Consolidated and Separate financial statements for the year ending 31 December 2009

Davide Campari-Milano S.p.A.
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2009

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HIGHLIGHTS

	2009 €million	2008 €million	% change	% change at constant exchange rates
Net sales	**1,008.4**	**942.3**	**7.0**	**6.3**
Contribution margin	401.2	341.2	17.6	16.1
EBITDA before one-offs	265.1	218.3	21.4	19.7
EBITDA	261.0	214.7	21.6	19.8
EBIT before one-offs	239.7	199.0	20.4	18.5
EBIT	**235.6**	**195.4**	**20.6**	**18.6**
EBIT margin (EBIT/net sales)	**23.4%**	**20.7%**		
Profit before tax	198.3	172.4	15.0	13.0
Group and minorities' net profit	137.5	126.7	8.5	6.8
Group net profit	**137.1**	**126.5**	**8.3**	**6.6**
Basic earnings per share (€)	0.48	0.44		
Diluted earnings per share (€)	0.47	0.44		
Average number of employees	2,176	1,646		
Free cash flow	184.3	123.0		
Acquisitions of companies and trademarks	441.1	86.6		
Net debt	630.8	326.2		
Shareholders' equity – Group and minorities	1,046.0	955.0		
Fixed assets	1,519.8	1,137.5		
ROI % (EBIT/fixed assets)	**15.5%**	**17.2%**		

CORPORATE OFFICERS

BOARD OF DIRECTORS (1)

Luca Garavoglia
Chairman

Robert Kunze-Concewitz
Managing Director and Chief Executive Officer

Paolo Marchesini
Managing Director and Chief Financial Officer

Stefano Saccardi
Managing Director and General Counsel and Business Development Officer

Eugenio Barcellona
Director and member of the Remuneration and Appointments Committee

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

Cesare Ferrero
Director and member of the Audit Committee

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

Renato Ruggiero
Director and member of the Remuneration and Appointments Committee

BOARD OF STATUTORY AUDITORS (2)

Antonio Ortolani
Chairman

Alberto Lazzarini
Statutory Auditor

Giuseppe Pajardi
Statutory Auditor

Alberto Giarrizzo Garofalo
Deputy Auditor

GianPaolo Porcu
Deputy Auditor

Paolo Proserpio
Deputy Auditor

INDEPENDENT AUDITORS (3)

Reconta Ernst & Young S.p.A.

(1) The nine members of the Board of Directors were appointed on 24 April 2007 by the shareholders' meeting and will remain in office for the three-year period 2007-2009. Luca Garavoglia was nominated as Chairman and granted powers in accordance with the law and the Company's articles of association.
The shareholders' meeting of 29 April 2008 ratified the appointment of Robert Kunze-Concewitz as Director on 8 May 2007.
At the same meeting, the Board of Directors vested Managing Directors Paolo Marchesini and Stefano Saccardi with the following powers for three years until approval of the 2009 accounts:
– with individual signature: powers of ordinary representation and management, within the value or time limits established for each type of function
– with joint signature: powers of representation and management for specific types of functions, within the value or time limits deemed to fall outside ordinary activitiesOn 14 May 2008 the Board of Directors confirmed Robert Kunze-Concewitz in the post of Managing Director with the same powers as those granted on 23 July 2007 and those granted to Paolo Marchesini and Stefano Saccardi.

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

(3) The shareholders' meeting of 24 April 2007 also confirmed the appointment of the company to audit the 2007, 2008 and 2009 accounts.

DIRECTORS' REPORT

SIGNIFICANT EVENTS DURING THE YEAR

Acquisition of Odessa

On 13 March 2009, the Campari Group completed the purchase of 99.25% of the capital of the Ukrainian company CJSC Odessa Plant of Sparkling Wines; minority shareholders, other than the sellers, hold 0.75% of this company's capital.

The price paid in cash was US$ 18.1 million (corresponding to €14.3 million at the exchange rate on the closing date); the total value of the investment, including related costs and net debt acquired was €14.8 million.

Campari shares listed on FTSE MIB index

The Campari stock joined the FTSE MIB index (which replaced the S&P/MIB from 1 June 2009) with effect from market close on 20 March 2009; it began trading on the index on 23 March 2009.

The FTSE/MIB index measures the performance of 40 listed Italian companies selected from the shares traded on the Borsa Italiana main market.

The inclusion of the Campari stock follows a review of the index constituents by the index provider, based on the criteria of sector representation, floating capital and volumes traded.

Acquisition of 50% of MCS

On 10 April 2009, the Campari Group formalised the acquisition, from the Marnier Lapostolle group, of 50% of MCS S.c.a.r.l, a joint venture operating in Belgium and Luxembourg, which in 2008 booked net sales of €15.9 million.

As a result, the company, now wholly-owned, was fully consolidated starting on the acquisition date.

Ordinary shareholders' meeting of the Parent Company

On 30 April 2009, the ordinary shareholders' meeting of Davide Campari-Milano S.p.A. approved the accounts for the year ending 31 December 2008 and agreed the payment of a dividend of €0.11 per share (excluding own shares), unchanged from last year.

The meeting also voted to authorise the Board of Directors to purchase and/or sell own shares, mainly for the purpose of stock option plans.

Acquisition of Wild Turkey and related source of funding (term and revolving loan facility)

On 29 May 2009, the Campari Group finalised the acquisition of Wild Turkey from the Pernod Ricard group, thereby strengthening its position among the leaders on the US premium spirits market and on some important international markets.

The final price paid to the seller was US$ 578.7 million, after the contractual price adjustments made before and after the closing of the deal, of +US$ 6.4 million and −US$ 2.7 million respectively.

The price corresponds to 9.8 times the contribution margin (i.e. gross profit after advertising and promotional costs) achieved by the seller in the last year and 12 times the EBITDA expected by the Campari Group for the first 12 months following completion of the transaction.

The acquisition includes the Wild Turkey and American Honey brands, the Wild Turkey distillery in Kentucky, US, and stocks of liquid in the ageing process and finished products.

Wild Turkey is a global brand, with annual sales in excess of 800,000 nine-litre cases in more than 60 markets, and is one of the leading premium brands of Kentucky bourbon worldwide.

The US is the most important market, generating around half the brand's sales, followed by Australia and then Japan.

The acquisition, worth a total of €418.4 million at the exchange rate on the day of closing and including additional costs, was initially financed through a term and revolving loan facility, lasting between two and three years, extended to the buyer by a group of leading banks (Bank of America, BNP Paribas, Calyon and Intesa Sanpaolo).

Private Placement of senior unsecured notes on the US market

On 18 June 2009, the Campari Group completed a private placement with US institutional investors (US private placement) of senior unsecured notes worth US$ 250 million.

Bank of America Merrill Lynch (lead bookrunner) and Calyon Securities (US) acted as placement agents.

The transaction is structured over three tranches, of US$ 40 million, US$ 100 million and US$ 110 million respectively, with bullet maturities in 2014, 2016 and 2019 (i.e. at five, seven and ten years).

The fixed coupons for the three tranches are respectively 6.83%, 7.50% and 7.99%.

The notes were issued by Redfire, Inc., based in Delaware (US), a wholly-owned subsidiary of the parent company Davide Campari-Milano S.p.A.

The cash generated by the issue was used to pay back part of the term and revolving loan facility, significantly lengthening maturities at more favourable interest rates.

Termination of the distribution agreement for Grand Marnier in Germany

The distribution of Grand Marnier in Germany was terminated on 1 July 2009.

Société des Produits Marnier-Lapostolle S.A., owner of the Grand Marnier brand, announced its intention to use a single international distributor, and thus, on their natural maturity date, all existing distribution agreements with other partners, including the Campari Group for some European markets, will not be renewed. As a result, on 1 January 2010 distribution of Grand Marnier in Italy also ceased, and will later also be terminated in Switzerland (2011) and Belgium (2012).

Creation of Campari Australia

In August 2009, Campari Australia Pty Ltd. was created, with its registered office in Sydney.

Its creation was closely related to the acquisition of Wild Turkey, for which Australia is the second largest world market.

The new structure, which became operational at the beginning of April 2010, will directly manage marketing, sales and distribution of the Group's brands (this was previously handled by third-party distributors) in the Australian market. However, marketing of the Wild Turkey brand will begin on 1 July 2010 when the temporary distribution agreement stipulated with the seller at the time of the acquisition expires.

Unrated eurobond on the Euro capital markets

At the beginning of October 2009, the Campari Group completed an unrated €350 million bond issue on the Euro capital markets, with a maturity of seven years.

Banca IMI, BNP Paribas and Calyon acted as joint lead managers and bookrunners for the issue.

On 14 October 2009, the bonds were admitted to listing on the Luxembourg stock market, and since that time have traded in the related regulated market.

The bond pays a fixed annual coupon of 5.38% and the issue price was 99.43% of par, corresponding to a gross yield to maturity of 5.48%.

Acquisition of a further 30 % of Sabia S.A.

On 5 November 2009, the Campari Group completed the acquisition of a further 30% stake in Sabia S.A., which, as a result, became a wholly-owned subsidiary of the Group.

The value of the transaction was US$ 3.1 million (equivalent to around €2.1 million at the exchange rate in force on the date of the transaction).

The acquisition was carried out by exercising call/put options in accordance with the terms stipulated in November 2008 at the time the majority stake was acquired in the company. As a result of an agreement between the parties, the transaction was also finalised ahead of the originally scheduled date in 2012.

GROUP OPERATING AND FINANCIAL RESULTS

Sales performance

Overall performance

One of the Campari Group's many satisfactory accomplishments of 2009 was clearly the achievement of the symbolic, but important milestone of sales reaching €1 billion.

Net sales in 2009 totalled €1,008.4 million with an overall increase of 7.0% on 2008.

This robust growth was achieved mainly as a result of external growth, primarily attributable to the acquisition of Wild Turkey, which had an impact of 7.3%, and to a lesser extent, to exchange rate changes, which had a positive net impact of 0.7% compared with the previous period.

On a same-structure basis and at constant exchange rates, there was a slight organic decline in sales (−1.0%), which can still be seen in a positive light given the difficult environment in which the Group operated in 2009, and especially given the sales trend in the second half of the year.

As a result of the financial crisis that flared up at the end of 2008 and the resulting credit crunch, a major feature of 2009 was the widespread inventory reductions in distribution channels, which, despite the largely unchanged levels of end consumption of spirits worldwide, had a considerable negative impact on the sales of all players in the sector. This phenomenon was more marked in the US, Brazil and Eastern European markets, while it was more contained in Italy, Germany and Central Europe.

Partly as a result of the related decline in the downward trend in inventories in distribution channels, the Campari Group's sales saw a positive reversal of trend from an organic decline of 3.0% in the first half to modest organic growth of 0.7% in the second half.

The table below shows the year-on-year change in net sales in value and percentage terms.

	€million	% change on 2008
– Net sales 2009	1,008.4	
– Net sales 2008	942.3	
Total change	**66.1**	**7.0%**
of which:		
organic growth	–9.4	–1.0%
external growth	68.9	7.3%
exchange rate effect	6.6	0.7%
Total change	**66.1**	**7.0%**

The overall organic reduction of 1.0% was mainly the result of largely different sales results in the various countries, which resulted in uneven performance for major brands in each market.

As an example, following the above-mentioned inventory reductions of distributors, the Group's sales in Brazil and Eastern European markets slowed considerably, with a resulting direct impact on the overall performance of brands such as Campari and Cinzano vermouth.

As regards other major brands, performance for the year was especially positive for Aperol, due to solid double-digit growth in Italy and the excellent results generated in Germany and Austria. Performance was good for SKYY Vodka, Campari Soda and Cinzano sparkling wines, while sales for Crodino were largely unchanged.

External growth in 2009 was €68.9 million, up 7.3% on sales in 2008.

The majority of this growth, at 5.4%, is due to the acquisition of Wild Turkey, which posted seven-month sales of €51.1 million (the deal was closed on 29 May 2009).

Other Group brands that contributed to external growth in the period were Espolon in Mexico and, for nine months, Odessa sparkling wines in Ukraine, while the distribution of third-party brands led to net external growth of €11.5 million in terms of sales, largely thanks to new distribution agreements in Germany (Licor 43) and in Brazil (Cointreau).

2009 sales: breakdown of external growth	€million
Wild Turkey business	51.1
Odessa	4.6
Espolon	1.7
Subtotal – Group brands	**57.4**
Termination of distribution of Grant's and Glenfiddich in Italy	–2.2
Commencement of distribution of Licor 43 in Germany, Cointreau in Brazil and other third-party brands distributed in Argentina and Belgium	13.7
Sub-total – third-party brands	**11.5**
Total external growth	**68.9**

Exchange rates had a positive effect on sales of 0.7% overall in 2009, mainly due to the strengthening of the US dollar against the euro: the average euro/dollar exchange rate during the period was 1.393, as the dollar rose 5.6% compared to the average figure for 2008 (1.471).

In contrast, the average exchange rates of the Brazilian real and UK sterling weakened by 3.5% and 10.6% respectively against the euro.

However, it should be noted that at the end of the year, there were significant reversals of trend: at 31 December 2009, the US currency had, in fact, depreciated by 3.4% against the euro compared to 31 December 2008 (as opposed to the average exchange rate which appreciated by 5.6%), while the Brazilian real appreciated by 29.2% in December 2009 compared to 31 December 2008 (as opposed to the average rate which depreciated by 3.5%).

The table below shows the average exchange rates in 2009 for the currencies of greatest importance for the Group.

Exchange rates	2009	2008	% change
US$ x 1 € annual average	1.393	1.471	5.6%
US$ x 1 € at 31 December	1.441	1.392	–3.4%
BRL x 1 € annual average	2.771	2.675	–3.5%
BRL x 1 € at 31 December	2.511	3.244	29.2%
CHF x 1 € annual average	1.510	1.587	5.1%
CHF x 1 € at 31 December	1.484	1.485	0.1%
CNY x 1 € annual average	9.517	10.225	7.4%
CNY x 1 € at 31 December	9.835	9.496	–3.5%
GBP x 1 € annual average	0.891	0.797	–10.6%
GBP x 1 € at 31 December	0.888	0.953	7.3%
ARS x 1 € annual average	5.202	4.641	–10.8%
ARS x 1 € at 31 December	5.462	4.804	–12.0%

Sales by region

The acquisition of Wild Turkey, a business that is heavily concentrated in the United States and the Asia Pacific region, has allowed the Group to make a significant step forward in terms of both size and regional diversification, one of the key pillars of the Group's growth strategy.

As a result, in 2009, for the first time in the Group's history, the Italian region had sales representing less than 40% of the total: 38.5% compared to 41.1% in 2008. By contrast, the Americas area represented 32.3% of sales (31.5% in 2008), and the rest of the world and duty free rose sharply from 4.8% in 2008 to 6.3%.

The table below provides a breakdown of the overall growth of 7.0% by region, all of which reported positive growth, but at different rates.

	2009		2008		% change
	€million	%	€million	%	2009/2008
Italy	388.1	38.5%	387.3	41.1%	0.2%
Europe	231.6	23.0%	212.9	22.6%	8.8%
Americas	325.3	32.3%	296.5	31.5%	9.7%
Rest of the world and duty free	63.5	6.3%	45.6	4.8%	39.3%
Total	**1,008.4**	**100.0%**	**942.3**	**100.0%**	**7.0%**

Excluding the positive impact of exchange rate fluctuations and in particular external growth, Italy and Europe recorded organic growth, while the Americas, Rest of the world and duty free declined.

Breakdown of % change	Total	Organic growth	External growth	Exchange rate effect
Italy	0.2%	0.8%	–0.6%	0.0%
Europe	8.8%	4.5%	4.3%	0.0%
Americas	9.7%	–7.2%	14.9%	2.0%
Rest of the world and duty free	39.3%	–1.5%	38.9%	1.9%
Total	**7.0%**	**–1.0%**	**7.3%**	**0.7%**

Specifically, in 2009 **Italy** reported relatively stable sales on the previous year, with overall growth of 0.2%; on a same-structure basis (i.e., excluding the decrease caused by the discontinued distribution of Glenfiddich and Grant's), the result is slightly better (+0.8%).

In light of the difficult Italian economic situation, achieving even a modest degree of organic sales growth can be considered better than satisfactory performance.

The gradual spread throughout Italy of the phenomenon of diluted aperitifs, which was previously confined to the north-eastern area of the country, represents an attractive growth opportunity for the Group in the short and medium term.

In addition to Aperol, which again reported double-digit growth, sales of the two core brands, Campari and Campari Soda also increased in 2009.

In **Europe**, overall growth was 8.8%, comprising equal amounts of organic growth (4.5%) and external growth (4.3%) mainly due to sales of Odessa sparkling wines in Ukraine and third-party brand Licor 43 in Germany.

As regards organic sales growth, the net increase was due to two opposite trends, as described below.

On the positive side, some Western European markets, such as Germany and Austria, posted excellent performance since Aperol's sales grew at a much greater-than-expected rate.

On the negative side, sales lagged in Russia and the entire Eastern European area, where the severe credit crunch, related to the global financial crisis, resulted in a sharp slowdown in orders by local distributors bringing a drastic reduction in stock levels in its wake.

This unfavourable situation, which is driven more by the economy than structural issues, is likely to decline over time. In fact, signs of recovery could already be seen in December 2009.

In the **Americas**, sales rose by a total of 9.7% on the back of a sharp rise in external growth (+14.9%) and a positive exchange rate effect (+2.0%). Adjusted for these effects, there would have been an organic decline of 7.2%.

The two tables below set out the results for the region in greater detail, making it possible to analyse sales performance in the two main markets, the US and Brazil.

	2009		2008		% change
	€million	%	€million	%	2009/2008
US	227.7	70.0%	203.2	68.5%	12.1%
Brazil	65.3	20.1%	76.6	25.8%	–14.7%
Other countries	32.2	9.9%	16.7	5.6%	92.7%
Total	**325.3**	**100.0%**	**296.5**	**100.0%**	**9.7%**

Breakdown of % change	Total	Organic growth	External growth	Exchange rate effect
US	12.1%	–9.6%	16.8%	4.9%
Brazil	–14.7%	–13.6%	1.8%	–2.9%
Other countries	92.7%	51.7%	51.8%	–10.8%
Total	**9.7%**	**–7.2%**	**14.9%**	**2.0%**

In the **US**, sales in 2009 grew by 12.1% due to the significant contribution from the acquisition of Wild Turkey, which generated external growth of 16.8% in just seven months, and the strengthening of the US dollar, which had a positive impact of 4.9%; thus, in organic terms, sales in the US market were down by 9.6%.

This decline was almost entirely due to the reduction of distributors' stocks, while, on the whole, the consumption of spirits in the US remained stable at the level of the previous year. This destocking trend had a negative impact on the third-party brands distributed by the Group and on the Group's brands such as Cabo Wabo and X-Rated Fusion Liqueur.

The sole positive exception was SKYY vodka, which, despite distributors' sharp reduction in stocks, benefited from strong growth in the end consumption of the core product and from the major success achieved in the area of product innovation (SKYY Infusions). Thus, sales to distributors were largely unchanged from the previous year.

In **Brazil,** the 14.7% decline in total sales in 2009 was caused by a substantial drop in organic growth (13.6%), on top of which there was also the unfavourable impact of the depreciation of the Brazilian real (2.9%); this was partially offset by modest external growth (+1.8%) as a result of the launch of the production and distribution of Cointreau.

In 2009 in Brazil, there was a sharp discrepancy between the trend in end consumption of the Group's brands and the more pronounced and widespread decline in sales due to a number of specific contributing factors.

Firstly, the figures for 2009 are well below those for 2008 when sales were exceptionally high at the end of the year as a result of the announced increase in excise duties (IPI) scheduled for 1 October 2008 (but which actually occurred on 1 January 2009), with a resulting dramatic reduction in orders in the first part of the year.

Secondly, although the credit crunch affected all economies around the world, Brazil was particularly hard hit and this had a significant impact on the stocking policies of wholesalers in traditional sales channels, which account for the largest part of the market.

Thirdly, the change in the commercial policy implemented by the Group at the beginning of the year with the aim of reducing its dependence on individual customers and expand its customer base resulted in further destocking by distributors due to the process of disintermediation that occurred in respect of customers representing a significant proportion of the business.

Sales in the second half of the year showed that this trend had slowed, and the last quarter of 2009 was in line with the previous year.

The **other countries in the Americas**, whose sales are just over 3% of the Group's total, ended 2009 with growth of 92.7%. They also benefited from the Group's larger direct presence in two significant markets, Argentina and Mexico, as a result of the acquisitions of Sabia S.A. and Destiladora San Nicolas, S.A. de C.V.

Of the overall increase in sales, 51.8% was due to external growth (Espolon in Mexico and the new third-party brands distributed in Argentina), and 51.7% to organic growth.

The not insignificant negative exchange rate effect was due to the depreciation of the Mexican peso and the Argentinian peso.

Although the **Rest of the world and duty free segment** represent only 6.3% of the Group's overall sales, this area expanded the most, posting overall growth of 39.3%, due almost entirely to the sales of Wild Turkey in Australia, Japan and the duty free channel.

With regard to the Wild Turkey acquisition, note that Australia and Japan are the second and third largest markets respectively for this business and collectively generate over 40% of sales.

Sales by business area

Total sales growth of 7.0% achieved by the Group in 2009 was entirely due to the good performance achieved by spirits (+11.4%), while the other businesses (wines, soft drinks and other sales) ended the year in decline.

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

	2009		2008		% change
	€million	%	€million	%	2009/2008
Spirits	739.6	73.3%	663.9	70.5%	11.4%
Wines	154.9	15.4%	157.6	16.7%	–1.7%
Soft drinks	100.3	9.9%	103.0	10.9%	–2.6%
Other drinks	13.7	1.4%	17.8	1.9%	–23.1%
Total	**1,008.4**	**100.0%**	**942.3**	**100.0%**	**7.0%**

Breakdown of % change	Total	Organic growth	External growth	Exchange rate effect
Spirits	11.4%	0.9%	9.5%	1.0%
Wines	–1.7%	–5.6%	3.9%	0.0%
Soft drinks	–2.6%	–2.6%	0.0%	0.0%
Other drinks	–23.1%	–20.8%	0.0%	–2.3%
Total	**7.0%**	**–1.0%**	**7.3%**	**0.7%**

Spirits

In 2009, sales of spirits totalled €739.6 million and accounted for 73.3% of total Group sales (versus 70.5% in 2008).

The recent major acquisition of Wild Turkey further strengthened the Group's presence in the core spirits segment at higher margins.

Total sales in the spirits segment grew by 11.4%, and the only external growth component, which was generated by Wild Turkey, Espolon and the distribution of new brands, was 9.5%, while exchange rates had a net positive impact of 1.0%.

On a same structure basis and at the same exchange rates as in 2008, spirits generated organic sales growth of 0.9%, which, although modest, was an encouraging positive sign.

As for the Group's main brands, sales of **Campari** were down 7.3% at constant exchange rates (−7.4% at actual exchange rates) in 2009.

This unfavourable result was due to the sharp reduction of stocks and orders that affected sales in Brazil and Russia, and more generally, throughout Eastern Europe.

Specifically, the sharp decline in sales in Brazil, the largest market for the brand in terms of sales volume and second largest in terms of value, had a significant negative impact on the brand's overall performance.

In contrast, Campari achieved sales growth in both Italy and Germany, the largest and third-largest markets for this brand, and in other major European markets such as Belgium and Spain.

The **SKYY** brand, which includes the SKYY Infusion range, closed the year up 1.3% at constant exchange rates (+6.1% at actual exchange rates due to the strengthening of the US dollar).

In the US market, which represents about 85% of the brand's sales, SKYY sales were down slightly (−0.7%), which, however, was not reflected in depletion trends (distributor sales to end customers), which instead posted sales volume growth of 6.85%. The difference between the two figures is due to the reduction in distributors' inventories.

Sales outside the US were very positive with overall double-digit growth due to:

- excellent growth in the Brazilian market, where the production of SKYY Vodka for the local market started at the end of 2008;
- new markets, including China, which looks like it will have attractive growth prospects;
- good results achieved in export markets, which have been traditionally strong, such as Germany and the UK.

In 2009 sales of **Aperol** increased by 40.3%.

Since 2004, the year the Group acquired this brand, sales have grown at a non-stop, double-digit pace.

The Italian market, which currently represents about 70% of sales, continues to grow at a pace of between 15% and 20%. The brand's excellent performance was also due to an incredible upswing in Germany, Austria, and to a lesser extent, Switzerland. These are markets in which the brand is achieving considerable sales volumes in a short period of time with the support of an effective marketing campaign.

Sales of the **Campari Soda** brand, which is crucial for the Italian market, ended the year with satisfactory growth of 2.2%.

Sales of **Brazilian brands** (Old Eight, Drury's and Dreher) recorded a 14.9% decline in local currency and a 17.8% decline at actual exchange rates following the fall in value of the Brazilian real.

Of all the various factors (see comments above) that had a negative impact on the Group's performance in the Brazilian market, the increase in excise duties at the beginning of 2009 was undoubtedly the one that most hurt sales of locally produced whiskies such as Old Eight and Drury's.

In fact, these products, which are already at a high price point relative to the purchasing power of an average consumer, but still relatively affordable, suffered greatly from the proportionally higher price increase than those introduced on other products.

In this regard, note that in Brazil excise duties are determined in proportion to the sales price and not as a function of alcoholic content, which is typically the case in other markets.

Sales of **Glen Grant** dropped by 3.8% (at both constant and actual exchange rates) due mainly to the Italian market where Scotch whisky sales continue to fall. Glen Grant is still, however, the market leader, and marginally improved its market share.

On the other hand, sales of **Old Smuggler** posted robust growth of 22.9% at constant exchange rates (+17.6% at actual exchange rates due to the fall in value of the Argentine peso) thanks to good results achieved in Belgium and China.

2009 was also a good year for **Ouzo 12** with sales up 7.0% at constant exchange rates (+7.1% at actual exchange rates) on the back of solid growth reported – due in part to the launch of the 12 Gold line extension – in the

German market, which is now the brand's largest market by a wide margin. This offset the decline in the Greek market, where there the ouzo segment is fiercely competitive.

Sales of **Cynar** were up 17.1% at constant exchange rates (16.9% at actual exchange rates), due to the brand's positive performance in its three major markets: Italy, Switzerland and Brazil.

Results for Cynar in Brazil, where the drink is sold at an affordable price point, were in sharp contrast to the sales of all the Group's other brands in this market.

The trend of **X-Rated Fusion Liqueur** sales, which are almost entirely concentrated in the US market, declined by 3.1% in 2009 in local currency (+1.9% at actual exchange rates).

Although destocking by US distributors hit sales, depletion data (sales of distributors to the retail market) still continued to exhibit a positive trend, also posting double-digit growth (17.8%) in 2009 .

During the year, distribution of the brand began in Canada, Italy and the duty free channel with encouraging results.

2009 was clearly a difficult year – and hence a year of transition – for **Cabo Wabo** tequila, whose sales dropped by 52.1% (49.8% at actual exchange rates).

The phenomenon of destocking of this brand by distributors, which has been noted on several occasions, was particularly pronounced, and built into the Group's plans to some extent ahead of the introduction of new packaging.

In addition, end consumption of Cabo Wabo suffered during the year due to its strong presence in the on-trade channel, which experienced a sharp decline in volume in 2009 to the benefit of the off-trade channel. The decline was also due to the brand's premium positioning.

As for the Group's other spirits brands, sales of **Zedda Piras** Mirto di Sardegna declined in 2009 (−3.1%) as did those of **Aperol Soda** (−1.7%), while **Biancosarti** posted an increase (+2.7%).

Sales of the principal **third-party brands** in 2009 were as follows:

- sales of Jägermeister, which is distributed on the Italian market, were up 2.6%;
- performance in line with the previous year for Jack Daniel's, which is also distributed on the Italian market;
- a 21.5% decline at constant exchange rates (−18.0% at actual exchange rates) for Scotch whiskies, which are distributed in the United States, largely attributable to the negative trend for Cutty Sark, and to a lesser extent, the trend in Morrison Bowmore whiskies;
- sales of C&C group brands rose by 2.2% (+7.5% at actual exchange rates);
- sales of Suntory brands decreased by 25.8% (22.3% at actual exchange rates);
- sales of Russian Standard vodka increased by 20% and were achieved mainly in Switzerland, Germany and Austria.

Wines

Wine sales in 2009 totalled €154.9 million, a decrease of 1.7% compared with 2008.

Starting in the second quarter of the year, sales for this business area, which in 2009 represented 15.4% of the total, included Odessa sparkling wines, which together with the wine brands distributed by Sabia S.A. in Argentina, generated external growth of 3.9%; thus, on a same-structure basis, wine sales were down 5.6%.

This unfavourable performance was heavily affected by sales of **Cinzano vermouth**, which were down 15.5% (15.8% at actual exchange rates).

Despite the good performance reported in Germany and Italy, the brand's second and third largest markets, sales of this brand slowed significantly due to the dramatic reduction in orders from the principal market, Russia, as a result of the serious liquidity crisis that affected all Eastern European countries.

In contrast, sales of **Cinzano sparkling wines** were up 2.5% (+2.8% at actual exchange rates) due to the excellent sales performance reported in Germany, where the consumption of sparkling wines is relatively

even throughout the year. This offset the negative season in the Italian market where the Group also decided to reduce the promotional investment that is essential for bolstering crucial sales in the last two months of the year.

The Group's two other sparkling wine brands, whose sales are heavily concentrated in a limited number of markets, showed contrasting trends.

Riccadonna sales rose in the period, with growth of +3.2% at constant exchange rates (+3.1% at actual exchange rates), owing to the results achieved in Australia and New Zealand.

In contrast, **Mondoro** sales, which are mainly concentrated in Russia, declined sharply by 34.8% (at both constant and actual exchange rates). The same as for all sales in the Russian market, discussed above, also apply to this brand: the decline was due to the dramatic slowdown in orders from distributors as a result of the liquidity crisis under way.

As regards still wines, overall sales of the Group's brands in 2009 were down, but there were a few bright spots among these brands.

Sales of **Sella & Mosca** were down 4.4%, largely due to the decline in consumption in the Italian restaurant market, the brand's largest market. As regards exports, the good results achieved in many markets were unfortunately offset by a major slowdown in orders from the US, the primary foreign market.

On the other hand, sales in 2009 were in line with the previous year for **Teruzzi & Puthod** wines (−0.1%), with growth reported for **Cantina Serafino** Piedmont wines (+19.5%), albeit on more modest volumes.

Soft drinks

In 2009, soft drink sales, which represent 9.9% of the Group's total sales, were €100.3 million, a 2.6% drop on the same period in 2008.

Sales of **Crodino**, which in Italy represent 95% of the total, were largely stable (−0.1%).

Sales of the Group's other brands of soft drinks fell, partly as a result of less-than-favourable weather in the important second quarter of the year; in particular, sales of **Lemonsoda,** Oransoda and Pelmosoda were down 2.8% overall, while **Crodo mineral waters** declined by 35.3% compared to 2008.

Other sales

Other sales (which include sales of raw materials and semi-finished goods to third parties and co-packing revenues), representing only 1.4% of the Group's total sales, fell sharply compared to last year, by 20.8% at constant exchange rates (23.2% at actual exchange rates) to €13.7 million.

The negative result was largely due to lower sales of malt distillate produced and sold in Scotland by Glen Grant Distillery Company Ltd, and was exacerbated by the negative exchange rate effect on these sales caused by the depreciation of sterling against the euro.

Consolidated income statement

The Group's operating performance in 2009 was excellent reflecting double-digit growth in EBIT and an 8.3% increase in net profit.

The consolidation of sales and the margins related to the acquisition of Wild Turkey, which affected results for the seven months from June to December, had a significant impact on performance for the period, which even on a same-structure basis with the previous year, was positive and highly satisfactory.

Note also that the 8.3% growth in net profit took into account the high one-off financial charges related to structuring the loan to acquire Wild Turkey.

	2009		2008		% change
	€million	%	€million	%	%
Net sales	**1,008.4**	**100.0**	**942.3**	**100.0**	**7.0**
Cost of goods sold after distribution costs	(435.6)	–43.2	(428.2)	–45.4	1.7
Gross profit after distribution costs	**572.8**	**56.8**	**514.1**	**54.6**	**11.4**
Advertising and promotional costs	(171.6)	–17.0	(172.9)	–18.3	–0.7
Contribution margin	**401.2**	**39.8**	**341.2**	**36.2**	**17.6**
Structure costs	(161.4)	–16.0	(142.2)	–15.1	13.5
EBIT before one-offs	**239.7**	**23.8**	**199.0**	**21.1**	**20.4**
One-offs: income and charges	(4.1)	–0.4	(3.6)	–0.4	–
EBIT	**235.6**	**23.4**	**195.4**	**20.7**	**20.6**
Net financial income (charges)	(28.9)	–2.9	(18.9)	–2.0	52.9
Non-recurring financial charges	(7.7)	–0.8	(3.3)	–0.4	–
Profit (loss) of companies valued at equity	(0.8)	–0.1	0.2	–	–
Put option charges	–	–	(1.0)	–0.1	–
Profit before taxes and minority interests	**198.3**	**19.7**	**172.4**	**18.3**	**15.0**
Tax	(60.8)	–6.0	(45.7)	–4.8	33.1
Net profit	**137.5**	**13.6**	**126.7**	**13.5**	**8.5**
Minority interests	(0.4)	–	(0.2)	–	–
Group net profit	**137.1**	**13.6**	**126.5**	**13.4**	**8.3**
Total depreciation and amortisation	(25.4)	–2.5	(19.3)	–2.0	31.6
EBITDA before one-offs	265.1	26.3	218.3	23.2	21.4
EBITDA	**261.0**	**25.9**	**214.7**	**22.8**	**21.6**

Net sales for the period totalled €1,008.4 million, with overall growth of 7.0%; on a same-structure basis and at constant exchange rates, they fell by 1.0%, while external growth and exchange rate movements had positive effects, of 7.3% and 0.7% respectively.

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

The overall trend in **cost of goods sold** was excellent since its percentage of sales dropped by 2.2 percentage points from 45.4% last year to 43.2% in 2009.

Several factors contributed to this good result.

Firstly, a number of significant efficiency improvements were made in industrial operations. These were achieved through cost containment efforts at plants and by performing production processes in house that were previously outsourced.

Raw materials prices fell due to low inflation and further savings were obtained by centralising the purchasing of certain product categories.

Finally, average distribution costs rose only slightly following sharp increases last year due to high oil prices.

The overall reduction in cost of goods sold as a percentage of sales was undoubtedly due also to a more favourable sales mix; compared with the previous year, spirits – which on average offer greater profitability – posted double-digit growth in 2009, while sales of wines and soft drinks declined.

The consolidation of Wild Turkey alone, which is a high-margin spirits brand, had a positive effect of 0.8 percentage points on the cost of goods sold as a percentage of the Group's sales.

Gross profit rose by 11.4% to €572.8 million as the increase in sales (+7.0%) far outstripped that of the cost of goods sold (1.7%); while the gross margin improved by 2.2 percentage points from 54.6% last year to 56.8% in 2009.

Advertising and promotional costs, which in absolute terms remained essentially unchanged from the previous year, represented 17.0% of sales, a decrease on the 2008 figure of 18.3%.

The reduction in the promotional and advertising push was due to more prudent investment planning, which was reviewed and optimised during the year in light of the unfavourable economic situation; the latter was particularly intense in certain key markets (primarily Eastern Europe, but also Brazil and the US).

However, the Group's reduced focus on advertising was less pronounced than that seen in the sector, which enabled it to increase its share of voice in certain key markets.

The **contribution margin** in 2009 came to €401.2 million, corresponding to an overall advance of 17.6% on 2008, broken down as follows:

- organic growth of 7.6%;
- external growth of 8.5%;
- a positive exchange rate effect of 1.4%.

As a percentage of sales, **structure costs**, which include sales and general and administrative expenses, rose from 15.1% in 2008 to 16.0% in 2009.

In absolute terms, the 13.5% overall increase in structure costs takes into account a significant effect (6.6%) related to changes in the basis of consolidation arising from the new operating subsidiaries in the US, Belgium, Argentina, Mexico and Ukraine, as well as start-up costs (reported as organic costs) for Campari Australia Pty Ltd., which will commence business operations in 2010.

To a lesser extent (+0.7%), the exchange rate effect resulted in higher structure costs since the strengthening of the US dollar outstripped the depreciation of the real in Brazil.

On a same-structure basis and at constant exchange rates, structure costs rose by a higher-than-expected 6.3%, partly as a result of one-off charges.

EBIT before one-offs was €239.7 million, an increase of 20.4% compared with 2008.

Excluding the positive effects of external growth (9.9%) and exchange rate effects (2.0%), organic growth in this item was 8.6%.

One-offs showed a net negative balance of €4.1 million in 2009, an increase on the net negative figure of €3.6 million in 2008.

The most significant items that affected the 2009 figure included, on the charges side, asset write-downs of €5.8 million, restructuring costs and provisions of €2.1 million and other one-off charges totalling €2.6 million (consisting of provisions for risks and future liabilities, liquidation costs, penalties and indemnities); while income included fair value adjustments to the debt payables relating to Cabo Wabo put options and X-Rated Fusion Liqueur earn-outs totalling €6.4 million.

Further details on one-offs reported in both years is provided in note 18 to the consolidated accounts – other one-offs and charges.

In 2009, **EBIT** was €235.6 million, representing an overall increase of 20.6% on 2008; looking only at the significant positive effect of external growth and the more limited impact of exchange rate fluctuations, there was still solid organic growth of 8.7%.

ROS, i.e., the percentage of EBIT to net sales, rose by 2.7 percentage points from 20.7% last year to 23.4% in 2009.

Depreciation and amortisation totalled €25.4 million, a €6.1 million increase on 2008, mainly due to the consolidation of the newly-acquired companies, all of which are involved in production activities.

As a direct result of the higher depreciation and amortisation charges, EBITDA showed slightly higher growth than EBIT.

In particular, **EBITDA before one-offs** increased by 21.4% (organic growth alone was up 9.2%) to €265.1 million, while **EBITDA** rose by 21.6% to €261.0 million with organic growth of 9.3% (excluding 10.5% in external growth and 1.8% in exchange rates).

Net financial charges rose sharply to €36.6 million, from €22.2 million in 2008.

The significant increase over the previous year was partly due to the Group's higher average debt and partly due to one-off financial charges. To allow for a more accurate analysis of these two components, interest was separated into two items in the income statement.

Net financial charges rose by €10.0 million over the previous year to €28.9 million.

Average annual debt in 2009 was €521.7 million, an increase on the €314.6 million in 2008, due to the acquisitions made (especially Wild Turkey, which was finalised at the end of May, in the amount of €418.4 million).

However, average debt costs, before one-off charges, remained essentially unchanged at 5.4% in 2009 compared to 5.5% in 2008.

In addition, one-off financial charges of €7.7 million were posted in 2009 relating to the structuring of the term and revolving loan facility to acquire Wild Turkey. This was repaid by the Group following the private placement of senior unsecured notes in the US market and the unrated Eurobond in the Euro capital market.

In 2008, one-off financial charges totalled €3.3 million resulting from the write-down of interest rate hedging derivatives held with investment bank Lehman Brothers, which collapsed in September 2008.

The Group's portion of **profits (losses) of companies valued at equity** showed a negative balance of €0.8 million, compared with a positive balance of €0.2 million in 2008.

The companies accounted for by the equity method are trading joint ventures distributing products made by the Group and its Netherlands partners in India (from the start of 2009) and Belgium (until 31 March 2009). After that date, as noted, the entire operating joint venture in Belgium was purchased by the Group.

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

In light of the existence of the put/call options on these minority stakes, the holdings in Cabo Wabo and Sabia S.A. were reported at 100% in the financial statements, which also means that the price of the future acquisition of the minority stakes (20% of Cabo Wabo and 30% of Sabia S.A.) is recognised, while the related liability is included in the net debt position.

As a result, the portion of profit pertaining to minority interests was shown separately under the Group's liabilities as "charges for put options".

In 2009 there were no charges for put options since 30% of Sabia S.A. was acquired in advance by the Group in November 2009, while Cabo Wabo, LLC, the company holding the Cabo Wabo trademark (20% of which is still held by minority shareholders), did not generate profits.

Profit before tax and minority interests grew by 15.0% (+13.0% at constant exchange rates) compared with 2008, to €198.3 million.

Tax (deferred and current) totalled €60.8 million, an increase on the 2008 figure of €45.7 million.

The average tax rate for 2009 was higher than that recorded in 2008 for several reasons, most significantly, the geographic mix of places where taxable income was generated.

Net profit before minority interests was €137.5 million, up 8.5% on the previous year (+6.8% at constant exchange rates).

Minority interests were low, at €0.4 million (€0.2 million in 2008).

In 2009, **Group net profit** was €137.1 million, an increase of 8.3% on 2008 (+6.6% at constant exchange rates), representing 13.6% of net sales.

Profitability by business area

The new accounting standard IFRS 8, which came into force on 1 January 2009, requires that segment information must be based on the factors considered by management when making operating decisions.

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

The income statement figure used by the Campari Group to represent the profitability of its business areas is the contribution margin, which is the margin generated by sales after the cost of goods sold (including all logistical costs) and advertising and promotional costs.

The table below summarises the contribution of each segment to the total contribution margin, which in 2009 was €401.2 million, an increase of 17.6% versus 2008.

The portion of profits generated by spirits, which in 2008 accounted for 78.1% of the Group's contribution, increased further to 82.5%.

Contribution margin	2009		2008		2009/2008
	€million	% of total	€million	% of total	% change
Spirits	330.9	82.5%	266.5	78.1%	24.2%
Wines	30.8	7.7%	32.8	9.6%	–6.1%
Soft drinks	37.5	9.3%	38.4	11.3%	–2.5%
Other	2.0	0.5%	3.5	1.0%	–43.4%
Total	**401.2**	**100.0%**	**341.2**	**100.0%**	**17.6%**

This trend reflects and expands upon the previous analysis of sales, with the percentage of spirits rising from 70.5% in 2008 to 73.3% in 2009.

The subsequent tables summarise sales and profitability for each segment, with an analysis of organic growth, external growth and the exchange rate effect.

Spirits

Summary sales and profitability figures for spirits show a clear improvement in absolute terms over the previous year: sales rose by 11.4%, gross profit was up 15.5% and the contribution margin increased by 24.2%.

The sharp rise in profits (+24.2%, or €64.4 million) was mainly due to the acquisition of Wild Turkey, but also other factors such as a favourable sales mix, lower cost of goods sold, lower promotional and advertising investment and a positive exchange rate effect.

	2009		2008		2009/2008
	€million	% of sales	€million	% of sales	% change
Net sales	739.6	100.0%	663.9	100.0%	11.4%
Gross profit after distribution costs	466.0	63.0%	403.3	60.7%	15.5%
Contribution margin	330.9	44.7%	266.5	40.1%	24.2%

	total % change	organic growth	external growth	exchange rate effect
Net sales	11.4%	0.9%	9.5%	1.0%
Gross profit after distribution costs	15.5%	4.1%	9.9%	1.5%
Contribution margin	24.2%	11.6%	10.8%	1.8%

Looking first at gross profit, this item increased by a total of 15.5%, compared with smaller growth in sales of 11.4%.

The greatest impact on the increase in gross profit came from the Wild Turkey business, which contributed 7.7% to sales growth and 9.1% to gross profit growth; thus showing a high level of profitability.

In contrast, the remainder of the external change (mainly attributable to Espolon and third-party brands for which distribution was started in Germany and Brazil) contributed 1.8% to sales growth but only 0.8% to gross profit growth.

Due to the favourable sales mix and a reduction in industrial costs, the organic portion of the spirits business generated gross profit growth of 4.1%, although sales grew at a slower pace of 0.9%.

As regards sales mix, looking at only the most profitable key brands, Aperol's exceptional performance (with sales up by 40.3%) fully offset the decline in gross profit resulting from decreased sales of Campari, the Brazilian brands and Glen Grant.

In the area of industrial costs, in addition to the overall reduction in raw materials prices, which had a positive impact on the whole of the Group's income statement, spirits benefited from improved efficiency gains from the internationalisation of production processes that were previously outsourced (X-Rated Fusion Liqueur and Aperol Soda in Italy, Cabo Wabo in Mexico and Old Smuggler in Argentina).

In absolute terms, total promotional and advertising investment was slightly lower than in 2008 (−1.3%). However, excluding investment related to Wild Turkey, costs relating to the organic business fell by 9.5%.

Thus, growth in the contribution margin, which was 24.2% overall, was the result of organic growth of 11.6% (higher than the 4.1% growth in gross margin due to lower promotional and advertising expenses), external growth of 10.8% and an exchange rate effect of 1.8%.

Wines

The Group's wine brands exhibited a more pronounced reduction in the contribution margin, which was down 6.1% to €30.8 million, as a result of a slight decline in sales (−1.7%).

	2009		2008		2009/2008
	€ million	% of sales	€ million	% of sales	% change
Net sales	154.9	100.0%	157.6	100.0%	–1.7%
Gross profit after distribution costs	57.9	37.4%	59.6	37.8%	–2.9%
Contribution margin	30.8	19.9%	32.8	20.8%	–6.1%

	total % change	organic growth	external growth	exchange rate effect
Net sales	–1.7%	–5.6%	3.9%	0.0%
Gross profit after distribution costs	–2.9%	–4.4%	1.5%	0.1%
Contribution margin	–6.1%	–6.9%	0.9%	0.0%

The organic portion of the wines business benefited from reduced industrial costs and a favourable mix, which can be seen by analyzing the change in gross profit (−4.4%) compared to the change in sales (−5.6%).

External growth, which was largely attributable to Odessa sparkling wines, was 3.9% in terms of sales, but only 1.5% in terms of gross profit due to the lower profitability of the new brands compared with the average profitability of the Group's wines.

Overall, the contribution margin for wines fell more sharply (6.1%) than that of gross profit since the level of promotional and advertising investment remained unchanged on 2008 in absolute terms, and consequently increased as a percentage of sales.

Soft drinks

The profitability of this business area did not change substantially from 2008: net sales were about €100 million with a good level of profitability of over 37%.

Specifically, the contribution margin in 2009 was €37.5 million, a decrease of 2.5% on 2008m reflecting the same trend seen in sales.

	2009		2008		2009/2008
	€million	% of sales	€million	% of sales	% change
Net sales	100,3	100,0%	103,0	100,0%	–2,6%
Gross profit after distribution costs	47,0	46,8%	47,6	46,2%	–1,4%
Contribution margin	37,5	37,4%	38,4	37,3%	–2,5%

Crodino, which represents more than two thirds of the segment's sales, underwent slight changes, which affected its profitability.

Gross profit rose slightly more than sales due to a positive mix effect resulting from the stability of Crodino sales compared to a decline in the sales of other brands.

However, the decrease in contribution margin was greater than the decline in gross profit since the level of promotional and advertising investment for Crodino increased on 2008.

Other sales

The contribution margin for this minor segment, which includes sales of raw materials, and semi-finished and finished goods to third parties, declined by 43.4% versus 2008 to €2.0 million.

	2009		2008		2009/2008
	€million	% of sales	€million	% of sales	% change
Net sales	13.7	100.0%	17.8	100.0%	–23.1%
Gross profit after distribution costs	2.0	14.5%	3.6	20.4%	–45.2%
Contribution margin	2.0	14.6%	3.5	20.0%	–43.4%

	total % change	organic growth	external growth	exchange rate effect
Net sales	–23.1%	–20.8%	–	–2.3%
Gross profit after distribution costs	–45.2%	–49.1%	–	3.9%
Contribution margin	–43.4%	–47.4%	–	4.0%

In terms of organic changes, the decrease in the contribution margin (47.4%) was greater than the decrease in sales (20.8%) since this reduction was due to lower sales of Glen Grant malt distillate which has higher profit margins.

Cash flow statement

The table below shows a simplified and reclassified cash flow statement (see the section containing the financial statements for the full cash flow statement).

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

	2009 € million	2008 € million
Operating profit	235.6	195.4
Depreciation and amortisation	25.4	19.3
Changes in non-cash items	(1.2)	(10.8)
Changes in non-financial assets and liabilities	8.2	6.6
Taxes paid	(43.0)	(38.2)
Cash flow from operating activities before changes in working capital	**224.9**	**172.4**
Changes in operating working capital	46.5	(0.9)
Cash flow from operating activities	**271.4**	**171.5**
Net interest paid	(32.3)	(15.9)
Cash flow used for investment	**(54.8)**	**(32.6)**
Free cash flow	**184.3**	**123.0**
Acquisitions	(441.1)	(86.6)
Other changes	(7.0)	(5.9)
Dividend paid by the Parent Company	(31.7)	(31.8)
Total cash flow used in other activities	**(479.8)**	**(124.3)**
Exchange rate differences and other changes	(18.7)	(10.3)
Change in net debt due to operating activities	**(314.2)**	**(11.6)**
Payables for exercise of put option and potential earn-out payment	9.6	(26.6)
Total net cash flow for the period = change in net debt	**(304.6)**	**(38.1)**
Net debt at the start of the period	(326.2)	(288.1)
Net debt at the end of the period	(630.8)	(326.2)

Free cash flow in 2009 was €184.3 million: cash flow from operating activities was €271.4 million, which was partly offset by the payment of net financial interest of €32.3 million and net investment of €54.8 million.

This increase of €61.3 million on last year (when free cash flow was €123.0 million), is due mainly to the following:

- the increase in EBIT and depreciation and amortisation (EBITDA) totalling €46.3 million, more than half of which (€28.3 million) was related to the acquisition of Wild Turkey;
- other non-cash items on the income statement, which, in 2009 had a negative balance of €1.2 million, while in 2008 it had a negative balance of €10.8 million (mainly including gains of €6.5 million from the sale of assets);
- the change in operating working capital. In 2009 this item decreased by €46.5 million, whereas it had increased by €0.9 million in the previous year. In the cash flow statement, the change in operating working capital is always reported net of exchange rate effects and the opening balances of the accounts of the new companies acquired. In the following section on operating working capital, comments are provided on changes related to individual items (trade receivables, inventories and trade payables).

Despite these positive changes, in 2009 free cash flow was affected by a greater use of cash than in 2008 for taxes, interest and investments as follows:
- taxes paid during the year totalled €43.0 million, €4.8 million higher than the previous year;
- net financial interest paid was €32.3 million, significantly higher than in 2008 (€15.9 million); the acquisition of Wild Turkey led to the payment of higher interest as it had higher average debt levels, and one-off fees for structuring the acquisition finance;
- net investments in 2009 totalled €54.8 million, with substantially higher expenditure than in 2008 (€32.6 million) as several extraordinary projects were carried out during the year. These are described in greater detail in the Investments section below. Gross investments posted in the Group's balance sheet totalled €62.9 million corresponding to a lower use of cash as a result of proceeds received from asset sales (€3.4 million), prepaid supplier expenses (€2.9 million) and capital contributions received (€1.8 million).

Cash flow used in other activities was €479.8 million, which comprises acquisitions during the period (€441.1 million) and the dividend paid by the Parent Company (€31.7 million).

The amount relating to acquisitions (details of which are provided in note 8 – Business combinations – of the consolidated accounts), mainly includes the Wild Turkey transaction (€418.4 million), the Odessa acquisition, the purchase of a further share of M.C.S. S.c.a.r.l., and price adjustments to previous acquisitions.

In 2008, cash flow used for acquisitions totalled €86.6 million, largely related to the acquisition of 80% of Cabo Wabo (€56.6 million), 100% of Destiladora San Nicolas S.A., de C.V. (€14.0 million) and 70% of Sabia S.A. (€3.4 million).

Cash flow used in other activities also includes other changes of €7.0 million mainly attributable to the purchase of own shares.

Exchange rate differences and **other changes** had a negative impact (€18.7 million) on net cash flow for the year, and include €10.9 million for negative exchange rate differences on net operating working capital, which is always reported in the cash flow statement at constant exchange rates.

In 2008, this figure was also a negative amount (€10.3 million).

To summarise, this analysis of all cash flows shows a net use of cash in 2009 of €314.2 million, which corresponds to the change in debt due to activities during the year.

In 2008 the item **future exercise of put options and payment of earn outs** included the first posting of debt to the accounts totalling €26.6 million in relation to:
- the potential exercise of a put option by minority shareholders of Cabo Wabo and Sabia S.A.;
- potential earn-out payments relating to the acquisitions of X-Rated Fusion Liqueur in 2007 and Destiladora San Nicolas, S.A. de C.V. in 2008.

The increase of €9.6 million reported in the 2009 cash flow statement relates to the net decrease in these payables following payments made during the year and fair value adjustments to the value of the put options and earn outs that still existed at year-end.

For further details on these payables, see the section "Breakdown of net debt" below.

Thus, **cash flow used** in 2009 totalled €304.6 million, which corresponds to the change in consolidated net debt between the beginning and end of the year.

Investments

In 2009 investments reported in the accounts totalled €62.9 million, of which:

- €58.7 million was spent on tangible assets;
- €1.4 million was spent on biological assets;
- €2.8 million was spent on intangible assets with a finite life.

The main projects relating to tangible assets (all of which were extraordinary projects) that were launched or completed during the year were:

- the completion of the Group's new head office in Sesto San Giovanni (€11.7 million). Launched in 2006, this project was completed in 2009 and now represents a total investment of €38.6 million net of the proceeds of €13.0 million from the sale to third parties of a portion of building land on which the new head office is built. The head office became operational in May 2009;
- the building of the new Novi Ligure warehouse (€9.4 million). This investment will enable the company to almost totally reduce outsourcing of the storage of finished goods;
- the first tranche of the new plant of Campari do Brasil Ltda (€14.8 million). The project was significantly reviewed and expanded from its initial concept, and will be completed in 2010 with a total estimated investment of about €30 million;
- ongoing work to complete the new distillery of Rare Breed, LLC in Kentucky (€5.7 million). This project, which is related to the Wild Turkey acquisition, was launched by the Pernod Ricard Group, and at the time of the closing in May 2009, progress was worth about US$ 20 million out of a total projected investment of about US$ 50 million. The project will be completed in 2010 with a further outlay for the Group of about €14 million;
- the maturing inventory warehouse of Glen Grant Distillery (€1.7 million). The investment, which started in 2008 with an outlay of €2.0 million, will be completed in 2010 and will enable the company to reduce the costs of Scotch whisky ageing, which was previously fully outsourced.

The remaining amount spent on tangible assets during the period (€15.4 million) was incurred by the Group's sites in Italy (Novi Ligure, Canale and Crodo), Brazil, Greece and Argentina for recurring activities.

Investments in biological assets totalling €1.4 million were made by Sella & Mosca S.p.A. on vineyards in Sardinia and Tuscany.

Lastly, the €2.8 million spent on intangible assets with a finite life during the period related almost entirely to the development of additional SAP system modules and the purchase of related licences.

Breakdown of net debt

The Group's consolidated net debt stood at €630.8 million at 31 December 2009, an increase on the figure of €326.2 million posted at 31 December 2008.

This sharp increase was caused by the acquisition of Wild Turkey, which required an investment of €418.4 million.

The table below shows the changes in the structure of debt during the period, while the events and cash flows that caused the changes in value were disclosed and explained in the section above.

	31 December 2009 € million	31 December 2008 € million
Cash and cash equivalents	129.6	172.6
Payables to banks	(17.3)	(107.5)
Real estate lease payables	(3.3)	(3.4)
Short-term portion of private placement	(5.8)	(8.9)
Other financial receivables and payables	(6.9)	(7.4)
Short-term net cash position	**96.4**	**45.5**
Payables to banks	(0.9)	(0.9)
Real estate lease payables	(6.3)	(10.5)
Private placement and bond	(861.8)	(337.4)
Other financial receivables and payables	158.7	3.7
Medium/long-term net debt	**(710.3)**	**(345.1)**
Debt relating to operating activities	**(613.9)**	**(299.7)**
Payables for potential exercise of put option and potential earn-out payments	(16.9)	(26.6)
Net debt	**(630.8)**	**(326.2)**

The change in net debt between the dates being compared reflects an improvement in the short-term component and an increase in medium- and long-term debt.

The short-term net cash position, which came in at €96.4 million at end-2009, rose by €50.9 million on last year's net cash balance of €45.5 million.

In contrast, the medium to long-term component showed an increase in net debt totalling €365.2 million (from €345.1 million at 31 December 2008 to €710.3 million at 31 December 2009), since the medium and long-term portion was affected by the impact of higher debt resulting from the Wild Turkey acquisition, despite the Group's ample cash generation, which also has a positive impact on the short-term position. This acquisition was initially financed through medium- and long-term bank debt; i.e. the term and revolving loan facility, lasting between two and three years, extended by a group of leading banks (Bank of America, BNP Paribas, Calyon and Intesa Sanpaolo).

The Group then repaid this bank debt as described below:

- in June 2009 through a private placement of senior unsecured notes totalling US$ 250 million with institutional investors in the US market. The transaction is structured over three tranches of US$ 40 million, US$ 100 million and US$ 110 million respectively with bullet maturities in 2014, 2016 and 2019 (i.e., at five, seven and ten years);
- in October 2009, through an unrated €350 million bond issue (Eurobond) on the Euro capital markets, with a maturity of seven years.

Thus, the net debt position at 31 December 2009 shows an increase of €524.4 million for the two issues carried out during the year under the item Private placement and bond.

Finally, after repaying the term and revolving loan facility, which, as a result, does not appear in bank debt at the end of the year, a portion of the amount raised in the bond issue (€155.0 million) was invested in time deposits maturing in March 2011, and thus, posted to medium- and long-term financial receivables.

The Group's net debt position also includes payables relating to:

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

The Group recorded 100% of the value of the shares in companies in which it has acquired control, under assets, while the financial payables corresponding to the put options for the portions not yet purchased and to earn-out payments have been recorded under liabilities.

At 31 December 2009, these payables totalled €16.9 million, down by €9.6 million from the amount reported at 31 December 2008 (€26.6 million) due to:

- payments made during the period (final exercise of Sabia S.A. put option and annual earn out of X-Rated Fusion Liqueur) totalling €3.4 million;
- adjustment of the Cabo Wabo put option (€4.7 million) and earn out of X-Rated Fusion liqueur (€1.7 million) to their fair value;
- adjustment of remaining payables to the exchange rates at the end of the period and to interest rates used for discounting (€0.2 million).

Group balance sheet

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

	31 December 2009 €million	31 December 2008 €million	change €million
Fixed assets	1,519.8	1,137.5	382.3
Other non-current assets and liabilities	(77.4)	(74.8)	(2.5)
Operating working capital	328.5	285.5	43.0
Other current assets and liabilities	(94.1)	(66.9)	(27.2)
Total invested capital	**1,676.8**	**1,281.2**	**395.6**
Shareholders' equity	1.046.0	955.0	91.0
Net debt	630.8	326.2	304.6
Total financing sources	**1,676.8**	**1,281.2**	**395.6**

At 31 December, the balance sheet reported invested capital of €1,676.8 million, an increase over the end-2008 figure due to the acquisition of Wild Turkey, which had a major impact on all the Group's consolidated asset entries.

The overall increase in invested capital (and in total financing sources) was €395.6 million with the most significant change coming from fixed assets.

Fixed assets rose by €382.3 million due to an increase in both intangible assets (€279.8 million) and tangible assets (€104.5 million). In contrast, equity investments and assets held for sale were down slightly.

The increase in the Group's intangible assets was almost wholly due to the acquisition of Wild Turkey. The trademarks and goodwill relating to this company totalled €279.3 million as at 31 December 2009.

The opening balance of Wild Turkey's tangible assets was €67.3 million, while the remainder of growth (€37.2 million) was due to acquisitions, and to a larger extent, to new industrial investments made during the year (net of depreciation charges for the period).

At the end of 2009, **other non-current assets and liabilities** showed a net liability balance of €77.4 million, slightly higher than the previous year. This aggregate item included deferred tax liabilities of €87.9 million (up €15.5 million) and an increase in deferred tax assets of €13.8 million.

The **operating working capital** reported in the balance sheet was up by €43.0 million due to the recognition of the opening book values of the acquisitions during the year totalling €78.6 million (including €73.4 for Wild Turkey) and a negative exchange rate effect of €10.9 million. Net of these adjustments, operating working capital decreased by €46.5 million, as reported in the cash flow statement.

In 2009 **other current assets and liabilities** showed a net liability balance of €94.1 million, an increase of €27.2 million on the figure for the previous year. This change was the combined result of the increase in tax payables and the decrease in current, non-trade receivables.

As a result of the acquisitions made and the substantial increase in invested capital, the Group's **financial structure** reflected a significant increase in debt (€304.6 million) as noted above, but also a significant strengthening in the Group's equity.

Shareholders' equity was up by €91.0 million to €1,046.0 million as at 31 December 2009.

As a result of higher debt levels, the debt-to-equity ratio increased from 34.2% at the beginning of the period to 60.3% at 31 December 2009.

This debt ratio appears balanced, partly because the acquisitions completed and sound organic business performance enabled the Group to increase its free cash flow from €123.0 million to €184.3 million.

Operating working capital

Operating working capital at 31 December 2009 was €328.5 million, an increase of €42.8 million versus 31 December 2008.

	31 December 2009 €million	31 December 2008 €million	change €million
Receivables from customers	236.2	271.6	(35.4)
Inventories	271.4	165.6	105.8
Trade payables	(179.1)	(151.7)	(27.4)
Operating working capital	**328.5**	**285.5**	**43.0**
Sales in the previous 12 months	1,008.4	942.3	66.1
Working capital as % of sales in the previous 12 months	32.6	30.3	

Operating working capital at end-2009 represented 32.6% of net sales in the last 12 months, an increase on the figure of 30.3% at the end of 2008.

Note, however, that the figure for operating working capital as a percentage of sales in 2009 did not fully reflect the changes in working capital relative to sales growth since it compares a partial sales figure (the Wild Turkey acquisition reflects only seven months of sales, and the acquisition of Odessa and 50% of M.C.S. S.c.a.r.l. reflect only nine months of sales) to an actual balance sheet figure as at 31 December 2009, and the latter fully incorporates the negative impact of consolidating the companies acquired.

In order to demonstrate the impact of the new acquisitions on operating working capital, the table below shows the amounts relating to the opening accounts of Wild Turkey, Odessa and M.C.S. S.c.a.r.l.

Furthermore, the exchange rate effects on working capital at 31 December 2009 are also shown separately, with a reconciliation between the change in operating working capital stated in the balance sheet and the figure given in the cash flow statement.

€million	31 December 2009	31 December 2008	change shown in balance sheet	initial amount on first consolidation	exchange rate differences	organic change
Receivables from customers	236.2	271.6	(35.4)	5.1	8.9	(49.4)
Inventories	271.4	165.6	105.8	83.0	2.8	20.0
Trade payables	(179.1)	(151.7)	(27.4)	(9.6)	(0.8)	(17.0)
Operating working capital	**328.5**	**285.5**	**43.0**	**78.6**	**10.9**	**(46.5)**

Receivables from customers totalled €236.2 million at 31 December 2009, a significant decrease of €35.4 million on 2008.

This result was achieved partly through the factoring of receivables on a non-recourse basis, which totalled €47.4 million at end-2009, and partly through changes in commercial policy aimed at reducing the amount of receivables.

A good example of this is the action taken at Campari do Brasil Ltda., where, in an effort to reduce reliance on large customers, as sales increased by 3.6% before excise duties, trade receivables in December 2009 were down by 31.0%.

The table above shows that excluding the initial amount on first consolidation and exchange rate differences, the reduction in receivables would be €49.4 million.

At end-2009, **inventories** totalled €271.4 million, an increase of €105.8 million on the figure at 31 December 2008 due mainly to the initial amounts at first consolidation for acquisitions, and particularly Wild Turkey, which, like all whiskey producers, has high inventory levels due to stocks of liquid undergoing the ageing process.

The "organic" change in inventories reflected an increase of €20.0 million on a same-structure basis and at constant exchange rates.

Trade payables totalled €179.1 million at 31 December 2009, an increase of €27.4 million on the figure at the beginning of the year.

For this item, the change relating to the amounts at first consolidation for newly-acquired companies totalled €9.6 million. Thus, after a further adjustment for exchange rates, on a same-structure basis the increase was €17.0 million which can be considered a positive change since it reflects an increase of 11% and the achievement of more favourable payment terms.

In order to obtain completely standardised figures that are comparable to those at 31 December 2008, two additional *pro forma* adjustments can be added to the change in operating working capital reported in the cash flow statement (i.e., to the decrease of €46.5 million).

The first consists of couterbalancing the impact of factoring receivables on a non-recourse basis by adding the figure for these receivables (€47.4 million) to trade receivables.

The second consists of totally removing the impact of the Wild Turkey acquisition from operating working capital by eliminating the best estimate for its closing balance at 31 December 2009 (€86.1 million) rather than its opening balance in the balance sheet (€73.4 million).

After making these two additional adjustments, the real change in operating working capital based on the same structure basis as that of 31 December 2008 was a decrease of €11.9 million.

INVESTOR INFORMATION

International economy

The economic recovery, which began in the summer of 2009 in the larger advanced economies and picked up strength in emerging economies, continued for the rest of the year, driven by the expansionary economic policies of the main countries.

In the third quarter, GDP resumed its growth trend in the US and eurozone, while in the fourth quarter industrial production recovered from the lows reached in the first half of 2009, and the level of confidence further improved.

Tensions in international financial markets subsided and bank lending restrictions were also eased.

Furthermore, although prices for oil and other commodities have risen gradually, inflation has stayed low as a result of considerable unused resources. Markets anticipate that central banks will keep official rates at their current low levels for some time.

In Italy, GDP, which resumed its growth trend in the summer (+0.6% on the previous quarter) after five consecutive quarters in decline, continued to grow at the end of 2009 but at a slower pace.

Despite the recovery in the third quarter of 2009, growth in consumption and private investment remains weak.

The labour market continues to have a negative impact on consumption since the drop in households' disposable income and uncertainty over the future tend to limit their propensity to spend.

The projections of private analysts and international organisations for 2010 have been revised upwards.

A number of weaknesses could affect the recovery of advanced economies. In particular, uncertainty over labour market conditions is casting a negative light on the possibility that consumption will fuel the recovery.

Furthermore, the expansionary effect of tax stimulus measures should diminish in the second half of the year.

On the other hand, growth should continue at high rates in emerging markets driven by more vibrant domestic demand levels.

Financial markets

With regard to equity markets, two distinct phases can be identified for 2009: the first quarter, which saw the continuation of the negative trend that started with the credit crisis, and the rest of the year, when there was a substantial recovery of stock prices in the spring and summer, followed by stable stock prices in the last three months of 2009.

Indices have posted gains of between 50 and 70 percent on the lows reached in March.

In 2009, the MSCI Europe index closed up 25.7%, while in Italy the FTSE MIB advanced by 19.5%, and the FTSE Italia All Shares increased by 19.2%. In the US, the S&P 500 was up by 23.5% in 2009.

In the bond market, premiums for corporate issues decreased for all risk categories and in all major countries.

Financial conditions also remained favourable in the main emerging countries, which continued to benefit from significant investments from abroad.

Finally, in December the downward trend of the US dollar ended, and it gained strength against the euro in the last month of 2009.

In contrast, the US dollar has remained stable since last October against the currencies of the main emerging countries, whose upward trends have been checked in many cases by the intervention of central banks.

Spirits segment and Campari shares

The performance of spirits companies was affected by several factors in 2009 including:

- the widespread trend of reducing inventory levels in distribution channels (destocking), and uncertainty over the potential need to restock;
- fears associated with the slowdown in consumption, especially with regard to premium brands in the US market;

– the reduction in marketing expenses and the timing of a resumption in advertising investment;
– expectations for the performance of emerging markets exceeding those for developed markets.

At the beginning of the year, the valuations of spirits companies were negatively affected by fears over the general destocking trend among distributors and the slowdown in consumption, especially in the US.

However, during the rest of the year, growing expectations of an easing in the destocking trend in several key markets, a recovery in the demand for premium products in the major developed markets and strong growth in emerging markets over the medium and long term led investors to be somewhat optimistic, and reinforced the opinion that the worst part of the crisis was over.

In 2009, the benchmark index DJ Stoxx 600 Food & Beverage rose by 31.5%.

Given the economic and market conditions described above, the Campari share, which is listed on the blue chip segment of the Italian stock market, was up by 52.0% in absolute terms in 2009 compared with the closing price at 30 December 2008.

In terms of overall return, i.e., including dividends, the Campari share posted performance of 54.3% for cash dividends and 55.0% for dividends reinvested in Campari shares.

On 23 March 2009 the Campari share started trading on the FTSE MIB (which replaced the S&P/MIB from 1 June 2009), the basket that comprises the 40 most representative listed Italian companies, selected on the basis of sector representation, floating capital and volumes traded.

With respect to the leading Italian equity market indices, the Campari share outperformed the FTSE MIB and FTSE Italia All-Share index by 32.5% and 32.8% respectively.

The share also outperformed the DJ Stoxx 600 Food & Beverage index by 20.5%.

The Campari share's performance in 2009 was boosted by the announcement of sound financial results for a company which operates in a defensive sector but is not immune to unfavourable economic trends; its performance was also assisted by the announcement of the acquisition of Wild Turkey, which enabled the Group to significantly strengthen its brand portfolio in the spirits sector.

Thanks to Wild Turkey, the Group also increased its exposure to the strategic US market and created a foundation for controlling distribution in the important Australian market, which is the second largest for Wild Turkey.

The minimum closing price for the period, recorded on 6 March 2009, was €3.89.

The maximum closing price, recorded on 03 December 2009, was €7.43.

In 2009, the daily average trading value for Campari shares was €4.5 million, with an average daily volume of 777,000 shares.

At 30 December 2009, Campari's market capitalisation was €2,118 million.

Performance of the Campari share price, the FTSE MIB Italia index and the DJ Stoxx 600 Food & Beverage index since 1 January 2009

Bonus share issue proposal

The Board of Directors that approves these draft financial statements is also required to vote on a proposal to the shareholders' meeting, which has been called to meet in ordinary and extraordinary sessions on 30 April 2010, to proceed with a bonus share issue to be carried out via the issue of 290,400,000 shares with a nominal value of €0.10 each, to be provided free of charge to shareholders in the ratio of one new share for each share held, through the use of retained earnings.

The new shares will carry dividend rights effective 1 January 2009, and the share capital resulting from the increase in bonus capital will be €58,080,000 comprising 580,800,000 shares with a nominal value of €0.10.

Revised shareholder base

At 31 December 2009, the major shareholders were:

Shareholder (1)	No. of ordinary shares (2)	% of share capital
Alicros S.p.A.	148,104,000	51.0000%
Cedar Rock Capital (3)	29,119,915	10.0275%

(1) No shareholders other than those indicated above have notified Consob and Davide Campari-Milano S.p.A. (pursuant to article 117 of Consob regulation 11971/99 on notification of significant holdings) that they hold shareholdings greater than 2%.
(2) Number of shares before the bonus share issue proposed in the ratio of one new share for every share held.
(3) Notified to Consob by Andrew Brown, Chief Investment Officer of Cedar Rock Capital Ltd. pursuant to article 120 of Legislative Decree 58 of 24 February 1998 (*Testo Unico delle disposizioni in materia di intermediazione finanziaria*).

Following notification received after the reporting date, the total number of Davide Campari-Milano S.p.A. shares held by Cedar Rock Capital at the date of approval of these draft financial statements for the year ending 31 December 2009 was 29,881,397, or 10.2897% of share capital, before the proposed bonus share issue.

Dividend

The Board of Directors that approves these draft financial statements is also required to vote on a proposal to pay a dividend of €0.06 for the financial year 2009 for each of the shares resulting from the bonus share issue proposed (an increase of 9.1% over the dividend of €0.055, on an adjusted base, paid for the financial year 2008).

The dividend will be paid on 27 May 2010 (coupon no. 7 should be detached on 24 May 2010) except on own shares.

Information on the stock and stock market indices

The following tables provide information on the performance of the stock and stock market indices under two assumptions: that there is no bonus share issue, and that the shareholders' meeting approves the bonus share issue (see note 30 of the Parent Company's accounts).

Assumption of no bonus share issue

Stock information (1)		2009	2008	2007	2006	2005	2004	2003	2002	2001
Reference share price:										
Price at the end of the period	€	7.30	4.80	6.56	7.52	6.24	4.73	3.85	3.00	2.64
Maximum price	€	7.43	6.60	8.41	8.10	6.78	4.78	3.85	3.78	3.10
Minimum price	€	3.89	3.85	6.50	6.28	4.48	3.57	2.74	2.53	2.18
Average price	€	5.64	5.55	7.54	7.32	5.74	4.04	3.30	3.16	2.72
Capitalisation and volume:										
Average daily trading volume (2)	Millions of shares	0.8	0.7	0.8	0.6	0.5	0.4	0.4	0.5	0.7
Average daily trading value (2)	€million	4.5	3.7	5.8	4.4	2.8	1.7	1.3	1.7	2.1
Stock market capitalisation at end of period	€million	2.118	1.394	1.904	2.183	1.812	1.372	1.117	871	766
Dividend:										
Dividend per share (3)	€	0.12 (5)	0.11	0.11	0.10	0.10	0.10	0.088	0.088	0.088
Number of shares with dividend rights	million	288.3 (5)	288.2	289.4	290.4	281.4	281.0	280.4	280.4	280.4
Total dividend (3) (4)	€million	34.6 (5)	31.7	31.8	29.0	28.1	28.1	24.7	24.7	24.7

(1) Stock information before proposed bonus share issue via the issue of 290,400,000 new shares with a nominal value of €0.10 to be provided free of charge to shareholders in the ratio of one new share for each share held.
Ten-for-one share split effective as at 9 May 2005.

(2) Initial Public Offering on 6 July 2001 at the price of €3.10 per share. Average daily volumes after the first week of trading were 422,600 shares in 2001; the average daily value after the first week of trading was €1,145,000 in 2001.

(3) Classified on an accruals basis.

(4) Total dividend distributed excluding own shares.

(5) Dividend proposed for financial year 2009; number of shares outstanding and total dividend calculated on the basis of shares outstanding on 30 March, 2010, the date of the meeting of the Board of Directors; these figures are to be recalculated based on the total number of shares outstanding on the date the dividend is paid.

Assumption that the shareholders' meeting approves the bonus share issue

Stock information [1]		2009	2008	2007	2006	2005	2004	2003	2002	2001
Reference share price:										
Price at the end of the period	€	3.65	2.40	3.28	3.76	3.12	2.37	1.93	1.50	1.32
Maximum price	€	3.71	3.30	4.21	4.05	3.39	2.39	1.93	1.89	1.55
Minimum price	€	1.94	1.93	3.25	3.14	2.24	1.79	1.37	1.27	1.09
Average price	€	2.82	2.78	3.77	3.66	2.86	2.02	1.65	1.58	1.36
Capitalisation and volume:										
Average daily trading volume [2]	Millions of shares	1.6	1.3	1.5	1.2	1.0	0.9	0.8	1.1	1.4
Average daily trading value [2]	€million	4.5	3.7	5.8	4.4	2.8	1.7	1.3	1.7	2.1
Stock market capitalisation at end of period	€million	2.118	1.394	1.904	2.183	1.812	1.372	1.117	871	766
Dividend:										
Dividend per share [3]	€	0.060 [5]	0.055	0.055	0.050	0.050	0.050	0.044	0.044	0.044
Number of shares with dividend rights	million	576.6 [5]	576.4	578.7	580.8	562.7	562.1	560.8	560.8	560.8
Total dividend [3] [4]	€million	34.6 [5]	31.7	31.8	29.0	28.1	28.1	24.7	24.7	24.7

(1) Stock information after proposed bonus share issue via the issue of 290,400,000 new shares with a nominal value of €0.10 to be provided free of charge to shareholders in the ratio of one new share for each share held.
Ten-for-one share split effective as at 9 May 2005.
(2) Initial Public Offering on 6 July 2001 at the price of €1.55 per share. Average daily volumes after the first week of trading were 845.200 shares in 2001; the average daily value after the first week of trading was €1,145,000 in 2001.
(3) Classified on an accruals basis.
(4) Total dividend distributed excluding own shares.
(5) Dividend proposed for financial year 2009; number of shares outstanding and total dividend calculated on the basis of shares outstanding on 30 March, 2010, the date of the meeting of the Board of Directors; these figures are to be recalculated based on the total number of shares outstanding on the date the dividend is paid.

Assumption of no bonus share issue

Stock market indicators [1]		IAS/IFRS					Italian accounting standards			
		2009	2008	2007	2006	2005	2004	2003	2002	2001
Shareholders' equity per share	€	3.60	3.29	3.03	2.74	2.39	2.15	1.89	1.65	1.48
Price/book value	x	2.02	1.46	2.17	2.74	2.61	2.20	2.04	1.82	1.78
Earnings per share (EPS) [2]	€	0.48	0.44	0.43	0.41	0.42	0.35	0.27	0.30	0.22
P/E (price/earnings)	x	15.3	11.0	15.2	18.3	14.9	13.7	14.0	10.1	12.1
Payout ratio (dividend/net profit) [3]	%	25.2 [5]	25.1	25.4	24.7	23.8	29.0	30.9	28.5	38.9
Dividend yield (dividend/price) [3] [4]	%	1.6	2.3	1.7	1.3	1.6	2.1	2.3	2.9	3.3

(1) Stock information before proposed bonus share issue via the issue of 290,400,000 new shares with a nominal value of €0.10 to be provided free of charge to shareholders in the ratio of one new share for each share held.
Ten-for-one share split effective as at 9 May 2005.
(2) For the 2004, 2005, 2006, 2007, 2008 and 2009 financial years, this is calculated using the weighted average number of ordinary shares outstanding as defined in IAS 33.
(3) Proposed dividend for the 2009 financial year.
(4) Dividend yield calculated using the share price at the end of the period.
(5) Estimated payout ratio for financial year 2009 (calculated on the basis of the dividend proposed and number of shares outstanding on 30 March, 2010, the date of the meeting of the Board of Directors).

Assumption that the shareholders' meeting approves the bonus share issue

Stock market indicators (1)		IAS/IFRS					Italian accounting standards			
		2009	2008	2007	2006	2005	2004	2003	2002	2001
Shareholders' equity per share	€	1.80	1.64	1.51	1.37	1.19	1.08	0.95	0.83	0.74
Price/book value	x	2.02	1.46	2.17	2.74	2.61	2.20	2.04	1.82	1.78
Earnings per share (EPS) (2)	€	0.24	0.22	0.22	0.21	0.21	0.17	0.14	0.15	0.11
P/E (price/earnings)	x	15.3	11.0	15.19	18.26	14.86	13.70	14.0	10.1	12.1
Payout ratio (dividend/net profit) (3)	%	25.2 (5)	25.1	25.4	24.8	23.8	29.0	30.9	28.5	38.9
Dividend yield (dividend/price) (3) (4)	%	1.6	2.3	1.7	1.3	1.6	2.1	2.3	2.9	3.3

(1) Stock information after proposed bonus share issue via the issue of 290,400,000 new shares with a nominal value of €0.10 to be provided free of charge to shareholders in the ratio of one new share for each share held.
Ten-for-one share split effective as at 9 May 2005.
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(3) Proposed dividend for the 2009 financial year.
(4) Dividend yield calculated using the share price at the end of the period.
(5) Estimated payout ratio for financial year 2009 (calculated on the basis of the dividend proposed and number of shares outstanding on 30 March, 2010, the date of the meeting of the Board of Directors).

Investor relations

Since the company's listing, the Campari Group has communicated regularly with investors, shareholders and the global market with a view to providing complete, accurate and timely information on its operations, while complying with the relevant confidentiality requirements for certain types of information.

Information is provided to the market on its periodic results, events and significant transactions via press releases, meetings, participation in important country and sector conferences and in conference calls with institutional investors, financial analysts and the media, which also sees the participation of members of senior management.

Information is also disseminated in a timely manner to the public on the Company's website. A special section has been created (http://www.camparigroup.com, "Investors" section) that can be easily located and accessed. This section provides important information about the Company for investors and shareholders that allows them to exercise their rights in an informed manner.

This dedicated section contains business and financial information (annual, half-yearly and quarterly reports, press releases, presentations to analysts, information on the stock market performance of Company securities, etc.), as well as data and documents of interest to shareholders, including information and documents relating to shareholders' meetings, the composition of management bodies, corporate governance information and procedures relating to disclosure requirements in the area of internal dealing.

In addition, the website provides the market with a financial calendar with details on the main financial events for the current year.

The Investor Relations department, which is responsible for managing relations with shareholders and investors, has been operational since the Company's listing.

Information of interest to shareholders and investors is available on the website and may also be requested by sending an e-mail to the following address: investor.relations@campari.com.

OPERATING AND FINANCIAL RESULTS OF THE PARENT COMPANY DAVIDE CAMPARI-MILANO S.P.A.

Operating performance

	2009 €million	2008 €million	% change
Net sales	**309.0**	**310.3**	**–0.4**
Cost of goods sold	(245.9)	(250.6)	–1.9
Gross profit	**63.1**	**59.7**	**5.7**
Advertising and promotional costs	(1.9)	(5.8)	–67.0
Contribution margin	**61.2**	**53.8**	**13.6**
Structure costs	(32.2)	(20.1)	60.5
EBIT	**29.0**	**33.8**	**–14.3**
Net financial income (charges)	(30.2)	(31.5)	–4.0
Dividends	36.3	32.0	13.4
Profit before taxes	**35.0**	**34.3**	**2.1**
Tax	(2.5)	(0.8)	228.3
Net profit for the period	**32.5**	**33.5**	**–3.1**

The year ending 31 December 2009 closed with net profit of €32.5 million, broadly unchanged from the previous period.

The contribution margin of €61.2 million rose sharply (13.6%) compared with 2008 due mainly to the positive impact of the mix of products sold in terms of product cost and distribution expenses, as well as a reduction in advertising and promotional expenses.

EBIT totalled €29.0 million, and was down from the previous year due to lower one-off income items, which in 2008 included real estate and financial capital gains totalling €10.1 million.

However, profit before taxes rose by 2.1% from the previous year to €35.0 million, as it benefited from improved financial management, due partly to the higher dividends received from subsidiaries and partly to current cash flow management resulting in lower current net debt. This also reduced the total net financial charges posted to the income statement, which was further assisted by lower market rates.

Lastly, net profit, which totalled €32.5 million, reflects the Company's tax burden which included higher taxes for the period.

Balance sheet

	31 December 2009 € million	31 December 2008 € million	change € million
Tangible and intangible assets	553.5	538.4	15.1
Investments in subsidiaries	789.9	559.3	230.6
Other non-current assets	54.7	8.4	46.3
Total non-current assets	**1,398.1**	**1,106.1**	**292.0**
Inventories	68.0	66.1	1.8
Trade receivables	61.5	52.0	9.5
Cash and cash equivalents	10.9	14.1	(3.2)
Financial and other short-term receivables	57.0	67.5	(10.5)
Total current assets	**197.3**	**199.8**	**(2.5)**
Non-current assets held for sale	10.6	12.2	(1.5)
Total assets	**1,606.0**	**1,318.0**	**288.0**
Shareholders' equity	**532.3**	**548.5**	**(16.2)**
Bonds and other financial liabilities	632.6	272.6	360.0
Other non-current liabilities	28.1	33.1	(4.9)
Total non-current liabilities	**660.8**	**305.7**	**355.0**
Short-term financial payables	325.8	375.0	(49.2)
Trade payables	64.7	70.5	(5.8)
Other current liabilities	22.5	18.4	4.1
Total current liabilities	**413.0**	**463.9**	**(50.9)**
Total liabilities and shareholders' equity	**1,606.0**	**1,318.0**	**288.0**

The asset structure has a heavy component of industrial and financial assets that are specific to the Company.

In particular, non-current assets rose by €292.0 million to €1,398.1 million.

This was mainly due to the increase in the value posted for the equity investment in the subsidiary Redfire, Inc. following its capitalisation (€228.6 million) at the time of the Wild Turkey acquisition, which was finalised in May 2009 in the US market as described in the section on significant events during the period.

In addition, financial assets, reported under other non-current assets, totalled €42.0 million and reflect an increase resulting from the investment of cash in time deposits totalling €40.0 million and maturing in March 2011.

Finally, the growth in non-current assets was also due to the €15.0 million increase in net tangible assets, which totalled €128.8 million, mainly as a result of investments made to complete the construction of the new building that will serve as the headquarters of the Company and certain of its Italian subsidiaries.

Current assets totalled €197.3 million and were generally in line with the figure for the previous year, which was influenced by the combined effect of opposing changes in individual items. Items that increased were inventories (+€1.8 million), receivables from related parties (+€6.6 million) and financial receivables.

On the other hand, other receivables were down by €6.8 million following changes resulting from the recovery of advance payments previously made for the construction of the Company's new headquarters, and cash and cash equivalents fell by €3.2 million.

Non-current liabilities rose by €355.0 million from the previous year to €660.8 million due essentially to the issue of the €350.0 million bond placed on the European market in October 2009 with coupons paying a fixed rate of 5.375% and a maturity of October 2016. There was also a change in the fair value recorded for the bond issued in 2003 in the US market (US$ 300.0 million) and for the hedging instruments for both bond issues, which were posted to other non-current financial liabilities.

Lastly, the €413.0 million reduction in current liabilities, mainly due to the significant decrease in financial payables to related parties and a decline in trade payables and other payables to related parties. On the other hand, payables to tax authorities and other current financial payables increased.

For more detailed comments on the financial situation, see note 37 – Financial instruments in the notes to the draft financial statements of Davide Campari Milano S.p.A.

As at 31 December 2009, net debt totalled €864.8 million, an increase of €272.7 million compared with the end of the previous period.

This was largely due to higher net long-term debt, but at the same time, the short-term net debt position improved.

Specifically, cash remained largely unchanged from the figure reported at 31 December 2008, while short-term debt declined sharply (down by €50.4 million) mainly due to the reduction in debt to Group companies.

Moreover, short-term cash flow management resulted in lower financial charges in the income statement for the period as compared to the previous year.

With regard to the non-current debt position, in October 2009 the Company placed a €350.0 million unrated bond in the European market, intended only for institutional investors, and maturing in October 2016 with annual coupons that pay fixed interest of 5.375%.

However, the fair value reporting of bonds in existence at 31 December 2009 resulted in a reduction of the related debt of €21.6 million net of related bond issuance expenses.

Other non-current payables, which changed in the opposite direction (€34.8 million), included the impact of the fair value reporting of derivative hedging instruments for the bonds, as well as the €3.3 million reduction in the non-current portion of the leasing liability.

Lastly, as a way of investing its financial assets, in 2009 the Company bought time deposits totalling €40.0 million with a maturity in March 2011.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

The Parent Company has adopted the provisions of the Code of Conduct for Listed Companies published in March 2006 as its model for corporate governance.

The Report on Corporate Governance for 2009 was prepared using as a reference the “Format for the Report on Corporate Governance and Ownership Structure” issued by Borsa Italiana in February of this year.

The Report on Corporate Governance aims to provide the market and shareholders with comprehensive information on the Company’s chosen corporate governance model and on the specific adoption, during the 2009 financial year, of all the recommendations contained in the Code, and includes the information required by article 123-*bis* of Legislative Decree 58 of 24 February 1998.

The report also contains a description of the main characteristics of the existing risk management and internal control systems with respect to financial reporting.

The Report on Corporate Governance is prepared as a separate document from the annual report. It is approved by the Board of Directors and published jointly with the annual report as permitted by paragraph III of article 123-*bis* of the above-mentioned Legislative Decree 58 of 24 February 1998.

The Report on Corporate Governance can be accessed in the Investors section at www.camparigroup.com.

Organisation, management and control model pursuant to Legislative Decree 231 of 8 June 2001

The Parent Company also has an Organisation, Management and Control Model pursuant to Legislative Decree 231 of 8 June 2001 (the "Model") for the purposes of creating awareness of ethical and transparent conduct as an appropriate way to reduce the risk of the offences specified in the legislative decree being committed .

To enhance its organisational management and internal control, the Company created a Supervisory Body responsible specifically for overseeing the Model's effectiveness and operation, as well as to ensure compliance with the same.

For more detailed comments on the Model and the composition and activities of the Supervisory Body, see the Report on Corporate Governance.

RISK MANAGEMENT

Risks relating to international trade and operations in emerging markets

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

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

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

At 31 December 2009, 14.5% of the Group's consolidated net sales came from production and/or distribution under licence of third-party products.

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

Risks relating to market competition

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

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

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

Risks relating to the Company's dependence on consumer preference and propensity to spend

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

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

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

Risks relating to legislation in the drinks industry

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

The requirement to make the legislation governing the health of consumers, particularly young people, ever more stringent could in the future lead to the adoption of new laws and regulations aimed at discouraging or reducing the consumption of alcoholic drinks. Such measures could include restrictions on advertising or tax increases for certain product categories.

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

Tax risks

At the reporting date, a tax dispute was pending with the Brazilian legal authorities.

In addition, following a tax inspection of the Parent Company relating to the 2005 tax year, a report was issued claiming that the company owed additional IRES of €2.7 million and IRAP of €0.4 million

The Company is contesting these findings.

No provisions have been made for these tax risks based on current assumptions.

Moreover, with regard to the tax inspection relating to financial years 2004 and 2005 for the Parent Company and Campari Italia S.p.A., conducted in 2007, the relevant tax inspection notices have been issued, in relation to which the companies have presented a request for entering into an agreement with the tax authority (a procedure aimed at avoiding disputes).

For additional details, see note 39 – Reserves for risks and future liabilities, in the consolidated accounts and note 27 – Reserves for risks, in the Parent Company's accounts.

Risks relating to environmental policy

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

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

Risks relating to product compliance and safety

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

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

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

Risks relating to employees

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

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

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

Exchange rate and other financial risks

Around 41.9% of the Group's consolidated net sales in 2009 came from outside the European Union.

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

For more information about financial risks, see note 45 – Nature and extent of risks arising from financial instruments.

OTHER INFORMATION

Structure of the Campari Group

For information on changes to the Group's structure in 2009, see note 2 of the notes to the consolidated accounts, "Basis of consolidation".

Holding and purchase of own shares and shares of the controlling shareholder

At 31 December 2009, the Parent Company held 2,454,120 own shares with a nominal value of €0.10 equal to 0.85% of share capital.

These own shares are to be used in stock option plans as described in detail in the sections below in these accounts.

In addition, after 31 December 2009 and until the publication of the accounts was authorised, further sales of shares were carried out totalling 807,506 own shares; and 460,000 shares were purchased at an average price of €8.23 per share.

However, during the period Group companies did not hold, and do not currently hold, either directly or indirectly, any shares of the controlling shareholder.

Adaptation plan pursuant to articles 36 and 39 of the "Market Regulations"

In accordance with articles 36 and 39 of Consob Regulation 16191 of 29 October 2007 and subsequent amendments (the "Market Regulations") concerning "conditions for listing shares of companies that control companies established and governed by laws of non-EU countries," the Parent Company, Davide Campari-Milano S.p.A., has identified the significant subsidiaries defined in accordance with paragraph 2 of article 36 of the above-mentioned Market Regulations, and verified that the conditions set out in paragraphs a), b) and c) of article 36 have been met.

Personal data protection code

The Parent Company complies with Legislative Decree 196 of 30 June 2003, the Personal Data Protection Code, and has established appropriate preventive security measures including with regard to information obtained as a result of technological advancements, the nature of the data and specific handling procedures in order to minimise risks associated with the intentional or unintentional destruction or loss of the data, unauthorised access or handling, or use of the data for purposes other than those for which it was collected.

The Company has prepared a Security Planning Document in accordance with Appendix B of Legislative Decree 196 of 30 June 2003.

Research and development activities

Group companies carried out research and development activities solely in relation to ordinary manufacturing and trading activities; costs were therefore fully expensed during the period.

EVENTS TAKING PLACE AFTER THE END OF THE YEAR

Capital increase – bonus share issue

The Board of Directors that approved the Parent Company's draft financial statements on 30 March 2010 is also required to vote on a proposal to proceed with a bonus share issue to be carried out via the issue of 290,400,000 new shares with a nominal value of €0.10 each, to be provided free of charge to shareholders in the ratio of one new share for each share held, through the use of retained earnings.

Following the bonus issue, the fully paid-up share capital would total €58,080,000, comprising 580,800,000 ordinary shares with a nominal value of €0.10.

Distribution of Sagatiba in Brazil

On 1 March 2010, Campari do Brasil Ltda. acquired the rights to distribute Sagatiba *cachaca* in Brazil and another seven South American markets.

With Sagatiba, which is the market leader in the premium *cachaca* segment, the Group is making its entry into the *cachaca* market, the most important spirits category in Brazil, and is significantly enhancing its premium brand portfolio in South America.

Distribution of Morrison Bowmore Scotch whisky in Italy

Also on 1 March 2010, following the establishment of a new agreement, Campari Italia S.p.A. will begin the distribution in the Italian market of Bowmore (Islay) single malt Scotch whisky of Morrison Bowmore Distilleries, which is controlled by the Japanese group Suntory.

This agreement completes the Group's Italian offerings of whiskies in its product line which includes its own brands Glen Grant and Old Smuggler and third party brands (Jack Daniel's and Tullamore Dew) which it distributes.

OUTLOOK

The Group's performance in 2009 was positive on the whole despite the fact that the economic crisis and the attendant lack of liquidity had a significant impact on certain key markets such as the US, Brazil and Eastern Europe in the form of the drastic reduction of distributors' stocks.

This negative impact was offset by the operating results generated by a highly significant acquisition (Wild Turkey) and the strength and responsiveness demonstrated by the Group's brands in certain more mature markets such as Italy, Germany, and throughout Western Europe in general.

For 2010, the overall climate is heading towards re-establishing confidence in light of macroeconomic commentary in the last two quarters of 2009, which reported a resumption of GDP growth in the US and eurozone after several consecutive quarters of declines.

Since growth expectations in a macroeconomic context are based on projections on business performance for the current year, we feel a measure of prudence is warranted. On the one hand, the impact of the current liquidity crisis will gradually be absorbed together with a resumption of the normal flow of sales to distributors

that will probably take hold over alternate periods of strong and slow sales. On the other hand, the high levels of unemployment in western countries pose an undeniable threat to the growth of consumption in the sector.

Looking at the Group in more specific terms, Wild Turkey will be fully consolidated in 2010, which will undoubtedly have a further positive impact on operating profit.

Moreover, the commencement of the distribution of Wild Turkey and other Group products in the Australian market through a subsidiary trading company (Campari Australia Pty Ltd.) will enable the Group to benefit from sales synergies in 2010 with an increasing impact on the contribution margin, and to offset higher structure costs, which are fully covered by the incremental contribution margin generated in this manner.

As regards exchange rates, as difficult as it is to make forecasts in this area in general, and especially in relatively turbulent and nervous markets, the US dollar seems to have reached an equilibrium level against the euro, as a result of which, we are not projecting any significant impact on operating profit.

In any case, we believe that the strength of the Group's brands and the continuing focus on cost and working capital controls will again lead to an improvement in operating and financial results.

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

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

	31 December 2009		31 December 2008	
	Shareholders' equity €/million	Profit €/million	Shareholders' equity €/million	Profit €/million
Shareholders' equity and net profit of Davide Campari-Milano S.p.A.	532.3	32.5	548.5	33.5
Elimination of book value of consolidated shareholdings:				
Difference between book value and pro rata value of shareholders' equity of shareholdings	575.7		476.8	
Pro rata results of subsidiaries		213.9		160.7
Portion of Group net profit attributable to minorities	(2.2)	(0.1)	(2.8)	(1.2)
Elimination of the effects of transactions between consolidated companies:				
Elimination of intragroup dividends		(111.0)		(61.5)
Elimination of intragroup profits and capital gains	(14.8)	5.6	(13.9)	(4.9)
Other operations:				
Harmonisation of accounting policies	(3.6)	(3.7)	0.1	–
Taxes on subsidiaries' reserves	(0.7)	(0.1)	(0.6)	(0.1)
Conversion differences	(43.3)	–	(55.1)	–
Consolidated shareholders' equity and net profit (figures attributable to the Group)	**1,043.5**	**137.1**	**952.9**	**126.5**
Shareholders' equity and net profit attributable to minorities	2.5	0.4	2.1	0.2
Group shareholders' equity and net profit	**1,046.0**	**137.5**	**955.0**	**126.7**

GRUPPO CAMPARI
CONSOLIDATED ACCOUNTS FOR THE YEAR ENDING 31 DECEMBER 2009

FINANCIAL STATEMENTS

Consolidated income statement

	Notes	2009 (€/000)	*of which: related parties* (€/000)	2008 (€/000)	*of which: related parties* (€/000)
Net sales	**11**	**1,008,425**	***6,762***	**942,329**	***12,922***
Cost of goods sold	12	(435,631)	*20*	(428,211)	*16*
Gross profit		**572,794**	***6,782***	**514,118**	***12,938***
Advertising and promotional costs		(171,612)	*(2,069)*	(172,875)	*(4,070)*
Contribution margin		**401,183**	***4,714***	**341,243**	***8,868***
Structure costs	13	(165,565)	*65*	(145,856)	*(1,286)*
of which: one-offs	18	*(4,115)*	–	*(3,649)*	*(1,541)*
EBIT		**235,618**	***4,779***	**195,387**	***7,582***
Financial income and charges	19	(36,549)	*6*	(22,205)	*19*
of which: one-offs	19	(7,653)	–	(3,308)	–
share in profit (loss) of companies valued at equity	9	(796)	*(796)*	230	*230*
Put option charges	20	–	–	(987)	–
Profit before tax		**198,272**	***3,988***	**172,426**	***7,830***
Tax	21	(60,783)		(45,680)	–
Net profit		**137,489**	***3,988***	**126,746**	***7,830***
Profit attributable to:					
Parent company shareholders		137,112		126,547	
Minority interests		377	–	199	–
		137,489		**126,746**	
Basic earnings per share (€)	22	0.48		0.44	
Diluted earnings per share (€)	22	0.47		0.44	

Consolidated statement of comprehensive income

	2009 (€/000)	2008 (€/000)
Net profit (A)	137,489	126,746
Cash flow hedge		
Net profit (loss) for the period	(19,745)	5,207
Less: profits (losses) reclassified to the separate income statement	(243)	1,747
Net gains (losses) from cash flow hedging	(19,502)	3,460
Tax effect	5,717	(1,558)
Cash flow hedge	(13,785)	1,902
Conversion difference	860	(19,745)
Other comprehensive income (losses) (B)	(12,926)	(17,844)
Total comprehensive income (A+B)	**124,564**	**108,902**
Attributable to:		
Parent Company shareholders	124,163	108,695
Minority interests	400	207

Consolidated balance sheet

	Notes	31 December 2009 (€/000)	*of which: related parties* (€/000)	31 December 2008 (€/000)	*of which: related parties* (€/000)
ASSETS					
Non-current assets					
Net tangible fixed assets	23	283,984	–	179,985	–
Biological assets	24	18,501	–	18,018	–
Investment property	25	666	–	666	–
Goodwill and trademarks	26	1,199,379	–	919,941	–
Intangible assets with a finite life	28	5,467	–	5,105	–
Investments in affiliated companies and joint ventures	9	665	–	1,101	–
Deferred tax assets	21	28,128	–	14,362	–
Other non-current assets	29	162,293	–	7,473	–
Total non-current assets		**1,699,082**	**–**	**1,146,651**	**–**
Current assets					
Inventories	30	271,428	–	165,592	–
Trade receivables	31	236,166	*1,609*	271,598	*5,192*
Short-term financial receivables	32	6,656	–	4,093	*636*
Cash and cash equivalents	33	129,636	–	172,558	–
Other receivables	31	24,333	*250*	32,430	*1,551*
Total current assets		**668,218**	***1,859***	**646,272**	***7,379***
Non-current assets available for sale	34	11,135	–	12,670	–
Total assets		**2,378,435**	***1,859***	**1,805,593**	***7,379***
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	35	29,040	–	29,040	–
Reserves	35	1,014,430	–	923,821	–
Parent Company's portion of shareholders' equity		1,043,470	–	952,861	–
Minorities' portion of shareholders' equity	36	2,536	–	2,136	–
Total shareholders' equity		**1,046,006**	**–**	**954,997**	**–**
Non-current liabilities					
Bonds	37	806,440	–	316,852	–
Other non-current financial liabilities	37	77,746	–	56,654	–
Defined benefit plans	38	9,807	–	10,663	–
Provision for risks and future liabilities	39	10,661	–	9,053	–
Deferred tax liabilities	21	87,853	–	72,375	–
Total non-current liabilities		**992,509**	**–**	**465,597**	**–**
Current liabilities					
Payables to banks	37	17,274	–	107,454	–
Other financial payables	37	25,101	–	25,843	–
Trade payables	40	179,082	*8*	151,709	*1,012*
Payables to tax authorities	42	75,809	*28,848*	59,266	*22,016*
Other current liabilities	40	42,655	*41*	40,727	–
Total current liabilities		**339,920**	***28,897***	**384,999**	***23,028***
Total liabilities and shareholders' equity		**2,378,435**	***28,897***	**1,805,593**	***23,028***

Consolidated cash flow statement

	Notes	31 December 2009 (€/000)	31 December 2008 (€/000)
Operating profit		235,618	195,387
Adjustments to reconcile operating profit and cash flow:			
Depreciation and amortisation	14	25,406	19,301
Gains on sales of fixed assets		(49)	(6,471)
Write-downs of tangible fixed assets	23-24-28	506	204
Fund provisions	38-39	5,314	3,293
Use of funds	38-39	(5,984)	(5,868)
Other non-cash items		(1,027)	(1,921)
Changes in operating working capital		46,451	(859)
Other changes in non-financial assets and liabilities		8,179	6,649
Taxes paid		(43,026)	(38,201)
Cash flow from (used in) operating activities		**271,388**	**171,514**
Purchase of tangible and intangible fixed assets (*)	23-24-28	(61,133)	(48,108)
Capitalised interest expenses	23	(73)	–
Proceeds from disposals of tangible fixed assets		3,450	8,704
Payments on account in respect of fixed assets	31	2,967	6,834
Acquisition of trademarks	26-27	(1,582)	(2,100)
Acquisition of companies or holdings in subsidiaries	8	(439,503)	(84,474)
Debt assumed with acquisitions	8	1,575	11,024
Interest income		6,202	9,494
Dividends received		55	148
Other changes		(947)	193
Cash flow from (used in) investing activities		**(488,989)**	**(98,287)**
Redfire Inc. private placement issue	37	171,643	–
Parent Company Eurobond issue	37	345,196	–
Term and revolving loan facility	8	421,893	–
Other new medium- and long-term loans		389	–
Repayment of Redfire Inc. private placement	37	(8,561)	(8,386)
Repayment of term and revolving loan facility	8	(421,893)	–
Other repayments of medium- and long-term debt	37	(4,563)	(4,743)
Net change in short-term bank debt	37	(90,778)	(17,272)
Interest expenses		(38,547)	(25,415)
Change in other financial payables and receivables		(1,081)	1,880
Purchase and sale of own shares	43	(6,446)	(4,510)
Dividends paid to minority shareholders		(686)	
Net change in securities	29	(155,185)	(3,103)
Dividend paid out by Parent Company	35	(31,701)	(31,829)
Cash flow from (used in) financing activities		**180,367**	**(94,065)**
Effect of exchange rate differences on operating working capital		(10,927)	11,513
Other exchange rate differences and other changes in shareholders' equity		5,238	(17,923)
Exchange rate differences and other changes in shareholders' equity		**(5,689)**	**(6,409)**
Net increase (decrease) in cash and cash equivalents		**(42,924)**	**(27,247)**
Cash and cash equivalents at start of period	33	172,558	199,805
Cash and cash equivalents at end of period	33	129,636	172,558

(*) Acquisitions of tangible and intangible fixed assets are reported net of capital grants received during the period. For further information, see note 41 – Capital grants.

Statement of changes in shareholders' equity

	Notes	Group shareholders' equity Shar capital (€/000)	Legal reserve (€/000)	Retained earnings (€/000)	Other reserves (€/000)	Total (€/000)	Minority interests (€/000)	Total shareholders' equity (€/000)
Balance at 1 January 2009		29,040	5,808	953,817	(35,803)	952,861	2,136	954,997
Dividend payout to shareholders	35	–	–	(31,701)	–	(31,701)	–	(31,701)
Purchase of minority interests		–	–	–	–	–	–	–
Purchase of own shares	35	–	–	(13,374)	–	(13,374)	–	(13,374)
Sale of own shares	35	–	–	6,928	–	6,928	–	6,928
Stock options	35	–	–	1,523	3,069	4,592	–	4,592
Profit for the period		–	–	137,112	–	137,112	377	137,489
Other comprehensive income (losses)		–	–	–	(12,949)	(12,949)	23	(12,926)
Total comprehensive income		**–**	**–**	**137,112**	**(12,949)**	**124,163**	**400**	**124,564**
Balance at 31 December 2009		**29,040**	**5,808**	**1,054,304**	**(45,683)**	**1,043,470**	**2,536**	**1,046,006**

	Group shareholders' equity Shar capital (€/000)	Legal reserve (€/000)	Retained earnings (€/000)	Other reserves (€/000)	Total (€/000)	Minority interests (€/000)	Total shareholders' equity (€/000)
Balance at 1 January 2008	29,040	5,808	863,848	(22,070)	876,626	1,928	878,555
Dividend payout to shareholders	–	–	(31,829)	–	(31,829)	–	(31,829)
Purchase of own shares	–	–	(4,510)	–	(4,510)	–	(4,510)
Stock options	–	–	–	3,879	3,879	–	3,879
Profit for the period	–	–	126,547	–	126,547	199	126,746
Other comprehensive income (losses)	–	–	(239)	(17,613)	(17,852)	8	(17,844)
Total comprehensive income	**–**	**–**	**126,308**	**(17,613)**	**108,695**	**207**	**108,902**
Balance at 31 December 2008	**29,040**	**5,808**	**953,817**	**(35,803)**	**952,861**	**2,136**	**954,997**

NOTES TO THE CONSOLIDATED ACCOUNTS

1. General information

Davide Campari S.p.A. is a company listed on the Italian stock market, with registered office at Via Franco Sacchetti 20, 2099 Sesto San Giovanni (Milan), Italy.

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

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

The Group operates in 190 countries, boasting a leading position on the Italian and Brazilian markets and prime positions in the US, Germany and continental Europe, and has an extensive product portfolio in three segments: spirits, wines and soft drinks.

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

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

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

The consolidated accounts of the Campari Group for the year ending 31 December 2009 were approved on 30 March 2010 by the Board of Directors of the Parent Company Davide Campari-Milan S.p.A., which has authorised their publication.

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

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

2. Preparation criteria

The consolidated accounts for the year ending 31 December 2009 were prepared in accordance with the international accounting standards (IFRS) issued by the International Accounting Standards Board (IASB) and ratified by the European Union. These also include all the revised international accounting standards (International Accounting Standards – IAS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).

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

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

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

Consolidation principles

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

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

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

Form and content

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

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

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

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

In 2009, the Group did not carry out any atypical and/or unusual transactions, which are defined in the Consob communication as significant/substantial transactions that are atypical and/or unusual because the counterparties, the object of the transaction, the method used to determine the price and timing of the transaction (proximity to year end) could give rise to doubts over the accuracy or completeness of the information provided in the accounts, conflicts of interest, safeguarding of company assets and the protection of minority shareholders.

The cash flow statement was prepared using the indirect method.

Basis of consolidation

The following changes in the basis of consolidation occurred in 2009:

- on 13 March, the Group acquired 99.25% of CJSC Odessa Sparkling Wine Company, based in Odessa, Ukraine;
- on 10 April 2009, the remaining 50% of M.C.S. S.c.a.r.l., a Brussels-based company operating in Belgium and Luxembourg, was acquired and therefore became a wholly-owned subsidiary, fully consolidated from the acquisition date; subsequently, on 29 June 2009, M.C.S. changed its legal status from that of a co-operative company (S.c.a.r.l.) to a limited liability company (S.p.r.l.);
- in May 2009, as part of the acquisition of Wild Turkey, the companies Rare Breed Distilling LLC, based in Wilmington, USA and Campari Australia Pty Ltd., based in Sydney, Australia, were established;
- on 2 April 2009, Campari Finance Teoranta was closed down after the winding-up procedures were completed, which led to the reporting of a loss of €427 thousand on the consolidated income statement;
- Prolera LDA was wound up on 29 December 2009, although this did not have any effects on the income statement.

Please see note 8 – Acquisitions – for information on the effects of these acquisitions.

In addition, the Group acquired the remaining 30% of Sabia S.A. on 5 November 2009 and now owns 100% of this company; this change did not have any impact on the basis of consolidation as it involved the exercise of a call/put option for which the related liabilities were already booked the previous year; for a summary of the effects relating to this year, see note 37 – Financial liabilities.

The tables below show the list of companies included in the basis of consolidation at 31 December 2009.

Name, activity	Head office	Share capital at 31 December 2009 Currency	Amount	% owned by Parent Company Direct	Indirect	Direct shareholder
PARENT COMPANY						
Davide Campari-Milano S.p.A., holding and manufacturing company	Via Franco Sacchetti 20, Sesto San Giovanni	€	29,040,000			
FULLY CONSOLIDATED COMPANIES						
Italy						
Campari Italia S.p.A., trading company	Via Franco Sacchetti 20, Sesto San Giovanni	€	1,220,076	100.00		
Sella & Mosca Commerciale S.r.l., trading company	Località I Piani, Alghero	€	100,000		100.00	Sella & Mosca S.p.A.
Sella & Mosca S.p.A., manufacturing, trading and holding company	Località I Piani, Alghero	€	15,726,041	12.00	88.00	Zedda Piras S.p.A. (88%), Davide Campari-Milano S.p.A. (12%)
Turati Ventisette S.r.l., dormant company	Via Franco Sacchetti 20, Sesto San Giovanni	€	20,000	100.00		
Zedda Piras S.p.A., manufacturing , trading and holding company	Piazza Attilio Deffenu 9, Cagliari (sede operativa Alghero)	€	16,276,000	100.00		
Europe						
Campari Austria GmbH, trading company	Naglergasse 1/Top 13 A, Wien	€	500,000		100.00	DI.CI.E. Holding B.V.
Campari Deutschland GmbH, trading company	Bajuwarenring 1, Oberhaching	€	5,200,000		100.00	DI.CI.E. Holding B.V.
Campari Finance Belgium S.A, finance company	Avenue de la Métrologie, 10, Bruxelles	€	246,926,407	26.00	74.00	Davide Campari-Milano S.p.A. (26%), Glen Grant Ltd. (39%), DI.CI.E. Holding B.V.(35%)
Campari France, manufacturing company	15 ter, Avenue du Maréchal Joffre, Nanterre	€	2,300,000		100.00	DI.CI.E. Holding B.V.
Campari International S.A.M., trading company	7 Rue du Gabian, Monaco	€	180,000,000		100.00	DI.CI.E. Holding B.V.
Campari Schweiz A.G., trading company	Lindenstrasse 8, Baar	CHF	2,000,000		100.00	DI.CI.E. Holding B.V.
CJSC 'Odessa Sparkling Wine Company', manufacturing and trading company	36, Frantsuzky Boulevard, Odessa	UAH	13,041,016		99.25	Rotarius Holding B.V.
DI.CI.E. Holding B.V., holding company	Atrium, Strawinskylaan 3105, Amsterdam	€	15,015,000	100.00		
Glen Grant Distillery Company Ltd., manufacturing and trading company	Glen Grant Distillery, Rothes, Morayshire	GBP	1,000,000		100.00	Glen Grant Ltd.
Glen Grant Ltd., holding company	Glen Grant Distillery, Rothes, Morayshire	GBP	24,949,000		100.00	DI.CI.E. Holding B.V.
Glen Grant Whisky Company Ltd., dormant company (*)	Glen Grant Distillery, Rothes, Morayshire	GBP	1,000,000		100.00	DI.CI.E. Holding B.V.

Name, activity	Head office	Share capital at 31 December 2009 Currency	Amount	% owned by Parent Company Direct	Indirect	Direct shareholder
Kaloyiannis-Koutsikos Distilleries S.A., manufacturing and trading company	6 & E Street, A' Industrial Area, Volos	€	8,884,200		100.00	O-Dodeca B.V.
M.C.S. S.p.r.l., trading company	Millenium Park, Avenue de la Métrologie 10, Bruxelles	€	1,009,872		100.00	DI.CI.E. Holding B.V. (85%), Campari Austria GmbH (15%)
O-Dodeca B.V., holding company	Atrium, Strawinskylaan 3105, Amsterdam	€	2,000,000		75.00	DI.CI.E. Holding B.V.
Old Smuggler Whisky Company Ltd., manufacturing and trading company	Glen Grant Distillery, Rothes, Morayshire	GBP	1,000,000		100.00	Glen Grant Ltd.
Rotarius Holding B.V., holding company	Strawinskylaan 3105, 1077 ZX, Amsterdam	€	18,015		100.00	DI.CI.E. Holding B.V.
Société Civile du Domaine de Lamargue, manufacturing and trading company	Domaine de la Margue, Saint Gilles	€	6,793,200		100.00	Sella & Mosca S.p.A.
Americas						
Cabo Wabo, LLC, trading company	One Beach Street, Suite 300, San Francisco	US$	2,312,525		80.00	Redfire, Inc.
Campari Argentina S.R.L, trading company	Avenida Alicia Moreau de Justo 1120, Piso 4, Oficina 404-A, Buenos Aires	ARS	11,750,000		100.00	DI.CI.E. Holding B.V. (95%), Campari do Brasil (5%)
Campari do Brasil Ltda., manufacturing and trading company	Alameda Rio Negro 585, Edificio Demini, Conjunto 62, Alphaville - Barueri - SP	BRC	218,631,059	100.00		
Destiladora San Nicolas, S.A. de C.V., manufacturing and trading company	Hidalgo n° 1225, Col. Americana, C.P. 44200, Guadalajara, Jalisco	MXN	25,000,000		100.00	DI.CI.E. Holding B.V.
Gregson's S.A., trademark holder	Andes 1365, Piso 14, Montevideo	UYU	175,000		100.00	Campari do Brasil Ltda.
Rare Breed Distilling, LLC, manufacturing and trading company	Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware (Sede operativa Lawrenceburg)	US$	400,000,000 (**)	100.00		Redfire, Inc.
Red Fire Mexico, S. de R.L. de C.V., trading company	Agustin Yañez No. 2613-1ª-113, Col. Arcos Vallarta Sur, Guadalajara, Jalisco	MXN	1,254,250		80.00	DI.CI.E. Holding B.V.
Redfire, Inc., holding company	State of Delaware, City of Wilmington, County of New Castle (sede operativa San Francisco)	US$	566,321,274 (**)	100.00		
Sabia S.A., manufacturing and trading company	Av. Corrientes, 222 - 3rd floor, Buenos Aires	ARS	40,164,000		100.00	DI.CI.E. Holding B.V.
Skyy Spirits, LLC, trading company	One Beach Street, Suite 300, San Francisco	US$	54,897,000		100.00	Redfire, Inc.
Other						
Campari (Beijing) Trading Co. Ltd., trading company	Xingfu Dasha Building, block B, room 511, n° 3 Dongsanhuan BeiLu, Chaoyang District, Beijing	RMB	25,189,930		100.00	DI.CI.E. Holding B.V.

		Share capital at 31 December 2009		% owned by Parent Company		
Name, activity	Head office	Currency	Amount	Direct	Indirect	Direct shareholder
Campari Australia Pty Ltd., trading company	C/o KPMG - 10 Shelley Street, Sydney	AU$	2,000,000		100.00	DI.CI.E. Holding B.V.
Campari Japan Ltd., trading company	6-17-15, Jingumae Shibuya-ku, Tokyo	JPY	3,000,000		100.00	DI.CI.E. Holding B.V.
Qingdao Sella & Mosca Winery Co. Ltd., manufacturing and trading company	8 Pingu Horticultural Farm, Yunshan County, Pingdu City, Qingdao, Shandong Province	RMB	24,834,454		93.67	Sella & Mosca S.p.A.

		Share capital at 31 December 2009		% owned by Parent Company		
Name, activity	Head office	Currency	Amount	Direct	Indirect	Direct shareholder
Other holdings						
Fior Brands Ltd., trading company (*)	c/o Ernst & Young - Ten George Street, Edinburgh	GBP	100	50.00	DI.CI.E. Holding B.V.	equity method
Focus Brands Trading (India) Private Ltd., manufacturing and trading company	Chamber No. 1517, 15th Floor, Devika Towers, 6, Nehru Place, New Delhi	INR	115,998,250	26.00	DI.CI.E. Holding B.V.	equity method
International Marques V.o.f., trading company	Nieuwe Gracht 11, Haarlem	€	210,000	33.33	DI.CI.E. Holding B.V.	equity method

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

Subsidiaries

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

Under this method, all assets and liabilities, and expenses and revenues for consolidated companies, are fully reflected in the consolidated accounts. The carrying value of the equity investments is eliminated against the corresponding portion of the shareholders' equity of the subsidiaries. Individual assets and liabilities are assigned the value attributed to them on the date control was acquired.

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

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

Affiliated companies and joint ventures

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

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

Transactions eliminated during the consolidation process

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

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

Dividends collected from consolidated companies are eliminated.

Currency conversion criteria and exchange rates applied to the accounts

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

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

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

The exchange rates used for conversion transactions are shown below.

	31 December 2009		31 December 2008	
	Average rate	End-of-period rate	Average rate	End-of-period rate
US dollar	1.3933	1.4406	1.4706	1.3917
Swiss franc	1.5099	1.4836	1.5871	1.4850
Brazilian real	2.7706	2.5113	2.6745	3.2436
Uruguayan peso	31.3993	28.2891	30.6205	33.9046
Chinese renminbi	9.5174	9.8350	10.2247	9.4956
UK pound	0.8911	0.8881	0.7965	0.9525
Indian rupee	67.3080	67.0400	63.7012	67.6360
Japanese yen	130.2344	133.1600	152.3306	126.1400
Argentine peso	5.2019	5.4619	4.6409	4.8044
Mexican peso	18.7841	18.9223	16.2967	19.2333
Australian dollar	1.7749	1.6008	–	–
Ukrainian hryvnia	11.1190	11.5642	–	–

3. Summary of accounting principles

Intangible assets

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

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

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

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

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

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

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

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

Advertising and promotional costs are recorded on the income statement when the company has received the goods or services in question.

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

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

Goodwill and trademarks, which result from acquisitions and qualify as intangible assets with an indefinite life, are not amortised. The possibility of recovering their reported value is ascertained at least annually, and in any case, when events occur leading to the assumption of a reduction in value using the criteria indicated in the paragraph entitled “Impairment.”

For goodwill, a test is performed on the smallest aggregate to which the goodwill relates. On the basis of this, management directly or indirectly assesses the return on investment including goodwill.

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

Business combinations

Business combinations are booked using the purchase method.

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

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

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

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

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

Tangible assets

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

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

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

The financial charges incurred in respect of investments in assets which take a substantial period of time to be prepared for use or sale (qualifying assets as defined in IAS 23 – Borrowing Costs) are capitalised and amortised over the useful life for the class of assets to which they belong.

All other financial charges are posted to the income statement when incurred.

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

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

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

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

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

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

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

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

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

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

Rates are as follows:

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

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

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

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

Capital grants

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

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

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

Impairment

The Group ascertains, at least annually, whether there are indicators of a potential loss in value of intangible and tangible assets. If the Group finds that such indications exist, it estimates the recoverable value of the relevant asset.

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

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

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

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

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

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

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

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

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

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

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

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

Investment property

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

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

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

Biological assets

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

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

Financial instruments

Financial instruments held by the Group are categorised as follows.

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

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

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

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

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

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

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

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

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

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

Investments held to maturity

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

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

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

Loans and receivables

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

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

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

Financial assets available for sale

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

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

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

Profits and losses on financial assets available for sale are recorded directly in shareholders' equity up to the time the financial asset is sold or written down. At that time the accumulated profits and losses, including those previously posted to shareholders' equity, are included in the income statement for the period.

Loss in value of a financial asset

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

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

Elimination of financial assets and liabilities

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

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

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

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

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

Financial derivatives and hedging transactions

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

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

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

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

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

- *fair value hedge* – if a financial derivative is designated to hedge exposure to changes in the fair value of an asset or liability attributable to a particular risk that could have an impact on the income statement, the profits or losses resulting from the subsequent valuations of the fair value of the hedging instrument are reported in the income statement. The gain or loss on the hedged entry, which is attributable to the hedged risk, is reported as a portion of the carrying value of this entry and as an offsetting entry in the income statement.
- *cash flow hedge* – if a financial instrument is designated as a hedge of exposure to fluctuations in the future cash flow of an asset or liability reported in the accounts, or of a highly likely expected transaction that could have an impact on the income statement, the effective portion of the profits or losses on the financial instrument is reported under shareholders' equity. Accumulated profits or losses are removed from

shareholders' equity and recorded in the income statement in the same period in which the transaction being hedged has an impact on the income statement. The profit or loss associated with a hedge, or the portion of the hedge that has become ineffective, is posted to the income statement when the ineffectiveness is reported.

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

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

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

IAS 39 – Financial Instruments: Recognition and Measurement allows the exchange rate risk of a highly probable intra-group transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the company entering into the transaction and that the consolidated financial statements are exposed to exchange rate risk.

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

Own shares

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

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

Inventories

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

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

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

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

Non-current assets held for sale

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

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

Employee benefits

Post-employment benefit plans

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

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

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

- Defined benefit plans

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

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

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

- Defined contribution plans

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

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

Compensation plans in the form of stock options

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

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

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

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

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

The stock options are recorded at fair value with an offsetting entry under the stock option reserve.

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

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

Reserve for risks and future liabilities

Provisions for risks and future liabilities are reported when:

- the existence of a current legal or implicit obligation, resulting from a past event, is likely;
- it is likely that the fulfilment of the obligation will require some form of payment;
- the amount of the obligation can be reliably estimated.

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

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

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

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

Restructuring reserves

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

Recording of revenues, income and charges in the income statement

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

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

Specifically:

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

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

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

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

Taxes

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

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

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

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

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

Deferred tax assets are reported when their recovery is likely.

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

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

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

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

Transactions in foreign currencies (not hedged with derivatives)

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

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

Earnings per share

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

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

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

Use of estimates

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

The actual results could therefore differ from these estimates.

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

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

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

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

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

4. Changes in accounting principles

Accounting standards, amendments and interpretations applied since 1 January 2009

The following accounting standards, amendments and interpretations, which the IASB revised following its 2008 annual improvement process, were applied by the Group for the first time from 1 January 2009.

– Improvement to IFRS 2 – Vesting Conditions and Cancellations

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

  Every other condition constitutes a "non-vesting condition" and must be taken into consideration when determining the fair value of the equity instruments assigned on the grant date.

  The amendment also clarifies the situation whereby, if a grant of equity instruments does not occur because a non-vesting condition that is under the control of the entity or counterparty has not been met, this must be booked as a cancellation.

  The principle was applied retrospectively by the Group from 1 January 2009; however, its application did not have any effects on the financial statements, since the Group has not undertaken any share-based payments with conditions other than those relating to service.

– Improvement to IFRS 7 – Financial Instruments: Disclosures

  The main amendment, which has to be applied by 1 January 2009, requires additional information to be provided on fair value valuations and liquidity risk.

  In the case of fair value valuations, information is required to be provided on hierarchical levels (three levels) for each class of financial instruments.

  In addition, the amendments specify the information to be disclosed on liquidity risks with reference to derivatives and financial assets used to manage liquidity in foreign currency.

  Information on fair value is presented in note 44 – Financial instruments; however, the amendments have not had a significant effect on the information on liquidity risk set out in note 44.

– IFRS 8 – Operating Segments

  On 30 November 2006, the IASB issued accounting standard IFRS 8 – Operating Segments, which replaces IAS 14 – Segment Reporting.

  The new standard became effective on 1 January 2009 and requires segment information to be reported on the basis of the factors considered by management when making operating decisions. This therefore requires the identification of operating segments whose results are reviewed regularly by management for the purpose of making decisions about resources to be allocated to the segment and assessing its performance. The adoption of this standard had no impact on the Group's net debt position or operating performance.

  The operating segments defined by the Group in the application of this new principle are the same as those identified previously, in accordance with IAS 14; for more information see note 10 – Operating segments.

– Revised IAS 1 – Presentation of Financial Statements

  The revised version of IAS 1 – Presentation of Financial Statements separates changes in shareholders' equity into shareholders' and non-shareholders' portions.

  The statement of changes in shareholders' equity includes only details of transactions with shareholders, while all changes relating to transactions with non-shareholders are presented in a reconciliation of each component of shareholders' equity. The standard also introduced the statement of comprehensive income, which contains all the revenue and cost items for the period recorded in the income statement, as well as any other revenue and cost items recorded directly under shareholders' equity.

  The statement of comprehensive income may be presented in the form of either a single statement or two related statements. The Group has applied the revised version of the accounting standard retrospectively from 1 January 2009, and has opted to present information in two statements, entitled "Consolidated separate income statement" and "Consolidated statement of comprehensive income" respectively, and has therefore modified the presentation of the "Statement of changes in shareholders' equity".

In addition, as part of the IFRS improvement process, on 22 May 2008 the IASB issued an amendment to the revised IAS 1, requiring assets and liabilities relating to hedging derivatives to be classified into current and non-current portions.

The adoption of this amendment did not require any changes in the presentation of asset and liability items, since the Group was already making a distinction between current and non-current portions.

– Improvement to IAS – 19 – Employee Benefits

The improvement to IAS 19 – Employee Benefits clarifies the definition of cost/income relating to employees' past service.

If a plan is curtailed, the effect to be booked immediately to the income statement must only include the reduction of benefits for future periods, while the effect of any reductions relating to previous periods of service must be considered a negative past service cost.

This amendment must be applied prospectively to changes made to plans after 1 January 2009.

The adoption of this amendment had no effect on the financial statements.

The amendment also redefined short-term and long-term benefits and revised the definition of the return on plan assets. It further determined that this item must be disclosed excluding any administration costs that are not already included in the value of the liability.

The Group adopted this principle retrospectively from 1 January 2009, but it had no effect on the financial statements as the Group's procedures already reflected it.

– Improvement to IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance

The amendment to IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance requires that government loans issued at a lower rate than the market rate or on an interest-free basis must be booked as if they were issued at market rates; the difference between the amount received and the present value is treated as a government grant and accounted for in accordance with IAS 20. These loans must be valued in accordance with the provisions of IAS 39 (Financial Instruments).

The Group applied this new version retrospectively from 1 January 2009, but it had no effect on the financial statements as no subsidised loans were obtained after that date.

– Revised IAS 23 – Borrowing Costs

The revised standard requires borrowing costs to be capitalised when these are incurred in respect of investments in assets which take a substantial period of time to be prepared for use or sale (qualifying assets), thereby removing the possibility of recognising such borrowing costs in the income statement.

In addition, as part of the 2008 improvement process, the IASB made a further amendment to the definition of borrowing costs, defining them as interest paid that is calculated using the effective interest rate method in accordance with IAS 39.

The Group, in compliance with the requirements of the transition phase, applied the new accounting standard prospectively from 1 January 2009, modifying its accounting procedures to include both the amended definition of borrowing costs and the amended accounting principle.

In 2009, borrowing costs totalling €76 thousand were capitalised as assets under construction (note 23 – Intangible assets).

– Improvement to IAS 28 – Investments in Associates

The amendment, which is to be applied prospectively, establishes that any impairment in investments in subsidiaries valued at equity must not be allocated to individual assets (particularly goodwill) making up the carrying value of the investment, but to the carrying value of the holding in its entirety.

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

This had no effect on the financial statements in 2009 as no reversals were made during the year.

In addition, the improvement modified some of the disclosure requirements for investments in associates and joint ventures valued at fair value, in accordance with IAS 39; it also modified IAS 31 – Interests in Joint Ventures, IFRS 7 – Financial Instruments: Disclosures and IAS 32 – Financial Instruments: Presentation. These amendments did not apply in the Group's case at the reporting date.

- Improvement to IAS 41 – Agriculture

  This amendment expands the concept of agricultural activity to include the processing of biological assets for sale as well as the harvesting and transformation of biological assets into agricultural produce.

  In addition, if the Group discounts the expected future financial cash flows of the assets to determine their fair value, such discounting to current market rates must take account of the tax effect.

  These changes had no impact on the Group's accounts.

Accounting standards, revisions and interpretations applicable from 1 January 2009 that are not relevant for the Group

The following amendments and interpretations, which are applicable from 1 January 2009, relate to issues that were not relevant for the Group at the reporting date.

- Improvement to IAS 16 – Property, Plant and Equipment

  The amendment to IAS 16 (Property, Plant and Equipment) establishes that leasing companies must reclassify under inventories those assets which are no longer leased and which are held for sale; consequently, the gains on the sale of such assets must be recognised as income. For the purposes of the cash flow statement, the cost paid for the construction or acquisition of assets to be leased to third parties, and the gains on the subsequent sale of such assets constitute cash flow generated (or used) by operating activities for the period.

- Improvement to IAS 29 – Financial Reporting in Hyperinflationary Economies

  This amendment modified the reference to the exception for measuring assets and liabilities at historical cost, stating that the categories of assets that must or could be valued at fair value are broader than those listed in the standard previously.

- Improvement to IAS 32 – Financial Instruments: Presentation and to IAS 1 – Presentation of Financial Statements – Puttable Instruments and Instruments with Obligations Arising on Liquidation

  The amendment to IAS 32 allows certain financial instruments to be classified as available for sale and obligations arising at the time of liquidation to be classified as an equity instrument if certain conditions are met.

  The amendment to IAS 1 requires that some information relating to options available for sale that are classified as equity is provided in the notes to the accounts.

- Improvement to IAS 36 – Impairment of Assets

  The amendment requires the disclosure of additional information on the discount rates applied to the cash flow projections, the growth rate used and the period over which cash flows have been projected in cases where discounted cash flows (DCF) have been used to estimate the fair value less sales costs.

  The same information is also required in cases where the DCF method is used to estimate the value in use.

- Improvement to IAS 39 – Financial Instruments: Recognition and Measurement

  In particular, if derivatives designated as hedging instruments are no longer used as such after they are first reported, this does not constitute a reclassification.

  This improvement also defines the effective interest rate of a financial instrument when fair value hedge accounting is discontinued.

- Improvement to IAS 40 – Investment Property

  This amendment requires that investment property under construction is now treated under IAS 40 instead of IAS 16.

  If the fair value cannot be determined, the investment property under construction must be calculated at cost until such time as the fair value can be determined or the building is complete.

IFRIC has also issued the following interpretations; however these also relate to situations that do not apply to the Group:

- IFRIC 13 – Customer Loyalty Programmes: requires that points allocated in customer loyalty programmes must be recorded separately from the related sale transaction in which the points are awarded; a portion of

the fair value of the sale amount must therefore be allocated to the points and deferred, and this component is recognised as a revenue item in the period in which the credits/points are redeemed.

- IFRIC 15 – Agreements for the Construction of Real Estate: guidelines for defining the scope of application of IAS 11 – Construction Contracts and IAS 18 – Revenue.
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation: this is to be applied prospectively, and provides the guidelines for accounting for the hedging of net investments in foreign operations. The interpretation provides:
  - information on identifying exchange rate risks arising from the application of hedge accounting to a net investment in a foreign operation;
  - information on the entities within a Group that are permitted to hold instruments used to hedge net investments in foreign operations;
  - the procedures for identifying the amount of profit or loss on exchange rates to be reclassified when the entity disposes of the investment for both the net investment and the hedging instrument.

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

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

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

  IFRS 3 introduces some significant changes to the accounting for business combinations, which will affect the valuation of non-controlling interests, the accounting of transition costs, initial reporting and the subsequent valuation of any additional payments (contingent consideration), and the acquisitions carried out in a number of stages.

  These changes will affect the amount of goodwill disclosed, and the net profit for the year of acquisition and subsequent years.

  IAS 27 requires that a change in the percentage shareholding in a subsidiary that does not constitute a loss of control is accounted for as an equity transaction, with an offsetting entry under shareholders' equity.

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

  Furthermore, the revised standard introduces changes to the accounting for losses posted by a subsidiary and the loss of control of a subsidiary.

  The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority shareholders.
- IFRS 5 – Non-current Assets Held for Sale and Discontinuing Operations

  The change to this standard, introduced as a result of the improvement process conducted by the IASB in 2008 and applicable to all financial years beginning after 1 July 2009, will apply to the Group prospectively from 1 January 2010.

  This amendment specifies that when a subsidiary is held for sale, all of its assets and liabilities must be classified as held for sale if the parent company has embarked on a disposal plan that will lead to a loss of control.

  This applies irrespective of whether a minority stake continues to be held in the subsidiary.

  The Group does not expect the application of this amendment to have any impact on the accounts as it had no disposal plans in place as of the reporting date.
- Improvement to IAS 39 – Financial Instruments: Recognition and Measurement – Eligible Hedged Items

  This amendment was issued by the IASB on 31 July 2008 and will be applicable to the accounts for financial years beginning after 1 July 2009; this means that for the Group, the standard will apply from 1 January 2010.

  The amendment states that an entity is allowed to designate a portion of changes in fair value or cash flows of a financial instrument as a hedged item and also includes the designation of inflation as a hedged risk or as a portion of risk in certain situations.

The Group does not expect the amendment to have any impact on the Group's financial position or operating performance as it does not use such hedged items.

– IFRIC 17 – Distribution of Non-Cash Assets to Owners

  This interpretation, issued by IFRIC on 27 November 2008 is applicable prospectively in financial years that begin after 1 July 2009.

  It provides information on the accounting and valuation of non-cash dividends distributed to shareholders.

  In particular, it specifies that liabilities to shareholders for a dividend to be distributed must be accounted for when it has been appropriately authorised (i.e. by the shareholders' meeting); the value of a non-cash dividend should be calculated taking into account the fair value of the assets to be distributed at the time the related liability to shareholders must be recognised.

  The difference between the dividend paid and the net carrying value of the assets used for the payment must be taken to the income statement.

  The Group does not expect the application of IFRIC 17 to have any impact on the accounts as it has never distributed any non-cash assets.

– IFRIC 18 – Transfers of Assets from Customers

  This interpretation, issued by IFRIC on 29 January 2009 is applicable prospectively from 1 January 2010.

  IFRIC 18, which does not apply to the Group, clarifies the accounting treatment for agreements in which an entity receives from a customer an item of property, plant and equipment that the company must then use either to connect the customer to a network or to provide the customer with access to a supply of goods and services.

On 16 April 2009, the IASB issued a series of modifications to IFRS ("improvements"). According to the IASB, those listed below contain changes that affect the presentation, recognition and valuation of items in the financial statements; this list omits terminology or editorial changes with a minimal impact on the accounts and changes that affect standards or interpretations that do not apply to the Group:

– IFRS 2 – Share-based Payments: the amendment, which has to be applied from 1 January 2010 (or can be applied earlier) clarified that since IFRS 3 modified the definition of business combinations, the transfer of an entity to form a joint venture or business combinations involving entities or businesses under common control do not fall under the scope of IFRS 2.
– IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations: this amendment, which must be applied from 1 January 2010, clarifies that the disclosures required in respect of non-current assets, disposal groups classified as held for sale or relating to discontinued operations, are only those required by IFRS 5; the disclosures required by other IFRS apply only if specifically required with reference to these types of non-current assets or discontinued operations.
– IFRS 8 – Operating Segments: this amendment, which must be applied from 1 January 2010, states that the assets and liabilities relating to an operating segment are only required to be presented if they are included in the reporting used at the highest level of decision-making.
– IAS 1 – Presentation of Financial Statements: the amendment to IAS 1, which must be applied from 1 January 2010, modifies the definition of current assets; for the purposes of the classification of a liability as current or non-current, the existence of a currently exercisable option for conversion into equity instruments is irrelevant.
– IAS 7 – Statement of Cash Flows: the amendment to IAS 7, which must be applied from 1 January 2010, states that only the cash flows arising from expenses resulting from the recognition of an asset on the balance sheet can be classified in the cash flow statement as deriving from investing activities, while the cash flows arising from expenses that do not result in the recognition of an asset must be classified as deriving from operating activities.
– IAS 17 – Leases: the amendment, which must be applied from 1 January 2010, requires that the general conditions set out in IAS 17 for the purposes of the classification of leasing agreements as finance or operating leases will also apply to leased land, regardless of whether ownership is transferred at the end of the contract; therefore land covered by existing leasing agreements that have not expired at the date of

adoption of the amendment must be valued separately, and a new lease may be recognised retrospectively as if the related agreement were a finance lease.

- IAS 36 – Impairment of Assets: this amendment, which must be applied prospectively from 1 January 2010, requires that each cash-generating unit or group of units to which goodwill is allocated for impairment test purposes must not be larger than an operating segment as defined in paragraph 5 of IFRS 8, prior to the combination allowed by paragraph 12 of IFRS 8, based on similar economic characteristics or other elements.
- IAS 38 – Intangible Assets: this amendment, which must be applied prospectively from 1 January 2010, is a consequence of the amendment to IFRS 3 introduced in 2008, and clarifies the valuation techniques to be used for fair value valuations of intangible assets for which no active reference market exists; these techniques include the estimated net present value of cash flows generated by the asset, an estimate of the costs that the company has avoided by owning the asset, i.e. by not obtaining it via a licensing agreement, and an estimate of the costs necessary to replace it.
- IAS 39 – Financial Instruments: Recognition and Measurement: this amendment, which must be applied prospectively from 1 January 2010, restricts the exemption set out in paragraph 2(g) of IAS 39 to forward contracts between the acquirer and a vendor in a business combination to buy or sell an acquiree at a future acquisition date, where the completion of the business combination is not dependent on further transactions between the two parties, but only on the elapsing of an appropriate period of time; the exemption does not apply to option contracts that on exercise, in relation to the occurrence or non-occurrence of future events, would result in control of an entity.
- IFRIC 9 – Reassessment of embedded derivatives: this amendment, which must be applied prospectively from 1 January 2010, excludes embedded derivatives acquired in a business combination at the time of the formation of businesses under common control or joint ventures. It also states that the entity, based on the circumstances existing when it first becomes party to a hybrid contract, must assess whether the embedded derivatives contained in the contract are required to be separated from the host contract when the entity reclassifies a hybrid instrument at fair value with the changes taken to the income statement. It is possible to make a subsequent reassessment, but only if there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract.
- Improvement to IFRS 2 – Share-based Payments: payments based on Group shares settled for cash; the amendment to IFRS 2, issued in June 2009 and applicable from 1 January 2010, had not been approved at the reporting date. This amendment, in addition to clarifying the scope of IFRS 2 and how it relates to the other standards, establishes that the company receiving goods or services in the context of share-based payment plans must account for these goods or services irrespective of which Group company settles the transaction, whether or not the settlement is in cash or shares. The amendment specifies that a company must value the goods or services received in the context of a transaction settled in cash or shares from its own viewpoint, which may not coincide with that of the Group and with the amount recognised in the consolidated accounts. With the publication of this amendment, which incorporates the guidelines previously included in IFRIC 8 – Scope of IFRS 2 and IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions, the IASB withdrew IFRIC 8 and IFRIC 11.
- Improvement to IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues: this amendment, issued on 8 October 2009 has already been approved and is applicable retrospectively from 1 January 2011. It clarifies how to account for certain rights when the instruments issued are denominated in a currency other than the issuer's functional currency. If such instruments are offered pro rata to all shareholders for a fixed amount of cash, they should be classified as equity instruments even if their exercise price is denominated in a currency other than the issuer's functional currency.
- Improvement to IAS 24 – Related Party Disclosures: this amendment was issued on 4 November 2009 and is applicable from 1 January 2011; however, it had not been approved at the reporting date. The amendment simplifies the information to be provided in the case of transactions with related parties that are State-controlled entities.
- Improvement to IFRIC 14 – Prepayment of a Minimum Funding Requirement: this amendment was issued on 26 November 2009 and is applicable from 1 January 2011; however, it had not been approved at the reporting date. The amendment allows prepayments of a minimum funding requirement to be recognised as an asset.

– Improvement to IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments: this amendment was issued on 26 November 2009 and is applicable from 1 January 2011; however, it had not been approved at the reporting date. The amendment states that if a company renegotiates the terms of an agreement with a creditor to which it issues equity instruments to extinguish a financial liability, these equity instruments become part of the price paid and must be valued at fair value. In addition, the difference between the carrying value of the original financial liability and the fair value of the equity instruments must be taken to the income statement.

IFRS 9 – Financial Instruments: this standard was issued on 12 November 2009 and is applicable from 1 January 2013; however, it had not been approved at the reporting date. The publication of this standard represents the first stage of a process in which IAS 39 will be fully replaced.

5. Seasonal factors

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

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

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

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

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

6. Default risk: negative pledges and debt covenants

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

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

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

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

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

7. Reclassifications

In 2008, the Group concluded the 100% acquisition of Destiladora San Nicolas, S.A. de C.V.

In 2009, the allocation of the acquisition values, which were published on 31 December 2008, was finalised. The following reclassifications were made to balance sheet figures for the year ended 31 December 2008; the above-mentioned allocation did not have any effect on the income statement, as it was carried out in the last month of the year.

(€/000)	Figures published at 31 December 2008	Difference	Figures after reclassificatin
ASSETS			
Net tangible assets	176,486	3,499	179,985
Biological assets	18,018	–	18,018
Investment property	666	–	666
Goodwill and trademarks	920,315	(373)	
Intangible assets with a finite life	5,105	–	5,105
Investments in affiliates and joint ventures	1,101	–	1,101
Deferred tax assets	14,362	–	14,362
Other non-current assets	7,473	–	7,473
Total non-current assets	**1,143,525**	**3,126**	**1,146,651**
Inventories	165,717	(125)	165,592
Trade receivables	272,096	(498)	271,598
Short-term financial receivables	4,093	–	4,093
Cash and cash equivalents	172,558	–	172,558
Other receivables	32,447	(17)	32,430
Total current assets	**646,912**	**(640)**	**646,272**
Non-current assets held for sale	12,670	–	12,670
Total assets	**1,803,107**	**2,486**	**1,805,593**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	29,040	–	29,040
Reserves	923,821	–	923,821
Parent Company's portion of shareholders' equity	952,861	–	952,861
Minorities' portion of shareholders' equity	2,136	–	2,136
Total shareholders' equity	**954,997**	**–**	**954,997**
Bonds	316,852	–	316,852
Other non-current financial liabilities	56,654	–	56,654
Defined benefit plans	10,663	–	10,663
Reserve for risks and future liabilities	9,013	40	9,053
Deferred tax liabilities	69,486	2,889	72,375
Other non-current liabilities	–	–	
Total non-current liabilities	**462,668**	**2,929**	**465,597**
Payables to banks	107,454	–	107,454
Other financial payables	25,843	–	25,843
Payables to suppliers	152,145	(436)	151,709
Payables to tax authorities	59,273	(7)	59,266
Other current liabilities	40,727	–	40,727
Total current liabilities	**385,442**	**(443)**	**384,999**
Total liabilities and shareholders' equity	**1,803,107**	**2,486**	**1,805,593**

8. Acquisitions

Acquisitions in 2009

In the first half of 2009, the Group completed the acquisitions of Wild Turkey and CJSC Odessa Sparkling Wine Company.

In addition, the remaining 50% of M.C.S. S.c.a.r.l. was acquired, taking the Group's ownership to 100%.

The total cash outlay, including related costs, was €434.7 million, net of the company's cash position (€0.9 million).

For the purposes of reconciliation with the consolidated cash flow statement, the item acquisition of companies and shareholdings on the cash flow statement also includes the acquisition of the remaining stake in Sabia S.A. for €1.9 million and a price adjustment (€1.3 million) on the acquisition of Destiladora San Nicolas, S.A. de C.V in 2008.

Furthermore, the acquisitions carried out in 2009 led to a charge of €1.6 million in relation to the financial payables of the companies acquired.

The exchange rate used in the following transactions was that in force on the date each transaction was completed.

Wild Turkey

On 29 May 2009 the Group completed the acquisition of the Wild Turkey business unit from the Pernod Ricard group.

The acquisition includes the Wild Turkey and American Honey brands, a distillery in Kentucky (US), and stocks of liquid undergoing the ageing process and finished products.

The final price of the acquisition, including costs directly attributable to the acquisition, was US$ 583.7 million (€418.4 million at the exchange rate in force on the date of the acquisition).

The price includes ancillary costs directly attributable to the acquisition of US$ 4.7 million (€3.6 million at the exchange rate in force on the date of the acquisition). In addition, the Group holds a residual receivable from the vendors for price adjustments of US$ 2.8 million.

The acquisition was initially financed through bank loans taken out by the Parent Company and Campari Finance Belgium S.A. totalling US$ 300 million and a US$ 275 million loan obtained by Redfire, Inc.

The remainder was funded by Redfire, Inc. from its own resources.

At the end of the first half of the year, Redfire, Inc. repaid the above-mentioned loan using the proceeds of a private placement on the US market (US$ 250 million) launched on the US market on 18 June 2009, plus own resources. The Parent Company subsequently issued a €350 million Eurobond, which enabled it to pay down its own debt and that of Campari Finance Belgium S.A.

The fair value of Wild Turkey's assets and liabilities on the acquisition date, determined on the basis of an expert opinion provided by an independent third party, is shown in the table below.

	Balance sheet value (€/000)	Fair value at the date of acquisition (€/000)
Trademarks	–	130,905
Other tangible and intangible assets	33,054	67,265
Total fixed assets	**33,054**	**198,170**
Inventories	121,951	79,107
Other receivables	2,089	–
Total current assets	**124,040**	**79,107**
Total assets	**157,094**	**277,277**

	Balance sheet value (€/000)	Fair value at the date of acquisition (€/000)
Reserves for risks and future liabilities	–	878
Defined benefit plans	–	113
Total non-current liabilities	**–**	**991**
Trade payables	7,477	5,751
Other payables	657	487
Total current liabilities	**8,134**	**6,238**
Total liabilities	**8,134**	**7,229**
Net assets acquired		270,048
Goodwill generated by acquisition		148,393
Acquisition cost		418,441
of which		
Price paid in cash, including related costs		420,358
Price difference to be received from vendor		1,917

The business acquired contributed €51.1 million to the Group's sales and €7.2 million to net profit.

If it had been consolidated from the beginning of the year, the impact on net sales and net profit would have been €73.6 million and €10.3 million respectively.

Odessa

On 13 March 2009, the Campari Group completed the acquisition of 99.25% of the share capital of CJSC Odessa Sparkling Wine Company, which is based in Odessa, Ukraine.

The remaining 0.75% of the share capital continues to be held by a number of shareholders who are independent of the sellers of the majority stake.

The acquisition cost was US$ 18.1 million (€14.3 million at the exchange rate on the transaction date), plus related expenses of €0.7 million.

The fair value of Odessa's assets and liabilities on the acquisition date is shown in the table below.

	Balance sheet value (€/000)	Fair value at the date of acquisition (€/000)
Tangible and intangible assets	2,220	1,225
Other fixed assets	257	257
Total fixed assets	**2,477**	**1,482**
Inventories	1,921	1,921
Receivables from customers	1,202	1,202
Other receivables	240	240
Cash and banks	537	537
Total current assets	**3,900**	**3,900**
Total assets	**6,377**	**5,382**

	Balance sheet value (€/000)	Fair value at the date of acquisition (€/000)
Non-current financial liabilities	2,295	0
Reserves for risks and future liabilities	–	27
Total non-current liabilities	**2,295**	**27**
Non-current financial liabilities	528	325
Trade payables	1,377	1,377
Other payables	287	260
Total current liabilities	**2,193**	**1,963**
Total liabilities	**4,488**	**1,990**
Interest acquired in net assets (99.25%)		3,367
Goodwill generated by acquisition		11,664
Payment of investment		15,031
Total investment cost, excluding cash and including company debt acquired		14,818
of which		
Price paid in cash, including related costs		15,031
Cash acquired		(537)
Company debt acquired		325

The difference of €11.7 million between the price paid and the value of the net assets acquired was allocated to goodwill. Following the annual impairment test, this figure was reduced by €2.7 million; for more information see note 27 – Impairment.

The business acquired contributed €5.2 million to the Group's sales and €1.1 million to net profit.

If it had been consolidated from the beginning of the year, the impact on net sales would have been €6.3 million, while the acquired company would have posted losses for the full year of €1.3 million.

M.C.S.

On 10 April 2009, the Group acquired the remaining 50% of M.C.S. S.c.a.r.l, a Brussels-based company operating in Belgium and Luxembourg, which was previously 50%-owned by the Group.

The company has therefore been fully consolidated from that date.

The acquisition price, which was been paid in full, was €155 thousand.

On 29 June, the company changed its legal status from a co-operative into a limited liability company and changed its name from M.C.S. S.c.a.r. l. to M.C.S. S.p.r.l.

The figures relating to the acquisition are shown below.

	Balance sheet value (€/000)	Fair value at the date of acquisition (€/000)
Tangible and intangible assets	93	93
Other fixed assets	6	6
Total fixed assets	**99**	**99**
Inventories	2,014	2,014
Receivables from customers	3,888	3,888
Other receivables	1,195	1,195
Cash and banks	325	325
Total current assets	**7,423**	**7,423**
Total assets	**7,522**	**7,522**

	Balance sheet value (€/000)	Fair value at the date of acquisition (€/000)
Non-current financial liabilities	1,250	1,250
Reserves for risks and future liabilities	16	16
Total non-current liabilities	**1,266**	**1,266**
Trade payables	2,449	2,449
Trade payables to Group companies	2,678	2,678
Other payables	1,322	1,322
Total current liabilities	**6,449**	**6,449**
Total liabilities	**7,715**	**7,715**
Net assets acquired		(97)
Goodwill generated by acquisition		**252**
Payment of investment		155
Total investment cost, excluding cash and including company debt acquired		1,080
of which		
Price paid in cash, including related costs		155
Cash acquired		(325)
Company debt acquired		1,250

The business acquired contributed some €13.3 million to the Group's sales and €0.7 million to net profit. If it had been consolidated from the beginning of the year, the impact on net sales and net profit would have been €17.4 million and €0.8 million respectively.

Acquisitions in 2008

Destiladora San Nicolas

As mentioned in the previous paragraph, the allocation of the acquisition values for Destiladora San Nicolas, which were originally announced on 31 December 2008, was finalised in 2009.

In addition, during the year a price adjustment of €1.3 million was paid, and recorded as an increase in goodwill.

The new values, at the exchange rates in force at the beginning of the year, are shown below.

Fair value at acquisition date	Figures revised at 31 December 2009 (€/000)	Figures published at 31 December 2008 (€/000)
Tangible assets	5,688	1,570
Trademarks	7,122	–
Other intangible assets	3	57
Other non-current assets	2	2
Total fixed assets	**12,815**	**1,628**
Inventories	4,129	4,275
Customer receivables	572	1,150
Other receivables	203	224
Cash and banks	1,352	1,352
Total current assets	**6,257**	**7,001**
Total assets	**19,071**	**8,629**

Fair value at acquisition date	Figures revised at 31 December 2009 (€/000)	Figures published at 31 December 2008 (€/000)
Non-current financial liabilities	8,217	8,217
Risk provisions	46	–
Deferred tax liabilities	3,356	–
Total non-current liabilities	**11,620**	**8,217**
Trade payables	6	513
Other payables	351	360
Total current liabilities	**358**	**874**
Total liabilities	**11,978**	**9,091**
Net assets acquired	**7,093**	**(462)**
Goodwill generated by acquisition	**8,296**	**14,679**
Cost of the investment	**15,389**	**14,217**
of which:		
Price paid in cash, including ancillary costs	15,381	14,032
Liability for earn-out	8	185
Total value of the investment, net of cash and including debt	**22,254**	**21,082**
of which:		
Price paid in cash, including ancillary costs	15,381	14,032
Liability for earn-out	8	185
Cash acquired	–1,352	–1,352
Debt acquired	8,217	8,217

The allocation process resulted in the identification of brands worth €7.1 million at the exchange rates in force at the beginning of the year. The useful life of these assets is considered indefinite, and therefore the related value is tested for impairment at least annually. For more information see note 27 – Impairment.

9. Investments in joint ventures and affiliated companies

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

At 31 December 2009, these investments included International Marques V.O.F., operating in the Netherlands (33.33% stake) and Focus Brands Trading (India) Private Ltd., operating in India (26% stake).

During the year, the Group acquired the remaining stake in M.C.S. S.c.a.r.l., which is now fully consolidated.

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

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

Group portion of the accounts of affiliates	31 December 2009 (€/000)	31 December 2008 (€/000)
Balance sheet		
Non-current assets	39	91
Current assets	3,061	7,107
Total assets	**3,100**	**7,198**
Non-current liabilities	571	625
Current liabilities	1,864	5,473
Total liabilities	**2,435**	**6,098**
Carrying value of shareholdings	665	1,101
Portion of affiliated companies' revenues and costs:		
Revenues	9,305	14,005
Cost of goods sold	(6,601)	(10,370)
Sales and administrative costs	(3,484)	(3,317)
Financial charges	(16)	(5)
Profit before tax	(796)	312
Taxes	–	(83)
Net profit	(796)	230

10. Operating segments

The Group's reporting is based mainly on brands and groups of brands in its four business areas:

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

At operating and management level, the results of the four business areas are analysed on the basis of the contribution margin each business generates. Fixed (structure) costs and taxes (which are managed at the level of each legal entity) and financial management (managed centrally by the Group) are not allocated to the business areas.

No sales are recorded between business areas.

2009	Spirits (€/000)	Wines (€/000)	Soft drinks (€/000)	Other sales (€/000)	Total allocated (€/000)	Non-allocated items and adjustments (€/000)	Consolidated (€/000)
Net sales to third parties	739,599	154,876	100,289	13,661	1,008,425	–	1,008,425
Contribution margin	330,892	30,837	37,462	1,993	401,183	–	401,183
Impairment of goodwill	–	(4,661)	–	–	(4,661)	–	(4,661)
Structure costs	–	–	–	–	–	(160,904)	(160,904)
EBIT	**–**	**–**	**–**	**–**	**–**	**–**	**235,618**
Net financial income (charges)	–	–	–	–	–	(36,549)	(36,549)
Affiliates' portion of profit	(575)	(66)	(143)	(13)	(796)	–	(796)
Taxes	–	–	–	–	–	(60,783)	(60,783)
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**137,489**
Other items included in the income statement:							
Depreciation and amortisation	10,683	7,288	1,500		19,472	5,934	25,406
Other information:							
Investments in affiliates	480	55	119	11	665	–	665
Operating assets	1,632,226	276,763	32,196	–	1,941,185	436,584	2,377,770
Operating liabilities	137,273	40,204	18,396	–	195,873	1,136,556	1,332,429
Investments in tangible and intangible assets (*)	390,673	18,534	537	–	409,744	15,690	425,434

(*) Investments also include assets acquired during the year.

For information on the impairment of goodwill, see note 27 – Impairment.

In 2009, the operating assets allocated do not include deferred tax assets (€28,128 thousand), other non-current assets (€162,293 thousand), financial receivables (€6,656 thousand), cash and cash equivalents (€129,636 thousand), non-current assets held for sale (€11,135 thousand) and other non-allocated assets (€98,736 thousand).

Operating liabilities do not include bonds (€806,440 thousand), other non-current financial liabilities (€77,746 thousand), deferred taxes (€87,853 thousand), payables to banks (€17,274 thousand), other financial payables (€25,101 thousand), tax payables (€75,809 thousand) and other non-allocated liabilities (€46,333 thousand).

2008	Spirits (€/000)	Wines (€/000)	Soft drinks (€/000)	Other sales (€/000)	Total allocated (€/000)	Non-allocated items and adjustments (€/000)	Consolidated (€/000)
Net sales to third parties	663,942	157,606	103,016	17,765	942,329	–	942,329
Contribution margin	266,468	32,826	38,430	3,519	341,243	–	341,243
Structure costs	–	–	–	–	–	(145,856)	(145,856)
EBIT	**–**	**–**	**–**	**–**	**–**	**–**	**195,387**
Net financial income (charges)	–	–	–	–	–	(22,205)	(22,205)
Affiliates' portion of profit	168	46	16	–	230	–	230
Charges for put option	–	–	–	–	–	(987)	(987)
Taxes	–	–	–	–	–	(45,680)	(45,680)
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**126,745**
Other items included in the income statement:							
Depreciation and amortisation	7,965	6,618	1,592		16,176	3,125	19,301
Other information:							
Investments in affiliates	804	220	77	–	1,101	–	1,101
Operating assets	1,068,635	267,674	43,256	–	1,379,565	424,927	1,804,492
Operating liabilities	112,294	36,201	18,044	–	166,539	684,057	850,596
Investments in tangible and intangible assets	108,100	12,336	1,524	–	121,961	31,029	152,990

Information on sales by region

2009	Revenues from external customers (€/000)	Non-current assets (€/000)
Italy	388,064	547,102
Europe	231,579	45,128
Americas	325,253	907,523
Rest of the world	63,530	8,243
Total	**1,008,425**	**1,507,996**

2008	Revenues from external customers (€/000)	Non-current assets (€/000)
Italy	387,302	532,305
Europe	212,938	36,894
Americas	296,488	546,152
Rest of the world	45,601	8,365
Total	**942,329**	**1,123,715**

Information on sales by region is based on customer locations.

The non-current assets listed above consist of property, plant and machinery, investment property, trademarks, goodwill and other intangible assets.

The revenues from a single third-party distributor on the US market totalled €132,170 thousand (€133,959 thousand in 2008) and related to sales in the spirits sector.

These sales accounted for 13% of the Group's total revenues in 2009 (14% in 2008).

11. Revenues

	2009 (€/000)	2008 (€/000)
Sale of goods	1,002,685	935,728
Provision of services	5,741	6,601
Total net sales	**1,008,425**	**942,329**

The provision of services mainly relates to bottling the products of third parties.
Please refer to the relevant section in the Report on operations for a detailed analysis of this item.

12. Cost of goods sold

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

Cost of goods sold by function	2009 (€/000)	2008 (€/000)
Materials and manufacturing costs	398,994	393,737
Distribution costs	36,637	34,474
Total cost of goods sold	**435,631**	**428,211**

Cost of goods sold by nature	2009 (€/000)	2008 (€/000)
Raw materials and finished goods acquired from third parties	330,210	333,377
Personnel costs	33,464	28,355
Depreciation	19,353	14,665
Utilities	7,182	6,531
External production and maintenance costs	12,043	11,913
Variable transport costs	26,629	26,291
Other costs	6,751	7,080
Total cost of goods sold	**435,631**	**428,211**

13. Structure costs

Structure costs include:

Breakdown of structure costs by function	2009 (€/000)	2008 (€/000)
Sales costs	78,502	72,003
General and administrative expenses	87,063	73,853
Total structure costs	**165,565**	**145,856**

Breakdown of structure costs by nature	2009 (€/000)	2008 (€/000)
Agents and other variable sales costs	13,755	14,731
Depreciation	6,053	4,584
Personnel costs	80,207	69,006
Travel, transfers, training, meetings, etc.	14,149	12,897
Utilities	4,105	3,669
Services, maintenance and insurance	20,742	16,311
Operating leases and rental expenses	8,652	9,565
Other	13,786	11,444
Non-recurring (income) and charges	4,115	3,649
Total structure costs	**165,565**	**145,856**

14. Depreciation

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

	2009 (€/000)	2008 (€/000)
Depreciation and amortisation included in cost of goods sold:		
– Tangible assets	(19,285)	(14,582)
– Intangible assets	(68)	(82)
Depreciation and amortisation included in structure costs:		
– Tangible assets	(3,411)	(2,026)
– Intangible assets	(2,643)	(2,611)
Total depreciation and amortisation		
– Tangible assets	(22,695)	(16,608)
– Intangible assets	(2,711)	(2,693)
Total	**(25,406)**	**(19,301)**

15. Personnel costs

	2009 (€/000)	2008 (€/000)
Salaries and wages	82,903	72,405
Social security contributions	21,181	16,651
Cost of defined contribution pension plans	3,548	3,210
Cost of defined benefit pension plans	333	628
Other costs relating to long-term benefits	1,115	588
Cost of share-based payments	4,592	3,879
	113,672	**97,361**

The allocation of personnel costs to the cost of goods sold and structure costs is set out in detail in the two previous notes. Personnel costs increased by 16.7% compared with the previous year, reflecting the consolidation of the subsidiaries Sabia, Destiladora San Nicolas, Odessa, M.C.S. and Rare Breed.

16. Research and development costs

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

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

17. Other costs

Minimum payments under operating leases in 2009 were €6,404 thousand (€5,101 thousand in 2008) and relate to contracts held by Group companies on IT equipment, company cars and other equipment, and to leasing agreements on property.

18. Other one-offs: income and charges

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

	2009 (€/000)	2008 (€/000)
Capital gains on the sale of buildings	–	5,907
Other capital gains on the sale of fixed assets	–	582
Changes in put option and earn-out	6,407	–
Total one-offs: income	**6,407**	**6,489**
Provisions for risks and future liabilities	(166)	(822)
Expenses for the completion of commercial transactions	–	(3,419)
Liquidation costs	(427)	–
Impairment of goodwill	(4,661)	–
Write-downs of Group company assets	(1,007)	–
Write-downs of fixed assets	(150)	(114)
Rental fees	(529)	–
Personnel restructuring costs	(2,137)	(3,403)
Penalty for the early termination of a distribution relationship	(359)	(1,541)
Other one-offs: charges	(1,087)	(839)
Total one-offs: charges	**(10,522)**	**(10,138)**
Total (net)	**(4,115)**	**(3,649)**

The changes in put option and earn-out refer to the change in the financial payable for the earn-out relating to X-Rated Fusion Liqueur, following the payment in 2009 of a lower amount than previously estimated.

This item also includes changes in the estimates of the financial payable for the put option on the remaining stake in Cabo Wabo.

Provisions for risks and future liabilities relate to the legal disputes of a subsidiary.

Liquidation costs of €427 thousand refer to the closure of Campari Teoranta during the year.

For information on the impairment of goodwill, see note 27 – Impairment.

The €1,007 thousand write-down in the value of Group company assets refers to Qingdao Sella & Mosca Winery Co., and was made necessary due to the impairment losses incurred over the last few years.

Rental fees were paid to the lessor of the property previously used as the headquarters of some of the Italian group companies, as compensation for the delay in vacating the property.

The personnel restructuring costs of €2,137 thousand were incurred by Campari do Brasil Ltda and the Italian companies in relation to various positions.

The termination of the distribution contract with Glazer's Wholesale by Skyy Spirits, LLC resulted in costs of €359 thousand.

In addition, financial income and charges were affected by one-off costs of €7,653 thousand consisting of financial charges for the structuring of the Wild Turkey acquisition.

Further details are given in the next section.

19. Financial income and charges

Net financial charges for the year break down as follows:

	2009 (€/000)	2008 (€/000)
Bank and term deposit interest	6,104	8,548
Other income	608	1,131
Total financial income	**6,712**	**9,678**
Net interest payable on bonds and private placements	(25,267)	(18,976)
Interest payable on leases	(255)	(772)
Interest payable to banks	(5,711)	(5,160)
Total interest payable	**(31,233)**	**(24,908)**
Actuarial effects on defined benefit plans	(415)	(420)
Effect of discounting payables for put option	(423)	–
Bank charges	(560)	(474)
Other costs and exchange rate differences	(2,976)	(2,774)
Total financial charges	**(35,608)**	**(28,576)**
Financial charges on Term and Revolving Loan Facility	(7,653)	–
Change in fair value of derivatives not used for hedging	–	6,839
Write-down of financial assets	–	(10,147)
Non-recurring financial charges	**(7,653)**	**(3,308)**
Net financial income (charges)	**(36,549)**	**(22,205)**

Bank interest income was lower than in 2008 due to substantially lower market rates in both in the eurozone and in the dollar area than in the previous year.

The interest payable to banks chiefly related to the use of the Term and Revolving Loan Facility negotiated with a pool of banks to finance the acquisition of Wild Turkey, and was subsequently settled following a private placement by Redfire, Inc. and a Eurobond issue by the Parent Company.

Financial charges on bond issues and private placements increased following the issue during the year of the above-mentioned private placement (US$ 250 million) and Eurobond (€350 million).

In June, Redfire, Inc. launched the private placement with a fixed coupon paying between 6.83% and 7.99%, while the Parent Company's Eurobond, issued in October 2009, pays a fixed coupon of 5.375%; part of the liability (€250 million) has been transferred to variable rates.

On the previously existing private placement, Redfire, Inc. paid interest at a fixed rate of between 5.67% and 6.49%, redeeming a portion of the principal equivalent to US$ 12.3 million.

On the bond issued in 2003, the Parent Company paid an average fixed rate of 4.25% on an underlying of €172 million, while on an underlying of €86 million, the average variable rates paid were much more favourable than those for the previous year.

The reconciliation of net interest payable on the bond issue with the coupons paid to investors is shown below.

		2009		2008
	Parent Company (€/000)	Redfire, Inc. (€/000)	Total (€/000)	Total (€/000)
Borrowing costs payable to bondholders (coupons)	(13,605)	(13,415)	(27,020)	(15,415)
Net financial income (charges) on swaps	756		756	(3,864)
Net cost	(12,849)	(13,415)	(26,265)	(19,279)
Net changes in net fair value and other amortised cost components	(1,434)	1,629	196	(568)
Cash flow hedge reserve reported in the income statement in the year	802		802	871
Net interest payable on bonds and private placements	(13,481)	(11,786)	(25,267)	(18,976)

Non-recurring financial charges for the year of €7,653 thousand consisted of financial charges for the structuring of the Term and Revolving Loan Facility.

Note that in the previous year non-recurring charges related to the collapse of Lehman Brothers, and to the loss of the related hedging derivatives.

20. Put option charges

Put option charges relate to the portion of profits pertaining to the minority interests in Cabo Wabo.

In 2008, this item also included a portion pertaining to the minority interests in Sabia S.A.; in November 2009, the Group acquired these interests, taking its stake to 100%.

21. Income taxes

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

	2009 (€/000)	2008 (€/000)
Income tax – current		
– taxes for the year	(52,355)	(39,186)
– taxes relating to previous years	(1,645)	2,024
Income tax – deferred		
– newly reported and cancelled temporary differences	(6,783)	(8,518)
Income tax reported on the income statement	**(60,783)**	**(45,680)**

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

	2009 (€/000)	2008 (€/000)
Current taxes relating to profits (losses) posted directly to shareholders' equity	–	–
Deferred taxes on profits (losses) from cash flow hedging	5,717	(1,858)
	5,717	**(1,858)**

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

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

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

Reconciliation of the theoretical tax charge with the actual charge	2009 (€/000)	2008 (€/000)
Group profit before tax	197,895	172,227
Applicable tax rate in Italy	27.50%	27.50%
Group theoretical taxes at current tax rate in Italy	(54,421)	(47,362)
Difference in tax rate of foreign companies compared to the theoretical rate	1,068	6,632
Difference in tax rate of Italian companies compared to the theoretical rate	482	223
Taxes relating to previous financial years	(1,645)	2,024
Permanent differences	(862)	(1,928)
Other consolidation differences	22	(8)
IRAP	(5,428)	(5,259)
Actual tax charge	(60,783)	(45,680)
Actual tax rate	30.7%	26.5%

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

	Balance sheet		Income statement	
	31 December 2009 €/000	31 December 2008 €/000	2009 €/000	2008 €/000
Deferred expenses	1,166	1,251	(188)	(486)
Taxed reserves	10,623	4,313	6,396	(452)
Past losses	5,074	4,479	(644)	(418)
Other	11,264	4,320	5,886	966
Deferred tax assets/income	**28,127**	**14,362**	**11,450**	**(390)**
Accelerated depreciation	(6,303)	(5,338)	(3,596)	158
Capital gains subject to deferred taxation	(1,718)	(2,759)	1,040	(503)
Goodwill and trademarks deductible locally	(78,539)	(57,185)	(16,891)	(11,736)
Cash flow hedging	(591)	(5,434)	242	300
Reserves subject to taxation in event of dividend	(130)	(624)	494	(61)
Adjustment to Group accounting principles	5,649	4,725	923	804
Leasing	(2,629)	(2,629)	–	325
Allocation of values deriving from acquisitions	(2,953)	(2,889)	–	–
Other	(638)	(243)	(445)	2,586
Deferred tax liabilities/expenses	**(87,853)**	**(72,375)**	**(18,232)**	**(8,128)**
Total			**(6,783)**	**(8,518)**

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

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

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

22. Basic and diluted earnings per share

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

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

Base earnings per share are calculated as follows:

Basic earnings	31 December 2009			31 December 2008		
	Profit (€/000)	No. of shares	Earnings per share €	Profit (€/1000)	No. of shares	Earnings per share €
Net profit attributable to ordinary shareholders	137,112			126,547		
Weighted average of ordinary shares outstanding		288,010,759			289,189,750	
Basic earnings per share			**0.48**			**0.44**

Diluted earnings per share are calculated as follows:

Diluted earnings	31 December 2009			31 December 2008		
	Profit (€/000)	No. of shares	Earnings per share €	Profit (€/1000)	No. of shares	Earnings per share €
Net profit attributable to ordinary shareholders	137,112			126,547		
Weighted average of shares outstanding		288,010,759			289,189,750	
Weighted average of shares for stock option plans		1,323,982			1,423,221	
Weighted average of ordinary shares outstanding net of dilution		289,334,741			290,612,972	
Diluted earnings per share			**0.47**			**0.44**

23. Net tangible assets

Changes in this item are indicated in the table below.

	Land and buildings (€/000)	Plant and machinery (€/000)	Other (€/000)	Total (€/000)
Carrying value at start of year	145,550	196,381	31,285	373,217
Accumulated depreciation at start of year	(38,991)	(131,277)	(22,964)	(193,233)
Balance at 31 December 2008	**106,558**	**65,104**	**8,322**	**179,985**
Change in basis of consolidation	33,544	1,530	33,097	68,170
Investments	32,050	20,893	5,757	58,700
Disposals	–	(51)	(1,853)	(1,904)
Depreciation	(5,420)	(12,422)	(3,951)	(21,792)
Reclassification from assets held for sale	162	1,127	245	1,533
Other reclassifications	1,990	(3,999)	2,008	–
Write-downs	(7)	(276)	(21)	(304)
Exchange rate differences and other changes	50	719	(1,172)	(404)
Balance at 31 December 2009	**168,927**	**72,625**	**42,432**	**283,984**
Carrying value at end of year	215,368	228,818	75,220	519,406
Accumulated depreciation at end of year	(46,441)	(156,193)	(32,787)	(235,421)

The change in the basis of consolidation, of €68,170 thousand, was due to the acquisition of Wild Turkey for €67,265 thousand, CJSC Odessa Sparkling Wine Company for €841 thousand and M.C.S. S.p.r.l for €64 thousand.

Investments in land and buildings for the period, amounting to €32,050 thousand, include construction costs of €4,810 thousand for the new headquarters of some of the Group's Italian companies at Sesto San Giovanni.

The total cost of this project has been reported at €51,607 thousand, including an amount of €11,767 thousand capitalised during the year; of this, €5,701 thousand was included under plant and machinery and €1,256 thousand under other.

In 2009 a new warehouse for storing finished products began operating at the Parent Company's plant in Novi Ligure. For 2009, the related investment was €9,390 thousand, including €6,931 thousand recorded under land and buildings.

Campari do Brasil Ltda. invested €8,796 thousand in the construction of a new plant at Suape, for which it has so far recorded total assets of €15.7 million, of which €14.8 million related to 2009.

The newly-acquired Rare Breed Distilling, LLC is in the process of building a new distillery in Lawrenceburg, which had been initiated by the vendors.

The project has been financed through third parties via the parent company Redfire, Inc, and €5,722 thousand was capitalised following the acquisition.

The related financial charges of €73 thousand were therefore capitalised, at a rate of 7.3%.

Lastly, investments in land and buildings include €1,700 thousand attributable to Glen Grant Distillery Company Ltd. for building works carried out in the semi-finished products warehouse at Burncrook; the remainder is attributable to the expansion and restructuring work carried out at the offices and plants of various Group subsidiaries.

Investments in plant and machinery, amounting to €20,893 thousand, primarily included:

- investments made by the Parent Company totalling €11,628 thousand, which mainly comprised €5,701 thousand for the new Group headquarters, while at the production sites, €1,430 thousand was spent on innovations to production lines at Canale, €693 thousand on line maintenance at Crodo and €3,795 thousand on line improvements at Novi Ligure;
- investments of €5,993 thousand made by Campari do Brasil Ltda. in the new plant at Suape.

Other investments in tangible assets, of €5,757 thousand, included:

- €2,815 thousand for the purchase of barrels to age whisky by Rare Breed Distilling, LLC and €1,077 thousand for the purchase of the same by Grant Distillery Company Ltd.;

– €1,484 thousand for the purchase of furniture and electronic equipment, mainly for the new headquarters of some of the Group's Italian companies.

Disposals of €1,853 thousand were entirely attributable to Rare Breed Distilling, LLC, and related to the sale of barrels.

The reclassification of non-current assets held for sale of €1,533 thousand includes certain plants and production lines at the Sulmona site, which were removed from use in 2007 and put up for sale.

During the year, in accordance with the requirements relating to its industrial investment plan, the Group deemed it appropriate to return to using the plants and production lines in question, which have therefore been reclassified under plant and machinery.

Lastly, please note that, for greater clarity, fixed assets in progress of €22,481 thousand are included under the categories to which they relate, depending on the nature of the investment.

The following table provides a breakdown of tangible assets by ownership.

	Owned fixed assets (€/000)	Fixed assets under finance leases (€/000)	Total (€/000)
Land and buildings	147,785	21,142	168,927
Plant and machinery	71,803	822	72,625
Other assets	42,433	–	42,433
	262,020	**21,964**	**283,984**

24. Biological assets

This item includes biological assets consisting of fruit-bearing and mature vines that provide grapes for wine production.

Sella & Mosca S.p.A. owns vineyards covering approximately 548 hectares north of Alghero in Sardinia, 93 hectares near San Gimignano in Tuscany and around ten hectares near Alba in Piedmont.

The Group also owns 73 hectares of vineyards in Saint Gilles in France, through Société Civile du Domaine de La Margue.

Changes in this item are indicated in the table below.

	Assets valued at fair value (€/000)	Assets valued at cost (€/000)	Total (€/000)
Opening value	3,144	20,424	23,568
Opening accumulated amortisation	–	(5,550)	(5,550)
Balance at 1 January 2009	**3,144**	**14,874**	**18,018**
Investments	–	1,403	1,403
Fair value valuation charges	(51)	–	(51)
Disposals	–	(30)	(30)
Depreciation	–	(839)	(839)
Write-downs	–	(47)	(47)
Balance at 31 December 2009	**3,093**	**15,407**	**18,501**
Closing value	3,093	21,777	24,870
Closing accumulated amortisation	–	(6,369)	(6,369)

The increase of €1,403 thousand during the year relates to Sella & Mosca S.p.A. and refers to internal work on non-productive vineyards, mainly in Sardinia (€759 thousand) and to a lesser extent, in Piedmont (€617 thousand).

Moreover, the increase during the year that relates to Sella & Mosca S.p.A includes capitalised internal labour costs of €912 thousand.

As for the biological assets in Sardinia, with respect to the application of IAS 41 on the accounting treatment of biological assets (vines) and biological products (grapes), given the unique situation of the territory in which Sella & Mosca S.p.A. operates, as described below, it was decided to continue recording these assets at cost, less accumulated depreciation, since valuation at fair value would require the following conditions to be met, which do not apply in the context in which the Company operates:

- the existence of an active market for biological products and assets. This is not the case in Sardinia, as the market cannot absorb grapes and vines in the quantities concerned, due to a lack of buyers, and it is not possible to set potential market prices in a scenario in which all products or biological assets are made available for sale;
- the adoption of the alternative cash flow valuation method, which cannot be used due to both the inability to set a reliable price for the biological products concerned in the quantity concerned, and the inability to determine or measure the projected cash flows.

The depreciation rate used by Sella & Mosca S.p.A. for vineyards is 5%.

Other biological assets are valued at fair value, based on expert surveys of agricultural land and the related vineyards.

At 31 December 2009, non-productive biological assets totalled €4,226 thousand, recorded under biological assets in progress, compared to €5,690 thousand at 31 December 2008.

In particular, €2,557 thousand related to vineyards in pre-production in Alghero, Sardinia for vines replanted in 2006.

Non-productive vineyards in Tuscany are valued at €1,508 thousand, and mainly refer to those planted in 2006 and 2007, while vineyards in Piedmont are valued at €162 thousand.

Agricultural output during the year totalled approximately 50,160 quintals in Sardinia, around 4,895 quintals in Tuscany and some 775 quintals in Piedmont.

Given that it was all processed, there were no inventories of this production at the year end.

25. Investment property

At 31 December 2009, investment property of €666 thousand related mainly to the Parent Company, and included apartments and a shop in the provinces of Milan, Bergamo and Verbania, and two buildings in rural locations in the province of Cuneo.

26. Goodwill and trademarks

Changes during the year are shown in the table below.

	Goodwill (€/000)	Trademarks (€/000)	Total (€/000)
Balance at 31 December 2008	**698,142**	**221,799**	**919,941**
Change in basis of consolidation	160,309	130,905	291,214
Price differences of past acquisitions	1,349	–	1,349
Investments	1,392	–	1,392
Impairment	(4,661)	–	(4,661)
Exchange rate differences and other changes	(2,874)	(6,982)	(9,856)
Balance at 31 December 2009	**853,656**	**345,722**	**1,199,379**
Carrying value at end of year	858,317	345,722	1,204,040
Impairment at end of year	(4,661)	–	(4,661)

Intangible assets with an indefinite life are represented by goodwill and trademarks, both deriving from acquisitions.

The Group expects to obtain positive cash flow from these assets for an indefinite period of time.

Goodwill and trademarks are not amortised but are subject to impairment tests.

The form taken by these tests is shown in note 27 – Impairment.

The change in the basis of consolidation relating to goodwill, amounting to €160,309 thousand, was due to the acquisitions made during the year.

Of the goodwill generated by acquisitions, €148,393 thousand was attributed to Wild Turkey, €11,664 thousand to CJSC Odessa Sparkling Wine Company and €252 thousand to M.C.S. S.p.r.l.

The increase of €1,392 thousand in this item relates to the acquisition of the remaining minority interests in Sabia S.A.

The change in the basis of consolidation relating to trademarks, amounting to €130,905 thousand, was entirely attributable to the value of the Wild Turkey brands.

For further information, see note 8 – Acquisitions.

For information on impairment (€4,661 thousand), see note 27 – Impairment.

Exchange rate differences of €9,856 thousand referred to the adjustment to year-end exchange rates of the goodwill relating to Skyy Spirits, LLC, Cabo Wabo, LLC, Campari do Brasil Ltda., Sabia S.A., Destiladora San Nicolas S.A. de C.V., CJSC Odessa Sparkling Wine Company and Wild Turkey, as well as the X-Rated Fusion Liqueur, Cabo Wabo and Wild Turkey trademarks.

27. Impairment

The Group ascertains the possibility of recovering amounts relating to goodwill and trademarks that are recorded in the accounts by carrying out impairment tests annually, or more frequently if there are indications of a loss in value.

The recoverability of the amounts relating to goodwill and trademarks is assessed through an estimate of their value in use, which is the present value of future cash flows discounted at a rate that reflects the time value of money and specific risks on the valuation date.

For the purposes of the impairment tests, the amounts for goodwill and trademarks were allocated to the respective units (or groups of units) that generated cash flows ("cash generating units") on the closing date of the accounts.

Specifically, the cash flow generated by individual products or groups of products (i.e. the Group's brands) was used.

The forecasts of operating cash flows are taken from the 2010 budget and strategic plan drafted by the Group in 2008 for 2009-2013.

The plan, which was not reformulated in 2009, was reviewed in the interests of caution to take into account the change in the macroeconomic environment in relation to the different characteristics of the Group's businesses and key markets. In addition, the five-year plan was adapted for a ten-year period, factoring in medium to long-term growth rates, which do not exceed the average long-term growth rates for the market in which the Group operates. The use of a ten-year period is justified by the life cycle of the products with respect to the reference market.

The assumptions used in estimates of future cash flows were determined on the basis of prudential criteria whereby the contribution margin of the brands is held constant. In addition, projections are based on reasonableness and consistency with respect to the allocation of future general expenses, expected trends in capital investment, conditions of financial equilibrium and the main macroeconomic variables.

The assumptions used in estimates of future cash flows were determined on the basis of the Group's historical averages.

Cash flow projections relate to current operating conditions and therefore do not include cash flows connected with any one-off operations.

The main assumptions for determining the value in use of the cash generating units (i.e. the present value of estimated future cash flows that are assumed to result from the continuing use of the asset) are based on the terminal growth rate and discount rate.

The terminal growth rate was taken to be 1.5%, which does not exceed the sector's estimated long-term growth rate.

The cash flows were discounted at a rate of 7.6%, reflecting the weighted average cost of capital.

Reference was made to the Capital Asset Pricing Model to determine the discount rate, based on indicators and parameters that can be observed on the market, the present value of money and the specific risks connected to the business assessed on the reference date of the estimate.

At 31 December 2009, the tests carried out using the above-mentioned assumptions identified impairment of €4,661 thousand, which was recorded under non-recurring expenses on the income statement.

Of this sum, €2,718 thousand related to the Odessa CGU, acquired in March 2009 and €1,943 thousand related to the Lamargue CGU, acquired as part of the Sella & Mosca – Zedda Piras transaction in January 2002.

Sensitivity analysis

To take into account current market volatility and uncertainty over future economic prospects, sensitivity analyses have been carried out to assess the recoverability of amounts relating to goodwill and trademarks.

In particular, an analysis was carried out of the sensitivity of the recoverable value, estimated based on value in use, with regard to the time horizon of the period in which operating cash flows are estimated, which was reduced from ten to five years.

In addition, a sensitivity analysis of recoverable values was carried out based on the assumption of a half-point increase in WACC and a half-point reduction in the terminal growth rate.

The sensitivity analyses described above confirmed the full recoverability of the amounts recorded for goodwill and trademarks in relation to the CGUs, except for the CGUs that posted impairment losses.

The allocation of values for goodwill and trademarks to individual units, net of impairment losses, is shown in the table below.

	31 December 2009		31 December 2008	
	Goodwill (€/000)	Trademarks (€/000)	Goodwill (€/000)	Trademarks (€/000)
Former Bols brands	4,612	1,992	4,612	1,992
Ouzo-12	9,976	7,429	9,976	7,429
Cinzano	51,457	772	51,457	772
Brazilian acquisition	72,028	–	55,750	–
SKYY	334,112	–	345,852	–
Zedda Piras-Sella&Mosca-Lamargue	55,311	21	57,254	21
Barbero	137,859	–	137,859	–
Riccadonna	–	11,300	–	11,300
Glen Grant, Old Smuggler, Braemar	–	104,277	–	104,277
X-Rated	–	35,515	–	36,809
Cabo Wabo	25,084	49,343	25,545	51,017
DSN	7,342	6,232	6,592	6,131
Sabia	4,240	95	3,246	108
Mondoro	–	1,028	–	1,028
Wild Turkey	143,685	126,753	–	
Odessa	7,699	–	–	–
M.C.S.	252	–	–	–
Other	–	966	–	915
	853,656	**345,722**	**698,142**	**221,799**

28. Intangible assets with a finite life

Changes in this item are indicated in the table below.

	Software (€/000)	Other (€/000)	Total (€/000)
Carrying value at start of year	10,730	13,492	24,222
Accumulated amortisation at start of year	(7,760)	(11,357)	(19,117)
Balance at 1 January 2009	**2,970**	**2,135**	**5,105**
Change in basis of consolidation	31	381	412
Investments	1,618	1,176	2,793
Amortisation for the year	(1,585)	(1,137)	(2,723)
Impairment	–	(155)	(155)
Exchange rate differences and other changes	(12)	48	35
Balance at 31 December 2009	**3,020**	**2,447**	**5,467**
Carrying value at end of year	13,007	14,993	28,000
Accumulated amortisation at end of year	(9,987)	(12,546)	(22,533)

Intangible assets with a finite life were amortised on a straight-line basis in relation to their remaining useful life.

The change in the basis of consolidation of €412 thousand related to the acquisition of M.C.S S.p.r.l. for €29 thousand and the acquisition of CJSC Odessa Sparkling Wine Company for €385 thousand.

Investments for the year of €2,793 thousand were attributable to the Parent Company (€2,054 thousand) for the purchase of software licenses and for developing the SAP R/3 system.

In addition, Campari International S.A.M. and Skyy Spirits, LLC incurred costs of €378 thousand and €186 thousand respectively for the implementation of the new SAP R/3 system and other SAP upgrades.

29. Other non-current assets

This item breaks down as follows:

	31 December 2009 (€/000)	31 December 2008 (€/000)
Financial receivables from Lehman Brothers	4,397	4,480
Term deposits	155,066	–
Other non-current financial assets	–	93
Non-current financial assets	**159,463**	**4,573**
Investments in other companies	309	293
Security deposits	673	557
Receivables from employee benefit funds	872	692
Other non-current receivables from main shareholder	188	
Other	788	1,358
Other non-current assets	2,830	2,900
Non-current assets	**162,293**	**7,473**

The financial receivables from Lehman Brothers, amounting to €4,397 thousand, include the value of derivative instruments that the Group had entered into with the investment bank.

Following the bank's collapse in 2008, the value of these contracts, adjusted to their estimated realisable value (30% of the receivables) was included in long-term financial assets the previous year.

Term deposits of €155,066 thousand refer to liquid investments of Group companies that mature in March 2011 and earn interest at a fixed rate of between 1.20% and 1.22%.

Note that non-current financial assets are included in the Group's net debt figure.

Receivables from employee benefit funds represent a surplus of assets servicing the plan in respect of the present value of benefit obligations at year end.

For further information, see comments under note 38 – Defined benefit plans.

Other non-current receivables from main shareholders, of €188 thousand, relate to tax.

Other receivables refer to Parent Company receivables from tax authorities (€515 thousand) and from the Brazilian subsidiary.

30. Inventories

This item breaks down as follows:

	31 December 2009 (€/000)	31 December 2008 (€/000)
Raw materials, supplies and consumables	32,306	22,599
Work in progress and products in the ageing process	164.429	72,850
Finished products and goods for resale	74,692	70,142
	271,428	**165,592**

The figure at 31 December 2009 includes a change in the basis of consolidation of €83,042 thousand, of which €79,107 thousand was attributable to Rare Breed, LLC, €1,921 thousand to CJSC Odessa Sparkling Wine Company and €2,014 thousand to M.C.S. S.p.r.l.

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

	(€/000)
Balance at 31 December 2008	**3,392**
Change in basis of consolidation	192
Provisions	2,253
Amounts used	(1,508)
Exchange rate differences and other changes	6
Balance at 31 December 2009	**4,335**

31. Trade receivables and other receivables

This item breaks down as follows:

	31 December 2009 (€/000)	31 December 2008 (€/000)
Trade receivables from external customers	211,571	244,688
Trade receivables from affiliates	1,609	5,192
Receivables for contributions to promotional costs	22,986	21,719
Trade receivables	**236,166**	**271,598**
Advances to suppliers of fixed assets	1,211	4,178
Advances and other receivables from suppliers	1,959	3,626
Receivables from tax authorities	9,435	6,659
Receivables from main shareholder for tax consolidation	62	1,536
Receivables from agents and miscellaneous customers	2,426	3,701
Pre-paid expenses	2,917	5,220
Price difference on Wild Turkey acquisition	(1,350)	
Other	7,674	7,509
Other receivables	**24,333**	**32,430**

All the receivables shown above are due within twelve months.

Their carrying value is considered to be close to their fair value.

Trade receivables are shown net of year-end bonuses and payables for promotional costs. This item is reported net of the related provision for write-downs, reflecting the actual risk of uncollectibility, consistent with the disclosure of revenues on the income statement.

The change in the basis of consolidation relating to trade receivables from third parties, of €5,090 thousand, was attributable to the acquisition of M.C.S. S.p.r.l. (€3,888 thousand) and CJSC Odessa Sparkling Wine Company (€1,202 thousand).

In addition, trade receivables from affiliates in 2008 included receivables of €2.5 million from M.C.S. S.c.a.r.l., a fully-consolidated company following the acquisition of the remaining stake in 2009.

The reduction in trade receivables versus the previous year was also attributable to the factoring of receivables on a non-recourse basis by Group companies; these receivables totalled €47.4 million at 31 December 2009.

The item advances to suppliers of fixed assets mainly relates to the Parent Company for payments on account for new plant for manufacturing units (€1,043 thousand).

At 31 December 2008, this item included an advance payment of €3,044 thousand paid by the Parent Company for the design and construction of the new Sesto San Giovanni headquarters.

Receivables from the main shareholder refer to the Parent Company's receivable from Fincorus S.p.A. in relation to the tax consolidation scheme, for which the Group has a net payable of €22,191 thousand, including €188 thousand reported under non-current assets.

These receivables from/payables to the main shareholder for tax consolidation purposes are non-interest bearing (for more details see note 47 – Related parties).

The price difference on the Wild Turkey acquisition reflects the receivable from the vendor for adjustments to the acquisition price for that company.

The table below breaks down receivables by maturity; note that the other receivables column shows the total of receivables from agents and miscellaneous customers and the other item, as shown in the table above.

This breakdown excludes advances to suppliers of non-current assets, prepayments, tax credits and deferred charges.

31 December 2009	Trade receivables (€/000)	Other receivables (€/000)	Total (€/000)
Not due	190,341	8,071	198,412
Due and not written down:			
Less than 30 days	20,152	5	20,157
30-90 days	14,165	150	14,314
Within 1 year	7,235	231	7,466
Within 5 years	2,389	19	2,408
Due after 5 years	178		178
Total due and not written down:	44,120	405	44,525
Due and written down	9,881	522	10,403
Amount written down	(8,176)	(247)	(8,423)
Total receivables broken down by maturity	236,166	8,750	244,916
Receivables not significant for breakdown by maturity	–	15,583	15,583
Total	**236,166**	**24,333**	**260,499**

31 December 2008	Trade receivables (€/000)	Other receivables (€/000)	Total (€/000)
Not due	221,893	10,913	232,806
Due and not written down:			
Less than 30 days	19,668	138	19,806
30-90 days	16,764	37	16,801
Within 1 year	10,113	116	10,229
Within 5 years	2,057	7	2,064
Due after 5 years	132		132
Total due and not written down:	48,734	298	49,032
Due and written down	6,376	97	6,473
Amount written down	(5,404)	(97)	(5,501)
Total receivables broken down by maturity	271,598	11,210	282,807
Receivables not significant for breakdown by maturity		21,220	21,220
Total	**271,598**	**32,430**	**304,028**

The following table shows the changes in bad debt provisions during the period.

(€/000)	Bad debt provisions Trade receivables	Other receivables
Balance at 31 December 2008	**5,976**	**97**
Change in basis of consolidation	277	–
Provisions	4,017	150
Amounts used	(2,467)	–
Exchange rate differences and other changes	373	–
Balance at 31 December 2009	**8,176**	**247**

The change in the basis of consolidation, amounting to €277 thousand relates to the acquisition of M.C.S. S.p.r.l.

Provisions for the year totalling €4,017 thousand comprise €2,009 thousand for trade receivables at Campari Italia S.p.A. and €379 thousand for bad debts relating to Campari's traditional sales channel, Sella & Mosca S.p.A. and Sella & Mosca Commerciale S.r.l.

In addition, a provision of €805 thousand was made for doubtful trade receivables in India, of which €358 thousand relates to the joint venture Focus Brands Trading (India) Private Ltd.

The amounts used include €1,909 thousand in respect of Campari Italia S.p.A. following the settlement of lawsuits outstanding from previous years.

The remaining portion comprises €36 thousand relating to the Parent Company, €187 thousand relating to Sella & Mosca S.p.A. and Sella & Mosca Commerciale S.r.l., and €271 thousand relating to Destiladora San Nicolas, S.A. de C.V.

As regards other receivables, the Parent Company made a provision of €150 thousand in respect of a legal dispute over building works at the Crodo manufacturing unit.

32. Short-term financial receivables

This item breaks down as follows:

	31 December 2009 (€/000)	31 December 2008 (€/000)
Securities	3,571	3,453
Net accrued swap interest income on bonds	1.153	
Valuation at fair value of forward contracts	1,839	
Other financial assets and liabilities	93	4
Short-term financial receivables from affiliates and joint ventures	–	636
Other short-term financial receivables	3,084	640
Short-term financial receivables	**6,656**	**4,093**

Securities mainly include short-term or marketable securities representing a temporary investment of cash, but which do not satisfy all the requirements for classification under cash and equivalents. In particular, the item includes securities that fall due within one year.

Accrued interest on hedging derivatives relating to the Eurobond (€1,153 thousand) reflects current market rates, as the Parent Company transferred part of the liability to variable rates via an interest rate swap.

The valuation at fair value of forward contracts refers to the forward sale/purchase of foreign currencies to hedge receivables and payables or to future sales and purchases.

Receivables from affiliates in 2008 included receivables from M.C.S. S.c.a.r.l., which is now a fully-consolidated company following the Group's acquisition of the remaining stake in 2009.

All financial payables are current and due within a year.

33. Cash and equivalents and reconciliation with net debt

The Group's cash and equivalents break down as follows:

	31 December 2009 (€/000)	31 December 2008 (€/000)
Bank current accounts and cash	93,311	101,217
Term deposits maturing within 1 year	36,324	71,341
Cash and cash equivalents	**129,636**	**172,558**

The cash and cash equivalents item comprises bank current accounts, other sight deposits and those that can be withdrawn within a maximum period of three months from the reporting date, which are held at leading banks and pay variable interest rates based on LIBOR depending on the currency and period concerned.

It also includes securities that can be readily converted to cash consisting of short-term, highly liquid financial investments that can be quickly converted to known cash instruments, with an insignificant risk of change in value.

The reconciliation with the Group's net debt is set out below.

	31 December 2009 (€/000)	31 December 2008 (€/000)
Cash and cash equivalents	129,636	172,558
Liquidity (A)	**129,636**	**172,558**
Securities	3,571	3,453
Other short-term financial receivables	3,084	4
Short-term financial receivables (B)	**6,656**	**3,457**
Short-term bank debt	(17,274)	(107,454)
Current portion of property lease payables	(3,277)	(3,397)
Current portion of private placements and bonds	(5,785)	(8,862)
Other short-term financial payables	(13,537)	(10,839)
Short-term financial debt (C)	**(39,873)**	**(130,552)**
Short-term net financial position (A+B+C)	**96,419**	**45,463**
Medium/long-term bank debt	(895)	(887)
Property lease payables	(6,345)	(10,531)
Private placements and bonds	(861,777)	(337,368)
Other medium/long-term financial payables	(739)	(903)
Payables for put option and earn-out	(16,931)	(26,562)
Medium/long-term financial debt (D)	**(886,688)**	**(376,251)**
Net financial debt (A+B+C+D) (*)	**(790,269)**	**(330,788)**
Reconciliation with Group net debt as shown in the Directors' report:		
Term deposits maturing after 1 year	155,066	
Medium/long-term financial receivables	4,397	4,573
Group net debt	**(630,805)**	**(326,214)**

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

For all information concerning the items that make up net debt excluding liquidity, see note 32 – Current financial receivables and note 37 – Financial liabilities.

34. Non-current assets held for sale

This item includes surplus real estate assets with a high probability of being sold, or for which there is an irrevocable commitment to sell with a third party.

These assets, which are valued at the lower of net carrying value and the fair value net of sales costs, totalled €11,135 at 31 December 2009 and €12,670 thousand at 31 December 2008.

The item includes assets relating to the Sulmona site, which sold its production assets in 2007 (€6,267 thousand), the part of the Termoli site not yet sold (€1,022 thousand), the Ponte Galeria plot in Rome (€3,306 thousand), a building in Tuscany (€500 thousand) and buildings in Crodo (€38 thousand).

Negotiations are under way with potential buyers of these assets, and a disposal plan is being defined; implementation of this plan has been delayed due in some cases to unfavourable market conditions, and in other cases to complex market conditions, and the period for finalising the sale and transfer of the assets has been extended.

Changes during the period are as follows:

	(€/000)
Balance at 1 January 2009	**12,670**
Reclassifications under tangible assets	(1,535)
Balance at 31 December 2009	**11,135**

During the year, the Parent Company reclassified part of the assets to be sold in relation to the Sulmona site, the production lines and certain equipment, for an amount of €1,535 thousand.

These assets are reported under plant and machinery in use.

This was made necessary due to the requirements of the industrial investment plan, and therefore it was considered appropriate to return to using the above-mentioned production lines, reclassifying them under plant and machinery at their carrying value prior to being classified as held for sale, adjusted for the depreciation that would otherwise have been recorded in the reference periods.

35. Shareholders' equity

The Group manages its capital structure and makes changes to it depending on the economic conditions and the specific risks of the underlying asset.

To maintain or change its capital structure, the Group may adjust the dividends paid to the shareholders and/or issue new shares.

In this context, like other groups operating in the same sector, the Group uses the net debt/EBITDA ratio as a monitoring tool.

For this purpose, debt is equivalent to the Group's net debt figure, while EBITDA corresponds to the Group's operating profit before depreciation, amortisation and minority interests.

For information on the composition and changes in shareholders' equity for the periods under review, please refer to "Statement of changes in shareholders equity".

Share capital

At 31 December 2009, the share capital was made up of 290,400,000 ordinary shares with a nominal value of €0.10 each, fully paid-up.

Bonus share issue proposal

The Board of Directors that approves the Parent Company's draft financial statements has been asked to vote on a proposal to proceed with a bonus share issue to be carried out via the issue of 29,040,000 shares with a nominal value of €0.10 each, to be provided free of charge to shareholders in the ratio of one new share for each share held, through the use of retained earnings.

Following the bonus issue, the fully paid-up share capital would total €58,080,000, comprising 58,080,000 ordinary shares.

This proposal will be submitted for the approval of the ordinary and extraordinary shareholders' meetings to be held on 30 April 2010.

Outstanding shares and own shares

The following table shows the reconciliation between the number of outstanding shares at 31 December 2009 and in the two prior years.

	No. of shares			Nominal value		
	31 December 2009	31 December 2008	31 December 2007	31 December 2009 €	31 December 2008 €	31 December 2007 €
Outstanding shares at the beginning of the period	288,459,253	289,355,546	289,049,453	28,845,925	28,935,555	28,904,945
Purchases for the stock option plan	(2,199,000)	(896,293)	(1,580,268)	(219,900)	(89,629)	(158,027)
Sales	1,685,627		1,886,361	168,563		188,636
Outstanding shares at the end of the period	287,945,880	288,459,253	289,355,546	28,794,588	28,845,925	28,935,555
Total own shares held	2,454,120	1,940,747	1,044,454	245,412	194,075	104,445
Own shares as a % of share capital	**0.8%**	**0.7%**	**0.4%**			

In 2009, 2,199,000 own shares were acquired at a purchase price of €13,374 thousand, which equates to an average price of €6.10 per share.

In addition, subsequent to the reporting date for these financial statements, and until their publication is authorised, further sales were carried out of a total of 807,506 own shares through the exercise of subscription rights; and 460,000 shares were purchased at an average price of €8.23 per share.

Dividends paid and proposed

The table below shows the dividends approved and paid in 2008, and dividends subject to the approval of the shareholders' meeting to approve the accounts for the year ending 31 December 2009:

	Total amount		Dividend per share	
	31 December 2009 (€/000)	31 December 2008 (€/000)	31 December 2009 (€)	31 December 2008 (€)
Dividends approved and paid during the year on ordinary shares	31,701	31,829	0.11	0.11
Dividends proposed on ordinary shares	34,595 (*)	31,701	0.12	0.11

(*) calculated on the basis of outstanding shares at the date of the Board of Directors' meeting on 30 March 2010.

Taking into account the bonus share issue proposal, the number of outstanding shares on which to calculate the dividend would increase to 576,186,772, and the number of own shares held would be 4,213,228.

The adjusted dividend per share proposed would be €0.06, an increase of 9.1% compared with the 2008 dividend of €0.055 per share (adjusted).

Other reserves

	Stock options (€/000)	Cash flow hedge (€/000)	Conversion of accounts in (€/000)	Total (€/000)
Balance at 1 January 2009	**9,731**	**13,014**	**(58,549)**	**(35,803)**
Cost of stock options for the year	4,592			4,592
Stock options exercised	(1,523)			(1,523)
Losses (profits) reclassified in the income statement		243		243
Profits (losses) allocated to shareholders' equity				
Cash flow hedge reserve allocated to shareholders' equity		(19,745)		(19,745)
Tax effect allocated to shareholders' equity		5,717		5,717
Tax effect reclassified under profit carried forward				
Conversion difference	16		821	837
Balance at 31 December 2009	**12,816**	**(771)**	**(57,728)**	**(45,683)**

The stock option reserve contains the provision made as an offsetting entry for the cost reported in the income statement for stock options allocated. The provision is determined based on the fair value of the options established using the Black-Scholes model.

For information on the Group's stock option plans, see note 43 – Stock option plans.

The cash flow hedge reserve contains amounts (net of the related tax effect) pertaining to changes resulting from fair value adjustments of financial derivatives recorded using the cash flow hedging methodology.

For further information, see note 44 – Financial instruments.

The conversion reserve reflects all exchange rate differences relating to the conversion of the accounts of subsidiaries denominated in currencies other than euro.

36. Minority interests

The minorities' portion of shareholders' equity, which amounted to €2,536 thousand at 31 December 2009 (€2,136 thousand at 31 December 2008), relates to O-Dodeca B.V. and Kaloyannis-Koutsikos Distilleries S.A. (25%), Qingdao Sella & Mosca Winery Co. Ltd. (6.33%) and CJSC Odessa Sparkling Wine Company (0.25%), all of which are fully consolidated.

With reference to the minority stakes held in Cabo Wabo (20%), given that the Group agreed call/put options to acquire these, the company was consolidated at 100% and the related payable to the holders of these options was recorded under financial liabilities (see next section for further details).

37. Financial liabilities

The table below shows a breakdown of financial liabilities reported in the accounts.

	31 December 2009 (€/000)	31 December 2008 (€/000)
Non-current liabilities		
Parent Company bond (US$) issued in 2003	207,237	221,564
Parent Company bond (Eurobond) issued in 2009	342,759	–
Private placement issued in 2002	84,712	95,287
Private placement issued in 2009	171,731	–
Total bonds and private placements	**806,440**	**316,852**
Payables and loans to banks	895	887
Property leases	6,345	10,531
Derivatives on Parent Company bond (US$)	51,935	20,516
Derivatives on Parent Company bond (Eurobond)	3,403	–
Payables for put option and earn-out	14,429	23,817
Other debt	739	903
Total non-current financial liabilities	**77,746**	**56,654**
Current liabilities		
Payables and loans to banks	**17,274**	**107,454**
Short-term portion of private placement issued in 2002	5,785	8,862
Accrued interest on bonds	11,528	7,475
Accrued swap interest on bonds	–	1,879
Property leases	3,277	3,397
Financial liabilities on hedging contracts	1,668	1,123
Payables for put option and earn-out	2,502	2,745
Other debt	341	362
Other financial payables:	25,101	25,843
Total current liabilities	**926,561**	**506,802**

The table below shows a breakdown of the Group's main financial liabilities, together with effective interest rates and maturities.

Note that, as regards the effective interest rate of hedged liabilities, the rate reported includes the effect of the hedging itself.

Furthermore, the values of hedged liabilities are shown here net of the value of the related derivative, whether it is an asset or liability.

	Effective interest rate for the year ending 31 December 2009	Maturity	31 December 2009 (€/000)	31 December 2008 (€/000)
Payables to banks and loans	1.0% on €. 1.25% on US$	2010	18,169	108,340
Parent Company bonds				
– issued in 2003 (US$)	fixed rate from 4.03% to 4.37% (1) 6-month €Libor + 60 basis points (2)	2015-2018	259,172	242,081
– issued in 2009 (Eurobond)	fixed rate 5.375% 6-month €Libor + 210 basis points (3)	2016	346,162	
Private placement:				
– issued in 2002	fixed rate 6.17%-6.49%	2008-2012	84,712	104,150
– issued in 2009	fixed rate 6.83%. 7.50%. 7.99%	2014-2019	171,731	
Property leases	3-month €Libor + 60 basis points	2010-2012	9,623	13,928
Other loans	0.90%	2010-2015	1,080	1,265

(1) Rate applied to the portion of the bond hedged by an interest rate swap corresponding to a nominal value of €171.9 million.
(2) Rate applied to the portion of the bond hedged by an interest rate swap corresponding to a nominal value of €85.9 million.
(3) Rate applied to the portion of the bond hedged by an interest rate swap corresponding to a nominal value of €250 million.

Bonds

The item bonds includes two bond issues placed by the Parent Company.

The first, with a nominal value of US$ 300 million, was placed in the US institutional market in 2003.

The transaction was structured in two tranches of US$ 100 million and US$ 200 million, maturing in 2015 and 2018 respectively, with a bullet repayment at maturity and interest paid six-monthly at a fixed rate of between 4.33% and 4.63%.

The second issue (Eurobond) was launched on the European market in October 2009, and was aimed at institutional investors, with most of the bonds being placed with investors in Italy, the UK, France, Germany and Switzerland.

The nominal value of this issue is €350 million; it matures on 14 October 2016 and was placed at a price of 99.431%. The coupons are paid annually at a fixed rate of 5.375%, and the gross yield is therefore 5.475%.

With regard to both these issues, the Parent Company has put in place various instruments to hedge the exchange rate and interest rate risks.

On the first, a cross currency swap hedging instrument has been used to neutralise the risks related to fluctuations in the US dollar and movements in interest rates, and the US dollar-based fixed interest rate was changed to a variable euro rate (6-month Euribor + 60 basis points).

In addition, various interest rate swaps were put in place involving the payment of an average fixed rate of 4.25% (rates from 4.03% to 4.37%) on total underlyings of US$ 50 million (maturing in 2015) and US$ 150 million (maturing in 2018).

For the second bond issue, carried out in 2009, an interest rate swap was entered into that involves the payment of a variable rate (6-month Euribor + 210 basis points) on an underlying of €250 million.

The changes in the item in 2009 refer to:

- the €300 million Eurobond issue (net of directly attributable costs of €2.8 million and issue discount of €2.0 million);
- in relation to the 2003 issue (US$), the valuation of hedging instruments (decrease of €14.7 million) and the related effect on the bonds (increase of €14.4 million);
- in relation to the 2009 issue (Eurobond), the valuation of hedging instruments (decrease of €3.4 million) and the related effect on the bonds (increase of €2.6 million).

For more information on these changes, see note 44 – Financial instruments: disclosures.

Private placement

The private placement represents two bonds placed by Redfire, Inc. in the US institutional market in 2002 and 2009.

The 2002 issue, net of redemptions of principal portions already carried out, has a residual nominal value of US$ 125 million (the original value was US$ 170 million).

The 2002 transaction was structured in three tranches of US$ 20 million, US$ 50 million and US$ 100 million.

The first tranche has been redeemed in full, while the second tranche will be redeemed in equal portions by the end of 2012, and the third tranche will be redeemed with a bullet payment in 2012.

The six-monthly coupons are based on fixed rates of 6.17% and 6.49%.

The amount falling due within one year is US$ 8.3 million.

The issue placed in June 2009 has a nominal value of US$ 250 million.

This transaction is also structured in three tranches, of US$ 40 million, US$ 100 million and US$ 110 million respectively, with bullet maturities in 2014, 2016 and 2019.

The six-monthly coupons are based on fixed rates of 6.83%, 7.50% and 7.99%.

The changes in the item during the year relate to:

- the new US$ 250 million bond issue (net of directly attributable costs of €2.6 million);
- the portion redeemed in 2009 relating to the 2002 private placement (US$ 12.3 million);
- the release of the effects of the amortised cost of the 2002 private placement, previously adjusted due to fair value hedges no longer in existence following the collapse of the counterparty Lehman Brothers; this effect is equivalent to financial income of US$ 2.3 million (€1.6 million).

Payables to banks

At 31 December 2009, the non-current portion of payables to banks includes €352 thousand relating to a loan obtained by Sella & Mosca S.p.A., secured by mortgages on land and buildings and liens on plant and machinery. The residual amount of payables to banks represents the residual portion of two bank loans pertaining to subsidiaries.

The current portion relates to loans obtained by certain subsidiaries and short-term credit lines used locally.

Leasing

Leasing payables refer to finance leases entered into by the Parent Company in 2004, with expiry in 2012, for the property complex in Novi Ligure.

Payable for put option and earn-out

The agreements relating to the acquisitions of Cabo Wabo and Sabia S.A. provide for the possibility of the exercise of call/put options on the remaining stakes (20% and 30% respectively).

The options relating to 30% of Sabia S.A. were exercised in 2009, in advance of the date originally agreed; the payable has therefore been settled.

The item includes estimated three-year earn-out payments agreed as part of the acquisition of X-Rated Fusion Liqueur in 2007 and Destiladora San Nicolas, S.A. de C.V. in 2008.

The payments are to be made on an annual basis.

In addition, the agreement for the acquisition of Sabia S.A. in 2008 also provided for an earn-out mechanism payable in 2012.

Changes in the item compared to 2008 refer to the payment for the remaining stake in Sabia S.A. (€1.9 million), the earn-out relating to X-Rated Fusion Liqueur (€1.6 million) and the revised estimate of the payables described above.

In particular, an amount of €6,407 thousand was recycled to the income statement following a revision of the estimates made in the previous year relating to the Cabo Wabo put options and the X-Rated Fusion Liqueur earn-out.

Other debt

This item includes a Parent Company loan agreement with the industry ministry, for repayment in ten annual instalments starting in February 2006.

Financial liabilities on forward contracts

At 31 December 2009, this item related to the fair value of forward purchases and sales of foreign currency.

A portion of this item relates to the hedging of cash flows not yet generated and has been allocated directly to shareholders' equity, net of the related tax effect.

For further details, see note 44 (Financial instruments: disclosures).

38. Defined benefit plans

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

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

The benefits are provided through defined contribution and/or defined benefit plans.

For defined contribution plans, Group companies pay contributions to private pension funds and social security institutions, based on either legal or contractual obligations, or on a voluntary basis.

The companies fulfil all their obligations by paying the said contributions.

At the end of the financial year, any liabilities for contributions to be paid are included in the other current liabilities item; the cost for the period is reported according to function in the income statement.

Defined benefit plans may be unfunded or fully or partially funded by contributions paid by the company, and sometimes by its employees, to a company or fund which is legally separate from the company and which pays out benefits to employees.

As regards the Group's Italian subsidiaries, the defined benefit plans consist of the staff severance fund (TFR), to which its employees are entitled by law.

Following the reform of the supplementary pension laws in 2007 for companies with at least 50 employees, TFR contributions accrued up to 31 December 2006 remain in the company, while for contributions accruing from 1 January 2007, employees have the choice to allocate them to a supplementary pension scheme, or keep them in the company, which will transfer the TFR contributions to the INPS fund.

As a result, TFR contributions accrued up to 31 December 2006 will continue to be classified as defined benefit plans, with the actuarial valuation criteria remaining unchanged in order to show the current value of the benefits payable on the amounts accrued at 31 December 2006 when employees leave the company.

TFR contributions accrued from 1 January 2007 are classified as defined contribution plans.

As the Group's Italian companies pay contributions through a separate fund, without further obligations, the Company records its contributions to the fund for the year to which they relate, in respect of employees' service, without making any actuarial calculation.

For the portion of the staff severance fund considered as a defined benefit plan, this is an unfunded plan that therefore does not hold any dedicated assets.

In addition, some Group companies have the same type of plans for their current and/or former employees.

These plans have the benefit of dedicated assets.

The liability relating to the Group's defined benefit plans, which is calculated on an actuarial basis using the projected unit credit method, is reported on the balance sheet, net of the fair value of any dedicated assets.

In cases where the fair value of dedicated assets exceeds the value of the post-employment benefit obligation, and where the Group has the right to reimbursement or to reduce its future contributions to the plan, the surplus is reported as a non-current asset, in accordance with IAS 19.

The following table provides details of the staff severance fund in the last four financial years.

TFR	31 December 2009 (€/000)	31 December 2008 (€/000)	31 December 2007 (€/000)	31 December 2006 (€/000)
Defined benefit obligations	9,363	10,378	11,565	12,631

The following table provides details of other defined benefit plans, which are financed by dedicated assets, in the last four financial years.

Other plans	31 December 2009 (€/000)	31 December 2008 (€/000)	31 December 2007 (€/000)	31 December 2006 (€/000)
Defined benefit obligations	3,997	3,561	3,336	2,405
Dedicated plan assets (–)	(4,424)	(3,969)	(3,898)	(2,610)
Plan surplus (deficit)	428	407	562	205

The following table provides details of the net cost of defined benefit plans reported in the income statement in 2009 and 2008.

Net cost of benefit	TFR		Other plans	
	2009 (€/000)	2008 (€/000)	2009 (€/000)	2008 (€/000)
Cost for current work provided	221	73	54	109
Financial charges	389	407	23	157
Expected income on plan assets	–	–	–	(144)
Net actuarial (gains)/losses	85	276	(24)	21
Effect of curtailment	–	–	–	167
	695	**756**	**53**	**310**

The following table reports changes in the present value of defined benefit obligations in 2009 and 2008.

Changes in present value of obligations	TFR		Other plans	
	31 December 2009 (€/000)	31 December 2008 (€/000)	31 December 2009 (€/000)	31 December 2008 (€/000)
Present value at 1 January	10,378	11,565	3,561	3,336
Cost of current work provided	221	73	54	109
Benefits paid	(1,680)	(2,415)	253	(129)
Financial charges	389	407	23	157
Actuarial gains (losses)	85	276	(24)	21
Curtailment	–	–	–	167
Other changes	(30)	471	130	(100)
Present value al 31 December	**9,363**	**10,378**	**3,997**	**3,561**
Dedicated plan assets deducted directly from the obligation	–	–	(3,552)	(3,277)
TFR and other pension funds	**9,363**	**10,378**	**444**	**285**

The following table shows the changes in the fair value of dedicated assets in defined benefit plans in the last three years:

Dedicated plan assets	31 December 2009 (€/000)	31 December 2008 (€/000)	31 December 2007 (€/000)
Present value al 1 January	3,969	3,898	2,610
Expected return		144	96
Employer' contributions	149	160	336
Employee contributions	262	63	59
Benefits paid	119	(644)	(75)
Actuarial gains (losses)	–	7	–
Other changes	(75)	341	873
Present value al 31 December	**4,424**	**3,969**	**3,898**
Dedicated plan assets deducted directly from the obligation	(3,552)	(3,277)	(3,245)
Receivables from employee benefit funds	**872**	**692**	**653**

Obligations related to the plans described above are calculated on the basis of the following actuarial assumptions.

The rates relating to the costs of health benefits are not included in the assumptions used in determining the above obligations. Thus, any changes in these rates would not have any effect.

39. Reserves for risks and future liabilities

The table below indicates changes to this item during the period.

	Tax reserve (€/000)	Reserve for industrial restructuring (€/000)	Agent severance fund (€/000)	Other (€/000)	Total (€/000)
Balance at 31 December 2008	**3,298**	**2,401**	**1,114**	**2,240**	**9,053**
Change in basis of consolidation	–	16	–	905	921
Provisions	2,347	1,578	379	642	4,946
Amounts used	(2,527)	(295)	(262)	(1,600)	(4,683)
Exchange rate differences and other changes	285	15	(12)	137	425
Balance at 31 December 2009	**3,404**	**3,715**	**1,220**	**2,323**	**10,661**
of which, projected disbursement:					
within 1 year	2,269	3,715	–	934	6,918
after 1 year	1,135		1,220	1,390	3,745

The change in the basis of consolidation, of €921 thousand, mainly referred to Rare Breed Distilling, LLC, in relation to liabilities for making secure warehouses storing products undergoing the ageing process.

The tax reserve, which stood at €3,404 thousand at 31 December 2009, mainly covers probable tax liabilities that could arise for the Parent Company and Campari Italia S.p.A. as a result of the tax inspection in 2006 and 2007 in respect of the tax years of 2003, 2004 and 2005.

In December 2009, notices of tax inspections relating to 2004 were sent to Campari Italia S.p.A.

As a result, in February 2010 the company presented an application for entering into an agreement with the tax authority (a procedure aimed at avoiding disputes).

Provisions for the year of €2,347 thousand relate to Campari do Brasil Ltda. in respect of tax issues arising prior to the Group's acquisition of the company.

This sum will be reimbursed by the vendor and therefore has no impact on the income statement.

The reserve for industrial restructuring, which amounted to €3,715 thousand, relates to liabilities recorded following the termination of production at the Sulmona plant in 2007 (€2,370 thousand), based on the special agreement with the trade unions regarding the programme of alternative measures and support for employees.

The procedure that led to the creation of this reserve will be abolished in 2010, and the remaining amount fully used.

The provisions of €1,578 thousand relate to the Parent Company and Campari Italia S.p.A. €363 thousand for the estimated costs of a redundancy agreement signed in April, while €563 thousand related to the closure of Qingdao Sella & Mosca Winery Co. Ltd.

Lastly, provisions of €570 thousand were made for the removal of various positions within the Group.

The agent severance fund covers the estimate of the probable liability to be incurred for disbursing the additional compensation due to agents at the end of the relationship.

This amount was discounted using an appropriate rate.

At 31 December 2009, the other reserves item includes the estimated liability for miscellaneous lawsuits and staff settlements.

It also includes, with regard to Campari Italia S.p.A., the costs deriving from existing agreements with agents, the amount of which is defined based on transactions completed in the first few months of 2010, and adjustments to sales for deferred discounts, price differences and returns on sales invoiced in 2009, for which it was not possible to determine reliably and objectively the amount and existence at the reporting date.

Note that at 31 December 2008, the company was in dispute with the Brazilian tax authorities, which have contested the classification of products sold by Campari do Brasil Ltda. for production tax (IPI) purposes.

At 31 December 2009, the increase in taxes and penalties stood at BRL 120.8 million (€48.1 million).

The company has contested this claim in full, appointing local advisors. Based on the opinions expressed by the advisors, it is deemed unnecessary at present to establish a special provision.

As a result, no provisions were made for this item in the accounts for the year ending 31 December 2009.

In addition, following a tax assessment of the Parent Company relating to the 2005 tax year, a report was issued claiming that the company owed additional IRES of €2.7 million and IRAP of €0.4 million.

The Parent Company is contesting these findings.

No provisions have been made for these tax risks based on current assumptions.

40. Trade payables and other current liabilities

	31 December 2009 (€/000)	31 December 2008 (€/000)
Trade payables to external suppliers	179,074	150,697
Trade payables to affiliates	8	1,012
Payables to suppliers	**179,082**	**151,709**
Staff	21,276	16,682
Agents	3,784	4,908
Deferred income	4,858	4,900
Deferred realised capital gains	929	2,548
Unconfirmed contributions received	3,807	2,443
Other	8,000	9,247
Other current liabilities	**42,655**	**40,727**

The change in the basis of consolidation relating to trade payables was €9,578 thousand, while other liabilities totalled €2,069 thousand.

The payable for unconfirmed contributions received relates to advances collected by Sella & Mosca S.p.A. for grants received by AGEA (Agriculture Assistance Agency) in relation to vineyards in the pre-production phase.

These contributions will be confirmed only after the equipment has been tested, and will then be reported in the income statement based on the useful life of the equipment.

A breakdown of these payments is given in the following paragraph.

The table below sets out the maturities for trade payables and other current liabilities, such as amounts due to agents and the other item in the above table.

31 December 2009	Payables to suppliers (€/000)	Other payables to third parties (€/000)	Total (€/000)
On demand	28,634	1,764	30,398
Within 1 year	149,324	10,021	159,344
Due in 1 to 2 years	1,124	–	1,124
Due in 3 to 5 years	–	–	–
Due in more than 5 years	–	–	–
Total payables broken down by maturity	179,082	11,785	190,867
Payables not significant for breakdown by maturity	–	30,870	30,870
Total	**179,082**	**42,655**	**221,737**

31 December 2008	Payables to suppliers (€/000)	Other payables to third parties (€/000)	Total (€/000)
On demand	28,060	1,207	29,267
Within 1 year	122,643	12,409	135,052
Due in 1 to 2 years	1,007	538	1,545
Due in 3 to 5 years	–	–	–
Due in more than 5 years	–	–	–
Total payables broken down by maturity	151,709	14,154	165,864
Payables not significant for breakdown by maturity	–	26,573	26,573
Total	**151,709**	**40,727**	**192,436**

41. Capital grants

The following table provides details of changes in deferred income related to capital grants between one financial year and the next.

In some cases grants have not yet been confirmed; in these instances a liability must be recorded against the grant received. Once the grants are confirmed, they are classified as deferred income and are reported in the income statement based on the useful life of the items concerned.

In the interests of clarity, the table below illustrates changes in both payables and deferred income.

Funds received during the year relate to Sella & Mosca S.p.A. in respect of the AGEA (Agriculture Assistance Agency) plan for vineyards in the pre-production phase in Sardinia.

31 December 2009	Payables to tax authorities (€/000)	Deferred income (€/000)
Balance at 1 January 2009	2,443	3,772
Proceeds received in the period	1,775	
Grants certain to be received	(389)	389
Amounts posted to the income statement	(22)	(370)
Other changes		52
Balance at 31 December 2009	**3,807**	**3,843**

31 December 2008	Payables to tax authorities (€/000)	Deferred income (€/000)
Balance at 1 January 2008	1,011	3,797
Proceeds received in the period	1,909	
Grants certain to be received	(337)	337
Amounts posted to the income statement	(285)	(362)
Other changes	145	
Balance at 31 December 2008	**2,443**	**3,772**

42. Payables to tax authorities

This item breaks down as follows:

	31 December 2009 (€/000)	31 December 2008 (€/000)
Income taxes	11,245	8,056
Payables to main shareholder for tax consolidation	22,441	16,464
Payables to main shareholder for Group VAT scheme	6,406	5,552
VAT	10,126	6,069
Tax on alcohol production	22,511	20,689
Withholding and other taxes	3,080	2,436
	75,809	**59,266**

These payables are all due within 12 months.
Corporate income tax payable is shown net of advance payments and taxes withheld at source.

Payables to the main shareholder for tax consolidation at 31 December 2009 relate to income tax payables due to Fincorus S.p.A. from the Italian subsidiaries of Davide Campari-Milano S.p.A.
At 31 December 2009 the Group had a net payable of €22,191 thousand, including €188 thousand recorded under non-current assets.
These receivables from/payables to the main shareholder for tax consolidation purposes are non-interest bearing (for more details see note 47 – Related parties).

43. Stock option plan

Pursuant to Consob resolution 11971 of 14 May 1999 as amended, and Consob communication 11508 of 15 February 2000, the following information is provided on the stock option plan (the “Plan”) approved by the

Board of Directors of Davide Campari-Milano S.p.A. on 15 May 2001, which incorporated the framework plan for the general regulation of stock options for the Campari Group, approved by the shareholders' meeting on 2 May 2001.

The purpose of the plan is to offer beneficiaries who occupy key positions in the Group the opportunity of owning shares in Davide Campari-Milano S.p.A., thereby aligning their interests with those of other shareholders and fostering loyalty, in the context of the strategic goals to be achieved.

The recipients are employees, directors and/or individuals who regularly do work for one or more Group companies, who have been identified by the Board of Directors of Davide Campari-Milan S.p.A., and who, on the plan approval date and until the date that the options are exercised, have worked as employees and/or directors and/or in any other capacity at one or more Group companies without interruption.

The regulations for the Plan do not provide for loans or other incentives for share subscriptions pursuant to article 2358, paragraph 3 of the Italian civil code.

The Board of Directors of Davide Campari-Milano S.p.A. has the right to draft regulations, select beneficiaries and determine the share quantities and values for the execution of stock option plans. In addition, Davide Campari-Milano S.p.A. reserves the right, at its sole discretion, to modify the Plan and regulations as necessary or appropriate to reflect revisions of laws in force, or for other objective reasons that would warrant such modification.

The first allocation of options was made in July 2001, and these options were exercised in full on the plan's expiry in July 2006.

Subsequently, further options were allocated each year, governed by the framework plan approved by the shareholders' meeting on 2 May 2001.

The exercise dates originally set differed in each allocation and provided windows in which options could be exercised.

In 2009, the Board of Directors of the Parent Company approved a change in the exercise period, making it possible for options to be exercised in part, on any trading day in the exercise period set for each plan.

For the 2004 plans, for which the exercise period was extended, note that this resulted in an increase in the fair value of the stock options, with an impact of €721 thousand on the income statement for the year.

In 2009, further stock option allocations were approved, which may be exercised between November 2014 and December 2016.

The number of options granted for the purchase of further shares was 1,162,401, with the average allocation price at €5.98, equivalent to the weighted average market price in the month preceding the day on which the options were granted.

The following table shows changes in stock option plans during the periods concerned.

	31 December 2009		31 December 2008	
	No. of shares	Average allocation/ exercise price (€)	No. of shares	Average allocation/ exercise price (€)
Options outstanding at start of year	18,250,940	5.89	11,047,120	5.38
Options granted during the year	1,162,401	7.06	7,703,905	5.69
(Options cancelled during the year)	(181,835)	5.97	(500,085)	7.39
(Options exercised during the year) (*)	(1,685,627)	4.10		
(Options expiring during the year)				
Options outstanding at end of period	17,545,879	5.67	18,250,940	5.89
of which: exercisable at end of period	3,408,763	4.28		

(*) The average market price on the exercise date was € 6.99.

The average remaining life of outstanding options at 31 December 2009 was four years (3.4 years at 31 December 2008).

The average exercise price for the options allocated in each year is as follows:

	Average exercise price (€)
Allocations: 2004	3.99
Allocations: 2005	6.20
Allocations: 2006	7.66
Allocations: 2007	7.74
Allocations: 2008	5.69
Allocations: 2009	5.98

The average fair value of options granted during the year was €1.86 (€1.08 in 2008).

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

Volatility was estimated with the help of data supplied by a market information provider together with a leading bank, and corresponds to the estimate of volatility recorded in the period covered by the plan.

The following assumptions were used for the fair value valuation of options issued in 2009 and 2008:

	2009	2008
Expected dividends (€)	0.11	0.11
Expected volatility (%)	26%	19%
Historical volatility (%)	26%	23%
Market interest rate	2.80%	3.50%
Expected option life (years)	4.02	6.04
Exercise price (€)	**5.98**	**5.69**

Davide Campari-Milano S.p.A. has a number of own shares that can be used to cover stock option plans.

The following table shows changes in the number of own shares held during the comparison periods.

	Number of own shares		Purchase price (€)	
	2009	2008	2009	2008
Balance at 1 January	**1,940,747**	**1,044,454**	**11,519,923**	**7,009,748**
Purchases	2,199,000	896,293	13,373,833	4,510,175
Sales	(1,685,627)		(10,392,118)	
Balance at 31 December	**2,454,120**	**1,940,747**	**14,501,638**	**11,519,923**
% of share capital	0.85%	0.67%		

In relation to the sales of own shares in the year, which are shown in the above table at the original purchase price, the Parent Company recorded a loss of €3,464 thousand.

44. Financial instruments – disclosures

The value of individual categories of financial assets and liabilities held by the Group is shown below.

31 December 2009	Loans and receivables (€/000)	Financial liabilities at amortised cost (€/000)	Hedging transactions (€/000)
Cash and cash equivalents	129,636		
Short-term financial receivables	3,664		
Non-current financial assets	159,463		
Trade receivables	236,166		
Other receivables	24,333		
Payables to banks		(18,169)	
Real estate lease payables		(9,623)	
Bonds		(549,996)	
Private placement		(262,228)	
Accrued interest on bond issues		(11,528)	
Other current liabilities		(1,080)	
Put option charges		(16,931)	
Trade payables		(179,082)	
Other payables		(42,655)	
Current assets for hedging derivatives			2,992
Non-current assets for hedging derivatives			(55,338)
Current liabilities for hedging derivatives			(1,668)
Total	**553,261**	**(1,091,292)**	**(54,014)**

31 December 2008	Loans and receivables (€/000)	Financial liabilities at amortised cost (€/000)	Hedging derivatives (€/000)
Cash and cash equivalents	172,558		
Short-term financial receivables	4,093		
Other medium/long-term financial receivables	4,573		
Trade receivables	271,598		
Other receivables	32,430		
Payables to banks		(108,340)	
Property lease payables		(13,928)	
Bonds		(221,564)	
Private placements		(104,150)	
Accrued interest on bonds		(7,475)	
Other financial liabilities		(1,265)	
Payables for put options		(26,562)	
Trade payables		(151,709)	
Other payables		(40,727)	
Medium/long-term liabilities for hedging derivatives			(20,516)
Short-term liabilities for hedging derivatives			(3,002)
Total	**485,253**	**(675,720)**	**(23,518)**

Fair value of financial assets and liabilities

For each category of financial assets and liabilities, a comparison between the fair value of the category and the corresponding carrying value is shown below.

The method used for determining fair value was as follows:

- for financial assets and liabilities that are liquid or nearing maturity, it is assumed that the carrying value equates to fair value; this assumption also applies to term deposits, securities that can be readily converted to cash and variable-rate financial instruments;
- for the valuation of hedging instruments at fair value, the company used valuation models based on market parameters;
- the fair value of non-current financial payables was obtained by discounting all future cash flows at the rates in effect at the end of the year.

For commercial items and other receivables and payables, fair value corresponds to the carrying value; these are not reported in the table below.

	Carrying value		Fair value	
	31 December 2009 (€/000)	31 December 2008 (€/000)	31 December 2009 (€/000)	31 December 2008 (€/000)
Cash and cash equivalents	129,636	172,558	129,636	172,558
Accrued interest rate swap on bonds	1,153	–	1,153	–
Non-current assets for hedging derivatives	1,839	–	1,839	–
Other short-term financial receivables	3,664	4,093	3,664	4,093
Interest on private placement				
Other non-current assets	159,463	4,573	159,463	4,573
Financial investments	**295,754**	**181,224**	**295,754**	**181,224**
Payables to banks	18,169	108,340	18,169	108,340
Real estate lease payables	9,623	13,928	9,623	12,931
Bonds	549,996	221,564	534,934	214,640
Private placement	262,228	104,150	287,937	97,888
Accrued interest on bonds	11,528	7,475	11,528	7,475
Derivatives on bond issues	55,338	20,516	55,338	20,516
Financial liabilities on hedging contracts	1,668	3,002	1,668	3,002
Other debt	1,080	1,265	1,080	1,265
Payables for put option and earn-out	16,931	26,562	16,931	26,562
Financial liabilities	**926,561**	**506,802**	**937,208**	**492,619**
Net financial assets (liabilities)	**(630,805)**	**(325,578)**	**(641,453)**	**(311,395)**

Fair value – hierarchy

The Group enters into derivatives contracts with a number of top-rated banks.

Derivatives are valued using techniques based on market data, and largely consist of interest rate swaps and forward sales/purchases of foreign currencies.

The most commonly-applied valuation methods include the forward pricing and swap models, which use present value calculations.

The models incorporate various inputs, including the credit rating of the counterparty, market volatility, spot and forward exchange rates and current and forward interest rates.

The table below details the hierarchy of financial instruments valued at fair value, based on the valuation methods used:

- level 1: the valuation methods use prices listed on an active market for the assets and liabilities subject to valuation;
- level 2: the valuation methods take into account various inputs from previous prices, but that can be observed on the market directly or indirectly;
- level 3: the method use inputs that are not based on observable market data.

	31 December 2009	Level 1 (€/000)	Level 2 (€/000)	Level 3 (€/000)
Assets valued at fair value				
Accrued swap interest on bonds	1,153		1,153	
Forward foreign exchange contracts	1,838		1,838	
Liabilities valued at fair value				
Interest rate and currency swap on US$ bond issue	51,935		51,935	
Interest rate swap on Eurobond issue	3,403		3,403	
Forward foreign exchange contracts	1,668		1,668	

Hedging transactions

The Group currently holds various derivative instruments to hedge both the fair value of underlying instruments and cash flows.

The table below shows the fair value of these derivative instruments, recorded as assets or liabilities, and their notional values.

	31 December 2009		31 December 2008	
	Assets (€/000)	Liabilities (€/000)	Assets (€/000)	Liabilities (€/000)
Interest rate and currency swap on US$ bond issue	–	(53,819)	–	(32,194)
Interest rate swap on Eurobond issue	–	(3,403)	–	–
Accrued swap interest on bonds	1,153	–	–	(1,879)
Forward foreign exchange contracts	1,838	(1,652)	–	(98)
Hedging derivatives at fair value	**2,991**	**(58,874)**	**–**	**(34,171)**
Interest rate swap on US$ bond issue	–	1,884	–	11,678
Forward foreign exchange contracts for future transactions	–	(16)	–	(1,025)
Cash flow hedging derivatives	**–**	**1,868**	**–**	**10,653**
Total derivatives	**2,991**	**(57,006)**	**–**	**(23,518)**

Fair value hedging

The Group has in place the following contracts that meet the definition of hedging instruments based on IAS 39.

- *Cross currency swap on Parent Company bond issued in 2003 (US$)*

At the reporting date, the Group held a cross currency swap totalling a notional US$ 300 million on the Parent Company's bond issue denominated in US dollars.

This instrument has the same maturity as the underlying liability.

The derivative is valued at fair value and any changes are reported through profit or loss; having established the effectiveness of the hedging transactions, the gain or loss on the hedged item attributable to the hedged risk is used to adjust the carrying value of the underlying liability and is immediately reported through profit or loss.

At 31 December 2009, the Parent Company's cross currency swap had a negative fair value of €53,819 thousand, reported under non-current financial liabilities.

The change in the fair value of these instruments reported in the income statement in 2009 was negative to the tune of €13,808 thousand.

The gain recorded on the hedged item was €14,358 thousand.

- *Interest rate swap on Parent Company bond issued in 2009 (Eurobond)*

The hedging instrument taken out during the year involves the payment of a variable rate (6-month Euribor + 210 basis points) on underlying debt of €250 million.

The valuation of this instrument at 31 December 2009 represented a liability of €3,403 thousand; the changes reported on the income statement refer to changes in the fair value of the swap (a loss of €3,403 thousand) and the related change in the underlying debt (a gain of €2,560,247)

- *Foreign currency hedges*

At 31 December 2009, Campari International S.A.M. held forward contracts on receivables and payables in currencies other than the euro in its accounts.

The contracts were negotiated to match maturities with projected incoming and outgoing cash flows resulting from sales and purchases in individual currencies.

The valuation of these contracts at the reporting date gave rise to the reporting of assets of €1,838 thousand and liabilities of €1,652 thousand.

Gains and losses on the hedged and hedging instruments used in all of the Group's fair value hedges, i.e. the Parent Company's cross currency swap and interest rate swap and the hedging of payables/receivables in foreign currency, are summarised below.

	31 December 2009 (€/000)	31 December 2008 (€/000)
Gains on hedging instruments	905	34,041
Losses on hedging instruments	(18,167)	(344)
Total gains (losses) on hedging instruments	**(17,262)**	**33,697**
Gains on hedged items	16,919	373
Losses on hedged items	(27)	(33,708)
Total gains (losses) on hedged items	**16,892**	**(33,335)**

Cash flow hedging

The Group uses the following contracts to hedge its cash flows.

- *Interest rate swap on Parent Company bond issued in 2003 (US$)*

The group has put in place various interest rate swaps involving the payment of an average fixed rate of 4.25% (rates from 4.03% to 4.37%) on total underlyings of US$ 50 million (maturing in 2015) and US$ 150 million (maturing in 2018).

Since these hedging transactions met the requirements for effectiveness, an appropriate shareholders' equity reserve was recorded for a gross value of €1,884 thousand.

As required by IAS 39, the cash flow hedge reserve for these contracts will be released to the income statement at the same maturity dates as the cash flows related to the liability.

During the period, an unrealised gain of €16,731 thousand was posted to the reserve, together with the corresponding deferred tax effect of €4,601 thousand.

Moreover, the realisation of the hedged cash flows generated the release of the cash flow hedge reserve, which had a positive impact on the income statement for the period of €878 thousand.

- *Interest rate swap on Parent Company bond issued in 2009 (Eurobond)*

Shortly after its bond issue, the Parent Company entered into an interest rate hedging agreement.

On the date the bond was listed, due to the changes in interest rate trends, this agreement resulted in a financial outlay of €2,998 thousand, recorded under shareholders' equity.

This reserve will be released to the income statement with the cash flows generated by the underlying debt.

In 2009 the reserve was released to the income statement, resulting in a loss of €76 thousand.

- *Hedging of future purchases and sales of foreign currencies*

At 31 December 2009, the Group held forward currency contracts, designated as hedging instruments, on expected future sales and purchases based on its own 2010 estimates. These transactions are highly probable.

Contracts were negotiated to match maturities with projected incoming and outgoing cash flows resulting from sales and purchases in individual currencies.

The hedging instruments in place have a nominal value of US$ 8.6 million, JPY 708.7 million, CAD 0.5 million and GBP 1.7 million.

These hedging transactions met the requirements for effectiveness, and an unrealised gain of €16 thousand was suspended in shareholders' equity reserves, net of the related deferred tax effect.

All cash flows concerned will materialise in 2010.

The following table shows, at 31 December 2009, when the Group expects to receive the hedged cash flows.

The breakdown includes the cash flows arising from the Parent Company's interest rate swap involving the fixed rate interest payments on the bond issued in 2003 (in US$).

These cash flows only concern interest and have not been discounted.

The breakdown also shows the cash flows arising from forward foreign exchange contracts in respect of future currency sales/purchases.

31 December 2009	within 1 year (€/000)	1-5 years (€/000)	after 5 years (€/000)	total (€/000)
Cash outflows	25,131	44,465	38,983	108,579
Cash inflows	23,713	38,362	33,695	95,770
Net cash flows	(1,419)	(6,103)	(5,288)	(12,810)

31 December 2008	within 1 year (€/000)	1-5 years (€/000)	after 5 years (€/000)	total (€/000)
Cash outflows	5,543	22,171	22,232	49,946

The overall changes in the cash flow hedge reserve and the associated deferred taxes are shown below.

31 December 2009	Gross amount (€/000)	Tax effect (€/000)	Net amount (€/000)
Opening balance at 1 January 2009	18,448	(5,434)	13,014
Recognised in profit and loss during the period	243	314	557
Recognised in equity during the period	(19,745)	–1	(19,746)
Reported in deferred taxes	–	5,404	5,404
Amount allocated to reserves at 31 December 2009	**(1,054)**	**283**	**(771)**

31 December 2008	Gross amount (€/000)	Tax effect (€/000)	Net amount (€/000)
Opening balance at 1 January 2008	14,749	(3,876)	10,873
Recognised in profit and loss during the period	(1,747)	61	(1,686)
Recognised in equity during the period	5,446	(1,858)	3,588
Reclassified as retained profit		239	239
Amount allocated to reserves at 31 December 2008	**18,448**	**(5,434)**	**13,014**

45. Nature and scale of the risks arising from financial instruments

The Group's main financial instruments include current accounts, short-term deposits, short and long-term bank loans, finance leases and bonds.

The purpose of these is to finance the Group's operating activities.

In addition, the Group has trade receivables and payables resulting from its operations.

The main financial risks to which the Group is exposed are market (currency and interest rate risk), credit and liquidity risk. These risks are described below, together with an explanation of how they are managed.

To cover these risks, the Group makes use of derivatives, primarily interest rate swaps, cross currency swaps and forward contracts, to hedge interest rate and exchange rate risks.

Credit risk

With regard to trade transactions, the Group works with medium-sized and large customers (mass retailers, domestic and international distributors) on which credit checks are performed in advance.

The trade conditions initially granted are particularly stringent.

Each company carried out an assessment and control procedure for its customer portfolio, partly by constantly monitoring amounts received. In the event of excessive or repeated delays, supplies are suspended.

As a result, historical losses on receivables represent a very low percentage of revenues and do not require special coverage and/or insurance.

The maximum risk at the reporting date is equivalent to the carrying value of trade receivables recorded under financial assets.

Financial transactions are carried out with leading domestic and international institutions with a high credit rating. The risk of insolvency is therefore deemed to be insignificant.

The maximum risk at the reporting date is equivalent to the carrying value of these assets.

Liquidity risk

The Group's ability to generate substantial cash flow through its operations allows it to reduce liquidity risk to a minimum. This risk is defined as the difficulty of raising funds to cover the payment of the Group's financial obligations.

The table below summarises financial liabilities at 31 December 2009 by maturity based on the contractual repayment obligations, including non-discounted interest.

For details of trade payables and other liabilities, see note 40 (Trade payables and other current liabilities).

31 December 2009	On demand (€/000)	Within 1 (€/000)	From 1 to 2 years (€/000)	From 3 to 5 years (€/000)	After 5 years (€/000)	Total (€/000)
Payables to banks and loans	–	17,274	700	1,651	420	20,045
Bonds	–	24,325	26,715	87,289	635,153	773,481
Liabilities for derivatives on bonds	–	(317)	301	3,568	54,067	57,619
Private placements	–	24,390	24,032	144,061	181,036	373,519
Property leases	–	3,494	3,494	3,036	–	10,024
Other financial payables	–	196	196	588	196	1,176
Total financial liabilities	**–**	**69,361**	**55,438**	**240,193**	**870,871**	**1,235,863**

31 December 2008	On demand (€/000)	Within 1 year (€/000)	Due in 1 to 2 years (€/000)	Due in 3 to 5 years (€/000)	Due in more than 5 years (€/000)	Total (€/000)
Payables and loans to banks	–	107,454	264	600	142	108,460
Bonds	–	9,765	9,765	29,295	250,172	298,998
Derivatives on bond issues	–	(629)	(1,721)	1,138	48,477	47,265
Private placement	–	14,904	11,578	91,566	–	118,048
Property leases	–	3,494	3,494	6,530	–	13,518
Other financial payables	–	196	196	588	393	1,373
Total financial liabilities	**–**	**135,183**	**23,575**	**129,718**	**299,185**	**587,661**

The Group's financial payables, with the exception of non-current payables with a fixed maturity, consist of short-term bank debt.

Thanks to its liquidity and management of cash flow from operations, the Group has sufficient resources to meet its financial commitments at maturity.

In addition, there are unused credit lines that could cover any liquidity requirements.

Market risks

- Interest rate risk

The Group is exposed to the risk of fluctuating interest rates in respect of its financial assets, short-term payables to banks and long-term lease agreements.

Fixed rates apply to long-term financial liabilities, certain loans obtained by Sella & Mosca S.p.A. and one of the Parent Company's minor loans.

The Redfire, Inc. private placement also pays interest at a fixed rate.

The Parent Company's bond issued in 2003 originally had a fixed interest rate in US dollars, but this became a variable rate in euro through a derivatives contract; a portion of the debt was subsequently transferred to a fixed rate in euro through an interest rate swap.

The Parent Company's bond issued in 2009 also paid a fixed-rate coupon, but a portion of this was later changed to a variable rate through an interest rate swap.

Overall, the portion of the Group's debt on which interest is paid at a fixed rate equates to around 60% of its total financial payables at 31 December 2009.

Sensitivity analysis

The following table shows the effects on the Group's income statement of a possible change in interest rates, if all other variables are constant.

A negative value in the table indicates a potential net reduction in profit and equity, while a positive value indicates a potential net increase in these items.

The assumptions used in terms of a potential change in rates are based on an analysis of the trend at the reporting date.

The table illustrates the full-year effects on the income statement in the event of a change in rates, calculated for the Group's variable-rate financial assets and liabilities.

As regards the fixed-rate financial liabilities hedged by interest rate swaps, the change in assets offsets the change in the underlying liability, with practically no effect on the income statement.

The net tax effects of the effects on the income statement are also included.

31 December 2009		Income statement	
	Increase/decrease in interest rates in basis points	Increase in interest rates (€/000)	Decrease in interest rates (€/000)
Euro	+/– 10 basis points	–212	212
Dollar	+/– 10 basis points	21	–21
Other currencies	+/– 50 basis points on CHF Libor, +/– 50 basis points on GBP Libor, +/– 300 basis points on R$ Libor	867	–867
Total effect		676	–676

31 December 2008		Income statement	
	Increase/decrease in interest rates in basis points	Decrease in interest rates (€/000)	Decrease in interest rates (€/000)
Euro	+ 260 basis points	72	–72
Dollar	+ 350 basis points	863	–863
Other currencies	+/– 170 basis points +/– 410 basis points on GBP Libor, +/– 230 basis points on R$ Libor	440	–440
Total effect		1,375	–1,375

• Exchange rate risk

The expansion of the Group's international business has resulted in an increase in sales on markets outside the eurozone, which accounted for 41.9% of the Group's net sales in 2009.

However, the establishment of Group entities in countries such as the United States, Brazil and Switzerland allows this risk to be partly hedged, given that both costs and income are denominated in the same currency. In the case of the US, moreover, some of the cash flows from operations are used to redeem the US dollar-denominated private placement taken out locally to cover the acquisitions of certain companies.

Therefore, exposure to foreign exchange transactions generated by sales and purchases in currencies other than the Group's functional currencies only represented around 8.1% of consolidated sales in 2009.

For these transactions, Group policy is to mitigate the risk by using forward sales or purchases.

In addition, the Parent Company has issued a bond in US currency, where the exchange rate risk has been hedged by a cross currency swap.

Sensitivity analysis

The following table shows the effects on the Group's income statement of a possible change in interest rates, if all other variables are constant.

This analysis does not include the effect on the consolidated accounts of the conversion of the financial statements of subsidiaries denominated in a foreign currency following a possible change in exchange rates.

A negative value in the table indicates a potential net reduction in profit and equity, while a positive value indicates a potential net increase in these items.

The assumptions adopted in terms of a potential change in rates are based on an analysis of forecasts provided by financial information agencies at the reporting date.

The effects on the income statement concern the change in fair value of monetary assets and liabilities held in a currency other than the functional currency.

The types of transaction included in this analysis are as follows: the Parent Company's bond issue, denominated in US dollars, and sales and purchase transactions in a currency other than the Group's functional currency.

The Parent Company's bond issue is hedged by cross currency swaps, while the other transactions are hedged by forward contracts; in both cases, therefore, a change in exchange rates would entail a corresponding change in the fair value of the hedging transaction and hedged item, but this would have no effect on the income statement.

The effects on shareholders' equity are determined by changes in fair value of the Parent Company's interest rate swap and forward contracts on future transactions, which are used as cash flow hedges.

The deferred net tax effects of the impact on the income statement described earlier are also included.

31 December 2009		Income statement		Shareholders' equity	
	% change in exchange rate	Increase in exchange rate (€/000)	Decrease in exchange rate (€/000)	Increase in exchange rate (€/000)	Decrease in exchange rate (€/000)
US dollar	+/– 9%	–	–	–189	587
Other currencies	+/– 8%	–	–	–267	666
Total effect	–	–	–	–455	1,253

31 December 2008		Income statement		Shareholders' equity	
	% change in exchange rate	Increase in exchange rate (€/000)	Decrease in exchange rate (€/000)	Increase in exchange rate (€/000)	Decrease in exchange rate (€/000)
US dollar	+/– 13%	–	–	–559	507
Other currencies	+/– 10%	–	–	–1,294	446
Total effect	–	–	–	–1,853	953

46. Commitments and risks

The main commitments and risks of the Campari Group on the closing date of the accounts are shown below.

Non-cancellable operating leases with the Campari Group as lessee

The following table shows the amounts owed by the Group, broken down by maturity, in future periods for leases on property.

Minimum future payments under operating leases	31 December 2009 (€/000)	31 December 2008 (€/000)
Under one year	3,611	3,510
One to five years	12,041	10,167
Over five years	1,791	
	17,442	**13,677**

The amount reported in the table refers to leases on cars, computers and other electronic equipment; it also includes the operating lease due in over five years for plant and machinery of CJSC Odessa Sparkling Wine Company.

Rental fees for buildings and offices are also included.

Non-cancellable finance leases with the Campari Group as lessee

The commitment in relation to the finance lease entered into by the Parent Company in 2003 for the property complex in Novi Ligure stipulates the following minimum future payments. The relationship between these and their present value is also reported.

At 31 December 2008 the finance lease of Sabia S.A., which was settled in 2009, was also included.

Finance leases	31 December 2009		31 December 2008	
	Minimum future payments (€/000)	Present value of future payments (€/000)	Minimum future payments (€/000)	Present value of future payments (€/000)
Under one year	3,494	3,277	3,703	3,382
One to five years	6,490	6,345	10,925	10,478
Over five years	–	–	–	–
Total minimum payments	9,984	9,622	14,627	13,860
Financial charges	(362)	–	(767)	–
Present value of minimum future payments	**9,622**	**9,622**	**13,860**	**13,860**

Existing contractual commitments for the purchase of properties, equipment and machinery

These commitments totalled €2.1 million, and all expire within the year.

This item includes around €1.7 million in respect of the Parent Company, mainly for the contract to build the new storage facility for finished products at Novi Ligure and for work on the premises for the Campari museum.

At 31 December 2008, the item included €16 million relating to the construction work of the new headquarters for some of the Italian Group companies at Sesto San Giovanni.

Other commitments

The Group's other commitments for purchases of goods or services primarily consist of:

- purchases of raw materials relating to wine and grapes for the production of Cinzano still and sparkling wines; these multi-year contracts are entered into directly with the sellers pursuant to the Moscato d'Asti producers agreement;
- contractual agreements for the purchase of materials and advertising services;
- contractual agreements for the purchase of packaging, goods and maintenance materials and supplies, as well as services associated with the activities of the production units;
- commitments for rentals relate to the rental fees for occupying the former headquarters, which fall due in the first four months of the year;
- sponsorship contracts.

Restrictions on the title and ownership of properties, equipment and machinery pledged to secure liabilities

The Group has several existing loans, with a current balance of €517 thousand, secured by mortgages on land and buildings and liens on machinery and equipment for an original amount of €5.3 million.

Other guarantees

The Group has issued other forms of security in favour of third parties in the shape of customs bonds for excise taxes totalling €52.3 million at 31 December 2009 (€43.7 million at 31 December 2008).

47. Related parties

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

Fincorus S.p.A., and Davide Campari-Milano S.p.A. and its Italian subsidiaries have adopted the national tax consolidation scheme governed by articles 117 *et seq* of the consolidated law on income tax (TUIR), for 2007, 2008 and 2009.

The tax receivables and payables of the individual Italian companies are therefore recorded as payables to the Parent Company's main shareholder, Fincorus S.p.A.

At 31 December 2009, the overall position of the Italian subsidiaries of Davide Campari-Milano S.p.A. and of the Parent Company itself in respect of Fincorus S.p.A. in relation to the tax consolidation scheme, is a net payable of €22,191 thousand, including receivables of €188 thousand reported under non-current assets.

The table below shows the net debit balance.

Moreover, Fincorus S.p.A., and Davide Campari-Milano S.p.A. and its Italian subsidiaries have joined the Group-wide VAT scheme for the three-year period 2008-2010, pursuant to article 73, paragraph 3 of Presidential Decree 633/72.

At 31 December 2009, the Parent Company and its Italian subsidiaries recorded a debit balance of €6,406 thousand due to Fincorus S.p.A.

The receivables and payables arising as a result of the tax consolidation scheme are non-interest bearing.

Dealings with related parties and joint ventures form part of ordinary operations and are carried out under market conditions (i.e. conditions that would apply between two independent parties) or using criteria that allow for the recovery of costs incurred and a return on invested capital.

All transactions with related parties were carried out in the Group's interest.

The amounts for the various categories of transaction entered into with related parties are set out below.

31 December 2009	Trade receivables (€/000)	Trade payables (€/000)	Receivables (payables) for tax consolidation (€/000)	Receivables (payables) for Group VAT scheme (€/000)	Other non-current tax receivables (€/000)	Other receivables (payables) (€/000)
International Marques V.O.F.	938	(8)	–	–	–	–
Focus Brands Trading Ltd	672	–	–	–	–	–
Fincorus S.p.A	–	–	(22,379)	(6,406)	188	(41)
	1,609	**(8)**	**(22,379)**	**(6,406)**	**188**	**(41)**
% of related balance sheet item	1%	0%	34%	10%	1%	0%

31 December 2008	Trade receivables (€/000)	Trade payables (€/000)	Receivables (payables) for tax consolidation (€/000)	Receivables (payables) for Group VAT scheme (€/000)	Other non-current tax receivables (€/000)	Other receivables (payables) (€/000)
Fior Brands Ltd.	1,144	–	16	–	–	–
International Marques V.O.F.	1,483	(252)	–	–	–	–
M.C.S. S.p.r.l.	2,565	(697)	621	–	–	14
Summa S.L.	–	(63)	–	–	–	–
Fincorus S.p.A.	–	–	–	(14,928)	(5,552)	–
	5,192	**(1,012)**	**636**	**(14,928)**	**(5,552)**	**14**
Balance sheet percentage of related item	2%	1%	16%	28%	11%	0%

31 December 2009	Sale of merchandise (€/000)	Trade allowances (€/000)	Other income and charges (€/000)	Financial income (€/000)	Profit (loss) of joint ventures (€/000)
Alicros S.r.l.			122	–	–
International Marques V.O.F.	3,108	(963)	1	–	(36)
M.C.S. S.c.a.r.l.	3,069	(925)	13	6	(267)
Focus Brands Trading (India) Private Ltd.	585	(180)	6	–	(493)
	6,762	**(2,069)**	**143**	**6**	**(796)**

31 December 2008	Sale of merchandise (€/000)	Trade allowances (€/000)	Other income and charges (€/000)	Proventi finanziari (€/000)	Results of joint ventures (€/000)
Fior Brands Ltd.	–	–	232	–	–
International Marques V.O.F.	3,813	(1,636)	46	–	65
M.C.S. S.c.a.r.l.	8,370	(1,516)	36	19	177
Summa S.L.	740	(918)	(1,585)	–	(12)
	12,922	**(4,070)**	**(1,270)**	**19**	**230**

Items relating to M.C.S. S.c.a.r.l. refer to the first three months of 2009.

On 10 April 2009, the Group acquired the remaining 50% of the joint venture, and the company has therefore been fully consolidated from that date.

Remuneration paid to the Parent Company's directors who held management positions in the Group with strategic responsibility was as follows:

	31 December 2009 (€/000)	31 December 2008 (€/000)
Short-term benefits	4,122	4,032
Defined contribution benefits	42	42
Stock options	1,292	1,026
	5,456	**5,100**

48. Employees

The following tables indicate the average number of employees at the Group, broken down by business sector, category and region.

Business sector	31 December 2009	31 December 2008
Production	957	673
Sales and distribution	827	654
General	392	319
Total	**2,176**	**1,646**

Category	31 December 2009	31 December 2008
Managers	124	109
Office staff	1,128	974
Manual workers	925	564
Total	**2,176**	**1,646**

Region	31 December 2009	31 December 2008
Italy	832	837
Abroad	1,344	809
Total	**2,176**	**1,646**

49. Events taking place after the end of the year

Capital increase – bonus share issue

The Board of Directors approved the Parent Company's draft financial statements on 30 March 2010 and was asked to vote on a proposal to proceed with a bonus share issue to be carried out via the issue of 29,040,000 shares with a nominal value of €0.10 each, to be provided free of charge to shareholders in the ratio of one new share for each share held, through the use of retained earnings.

Following the bonus issue, the fully paid-up share capital would total €58,080,000, comprising 58,080,000 ordinary shares.

Sesto San Giovanni (MI), Tuesday 30 March 2010

Chairman of the Board of Directors
Luca Garavoglia

Certification of the consolidated financial statements pursuant to article 81-ter of Consob Regulation 11971 of 14 May 1999

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

- the appropriateness, in relation to the nature of the business, and

- the effective application

of the administrative and accounting procedures used to prepare the consolidated financial statements in 2009.

2. We also certify that the consolidated financial statements for the year ending 31 December 2009:

a) were prepared in accordance with the International Financial Reporting Standards adopted by the European Commission pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) accurately represent the figures contained in the accounting records;

c) present a true and fair view of the assets, operations and earnings of the issuer and of the companies included in the basis of consolidation.

2.2 The report on operations includes a reliable analysis of the performance, operating results and financial position of the issuer and of the companies included in the basis of consolidation, together with a description of the main risks and uncertainties to which the Group is exposed.

Sesto San Giovanni (MI), Tuesday 30 March 2010

Managing Director
Robert Kunze-Concewitz

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

Managing Director
Stefano Saccardi

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Independent auditors' report
pursuant to art. 156 of Legislative Decree n. 58 of February 24, 1998
(Translation from the original Italian text)

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

1. We have audited the consolidated financial statements of Davide Campari-Milano S.p.A. and its subsidiaries, (the "Campari Group") as of and for the year ended December 31, 2009, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of the Davide Campari-Milano S.p.A.' s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements of the prior year are presented for comparative purposes. As reported in the explanatory notes, management has restated certain comparative data related to the prior year with respect to the data previously presented, on which we issued our auditor's report dated April 10, 2009. We have examined the methods adopted to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of our opinion as of and for the year ended December 31, 2010.

3. In our opinion, the consolidated financial statements of the Campari Group at December 31, 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Campari Group for the year then ended.

4. The management of Davide Campari-Milano S.p.A. is responsible for the preparation of the Directors' report and the Corporate Governance report and published in the section "Investors" of the website of Davide Campari-Milano S.p.A. in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations and the information reported in compliance with art. 123-bis of

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Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U.
Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and on the company's ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the Report on Corporate Governance and on the company's ownership structure, are consistent with the consolidated financial statements of the Campari Group as of December 31, 2009.

Milan, April 6, 2010

Reconta Ernst & Young S.p.A.
signed by: Alberto Romeo, Partner

DAVIDE CAMPARI MILANO S.p.A.

Registered office via Franco Sacchetti, 20 - 20099 Sesto San Giovanni (MI)

Share capital € 29,040,000

Tax Code - Companies Register No. 06672120158 - Business Administration Register (REA) No. 1112227

Report of the Board of Statutory Auditors on the consolidated accounts for the year ending 31 December 2009 pursuant to art. 41 of Legislative Decree 127 of 9 April 1991

To the shareholders of the Parent Company Davide Campari Milano S.p.A.

As part of our remit, we have audited the consolidated accounts of the Parent Company Davide Campari Milano S.p.A. for the year ending 31 December 2009, pursuant to article 41 of Legislative Decree 127/91. The consolidated accounts were prepared in accordance with international accounting standards (IAS / IFRS), pursuant to Legislative Decree 38 of 28 February 2005 implementing EC Regulation 1606 of 18 July 2002. In the year ending 31 December 2009, the Group recorded net profit of EUR 137,489,000 (including EUR 377,000 pertaining to minorities), assets worth EUR 2,378,435,000 and shareholders' equity of EUR 1,046,006,000 (including EUR 2,536,000 pertaining to minorities). Following the adoption of the IAS standards, memorandum accounts are not included, nor posted as payables to the balance sheet or classified individually as commitments; these are as shown in the accounts and accompanying documents submitted for your review.

A) Audit of the consolidated accounts

1. We conducted our audit in accordance with the standards for internal auditors provided by the Italian association of chartered accountants. In keeping with these

standards, we referred to the legislation governing consolidated accounts, interpreted and supplemented by accounting principles issued by the Italian association of chartered accountants and Consob recommendations where relevant, as well as IAS/IFRS accounting standards, pursuant to Legislative Decree 38 of 28 February 2005 implementing EC Regulation 1606 of 18 July 2002, in accordance with the interpretation provided by the Italian Accounting Body (OIC);

2. The legal audits of the Italian subsidiaries' accounts were conducted by their respective boards of statutory auditors, while the accounting audit was carried out by the external auditor, Reconta Ernst & Young S.p.A, in its capacity as principal auditor.

   We have not audited the accounts of the subsidiaries directly as this task was beyond our remit, and therefore our opinion applies solely to the consolidated accounts;

3. We have examined the basis of consolidation and have noted that all subsidiaries are fully consolidated and that joint ventures and affiliated companies have been valued at equity.

   The changes in the basis of consolidation versus the previous year are discussed in detail in the notes to the accounts. These changes are the consequence of new acquisitions or the formation of new companies, whereas two companies in liquidation for which the liquidation process was completed during the year are no longer included in the basis of consolidation;

4. The following companies, in which the Group owns a minority stake, were consolidated using the equity method: FIOR BRAND Ltd (in liquidation), International Margue V.o.f., and Focus Brands Trading (India) Private Ltd.

5. The consolidation principles adopted comply with the provisions of IAS 27. In particular:

- the basis of consolidation is defined based on the concept of financial control exercised directly or indirectly by the Parent Company and its Italian subsidiaries pursuant to IAS 27, and on the concept of significant influence;
- the reporting date for the consolidated accounts coincides with the end of the Parent Company's financial year (31 December 2009), and the accounts are based on the financial statements of the companies included in the basis of consolidation which have the same financial year;
- the assets and liabilities, and expenses and revenues for fully consolidated companies are included in full in the consolidated accounts; the book value of the equity investments is eliminated against the corresponding portion of the shareholders' equity of the subsidiaries (individual assets and liabilities are assigned the value given to them on the date control was acquired) and any differences are either recorded under the assets item "goodwill" if positive, or allocated to the income statement if negative;
- minority interests in shareholders' equity are reported under appropriate items in the accounts; these are determined on the basis of the present values assigned to assets and liabilities on the date control was assumed, excluding any related goodwill.

6. Reconta Ernst & Young, the company appointed to audit the consolidated accounts, has informed us that the auditors' report will be issued on time and that it will make no recommendations.
7. The documentation examined and the information obtained do not show any departure from the legislation governing consolidated accounts, as supplemented by the above-mentioned accounting principles and by the regulations governing the conduct of boards of statutory auditors.

8. The form and content of the notes to the accounts are in accordance with IAS 1. In particular:

   - the consolidated accounts include the income statements and balance sheets of the Parent Company and the Italian and foreign companies over which the Parent Company exercises direct or indirect control, as defined in IAS 27 (Consolidated and Separate Financial Statements);
   - the IAS/IFRS standards in force at the end of the accounting year were applied, as interpreted by the OIC;
   - the use of the fair value method as provided for or allowed by IAS/IFRS is illustrated by the directors, as are the impairment tests undertaken, with the directors also reporting on any related effects;
   - the formats stipulated by the relevant international accounting standards for the preparation of the balance sheet, income statement and notes to the accounts have been complied with. In particular, the income statement is classified by function, and the balance sheet shows current and non-current assets and liabilities separately;
   - the notes to the accounts have been prepared in accordance with IAS 1; in addition, the list of consolidated companies and the consolidation methods applied comply with IAS 27, and the directors provide comprehensive information on the basis of consolidation and any changes thereto, as well as on the consolidation methods. They also provide comments on individual items, and, in the report on operations, on the most significant facts, including events taking place after the end of the period;
   - these accounting criteria have been uniformly applied and were supported by impairment tests, and no extraordinary situations or cases arose requiring exceptions to be made. There were therefore no changes

compared to the previous year.

9. The new accounting standards applied to the consolidated accounts since last year are the following:

   ∞ Amendment to IAS 1: separate reporting of transactions relating to equity attributable to owners and that of third parties, with no effect on the case in question;

   ∞ Amendment to IAS 19: in relation to past service, with no effect on the case in question;

   ∞ Amendment to IAS 20: treatment of expenses relating to government grants or assistance, with no effect in the present case;

   ∞ Amendment to IAS 23: new treatment of borrowing costs for investments that are not immediately productive; applied during the period, but not retrospectively;

   ∞ Amendment to IAS 28: allocation of impairment of shareholdings valued at equity, with no effect on the case in question;

   ∞ Amendment to IAS 41: extension of the concept of agricultural activity, with no effect on the case in question;

   ∞ Amendment to IFRS 2: degree of certainty of events, or measurement conditions, with no effect on the case in question;

   ∞ Amendment to IFRS 7: different levels of disclosure regarding fair value measurement and liquidity of financial instruments; applied to the information provided in the notes;

   ∞ IFRS 8 (Operating Segments): replaces IAS 14 in the area of segment information, including in terms of steering performance analyses and therefore operational decisions.

10. The notes to the accounts provide information on the nature and function of the

new standards and the effects of their application on the consolidated accounts, and on any amendments to the standards and/or their future application from 31 December 2009 onwards.

11. In our opinion, the above-mentioned consolidated accounts give a true and fair view of the Davide Campari Milano S.p.A. Group's balance sheet and income statement at 31 December 2009, in accordance with legislation governing consolidated accounts, as referred to in point A) 1.

B) Review of the report on operations

1. We have reviewed the report on operations, which accompanies the consolidated financial statements, to verify that it complies with the minimum content required and that it is consistent with the consolidated accounts.

2. As a result of the review carried out, the Board of Statutory Auditors considers that the Group's report on operations is accurate and consistent with the consolidated financial statements.

Milan, 13 April 2010

The Chairman

Antonio Ortolani

Statutory Auditors

Alberto Lazzarini

Giuseppe Pajardi

DAVIDE CAMPARI-MILANO S.P.A.
FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2009

FINANCIAL STATEMENTS

Income statement

	Note	31 December 2009 (€)	*of which: related parties* (€)	31 December 2008 (€)	*of which: related parties* (€)
Net sales	**7**	**308,984,737**	***303,110,885***	**310,331,263**	***303,864,001***
Cost of goods sold	8	(245,872,424)	*21,262,744*	(250,639,557)	*24,267,963*
Gross profit		**63,112,313**	**–**	**59,691,706**	**–**
Advertising and promotional costs		(1,931,571)	*5,934,382*	(5,846,287)	*4,653,676*
Contribution margin		**61,180,742**	**–**	**53,845,419**	**–**
Structure costs	9	(32,216,973)	*9,276,975*	(20,068,148)	*9,616,553*
of which: one-offs	*15*	*818,840*	*–*	*9,935,416*	*4,474,149*
EBIT		**28,963,769**	**–**	**33,777,271**	**–**
Financial income and charges	16	(30,245,720)	*(7,051,893)*	(31,511,769)	*(17,672,007)*
of which: one-offs	*16*	*(4,904,163)*	*2,748,872*	*(763,315)*	
Dividends		36,278,858	36,278,858	32,001,900	32,001,900
Profit before tax		**34,996,907**	**–**	**34,267,402**	**–**
Taxes	**17**	**(2,540,499)**	**–**	**(773,748)**	**–**
Profit for the year		**32,456,408**		**33,493,654**	

Statement of comprehensive income

	31 December 2009 (€)	31 December 2008 (€)
Profit for the year (A)	**32,456,408**	**33,493,654**
Cash flow hedge:		
Profit (loss) for the year	(19,728,793)	6,491,271
Less: profits (losses) reclassified to the separate income statement	802,145	871,439
Net gains (losses) from cash flow hedging	(20,530,938)	5,619,832
Tax effect	5,425,418	(1,785,100)
Cash flow hedge	**(15,105,520)**	**3,834,732**
Other comprehensive income (losses) (B)	**(15,105,520)**	**3,834,732**
Total comprehensive income (A+B)	**17,350,888**	**37,328,386**

Balance sheet

	Note	31 December 2009 (€)	*of which: related parties* (€)	31 December 2008 (€)	*of which: related parties* (€)
ASSETS					
Non-current assets					
Net tangible assets	18	128,207,903		113,158,233	
Investment property	19	647,842		647,842	
Goodwill and trademarks	20	421,624,072		421,624,072	
Intangible assets with a finite life	22	2,989,140		2,944,162	
Investments in affiliated companies	23	789,897,213		559,320,083	
Deferred tax assets	17	11,827,351		5,347,847	
Other non-current assets	24	42,869,603	*66,073*	3,019,837	*22,730*
Total non-current assets		**1,398,063,124**	***66,073***	**1,106,062,076**	***22,730***
Current assets					
Inventories	25	67,972,033		66,144,237	
Trade receivables	26	61,497,507	*59,474,661*	52,036,811	*50,405,654*
Short-term financial receivables	27	40,706,119	*39,460,290*	39,389,307	*39,389,307*
Cash and cash equivalents	28	10,851,608		14,088,637	
Other receivables	26	16,291,661	*9,365,213*	28,147,696	*11,789,748*
Total current assets		**197,318,928**	***108,300,164***	**199,806,688**	***101,584,709***
Non-current assets held for sale	29	10,635,161		12,170,577	
Total assets		**1,606,017,213**	***108,366,237***	**1,318,039,341**	***101,607,439***
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	30	29,040,000		29,040,000	
Reserves	30	503,225,261		519,414,700	
Total shareholders' equity		**532,265,261**		**548,454,700**	
Non-current liabilities					
Bonds	31	549,996,487		221,564,328	
Other non-current financial liabilities	31	82,636,371	*20,213,918*	51,081,700	*20,000,000*
Defined benefit plans	32	5,895,580		6,932,594	
Reserve for risks and future liabilities	33	3,617,208		3,752,188	
Deferred tax liabilities	17	18,623,382		22,312,651	
Other non-current liabilities	31	–		77,897	
Total non-current liabilities		**660,769,028**	***20,213,918***	**305,721,358**	***20,000,000***
Current liabilities					
Payables to banks	31	64		67	
Other financial payables	31	325,797,195	*313,848,213*	375,043,698	*365,155,088*
Payables to suppliers	34	64,677,599	*8,439,910*	70,451,116	*8,135,905*
Payables to tax authorities	35	12,803,382	*9,683,429*	8,282,064	*5,552,150*
Other current liabilities	34	9,704,684	*63,363*	10,086,338	*102,520*
Total current liabilities		**412,982,924**	***332,034,915***	**463,863,283**	***378,945,663***
Total liabilities and shareholders' equity		**1,606,017,213**	***352,248,833***	**1,318,039,341**	***398,945,663***

Cash flow statement

	Note	2009 (€)	2008 (€)
EBIT		**28,963,769**	**33,777,271**
Adjustments to reconcile net profit and cash flow:			
Depreciation and amortisation	10	12,813,029	10,159,667
Net capital losses (gains) on the sale of fixed assets	18	(1,518,767)	(11,235,984)
Fund provisions	33	1,883,750	434,095
Use of provisions	16	(1,767,196)	(2,639,301)
Net financial charges	36/40	(108,808)	(235,335)
Other non-cash items	25/26/34	2,585,548	2,157,548
Changes in operating working capital	40	(12,664,040)	4,146,005
Change in receivables from related parties	40	(4,364,120)	1,600,399
Change in payables to related parties	17	82,115	8,038,779
Income taxes paid	17/35	(3,170,654)	(1,696,130)
Other changes in non-financial assets and liabilities	17/27/34	3,663,694	(1,551,594)
Cash flow from operating activities		**26,398,320**	**42,955,421**
Purchase of tangible and intangible assets	18/22	(26,372,261)	(35,309,656)
Income from sales of fixed assets	18	1,386,963	8,238,707
Disposals (investments) in affiliated companies	23	(228,443,797)	90,160,001
Interest income	16	2,190,721	1,123,955
Interest received from related parties	16/40	1,044,847	2,870,319
Dividends received		36,278,858	32,001,900
Cash flow used in investing activities		**(213,914,669)**	**99,085,226**
Bonds in €	31/37	345,195,404	–
Term and Revolving Loan Facility	16	131,000,000	–
Medium/long-term loans from related parties	31/37/40	213,918	7,000,000
Repayment of Term and Revolving Loan Facility	16	(131,000,000)	–
Repayment of medium/long-term payables	31/37	(153,299)	(120,883)
Net change in short-term payables to banks and loans	31/37	(3)	(14,055,820)
Net change in financial receivables from related parties	27/40	(70,983)	3,824,557
Net change in financial payables to related parties	31/40	(51,306,875)	(57,789,198)
Interest expense	16	(12,812,666)	(14,514,493)
Interest paid to related parties	16/40	(10,623,415)	(20,648,131)
Change in other financial payables and receivables	27/31	(48,023,723)	(3,188,163)
Purchase and sale of own shares	30/36	(6,446,238)	(4,510,175)
Net change in securities	24	8,128	1,009,753
Dividend payout	30	(31,700,928)	(31,829,110)
Cash flow from (used in) financing activities		**184,279,320**	**(134,821,662)**
Net cash flow for the period		**(3,237,029)**	**7,218,984**
Cash and cash equivalents at start of period		14,088,637	6,869,653
Cash and cash equivalents at end of period		10,851,608	14,088,637

Statement of changes in shareholders' equity

	Note	Share capital	Legal reserve	Extraordinary reserve	Reserve for VAT deductions 4-6% various laws	Reserve for grants Law 696/83	Equity investment transfer reserve Leg. Decree 544/92	Other reserves	Retained profit	Shareholders' equity
		(€)	(€)	(€)	(€)	(€)	(€)	(€)	(€)	(€)
Balance at 1 January 2009		29,040,000	5,808,000	243,221,990	1,086,287	25,823	3,041,357	12,346,151	253,885,092	548,454,700
Dividend payout	30	–	–	–	–	–	–		(31,700,928)	(31,700,928)
Purchase of own shares	30	–	–	–	–	–		(13,373,833)	–	(13,373,833)
Use of own shares	30	–	–	–	–	–		10,392,118	(3,464,523)	6,927,595
Stock options	30	–	–	–	–	–		3,082,982	1,523,856	4,606,838
Profit for the year – 2009	–	–	–	–	–	–	–		32,456,409	32,456,409
Other comprehensive income (losses)	–	–	–	–	–	–		(14,884,930)	(220,590)	(15,105,520)
Total comprehensive income	–	–	–	–	–	–		(14,884,930)	32,235,819	17,350,889
Balance at 31 December 2009		**29,040,000**	**5,808,000**	**243,221,990**	**1,086,287**	**25,823**	**3,041,357**	**(2,437,512)**	**252,479,316**	**532,265,261**

	Share capital	Legal reserve	Extraordinary reserve	Reserve for VAT deductions 4-6% various laws	Reserve for grants Law 696/83	Equity investment transfer reserve Leg. Decree 544/92	Other reserves	Retained profit	Shareholders' equity
	(€)	(€)	(€)	(€)	(€)	(€)	(€)	(€)	(€)
Balance at 1 January 2008	29,040,000	5,808,000	243,221,990	1,086,287	25,823	3,041,357	9,081,174	252,422,003	543,726,634
Dividend payout	–	–	–	–	–	–	–	(31,829,110)	(31,829,110)
Purchase of own shares	–	–	–	–	–	–	(4,510,175)	–	(4,510,175)
Stock options	–	–	–	–	–	–	3,700,774	–	3,700,774
Reconstitution of reserves	–	–	–	–	–	–	–	38,191	38,191
Profit for the year – 2008	–	–	–	–	–	–	–	33,493,654	33,493,654
Other comprehensive income (losses)	–	–	–	–	–	–	4,074,378	(239,646)	3,834,732
Total comprehensive income	–	–	–	–	–	–	4,074,378	33,254,008	37,328,386
Balance at 31 December 2008	**29,040,000**	**5,808,000**	**243,221,990**	**1,086,287**	**25,823**	**3,041,357**	**12,346,151**	**253,885,092**	**548,454,700**

NOTES TO THE ACCOUNTS

1. General information

Davide Campari S.p.A. is a company listed on the Italian stock market, with registered office at Via Franco Sacchetti 20, 2099 Sesto San Giovanni (Milan), Italy.

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

It is 51%-owned by Alicros S.p.A., which is controlled by Fincorus S.p.A.

Davide Campari-Milano S.p.A. is the Parent Company of the Campari Group and operates, together with its subsidiaries, on the Italian and international markets for alcoholic and non-alcoholic beverages.

The Campari Group is a leading global player in the beverage sector, with a presence in almost 200 countries and a product portfolio in three segments: spirits, wines and soft drinks.

The Group's product portfolio encompasses internationally-recognised brands such as Campari, SKYY Vodka, Wild Turkey, Cynar, Cinzano and Riccadonna, as well as brand leaders in local markets including CampariSoda, Campari Mixx, Crodino, Aperol, Aperol Soda, Glen Grant, Sella & Mosca, Zedda Piras, Biancosarti, Barbieri, Enrico Serafino, Lemonsoda, Oransoda and Pelmosoda, Ouzo 12, Cabo Wabo and Mondoro.

Unless otherwise indicated, the figures reported in the financial statements and in these notes are in euro.

As the Parent Company, Davide Campari-Milano S.p.A. has also drawn up the consolidated financial statements of the Campari Group for the year ending 31 December 2009.

The publication of the financial statements of Davide Campari-Milano S.p.A. for the year ending 31 December 2009 was authorised by resolution of the Board of Directors on 30 March 2010.

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

2. Preparation criteria

The financial statements were prepared on a cost basis, except in the case of financial derivatives, which are reported at fair value.

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

Compliance with IFRS

As mentioned above, the financial statements of Davide Campari-Milano S.p.A. (which represent the "separate financial statements") for the years ending 31 December 2009 and 2008, were prepared in accordance with the international accounting standards (IFRS) issued by the International Accounting Standards Board (IASB) and ratified by the European Union, including all the revised international accounting standards (International Accounting Standards – IAS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).

No exceptions to the application of the international accounting standards were made in the preparation of these consolidated accounts.

Form and content

In accordance with the format chosen by the Campari Group, and also adopted for the financial statements of the Parent Company, the income statement is classified by function, and the balance sheet shows current and non-current assets and liabilities separately.

This format is intended to provide a more meaningful representation of the items that have contributed to the Group's results, as well as its asset and financial position.

The cash flow statement was prepared using the indirect method.

In the income statement (classified by function), income and charges from one-off transactions such as sales of fixed assets, restructuring costs and any other non-recurring income/expenses are shown separately.

The definition of "non-recurring" or "one-off" conforms to that set out in the Consob communication of 28 July 2006 (DEM/6064293).

During the year, the Parent Company did not carry out any atypical or unusual transactions, as defined in the same communication.

Lastly, in accordance with Consob resolution 15519 of 27 July 2006, transactions with related parties are shown separately in the balance sheet and income statement, as also required by IAS 24.

3. Summary of accounting principles

Intangible assets

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

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

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

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

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

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

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

Advertising and promotional costs are recorded in the income statement when the company has received the goods or services in question.

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

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

Costs recorded under intangible assets are amortised over their useful life, generally taken to be three years.

Goodwill and trademarks, which result from acquisitions and qualify as intangible assets with an indefinite life, are not amortised. The possibility of recovering their reported value is ascertained at least annually, and in any case, when events occur leading to the assumption of a reduction in value using the criteria indicated in the "Impairment" section.

For goodwill, a test is performed on the smallest aggregate to which the goodwill relates. On the basis of this, management directly or indirectly assesses the return on investment including goodwill.

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

Tangible assets

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

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

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

Financial charges are posted to the income statement when incurred.

Ordinary maintenance and repair expenses are charged to the income statement in the period in which they are incurred. The depreciation period runs from the time the asset is available and ready for use, and the depreciation charge is allocated directly to the asset.

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

The impact of revising the estimate of these costs is explained in the "reserve for risks and future liabilities" section.

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

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

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

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

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

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

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

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

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

Rates are as follows:

Property		*Other assets:*	
buildings	3%	furniture	12%
light constructions	10%	office equipment	12%
Plant and machinery:		electronic equipment	20%
plant and machinery	10%	miscellaneous minor equipment	20%
tanks	10%	goods vehicles	20%
Industrial and commercial equipment:		cars	25%
miscellaneous equipment	20%		
commercial equipment	20%		

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

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

Capital grants

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

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

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

Impairment

The Company ascertains, at least annually, whether there are indications of a potential loss in value of intangible and tangible assets. If the Company finds that such indications exist, it estimates the recoverable value of the relevant asset.

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

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

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

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

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

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

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

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

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

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

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

The recovery of a loss of value is posted to the income statement, unless the asset was previously reported at its revalued amount.

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

Investment property

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

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

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

Equity investments

Investments in subsidiaries are recorded at cost and adjusted for any loss in value.

The positive difference arising at the time of the acquisition between the purchase cost and the current value of the Company's stake is included in the carrying value of the holding; any write-downs of this positive difference are not reinstated in subsequent periods, even if the reasons for the write-down no longer apply.

If the Company's portion of the subsidiary's losses exceeds the carrying value of the holding, the carrying value is eliminated and the portion of any further losses is posted to liabilities as a specific reserve to the extent to which the parent company is required to fulfil legal or implicit obligations with respect to the subsidiary or in any event to cover its losses.

Investments in subsidiaries are subject to impairment tests on an annual basis, or more frequently if necessary.

If the tests show evidence of impairment, the loss in value must be recorded as a write-down in the income statement.

Investments in other companies that are not held for trading (available for sale) are recorded at fair value, if determinable, and this value is allocated to shareholders' equity up to the date of sale or the identification of a loss in value, at which time the effects previously booked to shareholders' equity are recorded in the income statement for the period.

When the fair value cannot be reliably determined, investments are valued at cost, adjusted for any loss in value.

Dividends received are recognised in the income statement when the right to receive payment is established, only if they arise from the distribution of profits subsequent to the acquisition of the subsidiary.

If, however, the dividends relate to the distribution of the subsidiary's reserves preceding the acquisition, these dividends are recorded as a reduction in the cost of the investment.

Financial instruments

Financial instruments held by the Group are categorised below.

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

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

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

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

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

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

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

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

Financial instruments held for trading are all those instruments acquired with the intention of sale in the short term.

This category also includes derivatives that do not meet the hedging criteria set out in IAS 39.

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

Investments held to maturity

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

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

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

Loans and receivables

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

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

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

Financial assets available for sale

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

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

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

Profits and losses on financial assets available for sale are recorded directly in shareholders' equity up to the time the financial asset is sold or written down. At that time the accumulated profits and losses, including those previously posted to shareholders' equity, are included in the income statement for the period.

Loss in value of a financial asset

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

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

Elimination of financial assets and liabilities

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

- the rights to receive income from financial assets are no longer held;
- the Company reserves the right to receive income from financial assets, but has taken on a contractual obligation to pay such income in full and without delay to a third party;
- the Company has transferred the right to receive income from financial assets and (i) has transferred substantially all the risks and benefits relating to the ownership of the financial asset, or (ii) has neither

transferred nor retained all the risks and benefits relating to the ownership of the financial asset, but has transferred control of the asset.

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

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

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

Financial derivatives and hedging transactions

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

In accordance with IAS 39, financial derivatives are recorded using hedge accounting procedures only if, at the beginning of the hedge, a formal designation has been made and the documentation for the hedge relationship exists, and if it is assumed that the hedge is highly effective; it must be possible for this effectiveness to be reliably measured, and the hedge must prove highly effective during the accounting periods for which it is designated.

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

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

- fair value hedge – if a financial derivative is designated to hedge exposure to changes in the fair value of an asset or liability attributable to a particular risk that could have an impact on the income statement, the profits or losses resulting from the subsequent valuations of the fair value of the hedging instrument are reported in the income statement. The gain or loss on the hedged entry, which is attributable to the hedged risk, is reported as a portion of the carrying value of this entry and as an offsetting entry in the income statement.
- cash flow hedge – if a financial instrument is designated as a hedge of exposure to fluctuations in future cash flows arising from an asset or liability reported in the accounts, or of a highly likely expected transaction that could have an impact on the income statement, the effective portion of the profits or losses on the financial instrument is reported under shareholders' equity.

Accumulated profits or losses are removed from shareholders' equity and recorded in the income statement in the same period in which the transaction being hedged has an impact on the income statement.

The profit or loss associated with a hedge, or the portion of the hedge that has become ineffective, is posted to the income statement when the ineffectiveness is reported.

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

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

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

Own shares

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

The original cost of the own shares and the economic effects of any subsequent sales are reported directly under shareholders' equity.

Inventories

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

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

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

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

Non-current assets held for sale

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

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

Employee benefits

Post-employment benefit plans

The Company provides post-employment benefits through defined contribution and/or defined benefit plans.

- Defined benefit plans

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

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

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

- Defined contribution plans

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

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

Compensation plans in the form of stock options

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

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

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

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

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

The stock options are recorded at fair value with an offsetting entry under the stock option reserve.

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

Provisions for risks and future liabilities

Provisions for risks and future liabilities are reported when:

- the existence of a current legal or implicit obligation, resulting from a past event, is likely;
- it is likely that the fulfilment of the obligation will require some form of payment;
- the amount of the obligation can be reliably estimated.

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

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

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

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

Restructuring reserves

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

Recording of revenues, income and charges in the income statement

Revenues are reported to the extent to which it is likely that the financial benefits will accrue to the Company and in respect of the amount that can be determined reliably.

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

Specifically:

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

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

Personnel and service costs include stock options (in keeping with their largely remunerative nature) that were allocated to employees, directors and individuals who regularly do work for the Company starting in 2004. The cost is determined in relation to the fair value of the option assigned. The portion applicable to the period is determined proportionally over the period to which the incentive applies (known as the vesting period).

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

Taxes

Current income taxes are calculated on the basis of estimated taxable income.

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

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

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

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

Deferred tax assets are reported when their recovery is likely.

Deferred tax assets and liabilities are determined on the basis of tax rates that are expected to apply in those periods when the temporary differences are generated or eliminated.

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

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

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

Following the introduction of the tax reforms contained in Legislative Decree 344 of 12 December 2003, the Company has opted for the national tax consolidation procedure governed by article 117 *et seq* of the consolidated law on corporate income tax (TUIR) for 2007, 2008 and 2009, in accordance with the regulation drawn up by Fincorus S.p.A, which is the head entity for tax consolidation purposes and the indirect controlling entity of the Company.

The decision to adopt this procedure is reflected in the accounting entries.

Transactions in foreign currencies (not hedged with derivatives)

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

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

Use of estimates

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

The actual results could therefore differ from these estimates.

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

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

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

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

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

4. Changes in accounting principles

Accounting standards, amendments and interpretations applied since 1 January 2009

The following accounting standards, amendments and interpretations, which the IASB revised following its 2008 annual improvement process, were applied by the Company for the first time from 1 January 2009.

– Improvement to IFRS 2 – Vesting Conditions and Cancellations

  The amendment to IFRS 2 (Vesting Conditions and Cancellations) narrows the definition of "vesting conditions" to one condition that includes an explicit or implicit obligation to provide a service.

  Every other condition constitutes a "non-vesting condition" and must be taken into consideration when determining the fair value of the equity instruments assigned on the grant date.

  The amendment also clarifies the situation whereby, if a grant of equity instruments does not occur because a non-vesting condition that is under the control of the entity or counterparty has not been met, this must be booked as a cancellation.

  The principle was applied retrospectively by the Company from 1 January 2009; however, its application did not have any effects on the financial statements, since the Company has not undertaken any share-based payments with conditions other than those relating to service.

– Improvement to IFRS 7 – Financial Instruments: Disclosures

  The main amendment, which has to be applied by 1 January 2009, requires additional information to be provided on fair value valuations and liquidity risk. In the case of fair value valuations, information is required to be provided on hierarchical levels (three levels) for each class of financial instruments.

  In addition, the amendments specify the information to be disclosed on liquidity risks with reference to derivatives and financial assets used to manage liquidity in foreign currency.

  Information on fair value is presented in note 37 – Financial instruments; however, the amendments have not had a significant effect on the information on liquidity risk set out in the relevant section of the report on operations.

– Revised IAS 1 – Presentation of Financial Statements

  The revised version of IAS 1 – Presentation of Financial Statements separates changes in shareholders' equity into shareholders' and non-shareholders' portions.

  The statement of changes in shareholders' equity includes only details of transactions with shareholders, while all changes relating to transactions with non-shareholders are presented in a reconciliation of each component of shareholders' equity. The standard also introduced the statement of comprehensive income, which contains all the revenue and cost items for the period recorded in the income statement, as well as any other revenue and cost items recorded directly under shareholders' equity.

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

  The Group has applied the revised version of the standard retrospectively from 1 January 2009, and has opted to present information in two statements, entitled "Separate income statement" and "Statement of comprehensive income" respectively, and has therefore modified the presentation of the "Statement of changes in shareholders' equity".

In addition, as part of the IFRS improvement process, on 22 May 2008 the IASB issued an amendment to the revised IAS 1, requiring assets and liabilities relating to hedging derivatives to be classified into current and non-current portions.

The adoption of this amendment did not require any changes in the presentation of asset and liability items, since the Company was already making a distinction between current and non-current portions.

– Improvement to IAS 19 – Employee Benefits

  The improvement to IAS 19 – Employee Benefits clarifies the definition of cost/income relating to employees' past service. If a plan is curtailed, the effect to be booked immediately to the income statement must only include the reduction of benefits for future periods, while the effect of any reductions relating to previous periods of service must be considered a negative past service cost.

  This amendment must be applied prospectively to changes made to plans after 1 January 2009.

  The adoption of this amendment had no effect on the financial statements.

  The amendment also redefined short-term and long-term benefits and revised the definition of the return on plan assets. It further determined that this item must be disclosed excluding any administration costs that are not already included in the value of the liability.

  The Company adopted this principle retrospectively from 1 January 2009, but it had no effect on the financial statements as the Company's procedures already reflected it.

– Improvement to IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance

  The amendment to IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance requires that government loans issued at a lower rate than the market rate or on an interest-free basis must be booked as if they were issued at market rates; the difference between the amount received and the present value is treated as a government grant and accounted for in accordance with IAS 20. These loans must be valued in accordance with the provisions of IAS 39 (Financial Instruments).

  The Company applied this new version retrospectively from 1 January 2009, but it had no effect on the financial statements as no subsidised loans were obtained after that date.

– Revised IAS 23 – Borrowing Costs

  The revised standard requires borrowing costs to be capitalised when these are incurred in respect of investments in assets which take a substantial period of time to be prepared for use or sale (qualifying assets), thereby removing the possibility of recognising such borrowing costs in the income statement.

  In addition, as part of the 2008 improvement process, the IASB made a further amendment to the definition of borrowing costs, defining them as interest paid that is calculated using the effective interest rate method in accordance with IAS 39.

  The Company, in compliance with the requirements of the transition phase, applied the new accounting standard prospectively from 1 January 2009, modifying its accounting procedures to include both the amended definition of borrowing costs and the amended accounting principle.

  However, the adoption of this principle had no effect on the financial statements, as no significant investments were made in qualifying assets during the year.

– Improvement to IAS 27 – Consolidated and Separate Financial Statements

  This amendment, applied by the Company prospectively from 1 January 2009, requires that all dividends received from subsidiaries, joint ventures or affiliates, must be recorded in the separate income statement when the right to receive such dividends is established, irrespective of whether these are paid out of profits accumulated before or after the acquisition of the investment.

  The application of this amendment had no effect on the accounts as the dividends received during the year derive from post-acquisition profits.

Accounting standards, revisions and interpretations applicable from 1 January 2009 that are not relevant for the Company

The following amendments and interpretations, which are applicable from 1 January 2009, relate to issues that were not relevant for the Company at the reporting date.

- Improvement to IAS 41 – Agriculture

  This amendment expands the concept of agricultural activity to include the processing of biological assets for sale as well as the harvesting and transformation of biological assets into agricultural produce.

  In addition, if companies discount the expected future financial cash flows of the assets to determine their fair value, such discounting to current market rates must take account of the tax effect.

  These changes had no impact on the Company's accounts.

- IFRS 8 – Operating Segments

  On 30 November 2006, the IASB issued accounting standard IFRS 8 – Operating Segments, which replaces IAS 14 – Segment Reporting.

  The new standard became effective on 1 January 2009 and requires segment information to be reported on the basis of the factors considered by management when making operating decisions. This therefore requires the identification of operating segments whose results are reviewed regularly by management for the purpose of making decisions about resources to be allocated to the segment and assessing its performance. The adoption of this standard had no impact on the Company's financial statements, since it presents separate financial statements in addition to consolidated financial statements, and this information is only required at consolidated level.

- Improvement to IAS 16 – Property, Plant and Equipment

  The amendment to IAS 16 – Property, Plant and Equipment establishes that leasing companies must reclassify under inventories those assets which are no longer leased and that are held for sale; consequently, the gains on the sale of such assets must be recognised as income.

  For the purposes of the cash flow statement, the cost paid for the construction or acquisition of assets to be leased to third parties, and the gains on the subsequent sale of such assets constitute cash flow generated (or used) by operating activities for the period.

- Improvement to IAS 28 – Investments in Associates

  The amendment, which is to be applied prospectively, establishes that any impairment in investments in subsidiaries valued at equity must not be allocated to individual assets (particularly goodwill) making up the carrying value of the investment, but to the carrying value of the holding in its entirety.

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

  The application of this amendment had no effect on the 2009 financial statements, as the Company does not hold any investments in associates.

  In addition, the improvement modified some of the disclosure requirements for investments in associates and joint ventures valued at fair value, in accordance with IAS 39; it also modified IAS 31 – Interests in Joint Ventures, IFRS 7 – Financial Instruments: Disclosures and IAS 32 – Financial Instruments: Presentation.

  These amendments did not apply in the Company's case at the reporting date.

- Improvement to IAS 29 – Financial Reporting in Hyperinflationary Economies

  This amendment modified the reference to the exception for measuring assets and liabilities at historical cost, stating that the categories of assets that must or could be valued at fair value are broader than those listed in the standard previously.

- Improvement to IAS 32 – Financial Instruments: Presentation and to IAS 1 – Presentation of Financial Statements – Puttable Financial Instruments and Instruments with Obligations Arising on Liquidation

  The amendment to IAS 32 allows certain financial instruments to be classified as available for sale and obligations arising at the time of liquidation to be classified as an equity instrument if certain conditions are met.

  The amendment to IAS 1 requires that some information relating to options available for sale that are classified as equity is provided in the notes to the accounts.

- Improvement to IAS 36 – Impairment of Assets

  The amendment requires the disclosure of additional information on the discount rates applied to the cash flow projections, the growth rate used and the period over which cash flows have been projected in cases where discounted cash flows (DCF) have been used to estimate the fair value less sales costs.

The same information is also required in cases where the DCF method is used to estimate the value in use.

– Improvement to IAS 39 – Financial Instruments: Recognition and Measurement

  In particular, if derivatives designated as hedging instruments are no longer used as such after they are first reported, this does not constitute a reclassification.

  This improvement also defines the effective interest rate of a financial instrument when fair value hedge accounting is discontinued.

– Improvement to IAS 40 – Investment Property

  This amendment requires that investment property under construction is now treated under IAS 40 instead of IAS 16.

  If the fair value cannot be determined, the investment property under construction must be calculated at cost until such time as the fair value can be determined or the building is complete.

IFRIC has also issued the following interpretations; however these also relate to situations that do not apply to the Company:

- IFRIC 13 – Customer Loyalty Programmes: requires that points allocated in customer loyalty programmes must be recorded separately from the related sale transaction in which the points are awarded; a portion of the fair value of the sale amount must therefore be allocated to the points and deferred, and this component is recognised as a revenue item in the period in which the credits/points are redeemed.
- IFRIC 15 – Agreements for the Construction of Real Estate: provides guidelines for defining the scope of application of IAS 11 – Construction Contracts and IAS 18 – Revenue.
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation: this is to be applied prospectively, and contains guidelines for accounting for the hedging of net investments in foreign operations. The interpretation provides:
  - information on identifying exchange rate risks arising from the application of hedge accounting to a net investment in a foreign operation;
  - information on the entities within a group that are permitted to hold instruments used to hedge net investments in foreign operations;
  - the procedures for identifying the amount of profit or loss on exchange rates to be reclassified when the entity disposes of the investment for both the net investment and the hedging instrument.

Accounting standards, amendments and interpretations not yet applicable to the Company that have not been adopted in advance

– Improvement to IAS 39 – Financial Instruments: Recognition and Measurement – Eligible Hedged Items

  This amendment was issued by the IASB on 31 July 2008 and will be applicable to the accounts for financial years beginning after 1 July 2009; this means that for the Company, the standard will apply from 1 January 2010.

  The amendment states that an entity is allowed to designate a portion of changes in fair value or cash flows of a financial instrument as a hedged item and also includes the designation of inflation as a hedged risk or as a portion of risk in certain situations.

  The Company does not expect the amendment to have any impact on its financial position or operating performance as it does not use such hedged items.

– IFRIC 17 – Distribution of Non-Cash Assets to Owners

  This interpretation, issued by IFRIC on 27 November 2008, is applicable prospectively in financial years beginning after 1 July 2009.

  It provides information on the accounting and valuation of non-cash dividends distributed to shareholders. In particular, it specifies that liabilities to shareholders for a dividend to be distributed must be accounted for when it has been appropriately authorised (i.e. by the shareholders' meeting); the value of a non-cash dividend should be calculated taking into account the fair value of the assets to be distributed at the time the related liability to shareholders must be recognised.

The difference between the dividend paid and the net carrying value of the assets used for the payment must be taken to the income statement.

The Company does not expect the application of IFRIC 17 to have any impact on the accounts as it has never distributed any non-cash assets.

- IFRIC 18 – Transfers of Assets from Customers

  This interpretation, issued by IFRIC on 29 January 2009, is applicable prospectively from 1 January 2010.

  IFRIC 18, which does not apply to the Company, clarifies the accounting treatment for agreements in which an entity receives from a customer an item of property, plant and equipment that the company must then use either to connect the customer to a network or to provide the customer with access to a supply of goods and services.

On 16 April 2009, the IASB issued a series of modifications to IFRS ("improvements"). According to the IASB, those listed below contain changes that affect the presentation, recognition and valuation of items in the financial statements; this list omits terminology or editorial changes with a minimal impact on the accounts and changes that affect standards or interpretations that do not apply to the Company:

- IAS 1 – Presentation of Financial Statements: the amendment to IAS 1, which must be applied from 1 January 2010, modifies the definition of current assets; for the purposes of the classification of a liability as current or non-current, the existence of a currently exercisable option for conversion into equity instruments is irrelevant.
- IAS 7 – Statement of Cash Flows: the amendment to IAS 7, which must be applied from 1 January 2010, states that only the cash flows arising from expenses resulting from the recognition of an asset on the balance sheet can be classified in the cash flow statement as deriving from investing activities, while the cash flows arising from expenses that do not result in the recognition of an asset (which may be the case for advertising and promotional costs or staff training costs) must be classified as deriving from operating activities.
- IAS 17 – Leases: the amendment, which must be applied from 1 January 2010, requires that the general conditions set out in IAS 17 for the purposes of the classification of leasing agreements as finance or operating leases will also apply to leased land, regardless of whether ownership is transferred at the end of the contract; therefore land covered by existing leasing agreements that have not expired at the date of adoption of the amendment must be valued separately, and a new lease may be recognised retrospectively as if the related agreement were a finance lease.
- IAS 38: Intangible Assets: this amendment, which must be applied prospectively from 1 January 2010, is a consequence of the amendment made to IFRS 3 in 2008. It clarifies the valuation methods to be used for the fair value valuation of intangible assets for which there is no active reference market. These methods include the estimated net present value of cash flows generated by the asset, an estimate of the costs that the company has avoided by owning the asset (i.e. by not obtaining it via a licensing agreement) and an estimate of the costs necessary to replace it.
- IAS 39 – Financial Instruments: Recognition and Measurement: this amendment, which must be applied prospectively from 1 January 2010, restricts the exemption set out in paragraph 2(g) of IAS 39 to forward contracts between the acquirer and a vendor in a business combination to buy or sell an acquiree at a future acquisition date, where the completion of the business combination is not dependent on further transactions between the two parties, but only on the elapsing of an appropriate period of time. The exemption does not apply to option contracts that on exercise, in relation to the occurrence or non-occurrence of future events, would result in one of the two parties taking control of an entity.
- IFRIC 9 – Reassessment of Embedded Derivatives: this amendment, which must be applied prospectively from 1 January 2010, excludes embedded derivatives acquired in a business combination at the time of the formation of businesses under common control or joint ventures. It also states that the entity, based on the circumstances existing when it first becomes party to a hybrid contract, must assess whether the embedded derivatives contained in the contract are required to be separated from the host contract when the entity reclassifies a hybrid instrument at fair value with the changes taken to the income statement. It is possible to make a subsequent reassessment, but only if there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract.

– Improvement to IFRS 2 – Share-based Payments: payments based on Group shares settled for cash

  The amendment, issued in June 2009 and applicable from 1 January 2010, had not been approved at the reporting date. This amendment, in addition to clarifying the scope of IFRS 2 and how it relates to the other standards, establishes that the company receiving goods or services in the context of share-based payment plans must account for these goods or services irrespective of which group company settles the transaction, whether or not the settlement is in cash or shares. The amendment specifies that a company must value the goods or services received in the context of a transaction settled in cash or shares from its own viewpoint, which may not coincide with that of the Group and with the amount recognised in the consolidated accounts. With the publication of this amendment, which incorporates the guidelines previously included in IFRIC 8 – Scope of IFRS 2 and in IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions, the IASB withdrew IFRIC 8 and IFRIC 11.

– Improvement to IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues

  This amendment, issued on 8 October 2009 and applicable retrospectively from 1 January 2011, was published in the Official Journal of the European Union of 24 December 2009 under Commission Regulation (EU) 1293/2009 of 23 December 2009.

  The amendment clarifies how to account for certain rights when the instruments issued are denominated in a currency other than the issuers' functional currency.

  If such instruments are offered pro rata to all shareholders for a fixed amount of cash, they should be classified as equity instruments even if their exercise price is denominated in a currency other than the issuer's functional currency.

– Improvement to IAS 24 – Related Party Disclosures

  The amendment, issued on 4 November 2009 and applicable from 1 January 2011, simplifies the information to be provided in the case of transactions with related parties that are State-controlled entities; however, it had not been approved at the reporting date.

– IAS 9 – Financial Instruments

  This standard was issued on 12 November 2009 and is applicable from 1 January 2013; however, it had not been approved at the reporting date. The publication of this standard represents the first stage of a process in which IAS 39 will be fully replaced.

– Improvement to IFRIC 14 – Prepayment of a Minimum Funding Requirement

  The amendment, issued on 26 November 2009 and applicable from 1 January 2011, allows prepayments of a minimum funding requirement to be recognised as an asset; however, it had not been approved at the reporting date.

– Improvement to IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

  This amendment, issued on 26 November 2009 and applicable from 1 January 2011, had not been approved at the reporting date. It states that if a company renegotiates the terms of an agreement with a creditor to which it issues equity instruments to extinguish a financial liability, these equity instruments become part of the price paid and must be valued at fair value. In addition, the difference between the carrying value of the original financial liability and the fair value of the equity instruments must be taken to the income statement.

5. Default risk: negative pledges and debt covenants

The agreements relating to the bonds issued by the Company include negative pledges and covenants.

The negative pledge clauses are intended to limit the Company's ability to grant significant rights to the assets of the Company and the companies it directly or indirectly controls to third parties, in particular by establishing specific restrictions on selling or pledging assets.

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

These indicators are also calculated at consolidated level, i.e. taking into account all the companies directly or indirectly controlled by the Company.

The Company therefore monitors both the restrictions and the levels of the financial indicators, as it is also the guarantor of the private placements issued by its subsidiary Redfire, Inc., whose agreements include the same covenants.

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

These ratios are monitored by the Company on a regular basis, and have so far been a long way from reaching the thresholds that would constitute non-compliance.

6. Segment reporting

Segment information is provided in detail in the notes to the consolidated accounts.

7. Net sales

Net sales totalled €308,984,737 in 2009, broadly in line with 2008; these mainly relate to sales to the Group's trading companies, and to a minor extent, to third parties in respect of agreements for manufacturing under licence.

Information on sales performance is included in the notes to the consolidated accounts and in the financial statements of the subsidiaries that sell the Group's products, which provide a more significant representation of the trends in the sales of the Group's products on its key markets.

8. Cost of goods sold

	2009 (€)	2008 (€)
Materials and manufacturing costs	239,286,461	243,526,488
Distribution costs	6,585,963	7,113,069
Total cost of goods sold	**245,872,424**	**250,639,557**

	2009 (€)	2008 (€)
Raw materials and finished goods purchased by third parties	200,211,497	203,681,115
Miscellaneous sales – adjustments to cost of goods sold	(1,572,383)	(2,367,660)
Sale of materials, refunds	(2,604,133)	(426,849)
Transaction charges	698,060	–
Personnel costs	15,869,956	15,128,024
Other personnel-related costs	1,352,582	1,633,158
Depreciation and amortisation	9,519,813	8,461,403
Amounts used	3,600,123	3,940,889
External production and maintenance costs	9,108,647	9,459,031
Variable transport costs	1,826,643	2,325,304
Operating leases and rental expenses	573,509	611,753
Cost of services, consultancy and insurance	5,944,428	5,985,178
Taxes	350,141	347,129
Bank charges	84,719	577,951
Other miscellaneous costs and income	908,823	1,283,131
Total cost of goods sold	**245,872,424**	**250,639,557**

The item mainly comprise the cost of production materials, such as raw materials, packaging, goods and related ancillary costs, as well as costs allocated to manufacturing units, such as personnel costs, depreciation and amortisation, service provision and the running costs of production plants.

The reduction in the cost of goods sold compared to the previous year, both in absolute terms and as a percentage of net sales, is attributable to a reduction in the cost of materials owing to improved contractual conditions obtained for the purchase of raw materials and packaging, and to a more favourable mix of products sold.

However, there was an increase in production costs, mainly due to higher depreciation and amortisation relating to significant industrial investments capitalised during the year.

Distribution costs fell as a result of the optimisation of logistics costs and efficient management of distribution processes.

9. Structure costs

	2009 (€)	2008 (€)
Sales costs	1,560,878	1,401,765
General and administrative costs	36,026,435	33,671,978
Other operating income and costs	(5,370,340)	(15,005,595)
Total structure costs	**32,216,973**	**20,068,148**

	2009 (€)	2008 (€)
Depreciation and amortisation	3,280,816	1,671,404
Personnel costs	14,758,212	13,865,939
Other personnel-related costs	2,444,285	3,161,105
Meetings and conferences	276,616	388,684
Travel, transfers, training and meetings	1,074,907	1,090,293
Amounts used	2,131,199	1,940,465
Services, maintenance and insurance	7,208,366	5,390,986
Operating leases and rental expenses	4,817,356	5,026,676
Taxes	375,370	312,652
Income from property	(1,428,616)	(1,130,159)
Intragroup services rendered	(3,956,556)	(3,979,661)
Other miscellaneous costs and income	1,235,018	(7,670,235)
Total structure costs	**32,216,973**	**20,068,148**

Other operating income and costs, for which the net figure was income of €4,551,500, mainly comprised revenues generated by the passing on of costs for services rendered by the Parent Company to subsidiaries of €3,956,556, as defined by contract, for administrative, financial, IT and legal services (see note 40 – Related parties for more detail). Operating income also included royalties of €434,984 and refunds for agricultural levies of €396,262.

Operating costs also included miscellaneous risk provisions of €100,000, royalties payable of €198,610 and capital losses on disposals and scrapping of materials of €270,975.

For details of non-recurring income and costs, see note 15 (Non-recurring income and costs).

10. Depreciation

The depreciation and amortisation reported in the income statement are broken down by asset type as follows. It should be noted that there were no impairment losses in the two periods reported.

	2009 (€)	2008 (€)
Depreciation, amortisation and any losses in value:		
– Depreciation of tangible assets	11,300,949	8,674,257
– Amortisation of intangible assets	1,512,080	1,485,410
	12,813,029	**10,159,667**
of which		
Amounts included in cost of goods sold:		
– Depreciation of tangible assets	9,494,510	8,419,944
– Amortisation of intangible assets	25,303	41,459
Included in advertising and promotional expenses:		
– Depreciation of tangible assets	12,400	24,800
– Amortisation of intangible assets	–	2,060
Included in structure costs:		
– Depreciation of tangible assets	1,794,039	229,514
– Amortisation of intangible assets	1,486,777	1,441,890
	12,813,029	**10,159,667**

11. Personnel costs

This item breaks down as follows:

	2009 (€)	2008 (€)
Salaries and wages	22,052,087	20,558,549
Social security contributions	6,962,807	6,538,516
Other costs	948,683	1,613,158
Costs for post-employment benefits	1,474,488	1,705,431
Cost of share-based payments	2,585,548	2,157,548
	34,023,613	**32,573,202**
of which:		
amounts included in cost of goods sold	16,446,792	16,003,123
amounts included in sales costs	925,399	881,556
amounts included in general and administrative costs	16,515,999	15,507,023
amounts included in one-off costs	135,423	181,500
	34,023,613	**32,573,202**

12. Miscellaneous management costs

	2009 (€)	2008 (€)
Taxes, penalties	758,989	751,144
CONAI grants on purchases	1,122,767	1,124,557
Entertainment costs	505,967	198,903
Membership fees	137,117	139,204
Newspapers, journals and other publications	99,624	93,805
Charitable donations	1,973	1,064
Wine consortium costs	438,554	463,618
Capital losses on the sale of tangible assets	5,119	6,243
Capital losses on the scrapping of materials	265,855	31,692
Costs for managing leased buildings	4,823	11,188
Free gifts	105,763	89,643
Settlement for defective glass	–	2,167,313
Expenses relating to previous financial years	2,155,825	768,330
Miscellaneous expenses	1,003,146	620,025
	6,605,522	**6,466,729**
of which:		
amounts included in cost of goods sold	2,906,035	1,879,574
amounts included in advertising and promotional expenses	325,566	6,368
amounts included in sales costs	119,686	45,346
amounts included in general and administrative costs	2,288,502	4,444,947
amounts included in one-off operating costs	–	56,435
amounts included in taxes	965,733	34,059
	6,605,522	**6,466,729**

13. Other costs

Rental costs on operating leases are broken down below.

	2009 (€)	2008 (€)
Hardware	714,022	528,082
Software	34,130	30,921
Cars	739,941	807,604
Lifting apparatus	139,001	277,785
Plant equipment	74,003	79,822
Protective clothing	89,350	88,646
Photocopiers	99,241	110,060
Tanks	28,968	39,834
Other	31,552	20,937
	1,950,208	**1,983,691**

14. Research and development costs

The Company's research and development activities relate solely to ordinary production and commercial activities, in particular, product quality control and packaging studies, the cost of which (€140,692) is included in advertising and promotional expenses.

These costs are not capitalised, but fully expensed to the income statement in the period when incurred.

15. Other one-offs: income and charges

	2009 (€)	2008 (€)
Capital gains on disposals of equity investments	182,645	4,048,939
Capital gains on disposals of fixed assets	810,054	6,264,307
Income from subsequent definition of contracts from previous years	2,205,351	247
Total other one-off income	**3,198,050**	**10,313,493**
Capital losses on disposals of fixed assets	–	(46,853)
Capital losses on disposals of equity investments	(50,840)	–
Demolition costs	(235,000)	–
Personnel restructuring costs	(399,423)	(181,500)
Rental fees	(1,339,216)	–
Expenses relating to disposals of fixed assets	–	(149,700)
Write-down of non-trade receivables	(150,000)	
Miscellaneous one-off charges	(204,731)	(24)
Total other one-off charges	**(2,379,210)**	**(378,077)**
Other one-off charges (income)	**(818,840)**	**(9,935,416)**

Rental fees were paid to the lessor of the property previously used as the headquarters of some of the Italian group companies, as compensation for the delay in vacating the property.

In addition, one-off income and charges were affected by net charges of €4,904,163 classified under financial income and charges (see below).

16. Net financial income and charges

The table below shows the changes in the components of financial income and charges during the two years under review.

	2009 (€)	2008 (€)
Bank interest and term deposits	443,864	1,044,658
Interest receivable and financial income from cash investments	–	22,111,900
Dividends from other companies	8,128	12,853
Other income	25,486	79,297
Total financial income	**477,478**	**23,248,708**
Interest paid on bonds and private placement	(13,481,282)	(9,361,380)
Interest paid on leases	(255,126)	(771,806)
Interest paid to banks and on loans	(1,985,604)	(494,800)
Interest paid and financial charges on cash investments	–	(21,232,280)
Total interest paid to third parties	**(15,722,012)**	**(31,860,266)**
Net interest from centralised cash management system with Group companies	(2,050,178)	(3,251,422)
Interest on loans from Group companies	(7,646,199)	(14,420,990)
Total interest paid to Group companies	(9,696,377)	(17,672,412)
Total interest paid	**(25,418,389)**	**(49,532,678)**
Actuarial effects on defined benefit plans	(247,344)	(269,935)
Bank charges	(51,015)	(35,689)
Other costs and exchange rate differences	(102,288)	(197,174)
Total financial charges	**(25,819,036)**	**(50,035,476)**
One-off financial charges on Term Loan Facility	(7,653,034)	–
Income from one-off costs passed on to subsidiaries	2,748,872	–
Change in fair value of derivatives not used for hedging	–	–
Write-down of financial assets	–	(4,725,000)
One-off financial charges	**(4,904,163)**	**(4,725,000)**
Net financial income (charges)	**(30,245,720)**	**(31,511,769)**

Financial management generated better results than in the previous year. In particular, total net financial income and charges benefited from the reduction in debt owed to subsidiaries, although financial charges increased, mainly due to the €350,000,000 bond issue placed on the European market in October, with annual coupons paid at a fixed rate of 5.375%.

One-off financial charges for the year related to the Term and Revolving Loan Facility made available to the Company by a group of leading banks, for the purpose of financing the acquisition of Wild Turkey (completed in May 2009); the amount drawn down was fully repaid during the year.

These changes totalled €4,904,163, net of the amount passed on to subsidiaries.

In addition, the financial income and charges arising from the bond issue, and the related hedging instruments, are shown below.

	2009 (€)	2008 (€)
Financial charges paid to bondholders for US$ 300,000,000 private placement	(9,581,101)	(9,131,692)
Financial charges paid to bondholders for €350,000,000 Eurobond	(4,023,785)	–
Financial charges paid to bondholders (coupons)	**(13,604,886)**	**(9,131,692)**
Financial charges on derivatives relating to US$ 300,000,000 private placement	(9,811,925)	(13,663,686)
Financial charges on derivatives relating to €250,000,000 Eurobond	(1,887,783)	–
Total financial charges on derivatives	**(11,699,708)**	**(13,663,686)**
Financial income on derivatives relating to US$ 300,000,000 private placement	9,581,103	9,131,693
Financial income on derivatives relating to €250,000,000 Eurobond	2,874,132	–
Total financial income on derivatives	**12,455,235**	**9,131,693**
Net cost of coupons and hedging	**(12,849,359)**	**(13,663,685)**
Net change in net fair value and other amortised cost components	(1,434,067)	3,430,866
Cash flow hedge reserve reported in the income statement for the year	802,145	871,439
Net interest paid on bonds	**(13,481,281)**	**(9,361,380)**

More information on financial management performance is provided in the notes on the financial situation and financial instruments.

17. Current and deferred taxes

Details of current and deferred taxes included in the Company's income statement are as follows:

	2009 (€)	2008 (€)
Income tax – current		
– taxes for the period	6,476,631	1,935,503
– taxes relating to previous financial years	807,223	(1,847,108)
Income tax – deferred		
– deferred tax income	911,699	1,272,711
– deferred tax expense	(5,655,054)	(587,358)
Income tax posted to the income statement	**2,540,499**	**773,748**

The amounts of current and deferred taxes credited and debited directly to shareholders' equity during the period relate only to the valuation at fair value of cash flow hedging contracts on bonds.

	2009 (€)	2008 (€)
Deferred taxes relating to items debited or credited to shareholders' equity		
– Deferred tax assets	(824,450)	–
– Deferred tax liabilities	(4,600,968)	1,507,263

Taxes are calculated based on the regulations in force, applying the current rate of 27.5% for IRES and 3.9% for IRAP.

The following table shows a reconciliation of the theoretical tax charge with the Company's actual tax charge.

The theoretical rate used is that in force on the reporting date, based on legal provisions, taking into account the rates for both IRES and IRAP, which have different tax bases.

Tax base differences are included under the permanent differences item.

	2009 (€)	2008 (€)
Profit before tax	**34,189,685**	**36,114,511**
Current tax rate	31.40%	31.40%
Theoretical taxes	10,735,561	11,339,956
Permanent differences	(8,267,788)	(8,720,188)
Other differences	72,726	(1,846,020)
	(8,195,062)	**(10,566,208)**
Actual tax charge	**2,540,499**	**773,748**
Actual tax rate	7.43%	2.14%

Permanent differences mainly concern the tax effect of dividends received from subsidiaries.

Pre-tax profit represents the income on which tax is calculated, in accordance with current tax regulations.

Details of deferred tax income and expense posted to the end-of-year income statement and balance sheet are broken down by type as follows:

	Balance sheet		Income statement	
	31 December 2009 (€)	31 December 2008 (€)	2009 (€)	2008 (€)
Deferred expenses	511,866	1,311,437	(154,091)	(162,954)
Taxed reserves	1,162,293	1,285,976	(100,310)	(334,546)
Other	10,153,192	2,750,434	5,909,455	1,084,858
Deferred tax assets	**11,827,351**	**5,347,847**	**5,655,054**	**587,358**
Accelerated depreciation	(4,090,214)	(4,653,971)	563,757	551,505
Capital gains subject to deferred taxation	(1,641,560)	(2,676,784)	1,035,223	(480,619)
Goodwill and trademarks deductible locally	(8,468,950)	(6,482,523)	(1,986,426)	(1,986,426)
Leasing	(2,629,124)	(2,629,124)	–	–
Other	(1,793,534)	(5,870,249)	(524,253)	642,829
Deferred tax liabilities	**(18,623,382)**	**(22,312,651)**	**(911,699)**	**(1,272,711)**

The overall detail of changes is shown in the tables below.

In addition, deferred taxes at 31 December 2008 include items taken to shareholders' equity totalling €5,600,271.

Deferred tax assets

Deferred tax assets arise solely from temporary differences and mainly relate to the creation of taxed provisions, such as provisions for inventory write-downs, provisions for miscellaneous risks and future liabilities and costs that are deductible on the basis of certain tax measures, such as taxes, directors' remuneration and auditing fees.

The rates applied for the purpose of allocating deferred tax assets correspond to those in force, based on existing regulations, in the period in which the related release is expected (the current rate of 27.5% for IRES and 3.9% for IRAP).

The amounts credited and debited in relation to this item are taken from the income statement for the period.

The table below summarises the deferred tax assets reported and the related effects.

Nature of temporary differences (*)	31 December 2009		31 December 2008	
	Amount of temporary differences (€)	Tax effect IRES 27.5% IRAP 3.9% (€)	Amount of temporary differences (€)	Tax effect IRES 27.5% IRAP 3.9% (€)
Entertainment expenses	32,074	10,071	66,180	20,781
Miscellaneous provisions	4,183,977	1,162,294	4,451,694	1,285,976
Write-downs of goods recorded under fixed assets	917,166	287,990	–	–
Non-deductible interest payable – adjusted in tax consolidation	22,207,149	6,106,966	4,416,218	1,214,460
Write-down of financial assets	4,725,000	1,299,375	–	–
Cash flow hedge reserve – Eurobond	2,921,649	803,453	–	–
Differences relating to depreciation and amortisation	3,439,931	1,027,733	3,005,582	934,316
Directors' remuneration	1,183,000	325,325	1,335,000	367,125
Other	2,609,657	804,144	4,893,820	1,525,189
	42,219,603	**11,827,351**	**18,168,494**	**5,347,847**

(*) IRAP tax effect where applicable.

The change in the balance of deferred tax assets, of €6,479,504, is broken down below.

	(€)
Deferred tax assets at 1 January 2009	5,347,847
Adjustment to IRES deferred tax assets relating to previous financial years	1,273,524
For IRES deferred tax assets in the year	6,019,577
For IRES deferred tax assets in the year (from cash flow hedging)	824,450
Use of IRES deferred tax assets	(1,482,499)
Use of IRES deferred tax assets (from cash flow hedging)	(20,997)
Use of IRAP deferred tax assets	(134,551)
Total change in the year	**6,479,504**
Deferred tax assets at 31 December 2009	**11,827,351**

Deferred tax liabilities

Temporary differences involving the reporting of deferred tax provisions relate mainly to accelerated depreciation and amortisation and the deferral of capital gains carried out in previous years.

The rates applied for the purpose of allocating deferred tax liabilities correspond to those in force, based on existing regulations, in the period in which the related release is expected (the current rate of 27.5% for IRES and 3.9% for IRAP).

The amounts credited and debited in relation to this item are taken from the income statement for the period, or are recorded directly under shareholders' equity if the deferred liabilities are also recorded under shareholders' equity.

The table below summarises the deferred tax liabilities reported and the related effects.

Nature of temporary differences (*)	31 December 2009		31 December 2008	
	Amount of temporary differences (€)	Tax effect IRES 27.5% IRAP 3.9% (€)	Amount of temporary differences (€)	Tax effect IRES 27.5% IRAP 3.9% (€)
Differences relating to depreciation and amortisation	13,026,159	4,090,214	9,689,989	4,653,971
Write-down of receivables	747,070	205,445	863,718	237,522
Deferred capital gains	5,638,679	1,641,560	9,072,496	2,676,784
Inventories	2,620,320	797,917	–	–
Cash flow hedge	1,883,895	518,071	19,493,183	5,360,625
Leasing	8,100,825	2,629,125	8,100,825	2,629,126
Amortisation of trademarks	26,971,177	8,468,950	20,644,979	6,482,523
Other	945,064	272,100	945,064	272,100
	59,933,189	**18,623,382**	**68,810,254**	**22,312,651**

(*) IRAP tax effect IRAP where applicabile.

The change in deferred tax liabilities in the period, of €3,689,269, is shown below.

	(€)
Deferred tax liabilities at 1 January 2009	22,312,651
Adjustment to IRES deferred tax liabilities relating to previous financial years	644,041
Increase in IRES deferred tax liabilities	1,794,109
Use of IRES deferred tax liabilities in the year	(1,296,108)
Use of IRES deferred tax liabilities (from cash flow hedging)	(4,842,554)
Adjustment to IRAP deferred tax liabilities relating to previous financial years	77,329
Increase in IRAP deferred tax liabilities in the year	246,722
Use of IRAP deferred tax liabilities in the year	(312,808)
Total change in the year	**(3,689,269)**
Deferred tax liabilities at 31 December 2009	**18,623,382**

The increase in IRES deferred taxes for the year include the provision of €1,785,100 recorded under shareholders' equity as it represents the deferred tax effect of the changes in the year in the cash flow hedge reserve, to which provisions are made in respect of hedging instruments on bond issues (see note 37 – Financial instruments).

18. Net tangible assets

	Land and buildings (€)	Plant and machinery (€)	Other (€)	Total (€)
Carrying value at start of year	87,710,323	117,954,181	10,772,112	216,436,616
Accumulated amortisation at start of year	(19,826,334)	(73,815,206)	(9,636,841)	(103,278,383)
Balance at 1 January 2009	**67,883,989**	**44,138,975**	**1,135,271**	**113,158,233**
Investments	11,816,234	11,627,788	2,082,739	25,526,761
Disposals	–	(5,254)	–	(5,254)
Depreciation	(2,529,256)	(8,177,377)	(594,316)	(11,300,949)
Reclassification from assets held for sale	–	1,532,898	–	1,532,898
Other reclassifications	8,948	(1,700)	(6,736)	513
Write-downs	(7,152)	(272,458)	279	(279,331)
Other changes	(424,998)	–	–	(424,998)
Balance at 31 December 2009	**76,747,765**	**48,842,871**	**2,617,236**	**128,207,903**
Carrying value at end of year	103,400,354	135,074,462	12,634,258	251,109,074
Accumulated amortisation at end of year	(22,359,821)	(90,524,324)	(10,017,022)	(122,901,167)

In 2009, the Company completed the construction of the new headquarters at Sesto San Giovanni, the cost of which, including related equipment and furnishings, totalled €51,607,076.

In addition, a new 12,000 square metre storage facility for finished products was built at the Novi Ligure site, as an extension to the existing building, at a cost of €6,931,060.

Write-downs mainly concerned the renovation of production equipment at the various industrial sites.

In addition, to meet industrial requirements, certain plants and production lines at the Sulmona site, which were removed from use in 2007 and put up for sale, were returned to use and reclassified from non-current assets held for sale to plant and machinery (€1,532,898 thousand).

The building at Sulmona and plant directly relating to the facility remained classified under non-current assets held for sale (for more information see note 29 – Non-current assets held for sale).

These factors are described in more detail below.

Land and buildings

This item mainly includes the land that the Novi Ligure facility occupies, as well as the buildings essential to the operation of the Crodo, Canale and Novi Ligure manufacturing units.

The Novi Ligure industrial complex is covered by a finance leasing contract signed on 16 February 2004.

This item also includes the water system, plumbing works and light buildings.

In 2009, the construction was completed of the new headquarters of some of the Group's Italian companies at Sesto San Giovanni, for which the investment for the year was €11,767,914, including €4,810,355 recorded under land and buildings.

The Novi Ligure facility was expanded with the construction of a new storage facility for finished goods (€6,931,060) and other rebuilding work (€21,565).

Other increases related to expansion and rebuilding work at the Canale (€513,252) and Crodo (€458,622) plants.

Plant and machinery

The item includes plant and machinery, and tanks for manufacturing units.

It also includes equipment at the Novi Ligure site, which is covered by a finance lease.

Increases in the item chiefly refer to facilities attached to the building that houses the Company's new headquarters (€5,700,922) and investments made in new plant and production lines at the Novi Ligure (€3,795,111), Canale (€1,430,519) and Crodo (€693,283) sites.

Disposals largely refer to the sale and scrapping of obsolete materials that can no longer be used in production.

Lastly, the item includes €1,532,898 for certain plants and production lines at the Sulmona site that have been reclassified; these were previously classified as non-current assets held for sale after they were removed from use in 2007 and put up for sale.

During the year, the Company deemed it appropriate to return to using these plans and production lines owing to the requirements of its industrial investment plan; they were then reclassified under plant and machinery at their net carrying value prior to being classified as held for sale, adjusted for the depreciation that would otherwise have been recorded in the reference periods.

Other

This item includes various equipment, including laboratory apparatus and other assets such as furniture, office machines, electronic machines, minor equipment, cars and goods vehicles.

The increases refer to equipment at the Company's new headquarters (€6,506), the Canale (€27,837), Crodo (€50,977) and Novi Ligure (€17,878) sites, and the chemistry laboratory at Sesto San Giovanni (€105,368).

These also apply to purchases of furniture and electronic machines for the Company's new headquarters (€1,484,231), the Novi Ligure site (€393,621) and other production sites (€6,770).

Tangible assets by ownership

The following table provides a breakdown of tangible assets by ownership.

	Fixed assets (€)	Fixed assets (€)	Total (€)
Land	598,994	2,552,797	3,151,791
Buildings	59,299,777	18,588,963	77,888,740
Plant and machinery	43,728,066	822,070	44,550,136
Industrial equipment	682,199	–	682,199
Other assets	1,935,037	–	1,935,037
	106,244,073	**21,963,830**	**128,207,903**

Additional information is provided below, in accordance with paragraph 79 of IAS 16.

	Land and buildings (€)	Plant and machinery (€)	Other (€)	Total (€)
Gross value of fully depreciated assets still in operation	2,775,622	42,728,131	8,574,508	54,078,261
Net value of assets removed from service and not classified as held for sale	–	855,962	6,246	862,208

19. Investment property

Investment property (€647,842) consists of apartments and commercial premises in Milan and Verbania.

It also includes two buildings in rural locations in the province of Cuneo.

20. Goodwill and trademarks

Goodwill and trademarks are recorded at €307,081,600 and €114,542,472 respectively.

During the year there were no changes in either item.

The goodwill was generated following the merger of subsidiaries. In particular, the goodwill relating to the merger into the Parent Company of Francesco Cinzano & C.ia S.p.A. (completed in 2003), Campari-Crodo S.p.A. (completed in 2004) and Barbero 1891 S.p.A. (2006) is reported at €71,045,378, €98,177,222 and €137,859,000 respectively.

Goodwill is not amortised, but is instead subject to impairment tests which are carried out annually, or more frequently if events or changes in circumstances indicate a possible loss.

Please see the paragraph below for further details on these valuations.

Trademarks include the value of the brands Glen Grant (€98,263,936), Riccadonna (€11,300,000), Cynar in Brazil and Switzerland (€1,626,435), Cinzano (€771,542), X-Rated Fusion Liqueur on international markets (€1,553,021) and Mondoro in the US (€1,027,538).

Trademarks are not amortised as they are considered to have an indefinite useful life; they were subject to impairment tests as of 31 December 2009, but did not show any indication of impairment.

21. Impairment

	31 December 2009 (€)	31 December 2008 (€)
Riccadonna	11,300,000	11,300,000
Cinzano	771,542	771,542
Cynar (Brazil and Switzerland)	1,626,435	1,626,435
X-Rated Fusion Liqueur	1,553,021	1,553,021
Glen Grant	98,263,936	98,263,936
Mondoro (USA)	1,027,538	1,027,538
Total trademarks	**114,542,472**	**114,542,472**
Goodwill from Francesco Cinzano & C.ia S.p.A. merger	71,045,378	71,045,378
Goodwill from Campari-Crodo S.p.A. merger	98,177,222	98,177,222
Goodwill from Barbero 1891 S.p.A. merger	137,859,000	137,859,000
Total goodwill	**307,081,600**	**307,081,600**

Davide Campari-Milano S.p.A. ascertains the possibility of recovering amounts relating to goodwill and trademarks that are recorded in the accounts by carrying out impairment tests annually, or more frequently if there are indications of a loss in value.

The recoverability of the amounts relating to goodwill and trademarks is assessed through an estimate of their value in use, which is the present value of future cash flows discounted at a rate that reflects the time value of money and specific risks on the valuation date.

For the purposes of the impairment tests, the amounts for goodwill and trademarks were allocated to the respective units (or groups of units) that generated cash flows (“cash generating units”) on the closing date of the accounts.

Specifically, the cash flow generated by individual products or groups of products (i.e. the Group’s brands) was used.

The forecasts of operating cash flows are taken from the 2010 budget and strategic plan drafted by the Group in 2008 for 2009-2013.

The plan, which was not reformulated in 2009, was reviewed in the interests of caution to take into account the change in the macroeconomic environment in relation to the different characteristics of the Group's businesses and key markets.

In addition, the five-year plan was adapted for a ten-year period, factoring in medium to long-term growth rates, which do not exceed the average long-term growth rates for the market in which the Group operates.

The use of a ten-year period is justified by the life cycle of the products with respect to the reference market.

The assumptions used in estimates of future cash flows were determined on the basis of prudential criteria whereby the contribution margin of the brands is held constant.

In addition, the projections are based on criteria of reasonableness, prudence and consistency with respect to the allocation of future general expenses, expected trends in capital investment, conditions of financial equilibrium and macroeconomic assumptions with a particular focus on product price increases, which take into account forecast inflation rates.

The assumptions used in estimates of future cash flows were determined on the basis of the Group's historical averages.

Cash flow projections relate to current operating conditions and therefore do not include cash flows connected with any one-off operations.

The main assumptions for determining the value in use of the cash generating units (i.e. the present value of estimated future cash flows that are assumed to result from the continuing use of the asset) are based on the discount rate and terminal growth rate.

The terminal growth rate was taken to be 1.5%, which does not exceed the sector's estimated long-term growth rate.

The cash flows were discounted at a rate of 7.6%, reflecting the weighted average cost of capital. Reference was made to the Capital Asset Pricing Model to determine the discount rate, based on indicators and parameters that can be observed on the market, the present value of money and the specific risks connected to the business assessed on the reference date of the estimate.

At 31 December 2009, based on the assumptions set out above, the value of goodwill and trademarks was shown to be fully recoverable.

The analysis of the sensitivity of the changes in the main assumptions used, such as the terminal growth rate and discount rate, confirmed that the carrying value of the goodwill and trademarks is fully recoverable.

22. Intangible assets with a finite life

Changes in this item are indicated in the table below.

	Software (€)	Other (€)	Total (€)
Opening book value	3,745,361	12,707,814	16,453,175
Opening accumulated amortisation	(2,701,709)	(10,807,304)	(13,509,013)
Balance at 31 December 2008	**1,043,652**	**1,900,510**	**2,944,162**
Investments	1,405,184	154,086	1,559,270
Amortisation of the period	(511,601)	(1,000,478)	(1,512,079)
Write-downs	–	–	–
Reclassifications and other movements	(96,957)	94,744	(2,213)
Balance at 31 December 2009	**1,840,278**	**1,148,862**	**2,989,140**
Closing book value	5,053,588	12,956,644	18,010,232
Closing accumulated amortization	(3,213,310)	(11,807,782)	(15,021,092)

As regards software, increases in the period include SAP licences (€143,736), Microsoft Office licences (€166,295), licences for administration and management software (€99,000), software licences relating to management of the Company's servers (€213,053) and other software (€116,539).

The item other comprises ongoing software expenses represented by investments in the development and security of IT systems, both for operational purposes and business intelligence and process management.

23. Investments in affiliated companies

During the year, the acquisition was finalised of Wild Turkey, whose activities are recorded under Rare Breed Distilling LLC, which is 100%-owned by the wholly-owned subsidiary Redfire, Inc.

Following this transaction, Redfire, Inc. carried out a US$ 300 million capital increase (€228,597,155).

The transaction is commented on in the section on events taking place during the year.

In addition, the winding up of Campari Teoranta, in which the Company held a stake, was completed.

Lastly, in December, the winding up procedures for Prolera LDA were defined.

Other changes recorded in the value of shareholdings relate to the booking of portions of stock options issued by the Company, with options allocated to directors and employees of subsidiaries, and the related recognition of the capitalisation at the subsidiaries themselves.

The negative difference remains between the cost recorded in relation to the Campari do Brasil Ltda. and Zedda Piras S.p.A. holdings and the related portion of shareholders' equity.

However, this difference does not represent impairment, according to the impairment tests carried out.

	31 December 2008 (€)	Increases (€)	Decreases (€)	31 December 2009 (€)
Campari do Brasil Ltda	115,322,976	244,320	–	115,567,296
Prolera LDA	5,000	–	5,000	–
Campari Teoranta	50,890	–	50,890	–
DI.CI.E. Holding B.V.	27,287,154	810,645	–	28,097,799
Redfire, Inc.	265,893,897	229,119,318	–	495,013,215
Campari Finance Belgium S.A.	64,000,611	–	–	64,000,611
Turati Ventisette S.r.l.	10,000	14,574	–	24,574
Campari Italia S.p.A.	1,300,138	279,883	–	1,580,021
Zedda Piras S.p.A.	81,253,086	164,280	–	81,417,366
Sella & Mosca S.p.A.	4,196,331	–	–	4,196,331
	559,320,083	**230,633,020**	**55,890**	**789,897,213**

Investments in subsidiaries Name	Head office	Currency	Share capital amount	Shareholders' equity 31 December 2009 (€)	Profit/loss at 31 December 2009 (€)	% stake Direct	% stake Indirect	Carryng value
Cabo Wabo, LLC	San Francisco	US$	2,312,525	1,999,144	–1,625,967		80	
Campari (Beijing) Trading Co. Ltd.	Beijing	RMB	25,189,930	2,472,595	–432,928		100	
Campari Argentina S.R.L.	Buenos Aires	AR$	11,750,000	1,762,644	–471,587		100	
Campari Australia PTY Ltd.	Sydney	AU$	2,000,000	735,723	–544,975		100	
Campari Austria GmbH	Vienna	€	500,000	2,228,876	1,746,979		100	
Campari Deutschland GmbH	Oberhaching	€	5,200,000	18,376,429	13,043,849		100	
Campari do Brasil Ltda	Barueri	BRC	218,631,059	96,560,561	6,641,565	100		115,567,296
Campari Finance Belgium S.A.	Brussels	€	246,926,407	277,189,108	7,940,332	26	74	64,000,611
Campari France	Nanterre	€	2,300,000	9,448,954	2,169,737		100	
Campari International S.A.M.	Monaco	€	180,000,000	186,722,983	5,325,774		100	
Campari Italia S.p.A.	Sesto San Giovanni (MI)	€	1,220,076	47,337,152	42,205,479	100		1,580,021
Campari Japan Ltd.	Tokyo	JPY	3,000,000	35,336	11,408		100	
Campari Schweiz A.G.	Baar	CHF	2,000,000	3,824,338	1,021,743		100	
CJSC Odessa Sparkling Wine Company	Odessa	UAH	13,041,016	3,856,903	–844,499		99,25	
Destiladora San Nicolas S.A. de C.V.	Guadalajara	MXN	25,000,000	11,008,941	–2,206,895		100	
DI.CI.E. Holding B.V.	Amsterdam	€	15,015,000	383,403,317	10,928,961	100		28,097,799
Glen Grant Distillery Company Ltd.	Rothes	GBP	1,000,000	18,682,598	92,905		100	
Glen Grant Ltd.	Rothes	GBP	24,949,000	103,941,743	–21,114		100	
Glen Grant Whisky Company Ltd. (*)	Rothes	GBP	1,000,000				100	
Gregson's S.A.	Montevideo	UYU	175,000	360,125	–30,584		100	
Kaloyiannis-Koutsikos Distilleries S.A.	Volos	€	8,884,200	7,694,840	463,287		75	
M.C.S. S.p.r.l.	Brussels	€	1,009,872	1,228,478	216,746		100	
O-Dodeca B.V.	Amsterdam	€	2,000,000	26,173,753	–36,016		75	
Old Smuggler Whisky Company Ltd.	Rothes	GBP	1,000,000	7,989,448	113,310	100		
Qingdao Sella & Mosca Winery Co Ltd.	Pingdu City, Qingdao	RMB	24,834,454	574,497	–192,458		93,67	
Rare Breed Distilling, LLC	Delaware (operational headquarters: Lawrenceburg)	US$	400,000,000	281,286,585	17,036,477		100	
Red Fire Mexico, S. de R.L. de C.V.	Guadalajara	MXN	1,254,250	–70,980	–20,535		80	
Redfire, Inc.	Delaware (operational headquarters: San Francisco)	US$	566,321,274	558,793,937	43,559,846	100		495,013,215
Rotarius Holding B.V.	Amsterdam	€	18,015	1,334,279	–14,297		100	
Sabia S.A.	Buenos Aires	ARS	40,164,000	6,052,943	–947,393		100	
Sella & Mosca Commerciale S.r.l.	Alghero	€	100,000	1,406,907	192,721		100	
Sella & Mosca S.p.A.	Alghero	€	15,726,041	36,633,720	–3,208,927	12	88	4,196,331
Skyy Spirits, LLC	San Francisco	US$	54,897,463	72,985,385	43,020,703		100	
Société Civile du Domaine de Lamargue	Saint Gilles	€	6,793,200	1,265,053	–764,623		100	
Turati Ventisette S.r.l.	Sesto San Giovanni (MI)	€	20,000	17,433	–2,567	100		24,574
Zedda Piras S.p.A.	Cagliari (operational headquarters: Alghero)	€	16,276,000	27,976,940	–168,827	100		81,417,366

Investments in affiliated companies Name	Head office	Currency	Share capital amount	Shareholders' equity in last (€)	Profit/loss financial year (€)	% stake Direct	Indirect	Carryng value
International Marques V.O.F.	Harleem	€	210,000	293,710	83,710		33.3	
Fior Brands Ltd. (*)	Edinburgh	GBP	100				50	
Focus Brands Trading (India) Private Ltd.	New Delhi	INR	115,998,250	1,406,564	–1,318,351		26	

(*) company in liquidation

24. Other non-current assets

This item breaks down as follows:

	31 December 2009 (€)	31 December 2008 (€)
Term deposits	40,012,200	–
Financial receivables from Lehman Brothers	6,750,000	6,750,000
less write-down provisions	(4,725,000)	(4,725,000)
Other financial receivables	–	92,962
Non-current financial receivables	**42,037,200**	**2,117,962**
S.I.S.A.G. S.r.l.	82,119	82,119
Agenzia Pollenzo Bra	77,446	77,446
Emittente Titoli S.p.A.	38,257	38,257
Wine processing co-operative	16,009	16,009
Soc.Cons.For.Alba	6,000	6,000
Sapi Immobiliare Padova	5,320	5,320
Italian Wine Association (UIV)	4,638	4,638
CONAI	1,097	1,097
ISTUD Istituto Studi Direzionali S.p.A.	1,033	1,033
Banca Credito Cooperativo Alba	220	220
Pejo Funivie	10	10
Alberghi popolari	1	1
Wine Gazette	1	1
Piedmont Promotion Agency	1	1
Shareholdings in other companies	**232,152**	**232,152**
Receivables from related parties	**66,073**	**22,730**
Security deposits	18,074	16,752
Receivables from other entities	1,050	1,050
Tax receivables	515,054	629,191
Non-current receivables from other entities	**534,178**	**646,993**
	42,869,603	**3,019,837**

Term deposits of €40,012,200 refer to liquid investments maturing in March 2011 that earn interest at a fixed rate of 1.22%.

The financial receivables from Lehman Brothers, amounting to €2,025,000, include the value of derivative instruments that the Company had taken out with the investment bank in 2006.

Following the bank's collapse in 2008, the value of these contracts, adjusted to their estimated realisable value (30% of the receivables) was included in long-term financial assets the previous year.

For further details of receivables from related parties, please refer to note 40 – Related parties.

25. Inventories

This item breaks down as follows:

	31 December 2009 (€)	31 December 2008 (€)
Raw materials	6,515,146	5,813,784
Packaging materials	7,970,346	5,992,568
Ancillary materials	510,553	528,336
Maintenance materials	1,488,297	1,415,091
Advertising materials	781,028	937,985
Work in progress and semi-finished products	30,618,363	29,321,292
Finished products and goods for resale	20,088,300	22,135,181
	67,972,033	**66,144,237**

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

	(€)
Balance at 1 January 2009	**1,431,606**
Provisions	1,335,986
Amounts used	(1,431,606)
Balance at 31 December 2009	**1,335,986**

The write-down of inventories mainly relates to finished products, and is attributable to the supply of faulty packaging materials that entered production; the total cost of these has been received from the supplier, which is required to compensate for the related losses in full, in accordance with the agreement signed by the parties.

The provisions existing at 31 December 2008 were used following the destruction of the goods, which were written down the previous year.

26. Trade receivables and other receivables

	31 December 2009 (€)	31 December 2008 (€)
Trade receivables from external customers – Italy	853,729	558,838
Trade receivables from external customers – exports	1,169,117	1,072,319
Trade receivables from related parties	59,474,661	50,405,654
Trade receivables	**61,497,507**	**52,036,811**
Tax credits	620,046	266,903
Non-trade receivables from customers	1,382,072	6,064,926
Payments on account on tangible assets	480,893	2,730,839
Receivables from suppliers	993,008	2,863,698
Agricultural levies receivable	390,811	407,532
Receivables from employees	59,762	47,526
Receivables from pension organisations	243,649	18,420
Receivables from related parties	9,365,213	11,789,748
Receivables for prepaid costs	1,064,868	2,339,750
Receivables from others	1,416,341	1,618,354
Miscellaneous doubtful receivables	509,992	84,994
Miscellaneous bad debt provisions	(234,994)	(84,994)
Other receivables	**16,291,661**	**28,147,696**

For further details on receivables from related parties, please refer to note 40 – Related parties.

These receivables are all due within 12 months.

Trade receivables are reported net of the related provisions for write-downs (€133,738).

The item receivables from others (€1,416,341) includes €1,396,000 for receivables in respect of compensation from suppliers of faulty packaging materials, with which an agreement has been signed defining the amount of compensation due (see the information on the write-downs on inventories in note 25 – Inventories).

Receivables for prepaid costs include advertising costs that apply in 2010, in accordance with accrual accounting (€824,176).

A breakdown of the receivables from tax authorities is shown below.

	31 December 2009 (€)
Receivables from tax authorities for tax refunds	271,907
Receivables from tax authorities for withholding tax on TFR	262
Receivables from tax authorities for IRAP and IRES	347,877
	620,046

The table below breaks down receivables by maturity.

For the purpose of this analysis, the other receivables from third parties exclude payments on account to suppliers of fixed assets, receivables from suppliers for advance payments, tax receivables, receivables from employees and pension organisations and receivables for prepaid costs.

31 December 2009	Trade receivables from external customers	Trade receivables from related parties	Other receivables from third parties	Other receivables from related parties	Total
	(€)	(€)	(€)	(€)	(€)
Not due	1,844,679	59,474,661	2,860,501	3,369,960	67,549,801
Due and not written down:					
Less than 30 days	57,394	–	2,071	252,480	311,945
30 – 90 days	11,276	–	109,328	128,132	248,736
Within 1 year	52,234	–	203,626	50,827	306,687
Within 5 years	–	–	13,699	133,330	147,029
Due after 5 years	–	–	–	(828)	(828)
Total due and not written down:	120,904	–	328,724	563,941	1,013,569
Due and written down	191,001	–	509,992	–	700,993
Amount written down	(133,738)	–	(234,994)	–	(368,732)
	2,022,846	**59,474,661**	**3,464,223**	**3,933,901**	**68,895,631**
Payables not significant for breakdown by maturity	–	–	3,462,224	5,431,312	8,893,536
Total	**2,022,846**	**59,474,661**	**6,926,447**	**9,365,213**	**77,789,167**

31 December 2008	Trade receivables from external customers	Trade receivables from related parties	Other receivables from third parties	Other receivables from related parties	Total
	(€)	(€)	(€)	(€)	(€)
Not due	1,450,888	50,405,654	8,080,884	4,413,175	64,350,601
Due and not written down:					
Less than 30 days	77,790	–	4,963	(5,466)	77,287
30 – 90 days	13,341	–	9,134	146,817	169,292
Within 1 year	230	–	13,787	6,660	20,677
Within 5 years	–	–	(153)	–	(153)
Due after 5 years	–	–	–	–	–
Total due and not written down:	91,361	–	27,731	148,011	267,103
Due and written down	234,692	–	84,994	–	319,686
Amount written down	(145,784)	–	(84,994)	–	(230,778)
	1,631,157	**50,405,654**	**8,108,615**	**4,561,186**	**64,706,612**
Payables not significant for breakdown by maturity	–	–	8,267,136	7,228,562	15,495,698
Total	**1,631,157**	**50,405,654**	**16,375,751**	**11,789,748**	**80,202,310**

Trade receivables from third parties for which there is impairment are classified as doubtful; these have mainly been due for more than one year and are the subject of legal proceedings.

These receivables totalled €191,001 at 31 December 2009, gross of write-downs.

Other doubtful receivables from third parties, gross of write-downs, totalled €509,992, and the related provisions increased by €150,000 to €234,994.

Provisions for doubtful receivables are put in place to cover write-downs made to specific positions until the estimated realisable value is accurately represented in the accounts.

As also indicated in the sections of these notes on individual receivables, changes in provisions for doubtful receivables during the year are as follows:

	Provisions for doubtful receivables	
	Trade receivables (€)	Other receivables (€)
Balance at 1 January 2009	145,784	84,994
Provisions	24,083	150,000
Amounts used	(36,129)	–
Balance at 31 December 2009	**133,738**	**234,994**
Balance at 1 January 2008	324,301	84,994
Provisions	–	–
Amounts used	(80,517)	–
Reversals of amounts not used	(98,000)	–
Balance at 31 December 2008	**145,784**	**84,994**

27. Short-term financial receivables

	31 December 2009 (€)	31 December 2008 (€)
Net accrued swap interest income on bonds	1,152,867	–
Short-term financial receivables from related parties	39,460,290	39,389,307
Other short-term financial receivables	92,962	–
Short-term financial receivables	**40,706,119**	**39,389,307**

For further details on receivables from related parties, please refer to note 40 – Related parties.

28. Cash and equivalents and reconciliation with net debt

The table below provides a reconciliation of this item with the cash and cash equivalents shown on the cash flow statement.

	31 December 2009 (€)	31 December 2008 (€)
Current accounts at banks	10,841,354	14,076,015
Cash and liquidity	10,254	12,622
Total cash and cash equivalents	**10,851,608**	**14,088,637**

The reconciliation with the Company's net debt is set out below.

	31 December 2009 (€)	31 December 2008 (€)
Cash	10,254	12,622
Other cash equivalents	10,841,354	14,076,016
Liquidity (A)	**10,851,608**	**14,088,638**
Short-term financial receivables (B)	**40,706,119**	**39,389,307**
Short-term bank debt	64	67
Other short-term financial payables	325,797,195	375,043,699
Short-term financial debt (C)	**325,797,259**	**375,043,766**
Net short-term financial debt (A+B+C)	**274,239,532**	**321,565,821**
Bonds	549,996,487	221,564,328
Other medium/long-term payables	82,636,371	51,081,700
Medium/long-term financial debt (D)	**632,632,858**	**272,646,028**
Net financial debt (A+B+C+D)	**906,872,390**	**594,211,849**
Reconciliation with net cash position:		
Term deposits maturing in more than one year	40,012,200	–
Other medium/long-term receivables	2,025,000,	2,117,962
Medium/long-term financial receivables	42,037,200	2,117,962
Net debt	**864,835,190**	**592,093,887**

For all information concerning the items that make up net debt excluding liquidity, see note 24 – Non-current financial receivables, note 27 – Short-term financial receivables and note 31 – Financial liabilities.

29. Non-current assets held for sale

The item includes assets relating to the Sulmona site, which sold its production assets in 2007 (€6,267,949), the part of the Termoli site not yet sold (€1,022,246), the Ponte Galeria plot in Rome (€3,306,961) and buildings in Crodo (€38,005).

Negotiations are under way with potential buyers of these assets, and a disposal plan is being defined; implementation of this plan has been delayed due in some cases to unfavourable market conditions, and in other cases to complex market conditions, and the period for finalising the sale and transfer of the assets has been extended.

During the year, the Company reclassified the production lines and certain equipment at the Sulmona site, for an amount of €1,535,416, as they were no longer held for sale.

This was made necessary due to the requirements of the industrial investment plan, and therefore it was considered appropriate to return to using the above-mentioned production lines, reclassifying them under plant and machinery at their carrying value prior to being classified as held for sale, adjusted for the depreciation that would otherwise have been recorded in the reference periods.

	(€)
Balance at 1 January 2009	**12,170,577**
Reclassifications under tangible assets	(1,535,416)
Balance at 31 December 2009	**10,635,161**

Non-current assets classified as held for sale are valued at the lower of their net carrying value and fair value less sale costs, based on an estimate prepared by an external consultant appointed by the Company.

30. Shareholders' equity

The Company manages its capital structure and makes changes to it depending on the economic conditions and the specific risks of the underlying asset.

To maintain or change its capital structure, the Company may adjust the dividends paid to the shareholders and/or issue new shares.

In this context, like other groups operating in the same sector, the Company uses the debt/EBITDA ratio as a monitoring tool.

For this purpose, debt is equivalent to the Company's net debt figure, while EBITDA corresponds to the Company's operating profit before depreciation, amortisation and minority interests.

For information on the composition and changes in shareholders' equity for the periods under review, please refer to "Statement of changes in shareholders equity".

Share capital

At 31 December 2009, the share capital was made up of 290,400,000 ordinary shares with a nominal value of €0.10 each, fully paid-up.

Following a resolution of the shareholders' meeting held on 30 April 2009, the Company allocated €31,700,928 of the profit of the year (€33,493,654) to dividends, while the remaining €1,792,726 was carried forward as retained profit.

Bonus share issue proposal

The Board of Directors that approves the Parent Company's draft financial statements has been asked to vote on a proposal to proceed with a bonus share issue to be carried out via the issue of 290,040,000 shares with a nominal value of €0.10 each, to be provided free of charge to shareholders in the ratio of one new share for each share held, through the use of retained profit.

Following the bonus issue, the fully paid-up share capital would total €58,080,000, comprising 580,080,000 ordinary shares.

This proposal will be submitted for the approval of the ordinary and extraordinary shareholders' meetings to be held on 30 April 2010.

Outstanding shares and own shares

Changes in outstanding shares and own shares during the year were as follows:

	No. of shares			Nominal value		
	31 December 2009	31 December 2008	31 December 2007	31 December 2009 €	31 December 2008 €	31 December 2007 €
Outstanding shares at start of period	288,459,253	289,355,546	289,049,453	28,845,925	28,935,555	28,904,945
Purchases for the stock option plan	(2,199,000)	(896,293)	(1,580,268)	(219,900)	(89,629)	(158,027)
Disposals	1,685,627		1,886,361	168,563		188,636
Outstanding shares at end of period	287,945,880	288,459,253	289,355,546	28,794,588	28,845,925	28,935,555
Total own shares held	2,454,120	1,940,747	1,044,454	245,412	194,075	104,445
Own shares as a % of share capital	0.8%	0.7%	0.4%			

Changes for the period refer solely to purchases/sales of own shares.

In 2009, 2,199,000 own shares were acquired for €13,373,833 thousand, which equates to an average price of €6.10 per share.

In addition, subsequent to the reporting date for these financial statements, and until the authorisation of publication, further sales were carried out of a total of 807,506 own shares through the exercise of stock options; and 460,000 shares were purchased at an average price of €8.23 per share.

Dividends paid and proposed

The table below shows the dividends approved and paid in 2009 and 2008 and the dividend subject to the approval of the shareholders' meeting to approve the accounts for the year ending 31 December 2009.

	Total amount		Dividend per share	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	(€)	(€)	(€)	(€)
Dividends approved and paid during the year on ordinary shares	31,700,928	31,829,110	0.11	0.11
Dividends proposed on ordinary shares	34,595,206 (*)		0.12	

(*) Calculated based on shares outstanding at the date of the Board of Directors meeting held on 30 March 2010, i.e. 288,293,386 shares (excluding own shares).

Taking into account the bonus share issue proposal, the number of outstanding shares would increase to 576,586,772, and the number of own shares held would be 4,213,228.

The adjusted dividend per share proposed would be €0.06, an increase of 9.1% compared with the 2008 dividend of €0.055 per share (adjusted).

Other reserves

	Reserve for own shares (€)	Stock option (€)	Cash flow hedge reserve (€)	Total (€)
Balance at 1 January 2009	**(11,519,924)**	**9,733,519**	**14,132,557**	**12,346,152**
Cost of stock options for the year	–	2,605,309	–	2,605,309
Purchase of own shares	(13,373,833)	–	–	(13,373,833)
Sale of own shares	10,392,118	–	–	10,392,118
Investments in portions of subsidiaries' stock options	–	2,085,712	–	2,085,712
Amounts released and used/not used in the year	–	(1,608,039)	–	(1,608,039)
Cash flow hedging – adjustment in period	–	–	(14,303,375)	(14,303,375)
Reversals in period	–	–	(581,555)	(581,555)
Balance at 31 December 2009	**(14,501,639)**	**12,816,501**	**(752,373)**	**(2,437,512)**

In relation to the sales of own shares in the year, which are shown in the above table at the original purchase price, the Company recorded a loss of €3,464,523.

- Reserve for own shares

  The reserve includes the changes arising from the purchase and sale of own shares intended for the Company's stock option plans.

- Stock option reserve

  Provisions made to the stock option reserve during the year in respect of share-based payments totalled €4,691,021, with an offsetting entry posted to the related shareholdings of €2,085,712, for the allocation of stock options to directors and employees of subsidiaries.

  During the year, options exercised by beneficiaries at Davide Campari-Milano S.p.A. and its subsidiaries amounted to €816,581 and €707,275 respectively.

  Options cancelled during the year amounted to €84,183.

  For more information see note 36 – Stock option plans.

- *Cash flow hedge reserve*

  The cash flow hedge reserve includes the fair value of the hedging instruments of derivatives contracts in respect of the bonds placed by the Company in US dollars at a fixed rate on the US market, and in euro at a fixed rate on the European institutional market (Eurobond).

  The portion of the reserve recorded under shareholders' equity is taken to the income statement when, in respect of the transactions put in place to hedge interest rates, the hedged cash flows are realised and they affect profit or loss.

  The deferred tax effects of the cash flow hedge reserve totalled €285,383, including the amount released to the income statement in respect of the realisation of the hedged cash flows.

  The tax effect recorded under retained profit was €174,853.

  Changes in the cash flow hedge reserve, with the related deferred tax effect, are shown in note 37 – Financial instruments.

Retained profit

Following a resolution of the shareholders' meeting held on 30 April 2009, €31,700,928 of the profit of the year (€33,493,654) was allocated to dividends, while the remaining €1,792,726 was carried forward as retained profit.

Retained profit also includes the effects of adjustments recorded under shareholders' equity following first-time adoption of IFRS.

These profits are classed as distributable profits, as shown in the table below on the availability of shareholders' equity items.

Profits (losses) allocated directly to shareholders' equity

In 2009, adjustments to the cash flow hedge reserve for the period of €19,728,793 were allocated directly to shareholders' equity; net of the related deferred tax effect, this figure was €14,303,375.

In addition, the gains and losses arising from the sale of own shares during the period (a net loss of €3,464,523) were recorded under shareholders' equity.

Availability of items under shareholders' equity

Shareholders' equity at 31 December 2009		Origin		Amounts that may be used	Distributable amounts
		Shareholder payments	Profits		
Share capital	29,040,000	7,498,954	21,541,046	–	–
Own shares	–245,412				
Legal reserve	5,808,000	1,499,791	4,308,209	5,808,000	–
Extraordinary reserve	243,221,990		243,221,990	243,221,990	243,221,990
Equity investment transfer reserve (Leg. Decree 544/92)	3,041,357		3,041,357	3,041,357	3,041,357
Reserve for VAT deductions – 4% (Law 64/86)	591,982		591,982	591,982	591,982
Reserve for VAT deductions – 6% (Law 67/86)	451,142		451,142	451,142	451,142
Reserve for VAT deductions – 6% (Law 130/83)	22,461		22,461	22,461	22,461
Reserve for VAT deductions – 4% (Law 675/77)	2,443		2,443	2,443	2,443
Reserve for VAT deductions – 6% (Law 526/82)	18,258		18,258	18,258	18,258
Reserve for capital grants (Law 696/83)	25,823		25,823	25,823	25,823
Cash flow hedge reserve	–1,037,754		–	–	–
Stock option reserve	12,816,501		–	–	–
Other profits from previous years	206,052,062		206,052,062	206,052,062	204,238,253
	499,808,853	8,998,745	479,276,773	459,235,518	451,613,709
Profit for the year	32,456,408	–	–	–	–
	532,265,261	**8,998,745**	**479,276,773**	**459,235,518**	**451,613,709**

31. Financial liabilities

	31 December 2009 (€)	31 December 2008 (€)
Non-current liabilities		
Bond issued in 2003 (US$)	207,237,455	221,564,328
Bond issued in 2009 (Eurobond)	342,759,031	–
Total bond issues	**549,996,487**	**221,564,328**
Payables to banks and loans	–	–
Property leases	6,345,476	9,662,297
Derivatives on bond issue (US$)	51,933,778	20,516,260
Derivatives on bond issue (Eurobond)	3,403,887	–
Other debt	739,312	903,143
Payables to related parties	20,213,918	20,000,000
Total other non-current financial liabilities	**82,636,371**	**51,081,700**
Current liabilities		
Payables to banks and loans	**64**	**67**
Accrued interest on bonds	8,330,414	4,457,951
Accrued swap interest on bonds	–	1,878,865
Property leases	3,277,444	3,221,202
Payables to related parties	313,848,213	365,155,088
Other debt	341,124	330,592
Total other financial payables:	**325,797,195**	**375,043,698**
Total	**958,430,116**	**647,689,793**

The table below shows a breakdown of the Company's main financial liabilities, together with effective interest rates and maturities.

Note that, as regards the effective interest rate of hedged liabilities, the rate reported includes the effect of the hedging itself.

Furthermore, the values of hedged liabilities are shown here net of the value of the related derivative, whether it is an asset or liability.

	Effective interest rate at 31 December 2009	Maturity	31 December 2009 (€)	31 December 2008 (€)
Bonds				
– issued in 2003 (US$)	fixed rate from 4.03% to 4,37% (1)	2015-2018	259,171,233	242,080,588
	6-month € LIBOR 1 60 basis points (2)			
– issued in 2009 (Eurobond)	fixed rate 5.375%	2016	346,162,919	–
	6-month € LIBOR 1 210 basis points (3)			
Property leases	3-month € LIBOR 1 60 basis points	2010-2012	9,622,920	12,883,499
Other debt	0.90%	2010-2015	1,080,436	1,233,735

(1) Rate applied to bond issue hedged by interest rate swap corresponding to a nominal value of €171.9 million.
(2) Rate applied to bond issue hedged by interest rate swap corresponding to a nominal value of €85.9 million.
(3) Rate applied to bond issue hedged by interest rate swap corresponding to a nominal value of €250 million.

Bonds

Liabilities for bonds include the US$ 300,000,000 bond issue placed in the US institutional market in 2003 and the €350,000,000 Eurobond issue placed in the European institutional market in October 2009.

The first transaction was structured in two tranches of US$ 100,000,000 and US$ 200,000,000, maturing in 12 and 15 years respectively, with a bullet repayment at maturity.

The six-monthly coupons are based on fixed rates of 4.33% and 4.63% respectively.

The Eurobond issue was placed on the European market and matures in 2016.

It was placed solely with institutional investors at a price of 99.431%; coupons are paid annually at the fixed rate of 5.375%.

With regard to both these issues, the Company has put in place various instruments to hedge the exchange rate and interest rate risks.

On the first, a cross currency swap hedging instrument has been used to neutralise the risks related to fluctuations in the US dollar and movements in interest rates, and the US dollar-based fixed interest rate was changed to a variable euro rate (6-month Euribor + 60 basis points).

In addition, various interest rate swaps were put in place involving the payment of an average fixed rate of 4.25% (rates from 4.03% to 4.37%) on total underlyings of US$ 50 million (maturing in 2015) and US$ 150 million (maturing in 2018).

For the second bond issue, carried out in 2009 (Eurobond), an interest rate swap was entered into that involves the payment of a variable rate (6-month Euribor + 210 basis points) on an underlying of €250 million.

The changes in the item in 2009 refer to:

- the €300,000,000 Eurobond issue (net of directly attributable costs of €2,813,095 and issue discount of €1,991,500);
- in relation to the 2003 issue (US$), the valuation of hedging instruments (decrease of €14,686,725) and the related effect on the bonds (increase of €14,358,253);
- in relation to the 2009 issue (Eurobond), the valuation of hedging instruments (decrease of €3,403,887) and the related effect on the bonds (increase of €2,560,247).

For more information on the changes during the year, see note 37 – Financial instruments.

Leasing

Financial payables for leasing refer to the non-current portion of the finance lease contract signed on 16 February 2004 and expiring in 2012, for the industrial building at Novi Ligure and directly related plants.

Other debt

This item includes a loan agreement with the industry ministry, with repayment in ten annual instalments starting in February 2006.

32. Staff severance fund and other employee-related funds

The staff severance fund (TFR), which relates to the Company's employees, pursuant to article 2120 of the Italian civil code, falls under the scope of IAS 19.

Following the reform relating to staff severance funds from 1 January 2007, significant changes have been made for companies with at least fifty employees in the various valuation components, in order to ensure the relevant international accounting standard is correctly adopted.

Following the reform of the complementary pension scheme, TFR contributions accrued up to 31 December 2006 remain in the company, while for contributions accruing from 1 January 2007, employees have the choice

to allocate them to a complementary pension scheme, or keep them in the company, which will transfer the TFR contributions to the INPS fund.

As a result, TFR contributions accrued up to 31 December 2006 will continue to be classified as defined benefit plans, with the actuarial valuation criteria remaining unchanged in order to show the current value of the benefits payable on the amounts accrued at 31 December 2006 when employees leave the company.

TFR contributions accrued from 1 January 2007 are classified as defined contribution plans.

Finally, as the Company usually pays contributions through a separate fund, without further obligations, it records its contributions to the fund for the year to which they relate, in respect of employees' service, without making any actuarial calculation.

Since the contributions in question had already been paid by the Company on the reporting date, no liability is recorded on the balance sheet.

Staff severance fund obligations for the last 3 years	Staff severance fund 31 December 2009 (€)	Staff severance fund 31 December 2008 (€)	Staff severance fund 31 December 2007 (€)
Defined benefit obligations (to 31 December 2006)	5,895,580	6,932,594	7,828,692
Defined contribution obligations (from 1 January 2007)	–	–	–
	5,895,580	**6,932,594**	**7,828,692**

The tables below summarise the components of the net cost of benefits reported in the income statement in 2009 and 2008.

Defined benefit obligations (to 31 December 2006)	Staff severance fund 31 December 2009 (€)	Staff severance fund 31 December 2008 (€)
Financial charges	247,344	269,935
Net actuarial (gains)/losses	(24,641)	264,113
	222,703	**534,048**

Changes in the present value of defined benefit obligations over the year are shown below.

	Staff severance fund 31 December 2009 (€)	Staff severance fund 31 December 2008 (€)
Present value at 1 January 2009	6,932,594	7,828,692
Group company transfers	(56,311)	(46,592)
Benefits paid	(1,203,406)	(1,383,554)
Financial charges	247,344	269,935
Actuarial gains (losses)	(24,641)	264,113
Present value at 31 December 2009	**5,895,580**	**6,932,594**

The main assumptions used in determining the obligations resulting from the plans described are indicated below.

	Staff severance fund 31 December 2009 (€)	Staff severance fund 31 December 2008 (€)
Discount rate	4.5%	4.5%
Future salary increases	3.0%	3.0%
Staff turnover rate	5.0%	5.0%
Inflation rate	2.0%	2.0%

The rates relating to the costs of health benefits are not included in the assumptions used in determining the above obligations. Thus, any changes in these rates would not have any effect.

33. Provisions for risks and future liabilities

The table below indicates changes to this item during the period.

	Tax reserve (€)	Reserve for industrial restructuring (€)	Agent severance fund (€)	Other (€)	Total (€)
Balance at 1 January 2009	**880,000**	**2,401,737**	**50,451**	**420,000**	**3,752,188**
Provisions	–	264,000	–	100,000	364,000
Amounts used	(84,005)	(294,975)	–	(120,000)	(498,980)
Balance at 31 December 2009	**795,995**	**2,370,762**	**50,451**	**400,000**	**3,617,208**
of which, projected disbursement					
due within 12 months	–	2,370,762	–	400,000	
due after 12 months	795,995	–	50,451	–	

Tax provisions of €880,000 were set aside in respect of direct tax and VAT liabilities claimed by the tax authorities in relation to 2004 and 2005 following an inspection.

The Company used €84,005 of these provisions for the VAT penalties and related payment.

For more information on tax-related risks, see the section on risk management in the Directors' report.

The reserve for industrial restructuring, which amounted to €2,370,762 at the end of the period, relates to liabilities recorded following the termination of production at the Sulmona plant in 2007, based on the special agreement with the trade unions regarding the programme of alternative measures and support for employees.

The procedure that led to the creation of this reserve is set to be completed in 2010, with the remainder being used in full.

Moreover, the provision of €264,000 concerns the estimated cost of redundancy measures, on which an agreement was signed in April.

Other provisions include liabilities in respect of disputes and settlements currently being agreed with suppliers.

34. Payables to suppliers and other liabilities

	31 December 2009 (€)	31 December 2008 (€)
Trade payables to external suppliers – Italy	48,379,711	58,327,865
Trade payables to external suppliers – exports	7,584,877	3,745,985
Trade payables to related parties	8,439,910	8,135,905
Payables to external auditors	143,101	111,389
Payables to internal auditors	130,000	129,972
Payables to suppliers	**64,677,599**	**70,451,116**
Payables to employees	3,099,065	2,449,546
Payables to pension organisations	1,968,687	1,002,546
Payables to pension funds and INPS fund	159,261	57,632
Payables to customers	995,000	995,397
Payables to agents	30,486	30,486
Payables to directors	1,183,000	1,335,000
Payables to other related parties	63,363	102,520
Deferred capital gains on property sale	928,767	2,548,875
Payables for deferred revenues	1,119,250	1,278,854
Other	157,804	285,482
Other current liabilities	**9,704,684**	**10,086,338**
Medium/long-term payables to suppliers	–	77,897
Other non-current liabilities	–	77,897

Trade payables to related parties of €8,439,910 related mainly to purchases of semi-finished and finished products.

For further details on these transactions see note 40 – Related parties.

Payables for deferred revenues refer to capital grants, which are credited to the income statement in proportion to the useful life of the assets to which they relate.

Changes in grants certain to be received, and recorded under other current liabilities, are shown below.

	31 December 2009 (€)	31 December 2008 (€)
Balance at 1 January 2009	**1,272,869**	**1,426,488**
Amounts received during the period	–	–
Amounts posted to the income statement	(153,619)	(153,619)
Balance at 31 December 2009	**1,119,250**	**1,272,869**

The following table shows a breakdown of payables by maturity.

Payables to external suppliers comprise payables for invoices received, while for the amounts relating to invoices and credit notes to be received, the maturity cannot be determined until the relevant documents are issued by the suppliers.

These payables are therefore excluded from the table, as are payments to suppliers on account.

In addition, as regards other current liabilities to third parties, deferred income, tax and social security items and payables to employees are excluded.

Other payables to third parties include payables to directors of €1,183,000, which will be paid in 2010.

The payment terms applied to suppliers are generally 90 days from the end of the month in which the invoice is issued for goods, and 60 days for services.

31 December 2009	Payables to suppliers (€)	Trade payables to related parties (€)	Other payables to third parties (€)	Other payables to related parties (€)	Total (€)
On demand	16,989,509	123,357	–	16,579	17,129,445
Within 1 year	30,976,181	8,316,553	1,271,761	6,277	40,570,772
Due in 1 to 2 years	334,507	–	–	–	334,507
Due in 2 to 5 years	–	–	–	–	–
Due in more than 5 years	–	–	–	–	–
	48,300,197	**8,439,910**	**1,271,761**	**22,856**	**58,034,724**
Payables not significant for breakdown by maturity	7,937,492	–	8,369,560	40,507	16,347,559
Total	**56,237,689**	**8,439,910**	**9,641,321**	**63,363**	**74,382,283**

31 December 2008	Payables to suppliers (€)	Trade payables to related parties (€)	Other payables to third parties (€)	Other payables to related parties (€)	Total (€)
On demand	18,323,227	23,303	–	3,919	18,350,449
Within 1 year	29,288,148	8,112,602	1,454,297	82,806	38,937,853
Due in 1 to 2 years	120,331	–	–	–	120,331
Due in 2 to 5 years	–	–	–	–	–
Due in more than 5 years	–	–	–	–	–
	47,731,706	**8,135,905**	**1,454,297**	**86,725**	**57,408,633**
Payables not significant for breakdown by maturity	14,583,505	–	8,529,521	15,795	23,128,821
Total	**62,315,211**	**8,135,905**	**9,983,818**	**102,520**	**80,537,454**

35. Payables to tax authorities

This item breaks down as follows:

	31 December 2009 (€)	31 December 2008 (€)
IRAP payables	–	357,817
Tax on alcohol production	1,862,373	1,500,233
Withholding and miscellaneous taxes	1,257,580	871,864
Payables to related parties	9,683,429	5,552,150
	12.803.382	**8.282.064**

The taxes shown related to salaries, payments and supplier invoices for December.

These payables are all due within 12 months.

For further details on payables to related parties, please refer to note 40 – Related parties.

36. Stock option plan

The Company has in place various stock option plans approved over the years, which are essentially governed by the framework plan approved by the shareholders' meeting on 2 May 2001, under which options are granted for the purchase of shares by directors, employees and individuals who regularly do work for one or more Group companies.

The purpose of offering stock options is to give the beneficiaries, who occupy key positions in the Group, the opportunity of owning shares in Davide Campari-Milano S.p.A., thereby aligning their interests with those of other shareholders and fostering loyalty, with a view to the strategic goals to be achieved.

The recipients are employees, directors and/or individuals who regularly do work for one or more Group companies, who have been identified by the Board of Directors of Davide Campari-Milan S.p.A., and who, on the plan approval date and until the date that the options are exercised, have worked as employees and/or directors and/or in any other capacity at one or more Group companies without interruption.

Since 2001, further options have been allocated each year, governed by the framework plan approved by the shareholders' meeting on 2 May 2001. The exercise dates originally set differed in each allocation and provided windows in which options could be exercised.

In 2009, the Board of Directors of the Parent Company approved a change in the exercise period, making it possible for options to be exercised in part, on any trading day in the exercise period set for each plan.

For the 2004 plans, for which the exercise period was extended, this also led to the extension of the vesting period, which resulted in an increase in the cost of the stock options of €721,677 thousand, of which €436,289 related to the Company (the remainder related to subsidiaries).

Lastly, with a resolution of the Board of Directors on 6 August 2009, the Company proceeded with new allocations of stock options (also governed by the framework plan approved by the shareholders' meeting on 2 May 2001).

The number of options granted for the purchase of further shares was 1,162,401, with the average allocation price at €5.98, equivalent to the weighted average market price in the month preceding the day on which the options were granted.

The fair value of the options granted in 2009 is €1.85, calculated using the Black-Scholes model, based on the following assumptions:

	2009	2008
Expected dividends (€)	0.11	0.11
Expected volatility (%)	26%	19%
Historical volatility (%)	26%	23%
Market interest rate	2.80%	3.50%
Expected option life (years)	4.02	6.04
Exercise price (€)	5.98	5.69

	Average exercise price (€)
Allocations: 2004	3.99
Allocations: 2005	6.20
Allocations: 2006	7.66
Allocations: 2007	7.74
Allocations: 2008	5.69
Allocations: 2009	5.98

The following table shows changes in stock option plans during the periods concerned.

	31 December 2009		31 December 2008	
	No. of shares	Average allocation/ exercise price (€)	No. of shares	Average allocation/ exercise price (€)
Options outstanding at the beginning of the period	18,250,940	5.89	11,047,120	5.38
Options granted during the period	1,162,401	7.06	7,703,905	5.69
(Options cancelled during the period)	(181,835)	5.97	(500,085)	7.39
(Options exercised during the period) (*)	(1,685,627)	4.10		
(Options expiring during the period)				
Options outstanding at the end of the period	17,545,879	5.67	18,250,940	5.89
of which those that can be exercised at the end of the period	3,408,763	4.28		

(*) The average market price on the exercise date was € 6.99.

At the end of the period, 9,017,264 options existed under plans assigned to employees of Davide Campari-Milano S.p.A.

The average remaining life of outstanding options at 31 December 2009 was 4.02 years (3.44 years at 31 December 2008).

The exercise price interval for these options was from €3.98 to €7.97.

The average fair value of options granted during the year was €1.85 (€1.09 in 2008).

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

Volatility was estimated with the help of data supplied by a market information provider together with a leading bank, and corresponds to the estimate of volatility recorded in the period covered by the plan.

This estimate is required since there is no historical volatility with a duration equivalent to the plan period concerned.

Davide Campari-Milano S.p.A. has a number of own shares that can be used to cover the stock option plan.

The following table shows changes in the number of own shares held during the comparison periods.

	own shares		purchase price (€)	
	2009	2008	2009	2008
Balance at 1 January	**1,940,747**	**1,044,454**	**11,519,923**	**7,009,748**
Purchases	2,199,000	896,293	13,373,833	4,510,175
Disposals	(1,685,627)		(10,392,118)	
Balance at 31 December	**2,454,120**	**1,940,747**	**14,501,638**	**11,519,923**
% of share capital	0.85%	0.67%		

For information on the stock option plans for directors and general managers, see note 40 – Related parties.

37. Financial instruments – disclosures

The value of individual categories of financial assets and liabilities held by the Group is shown below.

31 December 2009	Loans and receivables (€)	Financial liabilities at amortised cost (€)	Hedging transactions (€)
Cash and cash equivalents	10,851,608		
Short-term financial receivables	39,553,252		
Other non-current financial assets	42,037,200		
Trade receivables	61,497,507		
Other receivables	16,291,661		
Payables to banks		(64)	
Property lease payables		(9,622,920)	
Bonds		(549,996,487)	
Accrued interest on bonds		(8,330,414)	
Other financial liabilities		(335,142,567)	
Trade payables		(64,677,599)	
Other payables		(9,704,684)	
Current assets for hedging derivatives			1,152,867
Non-current assets for hedging derivatives			(55,337,665)
Total	**170,231,228**	**(977,474,735)**	**(54,184,798)**

31 December 2008	Loans and receivables (€)	Financial liabilities at amortised cost (€)	Hedging transactions (€)
Cash and cash equivalents	14,088,637		
Short-term financial receivables	39,389,307		
Other non-current financial assets	2,117,962		
Trade receivables	52,036,811		
Other receivables	28,147,696		
Payables to banks		(67)	
Property lease payables		(12,883,499)	
Bonds		(221,564,328)	
Accrued interest on bonds		(4,457,951)	
Other financial liabilities		(386,388,823)	
Trade payables		(70,451,116)	
Other payables		(10,164,235)	
Non-current assets for hedging derivatives			(20,516,260)
Current liabilities for hedging derivatives			(1,878,865)
Total	**135,780,413**	**(705,910,019)**	**(22,395,125)**

Fair value of financial assets and liabilities

For each category of financial assets and liabilities, a comparison between the fair value of the category and the corresponding carrying value is shown below.

The method used for determining fair value was as follows:

- for financial assets and liabilities that are liquid or nearing maturity, it is assumed that the carrying value equates to fair value; this assumption also applies to term deposits, securities that can be readily converted to cash and variable-rate financial instruments;
- for the valuation of hedging instruments at fair value, the company used valuation models based on market parameters;
- the fair value of non-current financial payables was obtained by discounting all future cash flows at the rates in effect at the end of the year.

For commercial items and other receivables and payables, fair value corresponds to the carrying value; these are not reported in the table below.

	Carrying value		Fair value	
	31 December 2009 (€)	31 December 2008 (€)	31 December 2009 (€)	31 December 2009 (€)
Cash and banks	10,851,608	14,088,637	10,851,608	14,088,637
Financial receivables from subsidiaries through centralised cash	39,460,290	39,389,307	39,460,290	39,389,307
Financial receivables from other companies	42,130,162	2,117,962	42,130,162	2,117,962
Accrued interest on bonds	1,152,867	–	1,152,867	–
Financial assets	**93,594,927**	**55,595,906**	**93,594,927**	**55,595,906**
Payables to banks	64	67	64	67
Property lease payables	9,622,920	12,883,499	9,622,920	12,051,027
Bonds in US$	207,237,455	221,564,328	190,691,078	214,639,740
Bonds in €	342,759,032	–	344,243,032	–
Accrued interest on bonds	8,330,414	4,457,951	8,330,414	4,457,951
Accrued interest on hedging derivatives on bonds	–	1,878,865	–	1,878,865
Hedging derivatives	55,337,665	20,516,260	55,337,665	20,516,260
Financial payables to subsidiaries	334,062,131	385,155,088	334,062,113	385,155,088
Other debt	1,080,435	1,233,735	1,080,435	1,233,735
Financial liabilities	**958,430,116**	**647,689,793**	**943,367,721**	**639,932,733**

Fair value – hierarchy

The Company enters into derivatives contracts with a number of top-rated banks.

Derivatives are valued using techniques based on market data, and largely consist of interest rate swaps.

The most commonly-applied valuation methods include the swap models, which use present value calculations. The models incorporate various inputs, including the credit rating of the counterparty, market volatility, spot and forward exchange rates and current and forward interest rates.

The table below details the hierarchy of financial instruments valued at fair value, based on the valuation methods used:

- level 1: the valuation methods use prices listed on an active market for the assets and liabilities subject to valuation;
- level 2: the valuation methods take into account various inputs from previous prices, but that can be observed on the market directly or indirectly;
- level 3: the method use inputs that are not based on observable market data.

	31 December 2009	Level 1 (€)	Level 2 (€)	Level 3 (€)
Assets valued at fair value:				
Accrued swap interest on bonds	1,152,867		1,152,867	
Liabilities valued at fair value:				
Interest rate and cross currency swap on bonds (US$)	51,933,778		51,933,778	
Interest rate swap on bonds (Eurobond)	3,403,887		3,403,887	

Hedging transactions

Hedging derivatives

The Company currently holds various derivative instruments to hedge both the fair value of underlying instruments and cash flows.

The table below shows the fair value of these derivative instruments, recorded as assets or liabilities, and their notional values.

	31 December 2009		31 December 2008	
	Assets (€)	Liabilities (€)	Assets (€)	Liabilities (€)
Interest rate and cross currency swap on bonds (US$)		(53,817,672)		(40,009,442)
Interest rate swap on bonds (Eurobond)		(3,403,887)		
Accrued swap interest on bonds	1,152,867		–	(1,878,865)
Hedging derivatives at fair value	1,152,867	(57,221,559)	–	(41,888,307)
Interest rate swap on bonds (US$)		1,883,894		19,493,182
Interest rate swap on bonds				
Cash flow hedging derivatives	–	1,883,894	–	19,493,182
Total derivatives	**1,152,867**	**(55,337,665)**	**–**	**(22,395,125)**

Fair value hedging

The Company has in place the following contracts that meet the definition of hedging instruments based on IAS 39.

- Cross currency swap on bonds (US$)

  At the reporting date, the Company held a cross currency swap totalling a notional US$ 300 million on the bonds denominated in US dollars.

  This instrument has the same maturity as the underlying liability.

  The derivative is valued at fair value and any changes are reported through profit or loss; having established the effectiveness of the hedging transactions, the gain or loss on the hedged item attributable to the hedged risk is used to adjust the carrying value of the underlying liability and is immediately reported through profit or loss.

  At 31 December 2009, the cross currency swap had a negative fair value of €53,817,672 thousand, reported under non-current financial liabilities.

The change in fair value of these instruments reported in the income statement in 2009 was negative to the tune of €13,808,230, while the gain recorded on the hedged item was €14,358,253.

- Interest rate swap on bonds (Eurobond)

  The hedging instrument taken out during the year involves the payment of a variable rate (6-month Euribor in arrears + 210 basis points) on underlying debt of €250 million.

  The valuation of this instrument at 31 December 2009 represented a liability of €3,403,887; the changes reported in the income statement refer to changes in the fair value of the swap (a loss of €3,403,887) and the related change in the underlying debt (a gain of €2,560,247).

Gains and losses on the hedged and hedging instruments used in all fair value hedges, corresponding to the above-mentioned cross currency swap and interest rate swap, are summarised below.

	31 December 2009 (€)	31 December 2008 (€)
Gains on hedging instruments – US$ 300,000,000 bond issue	–	37,512,745
Losses on hedging instruments – US$ 300,000,000 bond issue	(13,808,230)	–
Losses on hedging instruments – €350,000,000 bond issue	(3,480,237)	–
Total gains (losses) on hedging instruments	**(17,288,467)**	**37,512,745**
Gains on hedging instruments – US$ 300,000,000 bond issue	14,358,253	–
Gains on hedging instruments – €300,000,000 bond issue	2,560,247	–
Losses on hedging instruments – US$ 300,000,000 bond issue	–	(33,079,274)
Total gains (losses) on hedged items	**16,918,500**	**(33,079,274)**

The costs relating to hedging instruments, which totalled €17,288,467, also include the effect of the release of the cash flow hedge reserve, corresponding to income of €878,495, relating to the hedging of the bond issue denominated in US dollars, and charges of €76,350 for the hedging of the bond issue denominated in euro.

The cash flow hedge reserve was released to the income statement when the hedged cash flows were received during the year (see below for more information).

Cash flow hedging

The Company uses the following contracts to hedge its cash flows:

- Interest rate swap on Parent Company bonds (US$)

  The Company has put in place various interest rate swaps involving the payment of an average fixed rate of 4.25% (rates from 4.03% to 4.37%) on total underlyings of US$ 50 million (maturing in 2015) and US$ 150 million (maturing in 2018).

  Since these hedging transactions met the requirements for effectiveness, an appropriate shareholders' equity reserve was created, with a gross value of €1,883,894.

  As required by IAS 39, the cash flow hedge reserve for these contracts will be released to the income statement at the same maturity dates as the cash flows related to the liability.

  During the period, an unrealised gain of €16,730,793 was posted to the reserve, together with the corresponding deferred tax effect of €4,600,968.

  Moreover, the realisation of the hedged cash flows generated the release of the cash flow hedge reserve, which had a positive impact on the income statement for the period of €878,495.

- Interest rate swap on Parent Company bonds (Eurobond)

  Shortly after the bond issue took place, the Company entered into an interest rate hedging agreement.

On the date the bond was listed, due to the changes in interest rate trends, this agreement resulted in a financial charge of €2,998,000, recorded under shareholders' equity.

This reserve will be released to the income statement with the cash flows generated by the underlying debt. In 2009 the effect of the release on the income statement was €76,350.

The following table shows, at 31 December 2009, when the Group expects to receive the hedged cash flows.

The breakdown includes the cash flows arising from the Parent Company's interest rate swap involving the fixed rate interest payments on the bond issued in 2003 (in US$).

These cash flows only concern interest and have not been discounted.

31 December 2009	within 1 year (€)	1-5 years (€)	after 5 years (€)	total (€)
Cash outflows	11,116,187	44,464,746	38,983,233	94,564,166
Cash inflows	9,590,498	38,361,992	33,695,038	81,647,527
Net cash flows	–1,525,689	–6,102,755	–5,288,195	–12,916,638

31 December 2008	within 1 year (€)	1-5 years (€)	after 5 years (€)	total (€)
Cash outflows	5,542,777	22,171,109	22,232,373	49,946,260

The overall changes in the cash flow hedge reserve and the associated deferred taxes are shown below.

	Cash flow hedge reserve – 2003 bond issue (€)	Related tax effect – 2003 bond issue (€)	Cash flow hedge reserve – 2009 bond issue (€)	Related tax effect – 2009 bond issue (€)	Cash flow hedge reserve net of tax effect (€)
Balance at 1 January 2009	**19,493,183**	**(5,360,626)**	**–**	**–**	**14,132,557**
Adjustment in period	(16,730,793)	–	–	–	(16,730,793)
Allocation to reserve	–	–	(2,998,000)	–	(2,998,000)
Reversals in period	(878,495)	–	76,350	–	(802,145)
Deferred tax (assets and liabilities)	–	4,600,968	–	803,453	5,404,421
Use of deferred taxes taken to income statement	–	241,586	–	–	241,586
Balance at 31 December 2009	**1,883,895**	**(518,072)**	**(2,921,650)**	**803,453**	**(752,374)**

	Cash flow hedge reserve – 2003 bond issue (€)	Tax effect – 2003 bond issue (€)	Cash flow hedge reserve net of tax effect (€)
Balance at 1 January 2008	**13,873,350**	**(3,815,171)**	**10,058,179**
Adjustment in period	6,491,271	(1,785,100)	4,706,171
Reversals in period	(871,439)	239,646	(631,793)
Balance at 31 December 2008	**19,493,182**	**(5,360,625)**	**14,132,557**

38. Nature and scale of the risks arising from financial instruments

Credit risk

Davide Campari-Milano S.p.A. mainly enters into commercial transactions with Group companies.

Its receivables from third parties mainly relate to the sale of grape must and marc produced in conjunction with harvesting activities (Cinzano and Riccadonna) and the receivable from the sale to C&C International Ltd. of goods produced under licence.

Receivables are mainly denominated in euro.

The Company therefore has very little exposure to credit risk.

Liquidity risk

The Company's ability to generate substantial cash flow through its operations allows it to reduce liquidity risk. This risk is defined as the difficulty of raising funds to meet financial obligations.

The Company manages financial flows with the Italian subsidiaries through a centralised cash management department, with transactions settled at market rates (see note 40 – Related parties for more information).

Detailed information is provided below on payables and financial liabilities at 31 December 2009, compared with the previous year.

The table below summarises financial liabilities at 31 December 2009 by maturity based on the contractual repayment obligations, including non-discounted interest.

It specifies the period in which financial flows are due.

31 December 2009	On demand (€)	Within 1 year (€)	Due in 1 to 2 years (€)	Due in 2 to 5 years (€)	Due in more than 5 years (€)	Total (€)
Financial liabilities						
Payables to banks	–	64	–	–	–	64
Financial payables to subsidiaries	–	313,848,213	–	–	20,000,000	333,848,213
Bonds	–	9,434,879	9,434,879	28,304,637	241,714,108	288,888,503
Derivatives on Eurobond issue	–	(317,166)	301,363	3,567,805	54,066,516	57,618,518
	–	14,890,006	17,279,714	58,984,159	393,438,440	484,592,319
Property lease payables	–	3,494,757	3,494,757	3,036,229	–	10,025,743
Subsidised loan from industry ministry	–	196,344	196,344	589,032	196,344	1,178,064
Projected net cash flows	**–**	**341,547,097**	**30,707,057**	**94,481,862**	**709,415,408**	**1,176,151,424**

31 December 2008	On demand (€)	Within 1 year (€)	Due in 1 to 2 years (€)	Due in 3 to 5 years (€)	Due in more than 5 years (€)	Total (€)
Financial liabilities						
Payables to banks	–	67	–	–	–	67
Financial payables to subsidiaries	–	365,155,088	–	–	20,000,000	385,155,088
Bonds	–	9,765,036	9,765,036	29,295,107	250,172,451	298,997,629
Derivatives on bonds	–	(629,395)	(1,721,398)	1,138,470	48,477,055	47,264,731
Property lease payables	–	3,496,927	3,494,757	6,530,986	–	13,522,670
Subsidised loan from industry ministry	–	196,344	196,344	589,032	392,689	1,374,409
Projected net cash flows	**–**	**377,984,067**	**11,734,738**	**37,553,595**	**319,042,195**	**746,314,594**

Payables to banks for current accounts and lines of credit represent the negative balance of cash management, which decreased considerably in 2009 compared to the previous year.

Moreover, the Company has granted loans to subsidiaries, with interest charged at market rates.

Market risks

- Interest rate risk

Financial liabilities, except those relating to bonds, are subject to variable rates.

In the case of bonds, as mentioned above, the Company has taken steps to convert long-term financial instruments issued at fixed rates (and thus exposed to fair value risk) into variable-rate debt through an interest rate swap.

As a result of recent interest rate trends in both the eurozone and US dollar area, the Company has transferred a portion of its euro-denominated debt to a fixed rate, effective from July 2008 and July 2009 (negotiated amount and rate) through forward-starting interest rate swaps.

The Company is therefore exposed to the risk of changes in interest rates.

Sensitivity analysis

The following table shows the sensitivity to a possible change in interest rates, if all the Company's other variables are held constant.

The assumptions used in terms of a potential change in rates are based on an analysis of the trend at the reporting date.

The table illustrates the full-year effects on the income statement in the event of a change in rates, calculated for the Group's variable-rate financial assets and liabilities.

As regards the fixed-rate financial liabilities hedged by interest rate swaps, the change in assets offsets the change in the underlying liability, with practically no effect on the income statement.

The impact on the income statement is shown net of taxes.

31 December 2009	Income statement	
Increase/decrease in rates (in basis points)	Increase in interest rates	Decrease in interest rates
Euribor +/− 10 basis points	(243,600)	243,600

31 December 2008	Income statement	
Increase/decrease in rates (in basis points)	Increase in interest rates	Decrease in interest rates
Euribor +/− 260 basis points	(227,974)	227,974

- Exchange rate risk

The Company has issued bonds denominated in US dollars for which it has a fair value hedge in place to hedge the related exchange rate risk.

The sensitivity analysis shows zero impact on the income statement, as a change in exchange rates generating a positive effect on the fair value of the derivatives would produce the same negative effect on the underlying, and vice versa.

Furthermore, there were no significant receivables or payables exposed to exchange rate risk at 31 December 2009.

39. Commitments and risks

The amounts owed by the Company in future periods for operating leases on equipment are indicated in the table below.

Minimum future payments	31 December 2009 (€)	31 December 2008 (€)
Within one year	1,405,026	1,382,464
One to five years	1,748,233	1,197,520
Over five years	–	–
	3,153,259	**2,579,984**

Operating lease contracts relate to cars (€1,160,718), hardware (€1,332,000), photocopiers (€269,312) and equipment and general services for manufacturing units (€391,229).

The commitment in relation to the finance lease for the industrial complex at Novi Ligure stipulates the following future minimum payments; the relationship between these and their present value is also reported.

	31 December 2009	
	Minimum future payments (€)	Present value of future payments (€)
Within one year	3,494,151	3,277,444
One to five years	6,489,930	6,345,476
Total minimum payments	9,984,081	9,622,920
Financial charges	(361,161)	–
Present value of minimum future payments	9,622,920	9,622,920

The Company's other commitments for purchases of goods or services are shown below.

	31 December 2009					
	Assets (€)	Purchases of raw materials (€)	Sponsorship (€)	Leasing (€)	Other (€)	Total (€)
Within one year	1,709,484	16,077,000	1,724,138	1,090,346	39,035,309	59,636,277
One to five years		36,571,000	5,172,414			41,743,414
	1,709,484	**52,648,000**	**6,896,552**	**1,090,346**	**39,035,309**	**101,379,691**

Contractual commitments relating to tangible assets chiefly refer to €620,427 for the contract to build the new storage facility for finished products at Novi Ligure, €495,007 for work on the premises for the Campari museum, €466,550 for the implementation of management processes, and €127,500 for other residual commitments.

Purchases of raw materials refer to commitments for the purchase of wine and grapes for Cinzano products.

Rentals relate to the rental fees for occupying the Company's former headquarters, which fall due in the first four months of the year.

Sponsorship refers to the contractual commitment with Dorna Sport for the MotoGP World Championship.

The item other includes an estimate of the contractual commitments in place for the purchase of packaging, goods, maintenance materials and supplies, as well as services associated with the activities of the Company's manufacturing units.

Guarantees issued to third parties	31 December 2009 (€)
Kaloyiannis-Koutsikos Distilleries S.A. – to guarantee credit lines	10,300,000
Campari Austria Gmbh – to guarantee credit lines	27,000
CJSC Odessa Sparkling Wine Company – to guarantee credit lines	1,700,000
Campari Australia PTY Ltd. – to guarantee credit lines	218,641
Belfor Italia – to guarantee payment of balance on works to Crodo	972,000
Milan customs authority – to guarantee excise duties on goods stored in a fiscal warehouse	6,150,000
Milan customs authority – to guarantee authorisation to purchase excise tax stickers – Massalengo	9,800,000
Milan customs authority – to guarantee payment of excise duties on alcohol products – Massalengo	4,800,000
Milan customs authority – to guarantee alcohol products under excise-duty suspension arrangements – Massalengo	400,000
Ancona customs authority – to guarantee excise duties on goods stored in a fiscal warehouse	500,000
Piedmont customs agency – for withdrawal and holding of excise tax stickers	3,000,000
Piedmont customs agency – for circulation of excise tax stickers in the EU and outside the EU	5,800,000
Piedmont customs agency – to guarantee duty on excise tax stickers	3,300,000
Piedmont customs dept. – to guarantee excise duties on products under excise-duty suspension arrangements	80,000
Piedmont regional authority – to guarantee site restoration after mineral water exploration	1,033
Alessandria customs agency – to guarantee excise duty on products	2,000,000
Alessandria customs agency – to guarantee customs services rendered	10,000
Alessandria customs agency – simplified customs procedures at Novi Ligure plant	10,330
Alessandria customs agency – to guarantee excise duty on alcohol products from Novi Ligure plant	3,000,000
Alessandria customs agency – to guarantee excise duty on products shipped within the EU from Novi Ligure	2,300,000
Cuneo customs office – to guarantee customs duties	1,000
Cuneo customs agency – to guarantee excise duty on products stored in Canale fiscal warehouse	3,600,000
Turin customs dept. – to guarantee excise duties on products in the EU	300,000
Cuneo customs district – to guarantee payment of customs duties	200,000
Lombardy regional authority – rental fees for well authorisation at Sesto S.G.	4,387
Crodo local authority – to guarantee completion of works in Molinetto	3,451
Ministry of Productive Activities – to guarantee export certificates	270,335
Ministry of International Trade – to guarantee export certificates	251,750
SNAM – to guarantee payment of gas bills	41,316
ANAS – to cover roadworks on SS 659 in Piedmont	2,066
Geico Nord – to guarantee payment of gas supplies	20,658
Sesto S.G. local authority – to guarantee charges for provision of utilities at new offices	200,000
Sesto S.G. local authority – to guarantee additional estimated contribution for provision of utilities	2,434,762
Sesto S.G. local authority – to guarantee penalties for not leasing constructions on subsidised land	737,218
Royal Bank of Scotland – guarantee on commitment undertaken by Glen Grant Distillery for GBP 40,000	45,040
Italian railways – to guarantee customs duties on sugar	15,494
AGEA – to guarantee restructuring work and reconversion of vineyards	25,318
	62,521,799

Guarantees given to Group companies	31 December 2009 (€)
Campari Italia S.p.A. – to guarantee miscellaneous guarantees issued to third parties	1,673,735
Sella & Mosca S.p.A. – to guarantee miscellaneous guarantees issued to third parties	1,500,863
Sella & Mosca Commerciale S.r.l. – to guarantee miscellaneous guarantees issued to third parties	5,262
	3,179,860

Guarantees issued to third parties	31 December 2009 (€)
Redfire, Inc. – to guarantee US$ 170,000,000 private placement	89,634,972
Redfire, Inc. – to guarantee US$ 250,000,000 private placement	180,287,273
Morgan Stanley SGR S.p.A. – to guarantee leasing contract on Via Filippo Turati, 27 in Milan	706,250
Morgan Stanley SGR S.p.A. – to guarantee leasing contract on Via Filippo Turati, 25 in Milan	36,592
	270,665,087

Guarantees in favour of third parties include a guarantee given by Davide Campari-Milano S.p.A. in relation to the US$ 420,000,000 private placement issued by the subsidiary Redfire Inc. on the US institutional market.

40. Related parties

The Company is the Parent Company.

The Company has put in place procedures governing transactions with related parties, as defined in IAS 24 and in the Consob communications on this subject, with the aim of monitoring and collecting the necessary information concerning transactions in which directors and managers have a personal interest, as well as transactions with related parties, in order to monitor, and in some cases, authorise them.

The procedures identify the individuals responsible for reporting the above-mentioned information, define which transactions should be reported, define the content of the information required, and set the timescales within which the information must be submitted.

The main intragroup activities, paid for at market prices, are carried out on the basis of contractual relationships, which in particular, relate to:

- management of shareholdings;
- settlement of financial flows through the centralised cash management system;
- sharing of general, administrative and legal services;
- IT support;
- commercial agreements.

In addition, a fiscal relationship exists with the indirect controlling entity of the Company, Fincorus S.p.A., following the decision taken to adopt the national tax consolidation procedure governed by article 117 *et seq* of the consolidated law on corporate income tax (TUIR) for 2007, 2008 and 2009.

Furthermore, on 1 January 2008, the Company joined the Group-wide VAT scheme, pursuant to article 73, paragraph 3 of Presidential Decree 633/72, in accordance with its status as a subsidiary.

The indirect controlling entity, which adopted the Group VAT scheme as controlling entity, is Fincorus S.p.A.

The receivables and payables arising as a result of the tax consolidation scheme are non-interest bearing.

No other transactions have taken place with the (direct and/or indirect) controlling entities, nor with their directly and/or indirectly-owned subsidiaries, other than with Group companies.

Moreover, during the year, no off-balance sheet agreements, as described in article 2427, paragraph 1, point 22-ter of the Italian civil code, or other transactions, including between affiliates, took place that may generate exposures or benefits for the Company that would affect the financial position or operating results of the Company or the Group to which it belongs.

The Company is not subject to management and coordination activity by other companies, pursuant to articles 2497 *et seq* of the Italian civil code, in that all decisions made by the management bodies, including strategic decisions, are taken in complete autonomy and independence.

More information on transactions with Group companies is provided in the tables below, and in the report on operations in the consolidated financial statements.

Pursuant to Consob resolution 15519 of 27 July 2006, transactions with related parties are shown separately in the income statement, as required by IAS 24.

The transactions between related parties included in the income statement are accounted for as follows:

	2009 (€)	2008 (€)
Net sales and cost of goods sold	324,373,628	328,131,964
Advertising and promotional costs	5,934,382	4,653,676
Structure costs	9,276,975	9,616,553
Dividends	36,278,858	32,001,900
Net financial income (charges)	(7,051,893)	(17,672,007)
	368,811,950	**356,732,086**

The amounts of trade and financial transactions entered into with related parties are set out below.

	Revenues (€)	Costs (€)	Total (€)
Campari Italia S.p.A.	293,322,373	(1,785,523)	291,536,851
Sella & Mosca Commerciale S.r.l.	6,916,587	(33,084)	6,883,503
Sella & Mosca S.p.A.	1,209,909	(748,888)	461,021
Zedda Piras S.p.A.	260,827	2,980	263,807
Turati Ventisette S.r.l.	–	(135)	(135)
Campari International S.A.M.	55,874,865	(482,459)	55,392,406
Campari Deutschland GmbH	38,538,515	(453,526)	38,084,989
Campari Argentina S.R.L.	39,800	–	39,800
Campari Austria GmbH	4,474,712	(7,293)	4,467,419
Campari Beijing Trading Co. Ltd.	17,664	(41)	17,623
Campari do Brasil Ltda	2,076,171	(96)	2,076,075
Campari Finance Belgium S.A.	37,894	(6,116,831)	(6,078,938)
Campari France	24,543	(29,714,086)	(29,689,543)
Campari Schweiz A.G.	4,192,935	(35,693)	4,157,241
Société Civile du Domaine de Lamargue	9,863	379	10,242
DI.CI.E. Holding B.V.	189,919	(2,610,086)	(2,420,167)
Glen Grant Distillery Ltd.	129,190	(6,131,835)	(6,002,645)
Kaloyiannis-Koutsikos Distilleries S.A.	64,030	1,689	65,719
Prolera LDA	1,100,000	–	1,100,000
Redfire. Inc.	295,909	1,492,171	1,788,080
Skyy Spirits, LLC	6,417,274	(124,195)	6,293,079
Alicros S.p.A.	121,787	685	122,472
Destiladora San Nicolas S.A. de C.V.	79,032	–	79,032
Rare Breed Distilling, LLC	138,638	–	138,638
M.C.S. S.p.r.l.	8,620	–	8,620
Campari Japan Ltd.	16,760	–	16,760
	415,557,815	**(46,745,865)**	**368,811,950**

Transactions with other related parties are shown below.

Financial receivables from related parties

	31 December 2009 (€)	31 December 2008 (€)
Financial receivables from related parties	39,460,290	39,389,307

Financial receivables	Accrued interest (€)	Cash management (€)	Total (€)
Sella & Mosca S.p.A.	63,476	21,298,860	21,362,336
Zedda Piras S.p.A.	32,720	11,411,960	11,444,680
Sella & Mosca Commerciale S.r.l.	19,604	6,633,670	6,653,274
	115,800	**39,344,490**	**39,460,290**

Intragroup transactions are carried out via the centralised cash management system, with interest charged at market rates (3-month Euribor on the day preceding the end of each quarter, plus a spread that reflects market conditions).

Trade receivables and other receivables from related parties

	31 December 2009 (€)	31 December 2008 (€)
Trade receivables from related parties	59,474,661	50,405,654
Other receivables from related parties	9,365,213	11,789,748
Current receivables from related parties	68,839,874	62,195,402
Other receivables from related parties	66,073	22,730
Non-current receivables from related parties	66,073	22,730
	68,905,947	**62,218,132**

	Trade receivables (€)	Miscellaneous (€)	Group VAT (€)	Total (€)
Campari Italia S.p.A.	34,149,778	1,941,123	4,755,194	40,846,095
Sella & Mosca Commerciale S.r.l.	2,829,887	41,151	213,130	3,084,168
Sella & Mosca S.p.A.	38,616	87,069	102,601	228,286
Zedda Piras S.p.A.	–	8,164	73,010	81,174
Fincorus S.p.A.	–	66,073	–	66,073
Alicros S.p.A.	–	1,276		1,276
Campari International S.A.M.	11,382,676	630,555	–	12,013,231
Campari Deutschland GmbH	8,568,636	86,092	–	8,654,728
Campari Argentina S.R.L.	–	155,132	–	155,132
Campari Austria GmbH	363,189	4,047	–	367,236
Campari Beijing Trading Co. Ltd.	–	46,316	–	46,316
Campari do Brasil Ltda	505,481	36,648	–	542,129
Campari France	–	3,328	–	3,328
Campari Schweiz A.G.	850,413	177,785	–	1,028,198
Campari Finance Belgium S.A.	–	1,487	–	1,487
Campari Japan Ltd.	–	16,760	–	16,760
Société Civile du Domaine de Lamargue	–	25,222	–	25,222
DI.CI.E. Holding B.V.	19,876	35,050	–	54,926
Glen Grant Distillery Ltd.	697	91,986	–	92,683
Skyy Spirits, LLC	691,573	418,906	–	1,110,479
Redfire Inc.	–	25,120	–	25,120
Destiladora San Nicolas S.A. de C.V.	73,839	33,731	–	107,570
M.C.S. S.p.r.l.	–	193,367	–	193,367
Rare Breed Distilling	–	145,677	–	145,677
Kaloyiannis-Koutsikos Distilleries S.A.	–	15,286	–	15,286
	59,474,661	**4,287,351**	**5,143,935**	**68,905,947**

The overall position of the Italian subsidiaries of Davide Campari-Milano S.p.A. and of the Parent Company itself in respect of the indirect controlling entity Fincorus S.p.A. in relation to the tax consolidation scheme, is a net payable of €22,191,239, including receivables of €187,996 reported under non-current assets in the financial statements of the Company and of its subsidiaries.

Financial payables to related parties

	31 December 2009 (€)	31 December 2008 (€)
Current financial payables to related parties	313,848,213	365,155,088
Non-current financial payables to related parties	20,213,918	20,000,000
	334,062,131	**385,155,088**

	Financial payables (€)	Cash management (€)	Accrued interest (€)	Total (€)
Campari Italia S.p.A.	177,854	67,193,043	174,625	67,545,522
Sella & Mosca S.p.A.	22,443	–	–	22,443
Zedda Piras S.p.A.	13,621	–	–	13,621
Turati Ventisette S.r.l.	43	10,243	–	10,286
DI.CI.E. Holding B.V.	112,916,875	–	–	112,916,875
Campari Finance Belgium S.A.	50,558,392	102,994,992	–	153,553,384
	163,689,228	**170,198,278**	**174,625**	**334,062,131**

Loans provided to Group companies carry interest at market rates.

Trade payables and other payables to related parties

	31 December 2009 (€)	31 December 2008 (€)
Trade payables to related parties	8,439,910	8,135,905
Tax payables to related parties	9,683,429	5,552,150
Other payables to related parties	63,363	102,520
Payables to controlling entities, subsidiaries and affiliates	18,186,702	13,790,575
Payables to directors	1,183,000	1,335,000
Total	**19,369,702**	**15,125,575**

Liabilities	Trade payables (€)	Miscellaneous (€)	Consolidation scheme (€)	Group VAT (€)	Total (€)
Campari Italia S.p.A.	227,369	13,446	–	–	240,815
Sella & Mosca S.p.A.	112,556	–	–	–	112,556
Sella & Mosca Commerciale S.r.l.	10,466	9,410	–	–	19,876
Zedda Piras S.p.A.	61,329	–	–	–	61,329
Turati 27 S.r.l.	92	–	–	–	92
Glen Grant Distillery Ltd.	477,456	–	–	–	477,456
Campari International S.A.M.	95,488	–	–	–	95,488
Campari France	7,244,133	–	–	–	7,244,133
Skyy Spirits, LLC	86,728	–	–	–	86,728
Campari Deutschland GmbH	124,293	–	–	–	124,293
Alicros S.p.A.	–	40,507	–	–	40,507
Fincorus S.p.A.	–	–	3,277,208	6,406,221	9,683,429
	8,439,910	**63,363**	**3,277,208**	**6,406,221**	**18,186,702**

Directors, auditors and general managers

The remuneration paid to the Company's directors with strategic responsibilities is set out below.

	31 December 2009 (€)	31 December 2008 (€)
Short-term benefits	4,109,698	4,031,940
Post-employment benefits (staff severance fund)	41,980	41,689
Share-based payments	1,292,390	1,026,161
	5,444,068	**5,099,790**

Details of the remuneration paid to the Parent Company's directors and auditors in respect of work for the Parent Company and other Group companies in 2009 is shown below.

Name	Position	Period in post	In post until	Remuneration for work at the company that draws up the financial statements	Non-cash benefits	Bonuses and other incentives	Other fees	Total
Luca Garavoglia	Chairma	01/01/09 - 31/12/09	2010	1,045,000				1,045,000
Robert Kunze-Concewitz	Managing Director	01/01/09 - 31/12/09	2010	205,000	5,007	500,000	361,181	1,071,188
Stefano Saccardi	Managing Director	01/01/09 - 31/12/09	2010	289,000	5,300	400,000	131,364	825,664
Paolo Marchesini	Managing Director	01/01/09 - 31/12/09	2010	289,000	4,669	400,000	124,190	817,859
Marco P. Perelli-Cippo	Director	01/01/09 - 31/12/09	2010	50,000				50,000
Eugenio Barcellona	Director	01/01/09 - 31/12/09	2010	37,500				37,500
Enrico Corradi	Director	01/01/09 - 31/12/09	2010	62,500				62,500
Cesare Ferrero	Director	01/01/09 - 31/12/09	2010	50,000				50,000
Renato Ruggiero	Director	01/01/09 - 31/12/09	2010	37,500				37,500
Total directors				**2,065,500**	**14,976**	**1,300,000**	**616,735**	**3,997,211**
Antonio Ortolani	Chairman of Board of Statutory Auditors	01/01/09 - 31/12/09	2010	75,000			49,669	124,669
Alberto Lazzarini	Statutory Auditor	01/01/09 - 31/12/09	2010	50,000			10,000	60,000
Giuseppe Pajardi	Statutory Auditor	01/01/09 - 31/12/09	2010	50,000			10,000	60,000
Total auditors				**175,000**	**–**	**–**	**69,669**	**244,669**
Total				**2,240,500**	**14,976**	**1,300,000**	**686,404**	**4,241,880**

Shareholdings of directors, auditors and general managers

Name	Company in which shares are held at end	No. of shares held of previous period	No. of shares purchased	No. of shares sold	No. of shares held at end of period
Luca Garavoglia	Davide Campari Milano S.p.A.	–	–	–	–
Robert Kunze-Concewitz	Davide Campari Milano S.p.A.	–	–	–	–
Stefano Saccardi	Davide Campari Milano S.p.A.	–	–	–	–
Paolo Marchesini	Davide Campari Milano S.p.A.	–	–	–	–
Marco P. Perelli-Cippo	Davide Campari Milano S.p.A.	60,000	–	–	60,000
Eugenio Barcellona	Davide Campari Milano S.p.A.	–	–	–	–
Enrico Corradi	Davide Campari Milano S.p.A.	–	–	–	–
Cesare Ferrero	Davide Campari Milano S.p.A.	–	–	–	–
Renato Ruggiero	Davide Campari Milano S.p.A.	–	–	–	–
Antonio Ortolani	Davide Campari Milano S.p.A.	–	–	–	–
Alberto Lazzarini	Davide Campari Milano S.p.A.	5,000	–	–	5,000
Giuseppe Pajardi	Davide Campari Milano S.p.A.	–	–	–	–

Stock options granted to directors and general managers

Name	Position	Options held at the beginning of the year			Optiorns granted during the year			Options exercised during the year			Options expiring during the year	Options held at the end of the year		
		No. of options	Average exercise price	Average maturity	No. of options	Average exercise price	Average maturity	No. of options	Average exercise price	Average market price during the year	No. of options	No. of options	Average price	Average maturity
Luca Garavoglia	Chairman	1,543,490	5.83	22/11/2011	–	–	–	–	–	–	–	1,543,490	5.83	30 October 2011
Robert Kunze-Concewitz	Managing Director	1,512,241	6.93	15/07/2012	–	–	–	–	–	–	–	1,512,241	6.93	04 June 2012
Stefano Saccardi	Managing Director	1,184,596	5.91	22/11/2011	–	–	–	125,000	3.98	7.22	–	1,059,596	6.14	30 October 2011
Paolo Marchesini	Managing Director	1,184,596	5.91	22/11/2011	–	–	–	260,000	3.98	7.22	–	924,596	6.45	30 October 2011

41. Employees

All of the Company's employees are based in Italy.
The number of staff in each category is shown below.

	31 December 2009	31 December 2008
Managers	47	45
Office staff	247	241
Manual workers	233	247
Total	**527**	**533**

42. External auditors

Reconta Ernst & Young S.p.A. was appointed to audit the separate financial statements of Davide Campari-Milano S.p.A., as well as the consolidated financial statements, for 2007, 2008 and 2009.

The fees for auditing the 2009 financial statements of Davide Campari-Milano S.p.A. totalled €209,002, including the audits of the Company's accounting procedures pursuant to article 155, paragraph 1 of Legislative Decree 58 of 24 February 1998 (TUF) and of the interim financial statements and the full-year separate and consolidated financial statements.

The auditing fees relating to subsidiaries totalled €766,523.

In addition, fees of €375,584 were paid for auditing the information memorandum relating to the acquisition of Wild Turkey, the prospectus for the issue of the unrated Eurobond on the Luxembourg market, the consolidated financial statements of the subsidiary Redfire Inc. with circulation limited to noteholders and for advisory services concerning financial instruments.

43. Events taking place after the end of the year

Capital increase – bonus share issue

The Board of Directors approved the Company's draft financial statements on 30 March 2010 and was asked to vote on a proposal to proceed with a bonus share issue to be carried out via the issue of 290,040,000 shares

with a nominal value of €0.10 each, to be provided free of charge to shareholders in the ratio of one new share for each share held, through the use of retained profit.

Following the bonus issue, the fully paid-up share capital would total €58,080,000, comprising 580,080,000 ordinary shares.

44. Proposal for the appropriation of profit

In conclusion to these notes to the accounts, and in light of the capital increase (bonus share issue) described herein, we invite you to approve the financial statements for the year ending 31 December 2009 and to allocate profit for the year of €32,456,408 to the payment of a dividend of €0.06 for each share outstanding following the capital increase, except in relation to the own shares held by the Company on the ex-date.

Taking into account the own shares held as of today's date, the total dividend payout would be €34,595,206; the shortfall of €2,138,798 with respect to the profit for the year would be taken from retained earnings.

It is proposed that the dividend of €0.06 would be paid on 27 May 2010 (coupon no. 7 should be detached on 24 May 2010).

It should be noted that if the bonus share issue is not approved, the proposed dividend will be €0.12 per share.

Sesto San Giovanni (MI), Tuesday 30 March 2010

Chairman of the Board of Directors
Luca Garavoglia

Certification of the financial statements of Davide Campari-Milano S.p.A. pursuant to article 81-ter of Consob Regulation 11971 of 14 May 1999

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

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

• the effective application

of the administrative and accounting procedures used to prepare the financial statements in 2009.

2. We also certify that:

2.1 the financial statements for the year ending 31 December 2009:

a) were prepared in accordance with the International Financial Reporting Standards adopted by the European Commission pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) accurately represent the figures contained in the accounting records;

c) present a true and fair view of the assets, operations and earnings of the issuer.

2.2 The report on operations includes a reliable analysis of the performance, operating results and financial position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Sesto San Giovanni (MI), Tuesday 30 March 2010

Managing Director

Robert Kunze-Concewitz

Managing Director

and Director responsible

for preparing the company’s accounting statements
Paolo Marchesini

Managing Director

Stefano Saccardi

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Independent auditors' report
pursuant to art. 156 of Legislative Decree n. 58 of February 24, 1998
(Translation from the original Italian text)

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

1. We have audited the financial statements of Davide Campari – Milano S.p.A. as of and for the year ended December 31, 2009, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of the Davide Campari-Milano S.p.A.' s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   With respect to the financial statements of the prior year, presented for comparative purposes, which have been restated to apply IAS 1, reference should be made to our report dated April, 20 2009.

3. In our opinion, the financial statements of Davide Campari-Milano S.p.A. at December 31, 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Davide Campari-Milano S.p.A. for the year then ended.

4. The management of Davide Campari-Milano S.p.A. is responsible for the preparation of the Directors' report and the Report on Corporate Governance and ownership structure published in the section "Investors" of the website of Davide Campari-Milano S.p.A. in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Directors' Report and the information reported in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the

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Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Directors' report and the information reported in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the Report on Corporate Governance and ownership structure, are consistent with the financial statements of Davide Campari-Milano S.p.A. as of December, 31 2009.

Milan, April 6, 2010

Reconta Ernst & Young S.p.A.
signed by: Alberto Romeo, Partner

DAVIDE CAMPARI MILANO S.p.A.

Registered office, Via Franco Sacchetti, 20 - 20099 Sesto San Giovanni (MI)

Share capital € 29,040,000

Tax Code - Companies Register No. 06672120158 - Business Administration Register (REA) No. 1112227

Report of the Board of Statutory Auditors on the annual accounts for the year ending 31 December 2009

Dear shareholders

We have examined the draft annual accounts of Davide Campari – Milano S.p.A. for the year ending 31 December 2009, prepared by the directors pursuant to current legislation and in accordance with IAS/IFRS international accounting standards, and regularly communicated by the same to the Board of Statutory Auditors, together with the statements and detailed schedules, and the report on operations. The annual accounts submitted for your attention consist of five separate documents:

- Balance sheet
- Income statement
- Statement of changes in shareholders' equity
- Cash flow statement
- Notes to the accounts

The annual accounts for the year ending 31 December 2009 were prepared in accordance with the international accounting standards issued by the International Accounting Standards Board (IASB) and ratified by the European Union. These also include all the International Accounting Standards (IAS) for which interpretations have already been issued, as commonly accepted and applied as of 31 December 2009 (IAS/IFRS).

The company has prepared its annual and consolidated accounts in accordance with IAS/IFRS since 2005, which means that all the figures are fully comparable with those of the previous year and do not need to be reclassified.

Accounting records

In accordance with art. 155 et seq of Legislative Decree 58/98, the external auditing company that performs the financial audit, rather than the Board of Statutory Auditors, is responsible for the audit of Campari's accounting records and figures to ensure that they are maintained correctly and agree with figures in the accounts. The Board of Statutory Auditors is, however, responsible for making

observations on these aspects, and for assessing compliance with the relevant legislation on corporate governance and its correct administration, pursuant to art. 149 of Legislative Decree 58/98.

The auditing company, Reconta Ernst & Young, was appointed by the shareholders' meeting on 24 April 2007 to audit the annual accounts and prepare a related report, pursuant to art. 156 of Legislative Decree 58/98. The company's mandate expires at the time these accounts are approved.

Pursuant to art. 159 of the TUF, the Board of Statutory Auditors shall meet its obligations as regards the proposal to appoint the external auditors for the period 2010-2018 by providing a separate and reasoned opinion to the shareholders' meeting.

The statement pursuant to art. 154-bis of Legislative Decree 58/98 by the director responsible for preparing the company's accounts (Paolo Marchesini) is also hereby submitted.

Notwithstanding the foregoing, the Board of Statutory Auditors carried out checks on accounting items to enable it to formulate its observations on the same, in fulfilment of the more general requirement contained in the combined provisions of paragraphs III and IV, section 6^-bis, chapter V of the Italian Civil Code and of Legislative Decree 58/98, and thereby implementing the provisions of art. 153 of Legislative Decree 58/98, and of art. 2429 of the Italian Civil Code.

In quantitative terms, the accounts that the directors hereby submit for your attention were prepared in accordance with IAS/IFRS accounting principles, including the division of assets and liabilities into current and non-current categories. This means that a different layout was used from that stipulated in art. 2424 del of the Italian Civil Code, showing the following figures:

Balance sheet assets		
Non-current assets		€ 1,398,063,124
Current assets		€ 197,318,928
Non-current assets held for sale		€ 10,635,161
Total assets		*€ 1,606,017,213*
Liabilities and shareholders' equity		
Share capital		€ 29,040,000
Reserves of which		€ 265,247,584
- Legal reserve	€ 5,808,000	
- Extraordinary reserve	€ 243,221,990	

- Equity investment transfer reserve pursuant to Leg. Dec. 544/92		
- Reserve for VAT deductions	€ 1,086,286	
- Reserve for capital grants (Law 696/83)	€ 25,823	
- Fair value reserve	€ - 752,373	
- Stock option reserve	€ 12,816,501	
Reserve for own shares	€ 14,501,639	
Profit carried forward from previous years		€ 191,019,629
Profit for the period		€ 32,456,408
Shareholders' equity		€ 532,265,261
Non-current liabilities		€ 660,769,028
Current liabilities		€ 412,982,924
Total liabilities and shareholders' equity		*€ 1, 606, 017, 213*

The **income statement** was prepared and classified by function, as in the previous year, and thus does not use the same format as provided for in art. 2425 of the Italian Civil Code.

It shows the following figures:

Net sales	€	308,984,73
Cost of goods sold	€	-245,872,424
Gross profit	€	**63,112,313**
Advertising and publicity	€	-1,931,571
Contribution margin	*€*	*61,180,742*
Structure costs	€	-33,035,813

One-offs: income (charges)	€	818,840
EBIT	€	*28,963,769*
Dividends	€	36,278,858
Net income (charges)	€	-30,245,720
Profit before tax	*€*	*34,996,907*
Taxes	€	- 2,540,499
Net profit	*€*	*32,456,408*

Please see the notes to the accounts for information on commitments, risks and guarantees.

Principles of conduct

We conducted our review of the accounts in accordance with the principles of conduct for boards of statutory auditors issued by the Italian association of chartered accountants. Pursuant to these principles, we referred to the legislation that governs annual accounts, encompassing both the general provisions of the Italian Civil Code and international accounting standards, and the specific provisions of Legislative Decree 58/98, as interpreted and subsequently brought into line with the application of the IAS/IFRS international accounting standards pursuant to

Legislative Decree 38 of 28 February 2005 implementing EC Regulation 1606 of 18 July 2002, as recommended by the Italian accounting body (OIC).

Principles used in drawing up the accounts

Pursuant to Legislative Decree 127 of 9 April 1991, Legislative Decree 6 of 17 January 2003, Legislative Decree 394 of 30 December 2003 and Legislative Decree 58/98 where relevant, the annual accounts were prepared in accordance with Legislative Decree 38/2005, and therefore using the IAS/IFRS standards in force at the end of the accounting year, also taking note of the instructions on this subject issued by the OIC.

The directors did not depart from the legislation pursuant to art. 2423 of the Italian Civil Code in preparing the accounts, except where necessary to harmonise them with international accounting standards.

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

Note in this regard that:

- the principles relating to the preparation of accounts stipulated in art. 2423-*bis* of the Italian Civil Code were complied with when compatible with the premises of IAS 1. The Board of Statutory Auditors verified that the figures were calculated in accordance with the prudence and accruals concepts. In addition, the directors only posted revenues to the income statement if they had been received, as agreed upon in accepting the international accounting standards, whereas they took into consideration risks and losses relating to the relevant accounting year even if they were only identified in the current year;
- fair value measurement meets the requirements of this method of valuing items, including those relating to the accruals concept;
- IAS 1 does not stipulate a particular order or format for presentation of items on the balance sheet, but only the minimum content. The company has complied with this requirement.

  IAS 1 specifies that assets and liabilities must be split into current and non-current categories, stating the criteria that have been employed to determine whether or not the items are used in the company's operating cycle or will be settled or received within the next 12 months.

  As regards the format in which items are presented on the income statement, IAS 1 stipulates that such items should be shown by function or by nature; the company may choose the most appropriate format for its needs.

  The figures submitted for your attention have been classified by function and broken down by current and non-current assets and liabilities.
- as a result, following the adoption of the IAS/IFRS international accounting standards, the structure set out in art. 2423-*ter* of the Italian Civil Code for the balance sheet and income statement has been modified. Similarly, the company has adapted the provisions in arts. 2424 and 2425 relating to the content;
- the provisions in art. 2424-bis of the Italian Civil Code relating to the main items on the balance sheet have been observed, and the accounting treatment for the staff severance fund satisfies the requirements of IAS 19;
- consequently, revenues, income, costs and expenses are also posted to the income statement according to the provisions of art. 2425-bis of the Italian Civil Code, but are classified by function, as stipulated in IAS 1 and IAS 18.
- the figures relating to each item are compared with the previous year's results;
- no offsetting entries were made, except for situations described in IAS 18;
- the notes to the accounts were prepared in compliance with the provisions of IAS 1. Information

required pursuant to other regulations of the Italian Civil Code and other specific legislation with which Campari, as a listed company, must comply, was also provided, together with any information the Board of Directors considered appropriate to enable it to represent the company's financial position in a true and fair manner;

- the activities carried out by the company were described in full, along with any dealings with related parties: these dealings were commercial and financial in nature, and it was in the company's interest to carry out these transactions;
- particularly significant transactions undertaken during the year have been appropriately described in the documents accompanying the accounts. Please see the details of these transactions, prepared by the Board of Directors, which are submitted for your review;
- the accounting principle relating to deferred taxes, based on IAS 12 and broadly in line with P.C. 25, was applied; the directors describe this in the accompanying documents, including with reference to the likelihood of recovering such taxes, on the basis of the releases and recoveries obtained in previous years or during this year;
- impairment tests were carried out together with sensitivity analysis on the values of the largest shareholdings and intangible assets with an indefinite life;
- personnel costs include both deferred charges for defined benefits (borne by the company) with a subsequent assessment of the suitability of the staff severance fund (TFR), and costs relating to defined contribution plans for supplementary pensions. This expense is shown on the income statement but with no provision for future liabilities as the company does not bear the costs of distributing these benefits in the future. The valuation is consistent with the provisions of IAS 19;
- the cash flow statement, prepared in accordance with IAS 7 and Consob Resolution 15519 of 27 July 2006, shows details of cash flows, by type and source. IFRS 7 and the provisions of IAS 32 and 39 were applied, where the conditions were met;
- other information required by Consob Resolution 15519/2006 was provided pursuant to art. 9 of Legislative Decree 38/2005 and related to:
  - net debt;
  - commitments and covenants in respect of debt positions;
  - alternative performance indicators.
- in accordance with the provisions of art. 2428 of the Italian Civil Code, the directors described the main risks and uncertainties, and analysed, in particular:

- risks relating to increasing internationalisation and emerging markets;
- risks relating to licences for the use of third-party brands and the grant of licences to third parties for the use of the company's own brands;
- risks connected with international trade and market competition;
- risks relating to consumer preference and propensity to spend;
- risks relating to legislation in the drinks industry;
- tax risks;
- risks relating to environmental policy;
- risks relating to product compliance and safety;
- risks relating to employees;
- financial risks.

Turning to the provisions on health and safety at work, the company has identified the potential risk areas in which safeguards need to be checked to ensure their effectiveness, pursuant to Law 123/2007 and Legislative Decree 81 of 9 April 2008.

The directors provide additional information in the notes to the accounts ensure a more comprehensive representation of events at the company and improve understanding of the figures in the accounts. This information is also supplemented with relevant facts and figures, including those required under the specific provisions of Legislative Decree 6 of 2003.

Accounting policies

The figures in the accounts were calculated in line with the International Accounting Standards, and, within the limits described above, in accordance with the provisions of art. 2426 of the Italian Civil Code. They were also drawn up under the going concern principle.

Notwithstanding the observations on the company's adoption of the IAS/IFRS international accounting standards and the measurement of assets at fair value, there were no changes in accounting policies.

Fair value reserve

On first application of fair value measurement, the differences in value obtained, net of tax, are recognised as changes to a specific shareholders' equity reserve, which is not distributable except for the amount remaining following the occurrence of the events that led to the reserves being recorded.

In this regard, note that following the application of fair value measurement to instruments used to hedge the bond loan, the differences obtained are recognised, net of tax, in the changes to a specific

reserve under shareholders' equity, which totalled € 14,132,557 at 1 January 2009 and which, following adjustments for the period and reversals totalling € 14,884,930, had a negative impact of € 752,373 on the overall total of the reserves at 31 December 2009. Similarly, a stock option reserve of € 12,816,501 (of which € 3,082,982 related to net changes during the period) was created.

Deferred taxes

The Board of Statutory Auditors agrees with the directors' recognition of deferred tax liabilities on the balance sheet as they represent a tax liability that has to be met in subsequent years for taxes that relate to the present year, thanks to the application of more favourable tax legislation. It also agrees with their recognition of deferred tax assets, as there are currently no grounds for believing that future taxable amounts will be such as to prevent the recovery of tax paid in advance during the current period, due to the application of tax legislation where it differs in terms of the timing of the deduction of such costs. This is also confirmed by the fact that such tax (including changes that arose in previous years) has already been recovered in previous years, as well as in the current year.

The Board of Directors described these effects and their components in detail in the notes to the accounts, as well as the effect of any releases.

The Board of Statutory Auditors also notes that the dividend distribution proposed by the Board of Directors – and thus the bonus share issue using reserves – does not rely on the occurrence of the above-mentioned assumption.

Legislative Decree 196 of 30 June 2003

The Board of Statutory Auditors confirms that the company has prepared a Security Planning Document pursuant to Legislative Decree 196 of 30 June 2003 and implemented appropriate security measures in order to minimise the risks of intentional or unintentional destruction or loss of data, unauthorised access or handling, or use of the data for purposes other than those for which it was collected.

The model adopted by the company was assessed and implemented during the year under review.

Legislative Decree 231 of 8 June 2001

The Board of Statutory Auditors confirms that the company has an "Organisation, Management and Control Model" pursuant to Legislative Decree 231 of 8 June 2001 (administrative responsibility of legal entities), which it implemented on 1 January 2009. This document was prepared in accordance with the guidelines for creating organisation, management and control models issued by Confindustria, and subsequently checked and implemented based on the recent changes in legislation

on the assumptions of companies' interests.

Law 262/05

The Board of Statutory Auditors confirms that the company also put in place a number of measures in 2009 intended to ascertain whether the company's existing procedures on corporate accounting documents are in line with the legislation introduced by Law 262/05 as regards efficiency and other aspects. This verification procedure also concerned the flow of information to the company's senior managers.

Adaptation plan pursuant to articles 36 and 39 of the "Market Regulations"

The Board of Statutory Auditors confirms that in compliance with the provisions of arts. 36 and 39 of the Regulations containing the implementing rules of Legislative Decree 58 of 24 February 1998 on the markets, the company, in turn, prepared an adaptation plan and submitted it to Consob.

These provisions govern the conditions for developing links with foreign markets and extending operations into other member states.

The plan identified the company's significant holdings pursuant to art. 36, para. 2 of the above-mentioned decree created under and governed by laws of non-EU member states that are subject to the legislation in question. The adaptation plan also includes the relevant harmonisation measures and is updated to include changes in the group's interests and business as they occur.

The Board of Directors has drawn up the Report on Corporate Governance, which can be viewed on the company's website for further information. The Board of Statutory Auditors does not deem it necessary to prepare a similar report on corporate governance, believing instead that it is sufficient – pursuant to art. 149-*bis* – to draw attention to the following points falling within the Board's remit:

— With regard to the Board of Directors:

- the necessary requirements for executive directors and independent directors have been met;
- a regulation limiting the number of positions that can be held by a member of the Board of Directors has been prepared, approved and implemented (Principle 2 and 3 and art. 147-*ter* TUF);
- it was not deemed necessary to appoint a "lead independent director" from the independent directors;
- the Board of Directors, whose term will expire shortly, has not carried out an evaluation of the characteristics of each of its members, including independence, for 2009 as it had

already carried out an evaluation of this kind in the previous year and the composition of the Board has not changed;

- the adequacy of the organisational, administrative and general accounting procedures of the company and its strategic subsidiaries has been assessed, and, for the latter, particular attention is also paid to the system of controls;
- the procedures governing internal and external information flows have been checked to ensure that these comply with legal requirements, as have the procedures regarding confidential information;
- the Board committees that have been established – the Internal Audit Committee and the Remuneration and Appointments Committee – have reported regularly to the Board of Directors;
- the Supervisory Body has submitted a report to the Board of Directors;
- the director responsible for preparing the company's financial statements has been appointed and invested with the necessary autonomy;
- the Managing Directors' statement on the annual accounts has been provided pursuant to art. 81-*ter* of Consob Regulation 11971/1949;
- the director responsible for the Internal Audit Committee has been appointed and invested with the necessary autonomy.

— With regard to regulations, the Board of Statutory Auditors can attest that specific operating procedures or regulations had already been introduced and drawn to the attention of the relevant individuals, as have the implementations and modifications introduced in relation to:

- the handling of confidential information and internal dealing;
- transactions with related parties;
- transactions where there are vested interests;
- the activities of the Internal Audit Committee (it was not deemed necessary to introduce similar regulations for the Remuneration and Appointments Committee);
- particular attention has been paid to the information flows involved in drawing up the company's accounting statements, the analysis of risk in its various forms, and the procedures for gathering and analysing accounting data and information involving the director responsible for preparing the company's financial statements, as well as the ongoing release of updated versions of these procedures.

— With regard to the Board of Statutory Auditors, the Board carried out an evaluation of the

necessary legal requirements, including independence.

Inspections and checks

The auditors certify that during the course of the year the periodic checks within their area of responsibility required under the Italian Civil Code and Legislative Decree 58/98 were properly performed.

In order to ensure the proper recording and presentation of accounting events, auditing is carried out by the external auditor Reconta Ernst & Young, as stated above. The Board of Statutory Auditors did not find that any exceptions had been raised or any anomalies reported regarding the organisation of accounting procedures or their suitability in terms of providing a correct representation of operations.

These conclusions are also supported by the information and reports provided by the Board of Directors pursuant to art. 150 of Legislative Decree 58/98, which did not reveal any inadequacies.

As part of the checks carried out, the activities of the external auditor were also inspected, both by means of reading the relevant records and with regular interviews. This made it possible to verify, both directly and indirectly through the work of the external auditor, that tax and social security obligations were met correctly and in a timely manner, both as regards the settlement and payment of amounts due and the submission of tax returns.

With reference to the accounting items submitted for your attention, all checks necessary to formulate the relevant observations have been performed in line with the principles of conduct issued by the Italian association of chartered accountants.

These checks related specifically to the principles applied in the preparation of accounts and to accounting policies, as well as to the criteria used by the directors to calculate estimated values and assumed values such as amortisation and depreciation, the valuation of equity investments, allocations to reserves for specific purposes and the utilisation of these reserves. The checks did not reveal any discrepancies in relation to the rules governing the preparation of accounts and the application of international accounting standards.

Other legal requirements

With regard to the checks, audits and information pursuant to art. 149 of Legislative Decree 58/98, and in keeping with the principles of conduct issued by the Italian association of chartered accountants and other provisions of Legislative Decree 58/98, as well as the regulations issued by the supervisory authorities, to the extent to which these apply to Campari, the Board of Statutory Auditors confirms that:

- it has properly performed the checks specified in arts. 149 and 151 of Legislative Decree 58/98; to this end, the Board met seven times during 2009 and has met six times since the start of 2010;
- it attended six meetings of the Board of Directors and one ordinary shareholders' meeting;
- it attended five meetings of the Internal Audit Committee, whereas it did not attend any meetings of the Remuneration and Appointments Committee, as its presence was not required;
- at least every quarter, it received information from the Board of Directors regarding the activities undertaken and the most significant transactions carried out by the company, also pursuant to art. 150 of Legislative Decree 58/98, thereby ensuring that the actions resolved upon and implemented were in compliance with the law and the company's articles of association and were not manifestly imprudent or risky, did not create a potential conflict of interests and were not contrary to the resolutions passed by the shareholders' meeting;
- within its mandate, the Board analysed and monitored the adequacy of the company's organisational structure and adherence to principles of best practice by gathering information from the heads of each corporate department, including a direct examination of ongoing compliance based on an analysis of the appropriate report by the Board of Directors and its knowledge of the activities undertaken by the external auditor; this knowledge was obtained by reading the relevant records and through meetings held with the external auditor partly for the purpose of sharing relevant data and information;
- it was therefore able to confirm the adequacy of the administrative and accounting system and its ability to provide a reliable and accurate representation of operations; this was achieved by gathering information from the relevant heads of department, examining company documents and analysing the results of the work of the external auditor;
- it has examined and evaluated the internal audit system in order to verify its independence and separation from other departments, also taking into consideration the development and scale of company activities and the obligations and restrictions to which Campari is subject;
- it has received the periodic reports from the Internal Audit Committee and examined the action plan with the director responsible;
- it has analysed the work plan and activities undertaken by the Supervisory Body, and it has read the relevant records;
- it has checked compliance with legislation on the preparation and layout of the annual accounts and the report on operations, by means of direct checks and using information provided by the

external auditor and the director responsible for preparing the company's accounts;

- the company does not have allocated assets pursuant to art. 2447-*septies*;
- during the year, the company placed fixed-rate senior unsecured notes with staggered maturities of 2014, 2016 and 2019 totalling US$ 250 million with institutional investors in the American market, as well as completing an unrated, fixed-rate, euro-denominated bond issue worth € 350 million on the European market. The proceeds from these transactions were used to repay the dollar-denominated bonds issued in 2005 with maturities in 2015 and 2018 totalling US$ 300 million and to partly finance acquisitions;
- given these new maturities and the potential risks associated with exchange-rate fluctuations, the company is using appropriate derivative transactions to hedge against exchange rate and interest rate risks by taking advantage of the potential benefits offered by variable rates. The directors provide an account of the fair value measurement of these transactions and the associated effects in the notes to the accounts and in the report on operations;
- as of 31 December 2009, the company held 2,454,120 own shares worth a total of € 14,501,638, and these shares are recognised at nominal value as a reduction in shareholders' equity, in accordance with IAS 32. This notwithstanding, pursuant to art. 2357-*ter* of the Italian Civil Code, a corresponding amount of the reserves recorded in the accounts must be regarded as unavailable according to the timescales and procedures specified in the article above, even though this is no longer indicated separately. The statement summarising the figures from the accounts contained in this report shows this value;
- the company has taken the decision to adopt the national tax consolidation procedure governed by art. 117 *et seq* of the consolidated law on corporate income tax (TUIR) for 2007, 2008 and 2009, having drawn up and signed the necessary rules of participation;
- the notes to the accounts indicate the composition and nature of and changes in the components of shareholders' equity;
- it has checked the tasks, other than auditing the accounts, assigned to the external auditor or other entities connected with the external auditor, which revealed that no other tasks had been assigned to the external auditor in Italy and nor had the external auditor issued any opinions; furthermore, differences in remuneration paid by foreign companies for audit-related activities can be considered immaterial and are not therefore included in the accounts;
- decisions taken in relation to subsidiaries are consistent with Campari's activities and with the objectives of the subsidiary;

- relationships entered into with related parties regard commercial and financial transactions, that they are carried out under market conditions and that it is in the company's interest for these transactions to take place. The notes to the accounts provide a breakdown of the values of these transactions;
- there were no atypical or unusual transactions, and that no particularly significant transactions were carried out by the company during the year, other than those mentioned by the directors in the documents submitted for your review;
- it is not aware of any events that revealed the existence of personal interests on the part of directors or third-party interests;
- during the year, it received notification from a shareholder of the late filing of company documents with the Supervisory Body; the response to the notification included an explanation of the reasons for the delay in filing. There were no other reports, notifications or complaints, including from third parties, nor any observations by the external auditor;
- the Board of Directors has prepared the Report on Corporate Governance pursuant to art. 124-*bis* of Legislative Decree 58/98; in 2007, the company adopted the Code of Conduct issued by Borsa Italiana in March 2006, and the Report on Corporate Governance offers an insight into the composition of the relevant committees, compliance with the requirements for directors, the effects of these, and how the company has implemented the proposals of the Code of Conduct;
- the proposal to distribute a dividend submitted by the Board of Directors does not contravene applicable legislation or statutory provisions, would be implemented by the shareholders' meeting using sums that are freely available, and is compatible with the financial stability of the company. This proposal already takes into account the proposal for a bonus share issue previously submitted to the extraordinary shareholders' meeting on 30 April 2010, to avoid the existence of shares with different dividend rights, even temporarily, as the new shares will carry dividend rights effective from 1 January 2009.

Finally, the Board of Statutory Auditors confirms that it has not issued any opinions during the year, apart from on those occasions required by law and always in connection with the Board's core activities.

The Board also notes that its mandate, conferred by the shareholders' meeting on 24 April 2007, expires with the approval of these accounts. While expressing its thanks for the confidence shown in it, the Board would like to point out that the renewal of the mandate, which is already on the agenda for the meeting, must take place in accordance with the provisions of art. 148 of the TUF and art. 24 of the

company’s articles of association.

Observations on the annual accounts and on the proposal for approval

Given that the external auditor has not made any observations regarding the quarterly checks or the annual accounts that fall within its legal remit, and having acknowledged the results of the checks carried out, the Board of Statutory Auditors believes that the accounts and the documentation submitted by the Board of Directors for the approval of the shareholders’ meeting, while bearing in mind the considerations above, fully represents the company’s operations at 31 December 2009 in line with legislation. The Board also agrees with the proposal submitted by the Board of Directors for the allocation of profit for the year and the distribution of a dividend, supplemented by € 2,138,798 from retained earnings.

Pursuant to art. 144-*quinquiesdecies* of the Issuer Regulations, approved by Consob with Resolution 11971/99 and subsequent revisions and amendments, the Board of Statutory Auditors encloses the list of positions held by board members in companies described in Book V, Chapter V, Sections V, VI and VII of the Italian Civil Code at the date this report was issued. The list has been drawn up on the basis of the instructions contained in Annex 5-*bis*, Table 4 of the above Regulations.

Milan, 13 April 2010

The Chairman

Antonio Ortolani

Statutory Auditors

Alberto Lazzarini

Giuseppe Pajardi

Antonio Ortolani

Company	Position (auditor, director, etc.)	Office expires (with approval of accounts as of)
Aliante Equity Due Spa	Chairman of Board of Statutory Auditors	31/12/2010
Aliante Equity Investments Spa	Chairman of Board of Statutory Auditors	31/12/2011
Aliante Secondary Buy Out Spa	Chairman of Board of Statutory Auditors	31/12/2010
Campari Italia Spa	Chairman of Board of Statutory Auditors	31/12/2010
Canonica 64 Srl	Chairman and Managing Director	Until revoked
Cartiere Ambrogio Binda Spa in liq.	Chairman of Board of Statutory Auditors	31/12/2011
Pirelli RE Valutations & e-Services Spa	Statutory Auditor	31/12/2009
Davide Campari Milano Spa (*)	Chairman of Board of Statutory Auditors	31/12/2009
Giardini Moscati Srl	Chairman and Managing Director	31/12/2009
Dott. A. Giuffrè Editore Spa	Chairman of Board of Statutory Auditors	31/12/2011
GEFIMO Spa	Statutory Auditor	31/12/2009
Green Holding Spa	Chairman of Board of Statutory Auditors	31/12/2011
L'Alleanza Spa	Chairman of Board of Statutory Auditors	30/06/2010
Pirelli Labs Spa	Statutory Auditor	31/12/2009
Rea Dalmine Spa	Chairman of Board of Statutory Auditors	31/12/2012
Roche Diagnostics Spa	Chairman of Board of Statutory Auditors	31/12/2009
Roche Spa	Chairman of Board of Statutory Auditors	31/12/2009
Same Deutz-Fahr Group Spa	Chairman of Board of Statutory Auditors	31/12/2009
Sella&Mosca Commerciale Srl	Chairman of Board of Statutory Auditors	31/12/2011
Sella&Mosca Spa	Chairman of Board of Statutory Auditors	31/12/2010
Tipografia Mori & C. Spa	Chairman of Board of Statutory Auditors	31/12/2011
Zedda Piras Spa	Chairman of Board of Statutory Auditors	31/12/2010

(*) Number of positions held in issuers	1
Total number of positions held	22

Milan, 13 April 2010

IN WITNESS WHEREOF

Alberto Lazzarini

Company	Position (auditor, director, etc.)	Office expires (approval of accounts as of)
Banca di Legnami S.p.A.	Board member	31/12/2010
Acme International S.p.A. in liquidation	Liquidator	Indefinite
Clipper S.r.l. in liquidation	Liquidator	Indefinite
Fond. Cariplo - Comunitaria Ticino Olona	Deputy Chairman	31/12/2011
Gest-Uno S.p.A.	Chairman of Board of Statutory Auditors	31/12/2011
Fin-Grancasa S.p.A.	Chairman of Board of Statutory Auditors	31/12/2010
G.M.P. S.p.A.	Chairman of Board of Statutory Auditors	31/12/2010
Tognana Porcellane S.p.A.	Chairman of Board of Statutory Auditors	31/12/2009
G.M.M. S.p.A.	Chairman of Board of Statutory Auditors	31/12/2011
Mornago Textiles S.p.A.	Chairman of Board of Statutory Auditors	31/12/2009
Tacchi Giacomo & Figli S.p.A.	Chairman of Board of Statutory Auditors	31/12/2011
Salumificio Venegoni S.p.A.	Chairman of Board of Statutory Auditors	31/12/2009
Giuliana S.r.l.	Chairman of Board of Statutory Auditors	30/11/2010
Monica S.r.l.	Chairman of Board of Statutory Auditors	31/12/2011
Immobiliare Saba S.r.l.	Chairman of Board of Statutory Auditors	31/12/2009
Immobiliare Ketty S.r.l.	Chairman of Board of Statutory Auditors	31/12/2010
Industria Chimica Bovisio S.r.l. in liquidation	Chairman of Board of Statutory Auditors	31/12/2010
MIRA II - La Gazzetta S.r.l.	Chairman of Board of Statutory Auditors	31/12/2009
Mocchetti Gino Industrie Sollevamenti S.r.l	Chairman of Board of Statutory Auditors	31/12/2010
Cargo S.r.l. in liquidation	Chairman of Board of Statutory Auditors	31/12/2010
MIPA S.r.l.	Chairman of Board of Statutory Auditors	31/12/2010
Immobiliare Astra S.p.A.	Chairman of Board of Statutory Auditors	31/12/2010
Immobiliare Famiglia Legnanese S.r.l.	Chairman of Board of Statutory Auditors	31/12/2010
Società Prodotti Antibiotici S.p.A.	Chairman of Board of Statutory Auditors	31/12/2010
Euroimpresa Legnano S.c.r.l.	Chairman of Board of Statutory Auditors	31/12/2010
Fondazione Famiglia Legnanese	Chairman of Board of Statutory Auditors	Indefinite
Rancilio Macchine per Caffè S.p.A.	Statutory Auditor	31/12/2009
Davide Campari Milano S.p.A. (*)	Statutory Auditor	31/12/2009
Fincorus S.p.A.	Statutory Auditor	31/12/2010
Fincos S.p.A.	Statutory Auditor	31/12/2010
Alicros S.p.A.	Statutory Auditor	31/12/2010

Company	Position (auditor, director, etc.)	Office expires (approval of accounts as of)
Campari Italia S.p.A.	Statutory Auditor	31/12/2010
Gest-Due S.p.A.	Statutory Auditor	31/12/2011
Gest-Tre S.p.A.	Statutory Auditor	31/12/2011
Grandi Magazzini Bossi S.p.A.	Statutory Auditor	31/12/2011
Consumer Electronics S.p.A.	Statutory Auditor	31/03/2012
Eurodefi Italia S.p.A.	Statutory Auditor	31/12/2009
Immobiliare Edifare S.r.l.	Statutory Auditor	31/12/2009
Frascold S.p.A.	Statutory Auditor	31/12/2011

(*) Number of positions held in issuers	1
Total number of positions held	13

Milan, 13 April 2010

IN WITNESS WHEREOF

Giuseppe Pajardi

Company	Position (auditor, director, etc.)	Office expires (approval of accounts as of)
DAVIDE CAMPARI MILANO SPA	Statutory Auditor	31/12/2009
ITALFARMACO	Chairman of Board of Directors	31/12/2010
ECKART ITALIA SRL	Chairman of Board of Statutory Auditors	31/12/2012
FINCORUS SPA	Statutory Auditor	31/12/2010
FINEOS SPA	Statutory Auditor	31/12/2010
ALICROS SPA	Statutory Auditor	31/12/2010
CAMPARI ITALIA SPA	Statutory Auditor	31/12/2010
INTERCONTINENTAL SRL	Statutory Auditor	31/12/2010
RIELLO GROUP SPA	Statutory Auditor	31/12/2009
MELIORBANCA SPA	Statutory Auditor	31/12/2011
GEROLIMICH SPA in liquidation	Liquidator	End of liquidation
UNIONE MANIFATTURE in liquidation	Liquidator	End of liquidation
MARELLI MOTORI in liquidation	Liquidator	End of liquidation
(*) Number of positions held in issuers	1	
Total number of positions held	13	
Milan, 13 April 2010		IN WITNESS WHEREOF

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Consolidated and Separate financial statements for the year ending 31 December 2009