Bilancio consolidato al 31 dicembre 2007

Consolidated financial statements 2007

CONSOLIDATED ACCOUNTS FOR THE YEAR ENDING

31 DECEMBER 2007

CONTENTS

HIGHLIGHTS

	2007 € million	2006 € million	% change	% change at constant exchange rates
Net sales	**957.5**	**932.4**	**2.7%**	**4.9%**
Trading profit	270.6	256.9	5.3%	7.8%
EBITDA before one-offs	223.0	210.6	5.9%	8.6%
EBITDA	220.1	209.7	4.9%	7.6%
EBIT before one-offs	203.4	191.4	6.3%	9.2%
EBIT	**200.6**	**190.5**	**5.3%**	**8.2%**
EBIT margin (EBIT / net sales)	**20.9%**	**20.4%**		
Profit before tax	183.3	175.5	4.4%	7.2%
Group net profit and minorities' profit	125.2	120.3	4.1%	6.2%
Group net profit	**125.2**	**117.1**	**6.9%**	**9.1%**
Basic and diluted earnings per share (€)	**0.43**	**0.41**		
Average number of employees	1,589	1,538		
Free cash flow	125.3	96.5		
Acquisitions of companies and trademarks	29.3	179.4		
Net debt	288.1	379.5		
Group shareholders' equity and minorities' equity	878.6	797.8		
Fixed assets	995.7	990.3		
ROI % (EBIT / fixed assets)	**20.1%**	**19.2%**		

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 Officer Legal Affairs and Business Development

Eugenio Barcellona
Director and member of the Remuneration and Appointments Committee

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

Cesare Ferrero
Director and member of the Audit Committee

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

Renato Ruggiero
Director and member of the Remuneration and Appointments Committee

BOARD OF STATUTORY AUDITORS (2)

Antonio Ortolani
Chairman

Alberto Lazzarini
Statutory Auditor

Giuseppe Pajardi
Statutory Auditor

Alberto Giarrizzo Garofalo
Deputy Auditor

Gian Paolo Porcu
Deputy Auditor

Paolo Proserpio
Deputy Auditor

INDEPENDENT AUDITORS (3)

Reconta Ernst & Young S.p.A.

(1) The nine 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 confirmed as Chairman and granted powers in accordance with the law and the Company's articles of association.
On 8 May 2007, the Board of Directors appointed Robert Kunze-Concewitz as Chief Executive Officer.
With the resolution passed on 8 May 2007, the Board of Directors vested Managing Directors Paolo Marchesini and Stefano Saccardi with the following powers for three years until approval of the 2009 accounts:
– with individual signature: powers of ordinary representation and management, within the value or time limits established for each type of function;
– with joint signature: powers of representation and management for specific types of function, within the value or time limits deemed to fall outside ordinary activities.
On 23 July 2007, following the resignation of the Director Vincenzo Visone, Robert Kunze-Concewitz was appointed as member of the Board of Directors and Managing Director, with similar powers to those granted to Paolo Marchesini and Stefano Saccardi.

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

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


CAMPARI


CAMPARI

Directors' report

SIGNIFICANT EVENTS DURING THE YEAR

New trading company in China

February 2007 saw the launch of the new Campari Beijing Trading Company, which is 100% – owned by the Campari Group and based in Beijing, China.

The company was set up with the aim of exploiting the considerable potential offered by the Chinese market. It will comprise two separate units, which will be responsible respectively for distributing the Group's wines and spirits.

New company in Argentina

After obtaining competition authority approval on 12 March 2007, the Group has now completed the acquisition of the Old Smuggler brand for the important market of Argentina. The acquisition of both Old Smuggler and Glen Grant was finalised on 15 March 2006.

Campari Argentina S.r.l., established in 2006 and wholly owned by the Group, is now operational.

The company imports malt from Scotland and co-ordinates the production and sale of Old Smuggler Scotch whisky locally via an external bottling plant and distributor.

Ordinary shareholders' meeting of the Parent Company

On 24 April 2007, the shareholders' meeting of Davide Campari-Milano S.p.A. approved the 2006 accounts and passed a resolution to issue a dividend of €0.10 per share, unchanged from the previous year.

The shareholders' meeting also:

- appointed the Board of Directors for 2007, 2008 and 2009, comprising Eugenio Barcellona, Luca Garavoglia, Paolo Marchesini, Marco P. Perelli-Cippo, Stefano Saccardi, Enzo Visone and, as independent directors, Enrico Corradi, Cesare Ferrero and Renato Ruggiero; the meeting also confirmed Luca Garavoglia as Chairman of the Company;
- appointed the Board of Statutory Auditors for 2007, 2008 and 2009, comprising Antonio Ortolani, Chairman, Alberto Lazzarini and Giuseppe Pajardi (Permanent Auditors) and Alberto Giarrizzo Garofalo, Gian Paolo Porcu and Paolo Proserpio (Deputy Auditors);
- voted to extend the appointment of Reconta Ernst & Young S.p.A. as independent auditors for 2007-2009;
- authorised the Board of Directors to buy and sell own shares primarily to service stock option plans; the Company has applied for authorisation to buy and sell own shares, which, together with those already held, represent less than 10% of its share capital.

Merger of Glen Grant S.r.l. into the Parent Company

As part of the process of streamlining the Group's structure, on 8 May 2007, the Board of Directors decided to merge the 100%-owned subsidiary Glen Grant S.r.l., owner of the Glen Grant brand, into the Parent Company, Davide Campari-Milano S.p.A.

The merger, completed on 19 July 2007, became operational on 1 September 2007. For accounting and tax purposes, the effective date of the merger was 1 January 2007.

Acquisition of Cabo Wabo Tequila

On 7 May 2007, the Campari Group signed an agreement to acquire an 80% stake in Cabo Wabo Tequila.

This transaction, which was completed on 2 January 2008, was valued at US$ 80.8 million (approximately €55 million at actual exchange rates), equating to a multiple of 11.9 times the expected EBITDA for 2007.

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

Cabo Wabo, an important ultra premium tequila brand with a reputation for extremely high quality, has won several prizes; the product range includes Cabo Wabo Añejo, Cabo Wabo Blanco, Cabo Wabo Reposado and the new ultra luxury brand, Cabo Uno, which is barrel-aged for three years.

With sales of around 70,000 nine-litre cases, primarily in the United States, Cabo Wabo is one of the fastest-growing brands on the US spirits market.

Cabo Wabo is a strategic acquisition for the Group, significantly boosting its portfolio of ultra premium brands in the US and increasing the focus on tequila through ownership of a brand in one of the fastest-growing segments.

The creator and majority shareholder of Cabo Wabo is rock star Sammy Hagar, a tequila connoisseur and former lead singer with world famous rock group Van Halen; in recent years Mr Hagar has been an ambassador for the Cabo Wabo brand and the creative force behind its success.

Following the completion of the transaction, Mr Hagar and his business partner Marco Monroy will own 20% of the company, and Mr Hagar will remain personally involved in decisions regarding product quality and promotional activities for the business, with the aim of increasing brand awareness and sales in the US and the rest of the world.

Management

Following Enzo Visone's decision to step down, the Board of Directors of Davide Campari-Milano S.p.A. appointed Austrian-born Robert Kunze-Concewitz, 40, as Chief Executive Officer of the Campari Group.

Robert Kunze-Concewitz was selected internally to provide continuity: he has worked for the Campari Group since 2005, and as Group Marketing Officer he developed and implemented new marketing strategies for the Group's most important brands.

Before joining Campari, he held positions with growing levels of responsibility at Procter & Gamble, rising to the position of Corporate Marketing Director of the Global Prestige Products Division.

Acquisition of X-Rated

On 1 August 2007 the Campari Group completed the acquisition of X-Rated, which includes the super premium brand X-Rated Fusion Liqueur, the high-end vodka Jean-Marc XO and the ultra premium vodka X-Rated.

The cost of the transaction, which was agreed on 19 July 2007, was US$ 40 million (€28.1 million, equating to a multiple of an estimated 9x the expected contribution margin); in addition, the agreement provides for an earn-out to be paid over the next three years based on the increase in sales over the same period.

X-Rated Fusion Liqueur was launched in the US in 2004 by Jean-Marc Daucourt, the creator of multi-award winning spirits, and Todd Martin, the former Chairman of Allied Domecq North America, who are the main shareholders of X-Rated.

Following this acquisition and the purchase of Cabo Wabo Tequila in January 2008, the Campari Group has further enhanced its range of super premium and ultra premium spirits, and has strengthened its position in the US, a key market in the Group's international expansion strategy.

New trading company in Austria

August 2007 saw the launch of a new Vienna-based trading company, Campari Austria GmbH, which is 100%-owned by the Campari Group.

The new company was created with the aim of managing the important local market via a direct sales and marketing structure.

Termination of the distribution agreement for 1800 Tequila and Gran Centenario

On 11 September 2007, the Campari Group announced its decision to halt the licensed distribution of 1800 Tequila and Gran Centenario products in the US with effect from 31 December 2007.

From January 2008, José Cuervo Group, owner of the 1800 Tequila and Gran Centenario brands, will manage these directly in the US market via a wholly-owned subsidiary.

Reorganisation of the Group's Italian wine companies

In September, the shareholders' meetings of Teruzzi & Puthod S.r.l., Giannina S.r.l. and Sella & Mosca S.p.A. approved the planned merger of Teruzzi & Puthod S.r.l. and Giannina S.r.l. into Sella & Mosca S.p.A; the merger became effective in respect of third parties on 1 November 2007 and for tax purposes on 1 January 2007.

In addition, as part of the reorganisation of the Group's Italian wine companies, the transfer of the Enrico Serafino wine business from Davide Campari-Milano S.p.A. to Sella & Mosca S.p.A. was finalised.

These transactions will further rationalise the Group's wine business unit, which became operational on 1 January 2007.

Industrial restructuring

As previously announced, on 30 September 2007 the Campari Group ceased production at the Sulmona plant and transferred it to other sites.

The Sulmona plant became part of the Group following the acquisition of Bols in 1995.

However, it has never reached a sustainable level of efficiency, despite investments made and the transfer of production, and despite efforts to find new manufacturing opportunities, including on behalf of third parties.

Following the severe decline in the ready-to-drink market and the general downturn in the non-alcoholic fizzy drinks market, capacity utilisation at the Sulmona plant had fallen so low that it could not continue operating.

The Group has a long tradition of working closely with trade unions to minimise the social consequences of its unavoidable financial decisions; with this in mind, and in order to ease the impact of the closure on staff, it has put in place, in partnership with workers' representatives, a programme of alternative and support measures.

On 27 July 2007, at the Italian Ministry of Work and Social Security, the Parent Company and trade unions reached an agreement to implement a temporary unemployment compensation scheme (CIGS) for the workers at the Sulmona plant, in accordance with the laws in force.

The Company also showed its willingness to play a direct and active role in seeking companies operating in the food or other sectors to take over the site.

Liquidation of the joint venture Fior Brands Ltd.

In December 2007, the joint venture Fior Brands Ltd., trading in the UK, went into liquidation. This process will be completed in the first half of 2008.

Since January 2008, a new agreement has been in place with a local distributor to manage the Group's UK business.

SALES PERFORMANCE

Overall performance

The Group's net sales in 2007 stood at €957.5 million.

On a same-structure basis and at constant exchange rates, growth compared with 2006 was extremely positive at 7.1%.

However, since both the exchange rate effect (–2.2%) and the change in the basis of consolidation (–2.2%) had a negative impact, total sales growth in 2007 was a more modest 2.7%.

	€ million	% change on 2006
– Net sales 1 January- 31 December 2007	957.5	
– Net sales 1 January-31 December 2006	932.4	
Total change	**25.2**	**2.7%**
of which:		
organic growth	66.0	7.1%
external growth	–20.3	–2.2%
exchange rate effect	–20.5	–2.2%
Total change	**25.2**	**2.7%**

The organic growth of 7.1% was due to the positive performance of almost all the main brands.

Notably, SKYY Vodka, Aperol and Cinzano vermouth and sparkling wines recorded double-digit sales growth.

Changes in the basis of consolidation resulted in a negative balance of €20.3 million, or 2.2% of the previous year's sales.

This was because in 2007, external growth from acquisitions and new distribution agreements did not offset the negative impact of the discontinuation of sales of Lipton Ice Tea on the Italian market.

At the end of last year, Campari Italia S.p.A. and Unilever agreed not to renew the distribution contract for Lipton Ice Tea branded products after it expired at the end of December 2006.

As a result, for the purposes of determining organic growth for 2007, sales of this brand in 2006 (€30 million) are considered as a negative change in the basis of consolidation.

In terms of positive changes in the basis of consolidation, external sales growth totalled €9.7 million in 2007; of this figure, €3.9 million relates to Glen Grant and Old Smuggler, acquired on 15 March 2006, €3.5 million to X-Rated brands, launched in August 2007, and €2.2 million to the third-party Russky Standart vodka brand, launched in Germany and Switzerland in July 2006 and in Italy in September 2007.

The table below shows a breakdown by brand of sales recorded under external growth.

2007 sales breakdown of external growth	€ million
Glen Grant and Old Smuggler	3.9
X-Rated brand	3.5
Sub-total – Group brands	**7.4**
Discontinued distribution of Lipton Ice Tea in Italy	–30.0
Other third-party brands	2.2
Sub-total – third-party brands	**–27.8**
Total	**–20.3**

The overall trend in average exchange rates in 2007, compared with 2006, had a negative effect on sales of 2.2%.

This was mainly due to the strength of the Euro against the US dollar, which fell by 8.4%.

Annual average values for the Group's other key currencies are shown in the table below, including the Brazilian real, which rose by 2.5%.

Exchange rates	2007	2006	% change
US$ x €1 annual average	1.371	1.256	–8.4%
US$ x €1 at 31 December	1.472	1.317	–10.5%
BRL x €1 annual average	2.665	2.732	2.5%
BRL x €1 at 31 December	2.611	2.813	7.8%
CHF x €1 annual average	1.643	1.573	–4.2%
CHF x €1 at 31 December	1.655	1.607	–2.9%
JPY x €1 annual average	161.241	146.061	–9.4%
JPY x €1 at 31 December	164.930	156.930	–4.9%
GBP x €1 annual average	0.685	0.682	–0.4%
GBP x €1 at 31 December	0.733	0.672	–8.4%

Sales by region

Sales in all regions were positive in 2007 on a same-structure basis and at constant exchange rates; the total organic growth figure of 7.1% reflected different growth rates in individual areas, ranging from 5.2% for Italy to 10.6% for Europe.

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

	2007		2006		% change
	€ million	%	€ million	%	2007/2006
Italy	393.2	41.1%	401.4	43.1%	–2.0%
Europe	197.6	20.6%	175.2	18.8%	12.8%
Americas	322.9	33.7%	314.6	33.7%	2.6%
Rest of the world and duty free	43.8	4.6%	41.2	4.4%	6.3%
Total	**957.5**	**100.0%**	**932.4**	**100.0%**	**2.7%**

Breakdown of % change	Total % change	organic growth	external growth	exchange rate effect
Italy	–2.0%	5.2 %	–7.2%	0.0%
Europe	12.8%	10.6%	2.6%	–0.4%
Americas	2.6%	7.4%	1.3%	–6.0%
Rest of the world and duty free	6.3%	8.2%	0.2%	–2.0%
Total	**2.7%**	**7.1%**	**–2.2%**	**–2.2%**

In 2007, **Italy**, with sales of €393.2 million (41.1% of total sales), was again the Group's biggest market.

However, sales in this market fell as a proportion of total sales, by two percentage points compared with 2006 (43.1%), and by six percentage points compared with 2005 (47.1%).

This change is due to the steady organic and external growth of the Group's business on international markets, as well as the negative impact of the discontinued distribution of third-party brand Lipton Ice Tea.

Overall, Italian sales were down 2.0% in 2007, with organic growth of 5.2% more than offset by negative external growth (–7.2%).

This result, which was more than satisfactory considering the combined effect of a mature market and an unfavourable macroeconomic climate, is due to the positive performance of core brands such as Campari, Aperol, Crodino and Cinzano.

Europe, which in 2007 accounted for 20.6% of Group sales, posted the best performance both in terms of total growth (12.8%) and organic growth, also in double figures at 10.6%.

Sales were strong in almost all countries in the region.

Germany was again the Group's principal European market, recording solid organic growth during the year due to the positive performance of almost all brands. In this market, only the Campari brand showed a decline, as a significant price increase implemented at the end of the summer led to a significant slowdown in sell-in in the second half of the year.

Russia, meanwhile, posted exceptional growth in 2007, making it the Group's second biggest market in Europe.

Sales of Cinzano vermouth alone, for example, were again very strong with a double-digit advance, confirming Russia as the biggest global market for this brand.

In addition to organic growth, Europe also recorded external growth of 2.6%, which was almost entirely due to the launch of Russky Standart vodka in Germany and Switzerland, which has yielded extremely encouraging results.

However, the exchange rate effect was slightly negative at 0.4%, mainly due to depreciation of the Swiss franc.

Thanks to a significant presence on the US and Brazilian markets, the **Americas** represent a region of strategic importance to the Group, accounting for one third of total sales in 2007, unchanged from 2006.

The region posted organic growth of 7.4%, greater than that of the Group as a whole (7.1%), although the negative exchange rate effect of 6.0%, partly offset by external growth of 1.3%, limited total growth to 2.6%.

The two tables below provide further details of sales in this region, showing figures for the principal markets and a breakdown of organic growth, external growth and exchange rate effects.

	2007		2006		% change
	€ million	%	€ million	%	2007/2006
US	229.4	71.1%	234.4	74.5%	–2.1%
Brazil	79.8	24.7%	69.6	22.1%	14.6%
Other countries	13.7	4.2%	10.6	3.4%	28.9%
Total	**322.9**	**100.0%**	**314.6**	**100.0%**	**2.6%**

Breakdown of % change	Total % change	organic growth	external growth	exchange rate effect
US	–2.1%	4.9%	1.7%	–8.7%
Brazil	14.6%	11.8%	0.0%	2.8%
Other countries	28.9%	34.1%	0.0%	–5.2%
Total	**2.6%**	**7.4%**	**1.3%**	**–6.0%**

Sales were strong in the **US**, with organic growth of 4.9% mainly due to the double-digit growth posted by SKYY Vodka.

However, the solid performance of the core brand SKYY was dampened by the performance of third-party brands distributed by the Group (moderate growth for 1800 Tequila and a sharp decline for Cutty Sark).

The 1.7% external growth was mainly due to brands that were added to the portfolio when the Group acquired X-Rated, i.e. X-Rated Fusion Liqueur, Jean-Marc XO vodka and X-Rated vodka, which the Group started distributing in August.

Old Smuggler Scotch whisky, acquired in March 2006, also contributed to external growth, though to a lesser extent.

The sharp fall in the US dollar during the period caused a negative exchange rate effect of 8.7%, which more than offset both organic and external sales growth, taking the overall result for the region to –2.1%.

2007 was a decidedly positive year for the Group's **Brazilian** business, with organic sales growth of 11.8%, thanks to the strong results delivered by all of the key brands, i.e. Campari, Dreher, Cynar and Old Eight and Drury's admix whiskies.

The rise in the Brazilian real had a positive impact of 2.8% on sales and boosted the region's overall growth to 14.6% at actual exchange rates.

In other countries in the Americas, sales grew significantly in 2007 (+28.9%), partly due to the start of direct distribution of Old Smuggler Scotch whisky in Argentina.

The principal market in this region is Canada, where sales continued to increase in 2007, mainly due to the robust performance of SKYY Vodka.

Sales in the **rest of the World and duty free,** which still have a marginal impact on the Group's total sales (less than 5%), increased by 6.3% in 2007 at actual exchange rates (8.2% at constant exchange rates); the results announced for the duty free channel, whose sales operation was strengthened by the Group in 2006, were particularly good.

As for the two most important markets in this segment, Australia saw solid growth, while sales were down slightly in Japan, although a positive trend was in place in this market in the latter part of the year.

Sales by business area

In 2007 year-on-year growth was achieved in all geographical regions and business segments at constant exchange rates and on a same-structure basis.

The comparison with 2006 is also extremely positive in real terms; only the soft drinks business declined, due entirely to the discontinued distribution of Lipton Ice Tea in Italy.

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, external growth and the effect of exchange rate movements.

	2007		2006		% change
	€ million	%	€ million	%	2007 / 2006
Spirits	687.1	71.8%	657.1	70.5%	4.6%
Wines	151.3	15.8%	134.9	14.5%	12.2%
Soft drinks	102.4	10.7%	128.0	13.7%	–20.0%
Other sales	16.7	1.7%	12.4	1.3%	34.4%
Total	**957.5**	**100.0%**	**932.4**	**100.0%**	**2.7%**

Breakdown of % change	Total % change	organic growth	external growth	exchange rate effect
Spirits	4.6%	6.3%	1.3%	–3.0%
Wines	12.2%	12.5%	0.0%	–0.3%
Soft drinks	–20.0%	3.5%	–23.5%	0.0%
Other sales	34.4%	26.1%	9.1%	–0.8%
Total	**2.7%**	**7.1%**	**–2.2%**	**–2.2%**

Spirits

In 2007, sales of spirits totalled €687.1 million, accounting for 71.8% of the Group's total sales and representing a rise of 4.6% on 2006.

Stripping out the contribution of external growth (1.3%) and the negative exchange rate effect (–3.0%), the segment registered organic growth of 6.3%.

Sales of **Campari** grew by 3.5% at constant exchange rates and by 3.0% at actual exchange rates.

Overall, this can be considered more than satisfactory, with the core markets sending out clear signals that the brand is in good health.

Of these, Brazil particularly stands out as the biggest international market for Campari, turning in an outstanding performance in 2007 with double-digit sales growth.

The brand's performance in Italy was also positive in 2007, with net sales growth and increased market share.

However, as mentioned earlier, Campari sales in Germany were hit in the latter part of the year by the sharp fall in volumes resulting from the significant price increase at the end of August, (though sales were less affected in value terms); the ground lost on the German market, while expected, is likely to be made up in 2008, as distribution trends rather than end consumers were the main cause.

In 2007, the Group continued its strategy of focusing on advertising and promotional investments in high-potential European markets, which produced positive sales growth for Campari in France, Switzerland, Belgium, Spain and Greece.

In 2007, the **SKYY brand** (SKYY Vodka and the flavoured vodka range) generated growth of 11.1% at constant exchange rates, while at actual exchange rates, due to the sharp fall in the US dollar, growth was 2.6%.

This performance was mainly due to the positive trend in the US core market, which again represented more than 85% of volume sales and an even larger proportion in value terms.

However, sales growth outside the US was generally more modest, as it was also considered appropriate for this brand to focus investments on selected markets (Italy, Germany and Canada).

Sales of **CampariSoda**, almost entirely concentrated in the Italian market, fell slightly in 2007 (–1.3%); this reflects the slight fall in consumer spending on single-serving alcoholic aperitifs during the year; however, this benefited the single-serving non-alcoholic aperitif segment, in which the Group is well-positioned with its Crodino brand.

2007 was another outstanding year for **Aperol,** with sales up by 21.7%.

The Italian market, which represents more than 85% of the brand's sales, is the key driver of this brand, with growth rates of over 15%.

In addition, the strong and sustained growth of Aperol sales in certain European markets, such as Germany, Austria and Switzerland, continues to be extremely encouraging for the brand's future.

Sales of **Aperol Soda**, entirely concentrated in the Italian market, grew by 2.2% versus 2006.

Sales of **Brazilian *brands*** recorded 9.4% growth at constant exchange rates and 12.2% growth at actual exchange rates following the rise in value of the Brazilian real.

Thanks to the results achieved in the last quarter (traditionally the most significant for Brazilian sales), 2007 was a particularly good year for sales of Old Eight and Drury's admix whiskies, while Dreher aguardiente posted record sales volumes.

For **Glen Grant** and **Old Smuggler,** included in the basis of consolidation of the Group from 15 March 2006, 2007 was the first year of full consolidation.

Sales growth was extremely positive at 22.2% on a same-structure basis and at constant exchange rates.

It should be noted, however, that this positive trend benefited from a favourable comparison with 2006, as distributors' stock levels were particularly high at the time of the acquisition.

Sales of **Ouzo 12** rose by 2.7% (2.1% at actual exchange rates), a combination of more modest growth in Germany, now comfortably the brand's leading market, and faster growth in Greece, where a positive trend was in place in the second half of the year.

Cynar had a good year, posting growth of 11.9% at constant exchange rates and 12.0% at actual exchange rates.

In Italy, a key market where in recent months a new advertising campaign has boosted brand consumption, sales were in line with the previous year, reversing a long-term negative trend.

On the Brazilian market, the brand recorded double-digit growth, thanks to an excellent fourth-quarter performance.

Sales of **Campari Mixx**, almost entirely concentrated in the Italian market, declined by 4.3%.

Now that the sharp contraction in the ready-to-drink market seen in the past few years has come to an end, this brand is expected to carve out a healthy niche, with lower sales volumes but good profitability.

As for the Group's other spirits brands, 2007 sales of **Zedda Piras** Mirto di Sardegna were up slightly, while **Biancosarti** registered a decline.

In the spirits segment, **third-party brands** distributed by the Group recorded positive results, with the sole exception of Scotch whisky.

The performance of the most important third-party brands is summarised below:

– sales of Jack Daniel's, which is mainly distributed on the Italian market grew by 2.8%;
– Jägermeister sales, which are still heavily concentrated in the Italian market, shot up by 9.6%;
– sales of 1800 Tequila rose by 3.1% in local currency in the US (–5.5% at actual exchange rates);
– sales of the C&C brands, distributed mainly in the US, were essentially flat at +0.3% at constant exchange rates (–7.4% at actual exchange rates);
– the Suntory brands, also chiefly sold in the US, posted sales growth of 4.3% (–3.9% at actual exchange rates);
– Scotch whisky sales were down 14.2% at constant exchange rates (–20.5% at actual exchange rates), which was largely attributable to Cutty Sark in the US, following a significant price rise.

Wines

2007 was a positive year for the wine segment, with net sales of €151.3 million and year-on-year growth of 12.2% (12.5% at constant exchange rates).

There was no change in the basis of consolidation during the period, and exchange rates had a marginally negative impact (–0.3%).

The excellent overall performance of this business segment was achieved thanks to strong growth of the Cinzano brand, which represents more than half of the segment's sales, together with satisfying sales growth for almost all of the other brands in the wine portfolio.

Sales of **Cinzano vermouth** increased by 18.7% at constant exchange rates (18.2% at actual exchange rates).

The expansion of distribution in new markets and the substantial advertising and promotional spend targeted in recent years at high-potential markets is now delivering the expected results, with sales of this brand enjoying steady growth.

The brand's core market is Russia, where sales growth was significant during the period, partly due to a delay in deliveries at the start of 2006 because of changes in the law.

Other markets on which the brand performed well during the period were Italy, Spain, the Czech Republic and the duty free channel.

For Cinzano sparkling wines, sales in 2007 were also extremely satisfactory, with growth of 12.7% at constant exchange rates and 12.4% at actual exchange rates.

Both Germany and Italy, the two key markets for this brand which together account for around 80% of sales, delivered double-digit growth, thereby confirming the efficacy of the strategy of extending and improving the product range through constant product innovation.

The repositioning of the brand in Germany yielded excellent results, while growth was registered in the Cinzano Asti segment, locally the best-selling product in this range.

In Italy, the results for the crucial last quarter of the year were very good thanks to Christmas-related sales.

In the main wine category (i.e. wines other than sparkling wines or vermouth), 2007 was a very good year: the leading brand **Sella & Mosca** achieved growth of 6.8%, partly due to a robust performance on the Italian market, but above all due to the excellent growth in sales in the three main export markets of the US, Germany and Switzerland.

The **Cantina Serafino** range of traditional Piedmont wines recorded encouraging results; this brand is reaping the first tangible benefits of the production and sales restructuring implemented in 2005, with sales advancing by 37.5% in 2007.

However, the restructuring of international distribution of **Teruzzi & Puthod** wines, which is currently in progress, resulted in a sales decline of 36.0% in 2007 compared with the previous year.

Riccadonna and Mondoro sparkling wines achieved very good results.

Riccadonna sales rose 13.4% (13.1% at actual exchange rates), with double-digit growth in the two key markets of Australia and Italy.

Mondoro recorded overall growth of 46.1%, driven by a strong performance in the crucial Russian market and the extension of distribution to new markets in eastern and northern Europe.

Soft drinks

Soft drinks recorded sales of €102.4 million in 2007.

This was an increase of 3.5% on a same-structure basis, but a decline of 20.0% overall, due to the contraction caused by the end of distribution of the third-party brand Lipton Ice Tea on the Italian market.

Sales were relatively positive for all brands in this segment, although the best results undoubtedly came from **Crodino**, with growth of 6.1%.

Sales of this non-alcoholic aperitif are almost entirely recorded in Italy, where the brand continues to grow significantly, partly thanks to an effective TV advertising campaign.

Sales of **Lemonsoda, Oransoda and Pelmosoda** rose by 1.1%, while Crodo mineral water posted 4.7% growth in 2007.

Other sales

In 2007, this segment recorded sales of €16.7 million (1.7% of the Group's total), a net increase of 34.4%.

This segment, which complements the spirits, wine and soft drinks business, includes revenues from the sale to third parties of raw materials and semi-finished goods and from co-packing services.

Growth in 2007 was entirely attributable to the sale of malt distillate produced and sold by Glen Grant Distillery Company Ltd. to the Pernod Ricard Group, under agreements signed when Glen Grant was acquired.

The results for this segment include organic growth of 26.1% and external growth of 9.1%, as last year's sales were only recorded from 15 March (the date on which the Glen Grant acquisition was completed), while the depreciation of sterling had a marginally negative effect (0.8%).

FINANCIAL PERFORMANCE

Profit and loss account

2007 was a positive year for the Campari Group, with the consolidated profit and loss account showing year-on-year growth for all profitability indicators: EBIT before one-offs was up 6.3%, EBIT grew by 5.3% and net profit climbed by 6.9%.

	2007		2006		%
	€ million	%	€ million	%	%
Net sales	**957.5**	**100.0%**	**932.4**	**100.0%**	**2.7%**
Cost of goods sold	(407.2)	–42.5%	(410.2)	–44.0%	–0.7%
Gross profit	**550.3**	**57.5%**	**522.2**	**56.0%**	**5.4%**
Advertising and promotional costs	(174.6)	–18.2%	(163.1)	–17.5%	7.1%
Sales and distribution costs	(105.1)	–11.0%	(102.1)	–11.0%	2.9%
Trading profit	**270.6**	**28.3%**	**256.9**	**27.6%**	**5.3%**
General and administrative expenses and other operating income and charges	(67.2)	–7.0%	(65.5)	–7.0%	2.6%
EBIT before one-offs	**203.4**	**21.2%**	**191.4**	**20.5%**	**6.3%**
One-offs	(2.8)	–0.3%	(0.8)	–0.1%	–
EBIT	**200.6**	**20.9%**	**190.5**	**20.4%**	**5.3%**
Net financial income (charges)	(17.0)	–1.8%	(15.2)	–1.6%	11.8%
Profit (loss) of companies valued at equity	(0.3)	0.0%	0.2	0.0%	–
Profit before tax	**183.3**	**19.1%**	**175.5**	**18.8%**	**4.4%**
Tax	(58.1)	–6.1%	(55.2)	–5.9%	5.2%
Net profit	**125.2**	**13.1%**	**120.3**	**12.9%**	**4.1%**
Minority interests	(0.0)	0.0%	(3.2)	–0.3%	–99.0%
Group net profit	**125.2**	**13.1%**	**117.1**	**12.6%**	**6.9%**
Total depreciation and amortisation	(19.5)	–2.0%	(19.2)	–2.1%	1.7%
EBITDA before one-offs	223.0	23.3%	210.6	22.6%	5.9%
EBITDA	**220.1**	**23.0%**	**209.7**	**22.5%**	**4.9%**

Net sales came in at €957.5 million.

As mentioned earlier, this represented an increase of 2.7% on 2006, since organic growth of 7.1% was significantly eroded by negative changes in the basis of consolidation (–2.2%) and a negative exchange rate effect (–2.2%).

The **cost of goods sold** fell both in absolute terms (–0.7%) and as a percentage of sales, from 44.0% in 2006 to 42.5% in 2007.

This clearly positive result was largely due to the removal of Lipton Ice Tea from the basis of consolidation (after distribution was discontinued), thereby improving the sales mix as this brand had a higher-than-average cost of goods sold compared with other Group operations.

The table below shows the figures for sales and cost of goods sold for 2007, compared with 2006.

The figures are reported on a pro-forma basis to strip out the proportion of sales and cost of goods sold for Lipton Ice Tea, so that the differences between the two periods are shown on a same-structure basis.

	2007		2006 pro forma		% change
	€ million	%	€ million	%	%
Net sales	**957.5**	**100.0%**	**902.4**	**100.0%**	**+6.1%**
Cost of goods sold	(407.2)	–42.5%	(382.9)	–42.4%	+6.4%

The table shows a total cost of goods sold for 2007 which is up 6.4%, in line with sales growth (6.1%) and representing 42.5% of sales, largely unchanged from the previous year (42.4%).

In terms of actual growth in costs, in the latter part of the year the increase in the price of some raw materials, including glass, was significantly higher than inflation.

However, production costs in the last quarter of 2007 reflected the positive impact of the closure of the Sulmona plant, thus mitigating the overall impact of the rise in the cost of goods sold in 2007.

Advertising and promotional costs stood at 18.2% of sales, an increase of 0.7 percentage points on 2006 (17.5%).

This was mainly due to the changes in the basis of consolidation mentioned earlier (Lipton Ice Tea), representing 0.6 percentage points.

In 2006, the significant promotional expenditure on Lipton Ice Tea was almost completely offset by trade allowances received from Unilever, the brand's owner.

As a result, the net impact of these costs on the Group's profit and loss account was minimal, thus limiting advertising and promotional costs as a percentage of sales.

Overall spending on advertising and promotions was increased in 2007 from the previous year, both in absolute terms (+7.2%) and as a percentage of sales (18.2%), with the aim of boosting organic sales growth.

Furthermore, efficiencies obtained from the management of planned campaigns made it possible to step up advertising initiatives for a less than proportional rise in costs, thus limiting the impact on Group margins.

Sales and distribution costs rose by 2.9% compared with 2006, but remained broadly unchanged as a proportion of sales (11.0%).

This result should be considered satisfactory in the light of the general increase in transport costs resulting from rising oil prices and the investments made in sales and marketing operations in key international markets.

Trading profit in 2007 was €270.6 million, up 5.3% on 2006, comprising:

- organic growth of 7.1%;
- external growth of 0.7%;
- a negative exchange rate effect of –2.5%.

Note that the change in the basis of consolidation affected sales and profitability differently.

While the net effect on sales of the change in the basis of consolidation was negative (–2.2%), as the reduction relating to Lipton Ice Tea more than offset revenues from X-Rated, Glen Grant and other brands that generated external growth, the net impact of the change in the basis of consolidation on the Group's trading profit was positive (0.7%), since profits from the new brands outstripped the previous contribution of Lipton Ice Tea (a third-party low-margin brand no longer distributed by the Group).

General and administrative expenses and other operating income and charges went up by 2.6% compared with 2006, but remained unchanged as a proportion of net sales (7.0%).

EBIT before one-offs was €203.4 million, an increase of 6.3% compared with the same period the previous year.

One-offs showed a negative balance of €2.8 million, significantly higher than the negative figure of €0.8 million reported in 2006.

In 2007 the most significant figures were: under costs, charges relating to changes in the Group's management (€2.5 million) and other sundry expenses (€2.2 million); under income, capital gains on the sale of real estate (€1.5 million) and the use of tax reserves, which, excluding provisions for risks, totalled €0.4 million.

EBIT for 2007 was €200.6 million, up by 5.3% versus 2006. The EBIT margin also improved, from 20.4% in 2006 to 20.9%.

Total **depreciation and amortisation** charges were €19.5 million, an increase of 1.7% on the figure of €19.2 million recorded in 2006.

Consequently, **EBITDA before one-offs** was €223.0 million, up 5.9%, while **EBITDA** was €220.1 million, up 4.9%.

Net financial income and charges stood at €17.0 million, up from €15.2 million in 2006.

This increase was due to higher interest rates in the principal currencies, partly offset by the low average debt and a positive exchange rate effect.

Net debt continued to improve steadily year-on-year; the cost of the X-Rated acquisition (around €30 million) in the second half was fully covered by cash flow.

As regards exchange rates, the fall in the US dollar against the euro resulted in a decrease in interest expenses relating for the portion of debt in that currency.

The Group's portion of **profits or losses of companies valued at equity** was negative at €0.3 million, compared with the positive figure of €0.2 million recorded in 2006.

Companies accounted for by the equity method are trading joint ventures that distribute products made by the Group and its partners in major European markets, mainly Belgium, the Netherlands and Spain.

Profit before tax and minority interests grew by 4.4% compared with 2006 to €183.3 million.

Current and deferred **income taxes** were €58.1 million, up 5.2% on 2006.

Net profit before minority interests was €125.2 million, up 4.1% on the previous year.

Following the acquisition of the remaining shares in Skyy Spirits, LLC at the end of 2006, **minority interests** in the Group's profit and loss account were negligible, amounting to less than €0.1 million in 2007, compared with €3.2 million in 2006.

As a result, the **Group's net profit** for the year, which benefited from the 100% consolidation of Skyy Spirits, LLC, totalled €125.2 million, a 6.9% rise on 2006.

The net margin was extremely positive at 13.1%, showing further growth compared with the 2006 figure of 12.6%.

Profitability by business area

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

The Campari Group's primary reporting segment is business area, where its results are broken down into spirits, wines, soft drinks and other sales.

An analysis of the financial results for each of these four business areas is therefore given.

Trading profit is considered the best measure of performance of individual business areas, as it shows the profitability generated by revenues and costs directly attributable to each brand.

In 2007, the Group's trading profit was €270.6 million, up 5.3% on 2006.

As the table below shows, in 2007 profitability growth for spirits was lower than for the other segments; however, spirits continue to be the Group's core business, generating 81.0% of total profit and 71.8% of net sales.

	2007		2006		2007/2006
	€ million	% of total	€ million	% of total	% change
Spirits	219.3	81.0%	210.6	82.0%	4.1%
Wines	16.6	6.1%	15.2	5.9%	9.1%
Soft drinks	31.8	11.7%	28.6	11.1%	11.0%
Other	2.9	1.1%	2.4	0.9%	21.8%
Consolidated trading profit	270.6	100.0%	256.9	100.0%	5.3%

Spirits

In 2007, spirits generated a trading profit of €219.3 million (31.9% of net sales), up 4.1% on 2006.

	2007		2006		2007/2006
	€ million	% of segment sales	€ million	% of segment sales	% change
Net sales	687.1	100.0%	657.1	100.0%	4.6%
Gross profit	424.6	61.8%	400.6	61.0%	6.0%
Trading profit	219.3	31.9%	210.6	32.1%	4.1%

Stripping out the impact of exchange rates (negative) and changes in the basis of consolidation (positive), organic sales growth for this segment was 6.3%, thanks to a good performance from the most profitable brands (SKYY Vodka, Aperol and Glen Grant), which lifted organic growth in gross profit (7.7%) above that of sales.

	% change total	organic growth	exchange rate effect	external growth
Net sales	4.6%	6.3%	–3.0%	1.3%
Gross profit	6.0%	7.7%	–2.8%	1.0%
Trading profit	4.1%	6.0%	–2.8%	0.9%

Organic growth in trading profit, at 6.0%, was lower than for both net sales and gross profit, as a result of increased spending on advertising and promotions compared with 2006. This mainly concerned the Campari brand, which featured in a new international advertising campaign.

Total profit growth for spirits was hit by a negative exchange rate effect (–2.8%), mainly due to the fall in the US dollar, which eroded the trading profit generated by SKYY Vodka and other brands distributed in the US.

Conversely, changes in the basis of consolidation had a positive, though limited impact of 0.9%.

Wines

The trading profit for wines in 2007 was €16.6 million (11.0% of net sales), up 9.1% on 2006.

	2007		2006		2007/2006
	€ million	% of segment sales	€ million	% of segment sales	% change
Net sales	151.3	100.0%	134.9	100.0%	12.2%
Gross profit	65.7	43.4%	60.8	45.1%	8.1%
Trading profit	16.6	11.0%	15.2	11.3%	9.1%

Organic growth in trading profit was 11.0% in 2007.

There was a negative impact from exchange rate movements (–2.0%), but no changes in the basis of consolidation for this segment.

At constant exchange rates, organic growth in net sales in this segment was extremely positive (+12.5%), with double-digit increases for all the main brands, except Sella & Mosca wines, which grew more slowly (+6.8%), and Teruzzi & Puthod wines, which registered a decline.

This sales mix, with the most profitable wines doing less well, meant that organic growth in gross profit (8.6%) was lower than that for sales in 2007.

	% change Total	organic growth	exchange rate rate effect	external growth
Net sales	12.2%	12.5%	–0.3%	
Gross profit	8.1%	8.6%	–0.5%	
Trading profit	9.1%	11.0%	–2.0%	

The figure for trading profit (+11.0%) was also higher than that for gross profit, as advertising and promotional spending in this segment fell as a percentage of sales compared with 2006, even though it increased in absolute terms.

Soft drinks

Trading profit for the soft drinks business came out at €31.8 million (31.0% of net sales), an increase of 11.0% compared to the previous year.

	2007		2006		2007/2006
	€ million	% of segment sales	€ million	% of segment sales	% change
Net sales	102.4	100.0%	128.0	100.0%	–20.0%
Gross profit	56.9	55.5%	58.0	45.3%	–2.0%
Trading profit	31.8	31.0%	28.6	22.4%	11.0%

Sales in this segment were heavily impacted by the discontinued distribution of Lipton Ice Tea brands on the Italian market at the end of 2006.

In 2007, soft drinks recorded an overall fall in sales of 20.0%, or stripping out the effect of the change in the basis of consolidation, organic growth of 3.5%.

However, note that the trading profit for this segment as a percentage of sales underwent a structural improvement from 22.4% in 2006 to 31.0% in 2007, owing to the discontinued distribution of Lipton Ice Tea, a brand with very low profitability.

	% change Total	organic growth	exchange rate rate effect	external growth
Net sales	–20.0%	3.5%	0.0%	–23.5%
Gross profit	–2.0%	2.6%	0.0%	–4.6%
Trading profit	11.0%	12.1%	0.0%	–1.1%

On a same-structure basis, organic growth in trading profit (12.1%) was higher than it was for sales (3.5%) due to a more efficient marketing mix.

Of the core brands, media spending increased for Crodino in 2007 in proportion with its sales growth, while spending on the promotion of carbonated soft drinks was reduced, resulting in a positive impact on the profit and loss figures for these brands and for the soft drinks segment as a whole.

Other sales

The profitability of the “other sales” segment, which includes co-packing services and sales of raw materials and semi-finished goods to third parties, came in at €2.9 million, an increase of 21.8% on 2006.

	2007		2006		2007/2006
	€ million	% of segment sales	€ million	% of segment sales	% change
Net sales	16.7	100.0%	12.4	100.0%	34.4%
Gross profit	3.2	19.0%	2.7	22.1%	15.7%
Trading profit	2.9	17.7%	2.4	19.5%	21.8%

The strong growth was linked with the recent acquisition of Glen Grant, and was entirely due to the sale to third parties of malt distillate produced by Glen Grant Distillery Company Ltd.

The slightly more modest growth in gross profit and trading profit was due to a reduction in co-packing activity during the year.

	% change Total	organic growth	exchange rate rate effect	external growth
Net sales	34.4%	26.1%	–0.8%	9.1%
Gross profit	15.7%	13.4%	–3.6%	5.9%
Trading profit	21.8%	19.2%	–4.1%	6.7%

FINANCIAL SITUATION

Cash flow statement

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

The main difference with the cash flow presented in the consolidated accounts is that the reclassified cash flow statement shows the change in net debt between 1 January and 31 December by stripping out cash flows relating to changes in short-term and long-term debt, and changes in investments in marketable securities (whereas the cash flow included in the consolidated accounts shows the net change in cash and cash equivalents).

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

	31 December 2007 € million	31 December 2006 € million
EBIT	200.6	190.5
Depreciation and amortisation	19.5	19.2
Changes in non-cash items	(1.4)	(10.8)
Changes in non-financial assets and liabilities	20.0	(8.7)
Taxes paid	(39.5)	(37.0)
Cash flow from operating activities before changes in working capital	**199.2**	**153.3**
Changes in operating working capital	(29.3)	(25.5)
Cash flow from operating activities	**169.9**	**127.8**
Net interest paid	(15.7)	(12.6)
Cash flow used for investment	**(28.9)**	**(18.8)**
Free cash flow	**125.3**	**96.5**
Acquisitions	(29.3)	(179.4)
Other changes	3.0	33.1
Dividend paid out by the Parent Company	(29.0)	(28.1)
Total cash flow used in other activities	**(55.4)**	**(174.5)**
Exchange rate differences and other changes	21.5	24.4
Change in net debt as a result of operating activities	**91.4**	**(53.6)**
Payable for the exercise of put options on Skyy Spirits, LLC	0.0	45.5
Total net cash flow for the period = change in net debt	**91.4**	**(8.1)**
Net debt at the start of the period	(379.5)	(371.4)
Net debt at the end of the period	(288.1)	(379.5)

In 2007**, cash flow from operating activities** was €169.9 million, significantly higher than the previous year's total of €127.8 million.

The increase in cash flow between the two periods, equivalent to €42.1 million, was due to:

- growth in EBIT of €10.1 million;
- increased depreciation and amortisation of €0.3 million;
- a reduction in non-cash items of €9.4 million;
- an increase of €28.7 million in the item "changes in non-financial assets and liabilities";
- an increase in taxes paid of €2.5 million;
- an increase in operating working capital of €3.8 million.

Note that the item "changes in non-financial assets and liabilities" was positive in 2007 at €20.0 million, versus a negative figure (€ –8.7 million) the previous year; in 2007, the most significant component of this change (€ 13.8 million) related to the change in tax credits and liabilities, and more specifically the increase in excise duty and VAT.

The increase in taxes paid and the change in operating working capital was modest, and in any case proportional to the growth of the business.

After paying net financial charges (€15.7 million) and financing investments (€28.9 million), both higher than in 2006, the Group's **free cash flow** in 2007 amounted to €125.4 million, an increase of €28.9 million compared with 2006.

Investments totalled €34.5 million (for more information, see the paragraph on "Investments" below), €28.9 million of which was financed out of cash flow, due to:

– trade allowances received of €0.7 million;
– advances deducted of €2.2 million;
– proceeds from disposals of €2.6 million.

Cash flow used in other activities (non-operating) totalled €55.4 million in 2007, due to a combination of:

– € 28.1 million used for the acquisition of the X-Rated brands, plus €1.2 million for the acquisition of the Old Smuggler brand for Argentina;
– €29.0 million used for the dividend paid by the Parent Company;
– €3.0 million generated by the sale of own shares (€1.5 million) and settlement of a financial receivable (€1.5 million).

In 2006, cash flow used in other activities (non-operating) was significantly higher, at €174.5 million, comprising:

– €128.9 million for the acquisition of Glen Grant and Old Smuggler, and €48.8 million for the remaining 11% of Skyy Spirits, LLC;
– €28.1 million for the dividend paid by the Parent Company;
– €32.9 million generated by the sale of own shares following the exercise of a stock option plan.

Finally, **exchange rate differences and other changes** had a positive impact of €21.5 million, compared with €24.4 million in 2006.

In 2007, this figure was mainly attributable to the effect of positive exchange rate differences on operating working capital (€4.0 million) and other positive changes (€17.2 million), mainly deriving from the positive valuation of interest rate swaps used to hedge cash flow relating to the Parent Company's bond issue (€10.7 million), as well as other exchange rate differences.

Regarding the 2006 cash flow statement, note that positive cash flow of €45.5 million was recorded in relation to the repayment of the debt reported in 2005 for the possible exercise of put options held by the minority shareholders of Skyy Spirits, LLC; this debt was cancelled following the exercise of the put options at the end of 2006, the cost of which is included in cash flow for acquisitions for the period in the amount actually incurred (€48.8 million).

Breakdown of net debt

Net debt at 31 December 2007 stood at €288.1 million, substantially less than the €379.5 million recorded at 31 December 2006.

The main cash flow items that led to the year-on-year net debt reduction of €91.4 million are shown in the cash flow statement above.

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

	31 December 2007 € million	31 December 2006 € million
Cash and cash equivalents	199.8	239.0
Payables to banks	(114.4)	(209.3)
Real estate lease payables	(3.2)	(3.1)
Private placement and bond issue	(17.3)	(17.7)
Other financial receivables and payables	1.3	1.6
Short-term net cash position	**66.3**	**10.4**
Payables to banks	(1.8)	(1.2)
Real estate lease payables	(12.9)	(16.0)
Private placement and bond issue	(338.8)	(370.6)
Other financial receivables and payables	(1.0)	(2.2)
Medium / long-term net debt	**(354.4)**	**(390.0)**
Net debt	**(288.1)**	**(379.5)**

The lower net debt figure at 31 December 2007 is due to a €55.9 million improvement in the short-term net cash position to €66.3 million.

There was also a €35.6 million reduction in medium/long-term net debt to €354.4 million.

This reduction was mainly related to two medium-term loans which at 31 December 2007 showed a decrease of €31.8 million versus the previous year, due to:

– the fall in the US dollar, in which the private placement issued by Redfire, Inc. is denominated (€11.9 million);
– the reclassification from medium/long-term debt to short-term debt of the tranche of the private placement issued by Redfire, Inc. repayable in July 2008 (€8.4 million);
– recognition of the positive effects of the valuation of interest rate swaps used to hedge cash flows from the Parent Company's bond issue (€10.7 million).

Balance sheet

	31 December 2007 € million	31 December 2006 € million
Fixed assets	995.7	990.3
Other non-current assets and liabilities	(63.3)	(56.3)
Operating working capital	290.4	265.1
Other current assets and liabilities	(56.1)	(21.8)
Total invested capital	**1,166.7**	**1,177.3**
Shareholders' equity	878.6	797.8
Net debt	288.1	379.5
Total financing sources	**1,166.7**	**1,177.3**

At 31 December 2007, net invested capital was €1,166.7 million, slightly less than at 31 December 2006 (€1,177.3 million); thus no significant changes were made to the structure of this item during the year.

There was little change in "fixed assets and other non-current assets and liabilities", while the more significant increase in operating working capital (€25.3 million) was offset by an increase in tax liabilities, included here under "other current assets and liabilities" and showing a net change of €34.3 million.

However, there was a more substantial change in the structure of the sources of financing between the two periods: shareholders' equity increased by €80.8 million, while net debt fell by €91.4 million.

As a result, the debt to equity ratio fell significantly from 47.6% at 31 December 2006 to 32.8% at 31 December 2007.

Investments

In 2007 investments totalled €34.5 million, of which:

- €29.5 million was spent on tangible assets;
- €1.7 million was spent on biological assets;
- €3.3 million was spent on intangible assets with a finite life.

Investments in **tangible assets** notably included €14.1 million relating to the new site in Sesto San Giovanni; this project, launched in 2006, will be completed in 2009 at a total investment of around €40 million.

The remaining amount spent on tangible assets during the period was incurred by the Parent Company at its Novi Ligure, Canale and Crodo sites (€8.8 million), and by the Group's subsidiaries, mainly at their production plants (€6.6 million).

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

Finally, the €3.3 million spent on **finite-life intangible assets** during the period consists almost entirely of the purchase of licences and the development of other SAP system modules relating to planning, personnel management and product traceability.

Structure of the Campari Group

For information on changes in the Group's structure in 2007, see note 2 of the notes to the accounts "Basis of consolidation".

EVENTS TAKING PLACE AFTER THE END OF THE YEAR

Property disposals

On 27 February 2008, the Parent Company finalised the sale of the plant and associated facilities at Cinisello Balsamo, near Milan, for a total of €6.7 million, generating a capital gain of €6.1 million, recognised in 2008.

The building, used as a storage facility for finished alcohol products until February 2008, was the subject of a preliminary sale agreement in November 2007 and later reclassified under non-current assets held for sale at the net book value of €598 thousand.

In early 2008, preliminary sale agreements were also finalised for two other plots of land at Termoli, where the Company had a production facility until 2003, for a total value of €0.4 million.

The largest and most valuable part of the Termoli site was sold in 2007 (as previously reported), and the entire plant was subject to impairment in 2006 when it was reclassified under non-current assets held for sale at estimated market value.

Launch of SKYY Infusions

On 10 March, Skyy Spirits, LLC, a US company wholly owned by the Campari Group, announced the launch of SKYY Infusions™, a brand new range of highly innovative products in the flavoured vodka category.

SKYY Infusions ™ is an all-natural product made from SKYY vodka and pure fruit juice, blended using an exclusive patented infusion process; there are five flavours in the range: lemon, raspberry, cherry, grape and passion fruit.

The range was launched in March using the new packaging designed for SKYY vodka: a taller, sleeker bottle, but still in the characteristic cobalt blue colour.

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

During the first quarter of this year, Skyy Spirits, LLC will reduce the stocks of SKYY flavours present on the US market ahead of the imminent launch of SKYY Infusions™; as a result, there could be a delay in volumes shipped to US distributors into the second quarter of the year, irrespective of the market response.

New distribution agreement in Spain

From 1 April, the distributor for the Campari Group's core products in Spain will be Zadibe, part of the Diego Zamora Group, a leading international producer and distributor of wines and spirits.

OUTLOOK

The sales and profitability of the Campari Group in 2007 was again extremely positive and more than satisfactory at constant exchange rates and on a same-structure basis.

With reference to the current financial year, an ongoing improvement in results is targeted, and at constant exchange rates, solid growth in sales and profitability can be expected.

Although the economic growth forecasts for 2008 are relatively modest on the whole, certain factors indicate a positive short-term outlook for the countries that represent around three-quarters of the Group's business:

- consumption trends for the Group's leading brands in key markets continue to be extremely encouraging;
- revenues will be boosted by the price increase introduced in 2007 and from the full effect of industrial restructuring;
- the contribution from recent acquisitions will be significant and, in terms of profit (rather than net sales), will help offset the loss caused by the discontinued distribution of 1800 Tequila.

CORPORATE GOVERNANCE

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

The corporate governance report for 2007 was prepared based on the "Experimental format for corporate governance reports" published by Borsa Italiana.

In accordance with Article 89-*bis* of the Regulations issued by Consob with Resolution 11971 of 24 February 1999, the aim of this report is to provide the market and shareholders with comprehensive information on the Company's chosen corporate governance model and on the specific adoption, during the 2007 financial year, of all the recommendations contained in the Code, providing explanations of any non-compliance with any of the Code's principles and the action taken in this regard.

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

RISK MANAGEMENT

Risks relating to international trade and operations in emerging markets

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

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

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

At 31 December 2007, some 19% of the Group's consolidated net sales came from the production and/or distribution under licence of third-party products.

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

Risks relating to market competition

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

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

The Group's competitive position is very close to the biggest global players. As these companies often have greater financial resources and are more diversified in terms of brand portfolios and geographical locations, the Group's exposure to the risks inherent in market competition is particularly significant.

Risks relating to consumer preference and propensity to spend

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

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

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

A risk factor that relates to the demand for spirits in particular is the possible increase in alcohol awareness campaigns, which could hit all sector players, including the Group, in the medium/long term.

Risks relating to legislation in the drinks industry

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

The increasing requirement to protect the health of consumers, particularly young people, could in the future lead to the adoption of new laws and regulations (some from the EU) 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.

Exchange rate risk

Around 38% of the Group's consolidated net sales in 2007 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 information about financial risks, see note 35 "Nature and extent of risks arising from financial instruments".

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

Pursuant to the Consob communication of 28 July 2006, the table below shows a reconciliation between the net profit for the period and shareholders' equity at 31 December 2007 for the Group and the Parent Company Davide Campari-Milano S.p.A.

	31 December 2007		31 December 2006	
	Shareholders' equity	Profit	Shareholders' equity	Profit
	€ / 000	€/ 000	€/ 000	€/ 000
Shareholders' equity and net profit of Davide Campari-Milano S.p.A.	543,727	27,483	531,150	119,584
Elimination of book value of consolidated shareholdings:				
difference between book value and pro rata value of shareholders' equity of shareholdings	436,933		355,083	
pro rata results of subsidiaries		318,268		221,162
portion of net profit attributable to minorities	(1,928)	(33)	(1,894)	(3,259)
Elimination of the effects of transactions between consolidated companies:				
elimination of intragroup dividends		(213,750)		(120,856)
elimination of intragroup profits and capital gains	(12,059)	(14,834)	(16,891)	(101,318)
Other operations:				
harmonisation of accounting policies	121	249	3,056	1,745
taxes on subsidiaries' reserves	(564)	7,767	(8,331)	
conversion differences on goodwill in foreign currency	(61,469)		(42,238)	
conversion differences	(28,135)	–	(24,047)	
Group shareholders' equity and net profit	**876,626**	**125,150**	**795,888**	**117,059**
Shareholders' equity and net profit attributable to minorities	1,928	33	1,895	3,234
Consolidated shareholders' equity and net profit	878,554	125,184	797,783	120,292

Investor information

Macroeconomic situation and equity markets

The world's equity markets ended 2007 in negative territory, with all the leading stock market indices suffering falls in the second half of the year.

The year's headlines were dominated by the US subprime mortgage crisis, which triggered a credit crunch and contributed to the increasing volatility of share prices.

In the eurozone, GDP growth was around 2.5% in 2007, slightly higher than in the US and considerably lower than in emerging countries.

At the end of 2007, the structural component of inflation remained at higher levels compared with a year earlier.

As regards monetary policy, the main central banks adopted a more restrictive attitude in the first half of the year (increasing interest rates from 3.5% to 4%), but were more accommodating at the start of the second half in response to the crisis that hit the financial markets and the resulting economic slowdown.

In the currency markets, 2007 saw the euro continue to rise against other major currencies.

The MSCI Europe finished the year down 1.3%.

This result was mainly due to expectations of an economic downturn, which weighed down the markets in the second half of the year.

In Italy, equity markets substantially underperformed the European index in 2007; year-on-year, the Mibtel was down 7.8%, the S&P/MIB 7.0% and the Midex 13.8%.

The Italian market suffered as a result of its high exposure to the financial sector, which was hardest hit in the second half of the year.

In the Americas, GDP growth was around 2% in 2007, with the economic slowdown more significant here than in other regions.

The Federal Reserve left interest rates unchanged until the start of the autumn, when it announced three cuts in close succession to take base rates to 4.25%.

In the US, the performance of the S&P 500 declined sharply in the second half of the year, and posted growth of 3.5% for the full year.

The impact of the subprime crisis and problems in the credit market hit financial sector profits.

Spirits

Companies in the spirits segment were also affected by the general fall on the stock markets in the second half of 2007.

However, the FTSEurofirst Beverages benchmark recorded growth of 9.7%, confirming the positive trend in place since 2006.

The upbeat performance of this index was supported by the sound fundamentals of spirits companies, which benefited from steady growth in the premium segment of the US market, favourable conditions in emerging markets and market expectations of a fresh wave of mergers and acquisitions.

However, the rise of the euro against the US dollar, the general rise in the cost of raw materials and fears of a slowdown in US consumption had a negative impact on the share prices of spirits companies, particularly in the second half of the year.

Campari share performance

In the current macroeconomic and market conditions, Campari shares, which are listed on the blue chip segment of the Italian stock market (Mercato Telematico Azionario), fell by 12.8% in absolute terms over the period compared with the closing price at 29 December 2006.

Campari shares underperformed Italian market and sector indices.

The share price benefited from the announcement of healthy financial results and the acquisition of Cabo Wabo and X-Rated in the US, which strengthened the Group's brand portfolio on the US market.

However, in the latter part of the year share prices were hit by increased volatility on the equity markets, mainly affecting small and mid cap stocks.

With respect to the leading Italian market and sector indices, Campari shares underperformed the Mibtel and S&P/MIB by 5.0% and 5.8% respectively, but outperformed the Midex by 1.0%.

The shares underperformed the FTSEurofirst Beverages index by 22.5%.

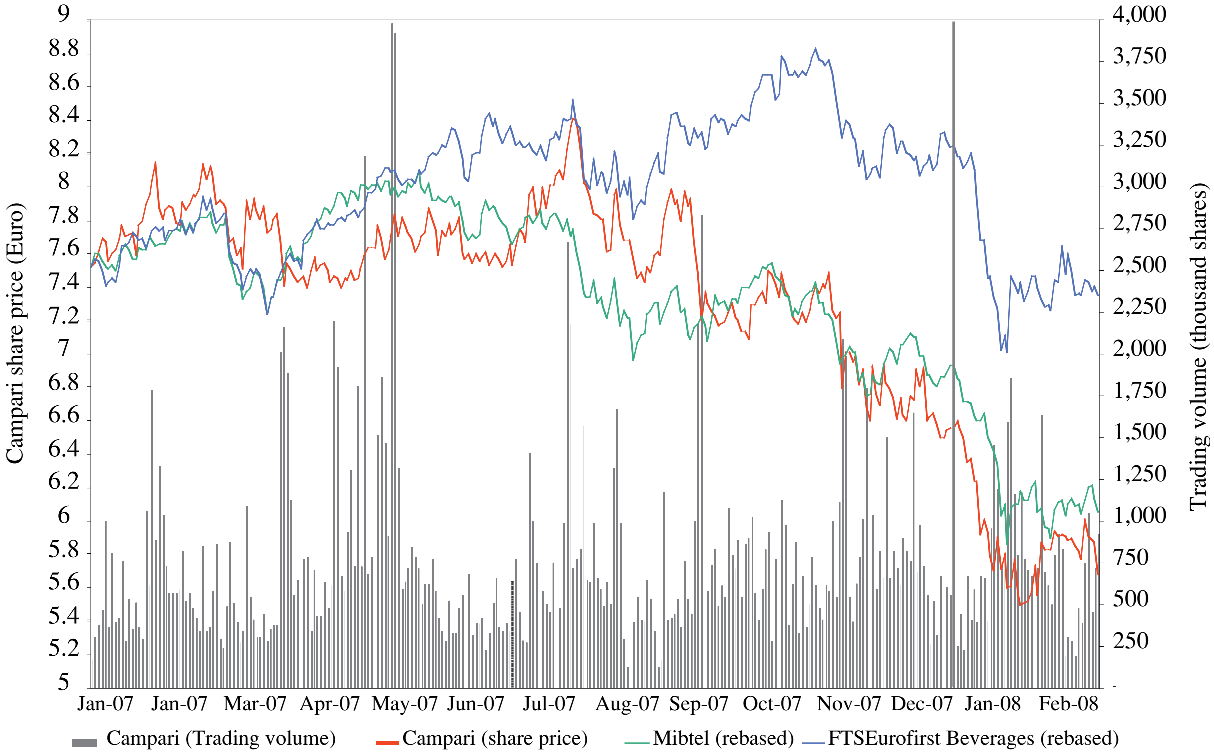
The minimum closing price for the year, recorded on 21 December 2007, was €6.50.

The period's maximum closing price of €8.41 was recorded on 23 July 2007.

In 2007, the daily average trading value for Campari shares was €5.8 million, with an average daily volume of 764 thousand shares.

At 28 December 2007, Campari's market capitalisation was €1,904 million.

Performance of the Campari share price and the Mibtel and FTSEurofirst Beverages indices since 1 January 2007



Revised shareholder base

At 31 December 2007, the major shareholders were:

Shareholder [1]	No. of ordinary shares	% of share capital
Alicros S.p.A.	148,104,000	51.0%
Cedar Rock Capital	21,857,798	7.5%
Janus Capital Management	14,564,494	5.0%

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

It should be noted that subsequent to the 2007 year end, notification was made that Janus Capital Management had reduced its holding to 1.9%.

Dividend

The dividend proposed for 2007 is €0.11 per share outstanding (+10% compared with the 2006 dividend of €0.10 per share).

The dividend will be paid on 8 May 2008 (coupon no. 4 should be detached on 5 May 2008), except on own shares.

Stock information [1]		2007	2006	2005	2004	2003	2002	2001
Reference share price								
Price at end of period	€	6.56	7.52	6.24	4.73	3.85	3.00	2.64
Maximum price	€	8.41	8.10	6.78	4.78	3.85	3.78	3.10
Minimum price	€	6.50	6.28	4.48	3.57	2.74	2.53	2.18
Average price	€	7.54	7.32	5.74	4.04	3.30	3.16	2.72
Capitalisation and volume:								
Average daily trading volume [2]	Number of shares	763,806	594,348	487,006	429,160	378,940	530,930	723,750
Average daily trading value [2]	€ million	5.8	4.4	2.8	1.7	1.3	1.7	2.1
Stock market capitalisation [2] at end of period	€ million	1,904	2,183	1,812	1,372	1,117	871	766
Dividend:								
Dividend per share [3]	€	0.110	0.100	0.100	0.100	0.088	0.088	0.088
Total dividend [3] [4]	€ million	31.8	29.0	28.1	28.1	24.7	24.7	24.7

(1) Ten-for-one share split effective as of 9 May 2005.
(2) Initial public offering on 6 July 2001 at the price of €3.10 per share. The average daily trading volume in 2001 (after the first week of trading) was 422,600 shares; the average daily trading value in 2001 (after the first week of trading) was €1,145,000.
(3) Proposed dividend for the 2007 financial year.
(4) In 2001, 2002 and 2003, 280,400,000 shares carried dividend rights, equivalent to the number of shares comprising the share capital minus 10,000,000 own shares; in 2004, 281,048,090 shares carried dividend rights; in 2005, 281,356,013 shares carried dividend rights; in 2006, 290,399,453 shares carried dividend rights; for 2007, the number of shares making up the share capital at the ex-date, minus own shares, will carry dividend rights (at the time of the meeting of the Board of Directors on 18 March 2008 this figure stood at 289,355,546).

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

(1) Ten-for-one share split effective as of 9 May 2005.

(2) For the 2004, 2005, 2006 and 2007 financial years, this is calculated using the weighted average number of ordinary shares outstanding as defined in IAS 33.

(3) Proposed dividend for the 2007 financial year.

(4) Dividend yield calculated using the share price at the end of the period.

Investor relations

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

In the context of Campari's regular reporting procedures and disclosure of extraordinary operations, the Group met with investors during the year by attending major international and industry conferences and organising a number of events in Italy, as well as in all the main financial centres in Europe, and in the United States and Japan.

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

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


CAMPARI


CAMPARI

CONSOLIDATED ACCOUNTS

FINANCIAL STATEMENTS

Consolidated profit and loss account

	Note	31 December 2007 € / 000	*of which related parties €/ 000*	31 December 2006 €/ 000	*of which related parties €/ 000*
Net sales	10	**957,510**	*19,527*	**932,358**	*21,002*
Cost of goods sold	10	(407,183)		(410,203)	
Gross profit		**550,326**		**522,155**	
Advertising and promotional costs	10	(174,639)	*(9,268)*	(163,106)	*(8,206)*
Sales and distribution costs	10	(105,064)	*(4)*	(102,146)	*(219)*
Trading profit		**270,625**		**256,903**	
General and administrative costs and other operating costs	10	(70,056)	*(236)*	(66,390)	*(219)*
Of which: one-offs	10	*(2,835)*		*(846)*	
EBIT		**200,569**		**190,513**	
Net financial income (charges)	10	(16,985)	*128*	(15,189)	*105*
Portion of profit (loss) of companies valued at equity	8	(303)	*(303)*	184	*184*
Profit before tax		**183,281**		**175,508**	
Income taxes	11	(58,097)	–	(55,215)	
Net profit		**125,184**		**120,293**	
Minority interests		(33)		(3,234)	–
Group net profit		**125,150**		**117,059**	–
Basic and diluted earnings per share (€)	12	0.43		0.41	

Consolidated balance sheet

	Note	31 December 2007 €/ 000	*of which related parties €/ 000*	31 December 2006 €/ 000	*of which related parties €/ 000*
ASSETS					
Non-current assets					
Net tangible fixed assets	13	155,418		146,284	
Biological assets	14	15,899		15,008	
Investment property	15	4,014		4,017	
Goodwill and trademarks	16	812,192		816,391	
Intangible assets with a finite life	18	5,089		4,116	
Investments in affiliated companies and joint ventures	8	607		528	
Deferred tax assets	11	15,875		18,495	
Other non-current assets	19	10,009		7,719	
		1,019,103		**1,012,558**	
Current assets					
Inventories	20	166,937		169,872	
Trade receivables	21	279,986	*8,553*	257,120	*6,903*
Financial receivables	22	2,878	*823*	4,849	*2,499*
Cash and cash equivalents	23	199,805		238,975	
Other receivables	21	37,140	*3,000*	38,766	
		686,747		**709,582**	
Non-current assets held for sale	24	2,473		3,918	
Total assets		**1,708,322**		**1,726,058**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	25	29,040		29,040	
Reserves	25	847,587		766,848	
Parent Company's portion of shareholders' equity		876,627		795,888	
Minorities' portion of shareholders' equity	26	1,928		1,895	
		878,555		**797,782**	
Non-current liabilities					
Bonds	27	287,651		322,699	
Other non-current liabilities	27	72,602		70,142	
Staff severance fund and other pension funds	28	11,657		12,631	
Reserve for risks and future liabilities	29	11,038		10,930	
Deferred tax liabilities	11	60,696		56,066	
		443,644		**472,468**	
Current liabilities					
Payables to banks	27	114,375		209,273	
Other financial payables	27	21,168		21,603	
Payables to suppliers	30	156,552	*3,262*	161,907	*1,415*
Payables to tax authorities	32	54,592	*20,107*	26,699	
Other current liabilities	30	39,436		36,326	*14*
		386,122		**455,808**	
Total liabilities and shareholders' equity		**1,708,322**		**1,726,058**	

Consolidated cash flow statement

	Note	31 December 2007 € / 000	31 December 2006 €/ 000
Cash flow from (used in) operating activities			
Operating profit		200,568	190,513
Adjustments to reconcile operating profit with cash flow			
Depreciation and amortisation	10	19,548	19,228
Gains on sales of fixed assets		(1,489)	(11,647)
Write-downs of fixed assets		47	3,306
Allocations to funds		5,072	10,157
Use of funds		(4,620)	(8,679)
Other non-cash items		(403)	(3,905)
Changes in operating working capital		(29,332)	(25,515)
Other changes in non-financial assets and liabilities		20,000	(8,659)
Taxes paid		(39,510)	(36,996)
		169,882	**127,803**
Cash flow from (used in) investing activities			
Purchase of tangible and intangible fixed assets		(33,622)	(18,874)
Gains on sales of tangible fixed assets		2,579	13,090
Payments on account for construction of new headquarters		2,168	(13,000)
Acquisition of trademarks	16	(29,328)	(130,542)
Acquisition of companies or holdings in subsidiaries			(48,905)
Interest income		9,855	17,841
Dividends received		231	131
Other changes	6	1,571	35
		(46,546)	**(180,225)**
Cash flow from (used in) financing activities			
New long-term financing			
Repayment of medium / long-term financing	27	(12,380)	(6,875)
Net change in short-term bank debt	27	(90,992)	96,433
Interest expense		(25,542)	(30,402)
Change in other financial payables and receivables		36	(23,570)
Purchase and sale of own shares	33	1,465	32,950
Net change in marketable securities		975	1,149
Dividends paid out by the Parent Company	25	(29,040)	(28,136)
		(155,478)	**41,549**
Exchange rate movements and other changes in shareholders' equity			
Effect of exchange rate differences on operating working capital		4,045	5,667
Other exchange rate differences and other changes in shareholders' equity		(11,073)	(880)
	17	**(7,029)**	**4,787**
Net change in cash and cash equivalents		**(39,170)**	**(6,086)**
Cash and cash equivalents at start of period		238,975	245,061
Cash and cash equivalents at end of period		199,805	238,975

Statement of changes in shareholders' equity

	Group shareholders' equity						
	Share capital € / 000	Legal reserve €/ 000	Retained earnings €/ 000	Other reserves €/ 000	**Total €/ 000**	Minority interests €/ 000	Total shareholders' equity €/ 000
Balance at 1 January 2006	**29,040**	**5,808**	**644,275**	**14,442**	**693,565**	2,215	695,781
Dividend payout to Parent Company shareholders	–	–	(28,136)	–	(28,136)	–	(28,136)
Dividend payout to minorities	–	–	–	–	–	(3,301)	(3,301)
Acquisition of minority interests	–	–	–	–	–	(245)	(245)
Sale / use of own shares	–	–	23,867	–	23,867	–	23,867
Stock options	–	–	–	2,092	2,092	–	2,092
Conversion difference	–	–	–	(24,047)	(24,047)	(8)	(24,055)
Gain on disposal of own shares	–	–	9,082	–	9,082	–	9,082
Valuation of hedging instruments (cash flow hedge)	–	–	–	3,193	3,193	–	3,193
Tax effect on gains (losses) allocated directly to shareholders' equity	–	–	(787)	–	(787)	–	(787)
Profit for the period	–	–	117,059	–	117,059	3,234	120,292
Balance at 31 December 2006	**29,040**	**5,808**	**765,360**	**(4,320)**	**795,888**	1,895	797,783
Dividend payout to Parent Company shareholders	–	–	(29,040)	–	(29,040)	–	(29,040)
Dividend payout to minorities	–	–	–	–	–	–	–
Purchase of own shares	–	–	(11,132)	–	(11,132)	–	(11,132)
Sale / use of own shares	–	–	9,544	–	9,544	–	9,544
Stock options	–	–	406	2,512	2,918	–	2,918
Conversion difference	–	–	–	(28,135)	(28,135)	–	(28,135)
Gain on disposal of own shares	–	–	3,053	–	3,053	–	3,053
Valuation of hedging instruments (cash flow hedge)	–	–	–	7,873	7,873	–	7,873
Tax effect on gains (losses) allocated directly to shareholders' equity	–	–	507	–	507	–	507
Profit for the period	–	–	125,150	–	125,150	33	125,184
Balance at 31 December 2007	**29,040**	**5,808**	**863,848**	**(22,070)**	**876,626**	**1,928**	**878,555**

Statement of total Group profits and losses

	31 December 2007 €/ 000	31 December 2006 €/ 000
Net gains recognised in the fair value reserve, net of related tax effect	7,873	3,193
Capital gain on sale of own shares	3,053	9,082
Tax effect on profits (losses) allocated directly to shareholders' equity	507	(787)
Conversion difference	(28,135)	(24,047)
Profits (losses) allocated directly to shareholders' equity	**(16,702)**	**(12,559)**
Net profit	125,150	117,059
Total profits (losses) reported by the Group for the year	**108,448**	**104,500**
Minorities' profits (losses)	33	3,234
Conversion difference		(8)
Total profits (losses) reported for the year	**108,481**	**107,726**

NOTES TO THE ACCOUNTS

1. General information

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

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

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

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

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

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

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

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

The consolidated accounts of the Campari Group for the year ending 31 December 2007 were approved on 18 March 2008 by the Board of Directors of the Parent Company Davide Campari-Milano 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 2007 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, assets held for sale, biological assets and new acquisitions, which were reported at fair value.

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

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

Consolidation principles

The consolidated accounts include the profit and loss accounts 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).

For the purpose of consolidation, the accounts of these companies, which have the same financial year as the Parent Company, were approved by the respective boards of directors and drafted 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 Campari Group, the profit and loss account 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 profit and loss account (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" conforms to that set out in the Consob communication of 28 July 2006 (DEM/6064296).

In 2007, the Group did not carry out any atypical and / or unusual transactions, which are defined in the above-mentioned 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 the timing of the transaction (proximity to year end) could give rise to doubts over the accuracy or completeness of the information provided in the accounts, conflicts of interest, safeguarding of company assets and the protection of minority shareholders.

The cash flow statement was prepared using the indirect method.

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

Basis of consolidation

The tables below list the companies included in the basis of consolidation at 31 December 2007.

		Share capital at 31 December 2007		% owned by the Parent Company		
Name, activity	Location	Currency	Amount	Direct	Indirect	Direct shareholder
PARENT COMPANY						
Davide Campari-Milano S.p.A., manufacturing and holding company	Via Filippo Turati 27, Milan	€	29,040,000			
SUBSIDIARIES CONSOLIDATED USING LINE-BY-LINE METHOD						
Italy						
Campari Italia S.p.A., trading company	Via Filippo Turati 27, Milan	€	1,220,076	100.00		
Sella & Mosca S.p.A., manufacturing, trading and holding company	Località I Piani, Alghero	€	15,726,041	12.00	88.00	Zedda Piras S.p.A. (88%), Davide Campari-Milano S.p.A. (12%)
Sella & Mosca Commerciale S.r.l., trading company	Località I Piani, Alghero	€	100,000		100.00	Sella & Mosca S.p.A.
Zedda Piras S.p.A., manufacturing, trading and holding company	Piazza Attilio Deffenu 9, Cagliari (operational headquarters in Alghero)	€	16,276,000	100.00		
Turati Ventisette S.r.l., dormant company	Via Filippo Turati 27, Milan	€	10,000	100,00		

Name, activity	Location	Share capital at 31 December 2007 Currency	Amount	% owned by the Parent Company Direct	Indirect	Direct shareholder
Europe						
Campari Deutschland GmbH, trading company	Bajuwarenring 1, Oberhaching	€	5,200,000		100.00	DI.CI.E. Holding B.V.
Campari Finance Belgium S.A, finance company	Avenue Emile Maxlaan 152-154, Brussels	€	246,926,407	61.00	39.00	Davide Campari-Milano S.p.A. (61%), Glen Grant Ltd. (39%)
Campari Teoranta, finance and services company	Merchants Hall, 25 - 26 Merchants Quay, Dublin	€	1,000,000		100.00	DI.CI.E. Holding B.V.
Campari France, manufacturing company	15 ter, Avenue du Maréchal Joffre, Nanterre	€	2,300,000		100.00	DI.CI.E. Holding B.V.
Campari International S.A.M., trading company	7 Rue du Gabian, Monaco	€	180,000,000		100.00	DI.CI.E. Holding B.V.
Campari Schweiz A.G., trading company	Lindenstrasse 8, Baar	CHF	2,000,000		100.00	DI.CI.E. Holding B.V.
Koutsikos Distilleries S.A., manufacturing company	6 & E Street, A' Industrial Area, Volos	€	2,239,405		100.00	N. Kaloyannis Bros. S.A.
DI.CI.E. Holding B.V., holding company	Atrium, Strawinskylaan 3105, Amsterdam	€	15,015,000	100.00		
Lacedaemon Holding B.V., holding company	Atrium, Strawinskylaan 3105, Amsterdam	€	10,465,000		100.00	DI.CI.E. Holding B.V.
N.Kaloyannis Bros. S.A., holding company	6 & E Street, A' Industrial Area, Volos	€	8,884,200		100.00	O-Dodeca B.V.
O-Dodeca B.V., holding company	Atrium, Strawinskylaan 3105, Amsterdam	€	2,000,000		75.00	Lacedaemon Holding B.V.
Prolera LDA, services company	Rua Dos Murças 88, Funchal	€	5,000	100.00		
Société Civile du Domaine de Lamargue, manufacturing and trading company	Domaine de la Margue, Saint Gilles	€	4,793,183		100.00	Sella & Mosca S.p.A.
Glen Grant Whisky Company Ltd., dormant company	Glen Grant Distillery, Rothes, Morayshire	GBP	1,000,000		100.00	DI.CI.E. Holding B.V.
Glen Grant Distillery Company Ltd., manufacturing and trading company	Glen Grant Distillery, Rothes, Morayshire	GBP	1,000,000		100.00	Glen Grant Ltd.
Glen Grant Ltd., holding company	Glen Grant Distillery, Rothes, Morayshire	GBP	24,949,000		100.00	DI.CI.E. Holding B.V.
Old Smuggler Whisky Company Ltd., manufacturing and trading company	Glen Grant Distillery, Rothes, Morayshire	GBP	1,000,000		100.00	Glen Grant Ltd.
Campari Austria GmbH, trading company	Parkring 10 / Liebenberggasse 7, Wien	€	500,000		100.00	DI.CI.E. Holding B.V.

Name, activity	Location	Share capital at 31 December 2007 Currency	Amount	% owned by the Parent Company Direct	Indirect	Direct shareholder
Americas						
Campari Argentina S.R.L, trading company	Bouchard 710, Buenos Aires	AR$	3,300,000		100.00	DI.CI.E. Holding B.V. (95%), Lacedaemon Holding B.V. (5%)
Campari do Brasil Ltda., manufacturing and trading company	Alameda Rio Negro 585, Edificio Demini, Conjunto 62, Alphaville-Barueri-SP	BRL	192,413,102	100.00		
Gregson's S.A., trademark holder	Plaza de Cagancha 1335, Oficina 604, Montevideo	UYU	175,000		100.00	Campari do Brasil Ltda
Redfire, Inc., holding company	One Beach Street, Suite 300, San Francisco	US$	266,324,274	100.00		
Skyy Spirits, LLC, trading company	One Beach Street, Suite 300, San Francisco	US$	15,348,729		100.00	Redfire, Inc.
Red Fire Mexico, S.A. de C.V. trading company	Av. Circo Agustín Yánez No. 2613-1A-113, Col Arcos Vallarta Sur, Guadalajara, Jalisco	MXN	3,000		100.00	DI.CI.E. Holding B.V.
China						
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.
Campari (Beijing) Trading Co. Ltd., trading company	Xingfu Dasha Building, block B, room 511, n° 3 Dongsanhuan BeiLu, Chaoyang District, Beijing	RMB	1,005,530		100.00	DI.CI.E. Holding B.V.

Name, location, activity	Location	Capital at 31 December 2007 Currency	Amount	% owned by the Parent Company Indirect	Direct shareholder	Valuation method
Other holdings						
Fior Brands Ltd., trading company (*)	Springfield House, Laurelhill Business Park, Stirling	GBP	100	50.00	DI.CI.E. Holding B.V.	equity
International Marques V.o.f., trading company	Nieuwe Gracht 11, Haarlem	€	210,000	33.33	DI.CI.E. Holding B.V.	equity
M.C.S. S.c.a.r.l., trading company	Millenium Park, Avenue de la Métrologie 10, Bruxelles	€	464,808	33.33	DI.CI.E. Holding B.V.	equity
SUMMA S.L., trading company	Alcobendas, Calle Cantabria no. 2, Planta 2, Officina B1, Edificio Amura, Alcobendas, Madrid	€	342,000	30.00	DI.CI.E. Holding B.V.	equity

(*) company in liquidation

In 2007, changes in the basis of consolidation were as follows:
- Campari Austria GmbH, a trading company operating on the Austrian market, was established;
- Campari (Beijing) Trading Co. Ltd., a trading company operating in the Chinese market, was established;
- Campari Argentina S.r.l., a trading company set up to sell the Scotch whisky Old Smuggler on the Argentine market, became operational;
- Fior Brands was placed in liquidation.

These changes had no significant effects on the Group's results or shareholders' equity.

The following transactions also related to the basis of consolidation, but with no effects:
- Teruzzi & Puthod S.r.l. and Giannina S.r.l. were merged into Sella & Mosca S.p.A. on 1 November 2007;
- Glen Grant S.r.l. was merged into the Parent Company on 1 September 2007;
- on 1 December 2007 the Parent Company transferred the Enrico Serafino wine business to Sella & Mosca S.p.A.

Subsidiaries

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

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

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

Any positive difference is recorded under the assets item "goodwill", and any negative amount is taken to the profit and loss account.

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 portion of any losses of affiliates exceeds the book value of the equity investment in the accounts, the value of the equity investment is eliminated, and the share 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 intragroup 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:
- profit and 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 profit and loss 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 2007		31 December 2006	
	Average rate	Final rate	Average rate	Final rate
US dollar	1.3706	1.4721	1.2555	1.3170
Swiss franc	1.6427	1.6547	1.5731	1.6069
Brazilian real	2.6646	2.6108	2.7318	2.8133
Uruguayan peso	32.0720	31.6992	30.1323	32.1394
Chinese renminbi	10.4186	10.7524	10.0079	10.2793
UK pound	0.6846	0.7334	0.6818	0.6715

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 economic benefits, as well as goodwill when purchased for consideration.

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

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 profit and loss account for the financial year in which they are incurred.

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

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 costs of development projects and studies are recorded in the profit and loss account in full in the year in which they are incurred.

Advertising costs are recorded in full in the year in which they are incurred; according to the matching principle, if these costs relate to two financial years they are allocated based on the duration of the advertising campaign.

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 training.

These costs are booked in the year in which the internal or external costs are incurred for training personnel in their use and other related costs.

Costs recorded under intangible fixed assets are amortised over their useful life.

These assets are generally amortised over 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.

Goodwill write-downs cannot be recovered in future periods.

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 on the date of the acquisition to the individual cash-generating units of the Group or to the groups of cash-generating units likely to benefit from merger synergies, whether or not other assets or liabilities from the acquisition are assigned to these units or groups of units.

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

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

When the Group acquires a business, the embedded derivatives separate from the host contract agreement are not revalued on the date of acquisition, unless the business combination establishes a change in the terms of the contract that significantly modifies the cash flows which would otherwise be required under the contract.

Tangible fixed assets

Property, plant and equipment are recorded at acquisition or production cost, gross of capital grants (if received) and directly charged expenses.

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

All other costs are posted to the profit and loss account when incurred.

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 profit and loss account; other costs are charged to the profit and loss account when the expense is incurred.

Financial charges are posted to the profit and loss account when incurred.

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

The impact of revising the estimate of these costs is explained in the “reserve for risks and future liabilities” section.

Ordinary maintenance and repair expenses are charged to the profit and loss account in the period in which they are incurred.

Improvements to third-party assets are classified under tangible assets, in keeping with the nature of the cost incurred.

The depreciation period corresponds to the shorter of the remaining useful life of the tangible asset and the remaining term of the lease contract.

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 profit and loss account over the term of the contract.

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.

Depreciation ceases on the date when the asset is classified as held 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, and 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%

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 profit and loss account 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 profit and loss account over the period corresponding to the useful life of the asset concerned.

Impairment

The Group ascertains, at least annually, whether there are indications 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 a test for a reduction in value 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 usage value.

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

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

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

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

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

This loss is posted to the profit and loss account unless the asset was previously written up through a shareholders' equity reserve.

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

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

The recovery of a loss of value is posted to the profit and loss account, 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.

Property investments are eliminated from the balance sheet when they are sold or when the investment is unusable in the long-term and no future economic benefits are expected from its sale.

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 assets and liabilities

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 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 profit and loss account

This category includes assets held for trading and assets designated at the initial reporting as financial assets at fair value with changes recorded in the profit and loss account.

Assets held for trading are all those assets acquired with the intention of sale in the short term.

Profits and losses from assets held for trading are entered in the profit and loss account.

Investments held to maturity

Financial assets, that are not derivatives, to be held to maturity are reported at 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 profit and loss account when the investment is eliminated for accounting purposes or when impairment occurs beyond the amortisation process.

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 including ancillary transaction costs.

Loans and receivables

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

After the initial reporting, these assets 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 profit and loss account 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 and those held for trading are valued at their current 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 profit and loss account for the period.

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 all the risks and benefits relating to the ownership of the financial asset, or (ii) has not 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 Group's balance sheet to the extent of its 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 profit and loss account.

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, 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 profit and loss account, the profits or losses resulting from the subsequent valuations of the fair value of the hedging instrument are reported in the profit and loss account. The gain or loss on the hedged entry, which is attributable to the hedged risk, is reported as a portion of the book value of this entry and as a contra entry in the profit and loss account.

• *Cash flow hedge* – if a financial instrument is designated as a hedge of exposure to the cash flow fluctuations of an asset or liability reported in the accounts, or of a highly likely expected transaction that could have an impact on the profit and loss account, 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 profit and loss account in the same period in which the transaction being hedged has an impact on the profit and loss account.

The profit or loss associated with a hedge, or the portion of the hedge that has become ineffective, is posted to the profit and loss account 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 profit and loss account 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 profit and loss account.

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 profit and loss account.

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

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

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 cost 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 profit and loss account when used.

Non-current assets held for sale

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

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

Employee benefits

Post-employment benefit plans

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

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

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

Defined benefit plans

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

The net accumulated value of actuarial profits and losses is reported in the profit and loss account.

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.

Assets and liabilities relating to defined benefits include the present value of defined benefit obligations, less any social security costs relating to past work that have not yet been recorded, less the fair value of the assets that will be used to discharge the obligations directly.

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 in the profit and loss account as a cost, in the period beginning at the time of allocation and ending on the date on which the employees, directors and individuals concerned 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.

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 options, as well as the current share value, expected volatility and risk-free rate.

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

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

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

Reserve for risks and future liabilities

Provisions for risks and future liabilities are reported when:

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

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

Where the financial impact of time is significant, and the payment dates of the obligations can be reliably estimated, the provision is discounted.

The increase in the related reserve over time is allocated to the profit and loss account 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 profit and loss account where the provision was previously reported, or, where the liability relates to tangible assets (e.g. dismantling and restoration), these revisions are reported as a contra entry to the related asset.

Restructuring reserves

The Group reports restructuring reserves only if there is an implicit restructuring obligation and a detailed formal restructuring programme that led to the reasonable expectation of the third parties concerned that the company would carry out the restructuring, either because it has already started the implementation procedures 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 profit and loss account

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

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

In particular:

- sales revenues are recorded when the risks and benefits associated with owning the items are transferred to the buyer, and the revenue amount can be reliably determined;
- service revenues are reported when services are rendered; allocations of revenues related to partially performed services are reported on the basis of the percentage of the transaction completed on the reporting date, when the revenue amount can be reliably estimated;
- financial income and charges are booked in the period to which they relate;
- capital grants are credited to the profit and loss account in proportion to the useful life of the related assets;
- dividends are entered on the date they are approved by the shareholders' meeting; dividends received from affiliated companies are deducted from the value of the shareholding.
- 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 profit and loss account 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 any event, in conducting technological research and development are considered current costs and allocated to the profit and loss account in the period when they are incurred.

Tax

Current income taxes are calculated on the basis of an estimate of taxable income, and the related payable is recorded under "tax liabilities".

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.

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 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 where the Group operates, 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, if positive, is reported under "deferred tax income," or if negative, under "deferred tax expense".

If the results of transactions are posted directly to shareholders' equity, then current taxes, and deferred tax assets and liabilities are also allocated to shareholders' equity.

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 profit and loss account.

Earnings per share

Base earnings per share are calculated by dividing the Group's net profit by the weighted average of the 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.

The estimates and assumptions are reviewed periodically and the impact of any change is reflected in the profit and loss account.

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

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

4. Changes in accounting standards

From 1 January 2007 the Group adopted the following new standards:

- In August 2005, the IASB issued the new accounting standard IFRS 7 (Financial Instruments: Disclosures) and an amendment to IAS 1 (Presentation of Financial Statements – Capital Disclosures). IFRS 7 requires additional information on the importance of financial instruments to a company's performance and financial position. This information includes some requirements previously included in the accounting standard IAS 32 (Financial Instruments: Disclosures and Presentation). The new accounting standard requires the disclosure of additional information on the level of exposure to risk arising from the use of financial instruments, together with a description of the objectives, policies and procedures put in place by management to minimise such risks. The amendment to IAS 1 introduced requirements on the information to be provided in relation to the Group's management of capital.
- IFRIC 8 (Scope of IFRS 2) defines the applicability of IFRS 2 (Share-Based Payments) to share-based payment transactions in which an entity cannot specifically identify some or all of goods and services received. This standard does not apply to the Campari Group.

- On 3 March 2006 IFRIC issued interpretation document IFRIC 9 (Reassessment of Embedded Derivatives). This interpretation establishes that the date for determining the existence of an embedded derivative is the date on which the entity became a counterparty to the contract for the first time. Reassessment is only to be carried out if there is a change in the terms of the contract that significantly modifies the cash flows. Since the Group does not hold embedded derivatives, the interpretation does not apply.
- IFRIC 10 (Interim Financial Reporting and Impairment) clarifies that impairment losses in respect of goodwill and certain financial assets reported in interim accounts must not be eliminated in subsequent interim or annual reports. This standard has had no effect on the Group's accounts.
- On 2 November 2006, IFRIC issued interpretation document IFRIC 11 (IFRS 2 – Group and Treasury Share Transactions). This clarifies the accounting treatment for share-based payments for which companies need to buy their own shares, and for share-based payments by one group company (e.g. the parent company) to the employees of other group companies. This standard was applied in advance.

New accounting standards not yet applied

The following new standards have not yet been applied by the Group.

- On 30 November 2006, the IASB issued accounting standard IFRS 8 (Operating Segments), which will replace IAS 14 (Segment Reporting) on 1 January 2009. IFRS 8 requires companies to report segment information based on the factors used by management to make 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 Group is currently assessing the possible impact of applying this interpretation.
- On 29 March 2007 the IASB issued a revised version of IAS 23 (Borrowing Costs), which will apply from 1 January 2009. This revised version requires capitalisation of borrowing costs when these costs relate to assets which take a substantial period of time to be prepared for use or sale. The Group will adopt the standard in advance for borrowing costs relating to goods capitalised from 1 January 2009. The Group is assessing the possible effects of applying the interpretation.
- On 5 July 2007, IFRIC 14 (IAS 19 – Defined Benefit Assets and Minimum Funding Requirements) was issued; this interpretation will take effect on 1 July 2008. IFRIC 14 provides general guidelines on how to determine the defined benefit limit established in IAS 19 and explains the accounting effects of the clause on minimum funding requirements. The Group is currently assessing the possible effects of applying this interpretation.
- IFRS 2 (Share-Based Payments – Vesting Conditions and Cancellations): this amendment to IFRS 2 was published in January 2008 and will come into effect in the first financial year following 1 January 2009. The amendment narrows the definition of "vesting conditions" to a condition that includes an explicit or implicit obligation to provide a service. Every other condition constitutes a "non-vesting condition" and must be taken into consideration when determining the fair value of the instrument representing the capital assigned. If a grant of equity instruments does not mature because it fails to meet a non-vesting condition which is under the control of the entity or the counterparty, this must be booked as a cancellation. The Group has not undertaken any transactions involving share-based payments with non-vesting conditions, and therefore does not expect significant effects in the booking of option-based payment agreements.
- IFRS 3R (Business Combinations) and IAS 27R (Consolidated and Separate Financial Statements): the two revised standards were certified in January 2008 and will come into effect from the first financial year following 1 July 2009. IFRS 3R introduces some changes to the accounting of business combinations that will affect the amount of goodwill reported, the results for the year in which the acquisition takes place and the results for the following years. IAS 27R requires any change in the stake held in a subsidiary to be booked as a capital transaction. Such a change will therefore have no impact on goodwill, and will not generate either profits or losses. Furthermore, the revised standards introduce changes to the booking of losses sustained by subsidiaries and to the loss of control of subsidiaries. The changes introduced by the standards IFRS 3R and IAS 27R must be applied in advance and will affect future acquisitions and transactions with minority shareholders.

– IAS 1 (Revised) Presentation of Financial Statements. The revised IAS 1 was issued in September 2007 and will come into effect in the first financial year following 1 January 2009. The standard separates owner and non-owner changes in shareholders' equity. The statement of changes in shareholders' equity will include only transactions with shareholders, while all changes relating to transactions with non-shareholders will be presented on a separate line. The standard also introduces the "comprehensive income" statement. This statement contains all the revenue and cost items for the period registered in the profit and loss account, as well as any other revenue and cost items. The comprehensive income statement may be presented in the form of either a single statement or two related statements. The Group is still assessing whether it will prepare one or two statements.
– Changes to IAS 32 and IAS 1 relating to financial instruments available for sale. The changes to IAS 32 and to IAS 1 were issued in February 2008 and will come into effect in the first financial year following 1 January 2009. The change to IAS 32 requires that any financial instruments available for sale and bonds arising at the time of liquidation are classified as capital instruments if they meet certain conditions. The change to IAS 1 requires that some information relating to options available for sale, classified as capital, is provided in the explanatory notes. The Group does not expect these changes to have any effect on its financial statements.

Lastly, note that the following interpretations setting out examples and case studies that are not relevant to the Campari Group have been issued:
– IFRIC 12 – Service Concession Arrangements (effective from 1 January 2008);
– IFRIC 13 – Customer Loyalty Programmes (effective from 1 July 2008).

5. Seasonal factors

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

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

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

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

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

6. Default risk: negative pledges and debt covenants

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

In the first two cases, these contractual clauses are intended to limit the Group's options to grant significant rights to the Group's assets to third parties; in particular, the contracts establish specific restrictions on selling or pledging assets.

The covenants include the Group's obligation to respect certain financial indicators, the most significant of which relate to the ratio of net debt to particular 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.

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

7. Acquisitions

Cabo Wabo

On 7 May 2007, the Group signed an agreement with entrepreneur and rock star Sammy Hagar, to acquire an 80% stake in Cabo Wabo Tequila.

The transaction was completed on 2 January 2008.

Since it was completed after 31 December 2007, the transaction had no effect on these accounts.

The transaction was worth US$ 80.8 million and was paid for in cash and financed with the Group's own capital.

At the exchange rate in force on the date of the transaction, the deal was worth €54.5 million.

The agreement also provides for the acquisition of the remaining 20% of Cabo Wabo Tequila via call / put options, which can be exercised respectively in 2012 (15% of the capital) and in 2015 (the residual 5%).

If these transactions take place, Cabo Wabo Tequila will be valued at 15 times the arithmetic mean of the profits registered for the three years preceding the year in which each of the two options is to be exercised.

As required by standard IAS 32 (Financial Instruments: Presentation), the Group will, after the transaction is complete, enter the debt for the put options exercisable by the minority shareholders in 2012 and 2015.

At the time of first consolidation, the acquisition sum of €54.5 million will be almost entirely attributed to the brand, with a small portion, equal to the value of the inventories acquired, allocated to current assets.

8. Investments in affiliated companies and joint ventures

The Group has shareholdings in various joint ventures with the aim of promoting and marketing its own products in the markets where these joint ventures operate: International Marques V.o.f., operating in Holland (33.33%), MCS S.c.a.r.l., operating in Belgium (33.33%) and, finally, Summa S.L., operating in Spain (30%).

These companies are consolidated using the equity method.

The Group's portion of their net profit is consolidated on the basis of the accounts prepared by the companies with the same reporting date as that of the Group, and in the case of Summa S.L., based on data prepared specifically by the latter to report its accounting position at 31 December to the Group (for the purpose of the preparation of the consolidated accounts), since for reasons relating to its majority shareholder, its reporting date is 30 September.

Fior Brands Ltd., which operates in the UK and is 50%-owned by the Group, was placed in liquidation in December 2007.

Provisions for charges associated with the liquidation have been made in these accounts.

The shareholding has been removed and the charges entered under the Group's liabilities.

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

Portion of affiliated companies' balance sheets	31 December 2007 € / 000	31 December 2006 €/ 000
Balance sheet:		
Non-current assets	213	310
Current assets	18,151	22,518
	18,363	**22,828**
Non-current liabilities	507	674
Current liabilities	17,249	21,626
	17,756	**22,300**
Book value of shareholdings	**607**	**528**
Portion of affiliated companies' revenues and costs:		
Revenues	27,426	22,998
Cost of goods sold	(20,754)	(17,373)
Sales and administrative costs	(6,086)	(5,214)
Financial charges	(153)	(155)
Profit before tax	433	256
Tax	(122)	(72)
Net profit	**311**	**184**

For 2007 the net profit of €310 thousand entered above does not include the costs incurred by DI.CI.E Holding B.V. associated with the liquidation of Fior Brands Ltd., which amounted to €613 thousand.

These charges were instead included in the consolidated profit and loss account under "portion of profit (loss) of companies valued at equity".

9. Segment reporting

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

The Group's primary reporting is by business segment.

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

Secondary reporting gives certain information by geographical region.

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

The business segments identified were the four following business areas where the Group controls manufacturing and sale:

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

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

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

Primary reporting

The following two tables show the Group's revenues and costs as well as balance sheet assets and liabilities broken down by segment as at 31 December 2007 and 31 December 2006.

31 December 2007	*Spirits* (€ / 000)	*Wines* (€ / 000)	*Soft drinks* (€ / 000)	Other sales (€ / 000)	Total operations (€ / 000)
Revenues (*)					
Net sales to third parties	687,131	151,336	102,380	16,663	957,510
Income and profits					
Income by sector	219,305	16,610	31,753	2,957	270,625
Unallocated expenses					(70,056)
EBIT					**200,569**
Net financial income (charges)					(16,985)
Portion of profit of companies valued at equity	(204)	(70)	(30)	–	(303)
Tax					(58,097)
Minority interests					(33)
Group net profit					**125,150**
Assets and liabilities					
Assets allocated to segments	1,052,608	262,305	47,119		1,362,032
Equity investments valued at equity	408	140	59		607
Other unallocated assets					345,683
Total assets					**1,708,322**
Liabilities allocated to segments	115,603	38,493	20,930		175,026
Other unallocated liabilities					654,740
Total liabilities					**829,766**
Other information					
Investments in tangible fixed assets:					
– allocated to segments	7,616	6,150	1,798	–	15,564
– unallocated to segments					15,435
Total					**30,999**
Investments in intangible fixed assets:					
– allocated to segments	29,327	–	–	–	29,327
– unallocated to segments					3,322
Total					**32,649**
Depreciation of tangible fixed assets:					
– allocated to segments	7,145	6,120	2,266		15,531
– unallocated to segments					1,996
Total					**17,527**
Amortisation of intangible fixed assets:					
– allocated to segments	132	25	16		173
– unallocated to segments					1,847
Total					**2,020**

31 December 2006	*Spirits* (€ / 000)	*Wines* (€ / 000)	*Soft drinks* (€ / 000)	Other sales (€ / 000)	Total operations (€ / 000)
Revenues (*)					
Net sales to third parties	657,087	134,916	127,954	12,400	932,358
Income and profits					
Income by sector	210,648	15,209	28,625	2,420	256,903
Unallocated expenses					(66,391)
EBIT					**190,511**
Net financial income (charges)					(15,189)
Portion of profit of companies valued at equity	124	42	18	–	184
Tax					(55,215)
Minority interests					(3,234)
Group net profit					**117,059**
Assets and liabilities					
Assets allocated to segments	1,060,910	252,619	67,910	–	1,381,439
Equity investments valued at equity	373	97	58	–	528
Other unallocated assets					344,091
Total assets					**1,726,058**
Liabilities allocated to segments	114,707	35,220	30,907	–	180,834
Other unallocated liabilities					747,442
Total liabilities					**928,276**
Other information					
Investments in tangible fixed assets (**):					
– allocated to segments	11,463	4,993	1,552	3	18,011
– unallocated to segments					3,483
Total					**21,494**
Investments in intangible fixed assets (**):					
– allocated to segments	109,621	42	2	–	109,665
– unallocated to segments					1,886
Total					**111,551**
Depreciation of tangible fixed assets:					
– allocated to segments	6,979	5,790	2,609	–	15,378
– unallocated to segments					2,033
Total					**17,411**
Amortisation of intangible fixed assets:					
– allocated to segments	101	28	14	–	143
– unallocated to segments					1,674
Total					**1,817**

(*) There were no inter-segment sales
(**) In accordance with IAS 14.57, investments also include assets acquired during the year

Secondary reporting

The following tables show revenues, expenditure on investment in fixed assets and information on the group's assets broken down into geographical segments as at 31 December 2007 and 31 December 2006.

31 December 2007	Italy € / 000	Europe € / 000	Americas € / 000	Rest of world € / 000	Total operations € / 000
Revenues					
Net sales to third parties	393,197	197,618	322,869	43,827	957,510
Assets					
Allocated assets	692,858	112,826	542,258	14,090	1,362,032
Equity investments valued at equity		607			607
Unallocated assets					345,683
Total assets					**1,708,322**
Other information					
Investments in tangible fixed assets:					
– allocated to segments	11,763	2,917	821	63	15,564
– unallocated to segments					15,434
Total					**30,998**
Investments in intangible fixed assets:					
– allocated to segments	–	–	29,327	–	29,327
– unallocated to segments					3,322
Total					**32,649**

31 December 2006	Italy € / 000	Europe € / 000	Americas € / 000	Rest of world € / 000	Total operations € / 000
Revenues					
Net sales to third parties	401,382	175,153	314,612	41,211	932,358
Assets					
Allocated assets	689,791	124,198	565,906	1,545	1,381,440
Equity investments valued at equity	–	527	–	–	527
Unallocated assets					344,091
Total assets					**1,726,058**
Other information					
Investments in tangible fixed assets(*):					
– allocated to segments	10,451	7,197	362	–	18,010
– unallocated to segments					3,484
Total					**21,494**
Investments in intangible fixed assets(*):					
– allocated to segments	48	103,257	6,360	–	109,665
– unallocated to segments					1,886
Total					**111,551**

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

10. Revenues and costs

A breakdown is provided below of certain revenues and costs, which, in terms of their nature and amount, are significant for the purposes of understanding net profit for the year.

Revenues from the sales of goods and services

	31 December 2007 € / 000	31 December 2006 € / 000
Sale of goods	951,483	926,186
Provision of services	6,027	6,172
Total net sales	**957,510**	**932,358**

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.

Cost of goods sold

The cost of goods sold, shown in the profit and loss account, includes:
- raw materials and process materials used in the production cycle;
- finished goods acquired from third parties and sold by the Group;
- all costs allocated to manufacturing units, according to function, i.e. personnel costs, depreciation and amortisation, utilities and provision of services.

	31 December 2007 € / 000	31 December 2006 € / 000
Total cost of goods sold	**407,183**	**410,203**

Depreciation and amortisation

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

	31 December 2007 € / 000	31 December 2006 € / 000
Depreciation and amortisation included in cost of goods sold:		
– Tangible fixed assets	(14,767)	(14,488)
– Intangible fixed assets	(120)	(59)
Depreciation and amortisation included in sales and distribution expenses:		
– Tangible fixed assets	(763)	(838)
– Intangible fixed assets	(53)	(21)
Depreciation and amortisation included in general and administrative expenses:		
– Tangible fixed assets	(1,996)	(2,085)
– Intangible fixed assets	(1,847)	(1,737)
Total depreciation and amortisation		
– Tangible fixed assets	(17,527)	(17,411)
– Intangible fixed assets	(2,020)	(1,817)
– Total	(19,548)	(19,228)

There were no impairment losses in the two years concerned.

Personnel costs

This item breaks down as follows:

	31 December 2007 €/ 000	31 December 2006 € / 000
Wages and salaries	70,868	68,821
Social security contributions	16,337	15,498
Cost of defined contribution pension plans	3,038	1,121
Cost of defined benefit pension plans	(8)	2,126
Cost of share-based payments	2,768	2,093
	93,003	**89,658**

The reduction in defined benefit pension plan costs, and the corresponding increase in the cost of defined contribution pension plans is due to the reform of the complementary pension scheme in Italy, effective from 1 January 2007.

Under this reform, staff severance fund (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 a fund held at the INPS (Italian social security agency).

As a result, TFR contributions accrued up to 31 December 2006 will continue to be classified as defined benefit plans, maintaining the actuarial valuation criteria, while contributions accrued from 1 January 2007 are classified as defined contribution plans.

For further details, please refer to note 28 (Staff severance fund and other pension funds).

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 profit and loss account for the year in which they are incurred.

Other costs

The following table shows details of costs relating to the management of operating and finance leases and the Group's property investments:

	31 December 2007 € / 000	31 December 2006 € / 000
Minimum payments under operating leases	(3,961)	(4,381)
Potential lease payments on finance leases (index-linked)	(30)	(27)
Expenses relating to the management of property investments that generate lease income (including maintenance expenses)	(13)	(9)
Expenses relating to the management of property investments that did not generate lease income (including maintenance expenses)	(22)	(20)

Minimum payments under operating leases refer to contracts held by Group companies on IT equipment, company cars and other equipment.

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

The reduction in this item versus 2006 is due to a rationalisation of hardware contracts by the Parent Company.

Potential lease payments on finance leases relate to the adjustment of rental charges paid by the Parent Company on finance leases for the industrial premises in Novi Ligure, whose interest rate is variable and linked to the three-month Euribor.

Expenses relating to the management of property investments refer to properties held for investment purposes. For more detail on this item please see note 15 (Property investments).

Other one-offs: income and charges

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

	31 December 2007 € / 000	31 December 2006 € / 000
Capital gain on integrated programme for Sesto San Giovanni		12,175
Other capital gains on the sale of fixed assets	1,487	124
Other one-off windfall gains	236	485
Withholding taxes	8,200	
Total one-offs: income	9,922	12,784
Provisions for risks and future liabilities	(3,040)	(6,042)
Demolition and scrapping costs	(328)	(2,638)
Write-downs of fixed assets	(61)	(1,753)
Losses on the sale of fixed assets	(37)	(641)
Personnel restructuring costs	(2,523)	(776)
Subsidiary registration taxes	(4,200)	
Miscellaneous taxes for subsidiaries	(610)	
Other one-offs: charges	(1,959)	(1,781)
Total one-offs: charges	(12,758)	(13,631)
Total	**(2,835)**	**(846)**

Capital gains on the sale of fixed assets mainly concerned the sale by Campari do Brasil Ltda. of its Alphaville plant.

The item "withholding taxes" refers to the release of taxes on subsidiaries' reserves created during previous extraordinary operations that became surplus following a ruling at the end of the year.

Some subsidiaries made provisions for risks and future liabilities against potential tax risks of the Parent Company and Campari Italia S.p.A.; for further details, please refer to note 29 (Reserve for risks and future liabilities).

Personnel restructuring costs relate to Group management turnover.

Subsidiary registration taxes concern taxes paid on the capital increases of subsidiaries, which at consolidated level are booked in the profit and loss account as required by the main international accounting standards.

Miscellaneous taxes for subsidiaries relate to a fine paid by the Brazilian subsidiary for taxes other than income tax.

Other one-off charges include costs of certain subsidiaries for the year.

Financial income and charges

Net financial charges for the year break down as follows:

	31 December 2007 € / 000	31 December 2006 € / 000
Bank and term deposit interest	9,337	10,033
Other income	1,402	7,305
Total financial income (at cost)	**10,738**	**17,338**
Unrealised profit on derivatives used for hedging	773	216
Total financial income	**11,512**	**17,554**
Net financial charges on bonds	(19,091)	(16,949)
Interest payable on leases	(820)	(748)
Interest payable to banks	(5,976)	(11,512)
Bank charges	(487)	(1,041)
Other charges	(1,501)	(2,469)
Total financial charges (at cost)	**(27,875)**	**(32,719)**
Actuarial interest	(541)	(352)
Total financial charges	**(28,416)**	**(33,072)**
Net realised exchange rate differences	330	(436)
Net unrealised exchange rate differences	(411)	765
Net financial income (charges)	**(16,984)**	**(15,189)**

Net financial charges on bonds break down as follows:

	31 December 2007			31 December 2006
	Parent Company € / 000	Redfire, Inc. € / 000	Total € / 000	Total € / 000
Financial charges to bondholders	(9,601)	(7,228)	(16,829)	(18,864)
Financial income (charges) on swaps	(2,525)	263	(2,262)	1,914

11. Corporate income tax

Details of current and deferred taxes posted to the Group's profit and loss account are as follows:

	31 December 2007 € / 000	31 December 2006 € / 000
Corporate income tax - current		
– taxes for the period	(42,863)	(42,343)
– taxes relating to previous periods	(284)	83
Deferred income tax		
– newly reported and cancelled temporary differences	(14,950)	(12,954)
Income tax posted to the profit and loss account	**(58,097)**	**(55,215)**

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

	31 December 2007 € / 1000	31 December 2006 € / 1000
Current taxes relating to profits (losses) posted directly to shareholders' equity	507	(270)
Deferred taxes relating to profits (losses) posted directly to shareholders' equity		(517)
Deferred taxes on profits (losses) from cash flow hedging	(2,829)	(1,112)
	(2,322)	**(1,899)**

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

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

Theoretical taxes were therefore calculated solely by applying the current tax rate in Italy for IRES i.e. 33% for both 2006 and 2007.

Reconciliation of the theoretical tax charge with the actual charge	31 December 2007 € / 000	31 December 2006 € / 000
Group profit before tax	183,247	172,274
Applicable tax rate in Italy:	33.00%	33.00%
Group's theoretical taxes at current tax rate in Italy	(60,472)	(56,850)
Difference in tax rate of foreign companies compared to the theoretical rate	7,997	10,024
Difference in tax rate of Italian companies compared to the theoretical rate	(981)	(1,476)
Permanent differences	(428)	(1,119)
Other differences on consolidation entries	1,479	244
IRAP	(5,692)	(6,038)
Effective tax charge	(58,097)	(55,215)
Effective tax rate	31.7%	32.1%

Details of deferred tax income and expense posted to the profit and loss account and balance sheet are broken down by nature below.

As regards the calculation of deferred taxes at 31 December 2007, the rate applied to Italian companies is 27.5%, based on the changes introduced by the 2008 Budget; the effects of the change in rate on pre-existing deferred taxes have therefore been recorded in the profit and loss account.

The overall net effect resulting from this adjustment is positive, at €1,644 thousand.

	Balance sheet		Profit and loss account	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	€ / 000	€ / 000	€ / 000	€ / 000
Deferred expenses	2,421	1,802	(385)	635
Taxed reserves	7,672	9,141	(719)	4,645
Past losses	5,660	6,018	(845)	(258)
Fair value valuations				(1,194)
Other	122	1,534	(159)	(355)
Deferred tax assets	**15,875**	**18,495**	**(2,108)**	**3,474**
Accelerated depreciation	(6,105)	(7,297)	1,069	(605)
Capital gains subject to deferred taxation	(2,250)	(3,703)	1,452	(3,308)
Goodwill and trademarks deductible locally	(46,149)	(35,865)	(10,692)	(11,778)
Fair value valuations	(3,845)		(2,747)	
Reserves subject to taxation in the event of dividend payments	(564)	(8,331)	(433)	–
Adjustment to Group accounting principles	3,922	5,116	(1,195)	1,679
Leasing	(325)	(2,261)	(325)	(821)
Other	(5,379)	(3,727)	27	(1,596)
Deferred tax liabilities	**(60,696)**	**(56,066)**	**(12,843)**	**(16,428)**
Total			**(14,950)**	**(12,954)**

Deferred tax assets for tax losses are entirely attributable to Campari do Brasil Ltda.

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

The Company has also begun to use them against taxable income of the previous year.

The release of reserves subject to taxation if distributed was a contra entry to one-off income for the year, commented on under note 10 (Revenues and costs).

12. Base and diluted earnings per share

Base 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:

Base earnings	31 December 2007			31 December 2006		
	Profit € / 000	Number of shares	Earnings per share €	Profit € / 000	Number of shares	Earnings per share €
Net profit attributable to ordinary shareholders	125,150			117,059		
Weighted average of ordinary shares outstanding		290,104,136			284,400,932	
Base earnings per share			**0.43**			**0.41**

Diluted earnings per share are calculated as follows:

Diluted earnings	31 December 2007			31 December 2006		
	Profit € / 000	Number of shares	Earnings per share €	Profit € / 000	Number of shares	Earnings per share €
Net profit attributable to ordinary shareholders	125,150			117,059		
Weighted average of ordinary shares outstanding net of dilution		291,638,707			284,817,474	
Diluted earnings per share			**0.43**			**0.41**

13. Net tangible fixed assets

Changes in this item are indicated in the table below.

	Land and buildings € / 000	Plant and machinery € / 000	Other € / 000	Total € / 000
Opening book value	127,622	195,343	28,502	351,467
Opening accumulated depreciation	(48,231)	(135,855)	(21,098)	(205,184)
Balance at 31 December 2006	**79,391**	**59,489**	**7,404**	**146,284**
Investments	16,563	8,640	4,278	29,481
Disposals	(2,886)	(19)	(146)	(3,051)
Depreciation	(3,595)	(10,623)	(2,508)	(16,726)
Reclassification of “assets held for sale”	(529)	(68)		(597)
Other reclassifications	235	10	(249)	(3)
Write-downs	–	(8)	(11)	(19)
Exchange rate differences and other changes	75	291	(315)	50
Balance at 31 December 2007	**89,254**	**57,710**	**8,453**	**155,418**
Closing book value	133,292	202,830	30,680	366,802
Closing accumulated depreciation	(44,037)	(145,121)	(22,225)	(211,383)

Among investments for the period, the land and buildings item includes €14,118 thousand relating to work on the new headquarters in Sesto San Giovanni, which began in 2006; the total capitalised value of this project is €15,631 thousand.

The remainder concerns improvements made to buildings which are part of the production facilities in Novi Ligure and Crodo.

Investments in plant and machinery, amounting to €8,640 thousand, primarily included:

– investments made by the Parent Company, totalling €5,686 thousand, in its own production units; in Canale, investments were €900 thousand and related to an innovation project regarding production lines; in Crodo, investment of €2,182 thousand mainly concerned the transfer of production from the Sulmona plant; the investment of €2,338 thousand in Novi Ligure included improvements on specific packaging lines and equipment;
– investments made by Sella & Mosca S.p.A., totalling €955 thousand, relate to cooling systems for the control of fermentation and a plant for the production of hot water necessary for bottling wine;
– investments made by Campari France of €463 thousand, mainly consisting of a plant for the production of distilled water.

Other investments in tangible fixed assets, of €4,278 thousand, included:

– 1,182 thousand relating to Campari do Brasil Ltda., for the restructuring of the new headquarters, investments in hardware and company vehicles;
– 511 thousand relating to Sella & Mosca S.p.A., for the purchase of a case-packing machine and other equipment;
– 537 thousand relating to the purchase of barrels by Glen Grant Distillery Company Ltd. to age whisky;
– 621 thousand invested by the Parent Company in plant equipment.

Disposals for the year, totalling €3,051 thousand, related entirely to the sale, by the Brazilian subsidiary, of the Alphaville plant, transferred to another leased property.

This sale generated a capital gain of €1,417 thousand included under one-off income for the year.

The reclassification of €597 thousand under assets held for sale concern a building belonging to the Parent Company in Cinisello Balsamo and used as a warehouse, which was sold on 27 February 2008.

Lastly, please note that, for greater clarity, fixed assets in progress of €18,894 thousand are included under the categories to which they relate, depending on the nature of the investment.

The following table provides a breakdown of tangible fixed assets by ownership.

	Owned fixed assets € / 000	Fixed assets under finance leases € / 000	Total € / 000
Land and buildings	66,485	22,769	89,254
Plant and machinery	56,462	1,248	57,710
Other tangible fixed assets	8,376	78	8,454
	131,323	**24,095**	**155,418**

14. Biological assets

This item includes biological assets consisting of fruit-bearing and mature vines that provide grapes for wine production.

Sella & Mosca S.p.A. owns vineyards covering approximately 600 hectares north of Alghero in Sardinia, 90 hectares near San Gimignano in Tuscany and around three hectares near Alba in Piedmont.

The Tuscan vineyards came from the incorporation of Teruzzi & Puthod S.r.l. into Sella & Mosca S.p.A. in 2007, while those in Piedmont were transferred from the Parent Company to Sella & Mosca S.p.A. with the Enrico Serafino wine business, also in 2007.

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
Initial book value (or fair value)	1,990	16,681	18,671
Opening accumulated depreciation		(3,663)	(3,663)
Balance at 31 December 2006	**1,990**	**13,018**	**15,008**
Investments	401	1,282	1,683
Fair value valuation charges	(166)		(166)
Depreciation		(627)	(627)
Balance at 31 December 2007	**2,226**	**13,673**	**15,899**
Final book value (or fair value)	2,226	17,963	20,188
Closing accumulated depreciation		(4,290)	(4,290)

Investments for the year of €1,683 thousand wholly relate to new vineyards: €1,423 thousand relates to the Sella & Mosca S.p.A. estate in Sardinia, including €1,302 thousand for capitalised internal labour costs.

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 Sella & Mosca S.p.A. vis-à-vis the territory in which it operates, as described below, it was decided to continue recording these assets at cost, less accumulated depreciation; valuation at fair value would require the following assumptions 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. is 5%.

Other biological assets are valued at fair value, based on expert reports of agricultural land and the related vineyards.

At 31 December 2007, non-productive biological assets totalled €5,584 thousand, compared to €7,352 thousand at 31 December 2006.

Specifically, vineyard assets in pre-production in Alghero, Sardinia, were booked to the tune of €5,266 thousand, and referred to vineyards replanted in 2004, 2005, 2006 and 2007.

Non-productive vineyards in Tuscany are valued at €279 thousand, and mainly refer to those planted in 2006 and 2007; vineyards in pre-production in Piedmont were less significant, and totalled €39 thousand.

Agricultural output during the year totalled approximately 50,760 quintals in Sardinia and approximately 9,762 quintals in Tuscany. Given that it was all processed during the year, there were no inventories of this production at year end.

15. Investment property

Investment property includes land located near Rome, which is the most significant component.

This item also includes a residual amount relating to one shop and eleven apartments in the provinces of Milan, Bergamo and Verbania, and two buildings in rural locations, located in the province of Cuneo.

With the exception of one rented apartment, all of the above properties are vacant.

Changes in this item are indicated in the table below.

	€ / 000
Balance at 31 December 2006	**4,017**
Depreciation	(3)
Balance at 31 December 2007	**4,014**

The reported value of investment property is close to its fair value.

16. Goodwill and trademarks

Changes during the year are indicated in the table below.

	Goodwill € / 000	Trademarks € / 000	Total € / 000
Opening book value	690,933	125,458	816,391
Opening impairment	–	–	–
Balance at 31 December 2006	**690,933**	**125,458**	**816,391**
Investments		29,327	29,327
Exchange rate differences and other changes	(33,537)	11	(33,526)
Balance at 31 December 2007	**657,396**	**154,796**	**812,192**
Closing book value	57,396	154,796	812,192
Closing impairment	–	–	–

Intangible assets with an indefinite life are represented by goodwill and trademarks, both deriving from the purchase of companies.

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 17 (Impairment) below.

Investment in trademarks concerned the X-Rated brand acquired on 1 August 2007 (€28,117 thousand) and the Old Smuggler brand in Argentina, after approval was received from the competition authorities on 12 March 2007.

Exchange rate differences of €33,526 thousand were due to adjustment of Skyy Spirits, LLC and Campari do Brasil Ltda goodwill to year-end exchange rates.

17. Impairment

The Group ascertains the possibility of recovering the goodwill and trademarks posted to the accounts (impairment test) annually, or more frequently if there are indications of a loss in value.

For the purposes of evaluating 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 trademarks) was used.

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

	31 December 2007		31 December 2006	
	Goodwill € / 000	Trademarks € / 000	Goodwill € / 000	Trademarks € / 000
Former Bols brands	4,612	1,992	4,612	1992
Ouzo 12	9,976	7,429	9,976	7429
Cinzano	51,457	772	51,457	772
Dreher and admix whiskies	69,275	–	64,298	
SKYY	326,963	–	365,477	–
Zedda Piras and Sella & Mosca	57,254	21	57,254	21
Barbero	137,859	–	137,859	
Riccadonna	–	11,300		11,300
Glen Grant and Old Smuggler	–	104,277		103,067
X-Rated		28,117		
Other	–	888	–	877
	657,395	**154,796**	**690,933**	**125,458**

The main assumptions for determining the value used by the cash generating units (i.e. the present value of estimated future cash flows that are assumed to result from the continuing use of the asset) are based on the discount and growth rates.

In particular, the Group used discount rates, in a range of between 6% and 11%, which are believed to properly reflect market valuations (on the reference date of the estimate) of the present value of money and specific risks connected to individual cash generating units.

The projections for operating cash flow are derived from the most recent budgets and plans prepared by the Group for the next five years and extrapolated over ten years on the basis of medium-term/long-term growth rates depending on the various characteristics of the assets, but in any event, at rates no higher than the average long-term growth rate in the market in which the Group operates.

The use of a ten-year period is justified by the life cycle of the products with respect to the reference market.

Cash flow projections relate to current operating conditions, and thus do not include cash flows connected with any one-off operations.

The composition of future cash flow estimates was determined on the basis of prudential criteria which hold sales volume constant after the projected horizon of the analysis.

In addition, the projections are based on reasonableness and consistency with respect to the allocation of future general expenses, expected trends in capital investment, conditions of financial equilibrium and macroeconomic assumptions with a particular focus on product price increases, which take into account forecast inflation rates.

None of the impairment tests produced a valuation resulting in a permanent loss of value in 2007 or 2006.

18. Intangible assets with a finite life

Changes in this item are indicated in the table below.

	Software € / 000	Other € / 000	Total € / 000
Opening book value	7,422	13,097	20,519
Opening accumulated amortisation	(5,081)	(11,322)	(16,403)
Balance at 31 December 2006	**2,341**	**1,775**	**4,116**
Investments	1,922	1,400	3,322
Decreases	–	(2)	(2)
Amortisation for the period	(1,387)	(634)	(2,020)
Reclassifications	498	(505)	(7)
Exchange rate differences and other changes	(71)	(248)	(319)
Balance at 31 December 2007	**3,302**	**1,789**	**5,089**
Closing book value	10,951	12,123	23,074
Closing accumulated amortisation	(7,650)	(10,335)	(17,985)

Intangible assets with a finite life were amortised on a straight-line basis in relation to their remaining useful life.

Investments of €3,322 thousand were attributable for €1,990 thousand to the Parent Company for the purchase of software licenses and for developing the SAP R/3 system, which includes personnel management software, and for the consolidation process and product traceability; for €374 thousand to Campari Deutschland GmbH for the CRM module and other SAP upgrades, and the remaining amount to other Group subsidiaries for investments relating to SAP and BW.

19. Other non-current assets

This item breaks down as follows:

	31 December 2007 € / 000	31 December 2006 € / 000
Financial assets for interest rate swaps	5,736	2,882
Financial receivables	104	
Non-current financial assets	**5,840**	**2,882**
Equity investments in other companies	302	206
Security deposits given	1,085	1,219
Receivables from employee benefit funds	653	205
Other non-current receivables	2,130	3,208
Other non-current assets	**4,169**	**4,837**
	10,009	**7,719**

Financial assets for interest rate swaps represent the fair value of the hedges against the interest rate risk of the private placement of Redfire, Inc.

For further information, see note 34 (Financial instruments: disclosures).

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 note 28 (Staff severance fund and other pension funds).

In the previous year, other receivables included a receivable of €2,966 thousand relating to Core One S.r.l., which in 2003 bought the property located in Via Filippo Turati, Milan, the headquarters of the Parent Company and some Italian subsidiaries.

This receivable, maturing on 30 July 2008, was reclassified under short-term receivables, and bears interest at market rates.

At 31 December 2007, further receivables of €1,929 thousand were booked in relation to Campari do Brasil Ltda., for the sale of the Alphaville plant for the amounts that will be collected in 2009 and 2010.

20. Inventories

This item breaks down as follows:

	31 December 2007 € / 000	31 December 2006 € / 000
Raw materials, supplies and consumables	23,644	24,006
Work in progress and semi-finished products	71,819	66,129
Finished products and goods for resale	**71,473**	**79,737**
	166,937	**169,872**

The fall in inventories, particularly of finished products, relates to the Group's policy of limiting the value of its stock, and is mainly focused on Italy and the US.

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

	€ / 000
Balance at 31 December 2006	**4,176**
Provisions	1.393
Amounts used	(3.109)
Exchange rate differences and other changes	423
Balance at 31 December 2007	**2,882**

21. Trade receivables and other receivables

This item breaks down as follows:

	31 December 2007	31 December 2006
	€ / 000	€ / 000
Trade receivables from external customers	249,756	223,014
Trade receivables from affiliated companies	8,553	6,903
Receivables in respect of contributions to promotional costs	21,678	27,203
Trade receivables	**279,986**	**257,120**

	31 December 2007	31 December 2006
	€ / 000	€ / 000
Pre-payments and other receivables from suppliers	15,420	17,302
Tax credits	6,646	9,609
Receivables from main shareholders for tax consolidation	3,000	
Receivables from agents and miscellaneous customers	1,680	2,312
Pre-paid expenses	6,103	5,813
Other	4,292	3,729
Other receivables	**37,140**	**38,766**

All the receivables shown above are due within twelve months.

Their book value is considered to be close to their fair value.

Trade receivables, amounting to €279,986 thousand at 31 December 2007 and €257,120 thousand at 31 December 2006, were up by €22,866 thousand and were the result of a rise in income. They are shown net of year-end bonuses and payables for promotional costs; this is consistent with the recording of revenues in the profit and loss account.

In addition, this item is reported net of the related provision for write-downs, which reflects the actual risk of uncollectibility.

At 31 December 2007, pre-payments and other receivables from suppliers included a pre-payment of €8,935 thousand, paid by the Parent Company in 2006 for a contract for the design and construction of the new Sesto San Giovanni headquarters.

Receivables from main shareholders for fiscal consolidation refer to receivables of some Italian companies from the shareholder of the Parent Company, Fincorus S.p.A., after the Group's Italian companies joined the national tax consolidation scheme in 2007.

Against these receivables, the Group has payables of €20,107 thousand booked under tax payables, commented on in note 32 (Tax payables); the Group's net liability to the controlling shareholder Fincorus S.p.A. is €17,107 thousand.

For further details on amounts in respect of related parties, please refer to note 37 (Related parties).

The "other" item includes the reclassification from non-current to current of the remaining €2,966 thousand of the price for which the Parent Company sold the via Turati property in 2003.

It also includes the short-term portion of the receivable for the sale of the Alphaville plant by Campari do Brasil Ltda., totalling €1,274 thousand.

The table below breaks down receivables by maturity; note that the other receivables column shows receivables from agents and miscellaneous customers, short-term financial receivables from joint ventures and the "other" item of the table above.

This breakdown excludes advances, tax credits and deferred charges.

31 December 2007	Trade receivables €/ 000	Other receivables €/ 000
Not due	221,311	5,785
Due and not written down:		
Less than 30 days	14,117	125
30 - 90 days	34,807	138
Within 1 year	6,864	(5)
Within 5 years	1,434	78
Due after 5 years	137	
Total due and not written down	57,359	336
Due and written down	6,224	635
Amount written down	(4,907)	(634)
Total	**279,986**	**6,122**

31 December 2006	Trade receivables €/ 000	Other receivables €/ 000
Not due	201,933	5,587
Due and not written down:		
Less than 30 days	11,062	34
30 - 90 days	35,574	92
Within 1 year	6,839	107
Within 5 years	1,345	117
Due after 5 years	192	
Total due and not written down:	55,012	349
Due and written down	5,659	105
Amount written down	(5,484)	(105)
Total	**257,120**	**6,041**

The following table shows the changes in bad debt provisions during the period.

	Bad debt provisions	
€/ 000	Trade receivables	Other receivables
Balance at 31 December 2006	5,484	104
Provisions	1,170	528
Amounts used	(1,595)	
Exchange rate differences and other changes	(152)	2
Balance at 31 December 2007	4,907	634

Provisions for the year relate to: 889 thousand for trade receivables at Campari Italia S.p.A.; 208 thousand for bad debts of Campari's traditional sales channel, and Sella & Mosca S.p.A. and Sella & Mosca Commerciale S.r.l..

Amounts used relate to Brazilian subsidiary Campari do Brasil Ltda. (€975 thousand), Campari Italia S.p.A. (€517 thousand) and the Parent Company (€93 thousand).

As regards other receivables, Campari Italia S.p.A. made a provision of €498 thousand in respect of a recent legal dispute with a company distributor.

The related receivable was past due less than 90 days prior to the reporting date.

22. Short-term financial receivables

This item breaks down as follows:

	31 December 2007 € / 000	31 December 2006 € / 000
Securities	350	1,325
Net accrued swap interest income/expense on bonds	126	(84)
Valuation at fair value of instruments used to hedge private placement	–	6
Valuation at fair value of forward contracts	1,577	1,093
Other financial assets and liabilities	2	10
Short-term financial receivables from affiliates and joint ventures	823	2.499
Other current financial receivables	2,529	3,525
Short-term financial receivables	**2,878**	**4,849**

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 maturing within 12 months.

Other current financial receivables include accrued income from interest on financial instruments used to hedge bonds and the private placement.

The item also includes the fair value of forward purchases and sales of foreign currency to hedge receivables and payables or future sales and purchases.

The change in fair value relating to the hedging of cash flows that had not been generated at 31 December 2007 has been allocated directly to shareholders' equity, net of the related tax effect.

For further information, see note 34 (Financial instruments: disclosures).

Short-term financial receivables from joint ventures include a loan to MCS S.c.a.r.l.; note that this asset item is not included in the calculation of the Group's net cash/net debt figures.

All financial payables are current and due within a year.

23. Cash and equivalents and reconciliation with net debt

The Group's cash and equivalents break down as follows:

	31 December 2007 € / 000	31 December 2006 € / 000
Bank current accounts and cash	71,548	103,386
Term deposits	128,257	135,590
Cash and equivalents	**199,805**	**238,975**

The "cash and equivalents" item consists of bank current accounts, other sight deposits and those that can be withdrawn within a maximum period of three months from the reporting date, held at leading banks that pay variable interest rates based on LIBOR for the currency and period concerned.

It also includes securities that can be readily converted to cash consisting of short-term, highly liquid financial investments that can be quickly converted to known cash instruments, with an insignificant risk of change in value.

The reconciliation with the Group's net debt is set out below:

	31 December 2007 € / 000	31 December 2006 € / 000
Cash and equivalents	199,805	238,975
Liquidity (A)	**199,805**	**238,975**
Securities	350	1,325
Other short-term financial receivables	1,706	1,025
Short-term financial receivables (B)	**2,055**	**2,350**
Short-term bank debt	(114,375)	(209,273)
Current portion of real estate lease payables	(3,171)	(3,091)
Current portion of private placement and bond	(17,378)	(17,662)
Other short-term financial payables	(620)	(849)
Short-term financial debt (C)	**(135,543)**	**(230,876)**
Short-term net cash (debt) position (A + B + C)	**66,317**	**10,449**
Medium / long-term bank debt	(1,782)	(1,184)
Real estate lease payables	(12,860)	(15,998)
Private placement and bond	(338,813)	(370,555)
Other medium / long-term financial payables	(1,061)	(2,221)
Medium / long-term financial receivables	104	–
Medium / long-term financial debt (D)	**(354,412)**	**(389,958)**
Net debt (A + B + C + D)	**(288,095)**	**(379,509)**

For all information concerning the items that make up net debt excluding liquidity, please refer to note 22 (Financial receivables) and note 27 (Financial liabilities).

24. Non-current assets held for sale

This item includes non-current real estate assets with a high probability of being sold, or for which there is an irrevocable commitment to sell with a third party.

These assets, which are valued at the lower of net book value and fair value net of sales costs, totalled €2,473 thousand at 31 December 2007 and €3,918 thousand at 31 December 2006.

The change in 2007 is due to:

- the sale of a significant portion of the Termoli facility, where following an industrial reorganisation launched in 2003, production was never resumed; the value reported at 31 December 2006, of €3,340 thousand, has therefore been reduced by €2,043 thousand to take into account the value of the portion sold; no capital gain or loss on the transaction was registered;
- the reclassification of €597 thousand relating to a warehouse of the Parent Company located in Cinisello Balsamo, which was sold in early 2008.

Lastly, this item includes a property in San Gimignano formerly owned by Teruzzi & Puthod S.r.l., which is now part of Sella & Mosca S.p.A.

25. 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 issue new shares.

In this context, like other groups operating in the same sector, the Group uses the 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 the "Statement of changes in shareholders equity".

Share capital

At 31 December 2007, the share capital was made up of 290,400,000 ordinary shares with a nominal value of €0.10 each, fully paid-up.

Outstanding shares and own shares

The following table shows the reconciliation between the number of outstanding shares at 31 December 2007 and in the last two years:

	Number of shares			Nominal value		
	31 December 2007	31 December 2006	31 December 2005	31 December 2007 €	31 December 2006 €	31 December 2005 €
Outstanding shares at the beginning of the year	289,049,453	281,356,013	281,048,090	28,904,945	28,135,601	28,104,809
Purchases for the stock option plan	(1,580,268)		(193,800)	(158,027)		(19,380)
Sales	1,886,361	7,693,440	501,723	188,636	769,344	50,172
Outstanding shares at the end of the year	289,355,546	289,049,453	281,356,013	28,935,555	28,904,945	28,135,601
Total own shares held	1,044,454	1,350,547	9,043,987	104,445	135,055	904,399
own shares as a % of share capital	0.4%	0.5%	3.1%			

In 2007, 536,361 own shares were sold (book value: €4,125 thousand) as the result of the exercise of stock options; this sale generated a capital loss of €1,991 thousand.

In addition, 1,350,000 own shares were sold on the market (book value: €5,419 thousand), resulting in a capital gain of €5,043 thousand, which was allocated directly to shareholders' equity.

No purchases or sales of own shares were made in 2008.

Dividends paid and proposed

The table below shows the dividends approved and paid in 2007 and 2006, and dividends subject to the approval of the shareholders' meeting to approve the accounts for the year ending 31 December 2007:

	Total amount			Dividend per share	
	31 December 2007 € / 000		31 December 2006 € / 000	31 December 2007 (€)	31 December 2006 (€)
Dividends approved and paid during the year on ordinary shares	29,040		28,136	0.100	0.100
Dividends proposed on ordinary shares	31,829	(*)	29,040	0.110	0.100

(*) calculated on the basis of outstanding shares at the date of the Board of Directors meeting on 18 March 2008.

Other reserves

This item breaks down as follows:

	Stock options € / 000	Cash flow hedging € / 000	Conversion of accounts in foreign currencies € / 000	Total € / 000
Balance at 31 December 2006	**3,520**	**3,000**	**(10,840)**	**(4,320)**
Cost of stock options for the year	2,512			2,512
Profits (losses) reported in the profit and loss account		(939)		(939)
Profits (losses) allocated to shareholders' equity		66		66
Cash flow hedging reserve allocated to shareholders' equity		11,575		11,575
Tax effect allocated to shareholders' equity		(3,004)		(3,004)
Tax effect allocated to shareholders' equity for change in tax rates		174		174
Conversion difference			(28,135)	(28,135)
Balance at 31 December 2007	**6,032**	**10,873**	**(38,975)**	**(22,070)**

The stock option reserve contains the provision made as a contra entry for the cost reported in the profit and loss account 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 33 (Stock option plans).

The hedging reserve contains amounts (net of the related tax effect) pertaining to changes resulting from fair value adjustments of financial derivatives recorded using the cash flow hedging methodology.

For further information, see note 34 (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.

26. Minority interests

The minorities portion of shareholders' equity, which was €1,928 thousand at 31 December 2007 and €1,895 thousand at 31 December 2006, relates to the following fully-consolidated companies:

	31 December 2007 minorities %	31 December 2006 minorities %
Qingdao Sella & Mosca Winery Co. Ltd.	6.33%	6.33%
O-Dodeca B.V.	25.00%	25.00%

27. Financial liabilities

The table below shows a breakdown of financial liabilities reported in the accounts.

	31 December 2007 € / 000	31 December 2006 € / 000
Non-current liabilities		
Bonds	188,354	205,725
Private placement	99,297	116,974
Total bond issues	**287,651**	**322,699**
Payables and loans to banks	1,782	1,184
Property leases	12,860	15,998
Derivatives on bond issues	56,899	50,738
Other debt	1,061	2,222
Other non-current financial liabilities	**72,602**	**70,142**
Current liabilities		
Payables and loans to banks	**114,375**	**209,273**
Short-term portion of private placement	8,378	9,291
Accrued interest on bonds	7,253	8,300
Accrued swap interest on bonds	1,747	78
Property leases	3,171	3,091
Financial liabilities on hedging contracts	281	–
Financial liabilities on non-hedging contracts	46	–
Other debt	293	843
Other financial payables	**21,168**	**21,602**

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 at 31 December 2007	Maturity	31 December 2007 €/ 000	31 December 2006 €/ 000
Payables and loans to banks	4.7% on , 4.80% on US$	2008	116,157	210,457
Private placement	6-month US$ Libor + 60 / 87basis points	2008-2012	101,938	123,383
Bonds	6-month €Libor + 60 basis points fixed rate 4.31% (1)	2015-2018	245,253	256,463
Property leases	3-month €Libor + 60 basis points	2008-2012	16,030	19,089
Other debt	0.90%	2008-2015	1,355	3,065

(1) Tax applied to the portion of the bond issue hedged by a forward-starting interest rate swap.

Bond and private placement

The item "bonds" relates to the bond issue with a nominal value of US$ 300 million placed by the Parent Company 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.

Coupons are to be paid semi-annually, and bear interest at a fixed rate.

A cross currency swap hedging instrument, whose maturity coincides with that of the bond being hedged, was used to neutralise the risks related to exchange rate fluctuations of the US dollar and interest rates, and the US dollar-based fixed interest rate was changed to a variable euro rate.

The Group has outstanding forward-starting interest rate swaps, with fixed rate interest payments of 4.25% and 4.36% respectively on the underlyings of US$ 50 million (maturity 2015) and US$ 150 million (maturity 2018) from July 2008.

The changes recorded in the value of the bond issue only relate to the higher values of the hedges and the related effects on the bond.

For an analysis of these changes, see note 34 (Financial instruments: disclosures).

The item "private placement" includes the liability relating to a bond issue with a nominal value of US$ 170 million placed by Redfire, Inc. in the US institutional market in 2002.

The transaction was structured in three tranches of US$ 20 million, US$ 50 million and US$ 100 million, maturing in 2009 (average life of 5 years), 2012 (average life of 7.5 years), and in 2012 with a bullet payment, respectively.

Coupons are to be paid semi-annually, and bear interest at a fixed rate.

Using an interest rate swap hedging instrument, whose maturity coincides with that of the private placement, the fixed interest rate was changed to a variable rate on the notional amounts in US$.

The changes recorded in the value of the private placement include the portion repaid in 2007 (US$ 12,333 thousand), as well as the higher value of the hedges and the related effects on the bond issue.

For more information on these changes, see note 34 (Financial instruments: disclosures).

Payables to banks

At 31 December 2007, the non-current portion of payables to banks included the residual amount of two medium/long-term bank loans taken out by Société Civile du Domaine de la Margue and Koutsikos Distilleries S.A. of €473 thousand and €600 thousand respectively.

The item also includes €709 thousand relating to a loan obtained by Sella & Mosca S.p.A., secured by mortgages on land and buildings and liens on machinery and equipment.

The current portion of payables to banks (€114,375 thousand, versus €209,273 thousand at 31 December 2006) relates to the portion of the above-mentioned loans maturing within one year and the short-term credit lines and other loans used mainly by the Parent Company and by Redfire, Inc. and the Greek subsidiaries.

The reduction in current receivables from banks relates to the optimisation of Group cash and equivalents, partly thanks to the good level of cash flow generated over the year, which has allowed some of the short-term lines of credit to be closed.

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.

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 2007, this item related to the fair value of forward purchases and sales of foreign currency.

It includes €281 thousand for hedging contracts.

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 34 (Financial instruments: disclosures).

28. Staff severance fund and other pension funds

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.

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 profit and loss account.

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 distinct from the company and which pays out benefits to employees.

The defined benefit plans to which the Group contributes consist mainly of the staff severance fund (TFR), to which employees of Italian companies are entitled by law.

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.

With 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; thus, the amounts accrued at 31 December 2006 are payable to employees when they leave the company.

TFR contributions accrued from 1 January 2007 are classified as defined contribution plans.

This structural change determines the recognition of curtailment, whose effect, in line with the previously selected accounting method, is fully posted to the profit and loss account.

Finally, as Italian companies usually 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.

Since the contributions in question had already been paid by the Company on the reporting date, no liability is recorded on the balance sheet.

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 or former employees.

These plans have the benefit of dedicated assets.

The liability relating to the Group's defined benefit plans, which is calculated on an actuarial basis using the projected unit credit method, is reported on the balance sheet, net of the fair value of any dedicated assets.

In cases where the fair value of dedicated assets exceeds the value of the post-employment benefit obligation, and where the Group has the right to reimbursement or to reduce its future contributions to the plan, the surplus is reported as a non-current asset, in accordance with IAS 19.

The following table provides details of the staff severance fund in the last four financial years:

Staff severance fund	31 December 2007 €/ 000	31 December 2006 €/ 000	31 December 2005 €/ 000	31 December 2004 €/ 000
Defined benefit obligations	11,565	12,631	12,534	13,534

The following table provides details of other defined benefit plans, which are financed by dedicated assets, in the last four financial years.

Other plans	31 December 2007 €/ 000	31 December 2006 €/ 000	31 December 2005 €/ 000	31 December 2004 €/ 000
Defined benefit obligations	3,337	2,405	1,754	1,690
Assets dedicated to the plan (–)	(3,898)	(2,610)	(1,165)	(1,055)
Plan surplus (deficit)	561	205	(589)	(635)

The following table provides details of the net cost of defined benefit plans reported in the profit and loss account in 2007 and 2006.

Net cost of the benefit	TFR		Altri piani	
	2007 €/ 000	2006 €/ 000	2007 €/ 000	2006 €/ 000
Current service cost	112	2,275		
Financial charges	440	447	101	(95)
Expected income on plan assets			(96)	
Net actuarial (gains)/losses	(29)	(255)	(91)	105
Curtailment effect	72			
	595	**2,468**	**(86)**	**10**

The following table reports changes in the present value of defined benefit obligations in 2007 and 2006.

Changes in current value of obligations	Staff severance fund		Other plans	
	31 December 2007 €/ 000	31 December 2006 €/ 000	31 December 2007 €/ 000	31 December 2006 €/ 000
Present value at 1 January	12,631	12,534	2,406	1,754
Current service cost	112	2,275	–	(124)
Benefits paid	(1,759)	(2,510)	(200)	(95)
Financial charges	440	447	101	105
Actuarial gains (losses) on obligations	(29)	(255)	(91)	765
Curtailment	72			
Other changes	98	139	1,121	
Present value at 31 December	**11,565**	**12,631**	**3,336**	**2,406**
Dedicated assets deducted directly from the obligation			(3,245)	(2,405)
Staff severance fund and other pension funds	**11,565**	**12,631**	**92**	**1**

The following table shows the changes in the fair value of dedicated assets in defined benefit plans in 2006 and 2005.

Assets dedicated to the plan	31 December 2007 €/ 000	31 December 2006 €/ 000	31 December 2005 €/ 000
Present value at 1 January	2,610	1,165	1,055
Expected yield	96		
Employer contributions	336	1,070	
Contributions from participating employees	59	357	
Benefits paid	(75)		(100)
Settlements			
Actuarial gains (losses)		18	210
Other changes	873		
Present value at 31 December	**3,898**	**2,610**	**1,165**
Dedicated assets deducted directly from the obligation	(3,245)	(2,405)	(1,072)
Receivables from employee benefit funds	**653**	**205**	**93**

Obligations related to the plans described above are calculated on the basis of the following actuarial assumptions.

Main actuarial assumptions	Staff severance fund			Other plans		
	31 December 2007	31 December 2006	31 December 2005	31 December 2007	31 December 2006	31 December 2005
Discount rate	4.5%	4.0%	4.0%	4.5%	4.5%	4.0%
Future salary increases	3.0%	3.0%	3.0%			
Future pension increases	1.3%	1.3%	1.2%	1.5%	1.5%	1.5%
Expected yield from dedicated assets				4.0%	4.0%	4.0%
Staff turnover rate	5.0%	5.0%	5.0%			
Inflation rate	2.0%	1.5%	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.

On the basis of information available when the accounts were prepared, the best estimate of the contributions that the Group expects to pay to the defined benefit plans in 2008 total approximately €0.2 million.

29. Reserves for risks and future liabilities

The table below indicates changes to this item during the period.

	Tax provisions €/ 000	Reserve for industrial restructuring €/ 000	Agent severance fund €/ 000	Other €/ 000	Total €/ 000
Balance at 1 January 2007	646	5,587	1,064	3,633	10,930
Provisions	3,020	–	200	862	4,082
Amounts used	(253)	(845)	(88)	(1,675)	(2,861)
Releases	12	(1,234)	(105)	79	(1,247)
Exchange rate differences and other changes	31	–	–	102	134
Balance at 31 December 2007	**3,456**	**3,508**	**1,071**	**3,002**	**11,038**
of which, projected disbursement					
due within 12 months		3,509		1,494	5,003
due after 12 months	3,456		1,071	1,508	6,036

Tax provisions during the year totalled €2,140 thousand for Campari Italia S.p.A. and €880 thousand for the Parent Company.

In the case of the Parent Company, the provisions were made to cover potential tax liabilities, following an inspection in 2006 and the first few months of 2007 in respect of the 2004 and 2005 tax years.

For Campari Italia S.p.A., the provisions were made to cover potential tax liabilities, following an inspection in 2006 and the first few months of 2007 in respect of the 2003, 2004 and 2005 tax years.

The adjustments derive from a series of findings, which mainly relate to commercial agreements and the related definition of advertising expenditure in respect of agents.

The "reserve for industrial restructuring" includes a provision made by the Parent Company to cover a programme to restructure the Group's industrial sites.

In 2006, provisions were also made for the direct costs of halting production at the Sulmona plant.

The closure of this plant was completed in 2007 and compensation procedures were therefore put in place to support the staff leaving the company's employment; these procedures were less costly than expected when provisioned in 2006 however.

As a result, a proportion of the related provisions exceeding the estimated future liability was released.

Moreover, the amounts used also include other expenses incurred in the last few months of the year.

The agent severance fund covers the estimate of the probable liability to be incurred for disbursing the compensation due to agents at the end of the relationship, taking into account all variables that could affect the amount.

In addition, this amount was discounted using the appropriate rate.

At 31 December 2007, the "other reserves" item includes the estimated liability for miscellaneous lawsuits and for staff redundancy 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 2008, and adjustments to sales for deferred discounts, price differences and returns on sales invoiced in 2007, for which it was not possible to determine reliably and objectively the amount and existence at the reporting date.

In addition, the company is in dispute with the Brazilian tax authorities, which has contested the classification of products sold by Campari do Brasil Ltda. for production tax (IPI) purposes, levying additional taxes and penalties totalling BRL 96.9 million (€37.1 million).

The company has taken the appropriate action to contest this claim in full, appointing local advisors. Based on the opinions expressed by the advisors, it was deemed unnecessary to establish a special provision.

As a result, no provisions were made for this item in the accounts for the year ending 31 December 2007.

30. Trade payables and other current liabilities

This item breaks down as follows:

	31 December 2007 € / 000	31 December 2006 € / 000
Trade payables to external suppliers	153,290	160,493
Trade payables to affiliated companies	3,262	1,414
Payables to suppliers	**156,552**	**161,907**
Payroll	18,728	16,237
Amounts due to agents	4,395	4,824
Deferred income	4,689	3,958
Deferred realised capital gains	3,296	4,119
Unconfirmed grants received	1,011	2,188
Other	7,317	5,001
Other current liabilities	**39,436**	**36,326**

The item "deferred realised capital gains" refers to an adjustment to the Parent Company's capital gains from the sale of the property in Via Filippo Turati in Milan, and takes into account expected future charges.

The payable for "unconfirmed contributions received" relates to advances collected by Sella & Mosca S.p.A. in respect of the regional operating programme (POR) for Sardinia, to investments in progress, and to contributions received for vineyard equipment during the pre-production phase.

These contributions will be confirmed only after the equipment has been tested, and will then be reported in the profit and loss account 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 2007	On demand € / 000	Due within 1 year € / 000	Due in 1 to 2 years € / 000	Due in 3 to 5 years € / 000	Due after 5 years € / 000	Total € / 000
Trade payables	17,545	138,985	21	–	–	156,552
Other payables	183	11,166	362	–	–	11,712
Total	**17,728**	**150,152**	**383**	**–**	**–**	**168,263**

31 December 2006	On demand € / 000	Due within 1 year € / 000	Due in 1 to 2 years € / 000	Due in 3 to 5 years € / 000	Due after 5 years € / 000	Total € / 000
Trade payables	25,372	136,533	2	–	–	161,907
Other payables	630	9,050	146	–	–	9,825
Total	**26,002**	**145,583**	**147**	**–**	**–**	**171,732**

31. Capital grants

The following table provides details of changes in deferred income related to capital grants between one financial year and the next.

As explained in the previous paragraph, in some cases grants have not yet been confirmed; in these cases a liability must be recorded against the grant received.

Once these grants are confirmed, they are classified as deferred income and are reported in the profit and loss account based on the useful life of the equipment.

In the interests of clarity, the table below illustrates changes in both payables and deferred income.

31 December 2007	Advances paid € / 000	Deferred income € / 000
Balance at 1 January 2007	2,188	2,795
Payments received during the period	639	11
Confirmed grants	(1,524)	1,524
Amounts posted to the profit and loss account		(671)
Other changes		138
Balance at 31 December 2007	**1,303**	**3,797**

31 December 2006	Advances paid € / 000	Deferred income € / 000
Balance at 1 January 2006	2,166	2,154
Payments received during the period	336	562
Confirmed grants	(313)	313
Amounts posted to the profit and loss account		(234)
Balance at 31 December 2006	**2,189**	**2,795**

Grants received during the period relate to Sella & Mosca S.p.A. in respect of the regional operating programme (POR) for Sardinia, for vineyard equipment during the pre-production phase.

32. Tax liabilities

This item breaks down as follows:

	31 December 2007 € / 000	31 December 2006 € / 000
Corporate income tax	7,572	10,384
Due to controlling shareholder for tax consolidation	20,107	
Value-added tax	7,115	3,824
Tax on alcohol production	17,022	10,557
Withholding and other taxes	2,777	1,933
	54,592	**26,699**

In 2007, the Group's Italian companies joined the national tax consolidation scheme governed by articles 117 et seq. of the consolidation law on income tax (TUIR) for 2007, 2008 and 2009.

The tax receivables and payables of the individual Italian companies will therefore be recorded as payable to the Parent Company's controlling shareholder, Fincorus S.p.A.

At 31 December 2007, the liabilities of some of the Italian subsidiaries, excluding the receivable of €3,000 thousand relating to the Parent Company and other subsidiaries, represent the Group's net liability to the controlling shareholder Fincorus of €17,107 thousand.

For details of amounts due to related parties, see note 37 (Related parties).

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

These payables are all due within 12 months.

33. 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 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, in the context of the major strategic goals to be achieved.

Plan recipients are employees, directors and / or individuals who regularly do work for one or more Group companies, who have been identified by the Board of Directors of Davide Campari-Milan S.p.A., and who, on the plan approval date and until the date that the shares were allocated, were employees and / or directors of a Group company without interruption.

The regulations for the stock option 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 has the right to prepare regulations, select beneficiaries and determine the quantities and values for the execution of stock option plans. In addition, Davide Campari-Milano S.p.A. reserves the right, at its sole discretion, to modify the Plan and Regulations as necessary or appropriate to reflect revisions to laws in force, or for other objective reasons that would warrant such modification.

The first allocation of options in July 2001 was unconditional and enabled beneficiaries to exercise options on the day after the plan's expiry, i.e. on 30 June 2006.

These options were fully exercised in July 2006.

In 2004 and 2005, four more allocations of stock options were approved, also governed by the framework plan approved by the shareholders' meeting of 2 May 2001. These allocations enable beneficiaries to exercise options for a period of 30 days starting on the day after the maturity of options assigned in 2004, i.e. 30 June 2009, while for allocations in 2005, the exercise periods will be between November 2009 and November 2011.

The share subscription price is equivalent to the weighted average market price for the month preceding the date on which the options were allocated.

In 2006, new allocations of stock options were approved, which may be exercised in certain monthly windows between July 2011 and July 2013.

New allocations of stock options were also approved in 2007. These may be exercised in four monthly windows between February 2012 and August 2014.

The number of options granted for the purchase of the same number of shares was 1,266,890, with the average allocation price at €7.74, equivalent to the weighted average market price in the month preceding the day on which the options were granted.

The Group's Italian companies have designated the exercise of the option by the employee as the event triggering the recognition of the liability in respect of social security contributions.

Thus, the liability in respect of social security contributions will be calculated and recognised when the employee exercises the option.

The following table shows changes in stock option plans during the periods concerned.

	31 December 2007		31 December 2006	
	Number of shares	Average allocation/ exercise price (€)	Number of shares	Average allocation/ exercise price (€)
Options outstanding at the beginning of the period	11,951,311	5.84	12,074,197	3.72
Options granted during the period	1,266,890	7.74	5,570,554	7.64
(Options cancelled during the period)	(1,634,720)	6.53	0	–
(Options exercised during the period) (*)	(536,361)	3.98	(5,693,440)	3.10
(Options expiring during the period)	–	–	–	–
Options outstanding at the end of the period	11,047,120	5.38	11,951,311	5.84
of which, those that can be exercised at the end of the period	–	–	–	–

(*) The average market price on the exercise date was €8.41 in 2007 (€8.10 in 2006).

The average remaining life of outstanding options at 31 December 2007 was 3.18 years (3.6 years at 31 December 2006).

The exercise price interval for these options, divided into annual allocations, is as follows:

	Average exercise price (€)
2004 allocations	3.99
2005 allocations	6.20
2006 allocations	7.66
2007 allocations	7.74

The average fair value of options granted during 2007 was €1.89 (€2.37 in 2006).

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 volatility recorded in the 365 days before the plan allocation.

This estimate is required since there is no historical volatility with a duration equivalent to the plan period concerned.

The following assumptions were used for the fair value valuation of options issued in 2007:

	2007
Expected dividends (€)	1.10
Expected volatility (%)	17%
Historical volatility (%)	15%
Market interest rate	4.52%
Expected option life (years)	5
Exercise price (€)	7.74

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:

	Number of own shares		Acquisition price (€)	
	2007	2006	2007	2006
Balance at 1 January	**1,350,547**	**9,043,987**	**5,422,370**	**29,289,471**
Purchases	1,580,268		11,132,207	
Sales	(1,886,361)	(7,693,440)	(9,544,825)	(23,867,101)
Balance at 31 December	**1,044,454**	**1,350,547**	**7,009,752**	**5,422,370**
% of share capital	0.360%	0.465%		

34. Financial instruments - additional information

The value of individual categories of financial assets and liabilities held by the Group is shown below.

31 December 2007 **€/ 000**	Loans and receivables	Financial liabilities at amortised cost	Assets and liabilities measured at fair value with changes recognised in profit and loss	Hedge derivatives
Cash and cash equivalents	199,805			
Short-term financial receivables	1,175			
Other non-current financial assets	104			
Trade receivables	279,986			
Other receivables	37,140			
Payables to banks		(116,157)		
Real estate lease payables		(16,030)		
Bonds		(188,354)		
Private placement		(107,675)		
Accrued interest on bonds		(7,253)		
Other financial liabilities		(1,355)		
Trade payables		(156,552)		
Other payables		(39,436)		
Non-current assets for hedge derivatives				5,736
Current assets for hedge derivatives				1,704
Non-current liabilities for hedge derivatives				(56,899)
Current liabilities for hedge derivatives				(2,028)
Liabilities for non-hedge derivatives			(46)	
Total	**518,210**	**(632,811)**	**(46)**	**(51,487)**

31 December 2006 **€/ 000**	Loans and receivables	Financial liabilities at amortised cost	Assets and liabilities measured at fair value with changes recognised in profit and loss	Hedge derivatives
Cash and cash equivalents	238,975			
Current financial receivables	3,834			
Trade receivables	257,120			
Other receivables	38,766			
Payables to banks		(210,457)		
Real estate lease payables		(19,089)		
Bonds		(205,725)		
Private placement		(126,265)		
Accrued interest on bonds		(8,378)		
Other financial liabilities		(3,065)		
Trade payables		(161,907)		
Other payables		(36,326)		
Non-current assets for hedge derivatives				2,882
Current assets for hedge derivatives				1,015
Non-current liabilities for hedge derivatives				(50,738)
Total	**538,695**	**(771,211)**		**(46,841)**

In 2007, under "assets and liabilities measured at fair value with changes recognised in profit and loss", the Group reported a number of forward purchase and sale contracts to hedge foreign exchange transactions.

However, these are not classified as hedge transactions as defined by IAS 39 (Financial instruments – Recognition and Measurement).

Fair value of financial assets and liabilities

For each category of financial assets and liabilities, a comparison between the fair value of the category and the corresponding book value is shown below.

The method used for determining fair value was as follows:

– for financial assets and liabilities that are liquid or nearing maturity, it is assumed that the book value equates to fair value; this assumption also applies to term deposits, securities that can be readily converted to cash and variable-rate financial instruments;

– for the valuation of hedging instruments at fair value, the company used valuation models based on market parameters;

– the fair value of medium / long-term financial payables was obtained by discounting all remaining cash flows at the rates in effect at the end of the period;

– for commercial items and other receivables and payables, fair value corresponds to the book value; these are not reported in the table below.

	Book value		Fair value	
	31 December 2007 € / 000	31 December 2006 € / 000	31 December 2007 € / 000	31 December 2006 € / 000
Cash and cash equivalents	199,805	238,975	199,805	238,975
Interest accrued on swaps on private placement	126		126	
Assets for other hedge derivatives	1,577	1,093	1,577	1,093
Other short-term financial receivables	1,175	3,829	1,175	3,829
Assets for private placement derivative	5,736	2,888	5,736	2,888
Other non-current financial assets	104		104	
Financial investments	**208,523**	**246,785**	**208,523**	**246,785**

	Book value		Fair value	
	31 December 2007 € / 000	31 December 2006 € / 000	31 December 2007 € / 000	31 December 2006 € / 000
Payables to banks	116,157	210,457	116,157	210,457
Real estate lease payables	16,030	19,089	16,522	19,089
Bonds	188,354	205,725	178,175	205,725
Private placement	107,675	126,265	107,004	126,265
Accrued interest on bonds	9,000	8,455	9,000	8,455
Liabilities for derivatives on bonds	56,899	50,738	56,899	50,738
Liabilities for other hedge derivatives	281		281	
Liabilities for other non-hedge derivatives	46		46	
Other debt	1,355	3,065	1,355	3,065
Financial liabilities	**495,796**	**623,794**	**485,437**	**623,794**

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.

The notional value indicates the volume of outstanding transactions and is indicative neither of market risk nor of credit risk.

	31 December 2007		31 December 2006	
	Assets € / 000	Liabilities € / 000	Assets € / 000	Liabilities € / 000
Fair value hedge derivatives				
Interest rate swap on private placement	5,736		2,888	
Interest rate and currency swap on bond issues		(70,772)		(53,912)
Accrued interest on swap on private placement and bond issues	126	(1,747)	(84)	
Forward currency contracts	419		192	
	6,281	**(72,519)**	**2,996**	**(53,912)**
Cash flow hedge derivatives				
Interest rate swap on bond issues		13,873		3,174
Forward currency contracts for futures transactions	1,158	(281)	901	
	1,158	**13,592**	**901**	**3,174**
Non-hedge derivatives		(46)		
Total derivatives	**7,440**	**(58,972)**	**3,897**	**(50,738)**

Fair value hedge derivatives

The Group has the following contracts that satisfy the definition of hedging instruments required by IAS 39.

- *Interest rate swap and cross currency swap on bond issue and private placement*

At the reporting date, interest rate swaps totalling a notional US$ 149.7 million were outstanding on the private placement of Redfire, Inc., while a cross currency swap totalling a notional US$ 300 million was outstanding on the Parent Company's bond issue.

These instruments have the same maturities as the underlying liabilities.

The interest rate swap on the private placement and the cross currency swap on the Parent Company's bond issue are valued at fair value and any changes are reported in the profit and loss account; having established the effectiveness of the hedging transactions, the gain or loss on the hedged item attributable to the hedged risk is used to adjust the book value of the underlying liability and is immediately reported in the profit and loss account.

The change in the fair value of these instruments reported in the profit and loss account in 2007 was negative to the tune of €12,982 thousand.

The gain recorded on the hedged item was €13,749 thousand.

In addition, at 31 December 2007 the Parent Company's cross currency swap had a negative fair value of €70,772 thousand, reported under medium / long-terms financial liabilities, while the interest rate swap taken out by Redfire, Inc. had a positive fair value of €5,736 thousand, reported under non-current financial assets.

- *Foreign currency hedges*

At 31 December 2007, Campari International S.A.M. held forward contracts on receivables and payables in currencies other than the euro in its accounts.

The contracts were negotiated to match maturities with projected incoming and outgoing cash flows resulting from sales and purchases in individual currencies.

The fair value of these contracts at the reporting date (€419 thousand) is recorded under current financial assets.

Gains and losses on the hedged and hedging instruments used in cash flow hedges are summarised below.

	31 December 2007 € / 000	31 December 2006 € / 000
Gains on hedging instruments	3,877	351
Losses on hedging instruments	(16,859)	(27,325)
Total gains (losses) on hedging instruments	**(12,982)**	**(26,974)**
Gains on hedged instruments	17,502	27,797
Losses on hedged instruments	(3,753)	(349)
Total gains (losses) on hedged instruments	**13,749**	**27,449**

Cash flow hedge derivatives

The Group uses the following contracts to hedge its cash flows.

- *Interest rate swaps (forward starting) on the bond issue*

The Group has taken out forward starting interest rate swaps requiring payment from July 2008 at a fixed rate of 4.25% and 4.36% respectively on the underlyings of US$ 50 million (maturing in 2015) and US$ 150 million (maturing in 2018).

Therefore, some of the interest on bonds denominated in US$ and maturing in 2015 and 2018 will be hedged from July 2008 to maturity by cross currency interest rate swaps and interest rate swaps that can be classified as cash flow hedges.

The value reported at 31 December 2007 is €13,873 thousand, with a separate reserve as a contra entry under shareholders' equity, since the hedge meets the effectiveness criteria.

During the period, an unrealised gain of €10,699 thousand was posted to the reserve, together with the corresponding deferred tax effect of €2,942 thousand.

The following table shows maturities for the Group's cash flows, indicating the periods in which cash flows relating to the hedged part is due; these cash flows consist only of interest and have not been discounted.

31 December 2007	Due within 1 year € / 000	Due in 1-5 years € / 000	Due after 5 years € / 000	Total € / 000
Outgoing cash flows	3,816	24,754	32,719	61,289

31 December 2006	Due within 1 year € / 000	Due in 1-5 years € / 000	Due after 5 years € / 000	Total € / 000
Incoming cash flows		24,191	43,489	67,680

• *Hedging of future purchases and sales of foreign currencies*

At 31 December 2007, the Group held forward currency contracts, designated as hedging instruments, on expected future sales and purchases based on its own 2008 estimates. These transactions are highly probable.

Contracts were negotiated to match maturities with projected incoming and outgoing cash flows resulting from sales and purchases in individual currencies.

The main currencies hedged are the US dollar (nominal amount of US$ 11.3 million), Japanese yen (JPY 1.3 million) and the Swedish krona (SEK 3.2 million).

These hedging transactions met the requirements for effectiveness, and an unrealised gain of €815 thousand was suspended in shareholders' equity reserves, net of the related deferred tax effect.

All cash flows concerned will materialise in 2008.

The overall changes in the cash flow hedge reserve and the associated deferred taxes are shown below.

31 December 2007	Gross € / 000	Tax effect € / 000	Net € / 000
Opening balance	4,113	–1,113	3,000
Recognised in profit and loss during the period	–939	66	–873
Recognised in equity during the period	11,575	–3,004	8,572
Recognised in equity during the period due to changes in tax rates		174	174
Reserve at 31 December	**14,749**	**–3,876**	**10,873**
Ineffectiveness recognised in profit and loss	–29		–29

31 December 2006	Gross € / 000	Tax effect € / 000	Net € / 000
Opening balance	–192	15	–177
Recognised in profit and loss during the period	192	–15	177
Recognised in equity during the period	4,047	–1,113	2,934
Reserve at 31 December	**4,047**	**–1,113**	**2,934**
Ineffectiveness recognised in profit and loss	–25		–25

35. Nature and scale of the risks arising from financial instruments

The Group's main financial instruments include current accounts, short-term deposits, short and long-term bank loans, finance leases and bonds.

The purpose of these is to finance the Group's operating activities.

In addition, the Group has trade receivables and payables resulting from its operations.

The main financial risks to which the Group is exposed are market (currency and interest rate risk), credit and liquidity risk.

These risks are described below, together with an explanation of how they are managed.

To cover these risks, the Group makes use of derivatives, primarily interest rate swaps, cross currency swaps and forward contracts, to hedge interest rate and foreign exchange risks.

Credit risk

With regard to trade transactions, the Group works with medium-sized and large customers (mass retailers, domestic and international distributors) on which credit checks are performed in advance.

In addition, the trade conditions initially granted are particularly tight.

Each company subsequently initiates an assessment and control procedure for its customer portfolio.

As a result, historical losses on receivables represent a very low percentage of revenues and do not require special coverage and/or insurance.

The maximum risk at the reporting date is equivalent to the book value of trade receivables recorded under financial assets.

Financial transactions are carried out with leading domestic and international institutions 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 book value of these assets.

Liquidity risk

The Group's ability to generate substantial cash flow through its operations allows it to reduce liquidity risk to a minimum.

This risk is defined as the difficulty of raising funds to cover the payment of the Group's financial obligations.

The table below summarises financial liabilities at 31 December 2007 by maturity based on the contractual repayment obligations, including non-discounted interest.

For details of trade payables and other liabilities, see note 30 (Trade payables and other current liabilities).

31 December 2007	On demand € / 000	Due 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 to banks		114,695	925	518	623	116,761
Bonds		9,232	9,232	18,463	254,972	291,899
Liabilities for derivatives on bonds		3,259	1,551	4,207	68,800	77,817
Private placement		14,589	14,086	26,970	75,970	131,615
Property leases		3,494	3,494	6,988	3,036	17,012
Other financial payables		196	196	392	785	1,569
Total financial liabilities		**145,465**	**29,484**	**57,538**	**404,186**	**636,673**
Assets for derivative on private placement		(2,178)	(2,768)	(3,048)	(424)	(8,418)
Financial liabilities excluding hedging transactions		**143,287**	**26,715**	**54,491**	**403,762**	**628,255**

31 December 2007	On demand € / 000	Due 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 to banks		209,396	117	799	423	210,735
Bonds		10,319	10,319	20,638	295,319	336,595
Liabilities for derivatives on bonds		1,838	2,172	1,362	39,907	45,279
Private placement		16,870	16,308	31,013	99,795	163,986
Property leases		3,494	3,494	6,988	6,530	20,506
Other financial payables		1,362	404	777	1,521	4,064
Total financial liabilities		**243,279**	**32,814**	**61,577**	**443,494**	**781,163**
Assets for derivative on private placement		(584)	(2,435)	(5,180)	(1,795)	(9,993)
Financial liabilities excluding hedging transactions		**242,695**	**30,379**	**56,397**	**441,700**	**771,170**

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, it has unused credit facilities that it could use to cover any additional cash flow 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 Zedda Piras S.p.A., and one of the Parent Company's small loans.

The Parent Company's bond issue and the private placement of Redfire, Inc., originally issued at a fixed rate, have been reported at a variable rate on notional amounts in euro and US dollars respectively, to capitalise on opportunities offered by the lower interest rates available on the market in recent years.

However, in anticipation of a rise in interest rates, in early 2006 some of the Parent Company's bond debt was reported at a fixed rate through the use of several derivatives (from July 2008).

Sensitivity analysis

The following table shows the effects on the Group's profit and loss account 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 profit and loss account 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 profit and loss account.

The net tax effects of the effects on the profit and loss account are also included.

31 December 2007		Profit and loss account	
	Increase / decrease in interest rates in percentage points	Increase in interest rates €/ 000	Decrease in interest rates €/ 000
Euro	+ / – 11 basis points	–11	11
Dollar	+ / – 68 basis points	513	–513
Other currencies	+ / –16 basis points on CHF Libor, + / – 47 basis points on GBP Libor, + / –136 basis point on R$ Libor	301	–301
Total effect		802	–802

31 December 2006		Profit and loss account	
	Increase / decrease in interest rates in percentage points	Increase in interest rates €/ 000	Decrease in interest rates €/ 000
Euro	+ / – 50 basis points	–44	44
Dollar	+ / – 50 basis points	–77	77
Other currencies	+ / – 38 basis points on CHF Libor, + / – 69 basis points on GBP Libor, + / –100 basis points on R$ Libor	217	–217
Total effect		97	–97

• Foreign exchange risk

The expansion of the Group's international business has resulted in an increase in sales on markets outside the eurozone, which accounted for 38.3% of the Group's net sales in 2007.

However, the establishment of Group entities in countries such as the United States, Brazil and Switzerland allows this risk to be partly hedged, given that both costs and income are denominated in the same currency. In the case of the US, moreover, some of the cash flows from operations are used to redeem the US dollar-denominated private placement taken out locally to cover the acquisitions of certain companies.

Therefore, exposure to foreign exchange transactions generated by sales and purchases in currencies other than the Group's functional currencies only represented around 4% of consolidated sales in 2007.

For these transactions, Group policy is to mitigate the risk by using forward sales or purchases.

In addition, the Parent Company has issued a bond in US currency, where the foreign exchange risk has been hedged by a cross currency swap.

Sensitivity analysis

The following table shows the effects on the Group's profit and loss account of a possible change in euro exchange 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 profit and loss account 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 profit and loss account.

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 profit and loss account described earlier are also included.

31 December 2007		Profit and loss account		Shareholders' equity	
	Change in exchange rate in %	Increase in exchange rates € / 000	Decrease in exchange rates € / 000	Increase in exchange rates € / 000	Decrease in exchange rates € / 000
US$	+ / – 11%	–	–	–532	664
Other currencies	+ / – 2%	–	–	–106	110
Total effect		–	–	–638	774

31 December 2006		Profit and loss account		Shareholders' equity	
	Change in exchange rate in %	Increase in exchange rates € / 000	Decrease in exchange rates € / 000	Increase in exchange rates € / 000	Decrease in exchange rates € / 000
US$	+ / – 13%	–	–	–749	973
Other currencies	+ / – 5%	–	–	–432	478
Total effect		–	–	–1,181	1,451

36. Commitments and risks

The main commitments and risks of the Campari Group on the reporting date is shown below.

Non-cancellable operating leases with the Campari Group as lessee

The following table shows the amounts owed by the Group in future periods for leases on property.

Minimum future payments under operating leases	31 December 2007 € / 000	31 December 2006 € / 000
Under one year	3,023	2,681
One to five years	4,439	4,364
Over five years	–	–

The amount reported in the table refers to leases on cars, computers and other electronic equipment; factory and office leases are not 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 future minimum payments. The relationship between these and their present value is also reported.

Finance leases	31 December 2007		31 December 2006	
	Minimum future payments € / 000	Present value of future payments € / 000	Minimum future payments € / 000	Present value of future payments € / 000
Under one year	3,171	3,557	3,067	3,539
One to five years	12,860	13,523	15,959	17,016
Over five years	–	–	–	–
Total minimum payments	16,030	17,080	19,026	20,555
Financial charges	1,049		1,529	
Present value of minimum future payments	**17,080**	**17,080**	**20,555**	**20,555**

Existing contractual commitments for the purchase of property, plant and machinery

These commitments totalled €29.4 million, of which €27.3 million is due within one year.
Of these commitments, €25 million relate to the Parent Company, mainly in connection with the new Sesto San Giovanni site.

Other commitments

The Group’s other commitments for purchases of goods or services primarily consist of:
- purchases of raw materials relating to commitments to purchase 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;
- purchases of raw materials relating to packaging and consumables;

– leases and rentals relating to leasing liabilities amounting to €8.2 million for the Parent Company's lease agreement with Core One S.r.l. for the property located at Via Filippo Turati in Milan, the head office of the Parent Company and the Italian subsidiaries;
– sponsorship contracts.

Restrictions on the title and ownership of properties, equipment and machinery pledged to secure liabilities

The Group has several existing loans, with a current balance of €896 thousand, secured by mortgages on land and buildings and liens on machinery and equipment.

The original amount of these guarantees was €5.3 million.

Other guarantees

The Group has issued other forms of security in favour of third parties, such as customs bonds for excise taxes totalling €31.8 million at 31 December 2006 (€49.7 million at 31 December 2005) and other guarantees totalling €3.7 million (€5.9 million at 31 December 2007).

37. Related parties

The Parent Company, Davide Campari-Milano S.p.A., is controlled by Alicros S.p.A., with which the Group has not entered into transactions. Alicros S.p.A. is in turn controlled by Fincorus S.p.A.

In 2007, Fincorus S.p.A., Davide Campari-Milano S.p.A. and its Italian subsidiaries joined the national tax consolidation scheme for 2007-2009, whereby the Group and its participating companies, under the main shareholder Fincorus S.p.A., will be considered as a single entity for tax purposes.

As a result of this decision, and owing to specific contractual agreements for the transfer of IRES receivables and payables at nominal value, at 31 December 2007, the Group had a net liability to Fincorus S.p.A. of €17,107 thousand.

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 completed with related parties were carried out in the Group's interest.

In compliance with the requirements of Consob Communication 6064293 of 28 July 2006, the following table details the amounts of trade and financial transactions entered into with related parties.

31 December 2007	Trade receivables € / 000	Trade payables € / 000	Financial receivables € / 000	Tax payables and receivables € / 000	Other € / 000
Fior Brands Ltd.,	1,485	(269)	67		–
International Marques V.o.f.	1,330	(358)	–		–
M.C.S. S.c.a.r.l.	2,340	(769)	756		14
SUMMA S.L.	3,397	(1,865)	–		–
Fincorus S.p.A.	–	–	–	(17,107)	
	8,553	**(3,262)**	**823**	**(17,107)**	**14**
Percentage of related item in the accounts	3%	2%	2%	38%	0%

31 December 2006	Trade receivables € / 000	Trade payables € / 000	Financial receivables € / 000	Tax payables and receivables € / 000	Other € / 000
Fior Brands Ltd.,	1,318	(448)	1,492		9
International Marques V.o.f.	719	(164)	–		–
M.C.S. S.c.a.r.l.	2,285	(482)	1,008		5
SUMMA S.L.	2,581	(321)	–		–
	6,903	**(1,415)**	**2,499**	**–**	**14**
Percentage of related item in the accounts	3%	1%	6%		0%

31 December 2007	Sale of merchandise €/ 000	Trade allowances €/ 000	Other income and expenses €000	Financial income €000	Results of joint ventures €/ 000
Fior Brands Ltd.,	1,609	(1,028)	(252)	90	(614)
International Marques V.o.f.	3,675	(1,806)	14	–	107
M.C.S. S.c.a.r.l.	7,167	(2,367)	49	38	200
SUMMA S.L.	7,076	(4,067)	24	–	3
Fincorus S.p.A.	–	–		–	
	19,527	**(9,268)**	**(165)**	**128**	**(303)**
Percentage of related item in the accounts	2%	5%		1%	

31 December 2006	Sale of merchandise €/ 000	Trade allowances €/ 000	Other income and expenses €000	Financial income €000	Results of joint ventures €/ 000
Fior Brands Ltd.,	3,426	(1,573)	50	68	2
International Marques V.o.f.	3,603	(1,334)	(96)	–	69
M.C.S. S.c.a.r.l.	6,996	(2,422)	(1)	37	110
SUMMA S.L.	6,977	(2,877)	(370)	–	3
	21,002	**(8,206)**	**(417)**	**105**	**184**
Percentage of related item in the accounts	2%	5%		1%	

Outstanding loans consist of a loan to MCS S.c.a.r.l. of €756 thousand at 31 December 2007 and a loan to Fior Brands Ltd., in the process of being repaid, which has a residual balance of €67 thousand. Both of these loans were arranged with Campari Finance Teoranta.

These loans are charged variable-rate interest at 3-month Euribor + 25 basis points.

Remuneration paid to the Parent Company's directors who held management positions in the Group with strategic responsibility was as follows:

	31 December 2007 € / 000	31 December 2006 € / 000
Short-term benefits	5,647	4,650
Defined contribution benefits	39	18
Stock options	823	366
	6,509	**5,034**

38. Employees

The following tables indicate the average number of employees at the Group, broken down by activity, category and location.

Area	31 December 2007	31 December 2006
Production	686	721
Sales and distribution	593	570
General	310	314
Total	**1,589**	**1,605**

Category	31 December 2007	31 December 2006
Managers	96	100
Clerical	918	885
Manual	575	620
Total	**1,589**	**1,605**

Location	31 December 2007	31 December 2006
Italy	859	898
Abroad	730	707
Total	**1,589**	**1,605**

39. Events taking place after the end of the year

Property disposals

On 27 February 2008, the Parent Company finalised the sale of the plant and associated facilities at Cinisello Balsamo for a total of €6,650 thousand, generating a capital gain of €6,052 thousand, recognised in 2008.

The building, used as a storage facility for finished alcohol products until February 2008, was the subject of a preliminary sale agreement in November 2007, and was later reclassified under non-current assets held for sale at the net book value of €598 thousand.

In early 2008, preliminary sale agreements were also finalised for two other plots of land in Termoli, where the Company had a production facility until 2003, for a total value of €370 thousand.

The largest and most valuable part of the Termoli site was sold in 2007, as previously reported.

The entire plant was subject to impairment in 2006, when it was reclassified under non-current assets held for sale at estimated market value.

Milan, 18 March 2008

Chairman of the Board of Directors
Luca Garavoglia

Certification of the consolidated accounts pursuant to article 81-*ter* of Consob Regulation 11971 of 14 May 1999, as subsequently amended and supplemented

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

- the appropriateness in view of the nature of the business and
- the effective application

of the administrative and accounting procedures used to prepare the 2007 consolidated accounts.

2. We also certify that the consolidated accounts for the year ending 31 December 2007:
a) accurately represent the figures contained in the Group's accounting records;
b) were prepared in accordance with the International Financial Reporting Standards adopted by the European Commission according to the procedure set out in article 6 of Regulation (EC) 1606/02 of the European Parliament and of the Council of 19 July 2002, and are therefore considered to give a true and fair view of the asset, profit and loss and cash flow position of the issuer and its consolidated companies.

Milan, 18 March 2008

Robert Kunze-Concewitz
Managing Director

Stefano Saccardi
Managing Director

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

REPORT OF THE INDEPENDENT AUDITORS

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 156 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998
(TRANSLATION FROM THE ORIGINAL ITALIAN TEXT)

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

1. We have audited the consolidated financial statements of Davide Campari - Milano S.p.A. and subsidiaries (the Davide Campari – Milano S.p.A. Group), as of and for the year ended December 31, 2007, comprising the consolidated balance sheet, the consolidated statement of operations, changes in shareholder's equity and cash flows and the related explanatory notes. These consolidated financial statements are the responsibility of the Davide Campari – Milano's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the 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 statement, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 5, 2007.

3. In our opinion, the consolidated financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholder's equity and the cash flows of Davide Campari - Milano S.p.A. as of December 31, 2007 and for the year then ended in accordance with IFRS as adopted by the European Union and the standards issued in accordance with art. 9 of Italian Legislative Decree n° 38/2005.

Milan, April 10, 2008

Reconta Ernst & Young S.p.A
signed by:
Alberto Romeo
(Partner)

This report has been translated into the English language solely for the convenience of international readers.

■ Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.303.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CC.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U.
Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10381 del 16/7/1997

DAVIDE CAMPARI MILANO S.p.A.
registered office via Filippo Turati, 27 - MILAN
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 of the Campari Group for the year ending 31/12/2007 pursuant to article 41 of Legislative Decree 127 of 9 April 1991

To the shareholders of the Parent Company Davide Campari Milano S.p.A.

Within the parameters of our remit, we have audited, pursuant to article 41 of Legislative Decree 127/91, the consolidated accounts of the Parent Company Davide Campari Milano S.p.A. for the year ending 31 December 2007, which were drawn up in accordance with IAS/IFRS, pursuant to Legislative Decree 38 of 28 February 2005 implementing EC Regulation 1606 of 18 July 2002. The accounts for the year ending 31 December 2007 show net profit for the year of € 125,184 thousand (of which € 33 thousand pertains to minorities), total assets of 1,708,322 thousand and shareholders' equity of € 878,555 thousand (of which € 1,928 thousand is attributable to minorities). Following the adoption of IAS, memorandum accounts are no longer included, nor recorded as a liability or classified individually as commitments; they are however shown in the accounts and accompanying documents submitted for 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 audit of subsidiaries' accounts as required by law was conducted by their respective boards of statutory auditors, in the case of the Italian companies, 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 venture and affiliated companies have been valued at equity. Changes in the basis of consolidation compared with the previous year refer to new acquisitions completed by the end of the year (i.e. with all necessary authorisations obtained) or new subsidiaries which have been established and become operational during the year. The mergers that took place during the year did not involve any changes in the basis of consolidation.
4. The consolidation principles adopted comply with the provisions of article 31 of Legislative Decree 127/91, in particular:
   - the basis of consolidation has been defined in accordance with the principles set out in articles 26 and 28 of Legislative Decree 127/91;
   - the reporting date for the consolidated accounts coincides with the end of the Parent Company's financial year (31 December 2007), and the accounts are based on the financial statements of the companies included in the basis of consolidation, which have the same

financial year as the Parent Company, except for Summa S.L., which for reasons relating to its majority shareholder, has its financial year-end on 30 September, and therefore provides figures to 31 December solely for the purposes of the consolidated accounts of the Campari Group;

- the assets and liabilities, and expenses and revenues for consolidated companies are fully reflected in the consolidated accounts; the book value of the equity investments is eliminated against the corresponding portion of the shareholders' equity of the subsidiaries (individual assets and liabilities are assigned the value given to them on the date control was acquired) and any differences are either recorded under the assets item "goodwill" if positive, or allocated to the profit and loss account 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.

5. The following companies, in which the Group owns a minority stake, are consolidated using the equity method: FIOR BRAND Ltd (in liquidation, International Margue V.o.f., M.C.S. S.c.a.r.l. and Summa S.L.

6. Reconta Ernst & Young, the company appointed to audit the consolidated accounts, has informed us that their auditors' report will be issued on time and that it will make no recommendations.

7. The documentation examined and information obtained do not show any departure from the legislation governing consolidated accounts as supplemented by the above-mentioned accounting standards or from the laws governing the conduct of boards of statutory auditors.

8. We confirm that the method of preparing the accounts and the content of the notes to the accounts conform with the provisions of articles 29 and 32 of Legislative Decree 127/91, and notably, that:

- the consolidated accounts include the profit and loss accounts and balance sheets of the Parent Company and the Italian and foreign subsidiaries 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 who report on the related effects;
- the formats stipulated by the relevant international accounting standards for the preparation of the balance sheet, profit and loss account and notes to the accounts have been complied with. In particular, the profit and loss account is classified by function, and the balance sheet shows current and non-current assets and liabilities separately;
- the notes to the accounts have been drafted in accordance with article 38 of Legislative Decree 127/91; in particular, the list of consolidated companies and the consolidation methods applied comply with article 39 of the same decree, and the Directors provide comprehensive information on the basis of consolidation and any changes thereto, as well as on the consolidation methods and 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.

The accounting policies have been uniformly applied and no anomalous situations or cases arose requiring exceptions to be applied pursuant to article 29, paragraph IV of Legislative Decree no. 127/91. There were therefore no changes compared to the previous year.

9. The main IAS/IFRS applied in the consolidated accounts are as follows:

- IAS 27: Consolidated and Separate Financial Statements
- IAS 14: Segment Reporting
- IAS 21: The Effects of Changes in Foreign Exchange Rates
- IAS 23: Borrowing Costs
- IAS 32: Financial Instruments: Presentation
- IAS 33: Earnings per Share
- IAS 38: Intangible Assets
- IAS 39: Financial Instruments: Recognition and Measurement
- IFRS 2: Share-based Payment

The nature and function of these standards and the effects of their application is explained in the notes to the accounts, as are any amendments to these standards and/or the future application of such amendments from 1 January 2008 and thereafter.

10. 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 profit and loss account at 31 December 2007, in accordance with the legislation governing consolidated accounts, as referred to in point 1 of section A).

B) Review of the report on operations

1. We have reviewed the Directors' report on operations, which accompanies the consolidated financial statements, to verify that it complies with the minimum content specified in article 40 of Legislative Decree 127/91, and that it is consistent with the consolidated accounts pursuant to article 41 of Legislative Decree 127/91.

2. As a result of the checks carried out, the Board of Auditors considers that the Group's report on operations is accurate and consistent with the consolidated financial statements. Milan, 3 April 2008

Chairman of the Board of Auditors

Antonio Ortolani

Statutory Auditors

Alberto Lazzarini

Giuseppe Pajardi

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Realizzazione, impianti e stampa
Marchesi Grafiche Editoriali S.p.A.

Finito di stampare nel maggio 2008

WWW.CAMPARIGROUP.COM

Bilancio consolidato al 31 dicembre 2007 Consolidated financial statements 2007