055.545
	due after 12 months	201.935	2.046.202
		168.821.497	**156.058.814**
III	**Financial assets not held as fixed assets**		
	6. Marketable securities	1.897.979	8.809.722
		1.897.979	**8.809.722**
IV	**Liquid funds**		
	1. Bank and post office deposit accounts	167.698.203	134.143.999
	2. Cheques	21.175	
	3. Cash and cash equivalents	12.911	28.922
		167.732.289	**134.172.920**
	Total Current Assets	**388.185.532**	**345.969.312**
D	**Accrued income and prepaid expenses**		
	Sundry	711.161	501.480
	Total accrued income and prepaid expenses	**711.161**	**501.480**
	Total Assets	**599.446.358**	**568.108.786**

Balance Sheet – Liabilities and Shareholders' equity		31/12/2000	31/12/1999
A.	**Shareholders Equity**		
I	Share capital	29.039.855	7.498.954
IV	Legal reserve	1.499.791	1.499.791
VII	Other reserves:		
	Extraordinary reserves	7.981.841	7.981.841
	Reserves upon which tax has been suspended	3.041.415	24.582.315
	Merger differences	5.686.707	5.686.707
	Consolidation reserve	298.625.192	267.137.331
IX	Net income for the period	52.831.475	54.436.107
	Total Group Share of Shareholders' equity	**398.706.275**	**368.823.046**
	Minority interest:		
	Share capital and reserves	5.048.366	5.052.498
	Net loss for the period	(65.074)	(20.658)
	Total minority interest share of Shareholders' equity	**4.983.293**	**5.031.840**
	Total Shareholders' equity	**403.689.568**	**373.854.886**
B.	**Reserves for risks and Charges**		
	1. Leaving indemnities, pension funds and similar	1.816.895	1.680.551
	2a. Taxation	17.997.490	2.402.041
	2b. Deferred taxation	4.730.229	3.876.009
	3. Other reserves	4.452.891	3.290.347
	Total reserves for riscks and charges	**28.997.506**	**11.248.948**
C.	**Employees' leaving Indemnity**	**12.481.214**	**11.605.819**
D.	**Payables**		
	3. Due to banks:		
	due within 12 months	13.100.446	14.588.358
	due after 12 months	15.353.231	17.118.480
	4. Due to other suppliers of finance		
	due after 12 months	1.046.342	
	5. Advance payments received		
	due within 12 months	552.609	704.964
	6. Due to suppliers		
	due within 12 months	68.125.313	75.078.372
	9. Due to associated companies		
	due within 12 months	1.273.066	619.748
	11. Due to tax authorities		
	due within 12 months	22.371.880	17.405.114
	due after 12 months	7.226.781	9.749.157
	12. Due to social security institutions		
	due within 12 months	2.701.586	2.440.259
	13. Other payables		
	due within 12 months	21.071.441	32.128.784
	Total Payables	**152.822.695**	**169.833.236**
E.	**Accrued expenses and deferred income**		
	Sundry	1.455.376	1.565.897
	Total accured expenses and deferred income	**1.455.376**	**1.565.897**
	Total Liabilities and Shareholders' equity	**599.446.358**	**568.108.786**

Memorandum Accounts	31/12/2000	31/12/1999
1. Guarantees		
to third parties	23.574.708	23.289.624
2. Commitments		
to third parties	40.970.526	
3. Risks		
to third parties	1.026.716	1.031.881
Total Memorandum accounts	**65.571.950**	**24.321.505**

Income Statement	31/12/2000	31/12/1999
A. Value of production		
1. Revenue from sales of goods and services	508.129.032	431.493.542
2. Variation in work in progress, semi finished and finished products inventories	1.705.857	15.563.945
5. Other income and revenues		
Sundry revenues (of which operating grants = 0)	14.483.001	12.529.244
Total value of production	**524.317.890**	**459.586.731**
B. Production costs		
6. Raw, ancillary and consumable materials and goods for resale	171.238.515	156.355.777
7. Services	133.051.176	118.058.432
8. Rental and lease charges	2.571.955	2.624.634
9. Personnel		
a) Wages and salaries	29.921.963	27.372.216
b) Social security contributions	10.118.424	9.087.059
c) Employees' leaving indemnity	1.562.799	1.637.168
d) Supplementary retirement pensions and agents'leaving indemnity	288.183	110.522
e) Other costs	1.720.318	2.109.210
10. Amortization, depreciation and write-downs		
a) Amortization of intangible fixed assets	9.578.210	9.405.713
b) Depreciation of tangible fixed assets	9.740.894	10.090.535
d) Write-down of receivables included in current assets and of liquid funds	265.975	316.072
11. Variation in raw, ancillary and consumable materials and goods for resale	(1.100.053)	(560.356)
12. Provisions for risks	20.461.506	538.665
13. Other provisions	253.580	
14. Other operating expenses	69.180.951	54.357.089
Total cost of production	**458.854.395**	**391.502.735**
Difference between the value and cost of production	**65.463.494**	**68.083.997**
C. Financial Income and Expenses		
15. Income from equity investments in other companies	3.099	2.723.277
16. Other financial income		
a) Receivables recorded as fixed assets		
from other companies	144.608	195.737
c) Securities recorded as current assets	23.241	295.413
d) Income other than the above		
from parent companies	53.195	168.881
from other companies	12.437.832	8.537.549
17. Interest and other financial charges from other companies	(7.268.614)	(4.508.669)
Total net financial income and expenses	**5.393.359**	**7.412.189**
D. Adjustments to the value of inancial assests		
18. Revaluation		
a) equity investments	2.532.705	1.604.115
19. Writedowns		
a) equity investments	(787.080)	
Total adjustments to the value of financial assets	**1.745.624**	**1.604.115**
E. Extraordinary income and exprenses		
20. Income		
Gains on disposal of fixed assets	7.675.066	2.151.043
Other income	2.095.266	7.586.235
21. Expenses		
Losses on disposal of fixed assets	(45.965)	(6.267.204)
Other expenses	(1.968.734)	(3.939.017)
Prior year taxes	(1.639.234)	
Total extraordinay items	**6.116.399**	**(468.943)**
Income before taxes	**78.718.877**	**76.631.358**
22. Income taxes for the period		
Current taxes	23.473.999	21.392.161
Deferred taxes	3.188.088	3.450.449
Prepaid taxes	(709.612)	(2.626.700)
Total income taxes for the period	**25.952.476**	**22.215.910**
23. Net income for the period	52.766.401	54.415.448
Loss attributable to minority interests	**(65.074)**	**(20.658)**
Group share of net income	**52.831.475**	**54.436.107**

Davide Campari - Milano S.p.A.

Reclassified Consolidated Financial Statements as at 31 december 2000 (millions of Lire) Appendix 5

Assets	**31/12/2000**	**31/12/1999**
Current assets		
Cash and banks	324.775	259.795
Marketable securities	94.699	37.058
Financial receivables	5.057	6.445
Trade receivables, net of provision for doubtful accounts	173.848	222.651
Receivables due from associated companies	4.907	3.375
Adavances to suppliers	13.299	19.527
Tax receivables	14.908	10.326
Deferred taxes	12.987	9.995
Inventories	96.298	90.865
Other current assets	13.178	9.000
Total current assets	**753.956**	**669.037**
Tangible fixed assets		
Land and buildings	170.418	173.429
Plant and machinery	180.976	176.645
Others	95.775	90.276
	447.169	440.350
Less: accumulated depreciation	(277.064)	(267.974)
	170.105	172.376
Fixed assets under construction and advances to suppliers of fixed assets	443	383
Net tangible fixed assets	**170.548**	**172.759**
Intangible assets, at amortized cost	194.232	207.657
Equity investments	33.206	34.211
Receivables due from parent companies	3.213	2.941
Financial receivables, net of current portion	3.754	7.200
Other assets	1.781	6.207
Total assets	**1.160.690**	**1.100.012**

Liabilities and Shareholders' equity	**31/12/2000**	**31/12/1999**
Current liabilities		
Bank borrowings	22.176	25.244
Lease payable, current portion	3.190	3.003
Trade payables	131.909	168.031
Payables due to associated companies	2.465	1.200
Advances from customers	371	4.664
Year-end bonuses due to customers	14.376	12.277
Commissions payable	2.304	1.793
Income tax payable	15.854	18.431
Taxes payable, other than income taxes	27.464	15.270
Social security payable	5.231	4.725
Payable to employees	7.769	6.239
Customer deposits for packaging materials	13.335	13.139
Other current liabilities	6.533	5.836
Total current liabilities	**252.977**	**279.852**
Employees' leaving indemnity	24.167	22.472
Lease payable, less current portion	29.511	33.146
Taxes payable, less current portion	48.841	23.528
Deferred income taxes	9.159	7.505
Other non-current liabilities	14.383	9.625
Minority interest	9.649	9.743
Total non-current liabilities	**135.710**	**106.019**
Shareholders' equity		
Share capital	56.229	14.520
Reserves	694.613	683.394
Reserve for translation adjustments	21.161	16.227
Total shareholders' equity	**772.003**	**714.141**
Total liabilities and shareholders' equity	**1.160.690**	**1.100.012**

Income statement	31/12/2000	31/12/1999
Sales Revenue		
Gross sales revenue	963.187	806.225
Less excise duties	(122.765)	(97.547)
Net sales revenue	**840.422**	**708.678**
Cost of sales		
Materials	283.878	239.021
Production costs	67.865	60.226
Total cost of sales	**351.743**	**299.247**
Gross margin	**488.679**	**409.431**
Operating costs		
Advertising and marketing expenses	154.130	120.825
Selling and distribution expenses	94.924	84.387
General and administrative expenses	59.075	59.335
Amortization of goodwill and trademarks	15.297	15.299
Total operating costs	**323.426**	**279.846**
Operating income	**165.253**	**129.585**
Other income (expenses)		
Interest income, net	10.245	9.151
Gains (losses) on exchange, net	190	(169)
Minority interest	126	40
Other income, net	12.901	12.652
Total other income (expenses)	**23.462**	**21.674**
Income before income taxes	**188.715**	**151.259**
Income taxes	**86.419**	**45.856**
Net income	**102.296**	**105.403**

Davide Campari - Milano S.p.A.
Capitale sociale: Euro 29.040.000 interamente versato
Registro Imprese Milano: 217528
R.E.A. 1112227

Sede: Via Filippo Turati, 27 - 20121 Milano
Telefono:02 6225330
Fax: 02 6225207
e-mail: investor.relations@campari.com
www.campari.com

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