

# BOARD OF DIRECTORS' REPORT

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### General information

Shareholders,

1988 was a very successful year for your Company which strove to achieve its stated objectives on all operational fronts.

To better assess its performance we will briefly review the national and international economic/social situation characterising the year that has just closed which certainly had an influence on the operation of your company:

- **National market** - the downward trend in alcoholic beverage consumption continued with a fall of 3.5% (2.5% in 1987).
- **International markets** - Alcoholic beverage consumption was marked by a downward trend even though this differed from country to country; 1988 also saw a sharp fall in the dollar caused internationally by the U.S. authorities to adjust their domestic economy, give greater momentum to their exports, and thus set their balance of trade on an even keel again.

In particular, the national background against which your company operated, albeit in a somewhat unstable and contradictory political situation, performed as follows in comparison with 1987:

- Gross Domestic Product grew by 3.9%.
- The relative number of the unemployed stabilised at around 12% with the number of employed persons growing at the same rate as new jobs.
- Inflation speeded up appreciably, reaching 5.5% in December with a worrying tendency to rise further.
- The balance of payments closed in 1988 with a surplus equal to that of the year before due to a marked increase in movements of capital and foreign currency loans. There was therefore a deterioration of the balance on current account.
- The balance of trade deficit exceeded that of 1987 (- 12,863 billion in 1988 against the - 11,143 the year before).

Shareholders,

considering this general panorama, fiscal 1988 closed with a profit of Lire 24,837,637,657 (Lire 23,166,810,923 in 1987) after an appropriation of Lire 16,490,000,000 to the taxation provision. Net sales totalled Lire 288.8 billion (Lire 273.2 billion in 1987) with an increase of 5.7% on the year before.

These targets were reached through a policy of tight management in all company sectors and by pursuing the strategy of expansion that has permitted market shares to be increased almost everywhere. In particular, the following situation becomes clear from an analysis of the results achieved:

### Italian market

In general the alcoholic beverage market was down 3.5% on 1987. A breakdown by commodity sector shows the following situations: vermouth (- 6.2%), whiskies (- 2.2%) and sparkling wine (+ 0.6%).

For the first time, a fall in the whiskies sector must be noted as well as in the vermouth sector.

In spite of the unfavourable market trend, the company, through its careful pricing policy and a major promotion/advertising campaign, managed to recover shares in falling sectors of the market and to increase sales more than proportionately in emerging sectors.

The sales situation compared with the year before was as follows:

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	1987	1988	change %
Revenues (Lire/million)	185,476	191,963	+ 3.49
of which:			
- vermouth	100,357	102,099	+ 1.73
- sparkling wines	29,658	33,611	+ 13.33
- others	55,461	56,252	+ 1.43