Davide Campari – Milano S.p.A.

Consolidated financial statements

as at 31 December 2003

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BOARD OF DIRECTORS (1)

Luca Garavoglia	Chairman
Jörn Böttger	Managing Director and Chief Operating Officer Italy
Carlo P. Campanini Bonomi	Director (2)
Matteo D'Asta	Director (3)
Cesare Ferrero	Director and Member of the Audit Committee
Franzo Grande Stevens	Director and Member of the Appointments and Remuneration Committee
Paolo Marchesini	Director and Chief Financial Officer
Marco P. Perelli-Cippo	Managing Director and Chief Executive Officer
Giovanni Rubboli	Director, Member of the Audit Committee and Member of the Appointments and Remuneration Committee
Renato Ruggiero(2)(4)	Director and Member of the Remuneration and Appointments Committee (2) (4)
Stefano Saccardi	Managing Director and Legal Affairs and Business Development Officer
Vincenzo Visone	Director and Deputy Chief Executive Officer
Marco Vitale	Director and Member of the Audit Committee
Anton Machiel Zondervan	Director

At the shareholders' meeting held on 2 May 2001 Luca Garavoglia was confirmed in the post of chairman for three years until approval of the 2003 accounts and granted the necessary powers in accordance with the law and the company's articles of association.
At the Board of Directors meeting that took place on 7 May 2001 managing directors Marco P. Perelli-Cippo, Stefano Saccardi and Jörn Böttger were granted the following powers for three years until approval of the 2003 accounts:

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

BOARD OF STATUTORY AUDITORS (5)

Umberto Tracanella	Chairman
Marco di Paco	Permanent Auditor
Antonio Ortolani	Permanent Auditor
Angeloguido Mainardi	Deputy Auditor
Giuseppe Pajardi	Deputy Auditor
Mario Tracanella	Deputy Auditor

INDEPENDENT AUDITORS (6)

Reconta Ernst & Young S.p.A.

(1) *In post until approval of the 2003 accounts, in accordance with the resolution of 2 May 2001.*
(2) *Co-opted to the board on 4 March 2002, following the resignation of directors Geert Gaarnat and Nicolaas J.M. Kramer; these appointments were subsequently approved at the shareholders' meeting of 30 April 2002..*
(3) *Appointed as the shareholders' meeting of 30 April 2002, following the death of Vincenzo Caianiello, who was previously a director and member of the Appointments and Remuneration Committee.*
(4) *Appointed Member of the Appointments and Remuneration Committee by the Board of Directors on 13 May 2002.*
(5) *In post until approval of the 2003 accounts, in accordance with the resolution of 2 May 2001.*
(6) *Appointed to audit the 2001, 2002 and 2003 accounts at the shareholders' meeting of 1 March 2001.*

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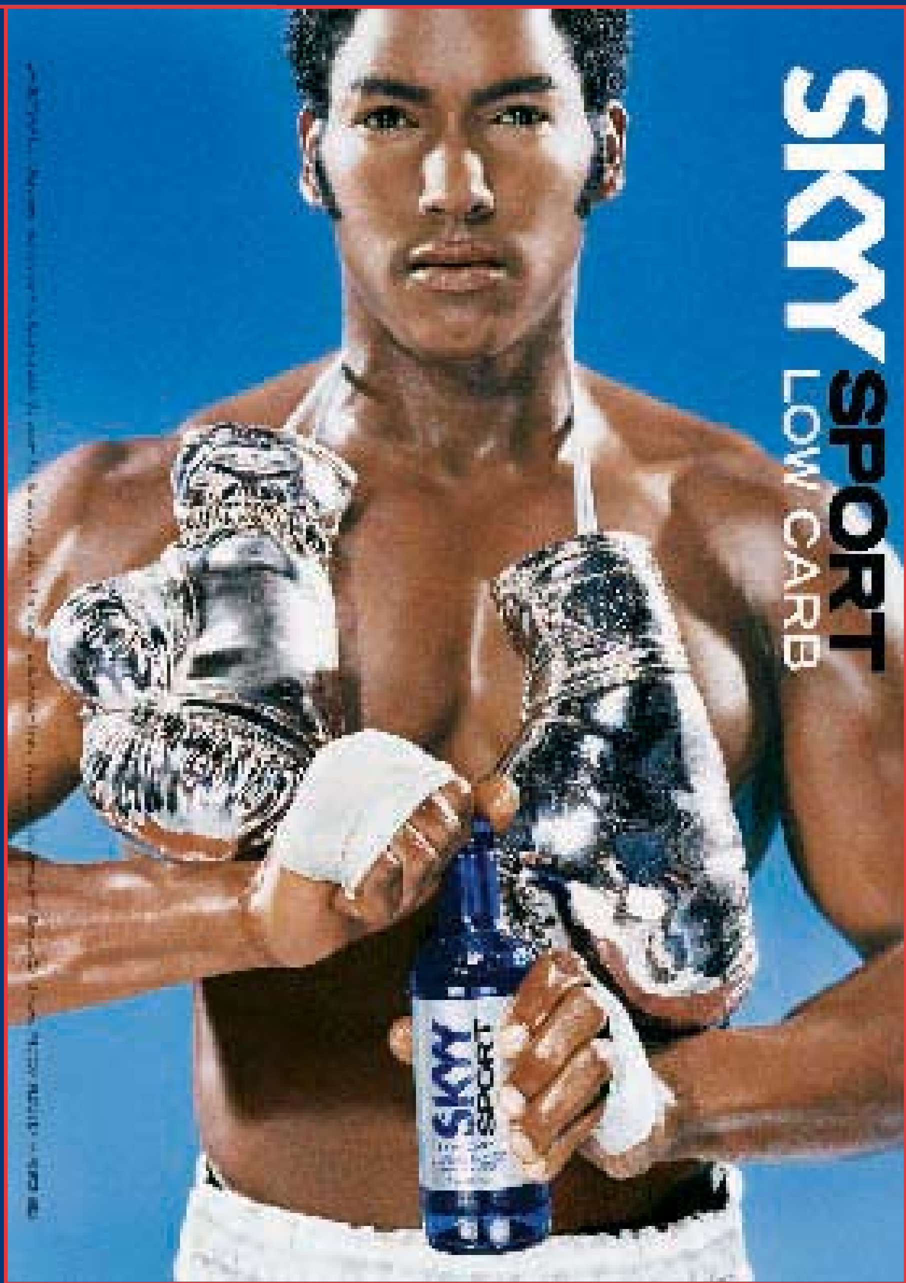


Directors’ Report

INTRODUCTION

In 2003 the Campari Group achieved its aims of delivering both organic and external growth.

Net sales increased by 8.1%, while EBIT went up by 6.6%.
Stripping out the impact of the fall in value of the US dollar and Brazilian real, the figures were 14.5% and 15.3% respectively.

The external growth begun in previous years continued in 2003: in December the Group acquired Barbero 1891 S.p.A., while in July it purchased the Riccadonna brand (effective from January 2004).

The Barbero acquisition, which is described in further detail in the "Significant events" section, has added a number of major brands to the Group's product portfolio, including Aperol, Aperol Soda, Mondoro, Barbieri and Serafino.

The table below contains a results summary for 2003, with figures for 2002 provided for comparison.
To highlight the significant financial impact of exchange rate fluctuations, the table also shows the 2003 results at the average exchange rates for 2002 so as to show the percentage changes at constant exchange rates and eliminate the effects of currency movements.

€ million	2003	2002	% change	2003 pro forma at average 2002 exchange rates	% change at constant exchange rates(1)
Sales net of discounts and excise duties	714.1	660.6	8.1%	756.5	14.5%
EBITDA	169.2	160.0	5.8%	179.8	12.4%
EBITA	150.7	142.4	5.8%	160.7	12.8%
EBIT	122.2	114.7	6.6%	132.2	15.3%
Profit before tax and minority interests	138.1	123.4	11.9%	147.1	19.2%
Group net profit	79.8	86.7	–7.9%	83.3	–3.9%

(1) *This is the percentage change between pro forma 2003 figures and 2002 consolidated figures; in the pro forma 2003 results, figures in currencies other than Euro have been converted at average 2002 exchange rates.*

SIGNIFICANT EVENTS

This section sets out the significant events that occurred in 2003, in chronological order.

Agreement with the trade unions

On 10 January 2003 the Group announced that it had reached an important agreement with the trade unions on the rationalisation of its production facilities, and in particular, on the opening of a new plant in Novi Ligure and the gradual winding down of the plants in Sesto San Giovanni and Termoli.
The agreement includes substantial financial support for the employees placed in "*liste di mobilità*" (under the government's "*programma di mobilità*"), and was reached in a wholly transparent manner.

The restructuring was announced in March 2002, and should be completed by the end of 2005.

Joint venture on the Spanish market

On 10 February 2003 the Campari Group announced the creation of Summa S.L., a joint venture with the Gonzalez Byass Group, the Spanish market leader in production and sales of sherry, brandy and other wines and spirits.
The joint venture began operating in April 2003, and is intended to boost sales of both groups' brands on the Spanish market.
Campari owns 30% of the new company (Gonzales Byass: 70%), which projects volume sales of 1.8 million cases and turnover in excess of € 65 million per year.

US launch for SKYY Berry, SKYY Spiced and SKYY Vanilla

In March 2003 SKYY Spirits, LLC launched three additions to the SKYY Vodka range: SKYY Berry, SKYY Spiced and SKYY Vanilla, which join the existing SKYY Citrus flavour.

Sella & Mosca stake increased to 100%

In June 2003 the Group increased its stake in Sella & Mosca S.p.A. to 100%, by acquiring the remaining 22.38% from third parties through Zedda Piras S.p.A.
It paid € 8.5 million for the stake.

Merger of Francesco Cinzano & C.ia S.p.A. into Campari-Crodo S.p.A.

On 26 June 2003, Francesco Cinzano & C.ia. S.p.A. was merged into Campari-Crodo S.p.A.
For the purposes of corporate income tax, the merger became effective from 1 January 2003 (pursuant to article 123 of Presidential Decree 917/86), while for legal purposes it took effect on 14 November 2003.

US$ 300 million bond issue aimed at US institutional investors

Following the success of the senior guaranteed notes placement on the US market in 2002, and to take advantage of particularly favourable conditions on the debt markets (investor demand and interest rate levels), on 16 July 2003 the Parent Company Davide Campari-Milano S.p.A. completed a US$ 300 million bond issue in a private placement aimed at US institutional investors.
The transaction was structured in two tranches of US$ 100 million and US$ 200 million, consisting of bullet bonds maturing in 12 years and 15 years, with a fixed coupon of 4.33% and 4.63% respectively.
As a result, the Group has secured financial resources with a longer maturity than the debt contracted the previous year, and at more advantageous terms, placing it in a strong position to fund future growth.
At the same time, the Group carried out a cross currency swap in an attempt to eliminate currency risk, converting debt originally denominated in US dollars into euro (at a rate of 1.1630), and exchanging a fixed interest rate for a variable one (Euribor plus a spread of around 60 basis points).

Sale of the building in Via Filippo Turati, Milan

On 18 July 2003 the Group announced that it had sold its building in Via Filippo Turati in Milan for € 47.4 million, to take advantage of the buoyant property market, and as part of the rationalisation of the Group's Italian sites.
The property was previously leased by the Parent Company under financial leasing agreements signed with Credemleasing S.p.A.
The agreements were terminated early on 29 July 2003, when the Group regained ownership of the building in return for a final payment of € 12.7 million.

Also on 29 July 2003, a six-year lease was signed with Core One S.r.l., enabling the Group to maintain the aforementioned building as the registered office for both the Parent Company and some of its Italian subsidiaries.
The sale resulted in a capital gain of € 33.7 million before tax, boosting consolidated results.

Agreement to acquire the Riccadonna brand

On 31 July 2003 Campari-Crodo S.p.A. signed an agreement to acquire the Riccadonna brand from Bersano S.p.A. for € 11.3 million.
The operation became effective from January 2004.
In February 2004 Barbero 1891 S.p.A. acquired ownership of the Riccadonna brand from Campari-Crodo S.p.A.
Since 1995, Campari has distributed the Riccadonna brand on its main export markets, especially Australia and New Zealand, where Riccadonna is market leader in the Asti sparkling wine segment.
Following the agreement with Bersano S.p.A., the Group will extend this distribution worldwide, including Italy.
Barbero 1891 S.p.A. will be responsible for distributing Riccadonna products on the Italian market, while Campari International S.A.M. will manage distribution on the international markets.
Production of Riccadonna has been taken over by Barbero 1891 S.p.A., which has the know-how and technology to produce both sparkling wines and vermouth, given that before its takeover by the Campari Group it used to produce and market the Conte di Cavour brand.
2003 net sales of Riccadonna are projected at around € 13 million, of which exports should account for € 7 million.
Riccadonna, which was established in 1921 in Canelli, near Asti, makes products that include a number of important sparkling wine brands sold in Italy and overseas, such as Asti Riccadonna and President Reserve Riccadonna.

Production ends at Termoli

As indicated in the Group's restructuring plan (and agreed with the trade unions), the Termoli plant ceased production in the last week of July.
Campari production previously carried out at Termoli has been transferred to Sesto San Giovanni, while production of Cynar, Biancosarti and Jägermeister is to be transferred to the new facility at Novi Ligure.

Start-up of operations at Novi Ligure

The new production facilities at Novi Ligure opened on 4 August 2003.
By 31 December 2003, the sparkling wine and vermouth cellars, bottling plant and warehouses were all operational.
Following a pilot phase, the facilities producing vermouth and sparkling wine came into operation at the end of the year, and the products began to be distributed for sale in January 2004.
Production of Cynar, Jägermeister and Biancosarti began at the plant in early 2004.

Barbero acquisition

On 3 December the Parent Company completed the acquisition of 100% of Barbero 1891 S.p.A. from the Irish Group Cantrell & Cochrane, controlled by the UK private equity fund BC Partners.
The product portfolio acquired with the transaction comprises Aperol, Aperol Soda and Barbieri liqueurs in the spirits segment, which accounts for around 60% of sales, and Mondoro and Enrico Serafino in the wines segment.
Thanks to its distinctive qualities and an extremely successful marketing and promotions strategy, Aperol saw its sales rise by an impressive 16.5% per year on average in 2001-2003.

Aperol Soda is a line extension launched successfully in 1995.
Mondoro is a premium Asti sparkling wine that is well known internationally, and is a leader on the Russian market: the brand will join Cinzano and the newly-acquired Riccadonna to complete the Group's range in the Asti segment.
The acquisition did not include certain sparkling wine brands – including Conte di Cavour, which was sold by Barbero 1891 S.p.A. to the Gancia Group before Campari's acquisition of Barbero – and the Frangelico brand, which remains the property of Cantrell & Cochrane.
The cost of the acquisition totalled € 147.1 million, including the costs of the operation itself and excluding the new acquisition's liquid assets (€ 75.3 million), which were added to the value of the transaction.
This sum was paid in cash, and was financed using some of the funds raised from the bond issue completed in 2003.
Barbero S.p.A. was included in the basis of consolidation from the acquisition date.
Campari's consolidated results for 2003 therefore include all of Barbero's balance sheet figures for the year, but only December's profit and loss figures.
The operation generated € 138.4 million of goodwill, to be amortised over 20 years.
As stated above, Barbero 1891 S.p.A. subsequently acquired the Riccadonna brand, which it distributes on the Italian market.
Campari International S.A.M. distributes Riccadonna on the international markets.

Sale of Campari-Crodo S.p.A. to Davide Campari-Milano S.p.A.

In December 2003, the Parent Company acquired 100% of Campari-Crodo S.p.A. from DI.CI.E Holding B.V. as part of the process of streamlining the Group's structure.
The value of the transaction was € 300 million, plus the difference between the net debt calculated in the independent valuation and the net debt on the completion date (€ 13 million).
The Group will be continuing the streamlining process in 2004, and plans to merge Campari-Crodo S.p.A. into the Parent Company.
These two operations will have no effect on the Group's consolidated accounts.

Increase in excise duties

The Italian budget law for 2004 increased excise duties on alcohol by 13% from 1 January 2004; the new tax is € 730.87 per 100 litres of pure alcohol.

Adoption of international accounting standards

On 30 December 2003 the CERS (Committee of European Securities Regulators) published a recommendation on how listed companies should manage the transition to new international financial reporting standards (IFRS), which will have to be adopted by the end of 2005.
The document recommends that listed companies should describe in their 2003 annual reports the measures they have taken to adopt the new standards, and the progress made in this respect.
To this end, the Group has begun an initiative to examine the accounting policies used in the various Group companies (with the aim of harmonising them), document the differences between current accounting methods and IFRS, and assess the possible impact of adopting IFRS on the Group's balance sheet and profit and loss account, administrative processes and IT systems.

Group performance

SALES PERFORMANCE

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

General sales trend

Consolidated sales totalled € 714.1 million for the year ending 31 December 2003, a rise of 8.1% on the figure of € 660.6 million recorded the previous year.

Net sales breakdown	€ million	% change versus 2002
– net sales 2003	714.1	
– net sales 2002	660.6	
Increase in net sales	**53.5**	**8.1%**
of which		
external growth	32.3	4.9%
organic growth before exchange rate effect	63.5	9.6%
exchange rate effect	–42.3	–6.4%
Increase in net sales	**53.5**	**8.1%**

As the table above shows, external growth was € 32.3 million, contributing 4.9% of the overall growth figure.
This was largely generated by sales of 1800 Tequila (4.3%, or € 28.1 million) by SKYY Spirits, LLC in the first nine months of the year.
For the last quarter of 2003 sales of this product came under organic growth, as the Group began distributing 1800 Tequila in the US in October 2002.
The remaining 0.6% external growth (€ 4.2 million) was generated by Barbero sales in December, when the acquisition became effective and the company was included in the basis of consolidation.
Organic sales growth – at the average 2002 exchange rate – was 9.6%, as almost all of the Group's main brands achieved positive results.
The main contributors to organic growth were Campari Mixx, a ready-to-drink line launched in the second half of 2002, SKYY Vodka and soft drinks.
However, negative exchange rate movements reduced the value of sales by 6.4% versus 2002: the average value of the US dollar against the euro in 2003 was 16.4% lower than in 2002, while the Brazilian real lost 19.8% of its average value against the euro over the same period.

Average exchange rates	2003	2002	% change
US$ x 1 €	1.131	0.946	
€ x 1 US$	0.8843	1.0572	–16.4%
BRL x 1 €	3.471	2.784	
€ x 1 BRL	0.2881	0.3593	–19.8%

Net sales by region

The first table gives a geographical breakdown of net sales, while the second identifies the contribution of each region, provides external and organic growth figures and shows the effect of exchange rate movements.

Net sales by region	2003 € million	2003 %	2002 € million	2002 %	% change 2003 / 2002
Italy	339.8	47.6%	311.0	47.1%	9.3%
Europe	138.9	19.4%	127.3	19.3%	9.1%
Americas	218.4	30.6%	200.2	30.3%	9.1%
Rest of the world	17.0	2.4%	22.1	3.3%	–23.2%
Total	714.1	100.0%	660.6	100.0%	8.1%

Breakdown of % change in net sales by region	total change in % 2003 / 2002	of which external growth	of which organic growth before exchange rate effect	of which exchange rate effect
Italy	9.3%	1.1%	8.2%	0.0%
Europe	9.1%	0.5%	9.1%	–0.5%
Americas	9.1%	14.1%	14.6%	–19.6%
Rest of the world	–23.2%	0.3%	–12.7%	–10.8%
Total	8.1%	4.9%	9.6%	–6.4%

The Group's strong net sales growth figure (8.1%) was driven by broadly similar rates in its three main geographical areas: 9.3% in Italy and 9.1% in both Europe and the Americas.
The only drop in sales was registered in the rest of the world (–23%), which in any case accounts for under 3% of the total.

Net sales in Italy (47.6% of the total) rose by 9.3% versus the previous year, to € 339.8 million, thanks to both organic (8.2%) and external (1.1%) growth.
External growth was driven by sales of Barbero brands, which were consolidated in December only (see above).
All three business areas made a positive contribution to organic growth on the Italian market.
In the spirits segment, Campari Mixx (launched in the second half of 2002) made a particularly significant contribution, but all of the Group's main brands performed well.
Wine sales saw double-digit growth, chiefly as a result of an excellent performance from Cinzano sparkling wines.
Lastly, sales of all soft drink brands rose steadily, benefiting from the particularly hot summer.
Italian sales growth would have been even better (+10.5%) without the drop in income recorded under "other sales" that was mainly attributable to the non-core activity of bottling for third parties at the Sulmona plant.

European sales accounted for € 138.9 million in 2003, or 19.4% of the total.
This represented an increase of 9.1% versus the previous year, driven entirely by organic growth.
External growth (one-month consolidation of Barbero) and negative exchange rate movements had a negligible effect on European sales: +0.5% and –0.5% respectively.
There were two key drivers of European sales in 2003:

- the launch of Campari Mixx in Germany and Austria in March 2003;
- a new distribution agreement for the important Russian market, which mainly boosted sales of Cinzano vermouth and sparkling wines.

Two other factors had a positive effect on European sales growth in 2003 – albeit to a lesser extent – and offer good medium-term growth prospects:

- the sharp trend reversal on the German market, following a general upturn in consumption; however, the main reason underlying this improvement was the positive effect of the reorganisation of operations carried out by Campari Deutschland GmbH over the course of the year, which has begun to feed through to results;
- the launch of SKYY Vodka on nearly all markets.

In the Americas (30.6% of the total), net sales rose by 9.1% versus the previous year, to € 218.4 million. This result was due to a combination of factors:

- organic growth of 14.6%, stripping out the negative exchange rate effect;
- sales of 1800 Tequila (distribution rights acquired in October 2002), which generated external growth of 14.1%;
- the decline of the US dollar and Brazilian real against the euro, eroding the region's net sales figure by 19.6%.

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

Breakdown of net sales in the Americas	2003 € million	2003 %	2002 € million	2002 %	% change 2003 / 2002
US	163.2	74.7%	138.1	69.0%	18.2%
Brazil	47.8	21.9%	55.2	27.6%	–13.5%
Other countries	7.4	3.4%	6.9	3.4%	7.7%
Total	**218.4**	**100.0%**	**200.2**	**100.0%**	**9.1%**

Breakdown of % change in net sales in the Americas	total change in % 2003 / 2002	of which external growth	of which organic growth before exchange rate effect	of which exchange rate effect
US	18.2%	20.4%	17.0%	–19.1%
Brazil	–13.5%	0.0%	7.8%	–21.4%
Other countries	7.7%	0.2%	22.7%	–15.3%
Total	**9.1%**	**14.1%**	**14.6%**	**–19.6%**

Net sales in the US grew by 18.2%, despite the negative impact of the decline of the US dollar against the euro (19.1%).
Skyy Spirits, LLC performed particularly strongly in local currency terms on the North American market:

- organic sales growth was 17%, driven by both the strong performance of SKYY Vodka's main brand and the launch of three new additions to the range, namely SKYY Berry, SKYY Spiced and SKYY Vanilla;
- external growth, generated by sales of 1800 Tequila, was 20.4%.

In Brazil, net sales fell by 13.5%: although sales grew by 7.8% in local currency terms, this was more than offset by the 21.4% drop in the value of the Brazilian real against the euro.

In the other countries making up the Americas region, particularly Mexico and Argentina, organic sales growth was 22.7%; however, negative exchange rate movements reduced this figure to 7.7%.

Net sales for the rest of the world declined by 23.2%, due to negative exchange rate movements (–10.8%) and the effects of the local distributor's destocking policy on the important Japanese market, which was maintained throughout the year.
The sales performance was positive for all other markets included in this category (stripping out exchange rate effects), notably in Australia, followed by New Zealand and Israel.

Sales by business area

The two tables below show:

- the sales breakdown and growth by business area;
- total growth for each area, which is broken down into external growth and organic growth, and also shows the effect of exchange rate movements.

Net sales by segment	2003 € million	2003 %	2002 € million	2002 %	% change 2003 / 2002
Spirits	467.6	65.5%	426.6	64.6%	9.6%
Wines	99.0	13.9%	96.6	14.6%	2.5%
Soft drinks	140.3	19.6%	127.3	19.3%	10.2%
Other sales	7.2	1.0%	10.1	1.5%	–28.7%
Total	**714.1**	**100.0%**	**660.6**	**100.0%**	**8.1%**

Breakdown of % change in net sales by segment	Total % change	of which external growth	of which organic growth before the exchange rate effect	of which exchange rate effect
Spirits	9.6%	7.2%	11.5%	–9.1%
Wines	2.5%	1.2%	4.3%	–3.0%
Soft drinks	10.2%	0.0%	10.2%	0.0%
Other sales	–28.7%	4.9%	–28.5%	–5.1%
Total	**8.1%**	**4.9%**	**9.6%**	**–6.4%**

All three business areas made a positive contribution to overall growth in Group sales. The spirits segment (65% of total sales), made a major contribution to overall growth, with sales up 9.6% versus 2002; the soft drinks segment also performed very well thanks to the hot summer (+10.2%); although growth in wine sales was more modest at 2.5%.

Spirits

Spirits sales totalled € 467.6 million in 2003, a 9.6% increase on the previous year.
Growth in this business area was driven by a positive performance from most group brands.
Organic growth before exchange rate effects was 11.5%.

The spirits segment was also boosted by external growth of 7.2%, thanks to sales of 1800 Tequila (+6.6%) and, in December only, Barbero products (0.6%), which include Aperol, Aperol Soda and Barbieri liqueurs. The segment, with 45% of total sales in the Americas, was hard hit by negative exchange rate movements mainly affecting the US dollar and the Brazilian real (–9.1%).

The performance of the main spirits' brands is reported below.
Net sales of **Campari**, before exchange rate effects, were 3.4% higher than in the previous year; however negative exchange rate movements (4.5%) led to a 1.1% drop in overall sales.
Sales on the three main markets for this product (Italy, Brazil and Germany) were highly satisfactory.
In Italy, net sales of Campari rose by 10.8% versus the previous year, showing that the brand is performing well; however, the upturn in sales in the final quarter may have been partly attributable to the announcement of an increase in excise duties on alcohol, which became effective on 1 January 2004.
Campari sales in Brazil remained buoyant: despite an economic climate unfavourable to premium spirits, the brand gained market share following a promotional and advertising campaign, and posted an encouraging rise in sales.
However, the substantial depreciation of the Brazilian real has had a very negative impact on the contribution of Campari sales made by the Brazilian subsidiary.
In Germany, the recovery in Campari sales that took place in the first half of the year was consolidated, with the brand achieving stronger growth than in 2002, which went well beyond expectations.
In other countries, the sales performance of Campari varied considerably: the economic situation in some of its main markets, including France, Spain, and especially Japan, affected sales, while the brand's results were much more positive in Austria and Russia.

SKYY Vodka continued to sell extremely well: sales reached two million cases in 2003, and for the ninth consecutive year, it was included on the "hot brand" list compiled by Impact (a leading spirits industry publication), which honours the top 15 spirits brands with the fastest growth rates worldwide.
SKYY Vodka was placed fourth on the list in 2003.
The launch on the US market in March 2003 of three new additions to the SKYY Vodka range – SKYY Berry, SKYY Spiced and SKYY Vanilla – to complement the existing citrus flavour, made a clear contribution to this performance: flavoured products represented 16% of total SKYY brand sales in 2003.
Sales of SKYY Vodka (including the "flavours" range) made a major contribution to the spirits business in 2003, recording sales growth (before exchange rate effects) of 24.5%.
The high proportion of sales of this brand recorded in the US (over 90% of the total), combined with significant US dollar depreciation, reduced SKYY Vodka's sales in euro terms by 20%, to 4.5%.
Although in absolute terms the results remain relatively modest, sales of SKYY Vodka outside the US rose by 32.2% over the period, since the number of countries where the brand is distributed is constantly increasing, and SKYY Vodka is becoming more established in countries offering excellent prospects, such as Canada and Italy.

Net sales of **CampariSoda** rose by 4.3% versus the previous year.
Growth was slightly higher in Italy, where 98% of sales are recorded, at 4.7% .

In the ready-to-drink market, after initial launches of **Campari Mixx** in Italy and Switzerland in 2002, the brand was introduced in Germany and Austria – where the Group signed two important agreements with local distributors – in early 2003.
The ready-to-drink segment was hit in 2003 by heavy tax rises in some European countries, including Switzerland and Germany, which could have a serious impact on this market's future development; consequently, the Group has decided to suspend new projects or planned launches on these markets.
Sales of Campari Mixx almost tripled in 2003 compared to the previous year, thanks to significant sales growth in Germany and Austria, and especially in Italy.

In addition, Campari Mixx Orange, a new line extension with a sweeter flavour and lower alcohol content, which should have more widespread appeal, was launched in Italy in May 2003.

Brazilian brands put in a mixed sales performance in 2003: Dreher *aguardiente* did well, but sales of admix whiskies suffered as a result of the ongoing economic crisis, due to their relatively high prices.
Dreher sales rose by 14.9% in local currency terms, partly due to the effectiveness of a high profile promotional and advertising campaign, which was stepped up over the year.
However, sales of the Old Eight and Drury's admix whisky brands declined by 5% at constant exchange rates, confirming that Brazilian consumers remain highly sensitive to the economic cycle as regards premium products.

Sales of **Ouzo 12** advanced 7.4% (8.7% at constant exchange rates), thanks to the significant contribution of Germany, one of its key markets.

Cynar sales were slightly lower than in 2002 (–0.7%), although there was a significant recovery on the important Italian market.

Sales of Mirto di Sardegna and other **Zedda Piras** brands, which are only sold in Italy, grew by 2.7%: the brand was further promoted in mainland Italy, where the Group is extending distribution.

As for **third-party brands** distributed by the Group, Jägermeister sales rose 5.3% (5.7% at constant exchange rates), while net sales of Scotch whiskies were down 2.5% at constant exchange rates, or 17.3% at actual exchange rates; the negative exchange rate effect (–14.8%) caused by euro appreciation had a major impact on these figures, as the Group's whisky sales are mainly recorded in the US and Brazil.
1800 Tequila became the leading third-party brand in 2003, after the Group was assigned the US distribution rights for the product in October 2002.
Sales of 1800 Tequila exceeded 320,000 cases, and it is now the Group's fourth largest spirits brand in value terms.

Wines

Net sales of wines totalled € 99 million in 2003, a 2.5% increase on the previous year.
Organic growth before exchange rate effects was 4.3%, while sales of Barbero products in December contributed external growth of 1.2%. The appreciation of the euro eroded consolidated net sales by 3%.

Among the Group's main brands, **Cinzano sparkling wines** performed well, with a sales increase of 5.3%, or 4.2% stripping out negative exchange rate movements.
As for the two main markets for these products – Italy and Germany – sales in the former were strong, with double-digit growth over the year thanks to a good performance in the last quarter, traditionally the most important; sales in Germany declined, mainly as a result of the continued decline in sparkling wine sales in general and Asti in particular.

Net sales of **Cinzano vermouth** rose by 0.8% at constant exchange rates, but fell 3.9% taking into account the negative exchange rate effect (–4.7%).
Cinzano sales were boosted in 2003 by the major expansion in distribution in eastern Europe, particularly in Russia; in many other important markets, however, sales in the last quarter were hit as distributors ran down stocks ahead of the introduction of the new bottle.

Net sales of **Sella & Mosca** wines slipped in 2003 by 0.6% versus the previous year.
The company fully expected that it would prove impossible to grow the business last year, given limited product availability, especially of white wines, after the poor harvest of 2002.
However, the better harvest in 2003 will enable the ground lost last year, which is not significant, to be made up in 2004.

Sales of **Riccadonna** brand sparkling wines and vermouth, which the Campari Group acquired in January 2004, rose by 6.2% at constant exchange rates.
Because this brand is mostly sold in Australia, it was hard hit by negative exchange rate movements, with sales down 7.2% at actual exchange rates.

In Brazil, sales of **Liebfraumilch** grew by 4.2%, while among third-party brands, sales of **Henkell Trocken** sparkling wine slowed on the Swiss market.

Soft drinks

Soft drinks sales, which are mostly recorded in Italy, came in at € 140.3 million in 2003, a 10.2% increase on the previous year.
As indicated in the section on sales by region, the soft drinks segment benefited from the particularly hot weather throughout the May-September period, when temperatures remained well above seasonal averages.
In particular, sales of **Lemonsoda**, **Oransoda** and **Pelmosoda** rose by 16.1%, mineral water sales advanced by 6.3%, while sales of Lipton Ice Tea (a third-party brand distributed in Italy) climbed by 24.4%.
Crodino is still the Group's main soft drinks brand, however, and this brand's sales rose by 2.2% in 2003; as a non-alcoholic aperitif, its sales are less affected by the weather.
The Group stopped selling Granini fruit juices at the beginning of 2003, under an agreement with the brand's owner.

Other sales

Other sales include revenues from non-core activities such as co-packing and sales to third parties of raw materials and semi-finished products, mainly in Italy and Brazil.
In 2003, other sales totalled € 7.2 million, 28.7% lower than in 2002 (€ 10.1 million).
This substantial reduction was mainly attributable to a drop in production for third parties in Italy, and to the negative impact of exchange rate movements on other sales in Brazil, which at constant exchange rates were actually higher than in 2002.
Following the acquisition of Barbero, this segment also includes bottling fees for the production of Frangelico liqueur for the brand's owners, the Cantrell & Cochrane Group.
As with all other Barbero products, the Group consolidated sales relating to the co-packing of Frangelico for December 2003 only.

RECLASSIFIED PROFIT AND LOSS ACCOUNT

The table below shows the consolidated profit and loss accounts for 2002 and 2003, reclassified in accordance with internationally accepted accounting principles.
All figures are shown in million euro, and each item is also expressed as a percentage of net sales, together with the percentage change between 2002 and 2003.

€ million	2003 € million	2003 %	2002 € million	2002 %	% change
Net sales	**714.1**	**100.0%**	**660.6**	**100.0%**	**8.1%**
Cost of materials	(256.3)	–35.9%	(230.4)	–34.9%	11.3%
Production expenses	(44.9)	–6.3%	(45.9)	–6.9%	–2.2%
Total cost of goods sold	**(301.2)**	**–42.2%**	**(276.3)**	**–41.8%**	**9.0%**
Gross margin	**412.9**	**57.8%**	**384.3**	**58.2%**	**7.4%**
Advertising and promotion	(143.7)	–20.1%	(130.8)	–19.8%	9.9%
Sales and distribution expenses	(76.1)	–10.7%	(72.7)	–11.0%	4.7%
Trading profit	**193.1**	**27.0%**	**180.8**	**27.4%**	**6.8%**
General and administrative expenses	(46.9)	–6.6%	(43.3)	–6.6%	8.1%
Other operating income	6.9	1.0%	5.8	0.9%	19.6%
Goodwill and trademark amortisation	(28.4)	–4.0%	(27.8)	–4.2%	2.5%
Operating income = EBIT before non-recurring costs	**124.7**	**17.5%**	**115.5**	**17.5%**	**8.0%**
Non-recurring costs	(2.5)	–0.3%	(0.8)	–0.1%	206.2%
EBIT	**122.2**	**17.1%**	**114.7**	**17.4%**	**6.6%**
Net financial income (charges)	(8.8)	–1.2%	(6.1)	–0.9%	45.5%
Exchange rate gains (losses)	1.6	0.2%	8.2	1.2%	–80.1%
Other non-operating income (charges)	23.1	3.2%	6.6	1.0%	246.6%
Profit before tax	**138.1**	**19.3%**	**123.4**	**18.7%**	**11.9%**
Minority interests	(17.9)	–2.5%	(15.8)	–2.4%	12.7%
Group profit before tax	**120.2**	**16.8%**	**107.6**	**16.3%**	**11.8%**
Tax	(40.4)	–5.7%	(20.9)	–3.2%	93.4%
Net profit	**79.8**	**11.2%**	**86.7**	**13.1%**	**–7.9%**
Depreciation of tangible fixed assets	(15.4)	–2.2%	(14.4)	–2.2%	7.3%
Amortisation of intangible fixed assets	(31.6)	–4.4%	(30.9)	–4.7%	2.1%
Total depreciation and amortisation	**(47.0)**	**–6.6%**	**(45.3)**	**–6.9%**	**3.7%**
EBITDA before non-recurring costs	171.7	24.0%	160.8	24.3%	6.8%
EBITDA	**169.2**	**23.7%**	**160.0**	**24.2%**	**5.8%**
EBITA before non-recurring costs	153.1	21.4%	143.2	21.7%	6.9%
EBITA	**150.7**	**21.1%**	**142.4**	**21.6%**	**5.8%**

Costs are shown on the consolidated profit and loss account by category.
Please note that centralised costs including research and development, quality assurance and engineering costs, which were previously recorded under production expenses (€ 2.6 million in 2002), have been recorded under general and administrative expenses (€ 2.9 million in 2003) since the beginning of 2003.

The Group's consolidated profit and loss account for 2003 shows substantial growth in EBIT and profit before tax.
Net profit declined, however, as the previous year's figure was boosted by tax benefits, which was not the case in 2003.
In particular, **EBIT** rose by 6.6%, from € 114.7 million to € 122.2 million.
As stated earlier, the **EBIT** growth rate rises to 15.3% at constant exchange rates, since the decline in the US dollar and Brazilian real had a negative impact of 8.7% on the result.

As **net sales** have already been covered in detail above, this section refers to the most significant cost items and operating income and charges.

In 2003, the total **cost of goods sold** edged up slightly as a percentage of net sales, from 41.8% to 42.2%. This increase was the result of two opposing trends: the cost of materials rose (and also increased by one percentage point as a proportion of sales), while production costs fell (and declined by 0.6 points as a percentage of sales).
These trends are mainly explained by:

- the consolidation of sales of 1800 Tequila: as this is distributed under licence, the cost of materials (that is, the purchasing cost from the brand owner) is much higher as a percentage of sales than that of the Group's own brands, although production costs are zero;
- the sales mix: soft drinks, which have higher materials costs, increased as a proportion of the total;
- the reclassification of certain costs that were previously recorded under "production expenses", and which are now booked as "general and administrative expenses"; these costs totalled 0.4 percentage points of net sales in 2002;
- the reduction of industrial facility costs at Italian plants, which generated savings of approximately € 1.8 million;
- additional operating costs of € 4 million over the year, as the new facility in Novi Ligure came on stream; however, all products sold in 2003 were manufactured at the Group's existing production facilities.

Advertising and promotional costs increased as a proportion of sales, from 19.8% in 2002 to 20.1% in 2003.
This was entirely due to the advertising and promotional campaign to launch Campari Mixx, which mainly took place in the first half of 2003.
Excluding the figures for this brand (both from net sales and advertising and promotion costs for both years), Group advertising and promotional costs accounted for 18.7% of net sales in 2003, down from 19.1% in 2002.

Sales and distribution expenses fell slightly as a proportion of sales, from 11% in 2002 to 10.7% in 2003. This decrease was achieved thanks to a reduction in fixed costs (such as the marketing structure and sales network) as a proportion of sales, and slower growth in variable costs (such as transport and commissions) compared to the rate of sales growth, mainly as a result of increased productivity on the Italian market.

The Group's **trading profit** rose by 6.8% compared to 2002, to € 193.1 million.

At constant exchange rates, that is, stripping out the decline of the US dollar and Brazilian real, which have a negative impact on sales and a positive effect on costs, the year-on-year increase would have been 13.5%.

General and administrative expenses remained unchanged as a proportion of net sales compared to the previous year, at 6.6%, despite this item including certain costs that were previously recorded as production expenses.
Stripping out the effect of the reclassification, general and administrative expenses were 2% higher than in 2002, and stood at 6.2% as a proportion of sales.

Other operating income for the year totalled € 6.9 million, up from € 5.8 million in 2002.
This item includes royalties received from third parties for the use of Group brands, and the 2003 figure also encompasses other operating income of € 1.9 million.
The royalties figure for 2003 dropped to € 4.9 million, from € 5.8 million in 2002, mainly due to the depreciation of the US dollar against the euro.
In both periods, this item includes an equal amount of US dollar-denominated royalties paid by SABMiller to Skyy Spirits, LLC relating to SKYY Blue, the ready-to-drink line launched last year, and produced and distributed by SABMiller in the US.

Goodwill and trademark amortisation charges were € 28.4 million in 2003, an increase of € 0.6 million versus the previous year.
This increase mainly related to goodwill amortisation following the Barbero acquisition and – to a lesser extent – to the purchase of the residual minority stake in Sella & Mosca.

EBIT before non-recurring costs totalled € 124.7 million, an 8% increase versus the previous year, while EBIT rose by 6.6% compared with 2002.

Non-recurring costs for 2002 came to € 2.5 million, up from € 0.8 million in 2002.
In 2003, this item included non-recurring legal and consultancy fees of € 1.5 million, and non-recurring personnel costs of € 1 million (unrelated to the restructuring programme under way).
In respect of the restructuring programme, a provision of € 10 million was made during the 2002 financial year, of which € 3.5 million had been used as of 31 December 2003.

Depreciation and amortisation charges rose by 3.7% overall in 2003 versus 2002: amortisation increased by 2.1% to € 31.6 million, while depreciation went up by 7.3% to € 15.4 million.

Given that total depreciation and amortisation charges rose only slightly compared to the previous year, both EBITDA and EBITA displayed slightly lower growth than EBIT.
In particular,

– EBITDA increased by 5.8% compared to 2002 (12.4% at constant exchange rates), to € 169.2 million.
– EBITA also rose by 5.8% (12.8% at constant exchange rates), to € 150.7 million.

Profit before tax and minority interests was € 138.1 million, up 11.9% on the figure for 2002 (€ 123.4 million).
The three items that appear on the profit and loss account between EBIT and pre-tax profit are shown below: specifically, these are non-operating financial income and charges, exchange rate gains (losses) and other non-operating income.
Net financial charges for the period totalled € 8.8 million, up from € 6.1 million in 2002.
The increase is chiefly attributable to the fact that, unlike in 2002, when variable interest rates applied to

most Group debt, in 2003 a significant portion of the debt was subject to fixed (and therefore, higher) interest rates, thereby contributing to an increase in this item.
The move from variable to fixed interest rates coincided with a restructuring of debt via two private placements on the US market, which were completed successfully in July 2002 and July 2003, with the aim of financing future growth.
To take advantage of low interest rates, the Group took out an interest rate swap in the second half of the year, moving a large proportion of the debt onto a variable rate.

Exchange rate movements in 2003 produced a net gain of € 1.6 million: the result of a loss of € 0.8 million and a gain of € 2.4 million following the closure of foreign currency positions relating to the US dollar-denominated bond issue that took place in July 2002.
Exchange rate gains for 2003 were therefore € 6.6 million lower than in 2002, when they totalled € 8.2 million.

Under **non-operating income and charges**, net income of € 23.1 million was recorded in 2003, compared to € 6.6 million in 2002, an increase of € 16.5 million.
The largest amounts were:

- a capital gain of € 33.7 million from the sale of the building in Milan's Via Turati in the third quarter of the year;
- a € 3.8 million write-down on equipment used for Campari Soda and Crodino returnable bottles, as use of these containers ceased during the year; products previously sold in returnable bottles are now available only in disposable bottles;
- provisions of € 2.7 million made by the Parent Company for payments to Company directors leaving in 2004;
- costs estimated at € 3.5 million for the restructuring of company functions and organisational changes involving Group companies.

The two largest amounts under this item in 2002 were:

- a net gain of € 15.9 million, the combined effect of income of € 17.9 million from the cancellation of tax provisions by the Parent Company and Campari-Crodo S.p.A., and costs of € 2 million relating to the conclusion of outstanding lawsuits and the effects of the tax amnesty pursuant to law 289/2002;
- a charge of € 10 million, relating to provisions made by the Parent Company and Campari-Crodo S.p.A. as part of the restructuring plan to transfer production from the plants at Sesto San Giovanni and Termoli to the new unit at Novi Ligure.

Group profit before tax was € 120.2 million in 2003, an increase of 11.8% versus the previous year.
Minority interests totalled € 17.9 million, an increase of € 2.1 million versus 2002 (+12.7%).
This increase related to the rise in profits at Skyy Spirits, LLC, which was the only company included in the Group's basis of consolidation during the period with a significant minority interest (41.1% of the share capital).
In 2002, minority interests also included € 0.3 million relating to the profits made by Sella & Mosca S.p.A., in which third parties held 22.38% of the capital.
However, the Group acquired these minority stakes in June 2003, and now owns 100% of Sella & Mosca S.p.A.

Group net profit was € 79.8 million in 2003, 7.9% lower than the 2002 figure of € 86.7 million; at constant exchange rates, the fall was more modest, at 3.9%.
The drop in Group net profit is due entirely to a greater tax burden in 2003 compared to the previous year.
In 2002, the Group benefited from dual income tax relief as well as the "Tremonti bis" tax incentive, which related to the new production facilities at Novi Ligure.

PROFITABILITY BY BUSINESS AREA

Profitability by business area is calculated in terms of the trading profit of each brand, i.e. the amount of profit generated once directly attributable costs (an aggregate figure for each business segment) have been deducted from revenues.
Trading profit for the Group was € 193.1 million in 2003, an increase of 6.8% on the 2002 figure (€ 180.8 million).
To give a more accurate picture of product profitability over time, and therefore, of the individual business segments, the production costs that are not directly attributable to products sold are indicated separately; these costs totalled € 2.6 million in 2002 and € 4.0 million in 2003.
The indirect costs relate to:

– in 2002, the centralised research and development, quality assurance and engineering departments; from 2003 these items have been reclassified under "General and administrative expenses" (for ease of comparison, however, the 2002 trading profit given in this report does not include these costs);
– in 2003, the new plant at Novi Ligure, which came on stream in the second half of the year.

This plant is used for semi-finished Cinzano sparkling wine and vermouth products; the total output of these products sold in 2003 was outsourced to third parties, which were paid bottling fees (included in the cost of goods sold for the wines segment).
Operating costs for the new plant came to € 4.3 million, of which € 0.3 million was spent on creating a stock of semi-finished wines, while € 4.0 million made a negative contribution to net profit.

Trading profit, adjusted for indirect production costs, rose by 7.4%.
The table below shows the trading profit performance for each business segment and the trading profit for the group as a whole.

Trading profit	2003		2002		% change
	€ million	% of the total	€ million	% of the total	
Spirits	157.7	80.0%	145.6	79.4%	8.3%
Wines	11.3	5.8%	11.9	6.5%	–4.3%
Soft drinks	26.7	13.5%	24.2	13.2%	10.4%
Other	1.4	0.7%	1.8	1.0%	–25.7%
Trading profit by business segment	**197.1**	**100.0%**	**183.4**	**100.0%**	**7.4%**
Indirect production costs	(4.0)		(2.6)		
Group trading profit	**193.1**		**180.8**		**6.8%**

The improvement in profitability in 2003 was driven by the spirits and soft drinks segments, with advances of 8.3% and 10.4% respectively, while the trading profit on wines fell by 4.3% following negative exchange rate movements.
Two tables are given below for each of the four segments: the first sets out changes in profitability between 2002 and 2003, while the second provides organic and external growth figures, and shows the effect of exchange rate movements.
The profitability of each business segment is summarised in the tables in terms of three profit and loss account items:

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

Spirits

	2003 € million	2003 % contribution to segment sales	2002 € million	2002 % contribution to segment sales	% change
Net sales	467.6	100.0%	426.6	100.0%	9.6%
Gross profit	308.2	65.9%	281.6	66.0%	9.5%
Trading profit	157.7	33.7%	145.6	34.1%	8.3%

Breakdown of % change in profitability of spirits	total % change	of which organic growth before exchange rate effect	of which exchange rate effect	of which external growth
Net sales	9.6%	11.5%	–9.1%	7.2%
Gross profit	9.5%	13.0%	–8.4%	4.9%
Trading profit	8.3%	13.6%	–8.4%	3.1%

In 2003, spirits generated a trading profit of € 157.7 million, equivalent to 33.7% of net sales.
As the second table shows, this represented an overall increase of 8.3%, with organic growth at 13.6%, and external growth at 3.1%, following the introduction of new products into the Group's spirits range. However, negative exchange rate movements reduced the overall growth figure by 8.4%.
Organic growth in the trading profit for spirits in 2003 can be quantified at around € 20.0 million.
This was mainly generated by SKYY Vodka, although Campari, CampariSoda and Jägermeister also made a contribution.
Although Campari Mixx boosted gross profit (it is very profitable at this level), it had a negligible effect on trading profit because of the heavy investment in advertising and promotions made during the launch period for this product.
External growth was largely due to 1800 Tequila, with a small contribution from Aperol and other Barbero spirits. 1800 Tequila sells in high volumes but offers limited profitability because it is produced by third parties. Barbero spirits, on the other hand, are far more profitable, but made a modest contribution to 2003 results because the company was only consolidated in December.

Wines

	2003 € million	2003 % contribution to segment sales	2002 € million	2002 % contribution to segment sales	% change
Net sales	99.0	100.0%	96.6	100.0%	2.5%
Gross profit	44.2	44.6%	44.6	46.2%	–1.0%
Trading profit	11.3	11.5%	11.9	12.3%	–4.3%

Breakdown of % change In profitability of wines	total % change	of which organic growth before exchange rate effect	of which exchange rate effect	of which external growth
Net sales	2.5%	4.3%	–3.0%	1.2%
Gross profit	–1.0%	3.4%	–4.7%	0.3%
Trading profit	–4.3%	5.7%	–8.8%	–1.2%

In 2003 wines produced a trading profit of € 11.3 million, equivalent to 11.5% of net sales.
Despite delivering organic growth of 5.7%, profitability in this segment was 4.3% lower than in the previous year, entirely as a result of negative exchange rate movements (–8.8%).
Exchange rates had a greater impact on the overall performance of the wines segment than on the spirits segment, as materials and production costs for wines (except for a small amount of production in Brazil) are denominated solely in euro.
At constant exchange rates, Cinzano vermouth made the biggest contribution to organic growth in profitability in the wines segment.
Cinzano sparkling wines performed very well in Italy, where the brand is currently being relaunched with the aid of a substantial advertising and promotions budget.
Sales of this product fell in Germany, however, where the brand – traditionally the market leader – is positioned in a high price bracket and is also very profitable.
Lastly, sales of Sella & Mosca wines – which are highly profitable – fell slightly due to some product shortages towards the end of the year.
External growth was very low in 2003, as sales of Mondoro and Barbero wines were only included in December.

Soft drinks

	2003		2002		
	€million	% contribution to segment sales	€ million	% contribution to segment sales	% change
Net sales	140.3	100.0%	127.2	100.0%	10.2%
Gross profit	63.1	45.0%	58.8	46.2%	7.3%
Trading profit	26.7	19.0%	24.2	19.0%	10.4%

Breakdown of % change in profitability of soft drinks	total % change	of which organic growth before exchange rate effect	of which exchange rate effect	of which external growth
Net sales	10.2%	10.2%	0.0%	0.0%
Gross profit	7.3%	7.3%	0.0%	0.0%
Trading profit	10.4%	10.4%	0.0%	0.0%

The trading profit for soft drinks in 2003 was € 26.7 million, an increase of 10.4% on the previous year.
This rise in profit largely reflects a similar increase in sales (+10.2%), as a result of last year's hot summer.
The profit and loss account for the segment reveals two key points:

– gross profit rose by less than the increase in sales (7.3%), as a result of the sales mix; it was soft drinks such as Lemonsoda, Oransoda, Pelmosoda, mineral water and Lipton Ice Tea that performed particularly well in 2003, rather than the non-alcoholic aperitif Crodino, which is more profitable;
– the rise in trading profit for soft drinks was slightly higher than that of sales, as a lower amount was spent on advertising than in the previous year.

Other sales

	2003		2002		
	€ million	% contribution to segment sales	€ million	% contribution to segment sales	% change in %
Net sales	7.2	100.0%	10.1	100.0%	–28.7%
Gross profit	1.4	20.1%	1.9	18.7%	–25.2%
Trading profit	1.4	19.1%	1.8	17.9%	–23.6%

Breakdown of % change in profitability of other sales	total % change	of which organic growth before exchange rate effect	of which exchange rate effect	of which external growth
Net sales	–28.7%	–28.5%	–5.1%	4.9%
Gross profit	–25.2%	–13.6%	–15.3%	3.7%
Trading profit	–25.7%	–9.8%	–16.0%	0.1%

The other sales segment recorded a substantial decrease in net sales and profitability in 2003, chiefly because less production was carried out for third parties in Italy, and – to a lesser degree – because of the negative impact of the fall in value of the Brazilian real.
As regards the lower production volumes, based on the agreements signed with third parties, the Group received the payment envisaged under the original production plans; this had no impact on trading profit, however, as it is listed on the profit and loss account under "other operating income".
External growth related to production of the Frangelico brand for the Cantrell & Cochrane group; however, this brand was consolidated in December only, together with the other Barbero products.

CASH FLOW STATEMENT

The table below shows a summary of the Group's reclassified cash flow statement (the full version appears in the section containing the financial statements), which highlights the items that had a significant impact on cash flow for the year.
In particular:

- the first column contains figures for 2003, including changes resulting from the consolidation of Barbero 1891 S.p.A. and the acquisition of the residual stake in Sella & Mosca S.p.A.;
- the second column provides external growth figures using the opening balance sheet values for the two companies at the time they were consolidated in 2003 (these figures largely relate to Barbero 1891 S.p.A.);
- the third column shows figures for 2003 on a same-structure basis, i.e. excluding the effect of acquisitions (obtained by deducting column two from column one); the net effect of acquisitions is shown under the item "acquisition of new subsidiaries";
- the last column contains figures for 2002.

	31 December 2003	Effect of change in basis of consolidation	31 December 2003 Same-structure basis	31 December 2002
Profit before tax	120.2		120.2	107.6
Depreciation and amortisation	47.0		47.0	45.3
Gains on sales of fixed assets	(34.4)		(34.4)	(5.7)
Other items (provisions, use of funds, staff severance fund)	13.8	8.0	5.8	(15.6)
Tax for the year, deferred and due to tax authorities	(37.2)		(37.2)	(27.1)
Other changes, excluding changes in net working capital	8.9	3.6	5.3	(8.6)
Cash flow from operations before changes in net working capital	**118.3**	**11.6**	**106.7**	**95.9**
Net working capital	(43.1)	(12.3)	(30.8)	(3.2)
Cash flow from operations	**75.2**	**(0.7)**	**75.9**	**92.7**
Purchase of tangible fixed assets	(36.1)	(7.7)	(28.4)	(56.2)
Change in payables to suppliers (Novi Ligure)	(17.0)		(17.0)	17.0
Purchase of intangible fixed assets	(7.6)	(0.2)	(7.4)	(2.0)
Gains on sales of tangible fixed assets	40.3		40.3	8.8
Cash flow from investments	**(20.4)**	**(7.9)**	**(12.5)**	**(32.4)**
Free cash flow	**54.8**	**(8.6)**	**63.4**	**60.3**
Acquisition of new subsidiaries			(155.6)	(358.0)
Goodwill on new acquisitions	(142.1)	(142.1)		
Other investments	(5.2)	(5.5)	0.3	2.3
Dividends	(24.7)		(24.7)	(24.7)
Cash flow from other activities	**(172.0)**	**(147.5)**	**(180.0)**	**(380.3)**
Exchange rate differences and other changes	18.9	0.5	18.4	24.6
Change in net debt	**(98.3)**	**(155.6)**	**(98.3)**	**(295.4)**

Cash flow from operations before changes in net working capital increased to € 106.7 million, from € 95.9 million in 2002.
Changes in operating working capital (the three items that make up net working capital) had a significant negative impact on cash flow in 2003, quantified at € 30.8 million.
This difference was mainly attributable to a larger increase in receivables from customers than in sales for the year; in addition, payables to suppliers had a negative impact on cash flow, although this was largely as a result of specific year-end events.
The change in operating working capital does not take into account exchange rate gains (€ 4.1 million in 2003 and € 23.4 million in 2002), which are listed separately under "exchange rate differences and other changes", nor does it include the substantial reduction in payables to suppliers relating to investments in the new plant at Novi Ligure.
Changes in payables to suppliers (Novi Ligure) as of 31 December 2002 relate to € 17 million paid in early 2003, and subsequently reclassified under cash flow from investments.
Cash flow from operations fell from € 92.7 million in 2002 to € 75.9 million in 2003.
However, cash flow spent on investments, which amounted to € 32.4 million in 2002, decreased to € 12.5 million on a same-structure basis in 2003.
Another key figure listed under cash flow from investments (apart from the € 17.0 million reduction in payables to suppliers relating to the Novi Ligure plant) is the € 40.3 million from gains on sales of tangible fixed assets, mostly attributable to the sale of the building in Via Turati in Milan.
The combined effect of lower operating cash flow and a reduction in net investments generated an increase in Group free cash flow from € 60.3 million in 2002 to € 63.4 million in 2003.
The acquisition of Barbero (€147.1 million excluding the company's liquidity at the date of acquisition) and of the minority stakes in Sella & Mosca (€ 8.5 million) cost the Group € 155.6 million, while the dividend pay-out totalled € 24.7 million.
The summary cash flow statement does not show financial flows relating to changes in short or long-term debt, or investments in marketable securities: as a result, the change in the last item, i.e. the sum of all cash flow amounts for the year, corresponds to the change in Group net debt, which increased by € 98.3 million compared to 2002.

NET DEBT

At 31 December 2003, Group net debt stood at € 297.1 million, up from € 198.8 million at end-December 2002.
The Group's financial position comprises the following items:

€ million	31 December 2003	31 December 2002	change
Cash and banks	133.6	103.5	30.1
Marketable securities	1.9	4.2	(2.3)
Payables to banks	(30.1)	(120.2)	90.1
Real estate lease payables	0.0	(2.0)	2.0
Interest on private placement	(4.4)	(3.3)	(1.1)
Short-term financial position	**101.0**	**(17.8)**	**118.8**
Payables to banks	(3.9)	(4.9)	1.0
Real estate lease payables	0.0	(11.4)	11.4
Bonds	(258.0)	0.0	(258.0)
Private placement	(134.6)	(163.1)	28.5
Other financial payables	(1.6)	(1.6)	0.0
Medium-long-term debt	**(398.1)**	**(181.0)**	**(217.1)**
Net debt	**(297.1)**	**(198.8)**	**(98.3)**

The financial position, as shown above, does not include own shares held by the Parent Company and recorded under financial fixed assets at the purchase cost of € 31 million.
Net debt (up € 98.3 million from 31 December 2002) benefited from the decline of the US dollar, which at 31 December 2003 had reduced the value of the long-term debt of Redfire, Inc by € 28.5 million compared to a year earlier.
The increase in medium - long-term debt compared to 2002 is due to a bond issued by the Parent Company during the year (for more information please see the section on "significant events" above).
The proceeds of the bond issue totalled US$ 300 million, part of which was used to fund the acquisition of Barbero 1891 S.p.A.
In addition, in July the Parent Company terminated its financial leasing agreement on the building in Via Turati in Milan, which was previously due to expire in 2006.
All debt relating to the building as of 31 December 2002 has now been paid off.
The Barbero acquisition (€ 147.1 million) was completed in December 2003, and therefore had a bigger impact on consolidated net debt as of 31 December 2003 than on the year's average financial position.
Lastly, if the Sella & Mosca S.p.A. subsidiaries Qingdao Sella & Mosca Winery Co. Ltd. and Société Civile Immobiliaire du Domaine de la Margue had been fully consolidated, this would have added € 0.9 million to the Group's debt figure at 31 December 2003.

BALANCE SHEET

The table below shows the reclassified consolidated balance sheet, which highlights the funding sources used by the Group and how they have been employed.
Receivables from and payables to affiliated companies are listed under net working capital (under receivables from customers and payables to suppliers respectively).
Since in the previous year these items were listed under other short-term assets and liabilities, the figures to 31 December 2002 have been reclassified using the same criteria as the 2003 figures, in accordance with legal requirements.
For a more detailed treatment of the main balance sheet items, please see the notes to the accounts.

	31 December 2003	31 December 2002	change
Inventories	106.4	94.9	11.5
Receivables from customers	174.2	137.7	36.5
Payables to suppliers	(127.6)	(135.5)	7.9
Net working capital	**153.0**	**97.1**	**55.9**
Other short-term assets and liabilities	(34.1)	(15.0)	(19.1)
Working capital	**118.9**	**82.1**	**36.8**
Staff severance fund	(15.6)	(13.1)	(2.5)
Balance of pre-paid and deferred taxes	(0.2)	0.6	(0.8)
Other non-current liabilities	(21.8)	(22.5)	0.7
Other net liabilities	**(37.6)**	**(35.0)**	**(2.6)**
Net tangible fixed assets	152.4	144.2	8.2
Intangible fixed assets	571.6	453.2	118.4
Financial fixed assets	44.7	43.2	1.4
Total fixed assets	**768.7**	**640.6**	**128.0**
Invested capital	**(850.0)**	**687.7**	**162.2**
Shareholders' equity	(548.2)	(478.9)	(69.3)
Minority interests	(4.7)	(10.0)	5.3
Net debt	(297.1)	(198.8)	(98.3)
Financing sources	**(850.0)**	**(687.7)**	**(162.3)**

At 31 December 2003 the Group had net invested capital of € 850.0 million, shareholders' equity of € 548.2 million and net debt of € 297.1 million.
Invested capital increased by € 162.2 million over the period, mainly because of the inclusion of the newly-acquired Barbero 1891 S.p.A. in the basis of consolidation.
This acquisition changed the Group's financial structure, causing its debt to equity ratio to rise from 41.5% at the end of 2002, to 54.2% at 31 December 2003.
As regards the changes in the main items:

- the € 55.9 million change in net working capital shown above differs from the reclassified figure of € 30.8 million given on the cash flow statement (see above); the difference relates to the net working capital of Barbero 1891 S.p.A. at the time of the acquisition (€ 12.3 million) and payables to suppliers in relation to the Novi Ligure plant as of 31 December 2002 (€ 17.0 million), both of which had a negative effect, and to the impact of exchange rates on working capital, which had a positive effect of € 4.1 million.
- other short-term (assets and) liabilities increased by € 19.1 million versus the previous year owing to the increased tax liabilities of certain Group companies (mostly those based in Italy) and to capital gains tax on the sale of the building in Via Filippo Turati in Milan;
- net tangible fixed assets did not change significantly, since the investments made during the period (€ 28.4 million) were offset by depreciation, disposals and write-downs;
- intangible fixed assets included amortisation of € 31.6 million; the figure also incorporated increases due to investments during the period (€ 7.5 million), and goodwill from both the Barbero acquisition (€ 138.4 million) and the purchase of the remaining stake in Sella & Mosca S.p.A. (€ 3.7 million);
- the change in financial fixed assets (which in both periods compared included € 31 million of own shares) was mainly due to the adjustment of the value of equity investments (consolidated using the equity method);
- Group shareholders' equity rose by € 69.3 million from the previous year; a € 24.7 million dividend pay-out by the Parent Company was more than offset by Group net profit of € 79.8 million and exchange rate differences arising from the conversion of the shareholders' equity of the various subsidiaries;
- the value of minority interests fell by € 5.3 million following the acquisition by the Group of the remaining stake in Sella & Mosca S.p.A.

Investments

Investments in tangible and intangible fixed assets totalled € 35.8 million, excluding the increases due to the acquisition of Barbero 1891 S.p.A. and the remaining stake in Sella & Mosca S.p.A.
Specifically, investments in tangible fixed assets totalled € 28.4 million; some € 17.3 million of this was spent on completing the new plant at Novi Ligure, which by the end of 2003 had cost a total of € 51.7 million.
Sella & Mosca S.p.A. invested € 3.2 million, mainly in vineyard equipment, agricultural plant and machinery and industrial machinery, while Skyy Spirits, LLC invested around € 4.2 million in plant and machinery, and in setting up its new offices.
In addition, investments were made by other Group companies, mainly in plant and machinery, and goods such as electronic equipment.
Intangible fixed assets comprised investment in software and SAP licences (€ 2.0 million), and the purchase of brands at the end of the year by N. Kaloyiannis Bros A.E.B.E. following the acquisition of Greek company Coutsicos S.A. in early 2004 (€ 0.9 million).
This item also included costs incurred by the Parent Company in respect of a € 1.8 million bond issued during the year, and by Group subsidiaries in respect of a € 2.4 million capital increase.

Research and development

Research and development related solely to ordinary production and commercial activities; costs were therefore spread throughout 2003.

Corporate governance

Please see the Annual Report of the Board of Directors on Corporate Governance, attached to this report.

Other information

Parent Company

Davide Campari-Milano S.p.A. generated a net profit of € 21.0 million after tax provisions of € 8.2 million, depreciation, amortisation and write-downs of € 4 million and risk provisions of € 0.07 million.
This compares with the net profit of € 134.3 million recorded the previous year.
The table below shows the main figures for 2003, compared with those of the previous year:

€ million	31 December 03	31 December 02
Value of production	102.7	102.8
Production costs	(93.8)	(88.8)
Difference between value of production and production costs	**8.9**	**14.0**
Total financial income and charges	(1.8)	103.9
Extraordinary items	22.1	17.7
Profit before tax	**29.2**	**135.6**
Corporate income tax	(8.2)	(1.3)
Net profit	**21.0**	**134.3**

The key factors affecting these results are summarised as follows:

- net profit dropped sharply to € 21 million, largely because of a reduction in dividends received from Group subsidiaries.
  Financial income was negative to the tune of € 1.8 million, and included dividends of € 1.2 million. In 2002, when financial income was in solidly positive territory (€ 103.9 million, including dividends of € 106.5 million received from Group subsidiaries), net profit totalled € 134.3 million;
- operating profit fell to € 8.9 million, as production costs increased while value of production remained broadly in line with 2002; specifically, the cost of raw materials rose and there was a significant increase in service costs relating to the extraordinary operations carried out during the year;
- extraordinary income totalled € 22.1 million, boosted by the capital gain on the sale of the building in Via Turati in Milan;

– tax charges jumped to € 8.2 million, owing to a reduction in the tax breaks on IRPEG (corporate income tax) from which the company benefited in previous years (Legislative Decree 466 of 18 December 1997 on dual income tax); these were applied to newly-listed companies and were abolished by Law 383/2001.

For a clearer picture of the company's performance, the table below shows the main balance sheet items for the last two years:

€ million	31 December 03	31 December 02
Total non-current assets	927.4	487.4
Total current assets	74.3	66.3
Accrued income and deferred charges	5.0	3.4
Total assets	**1,006.7**	**557.1**
Total shareholders' equity	**344.9**	**348.6**
Total provisions for risks and charges	8.2	6.3
Staff severance fund	5.5	5.5
Total debt	633.0	196.6
Deferred income and accrued charges	15.1	0.1
Total liabilities	**1,006.7**	**557.1**

The table shows a significant increase in financial fixed assets due to equity investments acquired during the year, as well as to the additional debt taken on to finance the Group's growth programme.
The table below shows Group net debt at 31 December 2003, compared with the previous year:

€ million	31 December 2003	31 December 2002
Cash and banks	22.4	1.0
Payables to banks	(24.0)	(118.4)
Payables to bond holders	(258.0)	0
Intercompany payables and receivables	(304.3)	(22.8)
Net debt	**(563.9)**	**(140.2)**

Campari on the stock market

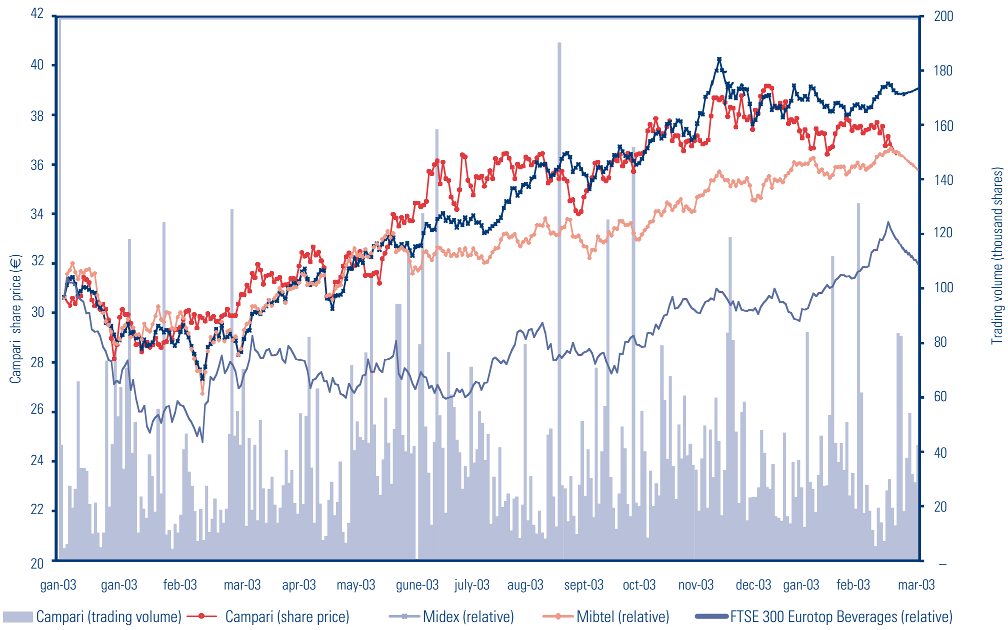
Shares and shareholders
The share capital of Davide Campari-Milano S.p.A. totalled € 29,040,000 at the end of the year, and is divided into 29,040,000 shares with face value of € 1.00 each.
At 31 December 2003, the main shareholders were:

Shareholder (1)	Number of ordinary shares	% held
Alicros S.r.l.	14,809,600	50.997%
Morgan Stanley Investment Management Ltd. (2)	1,616,076	5.565%
Davide Campari-Milano S.p.A.	1,000,000	3.443%

(1) No shareholders other than those indicated above have notified Consob and Davide Campari-Milano S.p.A. (as per art. 117 of Consob regulation 11971/99 on notification of significant holdings) of having shareholdings greater than 2%.
(2) Based on notifications as per art. 117 of Consob regulation 11971/99.
(3) Purchase of own shares for the purposes of the stock option scheme.

Share price performance
In 2003 Campari shares gained 28.2% on their closing price at 31 December 2002.
They outperformed the Mibtel index by 14.3%, the mid-cap Midex index by 1.1% and the FTSE Eurotop 300 Beverages index by 29.6%.
An average of 37,894 shares were traded daily on the Milan stock market (MTA), with an average daily value of € 1.3 million.
On 31 December 2003 the Group's stock market capitalisation stood at € 1,117 million.
From 22 March Campari shares will no longer be included in the Midex index (on which they were originally listed on 30 January 2003).
This means that they will no longer be traded on the After Hours Market (TAH) organised and run by Borsa Italiana S.p.A.

Performance of Campari shares from January 2003 to date



Source: Bloomberg

Share data		2003	2002	2001 (2)
Price at 31 December(1)	€	38.46	30.00	26.37
Maximum price(1)	€	38.48	37.77	31.00
Minimum price(1)	€	27.41	25.28	21.84
Average price(1)	€	33.02	31.63	27.16
Stock market capitalisation(1)	€ 000	1,116,878	871,200	765,785
Average daily trading value	€ 000	1,261	1,695	2,066
Average daily trading volume	Number of shares	37,894	53,093	72,375

Source: Bloomberg

(1) Closing price.
(2) Initial public offering on 6 July 2001 at a price of € 31 per share.
Average daily volumes after the first week of trading were 42,260 shares in 2001; the average daily value after the first week of trading was € 1,145,000 in 2001.

Stock market ratios

- *Price/book value*

Shareholders' equity divided by the number of outstanding shares was € 18.88 at the end of 2003, compared with € 16.51 at the end of 2002.
Based on the share price at the end of the year, the price / book value ratio was 2.04, against 1.82 the previous year.

	2003	2002	2001
Share price at 31 December (€)	38.46	30.00	26.37
Shareholders' equity per share (€)	18.88	16.51	14.82
Price / book value	2.04	1.82	1.78

- *EPS (earnings per share) and P/E (price-earnings ratio)*

Earnings per share stood at € 2.75 in 2003, compared with € 2.98 the previous year.
Based on the share price at the end of the year, the P/E ratio was 14.0, versus 10.1 at the end of 2002.

	2003	2002	2001
Share price at 31 December (€)	38.46	30.00	26.37
Earnings per share (EPS) (€)	2.75	2.98	2.18
P/E	14.0	10.1	12.1

Based on net profit adjusted for goodwill and trademark amortisation, adjusted EPS was € 3.73 in 2003, while the adjusted P/E figure was 10.32.

	2003	2002	2001
Share price at 31 December (€)	38.46	30.00	26.37
Adjusted EPS (€)	3.73	3.94	2.58
Adjusted P/E (1)	10.32	7.6	10.2

(1) Profit before goodwill and trademark amortisation

- *Pay-out ratio*

The pay-out ratio was 30.9% in 2003.

	2003	2002	2001
Dividend per share (€)	0.88 (1)	0.88	0.88
Total dividends distributed (2) (€ million)	24.7	24.7	24.7
Group net profit (€ million)	79.8	86.7	63.4
Pay-out ratio	30.9%	28.5%	38.9%

(1) For 2003, proposed dividend.
(2) In 2001, 2002 and 2003, 28,040,000 shares had dividend rights; this figure is the total number of Group shares, minus 1,000,000 own shares.

- *Dividend yield*

Based on the share price at the end of 2003, the dividend yield of the shares was 2.3%.

	2003	2002	2001
Dividend per share (€)	0.88 (1)	0.88	0.88
Share price at 31 December (€)	38.46	30.00	26.37
Dividend/Price	2.3%	2.9%	3.3%

(1) For 2003, proposed dividend

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

The Parent Company has 1,000,000 own shares with a face value of € 1 each; the total value is therefore € 1,000,000, representing around 3.4% of the Group's share capital.
These own shares are to be used in the Group's stock option scheme.
During the period, and at the time of publication of this report, the Group held no shares in its controlling shareholder, either directly or indirectly.

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

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

Main profit and loss items in the year to 31 December 2003:

Item	€ m	Operation
Revenues from sales	14.3	Revenues from the sale of products by Campari International S.A.M. to the affiliated companies M.C.S. S.c.a.r.l., International Marques V.o.f., Fior Brands Ltd. and SUMMA S.L.
	0.04	Revenues from sales by Sella & Mosca S.p.A. to Qingdao Sella & Mosca Winery Co. Ltd. (a subsidiary consolidated using the equity method).
Other income	0.09	Leasing charges relating to sub-letting agreements on offices forming part of the property at Via Bonaventura Cavalieri 4, 20121 Milan, and Via Filippo Turati 25, 20121 Milan, signed respectively between the Parent Company and its controlling shareholder Alicros S.r.l., and between the Parent Company and its affiliate Longhi & Associati S.r.l.
	0.4	Other revenues of Campari Italia S.p.A. from the affiliate Longhi & Associati S.r.l.
Product acquisition costs	0.02	Costs incurred by Sella & Mosca S.p.A. for the purchase of products from Société Civile Immobiliaire du Domaine de Lamargue (a subsidiary consolidated using the equity method).
Services costs	6.0	Promotional and advertising costs incurred by affiliates M.C.S. S.c.a.r.l., International Marques V.o.f., Fior Brands Ltd. and SUMMA S.L., and passed on to Campari International S.A.M.
	0.6	Commissions from the purchase of advertising space charged to Campari Italia S.p.A. by affiliate Longhi & Associati S.r.l.
Financial income	0.1	Interest receivable by Campari Finance Teoranta from Société Civile Immobiliaire du Domaine de la Margue (a subsidiary consolidated using the equity method) in respect of a loan, and from affiliate Fior Brands Ltd.

Main balance sheet items in the year to 31 December 2003:

Item	€ m	Operation
Receivables from affiliated companies	9.7	Receivables from affiliates include: – receivables due to Campari International S.A.M. from affiliates M.C.S. S.c.a.r.l., International Marques V.o.f., Fior Brands Ltd. and SUMMA S.L. in respect of the commercial dealings outlined above; – receivables due to Campari Finance Teoranta from affiliate Fior Brands Ltd. In respect of a GBP 1 million loan.
Receivables from non-consolidated subsidiaries	2.0	A € 1.9 million loan from Campari Finance Teoranta to Société Civile Immobiliaire du Domaine de Lamargue (a subsidiary consolidated using the equity method); and trade receivables due to Sella & Mosca S.p.A. from Qingdao Sella & Mosca Winery Co. Ltd. and Société Civile Immobiliaire du Domaine de Lamargue (subsidiaries consolidated using the equity method).
Receivables from main shareholders	0.006	Receivable from the Parent Company's controlling shareholder Alicros S.r.l. in respect of the sale of a car.
Payables to affiliated companies	2.6	Payables by Campari International S.A.M. to affiliates M.C.S. S.c.a.r.l., International Marques V.o.f., Fior Brands Ltd. and SUMMA S.L. for the commercial dealings outlined above.

The leasing agreements in force with the Group's main shareholder Alicros S.r.l. and affiliated company Longhi & Associati S.r.l. were cancelled following the sale by the Parent Company of the building in Via Filippo Turati.
The sale contract also included the sale of the building in Via Bonaventura Cavalieri, which contains the unit leased to the controlling shareholder Alicros S.r.l.
During the year, the Parent Company also sold a car to its controlling shareholder Alicros S.r.l. for € 6,000.
There were no other financial dealings with subsidiaries, affiliated companies or the controlling shareholder during the year.

Events taking place after the end of the year

Acquisition of Greek company Coutsicos

In January 2004, N. Kaloyiannis Bros A.E.B.E. acquired a Greek company called Coutsicos S.A., based in Piraeus and with a factory in Volos.
The total acquisition price was € 2.8 million, which includes some of the brands acquired in December 2003.
The company has a production facility which will be used by the Group for the production of Ouzo 12, which is currently bottled externally.

Sale of Sovinac S.A.

In March 2004, Sovinac S.A., 100% owned by the Group, was sold to a third party for € 1 million.
The sale will have no effect on the consolidated results.

Continued rationalisation of the Group structure

On 15 and 16 March respectively, the boards of directors of S.A.M.O. S.p.A. and Campari Italia S.p.A., both wholly owned by Campari-Crodo S.p.A., approved the merger of S.A.M.O. S.p.A. into Campari Italia S.p.A.

The merger plan will be put forward at the shareholders' meetings of both companies on 19 April 2004.
Moreover, as stated in the section "Significant events", following the transfer last year of Campari-Crodo S.p.A. to the Parent Company, the Board of Directors of Campari-Crodo S.p.A. approved the merger of the company into Davide Campari-Milano S.p.A.
The Board of Directors of Davide Campari-Milano S.p.A. now has to approve the operation, which will be put forward for approval by the respective shareholders' meetings.

Launch of SKYY Melon and SKYY Sport in the United States

In the first quarter of 2004, the Group, via Skyy Spirits, LLC, announced the launch of a further SKYY Vodka line extension to add to the existing SKYY Citrus, SKYY Berry, SKYY Spiced and SKYY Vanilla.
The new product is SKYY Melon, which strengthens the group's position in the premium segment, particularly that of flavoured vodka.
Also in early 2004, the group announced the launch of SKYY Sport, a new, low-carbohydrate ready-to-drink product.
SKYY Sport is produced and distributed by SABMiller, as is SKYY Blue, the ready-to-drink product launched in 2002.

Launch of Campari Mixx Lime and Campari Mixx Peach

In 2004 the Group launched Campari Mixx Peach and Campari Mixx Lime in Italy, as part of its strategy of expanding its ready-to-drink range.
These fizzy low-alcohol drinks join the two versions already on the market: Campari Mixx and Campari Mixx Orange.

Outlook

At this stage of the year, forecasts for 2004 generally reflect a cautious view.
In Italy, the dynamic performance of all main Group brands should be viewed against the backdrop of an increasingly difficult macroeconomic situation, in which consumer confidence and the propensity to spend fell to their lowest levels of the last three years in January and February.
Moreover, the 13% increase in excise duty introduced in January 2004 was wholly passed onto prices, and this will undoubtedly have a significant effect on sales of spirits.
By contrast, business in Italy will benefit from the contribution of Aperol and the other brands of Barbero 1891 S.p.A., which was acquired in December 2003.
The macroeconomic situation in the Group's other main European markets is very similar to that of Italy.
The main European market, Germany, has suffered more than any country from the effects of the economic downturn, but fortunately began to show clear signs of recovery in the second half of 2003.
This year, Group sales in Europe – particularly in Germany – will be hit by tax increases that have already affected the ready-to-drink segment.
The Group has decided to abandon its expansion plans for Campari Mixx in the markets affected by these tax measures.
Leaving aside the outlook for both the US dollar and the Brazilian real (both of which appear to be on a downward trend against the euro), the respective situations of the United States and Brazil are very different.
In the United States, where the macroeconomic outlook is still unclear, especially given the approaching presidential elections, the biggest risks for Skyy Spirits, LLC and SKYY Vodka are the increasingly

crowded and competitive vodka market, especially as regards premium products like those sold by the Group.
As the last year has plainly shown, the performance of Campari do Brasil Ltda. remains closely bound up with that of the local economy, particularly in relation to inflation and exchange rates.
In the second half of 2004 the third-party licensing rights to the Cynar brand on the Brazilian market will expire.
The brand, which is a segment leader on the Brazilian market and generates significant sales, will then be produced and distributed locally by the Group via Campari do Brasil Ltda.

ATTACHMENTS

RECLASSIFIED BALANCE SHEET

€ 000	31 December 2003	31 December 2002
Assets		
Current assets		
Cash and banks	133,583	103,480
Marketable securities	1,910	4,235
Short-term financial receivables	781	246
Receivables from customers, net of write-down reserves and year-end bonuses (*)	174.238	137,667
Receivables from affiliated companies (*)	1,806	1,557
Advances to suppliers	8,215	9,578
Receivables from tax authorities (*)	9,893	12,788
Pre-paid taxes	15,792	10,152
Inventories	106,363	94,860
Other current assets	18,942	9,892
Total current assets	**471,523**	**384,455**
Net tangible fixed assets	152,427	144,238
Goodwill, net of depreciation	552,198	437,260
Other intangible fixed assets, net of depreciation	19.379	15,980
Equity investments	7,822	8,674
Own shares	31,000	31,000
Other assets	5,771	3,539
Total non-current assets	**768,597**	**640,691**
Total assets	**1,240,120**	**1,025,146**
Liabilities and shareholders' equity		
Current liabilities		
Payables to banks	30,112	120,107
Property leases, current portion		2,024
Payables to other financial organisations	1	
Payables to suppliers (*)	127,580	135,501
Advances from customers	116	130
Commissions payable	1,706	1,591
Corporate income tax	14,186	5,509
Payables to tax authorities (*)	18,737	15,834
Social security contributions	4,437	4,405
Employees	8,818	6,193
Deposits from customers for packaging	4,234	6,748
Other current liabilities	25,895	12,017
Total current liabilities	**235,822**	**310,059**
Staff severance fund (Italy)	15,628	13,137
Non-current payables to banks	3,863	4,923
Property leases, less current portion	0	11,361
Payables to bond holders	257,954	–
Private placement	134,600	163,116
Non-current payables to other financial organisations	1,625	1,625
Non-current payables to tax authorities	2,018	5,143
Deferred tax	15,979	9,566
Other non-current liabilities	19,752	17,326
Minority interests	4,668	9,984
Total non-current liabilities	**456,087**	**236,181**
Shareholders' equity		
Share capital	29,040	29,040
Reserves	519,171	449,866
Total shareholders' equity	**548,211**	**478,906**
Total liabilities and shareholders' equity	**1,240,120**	**1,025,146**

(*) Please note that in 2003 trade receivables and payables to affiliated companies were reclassified under "Receivables from customers" and "Payables to suppliers" respectively; for ease of comparison, these items have also been reclassified for 2002.

RECLASSIFIED PROFIT AND LOSS ACCOUNT

€ 000	31 December 2003	31 December 2002
Net sales	714,148	660,615
Cost of materials	(256,330)	(230,379)
Production costs	(44,907)	(45,940)
Total cost of goods sold	(301,237)	(276,319)
Gross margin	**412,911**	**384,296**
Advertising and promotions	(143,748)	(130,812)
Sales and distribution costs	(76,077)	(72,673)
Trading profit	**193,086**	**180,811**
General and administrative expenses	(46,851)	(43,348)
Other operating income	6,912	5,779
Goodwill and trademark amortisation	(28,458)	(27,766)
EBIT before non-recurring costs	**124,689**	**115,476**
Non-recurring costs	(2,477)	(809)
EBIT	122,212	114,667
Net financial income (charges)	(8,843)	(6,076)
Net exchange rate gains (losses)	1,622	8,163
Other non-operating income (charges)	23,130	6,673
Profit before tax	**138,121**	**123,427**
Minority interests	(17,851)	(15,840)
Group profit before tax	**120,270**	**107,588**
Tax	(40,448)	(20,919)
Net profit	**79,822**	**86,669**
EBITDA before non-recurring costs	**171,674**	**160,766**
EBITDA	**169,197**	**159,957**
EBITA before non-recurring costs	**153,147**	**143,242**
EBITA	**150,670**	**142,433**

CASH FLOW STATEMENT

€ 000	31 December 2003 Total	Effect of changes in basis of consolidation	Same-structure basis	31 December 2002
Group profit before tax	**120,171**		**120,171**	**107,563**
Depreciation and amortisation	46,984		46,984	45,290
Gains on sales of fixed assets	(34,447)		(34,447)	(5,676)
Other non-cash items	10,512		10,512	(5,698)
Use of funds	(4,080)		(4,080)	
Current tax	(40,349)		(40,349)	(20,894)
Changes in staff severance fund	(63)		(63)	559
Deferred tax	3,180		3,180	(6,222)
Changes in tax payables and receivables	8,943	3,646	5,297	(8,594)
Other changes in payables and receivables, excluding working capital	7,471	7,994	(522)	(10,428)
Cash flow from operations before changes in working capital	**118,323**	**11,640**	**106,682**	**95,901**
Receivables from customers	(40,180)	(21,167)	(19,013)	(4,177)
Inventories	(15,604)	(9,266)	(6,339)	(20,653)
Payables to suppliers	12,690	18,099	(5,409)	21,607
Changes in net working capital	**(43,095)**	**(12,334)**	**(30,761)**	**(3,223)**
Cash flow from operations	**75,228**	**(694)**	**75,921**	**92,678**
Purchase of tangible fixed assets	(36,144)	(7,730)	(28,414)	(56,191)
Change in payables to suppliers in respect of fixed assets (Novi Ligure)	(17,020)		(17,020)	17,020
Gains on sales of tangible fixed assets	40,332		40,332	8,793
Purchase of intangible fixed assets	(149,697)	(142,250)	(7,447)	(2,005)
Acquisition of new subsidiaries, net of cash acquired			(155,604)	(357,984)
Net change in equity investments	852	582	270	1,305
Purchase of own shares				
Net change in marketable securities	2,325		2,325	42,135
Change in financial receivables	58		58	544
Change in minority interests	(5,316)	(6,061)	745	1.685
Cash flow from investments	**(164,610)**	**(155,458)**	**(164,756)**	**(344,698)**
Payment of lease instalments	(14,208)		(14,208)	(1,857)
Net change in short-term bank debt	(89,995)		(89,995)	7,822
Interest on bonds and private placement	1,074		1,074	3,349
Bonds	257,954		257,954	163,116
Net change in medium-long-term financial payables (non-current portion)	(1,060)		(1,060)	5,339
Dividends	(24,675)		(24,675)	(24,675)
Cash flow from financial operations	**129,090**		**129,090**	**153,094**
Effect of exchange rate differences on net working capital	4,120		4,120	23,408
Other exchange rate differences and changes	(13,725)	548	(14,273)	1,233
Exchange rate differences and other changes	**(9,605)**	**548**	**(10,153)**	**24,641**
Net increase (decrease) in cash and banks	**30,103**	**(155,604)**	**30,103**	**(74,286)**
Cash and banks at start of financial year	103,480		103,480	177,766
Cash and banks at end of financial year	133,583	(155,604)	133,583	103,480

Notes to the cash flow statement

- In a change from the previous year, cash flow from operations is now shown before the effect of exchange rate differences on working capital, which has been reclassified under "exchange rate differences and other changes" (also reclassified for 2002, for ease of comparison).
- Please note that in 2003 trade receivables and payables to affiliated companies were reclassified under "receivables from customers" and "payables to suppliers" respectively; for ease of comparison, these items have also been reclassified for 2002.
- The changes in payables to suppliers (for 2002 and 2003) exclude payables relating to the investment in the Novi Ligure plant, which has been reclassified under "cash flow from investments".
- "Acquisition of new subsidiaries" refers to the purchase of Barbero 1891 S.p.A. for € 147.1 million, and to the € 8.5 million purchase of the remaining portion of Sella & Mosca S.p.A that the group did not already own.

CAMPARI

Davide Campari – Milano S.p.A.
Consolidated financial statements as at 31 December 2003

Consolidated accounts as at 31 December 2003

BALANCE SHEET

(€ 000)	31 December 2003	31 December 2002
Assets		
A Amounts due from shareholders for capital contributions payable	0	0
B Fixed assets		
I Intangible assets		
1 Start-up and expansion costs	2,665	51
3 Industrial patents and intellectual property rights	1,749	1,718
4 Concessions, licences, trademarks and similar rights	11,160	11,654
5 Consolidation differences	552,198	437,260
6 Intangible assets in progress and payments on account	787	7
7 Other intangible fixed assets	3,018	2,550
	571,577	**453,240**
II Tangible assets		
1 Land and buildings	76,975	51,763
2 Plant and machinery	59,993	37,021
3 Industrial and commercial equipment	2,137	7,246
4 Other tangible fixed assets	4,768	4,221
5 Tangible assets in progress and payments on account	8,554	43,987
	152,427	**144,238**
III Financial assets		
1 Equity investments		
a Subsidiaries	7,026	7,878
b Affiliated companies	584	621
d Other companies	212	175
2 Receivables		
d from other companies		
due within 12 months	554	246
due after 12 months	1,447	2,018
3 Other securities		
due within 12 months	227	0
due after 12 months	0	454
4 Own shares	31,000	31,000
	41,050	**42,392**
Total fixed assets	**765,054**	**639,870**
C Current assets		
I Inventories		
1 Raw materials, supplies and consumables	33,349	26,482
2 Work in progress and semi-finished products	21,998	21,801
4 Finished products and goods for resale	50,704	46,577
5 Payments on account	312	0
	106,363	**94,860**
II Receivables		
1 from customers		
due within 12 months	171,840	145,429
due after 12 months	0	43
3 from affiliated companies		
due within 12 months	9,690	6,337
4 from parent companies		
due within 12 months	6	0
5 from others		
due within 12 months	43,547	39,456
due after 12 months	4,324	1,024
	229,407	**192,289**
III Financial assets not listed under fixed assets		
6 Other securities	1,910	4,235
	1,910	**4,235**
IV Cash and cash equivalents		
1 Bank and post office deposits	133,535	103,441
2 Cheques	10	0
3 Cash and liquid assets	38	39
	133,583	**103,480**
Total current assets	**471,263**	**394,864**
D Accrued income and deferred charges		
2 Other		
Accrued income	7,785	1,532
Deferred charges	1,504	1,422
	9,289	**2,954**
Total assets	**1,245,606**	**1,037,688**

BALANCE SHEET

(€ 000)	31 December 2003	31 December 2002
Liabilities and shareholders' equity		
A Shareholders' equity		
I Share capital	29,040	29,040
II Share premium reserve		
III Revaluation reserve		
IV Legal reserve	5,808	5,808
V Reserve for own shares in portfolio	31,000	31,000
VI Statutory reserve		
VII Other reserves	402,541	195,986
VIII Profit (loss) carried forward	0	130,403
IX Profit (loss) for the year	79,822	86,669
Total shareholders' equity - group	**548,211**	**478,906**
Minorities		
Share capital and reserves	–13,182	–5,856
Profit (loss) for the year	17,850	15,840
Total shareholders' equity - minorities	**4,668**	**9,984**
Total shareholders' equity	**552,879**	**488,890**
B Reserve for risks and charges		
2 Pension provisions and similar obligations	3,574	2,669
2a Tax provisions	2,018	2,791
2b Deferred tax provisions	15,979	9,566
3 Other provisions	16,178	14,657
Total reserves for risks and charges	**37,749**	**29,683**
C Staff severance fund (Italy)	**15,628**	**13,137**
D Payables		
1 Bonds		
due after 12 months	257,954	0
3 Payables to banks		
due within 12 months	30,112	122,131
due after 12 months	3,863	16,284
4 Payables to other financial organisations		
due within 12 months	1	0
due after 12 months	136,225	164,741
5 Payments on account		
due within 12 months	232	295
due after 12 months		
6 Payables to suppliers		
due within 12 months	130,465	136,942
9 Payables to affiliated companies		
due within 12 months	2,601	1,216
10 Payables to parent companies		
due within 12 months	0	2
11 Payables to tax authorities		
due within 12 months	32,923	21,343
due after 12 months	0	2,352
12 Payables to social security and pension organisations		
due within 12 months	4,437	4,405
due after 12 months		
13 Other payables		
due within 12 months	19,328	29,408
Total payables	**618,141**	**499,119**
E Accrued liabilities and deferred income		
2 Other		
Accrued liabilities	12,703	5,474
Deferred income	8,506	1,385
	21,209	**6,859**
Total liabilities	**1,245,606**	**1,037,688**
Memorandum accounts		
1 Guarantees to other companies	37,007	25.995
2 Pledges to other companies	18,514	33.339
3 Risks in respect of other companies	87	0
Total memorandum accounts	**55,608**	**59,334**

PROFIT AND LOSS ACCOUNT

(€ migliaia)	31 December 2003	31 December 2002
A Value of production		
1 Revenues from sales and services	851,991	782,630
2 Change in work in progress, semi-finished and finished products	2,113	2,873
3 Change in contract work in progress		
4 Increases in fixed assets for internal work	845	893
5 Other revenues and income (contributions to operating account = 0)	36,513	39,563
Total value of production	**891,462**	**825,959**
B Production costs		
6 Raw materials, supplies and consumables	297,801	273,006
7 Services	228,465	213,581
8 Rental and leasing charges	5,439	3,458
9 Personnel		
a) Salaries and wages	50,731	48,828
b) Social security contributions	12,422	12,020
c) Staff severance fund (Italy)	1,693	1,678
d) Pension provisions and similar	193	207
e) Other costs	3,419	6,289
10 Depreciation, amortisation and write-downs		
a) Amortisation of intangible fixed assets	31,565	30.924
b) Depreciation of tangible fixed assets	15,419	14.366
c) Other write-downs of fixed assets	0	1.953
d) Write-downs of receivables due within 12 months and liquid assets	456	1.052
11 Change in inventories of raw materials, supplies and consumables	–4,621	–13.816
12 Risk provisions	1,075	4.145
13 Other provisions	0	0
14 Other operating expenses	127,334	120.442
Total production costs	**771.391**	**718,133**
Difference between value of production and production costs	**120.071**	**107,826**
C Financial income and charges		
15 Income from equity investments		
c Other companies	71	0
16 Other financial income		
a from receivables listed under fixed assets		
Other companies	18	29
c from securities other than equity investments listed under current assets	1,536	2,827
d miscellaneous income		
2) Affiliated companies	68	9
4) Other companies	19,379	11,796
17 Interest and other financial charges		
d Other companies	–28,139	–17,174
Total financial income and charges	**–7,067**	**–2,513**
D Adjustments to the value of financial assets		
18 Write-ups		
a) of equity investments	33	305
19 Write-downs		
a) of equity investments	–643	–689
Total adjustments to the value of financial assets	**–610**	**–384**
E Extraordinary income and charges		
20 Income		
a) Extraordinary income	3,581	25,563
b) Capital gains	34,447	5,676
21 Charges		
a) Extraordinary charges	–12,213	–12,732
b) Capital losses	–5	–10
c) Tax relating to previous financial years	–183	–23
Total extraordinary income and charges	**25,627**	**18,474**
Profit before tax	**138,021**	**123,403**
22 Corporate income tax for the year		
Current tax	37,169	27,116
Deferred tax	3,180	–6,222
Total corporate income tax	**40,349**	**20,894**
Profit for the year	**97,672**	**102,509**
Net profit attributable to minorities	**17,850**	**15,840**
Net profit attributable to the Group	**79,822**	**86,669**

Notes to the accounts

STRUCTURE AND CONTENT OF THE CONSOLIDATED ACCOUNTS

The consolidated accounts, comprising the balance sheet, the profit and loss account and the notes to the accounts, have been prepared in compliance with Legislative Decree 127 of 9 April 1991.
The laws upon which these accounts are based have been supplemented and interpreted in light of the accounting standards drawn up by the Italian association of chartered accountants (Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri).
Against each balance sheet and profit and loss item for 2003, the corresponding figure for 2002 is also shown.
Figures given in the accounting statements, the notes to the accounts and the section containing the reclassified accounting statements are expressed in thousand euro, while comments in the notes to the accounts and the report on operations are expressed in million euro, unless otherwise stated.

BASIS OF CONSOLIDATION

The consolidated accounts comprise the accounts of the Parent Company, as well as the 2003 accounts of the companies in which the Parent Company holds a controlling interest, pursuant to article 2359, paragraphs 1 and 2 of the Italian civil code.
A list of the companies included in the basis of consolidation appears in the Other information section of this report.
The following changes in the basis of consolidation have taken place since 31 December 2002:

- Barbero 1891 S.p.A., acquired by the Group in December, was consolidated from 3 December 2003. While the consolidated balance sheet incorporates the balance sheet of the new acquisition for the full year, the profit and loss account figures are only applied for the period 3 December-31 December 2003; the consolidation of Barbero 1891 S.p.A. generated goodwill of € 138.4 million;
- Francesco Cinzano & C.ia. S.p.A. was merged into Campari-Crodo S.p.A.; this merger had no effect on the consolidated results;
- in June, the Group purchased the remaining shares in Sella & Mosca S.p.A. that were held by minority shareholders as of 31 December 2002; the acquisition generated goodwill of € 3.7 million.

CONSOLIDATION PRINCIPLES

The full values contained in the accounts of the subsidiaries are consolidated on a line-by-line basis, regardless of the actual percentage shareholding owned by the Group.
The accounts used in the consolidation are those relating to the year ending 31 December 2003 for the individual companies, which have either been approved by shareholders or have been prepared by the boards of directors for approval, and reclassified and adjusted in line with the accounting standards and presentation criteria used by the Parent Company.

Consolidation of equity investments

The negative differences between the book values of shareholdings as recorded in the accounts and the shareholders’ equity of the individual companies at the end of the year are recorded under “Consolidation reserve”.

Where positive differences are the result of a higher value of the companies' tangible or intangible fixed assets, they are recorded as increases in the assets concerned, while any residual positive amount is included in the "Consolidation differences" item under assets.

Intercompany entries

Unrealised profit and losses resulting from operations between Group companies are eliminated, as are the entries showing payables and receivables, and costs and revenues between the companies included in the basis of consolidation.

Dividends and taxes

Dividends collected from consolidated companies are eliminated.
Non-recoverable taxes relating to dividends from subsidiaries that are expected to be paid to the Parent Company are recorded.

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 these two different methods are recorded under "reserve for the conversion of accounts in foreign currency".
– any difference between the value of shareholders' equity at the beginning of the year, as converted at the prevailing rate, and the value of shareholder's equity converted at the year-end rate for the previous year are also recorded under "reserve for the conversion of accounts in foreign currency".

The exchange rates applied are as follows:

	period ending			
	31 December 2003		31 December 2002	
	Average rate	Year-end rate	Average rate	Year-end rate
US dollar	1.1309	1.2630	0.9459	1.0422
Swiss franc	1.5208	1.5579	1.4682	1.4548
Brazilian real	3.4712	3.6627	2.7835	3.6651
Uruguayan peso	31.1722	36.0649	19.9663	28.0456
Chinese renminbi	9.3615	10.4576	7.8259	8.6294

Minority interests

The share of the capital and reserves of companies included in the basis of consolidation owned by minority shareholders is recorded on the balance sheet under "minority share capital and reserves".
Consolidated profits or losses relating to minorities are recorded under "net profit attributable to minorities".

ACCOUNTING POLICIES

The criteria used to prepare the accounts for the year ending 31 December 2003 are the same as those used to prepare the accounts for the previous year.
The valuation of items in the accounts is based on general criteria of prudence and competence, on a going concern basis.

Profits are therefore included only if they are realised by the end of the financial year, while risks and losses are taken into account even if they come to light after 31 December, but before the date on which the accounts were approved by the Board of Directors.
The accounting principles and policies set out below correspond to those used in the accounts of the Parent Company, except where otherwise indicated.
These criteria are described in the section below.

Intangible fixed assets

These are recorded at acquisition cost or cost of internal production and include related charges.
They are amortised on a straight-line basis in each financial year according to their estimated remaining useful life and taking into account recoverable amounts suggested by corporate production plans.
Start-up and expansion costs are listed on the assets side of the balance sheet if they are considered to apply to more than one financial year and are amortised over their useful life, if defined, although this period shall generally not exceed five years.
Development projects and studies are recorded in full on the profit and loss account for the financial 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 distributed according to the prudence principle based on the duration of the advertising campaign.
Costs relating to industrial patents, concessions, licences, trademarks and similar rights and of other intangible fixed assets are listed on the assets side of the balance sheet only if they relate to several years.
These costs are amortised according to the period of use, if this can be defined, or according to contract duration.
Software licences comprise the cost of purchasing licences and, if incurred, external consultancy fees or internal personnel costs necessary for training.
These costs are included under "other intangible fixed assets" and 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 three financial years.
Trademarks and consolidation differences deriving from acquisitions, and which essentially represent the value of trademarks, are amortised over 10 or 20 years, as required by the accounting principles of the Italian association of chartered accountants (CNDCR).
Such periods are considered appropriate depending on the importance of the trademark and rights acquired, whether purchased alone or together with companies that have been acquired.
If the market value of an intangible fixed asset listed on the assets side of the balance sheet falls substantially below the residual cost to be amortised, it will be written down to its market value. If in subsequent years the reasons for the write-down no longer apply, the original value will be restored.

Tangible assets

These are recorded at acquisition or production cost gross of capital grants (if received) and include directly charged expenses.
This cost can also include charges relating to internal production and interest charges maturing in the period between payment being made and equipment entering operation.
Any significant amounts of this nature are mentioned in the notes to the accounts.
The gross value of fixed assets is amended only in line with national regulations that require or allow financial revaluation of assets.
Positive differences resulting from these revaluations are posted to specific reserves under shareholders' equity and are used to increase share capital or loss provisions.

Preventative maintenance costs are wholly charged to the profit and loss account for the period in which they are incurred.
Ongoing maintenance costs incurred for the purpose of prolonging the asset's useful life, upgrading technology and/or increasing productivity and safety with the aim of raising production efficiency, are attributed to the asset to which they refer and amortised on the basis of its useful residual life.
The depreciation period runs from the beginning of the year in which the asset is available and ready for use and depreciation is charged directly to the asset.
Depreciation is applied using the straight-line method, based on each asset's useful life 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 cash value net of disposal costs.
Rates are as follows:

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

Tangible fixed assets with a substantially lower market value at year end than the residual cost to be depreciated are written down to their market value.
Write-downs will not be maintained in subsequent years if the reasons are no longer valid.
Financial leasing agreements are recorded according to the method whereby the asset's value is listed under tangible fixed assets at the usual value of the asset itself and the redemption price, with a corresponding entry for the same amount placed under liabilities, which is progressively reduced on the basis of the repayment plan for principal amounts included in the lease.
The value of the asset on the assets side of the balance sheet is depreciated at the rates used for other goods in the same category.
Please note that these leases will be booked in the accounts of Group companies according to local practice.

Financial fixed assets

Long-term investments in subsidiaries that are not consolidated in full are consolidated using the equity method.
Financial fixed assets consisting of interests in affiliated companies are valued at cost in line with the corresponding shareholders' equity recorded in the most recent report available.
Equity investments in other companies are recorded at cost including related charges and written down when permanent reductions in value occur.
Adjustments in value may not fall below the value of shareholders' equity of the company concerned, or below the estimated realisable value for those in sale negotiations.
These adjustments are not maintained if the original reasons for making them are no longer valid.
Historical cost includes acquisition prices for initial and subsequent investments, subscription to capital increases, reductions in book value due to sales and share capital reductions approved at shareholders' meetings for redemption.
Reductions in share capital to the previous share capital value for the purpose of covering losses and restoring related amounts do not constitute changes in historical cost.

Inventories

Inventories of raw materials, supplies, semi-finished and finished products are recorded at the lesser of the acquisition or production cost, including directly related charges and the estimated realisable value inferable from market conditions.

Work in progress is recorded at the acquisition cost of the raw materials used including actual manufacturing costs incurred at the point of manufacturing reached.
Costs are calculated using the weighted average cost method.
LIFO with annual increments is used in the annual reports of several Italian and foreign companies.
The net realisable value is determined by taking into account manufacturing costs yet to be incurred and direct selling costs.
Purchasing costs incurred in respect of advertising material intended for sale to Group companies, determined in accordance with the above criteria, are recorded under inventories at year end.
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.

Other securities

Securities are valued at the lesser of the acquisition or subscription cost and the market value.
Interest accrued and not yet received is recorded as accrued income.

Receivables and payables

Receivables are recorded at the estimated realisable value by stating the nominal value on the assets side of the balance sheet, adjusted directly to take account of reasonable foreseeable losses.
Receivables from customers undergoing bankruptcy proceedings, that have been declared insolvent or against whom enforcement proceedings are pointless, are written off in full or written down to a certain assumed recoverable amount suggested by obtainable information and proceedings under way.
Payables are recorded at their nominal value.
Payables for current taxes are recorded at current rates applied to a realistic estimate of taxable corporate income, in accordance with the regulations in force at the time of the report's preparation.
If the taxes to be paid correspond to a lower amount than tax credits, advances paid and withholdings, the difference is recorded as a receivable on the assets side of the balance sheet.
Receivables and payables in currency other than the accounting currency (euro), are recorded at the exchange rate in force when they were booked, and adjusted later in line with the year-end exchange rate. Exchange rate gains or losses resulting from this process are reported on the profit and loss account.

Cash and cash equivalents

Receivables from bank and post office current and deposit accounts are recorded in the accounts at the estimated cash value.
Cash and miscellaneous vouchers ("valori bollati") are recorded at nominal value.

Accruals and deferrals

Revenues for the year receivable in future years and costs incurred before year end but relating to future years are recorded under accrued income and deferred charges.
Costs relating to the year under review and payable in future years, and revenue received before year end but relating to future periods are recorded under accrued liabilities and deferred income.

Reserve for risks and charges

The reserve for risks and charges is recorded on the liabilities side of the balance sheet to cover potential liabilities that may be incurred by the Group.
Reserves for risks and charges relate to charges that are certain or likely to be incurred, but where the relevant amounts or dates are not known at year end.
The profit and loss account includes provisions calculated using prudent estimates.

Reserves for risks and charges also include provisions for direct and indirect taxes relating to liabilities that have yet to be determined or are disputed, as well as provisions for deferred tax.
Accounting principle 25 is applied to corporate income tax.
This principle, set out by the Italian association of chartered accountants (CNDCR), states that deferred tax should be calculated using temporary differences between the value recorded in the balance sheet and the tax value of assets and liabilities (balance sheet liability method).
This means deferred taxation can also be determined for items that may not be allocated in the balance sheet but which may produce tax credits in the future (e.g. losses that have to be reported for tax purposes).
According to this principle, pre-paid taxes should be recorded in the accounts even if they exceed deferred tax liabilities.
In stating pre-paid taxes the following is taken into account:

- for tax losses, the timeframe covered by available corporate plans confirming with reasonable certainty the expectation that future profits will be sufficient to absorb the tax benefit recorded in the accounts;
- for the reserve for risks and charges, the uncertainty over when these will become relevant for tax purposes.

Receivables in respect of pre-paid taxes due to temporary differences between accounting and tax values are subsequently written down if there is less than a reasonable likelihood of their recovery.
Pre-paid taxes relating to temporary differences that do not have a reasonable likelihood of being offset by a corresponding tax benefit in the future, and deferred tax liabilities due to temporary differences which are unlikely to result in a future tax payment, are not recorded in the accounts.

Staff severance fund

The staff severance fund (Italy) contains amounts owed to Italian employees that have accumulated during the period of employment and payable when an employee leaves the company.
In accordance with legal requirements and employment regulations, payments are calculated on the basis of each employee’s period of service, category and salary.
Severance payments are updated annually to take into account increases in the cost of living, based on the ISTAT index produced by the Italian government.
The actual amounts owing to employees at year end are recorded on the balance sheet.

Memorandum accounts

Memorandum accounts comprise an amount equivalent to that relating to guarantees directly or indirectly provided; and real guarantees equivalent to the balance sheet value of the asset or the right given in guarantee.

Derivatives contracts

For accounting purposes, these contracts are recorded at the value of the underlying assets and liabilities.
The spreads relating to these transactions are reflected in the profit and loss account.

Statement of revenues, income and charges in the profit and loss account

Revenues and income are recorded net of returns, discounts, allowances and premiums as well as taxes directly related to product sales and service provision.
In particular:

- product sales revenues are booked at title transfer, which is generally considered to be upon delivery or shipment of goods; sales figures for products containing alcohol exclude excise duty;

- service provision revenues are booked on the basis of services rendered and in accordance with the relevant agreements;
- financial income and charges are booked in the period to which they relate;
- capital grants are booked on receipt, or when the payment is formally approved; they appear under "deferred income" on the balance sheet and are credited to the profit and loss account in proportion to the amount of the assets to which they relate;
- corporate income tax is determined in accordance with the law, applying the rates in force in the country where individual companies have their head office, and taking into account specific tax relief provided under the regulations;
- research and development costs. Costs for development projects and studies are listed on the profit and loss account for the year in which they are incurred;
- advertising costs are listed on the profit and loss account for the year in which they are incurred.

Transactions with the controlling shareholder

The subletting agreement between the Parent Company and the controlling shareholder Alicros S.r.l, in place at the end of the previous financial year was terminated following the sale of the property to a third party, as discussed in the report on operations.
With the exception of a vehicle sale (see report on operations), no other significant transactions took place between Alicros S.r.l. and its subsidiaries outside the Campari Group.

NOTES TO THE CONSOLIDATED BALANCE SHEET

Intangible fixed assets

	31 December 2003	31 December 2002	Change
Start-up and expansion costs	2,665	51	2,614
Industrial patents and intellectual property rights	1,749	1,718	31
Concessions, licences, trademarks and similar rights	11,160	11,654	(494)
Consolidation differences	552,198	437,260	114,938
Intangible assets in progress and payments on account	787	7	780
Other intangible fixed assets	3,018	2,550	468
Total	**571,577**	**453,240**	**118,337**

The following changes occurred over the year:

	Cost of Start-up and expansion costs	Industrial patents and intellectual property rights	Concessions, licences, trademarks & similar rights	Consolidation differences	Intangible assets in progress & payments on account	Other intangible fixed assets	Total
Opening value	1,432	4,401	22,962	497,908	7	9,833	536,543
Depreciation reserve	(1,381)	(2,683)	(11,308)	(60,648)		(7,283)	(83,303)
Opening balance	**51**	**1,718**	**11,654**	**437,260**	**7**	**2,550**	**453,240**
Change in basis of consolidation	10	42		142,066		132	142,250
Investments	2,450	866	880		787	2,464	7,447
Disposals						(431)	(431)
Depreciation	(267)	(1,008)	(1,329)	(27,129)		(1,832)	(31,565)
Reclassification of intangible assets in progress	422	150			(7)	149	714
Exchange rate differences and other changes	(1)	(19)	(45)	1		(14)	(78)
Closing balance	**2,665**	**1,749**	**11,160**	**552,198**	**787**	**3,018**	**571,577**
Closing value	4,294	5,268	23,518	639,975	787	12,088	685,930
Depreciation reserve at year end	**(1,629)**	**(3,519)**	**(12,358)**	**(87,777)**		**(9,070)**	**(114,353)**

The "change in the basis of consolidation" item shown in the above table relates to the acquisition of Barbero 1891 S.p.A. (see report on operations), which entailed the recording of a consolidation difference of € 138.4 million.
This sum relates to the higher price paid for the company compared with its book equity, which could not be recorded under specific items on Barbero's balance sheet.
This value is to be amortised over 20 years.
The remaining consolidation difference is due to the acquisition of the residual 22.38% stake in Sella & Mosca S.p.A., which was owned by minority shareholders at 31 December 2002.

Investments include, under "concessions, licences and trademarks", the purchase of brands by N. Kaloyiannis Bros A.E.B.E. relating to the acquisition of the Greek company Coutscicos S.A. in early 2004 (€ 0.9 million).

Other investments include registration costs for capital increases by subsidiaries (€ 2.4 million); spending on software, under "industrial patents and intellectual property rights"; and, under "other intangible fixed assets", other incremental expenses relating to software incurred by the Parent Company and its Italian affiliates, for the development of specific projects on the SAP R/3 system.
Also under "other intangible fixed assets" is a figure of € 1.8 million relating to costs incurred by the Parent Company as a result of a bond placement on the US market in 2003.
These costs will be amortised over the period to maturity of the bond.
Intangible assets in progress include costs already incurred by Skyy Spirits, LLC on the SAP project, which will come into operation in 2004.
The item "reclassification of fixed assets in progress" includes start-up costs incurred by Campari-Crodo S.p.A. in respect of the new production facility at Novi Ligure, which in the previous year were recorded under "tangible fixed assets in progress" and were not directly attributed to a specific asset.

Disposals consisted solely of costs capitalised over several years by the Parent Company, and related to the company's headquarters, which was sold during the year.
This operation is described in more detail under "tangible fixed assets".

The table below shows a breakdown of net brand values and consolidation differences by acquisition at the end of 2003.

	31 December 2003		31 December 2002	
	Concessions, licences, trademarks & similar rights	Consolidation difference	Concessions, licences, trademarks & similar rights	Consolidation difference
Former Bols brands	1,941	4,612	2,427	7,563
Ouzo 12	7,418	8,936	7,912	9,531
Cinzano	823	51,457	823	54,868
Brazilian acquisition		65,941		69,801
Skyy Spirits, LLC	75	226,140	465	238,703
Zedda Piras S.p.A.				
Sella & Mosca S.p.A.	24	57,254	27	56,794
Barbero 1891 S.p.A.		137,859		
Other	880			
	11,160	**552,198**	**11,654**	**437,260**

Tangible fixed assets

	31 December 2003	31 December 2002	Change
Land and buildings	76,975	51,763	25,212
Plant and machinery	59,993	37,021	22,972
Industrial and commercial equipment	2,137	7,246	(5,109)
Other tangible fixed assets	4,768	4,221	547
Fixed assets in progress and payments on account	8,554	43,987	(35,433)
Total	**152,427**	**144,238**	**8,189**

The following changes occurred over the year:

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Tangible assets in progress and payments on account	Total
Opening value	90,407	131,408	38,996	17,648	43,987	322,446
Depreciation reserve	(38,644)	(94,387)	(31,750)	(13,427)		(178,208)
Opening balance	**51,763**	**37,021**	**7,246**	**4,221**	**43,987**	**144,238**
Change in basis of consolidation	5,994	1,342	25	275	93	7,729
Investments	7,918	10,927	1,335	1,400	6,835	28,415
Disposals	(5,970)	(923)	(694)	(67)	(233)	(7,887)
Depreciation	(2,957)	(8,167)	(2,369)	(1,926)		(15,419)
Reclassification of fixed assets in progress	20,209	19,747	440	894	(42,004)	(714)
Write-downs			(3,812)			(3,812)
Exchange rate differences and other changes	18	46	(34)	(29)	(124)	(123)
Closing balance	**76,975**	**59,993**	**2,137**	**4,768**	**8,554**	**152,427**
Closing value	118,160	166,089	35,834	19,264	8,554	347,901
Closing depreciation reserve	(41,185)	(106,096)	(33,697)	(14,496)		(195,474)

The increase in tangible fixed assets arising from changes in the basis of consolidation (€ 7.7 million) was due entirely to the acquisition of Barbero 1891 S.p.A.

Investments during the year were significant, owing to the costs incurred by Campari-Crodo S.p.A. on completion of the new production facility at Novi Ligure.
At the end of the year, the total value of tangible fixed assets was € 51.3 million, of which assets worth € 17.3 million were purchased in 2003; at the end of 2003 assets worth some € 2.8 million were recorded as fixed assets in progress, and € 0.2 million related to payments on account.
In addition, start-up and expansion costs, recorded under intangible fixed assets, stood at € 0.4 million, bringing total investments to € 51.7 million.
Campari-Crodo S.p.A. ceased production at the Termoli plant during 2003.
Sella & Mosca S.p.A. made investments of € 3.2 million, spending € 1.5 million on vineyard equipment, € 0.2 million on agricultural machinery, € 0.7 million on industrial plant and machinery (including conveyor belts and a depalletiser, and the overhaul of a cooling plant, and € 0.3 million on improving land and buildings and constructing a secondary warehouse.
Skyy Spirits, LLC made further investments after it reached an agreement with the Brown Forman group last year to invest jointly in plant, machinery and equipment for the manufacture of SKYY brand products. The total investment (including the sum spent in 2002) was € 1.7 million.
Skyy Spirits, LLC also spent € 2.0 million on setting up its new offices.
Other investments related to smaller sums spent on machinery and miscellaneous goods by other Group companies.

Disposals in 2003 included the cancellation of the lease on the building in Via Filippo Turati, Milan – the headquarters of the Parent Company and some of its Italian subsidiaries – and its subsequent sale.
This building, which was covered by a financial leasing contract signed by the Company, was listed under the Group's tangible fixed assets at 31 December 2002 (as required by the IAS 17 standard for recording leasing contracts) at a net value of € 4.9 million.
The building was sold for € 47.4 million, generating a capital gain of € 33.7 million after costs.

This figure does not include an adjustment of € 6.9 million recorded by the Parent Company under accrued charges, to cover future charges for extraordinary maintenance to be carried out over the six-year lease period in accordance with the terms of the sale contract.
Other disposals during the year related mainly to the Group's Italian companies (€ 2.3 million). In particular, the Parent Company closed the CampariSoda returnable bottles production line, which had a net value of € 0.7 million, using part of the risk provisions earmarked at the end of 2002 for expected costs involved in the Group restructuring programme.
Campari-Crodo S.p.A. recorded disposals of € 0.6 million in respect of the restructuring programme, which were also offset by provisions made the previous year.
In addition to the € 0.6 million of disposals made during the year, and following the closure of the returnable bottles line, Campari Italia S.p.A. completely wrote off the packaging materials recorded under fixed assets at 31 December 2003 (net value: € 3.8 million).
Given the one-off nature of the operation, this cost was recorded under extraordinary charges.
Write-ups of tangible fixed assets totalled € 9.0 million, after the related depreciation charges.
This is shown in detail below.

	Land and buildings	Plant and machinery	Other tangible assets	Total
Law 576 of 2 December 1975	85	250		335
Law 72 of 19 March 1983	710	2,367	100	3,177
Law 413 of 30 December 1991	5,907			5,907
Total	**6,702**	**2,617**	**100**	**9,419**

Financial fixed assets

	31 December 2003	31 December 2002	Change
Equity investments			
– subsidiaries	7,026	7,878	(852)
– affiliated companies	584	621	(37)
– other companies	212	175	37
Receivables from other companies			
due within 12 months	554	246	308
due after 12 months	1,447	2,018	(571)
Other securities			
due within 12 months	227		227
due after 12 months		454	(454)
Own shares	31,000	31,000	
Total	**41,050**	**42,392**	**(1,342)**

The following changes occurred over the year:

	Subsidiaries	Affiliates	Other companies	Receivables due within 12 months	Receivables due after 12 months	Other securities	Own shares
Balance at 31 December 2002	**7,878**	**621**	**175**	**246**	**2,018**	**454**	**31,000**
Change in basis of consolidation			94				
Increases				308			
Write-ups / write-downs	(652)	(37)					
Disposals			(57)		(571)	(227)	
Other changes	(200)						
Balance at 31 December 2003	**7,026**	**584**	**212**	**554**	**1,447**	**227**	**31,000**

	Subsidiaries	Affiliated companies	Other companies	Receivables due within 12 months	Receivables due after 12 months	Other securities	Own shares
Breakdown at 31 December 2003							
Qingdao Sella & Mosca Winery Co. Ltd.	2,028						
Société Civile Immobiliaire du Domaine de la Margue	4,998						
MCS S.c.a.r.l.		271					
International Marques V.o.f.		103					
Longhi & Associati S.r.l.		152					
Fior Brands Ltd.		0					
SUMMA S.L.		58					
Alghero Agroalimentare							
Other shareholdings < 10%			212				
Loan to S.I.A.M. Monticchio S.p.A.				255	88		
Pre-payment of taxes for staff severance fund					636		
IDREG Piemonte bonds						227	
Own shares							31,000
Other items				299	723		
Total	7,026	584	212	554	1,447	227	31,000

Changes in equity investments in subsidiaries refer to two companies controlled by Sella & Mosca S.p.A.: Qingdao Sella & Mosca Winery Co. Ltd and Société Civile Immobiliaire du Domaine de la Margue.
These two companies are not consolidated and both are valued using the equity method.
Write-offs relate to the losses made by both companies during the year, while the item "other changes" includes other differences arising from the use of the equity method to value the companies.

Changes in equity investments in affiliates were due to the proportion of net profit attributable to the Group.
The value of other shareholdings fell because of disposals made during the year. Specifically, the Parent Company sold its stake in Credemholding S.p.A., while the Brazilian subsidiary sold a minority shareholding in a local company.
The change in the basis of consolidation was due to the minority shares held by Barbero 1891 S.p.A. in external companies.

Receivables from other companies include the loan from Campari-Crodo S.p.A. to S.I.A.M. Monticchio S.p.A., due on 30 June 2005.
The remainder relates mainly to deposits made by Group subsidiaries.
The decrease in "Other securities" is due to the early redemption of some of the bonds issued by the company IDREG Piemonte and held by Campari-Crodo S.p.A.; the remaining 227 bonds, with a total value of € 0.2 million, were redeemed at the beginning of 2004.

Own shares (€ 31 million) relate to 1,000,000 ordinary shares, corresponding to 3.4% of the share capital, with a total nominal value of € 1.0 million.
These were purchased in 2001 for the purposes of the Company's stock option scheme.

CURRENT ASSETS

Inventories

	31 December 2003	31 December 2002	Change
Raw materials, supplies and consumables	33,349	26,482	6,867
Work in progress and semi-finished products	21,998	21,801	197
Finished products and goods for resale	50,704	46,577	4,127
Payments on account	312		312
Total	106,363	94,860	11,503

In the accounts of some Italian and foreign companies inventories have been valued using the LIFO method.
The increase due to the use of the average cost method in the consolidated accounts is € 1.4 million.
Some € 8.3 million of the increase in inventories compared with 31 December 2002 was due to the change in the basis of consolidation following the acquisition of Barbero 1891 S.p.A. with effect from 3 December 2003.
This figure breaks down as follows: an increase of € 3.9 million in raw materials, of € 1.9 million in semi-finished goods, and of € 2.5 million in finished products and payments on account.
There was also a decrease of around € 4.2 million due almost entirely to the effect on the opening inventories of Skyy Spirits, LLC of the rise of the euro against the US dollar.
In addition to the changes stated above, there was an overall increase in stocks (€ 6.4 million) in line with the rise in Group revenues.
The figures above do not include the inventory write-down reserve, which at 31 December 2003 totalled € 1.4 million, from € 1.0 million at 31 December 2002.

Receivables

	31 December 2003	31 December 2002	Change
From customers - within 12 months	171,840	145,429	26,411
From customers - after 12 months	0	43	(43)
From affiliated companies - within 12 months	9,690	6,337	3,353
From parent companies - within 12 months	6		6
From others - within 12 months	43,547	39,456	4,091
From others - after 12 months	4,324	1,024	3,300
Total	229,407	192,289	37,118

Receivables from customers

Receivables from customers rose by € 26.4 million; this increase falls to € 4.6 million excluding the effects of the consolidation of Barbero 1891 S.p.A. at the end of 2003.
Exchange rate changes, mainly relating to the value of the US dollar against the euro, caused the opening balances to fall by € 3.6 million.
Please note that receivables from customers for 2003 do not include credit notes to be issued to customers for year-end bonuses, which were previously recorded under "other payables".
On a like-for-like basis therefore, receivables rose in line with sales.

Provisions for write-downs of customer receivables arising from ordinary sale operations stood at € 5.6 million at the end of the year, and broke down as follows:

Opening balance	**5,217**
Amounts used	(1,389)
Provisions	763
Change in basis of consolidation	1,024
Other changes	(11)
Closing balance	**5,604**

Receivables from affiliated companies

The increase in receivables from affiliated companies was due to the Group's participation in the joint ventures Fior Brands Ltd. in the UK, and SUMMA S.L. in Spain, which was created in 2003.
In particular, in addition to the customer receivables arising from ordinary sale operations, the Group, via Campari Finance Teoranta, has made a GBP 1.0 million loan under market conditions to Fior Brands Ltd., at an interest rate tied to the GBP Libor.

Other receivables

At 31 December 2003, receivables from others broke down as follows:

	31 December 2003	31 December 2002	Change
Due from tax authorities	9,893	12,788	(2,895)
Deferred tax credits	15,792	10,152	5,640
Pre-payments and other receivables from suppliers	8,215	9,578	(1,363)
Receivables from other customers	3,491	1,800	1,691
Due from agents and distribution centres	3,168	1,599	1,569
Other receivables due within the year	2,988	3,539	(551)
Other receivables due after the year	4,324	1,024	3,300
Total other receivables	**47,871**	**40,480**	**7,391**

The reduction in receivables from the tax authorities was almost entirely attributable to the net VAT balance of the Italian subsidiaries, recorded in the Parent Company's accounts.
This was negative to the tune of € 1.6 million at 31 December 2003 (compared with a credit of € 2.8 million in 2002), and was recorded under payables due to tax authorities.

Deferred tax credits relate to the recording by Group companies of taxed reserves including provisions for stock write-downs, provisions for bad debts and risks, and costs that are partially deductible on a deferred basis, such as entertainment or maintenance expenses that are deductible because of certain tax measures in force or past losses.
These break down as follows:

	31 December 2003	31 December 2002	Change
Deferred tax credits on			
– taxed reserves	8,138	8,768	(630)
– costs partially deductible on a deferred basis	5,131	755	4,376
– tax deductible costs (non-deferrable)	72	48	24
– past losses	2,451	581	1,870
Total deferred tax credits	**15,792**	**10,152**	**5,640**

The item "costs partially deductible on a deferred basis" includes an increase relating to the accrued liability recorded by Davide Campari-Milano S.p.A. following the sale of the building in Via Filippo Turati. The expected tax effect of this is € 2.1 million.
Past losses refer to tax losses to be carried forward by the Brazilian subsidiary, for which there is reasonable certainty that enough taxable revenues will be generated in future to absorb such losses.
Under Brazilian law, there is no time limit on the use of these credits.

Lastly, the item "other receivables due after the year" includes a Parent Company receivable of € 2.8 million from Core One S.r.l., which purchased the building in Via Filippo Turati in Milan, in accordance with the terms of the sale contract.
The receivable is due on 30 July 2008.

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

	31 December 2003	31 December 2002	Change
Other securities	1,910	4,235	(2,325)
Bank and post office deposits	133,535	103,441	30,094
Cash and liquid assets	48	39	9
Cash and cash equivalents	133,583	103,480	30,103
Total	**135,493**	**107,715**	**27,778**

Other securities consist of SICAV funds and euro-denominated securities held by Group subsidiaries.
A breakdown of securities by maturity is shown below.

Other securities	31 December 2003
within 30 days	1,392
12 months - 5 years	518
Total other securities	**1,910**

Bank and post office deposits break down as follows:

	31 December 2003
Current accounts	16,435
Parent Company term deposits with banks	16,051
Term deposits of subsidiaries with banks	101,049
Total bank and post office deposits	**133,535**

A breakdown of term deposits by notice period is shown below:

Term deposits	31 December 2003
within 30 days	93,100
within 90 days	24,000
Total term deposits	**117,100**

A breakdown of cash and cash equivalents by currency is shown below:

Cash and cash equivalents (values in euro)	31 December 2003
Euro	79,207
US dollars	47,462
Swiss francs	6,464
Other currencies	450
Total cash and cash equivalents	**133,583**

Net debt

The table below shows the Group's liquid funds and net debt.

	31 December 2003	31 December 2002	Change
Cash and cash equivalents	133,583	103,480	30,103
Bonds	(257,954)		(257,954)
Due to banks - within 12 months	(30,112)	(122,131)	92,019
Due to banks - after 12 months	(3,863)	(16,284)	12,421
Due to other financial institutions	(136,226)	(164,741)	28,515
Accrued interest on bonds and private placements	(4,423)	(3,349)	(1,074)
	(298,995)	**(203,025)**	**(95,970)**
Other securities	1,910	4,235	(2,325)
Net debt	**(297,085)**	**(198,790)**	**(98,295)**

Please see the report on operations for comments on the increased debt incurred by the Group during the year.

Accrued income and deferred charges

	31 December 2003	31 December 2002	Change
Accrued income:			
– interest receivable	38	26	12
– cross currency swap on bond issue and private placement	7,747	1,483	6,264
– other accrued income		23	(23)
Total accrued income	**7,785**	**1,532**	**6,253**
Deferred charges:			
– insurance premiums	400	284	116
– rental payments	59	22	37
– other deferred charges	1,045	1,116	(71)
Total deferred charges	**1,504**	**1,422**	**82**
Total	**9,289**	**2,954**	**6,335**

The increase in accrued income compared to 2002 was chiefly due to interest on derivative financial instruments taken out by the Parent Company in respect of a bond issue launched on the US market (for more detail see "financial payables" below).
The item includes net income from the swap operation with Redfire, Inc as part of its private placement. The balance for the Parent Company consists solely of interest receivable from this contract, while charges are shown separately under accrued charges, as inflows were in two different currencies (US dollar and euro), and therefore cannot be offset.

Shareholders' equity

Changes to consolidated shareholders' equity

	Balance at 31 December 2002	Dividends	Transfers	Exchange rate differences and other changes	Profit for the year	Balance at 31 December 2003
Share capital	29,040					29,040
Legal reserve	5,808					5,808
Reserve for own shares	31,000					31,000
Other reserves						
Extraordinary reserve	7,982		239,420			247,402
Suspended tax reserve	3,041					3,041
Merger surplus	5,687					5,687
Consolidation reserve	186,211		(47,023)			139,188
Reserve for conversion of results in foreign currency	(6,935)			14,158		7,223
Profit (loss) carried forward	130,403		(130,403)			
Profit (loss) for the year	86,669	(24,675)	(61,994)		79,823	79,823
Total Group shareholders' equity	**478,906**	**(24,675)**		**14,158**	**79,823**	**548,212**
Minorities' share capital and reserves	(5,856)		(9)	(7,317)		(13,182)
Minorities' profit (loss)	15,840		9	(15,849)	17,850	17,850
Total minority shareholders' equity	**9,984**			**(23,166)**	**17,850**	**4,668**
Total shareholders' equity	**488,890**	**(24,675)**		**(9,008)**	**97,673**	**552,880**

At 31 December 2003, the share capital consisted of 29,040,000 ordinary shares with a nominal value of € 1 each, including 1,000,000 own shares allocated to the stock option scheme.
€ 24.7 million of the profit from the previous year was paid to shareholders in dividends.
The Parent Company shareholders' meeting of 30 April 2003 transferred the entire € 130.4 million of the "profit (loss) carried forward" account at 31 December 2002 to "other reserves" (under "extraordinary reserves"), and allocated a further € 109 million of the profit to the same reserve.

The change in the reserve for the conversion of accounts in foreign currency in 2003 was due to exchange rate differences on the opening shareholders' equity of subsidiaries, mainly resulting from fluctuations in the US dollar and to a lesser extent the Brazilian real, as well as the changes resulting from the different exchange rate used to convert the balance sheet and profit and loss account for the year.

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

	31 December 2003		31 December 2002	
	Shareholders' equity	Profit for the year	Shareholders' equity	Profit for the year
Parent Company balance sheet	344,890	20,975	348,590	134,270
Difference between book value of consolidated subsidiaries and corresponding shareholders' equity	225,388	118,835	153,554	74,756
Elimination of dividends distributed by consolidated companies		(61,161)		(120,885)
Elimination of intercompany profits excluding tax effect	(11,641)	10,653	(22,293)	(1,808)
Alignment of accounting policies	(6,926)	(5,980)	(945)	336
Other	(3,500)	(3,500)		
Consolidated balance sheet	**548,211**	**79,822**	**478,906**	**86,669**

The item "other" includes provisions to cover the estimated costs of reorganising company functions and organisational changes within Group companies, covered in the section on reserve for risks and charges.

Minorities' share capital

The changes in minority interests relative to 31 December 2002 are as follows:

% owned by minorities	31 December 2003	31 December 2002
O-Dodeca B.V.	25.00%	25.00%
Skyy Spirits, LLC	41.10%	41.10%
Sella & Mosca S.p.A.	–	22.38%

During the year, the Group purchased the 22.38% stake in Sella & Mosca S.p.A. previously held by minority shareholders.
The changes in minority share capital compared to 31 December 2002 can be summarised as follows:

	Balance at 31 December 2002	Change in basis of consolidation changes	Dividends (*)	Transfers	Exchange rate differences and other	Profit for the year	Balance at 31 December 2003
Minorities' share capital and reserves	(5,856)	(6,061)	(16,706)	15,840	(399)		(13,182)
Minorities' profit (loss)	15,840			(15,840)		17,850	17,850
Total minority shareholders' equity	**9,984**	**(6,061)**	**(16,706)**		**(399)**	**17,850**	**4,668**

(*) includes advances on dividends paid in respect of 2003 profit

Reserve for risks and charges

The changes to the reserve for risks and charges over the year were as follows:

	31 December 2002	Provisions	Amounts used	Change in basis of consolidation	Other changes	31 December 2003
Pension provisions and similar obligations	2,669	626	(679)	994	(36)	3,574
Tax provisions						
Tax provisions	2,791	72	(1,080)		235	2,018
Deferred tax provisions	9,566	2,139	4,671	635	(1,032)	15,979
Other provisions:						
– industrial restructuring charges	10,000		(3,515)			6,485
– risks in respect of agents	2,290		(565)		(574)	1,151
– other	2,367	7,333	(1,135)		(23)	8,542
Total other reserves	**14,657**	**7,333**	**(5,215)**		**(597)**	**16,178**
Total reserves for risks and charges	**29,683**	**10,170**	**(2,303)**	**1,629**	**(1,430)**	**37,749**

The change in the basis of consolidation follows the inclusion of Barbero 1891 S.p.A., while the "other changes" item represents the effect of exchange rates on the conversion of results in foreign currency, largely in relation to the US dollar.
Other changes in the reserve for risks in respect of agents resulted from a release of funds, as described below.

Deferred tax provisions are those made in relation to tax entries present in the accounts of individual Group companies, and mainly refer to pre-paid depreciation and capital gains received in instalments, and the net balance of deferred and pre-paid taxes relating to consolidation entries.
Amounts used during the year relate to the provisions made at Group level in respect of the leasing contract on the building sold by Davide Campari-Milano S.p.A. in accordance with IAS 17.
The most significant temporary differences are set out below.

Deferred tax provisions	31 December 2003
Pre-paid depreciation	3,516
Capital gains subject to deferred taxation	1,557
Reserves subject to taxation in the event of dividend payments	8,331
Consolidation entries and adjustment to Group accounting principles	2,575
Total	**15,979**

Industrial restructuring provisions, earmarked by the Parent Company and Campari-Crodo S.p.A. as of 31 December 2002 as part of the programme to overhaul the Group's production sites, were partially used during the year.
Specifically, out of reserves totalling € 5.2 million, the Parent Company used € 1.1 million to close the CampariSoda returnable bottles production line at Sesto San Giovanni (see section on tangible fixed assets above) and to cover personnel costs.
Out of reserves totalling € 4.8 million, Campari-Crodo S.p.A. used € 2.4 million to cover the cost of transferring equipment from the plant at Termoli (which closed during the year) to the Novi Ligure production facility, and to cover personnel costs.

The provisions for risks in respect of agents decreased by € 0.6 million, owing to the reclassification of provisions made in previous years by Campari-Crodo S.p.A. and Campari Italia S.p.A. as miscellaneous income.
These provisions were made in relation to legal proceedings with agents, which proved excessive in light of further developments over the year.
The remaining change in the reserve was due to amounts used.

The "other reserves" item includes reserves of € 2.7 million made by the Parent Company during the year to cover the estimated future costs of recruiting new and replacement managers within the current company structure, as well as € 3.5 million relating to estimated costs for reorganising company functions and organisational changes within Group companies.

Staff severance fund

The change to the staff severance fund compared to 31 December 2002 is shown below.
The change in the basis of consolidation relates to the opening balance of Barbero 1891 S.p.A. at 3 December 2003, the date from which it was consolidated.

Opening balance at 31 December 2002	**13,137**
Change in basis of consolidation	2,554
Provision for the year	1,693
Amounts used during the period and advances	(1,756)
Closing balance at 31 December 2003	**15,628**

Payables

	31 December 2003	31 December 2002	Change
Bonds - due after 12 months	257,954		257,954
Payables to banks - due within 12 months	30,112	122,131	(92,019)
Payables to banks - due after 12 months	3,863	16,284	(12,421)
Payables to other financial institutions - within 12 months	1		1
Payables to other financial institutions - after 12 months	136,225	164,741	(28,516)
Payments on account - due within 12 months	232	295	(63)
Payables to suppliers - due within 12 months	130,465	136,942	(6,477)
Payables to affiliated companies - within 12 months	2,601	1,216	1,385
Payables to main shareholders - within 12 months		2	(2)
Payables to tax authorities - due within 12 months	32,923	21,343	11,580
Payables to tax authorities - due after 12 months		2,352	(2,352)
Payables to social security and pension organisations - due within 12 months	4,437	4,405	32
Other payables - due within 12 months	19,328	29,408	(10,080)
Total	**618,141**	**499,119**	**119,022**

Financial payables

The breakdown and maturity of payables to banks, bond holders and other financial institutions at 31 December 2003 is shown below.

	31 December 2003 due within 12 months	due after 12 months	of which after 5 years	Total	31 December 2002 Total
Payables to banks:					
– bank debt	30,112	3,863	518	33,975	125,030
– Credito Emiliano S.p.A. for leasing of real estate					13,385
Total payables to banks	**30,112**	**3,863**	**518**	**33,975**	**138,415**
Payables to bond holders and other financial institutions					
– payables to bond holders		257,954	257,954	257,954	
– private placement	–	134,600	108,736	134,600	163,116
– other loans	1	1,625	1,196	1,626	1,625
Payables to other financial institutions	**1**	**394,179**	**367,885**	**394,180**	**164,741**

Short-term bank debt mainly related to the credit lines opened by the Parent Company and to a lesser extent, by subsidiaries.
It also includes the due portion of the medium and long-term loans received by Sella & Mosca S.p.A. and Zedda Piras S.p.A.
These loans, of which € 4.9 million remained outstanding as of 31 December 2003, are secured by land and buildings and by liens on machinery and plant.
The current portion of these loans is € 1.1 million, while the amount due after five years is € 0.5 million.
A breakdown of payables due to banks by currency is shown below.

(value in euro)	31 December 2003
Euro	28,940
US dollars	4,767
Other currencies	268
Total	**33,975**

Payables to Credito Emiliano S.p.A., recorded at 31 December 2002 under "payables due to banks" (€ 13.4 million), related to the leasing of the premises occupied by the Parent Company and some of the subsidiaries in Milan.
These were settled early over the year and the premises were later sold to third parties, as mentioned above.

In July, the Parent Company completed the private placement of a US$ 300 million bond issue reserved for the US institutional market.
The operation was structured in two tranches of US$ 100 million and US$ 200 million, and the instruments are bullet bonds maturing in 12 and 15 years respectively.
The bonds initially paid fixed rates of 4.33% and 4.63% respectively every January and July, but were modified through a cross currency swap, which exchanged the fixed rate for a variable one (6-month Euribor plus a spread of 0.598% and 0.595% respectively).

To eliminate exchange rate risk in future years, the Group also used the operation to convert debt originally denominated in dollars into euro at an exchange rate of 1.1630.

The "private placement" item, included under "payables to other financial institutions", refers to senior guaranteed notes issued in 2002 by Redfire, Inc on the US market and underwritten by the Parent Company, to finance the acquisition of the majority stake in Skyy Spirits, LLC.
The change compared to 31 December 2002 was solely due to exchange rate fluctuations, as the debt totalling US$ 170 million was denominated in US dollars.
The difference followed the conversion of the Redfire, Inc accounts from US dollars into euro for their inclusion in the consolidated figures, and does not therefore have any effect on the Group's profit and loss account, as they are offset in the reserve for the conversion of results in foreign currency.

Since the swap operations mentioned above are intended to cover the specific debt positions described, they have not been valued at market value in the accounts.

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

Payables to suppliers

Payables to suppliers fell by € 7.6 million, as a result of the combined effect of various factors.
The consolidation of Barbero 1891 S.p.A. caused the figure to go up by € 16.9 million, while the exchange rate effect reduced the value of amounts denominated in other currencies compared to a year earlier by € 3.6 million.
This trend was particularly significant with respect to the US dollar.
Furthermore, at 31 December 2002, payables to suppliers included those of Campari-Crodo S.p.A. for the start-up of the new production facility at Novi Ligure (€ 17 million), which were paid at the beginning of the year.
Stripping out these effects, payables to suppliers fell as a result of differences in year-end provisions.

Payables due to tax authorities

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

	31 December 2003	31 December 2002	Change
Corporate income tax	14,186	5,509	8,677
Value added tax	4,404	1,785	2,619
Tax on alcohol production	9,708	8,174	1,534
Withholding and other taxes	4,625	5,875	(1,250)
Total	**32,923**	**21,343**	**11,580**

Corporate income tax payable does not include advance payments and taxes withheld at source.
The sharp increase on the previous year was due to the rise in the tax burden of the Parent Company, described in greater detail in the profit and loss account section relating to tax.
The increase in the Group's VAT payables was partly due to the Parent Company's year-end payables, relating to the net debt of the Italian companies. At 31 December 2002 this figure was positive, and was recorded under "other receivables".
The Group's Brazilian subsidiary registered an increase in VAT payables as a result of higher sales in December.

Withholding and other short-term taxes include the current portion (€ 2.4 million) of the withholding taxes generated by the sale of shareholdings by Cinzano Investimenti e Partecipazioni S.p.A. (now merged into Campari-Crodo S.p.A.).
These taxes are to be paid over five years and were classified at 31 December 2002 under payables to tax authorities due after 12 months.
The decline in withholding and other taxes is due to the settlement by the Parent Company of payables following the conclusion of lawsuits, and to the tax amnesty, the cost of which had been entered in the previous year.

Other payables

Other payables, which consist of a residual item mainly relating to deposits on packaging, year-end bonuses to customers and payables to staff, fell sharply versus the previous year following the reclassification of year-end bonuses as credit notes to be issued to directly reduce receivables from customers, which were previously recorded under "other payables".

	31 December 2003	31 December 2002	Change
Deposits on packaging	4,234	6,748	(2,514)
Customer bonuses		9,885	(9,885)
Payroll	8,818	6,193	2,625
Commissions payable	1,706	1,591	115
Advances from customers	116	130	(14)
Other	4,454	4,861	(407)
Total	**19,328**	**29,408**	**(10,080)**

Payables for deposits on packaging fell following the closure of the returnable bottles production line, while some deposits were repaid following the return of bottles.
The increase in payroll was largely due to the consolidation of Barbero 1891 S.p.A., whose payables to personnel totalled € 1.1 million at 31 December 2003.

Deferred income and accrued charges

	31 December 2003	31 December 2002	Change
Accrued charges:			
– interest on bond issue and private placement	8,927	4,832	4,095
– cross currency swap on bond issue	3,243		3,243
– other interest payable	92	164	(72)
– other accrued charges	441	478	(37)
Total accrued charges	**12,703**	**5,474**	**7,229**
Deferred income:			
– deferred income for plant expenses	1,066	828	238
– deferred income on real estate capital gains	6,588		6,588
– other deferred income	852	557	295
Total deferred income	**8,506**	**1,385**	**7,121**
Total deferred income and accrued charges	**21,209**	**6,859**	**14,350**

Accrued interest charges include the interest on the bond issued by the Parent Company and the private placement carried out by Redfire, Inc., as well as the related financial charges on the swap operation incurred by the Parent Company and affiliated companies.
The counterpart of these charges is included under accrued income.
As mentioned above, the Parent Company shows the accrued income and charges resulting from the swap operation separately, as the amounts were denominated in two different currencies (US dollar and euro), and cannot therefore be offset; only the net balance is shown for Redfire, Inc., listed under accrued income at the end of the year.

Deferred income on real estate capital gains includes the deferred income recorded by the Parent Company described under "Tangible fixed assets", where a € 6.9 million adjustment was made to the capital gain on the sale of the building in Via Filippo Turati in Milan to take account of future charges for extraordinary maintenance to be carried out over the six-year lease period.
The € 6.6 million reported in the table includes the portion of deferred income already used during the year to cover rent for the period.

Memorandum accounts

	31 December 2003	31 December 2002	Change
Guarantees to third parties			
– customs offices for excise duties	29,899	20,183	9,716
– VAT credits and EU transits	69	69	
– competition prizes	1,075	2,183	(1,108)
– multi-year contracts		168	(168)
– Campari-Crodo S.p.A. sureties for Novi Ligure investments	2,343	2,343	0
– other	3,621	1,048	2,573
Total guarantees to third parties	**37,007**	**25,995**	**11,012**
Pledges to other companies			
– multi-year sponsorship pledges	2,771	2,974	(203)
– deferred performance contracts		29,788	(29,788)
– other	15,743	577	15,166
Total pledges to other companies	**18,514**	**33,339**	**(14,825)**
Risks to other companies	**87**		**87**
Total memorandum accounts	**55,608**	**59,334**	**(3,726)**

Guarantees to customs offices for excise duties increased as a result of the start-up of operations at Novi Ligure.

Pledges for deferred performance contracts were cancelled following the settlement of the remaining payables relating to the main contracts.
At 31 December 2002, these pledges included payables to suppliers of Campari-Crodo S.p.A. for the completion of the new production facility at Novi Ligure and the purchase of machinery.
Multi-year sponsorship pledges related to the agreements signed by Francesco Cinzano & C.ia. S.p.A. (which was merged during the year with Campari-Crodo S.p.A.) to sponsor the World Motorcycle Grand Prix.

Other pledges at 31 December 2003 referred to that by the Parent Company to Core One S.r.l. regarding the leasing of the office in Via Filippo Turati in Milan between 2004 and 2009, as this contract does not include a right of rescission.

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Value of production

Revenues from sales and services

Revenues from sales and services comprise:

	31 December 2003	31 December 2002	Change
Sales of core production before excise duties	714,148	660,615	53,533
Excise duties	122,336	114,343	7,993
Sales of wines and musts for production	16,482	14,040	2,442
Reclassification under item A5 - production services for third parties	(2,901)	(6,565)	3,664
Other revenues	1,926	197	1,729
Total	**851,991**	**782,630**	**69,361**

The group's sales performance, broken down by product line and geographical area is discussed in the report on operations.
The item "other revenues" essentially includes gifts and reimbursed travel expenses.

Increases in fixed assets in respect of internal work

In both 2002 and 2003, these increases reflect the capitalisation of costs (mainly personnel costs) relating to the construction of new vineyard systems by Sella & Mosca S.p.A.

Other income

This item comprises:

	31 December 2003	31 December 2002	Change
Advertising revenue received	15,913	16,977	(1,064)
Contributions to year-end bonuses receivable	691	543	148
Production services for third parties	4,047	6,494	(2,447)
Royalties	4,950	5,789	(839)
Real estate revenue	431	538	(107)
Miscellaneous sales	3,753	3,198	555
Capital grants	172	791	(619)
Capital gains on asset disposals	480	255	225
Other income	6,076	4,978	1,098
Total	**36,513**	**39,563**	**(3,050)**

The reduction in advertising revenue received is largely attributable to a lower contribution from Skyy Spirits, LLC and the effect of converting US dollars into euro.
Please refer to the report on operations for a more in-depth commentary on this item.

The item "production services for third parties" refers almost exclusively to Campari-Crodo S.p.A revenues from bottling Smirnoff Ice at the Sulmona plant.
This was reorganised during the year, resulting in reduced revenues from this source.
Royalties, mostly accrued by Skyy Spirits, LLC on sales of SKYY Blue, a ready-to-drink line distributed in the US by SABMiller, were lower than the previous year due to the fall in value of the US dollar against the euro.

The item "other income" increased due to the € 2 million penalty payment received by Campari-Crodo S.p.A. from Diageo Operations S.p.A. following its failure to meet an obligation to buy raw materials in connection with the Smirnoff Ice production account.

Production costs

Production costs are broken down as follows:

	31 December 2003	31 December 2002	Change
Raw materials, supplies and consumables	297,801	273,006	24,795
Services	228,465	213,581	14,884
Use of third-party assets	5,439	3,458	1,981
Personnel	68,458	69,022	(564)
Depreciation, amortisation and write-downs:			
– amortisation of intangible fixed assets	31,565	30,924	641
– depreciation of tangible fixed assets	15,419	14,366	1,053
– other write-downs of fixed assets		1,953	(1,953)
– write-downs of receivables due within 12 months and cash and cash equivalents	456	1,052	(596)
Changes in inventories of raw materials, supplies and consumables	(4,621)	(13,816)	9,195
Risk provisions	1,075	4,145	(3,070)
Other operating expenses	127,334	120,442	6,892
Total	**771,391**	**718,133**	**53,258**

Services costs

Services costs comprise:

	31 December 2003	31 December 2002	Change
Advertising and promotional costs	146,795	140,109	6,686
Travel	21,667	19,090	2,577
Commission	15,421	15,473	(52)
Other services costs	44,582	38,909	5,673
Total	**228,465**	**213,581**	**14,884**

Please see the report on operations for information on trends in advertising and promotional costs.
Since the law requires the cost of purchasing advertising materials to be listed as purchases of consumables, these costs are not included under this item.
The increase in travel costs and the item "other services costs" is due to the reclassification of several items under costs of materials and other personnel expenses.
The item "other services costs" includes legal costs of € 1.2 million incurred by Skyy Spirits, LLC as a result of proceedings brought over the use of a trademark.

Cost of using third party assets

The increase in these costs compared with the previous year is due to the rental payments relating to the building in Via Filippo Turati in Milan recorded by the Parent Company after the last lease was terminated early and the property was sold in July 2003.
Please note that for the purposes of the consolidated accounts, the costs previously related to the financial leasing contract were eliminated from this item to comply with IAS 17.

Personnel costs

Personnel costs include:

	31 December 2003	31 December 2002	Change
Wages and salaries	50,731	48,828	1,903
Social security contributions	12,422	12,020	402
Staff severance fund	1,693	1,678	15
Pension provisions and similar	193	207	(14)
Other personnel costs	3,419	6,289	(2,870)
Total	68,458	69,022	(564)

The overall reduction in this item is due to the reclassification of certain categories of insurance costs under services costs.
These costs were previously listed under "other personnel costs", as mentioned in the previous paragraph. Stripping out the effect of this reclassification, the increase comes to around 4%.

Depreciation, amortisation and write-downs

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

	31 December 2003	31 December 2002	Change
Former Bols products	3,438	3,386	52
Cinzano	3,411	3,463	(51)
Ouzo 12	1,088	1,089	(1)
Brazilian acquisition	3,860	3,860	
Skyy Spirits, LLC	12,908	12,973	(65)
Zedda Piras S.p.A. and Sella & Mosca S.p.A.	3,175	2,995	180
Barbero 1891 S.p.A.	577		577
Total	28,458	27,766	692

Please refer to the notes on intangible fixed assets for further details on consolidation differences deriving from variations in the period.

Risk provisions

Risk provisions of € 1.1 million are essentially attributable to Italian subsidiaries, in particular Campari-Crodo S.p.A, which has earmarked € 0.4 million for the anticipated costs of terminating the production contract with the Diageo Group following the start of operations at the Novi Ligure plant, and Campari Italy S.p.A, which has provisioned € 0.5 million for year-end customer bonuses and adjustments for discounts being omitted (the amount pertaining to the latter could not be quantified with any certainty as of year end).

Other operating expenses

These comprise:

	31 December 2003	31 December 2002	Change
Excise duties and other taxes on alcohol	121,491	114,028	7,463
Capital gains on fixed asset sales	487	470	17
Indirect taxes and duties	1,269	1,592	(323)
Other charges	4,087	4,352	(265)
Total	127,334	120,442	6,892

Financial income and charges

	31 December 2003	31 December 2002	Change
Income from equity investments			
– in other companies	71		71
Other financial income from receivables listed under fixed assets	18	29	(11)
Other financial income from securities listed under current assets	1,536	2,827	(1,291)
Other income:			
– from affiliated companies	68	9	59
– from other companies	19,379	11,796	7,583
Interest and financial charges from other companies	(28,139)	(17,174)	(10,965)
Total	**(7,067)**	**(2,513)**	**(4,554)**

Income from securities listed under current assets, which at 31 December 2002 referred to locally held securities in foreign companies, has been listed by the Parent Company in the 2003 report with securities sold during the period.
Other income from affiliated companies comes from Campari Finance Teoranta in relation to a loan granted to the affiliated company Fior Brands Ltd, and is discussed under the item "receivables due from affiliated companies".
Other income and financial charges for the year include charges relating to the Parent Company bond issue (July 2003), and from the Redfire, Inc private placement, as well as the charges and income deriving from the associated swaps.
The net cost relating to these two transactions in 2003 is as follows.

	Davide Campari-Milano S.p.A.	Redfire Inc.	
	€	US$	€
Financial charges to bond holders	(4,941)	(10,715)	(9,475)
Financial charges relating to the swap	(3,243)		
Financial income from the swap	4,941	5,507	4,870
Net total	**(3,243)**	**(5,208)**	**(4,605)**

In the table above interest charges and income relating to the Parent Company swap are stated separately because they are expressed in two different currencies (US dollar and euro) and cannot therefore be offset. In contrast, the Redfire, Inc contract is given as a net balance.
Moreover, for Redfire, Inc, US dollar values and their equivalent in euro using the subsidiary's balance sheet conversion are used for the purposes of consolidation.
Exchange rate gains of € 4.5 million stated under financial income and exchange rate losses of € 5.3 million stated under financial charges, both related to the commercial operations of Campari International S.A.M. in foreign currency.
Lastly, financial income for the year includes € 2.5 million from the early redemption of a Parent Company hedging transaction, while the remainder of this item is primarily represented by interest on bank accounts and term deposits relating to the Parent Company and certain foreign subsidiaries.

Financial charges for the period, other than the charges relating to bonds and exchange rate differences, comprise € 1.1 million for financial charges on swap contracts linked to securities held by the Parent Company during the period and corresponding to an equivalent amount included in the item "other financial income from securities listed under current assets" (see above), € 2.8 million in interest on Parent Company debt in the first half of the period; € 1.3 million for financial charges of subsidiaries.

Adjustments to the value of financial assets

	31 December 2003	31 December 2002	Change
Write-ups of equity investments	33	305	(272)
Write-downs of equity investments	(643)	(689)	46
Total	**(610)**	**(384)**	**(226)**

Adjustments in the value of financial assets include changes deriving from comparing values of equity investments in non consolidated subsidiaries and affiliated companies with the corresponding shareholders' equity.
In particular, write-downs refer to losses recording during the year by Qingdao Sella & Mosca Winery Co Ltd. of € 0.1 million and Société Civile Immobiliaire du Domaine de la Margue of € 0.6 million.

Extraordinary income and charges

	31 December 2003	31 December 2002	Change
Capital gains on disposals	34,447	5,676	28,771
Miscellaneous income	3,581	25,563	(21,982)
Capital losses on disposals	(5)	(10)	5
Miscellaneous charges	(12,213)	(12,732)	519
Taxes relating to previous financial years	(183)	(23)	(160)
Total	**25,627**	**18,474**	**7,153**

Capital gains on disposals relate almost exclusively to the Parent Company's sale of the building in Via Filippo Turati in Milan following the early termination of the lease in operation at the end of the previous year.
This sale generated a capital gain of € 33.7 million before tax and but after the € 6.9 million adjustment referred to above.
The portion of this adjustment relating to 2003 totals € 0.4 million.
Capital gains on disposals also include € 0.4 million from the sale of property by Campari-Crodo S.p.A.

Miscellaneous income includes € 0.6 million from the release of provisions for risks in respect of agents by Campari-Crodo S.p.A. and Campari Italy S.p.A.
The remainder includes other provisions made by Italian companies the previous year, which had not been used.

Miscellaneous charges include € 3.8 million relating to the final portion of the write-down of commercial equipment (returnable bottles packaging) by Campari Italy S.p.A.
This write-down has been recorded under extraordinary charges as it is considered an exceptional item unrelated to normal Group activities.
Moreover, the Parent Company has made a € 2.7 million provision for future charges relating to the recruitment of new and replacement managers within the current structure, while € 3.5 million has been earmarked for the estimated cost of restructuring corporate functions and making organisational changes at Group companies.

Corporate income tax for the year

Profit before corporate income tax and other deductions for the year is shown below.

	31 December 2003	31 December 2002	Change
Profit before tax	138,022	123,403	14,619
Corporate income tax for the year:			
– current	37,169	27,116	10,053
– deferred	3,180	(6,222)	9,402
Total corporate income tax	**40,349**	**20,894**	**19,455**

The increase in corporate income tax compared to the previous year is attributable to a combination of factors.
In particular, the Parent Company benefited in previous years from a lower rate of IRPEG (corporate income tax) under Legislative Decree 466 of 18 December 1997 on dual income tax relief for newly-listed companies, which was later abolished under Law 388/2001.
In addition, in 2002 Campari-Crodo S.p.A. benefited from a lower IRPEG rate under the "Tremonti bis" tax incentive in respect of its investment in the new production facilities at Novi Ligure.

An analysis of the differences between the theoretical rates based on current Italian tax rates and the Group's effective rate follows:

(%)	31 December 2003
Theoretical rate	38.25
Effective rate	29.23
Difference compared to the theoretical rate	**–9.02**
Explained by:	
– greater (lesser) tax rate paid by foreign companies compared with the theoretical Italian rate	–8.58
– tax benefits deriving from tax relief regulations for Italian companies	–0.73
– permanent differences	+2.97
– effect of Skyy Spirits, LLC minorities, not subject to tax within the Group	–4.95
– tax rate adjusted for consolidation	+2.27
Total	**–9.02**

Profit for the year attributable to minorities

Unlike the 2002 figures provided for the purposes of comparison, the proportion of profits attributable to minorities in 2003 no longer includes the amount due to Sella & Mosca S.p.A. minority shareholders, as their shares were purchased by Zedda Piras S.p.A. during the year.
For both 2002 and 2003, the minority share attributable to Skyy Spirits, LLC is stated gross of tax as it is a limited liability company and is therefore not subject to state or federal taxes with the exception of the minimum tax set by some states.
Each shareholder is directly responsible for profits and losses deriving from its stake in the company and for payment of taxes due.

OTHER INFORMATION

Results by business area

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

Headcount

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

By staff category	31 December 2003	31 December 2002	change
Managers	62	63	(1)
White collar	773	713	60
Blue collar	555	570	(15)
Total	**1,390**	**1,346**	**44**

By region	31 December 2003	31 December 2002	change
Italy	747	709	37
Abroad	643	636	7
Total	**1,390**	**1,346**	**44**

The inclusion of Barbero 1891 S.p.A. in the basis of consolidation had no real effect on average staff numbers, as it was only consolidated from 3 December 2003.

Remuneration of directors and statutory auditors

The total remuneration due to directors and statutory auditors of the Parent Company in respect of the 2003 financial year for duties carried out at the Parent Company and other Group companies is shown below. The figures are broken down to show salary and other payments.

	31 December 2003		31 December 2002	
	Salary	Total remuneration	Salary	Total remuneration
Directors	3,737	5,630	3,134	4,348
Statutory auditors	332	332	312	312
Total	**4,069**	**5,962**	**3,446**	**4,660**

The Chairman
of the Board of Directors
Luca Garavoglia

Appendix to the consolidated accounts

LIST OF EQUITY INVESTMENTS

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

Parent company

Name, location, activity	Share capital at 31 December 2003 currency	amount
Davide Campari-Milano S.p.A. - Milan Holding company and manufacturer	€	29,040,000

Fully consolidated companies

Name, location, activity	Share capital at 31 December 2003 currency	amount	% owned by the Parent Company direct	indirect	direct shareholder
Italy					
Barbero 1891 S.p.A. Manufacturing and trading company - Canale	€	22,350,000		100.00	
Campari Italia S.p.A. Trading company - Milan	€	1,220,076		100.00	Campari-Crodo S.p.A.
Campari-Crodo S.p.A. Holding company and manufacturer - Milan	€	61,000,000	100.00		
S.A.M.O. S.p.A. Trading company - Milan	€	104,000		100.00	Campari-Crodo S.p.A.
Sella & Mosca S.p.A. Manufacturing and trading company - Alghero	€	13,838,916		100.00	Zedda Piras S.p.A.
Zedda Piras S.p.A. Manufacturing and trading company Cagliari (production facilities in Alghero)	€	3,276,000		100.00	Campari-Crodo S.p.A.
Europe					
Campari Deutschland GmbH Trading company - Monaco	€	5,200,000		100.00	DI.CI.E. Holding B.V.
Campari Finance Teoranta Financing company - Dublin	€	1,000,000	100.00		
Campari France S.A. Manufacturing company - Nanterre	€	2,300,000		100.00	DI.CI.E. Holding B.V.
Campari International S.A.M. Trading company - Monaco	€	100,000,000		100.00	DI.CI.E. Holding B.V.
Campari Schweiz A.G. Trading company - Zug	CHF	2,000,000	100.00		
DI.CI.E. Holding B.V. Holding company - Amsterdam	€	15,015,000	100.00		
Lacedaemon Holding B.V. Holding company - Amsterdam	€	10,465,000		100.00	Campari Schweiz A.G.
N. Kaloyannis Bros. A.E.B.E. Trading company - Argiropoulis, Attika	€	325,500		75.00	O-Dodeca B.V.
O-Dodeca B.V. Holding company - Amsterdam	€	2,000,000		75.00	Lacedaemon Holding B.V.
Prolera LDA Services company - Funchal	€	5,000	100.00		
Sovinac S.A. Real estate company - Brussels	€	613,600		100.00	Lacedaemon Holding B.V.

Fully consolidated companies (continued)

Name, location, activity	Share capital at 31 December 2003 currency	amount	% owned by the Parent Company direct	indirect	direct shareholder
Americas					
Campari do Brasil Ltda. Manufacturing and trading company - Barueri	BRL	243,202,100	100.00		
Gregson's S.A. Trademark holder - Montevideo	UYP	175,000		100.00	Campari do Brasil Ltda.
Redfire, Inc Holding company - Wilmington, Delaware	US$	115,450,000	100.00		
Skyy Spirits, LLC Trading company - Wilmington, Delaware (production facilities in San Francisco)	US$	15,348,729		58.90	Redfire Inc.

Other holdings

Name, location, activity	Share capital at 31 December 2003 currency	amount	% owned by the Parent Company direct	indirect	direct shareholder	book value € 000	valuation method
Holdings in subsidiaries valued at equity							
Qingdao Sella & Mosca Winery Co. Ltd. Manufacturing and trading company Qingdao (China)	US$	3,000,000		93.67	Sella & Mosca S.p.A.	2,028	equity
Société Civile Immobiliaire du Domaine de la Margue Manufacturing and trading company Saint Gilles (France)	€	4,793,184		100.00	Sella & Mosca S.p.A.	4,998	equity
Affiliated companies							
Fior Brands Ltd. Trading company - Stirling	GBP	100		50.00	DI.CI.E. Holding B.V.	0	equity
International Marques V.o.f. Trading company - Haarlem	€	210,000		33.33	DI.CI.E. Holding B.V.	103	equity
Longhi & Associati S.r.l. Services company - Milan	€	10,400		40.00	DI.CI.E. Holding B.V.	152	equity
M.C.S. S.c.a.r.l. Trading company - Brussels	€	464,808		33.33	DI.CI.E. Holding B.V.	271	equity
SUMMA S.L. Trading company - Madrid	€	342,000		30.00	DI.CI.E. Holding B.V.	58	equity

ANNUAL BOARD OF DIRECTORS REPORT ON CORPORATE GOVERNANCE

Davide Campari-Milano S.p.A. (the "Company" and, collectively with its subsidiaries, the "Group") has implemented, as reference point for its own corporate governance, the provisions of the Listed Companies' Self-Regulation Code (the "Code").
This report has been prepared following the guidelines for the drafting of the corporate governance report issued by Borsa Italiana S.p.A., and those recently published by Assonime – Association of Italian companies limited by shares.
Its aim is to provide capital markets and shareholders with complete information as regards both the corporate governance system chosen by the Company and the specific implementation of the recommendations included in the Code.

I Section – *1. Corporate Governance Structure of the Company*

The Company has adopted a traditional administration and control system, composed of one management body, the Board of Directors, and one control body represented by the Board of Statutory Auditors.

1.1. The Board of Directors

Pursuant to article 13 of the by-laws, the Company is managed by a Board of Directors comprised of eleven to nineteen members, to be appointed by the ordinary Shareholders' Meeting, which shall also establish their number.
The Board of Directors shall be vested with the greatest powers for the ordinary and extraordinary management of the Company in order to achieve the corporate purpose.
The Board of Directors is the core body of the Company's corporate governance system.
It is furthermore responsible for defining the strategy and management guide-lines of both the Company and the Group, as well as defining and implementing corporate government rules, in compliance with current laws, and assessing internal control procedures.
Members of the Board of Directors shall be in office for a term which varies from one to three fiscal years and may be re-elected.

1.2. Board of Statutory Auditors

Article 26 of the by-laws foresees that the Board of Statutory Auditors is comprised of three effective statutory auditors and three substitute statutory auditors.
The Board of Statutory Auditors controls and assesses the correct administrative and book-keeping management and compliance with the law and the by-laws with full autonomy and independence.
Book-keeping control is carried out by an auditing company.
Statutory auditors are in office for three fiscal years and may be re-elected.

1.3. Shareholders' Meetings

Shareholders' Meetings abide by the relevant regulations approved upon resolution of the ordinary Shareholders' Meeting of 2 May 2001 (hereinafter the "Regulations").
In principle, all Directors and the entire Board of Statutory Auditors attend such meetings.
The Regulations of the Shareholders' Meetings regulate the holding of the ordinary and extraordinary Shareholders' Meetings, and, as far as applicable, of the special Shareholders' Meetings, regulating attendance thereto, ascertainment of entitlement, in particular, receipt of powers-of-attorney, the powers of the Chairman as regards the calling of the Shareholders' Meeting, the opening of the meeting, the discussion and the ways of voting and of vote count.
Pursuant to article 2 of the Shareholders' Meetings Regulations, shareholders and voting rights' holders or their representatives who submit appropriate certification issued by a financial institution in compliance with current laws may attend Shareholders' Meetings.

Shareholders are entitled to be represented in a Shareholders' Meeting provided that a power-of-attorney is executed by the holder of the aforesaid certification or by one of its legal representatives or by a specific mandatory.
Those representatives of one or more subjects bearing voting rights, shall justify entitlement thereto in writing and shall issue a statement of non-existence of impediments to representation.
The holder of voting rights who attends a Shareholders Meeting is not entitled to grant powers-of-attorney for a part only of its own shares, nonetheless, it is possible to grant powers-of-attorney to different subjects for the different issues included in the Agenda, each one of them for the all the votes to which it is entitled. Should that be the case, the power-of-attorney shall include the specific issues for which it is granted.
Pursuant to article 13 of the Code, Directors shall spare no efforts, as per their own competence, to encourage and facilitate the highest participation of shareholders to Shareholders' Meetings.
Shareholders' Meetings also give the opportunity to communicate Company and Group information to shareholders, in compliance with price sensitive information regulations.

1.4. Share capital structure

The share capital is entirely composed of ordinary shares.
Alicros S.r.l., pursuant to article 93 of Italian Legislative Decree 58/1998, is the controlling shareholder of the Company.

II Section – *Information concerning the implementation of Code provisions*

2. Board of Directors

2.1.Division of delegated powers and duties

Pursuant to article 17 of the by-laws, the Board of Directors may delegate the powers which it may deem necessary for the management of the Company, along with related representation powers, to an Executive Committee and/or to one or more members of the Board of Directors who act as Managing Directors.
At present, the Executive Committee has not been created yet.
The by-laws foresee that the Board of Directors shall meet in order to review the business and the reports from the Managing Directors on their activity and to resolve upon major transactions carried out by the Group as well as upon those transactions which may amount to a potential conflict of interest.
In absence of a specific by-law provision but, nonetheless, as per corporate practice, the Board of Directors is also vested with the duties set forth under article 1.2 of the Code; in particular, the Board of Directors examines and approves the Company's strategic and financial plans and the Group's corporate structure.
The Board of Directors shall also be vested not only with those issues reserved to it by law and by the by-laws, but also the resolutions regarding activities which, due to their value or nature, are not included in the powers delegated to the Managing Directors or which said Managing Directors deem appropriate to submit to the attention of the Board of Directors for specific reasons.
Granted delegated powers enable Managing Directors to act severally as regards ordinary management issues, pursuant to value thresholds fixed according to the nature of the activities and, with joint signature in pairs, as regards ordinary management issues in excess of the foreseen thresholds and as regards certain extraordinary management issues.
Pursuant to article 18 of the by-laws, Directors who have been granted with delegated powers shall periodically and at least on a quarterly basis report to the Board of Directors and to the Board of Statutory Auditors on the activity carried out in the performance of the delegated powers, on the most significant transactions carried out by the Company or by the Group companies.
Prior approval from the Board of Directors shall be obtained for the most significant transactions as, for instance, outstanding acquisitions or transfers of going concern.
All transactions of value exceeding the thresholds established for the fulfilment of the actions with joint signature in pairs shall be deemed significant transactions.

2.2 Chairman of the Board of Directors

The Chairman of the Board of Directors represents the Company vis-à-vis third parties and in court, having the voting right in the Shareholders' Meetings of controlled companies, being entitled to delegate powers. The Chairman coordinates the activity of the Board of Directors and directs the holding of the relevant meetings; furthermore, he chairs the Shareholders' Meetings of the Company and supervises their development in compliance with provisions of the by-laws and Regulations.
Since he has not been vested with management powers, he can be considered as a non-executive Director.

2.3 Transactions with related parties

Pursuant to the provisions of article 18 of the by-laws and in compliance with article 150 of Italian Legislative Decree 58/1998, the Managing Directors shall periodically report to the Board of Directors and to the Board of Statutory Auditors, at least on a quarterly basis, amongst others, on the transactions carried out by the Company or by the Group which may be subject to a potential conflict of interest.
The most significant transactions with related parties carried out throughout 2003 are indicated in the Management Report, to which cross-reference is made.
The Board of Directors of 26 February 2004 has approved a specific internal procedure for the carrying out of transactions in which Directors and managers have an own interest and of transactions with related parties. Directors of Group companies shall abide by the procedure, as well as their managers who are vested with powers to bind the same vis-à-vis third parties.
The said subjects, should they be cognisant of a transaction in which they have an interest, either personal or on behalf of third parties, or of a transaction with related parties, with value not lower than € 1,000.00 shall abstain from carrying it out by providing full information to an executive Director of their company or, should the subject having the interest be an executive Director, to the Board of Directors.
The executive Director, or the Board of Directors, after having assessed the economic feasibility and convenience of the transaction brought to their attention, may authorise its completion.
The Company has in such way approved the recommendations of the Code insofar as the ascertainment of the guidelines for the identification of transactions with related parties, therefore abiding by the relevant Consob resolutions and by article 2391 of the Italian Civil Code as amended by the recently enforced corporate law regulations.
Pursuant to article 11 of the Code, it is foreseen that subjects having own interests shall be precluded from participating to the relevant resolutions, as well as that legal or fairness opinions may be required in such situations.

2.4 Composition of the Board of Directors

As mentioned above, pursuant to the provisions of article 13 of the by-laws, the Company is managed by a Board of Directors composed of a number of directors which varies from a minimum of eleven to a maximum of nineteen members, as per resolution of the Shareholders' Meeting which shall proceed to their appointment.
The Board of Directors is currently composed of 14 members.
A list of the names of the members of the Board of Directors as at the date of approval of the draft financial statements for the fiscal year closed on 31 December 2003 is shown hereunder, with reference in italics as to the duties of executive directors within the Group:

• Luca Garavoglia	Chairman (non executive)
• Carlo Pasquale Campanini Bonomi	non executive - independent
• Jörn Böttger	*Managing Director Business Unit* Italy (*)
• Matteo D'Asta	non executive
• Cesare Ferrero	non executive - independent
• Franzo Grande Stevens	non executive - independent
• Paolo Marchesini	*Chief Financial Officer*
• Marco Pasquale Perelli-Cippo	*Chief Executive Officer* (*)
• Giovanni Rubboli	non executive - independent
• Renato Ruggiero	non executive - independent
• Stefano Saccardi	*Officer Legal Affairs and Business Development* (*)
• Vincenzo Visone	*Deputy Chief Executive Officer*
• Marco Vitale	non executive - independent
• Anton Machiel Zondervan	non executive - independent

Directors whose names are ended with an asterisk have been granted operational powers within the Company and act as Managing Directors.
The aforesaid Directors have been appointed by the ordinary Shareholders' Meeting of 12 May 2001, except for Carlo Pasquale Campanini Bonomi and Matteo D'Asta, who were appointed by the ordinary Shareholders' Meeting of 30 April 2002.
The said Board of Directors shall expire upon approval of the financial statements of the fiscal year closed on 31 December 2003.
Pursuant to the Regulations, proposals for the appointment of the Director's office are submitted through lists, along with comprehensive information concerning candidates' personal and professional profile, filed with the registered offices at least ten days prior to the date scheduled for the Shareholders' Meeting.
The curriculum vitae of each Director is available at the Investor Relations Department, whilst the management's professional profile is summarised on the web-site www.campari.com/ir.
The by-laws do not foresee the minimum number of meetings of the Board of Directors.
In 2003, 6 meetings of the Board of Directors have been held which have been regularly attended by its members, therefore having a limited number of absentees which were, nonetheless, justified; it is scheduled to hold a substantially analogous number of meetings throughout 2004.
Insofar as attendance to the meetings of the Board of Directors is concerned, cross-reference is made to chart n. 1 attached hereto.
In view of the meetings of the Board of Directors, Directors shall be provided, where possible and by giving reasonable advance notice, with the documentation and the information which are necessary for directors' resolutions purposes.
Flow of information to members of the Board of Directors is appropriate and prompt.

2.5. Other offices covered by Directors

Directors who as at 31 December 2003 were Directors or Statutory Auditors in listed companies, either Italian or foreign, in financial, banking, insurance companies or in those of significant size, are the following:

- Luca Garavoglia: Member of the Board of Directors of FIAT S.p.A.;
- Cesare Ferrero: Member of the Board of Directors of Autostrada Torino-Milano S.p.A., Pininfarina S.p.A.; Chairman of the Board of Statutory Auditors of FIAT S.p.A., FIAT Auto S.p.A., Giovanni Agnelli & C. S.A.p.Az., I.F.I. S.p.A., ERSEL Finanziaria S.p.A., ERSEL S.I.M. S.p.A., Ferrero S.p.A.; Statutory Auditor of I.F.I.L. S.p.A., R.C.S. Investimenti S.p.A., FILA Holding S.p.A., Toro Assicurazioni S.p.A., P. Ferrero & C. S.p.A. and Banca Passadore S.p.A.;
- Franzo Grande Stevens: Chairman of the Board of Directors of P. Ferrero & C. S.p.A., Juventus F.C. S.p.A.; Director of Banca del Piemonte S.p.A., Banca Sella S.p.A., Bansel S.p.A., Exor Group S.A., FIAT S.p.A., I.F.I. S.p.A., I.F.I.L. S.p.A., I.P.I. S.p.A., Pictet International Capital Management, Pininfarina S.p.A., RCS MediaGroup S.p.A., S.E.I. S.p.A., La Rinascente S.p.A., Toro Assicurazioni S.p.A., Vittoria Capital N.V., Yura International Holding B.V. and Yurass N.V.;
- Renato Ruggiero: Chairman of Citigroup Switzerland, Deputy Chairman of European Investment Bank - Citigroup; member of the Advisory Board of Coca Cola and General Electric Europe;
- Marco Vitale: Chairman of the Board of Directors of Bipiemme Gestioni S.G.R.; Deputy Chairman of the Board of Directors of Banca Popolare di Milano S.c. a r.l.; Member of the Board of Directors of A.S.M. Brescia S.p.A., Banca Etica S.G.R., Pictet International Capital Management, Pictet & C. S.I.M. S.p.A., Recordati S.p.A., SNIA S.p.A., Sorin S.p.A. and member of the Supervisory Board of Deutz A.G.;
- Anton Machiel Zondervan: Chairman of the Executive Board of Koninklijke Wessanen N.V., and member of the Supervisory Board of Doeksen Transport Group.

2.6. Non executive and independent Directors.

The by-laws do not foresee a minimum number of non-executive or independent Directors, nonetheless, it is Company practice, pursuant to article 2 of the Code, to appoint non-executive Directors who, due to their number and authority, have significant power in the passing of resolutions.

In fact, as at the date of approval of the draft financial statements for the fiscal year closed on 31 December 2003, most Directors are non-executive and all non-executive Directors may be deemed independent, except for Luca Garavoglia and Matteo D'Asta.
In fact, 7 Directors out of 14 are independent.
Assessment as to Directors' degree of independence has been carried out by the Board of Directors in light of the principles of the Code and, in particular, of those criteria foreseen under article 3.
It should be noted that Director Franzo Grande Stevens provides legal advice to the Group, however, such legal advice is not of such significance as to jeopardise his independence.

2.7. Committees
The by-laws expressly foresee that the Board of Directors may establish a committee for internal control purposes ("Audit Committee") and a committee for remuneration and appointment purposes ("Remuneration and Appointment Committee").
Both committees represent an internal structuring of the Board of Directors and have an advisory and proactive role.

2.7.1. The Remuneration and Appointment Committee
The Board of Directors has established a Remuneration Committee which has also been vested with the duties of the appointment proposals' Committee for rationalisation reasons.
The Remuneration and Appointment Committee is entirely composed of independent Directors, in particular, Franzo Grande Stevens, Chairman, Giovanni Rubboli and Renato Ruggiero.
It is in charge of making proposals for the remuneration of Directors who have been vested with specific duties and powers and of those who cover key roles in the management of the Company, also being in charge of making proposals for a better allocation of human resources within the Group.
Proposals from the Remuneration and Appointment Committee do not concern the actual members of the Remuneration and Appointment Committee.
The Remuneration and Appointment Committee met twice throughout 2003, all members having been present in both occasions, and submitted its own proposals to the Board of Directors without having made use of outside consultants.
Resolutions of the Board of Directors abode by the proposals raised by the Remuneration and Appointment Committee.
Issues covered by the Remuneration and Appointment Committee throughout 2003 regarded the organisational structure and the Group's organisation chart, executive Directors and top management remuneration, and the stock option plan's updating.
The Group's executive Directors and top management remuneration is linked in a significant way to the economic results achieved by the Group and by the single companies in which they are involved.
Detailed information as to remuneration of Directors is included in the Notes to the financial statements of the Company to which cross-reference is made.
The Company has implemented, upon previous resolution of the Board of Directors and as per the proposal of the Remuneration and Appointment Committee and in compliance with a framework approved by the ordinary Shareholders' Meeting, a stock option plan for the Chairman of the Board of Directors, the executive Directors and the top management of the Group.
The said program foresees the provision of options which may be enforced as of 2006 for the purchase of shares in the Company for the pre-fixed price of € 31.00 per share.

2.7.2. Internal control Committee
The Board of Directors has established an Audit Committee entirely composed of independent Directors, formed by Giovanni Rubboli, Chairman, Cesare Ferrero and Marco Vitale.
In compliance with the duties specified in article 10 of the Code, the Audit Committee is in charge of the appropriateness of the internal control system and of the working plan of those assigned to the internal control and of the relevant reporting to the Board of Directors,

The issues covered by the Audit Committee throughout 2003 regarded the level of advertising and promotion expenses internal control, commercial discount management for the main companies of the Group and risk assessment updating of controlled companies Campari do Brasil Ltda., Skyy Spirits, LLC, Zedda Piras S.p.A. and Sella & Mosca S.p.A.
The Chairman of the Board of Statutory Auditors or other Statutory Auditor appointed by the latter usually attend Audit Committee's meetings.
As regards attendance to Audit Committee's meetings, cross-reference is made to chart n. 1 attached hereto.
The relations between the Audit Committee and the Board of Statutory Auditors are characterised by the continuous exchange of information on the main internal control issues covered in the periodical audit, in compliance with the development of the annual audit plan and with the updating of the risk assessment of the Group and of the specific controlled companies.

3. Company duties and procedures

3.1. Procedure for the treatment of confidential information

The Company has approved a "Procedure for the Treatment of Confidential Information" (hereinafter, the "Procedure").
The said Procedure includes the definition of which information may be deemed confidential or price sensitive, defining the internal responsibilities for the treatment of such information, the rules of behaviour which shall be complied with by those being congnisant thereof, and the relevant disclosure procedures including those vis-à-vis the press.
The Procedure applies to Directors, Statutory Auditors and employees of the Company and of other companies of the Group.
Managing Directors of Group companies and, insofar as acquisitions and divestitures are concerned, the Chief Executive Officer and the Officer Legal Affairs and Business Development and, insofar as financial information is concerned, the Chief Financial Officer shall be responsible of the management of confidential information.
The Company has also approved a Group Insider Dealing Code of Conduct which has been drafted in compliance with the provisions of article 2.6.3 of the Borsa Italiana S.p.A. Regulations.
It is therefore foreseen that the market shall be informed, pursuant to the terms foreseen by applicable regulations, on transactions concerning securities issued by the Company and performed by certain subjects, called "relevant subjects" who, pursuant to the position within the Group, may have access to confidential information.
The aforesaid Code has fixed certain periods of the year (blocking periods), for instance, the phases which precede approval of the consolidated financial statements, notification of quarterly accounts and half-year accounts and during extraordinary transactions, when it is absolutely banned for relevant subjects to carry out negotiations on financial instruments of the company in excess of the € 50,000.00 threshold.
Beyond blocking periods, such transactions may solely be performed in two periods of the year, which may not exceed fifteen days, previously chosen by the relevant subjects.
Information obligations undertaken by the relevant subjects vis-à-vis the Company are especially severe.
In fact, the latter shall notify the Audit Committee, at the end of each quarter, a complete framework of all the carried out transactions, including the potential stock option enforcement, for market communication purposes, within 10 days, of those negotiations in excess of the aforesaid threshold.
Transactions in excess of € 250,000.00, given their significance, may be communicated promptly to the Audit Committee, in order for the Company to proceed to disclose them to the market without delay.
The Audit Committee has identified the list of "relevant subjects".
The full contents of the Insider Dealing Code of Conduct may be found on the Company's web-site at www.campari.com/ir

3.2. Procedures for the appointment of Directors and Statutory Auditors.

Pursuant to the provisions of the Regulations, proposals for the appointment of Directors are submitted through lists, together with exhaustive information regarding the personal and professional profile of candidates, filed with the registered offices at least ten days prior to the date foreseen for the Shareholders' Meeting.
Voting lists are not foreseen for the election of Directors by minority shareholders.
All current Directors have been proposed by the majority shareholder. As at 6 February 2002 a syndicated agreement has been executed regarding the undertaking of Alicros S.r.l., to use its best efforts to cause Carlo Pasquale Campanini Bonomi's appointment as Director of the Company (without delegated powers or operational duties) up to the expiry date of the current Board of Directors.
The by-laws foresee the voting list mechanism for the appointment of the members of the Board of Statutory Auditors, in order to enable minority shareholders to appoint one effective statutory auditor and one substitute statutory auditor, in compliance with article 148 of Italian Legislative Decree 58/1998.
Appointment of the Board of Statutory Auditors takes place on the basis of lists submitted by shareholders and filed with the registered offices of the Company at least ten days prior to that scheduled for the Shareholders' Meeting.
Solely those shareholders who, independently or collectively with others, hold an overall number of shares bearing voting rights which amount to at least 5% of the share capital bearing voting rights in the ordinary Shareholders' Meeting are entitled to submit the lists.
Always pursuant to the by-laws, it is not possible to include in the lists those candidates who already cover positions of effective Statutory Auditor in five or more listed companies (save for those companies controlling and/or controlled by the Company) or who do not abide by the requirements of honourableness and professionalism set forth by applicable regulations.
The procedure for the election of statutory auditors is described in the by-laws.

3.3. Internal control system

The Company, cognisant of the significance of an appropriate internal control system, has established a suitable structure, led by the head of internal control or Group Internal Auditor.
Such position, working at a Group level and carrying out its supervision over the Group, is hierarchically independent from those in charge of the operational areas and reports directly to the Chief Executive Officer.
It reports its activities to the Managing Directors, to the Audit Committee and to the Board of Statutory Auditors at least on a quarterly basis.
The Board of Directors, on the basis of the favourable reports of the Audit Report, deems that the enforced internal control system is suitable to effectively forecast the typical risks of the activities carried out by the Group and to appropriate supervise the economic and financial situation.

3.4. Investor relations position

The Company pays special attention to the development of the relations with its own shareholders and with qualified investors.
A position is assigned to such purposes and is led by the Investor Relations Manager. Within the scope of periodical communication and of that regarding extraordinary transactions, meetings with Italian and foreign qualified investors and with the specialised press are scheduled, and to which top management members also attend.
The Company, in order to favour communication with shareholders, has prepared and constantly updates a special section of its own web-site dedicated to the investor relations activity (www.campari.com/ir) where it may be possible to find information of economic-financial nature (financial statements, semester and quarter reports, information as to the development in the Stock Exchange of the securities issued by the Company), data and documentation of interest for shareholders as, amongst others, corporate bodies' composition, information on company corporate governance, and the Internal Dealing Code and the Procedure for the carrying out of transactions in which directors and managers have an own interest and of transactions with related parties.

Requests of shareholders' information may be sent to the following e-mail account: investor.relations@campari.com
The company abides by the contents of the Market information Guide.

4. Statutory Auditors

The Board of Statutory Auditors appointed by the ordinary Shareholders' Meeting of 2 May 2001 for the triennium 2001-2002-2003 is composed of:

• Umberto Tracanella	Chairman
• Marco di Paco	Effective Statutory Auditor
• Antonio Ortolani	Effective Statutory Auditor
• Angeloguido Mainardi	Substitute Statutory Auditor
• Giuseppe Pajardi	Substitute Statutory Auditor
• Mario Tracanella	Substitute Statutory Auditor

The Effective Statutory Auditors who, as at 31 December 2003, were Directors or Statutory Auditors in other listed companies in the Italian Stock Exchange are:

- Umberto Tracanella: Vice Chairman of the Board of Directors of Edison S.p.A., Risanamento S.p.A. and member of the Board of Directors of I.P.I. S.p.A.
- Antonio Ortolani: Chairman of the Board of Statutory Auditors of Mirato S.p.A. and Novuspharma S.p.A.

Since no alternative list has been submitted, none of the Statutory Auditors in office is the result of minority shareholders' proposal who, presumably, have deemed themselves safeguarded by the professionalism and independence of the statutory auditors proposed by the majority shareholders.
Proposals of the Shareholders' Meeting for the appointment of statutory auditors currently in office have been accompanied by exhaustive information as regards their personal and professional characteristics.
4 meetings of the Board of Statutory Auditors were held in 2003.
As regards attendance to Statutory Auditors Meetings, cross-reference is made to chart n. 2 attached hereto.
The entire Board of Statutory Auditors has always attended nearly all the meetings of the Board of Directors.

5. Relevant events subsequent to the closing of financial statements

On 26 February 2004, the Board of Directors has approved besides the "Procedure for the carrying out of transactions in which directors and managers have an own interest and of transactions with related parties", described in paragraph 2.3., the Group's Ethical Code and the proposal of amendment to the by-laws to be submitted to approval of the Shareholders' Meeting.
The strong growth of the Company in the Italian and international markets, the complexity of the corporate structure achieved in these years also in connection with recent acquisitions, the cognisance of operating in always more complex socio-economic contexts, have made issuance of a Group's Ethical Code necessary.
Pursuant to national and international best practices, the essential values in which the Group shall continue to inspire its own activities have been identified.
The recipients of the code are directors, advisors and employees of all Group companies.
Amendment to certain articles of the by-laws has been proposed in order to make them compliant with mandatory rules foreseen by the recently enforced corporate law regulations implemented by Italian Legislative Decree of 17 January 2003, No. 6 and, moreover, in order to benefit from those provisions which permit to organise the powers of the corporate bodies in a more flexible and modern way.
Within the scope of such reform, advantage has also been taken to propose amendment to certain by-law provisions in order to satisfy requirements of mainly operational nature.

CHART 1: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

Board of Directors							Internal Control Committee		Remuneration and Appointment Committee	
Position	Members	executive	non-executive	Independent	****	Number of other positions **	***	****	***	****
Chairman	Luca Garavoglia		X		100%	1				
Managing Director	Jörn Böttger	X			100%	–				
Managing Director	Marco P. Perelli-Cippo	X			100%	–				
Managing Director	Stefano Saccardi	X			100%	–				
Director	Carlo P. Campanini Bonomi		X	X	66%	–				
Director	Matteo D'Asta		X		100%	–				
Director	Cesare Ferrero		X	X	66%	14	X	57%		
Director	Franzo Grande Stevens		X	X	66%	19			X	100%
Director	Paolo Marchesini	X			100%	–				
Director	Giovanni Rubboli		X	X	100%	–	X	100%	X	100%
Director	Renato Ruggiero		X	X	83%	4			X	100%
Director	Enzo Visone	X			100%	–				
Director	Marco Vitale		X	X	33%	10	X	28%		
Director	Anton Machiel Zondervan		X	X	83%	2				

Number of meetings held during the fiscal year of reference	Board of Directors: 6	Internal Control Committee: 7	Remuneration and Appointment Committee: 2

NOTES

* *The asterisk means that the Director was appointed through lists submitted by the minority shareholders.*

** *This column shows the number of Director or Statutory Auditor positions covered by the relevant individual in other listed companies, including foreign capital markets, in financial, banking, insurance companies or in those of significant size. In the Report on corporate governance, positions are indicated in full writing.*

*** *This column shows with an "X" membership of the member of the Board of Directors to the Committee.*

**** *This column shows the percentage of participation of Directors in relation to the meetings of the Board of Directors and of the Committees, respectively.*

CHART 2: BOARD OF STATUTORY AUDITORS

Position	Members	Percentage of participation to the Board meetings	Number of other positions**
Chairman	Umberto Tracanella	100%	3
Effective statutory auditor	Marco di Paco	100%	–
Effective statutory auditor	Antonio Ortolani	100%	2
Substitute statutory auditor	Angeloguido Mainardi	-	1
Substitute statutory auditor	Giuseppe Pajardi	-	–
Substitute statutory auditor	Mario Tracanella	-	–

Number of meetings held during the fiscal year of reference: 4
Indicate the requested quorum for the filing of lists by minority shareholders for the election of one or more effective members (ex article 148 TUF): Pursuant to article 26 of the by-laws shareholders who, independently or collectively with others, hold an overall number of shares bearing voting rights representing at least 5% of the share capital bearing voting rights in the ordinary Shareholders' Meetings are entitled to submit lists.

NOTES

* *The asterisk indicates that the Statutory Auditor was appointed through lists submitted by the minority shareholders.*

** *This column indicates the number of Director or Statutory Auditor positions covered by the relevant individual in other Italian listed companies. In the Report on corporate governance, positions are indicated in full writing.*

CHART 3: OTHER SELF-REGULATION CODE PROVISIONS

	YES	NO	Summary of the reasons of an eventual deviation from Code recommendations
Delegation system and transactions with related parties			
Has the Board of Directors delegated powers defining:			
a) limits	X		
b) enforcement modalities	X		
c) and information periodicity?		X	Information periodicity is indicated in the corporate by-laws.
Has the Board of Directors reserved itself approval of transactions having particular economic, asset and financial significance (including transactions with related parties)?	X		
Has the Board of Directors defined the guidelines and criteria for the identification of "significant" transactions?		X	It is deemed that the thresholds indicated in the powers-of-attorney of managing directors enable the Board of Directors to always resolve upon the most significant transactions.
Are the aforesaid guidelines and criteria defined in the Report?	X		
Has the Board of Directors defined appropriate procedures for the examination and approval of transactions with related parties?	X		
Are the procedures for the approval of transactions with related parties described in the Report?	X		
Procedures of the most recent appointment of directors and statutory auditors			
Has filing of Director candidacies taken place at least ten days in advance?		X	The most recent appointments have taken place before the listing of the Company and approval of the Code as currently drafted, as well as before approval of the by-laws containing the said procedures.
Were Director candidacies accompanied by exhaustive information?		X	" "
Were Director candidacies accompanied by the specification of suitability to be qualified as independent?		X	" "
Did filing of Statutory Auditor candidacies take place at least ten days in advance?		X	" "
Were Statutory Auditor candidacies accompanied by exhaustive information?	X		
Shareholders' Meetings			
Has the company approved Shareholders' Meetings Regulations?	X		
Are the Regulations attached to the Report (or is it indicated where they can be obtained/downloaded)?		X	The Regulations are available at the registered offices of the Company.
Internal Control			
Has the company appointed those in charge of internal control?	X		
Are those persons in charge hierarchically independent from persons in charge of operational areas?	X		
Organisational unit in charge of internal control (ex article 9.3 of the Code)	Group Internal Auditor		
Investor relations			
Has the company appointed a head of investor relations?	X		
Organisational unit and references (address/telephone/fax/e-mail) of the head of investor relations	Investor Relations Manager Via Turati, 27 20121 Milan (Italy) Tel. 02.6225330 - fax 02.6225479 e-mail: investor.relations@campari.com		

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AUDITORS' REPORT
pursuant to article 156 of Legislative Decree of February 24, 1998, n. 58

(Translation from the original Italian text)

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

1. We have audited the consolidated financial statements of Davide Campari -Milano S.p.A. as of and for the year ended December 31, 2003. These consolidated financial statements are the responsibility of the Davide Campari – Milano S.p.A.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures we planned and performed our audit to obtain the information necessary in order to determine whether the consolidated financial statements are materially misstated and if such consolidated financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.
The audits of the financial statements of certain consolidated subsidiaries, which respectively represent approximately 2% of consolidated total assets and approximately 11% of consolidated net sales, is the responsibility of other auditors.

   For our opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated April 9, 2003.

3. In our opinion, the consolidated financial statements of Davide Campari – Milano S.p.A. comply with the Italian regulations governing financial statements; accordingly, they clearly present and give a true and fair view of the consolidated financial position of Davide Campari – Milano S.p.A. as of December 31, 2003, and the consolidated results of its operations for the year then ended.

Milan, April 8, 2004

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

Reconta Ernst & Young S.p.A.
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DAVIDE CAMPARI MILANO S.p.A.

Registered office in Via Filippo Turati, Milan

Share capital EUR 29,040,000

Tax code – Companies' register no. 06672120158 – Business administration register (REA) no. 1112227

Report of the Board of Auditors on the consolidated accounts of the Campari Group for the financial year ending 31/12/2003, 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.

We have audited the consolidated accounts of the Campari group for the year ending 31 December 2003, pursuant to article 41 of Legislative Decree 127/91. In 2003, the group reported a net profit of EUR 79,822,000, assets worth EUR 1,245,606,000 and shareholders' equity of EUR 548,211,000. The memorandum accounts totalled EUR 55,608,000. We have also reviewed the report on operations.

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 annual accounts, having incorporated and supplemented the aforementioned standards.
2. The accounts of subsidiaries have been audited by the independent auditors, and in the case of the Italian subsidiaries, by the respective boards of statutory auditors at each subsidiary. The Board of Auditors has viewed the reports produced.

The Board of Auditors agrees with the reasons for consolidating the two subsidiaries of Sella e Mosca S.p.A., Qingdao Sella e Mosca Winery Co. Ltd. and Société Civile du Domaine de la Margue, using the equity method rather than the line-by-line method.

We have not audited the accounts of the consolidated subsidiaries, as this was carried out by the respective boards of statutory auditors at each company.

3. We have seen the letter providing prior approval from Reconta Ernst & Young, the auditing company appointed to audit the consolidated accounts, and no observations arise therefrom.
4. The basis of consolidation was considered, the consolidation principles were examined and the suitability of the accounting polices was verified.
5. The documentation examined and the information obtained do not indicate any departure from the legislation governing consolidated accounts as supplemented by the aforementioned accounting principles or from the laws governing the conduct of audit boards.
6. In our opinion the aforementioned consolidated accounts give a true and fair view of the business and financial position of the Campari Group and of its profit for the financial year ending 31 December 2003, in accordance with the legislation governing consolidated accounts referred to in point A) 1 above.

B) Review of the report on operations

1. We have reviewed the report on operations, which accompanies the consolidated accounting statements, to verify that it complies with article 40 of Legislative

Decree 127/91, and that it is consistent with the consolidated accounts in accordance with article 41 of Legislative Decree 127/91.

2. As a result of this review, the Board of Auditors believes that the report on operations is accurate and consistent with the consolidated accounting statements.

Milan, 1 April 2004

THE AUDITORS

Umberto Tracanella

Marco di Paco

Antonio Ortolani

BALANCE SHEET - ASSETS

(in euro)	31 December 2003	31 December 2002
A) Capital contributions due from shareholders	**0**	**0**
B) Fixed assets		
I. Intangible fixed assets		
3) Industrial patents and intellectual property rights	240,130	298,707
6) Tangible assets in progress and payments on account	305,228	7,000
7) Other intangible fixed assets	2,512,225	1,949,322
Total intangible fixed assets	**3,057,583**	**2,255,029**
II. Tangible fixed assets		
1) Land and buildings	5,916,687	6,413,334
2) Plant and machinery	4,562,526	5,951,713
3) Industrial and commercial equipment	242,084	281,445
4) Other tangible fixed assets	1,288,077	1,499,905
5) Tangible assets in progress and payments on account	96,321	140,169
Total tangible fixed assets	**12,105,695**	**14,286,566**
III. Financial fixed assets		
1) Equity investments in	880,949,891	439,501,890
a) subsidiaries	880,901,161	439,435,973
d) other companies	48,730	65,917
2) Receivables	288,583	362,843
d) from other companies	288,583	362,843
– due after 12 months	288,583	362,843
4) Own shares	31,000,000	31,000,000
Total financial fixed assets	**912,238,474**	**470,864,733**
Total non-current assets	**927,401,752**	**487,406,328**
C) Current assets		
I. Inventories		
1) Raw materials, supplies and consumables	4,193,225	4,980,862
2) Work in progress and semi-finished products	2,001,704	1,677,058
4) Finished products and goods for resale	1,397,885	1,524,249
Total inventories	**7,592,814**	**8,182,169**
II. Receivables		
2) from subsidiaries	34,869,013	50,333,871
– due within 12 months	34,869,013	50,333,871
3) from affiliated companies	0	106
– due within 12 months	0	106
4) from main shareholders	6,001	0
– due within 12 months	6,001	0
5) from others	9,385,581	6,796,030
– due within 12 months	6,522,145	6,771,596
– due after 12 months	2,863,436	24,434
Total receivables	**44,260,595**	**57,130,007**
III. Financial assets not listed under fixed assets	0	0
IV. Cash and cash equivalents		
1) Bank and post office deposits	22,414,253	1,028,733
3) Cash and liquid securities	9,428	3,536
Total cash and cash equivalents	**22,423,681**	**1,032,269**
Total current assets	**74,277,090**	**66,344,445**
D) Accruals and deferrals		
2)Miscellaneous	5,028,537	3,364,037
Total accruals and deferrals	**5,028,537**	**3,364,037**
Total assets	**1,006,707,379**	**557,114,810**

BALANCE SHEET – LIABILITIES

(in euro)	31 December 2003	31 December 2002
A) Shareholders' equity		
I. Share capital	29,040,000	29,040,000
II. Share premium reserve	0	0
III. Revaluation reserve	0	0
IV. Legal reserve	5,808,000	5,808,000
V. Reserve for own shares in portfolio	31,000,000	31,000,000
VI. Statutory reserves	0	0
VII. Other reserves:	258,066,863	18,069,376
– Extraordinary reserve	247,402,257	7,981,689
– Reserve for transfer of equity interests pursuant to Legislative Decree 544/92	3,041,357	3,041,357
– Merger surplus	5,686,681	5,686,681
– Pre-paid depreciation reserve	1,931,379	1,354,460
– Pre-paid depreciation reserve (taxed)	5,189	5,189
VII. Profit (loss) carried forward	0	130,402,721
IX. Profit (loss) for the year	20,974,951	134,269,966
Total shareholders' equity	**344,889,814**	**348,590,063**
B) Provisions for risks and charges		
1) Pension provisions	176,848	0
2) Tax provisions	927,483	795,125
b) deferred tax provisions	927,483	795,125
3) Other provisions	7,133,957	5,550,671
Total provisions for risks and charges	**8,238,288**	**6,345,796**
C) Staff severance fund	**5,482,561**	**5,450,244**
D) Payables		
1) Bonds	257,953,568	0
– due after 12 months	257,953,568	0
3) Payables to banks	24,000,084	118,434,569
– due within 12 months	24,000,084	118,434,569
6) Payables to suppliers	9,733,302	7,313,283
– due within 12 months	9,733,302	7,313,283
8) Payables to subsidiaries	327,138,017	64,094,761
– due within 12 months	327,138,017	64,094,761
9) Payables to affiliated companies	578	471
– due within 12 months	578	471
10) Payables to main shareholders	0	1,504
– due within 12 months	0	1,504
11) Payables due to tax authorities	11,700,626	4,288,732
– due within 12 months	11,700,626	4,288,732
12) Payables to social security organisations	1,020,460	959,700
– due within 12 months	1,020,460	959,700
13) Other payables	1,451,962	1,498,427
– due within 12 months	1,451,962	1,498,427
Total payables	**632,998,597**	**196,591,447**
E) Accruals and deferrals		
2) Miscellaneous	15,098,119	137,260
Total accruals and deferrals	**15,098,119**	**137,260**
Total liabilities	**1,006,707,379**	**557,114,810**

MEMORANDUM ACCOUNTS

(€)	31 December 2003	31 December 2002
2) PLEDGES AND GUARANTEES GIVEN TO THIRD PARTIES		
Pledges to third parties	15,742,603	9,800,955
Guarantees received	0	387
Guarantees given	160,062,346	173,543,203
Total pledges and guarantees given to third parties	**175,804,949**	**183,344,545**
Total memorandum accounts	**175,804,949**	**183,344,545**

PROFIT AND LOSS ACCOUNT

(€)	31 December 2003	31 December 2002
A) Value of production		
1) Revenues from sales and services	81,063,096	84,444,221
2) Change in inventories of work in progress, semi-finished and finished products	198,282	–866,662
Other income	21,441,360	19,265,176
Total value of production	**102,702,738**	**102,842,735**
Production costs		
6) Raw materials, supplies and consumables	55,759,949	53,298,345
7) Services	12,999,824	10,707,111
8) Use of third party assets	3,844,806	4,071,159
9) Personnel costs	15,579,799	15,445,697
a) Salaries and wages	10,687,249	10,744,670
b) Social security costs	3,582,685	3,485,147
c) Staff severance fund	690,083	725,176
e) Other costs	619,782	490,704
10) Amortisation, depreciation and write-downs	4,032,859	4,011,990
a) Amortisation of intangible fixed assets	1,827,501	1,737,839
a) Depreciation of tangible fixed assets	2,205,358	2,274,151
11) Changes in inventories of raw materials, supplies and consumables	787,636	35,567
12) Risk provisions	69,779	362,111
14) Miscellaneous operating expenses	755,993	888,067
Total production costs	**93,830,645**	**88,820,047**
Difference between value and cost of production (A – B)	**8,872,093**	**14,022,688**
C) Financial income and charges		
15) Income from equity investments	1,282,154	106,519,245
– in subsidiaries	1,211,537	106,513,909
– in other companies	70,617	5,336
16) Other financial income	10,652,634	3,815,713
c) from securities listed under current assets	841,346	0
d) income other than the above	9,811,288	3,815,713
– from subsidiaries	1,130,659	1,122,978
– from other companies	8,680,629	2,692,735
17) Interest and financial charges	13,769,820	6,464,140
– from subsidiaries	2,392,213	2,247,365
– from other companies	11,377,607	4,216,775
Total financial income and charges (15 + 16 – 17)	**–1,835,032**	**103,870,818**
D) Adjustments in value of financial assets	**0**	**0**
E) Extraordinary income and charges		
20) Extraordinary income	25,715,580	23,150,448
– Capital gains on disposals	25,044,116	480,676
– Other extraordinary income	671,464	22,669,772
21) Extraordinary charges	3,579,626	5,400,649
– Capital losses on disposals	2,854	4,085
– Tax relating to previous financial years	127,725	0
– Other extraordinary charges	3,449,047	5,396,564
Total extraordinary items (20-21)	**22,135,954**	**17,749,799**
Profit before tax (A – B +/– C +/– D +/– E)	**29,173,015**	**135,643,305**
22) Corporate income tax	8,198,064	1,373,339
– Current portion	11,431,857	2,399,108
– Deferred tax	256,859	258,987
– Pre-paid tax	–3,490,652	–1,284,756
23) NET PROFIT	**20,974,951**	**134,269,966**

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