DAVIDE CAMPARI-MILANO S.P.A.

CONSOLIDATED FINANCIAL STATEMENTS AND DRAFT SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 DECEMBER 2010

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Highlights

	31 December 2010 € million	31 December 2009 € million	% change	% change at constant exchange rates
Net sales	**1,163.0**	**1,008.4**	**15.3**	**11.5**
Contribution margin	463.6	401.2	15.6	12.0
EBITDA before one-offs	**298.6**	**265.1**	**12.6**	**9.0**
EBITDA	**295.3**	**261.0**	**13.1**	**9.4**
EBIT before one-offs	**272.8**	**239.7**	**13.8**	**10.0**
EBIT	**269.5**	**235.6**	**14.4**	**10.5**
EBIT margin (EBIT/net sales)	**23.2%**	**23.4%**		
Profit before tax	232.9	198.3	17.5	13.0
Group and minorities' net profit	156.7	137.5	14.0	8.9
Group net profit	**156.2**	**137.1**	**14.0**	**8.8**
Basic and diluted earnings per share (€)	0.27	0.24		
Average number of employees	2.207	2.176		
Free cash flow	132.0	184.3		
Acquisitions of companies and trademarks	149.6	441.1		
Net debt	677.0	630.8		
Shareholders' equity - Group and minorities	1,252.9	1,046.0		
Fixed assets	1,783.5	1,519.8		
ROI % (EBIT/fixed assets)	**15.1%**	**15.5%**		

Corporate officers

Board of Directors [(1)]

Luca Garavoglia	Chairman
Robert Kunze-Concewitz	Managing Director and Chief Executive Officer
Paolo Marchesini	Managing Director and Chief Financial Officer
Stefano Saccardi	Managing Director and General Counsel and Business Development Officer
Eugenio Barcellona	Director and member of the Remuneration and Appointments Committee[(4)]
Enrico Corradi	Director, member of the Remuneration and Appointments Committee [(4)] and member of the Audit Committee[(5)]
Karen Guerra	Director
Thomas Ingelfinger	Director, member of the Remuneration and Appointments Committee[(4)] and member of the Audit Committee[(5)]
Marco P. Perelli-Cippo	Director and member of the Audit Committee[(5)]

Board of Statutory Auditors [(2)]

Pellegrino Libroia	Chairman
Enrico Colombo	Standing Auditor
Carlo Lazzarini	Standing Auditor
Giovanni Bandera	Alternate Auditor
Graziano Gallo	Alternate Auditor
Emilio Gnech	Alternate Auditor

Independent auditors[(3)]

PricewaterhouseCoopers S.p.A.

[(1)] The nine members of the Board of Directors were appointed on 30 April 2010 by the shareholders' meeting and will remain in office for the three-year period 2010-2012. Luca Garavoglia was appointed Chairman and granted powers in accordance with the law and the Company's articles of association.
The Board of Directors, at a meeting held on the same date, gave Managing Directors Robert Kunze-Concewitz, Paolo Marchesini and Stefano Saccardi the following powers for three years until approval of the 2012 accounts:

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

[(2)] The Board of Statutory auditors was appointed on 30 April 2010 by the shareholders' meeting for the three-year period 2010-2012.
[(3)] On 30 April 2010 the shareholders' meeting appointed PricewaterhouseCoopers S.p.A. as its independent auditors for the nine-year period 2010-2018.
[(4)(5)] The Remuneration and Appointments Committee and the Audit Committee were appointed, for the three year period 2010-2012, by the Board of Directors on 30 April 2010.

Directors' report

Significant events during the year

Distribution of Sagatiba in Brazil

On 1 March 2010, Campari do Brasil Ltda. acquired the rights to distribute Sagatiba cachaça in Brazil and seven other markets in Latin America.
With Sagatiba, the market leader in the premium cachaça segment, the Group is entering the cachaça market, the most important spirits category in Brazil by volume, and enhancing its premium brand portfolio in Latin America.

Distribution of Morrison Bowmore Scotch whisky in Italy

On 1 March 2010, the Group commenced distribution on the Italian market of Bowmore single malt Scotch whisky (Islay), which is produced by Morrison Bowmore Distilleries and owned by Japan's Suntory Group.
This agreement enhances the Group's portfolio of whiskies sold in Italy, which includes its own brands Glen Grant (single malt Scotch whisky), Old Smuggler (blended Scotch whisky) and Wild Turkey (bourbon), and the third-party brand distributed by the Group, Jack Daniel's (Tennessee whiskey).

Campari Australia

Campari Australia Pty Ltd., the company created in 2009 to manage the distribution of Group products on the Australian market, commenced its commercial operations on 1 April 2010.
Campari Australia Pty Ltd. distributes the brands the Group sells on the Australian market, notably Wild Turkey, SKYY Vodka, SKYY Blue and Riccadonna. Marketing of the Group's products in Australia was previously carried out by third-party distributors.

Extraordinary shareholders' meeting of the Parent Company

On 30 April 2010, the extraordinary shareholders' meeting of Davide Campari-Milano S.p.A. approved a capital increase via a bonus share issue of 290,400,000 shares with a nominal value of € 0.10 per share and the same characteristics as the ordinary shares outstanding.
The new shares were allocated free of charge to shareholders in the ratio of one new share for each share held, through the use of retained earnings.
Following the bonus issue, the fully paid-up share capital totals € 58,080,000, comprising 580,800,000 ordinary shares each with a nominal value of € 0.10.

Acquisition of 20% stake in Cabo Wabo

On 30 July 2010, an agreement was signed with the minority shareholder of Cabo Wabo for the early exercise of the put and call options on 20% of Cabo Wabo LLC, and of Red Fire Mexico, S. de R.L. de C.V.
These put and call options were granted in January 2008 at the same time as the acquisition of an 80% stake in the Cabo Wabo brand.
The original contract stipulated that the options could be exercised during two windows – 15% of the holding in 2012 and the remaining 5% in 2015 – at a price for each tranche set on the basis of the average profits for the three previous years.
The purchase of the entire 20% was completed at a price of US$ 11.0 million, paid by Redfire Inc. on 30 July 2010.
The agreement also provides for an earn-out payment for the seller based on sales volumes for the Cabo Wabo brand for the three years after the closing date of the transaction, the estimated value of which is US$ 4.0 million.
In the financial statements for the year ended 31 December 2009, the payable for the Cabo Wabo put option was listed on the balance sheet in the euro equivalent of US$ 20 million.

Production and sale of Cinzano in Argentina

On 23 July 2010, an agreement was signed for the early termination of the licence granted by Davide Campari-Milano S.p.A. to Cepas Argentina S.A.
The licence agreement, signed at the start of 2000 following the acquisition of the Cinzano brand by the Campari Group, granted Sava S.A.I.C.E.Y.A. (which was later merged into Cepas Argentina S.A.) the right to produce and market Cinzano in Argentina until 2026.

The parties agreed a sum of € 11.0 million for the early withdrawal of the right to produce and distribute Cinzano, which was paid on 31 August 2010.
As of 1 September 2010, Cinzano has been marketed by Sabia S.A. (which changed its name to Campari Argentina S.A. in 2011), a company acquired by the Campari Group in November 2008, and which is now wholly owned. In 2011, following a 12-month transition period, Campari Argentina S.A. will also take over responsibility for the production of Cinzano brand products.
Argentina is the largest market in the world for sales of Cinzano by volume: with more than 6 million litres sold in 2009, Cinzano is the number two brand in the country's sizeable aperitifs segment.

Amendments to the conditions of the bond (Note Purchase Agreement) issued on 16 July 2003

On 2 August 2010, a meeting was held for holders of the bonds issued by Davide Campari-Milano S.p.A. on 16 July 2003 and placed exclusively with foreign institutional investors on the US market.
The bondholders' meeting approved changes to certain conditions of the bonds, in particular to allow the company, in the event of significant acquisitions, to reach and maintain a higher maximum level of debt, in return for the payment of a higher rate of interest over the corresponding periods.
The two private placements issued in the US by Redfire, Inc. in 2002 and 2009 have also been brought into line with the new conditions.

Acquisition of the Carolans, Frangelico and Irish Mist brands

On 1 October 2010, an agreement was signed with William Grant&Sons for the acquisition of T. J. Carolan&Son Ltd, owner of the Carolans, Frangelico and Irish Mist brands.
The acquisition cost, paid in cash, was €129 million; this enterprise value represents 7.5 times pro forma EBITDA for 2009. The value of the investment was € 128.5 million, net of the net cash position.
The business acquired has sales of approximately € 50 million per year, on a volume of around one million nine-litre cases per year.
The Campari Group was already the distributor of some of these brands in certain markets (e.g. Carolans and Irish Mist in the US and Frangelico in Brazil and Belgium) prior to the acquisition, and therefore, some of the sales relating to the newly-acquired business have been previously included in Group sales figures.
With Carolans, Frangelico and Irish Mist, the Group is supplementing its portfolio with three high quality brands that offer excellent growth prospects, and has further expanded its range of premium spirits.
In particular, the US portfolio has comfortably reached critical mass, with brands offering high profitability, while the acquisition has also increased the Group's exposure to the other main international markets: Australia, Russia, Canada, Spain and the UK.
The acquisition is perfectly consistent with the Group's growth strategy from both a business and financial standpoint, and the risks attached to the integration are very low, as the Group already accounts for 60% of the distribution of the newly-acquired brands in volume terms and produces Frangelico itself.
Carolans is a global brand and leading product in the Irish cream segment, with volumes of over 600,000 nine-litre cases distributed in more than 60 markets, including the US, the largest market, which accounts for around 60% of total sales.
Frangelico is a premium Italian liqueur made from hazelnuts, which is highly profitable and sold in more than 90 markets, with the US accounting for around 50% of total sales. It is a high quality product, with distinctive packaging and a strong presence in the on-premise channel.
Irish Mist is a premium liqueur made from Irish whisky, honey and natural flavours, which is sold in more than 40 markets (the US is also the largest market for this brand). Irish Mist will enable the Campari Group to capitalise on the strong growth in the Irish whisky market, with opportunities for the development of new products linked to the brand.

Closure of Campari France

In the final quarter of 2010, the Group initiated the procedure to close Campari France and the production site in Nanterre, which is scheduled for completion in 2011. These financial statements contain provisions for restructuring costs of € 1.8 million.

Merger of Campari Italia S.p.A. into Davide Campari-Milano S.p.A.

Campari Italia S.p.A., a wholly-owned company that carried out commercial product activities on the Italian market, was merged into the Parent Company during the year.
The main objectives for the merger were to make the Group's financial and balance sheet structure more efficient and functional, and to combine the manufacturing and commercial activities of the two companies.
As a result of this operation, Davide Campari-Milano S.p.A. sells the Group's products directly on the Italian market.

Since the shares of the incorporated company Campari Italia S.p.A. were held entirely by the incorporating company Davide Campari-Milano S.p.A., the incorporating company was not required to determine a ratio for the exchange of shares nor launch a capital increase, pursuant to article 2505 of the Italian Civil Code.
For more details, please see the notes to the financial statements of the Parent Company.

Group operating and financial results

Sales performance

Overall performance

Group sales rose by 15.3% in 2010 against the previous year to €1,163.0 million, due to strong organic growth, and, to a lesser extent, the positive contribution of recent acquisitions and exchange rate movements.
In particular, robust organic growth of 8.4% was noted as a result of both the recovery of certain countries, which had suffered difficulties in 2009, and from the good performance of major brands such as Campari, and especially Aperol, which continued its exceptional sales trend, driven by growth in consumption and the expansion of distribution in new markets.

	€ million	% change on 2009
Net sales 2010	1,163.0	
Net sales 2009	1,008.4	
total change	**154.6**	**15.3%**
of which		
organic growth	85.0	8.4%
external growth	31.2	3.1%
exchange rate effect	38.4	3.8%
total change	**154.6**	**15.3%**

As the table above shows, external growth and exchange rate effects made a positive contribution to overall growth.
In particular, the acquisitions made in the last two years and new distribution agreements (taking into account the agreements that ended during the year), generated external growth of 3.1%.
The table below shows a breakdown of external growth, which totalled € 31.2 million in the period, into Group brands, which contributed €33.3 million, and third-party brands, which taken together had a negative impact of € 2.1 million.

2010 sales: breakdown of external growth	€ million
Wild Turkey	26.8
C&C brands (Carolans, Frangelico and Irishmist)	5.4
Odessa	1.1
Sub-total - Group brands	**33.3**
Discontinued distribution of Société des Produits Marnier Lapostolle brands in Italy and Germany	-5.2
Other third-party brands, mainly: Licor 43 in Germany, Sagatiba in Brazil and Icario in Italy	3.4
Co-packing services for third parties	-0.3
Sub-total - third-party brands	**-2.1**
Total external growth	**31.2**

In 2010, the most significant contribution to external growth came from sales relating to the acquisition of Wild Turkey, which totalled € 90.4 million. In particular, sales relating to Wild Turkey – acquired at the end of May 2009 and consolidated from 1 June 2009 – in the first five months of 2010 (€ 26.8 million), were classified as external growth, while the sales recorded from June 2010 to December 2010 (€63.6 million) were classified as organic growth. Sales of this brand grew by 24.5% compared with the previous year, or 11.8% at constant exchange rates.
External growth relating to the acquisition of the C&C brands, Carolans, Frangelico and Irish Mist, completed on 1 October 2010, totalled € 5.4 million. It is worth noting that the Campari Group already distributed these brands in a number of major markets prior to the acquisition, for example Carolans in the US, and somewhat less significantly, Frangelico in Brazil and Belgium. Consequently, only sales of these brands in new markets (e.g. Carolans in Canada and Frangelico in Spain) are included in external growth.

Among the Group's brands, sales of Odessa sparkling wines were also recorded under external growth, but for the first quarter of 2010 only.

The change in average exchange rates had a positive impact of 3.8% on sales, due mainly to the fall in value of the euro against all the Group's major currencies.
In absolute terms, the positive impact of exchange rates was quantifiable at € 38.4 million and mainly related to the Brazilian real and US dollar, which appreciated by 18.7% and 5.0% respectively compared with the average levels for the previous year.
The table below shows the changes in exchange rates for the currencies of most significance to the Group, both as a spot rate at 31 December and the average figure for the year.

Exchange rates for the period	2010	2009	% change
US$ x € 1 average for the period	1.327	1.393	5.0%
US$ x € 1 at 31 December 2010	1.336	1.441	7.8%
BRL x € 1 average for the period	2.334	2.771	18.7%
BRL x € 1 at 31 December 2010	2.218	2.511	13.2%
CHF x € 1 average for the period	1.382	1.510	9.2%
CHF x € 1 at 31 December 2010	1.250	1.484	18.7%
CNY x € 1 average for the period	8.981	9.517	6.0%
CNY x € 1 at 31 December 2010	8.822	9.835	11.5%
GBP x € 1 average for the period	0.858	0.891	3.8%
GBP x € 1 at 31 December 2010	0.861	0.888	3.2%
ARS x € 1 average for the period	5.188	5.202	0.3%
ARS x € 1 at 31 December 2010	5.310	5.462	2.9%
AUD x € 1 average for the period	1.444	1.775	22.9%
AUD x € 1 at 31 December 2010	1.314	1.601	21.9%
MXN x € 1 average for the period	16.753	18.784	12.1%
MXN x € 1 at 31 December 2010	16.548	18.922	14.4%

The table below shows organic growth in each quarter of 2010 and 2009 compared with the same quarter of the previous year (i.e. 2010 vs. 2009 and 2009 vs. 2008).

organic growth - % change	2010/2009	2009/2008
First quarter	+14.5%	-4.2%
Second quarter	+4.3%	-2.0%
Third quarter	+3.7%	+2.1%
Fourth quarter	+12.0%	-0.4%
Total for the year	**+8.4%**	**-1.0%**

In general, sales for the full year in 2010 benefited from a favourable comparison with 2009, in which the global financial crisis, restrictions on credit and the consequent reduction of stock levels by distributors had a negative effect on sales (-1.0% in 2009 vs. 2008).
With reference to the organic sales growth rate for 2010 of 8.4%, it is worth noting that positive results were achieved in each quarter of the year, and that the favourable comparison with the previous year's figures no longer applied in the second half of the year.
More specifically, the figures show that it was mainly the first two quarters of 2010 that displayed a favourable comparison with the first and second quarter of 2009, when sales were down by 4.2% and 2.0% respectively.
Organic growth in the third quarter of 2010 (+3.7%), although lower than in the first six months of the year, is to be considered as positive when viewed in comparison with the third quarter of 2009, when the first signs of a trend reversal emerged (+2.1%).
Lastly, sales in the last – and most important – quarter of the year, with organic growth at 12.0%, were extremely good, firstly due to excellent performance from all of the Group's main brands, and secondly because the comparison with 2009, while still moderately favourable, did not alter the significance of the results achieved in 2010.

Sales by region

Sales in 2010 were positive in all regions both in terms of overall growth and organic growth, with figures for all regions combined of 15.3% and 8.4% respectively.
The main contributions to total sales of €1,163.0 million in 2010 came from the Americas, with 34.8%, and Italy, with 34.2%: the Americas overtook Italy for the first time as the Group's biggest market at the end of September 2010.
A comparison between the two markets shows that much faster growth was achieved in the Americas in 2010, due to new acquisitions (6.3%), a positive exchange rate effect (8.7%) and higher organic growth (9.6%).
More generally, it is worth noting that the progressive decrease in the proportion of total sales recorded in Italy, which in 2010 was due to the effects of the acquisition of Wild Turkey and C&C, is consistent with the Group's external growth strategy, which targets - where possible - growth on international markets.
The two tables below provide a breakdown of sales by region, with the impact of organic growth, external growth and exchange rate movements shown separately in the second table.

	2010		2009		% change
	€ million	%	€ million	%	2010/2009
Italy	397.3	34.2%	388.1	38.5%	2.4%
Europe	276.7	23.8%	231.6	23.0%	19.5%
Americas	405.3	34.8%	325.3	32.3%	24.6%
Rest of the world and duty free	83.7	7.2%	63.5	6.3%	31.7%
Total	**1,163.0**	**100.0%**	**1,008.4**	**100.0%**	**15.3%**

Breakdown of % change	% change			
	Total	**organic growth**	external growth	exchange rate effect
Italy	2.4%	**3.3%**	-0.9%	0.0%
Europe	19.5%	**16.9%**	1.7%	0.9%
Americas	24.6%	**9.6%**	6.3%	8.7%
Rest of the world and duty free	31.7%	**3.6%**	15.7%	12.4%
Total	**15.3%**	**8.4%**	**3.1%**	**3.8%**

Sales in **Italy** increased by 2.4% in 2010 to € 397.4 million; stripping out the moderately negative effect of the discontinued distribution of Grand Marnier, organic growth was 3.3%.
Sales of Campari and Aperol, which in 2010 greatly exceeded 10 million litres, were particularly positive, due to the favourable trend in consumption of aperitifs, and to the effectiveness of advertising and publicity campaigns.
In general, the positive trend in sales of spirits and wines offset the contraction in soft drinks sales.

In the rest of **Europe**, total growth was 19.5%, due almost entirely to organic growth (16.9%) and the good results recorded in all of the main markets, especially Germany and Austria.
Russia and other Eastern European countries, such as Ukraine and Poland also made a significant contribution to organic sales growth in the region (although this was partly attributable to the particularly favourable comparison with sales in 2009, which were significantly affected by the severe decline in orders following the global financial crisis).
Sales in the rest of Europe also benefited from a modest positive exchange rate effect (0.9%) and a positive external growth effect (1.7%) relating to Odessa sparkling wines, Wild Turkey and the C&C brands, which partly offset the decline from the discontinued distribution of Grand Marnier in Germany.

Sales in the **Americas** rose by 24.6% against 2009, to more than € 400 million: the overall change comprised organic growth of 9.6%, external growth of 6.3% and a positive exchange rate effect of 8.7%.
The first of the following two tables shows the trends in the two main markets, the USA and Brazil, and in the ‘other countries’ segment within the Americas, while the second provides a breakdown of the growth components for each of these markets.

	2010		2009		% change
	€ million	%	€ million	%	2010/2009
USA	259.2	63.9%	227.7	70.0%	13.8%
Brazil	97.3	24.0%	65.3	20.1%	49.0%
Other countries	48.8	12.1%	32.2	9.9%	51.5%
Total	**405.3**	**100.0%**	**325.3**	**100.0%**	**24.6%**

Breakdown of % change	% change			
	total	organic growth	external growth	exchange rate effect
USA	13.8%	**2.1%**	6.9%	4.8%
Brazil	49.0%	**23.4%**	2.6%	23.0%
Other countries	51.5%	**34.5%**	10.0%	7.0%
Total	**24.6%**	**9.6%**	**6.3%**	**8.7%**

In the United States, sales in 2010 went up by 13.8%, mainly thanks to external growth (+6.9%) relating to the acquisition of Wild Turkey, and to a lesser extent, Frangelico; in addition the appreciation of the US dollar had a positive impact of 4.8%, while organic growth was 2.1%.

In **Brazil**, sales increased by 49.0%, partly due to the sharp rise in value of the Brazilian real, which had a positive impact of 23.0%, and partly to organic growth of 23.4%, to which all the main brands – Campari, Dreher, Old Eight and Drury's – made a similar contribution.
To put this performance in context, it is worth noting that Brazil is probably the market that benefited most from a favourable comparison with the previous year. In 2009, the general reduction in stocks caused by the credit crunch and certain circumstances relating to the change in sales policy had a marked impact on sales.

Sales in **other countries in the Americas** rose by 51.5% in total, driven by organic growth of 34.5%, which was attributable to the good results achieved in the three main markets in this segment: Argentina, Mexico and Canada.
Moreover, following the acquisitions carried out at the end of 2008 in Argentina and Mexico, the Group is gradually beginning distribution of its own brands in these markets through direct sales organisations, which will make sales and marketing operations more efficient.
A major consequence of the Group's direct presence in these markets has been the early termination of the licensing agreements for the production and sale of Cinzano vermouth in Argentina, which was signed with third parties as part of the acquisition of the brand in November 1999; from 1 September 2010, Sabia S.A. (renamed Campari Argentina S.A. in 2011) began distribution of the brand, and the Company will start production of Cinzano vermouth in 2011.
The change in exchange rates (+7.0%) and external growth (+10.0%) complete a positive picture for these countries in 2010.

The **rest of the world and duty free** business reported sales up 31.7% to €83.7 million in 2010; this represented an increase in its contribution to total Group sales to 7.2%.
This performance related mainly to the acquisition of Wild Turkey in mid-2009, for which Australia and Japan are the second- and third-biggest markets respectively; in 2010 external growth was therefore significant, at 15.7%.
Although organic growth was just 3.6%, this is a particularly positive result given the major organisational change made during the year in the main market for this business, Australia. Until the end of 2009, the Group did not have its own sales organisation in Australia and operated via third-party distributors. In 2010, the newly-established company Campari Australia Pty Ltd. became operational, and launched direct sales of Group products in two phases: SKYY Vodka, SKYY Blue and Riccadonna from 1 April 2010, and the brands relating to the Wild Turkey acquisition from 1 July 2010. Once the effects of the transfer of sales from the former distributor, which distorted the results of Campari Australia Pty Ltd. in the first nine months of the year, had been absorbed, in the final quarter of the year the company was fully operational and sales of the Group's brands in Australia grew strongly.
Sales for the **rest of the world and duty free** business also benefited from a positive exchange rate effect of 12.4%, following the significant rise in value of the Australian dollar and Japanese yen.

Sales by business area

The Group's positive sales performance in 2010 (+15.3%) was due to double-digit growth in the spirits and wines segments, which together account for more than 90% of the Group's sales. Both soft drinks, which represent 8.5% of the Group's total sales, and the 'other sales' segment (1.1% of the total) saw a slight contraction.
The two tables below show changes in sales by business area and a breakdown of the overall change in each business area by organic growth, external growth and the effect of exchange rate movements.

	2010		2009		% change
	€ million	%	€ million	%	2010/2009
Spirits	876.4	75.4%	739.6	73.3%	18.5%
Wines	175.0	15.0%	154.9	15.4%	13.0%
Soft drinks	98.5	8.5%	100.3	9.9%	-1.8%
Other sales	13.1	1.1%	13.7	1.4%	-3.9%
Total	**1,163.0**	**100.0%**	**1,008.4**	**100.0%**	**15.3%**

Breakdown of % change	% change			
	Total	organic growth	external growth	exchange rate effect
Spirits	18.5%	**9.8%**	4.0%	4.7%
Wines	13.0%	**9.9%**	1.0%	2.1%
Soft drinks	-1.8%	**-1.9%**	0.0%	0.1%
Other sales	-3.9%	**-4.8%**	-1.9%	2.8%
Total	**15.3%**	**8.4%**	**3.1%**	**3.8%**

Spirits

Spirits sales totalled €876.4 million in 2010, up 18.5% compared with 2009. The substantial increase in sales in this business, which now accounts for more than three quarters of the Group total, was due to organic growth of 9.8%, external growth of 4.0% and a positive exchange rate effect of 4.7%.

Net sales of the Group's main brand, **Campari,** in 2010 went up by 8.4% at constant exchange rates (+12.3% at actual exchange rates), mainly as a result of the rise in value of the Brazilian real.
The brand therefore remains in excellent shape, with sales increasing in nine of its ten biggest markets: with regard to the three main markets for the Campari brand, good results were obtained in Italy, Germany and especially Brazil, where sales had contracted somewhat the previous year.

Sales of the **SKYY** brand, which includes the SKYY Infusions range, increased by 2.8% at constant exchange rates and 8.2% at actual exchange rates due to the strengthening of the Brazilian real and US dollar.
In the United States, the brand showed modest growth in 2010, due to the aggressive sales policies adopted by the main players in the vodka segment and the price pressures that resulted; in this environment, SKYY Vodka's sales slowed compared with previous years, while its price positioning remained unchanged.
As regards the other markets for this brand, which account for around 15% of SKYY's business, sales continued at a good level in Canada, Italy and Germany, as well as in Brazil, where the previous year's launch produced highly satisfactory results.

Aperol posted another outstanding result in 2010, with sales up 35.7% (+36.0% at actual exchange rates), again outstripping the double-digit results of the last few years. As of December 2010, volume sales of this brand were very close to the two million case mark (nine litres per case).
This excellent performance continues to be driven by solid growth on the Italian market (which accounts for just under 60% of the brand’s sales) as well as exceptional growth in Germany and Austria.

Campari Soda sales, which are almost entirely concentrated on the Italian market, fell by 2.1% (-2.0% at actual exchange rates) compared with 2009. Consumption of this brand, which is the undisputed leader in single-serving aperitifs on the Italian market, remained broadly unchanged compared with the previous year (+0.1%).

Sales of the **Brazilian brands** Old Eight, Drury's and Dreher posted exceptionally strong growth (+22.0%), to which each brand made a similar contribution. It is worth noting that in 2010, sales on the Brazilian market generally benefited from a particularly favourable comparison with the previous year.
At actual exchange rates, growth was even stronger (+44.7%), thanks to the sharp rise in the average value of the Brazilian real against the euro.

GlenGrant sales were up 8.8% at constant exchange rates (9.2% at actual exchange rates), due to the brand’s good performance in its three main markets: Italy, France and Germany.
On the Italian market, which alone accounts for more than 50% of the brand's sales, despite the negative trend in whisky consumption, GlenGrant increased its share of the market, while consumption of the brand was also up, thanks to the continued, substantial spending on advertising.

In addition, the introduction of more profitable aged products with a higher unit value to the GlenGrant range has achieved good results.
Lastly, the distribution of GlenGrant in new markets and distribution channels, such as duty free, continued to be implemented successfully in 2010.

Old Smuggler recorded a decline of 5.2% (-4.3% at constant exchange rates), as the excellent performance in Argentina, the brand's main market, was more than offset by a contraction on the European markets.

Ouzo 12 posted growth of 0.8% at constant exchange rates (1.3% at actual exchange rates), due to a positive performance in Germany, which has been by far the biggest market for this brand for some time, but a substantial contraction in Greece, which despite its economic difficulties, remains the brand's second-biggest market.

Cynar sales were up by 1.2% at constant exchange rates and 7.1% at actual exchange rates (following the rise in value of the Brazilian real and Swiss franc). Sales of this brand were positive in Italy, Brazil and Germany, but fell slightly in Switzerland.

Sales of **X-Rated Fusion Liqueur**, which are almost entirely concentrated in the US market, declined by 17.4% in local currency (-13.5% at actual exchange rates). In the US, in 2010, there was a contraction in the on-trade channel, while distributors again reduced their stock levels.

Cabo Wabo sales increased by 29.4% in 2010 (+36.0% at actual exchange rates), following a major trend reversal in the United States, which represents more than 90% of the brand's total sales.
In 2010, sales of this brand benefited from both the successful updating of the product packaging, which now looks much more attractive, as well as from a minor price adjustment implemented in response to aggressive marketing by competitors in the ultra-premium tequila segment.

Again in the US, and in the tequila market, excellent sales figures were achieved in 2010 with the launch of **Espolón** (a brand that was added to the Group's product portfolio following the acquisition of Mexican company Destiladora San Nicolas S.A. at the end of 2008). In 2009, Group sales of Espolón were recorded on the Mexican market only.

As for the Group's other spirits brands, which are sold almost exclusively on the Italian market, sales of Aperol Soda (+1.6%) and Barbieri liqueurs (+1.8%) went up, while sales of Zedda Piras Mirto di Sardegna (-1.4%) and Biancosarti (-1.2%) declined.

Overall, sales of all the main third-party brands distributed by the Group showed a positive trend. In particular:
- sales of Jack Daniel's grew by 12.6%: a very good result for this iconic brand, which is distributed solely on the Italian market, and although whisky consumption is declining, it continues to increase its market share;
- sales of Jägermeister, which is also distributed on the Italian market, were up 6.5%, and this product also increased its share of a declining market;
- sales of Scotch whiskies (Cutty Sark and Morrison Bowmore), which are mainly distributed in the US, increased by 11.3% at constant exchange rates (+17.0% at actual exchange rates);
- sales of Suntory brands, which are also mainly distributed in the US, advanced by 5.6% (+10.1% at actual exchange rates);
- sales of Russian Standard vodka, which is distributed in certain European markets, with sales recorded mainly in Germany and Switzerland, grew by 6.3% (+7.0 % at actual exchange rates);
- sales of Licor 43, which is mainly distributed in Germany, rose by 30.3% (+30.4% at actual exchange rates);
- sales of Tullamore Dew, which is distributed in the US, advanced by 5.4% (-1.2% at actual exchange rates).

Note that the **Carolans, Irish Mist and Frangelico** brands, acquired on 1 October 2010 from William Grant & Sons, which were already distributed by the Group in some major markets (such as the US) prior to the acquisition, were previously recorded under third-party brands distributed by the Group, together with Tullamore Dew (still owned by William Grant&Sons).
On the main market, the US, the Carolans and Irish Mist brands were distributed without interruption in 2010, while the distribution of Frangelico was transferred to the Group by William Grant&Sons on 1 January 2011 (the Group transferred the distribution of Tullamore Dew to William Grant & Sons on the same date).
To summarise, in relation to the three brands acquired on 1 October 2010, total sales of around € 30 million were recorded by the Group in 2010, both as distributor and brand owner, representing overall growth of 24.6% versus

2009, comprising: a decline of 1.0% in organic growth in the first nine months of the year, external growth of 22.2% in the fourth quarter, and a positive exchange rate effect of 3.4%.
Including Tullamore Dew, sales recorded by the Group in 2010 for the four brands totalled approximately € 36 million.

Wines
Sales of wines in 2010 totalled € 175.0 million (15.0% of total sales), up 13.0% compared with 2009.
Organic growth, driven mainly by sales of Cinzano and Sella&Mosca, was 9.9%, while the exchange rate effect was positive at 2.1% and external growth was 1.0%.

Sales of **Cinzano sparkling wines** rose by 9.9% (+10.5% at actual exchange rates), due to the positive results achieved on the two main markets, Italy and Germany, and to the strong recovery in orders in the third biggest-market Russia, which was particularly hard hit by the global financial crisis in 2009.

Sales of **Cinzano vermouth** grew by 14.2% (+16.7% at actual exchange rates), mainly as a result of a significant increase in orders in Russia, which reclaimed its position as the brand's largest market. The sales trend was also positive in Germany and Italy; in Argentina, where the Group launched direct sales of the brand in September 2010 following the early termination of the licensing agreement for this market, the initial results were very encouraging.

For **Riccadonna**, 2010 was a year of decline, with sales down 18.7% (-10.3% at actual exchange rates), which was entirely due to the main market, Australia, where sales for the six months in the middle of the year were affected by the termination of the agreement with the local distributor, and the subsequent launch of sales by the newly-established Campari Australia Pty Ltd.

Conversely, sales of **Mondoro**, whose main market is Russia, increased by 46.3% in the period (46.8% at actual exchange rates), once again as a result of the recovery of activity in the Russian market following the crisis in 2009.

For **Odessa** sparkling wines, 2010 saw a recovery on the local market, Ukraine, following the difficult economic situation of 2009, immediately after the acquisition, which took place on 1 April. In the nine months from April to December 2010, the brand achieved growth of 50.5% (58.6% at actual exchange rates).

As for still wines in 2010, sales of **Sella&Mosca** were up 5.9% (+6.0% at actual exchange rates), which was mainly attributable to growth in exports.
Sales in 2010 were also positive for the **Cantina Serafino** brand (+9.6%), but sales of **Teruzzi&Puthod** wines declined (-2.1%).

Soft drinks
In 2010, sales of soft drinks totalled € 98.5 million, down 1.8% compared with 2009 (-1.9% stripping out a marginally positive exchange rate effect).
Both segments of this business suffered slight declines.

Crodino posted a decline of 1.0% (-0.9% at actual exchange rates); however there was a reversal of the trend in the last quarter of the year.
In the Italian market for single-serving non-alcoholic aperitifs, which contracted slightly in 2010, Crodino remained the clear market leader.

The **Lemonsoda** range, meanwhile, recorded a decline of 2.5%, although results were positive in the second half of the year, partly as a result of the successful launch of Lemonsoda Zero and Mojito Soda.

Sales of the less significant products in this segment, mineral waters and other Crodo brand drinks, also suffered a decline in sales.

Other sales
This minor segment includes revenues from co-packing and sales to third parties of raw materials and semi-finished goods. It represents just 1.1% of the Group's total sales.

In 2010, these sales fell by 3.9% versus the previous year: a drop in sales of malt distillate produced and sold in Scotland by Glen Grant Distillery Company Ltd. was partly offset by new third-party agreements for bottling services at the Group's plants in Argentina and Greece.

Income statement

The Group's operating performance in 2010 can be seen as highly satisfactory, given double-digit growth in EBIT and net profit, as well as sales.
In particular, EBIT was up by 14.4%, mainly due to robust organic growth (+9.2%) and, to a lesser extent, to the positive contribution from external growth and exchange rate effects.

	31 December 2010		31 December 2009		change
	€ million	%	€ million	%	%
Net sales	**1,163.0**	**100.0**	**1,008.4**	**100.0**	**15.3**
Cost of goods sold, after distribution costs	(496.2)	-42.7	(435.6)	-43.2	13.9
Gross profit, after distribution costs	666.8	57.3	572.8	56.8	16.4
Advertising and promotional costs	(203.2)	-17.5	(171.6)	-17.0	18.4
Contribution margin	**463.6**	**39.9**	**401.2**	**39.8**	**15.6**
Structure costs	(190.8)	-16.4	(161.4)	-16.0	18.2
EBIT before one-offs	**272.8**	**23.5**	**239.7**	**23.8**	**13.8**
One-offs: income (charges)	(3.3)	-0.3	(4.1)	-0.4	-
EBIT	**269.5**	**23.2**	**235.6**	**23.4**	**14.4**
Net financial income (charges)	(37.5)	-3.2	(28.9)	-2.9	29.9
One-offs: financial income (charges)	1.9	0.2	(7.7)	-0.8	-
Portion of profit (loss) relating to companies valued at equity	(0.6)	-0.1	(0.8)	-0.1	-
Put option charges	(0.3)	0.0	0.0	0.0	-
Profit before tax and minority interests	232.9	20.0	198.3	19.7	17.5
Taxes	(76.2)	-6.6	(60.8)	-6.0	25.4
Net profit	156.7	13.5	137.5	13.6	14.0
Minority interests	(0.5)	0.0	(0.4)	0.0	-
Group net profit	**156.2**	**13.4**	**137.1**	**13.6**	**14.0**
			-		
Total depreciation and amortisation	(25.8)	-2.2	(25.4)	-2.5	1.5
EBITDA before one-offs	**298.6**	**25.7**	**265.1**	**26.3**	**12.6**
EBITDA	**295.3**	**25.4**	**261.0**	**25.9**	**13.1**

Net sales totalled € 1,163.0 million in 2010; sales by region, business and brand are analysed in detail above. This represented an increase of 15.3% compared with 2009, comprising organic growth of 8.4%, external growth of 3.1% and a positive exchange rate effect of 3.8%.

The total **cost of goods sold** increased by 13.9%, a rate lower than that of sales growth; as a percentage of sales, it fell by 50 basis points, from 43.2% in 2009 to 42.7% in 2010.
The reduction in the cost of goods sold as a proportion of sales is attributable both to a more favourable sales mix compared with 2009, due to the strong growth in spirits, which is the most profitable segment, and to efficiency improvements in the product supply chain. In terms of raw material costs, average price rises were relatively limited overall, and in some cases, for important commodities such as glass, price increases only affected the latter part of the year. Meanwhile, the production units achieved further efficiency gains, with output increasing – in some cases considerably – but with only a marginal rise in overall costs.
However, distribution costs increased as a percentage of sales in 2010, mainly because of the impact of the first-time consolidation of Campari Australia Pty Ltd.

Gross profit, which came in at € 666.8 million, grew by 16.4%, rising slightly more than sales (+15.3%) due to the lower increase in the cost of goods sold (+13.9%).

Advertising and promotional costs increased both in absolute terms (+18.4%) and as a percentage of sales, rising from 17.0% in 2009 to 17.5%. In 2010, as expected, advertising costs in relation to Group brands increased after a year (2009) in which the economic environment in a number of countries prompted a reduction in spending on advertising.
In particular, advertising and promotional costs as a percentage of sales in the most important segment, spirits, rose from 18.3% in 2009 to 19.8% in 2010, whereas in the wines segment, in contrast, an increase in investment in certain countries was lowed by incidental factors (described below in the section 'Profitability by business area').
Moreover, the ongoing search for efficiencies and synergies in the area of purchasing related to promotional materials, achieved through a centralisation process, produced savings in 2010 of around 0.2% of net sales.

The **contribution margin** came to € 463.6 million, representing an overall advance of 15.6% on the previous year, which broke down as follows:
- organic growth of 8.3%;
- external growth of 3.7%;
- a positive exchange rate effect of 3.6%.

Structure costs, which include sales and general and administrative expenses, rose by 18.2%; this significant increase can be analysed in terms of certain key components.
Firstly, in 2010, 7.3% of the increase was attributable to external growth, mainly in relation to the acquisition of Wild Turkey, which led to the establishment of a sales organisation in the important Australian market, as well as to the consolidation of new subsidiaries in Belgium, Ukraine (first quarter only) and Ireland, following the acquisition of T.J. Carolan & Son Ltd., the owner of the Carolans, Frangelico and Irish Mist brands, on 1 October 2010.
In addition, the rise in the average value of certain currencies against the euro had a negative effect on structure costs of 3.4%.
On a same-structure basis and at constant exchange rates, structure costs rose by 7.5% versus the previous year, which although significant is lower than the rate of organic sales growth, which was 8.4%.
In particular, the increase in structure costs related to the Group's existing business was attributable to variable sales costs (such as agent commissions) and investments made during the year in order to strengthen the sales organisations in the markets that the Group has entered recently (such as Argentina, Mexico and China).

EBIT before one-offs was € 272.8 million, up 13.8% compared with 2009. Stripping out external growth (+1.3%) and exchange rate effects (+3.8%), organic growth in this item was 8.8%.

One-offs showed a negative balance of € 3.3 million, as restructuring costs of € 4.4 million (including costs and provisions), provisions for risks and future liabilities of € 1.7 million and the balance of other miscellaneous costs (and income) of € 2.2 million outweighted income of € 5.0 million relating to the reduction in the payable posted to the balance sheet for the payment of put options and earn-outs.
In 2009, the item showed a negative balance of € 4.1 million, essentially due to allocations to restructuring provisions, and other provisions for risks and impairment.

EBIT was € 269.5 million, an increase of 14.4% compared with 2009.
Stripping out external growth (+1.3%) and exchange rate movements (+3.9%), organic growth was 9.2%. The EBIT margin, calculated as the percentage of EBIT on net sales, was 23.2%, compared with 23.4% in 2009; this can be considered a good result given the costs incurred during the year on advertising and promotions and the establishment of a new sales organisation in Australia.

Total **depreciation and amortisation** charges for the period were € 25.8 million, an increase of 1.5% on the figure of € 25.4 million recorded in 2009.

EBITDA before one-offs increased by 12.6% (+9.0% at constant exchange rates) to € 298.6 million, while **EBITDA** rose by 13.1% (+9.4% at constant exchange rates) to € 295.3 million.
The growth rates for EBITDA before one-offs and EBITDA were slightly lower than for EBIT before one-offs and EBIT, as depreciation and amortisation charges rose by only 1.5% in 2010.

Net financial income and charges stood at € 37.5 million in 2010, substantially higher than the € 28.9 million recorded in 2009.
This increase was mainly due to the rise in the Group’s average net debt to € 623.5 million in 2010 from € 521.7 million in 2009 following the acquisition of Wild Turkey in May 2009 and C&C in October 2010.
In addition, the increase in financial charges related to the rise in the average cost of debt in 2010, due to an increase in the proportion of fixed-rate debt as well as the greater effect of negative carry (the difference between the cost of debt and the return on short-term liquid investments) in respect of the Group’s significant cash reserves (which increased in 2010).

The income statement also shows **one-off financial income and charges**. In 2010, one-off financial income totalled €1.9 million relating to the capital gains realised on interest rate hedging derivatives held with Lehman Brothers, which were written down in 2008 following the collapse of the investment bank.

In 2009, the Group incurred one-off financial charges of € 7.7 million related to the structuring of the financing for the Wild Turkey acquisition.

The Group's portion of **profits or losses of companies valued at equity** showed a negative balance of € 0.6 million, compared with a negative balance of € 0.8 million in 2009.
The companies valued at equity in 2010 are trading joint ventures that distribute products made by the Group and its partners in the Netherlands and India.
Losses in 2010 also included € 0.4 million relating to the write-down of the Group's interest in the joint venture in India.

Charges for put options were € 0.3 million in 2010, compared with zero last year.
This item relates to the portion of profit pertaining to minority shareholders of Cabo Wabo, LLC, recorded in the period prior to the acquisition of full control of the company, in July 2010.

Net profit before minority interests was € 232.9 million, up 17.5% on the previous year (13.1% at constant exchange rates).

Tax (deferred and current) was € 76.2 million, which was higher than the 2009 figure in both absolute terms and as a percentage of pre-tax profit, rising from 30.7% to 32.7% in 2010.
This item also includes a component for long-term deferred taxes recorded on the balance sheet for the purposes of cancelling out the effect of the tax-deductibility of amortisation on goodwill and trademarks permitted by local legislation. The 2010 figure includes a greater liability for these deferred taxes (up from € 16.9 million in 2009 to € 20.8 million), attributable to the full consolidation of the effects relating to amortisation for tax purposes of the brands and goodwill of Wild Turkey.

Net profit before minority interests was € 156.7 million, an advance of 14.0% on 2009 (+8.9% at constant exchange rates).

Minority interests were € 0.5 million, broadly in line with the previous year (€ 0.4 million).

Group net profit climbed by 14.0% versus 2009, to € 156.2 million (+8.9% at constant exchange rates). Once again, the Group's net profit margin was extremely good, at 13.4%.

Profitability by business area

The Campari Group's main unit of analysis is business segment, where its results are broken down into spirits, wines, soft drinks and other sales. An analysis of the financial results for each of these four business areas is therefore shown below.
The income statement figure used by the Campari Group to represent the profitability of its business areas is the contribution margin, which is the margin generated by sales after the cost of goods sold (including all logistics costs) and advertising and promotional costs.
The following two tables show a summary of the contribution of each segment to net sales and to the total contribution margin, which was € 463.6 million in 2010, an increase of 15.6% on 2009.

Net sales	2010		2009		% change
	€ million	%	€ million	%	2010/2009
Spirits	876.4	75.4%	739.6	73.3%	18.5%
Wines	175.0	15.0%	154.9	15.4%	13.0%
Soft drinks	98.5	8.5%	100.3	9.9%	-1.8%
Other sales	13.1	1.1%	13.7	1.4%	-3.9%
Total	**1,163.0**	**100.0%**	**1,008.4**	**100.0%**	**15.3%**

Contribution margin	2010		2009		2010/2009
	€ million	% of total	€ million	% of total	% change
Spirits	375.4	81.0%	330.9	82.5%	13.4%
Wines	46.9	10.1%	30.8	7.7%	52.1%
Soft drinks	39.1	8.4%	37.5	9.3%	4.4%
Other sales	2.2	0.5%	2.0	0.5%	12.5%
Total	**463.6**	**100.0%**	**401.2**	**100.0%**	**15.6%**

Growth in the contribution margin of spirits, the main segment in which the Group operates, worth 81.0% of the total contribution margin in 2010, was 13.4%.
The wines segment, as a result of higher growth (52.1%) in its contribution margin than that of the total figure, significantly increased its contribution to the Group's overall margin, rising from 7.7% the previous year to 10.1% in 2010.
Conversely, soft drinks, despite recording growth of 4.4% versus the previous year, saw its proportion of the Group's contribution margin decline from 9.3% in 2009 to 8.4% in 2010.
The tables below show a summary income statement for each segment, with an analysis of organic growth, external growth and the exchange rate effect.

Spirits
The spirits segment achieved excellent results in 2010, posting double-digit growth rates in sales (18.5%), gross profit (17.8%) and contribution margin (13.4%).

Income statement: spirits	2010		2009		2010/2009
	€ million	% of sales	€ million	% of sales	change %
Net sales	876.4	100.0%	739.6	100.0%	18.5%
Gross profit after distribution costs	549.0	62.6%	466.0	63.0%	17.8%
Contribution margin	**375.4**	**42.8%**	**330.9**	**44.7%**	**13.4%**

As a percentage of sales, the contribution margin for spirits was 42.8%, lower than in 2009 (44.7%), due to the higher than proportional increase in advertising and promotional expenses, which rose from 18.3% in the previous year to 19.8% in 2010.
The Group increased its investment in the main brands, SKYY Vodka, Aperol, Campari, Campari Soda; the Brazilian brands; and Wild Turkey and American Honey. Investment in Wild Turkey and American Honey was concentrated in the latter part of the year and therefore shows in the figure for organic performance in 2010 (unlike the first five months of the year, which boosted external growth for the year).
The significant investment in advertising for the Group's core brands can also be seen in the split of the overall increase in the spirits contribution margin (13.4%), between the combination of organic growth (5.2%) and very similar external growth (4.5%). However, the increase in sales was much better in the organic component of the business (9.8%) than in the external one (4.0%).

Analysis of growth	% change			
	total	organic growth	external growth	exchange rate effect
Net sales	18.5%	9.8%	4.0%	4.7%
Gross profit, after distribution costs	17.8%	8.6%	5.1%	4.1%
Contribution margin	**13.4%**	**5.2%**	**4.5%**	**3.7%**

Lastly, the exchange rate effect had a positive impact on the income statement for the spirits segment. The impact was fairly balanced at 4.7% for sales and 3.7% for the contribution margin.

Wines
An analysis of the income statement relating to the wines segment shows healthy sales growth of 13.0%, the combination of a broadly similar rise in gross profit of 14.7%, and a higher than proportional increase in the contribution margin, which climbed by 52.1% in 2010.
As a proportion of sales, the contribution margin therefore rose from 19.9% in 2009 to 26.8% in 2010.

Income statement: wines	2010		2009		2010/2009
	€ million	% of sales	€ million	% of sales	% change
Net sales	175.0	100.0%	154.9	100.0%	13.0%
Gross profit, after distribution costs	66.4	37.9%	57.9	37.4%	14.7%
Contribution margin	**46.9**	**26.8%**	**30.8**	**19.9%**	**52.1%**

The slight improvement in the contribution margin as a proportion of sales was due to the lower cost of goods sold, i.e. better absorption of the significant portion of fixed costs that is a feature of wine production.

Conversely, the sharp rise in the contribution margin was due to the temporary decrease in advertising and promotional activity relating to the Cinzano and Riccadonna brands for certain markets, which became necessary on account of a combination of factors described below. Note, however, that the lower investment in advertising and promotional activity in the wines segment in 2010 was reinvested by the Group in the spirits segment.
As regards the particular circumstances that led the Group to adopt a certain degree of caution in relation to advertising and promotional spending in this segment in 2010, note firstly that the recovery in consumer spending in eastern European markets only became clear in the second half of the year, the peak sales period. The limited visibility and extreme volatility of these markets therefore curbed advertising and promotional spending in 2010.
Secondly, the transfer of the distribution of Cinzano in Argentina and Riccadonna in Australia from local licence-holders to in-house commercial organisations led to a temporary slowdown in brand development activities that were not strictly necessary to maintain the business.

An analysis of the growth effects show that both the external component (relating to Odessa sparkling wines, Icario wine and Lanson champagne) and the exchange rate effect had a relatively negligible impact on the income statement of the wines segment compared with the robust organic growth.

Analysis of growth	% change			
	total	organic growth	external growth	exchange rate effect
Net sales	13.0%	9.9%	1.0%	2.1%
Gross profit, after distribution costs	14.7%	10.4%	0.3%	4.0%
Contribution margin	**52.1%**	**45.3%**	**0.6%**	**6.2%**

Soft drinks

As regards the profitability of this business area, sales fell by 1.8% in 2010. In contrast, however, both gross profit and the contribution margin saw growth (4.8% and 4.4% respectively).
Reducing raw materials costs (glass and cans in particular) has had a positive impact on the gross profit of the soft drinks segment. This is due to the fact that both Crodino and the Lemonsoda range of drinks are produced in small sizes and thus the cost of the container is proportionally higher.
The segment’s contribution margin, which amounts to 39.7% of sales, is increasing, although at a slower rate than gross profit (4.8%) due to greater advertising and promotional spending on Crodino.

Income statement: soft drinks	2010		2009		2010/2009
	€ million	% of sales	€ million	% of sales	% change
Net sales	98.5	100.0%	100.3	100.0%	-1.8%
Gross profit, after distribution costs	49.2	49.9%	47.0	46.8%	4.8%
Contribution margin	**39.1**	**39.7%**	**37.5**	**37.4%**	**4.4%**

Other sales

The contribution margin of this small segment, which includes bottling the products of third parties and sales of semi-finished goods, was € 2.2 million and represents 0.5% of the Group total (1.1% as a proportion of total sales).

Income statement: other sales	2010		2009		2010/2009
	€ million	% of sales	€ million	% of sales	% change
Net sales	13.1	100.0%	13.7	100.0%	-3.9%
Gross profit, after distribution costs	2.2	17.1%	2.0	14.5%	13.3%
Contribution margin	**2.2**	**17.1%**	**2.0**	**14.6%**	**12.5%**

The profitability of this segment was affected by many events in 2010, but despite a decline of 3.9% in sales, its contribution margin rose by 12.5%. However, it is worth noting that the figures are very small in absolute terms, which means that percentage changes, even large ones, are not significant.

Analysis of growth	% change			
	total	organic growth	external growth	exchange rate effect
Net sales	-3.9%	-4.8%	-1.9%	2.8%
Gross profit, after distribution costs	13.3%	17.4%	-13.6%	9.5%
Contribution margin	**12.5%**	**18.1%**	**-15.0%**	**9.4%**

The organic component, which shows falling sales but strong growth in the contribution margin, is largely made up of sales of malt distillates to third parties by the Glen Grant Distillery Company Ltd., which benefited from lower production costs.
The external component, despite new co-packing agreements in Argentina and Greece, suffers from the negative technical effect of the discontinuance, in the last quarter of the year, of co-packing for Frangelico, a brand acquired by the Group on 1 October 2010, and which is now included under spirits.
Lastly, the exchange rate effect is due to the revaluation of sterling, relating to sales in Scotland.

Cash flow statement

The table below shows a simplified and reclassified cash flow statement (see the section containing the financial statements for the full cash flow statement).
The main reclassification is the exclusion of cash flows relating to changes in short-term and long-term debt, and in investments in marketable securities: in this way, the total cash flow generated (or used) in the period corresponds to the change in net debt.

	2010 € million	2009 € million
Operating profit	269.5	235.6
Depreciation and amortisation	25.8	25.4
Other non-cash items	9.4	(1.2)
Changes in non-financial assets and liabilities	5.5	8.2
Taxes paid	(50.0)	(43.0)
Cash flow from operating activities before changes in working capital	260.2	224.9
Changes in net operating working capital	(29.6)	46.5
Cash flow from operating activities	230.6	271.4
Net interest paid	(38.9)	(32.3)
Cash flow used for investment	(59.7)	(54.8)
Free cash flow	132.0	184.3
Acquisitions	(149.6)	(441.1)
Other changes	2.2	(7.0)
Dividend paid by the Parent Company	(34.6)	(31.7)
Total cash flow used in other activities	(182.0)	(479.8)
Exchange rate differences and other changes	(9.7)	(18.7)
Change in net debt due to operating activities	(59.7)	(314.2)
Payables for exercise of put option and potential earn-out payment	13.5	9.6
Total net cash flow for the period = change in net debt	**(46.2)**	**(304.6)**
Net debt at the start of the period	(630.8)	(326.2)
Net debt at the end of the period	(677.0)	(630.8)

Net cash flow in 2010 was negative of € 46.2 million, following investments in acquisitions totalling € 149.6 million, whereas in 2009 negative net cash flow amounted to € 304.6 million, following acquisitions during the course of the year of € 441.1 million. In terms of the differences between the two periods being compared, in addition to the cash used by the acquisitions indicated above, 2010 also felt the benefits of an increase in operating profit, which grew from € 235.6 million to € 269.5 million, although the year under review also saw a rise in operating working capital of € 29.6 million, compared to a drop in that item of € 46.5 million in 2009.

In 2010, **cash flow from operating activities before changes in working capital** came in at € 260.2 million, up € 35.3 million compared with 2009. Specifically, 2010 saw an increase in EBITDA (operating profit plus depreciation and amortisation) of € 34.3 million, as well as a positive change of € 10.6 million in other non-cash items (with non-cash charges of € 9.4 million in 2010 and non-cash income of € 1.2 million in 2009). In a negative development, however, the Group paid € 7.0 million more in taxes compared with the previous year.
At December 2010, **net operating working capital** had risen € 29.6 million at constant exchange rates since 2009; in addition, the exchange rate effect led to a further increase in operating working capital of € 18.7 million in 2010, reported in the above cash flow statement under exchange rate differences and other changes.
The higher operating working capital in 2010 is in large part due to Campari Australia Pty Ltd., a new company that was not yet operational at the end of 2009, which has operating working capital of € 21.4 million at 31 December 2010.
In contrast, at the end of 2009 there was a consistent reduction in operating working capital, equating to € 46.5 million, due in part to the launch during that year of a programme to sell receivables on a non-recourse basis (which, by the end of 2009, enabled assets worth € 47.4 million to be divested). This programme to sell receivables was continued in 2010, and by the end of the year was worth € 52.7 million (i.e. € 5.3 million more than in 2009).

The changes in net operating working capital occurring during the two years being compared therefore resulted in a net negative impact of € 76.1 million on cash flow from operating activities in 2010 compared with 2009.

In 2010, **cash flow from operating activities** was € 230.6 million, € 40.8 million lower than the figure for the previous year (€ 271.4 million). The rise in operating working capital attributable to the effects of the launch of the programme to sell receivables on a non-recourse basis, which is therefore a one-off, more than offset the increase in EBITDA mentioned earlier.
Net of financial interest and industrial investments, which resulted in greater cash absorption than in the previous year, the **free cash flow** generated in 2010 came in at € 132.0 million, below the figure of € 184.3 million reported for 2009.
At € 38.9 million, net financial interest was higher than in 2009, when the same figure was € 32.3 million. This was caused by the rise in the average debt level in 2010 associated with the acquisition of Wild Turkey in June 2009 and the acquisition of C&C in October 2010.
Net investment amounted to € 59.7 million in 2010 (€ 54.8 million in 2009) and included expenses incurred through the completion of a number of one-off projects. More information on this is provided in the section entitled "Investments" below.
Unlike the gross investment figure of € 65.7 million reported in the balance sheet, the net investment figure recorded here also includes the proceeds from asset sales (€ 4.6 million), capital grants received (€ 1.6 million), a positive change in trade payables for investments (€ 0.8 million) and a negative change in capitalised interest paid (€ 1.0 million).

Cash flow used in other activities was € 182.0 million, which comprises acquisitions during the period (€ 149.6 million), the dividend paid by the Parent Company (€ 34.6 million) and other positive changes of € 2.2 million.
The figure for acquisitions relates primarily to the acquisition of T.J. Carolan & Son Ltd, the owner of the C&C brands, which led to an outlay of € 128.5 million; in addition, there were also investments of € 11.0 million in the early repurchase of the distribution rights for Cinzano in Argentina, € 8.5 million for the purchase of the remaining 20% of Cabo Wabo, LLC (which is now under the Group's full control) and finally € 1.6 million for earn-out payments associated with earlier acquisitions.
In 2009, the cash flow used in acquisitions was much higher at € 441.1 million, as this included the Wild Turkey operations (which alone cost € 418.4 million).
The dividend paid by the Group in 2010 was higher than in the previous year, reflecting the 9% increase in the dividend per share.
The other changes in cash flow, which were positive at € 2.2 million, represent the difference between own shares sold and purchased; in contrast, in the previous year there was a net outflow of cash of € 7.0 million.

Exchange rate differences and **other changes** had a net negative impact of € 9.7 million, a figure that includes negative exchange rate differences on net operating working capital totalling € 18.7 million.
To summarise, this analysis of cash flows shows a net use of cash in 2010 of € 59.7 million, which corresponds to the change in net debt due to activities during the year.

The item payables for exercise of put option and potential earn-out payment is shown in this reclassified financial cash flow format, the purpose of which is to reconcile total cash flow generated (or used) with the change in net debt.
The positive figure of € 13.5 million reported in 2010 relates to the net decrease in these payables following payments made during the year and fair value adjustments to the value of the put options and earn-outs that still existed at year-end. For further details on these payables, see the section 'Breakdown of net debt' below.

Cash flow used in 2010 thus totalled € 46.2 million, which corresponds to the change in consolidated net debt between the beginning and end of the year.

Investments

In 2010 investments reported in the accounts totalled € 65.7 million, of which:

- € 59.4 million was spent on tangible assets;
- € 0.7 million was spent on biological assets;
- € 5.6 million was spent on intangible assets with a finite life.
  With regard to this class of assets, it should be noted that, for the purposes of the cash flow statement, the repurchase of the distribution rights for Cinzano in Argentina (equating to € 11.0 million) has been included in the item acquisitions and does not form part of the investments made during the year. The change in intangible

assets with a finite life, as indicated in the balance sheet and explained in the notes to the accounts, is therefore higher than the figure reported in the cash flow statement, and comes in at € 16.6 million.

The total figure for Group investments in 2010 is high, as a result of the following important one-off projects that were completed during the year:

- The completion in 2010 of the new plant of Campari do Brasil Ltda. for € 20.5 million. The total investment over the three-year period 2008-2010, which was previously estimated at around € 32.3 million, came in at € 35.9 million due to the sharp rise in the value of the Brazilian real.
- The continuation of work to complete the new Rare Breed distillery in Kentucky, for € 12.8 million; this project, which is linked to the acquisition of Wild Turkey, was started by the Pernod Ricard Group and, at the time the deal was closed in May 2009, the stage of completion reached equated to around US$ 20 million out of a total planned investment of around US$ 50 million. The project was completed on schedule and with an investment that was lower than planned in local currency terms.
- The completion of the maturing inventory warehouse of Glen Grant Distillery Ltd for € 1.6 million; this investment, initiated in 2008 and increased beyond what was originally planned, will make it possible to reduce the costs associated with ageing whisky, which was previously fully outsourced.
- The initiation during 2010 of investment to expand the Capilla plant in Argentina for € 2.6 million. The project, which will amount to a total of around € 6 million, will enable the Group to start producing Cinzano vermouth locally in the second half of 2011.

The remaining portion of investment in tangible assets during the year relates to recurring activities in Group plants. In 2010, these recurring investments also included € 6.0 million for barrels that will undergo the ageing process.

Investments in biological assets totalling € 0.7 million were made by Sella&Mosca S.p.A. on vineyards in Tuscany.

Finally investment in intangible assets with a finite life in 2010, totalling € 5.6 million, also include a significant extraordinary component of € 2.0 million relating to new projects to streamline and upgrade the SAP system currently in use.

Breakdown of net debt

The Group's consolidated net debt stood at € 677.0 million at 31 December 2010, an increase on the figure of € 630.8 million posted at 31 December 2009.

The events during the year and the cash flows that impacted the level of net debt have been addressed in detail in the 'Cash flow statement' section above. The table below shows the changes in the structure of debt between the start and the end of the year, compared to that for the previous year.

	31 December 2010 € million	31 December 2009 € million	change
Cash and cash equivalents	259.7	129.6	130.1
Payables to banks	(38.4)	(17.3)	(21.1)
Real estate lease payables	(3.4)	(3.3)	(0.1)
Short-term portion of private placement	(6.2)	(5.8)	(0.4)
Other financial receivables and payables	(10.7)	(6.9)	(3.8)
Short-term net cash position	201.0	96.4	104.6
Payables to banks	(0.4)	(0.9)	0.5
Real estate lease payables	(4.4)	(6.3)	1.9
Private placement and bond	(869.0)	(861.8)	(7.2)
Other financial receivables and payables	(0.7)	158.7	(159.4)
Medium-/long-term net debt	(874.5)	(710.3)	(164.2)
Debt relating to operating activities	(673.6)	(613.9)	(59.7)
Payables for the exercise of put options and potential earn-out payments	(3.4)	(16.9)	13.5
Net debt	(677.0)	(630.8)	(46.2)

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

The short-term net cash position, which came in at € 201.0 million at the end of 2010, rose by € 104.6 million on last year's net cash balance of € 96.4 million.

In contrast, the medium-/long-term component of net debt increased by a total of € 164.2 million (from € 710.3 million last year to € 874.5 million on 31 December 2010).

This change is largely the result of the divestment of term deposits of € 155.1 million, which, having a maturity of more than twelve months, were reported as non-current financial receivables at 31 December 2009 and thus reduced the figure for medium-/long-term debt. In 2010, part of this cash was used to finance the acquisition of the C&C brands (€ 128.5 million) and at 31 December 2010 both the unused portion (of the divested term deposits) and the cash generated during the year were reported in the accounts as cash and cash equivalents.

For more information on the structure of the bonds, which amounted to € 875.2 million at 31 December 2010 (€ 867.6 million at the end of 2009), please refer to note 38 in the notes to the consolidated financial statements.
Group net debt at 31 December 2010 also includes the recognition of payables for earn-outs associated with the acquisition of Sabia S.A and Destiladora San Nicolas, S.A. de C.V. in 2008 and Cabo Wabo, LLC in 2010, totalling € 3.4 million.
As regards Cabo Wabo, in 2010 the early exercise of put/call options in respect of minority shareholders – relating to the 20% of share capital they still held – was agreed and completed. At the same time, an agreement was concluded to establish an earn-out payment on sales of the Cabo Wabo brand for a three-year period.
Following this transaction, worth € 8.5 million, the Group eliminated the payable in the financial statements for put options, which were reported at 31 December 2009 at the higher figure of € 13.9 million, while at the same time recognising the new liability for the Cabo Wabo earn-out (€ 2.8 million).
This therefore led to a drop of € 13.5 million in the 2010 financial statements in the item payables for the exercise of put options and potential earn-out payments, which totalled € 16.9 million at 31 December 2009. Besides the Cabo Wabo transaction, this decrease is primarily attributable to the elimination of the payable for the X-Rated Fusion Liqueur earn-out (€ 2.5 million), the final payment of which was made during the year under review.

Balance sheet

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

	31 December 2010 € million	31 December 2009 € million	change € million
Fixed assets	1,783.5	1,519.8	263.7
Other non-current assets and liabilities	(131.9)	(77.4)	(54.5)
Operating working capital	376.8	328.5	48.3
Other current assets and liabilities	(98.5)	(94.1)	(4.4)
Total invested capital	1,929.9	1,676.8	253.1
Shareholders’ equity	1,252.9	1,046.0	206.9
Net debt	677.0	630.8	46.2
Total financing sources	1,929.9	1,676.8	253.1

At 31 December 2010, the balance sheet shows invested capital of € 1,929.9 million, up € 253.1 million compared to the same date a year earlier.
Fixed assets saw an increase of € 263.7 million, reflecting the acquisitions completed during the year (i.e. the C&C brands, the 20% stake in Cabo Wabo and the distribution rights for Campari in Argentina), the major industrial investments made and a sharp change in exchange rates (€ 78.2 million).
At the end of 2010, **other non-current assets and liabilities** showed a net liability balance of € 131.9 million, higher than the figure of € 54.5 million reported for the previous year; the change in this aggregate item, which resulted in a reduction in invested capital, was largely caused by the increase in deferred tax liabilities.
The change in **operating working capital** reported in the balance sheet shows an increase of € 48.3 million, dropping to € 29.6 million in the cash flow statement once the rise of € 18.7 million attributable to the revaluation of exchange rates is stripped out. The increase in working capital in 2010 is partly the result of organic growth linked to the development of the Group’s business, but mainly relates to the consolidation of Campari Australia Pty Ltd.
Other current assets and liabilities came in at a net liability of € 98.5 million, an increase of € 4.4 million over last year’s figure; this very small overall change is the result of a rise in other current liabilities (payables for excise duties and VAT).
Due to the large increase in invested capital, the changes in the Group’s **financial structure** reflected a rise in net debt of € 46.2 million (as discussed in the previous section) and above all a significant strengthening of the Group’s capital structure.
Total shareholders' equity, which was € 1,046.0 million at 31 December 2009, rose by € 206.9 million, largely as a result of self-financing.
As with invested capital, total shareholders’ equity and net debt at 31 December 2010 include a significant revaluation of exchange rates.
As a result of the strengthening of the Group’s capital structure, the debt-to-equity ratio fell from 60.3% at 31 December 2009 to 54.0%.

Operating working capital

Operating working capital at 31 December 2010 was € 376.9 million, an increase of € 48.4 million versus 31 December 2009.

	31 December 2010	31 December 2009	change	exchange rate differences	organic change
	€ million	€ million	€ million	€ million	€ million
Receivables from customers	269.4	236.2	33.2	10.2	23.0
Inventories	294.9	271.4	23.5	13.4	10.1
Trade payables	(187.4)	(179.1)	(8.3)	(4.9)	(3.4)
Operating working capital	**376.8**	**328.5**	**48.3**	**18.7**	**29.6**
Sales in the previous 12 months	1,163.0	1,008.4	154.6		
Working capital as % of sales in the previous 12 months	32.4	32.6			

The breakdown of the change in operating working capital reveals greater increases in receivables from customers and inventories compared to trade payables, thus leading to a rise in that item. This can be attributed to the impact of the first-time consolidation of Campari Australia Pty Ltd., the recently established sales company, which in 2010 began distributing the Group’s products on the Australian market, where this was previously handled by external distributors. In particular, this change in the distribution structure had a negative impact on the Group’s operating working capital, because:

- the inventories figure for the new subsidiary was not included at all in 2009;
- the figure for trade receivables is higher than the year before, since even though the volumes sold haven't changed, the prices charged on the market to end customers are higher than the prices charged to importers;
- at Group level, the figure for trade payables to third parties is largely unchanged from the previous year, since Campari Australia Pty Ltd only purchases and distributes Group products.

Operating working capital at end-2010 represented 32.4% of net sales for the year, a slight decrease on the figure of 32.6% at the end of 2009.

This comparison to a certain extent under-represents the percentage figure for 2010, as it describes working capital at 31 December as a percentage of a net sales figure that underestimates the size of the business for a number of incidental reasons, including the acquisition of the C&C brands during the year and the change in distributor on the Australian market, which penalised sales in the first nine months of the year.

Investor information

International economy

The first half of 2010 saw the continuation of the economic recovery that began during the preceding summer.
This recovery in the global economy persisted in the second half of the year, although there were discrepancies between different countries and areas. According to the most recent economic data, economic activity remained at moderate levels in the eurozone in the final months of the year, with only Germany experiencing stronger growth, while economic activity slowed in the UK but strengthened in the US. Japan, on the other hand, saw its economy contract following the end of the boost provided by the stock cycle and other temporary factors. Emerging economies, particularly China and India, continued to grow at the same high rates seen in previous months.
In 2010, eurozone GDP grew by 2.0% compared to 2009[1]. GDP growth continued in the second half of the year, with Germany as the driving force. However, the outlook in this area remains uncertain, with private consumption affected by the weakness of the job market and the need in some countries to restore public finances.
In Italy, GDP grew by 1.3% in 2010, but - as in the rest of the eurozone - there was a slowdown in the second half of the year, particularly in the fourth quarter. Exports remain the main driver of economic activity in Italy, while the contribution made by domestic demand, which was already weak, decreased as a result of the deceleration in investments that followed the expiry of tax breaks. Household consumption continued to be marked by caution, feeling the effects of the fragility of disposable income and the uncertain prospects for conditions on the job market.
According to the forecasts of the Bank of Italy, GDP in Italy will replicate the low growth rate of the previous year in 2011 and 2012, remaining in the region of 1%. Held back by weak domestic demand, GDP growth will continue to be lower than that of the eurozone, which consensus forecasts put at around 1.5%.
In the US, GDP grew by 2.7%. The economy was boosted mainly by private consumption and a build-up of stock levels. Based on the latest economic data, GDP accelerated further in the fourth quarter on the back of a recovery in industrial production and private consumption. Even in the US, however, there are still elements of uncertainty surrounding the scale of the recovery, largely due to the weakness of the job market and the persistent fragility of the housing market.

Financial markets

In the first half of 2010, the performance of the financial markets was severely affected by the market volatility that first emerged around the middle of April. During this period there was a rapid deterioration in the situation on the financial markets, despite the gradual improvement in economic conditions, particularly when the Greek debt crisis spread to other peripheral bond markets in the eurozone. In the second half of the year, yields on long-term government bonds issued by the major advanced economies gradually started to rise, although they remained at historically low levels. These increases were caused primarily by more favourable prospects for economic growth.
During the fourth quarter of 2010, the risks associated with the major European and US international banks started to rise once more. The premiums on credit default swaps (CDSs), which had retreated from the highs seen in the spring in connection with the Greek crisis, started to head higher again towards the end of the year. The rises mainly related to European banks, following the intensification of fears surrounding the sustainability of Ireland’s sovereign debt.
In terms of major currencies, partly as a result of the concerns regarding the sovereign debt of a number of eurozone countries, from November onwards there was a change in the trend that had seen the US dollar weakening since the summer months. At 31 December 2010, the dollar had appreciated 7.8% against the euro compared to its value at the end of 2009.
Risk premiums on corporate bonds gradually started to come down, and from the autumn stock markets in the main industrialised nations began to rise.
In Italy, share prices were subject to high volatility throughout 2010. In the first quarter of 2010, despite the gradual improvement in economic conditions, there were serious tensions on the stock markets, triggered by concerns about the sustainability of Greek public debt. Following a slight improvement in October, boosted by expectations of another round of quantitative easing in US monetary policy, stock markets lost ground again in November, in conjunction with the sharpening of fears surrounding government bonds issued by certain eurozone member states. Markets recovered somewhat from the start of December.
Overall, as regards the Italian stock market, the FTSE MIB was down 13.2% in 2010, while the FTSE Italia All Shares was down 11.5%. This performance was penalised in particular by the Italian stock market’s overexposure to bank shares. The MSCI Pan-Europe index closed the year up 6.3%, while in the US the S&P500 recorded a rise of 12.8%.

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[1] Source: Eurostat, 4 March 2011

Spirits sector

Since the start of 2010, spirits companies have shown signs of recovery in terms of business performance, due in part to a favourable basis of comparison with the year before. In the second half of the year, many companies in the sector decided to return to investing in advertising to support their brands, driven by better expectations regarding trends in consumption.

In particular, 2010 saw a return to growth in the industry thanks to a number of different factors, including:

- the end of destocking in the distribution channels, which provided a favourable basis of comparison with the previous period, when this phenomenon was reaching its peak;
- stabilisation and the first signs of recovery in the crucial US market, where the concerns surrounding the slowdown in consumption, particularly in relation to the on-trade channel, have largely abated;
- the favourable impact of the US dollar/euro exchange rate on companies' results due to the heavy exposure of the spirits industry to the US market, in terms of both revenues and profits.

Stock markets are continuing to take a positive view of the performance of companies in the sector over the next few months. These expectations are based on ongoing improvements in sector fundamentals, as it is assumed that the companies can reap the benefits of increased investment in marketing to support their brands. Specifically, it is expected that there will be a continuous improvement in consumption trends in the US market, especially in the on-trade segment, the distribution channel that has the highest premium profile and also the channel worst affected by the crisis. It is also anticipated that emerging markets will continue to make a significant contribution to growth in the sector, thanks to a strong increase in the consumption of premium spirits.

In 2010, the benchmark index DJ Stoxx 600 Food & Beverage rose by 19.5%.

Davide Campari Milano S.p.A. share

In the economic and market conditions described above, the Davide Campari-Milano S.p.A. share, which is listed on the FTSE MIB index of the Italian stock market, was up by 33.5% in absolute terms in 2010 compared with the closing price at 31 December 2009. As regards overall return, i.e., including dividends, the Campari share posted a performance of 35.2% for cash dividends and 35.5% for dividends reinvested in Campari shares.

With respect to the leading Italian equity market indices, Campari shares outperformed the FTSE MIB and the FTSE Italia All-Share index by 46.7% and 45.0% respectively.

The share also outperformed the DJ Stoxx 600 Food & Beverage index by 14.1%.

The minimum closing price over the period of € 3.51 was recorded on 9 February 2010. The maximum closing price over the period, recorded on 22 December 2010, was € 4.99, which is also the share's highest ever closing price since it was listed on the stock exchange in 2001.

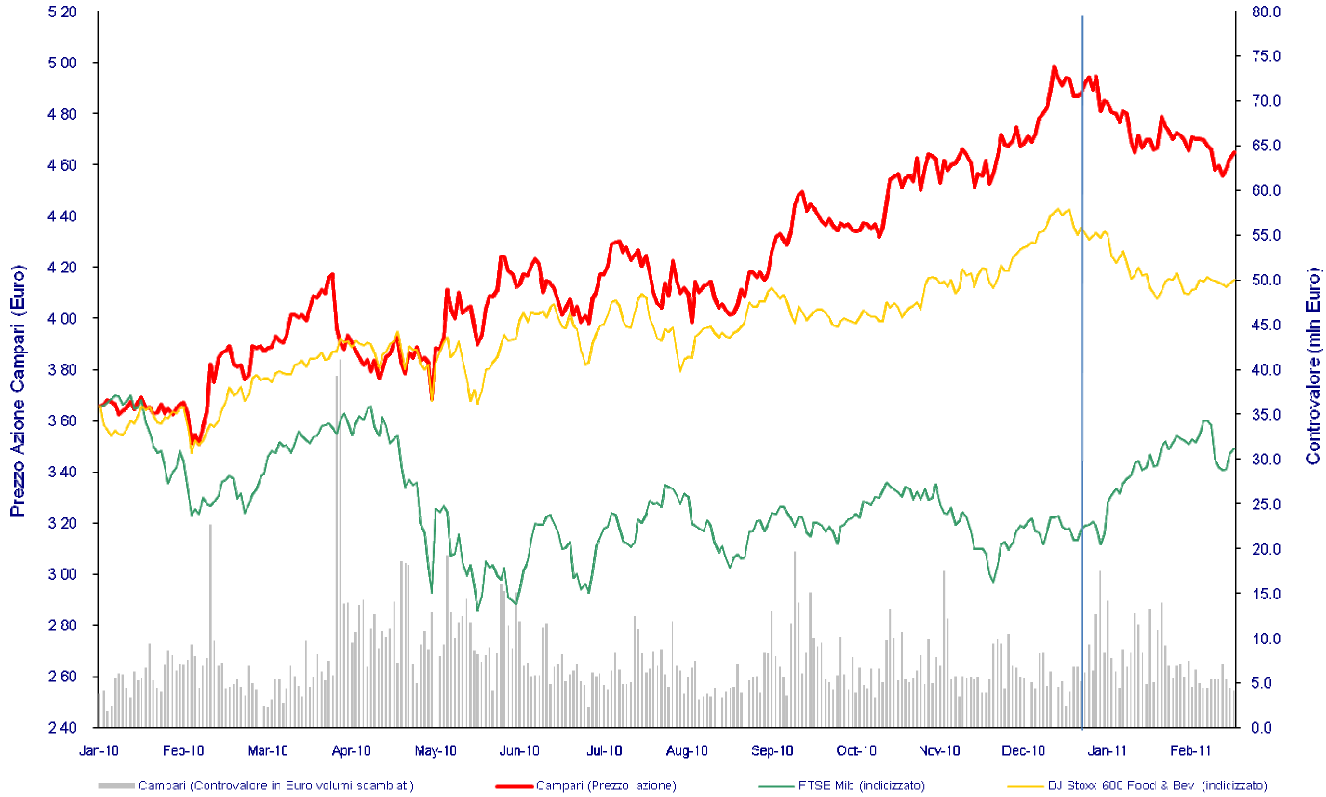
An average of 1.9 million shares were traded daily in 2010, with an average daily value of € 7.6 million.

At 31 December 2010, Campari's market capitalisation was € 2,828 million.

The performance of the Campari share in 2010 was boosted by the announcement of excellent financial results in the first three quarters of the year, with all indicators rising strongly. In the first nine months, the share's overall performance was supported by the positive trend in consumption for the Group's main product and market combinations, and in particular the key business of aperitifs in Europe. Finally, the share also benefited from the announcement of the acquisition of the Carolans, Frangelico and Irish Mist brands, which took place in September 2010.

On 30 April 2010, the shareholders' meeting approved a bonus share issue implemented via the issue of 290,400,000 new shares with a nominal value of € 0.10 each and carrying dividend rights effective 1 January 2009. The new shares were issued free of charge to shareholders in the ratio of one new share for each share held, through the use of retained earnings. The bonus share issue came into effect on 10 May 2010. Following the bonus issue, the fully paid-up share capital totalled € 58,080,000, comprising 580,800,000 ordinary shares with a nominal value of € 0.10 each. From 10 May 2010, Davide Campari S.p.A. shares will trade 'ex coupon' and, as a result, the current share price, *ceteris paribus*, was halved.

The performance of the Campari share price and the main benchmark indices since 1 January 2010



Shareholder base

The table below shows the major shareholders at 31 December 2010.

Shareholder [(1)]	No. of ordinary shares	% of share capital
Alicros S.p.A.	296,208,000	51.00%
Cedar Rock Capital [(2)]	60,533,750	10.42%

(1) Shareholders who have notified Consob and Davide Campari-Milano S.p.A. that they have shareholdings greater than 2% (pursuant to article 117 of Consob regulation 11971/99 on notification of significant holdings).

(2) Andrew Brown, Chief Investment Officer of Cedar Rock Capital Ltd., informed Consob in accordance with article 120 of Legislative Decree 58/1998 (TUF).

Following notification received after the reporting date, the total number of Davide Campari-Milano S.p.A. shares held by Cedar Rock Capital at the date of approval of these draft financial statements for the year ending 31 December 2010 was 60,436,212, or 10.41% of share capital.
Following further notification received after the reporting date, the total number of Davide Campari-Milano S.p.A. shares held by the asset management firm Independent Franchise Partners, LLP at the date of approval of these draft financial statements for the year ending 31 December 2010 was 11,868,704, or 2.04% of share capital.

Dividend

The Board of Directors that approves these draft financial statements is also required to vote on a proposal to pay a dividend of € 0.06 for the financial year 2010 for each share (unchanged from the dividend paid out for 2009).
The dividend will be paid on 26 May 2011 (coupon no. 8 should be detached on 23 May 2011) except on own shares.

Information on the Davide Campari-Milano S.p.A. stock and valuation indicators

The table below shows how the performance of the Davide Campari-Milano S.p.A. stock has evolved since it was listed.

Stock information [1]		**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**
Reference share price											
Price at end of period	€	4.87	3.65	2.40	3.28	3.76	3.12	2.37	1.93	1.50	1.32
Maximum price	€	4.99	3.71	3.30	4.21	4.05	3.39	2.39	1.93	1.89	1.55
Minimum price	€	3.51	1.94	1.93	3.25	3.14	2.24	1.79	1.37	1.27	1.09
Average price	€	4.15	2.82	2.78	3.77	3.66	2.86	2.02	1.65	1.58	1.36
Capitalisation and volumes											
Average daily trading volume [2]	million	1.9	1.6	1.3	1.5	1.2	1.0	0.9	0.8	1.1	1.4
Average daily trading value [2]	€ million	7.6	4.5	3.7	5.8	4.4	2.8	1.7	1.3	1.7	2.1
Stock market capitalisation	€ million	2,828	2,118	1,394	1,904	2,183	1,812	1,374	1,118	871	767
Dividend											
Dividend per share [3]	€	0.060	0.060	0.055	0.055	0.050	0.050	0.050	0.044	0.044	0.044
Shares with dividend rights	million	578.8	576.6	576.4	578.7	580.8	562.7	562.1	560.8	560.8	560.8
Total dividend [3] [4]	€ million	34.7	34.6	31.7	31.8	29.0	28.1	28.1	24.7	24.7	24.7

[1] Changes in share capital:
- bonus share issue via the issue of 290,400,000 new shares with a nominal value of € 0.10 each to be provided free of charge to shareholders in the ratio of one new share for each share held, which came into effect on 10 May 2010
- ten-for-one share split effective as at 9 May 2005

[2] Initial Public Offering on 6 July 2001 at the price of € 1.55 per share. Average daily volumes after the first week of trading were 845,200 shares in 2001; the average daily value after the first week of trading was € 1,145,000 in 2001.
[3] Classified on an accruals basis. Proposed dividend for 2010.
[4] Total dividend distributed excluding own shares. Total proposed dividend for 2010.

The table below shoes the evolution of the main valuation indicators used by the Campari Group since the stock market listing.

Indicator [1]		IAS/IFRS						Italian accounting standards			
		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Shareholders' equity per share	€	2.16	1.80	1.64	1.51	1.37	1.19	1.08	0.95	0.83	0.74
Price/book value	x	2.26	2.02	1.46	2.17	2.74	2.61	2.20	2.04	1.82	1.78
Earnings per share (EPS) [2]	€	0.27	0.24	0.22	0.22	0.21	0.21	0.17	0.14	0.15	0.11
P/E (price/earnings)	x	18.0	15.3	11.0	15.19	18.26	14.86	13.70	14.0	10.1	12.1
Payout ratio (dividend/net profit) [3]	%	22.2[5]	25.2	25.1	25.4	24.8	23.8	29.0	30.9	28.5	38.9
Dividend yield (dividend/price)[3] [4]	%	1.2	1.6	2.3	1.7	1.3	1.6	2.1	2.3	2.9	3.3

[1] Changes in share capital:
- bonus share issue via the issue of 290,400,000 new shares with a nominal value of € 0.10 to be provided free of charge to shareholders in the ratio of one new share for each share held, which came into effect on 10 May 2010
- ten-for-one share split effective as at 9 May 2005

[2] For the 2004–2010 financial years, this is calculated using the weighted average number of ordinary shares outstanding as defined in IAS 33.
[3] Proposed dividend for the 2010 financial year.
[4] Dividend yield calculated using the share price at the end of the period.
[5] Estimated payout ratio for financial year 2010 (calculated on the basis of the dividend proposed and number of shares outstanding on 21 March 2011, the date of the meeting of the Board of Directors).

Investor relations

During 2010, the company continued its communication measures aimed at investors, analysts and financial markets around the world with a view to providing complete, accurate and timely information on its operations, while complying with the relevant confidentiality requirements for certain types of information. Numerous meetings with institutional investors were organised at the main stock exchanges in Europe, the US and Canada. The website (http://www.camparigroup.com, 'Investors' section), which is one of the primary means of providing information to the public, has been further upgraded and expanded with new content and applications, including an interactive version of the financial statements, and a number of share price tools, such as the interactive chart displaying the performance of the Campari stock price over time and comparing this with benchmarks, peers and various indicators, and the investment calculator, which allows investors to calculate the return on their investment in Campari shares, including dividends in the cash dividend and dividend reinvested versions. Information of interest to shareholders and investors is available on the website and may also be requested by sending an e-mail to the following address: investor.relations@campari.com.

Operating and financial results of the Parent Company Davide Campari-Milano S.p.A.

Operating performance

	2010 € million	2009 € million	change € million
Net sales	**493.4**	**309.0**	**184.4**
Cost of goods sold	(263.5)	(245.9)	(17.6)
Gross profit	**229.9**	**63.1**	**166.8**
Advertising and promotional costs	(63.5)	(1.9)	(61.6)
Contribution margin	**166.4**	**61.2**	**105.2**
Structure costs	(71.8)	(32.2)	(39.6)
EBIT	**94.6**	**29.0**	**65.6**
Net financial income (charges)	(26.4)	(30.2)	3.8
Dividends	47.5	36.2	11.3
Profit before taxes	**115.7**	**35.0**	**80.7**
Tax	(33.2)	(2.5)	(30.7)
Net profit for the period	**82.5**	**32.5**	**50.0**

The Company closed the year ending 31 December 2010 with net profit of € 82.5 million.
A comparison with the previous year does not necessarily provide meaningful information, as a result of the effects of the merger of Campari Italia S.p.A.
However, in the analysis of the Company's operating performance the real effects of improvements in the results for the period are described wherever possible.
For 2010, the net sales item includes not only sales to other Group companies, but also sales made directly in the Italian market, equating to € 368.6 million, a 3% increase compared to the previous year.
The mix of products sold, with spirits heavily represented, meant it was possible to achieve a higher contribution margin than the year before (on a same-structure basis), thanks to a drop in product costs and distribution expenses, despite the increase in advertising and promotional costs.
The higher structure costs were heavily influenced by the inclusion of the costs of the merged company, specifically sales costs of € 19.3 million, general costs of € 2.6 million and other operating income and costs amounting to a net expense of € 2.8 million, comprising mainly a write-down on trade receivables of € 2.1 million and an increase in tax provisions for the portion relating to the penalties deriving from the tax inspection notice received by the Company during the year (described in greater detail in the note on the provision for risks included in the notes to the Parent Company financial statements).
There was an improvement in financial income and charges compared with the previous year, partly thanks to the higher dividends received from subsidiaries amounting to € 47.5 million in 2010, and partly due to lower net financial charges during the year of € 26.4 million. For more detailed information on the financial situation, please refer to the notes to the annual financial statements of Davide Campari-Milano S.p.A on financial income and charges, cash and cash equivalents and the reconciliation with net debt.
Finally, the taxes for the period were seriously affected by the tax burden associated with the results of the merged company.

Balance sheet

	31 December 2010 € million	31 December 2009 € million	change € million
Fixed assets	1,469.8	1,354.0	115.8
Other non-current assets and liabilities	(34.6)	(15.5)	(19.1)
Operating working capital	73.9	64.8	9.1
Other current assets and liabilities	(32.5)	(6.2)	(26.3)
Total invested capital	1,476.6	1,397.1	79.5
Shareholders' equity	635.6	532.3	103.3
Net debt	841.0	864.8	(23.8)
Total financing sources	1,476.6	1,397.1	79.5

The balance sheet at 31 December 2010 shows invested capital of € 1,476.6 million, up from the end of 2009 following the acquisition of 80% of T.J. Carolan & Son Ltd.
The overall increase in invested capital (and in total financing sources) was € 79.5 million, with the biggest rise coming from fixed assets.

Fixed assets increased by a total of € 115.8 million, the majority of which is attributable to the acquisition of the stake in T.J. Carolan & Son Ltd for € 100.8 million, plus investments in intangible assets consisting of the early termination of the licence agreement for the production and distribution rights for Cinzano in Argentina for € 11.0 million, the purchase of brands from other Group companies worth € 6.0 million, the purchase of software for € 3.4 million and the purchase of tangible assets for € 7.6 million. Depreciation and amortisation for the year amounted to € 14.0 million.

At the end of 2010, **other non-current assets and liabilities** showed a net liability balance of € 34.6 million, compared to a liability of € 15.5 million at 31 December 2009. This change of € 19.1 million was caused largely by the sale of the financial receivable from Lehman Brothers International Europe for € 2.0 million, the creation of higher risk provisions of € 10.7 million and higher deferred tax liabilities of € 6.3 million.

The balance sheet shows that **operating working capital** rose by € 9.1 million as a result of the merger of Campari Italia S.p.A. Trade receivables reported a net increase of € 17.5 million, in light of the drop in intra-group receivables and the increase in receivables from third parties. The net increase in trade payables came in at € 21.3 million, due to the mirroring effect of the drop in intra-group purchases and the increase in exposure to third-party suppliers.

In 2010, **other current assets and liabilities** showed a net liability balance of € 32.5 million, € 26.3 million higher than last year’s figure, largely as a result of an increase in tax payables.

The Company’s **financial structure** has benefitted on the one hand from a reduction in net debt of € 23.8 million, marked by a significant contraction in current debt to related parties, and on the other from a major strengthening of the capital base, with shareholders’ equity increasing by €103.3 million to reach €635.6 million at 31 December 2010.

Report on corporate governance and ownership structure

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

From 1 January 2009, the Parent Company decided to adopt an Organisation, Management and Control Model pursuant to Legislative Decree 231 of 8 June 2001 on the administrative responsibility of legal entities, for the purposes of ensuring ethical and transparent conduct as an appropriate way to reduce the risk of the offences specified in the legislative decree being committed. The Parent Company also established a Supervisory Body charged with the task of monitoring compliance with the Model and proposing any changes that might be necessary following amendments to the relevant legislation.

In 2010, the Supervisory Body therefore proposed to the Board of Directors that the Model be amended to take into account the changes introduced by Law 94 of 15 July 2009 and Law 99 of 23 July 2009, and that a plan be drawn up to look specifically at the system of prevention and protection relating to crimes associated with the infringement of copyright and software licences.

For further information, please refer to the Report on Corporate Governance.

Transactions with related parties

The procedures for transactions with related parties approved by the Parent Company's Board of Directors on 11 November 2010, which came into force on 1 January 2011, can be viewed at the website www.camparigroup.com, in the 'Investors' section.

An overview of these procedures is provided in the report on corporate governance and ownership structure.

Risk management

Risks relating to international trade and operations in emerging markets

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

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

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

At 31 December 2010, 11.7% of the Group's consolidated net sales came from production and/or distribution under licence of third-party products.

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

Risks relating to market competition

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

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

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

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

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

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

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

Risks relating to legislation in the drinks industry

Activities relating to the alcoholic and soft drinks industry – production, distribution, import and export, sales and marketing – are governed by complex national and international legislation, often with somewhat restrictive aims.
The requirement to make the legislation governing the health of consumers, particularly young people, ever more stringent could in the future lead to the adoption of new laws and regulations aimed at discouraging or reducing the consumption of alcoholic drinks. Such measures could include restrictions on advertising or tax increases for certain product categories.
Any tightening of regulations in the main countries in which the Group operates could lead to a fall in demand for its products.

Tax risks

At the reporting date, a tax dispute was pending with the Brazilian legal authorities. No provisions have been made for these tax risks based on current assumptions.
Several further disputes were also pending in relation to Davide Campari-Milano S.p.A. and its merged subsidiary Campari Italia S.p.A. for the 2004 and 2005 tax years, for which sufficient risk provisions have been made.

For additional details, see note 40 - Provision for risks and future liabilities, in the consolidated accounts and note 33 - Provision for risks, in the Parent Company's accounts.

Risks relating to environmental policy

The Group's industrial activities do not carry any specific risks relating to environmental policy; however, its industrial management has implemented dedicated procedures relating to safety and qualitative controls in the area of environmental pollution and the disposal of solid waste and waste water.
These activities have been carried out in compliance with the regulations in force in the countries in which the Group operates.

Risks relating to product compliance and safety

The Group is exposed to risks relating to its responsibility to ensure that its products are safe for consumption.
It has therefore put in place procedures to ensure that products manufactured in Group plants are compliant and safe in terms of quality and hygiene, in accordance with the laws and regulations in force, and voluntary certification standards.
In addition, the Group has defined guidelines to be implemented if quality is accidentally compromised, such as withdrawing and recalling products from the market.

Risks relating to employees

In the various countries where the Group has subsidiaries, its dealings with employees are regulated and protected by collective labour agreements and the regulations in force locally.
Any reorganisation or restructuring undertaken, where this becomes essential for strategic reasons, is defined on the basis of plans agreed with employee representatives.
Moreover, the Group has implemented specific procedures to monitor safety in the workplace, and it is worth noting that the accident rate at Group plants is very low and that any accidents that do happen tend to be minor.

Exchange rate and other financial risks

Around 48.9% of the Group's consolidated net sales in 2010 came from outside the European Union.
With the growth in the Group's international operations in areas outside the eurozone, a significant fluctuation in exchange rates could impact the Group's activities and operating results, particularly in relation to the US dollar and Brazilian real.

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

Other information

Structure of the Campari Group

For information on changes to the Group's structure in 2010, see note 2 of the notes to the consolidated accounts, 'Basis of consolidation'.

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

At 31 December 2010, the Parent Company held 2,277,180 own shares with a nominal value of € 0.10, equal to 0.4% of share capital.
These own shares are to be used in stock option plans as described in detail in the sections below in these accounts.
In addition, after 31 December 2010 and until the publication of the accounts was authorised, further sales of shares were carried out totalling 247,859 own shares. No own shares were purchased during this period.
However, during the period Group companies did not hold, and do not currently hold, either directly or indirectly, any shares of the controlling shareholder.

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

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

Personal data protection code

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

Research and development activities

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

Events taking place after financial year-end

Expiry of the distribution agreement with Focus Brands Trading (India) Private Limited

The Campari Group has, since 2008, held a minority stake of 26% in Focus Brands Trading (India) Private Limited, a subsidiary of the Jubilant Group, responsible for the distribution of the Campari Group's products in India, and licence-holder for the local production of Old Smuggler Whisky.
Following breaches of contract by the joint venture, the Group terminated both the distribution agreement and the licence agreement in 2010. At the same time, Di.Ci.E Holding B.V., which holds the stake in the company, advised its intention to exit the joint venture. An agreement is therefore at an advanced stage of negotiations that will allow Jubilant to purchase the stakes held by Di.Ci.E Holding B.V. for a token amount, and to settle a portion of the joint venture's trade payables to the Group.
The impact on the Group's consolidated financial statements at 31 December 2010 is a net liability of € 0.4 million, and relates primarily to the write-down of the holding in the joint venture (booked to the accounts at € 0.4 million at 31 December 2009), as the receivables of Campari International S.A.M. had already been adjusted to their estimated realisable value.

Acquisition of a Russian distributor

On 1 March 2011, the Group acquired an 80% stake in Vasco CIS, a wines and spirits import and distribution company based in Moscow. The deal was worth € 6.4 million, of which € 0.4 million relates to the purchase of shares and the remaining portion represents the acquired company's trade payables due to suppliers.
The agreement also gives call and put options on the remaining 20%, on condition that the objectives stated in the contract are met. Based on the estimates currently available, the value of the options that may be exercised in 2012 is € 1.8 million.
Vasco CIS, a small company but with a consolidated presence in this market, forms a solid basis from which the Campari Group can develop a distribution platform in the important Russian market in the future. The transfer of the Campari Group's brands from their current distributors in this market to the new company will commence in 2011 and will be completed by 2012.

Merger of Zedda Piras S.p.A. into Sella&Mosca S.p.A.

To continue the process of streamlining and reducing the number of companies in the Campari Group begun in previous years, the Board of Directors of Azienda Vitivinicola Tenute Sella&Mosca S.p.A. and the Board of Directors of Zedda Piras S.p.A. have agreed and prepared a merger proposal, the primary aim of which is to make the Group's financial and balance sheet structure more efficient and functional, and to combine the manufacturing and commercial activities of the two companies.
The planned merger will take place via the incorporation of Zedda Piras S.p.A. into Azienda Vitivinicola Tenute Sella&Mosca S.p.A. and will be carried out, pursuant to article 2501-*quarter* of the Italian Civil Code, on the basis of the balance sheets of the two companies at 31 December 2010.

Outlook

The performance achieved in 2010 was unquestionably good, thanks to both the positive trend in consumption of the Group's main products and the fact that the recent acquisitions, which have been integrated very effectively, have produced the expected results.

Turning to 2011, we believe that the environment in which the Group is operating has not changed significantly from the conditions that were present during the second half of 2010. Bearing in mind that the year has only just begun, the Group is therefore eyeing its growth prospects for 2011 with cautious but well-founded optimism.

Specifically, the risks and opportunities set out below are believed for the moment to be finely balanced, and should enable the Group to achieve satisfactory results for the year. In terms of risks, the following should be highlighted:

- the continued existence of a highly competitive market for vodka in the USA;
- an increase in the cost of materials, which could partially impact the second half of the year;
- currency movements, particularly the recent weakening of the US dollar.

Opportunities include:

- the growth of Aperol, both on international markets and in Italy;
- strong growth in consumption of the Group's main products in western and eastern Europe;
- the chance to reap the benefits of the investments in trademarks and in strengthening the Group's sales organisations, particularly Campari Australia Pty Ltd., which will be fully operational in 2011;
- the success of recent product development initiatives.

Reconciliation of the Parent Company and Group net profit and shareholders' equity

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

-	31 December 2010		31 December 2009	
-	Shareholders' equity	Profit	Shareholders' equity	Profit
	€ million	€ million	€ million	€ million
Figures from the annual financial statements of Davide Campari-Milano S.p.A.	635.6	82.5	532.3	32.5
Elimination of book value of consolidated shareholdings:				
Difference between book value and pro rata value of shareholders' equity of shareholdings	635.9		575.7	
Pro rata results of subsidiaries		323.3		213.9
Portion of Group net profit attributable to minorities	(3.0)	(0.8)	(2.2)	(0.1)
Elimination of the effects of transactions between consolidated companies:				
Elimination of intra-group dividends		(249.2)		(111.0)
Elimination of intra-group profits and capital gains	(14.4)	(3.5)	(14.8)	5.6
Other operations:				
Harmonisation of accounting policies	(0.2)	3.4	(3.6)	(3.7)
Taxes on subsidiaries' reserves	(0.1)	0.6	(0.7)	(0.1)
Conversion difference	(4.0)	-	(43.3)	-
Figures from the consolidated financial statements (figures attributable to the Group)	**1,249.9**	**156.2**	**1,043.5**	**137.1**
Shareholders' equity and net profit attributable to minorities	3.0	0.5	2.5	0.4
Consolidated shareholders' equity and net profit	**1,252.9**	**156.7**	**1,046.0**	**137.5**

Campari Group

Consolidated financial statements for the year ending 31 December 2010

Financial statements

Consolidated income statement

	Notes	2010	of which: related parties	2009	of which: related parties
		€ million	€ million	€ million	€ million
Net sales	11	**1,163.0**	**3.3**	**1,008.4**	**6.8**
Cost of goods sold	12	(496.2)	-	(435.6)	-
Gross profit		**666.8**	**3.3**	**572.8**	**6.8**
Advertising and promotional costs		(203.2)	(1.2)	(171.6)	(2.1)
Contribution margin		**463.6**	**2.1**	**401.2**	**4.7**
Structure costs	13	(194.1)	0.2	(165.6)	0.1
of which: one-offs	14	(3.3)	-	(4.1)	-
EBIT		**269.5**	**2.3**	**235.6**	**4.8**
Financial income and charges	19	(35.7)	-	(36.5)	-
of which: one-offs		1.9	-	(7.7)	-
Share in profit (loss) of companies valued at equity		(0.6)	(0.6)	(0.8)	(0.8)
Put option income (charges)	20	(0.3)	-	-	-
Profit before tax		**232.9**	**1.7**	**198.3**	**4.0**
Taxes	21	(76.2)	-	(60.8)	-
Net profit		**156.7**	**1.7**	**137.5**	**4.0**
				-	
Profit attributable to:				-	
Parent Company shareholders		156.2	-	137.1	-
Minority interests		0.5	-	0.4	-
		156.7	**-**	**137.5**	**-**
Basic earnings per share (€)	22	0.27		0.24	
Diluted earnings per share (€)	22	0.27		0.24	

Consolidated statement of other comprehensive income

	2010	2009
	€ million	€ million
Net profit (A)	**156.7**	**137.5**
Cash flow hedge:		
Net profit (loss) for the period	5.7	(19.7)
Less: profits (losses) reclassified to the separate income statement	0.8	(0.2)
Net gains (losses) from cash flow hedging	4.9	(19.5)
Tax effect	(1.4)	5.7
Cash flow hedge	**3.5**	**(13.8)**
Conversion difference	72.6	0.9
Other comprehensive income (losses) (B)	76.2	(12.9)
Total comprehensive income (A+B)	**232.9**	**124.6**
Attributable to:		
Parent Company shareholders	232.4	124.2
Minority interests	0.5	0.4

Consolidated balance sheet

	Notes	31 December 2010	*of which: related parties*	31 December 2009	*of which: related parties*
		€ million	€ million	€ million	€ million
ASSETS					
Non-current assets					
Net tangible fixed assets	23	325.7	-	284.0	-
Biological assets	24	18.1	-	18.5	-
Investment property	25	0.6	-	0.7	-
Goodwill and trademarks	26	1,409.1	-	1,199.4	-
Intangible assets with a finite life	28	18.8	-	5.5	-
Investments in affiliates and joint ventures	9	-	-	0.7	-
Deferred tax assets	21	8.4	-	7.7	-
Other non-current assets	29	6.7	-	162.3	-
Total non-current assets		**1,787.4**	**-**	**1,678.6**	**-**
Current assets					
Inventories	30	294.9	-	271.4	-
Trade receivables	31	269.4	1.4	236.2	1.6
Short-term financial receivables	32	1.6	-	6.7	-
Cash and cash equivalents	34	259.7	-	129.6	-
Current tax receivables	33	5.8	0.2	4.9	-
Other receivables	31	21.1	-	19.5	0.3
Total current assets		**852.5**	**1.6**	**668.2**	**1.9**
Non-current assets held for sale		11.2	-	11.1	-
Total assets		**2,651.1**	**1.6**	**2,358.0**	**1.9**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	36	58.1	-	29.0	-
Reserves	36	1,191.8	-	1,014.4	-
Parent Company's portion of shareholders' equity		1,249.9	-	1,043.5	-
Minorities' portion of shareholders' equity	37	3.0	-	2.5	-
Total shareholders' equity		**1,252.9**	**-**	**1,046.0**	**-**
Non-current liabilities					
Bonds	38	846.3	-	806.4	-
Other non-current liabilities	38	34.3	-	77.7	-
Defined benefit plans	39	9.8	-	9.8	-
Provision for risks and future liabilities	40	19.6	-	10.7	-
Deferred tax liabilities	21	114.0	-	67.4	-
Total non-current liabilities		**1,024.0**	**-**	**972.1**	**-**
Current liabilities					
Payables to banks	38	38.4	-	17.3	-
Other financial payables	38	22.9	-	25.1	-
Trade payables	41	187.4	-	179.1	-
Current payables to tax authorities	43	28.7	17.1	33.7	22.4
Other current liabilities	41	96.8	3.8	84.8	7.6
Total current liabilities		**374.2**	**20.9**	**339.9**	**30.0**
Total liabilities and shareholders' equity		**2,651.1**	**20.9**	**2,358.0**	**36.4**

Consolidated cash flow statement

	Notes	2010 € million	2009 € million
EBIT		269.5	235.6
Adjustments to reconcile operating profit and cash flow:			
Depreciation and amortisation	15	25.8	25.4
Gains on sales of fixed assets		(0.2)	
Write-downs of tangible fixed assets		0.5	0.5
Fund provisions		5.8	5.3
Use of provisions		(3.6)	(6.0)
Other non-cash items		6.9	(1.0)
Changes in net operating working capital		(29.6)	46.5
Other changes in non-financial assets and liabilities		5.5	8.2
Taxes paid		(50.0)	(43.0)
Cash flow from (used in) operating activities		**230.6**	**271.4**
Purchase of tangible and intangible fixed assets	23-24-28	(65.7)	(62.9)
Capital grants received	42	1.6	1.8
Capitalised interest expenses	23	(1.0)	(0.1)
Proceeds from disposals of tangible fixed assets		4.6	3.5
Changes in receivables and payables from investments		0.8	3.0
Acquisition of trademarks and rights	26-28	(12.6)	(1.6)
Acquisition of companies or holdings in subsidiaries		(137.0)	(439.5)
Debt assumed with acquisitions			1.6
Interest income		5.4	6.2
Net change in securities		164.7	(155.2)
Dividends received			0.1
Other changes		0.1	(0.9)
Cash flow from (used in) investing activities		**(39.1)**	**(644.2)**
Redfire Inc. private placement issue	38		171.6
Parent Company Eurobond issue	38		345.2
Term and revolving loan facility			421.9
Other new medium- and long-term loans			0.4
Repayment of Redfire Inc. private placement	38	(6.2)	(8.6)
Repayment of term and revolving loan facility			(421.9)
Other repayment of medium- and long-term debt	38	(3.9)	(4.6)
Net change in short-term bank debt	38	21.3	(90.8)
Interest expenses		(44.3)	(38.5)
Change in other financial payables and receivables		0.1	(1.1)
Purchase and sale of own shares	44	1.7	(6.4)
Dividends paid to minority shareholders		(0.3)	
Dividend paid out by Parent Company	36	(34.6)	(31.7)
Cash flow from (used in) financing activities		**(66.2)**	**335.5**
Effect of exchange rate differences on net operating working capital		(18.7)	(10.9)
Other exchange rate differences and other changes in shareholders' equity		23.6	5.2
Exchange rate differences and other changes in shareholders' equity		**4.9**	**(5.7)**
Net change in cash and cash equivalents: increase (decrease)		**130.2**	**(42.9)**
Cash and cash equivalents at start of period	34	129.6	172.6
Cash and cash equivalents at end of period	34	259.7	129.6

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Statement of changes in shareholders’ equity

	Notes	Attributable to Parent Company shareholders					Minority	Total
		Share capital	Legal reserve	Retained earnings	Other reserves	Total	interests	shareholders’ equity
		€ million	€ million	€ million	€ million	€ million	€ million	€ million
Balance at 1 January 2010		**29.0**	**5.8**	**1,054.3**	**(45.6)**	**1,043.5**	**2.5**	**1,046.0**
Capital increase	36	29.0	-	(29.0)	-	**-**	-	-
Dividend payout to Parent Company shareholders	36	-	-	(34.6)	-	**(34.6)**	-	(34.6)
Purchase of own shares	44	-	-	(9.3)	-	**(9.3)**	-	(9.3)
Sale of own shares	44	-	-	11.0	-	**11.0**	-	11.0
Stock options	36	-	-	3.1	3.9	**7.0**	-	7.0
						-		
Profit for the period		-	-	156.2	-	**156.2**	0.5	156.7
Other comprehensive income (losses)		-	-	(0.2)	76.2	**76.1**	-	76.1
Total comprehensive income		-	-	156.0	76.2	**232.3**	0.5	232.8
						-		
Balance at 31 December 2010		**58.1**	**5.8**	**1,151.5**	**34.5**	**1,249.9**	**3.0**	**1,252.9**

	Attributable to Parent Company shareholders					Minority	Total
	Share capital	Legal reserve	Retained earnings	Other reserves	Total	interests	shareholders’ equity
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Balance at 1 January 2008	**29.0**	**5.8**	**953.8**	**(35.8)**	**953**	**2.1**	**955**
Dividend payout to Parent Company shareholders	-	-	(31.7)	-	**(31.7)**	-	(31.7)
Purchase of own shares	-	-	(13.3)	-	**(13.3)**	-	(13.3)
Sale of own shares	-	-	6.9	-	**6.9**	-	6.9
Stock options	-	-	1.5	3.1	**4.6**	-	4.6
					-		
Profit for the period	-	-	137.1	-	**137.1**	0.4	137.5
Other comprehensive income (losses)	-	-	-	(12.9)	**(12.9)**	-	(12.9)
Total comprehensive income	-	-	137.1	(12.9)	**124.2**	0.4	124.6
					-		
Balance at 31 December 2009	**29.0**	**5.8**	**1,054.3**	**(45.6)**	**1,043.5**	**2.5**	**1,046.0**

Notes to the consolidated financial statements

1. General information

Davide Campari S.p.A. is a company listed on the Italian stock market, with registered office at Via Franco Sacchetti 20, 2099 Sesto San Giovanni (Milan), Italy.
The Company is registered on the Milan companies register and REA (business administration register) under no. 1112227.
Davide Campari-Milano S.p.A. is controlled by Alicros S.p.A.
The Group operates in 190 countries, boasting a leading position on the Italian and Brazilian markets and prime positions in the US, Germany and continental Europe, and has an extensive product portfolio in three segments: spirits, wines and soft drinks.
The spirits segment encompasses internationally-recognised brands such as Campari, SKYY Vodka, Wild Turkey and Cynar, as well as brand leaders in local markets including Aperol, CampariSoda, Glen Grant, Ouzo 12, Zedda Piras, Dreher, Old Eight and Drury's.
In the wines segment, apart from Cinzano, which is well-known all over the world, the main brands are Mondoro, Riccadonna, Sella & Mosca and Teruzzi & Puthod.
Lastly, the soft drinks segment covers the extended ranges of Crodino and Lemonsoda, which are leading brands on the Italian market.
The consolidated financial statements of the Campari Group for the year ending 31 December 2010 were approved on 21 March 2011 by the Board of Directors of the Parent Company Davide Campari-Milan S.p.A., which has authorised their publication.
The Board of Directors reserves the right to amend the results should any significant events occur that require changes to be made, up to the date of the shareholders' meeting of the Parent Company.
The accounts are presented in euro, the functional currency of the Parent Company and many of its subsidiaries.

2. Preparation criteria

The consolidated financial statements for the year ending 31 December 2010 were prepared in accordance with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) and ratified by the European Union. These also include all the revised international accounting standards (International Accounting Standards - IAS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).
The financial statements were prepared on a historic cost basis, with the exception of financial derivatives, biological assets and new acquisitions, which were reported at fair value.
The carrying value of assets and liabilities subject to fair value hedging transactions, which would otherwise be recorded at cost, has been adjusted to take account of the changes in fair value attributable to the risk being hedged.
Unless otherwise indicated, the figures reported in these notes are expressed in millions of euro.

Consolidation principles

The consolidated financial statements include the financial statements of the Parent Company and the Italian and foreign companies over which the Parent Company exercises direct or indirect control, as defined in IAS 27 - Consolidated and Separate Financial Statements.
These financial statements, based on the same financial year as the Parent Company and drawn up for the purposes of consolidation, have been prepared in accordance with the international accounting standards adopted by the Group.
Joint ventures and companies over which the Group exercises a significant influence are accounted for by the equity method.

Form and content

In accordance with the format selected by the Group, the income statement is classified by function, and the balance sheet shows current and non-current assets and liabilities separately.
We consider that this format will provide a more meaningful representation of the items that have contributed to the Group's results and its balance sheet and financial position.
In the income statement (classified by function), the EBIT line is shown before and after one-offs such as capital gains/losses on the sale of shareholdings, restructuring costs and any other non-recurring income/expenses.
The definition of "non-recurring" or "one-off" conforms to that set out in the Consob communication of 28 July 2006 (DEM/6064296).
In 2010, the Group did not carry out any atypical and/or unusual transactions, which are defined in the Consob communication as significant/substantial transactions that are atypical and/or unusual because the counterparties, the object of the transaction, the method used to determine the price and timing of the transaction (proximity to year

end) could give rise to doubts over the accuracy or completeness of the information provided in the financial statements, conflicts of interest, safeguarding of company assets and the protection of minority shareholders.
The cash flow statement was prepared using the indirect method.

Basis of consolidation

On 1 October 2010, the Group acquired the entire share capital of T.J. Carolan & Son Ltd, based in Dublin, Ireland; for further information on the effects caused by the acquisition, please see note 8 – Business combinations.

In addition, the Group acquired the remaining 20% of Cabo Wabo LLC on 30 July 2010 and now owns 100% of the company's share capital; this change did not have any impact on the basis of consolidation as it involved the exercise of a call/put option for which the related liabilities were already accounted for the previous year; for a summary of the effects relating to this year, see note 37 - Financial liabilities.

The tables below list the companies included in the basis of consolidation as at 31 December 2010.

		Share capital at 31 December 2010		% owned by Parent Company		
Name, activity	Head office	Currency	Amount	Direct	Indirect	Other direct shareholders
Parent Company						
Davide Campari-Milano S.p.A., holding and manufacturing company	Via Franco Sacchetti, 20 Sesto San Giovanni	€	58,080,000			
Fully consolidated companies						
Italy						
Sella&Mosca S.p.A., manufacturing, trading and holding company	Località I Piani, Alghero	€	15,726,041	12.00	88.00	Zedda Piras S.p.A.
Sella & Mosca Commerciale S.r.l., trading company	Località I Piani, Alghero	€	100,000		100.00	Sella&Mosca S.p.A.
Turati Ventisette S.r.l., dormant company	Via Franco Sacchetti, 20 Sesto San Giovanni	€	20,000	100.00		
Zedda Piras S.p.A., manufacturing, trading and holding company	Piazza Attilio Deffenu 9, Cagliari (operational headquarters in Alghero)	€	16,276,000	100.00		
Europe						
Campari Austria GmbH, trading company	Naglergasse 1/Top 13 A, Wien	€	500,000		100.00	DI.CI.E. Holding B.V.
Campari Benelux S.A, trading and finance company	Avenue de la Métrologie, 10, Bruxelles	€	246,926,407	26.00	74.00	Glen Grant Ltd. (39%), DI.CI.E Holding B.V. (35%)
Campari Deutschland GmbH, trading company	Bajuwarenring 1, Oberhaching	€	5,200,000		100.00	DI.CI.E. Holding B.V.
Campari France, manufacturing company	15 ter, Avenue du Maréchal Joffre, Nanterre	€	2,300,000		100.00	DI.CI.E. Holding B.V.
Campari International S.A.M., trading company	7 Rue du Gabian, Monaco	€	70,000,000		100.00	DI.CI.E. Holding B.V.
Campari Schweiz A.G., trading company	Lindenstrasse 8, Baar	CHF	2,000,000		100.00	DI.CI.E. Holding B.V.
CJSC Odessa Sparkling Wine Company, manufacturing and trading company	36, Frantsuzky Boulevard, Odessa	UAH	48,041,016		99.80	Rotarius Holding B.V.
DI.CI.E. Holding B.V., holding company	Atrium, Strawinskylaan 3105, Amsterdam	€	15,015,000	100.00		
Glen Grant Distillery Company Ltd., manufacturing and trading company	Glen Grant Distillery, Rothes, Morayshire	GBP	1,000,000		100.00	Glen Grant Ltd.
Glen Grant Ltd., holding company	Glen Grant Distillery, Rothes, Morayshire	GBP	24,949,000		100.00	DI.CI.E. Holding B.V.
Kaloyiannis - Koutsikos Distilleries S.A., manufacturing and trading company	6 & E Street, A' Industrial Area, Volos	€	8,884,200		100.00	O-Dodeca B.V.
O-Dodeca B.V., holding company	Atrium, Strawinskylaan 3105, Amsterdam	€	2,000,000		75.00	DI.CI.E. Holding B.V.
Old Smuggler Whisky Company Ltd., manufacturing and trading company	Glen Grant Distillery, Rothes, Morayshire	GBP	1,000,000		100.00	Glen Grant Ltd.
Rotarius Holding B.V., holding company	Strawinskylaan 3105, 1077 ZX, Amsterdam	€	18,015		100.00	DI.CI.E. Holding B.V.
Société Civile du Domaine de Lamargue, manufacturing and trading company	Domaine de la Margue, Saint Gilles	€	6,793,200		100.00	Sella&Mosca S.p.A.
T.J. Carolan & Son Ltd., trading company	1 Stockes Place, St. Stephen's Green, Dublin 2	€	2,600	76.92	23.08	DI.CI.E Holding B.V.

Name, activity	Head office	Share capital at 31 December 2010 Currency	Amount		% owned by Parent Company Direct	Indirect	Other direct shareholders
Americas							
Cabo Wabo LLC, trading company	One Beach Street, Suite 300, San Francisco	US$	2,312,525			100.00	Redfire, Inc.
Camargen S.R.L, trading company [3]	Avenida Corrientes, 222 - 3rd floor, Buenos Aires	ARS	11,750,000			100.00	DI.CI.E. Holding B.V. (95%), Campari do Brasil (5%)
Campari do Brasil Ltda., manufacturing and trading company	Alameda Rio Negro 585, Edificio Demini, Conjunto 62, Alphaville - Barueri - SP	BRC	218,631,059		100.00		
Destiladora San Nicolas S.A. de C.V., manufacturing and trading company	Camino Real Atotonilco 1081, Arandas, Jalisco	MXN	294,945,500			100.00	DI.CI.E. Holding B.V.
Gregson's S.A., trademark holder	Andes 1365, Piso 14, Montevideo	UYU	175,000			100.00	Campari do Brasil Ltda.
Rare Breed Distilling LLC, manufacturing and trading company	Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware (Operational headquarters in Lawrenceburg)	US$	400,000,000	[2]		100.00	Redfire, Inc.
Red Fire Mexico, S. de R.L. de C.V., trading company	Camino Real Atotonilco 1081, Arandas, Jalisco	MXN	1,254,250			100.00	DI.CI.E. Holding B.V. (99.80%), Destiladora San Nicolas S.A. de C.V. (0.2%)
Redfire, Inc., holding company	State of Delaware, City of Wilmington, County of New Castle (operational headquarters in San Francisco)	US$	566,321,274	[2]	100.00		
Sabia S.A., manufacturing and trading company [4]	Av. Corrientes, 222 - 3rd floor, Buenos Aires	ARS	125,213,590			100.00	DI.CI.E. Holding B.V. (95%), Campari do Brasil Ltda. (5%)
Skyy Spirits LLC, trading company	State of Delaware, City of Wilmington, County of New Castle (operational headquarters in San Francisco)	US$	54,897,463			100.00	Redfire, Inc.
Other							
Campari (Beijing) Trading Co. Ltd., trading company	Xingfu Dasha Building, block B, room 511, n° 3 Dongsanhuan BeiLu, Chaoyang District, Beijing	RMB	25,189,930			100.00	DI.CI.E. Holding B.V.
Campari Australia Pty Ltd., trading company	Level 10, Tower B, 207 Pacific Highway, St Leonards, Sydney	AU$	12,500,000			100.00	DI.CI.E. Holding B.V.
Campari Japan Ltd., trading company	6-17-15, Jingumae Shibuya-ku, Tokyo	JPY	3,000,000			100.00	DI.CI.E. Holding B.V.
Qingdao Sella & Mosca Winery Co. Ltd., manufacturing and trading company	8 Pingu Horticultural Farm, Yunshan County, Pingdu City, Qingdao, Shandong Province	RMB	24,834,454			93.67	Sella&Mosca S.p.A.

Other shareholdings valued at equity

Name, location, activity		Share capital at 31 December 2010 Currency	Amount	% owned by Parent Company Direct	Indirect	Other direct shareholders
Fior Brands Ltd., trading company [1]	C/o Ernst & Young - Ten George Street, Edinburgh	GBP	100		50.00	DI.CI.E. Holding B.V.
Focus Brands Trading (India) Private Ltd., manufacturing and trading company	Chamber No. 1517, 15th Floor, Devika Towers, 6, Nehru Place, New Delhi	INR	115,998,250		26.00	DI.CI.E. Holding B.V.
International Marques V.o.f., trading company	Nieuwe Gracht 11, Haarlem	€	210,000		33.33	DI.CI.E. Holding B.V.

[1] company in liquidation
[2] including capital grants
[3] formerly known as Campari Argentina s.r.l.
[4] on 1 January 2011, the name of the company was changed to Campari Argentina S.A.

Subsidiaries

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

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

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

The minority interests in shareholders' equity and net profit are reported under appropriate items in the accounts; in the case of shareholders' equity, the amount is determined on the basis of the values assigned to assets and liabilities on the date control was assumed, excluding any related goodwill. Changes in shareholdings in subsidiaries that do not result in the acquisition or loss of control are recoded under changes in shareholders' equity.

Affiliated companies and joint ventures

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

If the Group's interest in any losses of affiliates exceeds the carrying value of the equity investment in the accounts, the value of the equity investment is eliminated, and the Group's portion of further losses is not reported, unless, and to the extent to which, the Group is responsible for covering such losses. The Group assesses the existence of any indicators of impairment on an annual basis by comparing the value of the shareholding measured at equity with the recoverable value. Any loss in value is allocated to the equity investment as a whole with an offsetting entry in the income statement.

Transactions eliminated during the consolidation process

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

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

Dividends collected from consolidated companies are eliminated.

Currency conversion criteria and exchange rates applied to the accounts

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

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

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

The exchange rates used for conversion transactions are shown below.

	31 December 2010		31 December 2009	
	Average rate	End-of-period rate	Average rate	End-of-period rate
US dollar	1.3268	1.3362	1.3933	1.4406
Swiss franc	1.3823	1.2504	1.5099	1.4836
Brazilian real	2.3345	2.2177	2.7706	2.5113
Uruguayan peso	26.6025	26.8616	31.3993	28.2891
Chinese renminbi	8.9805	8.8220	9.5174	9.8350
UK pound	0.8582	0.8608	0.8911	0.8881
Indian rupee	60.6318	59.7580	67.3080	67.0400
Japanese yen	116.4551	108.6500	130.2344	133.1600
Argentine peso	5.1878	5.3099	5.2019	5.4619
Mexican peso	16.7532	16.5475	18.7841	18.9223
Australian dollar	1.4442	1.3136	1.7749	1.6008
Ukrainian hryvnia	10.5485	10.6254	11.1190	11.5642

3. Summary of accounting principles

Intangible assets

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

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

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

Intangible assets acquired through business combinations are reported separately from goodwill at fair value, where this can reliably be measured, on the acquisition date. Subsequently, intangible assets are recorded at cost net of accumulated amortisation and any impairment losses.
Assets produced internally, excluding development costs, are not capitalised and are reported on the income statement for the financial year in which they are incurred.
Intangible assets with a finite life are amortised on a straight-line basis in relation to their remaining useful life, generally three years, taking into account losses due to a reduction in accumulated value.
The period of amortisation of intangible assets with a finite life is reviewed at least at the end of every financial year in order to ascertain any changes in their useful life, which if identified, will be considered as changes in estimates.
The costs of development projects and studies are recorded in the income statement in full in the year in which they are incurred.
Advertising and promotional costs are recorded on the income statement when the company has received the goods or services in question.
Costs relating to industrial patents, concessions, licences and other intangible assets are listed on the assets side of the balance sheet only if they are able to produce future economic benefits for the company. These costs are amortised according to the period of use, if this can be defined, or according to contract duration.
Software licences represent the cost of purchasing licences and, if incurred, external consultancy fees or internal personnel costs necessary for development. These costs are booked in the year in which the internal or external costs are incurred for training personnel and other related costs.
Goodwill and trademarks, which result from acquisitions and qualify as intangible assets with an indefinite life, are not amortised. The possibility of recovering their reported value is ascertained at least annually, and in any case, when events occur leading to the assumption of a reduction in value using the criteria indicated in the section entitled "Impairment."
For goodwill, a test is performed on the smallest aggregate to which the goodwill relates. On the basis of this, management directly or indirectly assesses the return on investment including goodwill.
Impairments of goodwill cannot be recovered in future years.

Business combinations

Business combinations are booked using the purchase method. The cost of an acquisition is determined by the sum of the payments transferred as part of a business combination, measured at fair value, on the date of acquisition and the value of the minorities' portion of shareholders' equity, measured at fair value or as a pro-quota share of the net assets recognised for the acquired entity. Ancillary costs relating to the transaction are recognised in the income statement at the time they are incurred.
In the case of business combinations achieved in stages, the interest previously held by the Group in the acquired business is revalued at fair value on the date control is acquired, and any resulting gains or losses are recognised in the income statement.
Conditional payments are measured at fair value at the acquisition date and are included among the transferred payments for the purposes of calculating goodwill. Any changes in fair value occurring once more information is available during the measurement period are included retrospectively in goodwill.
Goodwill acquired in business combinations is initially measured at cost, as the excess of the sum of payments transferred as part of a business combination, the value of the minorities' portion of shareholders' equity and the fair value of any interest previously held in the acquired business over the Group's portion of the net fair value of the identifiable assets, liabilities and contingent liabilities (of the acquired company). If the value of the net assets acquired and liabilities assumed on the acquisition date exceed the sum of the transferred payments, the value of the minorities' portion of shareholders' equity and the fair value of any interest previously held in the acquired business, this excess value is recorded in the income statement as income from the transaction.
After the initial entry, goodwill is measured at cost less cumulative impairment.
To establish whether impairment has occurred, the goodwill acquired in a business combination is allocated from the date of the acquisition to the individual cash-generating units of the Group or to the groups of cash-generating units likely to benefit from merger synergies, whether or not other assets or liabilities from the acquisition are assigned to these units or groups of units.
When the goodwill is part of a cash-generating unit (or group of cash-generating units) and some of the internal assets of the unit are sold, the goodwill associated with the assets sold is included in the carrying value of the assets in order to establish the profit or loss generated by the sale.
Goodwill sold in this way is measured according to the value of the assets sold and the value of the remaining portion of the unit.
Business combinations prior to 1 January 2010 have been reported on the basis of the 2007 version of IFRS 3. This means that costs directly attributable to the acquisitions have been included in the cost of the acquisition; minority interests have been measured as a pro-quota share of the net assets recognised for the acquired business; in the case

of business combinations achieved in stages, each additional stake acquired has not changed the goodwill previously recognised; conditional payments have been recorded only if the Group had a current obligation.

Tangible fixed assets

Property, plant and equipment are recorded at acquisition or production cost, gross of capital grants (if received) and directly charged expenses, and are not revalued. Subsequently, tangible fixed assets are recorded at cost net of accumulated depreciation and any impairment losses.
Any costs incurred after purchase are capitalised provided that they increase the future financial benefits generated by using the asset.
The replacement costs of identifiable components of complex assets are allocated to assets on the balance sheet and depreciated over their useful life. The residual value recorded for the component being replaced is allocated to the income statement; other costs are charged to the income statement when the expense is incurred.
The financial charges incurred in respect of investments in assets which take a substantial period of time to be prepared for use or sale (qualifying assets as defined in IAS 23 - Borrowing Costs) are capitalised and depreciated over the useful life for the class of assets to which they belong.
All other financial charges are posted to the income statement when incurred.
Ordinary maintenance and repair expenses are charged to the income statement in the period in which they are incurred.
If there are current obligations for dismantling or removing assets and cleaning up the related sites, the assets' reported value includes the estimated (discounted) costs to be incurred when the structures are abandoned, which are reported as a offsetting entry to a specific reserve.
Assets held under finance lease contracts, which essentially assign to the Group all the risks and benefits tied to ownership, are recognised as Group assets at their current value, or the present value of the minimum lease payments, whichever is lower.
The corresponding liability to the lessor is reported in the accounts under financial payables.
These assets are depreciated using the policies and rates indicated below.
Leasing arrangements in which the lessor, in essence, retains all the risks and benefits tied to the ownership of the assets, are classified as operating leases, and the related costs are reported in the income statement over the term of the contract.
Depreciation is applied using the straight-line method, based on each asset's estimated useful life as established in accordance with the company's plans for use of such assets, taking into account wear and tear and technological obsolescence, and the likely estimated realisable value net of disposal costs.
When the tangible asset consists of several significant components with different useful lives, depreciation is applied to each component individually.
The amount to be depreciated is represented by the reported value less the estimated net market value at the end of its useful life, if this value is significant and can be reasonably determined.
Land, even if acquired in conjunction with a building, is not depreciated, nor are available-for-sale tangible assets, which are reported at the lower of their recorded value and fair value less disposal costs.
Rates are as follows:

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

Depreciation ceases on the date when the asset is classified as available for sale, in accordance with IFRS 5, or on the date on which the asset is eliminated for accounting purposes, whichever occurs first.
A fixed asset is eliminated from the balance sheet at the time of sale or when there are no future economic benefits associated with its use or disposal.
Any profits or losses are included in the income statement in the year of this elimination.

Capital grants

Capital grants are recorded when there is a reasonable certainty that all requirements necessary for access to such grants have been met and that the grant will be disbursed.
This generally occurs at the time the decree acknowledging the benefit is issued.
Capital grants relating to tangible assets are reported as deferred revenues and credited to the income statement over the period corresponding to the useful life of the asset concerned.

Impairment

The Group ascertains, at least annually, whether there are indicators of a potential loss in value of intangible and tangible assets. If the Group finds that such indications exist, it estimates the recoverable value of the relevant asset.
In addition, intangible assets with an indefinite useful life, or that are not available and ready for use, are subject to an impairment test each year, or more frequently if there is an indication that the asset may have been subject to a loss in value.
The ability to recover the assets is ascertained by comparing the reported value to the related recoverable value, which is represented by the greater of the fair value less disposal costs and the value in use.
In the absence of a binding sale agreement, the fair value is estimated on the basis of recent transaction values in an active market, or based on the best information available to determine the amount that could be obtained from selling the asset.
The value in use is determined by discounting expected cash flows resulting from the use of the asset, and if significant and reasonably determinable, the cash flows resulting from its sale at the end of its useful life.
Cash flows are determined on the basis of reasonable, documentable assumptions representing the best estimate of the future economic conditions that will occur during the remaining useful life of the asset, with greater weight given to outside information.
The discounting is done using a rate that takes into account the implicit risk of the business segment.
When it is not possible to determine the recoverable value of an individual asset, the Group estimates the recoverable value of the unit that incorporates the asset and generates cash flows.
A loss of value is reported if the recoverable value of an asset is lower than its carrying value.
This loss is posted to the income statement unless the asset was previously written up through a shareholders' equity reserve.
In this case, the reduction in value is first allocated to the revaluation reserve.
If, in a future period, a loss on assets, other than goodwill, does not materialise or is reduced, the carrying value of the asset or cash-generating unit is increased up to the new estimate of recoverable value, and may not exceed the value that would have been determined if no loss from a reduction in value had been reported.
The recovery of a loss of value is posted to the income statement, unless the asset was previously reported at its revalued amount. In this case, the recovery in value is first allocated to the revaluation reserve.

Investment property

Property and buildings held to generate lease income (investment property) are valued at cost less accumulated depreciation and losses due to a reduction in value.
The depreciation rate for buildings is 3%, while land is not depreciated.
Investment property is eliminated from the balance sheet when sold or when it becomes permanently unusable and no future economic benefits are expected from its disposal.

Biological assets

Biological assets are valued, when first reported and at each subsequent reporting date, at their fair value, less estimated point-of-sale costs.
The related agricultural produce is valued at cost, which is approximately the fair value less estimated point-of-sale costs at harvest.

Financial instruments

Financial instruments held by the Group are categorised as follows.
Financial assets include holdings in affiliated companies and joint ventures, short-term securities, financial receivables, which in turn include the positive fair value of financial derivatives, trade and other receivables and cash and cash equivalents.
Specifically, cash and cash equivalents include cash, bank deposits and highly marketable securities that can be quickly converted into cash, and which carry an insignificant risk of a change in value.
The maturity of deposits and securities in this category is less than three months.
Short-term securities include securities maturing in one year or less, and marketable securities representing a temporary investment of cash that do not meet the requirements for classification as cash equivalents.
Financial liabilities include financial payables, which in turn include the negative fair value of financial derivatives, trade payables and other payables.
Financial assets and liabilities, other than equity investments, are booked in accordance with IAS 39 - Financial instruments: Recognition and Measurement in the following categories:

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

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

Financial assets held for trading are all those instruments acquired with the intention of sale in the short term; this category also includes derivatives that do not satisfy the requirements set out by IAS 39 for consideration as hedging instruments.
These instruments at fair value with changes recorded in the income statement are booked in the balance sheet at fair value, while the related profits and losses are reported in the income statement.

Investments held to maturity

Current financial assets and securities to be held until maturity are reported on the basis of the trading date, and, at the time they are first entered in the accounts, they are valued at purchase cost, represented by the fair value of the initial consideration given in exchange plus transaction costs (e.g. commissions, consulting fees, etc).
The initial reported value is then adjusted to take into account repayments of principal, any write-downs and the amortisation of the difference between the repayment amount and the initial reported value. Amortisation is applied on the basis of the effective internal interest rate represented by the rate which, at the time of initial reporting, would make the present value of expected cash flows equal to the initial reported value (known as the amortised cost method).
The profits and losses are entered in the income statement when the investment is eliminated for accounting purposes or when impairment occurs beyond the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments, which are not listed on an active market.
After the initial reporting, these instruments are valued according to the criterion of amortised cost using the effective discount rate method net of any provision for loss of value.
Profits and losses are recorded in the income statement when loans and receivables are eliminated for accounting purposes or when a loss of value is apparent beyond the amortisation process.

Financial assets available for sale

Financial assets available for sale, excluding derivatives, are those designated as such or not classified under any of the three previous categories.
After the first reporting, the financial instruments available for sale are valued at fair value.
If the market price is not available, the current value of financial instruments available for sale is measured using the most appropriate valuation methods, such as the analysis of discounted cash flows performed using market information available on the reporting date. In the absence of reliable information, they are held at cost.
Profits and losses on financial assets available for sale are recorded directly in shareholders' equity up to the time the financial asset is sold or written down. At that time the accumulated profits and losses, including those previously posted to shareholders' equity, are included in the income statement for the period.

Loss in value of a financial asset

The Group assesses, at least annually, whether there are any indicators that a financial asset or a group of financial assets could have lost value.
A financial asset or a group of financial assets is written down only if there is objective evidence of a loss in value caused by one or more events that occurred following the initial reporting date of the asset or group of assets and which had an impact that can be reliably estimated on the future cash flows that may be generated by the asset or group of assets themselves.

Derecognition of financial assets and liabilities

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

When the Group has transferred the rights to receive financial income from an asset, and it has neither transferred nor retained all the risks and benefits, or it has not lost control of the same, the asset is reported on the balance sheet to the extent of the Group's remaining involvement in the asset.
A financial liability is derecognized from the accounts when the underlying obligation of the liability is no longer held, or cancelled, or has been settled.
In cases where an existing financial liability is substituted by another with the same lender under different conditions, or where the conditions of an existing liability are changed, the substitution or change is treated in the accounts as a

derecognition of the original liability, and a new liability is reported, with any difference in the accounting values allocated to the income statement.

Financial derivatives and hedging transactions

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

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

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

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

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

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

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

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

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

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

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

Own shares

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

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

Inventories

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

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

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

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

Non-current assets held for sale

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

Non-current assets classified as held for sale are valued at the lower of their net carrying value and current value, less sale costs, and are not amortised.

Employee benefits

Post-employment benefit plans

Group companies provide post-employment benefits for staff, both directly and by contributing to external funds. The procedures for providing these benefits vary according to the legal, fiscal and economic conditions in each country in which the Group operates.

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

- Defined benefit plans

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

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

  The costs associated with an increase in the present value of the obligation, resulting from the approach of the time when benefits will be paid, are included under financial charges. The liability recognised represents the present value of the defined benefit obligation, less the present value of plan assets. In the event of a modification to the plan that changes the benefits deriving from past service, the costs deriving from past service are charged to the income statement on a straight-line basis over the average period until the benefits are acquired. In the event of a modification to the plan that reduces the number of employees covered by the plan or changes the conditions of the plan, the gains or losses associated with this must immediately be recognised in income.

- Defined contribution plans

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

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

Compensation plans in the form of stock options

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

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

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

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

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

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

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

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

Provisions for risks and future liabilities

Provisions for risks and future liabilities are reported when:

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

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

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

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

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

Restructuring provisions

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

Recording of revenues, income and charges in the income statement

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

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

Specifically:

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

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

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

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

Taxes

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

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

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

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

Deferred tax assets and liabilities are calculated on all temporary differences between the asset and liability values recorded in the accounts and the corresponding values recognised for tax purposes using the liability method. Provisions for taxes that could be incurred from the transfer of undistributed profit from subsidiaries have been made only where there is a genuine intention to transfer that profit.

Deferred tax assets are reported when their recovery is likely.

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

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

Transactions in foreign currencies (not hedged with derivatives)

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

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

Earnings per share

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

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

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

Use of estimates

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

The actual results could therefore differ from these estimates.

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

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

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

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

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

4. Changes in accounting principles

Accounting standards, amendments and interpretations applied since 1 January 2010

The following accounting standards, amendments and interpretations were applied by the Group for the first time from 1 January 2010.

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

These two revised standards were ratified on 10 January 2008 and came into force on 1 July 2009. These standards have been applied prospectively by the Group since 1 January 2010.

IFRS 3 introduced some significant changes to the accounting for business combinations, as described below, which affect the valuation of non-controlling interests, the accounting of transition costs, initial reporting and the subsequent valuation of any additional payments (contingent consideration), and acquisitions carried out in a number of stages. These changes affect the amount of goodwill disclosed, and the net profit for the year of acquisition and subsequent years.

The new version of IFRS 3 was applied to the acquisition of T.J. Carolan & Son Ltd. in 2010. The only impact of the application of the new accounting standard was the recognition in the income statement of the ancillary acquisition costs of € 0.1 million.

IAS 27R requires that a change in the percentage shareholding in a subsidiary that does not constitute a loss of control is accounted for as an equity transaction, as this change is deemed to be a transaction with shareholders and must therefore be recognised in shareholders' equity. As a result, the carrying value of the controlling stake and the minority interests must be adjusted to reflect the change in the stake held in the subsidiary, and any difference between the adjustment made to minority interests and the fair value of the price paid or received in relation to that transaction is recorded directly in shareholders' equity and attributed to the controlling shareholders. No changes are made to goodwill, and no gains or losses are recognised in the income statement. Ancillary costs resulting from these transactions must be recorded in shareholders' equity in accordance with section 35 of IAS 32.

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

These changes did not have any impact on the Group's net debt or performance.

IFRS 2 - Share-based Payments: payments based on Group shares settled for cash

This amendment, in addition to clarifying the scope of IFRS 2 and how it relates to the other standards, establishes that the company receiving goods or services in the context of share-based payment plans must account for these goods or services irrespective of which group company settles the transaction, whether or not the settlement is in cash or shares. The amendment specifies that a company must value the goods or services received in the context of a transaction settled in cash or shares from its own viewpoint, which may not coincide with that of the Group and with

the amount recognised in the consolidated accounts. With the publication of this amendment, which incorporates the guidelines previously included in IFRIC 8 - Scope of IFRS 2 and in IFRIC 11 - IFRS 2 - Group and Treasury Share Transactions, the IASB withdrew IFRIC 8 and IFRIC 11.
The Group adopted this amendment on 1 January 2010 without experiencing any significant impact on its net debt or performance.

Accounting standards, revisions and interpretations applicable from 1 January 2010 that are not relevant for the Group

The following accounting standards, amendments and interpretations applicable from 1 January 2010 that govern issues that are not relevant for the Group or did not result in a significant impact were also issued.

Improvement to IFRS 5 - Non-current Assets Held for Sale and Discontinuing Operations

The change to this standard, introduced as a result of the improvement process conducted by the IASB in 2008, is applicable to all financial years beginning after 1 July 2009.
This amendment specifies that when a subsidiary is held for sale, all of its assets and liabilities must be classified as held for sale if the parent company has embarked on a disposal plan that will lead to a loss of control. This applies irrespective of whether a minority stake continues to be held in the subsidiary.

Improvement to IAS 39 - Financial Instruments: Recognition and Measurement - Eligible Hedged Items

This amendment was issued by the IASB on 31 July 2008 and is applicable to the accounts for financial years beginning after 1 July 2009; this means that for the Group, the standard will apply from 1 January 2010.
The amendment states that an entity is allowed to designate a portion of changes in fair value or cash flows of a financial instrument as a hedged item and also includes the designation of inflation as a hedged risk or as a portion of risk in certain situations.

Improvement to IFRS 1 - First-time Adoption of International Financial Reporting Standards (further exemptions)

The amendment, which is applicable from 1 January 2010, lists the following exemptions:

- entities that use full cost accounting are exempt from retrospectively applying IFRS for oil and gas assets;
- entities with existing leasing contracts do not have to review the classification of their contracts in accordance with IFRIC 4 - Determining whether an arrangement contains a lease.

IFRIC 15 - Agreements for the Construction of Real Estate

The interpretation applies to the accounting policy for the revenues and costs of an entity engaged in the construction of real estate, whether directly or through sub-contractors, and clarifies which standard (IAS 18 - Revenue or IAS 11 - Construction Contracts) must be used for specific transactions. The entities that previously recognised revenue from sales of real estate in accordance with IAS 11 are significantly affected by this interpretation to the extent that if certain pre-requisites are met, such revenue could be accounted for under IAS 18. Similarly, the interpretation may be applied in other circumstances/sectors to determine whether a transaction must be accounted for under IAS 18 or IAS 11.

IFRIC 17 - Distribution of Non-Cash Assets to Owners

This interpretation, issued by IFRIC on 27 November 2008 is applicable prospectively in financial years that begin after 1 July 2009.
It provides information on the accounting and valuation of non-cash dividends distributed to shareholders.
In particular, it specifies that liabilities to shareholders for a dividend to be distributed must be accounted for when it has been appropriately authorised (i.e. by the shareholders’ meeting); the value of a non-cash dividend should be calculated taking into account the fair value of the assets to be distributed at the time the related liability to shareholders must be recognised.
The difference between the dividend paid and the net carrying value of the assets used for the payment must be taken to the income statement.

IFRIC 18 - Transfers of Assets from Customers

This interpretation, issued by IFRIC on 29 January 2009 is applicable prospectively from 1 January 2010.
IFRIC 18 clarifies the accounting treatment for agreements in which an entity receives from a customer an item of property, plant and equipment that the company must then use either to connect the customer to a network or to provide the customer with access to a supply of goods and services.

On 16 April 2009, the IASB issued a series of modifications to IFRS ("improvements"); according to the IASB, those listed below contain changes that affect the presentation, recognition and valuation of items in the financial statements and came into force on 1 January 2010. These amendments did not have any effect on the Group's financial position or performance.

- IFRS 2 - Share-based Payments: the amendment, which has to be applied from 1 January 2010, clarified that since IFRS 3 modified the definition of business combinations, the transfer of an entity to form a joint venture or business combinations involving entities or businesses under common control do not fall under the scope of IFRS 2.
- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations: this amendment, which has to be applied from 1 January 2010, clarifies that the disclosures required in respect of non-current assets, disposal groups classified as held for sale or relating to discontinued operations, are only those required by IFRS 5; the disclosures required by other IFRS apply only if specifically required with reference to these types of non-current assets or discontinued operations.
- IFRS 8 - Operating Segments: this amendment, which must be applied from 1 January 2010, states that the assets and liabilities relating to an operating segment are only required to be presented if they are included in the reporting used at the highest level of decision-making.
- IAS 1 - Presentation of Financial Statements: this amendment, which must be applied from 1 January 2010, clarifies that the possibility of meeting a liability by issuing an equity instrument has no relevance for its classification as current or non-current. This therefore changes the definition of a current liability, as the amendment permits a liability to be classified as non-current despite the existence of a currently exercisable option for conversion into equity instruments.
- IAS 7 - Statement of Cash Flows: this amendment, which has to be applied from 1 January 2010, states that only the cash flows arising from expenses resulting from the recognition of an asset on the balance sheet can be classified in the cash flow statement as deriving from investing activities, while the cash flows arising from expenses that do not result in the recognition of an assets must be classified as deriving from operating activities.
- IAS 17 - Leases: the amendment, which must be applied from 1 January 2010, requires that the general conditions set out in IAS 17 for the purposes of the classification of leasing agreements as finance or operating leases will also apply to leased land, regardless of whether ownership is transferred at the end of the contract; therefore land covered by existing leasing agreements that have not expired at the date of adoption of the amendment must be valued separately, and a new lease may be recognised retrospectively as if the related agreement were a finance lease.
- IAS 36 - Impairment of Assets: this amendment, which must be applied prospectively from 1 January 2010, requires that each cash-generating unit or group of units to which goodwill is allocated for impairment test purposes must not be larger than an operating segment as defined in paragraph 5 of IFRS 8, prior to the combination allowed by paragraph 12 of IFRS 8, based on similar economic characteristics or other elements.
- IAS 38: Intangible Assets: this amendment, which must be applied prospectively from 1 January 2010, is a consequence of the amendment to IFRS 3 introduced in 2008, and clarifies the valuation techniques to be used for fair value valuations of intangible assets for which no active reference market exists; these techniques include the estimated net present value of cash flows generated by the asset, an estimate of the costs that the company has avoided by owning the asset, i.e. by not obtaining it via a licensing agreement, and an estimate of the costs necessary to replace it.
- IAS 39 - Financial Instruments: Recognition and Measurement: this amendment, which must be applied prospectively from 1 January 2010, restricts the exemption set out in paragraph 2(g) of IAS 39 to forward contracts between the acquirer and a vendor in a business combination to buy or sell an acquiree at a future acquisition date, where the completion of the business combination is not dependent on further transactions between the two parties, but only on the elapsing of an appropriate period of time; the exemption does not apply to option contracts that on exercise, in relation to the occurrence or non-occurrence of future events, would result in control of an entity.
- IFRIC 9 - Reassessment of embedded derivatives: this amendment, which must be applied prospectively from 1 January 2010, excludes embedded derivatives acquired in a business combination at the time of the formation of businesses under common control or joint ventures. It also states that the entity, based on the circumstances existing when it first becomes party to a hybrid contract, must assess whether the embedded derivatives contained in the contract are required to be separated from the host contract when the entity reclassifies a hybrid instrument at fair value with the changes taken to the income statement. It is possible to make a subsequent reassessment, but only if there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract.

- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

  The interpretation provides guidelines on accounting for hedges of net investments in foreign operations, particularly:
  - information on identifying exchange rate risks arising from the application of hedge accounting to a net investment in a foreign operation;
  - information on the entities within a group that are permitted to hold instruments used to hedge net investments in foreign operations;
  - the procedures for identifying the amount of profit or loss on exchange rates to be reclassified when the entity disposes of the investment for both the net investment and the hedging instrument.

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

IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues

This amendment, issued on 8 October 2009, is applicable retrospectively in accordance with IAS 8 from 1 January 2011. It clarifies how to account for such rights (rights, options or warrants) when the instruments issued are denominated in a currency other than the issuer's functional currency. In the past, these rights were accounted for as liabilities arising from financial derivatives; the amendment requires that under certain conditions these rights are classified under shareholders' equity regardless of the currency in which the exercise price is denominated. If such instruments are offered pro rata to all shareholders for a fixed amount of cash, they should be classified as equity instruments even if their exercise price is denominated in a currency other than the issuer's functional currency.
It is believed that the adoption of this amendment will not have a significant impact on the Group.

IAS 24 - Related Party Disclosures

This amendment, issued on 4 November 2009, is applicable from 1 January 2011.
The amendment simplifies the information to be provided in the case of transactions with related parties that are State-controlled entities and clarifies the definition of related parties. It is believed that the adoption of this amendment will not have a significant impact on the disclosures in the Group's financial statements.

IFRS 9 - Financial Instruments

The standard, issued on 12 November 2009, was amended on 28 October 2010. At the reporting date, the competent bodies of the European Union had not yet completed the ratification process necessary for the application of the new standard. This standard, which is applicable from 1 January 2013, represents the first stage of a process to fully replace IAS 39.
IFRS 9 introduces new criteria for the classification and valuation of financial assets and liabilities and for the derecognition of financial assets. For financial assets in particular, the new standard uses a single approach based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets to determine the measurement criteria. The main change in relation to financial liabilities regards the accounting treatment of changes to the fair value of a financial liability measured at fair value through profit and loss, in the event that these are due to changes in the credit risk of the liability. These changes must be recognised in the statement of comprehensive income.
The Group is still assessing the possible impact of IFRS 9 on its financial assets and liabilities.

IFRIC 14 - Prepayment of a Minimum Funding Requirement

This amendment, issued on 26 November 2009 and applicable retrospectively from 1 January 2011, allows prepayments of a minimum funding requirement to be recognised as an asset. It is believed that the adoption of this amendment will not have a significant impact on the Group's balance sheet.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

The amendment, issued on 26 November 2009 and applicable from 1 January 2011, states that if a company renegotiates the terms of an agreement with a creditor to which it issues equity instruments to extinguish a financial liability, these equity instruments become part of the price paid and must be valued at fair value. In addition, the difference between the carrying value of the original financial liability and the fair value of the equity instruments must be taken to the income statement. It is believed that the adoption of this amendment will not have a significant impact on the Group's balance sheet.

On 6 May 2010, the IASB published a series of improvements to seven IFRS as part of its annual improvement programme. On 18 February 2011, the competent bodies of the European Union completed the ratification process for these improvements. Below we explain the amendments that will result in a change in the presentation, recognition and valuation of items in the Group's financial statements:

- *IFRS 3 (2008) – Business Combinations;* the amendment clarifies that for each business combination, the purchaser must value the components of minority interests that do not give holders the right to receive a proportional share of the subsidiaries net assets in the event of liquidation at their fair value on the acquisition date or as specified by the applicable accounting standards. If the components of minority interests do give holders the right to receive a proportional share of the subsidiary's net assets in the event of liquidation, these must be valued either at their fair value on the acquisition date or at the value of their proportional share of the subsidiary's assets.
- *IFRS 7 – Financial Instruments: Disclosures;* the amendment highlights how the interaction between qualitative and quantitative information about risks helps to provide users of the financial statements with a general description of the nature and scale of the risks associated with financial instruments. The disclosure requirement regarding financial assets that are past due but which have been renegotiated or impaired and that regarding collateral have also been removed.
- *IAS 1 – Presentation of Financial Statements;* the amendment requires entities to present a reconciliation of every change to the components of the statement of comprehensive income, as well as the amount of dividends approved and their value per share, either in the notes to the financial statements or in the statement of changes in shareholders' equity.
- *IAS 34– Interim Financial Reporting;* the amendment introduces a series of further clarifications regarding the additional information that must be presented in interim financial reports.

Finally, the following standards and interpretations have also been issued but not yet ratified by the European Union:

IFRS 7 - Financial instruments: disclosures

The changes, issued on 7 October 2010, will be applicable for accounting periods that start after 1 July 2011. The amendments were issued with the aim of improving understanding of transactions involving the transfer of financial assets that are not derecognised because the risks are still borne by the company transferring the assets. The additional information should enable users of the financial statements to understand the relationship between transferred financial asset and the associated liability, and to evaluate the nature of, and the risks associated with, the transferred asset that has not been derecognised.

The amendments also expand the disclosures required in the event that a disproportionate amount of transactions of this type are generated at the end of the reporting period.

IFRS 1 - First-time Adoption of International Financial Reporting Standards

The change, issued on 20 December 2010, will apply to accounting periods that start after 1 July 2011. The amendment removed the reference to 1 January 2004 contained in the previous version, defined as the date of transition to IFRS, and sets out guidelines on the presentation of financial statements in accordance with IFRS following a period of hyperinflation.

IAS 12 - Income Taxes

The change, issued on 20 December 2010, will apply to accounting periods that start after 1 January 2012. The amendment requires that deferred tax assets or liabilities relating to a non-depreciable asset measured using the revaluation model set out in IAS 16 should be calculated taking into account the manner in which the carrying value of that asset will be recovered. As a result, the interpretation SIC 21 (Income Taxes – Recovery of Revalued Non-Depreciable Assets) will no longer apply.

5. Seasonal factors

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

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

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

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

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

6. Default risk: negative pledges and debt covenants

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

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

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

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

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

7. Reclassifications

Deferred tax assets relating to the Parent Company and one of its subsidiaries have been reclassified to offset deferred tax liabilities.

A number of items relating to various tax receivables and payables have also been reclassified.

Reclassification has resulted in the following changes to the balance sheet at 31 December 2009:

	Figures published at 31 December 2009	Reclassifications	Figures after reclassification
	€ million	€ million	€ million
ASSETS			
Non-current assets			
Net tangible fixed assets	284.0	-	284.0
Biological assets	18.5	-	18.5
Investment property	0.7	-	0.7
Goodwill and trademarks	1,199.4	-	1,199.4
Intangible assets with a finite life	5.5	-	5.5
Investments in affiliates and joint ventures	0.7	-	0.7
Deferred tax assets	28.1	(20.5)	7.7
Other non-current assets	162.3	-	162.3
Total non-current assets	**1,699.1**	**(20.5)**	**1,678.6**
Current assets			
Inventories	271.4	-	271.4
Trade receivables	236.2	-	236.2
Short-term financial receivables	6.7	-	6.7
Cash and cash equivalents	129.6	-	129.6
Current tax receivables	-	4.9	4.9
Other receivables	24.3	(4.9)	19.5
Total current assets	**668.2**	**-**	**668.2**
Non-current assets held for sale	11.1	-	11.1
Total assets	**2,378.4**	**(20.5)**	**2,358.0**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	29.0	-	29.0
Reserves	1,014.4	-	1,014.4
Parent Company's portion of shareholders' equity	1,043.5	-	1,043.5
Minorities' portion of shareholders' equity	2.5	-	2.5
Total shareholders' equity	**1,046.0**	**-**	**1,046.0**
Non-current liabilities			
Bonds	806.4	-	806.4
Other non-current liabilities	77.7	-	77.7
Defined benefit plans	9.8	-	9.8
Provision for risks and future liabilities	10.7	-	10.7
Deferred tax liabilities	87.9	(20.5)	67.4
Total non-current liabilities	**992.5**	**(20.5)**	**972.1**
Current liabilities			
Payables to banks	17.3	-	17.3
Other financial payables	25.1	-	25.1
Trade payables	179.1	-	179.1
Current payables to tax authorities	75.8	(42.1)	33.7
Other current liabilities	42.7	42.1	84.8
Total current liabilities	**339.9**	**(0.0)**	**339.9**
Total liabilities and shareholders' equity	**2,378.4**	**(20.5)**	**2,358.0**

8. Acquisitions

Acquisitions in 2010

On 1 October 2010, the Group finalised the acquisition of T.J. Carolan & Son Ltd., which owns the Carolans, Frangelico and Irish Mist brands.
The payment for the acquisition, which was settled in cash, was € 129.0 million; net of the net cash position acquired, the outlay totalled € 128.5 million.
The ancillary costs directly attributable to the operation of € 0.1 million were charged during the course of the year in line with the requirements of the new IFRS 3.

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

	Balance sheet value € million	Fair value at the date of acquisition € million
Fixed assets		
Trademarks		116.6
Total fixed assets		116.6
Current assets		
Other receivables	1.2	1.2
Cash and banks	0.5	0.5
Total current assets	1.7	1.7
Total assets	**1.7**	**118.4**
Non-current liabilities		
Provisions for risks and future liabilities		0.4
Deferred tax liabilities		14.0
Total non-current liabilities		14.4
Current liabilities		
Other payables		0.1
Total current liabilities		0.1
Total liabilities	**-**	**14.5**
Net assets acquired		**103.9**
Goodwill generated by acquisition		**25.1**
Acquisition cost		**129.0**
Total value of investment, net of cash		**128.5**
of which		
Price paid in cash, excluding related costs		129.0
Cash acquired		0.5

In terms of the economic impact of the business acquired, it is worth noting that the Campari Group already distributed these brands in a number of major markets prior to the acquisition, for example Carolans in the US, and somewhat less significantly, Frangelico in Brazil and Belgium.
In terms of external growth, the acquisition contributed € 5.4 million to Group sales and € 3.3 million to EBIT.
If the company had been consolidated from the start of the year, the total impact on net sales and EBIT would have been € 50 million and € 17 million respectively; stripping out the economic impact of existing distribution agreements, these figures would drop to € 28 million for sales and € 14 million for EBIT.

For the purposes of reconciliation with the consolidated cash flow statement, the item acquisition of companies or holdings in subsidiaries also includes, in addition to T.J. Carolan & Son Ltd, the exercise of options on 20% of Cabo Wabo, resulting in an outlay of US$ 11.1 million (equating to € 8.5 million on the transaction date).

The acquisitions of trademarks and rights relate to the payment of earn-outs on Cabo Wabo and X-Rated Fusion Liqueur of € 1.6 million and the early termination of the licence agreement granted by Davide Campari-Milano S.p.A. to Cepas Argentina S.A. for the production and distribution of Cinzano in Argentina: the cost associated with the transaction was € 11.0 million.

Acquisitions in 2011

On 1 March 2011, the Group acquired an 80% stake in Vasco CIS, a wines and spirits import and distribution company based in Moscow. The deal was worth € 6.4 million, of which € 0.4 million relates to the purchase of shares, and the remaining portion represents the acquired company's trade payables to suppliers. The agreement also gives call and

put options on the remaining 20%, on condition that the objectives stated in the contract are met. Based on the estimates currently available, the value of the options that may be exercised in 2012 is € 1.8 million.
The Group is awaiting the definitive accounts at the acquisition date.

9. Investments in joint ventures and affiliated companies

The Group has shareholdings in various joint ventures with the aim of promoting and marketing its products in the markets where these joint ventures operate.
At 31 December 2010, these investments included International Marques V.O.F., operating in the Netherlands (33.33% stake) and Focus Brands Trading (India) Private Ltd., operating in India (26% stake). The investment in the latter is reported as zero, since it has been completely written off in view of the Group's planned withdrawal from the joint venture. For further information, please see note 50 - Events taking place after the financial year-end.

These companies were consolidated using the equity method; specifically, the portions of profit pertaining to the Group were recognised on the basis of the financial statements prepared by the entities themselves, using the same reporting date as the Group.
The following table shows the Group's portion of assets, liabilities, revenues and costs of its joint ventures.

Group portion of the accounts of affiliates	31 December 2010 € million	31 December 2009 € million
Balance sheet		
Non-current assets	-	-
Current assets	2.0	3.1
Total assets	**2.0**	**3.1**
Non-current liabilities	0.0	0.6
Current liabilities	2.0	1.9
Total liabilities	**2.0**	**2.4**
Carrying value of shareholdings	**-**	**0.7**
Portion of affiliated companies' revenues and costs:		
Revenues	7.1	9.3
Cost of goods sold	(4.4)	(6.6)
Sales and administrative costs	(3.3)	(3.5)
Financial charges	-)	-
Profit before tax	(0.6)	(0.8)
Taxes	-	-
Net profit	**(0.6)**	**(0.8)**

10. Operating segments

The Group's reporting is based mainly on brands and groups of brands in its four business areas:
- spirits: alcohol-based beverages with alcohol content either below or above 15% by volume. Drinks above 15% are defined by law as "spirits";
- wines: both sparkling and still wines including aromatised wines such as vermouth
- soft drinks: non-alcoholic beverages
- other: semi-finished goods and bottling activities for third parties.

At operating and management level, the results of the four business areas are analysed on the basis of the contribution margin each business generates. Fixed (structure) costs and taxes (which are managed at the level of each legal entity) and financial management (managed centrally by the Group) are not allocated to the business areas. No sales are recorded between business areas.

2010	Spirits € million	Wines € million	Soft drinks € million	Other sales € million	Total allocated € million	Non-allocated items and adjustments € million	Consolidated € million
Net sales to third parties	876.4	175.0	98.5	13.1	1,163.0		1,163.0
Segment contribution margin	375.4	46.9	39.1	2.2	463.6		463.6
Impairment of goodwill					-		-
Structure costs						(194.1)	(194.1)
EBIT							**269.5**
Net financial income (charges)						(35.7)	(35.7)
Affiliates' portion of profit	(0.4)	-	(0.2)	-	(0.6)		(0.6)
Taxes						(76.2)	(76.2)
Put option income (charges)						(0.3)	(0.3)
Net profit							**156.7**
Other items included in the income statement:							
Depreciation and amortisation	10.5	8.4	1.4		20.4	5.3	25.7
Other information:							
Investments in affiliates	-	-	-	-	-		-
Operating assets	1,913.9	279.0	32.6		2,225.5	425.6	2,651.1
Operating liabilities	154.3	48.4	18.6		221.3	1,176.9	1,398.2
Investments in tangible and intangible fixed assets[1]	200.8	13.5	5.1	-	219.4		219.4

[*]: investments also include assets acquired during the year.

In 2010, the operating assets allocated do not include receivables from tax authorities or deferred tax assets (€ 23.6 million), other non-current assets (€ 6.7 million), financial receivables (€ 1.7 million), cash and cash equivalents (€ 259.7 million), non-current assets held for sale (€ 11.2 million) and other non-allocated assets (€ 122.7 million).
Operating liabilities do not include bonds (€ 846.3 million), other non-current liabilities (€ 34.3 million), deferred taxes (€ 114.0 million), payables to banks (€ 38.4 million), other financial payables (€ 22.9 million), tax payables (€ 28.7 million) and other non-allocated liabilities (€ 92.3 million).

2009	Spirits € million	Wines € million	Soft drinks € million	Other sales € million	Total allocated € million	Non-allocated items and adjustments € million	Consolidated € million
Net sales to third parties	739.6	154.9	100.3	13.7	1,008.4		1,008.4
Segment contribution margin	330.9	30.8	37.5	2.0	401.2		401.2
Impairment of goodwill	(4.7)				(4.7)		(4.7)
Structure costs						(160.9)	(160.9)
EBIT							**235.6**
Net financial income (charges)						(36.5)	(36.5)
Affiliates' portion of profit	(0.6)	(0.1)	(0.1)	-	(0.8)		(0.8)
Taxes						(60.8)	(60.8)
Profit for the year							**137.5**
Other items included in the income statement:							
Depreciation and amortisation	10.7	7.3	1.5		19.5	5.9	25.4
Other information:							
Investments in affiliates	0.5	0.1	0.1	-	0.7		0.7
Operating assets	1,632.2	276.8	32.2		1941.2	436.6	2,377.8
Operating liabilities	137.3	40.2	18.4		195.9	1,136.6	1,332.4
Investments in tangible and intangible assets	390.7	18.5	0.5		409.7	15.7	425.4

Information on sales by region

2010	Revenues from external customers € million	Non-current assets € million
Italy	397.3	558.6
Europe	276.7	189.6
Americas	405.3	1.021.4
Rest of the world	83.7	2.6
Total	1,163.0	1,772.3

2009	Revenues from external customers € million	Non-current assets € million
Italy	388.1	547.1
Europe	231.6	45.1
Americas	325.3	907.5
Rest of the world	63.5	8.2
Total	1,008.4	1,508.0

The information on revenues by region has been collated on the basis of the country where the end customer is based.
The non-current assets listed above consist of property, plant and machinery, investment property, trademarks, goodwill and other intangible assets with a finite life.
The revenues from a single third-party distributor on the US market totalled € 120.2 million (€ 103.1 million in 2009) and related to sales in the spirits sector.
These sales accounted for 10% of the Group's total revenues in 2010 (13% in 2009).

11. Revenues

	2010 € million	2009 € million
Sale of goods	1,159.8	1,002.7
Provision of services	3.2	5.7
Total net sales	**1,163.0**	**1,008.4**

The provision of services relates to bottling the products of third parties.
For more detailed analysis of revenues, please refer to the information in the Directors' Report in the "Sales performance" section.

12. Cost of goods sold

A breakdown of the cost of goods sold is shown by function and by nature in the two tables below.

Cost of goods sold by function	2010 € million	2009 € million
Materials and manufacturing costs	450.8	399.0
Distribution costs	45.4	36.6
Total cost of goods sold	**496.2**	**435.6**

Cost of goods sold by nature	2010 € million	2009 € million
Raw materials and finished goods acquired from third parties	374.2	330.2
Inventory write-downs	1.0	0.1
Personnel costs	38.8	33.5
Depreciation and amortisation	18.3	19.4
of which pending on final stocks of liquids undergoing the ageing process	(3.8)	
Utilities	7.4	7.2
External production and maintenance costs	13.4	12.0
Variable transport costs	34.2	26.6
Other costs	8.8	6.7
Total cost of goods sold	**496.2**	**435.6**

The increase in the cost of goods sold is commented upon in the Directors' report, where the change in the percentage of net sales accounted for by these costs is analysed.

The item depreciation pending on final stocks refers to depreciation of tangible assets of Rare Breed Distilling LLC, which sustained costs during the year that were nearly entirely pending on stock, since the liquid produced undergoes an ageing process; on average, the product is aged for between five and seven years.
For a breakdown of personnel costs, see note 16 - Personnel costs.

13. Structure costs

Structure costs include:

Breakdown of structure costs by function	2010 € million	2009 € million
Sales costs	88.6	78.5
General and administrative expenses	105.5	87.1
Total structure costs	**194.1**	**165.6**

Breakdown of structure costs by nature	2010 € million	2009 € million
Agents and other variable sales costs	17.8	13.8
Depreciation and amortisation	7.5	6.0
Personnel costs	96.6	80.2
Travel, transfers, training and meetings	16.6	14.1
Utilities	1.5	4.1
Services, consultancy, maintenance and insurance	27.3	20.7
Operating leases and rental expenses	7.7	8.7
Other	15.8	13.9
One-offs: (income) and charges	3.3	4.1
Total structure costs	**194.1**	**165.6**

The rise in structure costs is linked to the Group's expansion in Australia, but it is also the result of the acquisitions made in 2009 (CJSC 'Odessa Sparkling Wine Company', MCS.S.p.r.l. and Rare Breed Distilling LLC), which affect the Group's income statement for the full twelve months of 2010.
For a breakdown of personnel costs, see note 16 - Personnel costs.
The increase in the item services, consultancy, maintenance and insurance is largely attributable to costs for the outsourcing of services, various consultancy services and IT services associated with ongoing business management projects.
A breakdown of one-offs: income and charges, is provided in the next section.

14. One-off structure costs

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

	2010 € million	2009 € million
Changes in put options and earn-outs	5.0	6.4
Gains on sales of fixed assets	0.4	-
Other one-offs: income	0.6	-
Total one-offs: income	6.0	6.4
Provisions for risks and future liabilities	(2.2)	(0.2)
Liquidation charges	-	(0.4)
Impairment on trademarks	-	(4.7)
Write-downs of Group company assets	-	(1.0)
Write-downs of tangible fixed assets	(0.2)	(0.2)
Rental fees	(0.2)	(0.5)
Personnel restructuring costs	(2.6)	(2.1)
Other industrial restructuring costs	(2.3)	-
Penalty for the early termination of a distribution relationship	(0.2)	(0.4)
Other one-offs: charges	(1.6)	(1.1)
Total one-offs: charges	(9.3)	(10.5)
		-
Total (net)	**(3.3)**	**(4.1)**

Changes in put options and earn-outs include changes in financial payables for put options and earn-outs. Specifically, on 30 July 2010 the Group acquired the remaining 20% of the share capital of Cabo Wabo, LLC before the contractually agreed deadline. Furthermore, as the contract contained an earn-out mechanism on sales of Cabo Wabo for the next three years, the difference (amounting to € 3.7 million) between the previous estimate in 2009 less the amount paid in 2010 and the forecast outlay for earn-outs for the coming years was written to the income statement.
In addition, following the payment in 2010 of the final earn-out on X-Rated Fusion Liqueur, which was lower than previously expected, income of € 1.3 million was recorded.
The provisions for risks and future liabilities of € 2.2 million are attributable to provisions for tax risks made by the Parent Company in relation to penalties calculated at € 1.7 million. The remaining provisions relate to legal disputes involving various Group companies.
Rental fees were paid to the lessor of the property previously used as the headquarters of some of the Italian group companies, as compensation for the delay in vacating the property.
The personnel restructuring costs of € 2.6 million were incurred by Campari do Brasil Ltda and the Italian companies in relation to various positions.

15. Depreciation and amortisation

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

	2010 € million	2009 € million
- Tangible fixed assets	18.0	19.3
- Intangible fixed assets	0.3	0.1
Depreciation and amortisation included in cost of goods sold	18.3	19.4
- Tangible fixed assets	4.5	3.4
- Intangible fixed assets	3.0	2.6
Depreciation and amortisation included in structure costs	7.5	6.0
- Tangible fixed assets	22.5	22.7
- Intangible fixed assets	3.3	2.7
Total depreciation and amortisation in the income statement	**25.8**	**25.4**
Depreciation and amortisation not included in the income statement because pending for final stocks of liquids undergoing the ageing process	**3.8**	**-**
Total depreciation and amortisation	**29.6**	**15.4**

16. Personnel costs

	2010 € million	2009 € million
Salaries and wages	98.5	82.9
Social security contributions	24.7	21.2
Cost of defined contribution pension plans	4.3	3.5
Cost of defined benefit pension plans	0.5	0.3
Other costs relating to long-term benefits	0.6	1.1
Cost of share-based payments	6.9	4.6
	135.5	**113.7**

The allocation of personnel costs to the cost of goods sold and structure costs is set out in detail in the two previous notes. Personnel costs increased by 19.2% compared with the previous year, reflecting the consolidation for the whole of 2010 of the subsidiaries CJSC 'Odessa Sparkling Wine Company', MCS.S.p.r.l. and Rare Breed Distilling LLC, plus the establishment of Campari Australia Pty Ltd. and the acquisition of T.J. Carolan&Son Ltd.

17. Research and development costs

The Group's research and development activities relate solely to ordinary production and commercial activities; namely, ordinary product quality control and packaging studies in various markets.
Related costs are recorded in full in the income statement for the year in which they are incurred.

18. Other costs

Minimum payments under operating leases in 2010 were € 6.6 million (€ 6.4 million in 2009) and relate to contracts held by Group companies on IT equipment, company cars and other equipment, and to leasing agreements on property.

19. Financial income and charges

Net financial charges for the year break down as follows:

	2010 € million	2009 € million
Bank and term deposit interest	5.2	6.1
Other income	0.6	0.6
Total financial income	**5.7**	**6.7**
Interest payable on bonds and private placement	(40.7)	(25.3)
Interest payable on leases	(0.1)	(0.3)
Interest payable to banks	(0.4)	(5.7)
Total interest payable	**(41.3)**	**(31.2)**
Financial liabilities relating to defined benefit plans	(0.4)	(0.4)
Effects of discounting payables for put options	-	(0.4)
Bank charges	(0.5)	(0.6)
Other charges and exchange rate differences	(1.0)	(3.0)
Total financial charges	**(2.0)**	**(4.4)**
Financial charges on the term loan facility	-	(7.7)
Income from financial assets	1.9	-
One off financial charges	**1.9**	(7.7)
Net financial income (charges)	**(35.7)**	**(36.5)**

The net financial charges for the period of € 35.7 million are only slightly lower than the figure for the previous year of € 36.5 million due to the combined effect of contrasting developments.

There was a rise of € 15.4 million in the interest payable on bonds; net of hedging effects, the amount paid to bondholders increased by € 16.3 million, while the fair value measurement of hedging instruments and the associated underlyings had a positive impact of € 0.9 million. The breakdown on interest payable to bondholders is shown in the table below.

	2010			2009
	Parent Company € million	Redfire, Inc. € million	Total € million	Total € million
Financial charges payable to bondholders	(29.1)	(20.3)	(49.4)	(27.0)
Net financial income (charges) on swaps	6.8	-	6.8	0.8
Net cost (coupon)	**(22.4)**	**(20.3)**	**(42.6)**	**(26.3)**
Net changes in fair value and other amortised cost components	(0.5)	1.7	1.2	0.2
Cash flow hedge reserve reported in the income statement during the year	0.6	-	0.6	0.8
Net interest payable on bonds and private placement	**(22.2)**	**(18.5)**	**(40.7)**	**(25.3)**

The higher interest paid to bondholders relates to the two bonds issued during 2009 (the first in June and the second in October), with interest payable for the entire year in 2010.

As regards the interest rates paid during the year, Redfire, Inc. paid interest on the 2003 private placement at a fixed rate of between 6.17% and 6.49%, redeeming a portion of the principal equivalent to US$ 8.3 million. On the private placement issued in June 2009, the company paid a fixed coupon of between 6.83% and 7.99%.

The Parent Company paid an average fixed rate of interest of 4.25% on an underlying of € 172 million and variable rates on an underlying of € 86 million for the bond issued in 2003; on the Eurobond issued in 2009, the company paid a fixed rate of 5.375% on € 100 million and variable rates on € 250 million; the portion subject to variable rates was reduced to € 200 million during the fourth quarter of the year.

Since interest rates remained fairly stable during 2010, interest payments on variable-rate debt did not undergo any significant changes as regards the average financial charge. The portion subject to fixed-rate interest, on the other hand, saw a rise caused by the payment of higher fixed rates on the two loans issued in June and October 2009.

The interest payable to banks fell from € 5.7 million in 2009 to € 0.4 million in 2010. In 2009, this related mainly to the use of credit lines negotiated to finance the acquisition of Wild Turkey and closed following the issuing of the loans mentioned above.

Net exchange rate differences resulted in income of € 1.5 million in 2010, whereas in 2009 they represented charges of € 0.5 million.

The one-off income for the period of € 1.9 million is attributable to the final sale of receivables from Lehman Brothers by both Redfire Inc. and the Parent Company. These receivables, deriving from hedging instruments put in place before the bank's collapse, were recorded at 31 December 2009 at € 4.4 million. They were sold for a total amount of € 6.3 million.
At 31 December 2009, one-off charges related to the structuring of the term and revolving loan facility mentioned above.

20. Put option charges

Put option charges relate to the portion of profits pertaining to the minority interests in Cabo Wabo.

21. Income taxes

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

	2010 € million	2009 € million
- taxes for the year	(44.1)	(52.4)
- taxes relating to previous years	(0.2)	(1.6)
Income tax - current	(44.3)	0.0
Income tax – deferred: newly reported and cancelled temporary differences	(25.5)	(6.8)
Provisions for tax risks	(6.5)	0.0
Income tax reported in the income statement	**(76.2)**	**(60.8)**

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

	2010 € million	2009 € million
Current taxes relating to profits (losses) posted directly to shareholders' equity	0.0	0.0
Deferred taxes on profits (losses) from cash flow hedging	(1.6)	5.7
	(1.6)	**5.7**

The table below shows a reconciliation of the theoretical tax charge with the Group's actual tax charge.
Note that, in order to provide a clearer picture, IRAP has not been taken into account since, being a tax calculated on a tax base other than pre-tax profit, it would have had distortive effects.
Theoretical taxes were therefore calculated solely by applying the current tax rate in Italy for IRES (Italian corporation tax) i.e. 27.5%.

Reconciliation of the theoretical tax charge with the actual charge	2010 € million	2009 € million
Group profit before tax	232.5	197.9
Applicable tax rate in Italy	27.50%	27.50%
Group theoretical taxes at current tax rate in Italy	(63.9)	(54.4)
Difference in tax rate of foreign companies compared to the theoretical rate	0.8	1.1
Difference in tax rate of Italian companies compared to the theoretical rate	0.0	0.5
Taxes relating to previous financial years	(1.0)	(1.6)
Provisions to tax reserves	(6.5)	0.0
Permanent differences	(0.2)	(0.9)
IRAP (Italian regional tax)	(5.4)	(5.4)
Actual tax charge	(76.2)	(60.8)
Actual tax rate	32.79%	30.71%

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

	Balance sheet		Income statement	
	31 December 2010	31 December 2009	2010	2009
	€ million	€ million	€ million	€ million
Deferred expenses	1,6	1,2	0,4	(0,2)
Taxed reserves	24,1	10,6	12,0	6,4
Past losses	4,9	5,1	(0,8)	(0,6)
Other	4,2	11,3	(7,2)	5,9
Deferred tax assets used to offset deferred tax liabilities	(26,3)	(20,5)	0,0	0,0
Deferred tax assets	8,4	7,7	4,3	11,4
Accelerated depreciation	(19,8)	(6,3)	(13,4)	(3,6)
Capital gains subject to deferred taxation	(0,7)	(1,7)	1,0	1,0
Goodwill and trademarks deductible locally	(103,1)	(78,5)	(20,9)	(16,9)
Cash flow hedge	(1,9)	(0,6)	(1,3)	0,2
Reserves subject to taxation in the event of a dividend	0,4	(0,1)	0,6	0,5
Adjustment to Group accounting principles	7,5	5,6	1,8	0,9
Leasing	(2,6)	(2,6)	0,0	0,0
Allocation of values deriving from acquisitions	(17,3)	(3,0)	0,0	0,0
Other	(2,8)	(0,6)	2,4	(0,4)
Deferred tax assets used to offset deferred tax liabilities	26,3	20,5	0,0	0,0
Deferred tax liabilities	(114,0)	(67,4)	(29,8)	(18,2)
Total			(25,5)	(6,8)

Deferred tax assets in respect of past losses are entirely attributable to Campari do Brasil Ltda.
Local legislation does not set a time limit for their use, but does set a quantitative limit for each individual year, based on declared taxable income.
The Company has also begun to use these against taxable income.

22. Basic and diluted earnings per share

Basic earnings per share are calculated as the ratio of the Group's portion of net profits for the year to the weighted average number of ordinary shares outstanding during the year; own shares held by the Group are, therefore, excluded from the denominator.
Diluted earnings per share are determined by taking into account the potential dilution effect resulting from options allocated to beneficiaries of stock option plans in the calculation of the number of outstanding shares.
Basic earnings per share are calculated as follows; note that, for ease of comparison, the 2009 figures (number and average allocation price of the options) have been adjusted to take account of the bonus capital increase that took place in 2010.

Basic earnings		2010			2009	
	Profit	No. of shares	Earnings per share	Profit	No. of shares	Earnings per share
	€ million		€	€ million		€
Net profit attributable to ordinary shareholders	156.2			137.1		
Weighted average of ordinary shares outstanding		577,298,215			576,021,519	
Basic earnings per share			0.27			0.24

Diluted earnings per share are calculated as follows:

Diluted earnings		2010			2009	
	Profit	No. of shares	Earnings per share	Profit	No. of shares	Earnings per share
	€ million		€	€ million		€
Net profit attributable to ordinary shareholders	156.2			137.1		
Weighted average of ordinary shares outstanding		577,298,215			576,021,519	
Weighted average of shares created by the bonus issue		2,266,231			2,647,964	
Weighted average of ordinary shares outstanding net of dilution		579,564,446			578,669,483	
Diluited earnings per share			0.27			0.24

23. Net tangible fixed assets

Changes in this item are indicated in the table below.

	Land and buildings € million	Plant and machinery € million	Other € million	Total € million
Carrying value at start of year	215.4	228.8	75.2	519.4
Accumulated depreciation at start of year	(46.4)	(156.2)	(32.8)	(235.4)
Balance at 31 December 2009	**168.9**	**72.6**	**42.4**	**284.0**
Investments	18.3	27.5	14.6	60.4
Disposals	(0.1)	(0.1)	(3.2)	(3.5)
Depreciation	(6.7)	(13.1)	(5.4)	(25.2)
Reclassifications	(3.2)	3.4	(0.2)	0.0
Write-downs	(0.2)	(0.1)	0.0	(0.4)
Exchange rate differences and other changes	(4.3)	11.8	2.8	10.3
Balance at 31 December 2010	**172.7**	**102.0**	**51.0**	**325.7**
Carrying value at end of period	227.5	271.4	85.6	584.5
Accumulated depreciation at end of year	(54.9)	(169.4)	(34.6)	(258.8)

Land and buildings included, among the investments made during the year of € 18.3 million, investments made by the subsidiary Campari do Brasil Ltda for the construction of the new plant in Suape, totalling € 8.3 million. Total assets recorded for this project currently amount to € 35.9 million, of which € 20.5 million relates to 2010, including plant and machinery and other fixed assets.
The project for the new distillery in Lawrenceburg resulted in investment of € 5.8 million on the part of the subsidiary Rare Breed Distilling, LLC. Total assets of € 18.6 million have already been recorded, of which € 12.8 million were reported during 2010, including plant and machinery and other fixed assets.
The project has been financed through third parties via the parent company Redfire, Inc, and the attendant financial charges of € 1.0 million were capitalised at a rate of 7.3%.
The Parent Company invested € 0.7 million in upgrade work on production units.
Lastly, investments in land and buildings include € 0.8 million attributable to Glen Grant Distillery Company Ltd. for building works carried out in the semi-finished products warehouse at Burncrook; the remainder is attributable to the expansion and restructuring work carried out at the offices and plants of various Group subsidiaries.

Investments in plant and machinery, amounting to € 27.5 million, primarily included:
- investments of € 5.7 million made by the Parent Company in relation to production units; specifically, € 2.4 million was invested in new plants to produce aperitifs at Crodo and € 2.0 million was invested to maintain and upgrade lines at Novi Ligure;
- investments of € 0.4 million made by Sella e Mosca S.p.A in new plants built at the facility in Alghero;
- investments of € 9.7 million made by Campari do Brasil Ltda. in the new plant in Suape;
- investments of € 7.2 million made by Rare Breed Distilling, LLC. in the new distillery in Lawrenceburg.

Other investments in tangible assets of € 14.6 million included primarily:
- the purchase of barrels to be used for ageing, amounting to € 5.1 million in the case of Rare Breed Distilling, LLC; € 0.5 million for Glen Grant Distillery Company Ltd., € 0.2 million for Sabia S.A. and € 0.2 million for Sella e Mosca S.p.A;
- investments of € 1.6 million made by Rare Breed Distilling, LLC in the construction of a new barrel warehouse;
- investments of € 1.8 million made by Sabia S.A. in new plants to produce Cinzano in Argentina;
- investments of € 1.2 million in the new head office of Campari Australia Ltd. and investments of € 1.2 million made by the Parent Company in electronic machinery, primarily for the new head offices of some of the Group's Italian companies and for the production units.

Disposals of € 3.2 million were entirely attributable to Rare Breed Distilling, LLC, and related to the sale of barrels.

Lastly, please note that, for greater clarity, fixed assets in progress of € 7.8 million are included under the categories to which they relate, depending on the nature of the investment.
The following table provides a breakdown of tangible fixed assets by ownership.

	Owned fixed assets € million	Fixed assets under finance leases € million	Total € million
Land and buildings	151.8	20.9	172.7
Plant and machinery	101.1	0.9	102.0
Other assets	50.9	0.1	51.0
	303.8	**21.8**	**325.7**

24. Biological assets

This item includes biological assets consisting of fruit-bearing and mature vines that provide grapes for wine production and pre-production vineyards.
Sella&Mosca S.p.A. owns vineyards covering approximately 548 hectares north of Alghero in Sardinia, 96 hectares near San Gimignano in Tuscany and around 7 hectares near Alba in Piedmont.
The Group also owns around 67 hectares of vineyards in Saint Gilles in France, through Société Civile du Domaine de La Margue.
Changes in this item are indicated in the table below.

	Assets valued at fair value € million	Assets valued at cost € million	Total € million
Opening value	3.1	21.8	24.9
Opening accumulated depreciation		(6.4)	(6.4)
Balance at 31 December 2009	**3.1**	**15.4**	**18.5**
Investments		0.7	0.7
Depreciation	-	(1.0)	(1.0)
Balance at 31 December 2010	**3.1**	**15.0**	**18.1**
Closing value	3.1	22.4	25.5
Closing accumulated depreciation	-	(7.4)	(7.4)

The increase of € 0.7 million during the year relates to Sella&Mosca S.p.A. and refers to internal work on non-productive vineyards, mainly in Tuscany, and includes capitalised internal labour costs of € 0.2 million.

As for the biological assets in Sardinia, with respect to the application of IAS 41 on the accounting treatment of biological assets (vines) and biological products (grapes), given the unique situation of the territory in which Sella&Mosca S.p.A. operates, as described below, it was decided to continue recording these assets at cost, less accumulated depreciation, since valuation at fair value would require the following conditions to be met, which do not apply in the context in which the Company operates:

- the existence of an active market for biological products and assets. This is not the case in Sardinia, as the market cannot absorb grapes and vines in the quantities concerned, due to a lack of buyers, and it is not possible to set potential market prices in a scenario in which all products or biological assets are made available for sale;
- the adoption of the alternative cash flow valuation method, which cannot be used due to both the inability to set a reliable price for the biological products concerned in the quantity concerned, and the inability to determine or measure the projected cash flows.

The depreciation rate used by Sella&Mosca S.p.A. for vineyards is 5%.
Other biological assets are valued at fair value, based on expert surveys of agricultural land and the related vineyards.
At 31 December 2010, non-productive biological assets totalled € 2.3 million, recorded under biological assets in progress, compared to € 4.2 million at 31 December 2009.
In particular, pre-production vineyards in Tuscany are valued at € 2.1 million, and mainly refer to those planted in 2006, 2007, 2009 and 2010, while those in Piedmont are valued at € 0.2 million.
Agricultural output during the year totalled approximately 80,300 quintals in Sardinia, around 4,805 quintals in Tuscany and some 593 quintals in Piedmont.
Given that it was all processed, there were no inventories of this production at the year end.

25. Investment property

At 31 December 2010, investment property of € 0.6 million related mainly to the Parent Company, and included apartments and a shop in the provinces of Milan, Bergamo and Verbania, and two buildings in rural locations in the province of Cuneo. There were no significant increases in this asset class during the year.
These buildings are recorded in the accounts at their approximate fair value at the reporting date.

26. Goodwill and trademarks

Changes during the year are shown in the table below.

	Goodwill € million	Trademarks € million	Total € million
Carrying value at start of year	858.3	345.7	1,205.0
Opening impairment	(4.7)	-	(4.7)
Balance at 31 December 2009	**853.7**	**345.7**	**1,199.4**
Change in basis of consolidation	25.1	116.6	141.7
Exchange rate differences	50.7	17.3	68.0
Balance at 31 December 2010	**929.5**	**479.7**	**1,409.1**
Carrying value at end of year	934.4	479.7	1,414.0
Closing impairment	(4.9)		(4.9)

Intangible assets with an indefinite life are represented by goodwill and trademarks, both deriving from acquisitions.
The Group expects to obtain positive cash flow from these assets for an indefinite period of time.
Goodwill and trademarks are not amortised but are subject to impairment tests.
The form taken by these tests is shown in note 27 - Impairment.
The change in the basis of consolidation relating to goodwill and trademarks, amounting to € 25.1 million and € 116.6 million respectively, is entirely attributable to the acquisition during the year of T.J. Carolan Ltd.
For further information, see note 8 - Acquisitions.
Exchange rate differences of € 68 million referred to the adjustment to year-end exchange rates of the goodwill relating to Skyy Spirits, LLC, Cabo Wabo, LLC, Campari do Brasil Ltda., Sabia S.A., Destiladora San Nicolas S.A. de C.V., CJSC Odessa Sparkling Wine Company and Wild Turkey, as well as the X-Rated Fusion Liqueur, Cabo Wabo and Wild Turkey trademarks.

27. Impairment

The Group ascertains the possibility of recovering amounts relating to goodwill and trademarks that are recorded in the accounts by carrying out impairment tests annually, or more frequently if there are indications of a loss in value.
The recoverability of the amounts relating to goodwill and trademarks is assessed through an estimate of their value in use, which is the present value of future cash flows discounted at a rate that reflects the time value of money and specific risks on the valuation date. In addition, in the absence of multiple-year estimates, the recoverable value of assets may be estimated according to the fair value criterion minus cost of sale, using comparable transaction multiples.
For the purposes of the impairment tests, the amounts for goodwill and trademarks were allocated to the respective units (or groups of units) that generated cash flows ("cash generating units" or CGUs) on the closing date of the accounts. The Group identified the CGUs in the businesses, or groups of businesses acquired by them, that correspond to an individual brand or portfolios of brands, or to entities that produce and/or distribute one or more brands.
Estimates of cash flows generated by individual CGUs were used for estimating the recoverable value based on value in use. Forecasts of operating cash flows come from the 2011 budget and the strategic plans prepared by the Group's subsidiaries in 2010 for the period 2012-2015. In addition, the five-year plan was extrapolated on a ten-year basis, assuming medium- to long-term growth rates no higher than the average long-term growth rate for the market in which the Group operates. The use of a ten-year period was justified in light of the life cycle of the brands in the spirits market, as well as the presence in some CGUs of products that require long periods of ageing.
Estimates of future cash flows were calculated based on prudent criteria in respect of growth rates and sales development. In addition, projections are based on reasonableness and consistency with respect to the allocation of future general expenses, expected trends in capital investment, conditions of financial equilibrium and the main macroeconomic variables. Estimates of future cash flows were determined also by taking into account the Group's historical averages. Cash flow projections relate to current operating conditions and therefore do not include cash flows connected with any one-off operations.
For the purposes of determining the terminal value, the perpetuity growth method of discounting was used. Specifically, the terminal growth rate was taken to be 1.5%, which does not exceed the sector's estimated long-term growth rate. Moreover, in view of the large amount of stock on hand required to finance the future development of those CGUs whose main business relates to products with a long ageing period, it was considered appropriate also to use the exit multiple method to determine the terminal value in order to take into account the excess stocks of ageing liquid.
The value in use of the CGUs was calculated by discounting the estimated value of future cash flows, including the terminal value, which it is assumed will derive from the continuing use of the assets, at a discount rate (net of taxes and adjusted for risk) that reflects the average weighted cost of capital. Specifically, the discount rate used was the

Weighted Average Cost of Capital (WACC). To determine the discount rate, reference was made to observable market indicators and parameters, the present value of money and specific risks connected with the business being valued. A discount rate of 7.8% was used on the date that the valuation was performed.
To estimate the recoverable value in the absence of a multi-year plan, the fair value criterion less sales costs was used, in conjunction with the comparable transaction multiples method. This methodology applies parameters to the CGU being valued that were deduced from the valuation attributed to a comparable company acquired in an active market. These implicit parameters or multipliers are deduced from the ratio of the price paid to acquire comparable companies to specific economic and financial indicators relating to those companies.
The procedure to identify a relevant sample consists of selecting a number of recent transactions relating to the acquisition of companies with similar characteristics based on operational and financial criteria. For the purposes of determining the fair value of the CGUs, the EV/EBITDA multiple was used. The use of this multiplier is considered particularly effective as it avoids distortions caused by the different tax regulations and financial structures; is less sensitive to distortions caused by variations in extraordinary profit; and facilitates comparison at international level.
At 31 December 2010, based on the methodologies and assumptions set out above, the impairment tests revealed that the value of goodwill and trademarks was fully recoverable.
To take into account current market volatility and uncertainty over future economic prospects, sensitivity analyses have been carried out to assess the recoverability of amounts relating to goodwill and trademarks.
In addition, a sensitivity analysis of recoverable values was carried out based on the assumption of a half-point increase in the discount rate and a half-point reduction in the terminal growth rate.
The sensitivity analysis described above confirmed that the values of the goodwill and trademarks of the CGUs are fully recoverable.

The value of goodwill and trademarks allocated to the CGUs at 31 December 2010 and classified by business area according to the CGUs' main activity is shown in the table below.

	31 December 2010		31 December 2009	
	Goodwill	Trademarks	Goodwill	Trademarks
	€ million	€ million	€ million	€ million
Spirits				
Ouzo-12	10.0	7.4	10.0	7.4
Brazilian brands	81.6	-	72.0	-
Skyy Spirits	360.2	-	334.1	-
Barbero - Riccadonna - Mondoro	137.9	12.3	137.9	12.3
Barbero	*137.9*	-	*137.9*	-
Riccadonna	-	*11.3*	-	*11.3*
Mondoro	-	*1.0*	-	*1.0*
GlenGrant, Old Smuggler	-	104.3	-	104.3
X-Rated Fusion Liqueur	-	38.2	-	35.5
Cabo Wabo	27.0	53.2	25.1	49.3
Destiladora San Nicolas	8.4	7.1	7.3	6.2
Sabia	4.4	0.1	4.2	0.1
Wild Turkey	154.9	136.7	143.7	126.8
C&C brands	25.1	116.6	-	-
Campari Benelux (formerly Mcs)	0.3		0.3	-
Other	-	1.0	-	1.0
Total	**809.8**	**476.9**	**734.6**	**342.9**
Wines				
Cinzano	51.5	0.8	51.5	0.8
Sella&Mosca - Zedda Piras - Lamargue	55.3	0.0	55.3	0.0
Odessa	8.4	-	7.7	-
Total	**115.2**	**0.8**	**114.5**	**0.8**
Soft drinks				
Former Bols brands	4.6	2.0	4.6	2.0
Total	**4.6**	**2.0**	**4.6**	**2.0**
Total	**929.5**	**479.7**	**853.7**	**345.7**

28. Intangible assets with a finite life

Changes in this item are indicated in the table below.

	Software € million	Other € million	Total € million
Carrying value at start of year	13.0	15.0	28.0
Accumulated amortisation at start of year	(10.0)	(12.5)	(22.5)
Balance at 31 December 2009	**3.0**	**2.4**	**5.5**
Investments	2.6	14.0	16.6
Amortisation for the year	(2.0)	(1.3)	(3.3)
Write-downs	(0.1)	-	(0.1)
Exchange rate differences and other changes	-	0.2	0.2
Balance at 31 December 2010	**3.5**	**15.4**	**18.8**
Carrying value at end of year	15.3	24.4	39.7
Accumulated amortisation at end of year	(11.8)	(9.1)	(20.9)

Intangible assets with a finite life are amortised on a straight-line basis in relation to their remaining useful life.
Investment during the year totalled € 16.6 million, of which € 11.0 million can be attributed to the Parent Company for the acquisition of the rights to produce and distribute Cinzano in Argentina from Cepas Argentina S.A.
Intangible assets with a finite life also include, in relation to the Parent Company, € 2.4 million for the acquisition of software licences and development activities for the SAP R/3 system and, in relation to the subsidiary Skyy Spirits, LLC, € 1.1 million for the implementation of the new SAP R/3 system on a global platform in line with the Group model and other SAP upgrades.

29. Other non-current assets

This item breaks down as follows:

	31 December 2010 € million	31 December 2009 € million
Financial receivables from Lehman Brothers	-	4.4
Term deposits	-	155.1
Derivatives on Parent Company bond (Eurobond)	3,6	-
Non-current financial assets	**3.6**	**159.5**
Equity investments in other companies	0.2	0.3
Security deposits	0.9	0.7
Receivables from employee benefit funds	0.7	0.9
Other non-current receivables from main shareholders	-	0.2
Other non-current tax receivables	1.2	0.8
Other non-current assets	**3.0**	**2.8**
Non-current assets	**6.7**	**162.3**

The derivative on the bond represents the fair value of the interest rate hedge for the bond (Eurobond) issued by the Parent Company in 2009 totalling € 350 million. The interest rate swap involves paying a variable interest rate (six-month EURIBOR + 210 basis points) and was taken out in 2009 on an underlying of € 250 million, reduced to € 200 million in the final quarter of 2010. At 31 December 2009, the same financial instrument was measured as a liability of € 3.4 million. Changes in the fair value of the hedge are posted to the income statement. For more information, please see note 45 - Financial instruments.
In 2009, this item included the financial receivables from Lehman Brothers, amounting to € 4.4 million, relating to the value of derivative instruments that the Group had entered into with the investment bank between 2002 and 2006. These receivables were definitively sold in 2010 for a total of € 6.3 million. The capital gain of € 1.9 million was posted to the income statement under one-off financial income. For more information, please see note 19 - Financial income and charges.
Finally, the item also included term deposits of € 155.1 million. A portion of these deposits were closed early in order to finance the acquisition of T.J. Carolan Ltd, which took place in the final quarter of the year, while another portion of € 90.0 million is classified under cash and cash equivalents, as it matures in March 2011.

Receivables from employee benefit funds represent a surplus of assets servicing the plan in respect of the present value of benefit obligations at year end.
For further information, see comments under note 39 - Defined benefit plans.
Other non-current tax receivables refer to receivables from tax authorities attributable to the Parent Company (€ 0.5 million) and the Brazilian subsidiary.

30. Inventories

This item breaks down as follows:

	31 December 2010 € million	31 December 2009 € million
Raw materials, supplies and consumables	35.7	32.3
Work in progress and liquid undergoing the aging process	183.7	164.4
Finished products and goods for resale	75.5	74.7
Total	**294.9**	**271.4**

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

	€ million
Balance at 31 December 2009	4.3
Provisions	0.8
Amounts used	(2.8)
Exchange rate differences and other changes	0.7
Balance at 31 December 2010	**3.0**

31. Trade receivables and other receivables

This item breaks down as follows:

	31 December 2010 € million	31 December 2009 € million
Trade receivables from external customers	249.3	211.6
Trade receivables from affiliated companies	1.5	1.6
Receivables for contributions to promotional costs	18.6	23.0
Trade receivables	**269.4**	**236.2**
Advances to suppliers of fixed assets	0.5	1.2
Advances and other receivables from suppliers	2.1	2.0
Other receivables from tax authorities	9.4	4.6
Receivables from agents and miscellaneous customers	2.4	2.4
Pre-paid expenses	3.2	2.9
Price difference on Wild Turkey acquisition	-	1.4
Other	3.5	6.3
Other receivables	**21.1**	**19.5**

All the receivables shown above are due within twelve months.
Their carrying value is considered to be close to their fair value.
Trade receivables are shown net of year-end bonuses and payables for promotional costs. This item is reported net of the related provision for write-downs, reflecting the actual risk of uncollectibility, consistent with the disclosure of revenues on the income statement.
The subsidiary Campari Australia, which has trade receivables of € 20.0 million, became fully operational during the year.
Trade receivables are reported net of the receivables sold on a non-recourse basis by Group companies; at 31 December 2010, receivables totalling € 52.7 million had been sold.

Advances and other receivables from suppliers of € 2.1 million are attributable to the Parent Company and its subsidiary Odessa.

Other receivables from tax authorities of € 9.4 million primarily comprise € 4.1 million for VAT and € 3.9 million for other taxes relating to the Brazilian subsidiary.

The price difference on the Wild Turkey acquisition in 2009 included the receivable from the vendor for adjustments to the acquisition price for that company.

The table below breaks down receivables by maturity; note that the other receivables column shows the total of receivables from agents and miscellaneous customers and the other item, as shown in the table above.
This breakdown excludes advances to suppliers of non-current assets, prepayments, tax credits and deferred charges.

31 December 2010	Trade receivables € million	Other receivables € million	Total € million
Not due and not written down	**212.1**	**4.1**	**216.2**
Due and not written down:			
Less than 30 days	28.6	0.0	28.7
30 - 90 days	17.4	1.3	18.7
Within 1 year	7.0	0.2	7.2
Within 5 years	3.3	0.0	3.3
Due after 5 years	0.2	0.0	0.2
Total due and not written down:	**56.5**	**1.5**	**58.0**
Due and written down	9.3	0.6	9.9
Amount written down	(8.4)	(0.3)	(8.7)
Total receivables broken down by maturity	**269.4**	**5.9**	**275.3**
Receivables not significant for breakdown by maturity	0.0	15.1	15.1
Total	269.4	21.1	290.4

31 December 2009	Trade receivables € million	Other receivables € million	Total € million
Not due and not written down	**190.3**	**8.1**	**198.4**
Due and not written down:			
Less than 30 days	20.2	-	20.2
30 - 90 days	14.2	0.1	14.3
Within 1 year	7.2	0.2	7.5
Within 5 years	2.4	-	2.4
Due after 5 years	0.2	-	0.2
Total due and not written down:	**44.1**	**0.4**	**44.5**
Due and written down	9.9	0.5	10.4
Amount written down	(8.2)	(0.2)	(8.4)
Total receivables broken down by maturity	**236.2**	**8.8**	**244.9**
Receivables not significant for breakdown by maturity	-	4.8	4.8
Total	**236.2**	**19.5**	**255.7**

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

	Bad debt provisions	
€ million	Trade receivables	Other receivables
Balance at 31 December 2009	**8.2**	**0.2**
Provisions	3.1	0.1
Amounts used	(3.2)	
Exchange rate differences and other changes	0.4	-
Balance at 31 December 2010	**8.4**	**0.3**

Provisions for the year totalling € 3.1 million comprise € 2.1 million for trade receivables at the Parent Company and € 0.3 million for bad debts relating to the traditional sales channel at Sella&Mosca S.p.A. and Sella & Mosca Commerciale S.r.l., and € 0.7 million for the same at Campari do Brasil.
The amounts used during the year relate mainly to the Parent Company and its subsidiary Campari do Brasil (€ 2.8 million) for the settlement of lawsuits outstanding from previous years.

32. Short-term financial receivables

This item breaks down as follows:

	31 December 2010 € million	31 December 2009 € million
Securities	0.2	3.6
Net accrued swap interest income on bonds	1.4	1.2
Valuation at fair value of forward contracts	-	1.8
Other financial assets and liabilities	-	0.1
Other short-term financial receivables	1.4	3.1
Short-term financial receivables	**1.6**	**6.7**

Securities mainly include short-term or marketable securities representing a temporary investment of cash, but which do not satisfy all the requirements for classification under cash and equivalents. In particular, the item includes securities that fall due within one year.

Accrued interest on hedging derivatives relating to the Eurobond (€ 1.4 million) reflects current market rates, as the Parent Company transferred part of the liability to variable rates via an interest rate swap.

All financial payables are current and due within a year.

33. Current tax receivables

	31 December 2010 € million	31 December 2009 € million
Income taxes	5.6	4.8
Receivables from main shareholders for tax consolidation	0.2	0.1
Current tax receivables	**5.8**	**4.9**

Current tax receivables can all be recovered within twelve months.
Receivables from the main shareholder refer to the Parent Company's receivable from Alicros S.p.A. in relation to the tax consolidation scheme, for which the Group has a non interest-bearing net payable of € 16.9 million (for more information, please see note 48 - Related parties).

34. Cash and equivalents and reconciliation with net debt

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

	31 December 2010 € million	31 December 2009 € million
Bank current accounts and cash	126.1	93.3
Term deposits maturing within 3 months	133.6	36.3
Cash and cash equivalents	**259.7**	**129.6**

The cash and cash equivalents item comprises bank current accounts, other sight deposits and those that can be withdrawn within a maximum period of three months from the reporting date, which are held at leading banks and pay variable interest rates based on LIBOR depending on the currency and period concerned.
It also includes securities that can be readily converted to cash consisting of short-term, highly liquid financial investments that can be quickly converted to known cash instruments, with an insignificant risk of change in value.

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

	31 December 2010 € million	31 December 2009 € million
Cash and cash equivalents	259.7	129.6
Liquidity (A)	259.7	129.6
Securities	0.2	3.6
Other short-term financial receivables	1.4	3.1
Short-term financial receivables (B)	1.6	6.7
Short-term bank debt	(38.4)	(17.3)
Current portion of property lease payables	(3.4)	(3.3)
Current portion of private placement and bonds	(6.2)	(5.8)
Other short-term financial payables	(12.3)	(13.5)
Short-term financial debt (C)	(60.3)	(39.9)
Short-term net cash (debt) position (A+B+C)	201.0	96.4
Medium/long-term bank debt	(0.4)	(0.9)
Property lease payables	(4.4)	(6.3)
Private placement and bonds	(872.6)	(861.8)
Other medium/long-term financial payables	(0.8)	(0.7)
Payables for put options and earn-outs	(3.4)	(16.9)
Medium/long-term financial debt (D)	(881.6)	(886.7)
Net debt (A+B+C+D) (*)	(680.6)	(790.3)
Reconciliation with Group net debt, as shown in the Directors' report:		
Assets for derivatives on bonds, non-current portion	3.6	-
Term deposits maturing after 1 year	-	155.1
Medium/long-term financial receivables	-	4.4
Group net debt	(677.0)	(630.8)

(*): in accordance with the definition of net debt set out in Consob communication DEM 6064293 of 28 July 2006.

For all information concerning the items that make up net debt excluding liquidity, see note 32 - Current financial receivables and note 38 - Financial liabilities.

35. Non-current assets held for sale

This item includes surplus real estate assets with a high probability of being sold, or for which there is an irrevocable commitment to sell with a third party.
These assets, which are valued at the lower of net carrying value and fair value net of sales costs, totalled € 11.2 million at 31 December 2010 and were not subject to any significant changes during the year.
The item includes assets relating to the Sulmona site, which sold its production assets in 2007 (€ 6.3 million), the part of the Termoli site not yet sold (€ 1.0 million), the Ponte Galeria plot in Rome (€ 3.3 million), a building in Tuscany (€ 0.5 million) and certain assets belonging to the Brazilian subsidiary (€ 0.1 million).
Negotiations are under way with potential buyers, and a disposal plan is being defined. There have been delays in finalising negotiations leading to the sale and transfer of the property, due to unfavourable market conditions and other issues.

36. Shareholders' equity

The Group manages its capital structure and makes changes to it depending on the economic conditions and the specific risks of the underlying asset.
To maintain or change its capital structure, the Group may adjust the dividends paid to the shareholders and/or issue new shares.
In this context, like other groups operating in the same sector, the Group uses the net debt/EBITDA ratio as a monitoring tool.
For this purpose, debt is equivalent to the Group's net debt figure translated at average exchange rates of last 12 months, while EBITDA corresponds to the Group's operating profit before depreciation, amortisation and minority interests, adjusted in order to consider the effects of acquisitions made in the same period. The ratio amounts to 2.2 at 31 December 2010 (2.3 at 31 December 2009).

For information on the composition and changes in shareholders' equity for the periods under review, please refer to the Statement of changes in shareholders' equity.

Share capital

At 31 December 2010, the share capital was made up of 580,800,000 ordinary shares with a nominal value of € 0.10 each, fully paid-up.
During the year, the shareholders' meeting approved a bonus share issue implemented via the issue of 290,400,000 shares with a nominal value of € 0.10 provided free of charge to shareholders in the ratio of one new share for each share held. This was carried out using retained earnings.
Following the bonus issue, the fully paid-up share capital totals € 58,080,000, comprising 58,080,000 ordinary shares.

Outstanding shares and own shares

The following table shows the reconciliation between the number of outstanding shares at 31 December 2010 and in the two prior years.

	No. of shares			Nominal value		
	31 December 2010	31 December 2009	31 December 2008	31 December 2010 €	31 December 2009 €	31 December 2008 €
Outstanding shares at the beginning of the period	287,945,880	288,459,253	289,355,546	28,794,588	28,845,925	28,935,555
Bonus issue of new shares	290,400,000			29,040,000		
Allocation of own shares from the bonus issue	(2,454,120)			(245,412)		
Purchases for the stock option plan	(2,320,000)	(2,199,000)	(896,293)	(232,000)	(219,900)	(89,629)
Sales	4,951,060	1,685,627		495,106	168,563	
Outstanding shares at the end of the period	578,522,820	287,945,880	288,459,253	57,852,282	28,794,588	28,845,925
Total own shares held	2,277,180	2,454,120	1,940,747	227,718	245,412	194,075
Own shares as a % of share capital	0.4%	0.8%	0.7%			

In 2010, 2,320,000 own shares were acquired at a purchase price of € 9.3 million, which equates to an average price of € 4.0 per share.

Subsequent to the reporting date for these financial statements, up until publication, further sales of own shares were carried out of a total of 247,859 shares through the exercise of option rights. No own shares were purchased during the same period.

Dividends paid and proposed

The table below shows the dividends approved and paid in 2010, and dividends subject to the approval of the shareholders' meeting to approve the accounts for the year ending 31 December 2010.

	Total amount		Dividend per share	
	31 December 2010 € million	31 December 2009 € million	31 December 2010 (€)	31 December 2009 (€)
Dividends approved and paid during the period on ordinary shares	34.6	31.7	0.06	0.06
Dividends proposed on ordinary shares	34.7	34.6	0.06	0.06

(*) calculated on the basis of outstanding shares at the date of the Board of Directors' meeting on 21 March 2011.

Other reserves

	Stock options € million	Cash flow hedge € million	Conversion of accounts in foreign currencies € million	Total € million
Balance at 31 December 2009	**12.8**	**(0.7)**	**(57.7)**	**(45.6)**
Cost of stock options for the period	6.9			6.9
Stock options exercised	(3.1)			(3.1)
Reversal for the period		(0.4)		(0.4)
Cash flow hedge reserve allocated to other comprehensive income		5.7		5.7
Tax effect allocated to other comprehensive income		(1.6)		(1.6)
Conversion difference			72.6	72.6
Balance at 31 December 2010	**16.6**	**3.0**	**14.9**	**34.5**

The stock option reserve contains the provision made as an offsetting entry for the cost reported in the income statement for stock options allocated. The provision is determined based on the fair value of the options established using the Black-Scholes model.

For information on the Group's stock option plans, see note 44 - Stock option plans.

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

For further information, see note 45 - Financial instruments.

The conversion reserve reflects all exchange rate differences relating to the conversion of the accounts of subsidiaries denominated in currencies other than euro.

37. Minority interests

The minorities' portion of shareholders' equity, which amounted to € 3.0 million at 31 December 2010 (€ 2.5 million at 31 December 2009), relates to O-Dodeca B.V. and Kaloyannis-Koutsikos Distilleries S.A. (25%), Qingdao Sella & Mosca Winery Co. Ltd (6.33%) and CJSC Odessa Sparkling Wine Company (0.25%), all of which are fully consolidated.

38. Financial liabilities

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

Non-current liabilities	31 December 2010 € million	31 December 2009 € million
Parent Company bond (US$) issued in 2003	226.9	207.2
Parent Company bond (Eurobond) issued in 2009	352.0	342.8
Private placement issued in 2002	83.3	84.7
Private placement issued in 2009	184.1	171.7
Total bonds and private placements	846.3	806.4
Payables and loans to banks	0.4	0.9
Property leases	4.4	6.3
Derivatives on Parent Company bond (US$)	26.3	51.9
Derivatives on Parent Company bond (Eurobond)	-	3.4
Payables for put options and earn-outs	2.4	14.4
Other debt	0.7	0.7
Non-current financial liabilities	34.3	77.6
Current financial liabilities		
Payables and loans to banks	38.4	17.3
Short-term portion of private placement (issued in 2002)	6.2	5.8
Accrued interest on bonds	11.9	11.5
Property leases	3.4	3.3
Financial liabilities on hedging contracts	-	1.7
Financial liabilities on non-hedging contracts	0.2	-
Payables for put options and earn-outs	1.0	2.5
Other debt	0.2	0.3
Total other financial payables	22.9	25.1
Total	**941.9**	**926.4**

The table below shows a breakdown of the Group's main financial liabilities, together with effective interest rates and maturities.
Note that, as regards the effective interest rate of hedged liabilities, the rate reported includes the effect of the hedging itself.
Furthermore, the values of hedged liabilities are shown here net of the value of the related derivative, whether it is an asset or liability.

	Effective interest rate at 31 December 2010	Maturity	31 December 2010 € million	31 December 2009 € million
Payables and loans to banks	1.6% on €, 1.2% on US$	2011	38.8	18.2
Parent Company bond loans				
- issued in 2003 (US$)	fixed rate from 4.03% to 4.37% (1) 6-month € LIBOR + 60 basis points(2)	2015-2018	254.4	259.2
- issued in 2009 (Eurobond)	fixed rate 5.375% 6-month € LIBOR + 210 basis points(3)	2016	347.2	346.2
Private placement:				
- issued in 2002	fixed 6.17%-6.49%	2011-2012	89.5	90.5
- issued in 2009	fixed 6.83%, 7.50%, 7.99%	2014-2019	184.1	171.7
Property leases	3-month € LIBOR + 60 basis points	2011-2012	7.8	9.6
Other debt	0.90%	2011-2015	0.9	1.1

(1) Rate applied to the portion of the bond loan hedged by an interest rate swap, corresponding to a nominal value of € 172 million
(2) Rate applied to the portion of the bond loan hedged by an interest rate swap, corresponding to a nominal value of € 85.9 million
(3) Rate applied to the portion of the bond loan hedged by an interest rate swap, corresponding to a nominal value of € 200 million

Bonds

The item bonds includes two bond issues placed by the Parent Company.
The first, with a nominal value of US$ 300 million, was placed in the US institutional market in 2003.
The transaction was structured in two tranches of US$ 100 million and US$ 200 million, maturing in 2015 and 2018 respectively, with a bullet repayment at maturity and interest paid six-monthly at a fixed rate of between 4.33% and 4.63%.

The second issue (Eurobond) was launched on the European market in October 2009, and was aimed at institutional investors, with most of the bonds being placed with investors in Italy, the UK, France, Germany and Switzerland.

The nominal value of this issue is € 350 million; it matures on 14 October 2016 and was placed at an agreed price of 99.431%. The coupons are paid annually at a fixed rate of 5.375%. The gross return on the bond is therefore 5.475%.

With regard to both these issues, the Parent Company has put in place various instruments to hedge the exchange rate and interest rate risks.
On the first, a cross currency swap hedging instrument was used to neutralise the risks related to fluctuations in the US dollar and movements in interest rates, and the US dollar-based fixed interest rate was changed to a variable euro rate (6-month Euribor + 60 basis points).
In addition, various interest rate swaps were put in place involving the payment of an average fixed rate of 4.25% (rates from 4.03% to 4.37%) on total underlyings of US$ 50 million (maturing in 2015) and US$ 150 million (maturing in 2018).
For the second bond issue, carried out in 2009, an interest rate swap was entered into that involves the payment of a variable rate (6-month Euribor + 210 basis points) on an underlying of € 200 million.

The changes in the item in 2010 relate to:
- costs directly associated with the loan of € 1.3 million made in 2003 following renegotiation of some of the contract clauses;
- in relation to the 2003 issue (US$), the valuation of existing hedging instruments (which have a positive effect of € 25.6 million) and the effects on the bonds of the actual hedges and the amortised cost (negative to the tune of € 20.9 million);
- in relation to the 2009 loan (Eurobond), the valuation of existing hedging instruments (which have a positive effect of € 9.7 million), the discontinuance of a portion of the hedging instruments, which generated receipts of € 2.6 million, and the effects on the bonds of the hedges themselves and the amortised cost (negative of € 9.2 million).

For more information on these changes, see note 45 - Financial instruments: disclosures.

Private placement
The private placements represent two bonds placed by Redfire, Inc. in the US institutional market in 2002 and 2009.
The 2002 issue, net of redemptions of principal portions already carried out, has a residual nominal value of US$ 116.7 million (the original value was US$ 170 million).
The 2002 transaction was structured in three tranches of US$ 20 million, US$ 50 million and US$ 100 million.
The first tranche has been redeemed in full, while the second tranche will be redeemed in equal portions by the end of 2012, and the third tranche will be redeemed with a bullet payment in 2012.
The six-monthly coupons are based on fixed rates of 6.17% and 6.49%.
The amount falling due within one year is US$ 8.3 million.

The issue placed in June 2009 has a nominal value of US$ 250 million.
This transaction is also structured in three tranches, of US$ 40 million, US$ 100 million and US$ 110 million respectively, with bullet maturities in 2014, 2016 and 2019.
The six-monthly coupons are based on fixed rates of 6.83%, 7.50% and 7.99%.

The changes in the item during the year relate to:
- costs of € 2.0 million associated with the loans, arising from the renegotiation of some of the contract clauses during the year;
- the portion redeemed in 2010 relating to the 2002 private placement (US$ 8.3 million);
- the release of the effects of the amortised cost of the 2002 private placement, previously adjusted due to fair value hedges no longer in existence; this effect is equivalent to financial income of US$ 2.2 million (€ 1.7 million).
- the revaluation of the US dollar, the functional currency of the subsidiary, which led to an increase in debt of around € 20 million.

Payables to banks
At 31 December 2010, the non-current portion of payables to banks includes € 0.2 million relating to a loan obtained by Sella&Mosca S.p.A., secured by mortgages on land and buildings and liens on plant and machinery, and the residual amount of subsidiaries' loans.
The current portion relates to loans obtained by certain subsidiaries of the Group and short-term credit lines used locally.

Leasing

Leasing payables refer to finance leases entered into by the Parent Company in 2004, with expiry in 2012, for the property complex in Novi Ligure, and the finance lease of the subsidiary CJSC 'Odessa Sparkling Wine Company'.

Payable for put option and earn-out

The options relating to 20% of Cabo Wabo were exercised during the year, ahead of the date originally established. The contract, however, included an earn-out mechanism on sales of Cabo Wabo, payable on a quarterly basis from the date of closing for a period of three years.
The payable at 31 December 2010 therefore includes an estimate of the outlay for the Cabo Wabo earn-out mechanism, and a smaller amount for the earn-out connected with the acquisition of Destiladora San Nicolas, S.A. de C.V., which took place in 2008.

The changes in the payable compared with 2009 relate to:
- the payment of the portion relating to Cabo Wabo, amounting to US$ 11.1 million (€ 8.5 million on the date of the transaction);
- the first quarterly payment relating to the earn-out of Cabo Wabo, amounting to € 0.2 million;
- the payment of the last earn-out of X-Rated Fusion Liqueur (€ 1.4 million);
- the recording of the Cabo Wabo earn-out payable, the amount of which offset the surplus liabilities on the options; the net effect on the income statement was income of € 3.7 million;
- the release of the extra liabilities recorded for the earn-out of X-Rated Fusion Liqueur, equal to income of € 1.3 million;
- exchange rate effects that generated an increase in payables of € 1.5 million.

Other debt

This item includes a Parent Company loan agreement with the industry ministry, for repayment in ten annual instalments starting in February 2006.

Financial liabilities on forward contracts

At 31 December 2010, this item of € 0.2 million related to the fair value of forward purchases and sales of foreign currency that are not classified as hedging transactions.

39. Defined benefit plans

Group companies provide post-employment benefits for staff, both directly and by contributing to external funds.
The procedures for providing these benefits vary according to the legal, fiscal and economic conditions in each country in which the group operates.
The benefits are provided through defined contribution and/or defined benefit plans.
For defined contribution plans, Group companies pay contributions to private pension funds and social security institutions, based on either legal or contractual obligations, or on a voluntary basis.
The companies fulfil all their obligations by paying the said contributions.
At the end of the financial year, any liabilities for contributions to be paid are included in the item other current liabilities; the cost for the period is reported according to function in the income statement.
Defined benefit plans may be unfunded or fully or partially funded by contributions paid by the company, and sometimes by its employees, to a company or fund which is legally separate from the company and which pays out benefits to employees.
As regards the Group's Italian subsidiaries, the defined benefit plans consist of the staff severance fund (TFR), to which its employees are entitled by law.
Following reform of the supplementary pension scheme in 2007, for companies with at least 50 employees, TFR contributions accrued up to 31 December 2006 are considered to be "defined benefit plans", while for contributions accruing from 1 January 2007, which have been allocated to a fund held at the INPS or to supplementary pension funds, are considered to be "defined contribution plans".
For the portion of the staff severance fund considered as a defined benefit plan, this is an unfunded plan that therefore does not hold any dedicated assets.
In addition, some Group companies have the same type of plans for their current and/or former employees.
These plans have the benefit of dedicated assets.
The liability relating to the Group's defined benefit plans, which is calculated on an actuarial basis using the projected unit credit method, is reported on the balance sheet, net of the fair value of any dedicated assets.

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

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

Staff severance fund	31 December 2010 € million	31 December 2009 € million	31 December 2008 € million	31 December 2007 € million
Defined benefit obligations	9.2	9.4	10.4	11.6

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

Other plans	31 December 2010 € million	31 December 2009 € million	31 December 2008 € million	31 December 2007 € million
Defined benefit obligations	4.0	4.0	3.6	3.3
Assets dedicated to the plan (-)	(4.1)	(4.4)	(4.0)	(3.9)
Plan surplus (deficit)	0.1	0.4	0.4	0.6

The following table provides details of the net cost of defined benefit plans reported in the income statement in 2010 and 2009.

Net cost of the benefit	Staff severance fund		Other plans	
	2010 € million	2009 € million	2010 € million	2009 € million
Cost for current work provided	0.1	0.2	0.1	0.1
Financial charges	0.3	0.4	0.1	0.0
Expected income on plan assets	-	-	(0.0)	-
Net actuarial (gains)/losses	0.4	0.1	(0.1)	(0.0)
Curtailment effect	-	-	-	-
	0.8	**0.7**	**0.1**	**0.1**

The cost of current work provided, as well as the net actuarial gain and losses are classified into personnel cost; the financial charges are classified into financial expenses.

The following table reports changes in the present value of defined benefit obligations in 2010 and 2009.

Changes in present value of obligations	Staff severance fund		Other plans	
	31 December 2010 € million	31 December 2009 € million	31 December 2010 € million	31 December 2009 € million
Present value at 1 January	9.4	10.4	4.0	3.6
Cost of current work provided	0.1	0.2	0.1	0.1
Benefits paid	(1.0)	(1.7)	(0.1)	0.3
Financial charges	0.3	0.4	0.1	0.0
Actuarial gains (losses)	0.4	0.1	(0.1)	(0.0)
Curtailment	-	-	-	-
Other changes	-	(0.0)	-	0.1
Present value at 31 December	**9.2**	**9.4**	**4.0**	**4.0**
Dedicated assets deducted directly from the obligation	-	-	(3.4)	(3.6)
Staff severance fund and other pension funds	**9.2**	**9.4**	**0.6**	**0.4**

The following table shows the changes in the fair value of dedicated assets in defined benefit plans in the last three years:

Dedicated assets	31 December 2010 € million	31 December 2009 € million	31 December 2008 € million
Present value at 1 January	4.4	4.0	3.9
Expected yield	0.2	-	0.1
Employer contributions	0.2	0.1	0.2
Contributions from participating employees	0.2	0.3	0.1
Benefits paid	(0.7)	0.1	(0.6)
Settlements	-	-	-
Actuarial gains (losses)	(0.2)	-	0.0
Other changes	0.1	(0.1)	0.3
Present value at 31 December	**4.1**	**4.4**	**4.0**
Dedicated assets deducted directly from the obligation	(3.4)	(3.6)	(3.3)
Receivables from employee benefit funds	**0.7**	**0.9**	**0.7**

Obligations related to the plans described above are calculated on the basis of the following actuarial assumptions:
The rates relating to the costs of health benefits are not included in the assumptions used in determining the above obligations. Thus, any changes in these rates would not have any effect.

Main actuarial assumptions	Staff severance fund			Other plans		
	31 December 2010	31 December 2009	31 December 2008	31 December 2010	31 December 2009	31 December 2008
Discount rate	4.5%	4.5%	4.5%	2.8%	3.3%	3.3%
Future salary increases	3.0%	3.0%	2.1%	2.0%	2.0%	2.0%
Expected yield from dedicated assets				2.8%	3.4%	3.2%
Staff turnover rate	5.0%	5.0%	5.0%			
Inflation rate	2.0%	2.0%	2.0%			

40. Provisions for risks and future liabilities

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

	Tax provision € million	Provision for industrial restructuring € million	Agent severance fund € million	Other € million	Total € million
Balance at 31 December 2009	**3.4**	**3.7**	**1.2**	**2.3**	**10.7**
Change in scope of consolidation		0.4	-	-	0.4
Increases	8.4	2.2	0.1	0.5	11.2
Utilization	(1.0)	(1.0)	(0.1)	(0.8)	(2.9)
Exchange rate differences and other movements	0.1	(0.4)	-	0.5	0.2
Balance at 31 December 2010	**10.9**	**4.9**	**1.2**	**2.5**	**19.6**
of which, projected disbursement					
- due within 12 months		4.9		1.6	6.5
- due after 12 months	10.9		1.2	1.0	13.1

The change in the scope of consolidation, of € 0.4 million, related to liabilities recorded for T.J. Carolan & Son Ltd in respect of employee disputes.
The tax provision, of € 10.9 million at 31 December 2009, includes potential tax liabilities that could arise for the Parent Company from tax inspections carried out in previous years, including at the former Campari Italia S.p.A., and in the current year for the tax periods 2004 and 2005. It also includes estimated potential liabilities for Campari do Brasil Ltda.
Provisions for the year were € 8.4 million, of which € 6.5 million were classified under income tax payables.

The provision for industrial restructuring, which amounted to € 4.9 million relates to liabilities recorded following the termination of production at the Sulmona plant in 2007 (€ 2.1 million), based on the special agreement with the trade unions regarding the programme of alternative measures and support for employees.
The provision of € 2.2 million is partly due to Campari France (€ 1.8 million relating to costs associated with the closure of the company) and partly to the liquidation of various positions in the Group (€ 0.4 million).

The agent severance fund covers the estimated potential liability to be incurred for disbursing the additional compensation due to agents at the end of the relationship. This amount was discounted using an appropriate rate.

At 31 December 2010, other provisions included an amount of € 0.9 million posted by Rare Breed Distilling, LLC, in relation to liabilities for securing warehouses storing products undergoing the ageing process. It also includes estimated liabilities for miscellaneous lawsuits.

The existing lawsuits for which the Group does not consider it necessary to make provisions at the date of these financial statements are described below. There are no other contingent liabilities.
At 31 December 2009, the company was in dispute with the Brazilian tax authorities, which have contested the classification of products sold by Campari do Brasil Ltda. for production tax (IPI) purposes.
At 31 December 2010, the increase in taxes and penalties stood at BRL 117.2 million (equivalent to € 52.9 million) and accrued interest at BRL 48.5 million (€ 21.9 million).
The company has contested this claim in full, appointing local advisors. Based on the opinions expressed by the advisors, it is deemed unnecessary at present to establish a special provision.
As a result, no provisions were made for this item in the accounts for the year ending 31 December 2010.

41. Trade payables and other current liabilities

	31 December 2010 € million	31 December 2009 € million
Payables to suppliers	**187.4**	**179.1**
Personnel	26.1	21.3
Agents	3.7	3.8
Deferred income	5.2	4.9
Deferred realised capital gains	-	0.9
Unconfirmed contributions received	4.8	3.8
Amounts due to controlling shareholder for Group VAT	1.5	6.4
Value-added tax	12.7	10.1
Tax on alcohol production	26.7	22.5
Withholding and miscellaneous taxes	3.7	3.1
Other	12.4	8.0
Other current liabilities	**96.8**	**84.8**

Payables for capital grants and deferred income relating to these grants break down as shown in the next paragraph.

The table below sets out the maturities for trade payables and other current liabilities, such as amounts due to agents and the item other in the above table.

31 December 2010	Trade payables € million	Other payables to third parties € million	Total € million
On demand	46.4	0.7	47.1
Within 1 year	139.4	15.4	154.8
Due in 1 to 2 years	1.6	-	1.6
Due in 3 to 5 years	-	-	-
Due in more than 5 years	-	-	-
Trade payables broken down by maturity	187,4	16,1	203,5
Payables not significant for breakdown by maturity	-	80.7	80.7
Total	**187.4**	**96.8**	**284.2**

31 December 2009	Trade payables € million	Other payables to third parties € million	Total € million
On demand	28.6	1.8	30.4
Within 1 year	149.3	10.0	159.3
Due in 1 to 2 years	1.1	-	1.1
Due in 3 to 5 years	-	-	-
Due in more than 5 years	-	-	-
Trade payables broken down by maturity	179,1	11,8	190,8
Payables not significant for breakdown by maturity	-	73.0	73.1
Total	**179.1**	**84.8**	**263.9**

42. Capital grants

The following table provides details of changes in deferred income related to capital grants between one financial year and the next.
In some cases grants have not yet been confirmed; in these instances a liability must be recorded against the grant received. Once the grants are confirmed, they are classified as deferred income and are reported in the income statement based on the useful life of the plant.
In the interests of clarity, the table below illustrates changes in both payables and deferred income.
The income of € 1.1 million received by the Parent Company during the year relates to government grants under the Programme Contract, "Agricultural and industrial consortium for disadvantaged areas in Piedmont", for the Novi Ligure warehouse.
Sella & Mosca S.p.A also received € 0.4 million from the *Agenzia Regionale Toscana per le Erogazioni in Agricoltura* (ARTEA, the Tuscan regional agency responsible for allocating agricultural grants) for investment made in vineyards in previous years.

31 December 2010	Payables to tax authorities € million	Deferred income € million
Balance at 1 January 2010	3.8	3.8
Proceeds received in the period	1.5	-
Grants certain to be received	(0.5)	0.5
Amounts posted to the income statement	-	(0.6)
Other changes	-	0.1
Balance at 31 December 2010	**4.8**	**3.8**

31 December 2009	Payables to tax authorities € million	Deferred income € million
Balance at 1 January 2009	2.4	3.8
Proceeds received in the period	1.8	-
Grants certain to be received	(0.4)	0.4
Amounts posted to the income statement	-	(0.4)
Other changes	-	0.1
Balance at 31 December 2009	**3.8**	**3.8**

43. Payables to tax authorities

This item breaks down as follows:

	31 December 2010 € million	31 December 2009 € million
Income taxes	11.6	11.2
Due to controlling shareholder for tax consolidation	17.1	22.4
Total	**28.7**	**33.7**

These payables are all due within 12 months.
Corporate income tax payable is shown net of advance payments and taxes withheld at source.

Payables to the main shareholder for tax consolidation at 31 December 2010 relate to income tax payables due to Alicros S.p.A. from Davide Campari-Milano S.p.A. and its Italian subsidiaries.
At 31 December 2010, the Group had non-interest-bearing net debt of € 16.9 million. For further details, see note 48 - Related parties.

44. Stock option plan

Pursuant to Consob resolution 11971 of 14 May 1999 as amended, and Consob communication 11508 of 15 February 2000, the following information is provided on the stock option plan (the “Plan”) approved by the Board of Directors of Davide Campari-Milano S.p.A. on 15 May 2001, which incorporated the framework plan for the general regulation of stock options for the Campari Group, approved by the shareholders’ meeting on 2 May 2001.

The purpose of the plan is to offer beneficiaries who occupy key positions in the Group the opportunity of owning shares in Davide Campari-Milano S.p.A., thereby aligning their interests with those of other shareholders and fostering loyalty, in the context of the strategic goals to be achieved.
The recipients are employees, directors and/or individuals who regularly do work for one or more Group companies, who have been identified by the Board of Directors of Davide Campari-Milan S.p.A., and who, on the plan approval date and until the date that the options are exercised, have worked as employees and/or directors and/or in any other capacity at one or more Group companies without interruption.
The regulations for the Plan do not provide for loans or other incentives for share subscriptions pursuant to article 2358, paragraph 3 of the Italian civil code.
The Board of Directors of Davide Campari-Milano S.p.A. has the right to draft regulations, select beneficiaries and determine the share quantities and values for the execution of stock option plans. In addition, Davide Campari-Milano S.p.A. reserves the right, at its sole discretion, to modify the Plan and regulations as necessary or appropriate to reflect revisions of laws in force, or for other objective reasons that would warrant such modification.
The first allocation of options was made in July 2001, and these options were exercised in full on the plan's expiry in July 2006.
Subsequently, further options were allocated each year, governed by the framework plan approved by the shareholders' meeting on 2 May 2001.
The exercise dates originally set differed in each allocation and provided windows in which options could be exercised. In 2009, the Board of Directors of the Parent Company approved a change in the exercise period, making it possible for options to be exercised in part, on any trading day in the exercise period set for each plan.
In 2010, further stock option allocations were approved, which may be exercised between May 2015 and December 2017.
The number of options granted for the purchase of further shares was 16,365,779, with the average allocation price at € 3.87, equivalent to the weighted average market price in the month preceding the day on which the options were granted.

Note that, for ease of comparison, the 2009 figures has been adjusted to take account of the bonus capital increase that took place in 2010.

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

	31 December 2010		31 December 2009	
	No. of shares	Average allocation/exercise price (€)	No. of shares	Average allocation/exercise price (€)
Options outstanding at the beginning of the period	35,091,758	2.84	36,501,880	2.95
Options granted during the period	16,365,779	3.87	2,324,802	3.53
(Options cancelled during the period)	(1,303,206)	3.10	(363,670)	2.99
(Options exercised during the period) (*)	(4,951,060)	2.21	(3,371,254)	2.05
(Options expiring during the period)				
Options outstanding at the end of the period	45,203,271	3.42	35,091,758	2.84
of which those that can be exercised at the end of the period	2,127,614	2.11	6,817,526	2.14

(*) The average market price on the exercise date was € 4.07.

The average remaining life of outstanding options at 31 December 2010 was 4.48 years (4.02 years at 31 December 2009).
The average exercise price for the options allocated in each year is as follows:

	Average exercise price
Allocations: 2004	2.00
Allocations: 2005	3.10
Allocations: 2006	3.83
Allocations: 2007	3.87
Allocations: 2008	2.85
Allocations: 2009	2.99
Allocations: 2010	3.87

The average fair value of options granted during the year was € 1.27 (€ 0.93 in 2009).

The fair value of stock options is represented by the value of the option determined by applying the Black-Scholes model, which takes into account the conditions for exercising the option, as well as the current share price, expected volatility and the risk-free rate.
Volatility was estimated with the help of data supplied by a market information provider together with a leading bank, and corresponds to the estimate of volatility recorded in the period covered by the plan.
The following assumptions were used for the fair value valuation of options issued in 2010 and 2009:

	2010	2009
Expected dividends (€)	0.06	0.06
Expected volatility (%)	26%	26%
Historical volatility (%)	26%	26%
Market interest rate	2.70%	2.80%
Expected option life (years)	6.00	6.00
Exercise price (€)	3.87	2.99

Davide Campari-Milano S.p.A. has a number of own shares that can be used to cover stock option plans.
The following table shows changes in the number of own shares held during the comparison periods.

	No. of own shares		Purchase price (€ million)	
	2010	2009	2010	2009
Balance at 1 January	4,908,240	3,881,494	14.5	11.5
Purchases	2,320,000	4,398,000	9.3	13.4
Disposals	(4,951,060)	(3,371,254)	(14.7)	(10.4)
Balance at 31 December	2,277,180	4,908,240	9.1	14.5
% of share capital	0.39%	0.85%		

In relation to the sales of own shares in the year, which are shown in the above table at the original purchase price, the Parent Company recorded a loss of € 3.7 million booked into net equity.

45. Financial instruments - disclosures

The value of individual categories of financial assets and liabilities held by the Group is shown below.
Note that in the category "assets and liabilities measured at fair value with changes recognised in profit and loss", the Group recorded in 2010 certain forward purchases and sales of foreign currency for hedging purposes which are not classified as hedging transactions according to the definition of IAS 39 - Financial Instruments: Recognition and Measurement.

31 December 2010	Loans and receivables	Financial liabilities at amortised cost	Assets and liabilities measured at fair value with changes recognised in profit and loss	Hedging transactions
Cash and cash equivalents	259.7			
Short-term financial receivables	0.2			
Trade receivables	269.4			
Other receivables	26.9			
Payables to banks		(38.8)		
Real estate lease payables		(7.8)		
Bonds		(578.9)		
Private placement		(273.7)		
Interest accrued on bond issues		(11.9)		
Other current liabilities		(0.9)		
Put option charges		(3.4)		
Trade payables		(187.4)		
Other payables		(125.4)		
Non-current assets for hedge derivatives				3.6
Current assets for hedge derivatives				1.4
Non-current liabilities for hedge derivatives				(26.3)
Current liabilities for hedge derivatives			(0.2)	
Total	556.2	(1,228.2)	(0.2)	(21.3)

31 December 2009	Loans and receivables	Financial liabilities at amortised cost	Assets and liabilities measured at fair value with changes recognised in profit and loss	Hedging transactions
Cash and cash equivalents	129.6			
Short-term financial receivables	3.7			
Other non-current assets	159.5			
Trade receivables	236.2			
Other receivables	24.3			
Payables to banks		(18.2)		
Real estate lease payables		(9.6)		
Bonds		(550.0)		
Private placement		(262.2)		
Interest accrued on bond issues		(11.5)		
Other current liabilities		(1.1)		
Put option charges		(16.9)		
Trade payables		(179.1)		
Other payables		(42.7)		
Current assets for hedge derivatives				3.0
Non-current liabilities for hedge derivatives				(55.3)
Financial liabilities on hedging contracts				(1.7)
Total	553.3	(1,091.3)		(54.0)

Fair value of financial assets and liabilities

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

The method used for determining fair value was as follows:

- for financial assets and liabilities that are liquid or nearing maturity, it is assumed that the carrying value equates to fair value; this assumption also applies to term deposits, securities that can be readily converted to cash and variable-rate financial instruments;
- for the valuation of hedging instruments at fair value, the company used valuation models based on market parameters;
- the fair value of non-current financial payables was obtained by discounting all future cash flows at the rates in effect at the end of the year.

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

	Carrying value		Fair value	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Cash and cash equivalents	259.7	129.6	259.7	129.6
Interest accrued on swaps on private placements	1.4	1.2	1.4	1.2
Interest on private placement	3.6		3.6	
Non-current assets for hedge derivatives		1.8		1.8
Other short-term financial receivables	0.2	3.7	0.2	3.7
Other non-current assets		159.5		159.5
Financial investments	**264.9**	**295.8**	**264.9**	**295.8**
Payables to banks	38.8	18.2	38.8	18.2
Real estate lease payables	7.8	9.6	7.8	9.6
Bond issued in 2003	226.9	207.2	220.3	190.7
Bond issued in 2009 (Eurobond)	352.0	342.8	365.7	344.2
Private placement issued in 2002	89.5	90.5	92.0	91.2
Private placement issued in 2009	184.1	171.7	221.9	196.7
Accrued interest on bonds	11.9	11.5	11.9	11.5
Derivatives on bond issues	26.3	55.3	26.3	55.3
Financial liabilities on hedging contracts		1.7		1.7
Financial liabilities on non-hedging contracts	0.2		0.2	
Other debt	0.9	1.1	0.9	1.1
Payables for put options and earn-outs	3.4	16.9	3.4	16.9
Financial liabilities	**941.9**	**926.6**	**989.2**	**937.2**
Net financial assets (liabilities)	**(677.0)**	**(630.8)**	**(724.3)**	**(641.5)**

Fair value - hierarchy

The Group enters into derivatives contracts with a number of top-rated banks.
Derivatives are valued using techniques based on market data, and largely consist of interest rate swaps and forward sales/purchases of foreign currencies.
The most commonly-applied valuation methods include the forward pricing and swap models, which use present value calculations.
The models incorporate various inputs, including the credit rating of the counterparty, market volatility, spot and forward exchange rates and current and forward interest rates.

The table below details the hierarchy of financial instruments valued at fair value, based on the valuation methods used:

- level 1: the valuation methods use prices listed on an active market for the assets and liabilities subject to valuation;
- level 2: the valuation methods take into account various inputs from previous prices, but that can be observed on the market directly or indirectly;
- level 3: the method use inputs that are not based on observable market data.

	31 December 2010 € million	Level 1 € million	Level 2 € million	Level 3 € million
Assets valued at fair value:				
Accrued swap interest on bonds	1.4		1.4	
Interest rate swap on bonds (Eurobond)	3.6		3.6	
Futures currency contract				
Liabilities valued at fair value				
Interest rate and cross currency swap on bond (US$)	26.3		26.3	
Futures currency contract	0.3		0.3	

Hedging transactions

The Group currently holds various derivative instruments to hedge both the fair value of underlying instruments and cash flows.
The table below shows the fair value of these derivative instruments, recorded as assets or liabilities, and their notional values.

	31 December 2010		31 December 2009	
	Assets € million	Liabilities € million	Assets € million	Liabilities € million
Interest rate and cross currency swap on bond (US$)		(32.9)		(53.8)
Interest rate swap on Eurobond	3.6			(3.4)
Accrued interest on bond swap	1.4		1.2	
Futures currency contract		(0.0)	1.8	(1.7)
Hedging derivatives at fair value	**5.0**	**(32.9)**	**3.0**	**(58.9)**
Interest rate swap on bond (US$)		6.6		1.9
Cash flow hedging derivatives		**6.6**		**1.9**
Derivates not used for hedging		(0.2)		
Total derivatives	5.0	(26.6)	3.0	(57.0)

Fair value hedging

The Group has in place the following contracts that meet the definition of hedging instruments based on IAS 39.

- Cross currency swap on Parent Company bond issued in 2003 (US$)
  At the reporting date, the Group held a cross currency swap totalling a notional US$ 300 million on the Parent Company's bond issue denominated in US dollars.
  This instrument has the same maturity as the underlying liability.
  The derivative is valued at fair value and any changes are reported through profit or loss; having established the effectiveness of the hedging transactions, the gain or loss on the hedged item attributable to the hedged risk is used to adjust the carrying value of the underlying liability and is immediately reported through profit or loss.
  At 31 December 2010, the Parent Company's cross currency swap had a negative fair value of € 32.9 million, reported under non-current financial liabilities.

The change in the fair value of these instruments reported in the profit and loss account in 2009 was positive to the tune of € 20.9 million.

The loss recorded on the hedged item was € 20.6 million.

- Interest rate swap on Parent Company bond issued in 2009 (Eurobond)

  The instrument requires the payment of variable rates (6-month Euribor + 210 basis points) on an underlying debt of € 250 million; in the last quarter, a portion of the hedge relating to an underlying of € 50 million was discontinued, generating a receipt of € 2.6 million.

  The valuation of this instrument at 31 December 2010 represented an asset of € 3.6 million; the changes reported on the income statement refer to changes in the fair value of the swap (a profit of € 9.7 million and the related change in the underlying debt (a loss of € 8.6 million)
- Foreign currency hedges

  At 31 December 2010, Campari International S.A.M. held forward contracts on receivables and payables in currencies other than the euro in its accounts.

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

  The assets reported as a result of the valuation of these contracts at the reporting date were not significant.

Gains and losses on the hedged and hedging instruments used in all of the Group's fair value hedges, i.e. the Parent Company's cross currency swap and interest rate swap and the hedging of payables/receivables in foreign currency, are summarised below.

	31 December 2010 € million	31 December 2009 € million
Gains on hedging instruments	30.6	0.9
Losses on hedging instruments	0.0	(18.2)
Total gains (losses) on hedging instruments	30.6	(17.3)
Gains on hedged items	0.0	16.9
Losses on hedged items	(29.3)	0.0
Total gains (losses) on hedged items	(29.3)	16.9

Cash flow hedging

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

- Interest rate swap on Parent Company bond issued in 2003 (US$)

  The Group has put in place various interest rate swaps involving the payment of an average fixed rate of 4.25% (rates from 4.03% to 4.37%) on total underlying items of US$ 50 million (maturing in 2015) and US$ 150 million (maturing in 2018).

  Since these hedging transactions met the requirements for effectiveness, an appropriate shareholders' equity reserve was recorded for a gross value of € 6.6 million.

  As required by IAS 39, the cash flow hedge reserve for these contracts will be released to the income statement at the same maturity dates as the cash flows related to the liability.

  During the period, an unrealised gain of € 5.7 million was posted to the reserve, together with the corresponding deferred tax effect of € 1.6 million.

  Moreover, the realisation of the hedged cash flows generated the release of the cash flow hedge reserve, which had a positive impact on the income statement for the period of € 1.0 million.

- Interest rate swap on Parent Company bond issued in 2009 (Eurobond)

  Just before the allocation of the eurobond, the Parent Company negotiated interest rate hedges which, on the date that the loan was listed, generated a financial outlay of € 3.0 million that was included in shareholders' equity.

  This reserve, which was released with the cash flows generated by the underlying debt, in 2010 produced a liability of € 0.4 million on the income statement.
- Hedging of future purchases and sales of foreign currencies

  At 31 December 2010, the Group held forward currency contracts, designated as hedging instruments, on expected future sales and purchases based on its own 2011 estimates. These transactions are highly probable.

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

  The existing hedges have nominal values of US$ 0.1 million and JPY 1.7 million.

These hedging transactions met the requirements for effectiveness, and a non material loss was suspended in shareholders' equity reserves.
All cash flows concerned will materialise in 2011.

The following table shows, at 31 December 2010, when the Group expects to receive the hedged cash flows.
The breakdown includes the cash flows arising from the Parent Company's interest rate swap involving the fixed rate interest payments on the bond issued in 2003 (in US$).
These cash flows only concern interest and have not been discounted.
The breakdown also shows the cash flows arising from forward foreign exchange contracts in respect of future currency sales/purchases.

31 December 2010	Within one year € million	1-5 years € million	Due after 5 years € million	Total € million
Cash outflows	11.0	53.1	18.3	82.4
Cash inflows	10.3	49.8	17.3	77.4
Net cash flows	(0.7)	(3.3)	(1.0)	(4.9)

31 December 2009	Within one year € million	1-5 years € million	Due after 5 years € million	Total € million
Cash outflows	25.1	44.5	39.0	108.6
Cash inflows	23.7	38.4	33.7	95.8
Net cash flows	(1.4)	(6.1)	(5.3)	(12.8)

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

31 December 2010	Gross amount € million	Tax effect € million	Net amount € million
Opening balance	(1.1)	0.3	(0.8)
Booked to profit and loss during the period	(0.6)	0.2	(0.4)
Recognised in equity during the period	5.7	(1.6)	4.1
Amount allocated to reserves at 31 December 2010	**4.0**	**(1.1)**	**2.9**

31 December 2009	Gross amount € million	Tax effect € million	Net amount € million
Opening balance	18.4	(5.4)	13.0
Booked to profit and loss during the period	0.2	0.3	0.5
Recognised in equity during the period	(19.7)	0.0	(19.7)
Recognised in deferred taxes	0.0	5.4	5.4
Amount allocated to reserves at 31 December 2009	**(1.1)**	**0.3**	**(0.8)**

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

The Group's main financial instruments include current accounts, short-term deposits, short and long-term bank loans, finance leases and bonds.
The purpose of these is to finance the Group's operating activities.
In addition, the Group has trade receivables and payables resulting from its operations.
The main financial risks to which the Group is exposed are market (currency and interest rate risk), credit and liquidity risk. These risks are described below, together with an explanation of how they are managed.
To cover these risks, the Group makes use of derivatives, primarily interest rate swaps, cross currency swaps and forward contracts, to hedge interest rate and Exchange rate risks.

Credit risk

With regard to trade transactions, the Group works with medium-sized and large customers (mass retailers, domestic and international distributors) on which credit checks are performed in advance.
The trade conditions initially granted are particularly stringent.
Each company carried out an assessment and control procedure for its customer portfolio, partly by constantly monitoring amounts received. In the event of excessive or repeated delays, supplies are suspended.

As a result, historical losses on receivables represent a very low percentage of revenues and do not require special coverage and/or insurance.
The maximum risk at the reporting date is equivalent to the carrying value of trade receivables recorded under financial assets.
Financial transactions are carried out with leading domestic and international institutions with a high credit rating. The risk of insolvency is therefore deemed to be insignificant.
The maximum risk at the reporting date is equivalent to the carrying value of these assets.

Liquidity risk

The Group's ability to generate substantial cash flow through its operations allows it to reduce liquidity risk to a minimum. This risk is defined as the difficulty of raising funds to cover the payment of the Group’s financial obligations.
The table below summarises financial liabilities at 31 December 2010 by maturity based on the contractual repayment obligations, including non-discounted interest.
For details of trade payables and other liabilities, see note 41 - Trade payables and other current liabilities.

31 December 2010	On demand € million	Within 1 year € million	Due in 1 to 2 years € million	Due in 3 to 5 years € million	Due in more than 5 years € million	Total € million
Payables and loans to banks		38.4	0.2	0.2	0.0	38.8
Bonds		29.0	29.0	160.2	531.9	750.0
Derivatives on bond issues		(1.0)	(0.4)	12.5	23.7	34.7
Private placement		25.9	97.9	69.6	183.0	376.4
Property leases		3.5	3.0	0.0	1.3	7.9
Other financial payables		0.2	0.2	0.6	0.0	1.0
Total financial liabilities	**0**	**96.0**	**129.9**	**243.0**	**739.9**	**1.208.8**
Interest on private placement		(2.7)	(1.5)	1.6	1.6	(0.9)
Net of hedging assets	**0**	**93**	**128**	**245**	**741**	**1.208**

31 December 2009	On demand € million	Within 1 year € million	Due in 1 to 2 years € million	Due in 3 to 5 years € million	Due in more than 5 years € million	Total € million
Payables and loans to banks		17.3	0.7	1.7	0.4	20.0
Bonds		24.3	26.7	87.3	635.2	773.5
Derivatives on bond issues		(0.3)	0.3	3.6	54.1	57.6
Private placement		24.4	24.0	144.1	181.0	373.5
Property leases		3.5	3.5	3.0	0.0	10.0
Other financial payables		0.2	0.2	0.6	0.2	1.2
Total financial liabilities	**0**	**69.4**	**55.4**	**240.2**	**870.9**	**1.235.9**

The Group’s financial payables, with the exception of non-current payables with a fixed maturity, consist of short-term bank debt.
Thanks to its liquidity and management of cash flow from operations, the Group has sufficient resources to meet its financial commitments at maturity.
In addition, there are unused credit lines that could cover any liquidity requirements.

Market risks

Interest rate risk

The Group is exposed to the risk of fluctuating interest rates in respect of its financial assets, short-term payables to banks and long-term lease agreements.
Fixed rates apply to long-term financial liabilities, certain loans obtained by Sella&Mosca S.p.A. and one of the Parent Company’s minor loans.
The Redfire, Inc. private placement also pays interest at a fixed rate.
The Parent Company’s bond issued in 2003 originally had a fixed interest rate in US dollars, but this became a variable rate in euro through a derivatives contract; a portion of the debt was subsequently transferred to a fixed rate in euro through an interest rate swap.

The Parent Company's bond issued in 2009 also paid a fixed-rate coupon, but a portion of this was later changed to a variable rate through an interest rate swap; the Company closed part of these contracts during the year, bringing the rate back to that established under the contract.
Note that, at 31 December 2010, around 65% of the Group's total financial debt was fixed-rate debt.

Sensitivity analysis
The following table shows the effects on the Group's income statement of a possible change in interest rates, if all other variables are constant.
A negative value in the table indicates a potential net reduction in profit and equity, while a positive value indicates a potential net increase in these items.
The assumptions used in terms of a potential change in rates are based on an analysis of the trend at the reporting date.
The table illustrates the full-year effects on the income statement in the event of a change in rates, calculated for the Group's variable-rate financial assets and liabilities.
As regards the fixed-rate financial liabilities hedged by interest rate swaps, the change in hedging instrument offsets the change in the underlying liability, with practically no effect on the income statement.
Net of tax, the effects are as follows:

31 December 2010	Increase/decrease in interest rates in basis points	Income statement	
		Increase in interest rates € million	Decrease in interest rates € million
Euro	+/- 28 basis points	-0.3	0.3
Dollar	+/- 8 basis points	0.0	0.0
Other currencies	+/- 16 basis points on CHF Libor, +/- 13 basis points on GBP Libor, +/- 80 basis points on R$ Libor	0.1	-0.1
Total effect		-0.2	0.2

31 December 2009	Increase/decrease in interest rates in basis points	Income statement	
		Increase in interest rates € million	Decrease in interest rates € million
Euro	+/- 10 basis points	-0.2	0.2
Dollar	+/- 10 basis points	0.0	0.0
Other currencies	+/- 50 basis points on CHF Libor, +/- 50 basis points on GBP Libor, +/- 300 basis points on R$ Libor	0.9	-0.9
Total effect		0.7	-0.7

Exchange rate risk
The expansion of the Group's international business has resulted in an increase in sales on markets outside the eurozone, which accounted for 48.9% of the Group's net sales in 2010.
However, the establishment of Group entities in countries such as the United States, Brazil, Australia and Switzerland allows this risk to be partly hedged, given that both costs and income are denominated in the same currency. In the case of the US, moreover, some of the cash flows from operations are used to redeem the US dollar-denominated private placement taken out locally to cover the acquisitions of certain companies.
Therefore, exposure to foreign exchange transactions generated by sales and purchases in currencies other than the Group's functional currencies represented an insignificant proportion of consolidated sales in 2010.
For these transactions, Group policy is to mitigate the risk by using forward sales or purchases.
In addition, the Parent Company has issued a bond in US currency, where the Exchange rate risk has been hedged by a cross currency swap.

Sensitivity analysis
An analysis was performed on the economic effects of a possible change in the exchange rates against the euro, keeping all the other variables constant.
This analysis does not include the effect on the consolidated accounts of the conversion of the financial statements of subsidiaries denominated in a foreign currency following a possible change in exchange rates.
The assumptions adopted in terms of a potential change in rates are based on an analysis of forecasts provided by financial information agencies at the reporting date.

The types of transaction included in this analysis are as follows: the Parent Company's bond issue, denominated in US dollars, and sales and purchase transactions in a currency other than the Group's functional currency.
The Parent Company's bond issue is hedged by cross currency swaps, while the other transactions are hedged by forward contracts; in both cases, therefore, a change in exchange rates would entail a corresponding change in the fair value of the hedging transaction and hedged item, but this would have no effect on the income statement.
The effects on shareholders' equity are determined by changes in fair value of the Parent Company's interest rate swap and forward contracts on future transactions, which are used as cash flow hedges. The results of this analysis showed that the effects would not be significant.

47. Commitments and risks

The main commitments and risks of the Campari Group on the closing date of the accounts are shown below.

Non-cancellable operating leases

The following table shows the amounts owed by the Group, broken down by maturity, in future periods for leases on property.

Minimum future payments under operating leases	31 December 2010 € million	31 December 2009 € million
Within 1 year	4.9	3.6
1-5 years	13.0	12.0
More than 5 years	1.4	1.8
	19.3	**17.4**

The amount reported in the table refers to leases on cars, computers and other electronic equipment.
Rental fees for buildings and offices are also included.

Non-cancellable financing leases

The table below shows the commitments relating to the financial leasing contract entered into by the Parent Company in 2003 (relating to the Novi Ligure industrial and property complex) and the commitments incurred by Odessa Sparkling Wines relating to its production site. The contract stipulates future minimum payments as set out in the table, which also shows the relationship between the payments and their present value.

Finance leases	31 December 2010		31 December 2009	
	Minimum future payments € million	Present value of future payments € million	Minimum future payments € million	Present value of future payments € million
Within 1 year	3.7	3.5	3.5	3.3
1-5 years	3.8	3.4	6.5	6.3
More than 5 years	3.9	0.5		
Total minimum payments	11.4	7.4	10.0	9.6
Financial charges	(4.1)		(0.4)	
Present value of minimum future payments	**7.4**	**7.4**	**9.6**	**9.6**

Existing contractual commitments for the purchase of properties, equipment and machinery

These commitments totalled € 5.4 million, and all expire within the year.
This item comprises around € 1.4 million in respect of the Parent company, mainly for the purchase of equipment, improvements to the manufacturing units and the implementation of the Group's new IT system.
The Argentinian company Sabia S.A. has commitments of € 2.8 million for the purchase of new equipment for its new Cinzano production facilities.

Other commitments

The Group's other commitments for purchases of goods or services primarily consist of:
- purchases of raw materials relating to wine and grapes for the production of Cinzano still and sparkling wines; these multi-year contracts are entered into directly with the sellers pursuant to the Moscato d'Asti producers' agreement;
- contractual agreements for the purchase of materials and advertising services;
- contractual agreements for the purchase of habillage, goods and maintenance materials and supplies, as well as services associated with the activities of the production units;
- sponsorship contracts.

Restrictions on the title and ownership of properties, equipment and machinery pledged to secure liabilities
The Group has several existing loans, with a current balance of € 0.2 million, secured by mortgages on land and buildings and liens on machinery and equipment for an original amount of € 5.3 million.

Other guarantees
The Group has issued other forms of security in favour of third parties in the shape of customs bonds for excise taxes totalling € 51.8 million at 31 December 2010 (€ 52.3 million at 31 December 2009).

48. Related parties

Davide Campari-Milano S.p.A. is controlled by Alicros S.p.A.
Davide Campari-Milano S.p.A. and its Italian subsidiaries have adopted the national tax consolidation scheme governed by articles 117 *et seq* of the consolidated law on income tax (TUIR), for 2010, 2011 and 2012.
The tax receivables and payables of the individual Italian companies are therefore recorded as payables to the Parent Company's controlling shareholder, Alicros S.p.A.
At 31 December 2010, the overall position of the Italian subsidiaries of Davide Campari-Milano S.p.A. and of the Parent Company itself in respect of Alicros S.p.A., in relation to the tax consolidation scheme, is a non-interest-bearing net payable of € 16.9 million. The table below shows the net debit balance.

Moreover, Alicros S.p.A., Davide Campari-Milano S.p.A. and its Italian subsidiaries have joined the Group-wide VAT scheme, pursuant to article 73, paragraph 3 of Presidential Decree 633/72.
At 31 December 2010, the Parent Company and its Italian subsidiaries recorded a debit balance of € 1.5 million due to Alicros S.p.A.

The receivables and payables arising as a result of the tax consolidation scheme are non-interest- bearing.

Dealings with related parties and joint ventures form part of ordinary operations and are carried out under market conditions (i.e. conditions that would apply between two independent parties) or using criteria that allow for the recovery of costs incurred and a return on invested capital.
All transactions with related parties were carried out in the Group's interest.
The amounts for the various categories of transaction entered into with related parties are set out below.

31 December 2010	Trade receivables € million	Trade payables € million	Receivables (payables) for tax consolidation € million	Receivables (payables) for Group VAT € million	Other non-current tax receivables € million	Other receivables (payables) € million
International Marques V.O.F.	1.0	-	-	-		
Focus Brands Trading Ltd	0.5	-	-		-	
Alicros S.p.A.	-	-	(16.9)	(1.5)		-
Payables to directors						(2.3)
Total	**1.4**	**-**	**(16.9)**	**(1.5)**	**-**	**(2.3)**
Balance sheet percentage of related item	1%	0%	74%	2%	0%	2%

31 December 2009	Trade receivables € million	Trade payables € million	Receivables (payables) for tax consolidation € million	Receivables (payables) for Group VAT € million	Other non-current tax receivables € million	Other receivables (payables) € million
International Marques V.O.F.	0.9	-	-	-	-	
Focus Brands Trading Ltd	0.7	-	-		-	
Alicros S.p.A.	-	-	(22.4)	(6.4)	0.2	-
Payables to directors						(1.2)
Total	**1.6**	**-**	**(22.4)**	**(6.4)**	**0.2**	**(1.2)**
Balance sheet percentage of related item	1%	-	34%	10%	1%	-

31 December 2010	Sale of merchandise € million	Trade allowances € million	Other income and charges € million	Financial income € million	Profit (loss) of joint ventures € million
Alicros S.p.A.			0.2		
International Marques V.O.F.	3.3	(1.2)	-	-	(0.2)
Focus Brands Trading Ltd					(0.4)
	3.3	**(1.2)**	**(0.2)**	**-**	**(0.6)**

31 December 2009	Sale of merchandise € million	Trade allowances € million	Other income and charges € million	Financial income € million	Profit (loss) of joint ventures € million
Alicros S.p.A.			0,1		
International Marques V.O.F.	3.1	(1.0)	0.0	-	(0.0)
M.C.S. S.c.a.r.l.	3.1	(0.9)	0.0	0.0	(0.3)
Focus Brands Trading Ltd	0.6	(0.2)	0.0	-	(0.5)
	6.8	**(2.1)**	**0.1**	**0.0**	**(0.8)**

Remuneration paid to the Parent Company's directors who held management positions in the Group with strategic responsibility was as follows:

	2010 € million	2009 € million
Short-term benefits	5.4	4.1
Defined contribution benefits	0.0	0.0
Stock options	1.7	1.3
	7.1	**5.5**

Note that, at the date of this report, a payable to directors of € 2.3 million was recorded in the accounts.

49. Employees

The following tables indicate the average number of employees at the Group, broken down by business sector, category and region.

Business sector	31 December 2010	31 December 2009
Production	930	957
Sales and distribution	878	827
General	399	392
Total	2,207	2,176
Category	31 December 2010	31 December 2009
Managers	132	124
Office staff	1,229	1128
Manual workers	846	925
Total	2,207	2,176
Region	31 December 2010	31 December 2009
Italy	807	832
Abroad	1,400	1344
Total	2,207	2,176

50. Events taking place after financial year-end

Expiry of the distribution agreement with Focus Brands Trading (India) Private Limited

The Campari Group has, since 2008, held a minority stake of 26% in Focus Brands Trading (India) Private Limited, a subsidiary of the Jubilant Group, responsible for the distribution of the Campari Group's products in India, and licence-holder for the local production of Old Smuggler Whisky.
Following breaches of contract by the joint venture, the Group terminated both the distribution agreement and the licence agreement in 2010. At the same time, the subsidiary Di.Ci.E Holding B.V., which holds the stakes in the company, advised its intention to exit the joint venture. An agreement is therefore at an advanced stage of negotiations that will allow Jubilant to purchase the stakes held by DICIE Holding B.V. for a token amount, and to settle a portion of the joint venture's trade payables to the Group.
The impact on the Group's consolidated financial statements at 31 December 2010 is a net liability of € 0.4 million, and relates primarily to the write-down of the holding in the joint venture (booked to the accounts at € 0.4 million at 31 December 2009), as the receivables of Campari International S.A.M. had already been adjusted to their estimated realisable value.

Acquisition of a distributor in Russia

On 1 March 2011, the Group acquired an 80% stake in Vasco CIS, a wines and spirits import and distribution company based in Moscow. The deal was worth € 6.4 million, of which € 0.4 million relates to the purchase of shares, and the remaining portion represents the acquired company's trade payables to suppliers.
The agreement also gives call and put options on the remaining 20%, on condition that the objectives stated in the contract are met. Based on the estimates currently available, the value of the options that may be exercised in 2012 is € 1.8 million.

Merger of Zedda Piras S.p.A. into Sella&Mosca S.p.A.

To continue the process of streamlining and reducing the number of companies in the Campari Group begun in previous years, the Board of Directors of Azienda Vitivinicola Tenute Sella&Mosca S.p.A. and the Board of Directors of Zedda Piras S.p.A. have agreed and prepared a merger proposal, the primary aim of which is to make the Group's financial and balance sheet structure more efficient and functional, and to combine the manufacturing and commercial activities of the two companies.

The planned merger will take place via the absorption of Zedda Piras S.p.A. into Azienda Vitivinicola Tenute Sella&Mosca S.p.A. and will be carried out, pursuant to article 2501-*quarter* of the Italian Civil Code, on the basis of the balance sheets of the two companies at 31 December 2010.

Sesto San Giovanni (MI), Monday 21 March 2011

Chairman of the Board of Directors

Luca Garavoglia

Certification of the consolidated financial statements pursuant to article 81-ter of Consob Regulation 11971 of 14 May 1999 and subsequent revisions and amendments

1. We, Robert Kunze-Concewitz, Stefano Saccardi, managing directors, and Paolo Marchesini, managing director and the director responsible for preparing the accounting documents of Davide Campari-Milano S.p.A., hereby certify, taking into account the provisions of paragraphs 3 and 4, article 154-*bis*, of legislative decree 58 of 24 February 1998:

• the appropriateness, in relation to the nature of the business, and

• the effective application

of the administrative and accounting procedures used to prepare the consolidated financial statements for 2010.

2. We furthermore certify that

2.1. The consolidated financial statements to 31 December 2010:

a) were prepared in accordance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) correspond to the figures contained in the accounting records

c) provide a true and fair view of the financial position of the issuer and the group of companies included in the basis of consolidation

2.2. The report on operations contains an accurate assessment of the company's performance and operating results, and on the position of the issuer and the group of companies included in the basis of consolidation, together with a description of the main risks and uncertainties to which it is exposed.

Sesto San Giovanni (MI), Monday 21 March 2011

Managing Director
Robert Kunze-Concewitz

Managing Director
Director responsible for preparing
the company's accounting statements
Paolo Marchesini

Managing Director
Stefano Saccardi

pwc

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

DAVIDE CAMPARI-MILANO SPA

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2010

pwc

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the shareholders of
Davide Campari-Milano SpA

1 We have audited the consolidated financial statements of Davide Campari-Milano SpA and its subsidiaries ("Campari Group") as of 31 December 2010 which comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related notes. The Directors of Davide Campari-Milano SpA are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards, as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for listed Companies and Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to the report issued by other auditors on 6 April 2010.

3 In our opinion, the consolidated financial statements of Campari Group as of 31 December 2010 comply with the International Financial Reporting Standards, as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Campari Group for the year then ended.

4 The Directors of Davide Campari-Milano SpA are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure published in section "Investors" of the corporate website of Davide Campari-Milano SpA, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to

PricewaterhouseCoopers SpA

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in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard 1 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of Campari Group as of 31 December 2010.

Milan, 4 April 2011

PricewaterhouseCoopers SpA

Signed by

Fabio Facchini
(Partner)

This report is an English translation of the original audit report, which was issued in Italian. This report has been prepared solely for the convenience of international readers.

Davide Campari – Milano S.p.A.

Draft separate financial statements for the year ending 31 December 2010

Financial statements

Income statement

	Notes	31 December 2010 (€)	*of which: related parties* (€)	31 December 2009 (€)	*of which: related parties* (€)
Net sales	7	**493,439,086**	*124,938,400*	**308,984,737**	*303,110,885*
Cost of goods sold	8	(263,471,149)	*(54,249,543)*	(245,872,424)	*21,262,744*
Gross profit		**229,967,937**		**63,112,313**	
Advertising and promotional costs	9	(63,527,719)	*3,504,450*	(1,931,571)	*5,934,382*
Contribution margin		**166,440,218**		**61,180,742**	
Structure costs	10	(71,817,314)	*3,961,532*	(32,216,973)	*9,276,975*
of which: one-offs		*(3,404,878)*		*818,840*	
EBIT		**94,622,904**		**28,963,769**	
Financial income and charges	16	(26,437,029)	*(4,830,167)*	(30,245,720)	*(7,051,893)*
of which: one-offs		-		*(4,904,163)*	*2,748,872*
Dividends	40	47,475,930	*47,475,930*	36,278,858	*36,278,858*
Profit before tax		**115,661,805**		**34,996,907**	
Taxes	17	(33,168,725)		(2,540,499)	
Profit for the year		**82,493,080**		**32,456,408**	

Statement of other comprehensive income

	31 December 2010 (€)	31 December 2009 (€)
Net profit (A)	**82,493,080**	**32,456,409**
Cash flow hedge		
Net profit (loss) for the period	5,659,151	-19,728,793
Less: profits (losses) reclassified to the separate income statement	622,135	802,145
Net gains (losses) from cash flow hedging	5,037,016	-20,530,938
Tax effect	-1,556,267	5,425,418
Cash flow hedge	**3,480,749**	**-15,105,520**
Other comprehensive income (losses) (B)	**3,480,749**	**-15,105,520**
Total comprehensive income (A+B)	**85,973,829**	**17,350,889**

Balance sheet

	Notes	31 December 2010	*of which: related parties*	31 December 2009	*of which: related parties*
		(€)	(€)	(€)	(€)
ASSETS					
Non-current assets					
Net tangible fixed assets	18	123,525,409		128,207,903	
Investment property	19	550,666		647,842	
Goodwill and trademarks	20	427,624,072		421,624,072	
Intangible assets with a finite life	22	15,610,667		2,989,140	
Investments in affiliated companies	23	891,902,404		789,897,213	
Deferred tax assets	17	-		-	
Other non-current assets	24	4,304,966		42,869,603	*66,073*
Total non-current assets		**1,463,518,184**	**-**	**1,386,235,773**	**66,073**
Current assets					
Inventories	25	89,570,485		67,972,033	
Trade receivables	26	81,924,209	*31,275,744*	61,497,507	*59,474,661*
Short-term financial receivables	27	41,487,087	*40,088,077*	40,706,119	*39,460,290*
Cash and cash equivalents	28	37,143,737		10,851,608	
Tax receivables		-		347,877	
Other receivables	26	7,277,817	*3,343,029*	15,943,784	*9,365,213*
Total current assets		**257,403,335**	**74,706,850**	**197,318,928**	**108,300,164**
Non-current assets held for sale	29	10,635,161		10,635,161	
Total assets		**1,731,556,680**	**74,706,850**	**1,594,189,862**	**108,366,237**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	30	58,080,000		29,040,000	
Reserves	30	577,555,153		503,225,261	
Total shareholders' equity		**635,635,153**	**-**	**532,265,261**	**-**
Non-current liabilities					
Bonds	31	578,853,767		549,996,487	
Other non-current financial liabilities	31	80,054,380	*50,000,000*	82,636,371	*20,213,918*
Defined benefit plans	32	7,889,031		5,895,580	
Provision for risks and future liabilities	33	14,324,354		3,617,208	
Deferred tax liabilities	17	13,070,321		6,796,031	
Other non-current liabilities		-		-	
Total non-current liabilities		**694,191,853**	**50,000,000**	**648,941,677**	**20,213,918**
Current liabilities					
Payables to banks	31	72,630		64	
Other financial payables	31	264,327,643	*252,165,322*	325,797,195	*313,848,213*
Payables to suppliers	34	97,592,900	*14,958,993*	64,677,599	*8,439,910*
Payables to tax authorities	35	18,815,664	*15,943,243*	3,277,208	*3,277,208*
Other current liabilities	34	20,920,837	*3,813,420*	19,230,858	*7,652,584*
Total current liabilities		**401,729,674**	**286,880,978**	**412,982,924**	**333,217,915**
Total liabilities and shareholders' equity		**1,731,556,680**	**336,880,978**	**1,594,189,862**	**353,431,833**

Cash flow statement

	Note	2010	2009
		€	€
EBIT		**94.622.904**	**28.963.769**
Adjustments to reconcile operating profit and cash flow:			
Depreciation and amortisation	11	14.085.452	12.813.029
Net capital losses (gains) on the sale of fixed assets	18	(901.972)	(1.518.767)
Fund provisions	33	11.140.358	1.883.750
Use of provisions	33	(8.518.646)	(1.767.196)
Net financial charges	16	(364.435)	(108.808)
Other non-cash items	36	4.146.565	2.585.548
Other non-cash items, net of merger	25/26/30/32/33/34	21.364.046	-
Change in net operating working capital	25/26/34	1.215.172	(12.664.040)
Change in receivables from related parties	40	39.661.189	(4.364.120)
Change in payables to related parties	40	(6.229.613)	82.115
Income taxes paid	17/35	(6.093.771)	(3.170.654)
Other changes in non-financial assets and liabilities	35	(7.078.858)	3.663.694
Cash flow from operating activities		**157.048.391**	**26.398.320**
Purchase of tangible and intangible assets	18/22	(21.819.950)	(26.372.261)
Income from sales of fixed assets	18	901.972	1.386.963
Acquisition of trademarks	20	(6.000.000)	-
Disposals (investments) in affiliated companies	23	(100.425.169)	(228.443.797)
Interest income	16	23.452.204	2.190.721
Interest received from related parties	16	535.479	1.044.847
Dividends received	30	47.475.930	36.278.858
Cash flow used in investing activities		**(55.879.534)**	**(213.914.669)**
Issue of bond in €	16/31/37	-	345.195.404
Term and revolving loan facility	16/31/37	-	131.000.000
Medium / long-term loans from related parties	40	29.786.082	213.918
Repayment of term and revolving loan facility	16/31/37	-	(131.000.000)
Repayment of medium / long-term payables	16	(168.623)	(153.299)
Net change in short-term payables to banks and loans	31	72.566	(3)
Net change in financial receivables from related parties	31/40	(627.787)	(70.983)
Net change in financial payables to related parties	31/40	(61.682.891)	(51.306.875)
Interest expenses	16	(45.849.253)	(12.812.666)
Interest paid to related parties	16	(5.413.396)	(10.623.415)
Change in other financial payables and receivables	24	41.898.762	(48.023.723)
Purchase and sale of own shares	30	1.695.400	(6.446.238)
Net change in securities	16	5.697	8.128
Dividend payout	30	(34.593.285)	(31.700.928)
Cash flow from (used in) financing activities		**(74.876.728)**	**184.279.320**
Net cash flow for the period		**26.292.129**	**(3.237.029)**
Cash and cash equivalents at start of period	28	10.851.608	14.088.637
Cash and cash equivalents at end of period	**28**	**37.143.737**	**10.851.608**

Statement of changes in shareholders' equity

	Notes	Share capital	Legal reserve	Extraordinary reserve	Reserve for VAT deductions 4-6% (various laws)	Reserve for grants (Law 696/83)	Equity investment transfer reserve (Leg. Decree 544/92)	Other reserves	Retained earnings	Shareholders' equity
		(€)	(€)	(€)	(€)	(€)	(€)	(€)	(€)	(€)
Balance at 1 January 2010		29,040,000	5,808,000	243,221,990	1,086,287	25,823	3,041,357	(2,437,512)	252,479,316	532,265,261
Capital increase	30	29,040,000	-	-	-	-	-	-	(29,040,000)	-
Dividend payout	30	-	-	-	-	-	-	-	(34,593,285)	(34,593,285)
Purchase of own shares	30	-	-	-	-	-	-	(9,260,365)	-	(9,260,365)
Use of own shares	30	-	-	-	-	-	-	14,676,678	(3,720,913)	10,955,765
Stock options	30	-	-	-	-	-	-	3,901,089	3,062,227	6,963,316
Creation of reserves	30	-	-	-	-	-	-	-	3,867,853	3,867,853
Other	30	-	-	-	-	-	-	-	39,462,778	39,462,778
Profit for the year - 2010		-	-	-	-	-	-	-	82,493,080	82,493,080
Other comprehensive income (losses)		-	-	-	-	-	-	3,651,837	(171,087)	3,480,750
Total comprehensive income		-	-	-	-	-	-	3,651,837	82,321,993	85,973,830
Balance at 31 December 2010		58,080,000	5,808,000	243,221,990	1,086,287	25,823	3,041,357	10,531,727	313,839,969	635,635,153

	Notes	Share capital	Legal reserve	Extraordinary reserve	Reserve for VAT deductions 4-6% (various laws)	Reserve for grants (Law 696/83)	Equity investment transfer reserve (Leg. Decree 544/92)	Other reserves	Retained earnings	Shareholders' equity
		(€)	(€)	(€)	(€)	(€)	(€)	(€)	(€)	(€)
Balance at 1 December 2009		29,040,000	5,808,000	243,221,990	1,086,287	25,823	3,041,357	12,346,151	253,885,092	548,454,700
Dividend payout	30	-	-	-	-		-	-	(31,700,928)	(31,700,928)
Purchase of own shares	30	-	-	-	-		-	(13,373,833)	-	(13,373,833)
Use of own shares	30	-	-	-	-		-	10,392,118	(3,464,523)	6,927,595
Stock options	30	-	-	-	-		-	3,082,982	1,523,856	4,606,838
Profit for the year - 2009		-	-	-	-	-	-	-	32,456,409	32,456,409
Other comprehensive income (losses)		-	-	-	-	-	-	(14,884,930)	(220,590)	(15,105,520)
Total comprehensive income		-	-	-	-	-	-	(14,884,930)	32,235,819	17,350,889
Balance at 31 December 2009		29,040,000	5,808,000	243,221,990	1,086,287	25,823	3,041,357	(2,437,512)	252,479,316	532,265,261

Notes to the financial statements

1. General information

Davide Campari S.p.A. is a company listed on the Italian stock market, with registered office at Via Franco Sacchetti 20, 20099 Sesto San Giovanni (MI), Italy.
The Company is registered on the Milan companies register and REA (business administration register) under no. 1112227.
The Company is 51%-owned by Alicros S.p.A.
Davide Campari-Milano S.p.A. is the Parent Company of the Campari Group and operates directly in Italy, and through its subsidiaries on international markets for alcoholic and non-alcoholic beverages.
The Campari Group is a leading global player in the beverage sector, with a presence in almost 200 countries and a product portfolio in three segments: spirits, wines and soft drinks.
The Group's product portfolio encompasses internationally-recognised brands such as Campari, SKYY Vodka, Wild Turkey, Cynar, Cinzano and Riccadonna, as well as brand leaders in local markets including CampariSoda, Campari Mixx, Crodino, Aperol, Aperol Soda, Glen Grant, Sella & Mosca, Zedda Piras, Biancosarti, Barbieri, Enrico Serafino, Lemonsoda, Oransoda e Pelmosoda, Ouzo 12, Cabo Wabo and Mondoro.
These accounts are presented in euro while the relevant notes to the accounts are presented in thousands of euro, unless otherwise stated.
As the Parent Company, Davide Campari-Milano S.p.A. has also drawn up the consolidated financial statements of the Campari Group for the year ending 31 December 2010.
The publication of the financial statements of Davide Campari-Milano S.p.A. for the year ending 31 December 2010 was authorised by resolution of the Board of Directors on 21 March 2011.
The Board of Directors reserves the right to amend the results should any significant events occur that require changes to be made, up to the date of the shareholders' meeting.

During the year, Campari Italia S.p.A., a 100%-owned subsidiary operating in the sale of alcoholic and non-alcoholic drinks, was merged into Davide Campari-Milano S.p.A. The primary objective for the merger was to make the Group's financial and balance sheet structure more efficient and functional, and to combine the manufacturing and commercial activities of the two companies.
The transaction also allows the Group to continue the process of streamlining and reducing the Group's structure, which was started in previous years.
As a result of this merger, Davide Campari-Milano S.p.A. now sells the Group's products directly on the Italian market.

Since the shares of the incorporated company Campari Italia S.p.A. were held entirely by the incorporating company Davide Campari-Milano S.p.A., the latter was not required to determine a ratio for the exchange of shares nor launch a capital increase, pursuant to art. 2505 of the Italian Civil Code.
Moreover, since the merger by absorption of a wholly-owned company may not be defined as a business combination, this merger is not governed by IFRS 3, but falls into the category of transactions between entities under joint control. The choice of the most appropriate accounting standard to use is, therefore, guided by the general rules in IAS 8, and accounted for according to the guidelines of IAS 8.10, as also indicated in OPI 2, the document that includes preliminary guidelines on IFRS.
Consequently, this operation is reflected in the balance sheet consistent with the values in the Group's consolidated balance sheet.
For the purposes of preparing these accounts, the Group eliminated the intercompany balances on the financial statements arising from the deal between the incorporating and incorporated companies in the period, the stake held by the incorporating company in the incorporated company, the balances of shareholders' equity in the incorporated company's accounts, and intra-group dividends paid out during the period. These eliminations were used to calculate the merger difference, generating a merger surplus of € 3,868 thousand.
A comparison of the balance sheet values at 31 December 2010 (following the merger) and 31 December 2009, did not reveal anything significant; the comparison is however provided pursuant to article 2423 of the Italian civil code.
To enable a better understanding of the figures provided, the Group considered it appropriate to supplement the information required by existing legislation by including, for the significant balance sheet items, the corresponding figures recorded by the incorporated company at the end of the previous year.
The transactions of the incorporated company Campari Italia S.p.A. were recorded in the balance sheet of the incorporating company Davide Campari-Milano S.p.A. from 1 January 2010, in compliance with article 2504-*bis*, para. 3, of the civil code; the direct tax impact also takes effect from the same date, pursuant to article 172 of Presidential Decree 917 of 22 December 1986.

However, all effects in respect of third parties become valid on the date on which the final item was recorded, i.e. midnight on 31 December 2010, pursuant to article 2504- bis, para. 2 of the civil code.

2. Preparation criteria

The financial statements were prepared on a cost basis, with the exception of financial derivatives, which are reported at fair value.
The carrying value of assets and liabilities involved in fair value hedging transactions, which would otherwise be recorded at cost, has been adjusted to take account of the changes in fair value attributable to the risk being hedged.

Compliance with IFRS

As mentioned above, the financial statements of Davide Campari-Milano S.p.A. (which represent the “separate financial statements”) for the years ending 31 December 2010 and 2009, were prepared in accordance with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) and ratified by the European Union, including all the revised international accounting standards (International Accounting Standards - IAS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).
No exceptions to the application of the international accounting standards were made in the preparation of these separate accounts.

Form and content

In accordance with the format chosen by the Campari Group, and also adopted for the financial statements of the Parent Company, the income statement is classified by function, and the balance sheet shows current and non-current assets and liabilities separately.
We consider that this format will provide a more meaningful representation of the items that have contributed to the Company's results and its balance sheet and financial position.
In the income statement (classified by function), income and charges from one-off transactions such as sales of fixed assets, restructuring costs and any other non-recurring income/expenses are shown separately.
The definition of “non-recurring” or “one-off” conforms to that set out in the Consob communication of 28 July 2006 (DEM/6064293).
During the year, the Parent Company did not carry out any atypical or unusual transactions, as defined in the same communication.
Lastly, in accordance with Consob Resolution 15519 of 27 July 2006, transactions with related parties are shown separately, in the balance sheet and income statement, as also required by IAS 24.
The cash flow statement was prepared using the indirect method.

3. Summary of accounting principles

Intangible assets

Intangible assets include all assets without any physical form that are identifiable, controlled by the company and capable of producing future economic benefits, as well as goodwill when purchased for consideration.
Intangible assets acquired are posted to assets, in accordance with IAS 38 - Intangible Assets, when it is likely that the use of the assets will generate future economic benefits, and when the cost can be reliably determined.
If acquired separately, these assets are reported at purchase cost including all allocable ancillary costs.
Assets produced internally, excluding development costs, are not capitalised and are reported on the income statement for the financial year in which they are incurred.

Intangible assets with a finite life are amortised on a straight-line basis in relation to their remaining useful life, taking into account losses due to a reduction in accumulated value.
The period of amortisation of intangible assets with a finite life is reviewed at least at the end of every financial year in order to ascertain any changes in their useful life, which if identified, will be considered as changes in estimates.
The costs of development projects and studies are recorded in the income statement in full in the year in which they are incurred.
Advertising and promotional costs are recorded on the income statement when the company has received the goods or services in question.
Costs relating to industrial patents, concessions, licences and other intangible assets are listed on the assets side of the balance sheet only if they are able to produce future economic benefits for the company. These costs are amortised according to the period of use, if this can be defined, or according to contract duration.

Software licences represent the cost of purchasing licences and, if incurred, external consultancy fees or internal personnel costs necessary for development. These costs are booked in the year in which the internal or external costs are incurred for training personnel and other related costs.
Costs recorded under intangible assets are amortised over their useful life, generally taken to be three years.
Goodwill and trademarks, which result from acquisitions and qualify as intangible assets with an indefinite life, are not amortised. The possibility of recovering their reported value is ascertained at least annually, and in any case, when events occur leading to the assumption of a reduction in value using the criteria indicated in the "Impairment" section. For goodwill, a test is performed on the smallest aggregate to which the goodwill relates. On the basis of this, management directly or indirectly assesses the return on investment including goodwill.
Impairments of goodwill cannot be recovered in future years.

Tangible fixed assets

Property, plant and equipment are recorded at acquisition or production cost, gross of capital grants (if received) and directly charged expenses, and are not revalued.
Any costs incurred after purchase are capitalised provided that they increase the future financial benefits generated by using the asset.
The replacement costs of identifiable components of complex assets are allocated to assets on the balance sheet and depreciated over their useful life. The residual value recorded for the component being replaced is allocated to the income statement; other costs are charged to the income statement when the expense is incurred.
Financial charges are posted to the income statement when incurred.
Ordinary maintenance and repair expenses are charged to the income statement in the period in which they are incurred. The depreciation period runs from the time the asset is available and ready for use, and the depreciation charge is allocated directly to the asset.
If there are current obligations for dismantling or removing assets and cleaning up the related sites, the assets' reported value includes the estimated (discounted) costs to be incurred when the structures are abandoned, which are reported as a offsetting entry to a specific reserve.
The impact of revising the estimate of these costs is explained in the "provisions for risks and future liabilities" section.

Assets held under finance lease contracts, which essentially assign to the Company all the risks and benefits tied to ownership, are recognised as Company assets at their current value, or the present value of the minimum lease payments, whichever is lower.
The corresponding liability to the lessor is reported in the accounts under financial payables.
These assets are depreciated using the policies and rates indicated below.
Leasing arrangements in which the lessor, in essence, retains all the risks and benefits tied to the ownership of the assets, are classified as operating leases, and the related costs are reported in the income statement over the term of the contract.
Depreciation ceases on the date when the asset is classified as available for sale, in accordance with IFRS 5, or on the date on which the asset is eliminated for accounting purposes, whichever occurs first.
Depreciation is applied using the straight-line method, based on each asset's estimated useful life as established in accordance with the company's plans for use of such assets, taking into account wear and tear and the superseding of technology, and the likely estimated realisable value net of disposal costs.
When the tangible asset consists of several significant components with different useful lives, depreciation is applied to each component individually.
The amount to be depreciated is represented by the reported value less the estimated net market value at the end of its useful life, if this value is significant and can be reasonably determined.
Land, even if acquired in conjunction with a building, is not depreciated, nor are available-for-sale tangible assets, which are reported at the lower of their recorded value and fair value less disposal costs.
Rates are as follows:

Property:	
buildings	3%
light constructions	10%
plant and machinery:	
plant and machinery	10%
tanks	10%
Industrial and commercial equipment:	
miscellaneous equipment	20%
commercial equipment	20%

Other tangible fixed assets:	
furniture	12%
office equipment	12%
electronic equipment	20%
miscellaneous minor equipment	20%
goods vehicles	20%
cars	25%

A fixed asset is derecognized from the balance sheet at the time of sale or when there are no future economic benefits associated with its use or disposal.
Any profits or losses are included in the income statement in the year of this derecognition.

Capital grants

Capital grants are recorded when there is a reasonable certainty that all requirements necessary for access to such grants have been met and that the grant will be disbursed.
This generally occurs at the time the decree acknowledging the benefit is issued.
Capital grants relating to tangible assets are reported as deferred revenues and credited to the income statement over the period corresponding to the useful life of the asset concerned.

Impairment

The Company ascertains, at least annually, whether there are indicators of a potential loss in value of intangible and tangible assets. If the Company finds that such indications exist, it estimates the recoverable value of the relevant asset.
In addition, intangible assets with an indefinite useful life, or that are not available and ready for use, are subject to an impairment test each year, or more frequently if there is an indication that the asset may have been subject to a loss in value.
The ability to recover the assets is ascertained by comparing the reported value to the related recoverable value, which is represented by the greater of the fair value less disposal costs and the value in use.
In the absence of a binding sale agreement, the fair value is estimated on the basis of recent transaction values in an active market, or based on the best information available to determine the amount that could be obtained from selling the asset.
The value in use is determined by discounting expected cash flows resulting from the use of the asset, and if significant and reasonably determinable, the cash flows resulting from its sale at the end of its useful life.
Cash flows are determined on the basis of reasonable, documentable assumptions representing the best estimate of the future economic conditions that will occur during the remaining useful life of the asset, with greater weight given to outside information.
The discounting is done using a rate that takes into account the implicit risk of the business segment.
When it is not possible to determine the recoverable value of an individual asset, the Company estimates the recoverable value of the unit that incorporates the asset and generates cash flows.
A loss of value is reported if the recoverable value of an asset is lower than its carrying value.
This loss is posted to the income statement unless the asset was previously written up through a shareholders' equity reserve.
In this case, the reduction in value is first allocated to the revaluation reserve.
If, in a future period, a loss on assets, other than goodwill, does not materialise or is reduced, the carrying value of the asset or unit generating cash flows is increased up to the new estimate of recoverable value, and may not exceed the value that would have been determined if no loss from a reduction in value had been reported.
The recovery of a loss of value is posted to the income statement, unless the asset was previously reported at its revalued amount.
In this case, the recovery in value is first allocated to the revaluation reserve.

Investment property

Property and buildings held to generate lease income (investment property) are valued at cost less accumulated depreciation and losses due to a reduction in value.
The depreciation rate for buildings is 3%, while land is not depreciated.
Investment property is eliminated from the balance sheet when sold or when it becomes permanently unusable and no future economic benefits are expected from its disposal.

Equity investments

Investments in subsidiaries are recorded at cost and adjusted for any loss in value.

The positive difference arising at the time of the acquisition between the purchase cost and the current value of the Company's stake is included in the book value of the holding; any write-downs of this positive difference are not reinstated in subsequent periods, even if the reasons for the write-down no longer apply.
If the Company's portion of the subsidiary's losses exceeds the carrying value of the holding, the carrying value is eliminated and the portion of any further losses is posted to liabilities as a specific reserve to the extent to which the parent company is required to fulfil legal or implicit obligations with respect to the subsidiary or in any event to cover its losses.
Investments in subsidiaries are subject to impairment tests on an annual basis, or more frequently if necessary.
If the tests show evidence of impairment, the loss in value must be recorded as a write-down in the income statement.
Investments in other companies that are not held for trading (available for sale) are recorded at fair value, if determinable, and this value is allocated to shareholders' equity up to the date of sale or the identification of a loss in value, at which time the effects previously booked to shareholders' equity are recorded in the income statement for the period.
When the fair value cannot be reliably determined, investments are valued at cost, adjusted for any loss in value.
Dividends received are recognised in the income statement when the right to receive payment is established, only if they arise from the distribution of profits subsequent to the acquisition of the subsidiary.
If, however, the dividends relate to the distribution of the subsidiary's reserves preceding the acquisition, these dividends are recorded as a reduction in the cost of the investment.

Financial instruments

Financial instruments held by the Company are categorised as follows:
Financial assets include holdings in subsidiaries, affiliates and joint ventures, short-term securities and financial receivables, which in turn include the positive fair value of financial derivatives, trade and other receivables and cash and cash equivalents.
Specifically, cash and cash equivalents include cash, bank deposits and highly marketable securities that can be quickly converted into cash, and which carry an insignificant risk of a change in value.
The maturity of deposits and securities in this category is less than three months.
Short-term securities include securities maturing in one year or less, and marketable securities representing a temporary investment of cash that do not meet the requirements for classification as cash equivalents.
Financial liabilities include financial payables, which in turn include the negative fair value of financial derivatives, trade payables and other payables.
Financial assets and liabilities, other than equity investments, are booked in accordance with IAS 39 - Financial Instruments: Recognition and Measurement in the following categories:

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

This category includes all financial instruments held for trading and those designated at the initial reporting at fair value with changes recorded in the income statement.
Financial instruments held for trading are all those instruments acquired with the intention of sale in the short term.
This category also includes derivatives that do not meet the hedging criteria set out in IAS 39.
These instruments at fair value with changes recorded in the income statement are booked in the balance sheet at fair value, while the related profits and losses are reported in the income statement.

Investments held to maturity

Current financial assets and securities to be held until maturity are reported on the basis of the trading date, and, at the time they are first entered in the accounts, they are valued at purchase cost, represented by the fair value of the initial consideration given in exchange plus transaction costs (e.g. commissions, consulting fees, etc).
The initial reported value is then adjusted to take into account repayments of principal, any write-downs and the amortisation of the difference between the repayment amount and the initial reported value. Amortisation is applied on the basis of the effective internal interest rate represented by the rate which, at the time of initial reporting, would make the present value of expected cash flows equal to the initial reported value (known as the amortised cost method).
The profits and losses are entered in the income statement when the investment is derecognized for accounting purposes or when impairment occurs beyond the amortisation process.

Loans and receivables

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

After the initial recognition, these instruments are valued according to the criterion of amortised cost using the effective discount rate method net of any provision for loss of value.
Profits and losses are recorded in the income statement when loans and receivables are derecognized for accounting purposes or when a loss of value is apparent beyond the amortisation process.

Financial assets available for sale

Financial assets available for sale, excluding derivatives, are those designated as such or not classified under any of the three previous categories.
After the initial recognition, the financial instruments available for sale are valued at fair value.
If the market price is not available, the current value of financial instruments available for sale is measured using the most appropriate valuation methods, such as the analysis of discounted cash flows performed using market information available on the reporting date. In the absence of reliable information, they are held at cost.
Profits and losses on financial assets available for sale are recorded directly in shareholders' equity up to the time the financial asset is sold or written down. At that time the accumulated profits and losses, including those previously posted to shareholders' equity, are included in the income statement for the period.

Loss in value of a financial asset

The Group assesses, at least annually, whether there are any indicators that a financial asset or a group of financial assets could have reduced in value.
A financial asset or a group of financial assets is written down only if there is objective evidence of a loss in value caused by one or more events that occurred following the initial reporting date of the asset or group of assets and which had an impact that can be reliably estimated on the future cash flows that may be generated by the asset or group of assets themselves.

Derecognition of financial assets and liabilities

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

When the Company has transferred the rights to receive financial income from an asset, and it has neither transferred nor retained all the risks and benefits, or it has not lost control of the same, the asset is reported on the balance sheet to the extent of the Company's remaining involvement in the asset.
A financial liability is eliminated from the accounts when the underlying obligation of the liability is no longer held, or cancelled, or has been settled.
In cases where an existing financial liability is substituted by another with the same lender under different conditions, or where the conditions of an existing liability are changed, the substitution or change is treated in the accounts as a derecognition of the original liability, and a new liability is reported, with any difference in the accounting values allocated to the income statement.

Financial derivatives and hedging transactions

Financial derivatives are used solely for hedging purposes to reduce exchange and interest rate risk.
In accordance with IAS 39, financial derivatives are recorded using hedge accounting procedures only if, at the beginning of the hedge, a formal designation has been made and the documentation for the hedge relationship exists, and if it is assumed that the hedge is highly effective; it must be possible for this effectiveness to be reliably measured, and the hedge must prove highly effective during the accounting periods for which it is designated.
All financial derivatives are measured at their fair value pursuant to IAS 39.
Where financial instruments meet the requirements for being reported using hedge accounting procedures, the following accounting treatment is applied:

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

an impact on the income statement, the effective portion of the profits or losses on the financial instrument is reported under shareholders' equity.

Accumulated profits or losses are removed from shareholders' equity and recorded in the income statement in the same period in which the transaction being hedged has an impact on the income statement.

The profit or loss associated with a hedge, or the portion of the hedge that has become ineffective, is posted to the income statement when the ineffectiveness is reported.

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

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

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

Own shares

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

The original cost of the own shares and the economic effects of any subsequent sales are reported directly under shareholders' equity.

Inventories

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

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

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

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

Non-current assets held for sale

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

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

Employee benefits

Post-employment benefit plans

The Company provides post-employment benefits through defined contribution and/or defined benefit plans.

- *Defined benefit plans*

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

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

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

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

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

Compensation plans in the form of stock options

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

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

Changes in the present value following the allocation date have no effect on the initial valuation, while in the event of changes to the terms and conditions of the plan, additional costs are booked for every change in the plan that determines an increase in the current value of the recognised option.
No cost is recognised if the stock options have not been vested; if an option is cancelled, it is treated as if it had been vested on the cancellation date and any cost that has not been recognised is recorded immediately.
The fair value of stock options is represented by the value of the option determined by applying the Black-Scholes model, which takes into account the conditions for exercising the option, as well as the current share price, expected volatility and the risk-free rate.
The stock options are recorded at fair value with a offsetting entry under "stock option reserve".
The Company applied the transitional provisions of IFRS 2, and therefore applied the principle to allocations of stock options approved after 7 November 2002 that had not accrued on the effective date of IFRS 2 (1 January 2005).

Provisions for risks and future liabilities

Provisions for risks and future liabilities are reported when:
- the existence of a current legal or implicit obligation, resulting from a past event, is likely;
- it is likely that the fulfilment of the obligation will require some form of payment;
- the amount of the obligation can be reliably estimated.

Provisions are reported at a value representing the best estimate of the amount the company would reasonably pay to discharge the obligation or transfer it to third parties on the reporting date.
Where the financial impact of time is significant, and the payment dates of the obligations can be reliably estimated, the provision is discounted. The increase in the related reserve over time is allocated to the income statement under financial income (charges).
Provisions are periodically updated to reflect changes in cost estimates, collection periods and discount rates. Estimate revisions made in respect of reserves are allocated to the same item in the income statement where the provision was previously reported, or, where the liability relates to tangible assets (e.g. dismantling and restoration), these revisions are reported as a offsetting entry to the related asset.
When the Company expects that all or part of the provisions will be repaid by third parties, the payment is booked under assets only if it is virtually certain, and the provision is posted to the income statement net of the related repayment.

Restructuring provisions

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

Recording of revenues, income and charges in the income statement

Revenues are reported to the extent to which it is likely that the financial benefits will accrue to the Company and in respect of the amount that can be determined reliably.
Revenues are reported at the fair value of the sum received, net of current and deferred discounts, allowances, excise duties, returns and trade allowances.
Specifically:
- sales revenues are recorded when the risks and benefits associated with owning the items are transferred to the buyer, and the revenue amount can be reliably determined;
- service revenues are reported when services are rendered; allocations of revenues related to partially performed services are reported on the basis of the percentage of the transaction completed on the reporting date, when the revenue amount can be reliably estimated;
- financial income and charges are booked in the period to which they relate;
- capital grants are credited to the income statement in proportion to the useful life of the related assets;
- dividends are reported on the date the shareholders' meeting passes the related resolution;
- lease income from investment property is booked on a straight-line basis for the duration of the existing leasing contracts.

Costs are recognised in the income statement when they relate to goods and services sold or consumed during the period, as a result of systematic apportionment or when the future utility of such goods and services cannot be determined.
Personnel and service costs include stock options (in keeping with their largely remunerative nature) that were allocated to employees, directors and individuals who regularly do work for the Company starting in 2004. The cost is determined in relation to the fair value of the option assigned. The portion applicable to the period is determined proportionally over the period to which the incentive applies (known as the vesting period).

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

Taxes

Current income taxes are calculated on the basis of estimated taxable income.
Payables and receivables in respect of current taxes are recorded in the amount expected to be paid to/received from tax authorities by applying the tax rates and regulations in force or effectively approved on the reporting date.
Current taxes relating to items posted directly to shareholders' equity are included in shareholders' equity.
Other non-income taxes, such as property and capital taxes, are included in operating expenses.
Deferred tax assets and liabilities are calculated on temporary differences between the asset and liability values recorded in the accounts and the corresponding values recognised for tax purposes using the liability method.
Deferred tax assets are reported when their recovery is likely.
Deferred tax assets and liabilities are determined on the basis of tax rates that are expected to apply in those periods when the temporary differences are generated or eliminated.
Current and deferred tax assets and liabilities are offset when these relate to income taxes levied by the same tax authority and a legal right of set-off exists, provided that realisation of the asset and settlement of the liability take place simultaneously.
Deferred tax assets and liabilities are classified under non-current assets and liabilities.
The balance of any set-off, made only in cases where income taxes have been levied by the same tax authority and there is a legal right of set-off, is posted to deferred tax assets if positive and deferred tax liabilities if negative.
The Company has also taken the decision to adopt the option to adopt the national tax consolidation procedure, governed by article 117 *et seq* of the consolidated law on corporate income tax (TUIR) for 2010, 2011 and 2012, pursuant to the regulation drawn up by Alicros S.p.A, the direct controlling entity of the Company.
The decision to adopt this procedure is reflected in the accounting entries.

Transactions in foreign currencies (not hedged with derivatives)

Revenues and costs related to foreign currency transactions are reported at the exchange rate in force on the date the transaction is completed.
Monetary assets and liabilities in foreign currencies are converted to euro at the exchange rate in effect on the reporting date with any related impact posted to the income statement.

Use of estimates

The preparation of the financial statements and related notes in accordance with IFRS requires management to make estimates and assumptions that have an impact on the value of balance sheet assets and liabilities and on disclosures concerning contingent assets and liabilities at the reporting date.
The actual results could therefore differ from these estimates.
Estimates are used to identify provisions for risks in respect of receivables, obsolete inventory, depreciation and amortisation, asset write-downs, employee benefits, taxes, restructuring reserves and other provisions and reserves.
Figures for the individual categories are set out in the notes to the financial statements.
Estimates and assumptions are reviewed periodically, and the effects of each change are reflected in the income statement in the period in which the review of the estimate occurred if such review had an impact on that period only, or additionally in subsequent periods if the review had an impact on both the current and future years.
Goodwill is subject to annual impairment tests to verify any losses in value.
The calculations are based on the financial flows expected from the cash-generating units to which the goodwill is attributed, as inferred from the budget and multi-year plans.

4. Changes in accounting principles

Accounting standards, amendments and interpretations applied since 1 January 2010

The following accounting standards, amendments and interpretations were applied by the Company for the first time from 1 January 2010.

IFRS 3 (REVISED) - Business Combinations and subsequent amendments to IAS 27R - Consolidated and Separate Financial Statements, IAS 28 - Investments in Affiliated Companies, and IAS 31 - Interests in Joint Ventures

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

These changes will affect the amount of goodwill disclosed, and the net profit for the year of acquisition and subsequent years.
Furthermore, all costs relating to the acquisition must be charged to the income statement.
The new changes apply prospectively to acquisitions made after 1 January 2010.

IAS 27 (REVISED) – Consolidated and Separate Financial Statements
IAS 27 requires that a change in the percentage shareholding in a subsidiary that does not constitute a loss of control is accounted for as an equity transaction, with an offsetting entry under shareholders' equity.
As a result, this change will have no impact on goodwill and will not give rise to either profits or losses.
Furthermore, the revised standard introduces changes to the accounting for losses posted by a subsidiary and the loss of control of a subsidiary.

IFRS 2 – Share-based Payment: payments based on Group shares settled for cash
This amendment, in addition to clarifying the scope of IFRS 2 and how it relates to the other standards, establishes that the company receiving goods or services in the context of share-based payment plans must account for these goods or services irrespective of which group company settles the transaction, whether or not the settlement is in cash or shares. The amendment specifies that a company must value the goods or services received in the context of a transaction settled in cash or shares from its own viewpoint, which may not coincide with that of the Group and with the amount recognised in the consolidated accounts. With the publication of this amendment, which incorporates the guidelines previously included in IFRIC 8 - Scope of IFRS 2 and in IFRIC 11 - IFRS 2 - Group and Treasury Share Transactions, the IASB withdrew IFRIC 8 and IFRIC 11.

Accounting standards, revisions and interpretations applicable from 1 January 2010 that are not relevant for the Company
The following accounting standards, amendments and interpretations applicable from 1 January 2010 that govern issues that are not relevant for the Company or did not result in a significant impact were also issued.

Improvement to IFRS 5 – Non-current Assets Held for Sale and Discontinuing Operations
The change to this standard, introduced as a result of the improvement process conducted by the IASB in 2008, is applicable to all financial years beginning after 1 July 2009.
This amendment specifies that when a subsidiary is held for sale, all of its assets and liabilities must be classified as held for sale if the parent company has embarked on a disposal plan that will lead to a loss of control. This applies irrespective of whether a minority stake continues to be held in the subsidiary.

Improvement to IAS 39 – Financial Instruments: Recognition and Measurement - Eligible Hedged Items
This amendment was issued by the IASB on 31 July 2008 and is applicable to the accounts for financial years beginning after 1 July 2009; this means that for the Group, the standard will apply from 1 January 2010.
The amendment states that an entity is allowed to designate a portion of changes in fair value or cash flows of a financial instrument as a hedged item and also includes the designation of inflation as a hedged risk or as a portion of risk in certain situations.

Improvement to IFRS 1 – First-time Adoption of International Financial Reporting Standards (further exemptions)
The amendment, which is applicable from 1 January 2010, lists the following exemptions:
o entities that use full cost accounting are exempt from retrospectively applying IFRS for oil and gas assets;
o entities with existing leasing contracts do not have to review the classification of their contracts in accordance with IFRIC 4 - Determining whether an arrangement contains a lease.

IFRIC 15 – Agreements for the Construction of Real Estate
The interpretation applies to the accounting policy for the revenues and costs of an entity engaged in the construction of real estate, whether directly or through sub-contractors, and clarifies which standard (IAS 18 - Revenue or IAS 11 – Construction Contracts) must be used for specific transactions. The entities that previously recognised revenue from sales of real estate in accordance with IAS 11 are significantly affected by this interpretation to the extent that if certain pre-requisites are met, such revenue could be accounted for under IAS 18. Similarly, the interpretation may be applied in other circumstances/sectors to determine whether a transaction must be accounted for under IAS 18 or IAS 11.

IFRIC 17 – Distribution of Non-Cash Assets to Owners

This interpretation, issued by IFRIC on 27 November 2008 is applicable prospectively in financial years beginning after 1 July 2009. It provides information on the accounting and valuation of non-cash dividends distributed to shareholders. In particular, it specifies that liabilities to shareholders for a dividend to be distributed must be accounted for when it has been appropriately authorised (i.e. by the shareholders' meeting); the value of a non-cash dividend should be calculated taking into account the fair value of the assets to be distributed at the time the related liability to shareholders must be recognised. The difference between the dividend paid and the net carrying value of the assets used for the payment must be taken to the income statement.

IFRIC 18 – Transfers of Assets from Customers

This interpretation, issued by IFRIC on 29 January 2009, is applicable prospectively from 1 January 2010. The interpretation, which does not apply to the Group, clarifies the accounting treatment for agreements in which an entity receives from a customer an item of property, plant and equipment that the company must then use either to connect the customer to a network or to provide the customer with access to a supply of goods and services.

On 16 April 2009, the IASB issued a series of modifications to IFRS ("improvements"); according to the IASB, those listed below contain changes that affect the presentation, recognition and valuation of items in the financial statements and came into force on 1 January 2010. These amendments did not have any effect on the Group's financial position or performance.

- IFRS 2 – Share-based Payment: this amendment, which has to be applied from 1 January 2010, clarified that since IFRS 3 modified the definition of business combinations, the transfer of an entity to form a joint venture or business combinations involving entities or businesses under common control do not fall under the scope of IFRS 2.
- IFRS 5 – Non-current Assets Held for Sale and Discontinuing Operations: this amendment, which has to be applied from 1 January 2010, clarifies that the disclosures required in respect of non-current assets, disposal groups classified as held for sale or relating to discontinued operations, are only those required by IFRS 5; the disclosures required by other IFRS apply only if specifically required with reference to these types of non-current assets or discontinued operations.
- IFRS 8 – Operating Segments: this amendment, which must be applied from 1 January 2010, states that the assets and liabilities relating to an operating segment are only required to be presented if they are included in the reporting used at the highest level of decision-making.
- IAS 1 – Presentation of Financial Statements: this amendment, which must be applied from 1 January 2010, clarifies that the possibility of meeting a liability by issuing an equity instrument has no relevance for its classification as current or non-current. This therefore changes the definition of a current liability, as the amendment permits a liability to be classified as non-current despite the existence of a currently exercisable option for conversion into equity instruments.
- IAS 7 – Statement of Cash Flows: this amendment, which has to be applied from 1 January 2010, states that only the cash flows arising from expenses resulting from the recognition of an asset on the balance sheet can be classified in the cash flow statement as deriving from investing activities, while the cash flows arising from expenses that do not result in the recognition of an assets must be classified as deriving from operating activities.
- IAS 17 – Leases: this amendment, which must be applied from 1 January 2010, requires that the general conditions set out in IAS 17 for the purposes of the classification of leasing agreements as finance or operating leases will also apply to leased land, regardless of whether ownership is transferred at the end of the contract; therefore land covered by existing leasing agreements that have not expired at the date of adoption of the amendment must be valued separately, and a new lease may be recognised retrospectively as if the related agreement were a finance lease.
- IAS 36 – Impairment of Assets: this amendment, which must be applied prospectively from 1 January 2010, requires that each cash-generating unit or group of units to which goodwill is allocated for impairment test purposes must not be larger than an operating segment as defined in paragraph 5 of IFRS 8, prior to the combination allowed by paragraph 12 of IFRS 8, based on similar economic characteristics or other elements.
- IAS 38 – Intangible Assets: this amendment, which must be applied prospectively from 1 January 2010, is a consequence of the amendment to IFRS 3 introduced in 2008, and clarifies the valuation techniques to be used for fair value valuations of intangible assets for which no active reference market exists; these techniques include the estimated net present value of cash flows generated by the asset, an estimate of the costs that the company has avoided by owning the asset, i.e. by not obtaining it via a licensing agreement, and an estimate of the costs necessary to replace it.
- IAS 39 – Financial Instruments: Recognition and Measurement: this amendment, which must be applied prospectively from 1 January 2010, restricts the exemption set out in paragraph 2(g) of IAS 39 to forward contracts

between the acquirer and a vendor in a business combination to buy or sell an acquiree at a future acquisition date, where the completion of the business combination is not dependent on further transactions between the two parties, but only on the elapsing of an appropriate period of time; the exemption does not apply to option contracts that on exercise, in relation to the occurrence or non-occurrence of future events, would result in control of an entity.

- IFRIC 9 – Reassessment of embedded derivatives: this amendment, which must be applied prospectively from 1 January 2010, excludes embedded derivatives acquired in a business combination at the time of the formation of businesses under common control or joint ventures. It also states that the entity, based on the circumstances existing when it first becomes party to a hybrid contract, must assess whether the embedded derivatives contained in the contract are required to be separated from the host contract when the entity reclassifies a hybrid instrument at fair value with the changes taken to the income statement. It is possible to make a subsequent reassessment, but only if there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract.
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation.
  The interpretation provides guidelines on accounting for hedges of net investments in foreign operations, particularly:
  - information on identifying exchange rate risks arising from the application of hedge accounting to a net investment in a foreign operation;
  - information on the entities within a group that are permitted to hold instruments used to hedge net investments in foreign operations;
  - the procedures for identifying the amount of profit or loss on exchange rates to be reclassified when the entity disposes of the investment for both the net investment and the hedging instrument.

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

IAS 32 – Financial Instruments: Presentation “Classification of Rights Issues”

The amendment, issued on 8 October 2009, applies to financial years beginning after 1 February 2010.

The amendment clarifies how to account for certain rights when the instruments issued are denominated in a currency other than the issuers’ functional currency. In the past, these rights were accounted for as liabilities arising from financial derivatives; the amendment requires that under certain conditions these rights are classified under shareholders’ equity regardless of the currency in which the exercise price is denominated. If such instruments are offered pro rata to all shareholders for a fixed amount of cash, they should be classified as equity instruments even if their exercise price is denominated in a currency other than the issuer’s functional currency. It is believed that the adoption of this amendment will not have a significant impact on the Company.

IAS 24 – Related Party Disclosures

This amendment, issued on 4 November 2009, is applicable from 1 January 2011: this amendment simplifies the information to be provided in the case of transactions with related parties that are State-controlled entities and provides further information on the definition of related parties. It is believed that the adoption of this amendment will not have a significant impact on the disclosures in the Company’s financial statements.

IAS 9 – Financial Instruments

The standard, issued on 12 November 2009, was amended on 28 October 2010. At the reporting date, the competent bodies of the European Union had not yet completed the ratification process necessary for the application of the new standard. This standard, which is applicable from 1 January 2013, represents the first stage of a process to fully replace IAS 39.

IFRS 9 introduces new criteria for the classification and valuation of financial assets and liabilities and for the derecognition of financial assets. For financial assets in particular, the new standard uses a single approach based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets to determine the measurement criteria. The main change in relation to financial liabilities regards the accounting treatment of changes to the fair value of a financial liability measured at fair value through profit and loss, in the event that these are due to changes in the credit risk of the liability. These changes must be recognised in the statement of comprehensive income.

The Company is still assessing the possible impact of IFRS 9 on its financial assets and liabilities.

IFRIC 14 – Prepayment of a Minimum Funding Requirement

This amendment, issued on 26 November 2009 and applicable from 1 January 2011, allows prepayments of a minimum funding requirement to be recognised as an asset. It is believed that the adoption of this amendment will not have a significant impact on the Company's balance sheet.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

The amendment, issued on 26 November 2009 and applicable from 1 January 2011, states that if a company renegotiates the terms of an agreement with a creditor to which it issues equity instruments to extinguish a financial liability, these equity instruments become part of the price paid and must be valued at fair value. In addition, the difference between the carrying value of the original financial liability and the fair value of the equity instruments must be taken to the income statement. It is believed that the adoption of this amendment will not have a significant impact on the Company's balance sheet.

On 6 May 2010, the IASB published a series of improvements to seven IFRS as part of its annual improvement programme. On 18 February 2011, the competent bodies of the European Union completed the ratification process for these improvements. Below we explain the improvements that will result in a change in the presentation, recognition and valuation of items in the Company's financial statements:

- *IFRS 7 – Financial Instruments: Disclosures:* this amendment highlights how the interaction between qualitative and quantitative information about risks helps to provide readers of the financial statements with a general description of the nature and scale of the risks associated with financial instruments. The disclosure requirement regarding financial assets that are past due but which have been renegotiated or impaired and that regarding collateral have also been removed.
- *IAS 1 – Presentation of Financial Statements:* this amendment requires entities to present a reconciliation of every change to the components of the statement of comprehensive income, as well as the amount of dividends approved and their value per share, either in the notes to the financial statements or in the statement of changes in shareholders' equity.
- *IAS 34 – Interim Financial Reporting:* this amendment introduces a series of further clarifications regarding the additional information that must be presented in interim financial reports.

Finally, the following standards and interpretations have also been issued but not yet ratified by the European Union:

IFRS 7 – Financial Instruments: Disclosures

The changes, issued on 7 October 2010, will apply to accounting periods that start after 1 July 2011. The amendments were issued with the aim of improving understanding of transactions involving the transfer of financial assets that are not derecognised because the risks are still borne by the company transferring the assets. The additional information should enable users of the financial statements to understand the relationship between transferred financial asset and the associated liability, and to evaluate the nature of, and the risks associated with, the transferred asset that has not been derecognised.

The amendments also expand the disclosures required in the event that a disproportionate amount of transactions of this type are generated at the end of the reporting period.

IFRS 1 – First-time Adoption of International Financial Reporting Standards

The change, issued on 20 December 2010, will apply to accounting periods that start after 1 July 2011. The amendment removed the reference to 1 January 2004 contained in the previous version, defined as the date of transition to IFRS, and sets out guidelines on the presentation of financial statements in accordance with IFRS following a period of hyperinflation.

IAS 12 – Income Taxes

The change, issued on 20 December 2010, will apply to accounting periods that start after 1 January 2012. The amendment requires that deferred tax assets or liabilities relating to a non-depreciable asset measured using the revaluation model set out in IAS 16 should be calculated taking into account the manner in which the carrying value of that asset will be recovered. As a result, the interpretation SIC 21 (Income Taxes – Recovery of Revalued Non-Depreciable Assets) will no longer apply.

5. Default risk: negative pledges and covenants on debt

The agreements relating to the bonds issued by the Company include negative pledges and covenants.

The negative pledge clauses are intended to limit the Company's ability to grant significant rights to the assets of the Company and the companies it directly or indirectly controls to third parties, in particular by establishing specific restrictions on selling or pledging assets.
The covenants include the Company's obligation to attain particular levels for certain financial indicators, most notably the ratio of net debt to measures of Company profitability.
These indicators are also calculated at consolidated level, i.e. taking into account all the companies directly or indirectly controlled by the Company.
The Company therefore monitors both the restrictions and the levels of the financial indicators, as it is also the guarantor of the private placements issued by its subsidiary Redfire, Inc., whose agreements include the same covenants.
If the Company fails to fulfil these obligations, after an observation period in which any breach has not been rectified, it could be served with notice to repay the residual debt.
These ratios are monitored by the Company on a regular basis, and have so far been a long way from reaching the thresholds that would constitute non-compliance.

6. Segment reporting

Segment information is provided in detail in the notes to the consolidated accounts.

7. Net sales

Net sales of € 493,439 thousand comprises sales to customers on the Italian market of € 368,630 thousand, and sales to other Group companies and third parties on foreign markets totalling € 124,809 thousand.
Information on sales performance is included in the notes to the consolidated financial statements, which provide a more significant representation of the trends in the sales of the Group's products in its key markets.

8. Cost of goods sold

	2010 €/000	2009 €/000
Materials and manufacturing costs	244,195	239,286
Distribution costs	19,276	6,586
Total cost of goods sold	**263,471**	**245,872**

	2010 €/000	2009 €/000
Raw materials and finished goods acquired from third parties	207,616	200,211
Miscellaneous sales adjusted for cost of goods sold	(2,034)	(1,572)
Sales of materials, refunds	(933)	(2,227)
Transaction costs	51	698
Personnel costs	18,387	15,967
Other staff costs	1,308	1,256
Depreciation and amortisation	9,527	9,520
Utilities	3,470	3,600
External production and maintenance costs	8,740	9,116
Variable transport costs	12,411	1,827
Operating leases and rental expenses	688	574
Services, consultancy and insurance costs	5,869	6,029
Taxes	371	350
Pallets costs	278	85
Other income and charges	(2,278)	438
Total cost of goods sold	**263,471**	**245,872**

The increase in the cost of goods sold versus the previous year, on a like-for-like basis that takes into account the effects of the merger by absorption of Campari Italia S.p.A., is proportionately less than the increase in net sales. This is mainly as a result of lower materials costs due to both the more favourable contractual conditions obtained for the purchase of raw materials and packaging materials, and to a favourable mix of products sold.
The rise in variable transport costs is strongly affected by the merger of Campari Italia S.p.A. However, based on standardised analysis parameters, total costs as a percentage of net sales fell, due to more efficient logistics management.

9. Advertising and promotional costs

	2010 €/000	2009 €/000
Advertising and promotional costs	63,528	1,932
Total advertising and promotional costs	**63,528**	**1,932**

	2010 €/000	2009 €/000
Advertising space	32,211	-
Sponsorships, trade fairs and events	4,601	849
Equipment production	8,615	1,114
Consumer promotions	6,585	(956)
Customer promotions	14,794	-
Market research	1,809	30
Other advertising and promotional costs	2,214	895
Trade allowances for promotional purposes received	(7,301)	-
Total advertising and promotional costs	**63,528**	**1,932**

Advertising and promotional costs mainly relate to the merger of Campari Italia S.p.A.
A comparison of like-for-like information shows that these costs represent a net percentage of sales in line with that of the previous year.
Trade allowances received for promotional purposes consist of amounts passed on to commercial partners with which the Group has existing distribution licences, as provided for under those agreements.

10. Structure costs

	2010 €/000	2009 €/000
Sales costs	21,718	1,561
General and administrative expenses	44,229	36,026
Other operating income and costs	5,870	(5,370)
of which: one-offs	*(3,405)*	*(819)*
Total structure costs	**71,817**	**32,217**

	2010 €/000	2009 €/000
Depreciation and amortisation	4,559	3,281
Personnel costs	25,356	13,820
Other staff costs	5,366	3,036
Meetings and conferences	911	277
Travel, business trips,, training and meetings	3,173	1,421
Fees and other agent-related expenses	6,036	-
Utilities	2,330	2,131
Services, maintenance and insurance	16,167	14,133
Operating leases and rental expenses	3,192	4,817
Taxes	526	408
Property income	(572)	(1,429)
Services rendered to group companies	(438)	(3,957)
Other income and charges	5,211	(5,721)
Total structure costs	**71,817**	**32,217**

The effects of the merger of Campari Italia S.p.A. played a large part in the increase in sales costs, which include costs associated with sales staff totalling € 10,874 thousand and agents' fees and related costs of € 6,036 thousand.

The item other recurring operating income and charges, for which the net figure was charges of € 2,465 thousand, comprised write-downs of trade receivables of € 2,539 thousand, royalty income of € 321 thousand and royalty payments of € 561 thousand, as well as revenues generated by the passing on of costs for services rendered by the Parent Company of € 438 thousand and other small amounts totalling € 124 thousand.
A breakdown of one-offs is shown in table below:

	2010 €/000	2009 €/000
Capital gains on disposals of equity investments	-	183
Capital gains on disposals of fixed assets	929	810
Income from subsequent definition of contracts from previous years	-	2,205
Total other one-off income	**929**	**3,198**
Liabilities for penalties	(1,695)	-
Capital losses on disposals of equity investments	-	(51)
Demolition costs	-	(235)
Personnel restructuring costs	(924)	(399)
Rental fees	(1,090)	(1,339)
Write-down of non-trade receivables	-	(150)
Miscellaneous one-off charges	(625)	(205)
Total other one-off charges	**(4,334)**	**(2,379)**
Other one-offs	**(3,405)**	**819**

Personnel restructuring costs included provisions totalling € 250 thousand at 31 December 2010 (€ 264 thousand in 2009); the residual amount was paid during the year.
Rental fees were paid to the lessor of the property previously used as the headquarters of some of the Italian group companies, as compensation for the delay in vacating the property.

11. Depreciation and amortisation

The depreciation and amortisation reported in the income statement are broken down by asset type as follows. It should be noted that there were no impairment losses in the two periods reported.

	2010 €/000	2009 €/000
Depreciation, amortisation and any losses in value:		
- Depreciation of tangible assets	12,198	11,301
- Depreciation of tangible assets arising from the merger of the former Campari Italia S.p.A.	12	-
- Depreciation of tangible assets arising from property investments	20	-
- Amortisation of intangible assets	1,856	1,512
	14,086	**12,813**
of which		
Amounts included in cost of goods sold:		
- Depreciation of tangible assets	9,506	9,495
- Amortisation of intangible assets	21	25
Included in advertising and promotional expenses:		
- Depreciation of tangible assets	-	12
Included in sales costs		
- Depreciation of tangible assets	97	-
Included in structure costs:		
- Depreciation of tangible assets	2,627	1,794
- Amortisation of intangible assets	1,835	1,487
	14,086	**12,813**

12. Personnel costs

This item breaks down as follows:

	2010 €/000	2009 €/000
Salaries and wages	32,016	22,052
Social security contributions	10,035	6,963
Other costs	1,718	949
Costs for post-employment benefits	2,486	1,474
Cost of share-based payments	4,147	2,586
	50,402	**34,024**
of which		
Included in cost of goods sold	18,893	16,448
Included in sales costs	11,315	925
Included in general and administrative expenses	19,520	16,516
Included in one-off costs	674	135
	50,402	**34,024**

13. Miscellaneous management costs

	2010	2009
	€/000	€/000
Taxes and penalties	1,262	759
CONAI grants on purchases	1,598	1,123
Entertainment costs	977	506
Membership fees	525	137
Newspapers, journals and other publications	141	100
Charitable donations	338	2
Wine consortium costs	490	439
Capital losses on the sale of tangible assets	8	5
Capital losses on the scrapping of materials	89	266
Costs for managing leased buildings	18	5
Free gifts	470	106
Expenses relating to faulty bottling habillage	499	-
Expenses relating to previous financial years	2,520	2,156
Miscellaneous expenses	1,260	1,002
	10,195	**6,606**
of which		
Included in cost of goods sold	3,511	2,906
Included in advertising and promotional expenses	1,930	326
Included in sales costs	585	120
Included in general and administrative expenses	3,545	2,288
Included in one-off operating costs	624	-
Included in taxes	-	966
	10,195	**6,606**

14. Other costs

Rental costs on operating leases are broken down below.

	2010	2009
	€/000	€/000
Hardware	476	714
Software	35	34
Cars	1,621	740
Lifting apparatus	189	139
Plant equipment	97	74
Protective clothing	97	89
Photocopiers	114	99
Gym equipment	40	-
Tanks	27	29
Other	20	32
	2,716	**1,950**

15. Research and development costs

The Company's research and development activities relate solely to ordinary production and commercial activities, in particular, product quality control and packaging studies, the cost of which (€ 663 thousand) is included in advertising and promotional expenses.

These costs are not capitalised, but fully expensed to the income statement in the period when incurred.

16. Net financial income and charges

The table below shows the changes in the items relating to financial income and charges between 2009 and 2010.

	2010 €/000	2009 €/000
Bank and term deposit interest	518	444
Dividends from other companies	6	8
Other income	37	25
Total financial income	**561**	**477**
Net interest payable on bonds and private placements	(22,237)	(13,481)
Interest payable on leases	(108)	(255)
Interest payable to banks and on loans	(80)	(1,986)
Interest payable and financial charges on cash investments	-	-
Total interest payable to third parties	**(22,425)**	**(15,722)**
Net interest payable to Group companies in respect of centralised cash system	(520)	(2,050)
Interest on loans from Group companies	(4,085)	(7,646)
Total interest payable to Group companies	**(4,605)**	**(9,696)**
Total interest payable	**(27,030)**	**(25,418)**
Financial liabilities relating to defined benefit plans	(338)	(247)
Bank charges	(63)	(51)
Other charges and exchange rate differences	(351)	(103)
Total financial charges	**(27,782)**	**(25,819)**
Financial charges on the term loan facility	-	(7,653)
Income from invoicing to subsidiaries	-	2,749
Income from financial assets	784	-
One-offs	**784**	**(4,904)**
Net financial income (charges)	**(26,437)**	**(30,246)**

Financial management generated better results than in the previous year. Specifically, total net financial income and charges benefited from the reduction in debt owed to subsidiaries, although financial charges increased, mainly due to the € 350,000 thousand bond issue placed in the fourth quarter of the previous year to third parties, the financial effects of which only materialised in the last few months of the year.
Lastly, one-off financial income includes income of € 784 thousand arising from the higher receipts obtained from the sale of the receivable from Lehman Brothers International Europe relating to a hedging instrument that was in operation when the Lehman Brothers Group instigated bankruptcy proceedings in September 2008.

The financial income and charges arising from the bond issues, and the related hedging instruments, are shown below.

	2010 €/000	2009 €/000
Financial charges payable to USD bondholders	(10,351)	(9,581)
Financial charges payable to USD bondholders	(18,757)	(4,024)
Financial charges payable to bondholders (coupons)	**(29,108)**	**(13,605)**
Financial charges relating to bond derivative (in USD)	(8,835)	(9,812)
Financial charges relating to bond derivative (Eurobond)	(7,595)	(1,888)
Total financial charges relating to derivatives	**(16,430)**	**(11,700)**
Financial income relating to bond derivative (in USD)	10,351	9,581
Financial income relating to bond derivative (Eurobond)	12,831	2,875
Total financial income from derivatives	**23,182**	**12,456**
Net cost of coupons and hedges	**(22,356)**	**(12,849)**
Net changes in fair value and other components of amortised cost	(503)	(1,434)
Cash flow hedge reserve reported in the income statement during the year	622	802
Net interest payable on bonds and private placements	**(22,237)**	**(13,481)**

More information on financial management performance is provided in the notes on the financial situation and financial instruments (note 37).

17. Current and deferred taxes

Details of current and deferred taxes included in the Company's income statement are as follows:

	2010	2009
	€/000	€/000
Income tax - current		
- taxes for the year	20,446	6,476
- taxes relating to previous financial years	604	807
Income tax - deferred		
- deferred tax income	(103)	912
- deferred tax expense	5,766	(5,655)
Provisions	6,456	-
Income tax reported in the income statement	**33,169**	**2,540**

Of the amounts of current and deferred taxes credited and debited directly to shareholders' equity during the period, € 16 thousand relates to costs allocated directly to equity and € 1,556 thousand to the valuation at fair value of cash flow hedging contracts on bonds.

	2010	2009
	€/000	€/000
Deferred taxes relating to items debited or credited to shareholders' equity		
- Deferred tax assets	(16)	(824)
- Deferred tax liabilities	1,556	(4,601)

Taxes are calculated based on the regulations in force, applying the current rate of 27.5% for IRES and 3.9% for IRAP.
The following table shows a reconciliation of the theoretical tax charge with the Company's actual tax charge.
The theoretical rate used is that in force on the reporting date, based on legal provisions, taking into account the rates for both IRES (Italian corporation tax) and IRAP (Italian regional tax), which have different tax bases.
Tax base differences are included under the permanent differences item.

	2010	2009
	€/000	€/000
Profit before tax	**108,602**	**34,190**
Current tax rate	31.40%	31.40%
Theoretical taxes	34,101	10,735
Permanent differences	(3,728)	(8,268)
Other differences	2,796	73
	(932)	(8.195)
Effective tax charge	**33,169**	**2,540**
Effective tax rate	30.54%	7.43%

Permanent differences mainly concern the tax effect of dividends received from subsidiaries.
Pre-tax profit represents the income on which tax is calculated, in accordance with current tax regulations.
The effect of the merger by absorption of Campari Italia S.p.A. generated an effective tax rate of 30.54%.
Details of the deferred tax income and expense posted to the end-of-year income statement and balance sheet are broken down by type as follows:

	Balance sheet		Income statement	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	€/000	€/000	€/000	€/000
Deferred tax assets				
Deferred expenses	831	512	250	(154)
Taxed provisions	1,830	1,162	(1,654)	(100)
Other	4,453	10,153	(4,362)	5,909
Total deferred tax assets	**7,114**	**11,827**	**(5,766)**	**5,655**
Deferred tax liabilities				
Accelerated depreciation	(3,775)	(4,090)	607	564
Capital gains subject to deferred taxation	(606)	(1,642)	1,035	1,035
Goodwill and trademarks deductible locally	(10,560)	(8,469)	(2,091)	(1,986)
Leasing	(2,629)	(2,629)	-	-
Other	(2,614)	(1,793)	552	(525)
Total deferred tax liabilities	**(20,184)**	**(18,623)**	**103**	**(912)**
Total	**(13,070)**	**(6,796)**	**(5,663)**	**4,743**

A breakdown of all the changes is given in the tables below.

Deferred taxes

Deferred taxes arise solely from temporary differences and mainly relate to the creation of taxed provisions, such as provisions for inventory write-downs, provisions for miscellaneous risks and future liabilities and costs that are deductible on the basis of certain tax measures, such as taxes and directors' remuneration.

The rates applied for the purpose of allocating deferred tax assets correspond to those in force, based on existing regulations, in the period in which the related release is expected (the current rate of 27.5% for IRES and 3.9% for IRAP).

The amounts credited and debited in relation to this item are taken from the income statement for the period, or are recorded directly under shareholders' equity if the temporary difference is also recorded under shareholders' equity.

Temporary differences involving the reporting of deferred tax provisions relate mainly to accelerated depreciation and amortisation and the deferral of capital gains carried out in previous years.

The rates applied for the purpose of allocating deferred tax liabilities correspond to those in force, based on existing regulations, in the period in which the related release is expected (the current rate of 27.5% for IRES and 3.9% for IRAP).

The amounts credited and debited in relation to this item are taken from the income statement for the period, or are recorded directly under shareholders' equity if the temporary difference is also recorded under shareholders' equity.

The table below summarises the deferred taxes reported and the related effects.

Type of temporary difference (*)	31 December 2010		31 December 2009	
	Amount of temporary difference	Tax effect IRES 27.5% IRAP 3.9%	Amount of temporary difference	Tax effect IRES 27.5% IRAP 3.9%
	€/000	€/000	€/000	€/000
Deferred tax assets				
Entertainment costs	61	19	32	10
Miscellaneous reserves	6,546	1,830	4,184	1,162
Write-downs of assets listed under fixed assets	917	288	917	288
Non-deductible Interest payable - adjusted as part of national tax consolidation scheme	-	-	22,207	6,107
Write-downs of financial assets	-	-	4,725	1,299
Cash flow hedging reserve	2,560	704	2,922	803
Differences arising from depreciation/amortisation	3,967	1,173	3,440	1,028
Directors' remuneration	2,418	665	1,183	325
Other	8,694	2,435	2,610	805
Total deferred tax assets	**25,163**	**7,114**	**42,220**	**11,827**
Deferred tax liabilities				
Differences arising from depreciation/amortisation	12,736	3,503	13,026	4,090
Write-downs of receivables	-	-	747	205
Capital gains spread over a number of years	2,205	606	5,639	1,642
Inventories	2,674	810	2,620	798
Cash flow hedge	6,559	1,804	1,884	518
Leasing	8,101	2,629	8,101	2,629
Trademark amortisation	33,631	10,560	26,971	8,469
Other	945	272	945	272
Total deferred tax liabilities	**66,851**	**20,184**	**59,933**	**18,623**
Total deferred tax liabilities, net of deferred tax assets	**41,688**	**13,070**	**17,713**	**6,796**

The change in the balance of deferred tax assets, of € 5,749 thousand, is broken down below.

	€/000
Deferred tax assets at 1 January 2010	11,827
Increase from merger - Campari Italia S.p.A.	1,036
	12,863
IRES deferred tax assets in the year	3,387
IRES deferred tax assets in the year (from cash flow hedging)	-
Use of IRES deferred tax assets	(8,987)
Use of IRES deferred tax assets (from cash flow hedging)	(99)
Use of IRAP deferred tax assets	(50)
Total change in the year	**(5,749)**
Deferred tax assets at 31 December 2010	**7,114**

The change in deferred tax liabilities in the period, of € 1,453 thousand, is shown below.

	€/000
Deferred tax liabilities at 1 January 2010	18,623
Increase from merger - Campari Italia S.p.A.	108
	18,731
Increase in IRES deferred tax liabilities	1,831
Increase in IRES deferred tax liabilities (from cash flow hedging)	1,556
Use of IRES deferred tax liabilities in the year	(1,611)
Use of IRES deferred tax liabilities (from cash flow hedging)	(270)
Increase in IRAP deferred tax liabilities in the year	260
Use of IRAP deferred tax liabilities in the year	(313)
Total change in the year	**1,453**
Deferred tax liabilities at 3 December 2010	**20,184**

The increase in IRES deferred taxes for the year include the provision of € 1,556 thousand recorded under shareholders' equity as it represents the deferred tax effect of the changes in the year in the cash flow hedge reserve, to which provisions are made in respect of hedging instruments on bond issues (see note 37 - Financial instruments).

18. Net tangible fixed assets

	Land and buildings €/000	Plant and machinery €/000	Other €/000	Total €/000
Carrying value at start of year	103,401	135,074	12,634	251,109
Accumulated depreciation at start of year	(22,360)	(90,524)	(10,017)	(122,901)
Balance at 1 January 2010	**81,041**	**44,550**	**2,617**	**128,208**
Investments	663	5,680	1,220	7,563
Disposals	(4)	(8)	-	(12)
Depreciation	(3,140)	(8,340)	(718)	(12,198)
Reclassification from "assets held for sale"	-	-	-	-
Other reclassifications	7	(48)	41	-
Write-downs	(11)	(34)	(39)	(84)
From merger of Campari Italia	-	-	48	48
Other changes	-	-	-	-
Balance at 31 December 2010	**78,556**	**41,800**	**3,169**	**123,525**
Carrying value at end of period	104,235	139,078	12,653	255,966
Accumulated depreciation at end of year	(25,679)	(97,278)	(9,484)	(132,441)

These factors are described in more detail below.

Land and buildings

This item mainly includes the land that the Novi Ligure facility occupies, the buildings essential for carrying out the business that accommodate the Company's headquarters, and the Crodo, Canale and Novi Ligure production units.
The Novi Ligure industrial complex is covered by a finance leasing contract signed on 16 February 2004.
This item also includes the water system, plumbing works and light buildings.
The increases in the year relate to rebuilding and improvement works, mainly in the production units.

Plant and machinery

The item includes plant and machinery and tanks for the production units, as well as the facilities attached to the building that houses the Company's headquarters.
It also includes equipment at the Novi Ligure site, which is covered by a finance lease.
The increases in the item chiefly relate to investment in facilities, particularly in new plant and production lines primarily for the production of aperitifs at the Crodo plant (€ 2,364 thousand), new plants at Novi Liguri, mainly relating to the CampariSoda production lines, wines and liqueurs, totalling (€ 2,070 thousand), equipment in the Canale facilities (€ 886 thousand) and the facilities attached to the Campari museum (€ 100 thousand).

Other

This item includes various equipment, including laboratory apparatus and other assets such as furniture, office machines, electronic machines, minor equipment, cars and goods vehicles.
The increases relate to electronic equipment (€ 341 thousand) and furniture and fittings (€ 420 thousand) for the Milan headquarters, as well as laboratory and departmental equipment, fittings, electronic equipment and special equipment for the production units totalling € 95 thousand.

Tangible assets by ownership

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

	Owned fixed assets	Fixed assets under finance leases	Total
	€/000	€/000	€/000
Land	615	2,553	3,168
Buildings	57,479	17,909	75,388
Plant and machinery	41,182	618	41,800
Industrial equipment	803	-	803
Other assets	2,366	-	2,366
	102,445	**21,080**	**123,525**

Additional information is provided below, in accordance with paragraph 79 of IAS 16.

	Land and buildings	Plant and machinery	Other	Total
	€/000	€/000	€/000	€/000
Gross value of fully depreciated assets still in operation	2,993	44,920	7,689	55,602
Net value of assets removed from service and not classified as held for sale	-	549	1	550

19. Investment property

Investment property (€ 551 thousand) consists of apartments and commercial premises in Milan and Verbania. It also includes two buildings in rural locations in the province of Cuneo.
These buildings are recorded in the accounts at their approximate fair value at the reporting date.

20. Goodwill and trademarks

Goodwill and trademarks are recorded at € 307,082 thousand and € 120,542 thousand respectively.
The Old Smuggler and Braemar brands, which were already owned by a Group company, were acquired during the year for a price of € 6,000 thousand.
The goodwill was generated following the merger of subsidiaries. Specifically, the goodwill relating to the merger into the Parent Company of Francesco Cinzano & C.ia S.p.A. (completed in 2003), Campari-Crodo S.p.A. (completed in 2004) and Barbero 1891 S.p.A. (2006) is reported at € 71,046 thousand, € 98,177 thousand and € 137,859 thousand respectively.
Goodwill is not amortised, but is instead subject to impairment tests which are carried out annually, or more frequently if events or changes in circumstances indicate a possible loss.
Please see the paragraph below for further details on these valuations.

Trademarks include the value of the brands GlenGrant (€ 98,264 thousand), Riccadonna (11,300 thousand), Old Smuggler and Braemar (€ 6,000 thousand), Cynar in Brazil and Switzerland (€ 1,626 thousand), Cinzano (€ 772 thousand), X-Rated Fusion Liqueur on international markets (€ 1,553 thousand) and Mondoro in the US (€ 1,028 thousand).
Trademarks are not amortised as they are considered to have an indefinite useful life; they were subject to impairment tests at 31 December 2010, but did not show any indication of impairment.

21. Impairment

The Group verifies the recoverability of holdings, goodwill and trademarks that are recorded in the accounts by carrying out impairment tests annually, or more frequently if there are indications of a loss in value. The recoverability of the carrying amounts is assessed through an estimate of their value in use, which is the present value of future cash flows discounted at a rate that reflects the time value of money and specific risks on the valuation date. In addition, in the absence of multiple-year estimates, the recoverable value of assets may be estimated according to the fair value criterion minus cost of sale, using comparable transaction multiples.
For the purposes of the impairment tests, the amounts for holdings, goodwill and trademarks were allocated to the respective units (or groups of units) that generate cash flows ("cash generating units") on the reporting date. The Company identified the CGUs in the businesses, or groups of business acquired by them, that correspond to an individual brand or portfolios of brands, or to entities that produce and / or distribute one or more brands.
Estimates of cash flows generated by individual CGUs were used for estimating the recoverable value based on value in use. Forecasts of operating cash flows come from the 2011 budget and the strategic plans prepared by the Group's subsidiaries in 2010 for the period 2012-2015. In addition, the five-year plan was extrapolated on a ten-year basis, assuming medium- to long-term growth rates no higher than the average long-term growth rate for the market in which the Group operates. The use of a ten-year period was justified in light of the life cycle of the brands in the spirits market, as well as the presence in some CGUs of products that require long periods of ageing.
Estimates of future cash flows were calculated based on prudent criteria in respect of growth rates and sales development. In addition, projections are based on the criteria of reasonableness, prudence and consistency with respect to the allocation of future general expenses, expected trends in capital investment, conditions of financial equilibrium and the major macroeconomic variables. Estimates of future cash flows were determined also by taking into account the Group's historical averages. Cash flow projections relate to current operating conditions and therefore do not include cash flows connected with any one-off operations.
For the purposes of determining the terminal value, the perpetuity growth method of discounting was used. Specifically, the terminal growth rate was taken to be 1.5%, which does not exceed the sector's estimated long-term growth rate. Moreover, in view of the large amount of stock on hand required to finance the future development of those CGUs whose main business relates to products with a long ageing period, it was considered appropriate to use the exit multiple method to determine the terminal value in order to take into account the excess stocks of ageing liquid.
The value in use of the CGUs was calculated by discounting the estimated value of future cash flows, including the terminal value, which it is assumed will derive from the continuing use of the assets, at a discount rate (net of taxes and adjusted for risk) that reflects the average weighted cost of capital. Specifically, the discount rate used was the Weighted Average Cost of Capital (WACC). To determine the discount rate, reference was made to observable market indicators and parameters, the present value of money and specific risks connected with the business being valued. A discount rate of 7.8% was used on the date that the valuation was performed.
To estimate the recoverable value in the absence of a multi-year plan, the fair value criterion less sales costs was used, in conjunction with the comparable transactions multiples method. This methodology applies parameters to the CGU being valued that were deduced from the valuation attributed to a comparable company acquired in an active market. These implicit parameters or multipliers are deduced from the ratio of the price paid to acquire comparable companies to specific economic and financial indicators relating to those companies.
The procedure to identify a relevant sample consists of selecting a number of recent transactions relating to the acquisition of companies with similar characteristics based on operational and financial criteria. For the purposes of determining the fair value of the CGUs, the EV/EBITDA multiple was used. The use of this multiplier is considered particularly effective as it avoids distortions caused by the different tax regulations and financial structures; is less sensitive to distortions caused by variations in extraordinary profit; and facilitates comparison at international level.

At 31 December 2010, impairment tests carried out using the methodology and assumptions described above, verified the complete recoverability of the value of the holdings, goodwill and trademarks recorded in the accounts.
To take into account current market volatility and uncertainty over future economic prospects, sensitivity analysis was carried out to assess the recoverability of amounts relating to goodwill and trademarks.

In addition, sensitivity analysis of recoverable values was carried out based on the assumption of a half-point increase in WACC and a half-point reduction in the terminal growth rate.
The sensitivity analysis described above confirmed that the values of the holdings, goodwill and trademarks of the CGUs are fully recoverable.
The allocation of goodwill and trademarks to individual units at 31 December 2010 is reported in the table below. Please see note 23 – Investments in affiliated companies for details.

	31 December 2010 €/000	31 December 2009 €/000
Trademarks		
Riccadonna	11,300	11,300
Cinzano	771	771
Cynar (Brazil and Switzerland)	1,626	1,626
X-Rated Fusion Liqueur	1,553	1,553
Glen Grant	98,264	98,264
Mondoro (USA)	1,028	1,028
Old Smuggler	6,000	-
Total trademarks	**120,542**	**114,542**
Goodwill		
from Francesco Cinzano&C.ia S.p.A. merger	71,046	71,046
from Campari-Crodo S.p.A. merger	98,177	98,177
from Barbero 1891 S.p.A. merger	137,859	137,859
Total goodwill	**307,082**	**307,082**

22. Intangible assets with a finite life

Changes in this item are indicated in the table below.

	Software €/000	Other €/000	Total €/000
Carrying value at start of year	3.936	14.074	18.010
Accumulated depreciation at start of year	(3.213)	(11.808)	(15.021)
Balance at 31 December 2009	**723**	**2.266**	**2.989**
Investments	441	14.036	14.477
Amortisation for the period	(597)	(1.258)	(1.855)
Other movements	50	(50)	0
Balance at 31 December 2010	**617**	**14.994**	**15.611**
Carrying value at end of period	3.824	23.390	27.214
Accumulated depreciation at end of year	(3.207)	(8.396)	(11.603)

As regards software, increases in the period include SAP licences (€ 392 thousand), licences for administration and management software (€ 24 thousand) and other licences (€ 75 thousand).
The item other comprises ongoing software expenses represented by investments in the development of the IT system on a global platform according to the Group's model, and the security of the IT system, both for operational purposes, and business intelligence and process management, as well as the acquisition in 2010 of the distribution rights for Cinzano Argentina (€ 11,000).

23. Investments in affiliated companies

The Company also acquired, during the year, 76.92% of the stake in T.J. Carolan & Son Ltd, owner of the Carolans, Irish Mist and Frangelico brands, for an agreed price of € 99,230 thousand, which required a capital grant of € 1,538 thousand. The remaining 23.08% of the stake was acquired by another Group company; T. J. Carolan & Son Ltd is thus indirectly fully owned by the Company.
Moreover, as mentioned earlier, the merger by incorporation of the 100%-owned company Campari Italia S.p.A. was completed during the year. As a result, the relevant value of the holding, recorded at € 1,580 thousand, was eliminated.
Other changes recorded in the value of shareholdings relate to the booking of portions of stock option plan s issued by the Company, with options allocated to directors and employees of subsidiaries, and the related recognition of the capitalisation at the subsidiaries themselves.
The negative difference remains between the cost recorded in relation to the Campari do Brasil Ltda. and Zedda Piras S.p.A. holdings and the related portion of shareholders' equity.
However, this difference does not represent impairment, according to the impairment tests carried out.

Description	31 December 2009 €/000	Increases €/000	Decreases €/000	31 December 2010 €/000
Campari do Brasil Ltda	115,567	343		115,910
DI.CI.E Holding B.V.	28,098	1,588		29,686
Redfire, Inc.	495,013	615		495,628
Campari Benelux S.A.	64,001	-	-	64,001
T.J. Carolan & Son Ltd	-	100,781	-	100,781
Turati Ventisette S.r.l.	25	-	-	25
Campari Italia S.p.A.	1,580	-	1,580	-
Zedda Piras S.p.A.	81,417	258	-	81,675
Sella&Mosca S.p.A.	4,196			4,196
	789,897	**103,585**	**1,580**	**891,902**

Investments in subsidiaries			Share capital	Shareholders' equity at 31 December 2010	Profit / Loss at 31 December 2010	% stake		Carrying value
Name	Head office	Currency	Amount	€/000	€/000	Direct	Indirect	€/000
Cabo Wabo LLC	San Francisco	US$	2,312,252	2,433	680		100	
Campari (Beijing) Trading Co. Ltd.	Beijing	RMB	25,189,930	-1.610	-3.275		100	
Camargen S.R.L. (1)	Buenos Aires	AR$	11,750,000	1.738	-77		100	
Campari Australia PTY Ltd.	Sydney	AU$	12,500,000	7,853	-1,141		100	
Campari Austria Gmbh	Vienna	€	500,000	2,907	2,278		100	
Campari Deutschland GmbH	Oberhaching	€	5,200,000	13,086	17,656		100	
Campari do Brasil Ltda	Barueri	BRC	218,631,059	106,808	11,010	100		115,910
Campari Benelux S.A.	Brussels	€	246,926,407	284,450	7,261	26	74	64,001
Campari France	Nanterre	€	2,300,000	10,526	2,142		100	
Campari International S.A.M.	Monaco	€	70,000,000	77,323	5,660		100	
Campari Japan Ltd.	Tokyo	JPY	3,000,000	65	20		100	
Campari Schweiz A.G.	Baar	CHF	2,000,000	4,827	1,709		100	
CJSC Odessa Sparkling Wine Company	Odessa	UAH	48,041,016	7,059	-436		99.80	
Destiladora San Nicolas S.A. de C.V.	Jalisco	MXN	294,945,500	12,907	-136		100	
DI.CI.E Holding B.V.	Amsterdam	€	15,015,000	527,268	143,864	100		29,686
Glen Grant Distillery Company Ltd.	Rothes	GBP	1,000,000	21,123	475		100	
Glen Grant Ltd.	Rothes	GBP	24,949,000	106,526	-720		100	
Gregson's S.A.	Montevideo	UYU	175,000	430	36		100	
Kaloyannis-Koutsikos Distilleries S.A.	Volos	€	8,884,200	8,315	719		100	
O-Dodeca B.V.	Amsterdam	€	2,000,000	26,130	-44		75	
Old Smuggler Whisky Company Ltd.	Rothes	GBP	1,000,000	9,406	102		100	
Qingdao Sella&Mosca Winery Co Ltd.	Pingdu City, Qingdao	RMB	24,834,454	349	-272		93.67	
Rare Breed Distilling LLC	operational headquarters: Lawrenceburg	US$	400,000,000	302,427	13,645		100	
Red Fire Mexico S. de R.L. de C.V.	Jalisco	MXN	1,254,250	-94	-13		100	
Redfire, Inc.	operational headquarters: San Francisco	US$	566,321,274	557,972	39,312	100		495,628
Rotarius Holding B.V.	Amsterdam	€	18,015	5,295	-40		100	
Sabia S.A.(2)	Buenos Aires	ARS	125,213,590	22.534	298		100	
Sella&Mosca Commerciale S.r.l.	Alghero	€	100,000	2,127	560		100	
Sella&Mosca S.p.A.	Alghero	€	15,726,041	38,191	1,468	12	88	4,196
Skyy Spirits, LLC	operational headquarters: San Francisco	US$	54,897,463	82,715	47,495		100	
Société Civile du Domaine de la Margue	Saint Gilles	€	6,793,200	1,611	-224		100	
T.J. Carolan&Son	Dublin	€	2,600	132.282	1.283	76.92	23.08	100,781
Turati Ventisette S.r.l.	Sesto San Giovanni, Milan	€	20,000	15	-2	100		25
Zedda Piras S.p.A.	operational headquarters: Alghero	€	16,276,000	27,448	-529	100		81,675
Total								**891.902**

(1) formerly known as Campari Argentina S.R.L.
(2) In 2011, the company changed its name to Campari Argentina S.A.

Investments in affiliated companies			Share capital	Shareholders' equity at 31 December 2010	Profit / Loss at 31 December 2010	% stake		Carrying value
Name	Head office	Currency	Amount	€/000	€/000	Direct	Indirect	
International Marques V.O.F.	Harleem	€	210.000	209	402		33.3	-
Fior Brands Ltd. [3]	Edinburgh	GBP	100				50	-
Focus Brands Trading (India) Private Ltd. [4]	New Delhi	INR	115.998.250				26	-

[3] company in liquidation

[4] The Group is at an advanced stage of negotiations over the sale of this company

24. Other non-current assets

	31 December 2010	31 December 2009
	€/000	€/000
Term deposits	-	40,012
Financial receivables from Lehman Brothers	-	6,750
minus write-down provisions	-	(4,725)
Derivatives on bond issues	3,630	-
Non-current financial assets	**3,630**	**42,037**
Equity investments in other companies	**150**	**232**
Receivables from related parties	**-**	**66**
Security deposits	9	18
Receivables from other parties	1	1
Tax credits	515	515
Other non-current receivables	**525**	**534**
	4,305	**42,869**

Equity investments in other countries have been shown in euro for greater clarity.

	31 December 2010	31 December 2009
	€	€
S.I.S.A.G. S.r.l.	-	82,119
Agenzia di Pollenzo Bra	77,446	77,446
Emittente Titoli S.p.A.	38,257	38,257
Società Cooperativa Lavorazione Vinacce	16,009	16,009
Soc.Cons.For.Alba	6,000	6,000
Sapi Immobiliare Padua	5,320	5,320
Unione Italiana Vini (Italian Wines Union)	4,638	4,638
Conai	1,097	1,097
ISTUD Istituto Studi Direzionali S.p.A.	1,033	1,033
Banca Credito Coopoerativo Alba	220	220
Pejo Funivie	10	10
Alberghi popolari	1	1
Gazzetta Vinicola	1	1
Società Promozione Piemonte (Piedmont Promotions Company)	1	1
Equity investments in other companies	**150,033**	**232,152**

Non-current financial assets include the derivative used to hedge the interest rate on the Euro-denominated bond issued on the European market in 2009, recorded at its fair value on 31 December 2010 (€ 350,000 thousand). The interest rate swap with a variable rate of 6-months Euribor +210 basis points was negotiated in 2009 on an underlying of € 250,000 thousand, and reduced to € 200,000 thousand during 2010.

At 31 December 2009, the valuation of this financial instrument represented a liability of € 3,404 thousand.

Also in 2010, term deposits recorded at a value of € 40,012 thousand at 31 December 2009 were closed early to finance the acquisition of T.J. Carolan Ltd in the third quarter of the year.

Lastly, financial receivables from Lehman Brothers, recorded in the accounts at 31 December 2009 at a value of € 2,025 thousand, net of write-downs due to impairment losses ascertained in previous years, were sold on a non-recourse basis during the year via an Assignment of Claim Agreement which had determined the irrevocable transfer of the related rights. The proceeds of this transaction were € 2,809 thousand, generating income of € 784 thousand, which was recorded in the income statement under one off financial income.

25. Inventories

This item breaks down as follows:

	Davide Campari Milano S.p.A.		former Campari Italia S.p.A.
	31 December 2010	31 December 2009	31 December 2009
	€/000	€/000	€/000
Raw materials	12,380	6,516	-
Packaging materials	5,490	7,970	-
Ancillary materials	1,221	511	815
Maintenance materials	1,553	1,488	-
Advertising materials	-	781	-
Work in progress and semi-finished products	36,795	30,618	-
Finished products and goods for resale	32,131	20,088	15,571
	89,570	**67,972**	**16,386**

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

	€/000
Balance at 1 January 2010	**1,336**
From Campari Italia S.p.A. merger	8
Provisions	24
Amounts used	(1,344)
Balance at 31 December 2010	**24**

The increase in the inventories figure is mainly due to the incorporation of Campari Italia S.p.A.
The write-down of the inventories figure at 31 December 2009 relates to stocks that were destroyed during the year, which led to the use of the relevant provisions for write-downs created the previous year.
The impact on the income statement of the change in inventories amounts to € 5,503 thousand.

26. Trade receivables and other receivables

	31 December 2010	31 December 2009	31 December 2009
	Davide Campari Milano S.p.A.		former Campari Italia S.p.A.
	€/000	€/000	€/000
Trade receivables from external customers - Italy	40,760	854	42,231
Receivables in respect of trade allowances for promotional costs	9,465	-	10,569
Trade receivables from external customers - exports	423	1,169	-
Trade receivables from related parties	31,276	59,475	261
Trade receivables	**81,924**	**61,498**	**53,061**
Tax credits	273	620	107
Non-trade receivables from customers	1,172	1,382	144
Payments on account on tangible assets	34	481	-
Receivables from suppliers	1,199	993	9
Agricultural levies receivable	114	391	-
Receivables from employees	136	60	86
Receivables from pension organisations	303	244	11
Receivables from related parties	3,343	9,365	-
Receivables for prepaid costs	410	1,065	175
Receivables from others	19	1,416	6
Miscellaneous doubtful receivables	275	275	-
Other receivables	**7,278**	**16,292**	**538**

For further details on receivables from related parties, please refer to note 40 - Related parties.
These receivables are all due within 12 months.
Tax credits are from tax authorities for tax refunds.

The table below breaks down receivables by maturity.
For the purpose of this analysis, the other receivables from third parties exclude payments on account to suppliers of fixed assets, receivables from suppliers for the corresponding advance payments, tax receivables, receivables from employees and pension organisations, and receivables for prepaid costs.

31 December 2010	Trade receivables from external customers	Receivables in respect of contributions to promotional costs	Trade receivables from related parties	Other receivables from third parties	Other receivables from related parties	Total
	€/000	€/000	€/000	€/000	€/000	€/000
Not due and not written down	15,320	7,555	31,276	1,085	2,743	57,979
Due and not written down:						
Less than 30 days	11,422	599	-	37	(530)	11,528
30 - 90 days	7,650	805	-	16	104	8,575
Within 1 year	2,549	264	-	165	341	3,319
Within 5 years	457	242	-	2	183	884
After 5 years	61	-	-	-	(1)	60
Total due and not written down:	22,139	1,910	-	220	97	24,366
Due and written down	7,132	-	-	603	-	7,735
Amount written down	(3,408)	-	-	(328)	-	(3,736)
	41,183	9,465	31,276	1,580	2,840	86,344
Receivables not significant for breakdown by maturity	-	-	-	2,355	503	2,858
Total	41,183	9,465	31,276	3,935	3,343	89,202

31 December 2009	Trade receivables from external customers	Receivables in respect of contributions to promotional costs	Trade receivables from related parties	Other receivables from third parties	Other receivables from related parties	Total
	€/000	€/000	€/000	€/000	€/000	€/000
Not due and not written down	1,845	-	59,476	2,861	3,370	67,552
Due and not written down:						
Less than 30 days	57	-	-	2	252	311
30 - 90 days	11	-	-	109	128	248
Within 1 year	52	-	-	204	51	307
Within 5 years	-	-	-	14	133	147
After 5 years	-	-	-	-	(1)	(1)
Total due and not written down:	120	-	-	329	563	1,012
Due and written down	191	-	-	510	-	701
Amount written down	(134)	-	-	(235)		(369)
	2,022	-	59,476	3,465	3,933	68,896
Receivables not significant for breakdown by maturity	-	-	-	3,462	5,432	8,894
Total	2,022	-	59,476	6,927	9,365	77,790

The increase in trade receivables recorded during the year was entirely due to amounts arising from the incorporated company Campari Italia S.p.A.: the composition of these receivables is extremely varied in terms of the different market channels, their size and commercial characteristics, and importance of volumes developed. It includes a high number of clients from all over Italy, balanced between the two sales channels (mass retail and purchasing consortia, and traditional retail) with a significant presence in the horeca sector (hotel-restaurant-café).
The Group has an extremely broad product portfolio, formed of both the Campari Group's products and products distributed under licence.
The top ten customers develop around 19.34% of total sales. Thus there are no market concentration risks.
The Company has a Credit Management function exclusively dedicated to monitoring the progress of receivables, chasing up payment and managing in a targeted and timely manner the exposure of individual customers using internal risk monitoring procedures.
Bad debts are pursued regularly with the assistance of lawyers in order to continuously update progress on individual cases. This is then reflected in the provisions for doubtful debts.
Trade receivables from third parties for which there is impairment are classified as doubtful; these have mainly been due for more than one year and are the subject of legal proceedings.
These receivables totalled € 7,132 thousand at 31 December 2010, gross of write-downs, of which € 6,953 thousand stems from the incorporated company Campari Italia S.p.A. and the relevant provisions for write-downs. Write-downs of € 3,408 thousand posted an increase of € 2,137 thousand and amounts used of € 1,403 thousand, due almost entirely to the settlement of lawsuits outstanding from previous years.
Losses recorded during the year came to 0.4% of sales.

Provisions for doubtful receivables are put in place to cover write-downs made to specific positions until the estimated realisable value is accurately represented in the accounts.

Changes in provisions for doubtful receivables during the year are as follows:

	Provisions for doubtful receivables trade receivables €/000
Balance at 1 January 2010	134
from Campari Italia S.p.A. merger	2,540
Provisions from Campari Italia S.p.A. merger	2,128
Provisions	9
Amounts used from Campari Italia S.p.A. merger	(1,391)
Amounts used	(12)
Balance at 31 December 2010	**3,408**
Balance at 1 January 2009	146
Provisions	24
Amounts used	(36)
Balance at 31 December 2009	**134**

The total value of trade receivables due to expire at the reporting date of these accounts was € 15,320 thousand, or 34% of total receivables, compared with the total value at the previous year's reporting date of € 23,350 thousand, of which € 21,505 thousand relates to the incorporated company Campari Italia S.p.A. and € 1,845 thousand to Davide Campari Milano S.p.A.

For greater clarity, the table below shows trade receivables by expiry date, with the amounts arising from the merger of Campari Italia S.p.A. highlighted separately:

	31 December 2010 Davide Campari Milano S.p.A. €/000	31 December 2010 former Campari Italia S.p.A. €/000	31 December 2009 Davide Campari Milano S.p.A. €/000	31 December 2009 former Campari Italia S.p.A. €/000
Due :				
Less than 30 days	49	11,374	57	7,773
30 - 90 days	457	7,193	11	4,103
Within 1 year	8	2,541	52	3,853
Within 5 years	-	457	-	1,921
More than 5 years	-	60	-	52
Total due	514	21,625	120	17,702
Total due: Davide Campari-Milano S.p.A.	22,139			

As shown in the table, 86% of the total relates to receivables that were less than 90 days past due at the reporting date. The average number of days for payment to be made is 93.

Lastly, the best estimate of the credit risk to which the Company is exposed corresponds to the total figure for bad debts, of € 7,132 thousand.

Receivables in respect of contributions to promotional costs, of € 9,465 thousand, are entirely due to the incorporated company, Campari Italia S.p.A.. These are recorded under commercial partners with which the Group has existing distribution licences, which also stipulate that promotional costs incurred relating to the brands distributed must be shared.

Trade payables to related parties, of € 31,276 thousand, are all due; see note 40 – Related parties, for further details.

Other doubtful receivables from third parties, gross of write-downs, totalled € 603 thousand; the related provisions of € 328 thousand recorded a rise of € 93 thousand and amounts used of € 12 thousand due to the incorporated company, Campari Italia S.p.A., as shown in the table below.

	Provisions for doubtful receivables Other receivables €/000
Balance at 1 January 2010	235
from Campari Italia S.p.A. merger	12
Provisions from Campari Italia S.p.A. merger	-
Provisions	93
Amounts used from Campari Italia S.p.A. merger	(12)
Amounts used	-
Balance at 31 December 2010	**328**
Balance at 1 January 2009	85
Provisions	150
Amounts used	-
Balance at 31 December 2009	**235**

27. Short-term financial receivables

	31 December 2010 €/000	31 December 2009 €/000
Net accrued swap interest income on bonds	1,399	1,153
Short-term financial receivables from related parties	40,088	39,460
Other short-term financial receivables	-	93
Short-term financial receivables	**41,487**	**40,706**

For further details on receivables from related parties, please refer to note 40 - Related parties.

28. Cash and equivalents and reconciliation with net debt

The table below provides a reconciliation of this item with the cash and cash equivalents shown on the cash flow statement.

	31 December 2010 €/000	31 December 2009 €/000
Current accounts at banks	27,134	10,842
Cash and liquidity	10	10
Term deposits	10,000	-
Total cash and cash equivalents	**37,144**	**10,852**

Cash and cash equivalents totalling € 37,144 thousand are entirely due to Davide Campari Milano S.p.A., and include current accounts and term deposits of € 37,133 thousand and petty cash of € 10 thousand. Overall, this figure rose by € 10,852 thousand compared with the previous year.
The reconciliation with the Company's net debt is set out below.

	31 December 2010 €/000	31 December 2009 €/000
Cash and cash equivalents	10	10
Other cash	37,134	10,842
Liquidity (A)	**37,144**	**10,852**
Short-term financial receivables (B)	**41,487**	**40,706**
Short-term bank debt	73	-
Other short-term financial payables	264,328	325,797
Short-term financial debt (C)	**264,401**	**325,797**
Net short-term financial debt (A+B+C)	**185,770**	**274,239**
Bonds issued	578,854	549,997
Other non-current payables	80,054	82,636
Medium / long-term financial debt (D)	**658,908**	**632,633**
Net financial debt (A+B-C-D)	**844,678**	**906,872**
Reconciliation with net debt:		
Term deposits maturing after 1 year	-	40,012
Other non-current receivables	3,630	2,025
Medium / long-term financial receivables	**3,630**	**42,037**
Net debt	**841,048**	**864,835**

For all information concerning the items that make up net debt excluding liquidity, see note 24 - Non-current financial receivables, note 27 - Short-term financial receivables and note 31 - Financial liabilities.

29. Non-current assets held for sale

The item includes assets relating to the Sulmona site, which sold its production assets in 2007 (€ 6,268 thousand), the part of the Termoli site not yet sold (€ 1,022 thousand), the Ponte Galeria plot in Rome (€ 3,307 thousand) and buildings in Crodo (€ 38 thousand).
Negotiations are under way with potential buyers, and a disposal plan is being defined. There have been delays in finalising negotiations leading to the sale and transfer of the property, due to unfavourable market conditions and other issues.
Non-current assets classified as held for sale are valued at the lower of their net carrying value and fair value less sale costs, based on an estimate prepared by an external consultant appointed by the Company.

30. Shareholders' equity

The Company manages its capital structure and makes changes to it depending on the economic conditions and the specific risks of the underlying asset.
To maintain or change its capital structure, the Company may adjust the dividends paid to the shareholders and/or issue new shares.
The risks connected to capital are managed at Group level; please refer to consolidated notes for additional information.
For information on the composition and changes in shareholders' equity for the periods under review, please refer to "Statement of changes in shareholders equity".

Share capital

At 31 December 2010, the share capital was made up of 580,800,000 ordinary shares with a nominal value of € 0.10 each, fully paid-up.
Following a resolution of the shareholders' meeting of 30 April 2010, the company allocated € 32,456 thousand of the year's profit for the payment of a dividend. The total dividend paid out was € 34,595 thousand. The shortfall of €2,139 thousand with respect to the profit for the year was taken from retained earnings.

Bonus share issue

During the year, the shareholders' meeting approved a bonus share issue implemented via the issue of 290,400,000 shares with a nominal value of € 0.10 provided free of charge to shareholders in the ratio of one new share for each share held. This was carried out using retained earnings.
Following the bonus issue, the fully paid-up share capital totals € 58,080,000, comprising 580,080,000 ordinary shares.

Outstanding shares and own shares

Changes in outstanding shares and own shares during the year were as follows:

	No. of shares			Nominal value		
	31 December 2010	31 December 2009	31 December 2008	31 December 2010	31 December 2009	31 December 2008
				€	€)	€
Outstanding shares at the beginning of the period	287,945,880	288,459,253	289,355,546	28,794,588	28,845,925	28,935,555
Purchases for the stock option plan	(1,160,000)	(2,199,000)	(896,293)	(116,000)	(219,900)	(89,629)
Disposals	1,491,496	1,685,627	-	149,150	168,563	-
Allocation of new shares for the capital increase	290,400,000	-	-	29,040,000	-	-
Allocation of new own shares held	(2,122,624)	-	-	(212,262)	-	-
Disposals made after the allocation of new shares	1,968,068	-	-	196,806	-	-
Outstanding shares at the end of the period	578,522,820	287,945,880	288,459,253	57,852,282	28,794,588	28,845,926
Total own shares held	2,277,180	2,454,120	1,940,747	227,718	245,412	194,075
own shares as % of total shares	0.4%	0.8%	0.7%			

Changes for the period refer solely to purchases/sales of own shares.
In 2010, 1,160,000 own shares were acquired at a total purchase price of € 9,260 thousand, which equates to an average price of € 7.978 per share before the share capital increase.
Following the share capital increase described in previous notes to these accounts, 2,122,624 new own shares was allocated.
Note also that subsequent to the reporting date for these financial statements, and their publication, further sales of own shares were carried out of a total of 247,859 shares through the exercise of option rights.

Dividends paid and proposed

The table below shows the dividends approved and paid in 2010 and 2009 and the dividend subject to the approval of the shareholders' meeting to approve the accounts for the year ending 31 December 2010.

	Total amount			Dividend per share	
	31 December 2010 €/000		31 December 2009 €/000	31 December 2010 €	31 December 2009 €)
Dividends approved and paid during the period on ordinary shares	34,593		31,701	0.12	0.11
Dividends proposed on ordinary shares	34,726	(*)		-	

(*) Calculated on the basis of outstanding shares at the date of the Board of Directors' meeting on 21 March 2011.

Other reserves

	Reserve for own shares	Stock options	Cash flow hedge reserve	Total
	€/000	€/000	€/000	€/000
Balance at 1 January 2010	(14,502)	12,817	(752)	(2,437)
Cost of stock options for the year	-	4,147	-	4,147
Purchase of own shares	(9,260)	-	-	(9,260)
Sale of own shares	14,677	-	-	14,677
Investments in portions of subsidiaries' stock options	-	3,086	-	3,086
Amounts released and used/not used in the year	-	(3,332)	-	(3,332)
Cash flow hedging - adjustment in period	-	-	4,102	4,102
Reversal booked to income statement	-	-	(451)	(451)
Balance at 31 December 2010	**(9,085)**	**16,718**	**2,899**	**10,532**

In relation to the sales of own shares in the year, which are shown in the above table at the original purchase price, the Company recorded a net loss of € 3,710 thousand booked into net equity.

- Reserve for own shares
  The reserve includes the changes arising from the purchase and sale of own shares intended for the Company's stock option plans.
- Stock option reserve
  Increases made to the stock option reserve during the year in respect of share-based payments totalled € 7,233 thousand, with an offsetting entry posted to the related shareholdings of € 3,086 thousand, for the allocation of stock options to directors and employees of subsidiaries.
  During the year, options exercised by beneficiaries at Davide Campari-Milano S.p.A. and its subsidiaries amounted to € 1,900 thousand and € 1,162 thousand respectively.
  Lastly, options cancelled during the year amounted to € 270 thousand.
  For more information see note 36 - Stock option plans.
- Cash flow hedge reserve
  The cash flow hedge reserve includes the offsetting entry for the instruments used to hedge interest rate risk relating to the bonds placed by the Company in US dollars at a fixed rate on the US market, and in euro at a fixed rate on the European institutional market (Eurobond).
  The portion of the reserve recorded under shareholders' equity is taken to the income statement when, in respect of the transactions put in place to hedge interest rates, the hedged cash flows are realised and they affect profit or loss.
  The deferred tax effects on the cash flow hedge reserve amounted to € 1,100 thousand.
  Changes in the cash flow hedge reserve, with the related deferred tax effect, are shown in note 37 - Financial instruments.

Merger surplus reserve

Following the merger by absorption of Campari Italia S.p.A., a merger surplus of € 3,868 thousand was calculated by eliminating an amount of € 1,580 thousand relating to the stake held by the absorbing company, and an amount of € 5,132 thousand representing the balances of shareholders' equity in the absorbed company's accounts.
Since the shareholders' equity of the absorbed company did not include reserves, the company was required to recreate one.

Reserve for the Programme Contract, “Agricultural and industrial consortium for disadvantaged areas in Piedmont”

Following the application for financial assistance submitted under the programme contract agreed on 24 July 2008 between the Piedmont agricultural and industrial consortium, of which the company forms part, and the Italian Ministry for Economic Development, in compliance with existing legislation, a specific reserve of € 3,776 thousand was created to be used exclusively to cover the assisted investment obtained under the above-mentioned programme contract. This reserve may not be removed for the entire duration of the investment programme. This reserve was created using the corresponding amount of retained earnings.

Retained earnings

Following a resolution of the shareholders' meeting held on 30 April 2010, total profit for the year to 31 December 2009, of € 32,456 thousand, was distributed to shareholders in full. The total dividend paid out came to € 34,595 thousand, with the shortfall of € 2,139 thousand taken from retained earnings.

Profits (losses) allocated directly to shareholders’ equity

In 2010, adjustments to the cash flow hedge reserve for the period of € 5,659 thousand were allocated directly to shareholders’ equity; net of the related deferred tax effect, this figure was € 4,102 thousand.
In addition, the gains and losses arising from the sale of own shares during the period (a net loss of € 3,710 thousand) were recorded under shareholders’ equity.

Availability of items under shareholders’ equity

Shareholders’ equity at 31 December 2010	Amount	Reason of use	Available amount	Summary of use in the last 3 fiscal years:	
nature/ description				For losses	For other reasons
Share capital (1)	58.080	- - -			
Capital reserves:					
Own shares reserve	-228	- - -			
Legal reserve (2)	1.500	B	1.500		
Earnings reserves:					
Legal reserve	4.308	B	4.308		
Extraordinary reserve	243.222	A, B, C	243.222		
Equity investment transfer reserve Legislative Decree 544/92	3.041	A, B, C	3.041		
Reserve for VAT deduction 4% Law 64/86	592	A, B, C	592		
Reserve for VAT deduction 6% Law 67/86	451	A, B, C	451		
Reserve for VAT deduction 6% Law 130/83	23	A, B, C	23		
Reserve for VAT deduction 4% Law 675/77	2	A, B, C	2		
Reserve for VAT deduction 6% Law 526/82	18	A, B, C	18		
Capital grants reserve L.696/83	26	A, B, C	26		
Reserve for Programme contract	3.776	- - -			
Merger surplus reserve	3.868	A, B, C	3.868		
Other retained earnings	214.845	A, B, C	214.845		35.525
Other reserves:					
Cash flow hedging reserve	2.900	- - -	-		
Stock option reserve	16.718	- - -	-		
Total reserves	**553.142**		**471.896**		
Undistributable amount			5.808		
Distributable amount			466.088		
Profit of the year	**82.493**				
TOTAL	**635.635**				

(1): of which € 50.581 of earnings and € 7.499 for shareholders’ payment
(2): for shareholders’payment
Description:
A: for capital increase
B: for losses
C: for distribution

31. Financial liabilities

	31 December 2010 €/000	31 December 2009 €/000
Non-current liabilities		
Bond issued in 2003 (US$)	226,875	207,237
Bond issued in 2009 (Eurobond)	351,979	342,759
Total bond issues	**578,854**	**549,996**
Property leases	3,001	6,345
Derivatives on bond issue (US$)	26,334	51,934
Derivatives on bond issue (Eurobond)	-	3,404
Assisted financing: Minindustria	719	739
Payables to related parties	50,000	20,214
Total non-current financial liabilities	**80,054**	**82,636**
Current liabilities		
Payables and loans to banks	**73**	**0**
Accrued interest on bonds	8,612	8,330
Property leases	3,358	3,277
Payables to related parties	252,165	313,848
Other debt	192	343
Total other financial payables	**264,327**	**325,798**
Total	**923,308**	**958,430**

The table below shows a breakdown of the Company's main financial liabilities, together with effective interest rates and maturities.
Note that, as regards the effective interest rate of hedged liabilities, the rate reported includes the effect of the hedging itself.
Furthermore, the values of hedged liabilities are shown here net of the value of the related derivative, whether it is an asset or liability.

	Effective interest rate at 31 December 2010	Maturity	31 December 2010 €/000	31 December 2009 €/000
Bonds				
- issued in 2003 (US$)	fixed rate from 4.03% to 4.37% (1)	2015-2018	253,208	259,172
	6-month € LIBOR + 60 basis points(2)			
- issued in 2009 (Eurobond)	fixed rate 5.375%	2016	348,349	346,162
	6-month € LIBOR + 210 basis points(3)			
Property leases	3-month € LIBOR + 60 basis points	2011-2012	6,359	9,623
Other debt	0.90%	2011-2015	912	1,080
			608,828	**616,037**

(1) Rate applied to the portion of the bond loan hedged by an interest rate swap, corresponding to a nominal value of € 171,900 thousand

(2) Rate applied to the portion of the bond loan hedged by an interest rate swap, corresponding to a nominal value of € 85,900 thousand

(3) Rate applied to the portion of the bond loan hedged by an interest rate swap, corresponding to a nominal value of € 200,000 thousand

Bonds
Liabilities for bonds include the US$ 300,000 thousand bond issue placed in the US institutional market in 2003 and the € 350,000 thousand Eurobond issue placed in the European institutional market in October 2009.
The first transaction was structured in two tranches of US$ 100,000 thousand and US$ 200,000 thousand, maturing in 12 and 15 years respectively, with a bullet repayment at maturity.
The six-monthly coupons are based on fixed rates of 4.33% and 4.63% respectively.
The Eurobond issue was placed on the European market and matures in 2016.
It was placed solely with institutional investors at a price of 99.431%; coupons are paid annually at the fixed rate of 5.375%. The gross return on the bond is therefore 5.475%.

With regard to both these issues, the Company has put in place various instruments to hedge the exchange rate and interest rate risks.
On the first, a cross currency swap hedging instrument has been used to neutralise the risks related to fluctuations in the US dollar and movements in interest rates, and the US dollar-based fixed interest rate was changed to a variable euro rate (6-month Euribor + 60 basis points).

In addition, various interest rate swaps were put in place involving the payment of an average fixed rate of 4.25% (rates from 4.03% to 4.37%) on total underlyings of US$ 50,000 thousand (maturing in 2015) and US$ 150,000 thousand (maturing in 2018).
For the second bond issue, carried out in 2009 (Eurobond), an interest rate swap was entered into that involves the payment of a variable rate (6-month Euribor + 210 basis points) on an underlying of € 200,000 thousand.
The changes in the item in 2010 relate to:
- in relation to the 2003 issue (US$), the valuation of hedging instruments (decrease of € 25,600 thousand) and the related effect on the bonds (increase of € 20,900 thousand);
- in relation to the 2009 issue (Eurobond), the valuation of hedging instruments (increase of € 9,676 thousand) and the related effect on the bonds (decrease of € 9,220 thousand).

For more information on the changes during the year, see note 37 - Financial instruments.

Leasing
Financial payables for leasing relate to the non-current portion of the finance lease contract signed on 16 February 2004 and expiring in 2012, for the industrial building at Novi Ligure and directly related plants.

Other debt
This item includes a loan agreement with the industry ministry, with repayment in ten annual instalments starting in February 2006.

32. Employee indemnity liability (TFR) and other employee-related funds

The employee indemnity liability (TFR), which relates to the Company's employees, pursuant to article 2120 of the Italian civil code, falls under the scope of IAS 19.
Following the reform relating to TFR from 1 January 2007, significant changes have been made for companies with at least fifty employees in the various valuation components, in order to ensure the relevant international accounting standard is correctly adopted.
Following the reform of the supplementary pension scheme, TFR contributions accrued up to 31 December 2006 remain in the company, while for contributions accruing from 1 January 2007, employees have the choice to allocate them to a complementary pension scheme, or keep them in the company, which will transfer the TFR contributions to the INPS fund.
As a result, TFR contributions accrued up to 31 December 2006 will continue to be classified as defined benefit plans, with the actuarial valuation criteria remaining unchanged in order to show the current value of the benefits payable on the amounts accrued at 31 December 2006 when employees leave the company.
TFR contributions accrued from 1 January 2007 are classified as defined contribution plans.
Finally, as the Company usually pays contributions through a separate fund, without further obligations, it records its contributions to the fund for the year to which they relate, in respect of employees' service, without making any actuarial calculation.
Since the contributions in question had already been paid by the Company on the reporting date, no liability is recorded on the balance sheet.

Staff severance fund obligations for the last 3 years	31 December 2010 €/000	31 December 2009 €/000	31 December 2008 €/000
Defined benefit obligations (to 31 December 2006)	7,889	5,896	6,933
Defined contribution obligations (from 1 January 2007)	-	-	-
	7,889	**5,896**	**6,933**

The tables below summarise the components of the net cost of benefits reported in the income statement in 2010 and 2009.

Defined benefit obligations (to 31 December 2006)	31 December 2010	31 December 2009
	€/000	€/000
Financial charges	338	247
Net actuarial (gains)/losses	269	(24)
	607	**223**

Financial charges are included in finance costs, whereas net actuarial gains and losses are classified into personnel costs.

Changes in the present value of defined benefit obligations over the year are shown below.

Staff severance fund	31 December 2010	31 December 2009	31 December 2009
		Davide Campari Milano S.p.A.	former Campari Italia S.p.A.
	€/000	€/000	€/000
Present value at 1 January	5,896	6,933	2,132
From merger of Campari Italia S.p.A.	2,101	-	-
Group company transfers	31	(56)	48
Benefits paid	(746)	(1,203)	(163)
Financial charges	338	247	88
Actuarial gains (losses)	269	(25)	(4)
Present value at 31 December	**7,889**	**5,896**	**2,101**

The main assumptions used in determining the obligations resulting from the plans described are indicated below.

	Staff severance fund	Staff severance fund
	31 December 2010	31 December 2009
Discount rate	4.5%	4.5%
Future salary increases	3.0%	3.0%
Staff turnover rate	5.0%	5.0%
Inflation rate	2.0%	2.0%

The rates relating to the costs of health benefits are not included in the assumptions used in determining the above obligations. Thus, any changes in these rates would not have any effect.

33. Provisions for risks and future liabilities

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

	Tax provision	Provision for industrial restructuring	Agent severance fund	Other	Total
	€/000	€/000	€/000	€/000	€/000
Balance at 1 January 2010	796	2,371	50	400	3,617
Increases from the merger	2,078	99	809	449	3,435
Increases	8,151	250	211	220	8,832
Utilization	(483)	(555)	(49)	(421)	(1,508)
Effect of discounting to present value			(52)		(52)
Balance at 31 December 2010	**10,542**	**2,165**	**969**	**648**	**14,324**
of which, projected disbursement					
- due within 12 months	-	2,165	-	648	
- due after 12 months	10,542	-	969	-	

The tax provision at 31 December 2010 included estimated potential liabilities for direct and indirect tax arising from inspections carried out in previous years regarding the tax years 2004 and 2005. An amount of € 796 thousand relates to Davide Campari-Milano S.p.A. and € 2,078 thousand to the incorporated company Campari Italia S.p.A.
The company also considered it appropriate to set aside € 8,151 thousand in the annual accounts for amounts determined during the year relating to the 2005 tax year. The amount comprises additional tax of € 6,455 thousand and potential penalties of € 1,696 thousand. The company has received notices of tax inspections relating to these disputes and has responded by presenting the relevant applications to enter into an agreement with the tax authorities.

The provision for industrial restructuring, which amounted to € 2,165 thousand at the end of the period, relates to liabilities recorded following the termination of production at the Sulmona plant in 2007, based on the special agreement with the trade unions regarding the programme of alternative measures and support for employees.
The procedure for which this reserve was created is due to be completed in 2011, with the remainder being used in full.
Provisions of € 250 thousand recorded this year are for estimated liabilities relating to the redundancy agreement signed during the year for the production area.
The provision for risks included under "Other" includes the costs deriving from existing agreements with agents, the amount of which is defined based on transactions completed in the first few months of 2011, and adjustments to sales for deferred discounts, price differences and returns on sales invoiced in 2010, for which it was not possible to reliably and objectively determine the amount and existence at the reporting date.

34. Payables to suppliers and other liabilities

	31 December 2010	31 December 2009	31 December 2009
			former Campari Italia
		Davide Campari Milano S.p.A.	S.p.A.
	€/000	€/000	€/000
Trade payables to external suppliers - Italy	76,187	48,380	21,108
Trade payables to external suppliers - exports	6,200	7,585	84
Trade payables to related parties	14,959	8,440	35,285
Payables to external auditors	72	143	54
Payables to internal auditors	175	130	36
Trade payables	**97,593**	**64,678**	**56,567**
Withholding tax payables	1,510	1,258	480
Production tax payables	844	1,862	-
Payables to employees	5,182	3,099	1,145
Payables to pension organisations	3,699	1,969	941
Payables to pension funds and INPS fund	284	159	63
Payables to customers	1,804	995	401
Payables to agents	1,522	30	1,649
Payables to other related parties	3,814	7,653	5,916
Deferred capital gains on property sale	-	929	-
Payables in respect of contributions received	1,142	-	-
Payables for deferred revenues	966	1,119	-
Other	154	158	94
Other current liabilities	**20,921**	**19,231**	**10,689**

The taxes shown related to salaries, payments and supplier invoices for December.
These payables are all due within 12 months.
For further details on payables to related parties, please refer to note 40 - Related parties.
Payables for deferred revenues refer to capital grants, which are credited to the income statement in proportion to the useful life of the assets to which they relate.
Changes in payables for capital grants and deferred income relating to these grants are shown below

-	31 December 2010		31 December 2009	
	Payables to tax authorities	Deferred income	Payables to tax authorities	Deferred income
	€/000	€/000	€/000	€/000
Balance at 1 January	-	1,119	-	1,273
Proceeds received in the period	1,291	-	-	-
Grants certain to be received				
posted to the income statement	-	(154)	-	(154)
Other changes	(149)	-	-	-
Balance at 31 December	**1,142**	**965**	**-**	**1,119**

Payables to external suppliers comprise payables for invoices received, totalling € 57,425 thousand at 31 December 2010, of which € 13,494 thousand is entirely due to the incorporated company Campari Italia S.p.A., while for the amounts relating to invoices and credit notes to be received, totalling € 27,423 thousand, of which € 16,381 thousand relates to Campari Italia S.p.A., the maturity cannot be determined until the relevant documents are issued by the suppliers.
These positions are therefore excluded from the table, as are payments to suppliers on account, equal to € 2,214 thousand.

In addition, as regards other current liabilities to third parties, deferred income, tax and social security items and payables to employees are excluded.

Trade payables to related parties of € 14,959 thousand related mainly to purchases of semi-finished and finished products.

For further details on these transactions see note 40 - Related parties.

The following table shows a breakdown of payables by maturity.

31 December 2010	Trade payables €/000	Trade payables to related parties €/000	Other payables to third parties €/000	Other payables to related parties €/000	Total €/000
On demand	16,843	16	40	1	16,900
Within 1 year	40,582	14,943	1,781	2,278	59,584
Due in 1 to 2 years	-	-	-	36	36
Due in 3 to 5 years	-	-	-	-	-
Due in more than 5 years	-	-	-	-	-
	57,425	14,959	1,821	2,315	76,520
Payables not significant for breakdown by maturity	25,209	-	15,286	1,499	41,994
Total	82,634	14,959	17,107	3,814	118,514

31 December 2009	Trade payables €/000	Trade payables to related parties €/000	Other payables to third parties €/000	Other payables to related parties €/000	Total €/000
On demand	16,990	123	-	17	17,130
Within 1 year	30,976	8,317	89	1,189	40,571
Due in 1 to 2 years	335	-	-	-	335
Due in 3 to 5 years	-	-	-	-	-
Due in more than 5 years	-	-	-	-	-
	48,301	8,440	89	1,206	58,036
Payables not significant for breakdown by maturity	7,937	-	11,489	6,447	25,873
Total	56,238	8,440	11,578	7,653	83,909

The payment terms applied to suppliers are generally 90 days from the end of the month in which the invoice is issued for goods, and 60 days for services.

For greater clarity, the table below shows a breakdown of payables by maturity date, with the amounts arising from the merger of Campari Italia S.p.A. highlighted separately:

	31 December 2010 Davide Campari Milano S.p.A. €/000	31 December 2010 former Campari Italia S.p.A. €/000	31 December 2009 Davide Campari Milano S.p.A. €/000	31 December 2009 former Campari Italia S.p.A. €/000
:				
On demand	11,330	5,513	16,990	4,320
Within 1 year	32,601	7,981	30,976	7,389
Due in 1 to 2 years	-	-	335	79
Due in 3 to 5 years	-	-	-	-
Due In more than 5 years	-	-	-	-
Total	43,931	13,494	48,301	11,788
Total: Davide Campari – Milano S.p.A.	57,425			

The item other payables to third parties comprises payables to agents totalling € 1,522 thousand, almost entirely due to the incorporated company Campari Italia S.p.A., and chiefly includes accrued fees to agents not yet due, premiums to agents recognised and premiums that may be recognised. A breakdown of these payables by maturity is shown below.

	31 December 2010 Davide Campari Milano S.p.A. €/000	31 December 2009 Davide Campari Milano S.p.A. €/000	31 December 2009 former Campari Italia S.p.A. €/000
On demand	39	30	18
Within 1 year	1.483	-	1.631
Due in 1 to 2 years	-	-	-
Due in 3 to 5 years	-	-	-
Due in more than 5 years	-	-	-
Total	1.522	30	1.649

Note that of the amounts included under “other payables to third parties”, € 299 thousand is due within 90 days.

As can be seen from a breakdown of “other payables to related parties” by maturity, the item chiefly relates to payables to directors (€ 2,250 thousand), which will be settled during 2011.

The company does not hold any financial assets pledged to secure liabilities.

35. Payables to tax authorities

This item breaks down as follows:

	31 December 2010	31 December 2009	31 December 2009
	Davide Campari Milano S.p.A.		former Campari Italia S.p.A.
	€/000	€/000	€/000
IRAP payables	514	-	432
IRES payable	2,359	-	-
Payables to related parties	15,943	3,277	18,061
	18,816	**3,277**	**18,493**

36. Stock option plan

The Company has in place various stock option plans approved over the years, which are essentially governed by the framework plan approved by the shareholders’ meeting on 2 May 2001, under which options are granted for the purchase of shares by directors, employees and individuals who regularly do work for one or more Group companies.
The purpose of offering stock options is to give the beneficiaries, who occupy key positions in the Group, the opportunity of owning shares in Davide Campari-Milano S.p.A., thereby aligning their interests with those of other shareholders and fostering loyalty, with a view to the strategic goals to be achieved.
The recipients are employees, directors and/or individuals who regularly do work for one or more Group companies, who have been identified by the Board of Directors of Davide Campari-Milan S.p.A., and who, on the plan approval date and until the date that the options are exercised, have worked as employees and/or directors and/or in any other capacity at one or more Group companies without interruption.
Since 2001, further allocations of stock options have been made each year, also governed by the framework plan approved by the shareholders’ meeting held on 2 May 2001. The exercise dates originally set differed in each allocation and provided windows in which options could be exercised.
In 2009, the Board of Directors of the Parent Company approved a change in the exercise period, making it possible for options to be exercised in part, on any trading day in the exercise period set for each plan.
Lastly, with a resolution of the Board of Directors on 30 April 2010, the Company proceeded with new allocations of stock options (also governed by the framework plan approved by the shareholders’ meeting on 2 May 2001).
The total number of options granted for the purchase of further shares was 16,365,779, divided into three separate allocations for the purchase of an equal number of shares at an average allocation price of € 3.87, equivalent to the weighted average market price in the month preceding the day on which the options were granted.
The fair value of the options granted during 2010 was € 1.27 for the first allocation of the year, € 1.28 for the second allocation and € 1.205 for the third one, calculated using the Black-Scholes model, based on the following assumptions:

	2010	2009
Expected dividends (€)	0,06	0,06
Expected volatility (%)	26%	26%
Historical volatility (%)	26%	26%
Market interest rate	2.70%	2.80%
Expected option life (years)	6.00	6.00
Exercise price (€)	3.87	2.99

	Average exercise price (€)
Allocation 2004	2.00
Allocation 2005	3.10
Allocation 2006	3.83
Allocation 2007	3.87
Allocation 2008	2.85
Allocation 2009	2.99
Allocation 2010	3.87

Note that, for ease of comparison, in the following tables the 2009 figures has been adjusted to take account of the bonus capital increase that took place in 2010.
The following table shows changes in stock option plans during the periods concerned.

	31 December 2010		31 December 2009	
	No. of shares	Average allocation/exercise price €	No. of shares	Average allocation/exercise price €
Options outstanding at the beginning of the period	35,091,758	2.84	36,501,880	2.95
Options granted during the period	16,365,779	3.87	2,324,802	3.53
(Options cancelled during the period)	(1,303,206)	3.10	(363,670)	2.99
(Options exercised during the period) (*)	(4,951,060)	2.21	(3,371,254)	2.05
(Options expiring during the period)	-	-	-	-
Options outstanding at the end of the period	45,203,271	3.42	35,091,758	2.84
of which those that can be exercised at the end of the period	2,127,614	2.11	6,817,526	2.14

(*) The average market price on the exercise date was € 4.07.

At the end of the period, 22,110,260 options existed under plans assigned to employees of Davide Campari-Milano S.p.A.
The average remaining life of outstanding options at 31 December 2010 was 6 years (6 years at 31 December 2009).
The exercise price interval for these options was from € 1.99 to € 4.49.
The average fair value of options granted during the year was € 1.27 (€ 0.93 in 2009).
The fair value of stock options is represented by the value of the option determined by applying the Black-Scholes model, which takes into account the conditions for exercising the option, as well as the current share price, expected volatility and the risk-free rate.
Volatility was estimated with the help of data supplied by a market information provider together with a leading bank, and corresponds to the estimate of volatility recorded in the period covered by the plan.
This estimate is required since there is no historical volatility with a duration equivalent to the plan period concerned.

Davide Campari-Milano S.p.A. has a number of own shares that can be used to cover the stock option plan.

The following table shows changes in the number of own shares held during the comparison periods.

	No. of own shares		Purchase price €/000	
	2010	2009	2010	2009
Balance at 1 January	4,908,240	3,881,494	14,502	11,520
Purchases	2,320,000	4,398,000	9,260	13,374
Disposals	(4,951,060)	(3,371,254)	(14.677)	(10,392)
Balance at 31 December	2,277,180	4,908,240	9,085	14,502
% of share capital	0.39%	0.85%		

For information on the stock option plans for directors and general managers, see note 40 - Related parties.

37. Financial instruments - disclosures

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

31 December 2010	Loans and receivables €/000	Financial liabilities at amortised cost €/000	Hedging transactions €/000
Cash and cash equivalents	37,144		
Short-term financial receivables	40,088		
Other non-current financial assets	-		
Trade receivables	81,924		
Other receivables	7,278		
Payables to banks		(73)	
Real estate lease payables		(6,360)	
Bonds		(578,854)	
Accrued interest on bonds		(8,612)	
Other financial liabilities		(303,077)	
Trade payables		(97,593)	
Other payables		(17,032)	
Non-current assets for hedge derivatives			3,630
Current assets for hedge derivatives			1,399
Non-current liabilities for hedge derivatives			(26,334)
Total	166,434	(1,011,601)	(21,305)

31 December 2009	Loans and receivables €/000	Financial liabilities at amortised cost €/000	Hedging transactions €/000
Cash and cash equivalents	10,852		
Short-term financial receivables	39,553		
Other non-current assets	42,037		
Trade receivables	61,498		
Other receivables	16,292		
Payables to banks		(0)	
Real estate lease payables		(9,623)	
Bonds		(549,996)	
Accrued interest on bonds		(8,330)	
Other financial liabilities		(335,143)	
Trade payables		(64,678)	
Other payables		(9,705)	
Current assets for hedge derivatives			1,153
Non-current liabilities for hedge derivatives			(55,338)
Total	170,231	(977,475)	(54,185)

Fair value of financial assets and liabilities

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

The method used for determining fair value was as follows:

- for financial assets and liabilities that are liquid or nearing maturity, it is assumed that the carrying value equates to fair value; this assumption also applies to term deposits, securities that can be readily converted to cash and variable-rate financial instruments;
- for the valuation of hedging instruments at fair value, the company used valuation models based on market parameters;
- the fair value of non-current financial payables was obtained by discounting all future cash flows at the rates in effect at the end of the year.

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

	Carrying value		Fair value	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	€/000	€/000	€/000	€/000
Cash and banks	37,144	10,852	37,144	10,852
Financial receivables from subsidiaries	-	-	-	-
for centralised cash system	40,088	39,460	40,088	39,460
Financial receivables from other companies	107	42,130	107	42,130
Accrued interest on bonds	1,399	1,153	1,399	1,153
Hedging transactions	3,630	-	3,630	-
Financial investments	**82,368**	**93,595**	**82,368**	**93,595**
Payables to banks	73	0	73	0
Real estate lease payables	6,360	9,623	6,360	9,623
Bonds in US$	226,875	207,237	220,263	190,691
Bonds in €	351,979	342,759	365,745	344,243
Accrued interest on bonds	8,612	8,330	8,612	8,330
Hedging transactions	26,334	55,338	26,334	55,338
Financial payables to subsidiaries	302,165	334,062	302,165	334,062
Other debt	912	1,080	912	1,080
Financial liabilities	**923,308**	**958,430**	**930,463**	**943,368**

Fair value - hierarchy

The Company enters into derivatives contracts with a number of top-rated banks.

Derivatives are valued using techniques based on market data, and largely consist of interest rate swaps.

The most commonly-applied valuation methods include the forward pricing and swap models, which use present value calculations. The models incorporate various inputs, including the credit rating of the counterparty, market volatility, spot and forward exchange rates and current and forward interest rates.

The table below details the hierarchy of financial instruments valued at fair value, based on the valuation methods used:

- Level 1: the valuation methods use prices listed on an active market for the assets and liabilities subject to valuation;
- Level 2: the valuation methods take into account various inputs from previous prices, but that can be observed on the market directly or indirectly;
- Level 3: the method use inputs that are not based on observable market data.

	31 December 2010 €/000	Level 1 €/000	Level 2 €/000	Level 3 €/000
Assets valued at fair value:				
Accrued interest on bond swaps	1,399		1,399	
Interest rate swap on bonds (Eurobond)	3,630		3,630	
Liabilities valued at fair value				
Interest rate and cross currency swap on bond (US$)	26,334		26,334	

Hedging transactions

Hedging derivatives

The Company currently holds various derivative instruments to hedge both the fair value of underlying instruments and cash flows.

The table below shows the fair value of these derivative instruments, recorded as assets or liabilities, and their notional values.

	31 December 2010		31 December 2009	
	Assets	Liabilities	Assets	Liabilities
	€/000	€/000	€/000	€/000
Interest rate and cross currency swap on bond (US$)		(32,893)		(53,818)
Interest rate swap on bonds	3,630			(3,404)
Accrued interest on bond swap	1,399		1,153	
Hedging derivatives at fair value	5,029	(32,893)	1,153	(57,222)
Interest rate swap on bond (US$)		6,559		1,884
Interest rate swap on bonds		-		-
Cash flow hedging derivatives	-	6,559	-	1,884
Total derivatives	5,029	(26,334)	1,153	(55,338)

Fair value hedging

The Company has in place the following contracts that meet the definition of hedging instruments based on IAS 39.

- Cross currency swap on bonds (US$)
  At the reporting date, the Company held a cross currency swap totalling a notional US$ 300 million on the bonds denominated in US dollars.
  This instrument has the same maturity as the underlying liability.
  The derivative is valued at fair value and any changes are reported through profit or loss; having established the effectiveness of the hedging transactions, the gain or loss on the hedged item attributable to the hedged risk is used to adjust the carrying value of the underlying liability and is immediately reported through profit or loss.
  At 31 December 2010, the cross currency swap had a negative fair value of € 32,893 thousand, reported under non-current financial liabilities.
  The change in the fair value of these instruments reported in the profit and loss account in 2010 represented income of € 20,925 thousand. The liability recorded on the hedged item was € 20,674 thousand.
- Interest rate swap on bonds (Eurobond)
  The hedging instrument taken out during the year involves the payment of a variable rate (6-month Euribor in arrears + 210 basis points) on underlying debt of € 250,000 thousand. In the last quarter, part of the hedging, relating to an underlying of € 50,000 thousand, was discontinued, generating proceeds of € 2,642 thousand.
  The valuation of this instrument at 31 December 2010 represented an asset of € 3,630 thousand; the changes reported on the income statement relate to changes in the fair value of the swap (a profit of € 9,676 thousand and the related change in the underlying debt (a loss of € 8,732 thousand).

Gains and losses on the hedged and hedging instruments used in all fair value hedges, corresponding to the above-mentioned cross currency swap and interest rate swap, are summarised below.

	31 December 2010	31 December 2009
	€/000	€/000
Gains on hedging instrument - US$ bond issue	20,925	-
Gains on hedging instrument - Eurobond	9,676	-
Losses on hedging instrument - US$ bond issue	-	(13,808)
Losses on hedging instrument - Eurobond	-	(3,480)
Total gains (losses) on hedging instruments	**30,601**	**(17,288)**
Gains on hedged item - US$ bond issue	-	14,358
Gains on hedged item - Eurobond	-	2,560
Losses on hedged item - US$ bond issue	(20,674)	-
Losses on hedged item - Eurobond	(8,732)	-
Total gains (losses) on hedged items	**(29,406)**	**16,918**

Cash flow hedging

The Company uses the following contracts to hedge its cash flows:

- Interest rate swap on Parent Company bonds (US$)
  The Company has put in place various interest rate swaps involving the payment of an average fixed rate of 4.25% (rates from 4.03% to 4.37%) on total underlyings of US$ 50 million (maturing in 2015) and US$ 150 million (maturing in 2018).
  Since these hedging transactions met the requirements for effectiveness, a specific shareholders' equity reserve was recorded for a gross value of € 6,559 thousand.
  As required by IAS 39, the cash flow hedge reserve for these contracts will be recycled to the income statement at the same maturity dates as the cash flows related to the liability.
  During the period, an unrealised gain of € 5,659 thousand was posted to the reserve, together with the corresponding deferred tax effect of € 1,556 thousand.
  Moreover, the realisation of the hedged cash flows generated the release of the cash flow hedge reserve, which had a positive impact on the income statement for the period of € 984 thousand.
- Interest rate swap on Parent Company bonds (Eurobond)
  Shortly after the allocation of the Eurobond, issued during the previous year, the Company entered into an interest rate hedging agreement.

On the date the bond was listed, due to the changes in interest rate trends, this agreement resulted in an initial financial liability of € 2,998 thousand, recorded under shareholders' equity and released to the income statement with the cash flows generated by the underlying debt.
In 2010, an effect of € 362 thousand was recycled to the income statement.

The following table shows, at 31 December 2010, when the Group expects to receive the hedged cash flows.
These cash flows only concern interest and have not been discounted.

31 December 2010	within 1 year €/000	1-5 years €/000	Due after 5 years €/000	Total €/000
Cash outflows	10,979	53,069	18,304	82,352
Cash inflows	10,283	49,794	17,325	77,402
Net cash flows	(696)	(3,275)	(979)	(4,950)

31 December 2009	within 1 year €/000	1-5 years €/000	Due after 5 years €/000	Total €/000
Cash outflows	11,116	44,465	38,983	94,564
Cash inflows	9,590	38,362	33,695	81,647
Net cash flows	(1,526)	(6,103)	(5,288)	(12,917)

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

	Cash flow hedge reserve - 2003 bond issue €/000	Tax effect related to 2003 bond issue €/000	Cash flow hedge reserve - 2009 bond issue €/000	Tax effect related to 2009 bond issue €/000	Cash flow hedge reserve net of tax effect €/000
Balance at 1 January 2010	1,884	(518)	(2,922)	803	(752)
Adjustment in period	5,659		-	-	5,659
Reversals in period	(984)	271	362	(99) -	(451)
Deferred tax (assets and liabilities)	-	(1,556)	-	0	(1,556)
Balance at 31 December 2010	**6,559**	**(1,804)**	**(2,560)**	**704**	**2,899**

	Cash flow hedge reserve - 2003 bond issue €/000	Tax effect related to 2003 bond issue €/000	Cash flow hedge reserve - 2009 bond issue €/000	Tax effect related to 2009 bond issue €/000	Cash flow hedge reserve net of tax effect €/000
Balance at 1 January 2009	19,493	(5,361)	-	-	14,133
Adjustment in period	(16,731)	-	-	-	(16,731)
Allocation to reserve	-	-	(2,998)	-	(2,998)
Reversals in period	(878)	242	76		(560)
Deferred tax (assets and liabilities)	-	4,601	-	803	5,404
Balance at 31 December 2009	**1,884**	**(518)**	**(2,922)**	**803**	**(752)**

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

Credit risk

Davide Campari-Milano S.p.A. enters directly into commercial transactions on the Italian market, and on the foreign markets via its Group companies.
As explained in more detail in note 26 – Trade and other receivables, the Company has internal procedures in place to monitor the progress of receivables. These procedures are geared towards actively seeking payment of receivables and managing on a timely basis the monitoring and control of the exposure of individual customers. Furthermore, the composition of trade receivables is extremely varied both in terms of the sales channel and the type of commercial partner; sales volumes are therefore developed with a high number of customers so that the risk is not concentrated on the related receivables.
The other trade receivables are in respect of Group companies.
Miscellaneous receivables from third parties mainly relate to the sale of grape must and marc, produced in conjunction with harvesting activities (Cinzano and Riccadonna).
Receivables are mainly denominated in euro.
The Company therefore has very little exposure to significant credit risk.

Liquidity risk

The Company's ability to generate substantial cash flow through its operations allows it to reduce liquidity risk. This risk is defined as the difficulty of raising funds to meet financial obligations.

The Company manages financial flows with the Italian subsidiaries through a centralised cash management department, with transactions settled at market rates (see note 40 - Related parties for more information).

Detailed information is provided below on payables and financial liabilities at 31 December 2010, compared with the previous year.

The table below summarises financial liabilities at 31 December 2010 by maturity based on the contractual repayment obligations, including non-discounted interest.

It specifies the period in which financial flows are due.

31 December 2010	On demand €/000	Within 1 year €/000	Due in 1 to 2 years €/000	Due in 3 to 5 years €/000	Due in more than 5 years €/000	Total €/000
Financial liabilities						
Payables to banks	-	73	-	-	-	73
Financial payables to subsidiaries	-	252,165	-	-	50,000	302,165
Bonds	-	10,171	10,171	103,731	167,003	291,075
Derivatives on bonds	-	(980)	(427)	12,456	23,662	34,712
Eurobond DCM	-	18,813	18,813	56,438	364,893	458,956
Real estate lease payables	-	3,495	3,036	-	-	6,531
Subsidised loan from industry ministry	-	196	196	589	-	982
Projected net cash flows	**-**	**283,932**	**31,789**	**173,214**	**605,559**	**1,094,494**
Derivatives on Eurobond	-	(2,715)	(1,464)	1,633	1,601	(944)
Expected cash flows, net of hedging activities	**-**	**281,218**	**30,325**	**174,847**	**607,160**	**1,093,550**

31 December 2009	On demand €/000	Within 1 year €/000	Due in 1 to 2 years €/000	Due in 3 to 5 years €/000	Due in more than 5 years €/000	Total €/000
Financial liabilities						
Payables to banks	-	0	-	-	-	0
Financial payables to subsidiaries	-	313,848	-	-	20,000	333,848
Bonds	-	9,435	9,435	28,305	241,714	288,889
Derivatives on bonds	-	(317)	301	3,568	54,067	57,619
Eurobond DCM	-	14,890	17,280	58,984	393,438	484,592
Real estate lease payables	-	3,495	3,495	3,036	-	10,026
Subsidised loan from industry ministry	-	196	196	589	196	1,178
Projected net cash flows	**-**	**341,547**	**30,707**	**94,482**	**709,415**	**1,176,151**

Payables to banks for current accounts and lines of credit represent the negative balance of cash management, which decreased considerably in 2009 compared to the previous year.

Moreover, the Company has granted loans to subsidiaries, with interest charged at market rates.

Market risks

Interest rate risk

Financial liabilities, except those relating to bonds, are subject to variable rates.

In the case of bonds, as mentioned above, the Company has taken steps to convert a portion of the long-term financial instruments issued at fixed rates (and thus exposed to fair value risk) into variable-rate debt through an interest rate swap.

Thus the portion of debt at fixed rates was around 42% of total financial payables at 31 December 2010.

The Company is therefore only partially exposed to the risk of changes in interest rates.

Sensitivity analysis

The following table shows the effects on the income statement of a potential change in interest rates, if all the Company's other variables are held constant.

The assumptions used in terms of a potential change in rates are based on an analysis of the trend at the reporting date.

The table illustrates the full-year effects on the income statement in the event of a change in rates, calculated for the Company's variable-rate financial assets and liabilities.

The impact on the income statement is shown net of taxes.

31 December 2010	Income statement	
Increase/decrease in rates (in basis points)	Increase in interest rates	Decrease in interest rates
Euribor +/- 28 basis points	(614)	614
31 December 2009	Income statement	
Increase/decrease in rates (in basis points)	Increase in interest rates	Decrease in interest rates
Euribor +/- 10 basis points	(244)	244

Exchange rate risk

The Company has issued bonds denominated in US dollars for which it has a fair value hedge in place to hedge the related exchange rate risk.

The sensitivity analysis shows zero impact on the income statement, as a change in exchange rates generating a positive effect on the fair value of the derivatives would produce the same negative effect on the underlying, and vice versa.

Furthermore, there were no significant receivables or payables exposed to exchange rate risk at 31 December 2010.

39. Commitments and risks

The amounts owed by the Company in future periods for operating leases on equipment are indicated in the table below.

Minimum future payments	31 December 2010	31 December 2009
	€/000	€/000
Within 1 year	2,056	1,405
1-5 years	2,346	1,748
More than 5 years	-	-
	4,402	3,153

Operating lease contracts relate to cars (€ 2,093 thousand), hardware (€ 1,440 thousand), photocopiers (€ 373 thousand) and equipment and general services for manufacturing units (€ 496 thousand).

The commitment in relation to the finance lease for the industrial complex at Novi Ligure stipulates the following future minimum payments; the relationship between these and their present value is also reported.

	31 December 2010		31 December 2009	
	Minimum future payments	Present value of future payments	Minimum future payments	Present value of future payments
	€/000	€/000	€/000	€/000
Within 1 year	3,487	3,358	3,494	3,277
1-5 years	3,017	3,001	6,490	6,346
Total minimum payments	6,504	6,359	9,984	9,623
Financial charges	(145)	-	(361)	-
Present value of minimum future payments	6,359	6,359	9,623	9,623

The Company's other commitments for purchases of goods or services are shown below.

31 December 2010	Assets	Purchases of raw materials	Sponsorship	Other	Total
	€/000	€/000	€/000	€/000	€/000
Within 1 year	1,396	14,999	1,724	31,272	49,391
1-5 years	-	70,599	3,448	-	74,047
	1,396	85,598	5,172	31,272	123,438

Contractual commitments for fixed assets chiefly relate to the purchase of equipment and improvements to the manufacturing units (€ 426 thousand), the implementation of the Group's new IT system and management processes (€ 938 thousand) and other less important commitments (€ 31 thousand).

Purchases of raw materials relate to commitments to buy wine and grapes for wine-making and/or producing Cinzano sparkling wines.

Sponsorship refers to the contractual commitment with Dorna Sport for the MotoGP World Championship.
The item other includes an estimate of the contractual commitments in place for the purchase of habillage, goods, maintenance materials and supplies, as well as services associated with the activities of the Company's production units.

	31 December 2010 €/000
Guarantees issued to third parties	
Belfor Italia - to guarantee payment of balance on works to Crodo	972
Milan customs authority - to guarantee excise duties on goods stored in a fiscal warehouse	850
Milan customs authority - to guarantee authorisation to purchase excise tax stickers - Massalengo	9,800
Milan customs authority - to guarantee payment of excise duties on alcohol products - Massalengo	4,800
Milan customs authority - to guarantee alcohol products under excise-duty suspension arrangements - Massalengo	400
Milan customs authority - to guarantee the temporary import of a work of art for Gallery Campari	5
Ancona customs authority - to guarantee excise duties on goods stored in a fiscal warehouse	500
Piedmont customs agency - for withdrawal and holding of excise tax stickers	3,000
Piedmont customs agency - for circulation of excise tax stickers in the EU and outside the EU	5,800
Piedmont customs agency - to guarantee duty on excise tax stickers	5,300
Piedmont customs dept. - to guarantee excise duties on products under excise-duty suspension arrangements	180
Piedmont regional authority - to guarantee site restoration after mineral water exploration	1
Alessandria customs agency - to guarantee excise duty on products	2,000
Alessandria customs agency - to guarantee customs services rendered	100
Alessandria customs agency - simplified customs procedures at Novi Ligure plant	10
Alessandria customs agency - to guarantee excise duty on alcohol products from Novi Ligure plant	3,000
Alessandria customs agency - to guarantee excise duty on products shipped within the EU from Novi Ligure	2,300
Cuneo customs office - to guarantee customs duties	1
Cuneo customs agency - to guarantee excise duty on products stored in Canale fiscal warehouse	3,600
Turin customs dept. - to guarantee excise duties on products in the EU	600
Cuneo customs district - to guarantee payment of customs duties	200
Lombardy regional authority - rental fees for well authorisation at Sesto S.G.	4
Crodo local authority - to guarantee completion of works in Molinetto	3
Ministry of Productive Activities - to guarantee export certificates	97
Ministry of International Trade - to guarantee export certificates	219
Ministry of Economic Development – to guarantee promotional events	1,850
SNAM - to guarantee payment of gas bills	41
ANAS - to cover roadworks on SS 659 in Piedmont	2
Geico Nord - to guarantee payment of gas supplies	21
Sesto S.G. local authority - to guarantee charges for provision of utilities at new offices	200
Royal Bank of Scotland - guarantee on commitment undertaken by Glen Grant Distillery for GBP 40,000	47
Italian railways - to guarantee customs duties on sugar	16
Tax authorities - to guarantee the payable relating to the tax inspection of the former Campari Italia S.p.A.	51
Tax authorities - to guarantee the payable for tax inspection	399
	46,369
Guarantees issued to third parties in the interests of Group companies	
Sella&Mosca S.p.A. - to guarantee miscellaneous guarantees issued to third parties	1,723
Sella&Mosca S.p.A. - to guarantee restructuring work and reconversion of vineyards	25
Sella & Mosca Commerciale S.r.l. - to guarantee miscellaneous guarantees issued to third parties	7
Koutsikos Distilleries S.A. - to guarantee credit lines	7,000
Campari Austria Gmbh - to guarantee credit lines	27
Campari Austria Gmbh - to guarantee customs	40
CJSC Odessa Sparkling Wine Company - to guarantee credit lines	3,350
Campari Australia Pty Ltd - to guarantee credit lines	15,234
Campari Australia PTY Ltd. - to guarantee customs	305
Campari Australia Pty Ltd. - to guarantee commercial activity	2,395
Glen Grant Distillery – to guarantee credit lines	17,427
Campari (Beijing) Trading Co. Ltd. - to guarantee credit lines	1,360
Redfire Inc - to guarantee credit lines	42,284
Campari Benelux S.A. - to guarantee customs	400
T.J. Carolan & Son Ltd - to guarantee customs	200
	91,777
Guarantees issued to third parties	
Redfire, Inc - to guarantee US$ 116,667 thousand private placement	89,938
Redfire, Inc - to guarantee US$ 250,000 thousand private placement	187,730
	277,668

Guarantees in favour of third parties include a guarantee given by Davide Campari-Milano S.p.A. in relation to the US$ 366,667 thousand private placement issued by the subsidiary Redfire Inc. on the US institutional market.

40. Related parties

The Company has procedures in place governing transactions with related parties, as defined in IAS 24 and in the Consob communications on this subject, with the aim of monitoring and collecting the necessary information concerning transactions in which directors and managers have a personal interest, as well as transactions with related parties, in order to monitor, and in some cases, authorise them.
The procedures identify the individuals responsible for reporting the above-mentioned information, define which transactions should be reported, define the content of the information required, and set the timescales within which the information must be submitted.
Moreover, pursuant to Consob regulation 17221 of 12 March 2010, the Company implemented a procedure for transactions with related parties, which was approved by the Board of Directors on 11 November 2010 and became effective from 1 January 2011. This procedure also reiterates the principles to which the Company adheres in order to ensure the substantial and procedural transparency and probity of transactions with related parties, carried out directly or via subsidiaries. It also defines the parties that constitute related parties (through the creation and maintenance of a list of related parties) in a manner consistent with that set out in IAS IAS24.
The procedure also identifies the individuals responsible for reporting the above-mentioned information, defines which transactions should be reported, defines the content of the information required, and sets the timescales within which the information must be submitted.
The main intra-group activities, paid for at market prices, are carried out on the basis of contractual relationships, which in particular, relate to:

- ✓ management of shareholdings;
- ✓ settlement of financial flows through the centralised cash management system;
- ✓ sharing of general, administrative and legal services;
- ✓ IT support;
- ✓ commercial agreements.

In addition, a fiscal relationship exists with the controlling entity of the Company, Alicros S.p.A., following the decision taken to adopt the national tax consolidation procedure governed by article 117 *et seq* of the consolidated law on corporate income tax (TUIR) for 2010, 2011 and 2012.
Furthermore, on 1 January 2008, the Company joined the Group-wide VAT scheme, pursuant to article 73, paragraph 3 of Presidential Decree 633/72, in accordance with its status as a subsidiary.
The controlling entity, which adopted the Group VAT scheme as controlling entity, is Alicros S.p.A.
The receivables and payables arising as a result of the tax consolidation scheme are non-interest- bearing.
No other transactions have taken place with the controlling entities, nor with their directly and/or indirectly-owned subsidiaries, other than with Group companies.
Moreover, during the year, no off-balance sheet agreements, as described in article 2427, paragraph 1, point 22-ter of the Italian civil code, or other transactions, including between affiliates, took place that may generate exposures or benefits for the Company that would affect the financial position or operating results of the Company or the Group to which it belongs.
The Company is not subject to management and coordination activity by other companies, pursuant to articles 2497 *et seq* of the Italian civil code, in that all decisions made by the management bodies, including strategic decisions, are taken in complete autonomy and independence.
For further details on the relationships with Group companies please see the following tables.

Financial receivables from related parties

		31 December 2010	31 December 2009
		€/000	€/000
Financial receivables from related parties		40,088	39,460
Financial receivables	Accrued interest	Cash management	Total
	€/000	€/000	€/000
Sella&Mosca S.p.A.	79	21,505	21,584
Zedda Piras S.p.A.	38	11,150	11,188
Sella & Mosca Commerciale S.r.l.	18	7,298	7,316
	135	**39,953**	**40,088**

Intra-group transactions are carried out via the centralised cash management system, with interest charged at market rates (3-month Euribor on the day preceding the end of each quarter, plus a spread that reflects market conditions).

Trade receivables and other receivables from related parties

	31 December 2010	31 December 2009	31 December 2009
			former Campari Italia
	Davide Campari Milano S.p.A.		S.p.A.
	€/000	€/000	€/000
Trade receivables from related parties	31,276	59,475	171
Other receivables from related parties	3,343	9,365	90
Current receivables from related parties	34,619	68,840	261
Other receivables from related parties	-	66	285
Non-current receivables from related parties	-	66	285
	34,619	68,906	546

	Trade payables	Miscellaneous	Group VAT scheme	Total
	€/000	€/000	€/000	€/000
Sella & Mosca Commerciale S.r.l.	1.117	42	238	1.397
Sella&Mosca S.p.A.	33	126	160	319
Zedda Piras S.p.A.	-	18	95	113
Alicros S.p.A.	-	9	-	9
Campari International S.A.M.	9,976	(250)	-	9,726
Campari Deutschland GmbH	13,485	544	-	14,029
Camargen Srl	-	153	-	153
Campari Australia	600	50	-	650
Campari Austria Gmbh	692	141	-	833
Campari (Beijing) Trading Co.	360	83	-	443
Campari do Brasil Ltda	258	91	-	349
Campari France	-	4	-	4
Campari Schweiz A.G.	763	94	-	857
Odessa Sparkling Wine	387	42	-	429
Campari Japan	-	(3)	-	(3)
SC.Domaine de Lamargue	-	27	-	27
T.J. Carolan & Son Ltd	1,648	55	-	1,703
Glen Grant Distillery Ltd.	1	2	-	3
Skyy Spirits, LLC	1,213	623	-	1,836
Redfire, Inc.	-	145	-	145
Sabia S.A.	207	31	-	238
Destiladora San Nicolas S.A. de C.V.	112	392	-	504
Campari Benelux S.A.	424	20	-	444
Rare Breed Distilling	-	409	-	409
International Marques	-	1	-	1
Kaloyannis-Koutsikos Distilleries S.A.	-	1	-	1
	31,276	**2,850**	**493**	**34,619**

The overall position of the Italian subsidiaries of Davide Campari-Milano S.p.A. and of the Parent Company itself in respect of Alicros S.p.A., in relation to the tax consolidation scheme, is a non-interest-bearing net payable of € 15,943 thousand.

Financial payables to related parties

	31 December 2010	31 December 2009
	€/000	€/000
Current financial payables to related parties	252,165	313,848
Non-current financial payables to related parties	50,000	20,214
	302,165	334,062

	Financial payables	Cash management	Total
	€/000	€/000	€/000
Turati Ventisette S,r,l,	-	9	9
DI.CI.E Holding B,V,	27,609	-	27,609
Campari Benelux S,A,	201,107	73,440	274,547
	228,716	**73,449**	**302,165**

Loans provided to Group companies carry interest at market rates.

Trade payables and other payables to related parties

	31 December 2010 Davide Campari Milano S.p.A.	31 December 2009	31 December 2009 former Campari Italia S.p.A.
	€/000	€/000	€/000
Trade payables from related parties	14,959	8,440	35,285
Tax payables to related parties	15,943	3,277	18,061
Other payables to related parties	3,814	7,652	5,916
Payables to controlling companies, subsidiaries and affiliated companies	**34,716**	**19,369**	**59,262**

Liabilities	Trade payables	Miscellaneous	Consolidation for tax purposes	Group VAT scheme	Total
	€/000	€/000	€/000	€/000	€/000
Sella&Mosca S.p.A.	481	51	-	-	532
Sella & Mosca Commerciale S.r.l.	11	1	-	-	12
Zedda Piras S.p.A.	15	13	-	-	28
Glen Grant Distillery Ltd.	1,055	-	-	-	1,055
Old Smuggler	244	-	-	-	244
Campari International S.A.M.	1	-	-	-	1
Campari France	12,222	-	-	-	12,222
Campari Australia	30	-	-	-	30
Campari Schweitz	9	-	-	-	9
Skyy Spirits, LLC	843	-	-	-	843
Campari Deutschland GmbH	14	-	-	-	14
T.J. Carolans	34	-	-	-	34
Alicros Spa	-	-	15,943	1,499	17,442
	14,959	**65**	**15,943**	**1,499**	**32,466**
Payables to directors		2,250			2,250
Total	**14,959**	**2,315**	**15,943**	**1,499**	**34,716**

Financial transactions with subsidiaries and affiliated companies

	31 December 2010	31 December 2009
	€/000	€/000
Net sales and cost of goods sold	70,689	324,374
Advertising and promotional costs	3,504	5,934
Structure costs	3,962	9,277
Dividends	47,476	36,279
Net financial income (charges)	(4,830)	(7,052)
	120,801	**368,812**

The amounts of trade and financial transactions entered into with affiliated companies are set out below; the figure for dividends received, of € 47,476 thousand, includes € 16,070 thousand from Campari do Brasil Ltda and € 31,406 thousand from Redfire Inc.

	Revenues €/000	Costs €/000	Total €/000
Sella & Mosca Commerciale S.r.l.	5,256	(137)	5,119
Sella&Mosca S.p.A.	1,237	(2,419)	(1,182)
Zedda Piras S.p.A.	169	2	171
Campari International S.A.M.	49,960	(188)	49,772
Campari Deutschland GmbH	46,259	(331)	45,928
Sabia S.A.	390	1	391
Campari Austria Gmbh	5,098	2	5,100
Campari (Beijing) Trading Co.	463	-	463
Campari do Brasil Ltda	17,459	(1)	17,458
Campari France	22	(41,415)	(41,393)
Campari Schweiz A.G.	4,408	(9)	4,399
SC.Domaine de Lamargue	-	2	2
DI.CI.E Holding B.V.	-	(959)	(959)
Glen Grant Distillery Ltd.	52	(8,895)	(8,843)
Kaloyannis-Koutsikos Distilleries Industrial Ass.Company S.A.	37	2	39
Redfire, Inc.	31,632	(230)	31,402
Skyy Spirits, LLC	8,547	(1,152)	7,395
Alicros S.p.A.	173	15	188
Destiladora San Nicolas S.A. de C.V.	1,401	(73)	1,328
Rare Breed Distilling	369	(59)	310
Campari Japan	23	-	23
Campari Benelux S.A.	3,412	(4,128)	(716)
Campari Australia Pty Ltd.	4,204	(29)	4,175
Old Smuggler Whisky Company Ltd	-	(1,786)	(1,786)
T.J. Carolan & Son Ltd	1,651	(32)	1,619
CJSC Odessa Sparkling Wine Company	397	-	397
International Marques V.O.F.	1	-	1
	182,620	**(61,819)**	**120,801**

Directors, auditors and general managers

The remuneration paid to the Company's directors with strategic responsibilities is set out below.

	31 December 2010 €/000	31 December 2009 €/000
Short-term benefits	5,348	4,110
Post-employment benefits (staff severance fund)	42	42
Share-based payments	1,678	1,292
	7,068	**5,444**

Details of the remuneration paid to the Parent Company's directors and auditors in respect of work for the Parent Company and other Group companies in 2010 is shown below.

Name	Position	Period in post	In post until	Remuneration for work at the company that draws up the financial statements	Non-cash benefits	Bonuses and other incentives	Other remuneration	Total
Luca Garavoglia	Chairman	01/01/10 - 31/12/10	2013	1.045	-	-	-	1.045
Robert Kunze-Concewitz	Managing Director	01/01/10 - 31/12/10	2013	277	4	574	356	1.211
Stefano Saccardi	Managing Director	01/01/10 - 31/12/10	2013	337	5	459	135	936
Paolo Marchesini	Managing Director	01/01/10 - 31/12/10	2013	337	5	459	125	926
Marco P. Perelli-Cippo	Director	01/01/10 - 31/12/10	2013	50	-	-	-	50
Eugenio Barcellona	Director	01/01/10 - 31/12/10	2013	38	-	-	-	38
Enrico Corradi	Director	01/01/10 - 31/12/10	2013	63	-	-	-	63
Renato Ruggiero	Board member	01/01/10 - 30/04/10	2010	13	-	-	-	13
Cesare Ferrero	Board member	01/01/10 - 30/04/10	2010	17	-	-	-	17
Thomas Ingelfinger	Board member	30/04/10 - 31/12/10	2013	42	-	-	-	42
Karen Guerra	Board member	30/04/10 - 31/12/10	2013	17	-	-	-	17
Total - directors				**2,236**	**14**	**1,492**	**616**	**4,358**
Antonio Ortolani	Chairman of Board of Statutory Auditors	01/01/10 - 30/04/10	2010	25	-	-	50	75
Alberto Lazzarini	Permanent Auditor	01/01/10 - 30/04/10	2010	17	-	-	10	27
Giuseppe Pajardi	Permanent Auditor	01/01/10 - 30/04/10	2010	17	-	-	10	27
Pellegrino Libroia	Chairman of Board of Statutory Auditors	30/04/10 - 31/12/10	2013	50	-	-	-	50
Enrico Colombo	Permanent Auditor	30/04/10 - 31/12/10	2013	33	-	-	-	33
Carlo Lazzarini	Permanent Auditor	30/04/10 - 31/12/10	2013	33	-	-	-	33
Total - auditors				**175**	**0**	**0**	**70**	**245**
Total				**2,411**	**14**	**1,492**	**686**	**4,603**

Shareholdings of directors, auditors and general managers

Name	Company in which shares are held	No. of shares held at end of previous period	No. of shares purchased	No. of shares sold	No. of shares held at end of period
Luca Garavoglia	Davide Campari Milano S.p.A.	-	1,255,960	1,255,960	-
Robert Kunze-Concewitz	Davide Campari Milano S.p.A.	-	404,354	404,354	-
Marco P. Perelli-Cippo	Davide Campari Milano S.p.A.	60,000	-	-	60,000
Stefano Saccardi	Davide Campari Milano S.p.A.	-	503,560	503,560	-
Paolo Marchesini	Davide Campari Milano S.p.A.	-	233,560	233,560	-
Thomas Ingelfinger	Davide Campari Milano S.p.A.	-	-	-	-
Karen Guerra	Davide Campari Milano S.p.A.	-	12,330	-	12,330
Eugenio Barcellona	Davide Campari Milano S.p.A.	-	-	-	-
Enrico Corradi	Davide Campari Milano S.p.A.	-	-	-	-
Pellegrino Libroia	Davide Campari Milano S.p.A.	-	-	-	-
Enrico Colombo	Davide Campari Milano S.p.A.	-	-	-	-
Carlo Lazzarini	Davide Campari Milano S.p.A.	2,000	-	-	2,000

Stock options allocated to directors and general managers

Note that, for ease of comparison, the 2009 figures (number and average price of the options held) has been adjusted to take account of the bonus capital increase that took place in 2010.

Name	Position	Options held at the beginning of the year			Options granted during the year			Options exercised during the year			Options expiring during the year	Options held at the end of the year		
		No. of options	Average exercise price	Average maturity	No. of options	Average exercise price	Average maturity	No. of options	Average exercise price	Average market price during the year	No. of options	No. of options	Averag e price	Average maturity
Luca Garavoglia	Chairman	3,086,980	2.92	30/11/2011	389,610	3.85	12/05/2017	1,255,960	1.99	3.91	-	2,220,630	3.60	17/07/2014
Robert Kunze-Concewitz	Managing Director	3,024,482	3.47	04/06/2012	779,220	3.85	12/05/2017	404,354	3.22	4.62	-	3,399,348	3.59	05/12/2014
Stefano Saccardi	Managing Director	2,119,192	3.07	30/10/2011	649,350	3.85	12/05/2017	503,560	1.99	4.08	-	2,264,982	3.53	07/02/2015
Paolo Marchesini	Managing Director	1,849,192	3.23	30/10/2011	649,350	3.85	12/05/2017	233,560	1.99	4.24	-	2,264,982	3.53	07/02/2015

41. Employees

All of the Company's employees are based in Italy.
The number of staff in each category is shown below.

	31 December 2010	31 December 2009	31 December 2009
	Davide Campari Milano S.p.A.		former Campari Italia S.p.A.
Managers	71	47	18
Office staff	363	247	126
Manual workers	224	233	-
Total	**658**	**527**	**144**

42. Independent auditors

PricewaterhouseCoopers S.p.A. has been appointed as auditor of separate and consolidated financial statements of Davide Campari-Milano S.p.A. for the period 2010 - 2018.
According to article 149-duodecies of "Regolamento Emittenti Consob", we report that the fees for the year 2010 for the activities of the statutory audit of the financial statements and the consolidated financial statements of Davide Campari-Milano SpA totaled € 246 thousand and that the corresponding fees for the year 2010 to audit activities of the subsidiaries of Davide Campari Milano SpA totaled € 743 thousand.
Total fees for 2010, amounting to € 989 thousand, are higher than the amount of € 770 thousand originally approved by the Shareholders'meeting held on April 30, 2010.
The increase (€ 219 thousand) is attributable in part to some recent acquisitions or expansion of the scope of the companies being audited (€ 97 thousand) and to a voluntary audit of the US consolidated financial statements (€ 118 thousand). Exchange differences and other minor variances amounted to € 4 thousand.
In addition, non-audit services of € 5 thousand were rendered to a subsidiary, by a company within the PricewaterhouseCoopers network. These services are compatible with the provisions of Legislative Decree n.39 of 27 January 2010.

43. Events taking place after financial year-end

No significant events took place after the end of the year.

44. Proposal for the appropriation of profit

In conclusion to these notes to the accounts, we invite you to approve the financial statements for the year ending 31 December 2010 and to allocate the profit for the year of € 82,493,080 as follows:

- € 5,808,000 to the legal reserve;
- distribution of a divided of € 0.06 per ordinary share outstanding, except for those held by the Company on the ex-date. Taking into account the own shares held, the total dividend payout is € 34.7 million;
- the remaining amount of around € 42.0 million to be carried forward as retained earnings.

It is proposed that the dividend of € 0.06 per share be paid on 26 May 2011 (coupon no. 8 should be detached on 23 May 2011).

Sesto San Giovanni (MI), Monday 21 March 2011

Chairman of the Board of Directors

Luca Garavoglia

Certification of the separate financial statements pursuant to article 81-ter of Consob regulation 11971 of 14 May 1999 and subsequent revisions and amendments

1. We, Robert Kunze-Concewitz, Stefano Saccardi, managing directors, and Paolo Marchesini, managing director and the director responsible for preparing the accounting documents of Davide Campari-Milano S.p.A., hereby certify, taking into account the provisions of paragraphs 3 and 4, article 154-*bis*, of legislative decree 58 of 24 February 1998:

• the appropriateness, in relation to the nature of the business, and

• the effective application

of the administrative and accounting procedures used to prepare the annual financial statements for 2010.

2. We furthermore certify that

2.1. The separate financial statements to 31 December 2010:

a) were prepared in accordance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) correspond to the figures contained in the accounting records

c) provide a true and fair view of the issuer's financial position.

2.2. The report on operations contains an accurate assessment of the company's performance and operating results, and on the position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Sesto San Giovanni (MI), Monday 21 March 2011

Managing Director
Robert Kunze-Concewitz

Managing Director
Director responsible for preparing
the company's accounting statements
Paolo Marchesini

Managing Director
Stefano Saccardi

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

DAVIDE CAMPARI-MILANO SPA

SEPARATE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2010

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AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the shareholders of
Davide Campari-Milano SpA

1 We have audited the separate financial statements of Davide Campari-Milano SpA as of 31 December 2010 which comprise the statement of financial position, the separate income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related notes. The Directors of Davide Campari-Milano SpA are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards, as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these separate financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for listed Companies and Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the separate financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the separate financial statements of the prior period, which are presented for comparative purposes, reference is made to the report issued by other auditors on 6 April 2010.

3 In our opinion, the separate financial statements of Davide Campari-Milano SpA as of 31 December 2010 comply with the International Financial Reporting Standards, as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Davide Campari-Milano SpA for the year then ended.

4 In the financial year ended 31 December 2010, the Company has merged through absorption the subsidiary Campari Italia SpA. The effects of the transaction are shown in the notes to the financial statements.

5 The Directors of Davide Campari-Milano SpA are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure published in section "Investors" of the corporate website of Davide Campari-Milano SpA, in accordance with the applicable laws and regulations. Our responsibility is to express an

PricewaterhouseCoopers SpA

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opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard 1 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the report on corporate governance and ownership structure are consistent with the separate financial statements of Davide Campari-Milano SpA as of 31 December 2010.

Milan, 4 April 2011

PricewaterhouseCoopers SpA

Signed by

Fabio Facchini
(Partner)

This report is an English translation of the original audit report, which was issued in Italian. This report has been prepared solely for the convenience of international readers.

REPORT OF THE BOARD OF STATUTORY AUDITORS

pursuant to art. 153 of Legislative Decree 58/1998 and art. 2429 of the Civil Code

Dear shareholders:

This report covers the activities performed by the Board of Statutory Auditors of Davide Campari Milano S.p.A. (hereinafter the "Company", and together with its subsidiaries, the "Group") for the financial year ending 31 December 2010 (hereinafter the "Financial Year").

1. In the performance of its supervisory and control activities, the Board of Statutory Auditors hereby confirms that:
   a) it supervised compliance with the law, the company's articles of association and principles of proper administration in accordance with art. 2403 of the Italian civil code and art. 149 of Legislative Decree 58/1998 (hereinafter, the "T.U.F.") and the requirements set out in Consob Communication 1025564 of 6 April 2001, as amended, taking into account the principles of conduct issued by the Italian association of chartered accountants;
   b) it participated in meetings of the Board of Directors and Audit Committee pursuant to art. 21 of the articles of association, it received periodic information from directors on general operating performance, the outlook and the most significant operational, financial and balance-sheet transactions approved and carried out during the year by the Company and Group Companies including in accordance with art. 150, paragraph 1 of the T.U.F., and it ensured that the transactions approved and carried out complied with the law and articles of association, and that they were not manifestly imprudent, risky, a potential conflict of interest, or in conflict with resolutions passed by the Shareholders' Meeting, or that such transactions could compromise the integrity of the company's assets. Resolutions of the Board of Directors are executed with the utmost compliance by management and by the organisation;
   c) it did not identify any atypical and/or unusual transactions with Group companies, third parties or related parties, nor did it receive any information to this effect from the Board of Directors, the external auditor or the head of internal audit. In its Report on Operations, the Board of Directors provided an appropriate description of the impact of the most significant operational, financial and balance-sheet transactions carried out as part of ordinary operations with subsidiaries under normal market conditions. In addition, the Board of Statutory Auditors considers that based on, inter alia, the activities performed by the Internal Auditing department, any transactions with related parties were managed appropriately. The Board of Statutory Auditors further confirms that on 11 November 2010, based on the favourable opinion of the committee made up of the Company's independent directors, the Board of Directors approved "Procedures for Related Party Transactions" pursuant to Consob Resolution 17221 of 12 March 2010. Pursuant to art. 4 of this Regulation, the Board of Statutory Auditors verified compliance of the procedures adopted with the principles of this Regulation, and checked that they were being followed;
   d) it has reviewed and supervised the adequacy of the Company's organisational structure to the extent of its authority and adherence to the principles of proper administration by gathering information from the heads of the relevant company departments and holding meetings with representatives of the external auditing company, PricewaterhouseCoopers S.p.A. (which was awarded the statutory audit of the financial statements), including for the purposes of exchanging relevant data and information. No serious issues arose from these meetings. In addition, no significant matters arose from an examination of the annual reports issued by the subsidiaries' Boards of Statutory Auditors to accompany the financial statements;
   e) it has assessed and monitored, to the extent of its authority pursuant to art. 19 of Legislative Decree 39/2010, the adequacy of the internal audit, administration and accounting systems and the reliability of the latter for the purposes of providing a true and fair view of operations by:
      i. periodically sharing information with managing directors, and in particular, the manager in charge of preparing corporate accounting documents in accordance with the provisions of art. 154-*bis* of the T.U.F.;
      ii. examining reports prepared by the head of internal audit, including information on the outcome of any corrective actions taken following audits;
      iii. obtaining information from heads of company departments;

iv. holding meetings and sharing information with the control bodies of the subsidiaries Sella&Mosca S.p.A., Sella&Mosca Commerciale S.r.l., Zedda Piras S.p.A. and Campari Italia S.p.A. (prior to its merger into the Company) pursuant to paragraphs 1 and 2 of art. 151 of the T.U.F. At these meetings the Board of Statutory Auditors obtained information concerning the administration and control systems and the company's general business performance;
v. performing detailed analysis of activities performed, and reviewing the results of the work of the external auditor;
vi. participating in the work of the Audit Committee, and when specific issues so required, jointly working with the committee on such issues.

From the work carried out, no irregularities were found that indicated inadequacies in the internal audit system;

f) it held meetings with managers of the external auditors pursuant to art. 150, paragraph 3 of the T.U.F. and art. 19 of Legislative Decree 39/2010, during which no facts or situations arose that should be highlighted in this report, and it carried out the monitoring stipulated by art. 19 of Legislative Decree 39/2010;
g) it supervised the method of implementing the Code of Conduct for Listed Companies promoted by Borsa Italiana S.p.A. and adopted by the Company, as described in the Report on Corporate Governance and Ownership Structure made available to you. The Board of Statutory Auditors verified, inter alia, that the criteria and assessment procedures adopted by the Board of Directors to evaluate the independence of its members were correctly applied. The Board of Statutory Auditors also verified compliance with the criteria relating to the independence of its own members as stipulated by art. 10 of this Code of Conduct;
h) it reviewed and obtained information on organisational and procedural activities carried out pursuant to Legislative Decree 231/2001 on the administrative liability of organisations. The Company's Supervisory Body, in which the Board of Statutory Auditors normally participates, reported on activities performed during the Financial Year, but did not advise the Board of Statutory Auditors of any significant facts;
i) it ensured that information provided by non-EU subsidiaries was sufficient for conducting audits of annual and interim financial statements in accordance with art. 36 of Consob Regulation 16191 of 29 October 2007;
j) it monitored the implementation of organisational measures connected with the development of corporate activities;
k) it supervised the financial disclosure process pursuant to art. 19 of Legislative Decree 39/2010.

The Board of Supervisory Auditors issued the opinions required by law.

In 2010 the Board of Statutory Auditors met seven times and also participated in meetings of the Board of Directors, Audit Committee and Supervisory Body in accordance with Legislative Decree 231/2001, and met with the chairman of the Board of Statutory Auditors of the subsidiaries referenced above.

Based on the information obtained, the Board of Statutory Auditors believes that activities were conducted in compliance with the principles of proper administration, and that the organisational structure, internal audit system and accounting and administrative system in their entirety are appropriate to the company's requirements.

2. With regard to its relationship with the external auditors, the Board of Statutory Auditors confirms that:
   a) the Company's Ordinary Shareholders' Meeting held on 30 April 2010 resolved that the audit of the consolidated and separate financial statements including the audit of the company’s accounting procedures and records pursuant to art. 155 of the T.U.F. should be assigned to the external auditor PricewaterhouseCoopers S.p.A. based on the detailed proposal of the Board of Statutory Auditors;
   b) on 4 April 2011, pursuant to articles 14 and 16 of Legislative Decree 39/2010, the external auditor PricewaterhouseCoopers S.p.A. issued its reports indicating:
      i. that the consolidated and separate financial statements at 31 December 2010 were prepared clearly and provide a true and fair view of the Company's and Group's balance sheet, financial situation, operating results, changes in shareholders' equity and cash flows for the Financial Year;
      ii. that the Reports on Operations and the information indicated in paragraph 1), points c), d), f), l) and m) and in paragraph 2, point b) of art. 123-*bis* of the T.U.F. as provided in the Report on Corporate Governance and Ownership Structure are consistent with the company and consolidated financial statements;
   c) In addition to the tasks required by law for listed companies, the external auditor PricewaterhouseCoopers S.p.A. and the other companies in its network were also given the following assignments:
      - PricewaterhouseCoopers S.p.A. for auditing services totalling €118,000;

- PricewaterhouseCoopers network for auditing services totalling €97,000 and for non-auditing services totalling €5,000, compatible with the provisions of Legislative Decree 39/2010.

Based in part on the above, the Board of Statutory Auditors considers that there are no critical issues concerning the independence of PricewaterhouseCoopers S.p.A.;

d) During the year, the external auditor did not issue any opinions required by law since the prerequisites for issuing such opinions were not met.

3. During the Financial Year, no formal complaints were received pursuant to art. 2408 of the Civil Code.

4. The Board of Statutory Auditors is not aware of any facts or statements that should be reported to the Shareholders' Meeting. During the course of the work carried out, and on the basis of information obtained, no omissions, non-conformities, irregularities or other circumstances were identified that would require notification to the Supervisory Body or mention in this report.

5. The Board of Directors provided the financial statements and report on operations to the Board of Statutory Auditors in a timely manner. To the extent of its authority, the Board of Statutory Auditors reports that the layouts used are in compliance with the law, that the accounting principles used, which are described in the notes to the financial statements, are appropriate for the activities and transactions carried out by the Company, and that the financial statements correspond to the facts and information as identified by the Board of Statutory Auditors following its participation in meetings with corporate bodies and its supervisory activities performed.

6. Taking into account the results of the specific tasks performed by the external auditors in its audit of the accounting records and of the reliability of the company financial statements, as well as its own supervisory activities, the Board of Statutory Auditors expresses its favourable opinion concerning the approval of the company financial statements at 31 December 2010 and agrees with the proposal of the Board of Directors concerning the distribution of profits.

Sesto San Giovanni, 5 April 2011

The Board of Statutory Auditors

Pellegrino Libroia

Enrico Colombo

Carlo Lazzarini