LAGFIN S.C.A.,
SOCIETE EN COMMENDITE PAR ACTIONS
ANNUAL REPORT AT 31 DECEMBER 2019

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Disclaimer

This document contains forward-looking statements relating to future events and the operating, economic and financial results of Lagfin Group. These statements contain an element of risk and uncertainty since, by their very nature, they depend on future events and developments. Actual results may vary significantly from those forecast for a number of reasons, most of which are beyond the Group's control

Corporate officers

General Partner-Artemisia Management S.A., Société Anonyme

Board of Directors

Vania Baravini	Chairman
Federico Franzina	Director
Massimiliano Seliziato	Director

Independent Auditor

ErY S.A., Société Anonyme

Report on operations for the year ending 31 December 2019

Group Structure

Lagfin S.C.A., Société en Commandite par Actions ('Lagfin'), with registered office at 3 Rue Des Bains, L-1212 Luxembourg, controls directly Davide Campari Milano S.p.A. (whose shares are listed on the Italian stock exchange) with its subsidiaries ('Campari Group') and LG Partners, LLC (together 'The Group').

Significant events during the period

Main brand-building activities

The brand portfolio represents a strategic asset for Campari Group. One of the main pillars of its mission is to build and develop brands. The Group has an ongoing commitment to investing in marketing aimed at strengthening the recognition and reputation of iconic and distinctive brands in the key markets, as well as launching and developing them in new high-potential geographical regions. The Group is developing its strategies with an increasing focus on the on-premise distribution channel, which is considered to be the key to brand-building activities, and on new communications tools, especially digital media channels, which are strategic for their interactive, customisable and measurable properties.

The main marketing initiatives carried out in 2019, which focused on global and regional priority brands, are set out below.

Global priority brands

<u>Aperol</u>
In March 2019, the new global campaign **Together We Joy**, was launched, introducing the brand as a universal language that can connect people through the emotion of joy. Directed by the French duo Greg&Lio, the campaign takes its inspiration from their musical experience, introducing a new way of communicating with colour and pop, to portray a joyful mood and the idea of connections between people.

From May 2019, a number of events were arranged **to celebrate the centenary of Aperol,** which was created in Padua, Italy, in 1919. At the end of June 2019, a unique event, **Aperol Happy Together Live**, was held in St. Mark's square in Venice, Italy, involving numerous artists with different styles but united by the same passion for music. The event recorded a total attendance of over 6,000 people and was subsequently broadcast on the Sky TV channel. In Germany, Cologne was the scene of the **Aperol City Takeover** in July 2019, a 360° activation with events and entertainment involving the whole city. Further celebrations were held during the summer in trendy venues in Madrid and Barcelona, as well as in London and Manchester.

Other Aperol initiatives included the sponsorship of major music festivals in the United States, such as Camp Flog Gnaw in Los Angeles and Riptide in Miami.

<u>Campari</u>
With the aim of cementing the indissoluble link with cinema culture, Campari, **as main sponsor**, was the star of the show at the 76th **Venice International Film Festival**. During the ten days of the festival, Campari was a reference point for celebrities, influencers, directors and new talents, with its many activations, including the Campari Lounge, the red carpet, the floating *Venetika* cinema and the secret closing party of the festival, Entering Red. Moreover, in September 2019, Campari was the **exclusive spirits partner** of the **57th New York Film Festival**, hosted by the Lincoln Center Film Society, where it presented its Campari Red Diaries platform.
June 2019 saw the launch of the seventh edition of **Negroni Week**, a global initiative held in bars, restaurants and shops around the world to raise funds for charitable causes. In 2019, the event gained over 12,000 venues, 2,000 more than the previous year, in over 60 international markets. To celebrate the cocktail's centenary, the launch of Negroni Week took place in Florence, where Negroni was created by the Count of the same name.
For 2019, Entering Red, a short movie in the **Campari Red Diaries** campaign, directed by Matteo Garrone, was unveiled in Milan featuring film star Ana De Armas.

Wild Turkey
In October 2019, Wild Turkey's creative director, Matthew McConaughey, and Complex Media announced the launch of the first series of *advertainments* dedicated to the brand of the same name, entitled **Talk Turkey**. These are conversations between Matthew McConaughey and influencers on issues of particular social interest, aimed at emphasizing the authenticity of the stories and experiences told.
The limited edition **Master Keep Cornerstone Rye** was launched in August 2019. It is the fourth release in the multiple award-winning Master Keep series, skilfully created by master blender Eddie Russell with liquid from among the oldest barrels of rye whiskey in the Wild Turkey distillery.

SKYY
In June 2019, SKYY Vodka was the official vodka partner of the **WorldPride festivals** in New York City and Los Angeles, showing its ongoing commitment to supporting diversity. In addition, to commemorate the 50th anniversary of the Stonewall movements, SKYY partnered with a group of Vogue artists to pay homage to the people and history that shaped the LGBT+ culture.
The new SKYY Vodka label was launched in its core US market and in other markets, including Germany, Brazil and South Africa, in 2019. Bearing the slogan **Born in San Francisco**, it is designed to strengthen the link with the history and heritage of the brand, which was born in San Francisco, a city with a welcoming spirit and home to progressive thinking.

Grand Marnier
In January 2019, the new premium variant **Grand Marnier Cuvée Louis Alexandre** was launched in the United States. Created by Patrick Raguenaud, Grand Marnier master blender, the hallmark of the cuvée is the new VSOP liquid, the result of a careful selection of cognacs, enriched with the highly aromatic essence of bitter oranges, and launched in a new premium packaging.

Jamaican rums
In December 2019, the first limited edition **23 Year Old Journey Rum** in the Appleton Estate's Journey series was launched.
In October 2019, the new Brand Visual Identity of Appleton Estate, designed to strengthen the brand's premium aspects and evoking the iconic symbols of Jamaica, was launched globally.
In September 2019, the Everyday People series of events were launched in Miami and New York, featuring funky music, food tasting and cocktails, with the aim of introducing **Appleton Estate** in locations of cultural relevance to the target audience. In June 2019, CNN also celebrated the Appleton Estate brand in the '100 Club' programme, which is dedicated exclusively to brands that have remained innovative for over 100 years.

Regional priority brands

Initiatives involving the regional priority brands included the launch in Spain, Belgium and Germany of the new integrated global campaign for **Bulldog**, 'Shine in Your Own Light', and the relaunch in South Africa and Belgium of the super premium brand **Bisquit&Dubouché**, which combines tradition in the brand name with the rebellious nature of the new and innovative packaging.
Regarding **Averna**, temporary pop-up stores were opened in Italy's main railway stations over the Christmas period aimed at strengthening the brand's links with Sicily, its territory of origin. The brand's partnership with Sicilian master chocolatier Andrea Bonajuto, representing Sicilian excellence in the chocolate industry, was further developed with tastings of Averna paired with Bonajuto chocolate.
GlenGrant Single Malt 15-Year-Old Batch Strength was honoured with the Spirit of Speyside Whisky Award in the 13 to 20 year-old category. GlenGrant 18-Year-Old, the rarest of the GlenGrant single malts range, was again named Scotch Whisky of the Year, Single Malt of the Year and Best Single Malt Scotch Aged 16-21 Years by writer and whisky critic Jim Murray, bringing home first prize in the category for the fourth year in a row.
Forty Creek 22-Year-Old Rye was named Best Whisky in Canada in 2019, at the ninth Canadian Whisky Awards.
In April 2019, the new **Cinzano** vermouth super premium 1757, available in 'rosso' and 'extra dry', was launched as a tribute to the birth of the brand in 1757. Lastly, in February 2019, Cinzano vermouth classico was relaunched with a brand restyling that reinterprets the iconic Cinzano blue and red. A temporary exhibition was held at the Museo del Risorgimento (the Renaissance Museum), Turin, with some key pieces from the Cinzano historic archives, to celebrate the elements and colours of the new Cinzano logo.

Brand houses

In November 2019, an exclusive event was held to mark the re-opening of the iconic **Camparino** bar, the birthplace of the Milanese aperitif, which had been renovated to preserve and emphasize its historical heritage and art nouveau style. The bar serves a menu with drinks and gastronomic specialties encompassing traditional creations and more contemporary, original ones, with a particular emphasis on gastronomic quality.

Acquisitions and commercial agreements

Acquisition of Trois Rivières and La Mauny French rums
On 1 October 2019, Campari Group completed the acquisition of French company Rhumantilles S.A.S. ('Rhumantilles'), owner of 96.5% of Bellonnie&Bourdillon Successeurs S.A.S., headquartered in Martinique. Reported net sales of Rhumantilles were €24.1 million in 2018.
The enterprise value of the deal was €60.5 million, corresponding to a multiple of around 9.5 times the contribution margin (contribution after advertising and promotion, or CAAP), restated in accordance with IFRS accounting standards. The CAAP of the acquired company was €6.5 million in 2018. The scope of the transaction included the Trois Rivières and La Mauny brands (strategic brands with premium positioning) and Duquesne (a brand destined for the local market in Martinique), as well as holdings in land, distilleries and visitor centres, and a warehouse for maturing high-quality liquids. As a result of this acquisition, Campari Group has added prestigious agricole rhum brands to its portfolio, strengthening its position in the rums category, where demand for premium products is continuing to rise, and which is currently benefiting from the growing trend in mixology and the increasing popularity of the cocktail culture.
Trois Rivières and La Mauny give Campari Group significant critical mass in France, key country set to become one of the Group's strategic markets.

Controlling interest in the Ancho Reyes and Montelobos brands
On 20 November 2019, Campari Group completed the acquisition, from a group of Mexican entrepreneurs, of controlling interests in the share capital of (i) Licorera Ancho Reyes y Cia S.A.P.I. de C.V. ('Ancho Reyes') and (ii) Casa Montelobos S.A.P.I. de C.V. ('Montelobos').
The total overall consideration for 51% interest in the two companies is USD35.7 million, and is subject to the customary price adjustment mechanisms. Under the agreement, the remaining capital of both companies are subject to the customary call and put options, estimated at USD26.4 million on the closing date, which may be exercised from 2024.
The two companies are the owners of the super premium brands Ancho Reyes, a spicy liqueur, and Montelobos, an artisanal mezcal, respectively. In 2018, net sales of the two brands totalled around USD7 million. The United States is the main market for both brands, with about two-thirds of sales. The remaining portion of sales occurs in Mexico, the UK and other international markets.
The aim of the acquisition is to expand the Group's offer of super premium brands, with strong exposure on the strategic on-premise channel and a specific focus on the key US market. Ancho Reyes is a liqueur with a unique and versatile spicy taste and strong international potential. It is ideally positioned to benefit from the trend in mixology. Montelobos, a handcrafted product experiencing strong growth, will enable Campari Group to enter the premium mezcal segment.

Agreement to acquire Baron Philippe de Rothschild France Distribution S.A.S.
On 20 December 2019, Campari Group signed an agreement to acquire 100% of French distributor Baron Philippe de Rothschild France Distribution S.A.S. (RFD), a wholly-owned subsidiary of Baron Philippe de Rothschild S.A. RFD specialises in the distribution of a diversified portfolio of international premium spirits, wine and champagne brands in France. It is also the sole distributor for the French market of Campari Group, whose brand portfolio is the main contributor to RFD's sales and growth. With regard to the rest of the portfolio, RFD is the sole distributor for the French market of the seller's premium and super premium wines, which includes the Mouton Rothschild and Mouton Cadet brands. The total enterprise value of the deal is €60.0 million, and is subject to the customary price adjustment mechanisms set out in the contract. In 2018, RFD's total sales were €145.1 million (based on local accounting principles). The transaction is due to be completed in the first quarter of 2020, subject to approval by the competition authorities. The transaction will be financed using available resources.
The integration of RFD's distribution structure in Campari network and the possibility of operating directly in France (a high-potential market for the Group) represents a unique opportunity to enhance the focus on its key own brands, benefitting from the increased critical mass for the aperitifs business and the newly-acquired Trois Rivières and La Mauny rhum agricole premium brands.

Disposals

Sale of Villa 'Les Cèdres'

On 30 October 2019, Campari Group finalised the agreement to sell Villa Les Cèdres real estate located in Saint-Jean-Cap-Ferrat, France, at a price of €200 million. The villa had become part of the Group perimeter on the acquisition of Grand Marnier in 2016. It had been put available for sale immediately after the transaction had been completed, in accordance with an agreement reached with the sellers of Société des Produits Marnier-Lapostolle S.A., as specified in the Tender Offer of 13 May 2016. As part of the Tender Offer, Davide Campari-Milano S.p.A. had agreed to pay all the shareholders of Société des Produits Marnier-Lapostolle S.A., in addition to the offer price, a potential price supplement in the event of a positive outcome of the agreement to sell the villa, subject to certain conditions. The price supplement, calculated in accordance with the terms of the public offer, was €52.7 million or €619.89 for each security transferred that is eligible for the price supplement. Davide Campari Milano S.p.A. paid, through CACEIS Corporate Trust, the price supplement to all the beneficiaries taking up the public purchase offer. CACEIS Corporate Trust paid the supplement to some of the beneficiaries on 4 November 2019 or, alternatively, withheld as a guarantee the uncleared sums, based on the procedures laid down in the legislation applicable to the French regulated stock market.
Following this sale, the process to sell off non-core activities relating to the acquisition of Grand Marnier was basically complete.

Reorganisation and restructuring activities

Outsourcing of the financial and administrative activities of countries in the Southern Europe, Middle East and Africa region and the Northern, Central and Eastern Europe region
As part of the project to outsource the Group's accounting and administrative functions, the activities previously carried out for the countries in the Southern Europe, Middle East and Africa region and the Northern, Central and Eastern Europe region by the European Shared Services Centre, managed by Campari Services S.r.l. located in Sesto San Giovanni, were outsourced to an external provider from 1 October 2019. After a detailed evaluation, based as well from the positive experiences in the American region in 2018, the Group concluded that this change could result in improved efficiency of its accounting and administrative procedures, including in terms of automation and technological innovation. A dedicated Global Business Service function was established within Davide Campari-Milano S.p.A., to manage the external provider for the geographical regions indicated above, which will include monitoring and organisation activities. Campari Services S.r.l. was therefore placed in liquidation.

Alicros Merger and Lagfin capital increase
With effect 1 January 2019 the subsidiary Alicros S.p.A. was merged by incorporation in the Parent Company. For further information about the effect on the minority interests see the Statement of changes in shareholders' equity.
Among the aforesaid reorganization the shareholder capital of Lagfin was increased by €1,717,200.00. As at December 31, 2019, the subscribed capital amounts to €3,717,200 and is divided in 46,465 shares fully paid with par value of €80.00 per share.

1403 2nd Avenue LCC liquidation
During 2019 the subsidiary 1403 2nd Avenue, LLC (a real estate company) has been liquidated.

Other significant events

Purchase of own shares
Between 1 January and 31 December 2019, the Campari Group purchased 9,036,356 own shares, at an average price of €8.33, and sold 10,314,114 treasury shares after the exercise of stock options, for a total outlay of €28.0 million. At 31 December 2019, the Davide Campari Milano S.p.A. held 13,704,200 treasury shares, equivalent to 1.18% of the share capital.

Financial debt management
On 23 April 2019, Davide Campari-Milano S.p.A. successfully placed an unrated bond issue with a five-year term, reserved for Italian and international institutional investors only. Banca IMI S.p.A. (Intesa Sanpaolo Group) acted as sole lead manager for the issue of the new bond. This transaction enabled the Group to optimise its debt structure by extending the average maturity of liabilities, thereby benefiting from the low interest rates on the market. The new bond was issued for a total nominal amount of €150 million, with a fixed annual coupon of 1.655%, an issue price of 100% and a maturity of 30 April 2024. On 30 April 2019, the new bond was admitted to trading on the unregulated market (Third Market) of the Vienna Stock Exchange; payment for the bond was completed on the same day.

On 31 July 2019, Davide Campari-Milano S.p.A. subscribed to a term loan with a nominal amount of €250 million, maturing on 31 July 2024, at an interest rate of 3-month Euribor plus a 1.25% spread. The loan was accompanied by a new revolving credit facility of the same amount and maturity, at an interest rate of 3-month Euribor plus a 0.75% spread, as well as drawdown fees. At 31 December 2019, this credit line had not been used.

The proceeds of the above transactions will be used for general corporate purposes, including but not limited to the refinancing of existing debt. On 31 July 2019, the term loan taken out on 3 August 2016 for a nominal amount of €300 million and accompanied by a revolving credit facility of €200 million, both with ordinary maturities of August 2021, was repaid; on 25 October 2019, the Eurobond issued on 25 October 2012 for a nominal amount of €219.1 million, which had matured, was repaid.

Economic and financial results of Lagfin Group

Sales performance

Overall performance

In 2019, the Group's net sales totalled €1,844.8 million, an overall increase of +7.8%. The organic component continued to show a positive trend, and contributed +5.9% to growth. The exchange-rate variation, which was positive at +2.1%, was only partly offset by the negative perimeter effect of -0.4%.

	2019		2018		total change	12 months change, of which				change % fourth quarter
	€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate(*)	organic
Americas	821.5	44.5%	744,7	43,5%	76.8	10.3%	5.9%	-0.1%	4.5%	4.3%
Southern Europe, Middle East and Africa	498.7	27.0%	479,8	28,0%	18.9	3.9%	5.3%	-1.3%	-0.1%	-1.8%
North, Central and Eastern Europe	396.1	21.5%	358.9	21.0%	37.2	10.4%	9.4%	-	1.0%	9.9%
Asia-Pacific	128.5	7.0%	128.3	7.5%	0.2	0.2%	0.9%	-	-0.7%	0.6%
Total	**1,844.8**	**100.0%**	**1,711.3**	**100.0%**	**133.1**	**7.8%**	**6.1%**	**-0.4%**	**2.1%**	**3.6%**

(*) Includes the effects associated with hyperinflation in Argentina.

Organic change

Organic growth in 2019 was +6.1% and recorded a positive trend in all quarters; this was driven by the favourable growth of global priority brands, despite the selective destocking carried out by the Group in some markets in the last few months of the year, ahead of route-to-market changes.

Overall, sales recorded an organic increase in all the Group's geographical regions, particularly in Europe, where growth was driven by the high-margin key markets. The Americas region, in turn, showed a positive trend, with a favourable sales mix, supported by good performances in the United States, one of the Group's highly profitable core markets. The emerging markets, especially Latin America and Eastern Europe, saw positive growth, despite the continuing macroeconomic and political instability, and partly thanks to the favourable comparison base in the previous year.

Growth in sales of brands was mainly driven by the global priority brands segment, especially aperitifs, in line with the Group's growth strategy of continuously strengthening its high-margin brands in the major developed markets. Performance was positive despite the destocking carried out by the Group, which affected the sales of some high-margin global priority brands, such as Campari, Wild Turkey and SKYY. The regional priority brands recorded positive growth, driven by the excellent results of Espolòn. Overall, the local priority brands made an efficient contribution to growth in the period in question.

With regard to the methodology for calculating organic growth, it should be noted that, in tandem with the first application of accounting standard IAS 29-Financial Reporting in Hyperinflationary Economies starting from publication of the additional financial statements for the quarter ending 30 September 2018, the hyperinflationary effects relating to the Argentine market were excluded from the consolidated organic growth component, as a prudent measure. Specifically, the organic change in this market includes just the component attributable to volumes sold, while the price variation, which includes inflation, is represented in the exchange-rate effect. The change in methodology had a negative effect on the Group's organic sales growth, equivalent to 70 basis points, in 2019.

The main trends by region and by priority brand are shown below.

❖ **Geographical regions**

- The **Americas** region recorded organic growth of +5.9% (+4.3% in the fourth quarter); this performance was attributable mainly to the United States (+5.3%), the Group's largest market, and Jamaica (+17.6%).
- The **Southern Europe, Middle East and Africa** region reported organic growth of +5.3% (-1.8% in the fourth quarter), led by the performance of Italy, its core market, where sales increased by +5.8%. The other countries in the region showed a positive performance overall, driven mainly by France and Nigeria, which more than offset the negative performance in South Africa due to the destocking carried out ahead of some route-to-market changes.
- The **Northern, Central and Eastern Europe** region recorded organic growth of +9.4% (+9.9% in the fourth quarter), with most of the markets making a positive contribution, especially the United Kingdom and Russia, which reported double-digit growth.
- The **Asia-Pacific** region recorded growth of +0.9% (+0.6% in the fourth quarter), driven by Australia, the region's core market, where sales rose by +2.0%, and by China; this was partly offset by the substantial fall in Japan due to the destocking carried out in the last few months of the year ahead of a route-to-market change.

❖ **Brands**

- The Group's **global priority brands** recorded total organic growth of +7.3% (+4.7% in the fourth quarter), continuing to outperform the Group's average organic growth. This was despite the destocking activity that impacted the sales of some brands, such as Campari, Wild Turkey and SKYY. Performance was supported by Aperol, which continued to report double-digit growth (+20.5%), as well as the good performance by Jamaican rums (+7.5%). Campari and the Wild Turkey portfolio reported sales growth of +4.6% and 2.9% respectively. Grand Marnier sales were broadly stable at -0.9%, while SKYY sales fell by -3.8%.
- The **regional priority brands** reported total organic growth of +4.3% (+2.6% in the fourth quarter). In 2019, the strong performance of Espolòn (+32.4%) and healthy growth of Riccadonna enabled the Group to offset the fall in sales of Cinzano, Forty Creek, Bulldog and GlenGrant, while sales in the rest of the portfolio were broadly stable.
- The **local priority brands** showed growth of +1.8% (-6.5% in the fourth quarter), driven by healthy growth in nearly all brands, with particularly impressive performances by the high-margin, single-serve aperitifs Campari Soda and Crodino, and by the Wild Turkey ready-to-drink portfolio and Cabo Wabo.

Perimeter variation

The impact of the marginal perimeter variation in 2019, equal to -0.4% of sales in the previous year, is analysed in the table below.

breakdown of the perimeter effect	€ million	% on 2018
acquisitions (Rhumantilles, Ancho Reyes and Montelobos)	4.6	0.3%
disposals	(0.2)	-
total acquisitions and disposals of business	**4.3**	**0.3%**
new agency brands distributed	0.2	-
discontinued agency brands	(11.4)	-0.7%
total distribution contracts	**(11.2)**	**-0.7%**
total perimeter effect	**(6.9)**	**-0.4%**

- **Business acquisitions and disposals**

In 2019, the perimeter variation due to acquisitions and disposals of businesses was neutral overall. The acquisition of Bisquit Dubouché et Cie. S.A. ('Bisquit'), owner of the eponymous brand, contributed to the Group's results from 1 February 2018; the acquisition of Rhumantilles, owner of the Trois Rivières and La Mauny brands, contributed to the Group's results from 1 October 2019; the acquisition of Ancho Reyes and Montelobos, owners of homonymous brands, contributed to the Group's results from 20 November 2019. The result of these acquisitions was only marginally offset by the change attributable to the sales of businesses, particularly Lemonsoda, which took place in January 2018.

- **Brands distributed**

In 2019, the perimeter variation due to brands distributed by the Group was mainly due to the termination of the distribution agreement for the Brown Forman product portfolio in Italy, which expired in April 2018.

Exchange-rate effects

The positive exchange-rate effect on net sales in 2019 was +2.1%, due to the strengthening of the US Dollar, the Group's main currency, against the Euro, as well as the Jamaican Dollar, the Mexican Peso and the

Canadian Dollar, which, overall, more than offset the weakness of the South American currencies. In addition, the financial results for the year ending 31 December 2019 include the effects of applying the accounting standard IAS 29-Financial Reporting in Hyperinflationary Economies in Argentina. The exchange-rate effect includes both the impact of applying the standard (including the conversion to Euros at the spot exchange rate at the end of the period of all the income statement items expressed in Argentine Pesos) and the new method of calculating organic growth for the Argentine market.
The table below shows the average exchange rates for 2019 and spot rates at 31 December 2019 for the Group's key currencies, together with the percentage change against the Euro, compared with the same period in 2018 and with 31 December 2018.

	average exchange rates		spot exchange rates	
	2019	revaluation/(devaluation) vs. 2018	31 December 2019	revaluation/(devaluation) vs. 31 December 2018
	1 Euro	%	1 Euro	%
US Dollar	1.120	5.5%	1.123	1.9%
Canadian Dollar	1.486	3.0%	1.460	6.9%
Jamaican Dollars	149.201	2.0%	148.887	-2.0%
Mexican peso	21.558	5.4%	21.220	6.0%
Brazilian Real	4.413	-2.4%	4.516	-1.6%
Argentine Peso(*)	67.275	-35.8%	67.275	-35.8%
Russia Rubles	72.459	2.2%	69.956	14.0%
Australian Dollar	1.611	-1.9%	1.600	1.4%
Yuan Renminbi	7.734	1.0%	7.821	0.7%
Great Britain Pounds	0.877	0.9%	0.851	5.1%
Switzerland Francs	1.113	3.8%	1.085	3.8%

(*) The average exchange rate of the Argentine Peso for both 2019 and 2018 was equal to the spot exchange rate at 31 December 2019 and 31 December 2018 respectively.

Sales by region

Sales for 2019 are analysed by geographical region and key market below. Unless otherwise stated, the comments relate to the organic change in each market.

- **Americas**

The region, broken down into its core markets below, recorded overall organic growth of +5.8% (+4.3% in the fourth quarter of 2019).

	% of Group total	2019		2018		total change	12 months change, of which				change % fourth quarter
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate(*)	organic
US	26.9%	495.1	60.3%	445.6	59.8%	49.5	11.1%	5.3%	-	5.8%	3.3%
Jamaica	5.9%	108.0	13.1%	90.1	12.1%	17.8	19.8%	17.6%	-0.2%	2.4%	18.3%
Canada	3.1%	58.0	7.1%	54.8	7.4%	3.1	5.7%	2.6%	-	3.1%	0.8%
Brazil	2.8%	52.0	6.3%	51.5	6.9%	0.4	0.8%	3.3%	-	-2.4%	-2.4%
Mexico	2.3%	41.8	5.1%	37.8	5.1%	4.0	10.6%	5.9%	-0.8%	5.6%	13.7%
Other countries of the region	3.6%	66.7	8.1%	64.8	8.7%	1.9	2.9%	-1.9%	-0.1%	4.9%	-5.4%
Americas	**44.5%**	**821.5**	**100.0%**	**744.7**	**100.0%**	**76.8**	**10.3%**	**5.9%**	**-0.1%**	**4.5%**	**4.3%**

(*) Includes the effects associated with hyperinflation in Argentina.

The **United States**, the Group's largest market with 26.9% of sales, closed the period with organic growth of +5.3%, with a positive fourth quarter (+3.3%). The positive performance was achieved thanks to the double-digit growth of Espolòn and Aperol, as well as the good performances of the Wild Turkey portfolio, Campari and Wray&Nephew Overproof. Grand Marnier recorded a positive performance for the year (+2.2%), after the expected realignment of orders in the last quarter. SKYY sales continue to suffer from the competitive pressure in the category, especially in the flavoured vodkas segment, while the gap to more favourable consumption trends is progressively reducing.

Jamaica recorded a highly positive increase in sales of +17.6% (+18.3% in the fourth quarter) due to the double-digit growth of the Jamaican rums portfolio, including Wray&Nephew Overproof (+22.2%) and Appleton Estate (+50.4%), as well as the positive performances of Campari (+8.8%) and other local brands, especially Magnum Tonic (+26.4%).

Canada recorded a 2.6% increase in sales during the period (+0.8% in the fourth quarter); this was achieved thanks to the contribution of Aperol, Espolòn and Campari, which posted double-digit growth, and more than offset the slight fall in sales of Appleton Estate and Forty Creek, while Grand Marnier sales were broadly stable despite significant price repositioning.

In **Brazil**, the positive performance of +3.3% in the period (-2.4% in the fourth quarter) was mainly driven by the double-digit growth of Campari and Aperol, which offset the fall in sales of Cynar, SKYY and the local priority brands. Although there are some signs of recovery, the market is still suffering from a difficult macroeconomic situation, political instability and high unemployment rates.

Mexico recorded sales growth of +5.9% (+13.7% in the fourth quarter) thanks to the positive performances of Aperol, Cinzano sparkling wines and Riccadonna, SKYY ready-to-drink and SKYY; this was only partly offset by the fall in sales of the Jamaican rum brands.

The **other countries** recorded an overall fall in sales of -1.9%. The positive performance of Argentina, Peru and Chile was unable to offset the fall in sales in the other markets. In Argentina, sales showed positive organic growth of +9.7%, driven by Aperol, Campari, Cinzano vermouth, Cinzano sparkling wines and SKYY, and also benefited from a favourable comparison base in the same period in 2018 (-32.4%). The market continues to be affected by an unstable economy, high inflation and a low propensity to spend. It should be noted that, as a prudent measure, the organic change in this market includes the component attributable to volumes sold only, in order to strip out the effects of inflation.

- **Southern Europe, Middle East and Africa**

The region, which is broken down by core market in the table below, reported organic growth of +5.3% (-1.8% in the fourth quarter of 2019).

	% of Group total	2019		2018		total change	12 months change, of which				change % fourth quarter
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate	organic
Italy	19.9%	367.0	73.6%	356.1	74.2%	10.9	3.1%	5.8%	-2.7%	-	-0.7%
France	2.2%	40.3	8.1%	33.7	7.0%	6.6	19.5%	14.2%	5.3%	-	28.2%
GTR	1.6%	30.1	6.0%	29.6	6.2%	0.4	1.4%	4.1%	-2.6%	-0.1%	18.6%
Other countries of the region	3.3%	61.3	12.3%	60.3	12.6%	1.0	1.7%	-2.0%	4.2%	-0.6%	-28.9%
Southern Europe, Middle East and Africa	**27.0%**	**498.7**	**100.0%**	**479.8**	**100.0%**	**18.9**	**3.9%**	**5.3%**	**-1.3%**	**-0.1%**	**-1.8%**

Italy, the Group's second-largest market, and largest in the region, reported a good performance of +5.8% (-0.7% in the fourth quarter), driven by the double-digit growth in sales of Aperol (+12.8%), the excellent performance by Campari, and the positive results of Campari Soda and Crodino. Of the Italian bitters and liqueurs, Cynar posted growth, despite the generalised slowdown in the Italian bitters market.

In **France,** sales grew by +14.2% (+28.2% in the fourth quarter), driven by Aperol and Riccadonna, which offset the decline recorded by Campari, GlenGrant and Grand Marnier.

The **Global Travel Retail** channel reported organic growth of +4.1% (+18.6% in the fourth quarter), driven by the double-digit growth of Aperol, Campari and GlenGrant, which wholly offset the temporary fall in sales of Grand Marnier.

Sales in the **other countries in the region** decreased by -2.0% (-28.9% in the fourth quarter); this was due to the combination of a sharp fall in sales in **South Africa**, caused by the destocking carried out by the Group in the last part of the year ahead of route-to-market changes that affected the performance of the main brands, including SKYY and GlenGrant. **Spain** was in slight decline as well: Aperol's excellent performance was more than offset by the weakness in Bulldog sales due to the ongoing competition in the gin category, as well as to Campari and Frangelico. On the contrary, **Nigeria** showed very strong growth thanks to the double-digit performance of Campari and American Honey. The Nigerian market is still affected by ongoing volatility, due to the socio-economic conditions.

- **Northern, Central and Eastern Europe**

This region reported overall organic growth of +9.4% (+9.9% in the fourth quarter of 2019), broken down as follows in the main markets.

	% of Group total	2019		2018		total char	12 months change, of which				change % fourth quarter
		€ million	%	€ million	%	€ millio	total	organic	perimeter	exchange rate	organic
Germany	9.4%	172.6	43.6%	167.2	46.6%	5.4	3.2%	3.2%	-	-	-2.2%
Russia	3.0%	55.9	14.1%	48.9	13.6%	7.0	14.3%	11.8%	-	2.5%	12.3%
United Kingdom	2.5%	46.2	11.7%	32.8	9.2%	13.4	40.9%	39.7%	-	1.2%	67.8%
Other countries of the region	6.6%	121.3	30.6%	110.0	30.6%	11.3	10.3%	8.6%	-0.1%	1.8%	9.7%
North, Central and Eastern Europe	**21.5%**	**396.1**	**100.0%**	**358.9**	**100.0%**	**37.2**	**10.4%**	**9.4%**	**-**	**1.0%**	**9.9%**

In **Germany**, sales grew by +3.2% (-2.2% in the fourth quarter). Of particular note was the double-digit growth of Aperol, which continues to benefit from the trend of consumers finding new occasions of consumptions, as well as the positive performances of SKYY and Averna. These trends offset the weakness in Cinzano sparkling wines and vermouth, and in Campari, with the latter penalised by an unfavourable comparison base in the same period in the previous year (+13.9%), which experienced advance orders in the last few months, ahead of the expected price repositioning implemented in early 2019.

Russia recorded an increase in sales of +11.8% (+12.3% in the fourth quarter), which benefited from a favourable comparison base in the same period in the previous year (-11.4%). Growth was driven by Aperol, followed by Cinzano vermouth, Cinzano sparkling wines and Mondoro. The macroeconomic environment remains volatile and affected by a low propensity to spend.

The **United Kingdom** showed a very strong increase of +39.7% (+67.8% in the fourth quarter), despite the political and economic uncertainty associated with the Brexit negotiations. Growth in the period under review was supported by the excellence performance of Aperol (+23.0%), as well as the Jamaican brands (+42.0%), driven by Magnum Tonic and Wray&Nephew Overproof.

The **other countries in the region** grew by +8.6% in the period (+9.7% in the fourth quarter), with positive performances in nearly all the markets, including Austria, driven by sales of Aperol and Campari, the Scandinavian markets, and Eastern Europe, driven mainly by sales of Aperol.

- **Asia-Pacific**

This region, which is broken down by core market in the table below, recorded an organic increase of +0.8% (+0.6% in the fourth quarter of 2019).

	% of Group total	2019		2018		total change	12 months change, of which				change % fourth quarter
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate	organic
Australia	4.8%	88.4	68.7%	88.3	68.8%	0.1	0.1%	2.0%	-	-1.9%	-1.3%
Other countries of the region	2.2%	40.2	31.3%	40.1	31.2%	0.1	0.3%	-1.8%	-	2.1%	5.5%
Asia-Pacific	**7.0%**	**128.5**	**100.0%**	**128.3**	**100.0%**	**0.2**	**0.2%**	**0.9%**	**-**	**-0.7%**	**0.6%**

In **Australia**, the region's largest market, organic growth in the period was +2.0% (-1.3% in the fourth quarter). The main positive performances are attributable to Aperol, Wild Turkey ready-to-drink, SKYY and Espolòn.

Sales in the **other countries in the region** fell by -1.8% (+5.5% in the fourth quarter); this was mainly due to the negative trend in sales in Japan as a result of the destocking carried out by the Group in the last part of the year ahead of route-to-market changes in the region. New Zealand and China, however, recorded positive performances.

Sales by major brands at consolidated level

The following table summarises growth (split into its various components) in the Group's main brands in 2019, broken down into the categories identified by the Group based on the priority (global, regional, local and other) assigned to them.

With regard to the recent acquisitions, it should be noted that French rum brands Trois Rivières and Maison La Mauny were included in the regional priority brands, while the Duquesne brand was assigned to the local priority brands. Ancho Reyes and Montelobos brands, arising from the acquisition completed on 20 November 2019, were included in the regional priority brands. The effects of the above acquisitions are shown in the external growth components represented by the perimeter variations and contributed to Group's results starting from the day following the closing date of the acquisitions.

	Percentage of Group sales	12 months change, of which				change % fourth quarter
		total	organic	perimeter	exchange rate	organic
Aperol	18.3%	21.4%	20.5%	-	0.9%	15.9%
Campari	10.0%	5.3%	4.6%	-	0.8%	3.5%
SKYY[1]	7.8%	-0.3%	-3.8%	-	3.5%	-6.6%
Grand Marnier	7.3%	3.8%	-0.9%	-	4.6%	8.1%
Wild Turkey portfolio[1][2]	7.9%	7.5%	2.9%	-	4.6%	-5.8%
Jamaican rums portfolio[3]	5.5%	10.4%	7.5%	-	2.9%	10.2%
global priority brands	**56.9%**	**9.7%**	**7.3%**	**-**	**2.5%**	**4.7%**
Espolòn	3.8%	38.9%	32.4%	-	6.5%	54.0%
Bulldog	0.7%	-3.8%	-3.2%	-	-0.6%	-8.6%
GlenGrant	1.1%	-6.0%	-6.7%	-	0.7%	0.4%
Forty Creek	1.1%	-1.0%	-4.2%	-	3.2%	-14.5%
Bitter and Italian liquors[4]	3.8%	0.2%	-0.9%	-	1.1%	-1.9%
Cinzano	3.4%	-6.2%	-6.9%	-	0.7%	-10.4%
Bisquit	0.3%	6.0%	6.7%	0.9%	-1.7%	-34.6%
other[5]	2.7%	17.6%	8.5%	7.1%	1.9%	5.7%
regional priority brands	**16.8%**	**7.4%**	**4.3%**	**1.1%**	**2.1%**	**2.6%**
Campari Soda	3.2%	1.6%	1.6%	-	-	-10.3%
Crodino	3.2%	2.5%	2.4%	-	0.1%	-7.1%
Wild Turkey portfolio ready-to-drink[6]	1.9%	3.0%	5.0%	-	-2.0%	7.7%
Dreher and Sagatiba	1.3%	-7.3%	-5.1%	-	-2.2%	-21.6%
other	1.8%	6.1%	3.2%	0.6%	2.3%	3.5%
local priority brands	**11.5%**	**1.6%**	**1.8%**	**0.1%**	**-0.2%**	**-6.5%**
rest of the portfolio	**14.8%**	**4.9%**	**6.2%**	-3.9%	**2.6%**	**9.0%**
total	**100.0%**	**7.6%**	**5.9%**	**-0.4%**	**2.1%**	**3.6%**

[1] Excludes ready-to-drink.
[2] Includes American Honey.
[3] Includes Appleton Estate and Wray&Nephew Overproof rum.
[4] Includes Braulio, Cynar, Averna and Frangelico.
[5] Includes Riccadonna, Mondoro, Trois Rivières, Maison La Mauny, Ancho Reyes and Montelobos.
[6] Includes American Honey ready-to-drink.

Organic growth in the **Group's global priority brands** (56.9% of sales) was +7.3%; overall growth of +9.7% was boosted by exchange-rate effects of +2.5%.

The comments below relate to the organic performance of the brands.

Aperol continued to record double-digit organic growth of +20.5%, due to highly positive results in both the core markets and those where the brand is in the development phase. Of particular note is the double-digit growth in the brand's three core markets by value, namely Italy (+12.8%), Germany (+18.2%) and the United States (+33.9%), third largest market by value for the brand. Moreover, double-digit sales growth was confirmed in Russia, France, the United Kingdom, Spain, Australia, the Global Retail channel, the Scandinavian markets and Eastern Europe.

Campari closed the period with organic growth of +4.6%, with very strong results achieved in Italy, the United States (the brand's second-largest market by value), Brazil, Jamaica, Canada and Nigeria. The good overall performance was achieved despite the substantial contraction in sales in Japan, due to the destocking carried out ahead of the route-to-market changes (which resulted in a negative impact of -1.4% on the organic performance of the brand), and the decline recorded in Germany, attributable to the price repositioning introduced in the first half of the year as well as to an unfavourable comparison base in the previous year, driven by the price increase done in the last quarter of 2018.

The **Wild Turkey** portfolio, which includes American Honey, reported organic growth of +2.9% in the period, thanks both to its core US market (which also benefited from improvements in the sales mix as a result of the excellent overall performance of premium versions, such as Wild Turkey Longbranch and Russell's Reserve) and the markets in which it has recently been introduced, where volumes are still modest (Germany, Italy, Nigeria, New Zealand and China). This result enabled the Group to fully offset the decline in Japan, which was adversely affected by the destocking carried out ahead of the route-to-market changes (which resulted in a negative impact of -0.5% on the organic performance of the brand), as well as in Australia and the Global Travel Retail channel.

SKYY closed 2019 with sales down by -3.8%, mainly associated with the weakness in the United States (-5.1%) due to the competitive pressure in the category, particularly the flavoured vodka segment; while the gap with the consumption figures is gradually reducing. In contrast, the international markets (27% of the brand's total sales) were broadly stable and were penalised by the substantial destocking in South Africa, connected with the route-to-market changes that completely offset the positive results registered in the remaining markets.

Grand Marnier recorded a stable performance (-0.9%): the positive performance in the US, after the expected realignment of sales in the fourth quarter, was offset by a temporary decline in the Global Travel Retail Channel and by the weakness in some European markets. In Canada, the brand's second-largest market by size, sales were broadly stable, despite significant price repositioning. A double digit growth was registered in Mexico, albeit from a small volume base.

The **Jamaican rums portfolio** (Appleton Estate and Wray&Nephew Overproof) recorded organic growth of +7.5% during the period. Specifically, Wray&Nephew Overproof achieved double-digit growth, thanks to excellent performances in the brand's core markets of Jamaica, the United States and the UK. Sales of Appleton Estate declined slightly: the good performance in Jamaica was more than offset by the fall recorded in North America.

The **regional priority brands** (16.8% of the Group's sales) posted organic growth of +4.3%; the overall increase was +7.4%, boosted by an exchange-rate effect of +2.1% and a perimeter effect of +1.1%.
The comments below relate to the organic performance of individual brands.

Espolòn maintained its double-digit growth (+32.4%) thanks to an excellent performance in its core market, the United States, where the brand continues to show highly positive growth figures that are above the average for its category. The brand also recorded highly encouraging results – albeit with volumes that are still low – in the international markets in which it was recently introduced, including Australia, Russia, Italy, Canada and the UK.

Bulldog sales fell (-3.2%), mainly due to Spain, Belgium and the UK; this is the result of strong competition in the gin category.
GlenGrant recorded a negative performance of -6.7% in the period. The decline reflects the gradual repositioning involving the shift of high-volume varieties that have a short ageing period to a premium higher-margin range. Performance also suffered from the destocking carried out in South Africa. In contrast, the brand recorded positive results in Italy, Germany, the United States and the Global Travel Retail Channel.

Sales of **Forty Creek** fell by -4.2%, attributable to its core markets of Canada and the United States.

Sales of Italian bitters and liqueurs declined slightly (-0.9%). The positive performances of **Averna** (Germany and United States) and **Cynar** (United States and Italy) did not fully offset the temporary weakness of **Frangelico** and **Braulio**. The latter suffered from an unfavourable comparison base in the same period the previous year (+22.3%).

Cinzano reported an overall fall of -6.9%, due to the decline in both of the brand's segments. With specific reference to vermouth, the positive trends in the core markets of Russia and Argentina were unable to offset the fall recorded due to the price repositioning. The sparkling wines segment declined due to the fierce competitive pressure in the core markets of Germany and Italy; this was partly mitigated by growth in Russia, China and Japan.

Of the other brands, **Riccadonna** recorded an excellent performance in the French market, partly boosted by Aperol's positive trend, and **Mondoro** recorded healthy performance thanks to its core Russian market.

Bisquit, which contributed to the Group's organic sales from February 2019, recorded an organic increase of +6.7%, albeit with volumes that are still low.

The **local priority brands** (11.5% of the Group's portfolio) showed organic sales growth of +1.8%, with an overall increase of +1.6%, which was only marginally offset by the exchange-rate component. The perimeter effect was not material.

The comments below relate to the organic performance of individual brands.

The organic performance of the local priority brands is the result of healthy growth by almost the entire portfolio. With specific reference to Italian single-serve aperitifs, **Campari Soda** (+1.6%) benefited from the new advertising campaign in its key Italian market. Increased sales of **Crodino** (+2.4%) were driven both by the Italian market and by the international market, which represents 13.0% of the brand's total sales, where growth was positive, although volumes are still low. Sales of **Wild Turkey ready-to-drink** rose by +5.0% and of **Cabo Wabo** by +3.7%, driven by their core markets of Australia and the US respectively. The **Brazilian Brands** (**Dreher** and **Sagatiba**) showed an overall decline due to the difficult local market conditions in Brazil.

The **rest of the portfolio** (14.8% of the Group's sales) showed positive organic growth of +6.2%, driven specifically by **SKYY ready-to-drink** in Mexico and **Magnum Tonic** in Jamaica and the UK.

Income statement

Highlights
In the income statement for 2019, all the profitability indicators monitored by the Group showed a positive organic performance that was higher than net organic sales growth. This result reflects the continuous strengthening of the underlying business and the improvement in the product/market sales mix, in line with the Group's growth strategy.

Specifically, the gross margin showed organic growth of +6.8%, while contribution margin and adjusted result from recurring activities (adjusted EBIT) showed an organic growth of +18.0%. These performances were higher than organic sales growth (+5.9%), showing the positive growth of the business in terms of its key parameters, from both sales growth and an improvement in margins.
Focusing on organic growth's main components, it is possible to ascertain how the achievement expansion in the gross margin, as a percentage of sales, has been particularly satisfying, despite the pressure of agave price increase and the destocking activities carried out on certain high-margin brands ahead of changes to the route-to-market. This result allowed to fully offset the greater investment in brand-building activities and the continued strengthening of the distribution structure via selected initiatives in key markets.

The perimeter variations relate to the recent acquisitions of Rhumantilles, Ancho Reyes and Montelobos, which were completed in the latter part of the year, as well as the termination of some low-margin distribution agreements.

With regard to the total changes in the sales and profitability indicators, the favourable exchange rate effect, driven by the strengthening of the US dollar, which was only partly mitigated by emerging markets currencies depreciation, more than offset the negative impact of the perimeter, generated by the termination of some distribution contracts, net of the effect of the new acquisitions.

The income statement for 2019 reflects the application of the new accounting standard IFRS 16-'Leases'. Under this standard, the recognition of in-scope operating lease costs on a straight-line basis is replaced with depreciation of the right of use asset and the financial expenses relating to the lease liabilities. The new standard was introduced on 1 January 2019, and the figures for the comparative period have not been restated. For more details about the adoption of this standard, see note 4-Changes in accounting standards of the consolidated financial statements for the year ending 31 December 2019 of this annual financial report.
With reference to the main levels of operating profitability, the application of the new methodology for presenting lease transactions generated a positive effect of €1.4 million on adjusted EBIT and €15.0 million on adjusted EBITDA in 2019, corresponding to an impact of 10 and 90 basis points respectively, both on total and organic growth.

Lastly, it should be noted that the methodology for presenting the figures for the Argentine business in compliance with IAS 29-'Financial reporting in Hyperinflationary economies', was changed starting from publication of the additional financial information for the quarter ending 30 September 2018, with the effect calculated from 1 January 2018. The figures shown for 31 December 2018 and 31 December 2019 are therefore comparable.

The table below shows the income statement[1] for 2019 and a breakdown of the total change by organic growth, external growth and exchange rate effects.

	31 December 2019		31 December 2018		total change		of which organic		of which external		of which due to exchange rates and hyperinflation	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
Net sales	1,844.8	100.0	1,714.3	100.0	130.5	7.6	101.3	5.9	(6.9)	(0.4)	36.1	2.1
Cost of goods sold	(727.3)	(39.4)	(688.1)	(40.1)	(39.2)	5.7	(31.1)	4.5	5.8	(0.8)	(13.9)	2.0
Gross margin	**1,117.5**	**60.6**	**1,026.2**	**59.9**	**91.3**	**8.9**	**70.1**	**6.8**	**(1.1)**	**(0.1)**	**22.3**	**2.2**
Advertising and promotional costs	(319.9)	(17.3)	(289.2)	(16.9)	(30.7)	10.6	(22.3)	7.7	(0.4)	0.1	(8.0)	2.8
Contribution margin	**797.6**	**43.2**	**737.0**	**43.0**	**60.6**	**8.2**	**47.7**	**6.5**	**(1.4)**	**(0.2)**	**14.3**	**1.9**
Overheads	(399.3)	(21.6)	(362.3)	(21.1)	(37.0)	10.2	(28.2)	7.8	(1.1)	0.3	(7.7)	2.1
Result from recurring activities (EBIT adjusted)	**398.3**	**21.6**	**374.7**	**21.9**	**23.6**	**6.3**	**19.7**	**5.3**	**(2.6)**	**(0.7)**	**6.5**	**1.7**
Adjustments to operating income (expenses)	(21.7)	(1.2)	1.7	0.1	(23.4)	(1,376.5)						
Operating result	**376.6**	**20.4**	**376.4**	**22.0**	**0.2**	**0.1**						
Financial income (expenses)	(26.9)	(1.5)	(23.1)	(1.3)	(3.8)	16.3						
Adjustments to financial income (expenses)	(41.8)	(2.3)	-	0.0	(41.8)	0.0						
Profit (loss) related to companies valued at equity	0.1	0.0	(0.2)	0.0	0.3	(150.0)						
Put option, earn out income (expenses) and hyperinflation effects	(4.7)	(0.3)	2.3	0.1	(7.0)	(304.3)						
Profit before tax and non-controlling interests	**303.3**	**16.4**	**355.4**	**20.7**	**(52.1)**	**(14.7)**						
Taxes	(45.8)	(2.5)	(55.9)	(3.3)	10.1	(18.1)						
Net profit	257.5	14.0	299.5	17.5	(42.0)	(14.0)						
Non-controlling interests	(149.2)	(8.1)	(214.0)	(12.5)	64.8	(30.3)						
Group net profit	108.3	5.9	85.5	5.0	22.8	26.7						
Group profit before tax adjusted	187.5	10.2	100.5	5.9	87.0	86.5						
Group net profit adjusted	134.3	7.3	72.5	4.2	61.8	85.3						
Total depreciation and amortisation	(76.8)	(4.2)	(57.6)	(3.4)	(19.3)	33.5	(23.6)	41.0	1.4	(1.8)	2.9	(5.0)
EBITDA adjusted	475.1	25.8	432.3	25.2	42.9	9.9	77.8	18.0	(19.4)	(4.1)	(15.5)	(3.6)
EBITDA	**458.1**	**24.9**	**434.5**	**25.4**	**23.6**	**5.4%**						

(1) For information on the definition of alternative performance indicators, see the 'Alternative performance indicators' section in the next part of this report on operations.

The increase in profitability in 2019 shown by the operating profitability indicators, expressed as a percentage (basis points) of net sales at total and organic level, and including the effects of the first-time adoption of the standard IFRS 16-'Leases', as commented on above, is shown in the following table.

margin accretion (dilution) in basis point[1]	Total	Organic
Cost of goods sold	80	60
Gross margin	**80**	**60**
Advertising and promotional costs	(50)	(30)
Contribution margin	**30**	**30**
Overheads	(30)	(20)
Result from recurring activities (EBIT adjusted)[2]	**-**	**20**

(1) There may be rounding effects given that the corresponding basis points have been rounded to the nearest ten.
(2) For information on the definition of alternative performance indicators, see the 'Alternative performance indicators' section in the next part of this report on operations.

Income statement in detail

The most important income statement items are analysed below.

See the previous section for a detailed analysis of **sales** for the year.

The **gross margin** for the period was €1,117.5 million, an increase of +8.9% as compared with the previous financial year. The organic growth component of +6.8% was higher than organic sales growth (+5.9%), while the exchange rate variation (+2.2%) was only slightly offset by a negative perimeter effect (-0.1%).
As a percentage of sales, profitability rose overall from 59.9% in 2018 to 60.6%, an increase of 80 basis points, of which 60 related to organic growth and 20 to the perimeter effect. The exchange rate effect was neutral.
The organic accretion effect recorded in the year was driven by a highly favourable product/market mix and supported by the performance of high-margin brands, especially the aperitifs business, in the key developed markets. This result widely absorbed the dilutive effects generated by the negative impact of agave price, which

growing trend persists; the lower contribution of some high-margin brands, due to the selective destocking carried out by the Group in some markets in the last few months of the year due to changes in the distribution structure; and the impact of the recovery in the low-margin emerging markets.
The net effect deriving from the external component is mainly associated with the termination of low-margin distribution contracts, which although generating a negative impact on the gross margin value, made a positive contribution to the increase in profitability. The impact of the acquisitions of Rhumantilles, as well as of Ancho Reyes and Montelobos, which were completed on 1 October and 20 November 2019 respectively, was still relatively limited.

Advertising and promotional costs came in at €319.9 million, up by +10.6% overall compared with 2018. As a percentage of sales, these costs totalled 17.4%, with a resulting dilutive effect on profitability of 50 basis points. Organic marketing costs increased by +7.7%, partly due to the acceleration seen in the fourth quarter of the year, which, along with the second quarter, represents the seasonal peak for advertising costs; this resulted in a dilutive effect of 30 basis points on profitability for the year. During 2019, the Group continued with its marketing investment programme aimed at global priority brands, mainly Aperol and Campari, as well as Jamaican rums portfolio and selected regional priority brands, particularly Espolòn. The growth component attributable to exchange rate effects and perimeter variations together totalled +2.9% and generated a dilutive effect on margins of 20 basis points. This was mainly due to the termination of distribution agreements for which advertising investments typically have a lower incidence than the Group average.

The **contribution margin** was €797.6 million, a rise of +8.2% overall. As percentage of sales, these costs were 43.2%, with an overall increase of 20 basis points compared with 2018.
The organic growth component of +6.5%, which was higher than organic sales growth (+5.9%), generated an improvement in profitability of 30 basis points. The perimeter effect was negative at -0.2%. This had a positive impact on profitability of 10 basis points, mainly due to sales of businesses with a low contribution. The effect of exchange rate variations was positive, at +1.9%, with a negative impact on profitability of 10 basis points.

Overheads amounted to €399.3 million, an increase of +10.2% compared with 2018. As a percentage of sales, overheads were 21.6%, compared with 21.1% totalled in 2018, with a resulting dilutive effect on margins of 50 basis points.
The organic growth component of +7.8%, which was higher than organic sales growth (+5.9%), generated a resulting dilutive effect on margins of 20 basis points. This was mainly driven by initiatives to strengthen commercial presence, especially in the on-premise distribution channel, in selected key markets. Growth due to perimeter and exchange rate effects, totalling +2.4%, generated a dilutive effect on margins of 10 basis points. This was mainly due to the termination of distribution agreements with minimal overheads.

The **result from recurring activities (EBIT adjusted)** was €398.3 million in 2019, an overall increase of +6.3% compared with 2018.
The organic growth component of +6.3%, which was higher than organic sales growth (+5.9%), generated a resulting improvement in profitability of 20 basis points.
The resulting impact of the perimeter variations on adjusted EBIT was -0.7% and is mainly due to the termination of distribution agreements net of the recent acquisitions; the component arising from exchange rate variations was, however, positive at +1.7%, and mainly relates to the strengthening of the US dollar against the Euro.

Adjustments to operating income and expenses showed a net expense of €21.7 million. Expenses relating to restructuring operations launched in 2018 and still in progress in 2019, which are mainly due to initiatives to outsource the Group's accounting, administrative and selected IT services, as well as the transfer of the Campari America offices from San Francisco to New York City, were only partly offset by the positive adjustment arising from the recognition of a refund of indirect taxes following a favourable ruling from the Brazilian constitutional court received in the second part of the year.

The **operating result** in 2019 was €376.6 million, an increase of +0.1% on 2018; this was mainly due to different impacts of adjustments made to operating income and expenses in the period in question.

Depreciation and amortisation totalled €76.8 million, an increase of +33.5% on 2018. The increase reflects €13.7 million relating to amortization and depreciation of rights of use recognised following the adoption of the new accounting standard IFRS 16-'Leases'.

EBITDA adjusted came in at €475.1 million, an increase of +9.9% of which +18.0% at organic level.

Exchange rate effects made a positive contribution of +1.7%, while perimeter effects recorded a negative impact of -0.4%. The adoption of the new IFRS 16-'Leases', had a positive effect on adjusted EBITDA of €15.0 million in 2019, corresponding to 90 basis points on both overall and organic growth.

EBITDA amounted to €453.4 million, an increase of +4.5% compared with 2018 (€434.0 million).

Net financial expenses stood at €26.9.0 million and were in line with 2018.
The component relating to exchange rate differences, which is included in total net financial expenses, had a positive impact of €2.8 million.

In 2019, the item **income (expenses) relating to put options, earn outs and hyperinflation effects** was negative and totalled €4.7 million. It includes net expenses of €1.1 million attributable to the non-cash effects of the remeasurement and discounting to present value of payables for future commitments relating to earn-outs and the purchase of minority shareholdings in acquired businesses. The item also includes liabilities arising from the application of IAS 29-'Financial Reporting in Hyperinflationary Economies' in Argentina, totalling €3.6 million.

Income tax totalled €45.8 million.
The financial year 2019 includes tax adjustments totalling €56.8 million (€43.4 million in 2018). These adjustments include tax effects connected with the operating and financial adjustments as well as other purely fiscal adjustments, totalling €31.4 million; they also include a benefit of €25.4 million arising from the Patent Box tax regime (€26.0 million in 2018). 2019 was the last year of the five years granted for tax relief based on the agreements signed with the tax authorities: the cumulative total of the benefit recognised in the Group's financial accounts for the tax years from 2014 to 2019 was €96.2 million.

The **Group's net profit** was €108.3 million in 2019, an increase of +26.7% compared with 2018, with a sales margin of 5.9%, unchanged compared with 2018.

Profitability by business area

A breakdown of the four geographical regions in which the Group operates is given below and shows each segment's percentage of sales and of the operating result in the two periods under comparison.

Please refer to the 'Sales performance' section of this Report on Operations for a more detailed analysis of sales by business area for the year.

	2019				2018			
	net sales	% of total	result from recurring activities	% of total	net sales	% of total	result from recurring activities	% of total
	€ million	%	€ million	%	€ million	%	€ million	%
Americas	821.5	44.5%	171.4	42.0%	744.7	43.5%	161.5	42.6%
Southern Europe, Middle East and Africa	498.7	27.0%	88.1	21.6%	479.8	28.0%	83.6	22.1%
Northern, Central and Eastern Europe	396.1	21.5%	123.2	32.6%	361.5	21.1%	115.1	30.4%
Asia-Pacific	128.5	7.0%	15.6	3.8%	128.3	7.5%	18.7	4.9%
Total	**1,844.8**	**100.0%**	**398.3**	**100.0%**	**1,714.3**	**100.0%**	**378.8**	**100.0%**

- **Americas**

The Americas region makes the largest contribution to the Group in terms of both sales and the result from recurring activities, at 44.6% and 42.0% respectively.
The direct markets in the US, Jamaica, Canada, Brazil, Mexico, Argentina and Peru together represent nearly all of the region's sales. The results for 2019 are shown below.

	2019		2018		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**821.5**	**100.0**	**744.7**	**100.0**	**76.8**	**10.3%**	**43.5**	**5.8%**	
Gross margin	**479.7**	**58.4**	**434.8**	**58.4**	**44.8**	**10.3%**	**23.6**	**5.4%**	**(20)**
Advertising and promotional costs	(157.3)	(19.1)	(136.4)	(18.3)	(20.9)	15.3%	(13.1)	9.6%	(70)
Overheads	(151.0)	(18.4)	(137.0)	(18.4)	(14.0)	10.2%	(6.4)	4.7%	20
Result from recurring activities	**171.4**	**20.9**	**161.5**	**21.7**	**9.9**	**6.1%**	**4.1**	**2.5%**	**(70)**

The result from recurring activities rose by +6.1% overall and recorded a sales margin of 20.9%. Organic growth was +2.5%, generating a dilutive effect of 70 basis points on profitability. The main factors that affected these organic results were as follows:
- the **gross margin** rose by +5.4% at organic level and, as this was slightly lower than sales growth (+5.8%), resulted in a consequent dilution of profitability of 20 basis points. The decline in gross profitability was generated by the rise in the price of agave, which continued its unfavourable trend during the year, together with the counter-dilutive effect due to the recovery of the less profitable emerging markets. These effects more than offset the favourable market/product mix driven by the main global brands, including Aperol, Campari and Grand Marnier;
- **advertising and promotional costs** reported an organic increase of +9.6%, mainly due to the increased marketing activity for the main global priority brands, especially Aperol, Campari, Grand Marnier, and selected regional priority brands, particularly Espolòn. The more than proportional progression of these costs compared with organic sales growth generated a dilutive effect of 70 basis points;
- **overheads** increased by +4.7% at organic level, lower than organic sales growth, which it resulted in an improvement in profitability of 20 basis points, mainly due to the streamlining of some local structures in South America.

- **Southern Europe, Middle East and Africa**

The Southern Europe, Middle East and Africa region is the Group's second-largest region in terms of net sales, and the third-largest in terms of profitability, at 27.1% and 21.6% respectively. The markets in Italy, France, Spain, South Africa and Nigeria, together with the Global Travel Retail channel, account for nearly all the sales in this region. The results for 2019 are shown below.

	2019		2018		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**498.7**	**100.0**	**479.8**	**100.0**	**18.9**	**3.9%**	**25.4**	**5.3%**	
Gross margin	**333.1**	**66.8**	**312.8**	**65.2**	**20.2**	**6.5%**	**21.7**	**6.9%**	**100**
Advertising and promotional costs	(89.2)	(17.9)	(83.7)	(17.4)	(5.5)	6.6%	(5.3)	6.4%	(20)
Overheads	(155.8)	(31.2)	(145.6)	(30.3)	(10.2)	7.0%	(9.3)	6.4%	(30)
Result from recurring activities	**88.1**	**17.7**	**83.6**	**17.4**	**4.6**	**5.5%**	**7.1**	**8.4%**	**50**

The result from recurring activities increased by +5.5% overall; profit as a percentage of sales was 17.7%, an increase of 30 basis points compared with 2018. The organic component grew by +8.4%, despite the lower contribution of the south African market due to the destocking carried out ahead of changes to distribution. Organic growth, which was higher than sales growth, generated a positive impact on profitability of 50 basis points, mainly driven by the sales mix. The effects that led to this improvement were as follows:
- the **gross margin** showed an organic increase of +6.9%, equivalent to 100 basis points, supported by the excellent performance of the high-margin aperitifs category, especially Aperol and Campari, in nearly all markets in the region;
- **advertising and promotional costs** rose by +6.4% at organic level, more than proportionally to sales growth, mainly due to the sustained investment in global priority brands, especially Aperol, generating a dilutive effect of 20 basis points;
- **overheads** rose by +6.4% at organic level, generating a dilution in profitability of 30 basis points, caused by the strengthening of the Group's central structures.

- **Northern, Central and Eastern Europe**

The region includes the direct markets in Germany, Austria, Switzerland, Benelux, the UK, Russia and Ukraine, which represent nearly all the sales in the region, and the markets served by third-party distributors. The results for 2019 are shown below.

	2019		2018		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**393.8**	**100.0**	**361.5**	**100.0**	**32.3**	**8.9**	**31.5**	**8.8**	
Gross margin	**244.8**	**63.1**	**223.3**	**61.8**	**21.5**	**9.6**	**25.1**	**11.1**	**150**
Advertising and promotional costs	(55.6)	14.1	(51.3)	14.2	(4.3)	8.4	(3.8)	7.5	20
Overheads	(66.0)	15.2	(54.4)	15.0	(11.6)	21.3%	(9.8)	18.0%	-
Result from recurring activities	**123.2**	**33.7**	**117.6**	**32.5**	**5.6**	**4.7%**	**5.1**	**3.1%**	**160**

The result from recurring activities increased by 4.7%; organic growth was 3.1%, generated by Overheads improvements.
- the **gross margin** showed solid organic growth of 11.4%; this boosted profitability by 150 basis points due to the excellent improvement in the geographic/product mix, in turn driven by the aperitifs, especially Aperol,

which recorded a strongly positive performance in Germany, the UK, Switzerland and Austria, and Campari, mainly in Austria and Switzerland;
- **advertising and promotional costs** increased by +7.5% at organic level during, slightly below sales growth, generating an improvement in profitability of 20 basis points;
- **overheads** increased by Euro 9.8 million at organic level.

- **Asia-Pacific**

The Asia-Pacific region includes the direct markets in Australia and New Zealand, as well as markets served by third-party distributors. The region's contribution to the Group's net sales and result from recurring activities in 2019 was 7.0% and 3.8% respectively. The results for 2019 are shown below.

	2019		2018		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**128.5**	**100.0**	**128.3**	**100.0**	**0.2**	**0.2%**	**1.1**	**0.8%**	
Gross margin	**60.0**	**46.6**	**59.6**	**46.5**	**0.3**	**0.5%**	**1.4**	**2.4%**	**70**
Advertising and promotional costs	(17.8)	(13.9)	(17.9)	(14.0)	0.1	-0.4%	-	0.1%	10
Overheads	(26.5)	(20.6)	(23.1)	(18.0)	(3.5)	15.1%	(3.7)	16.2%	(270)
Result from recurring activities	**15.6**	**12.1**	**18.7**	**14.5**	**(3.1)**	**-16.5%**	**(2.3)**	**-12.5%**	**(190)**

The result from recurring activities decreased by -16.5% overall and recorded a sales margin of 12.1%, showing a total decrease of 240 basis points. The organic variation was negative and equal to -12.5%, generating a dilution in profitability of 190 basis points, caused by the following effects:
- the **gross margin** grew by +2.4% at organic level, generating an improvement on profitability of 70 basis points, thanks to the improved geographic/product mix driven by the Australian market; this more than offset the lower contribution of sales of high-margin brands (Campari and Wild Turkey) in Japan, as a result of the destocking activities carried out in the last part of the year ahead of changes in the distribution structure.
- **advertising and promotional costs** were broadly stable at organic level, with a positive effect on profitability of 10 basis points;
- **overheads** increased by +16.2% at organic level and, compared with a broadly stable organic change in sales, generated a dilutive effect on profitability of 270 basis points. The increase is due mainly to the changes introduced in the region's distribution structure, as well as costs incurred relating to the move of the main offices of the Asia-Pacific region from Sydney to Singapore, planned for early 2020, in order to benefit from a more central location for the offices with regard to the main Asian markets.

Reclassified statement of cash flows

The table below shows a simplified and reclassified version of the cash flow statement in the consolidated financial statements.
The main classification consists of the representation of the change in net financial debt at the end of the period as the final result of the total cash flow generated (or used). Therefore, cash flows relating to changes in short- and long-term debt, and in investments in marketable securities are not shown.

	2019	*of which recurring*	2018	*of which recurring*
	€ million	*€ million*	€ million	*€ million*
EBITDA Adjusted	**453.5**	**453.5**	**432.3**	**432.3**
Effects from hyperinflation accounting standard adoption	4.5	4.5	3.0	3.0
Accruals and other changes from operating activities	(22.3)	(6.8)	(39.9)	2.6
Income taxes paid	(45.3)	*(81.1)*	(48.5)	(72.5)
Cash flow from operating activities before changes in working capital	**390.4**	***383.7***	**346.9**	**365.4**
Changes in net operating working capital	(29.6)	*(29.6)*	(25.9)	(25.9)
Cash flow from operating activities	**360.8**	***354.1***	**321.0**	**339.5**
Net interests paid	(18.7)	(18.7)	(23.9)	(23.9)
Adjustments to financial income (expenses)	(40.2)	-	1.8	-
Capital expenditure	(82.4)	*(61.1)*	(70.9)	(49.7)
Free cash flow	**219.5**	***274.3***	**228.0**	**265.9**
(Acquisition) disposal of business	141.5	-	22.2	-
Dividend paid out by the Davide Campari Milano S.p.A.	(27.7)	-	(27.8)	-
Other changes (net purchase of own shares included)	(129.9)	-	(67.7)	-
Total cash flow used in other activities	**16.1**	-	**(73.3)**	-
Exchange rate differences and other changes	(3.6)	-	**(4.0)**	-
Change in net financial debt due to operating activities	**199.8**		**150.7**	
Put option and earn-out changes[1]	(69.2)	-	1.0	-
Effect of IFRS 16-'Leases' application[2]	(81.4)	-	-	-
Increase in investments for lease right of use[3]	(15.8)	-	-	-
Net cash flow of the period=change in net financial debt	**33.4**	-	**151.7**	-
Net financial debt at the beginning of the period	**(979.2)**	-	**(1,130.9)**	-
Net financial debt at the end of the period	**(945.8)**	-	**(979.2)**	-

[1] This item includes the full effects of the acquisitions and sales of companies, businesses or strategic assets during the period, which impacted the Group's net financial debt and liquidity flows.
[2] This item, which is a non-cash item, was included purely to reconcile the change in financial debt relating to activities in the period with the overall change in net financial debt.
[3] For information on the value shown, please see note 33-Leases, to the consolidated financial statements of this annual report at 31 December 2019.

Highlights

In 2019, **net cash flow** reflected change in net financial debt of €33.4 million, corresponding to a decrease in financial debt from 31 December 2018.
Total free cash flow generated in 2019 was €219.5 million, decreasing from €228.0 million in 2018. The generation of operating cash flow was boosted by income from sales of non-core assets, net of business acquisitions, totalling €141.5 million; cash flow was absorbed by a liquidity requirement of €27.7 million for the payment of dividends and by the purchase of Davide Campari Milano S.p.A. shares to service stock option plans for €47.3 million, and other variations, including changes in the financial liabilities for put options and earn-out.

Cash generation in terms of **recurring free cash flow** amounted to €274.3 million in 2019, broadly in line with the figure of €265.9 million generated in 2018 in absolute terms.

The adoption of the new accounting standard IFRS 16-'Leases' led to an increase in the Group's net financial debt, together with a notional increase in tangible assets due to the recognition of rights of use. The notional financial payables and receivables, which were recorded to represent future commitments associated with transactions regarding the use of third-party assets, did not, however, have any impact on the Group's actual cash flows, which are still linked to the timing of the payment of rent as set out in the agreements. Also in terms of investment flows, the new methodology for representing the figures did not entail any real financial movements. In order to exclude the effects that did not generate a cash flow from the reclassified cash flow statement, a separate line called 'effect of IFRS 16-'Leases' application' was inserted for an amount of €81.4 million, which shows the effect of the first-time adoption of the standard, purely for the purposes of reconciling net financial debt at 31 December 2019.

Analysis of the consolidated statement of cash flows

The following factors contributed to the generation of free cash flow in 2019:

- adjusted EBITDA rose by €21.2 million compared with the same period in the previous year;
- non-cash liabilities arising from the application of the accounting standard IAS 29-'Financial Reporting in Hyperinflationary Economies', totalled €4.5 million;
- in 2019, provisions net of utilisations of reserves and other non-cash changes, and other miscellaneous operating changes, such as indirect taxation and excise duties absorbed cash of €22.3 million.
- The cash requirement highlighted in 2019 is mainly due to restructuring projects launched in 2018 and under way in 2019. The recurring component of €17.3 million excludes the operating adjustments and payments relating to restructuring projects and is relat to payments for certain benefits accrued by employees for medium-term incentive plans, indirect taxation and excise duties;
- the actual financial impact arising from tax payments made in 2019 amounted to €45.3 million; excluding the non-recurring tax components attributable to the tax relief obtained under the Patent Box regime, taxes paid came to €81.1 million and were broadly in line with the recurring payments made in 2018; the tax effects relating to the sale of non-core assets, completed in the latter part of the year, will determine an impact on cash flows after the close of 2019, based on payments schedule provided by the referenced tax regulation.
- working capital recorded cash absorption of €29.6 million in 2019 (€25.9 million in 2018);
- net interest paid totalled €18.7 million in 2019. Excluding interest paid on lease operations totalling €3.4 million, shown under the item in question in 2019 based on the provisions of the new accounting standard IFRS16-Leases, interest would have been €15.3 million;
- net investment amounted to €82.4 million, of which the recurring component was €61.1 million.

Cash flow used in other activities was positive at €16.1 million, compared with a still negative value of €73.3 million in 2018.
The increase mainly reflects the effect of extraordinary sales and acquisitions of businesses carried out by the Group in the two periods under comparison:

- in 2019, the sale of some non-core real estate attributable mainly to the acquisition of Grand Marnier, net of the acquisition of Rhumantilles, Ancho Reyes and Montelobos, generated positive net cash flow totalling €110.8 million. However, considering all the financial effects related to the sale of Villa Les Cèdres and business acquisitions, the positive impact on the net financial debt is €28.9 million at 31 December 2019, or negative for € 31.3 million, excluding the effect correlated to the payment of the related tax expenses expected to be paid after 2019. For more details see the table below;
- in 2018, the sale of the Lemonsoda range more than offset the cash requirement for completing the acquisition of Bisquit, generating total net cash flow of €22.2 million.

	Disposal of non-core assets (Villa Les Cèdres)(*)	acquisition (Rhumantilles, Ancho Reyes and Montelobos)	total
	€ million	€ million	€ million
Collection (payment) at closing date	200.0	(86.5)	113.5
Net financial asset (net financial debt) of acquired businesses	-	(2.7)	(2.7)
Total payments received (paid) on closing date	**200.0**	**(89.2)**	**110.8**
Other payables - put option and earn-out included:	(52.7)	(23.9)	(76.6)
of which paid after the closing date of transaction	*(42.0)*	-	*(42.0)*
of which represented as financial debt	*(10.7)*	*(23.9)*	*(34.6)*
Other net debt arising from the transaction, paid after the closing date	(5.4)	-	(5.4)
Net effect of (acquisitions) disposals on net financial debt	**141.9**	**(113.1)**	**28.9**
Tax payables arising from the transaction(**)	(60.1)	-	(60.1)
Total net consideration for (acquisitions) disposals	**81.8**	**(113.1)**	**(31.3)**

(*)The total net value of the sale of the real estate property Villa Les Cèdres includes €80 million contractually agreed as pertaining to Campari Group, as well as €1.8 million relating to the price supplement pertaining to Campari Group, as minority shareholder of Société des Produits Marnier-Lapostolle S.A. at the time of the public purchase offer.
(**)The tax payable arising from the disposal of Villa Les Cèdres will be paid after the end of 2019 accordingly to payments schedule provided by the referenced tax regulation.

Lastly, cash flow used in other activities was further affected by dividend payments of €27.7 million (€27.8 million in 2018) and other decreases totalling €129.9 million (€67.7 million in 2018) arising mainly from the purchase of Davide Campari Milano S.p.A. shares to service stock option plans.

The effects of the first-time adoption of the **new standard on leases** totalling €81.4 million, to which is added the change of leases equal to €15.8 million for the year and the change in **payables for put options and earn-out**, totalling €69.2 million, are attributable, respectively, to the impact of transitioning to the new accounting standard on leases commented on above, and the change in payables arising in connection with acquisitions (Société des Produits Marnier Lapostolle S.A., as well as Ancho Reyes and Montelobos). These effects are shown purely for the purposes of reconciling the financial debt for the period with the total net financial debt.

Operating working capital

The breakdown of the total change in operating working capital compared with 31 December 2019 is as follows.

	31 December 2019	31 December 2018	change of which:			
			total	organic	exchange rates and hyperinflation	external
	€ million	€ million	€ million	€ million	€ million	€ million
Trade receivables	318.4	286.1	32.3	20.5	3.9	7.9
Total inventories, of which:	618.6	566.1	52.5	23.7	7.5	21.3
- maturing inventory	*364.7*	*340.1*	24.6	19.0	5.6	
- biological assets	*0.9*	*0.8*	*0.1*	*(6.5)*	*6.6*	
- other inventory	*253.0*	*225.2*	27.8	4.6	1.9	*21.3*
Trade payables	(241.3)	(216.5)	(24.8)	(13.4)	(0.9)	(10.5)
Operating working capital	**695.7**	**635.7**	**60.00**	**30.80**	**10.5**	**18.7**
net sales of the period	1,844.8	1,714.3				
Working capital as % of net sales of the period	37.7	37.1				

Operating working capital at 31 December 2019 was €695.7 million, an increase of €60.0 million. Organic growth of €30.80 million was amplified by a positive exchange rate effect of €10.5 million and by inclusion of the growth component arising from the two acquisitions completed in the last part of the year (Rhumantilles, Ancho Reyes and Montelobos), for more details please see the section 'Significant events in the period'.

With regard to the organic change in working capital, the most significant component was the increase in inventories, totalling €23.7 million, as well as an increase in receivables from customers, of €20.5 million; this was only partly offset by an increase in payables to suppliers of €13.4 million.

With particular reference to inventories, the organic change has been generated for €4.6 million from rising in stocks of finished products and for €19.0 million from the natural increase in products supporting the maturation process. It should be noted that, due to its nature, working capital represented by products supporting the maturation process is similar to invested capital, and the growth trend is planned.

The positive exchange rate component, totalling €10.5 million, is attributable to receivables due from customers totalling €3.9 million. The effect on inventories was €7.5 million and is mainly due maturing inventory in the Americas region (particularly the United States and Jamaica). The effect on trade payables was marginally negative at €0.9 million.

Lastly, with regard to the perimeter effect, totalling €18.7 million, it should be noted that the acquisition of Rhumantilles made a significant contribution to the stocks of rum undergoing the maturing process.

At 31 December 2019, operating working capital as a percentage of net sales in the last 12 months was 37.7%, with an overall increase in the percentage of sales of +0.6% compared to the previous year, attributable to the organic change. The exchange rate effect (which also includes the hyperinflationary effects in Argentina) had a marginal impact. However, given that the acquisitions of Rhumantilles, Ancho Reyes and Montelobos occurred on 1 October and 20 November 2019 respectively, the statement of financial position figures at 31 December 2019 include the working capital of the acquired companies, while the sales reported in the previous 12 months include the contribution of the brands acquired only for the period from the date the transactions were completed (i.e. for one quarter and one month only, respectively).

Breakdown of net financial debt

At 31 December 2019, consolidated net financial debt was €945.8 million, a decrease of €26.6 million on figure at 31 December 2018 (€979.2 million). The value at 31 December 2019 was affected by the adoption of the accounting standard IFRS 16-'Leases', which involved the recognition of notional payables and receivables to represent future commitments related to transactions concerning the use of third-party assets.
Lastly, consolidated net financial debt at 31 December 2019 includes the effects arising from the acquisitions of Rhumantilles and Ancho Reyes and Montelobos (please see the 'Significant events of the period' section for more information), which were completed in the last part of 2019.

The table below shows how the debt structure changed during the two periods under comparison.

	31 December 2019	31 December 2018	change	of which perimeter effect for acquisitions
	€ million	€ million	€ million	€ million
cash and cash equivalents	851.2	759.7	91.5	6.0
bond	(580.0)	(218.6)	(361.4)	-
payables to banks	(230.1)	(124.8)	(105.3)	(6.8)
lease payables	(15.4)	(0.5)	(14.9)	-
current payables to Shareholders	(19.5)	22.0	(2.6)	-
other financial receivables and (payables)[2]	(26.8)	13.3	(40.1)	
short-term net financial debt	**(20.5)**	**407.1**	**(427.6)**	**(0.7)**
bonds[1]	(349.4)	(790.8)	441.4	-
payables to banks	(325.2)	(412.3)	87.2	(0.6)
lease payables	(82.1)	(1.4)	(80.7)	(1.4)
current payables to Shareholders	0.0	(24.6)	24.6	
other financial receivables and (payables)[2]	14.2	17.1	(2.9)	-
medium/long-term net financial debt	**(742.5)**	**(1,212.0)**	**469.5**	**(2.0)**
net financial debt relating to operating activities	**(763.0)**	**(804.9)**	**41.9**	**(2.7)**
liabilities for put option and earn-out payments	(182.8)	(174.3)	(8.5)	(23.9)
net financial debt	**(945.8)**	**(979.2)**	**33.4**	**(26.6)**

[1] Including the relevant derivatives.
[2] Including lease receivables.

In terms of structure, net financial debt at 31 December 2019 continued to comprise a larger medium/long-term debt component compared with the short-term portion.

A summary of the effects of the business acquisitions and sales of the Group's non-core assets completed during the year is shown below (see the summary table shown in the comments to the cash flow statement for more information):

- the acquisitions of Rhumantilles, Ancho Reyes and Montelobos impacted the net financial debt by an amount of €113.1 million;
- the completion of sales of the Group's non-core assets arising from the acquisition of Grand Marnier, including the sale of its real estate property Villa Les Cèdres, made a positive contribution to the net financial debt in the amount of €141.9 million (€81.8 million net of the related deferred tax effect).

The short-term net financial debt was negative at €20.5 million and consists mainly of cash and cash equivalents (€704.4 million), net of bonds (€580.0 million), payables to banks (230.1) and payables to Shareholders (€19.5 million). Net cash decreased by €427.6 million compared with the net position recorded at 31 December 2018, owing to the recognition of the bond of €580.0 million, maturing in September 2020, under current items (previously classified under the long-term component). This change more than offset the increase in cash and cash equivalents of €91.5 million. To the figure of €230.1 million for payables to banks is added a notional short-term financial debt relating to lease, this comprises €15.4 million. Other financial payables and receivables include a net payable of €26.8 million, which mainly relates to payables for interest routinely accrued on existing bonds (in an amount of €8.7 million).
The medium/long-term items comprise bonds of €742.5 million; this figure includes €150.0 million from the placement of an unrated bond with a five-year term, reserved exclusively for institutional investors and issued on 23 April 2019. Bank payables totalled €325.2 million. On 31 July 2019, the term loan with a nominal amount of €300.0 million was repaid early and, at the same time, a term loan with a nominal amount of €250.0 million, maturing in 2024, was taken out. For more details on both transactions, see the section 'Significant events during the period'.
Notional payables and receivables relating to long-term leases, in amounts of €82.1 million and was recorded. Lastly, medium/long-term net financial debt includes other financial payables and receivables of various types, represented by a net receivable of €14.2 million.

Separately, the Group's net financial debt shows a payable of €182.8 million, which comprises the payable for future commitments to purchase shareholdings in acquired businesses and earn-out.

With regards to the debt management, the Group pursues objectives based on the achievement of an optimal level of financial soundness, while maintaining an appropriate level of liquidity that enables it to make an economic return and, at the same time, gives it sufficient flexibility in terms of how it finances acquisitions. The Group monitors changes to its net debt/EBITDA adjusted ratio. Net debt is the Group's net financial position calculated at average exchange rates for the previous 12 months; the Group's EBITDA is pro-rated to take account of the annual effect of disposals and acquisitions in the past 12 months.

Investments

In 2019, net investments totalled €82.4 million, of which €61.1 million were recurring and €21.3 million were non-recurring.

Recurring investments relate to initiatives aimed at continually improving the production efficiency of the Group's industrial plants, offices and infrastructure. Specifically, they relate to the following projects:
- maintenance operations at the Group's structures, plants and offices, which are not material individually, but amounted to €31.8 million in total;
- the purchase of barrels for maturing bourbon and rum totalling €13.0 million, net of the related sales;
- investments to develop biological assets, totalling €2.1 million;
- investments in intangible assets with a finite life of €14.2 million mainly related to projects to continuously upgrade and integrate the Group's IT systems.

Non-recurring investments, totalling €21.3 million, relate to initiatives such as the opening of new offices, and activities aimed at creating brand houses.
Another non-recurring item not included in the above-mentioned investment value consisted of gross cash-in flow of €200.0 million[1] from the sale of the Group's non-core assets, mainly relating to the acquisition of Grand Marnier.

With regard to the type of investment, the net purchases comprised tangible assets of €68.2 million and intangible assets of €14.2 million.

Lastly, the investments for rights of use of third-party assets are related to tangible assets at 31 December 2019. The increase during the year amounted to €15.8 million and was attributable to offices and vehicles.

Reclassified statement of net financial debt

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

	31 December 2019	31 December 2018	change
	€ million	€ million	€ million
fixed assets	3,352.7	3,270.3	82,3
other non-current assets and (liabilities)	(345.0)	(419.3)	74,3
operating working capital	695.7	635.7	60,0
other current assets and (liabilities)	(150.0)	(111.1)	(38,9)
Assets and liabilities intended for sale	5.3	7.8	(2,5)
total invested capital	**3,558.9**	**3,383.5**	175,4
shareholders' equity	2,613.1	2,404.3	208,8
net financial debt	945.8	979.2	(33,4)
total financing sources	**3,558.9**	**3,383.5**	175,4

Invested capital at 31 December 2019 was €3,558.9 million, €175.4 million higher than at 31 December 2018.

[1]The total net value of the sale of Villa Les Cèdres includes €80 million contractually agreed as pertaining to Campari Group, as well as €1.8 million relating to the price supplement pertaining to Campari Group, as minority shareholder in the Société des Produits Marnier-Lapostolle S.A.at the time of the public purchase offer.

The most significant change in invested capital relates to the increase of €60.0 million (of which €29.6 million relates to organic growth) in operating working capital, as well as the increase in fixed assets (€82.3 million), mainly due to the effects of the first-time adoption of the new IFRS 16-'Leases', from 1 January 2019.
Please see the section entitled 'Operating working capital' for further details about changes in net working capital.

The acquisitions of Rhumantilles, Ancho Reyes and Montelobos, completed in the latter part of the year, entailed an increase in all invested capital items with the recognition of the following items, whose values have been determined provisionally:
- fixed assets of €88.3 million;
- non-current liabilities (net of other non-current assets) of €6.7 million;
- operating working capital of €18.7 million;
- other current liabilities (net of other current assets) of €1.6 million;
- non-controlling interests of €9.7 million.

For more details on the figures recorded in relation to the acquisition, please see note 7-Business combinations, of the consolidated financial statements at 31 December 2019.

Regarding financing sources, the increase of €226.9 million in shareholders' equity was mainly due to profit for the period, the dividend paid by the Davide Campari Milano S.p.A., and hyperinflationary and translation differences on assets held in currencies other than the Euro. The changes in net financial debt, totalling €68.9 million, are commented in the section 'Breakdown of net financial debt'.

As a result of the changes mentioned above, the Group's financial structure showed a ratio of debt to own funds at the end of the period of 36.2%, a decrease on the figure of 40.7% recorded at 31 December 2018.

Alternative performance indicators (non-GAAP measures)

These financial statements present and comment on certain financial performance indicators that are not defined in the IFRS (non-GAAP measures).
The alternative performance indicators listed below should be used to supplement the information required by IFRS to help readers of the annual financial statements gain a better understanding of the Group's results, assets and liabilities, and cash flows. In addition, alternative performance indicators may be used to facilitate comparison with groups operating in the same sector, although in some cases the calculation method could differ from those used by other companies.

- **Financial indicators used to measure Group operating performance**

Organic change: the Group shows organic changes to comment on its underlying business performance. By using this indicator, it is possible to focus on the business performance common to both periods under comparison and which management can influence. The organic changes are calculated by excluding both the impact of currency movement against the Euro (expressed at average exchange rates for the same period in the previous year) and the effects of business acquisitions and disposals as well as the signing or termination of distribution agreements. Specifically:
- the exchange rate effects are calculated by converting the figures for the current period at the exchange rates applicable in the comparative period of the previous year;
- the results due to businesses acquired during the current year are excluded from the organic change for 12 months from the date on which the transaction closed;
- the results due to businesses acquired during the previous year are wholly included in the figures for the previous year as from the closing date of the transaction, and are only included in the current period's organic change 12 months after the acquisition;
- the results due to business disposals or the termination of distribution agreements during the previous year are wholly excluded from the figures for that year and, therefore, from the organic change;
- the results due to business disposals or the termination of distribution agreements during the current year are excluded from the figures for the previous year from the corresponding date of disposal or termination of the agreement.

The percentage organic change is the ratio of the absolute value of the organic change, calculated as described above, to the absolute value of the indicator in question for the previous period being compared.

Gross margin: calculated as the difference between net sales and the cost of goods sold (in terms of their materials, production and distribution).

Contribution margin: calculated as the difference between net sales, the cost of goods sold (in terms of their materials, production and distribution cost components) and advertising and promotional costs.

Adjustments to operating income (expenses) relate to certain transactions or events identified by the Group as adjustment components to the operating result, such as:
- gains (losses) on the disposal of tangible and intangible assets;
- gains (losses) on the disposal of businesses;
- penalties arising from the settlement of tax disputes;
- impairment losses on fixed assets;
- restructuring and reorganisation costs;
- ancillary expenses associated with acquisitions/disposals of businesses or companies;
- other non-recurring income (expenses).

The above-mentioned items were deducted from or added to the following indicators: operating result, EBITDA, result before tax for the period, net result and basic/diluted earnings per share. For a detailed reconciliation of the items that had an impact on the above-mentioned alternative performance indicators in the current and comparison years, see the appendix shown at the end of this section.
The Group believes that properly adjusted indicators help both management and investors to assess the Group's results and cash flows against those of other companies in the sector, as they exclude the impact of some items that are not relevant for assessing performance.

Operating result (EBIT): calculated as the difference between net sales, the cost of goods sold (in terms of their materials, production and distribution), advertising and promotional costs, and overheads.

Result from recurring activities (EBIT adjusted): the operating result for the period before the above-mentioned adjustments to operating income (expenses).

EBITDA: the operating result before depreciation and amortisation of tangible and intangible fixed assets and leased assets.
EBITDA adjusted: EBITDA as defined above, excluding the above-mentioned adjustments to operating income (expenses).

Adjustments to financial income (expenses): certain transactions or events identified by the Group as components adjusting the net profit/loss related to events covering a single period or financial year, such as:
- expenses related to the early settlement of financial liabilities or liability management operations;
- financial expenses arising from acquisitions/disposals of businesses or companies;
- other non-recurring financial income (expenses).

Tax adjustments: these include the tax effects of transactions or events identified by the Group as components adjusting the net tax liability related to events covering a single period or financial year, such as:
- positive (negative) tax effects associated with the operating and financial adjustments described above;
- non-recurring positive (negative) tax effects.

Result before tax adjusted: the result for the period before tax, before the above-mentioned adjustments to operating income (expenses) and to financial income (expenses), and before the tax effect.

Group's net result adjusted: the result for the period before the above-mentioned adjustments to operating income (expenses) and to financial income (expenses), before the related tax effect and before other positive/negative tax adjustments for the period

Adjusted basic and diluted earnings per share (Adjusted basic/diluted EPS): basic/diluted earnings per share (EPS) before the above-mentioned adjustments to operating income (expenses) and to financial income (expenses), before the related tax effect and before other positive/negative tax adjustments for the period.

ROS (return on sales): the ratio of the operating result to net sales for the period.

ROS adjusted: the ratio of the result from recurring activities (EBIT adjusted) to net sales for the period.

ROI (return on investment): the ratio of the operating result for the period to fixed assets at the end of the period (see the definition of fixed assets below).

ROI adjusted: the ratio of the result from recurring activities for the period (EBIT adjusted) to fixed assets at the end of the period (see the definition of fixed assets below).

- **Reclassified statement of financial position**

The items included in the reclassified statement of financial position are defined below as the algebraic sum of specific items contained in the financial statements:

Fixed assets: calculated as the algebraic sum of:
- net tangible fixed assets;
- right-of-use assets;
- biological assets;
- investment property;
- goodwill and brands;
- intangible assets with a finite life;
- non-current assets held for sale;
- investments in affiliates and joint ventures;

Other non-current assets and liabilities: calculated as the algebraic sum of:
- deferred tax assets;
- other non-current assets, net of financial assets (classified under net financial debt);
- deferred tax liabilities;
- defined benefit plans;
- provisions for risks and charges;
- other non-current liabilities, net of financial liabilities (classified under net financial debt);

Operating working capital: calculated as the algebraic sum of:
- inventories;
- trade receivables;
- payables to suppliers;

Other current assets and liabilities: calculated as the algebraic sum of:
- current tax receivables;
- other current receivables, net of financial assets (classified under net financial debt);
- current tax payables;
- other current payables, net of financial liabilities (classified under net financial debt).

Invested capital: calculated as the algebraic sum of the items listed above and in particular:
- fixed assets;
- other non-current assets and liabilities;
- operating working capital;
- other current assets and liabilities.

- **Net financial debt**

Net financial debt is calculated as the algebraic sum of:
- cash and cash equivalents;
- non-current financial assets, recorded under Other non-current assets;
- current financial assets, recorded under Other receivables;
- receivables for leases;
- payables to banks;
- payables for leases;
- other financial payables;
- bonds;
- non-current financial liabilities, recorded under Other non-current liabilities;
- payables for put option and earn-out.

Investments in fixed assets

This item includes the cash flow from the purchase of tangible and intangible fixed assets net of disposals made during the period.

Recurring investments

This item shows the net cash flow from purchases/disposals relating to projects managed in the ordinary course of business.

- **Reclassified statement of cash flows**

The main restatement was the exclusion of cash flows relating to changes in short-term and long-term debt, and in investments in marketable securities. The total cash flow generated (or used) in the period thus corresponds to the change in net financial debt.

Recurring free cash flow: cash flow that measures the Group's self-financing capacity, calculated on the basis of cash flow from operations, before the above-mentioned adjustments to operating income and expenses, and adjusted for interest, net direct taxes paid and cash flow used in investments attributable to ordinary business before income from the sale of fixed assets.

Recurring provisions and operating changes: these include provisions and operating changes with the exclusion of the above-mentioned adjustments to operating income and expenses.

Recurring taxes paid: these include taxes paid excluding cash flows from tax incentives and from disposal of the Group's non-strategic assets.

Free cash flow: cash flow that measures the Group's self-financing capacity calculated on the basis of cash flow from operations, net of interests, direct taxes paid and cash flow used in investments, excluding income from the sale of fixed assets.

- **Appendix of alternative performance indicators**

In 2019, EBITDA, the result from recurring activities (EBIT) and Group profit were adjusted to take account of the items shown in the table below.

To ensure the figures are fully comparable with those of the same period in 2018, the Group will continue to provide alternative performance indicators for 2019, as if IFRS 16-'Leases' had not been applied.

31 December 2019	EBITDA		EBIT		Group profit before taxes		Group net profit	
	€ million	% on sales	€ million	% on sale	€ million	% on sale	€ million	% on sale
alternative performance indicator reported	**453.4**	**24.6**	**376.6**	**25.3**	**303.3**	**4.5**	**257.5**	**0.0**
Non controlling interests					(171.4)	(9.3)	(149.5)	(8.1)
gains (losses) from disposals of tangible and intangible fixed assets	2.2	0.1	2.2	0.1	1.1	0.1	1.1	0.1
devaluation of tangible assets. Goodwill,. trademarks and business disposed	(6.6)	(0.4)	(6.6)	(0.4)	(3.4)	(0.2)	(3.4)	(0.2)
fees from acquisition/disposals of business or companies	(1.3)	(0.1)	(1.3)	(0.1)	(0.7)	0.0	(0.7)	0.0
restructuring and reorganisation costs	(10.2)	(0.6)	(10.2)	(0.6)	(5.3)	(0.3)	(5.3)	(0.3)
other adjustments of operating income	(5.8)	(0.3)	(5.8)	(0.3)	(3.0)	(0.2)	(3.0)	(0.2)
adjustments to financial income	-		-		(44.4)	(2.4)	(44.4)	(2.4)
fiscal effects of Patent Box	-	-	-	-	-	-	13.1	0.7
other fiscal adjustments	-	-	-	-	-	-	16.2	0.9
total adjustments	(21.7)	(1.2)	(21.7)	(1.2)	(55.6)	(3.0)	(26.3)	(1.4)
alternative performance indicator	**475.1**	**25.8**	**398.3**	**21.6**	**187.5**	**10.2**	**134.3**	**7.3**
Effect of IFRS 16-'Leases' application	15.0	0.8	1.4	0.1	(0.9)	(0.1)	(0.9)	(0.1)
alternative performance indicator adjusted for IFRS 16-'Leases' application	**490.1**	**26.6**	**399.7**	**21.7**	**186.6**	**10.1**	**133.3**	**7.2**

31 December 2018	EBITDA		EBIT		Group net profit before taxes		Group net profit	
	€ million	% on sales	€ million	% on sales	€ million	% on sales	€ million	% on sales
alternative performance indicator reported	**434.0**	**25.3**	**376.4**	**22.0**	**355.4**	**20.7**	**299.5**	**17.5**
Non-controlling interests					**(256.8)**	**17.5**	**(214.0)**	**12.5**
capital gains/(losses) from business disposals	38.5	2.3	38.5	2.3	10.7	0.6	10.7	0.5
other gains/(losses) from disposals of tangible and intangible fixed assets.	(2.1)	-0.1	(2.1)	-0.1	(0.5)	0.0	(0.5)	0.0
fees from acquisition/disposals of business or companies	(0.3)	-	(0.3)	-	(0.1)	-	(0.1)	-
restructuring and reorganization costs	(34.6)	-2.0	(34.6)	-2.0	(9.6)	0.4	(9.6)	0.4
other adjustments of operating income (charges)	0.1	-	0.1	-	0.0	-	0.0	-
other adjustments to financial income (charges)	-	-	-	-	0.5	0.4	0.5	0.4
fiscal effects of patent box	-	-	-	-	-	-	7.2	0.5
fiscal effects on operating and financial adjustments and other	-	-	-	-	-	-	4.9	0.4

fiscal adjustments								
total adjustments	**1.7**	**0.1**	**1.7**	**0.1**	**1.5**	**0.2**	**13.1**	**0.9**
alternative performance indicator adjusted	**432.3**	**25.3**	**374.7**	**21.9**	**100.5**	**5.9**	**72.5**	**4.2**

Full year 2019 conclusion

In 2019. the Group achieved solid results in terms of reported and organic growth in sales as well as across all key adjusted profitability indicators.
Regarding the Group's organic performance. after sustained growth in the first nine months. the performance in the fourth quarter can be considered satisfactory also in light of the destocking ahead of route-to-market changes in selective markets. affecting some high-margin brands.
Sales growth was positive in all the Group's geographical regions. especially in the core high-margin European and North American markets. The key emerging markets in South America and Eastern Europe registered a recovery. helped by a favourable comparison base versus the previous year.
In terms of brands. organic growth was positive for all the brand clusters. especially the high-margin global priority brands. whose outperformance continued to drive the sales mix improvement and operating margin expansion. in line with the Group's strategic objectives.
The gross margin expansion during the year can be considered positive in light of the increasingly adverse agave purchase price as well as the aforementioned destocking activities. which largely impacted the results of the last quarter.
Operating profitability indicators recorded sustained organic growth in the year. while the margin expansion reflected the reinvestment into the business to support the brand development and the strengthening of the Group's commercial structures.
Overall. the growth in sales and profitability indicators at an adjusted basis reflected the positive exchange rates effect. mainly driven by the strengthening of the US Dollar against the Euro. which more than offset a slightly negative perimeter effect due to the tail-end effect of the termination of agency brands contracts. net of new acquisitions that entered the Group's perimeter in the last few months of the year.
In terms of net profit. the overall result reflected the operating and financial adjustments. their related fiscal effects as well as the Patent Box tax relief in its fifth and final year.

Events taking place after the end of the year

Acquisitions and commercial agreements

Joint venture in Japan

On 14 February 2020 the Group entered into agreement to create a joint venture in Japan. CT Spirits Japan Ltd. with a local partner expert in the food&beverage industry. The aim of the joint venture is to promote and develop the Group's portfolio in this market. The Group maintains the right to purchase the remaining 60% of the share capital of the joint venture. starting from 2023.

Acquisition of Baron Philippe de Rothschild France Distribution S.A.S..

On 28 February 2020. Campari Group completed the acquisition of 100% of French distributor Baron Philippe de Rothschild France Distribution S.A.S. ('RFD'). a wholly-owned subsidiary of Baron Philippe de Rothschild S.A. specialising in the distribution of a diversified portfolio of international premium spirits. wine and champagne brands in France.
RFD is the sole distributor for the French market of the Campari Group's portfolio. currently the main contributor to RFD's sales and growth. With regard to the rest of the portfolio. RFD is the exclusive distributor for the French market of the seller's premium and super premium wines. including the Mouton Rothschild and Mouton Cadet brands. The total acquisition price was €54.6 million (including contractually defined price adjustments and the net financial debt at the closing date). The transaction was financed using the Group's available resources.
In 2019. RFD's total sales were €149.8 million based on local accounting principles (€100.0 million after the reclassification based on International Financial Reporting Standards principles 'IFRS').
The incorporation of the distribution structure of RFD (now called Campari France Distribution S.A.S.) into Campari's network and the possibility of operating directly in France (a high-potential market for the Group) represents a unique opportunity to enhance the focus on its key brands and benefit from the increased critical

mass of the aperitifs business and the newly-acquired Trois Rivières and La Mauny premium rhum agricole brands.

Acquisition of Champagne Lallier

On 5 May 2020. Campari Group announced the signing of the agreement with the privately owned French company SARL FICOMA. family holding of Mr Francis Tribaut. for acquiring an 80% interest. with a medium-term route to total ownership. in the share capital of SARL Champagne Lallier and other group companies (jointly as the 'Company').
The Company is the owner of the Champagne brand 'Lallier'. which was founded in 1906 in Aÿ. one of the few villages classified as 'Grand Cru' in Champagne. a clear indication of the product's quality.
In 2019 the sales of the Company amounted to around €21 million (under local GAAP). including primarily sales related to Champagne of approximately 1 million bottles. of which close to 700.000 bottles of Lallier. As of 31 December 2019. the book value of the inventories carried by the Company amounted to approximately €21.0 million.
The consideration to be paid is €21.8 million. which represents 80% of the share capital of the Company and is subject to customary price adjustments. The consideration will be financed through available resources and will be paid using cash. The net financial debt of the Company is €21.2 million.
Pursuant to the agreement. the remaining shareholding is subject to customary reciprocal put and call options which can be exercised starting from 2023. Mr. Francis Tribaut will continue in his role as managing director of Champagne Lallier.
The deal is expected to close during the third quarter of 2020. The transaction scope includes the brands. related stocks. real estate assets (owned and operated vineyards included) and production facilities.
With this acquisition. which marks the entry of the first Italian player in the Champagne category. Campari Group will add a premium and historical champagne brand. Lallier. mainly sold in selected on-trade outlets and bottle shops. further extending its range of premium offerings to this key channel for brand building. Moreover. Campari Group will build further critical mass in the strategic French market where the Group recently started to sell through its own in-market company.

Acquisition of an interest in Tannico S.p.A.

On 5 June 2020 Campari Group announces that it has signed an agreement with all shareholders to acquire a 49% interest in Tannico S.p.A. ('Tannico' or the 'Target').
The transaction structure foresees that Campari Group acquires 39% of the share capital of Tannico and simultaneously subscribes to a reserved capital increase to reach. in aggregate a 49% shareholding.
Tannico is a major player in online sales of wines and premium spirits in Italy. The overall consideration for the 49% interest is €23.4 million. The consideration will be financed through available resources and will be paid using cash. Pursuant to the investment agreement. Campari Group will have the possibility to increase its interest to 100% starting from 2025. based on certain conditions.

Other significant events

Proposal to transfer the registered office of Davide Campari Milano S.p.A. to the Netherlands and enhancement of current increased voting mechanism
On February 18. 2020 the Board of Directors of Davide Campari-Milano S.p.A. (the Company) resolved to submit to the shareholders the proposal to transfer the Company's registered office to the Netherlands. with simultaneous transformation of the Company into a Naamloze Vennootschap (N.V.) governed by Dutch law with the company name 'Davide Campari-Milano N.V.' (the Transaction).
The transaction is aimed at encouraging a capital structure more supportive of the Group's long-term external growth strategies and rewarding a shareholder base with a long-term investment horizon. in line with the Group's strategic guidance.
Key elements of the transaction are as follows.

- The Transaction entails the transfer of the registered office to the Netherlands and the adoption of the company form known as Naamloze Vennootschap (N.V.) under Dutch law. substantially equivalent to the company form known as Società per Azioni.
- In order to support the Group's growth strategy through consolidation transactions in the global spirits sector. the Transaction envisages enhancing the increased voting rights mechanism currently in force through the adoption of a mechanism based on the assignment of special voting shares.

- Assignment of 2. 5 and 10 voting rights for each Ordinary Share which is held for 2. 5 or 10 years. The status quo ante for shareholders already holding the increased voting benefit will be maintained through the assignment of Special Voting Shares.
- Such additional voting rights are subject to the uninterrupted holding of Ordinary Shares. In case of transfer of the Ordinary Shares to which the Special Voting Shares are connected. the benefit of the increased voting shares will be lost.

- Shareholders who do not participate in the adoption of the resolution on the Transaction will be entitled to exercise their withdrawal right.
- The Transaction is subject to the satisfaction (or waiver. as the case may be) of a limited number of conditions precedent. including the amount of cash to be paid to shareholders exercising their withdrawal right not exceeding in aggregate the amount of Euro 150 million (calculated after taking into account the amounts payable by the shareholders exercising their option and pre-emption rights pursuant to applicable laws and by other third parties).
- Lagfin. which today owns 51% of Campari's issued capital and 65.3% of the voting rights. has confirmed its long-term commitment to the Group strategy and prospects and its support to the Transaction; commitment of Lagfin to acquire Campari shares resulting from the exercise of the right of withdrawal (recesso) in the context of the offer and sale process provided for under Italian law up to an aggregate amount of Euro 76.5 million.
- The Company's Ordinary Shares will continue to be listed on the Italian Stock Exchange of Borsa Italiana. while the Special Voting Shares will not be tradable on the Italian Stock Exchange.
- No reorganization of the Group's operational and managerial activities. which will continue to be led by the Company on a continuous and uninterrupted basis. The Company will maintain its own legal status. without any impact on its legal relationships. including relationships with its employees. which will continue to be governed by Italian law.
- The tax residence will be maintained in Italy.
- No impact on the financial reporting. The financial statements will continue to be prepared in accordance with IAS/IFRS.

It is envisaged that the Transaction will be consummated within the end of July 2020. subject to the satisfaction (or the waiver. as the case may be) of the conditions precedent and the completion of all preliminary formalities of the Transaction.
Further information on the Transaction will be made available by the Company through additional press releases in accordance with the applicable provisions of law. All additional documents required by the applicable laws and regulations in relation to the Transaction (including the Explanatory Report prepared by the Board of Directors. the New Articles of Association and the Terms and Conditions for Special Voting Shares) will be made available to the public within the terms provided by law.

Outbreak of the coronavirus. Covid-19

The global outbreak of the coronavirus (Covid-19) and its consequences for health. lifestyles. social relations and economic activities are now a cause for great alarm about the future impact of the pandemic on the global economic system.
The virus. which was recorded for the first time in China at the beginning of the year. has now spread to the rest of the world. On 11 March 2020. the World Health Organisation (WHO) declared the Covid-19 virus a pandemic after more and more countries reported infections.
The health crisis struck Italy on 21 February 2020. earlier than in other European countries. and is now spreading very aggressively in the American region. particularly in the United States.
In order to contain the spread. the governments of the various countries have introduced progressively more restrictive measures to limit the movements of and contacts between people. as well as the suspension. often total. of productive activities in sectors defined as critical. allowing only essential activities and production to continue.
This includes the beverage sector. logistics services and freight transport. In this environment of significant uncertainty over the duration and spread of the virus and the expected impact on the global economy. the financial markets have reacted negatively. recording very high levels of volatility since the outbreak of the epidemic.
At the same time. all governments. albeit in differing ways. are launching fiscal and monetary responses to support businesses and households. as well as measures designed to restore the confidence of the financial markets.
With reference to Campari Group. the company's priority is. and will continue to be. to guarantee the safety of its employees ('Camparistas') and the continuity of the business. The Group adopted promptly and responsibly all the conduct and safety measures specified by the authorities in its various markets by introducing new protocols. work practices and safety measures. In terms of the production facilities. all the Group's plants and

distilleries are currently operational and comply rigorously with the emergency health provisions in force to protect the health of Camparistas and their families.
The Group's aim is to continue to meet client demand and maintain the stocks necessary to tackle the crisis. while at the same time ensuring business continuity. There has been no interruption of supply from our suppliers nor in logistics and freight transport activities.
The pandemic is clearly having negative impacts on the spirits business. starting from the end of first quarter of 2020. given the sector's natural exposure to consumers in the distribution channel represented by bars and restaurants.
The severe restrictions aimed at containing and slowing the spread of the virus through limitations on social contact and convivial gatherings has entailed an almost total closure of the on-premise channel.
Owing to the severe limitations on people's movements. the Global Travel Retail channel has also been heavily affected.
Meanwhile. in all the main markets. home consumption is not currently limited by restrictions on the sale of spirits in the large-scale retail (off-premise) channel. despite the fact that the distribution chains are progressively arranging their warehouse space to tackle short-term priorities in consumption.

The Company has determined that these events are non-adjusting subsequent events for most of its assets. Accordingly. the financial position and results of operations as of and for the year ended 31 December 2019 have been only adjusted to reflect the relevant impact related to the investment in three private equity funds for which an adjustment of approximatively EUR 46.582.776.25 has been considered permanent and recorded. as at December 31. 2019.

Other events

On January 2020 the Group purchased a real estate property in London. UK.
On January 2020 and March 2020 the Group entered into two loan agreements with Mediobanca International (Luxembourg) S.A. for a total consideration of €30.000.000.
In June 2020 the Group entered into a loan agreement with Compagnie Monegasque de Banque S,A. for a total consideration of €74.150.000.

Risk management

Main risks for the Group:

Risks related to potential instability in the countries in which the Group operates

Lagfin Group operates and is present. through manufacturing and/or commercial structures. in numerous markets. Any significant changes in the macroeconomic. political. tax or legal environment in any one of those countries could have a negative impact on the Group's activities and on its results. assets and liabilities. and cash flows. Consequently. the Group constantly monitors developments in the global geopolitical environment that could require a review of the defined corporate strategies and/or the introduction of measures to safeguard its competitive positioning and *performance*.
Through its activities in certain developing countries (in eastern Europe. Asia. Latin America and Africa) the Group is exposed to a series of risks related to: the local regulatory and legal environment; the imposition of tariffs and taxes; limits on exports and imports; exchange rate risk; political and economic instability which may impact the ability of local trade and financial counterparts to meet their obligations; restrictions and constraints on investment and promotional activity; and limits on dividend repatriation.
Regarding the United Kingdom specifically. it is noted that in June 2016 the country voted in a referendum to leave the European Union (Brexit). Until the process surrounding the UK's proposed exit from the EU and the potential outcome of the ongoing Brexit negotiations is completed. there may be a period of economic and political uncertainty regarding the negotiation of any subsequent trade agreement with other countries. Vulnerabilities could become evident. such as exchange rate volatility. restrictions in the movement of people and goods. and changes to consumer spending. The potential implications of Brexit cannot be fully understood until any future tariffs. trade. regulations. taxes and other free-trade agreements have been established by the United Kingdom. which could impact the Group's operations. Moreover. the country could experiment post-Brexit with changes to laws and regulations in areas such as intellectual property rights. employment. the environment. *supply chain* logistics. data protection. and health and safety.
However. we consider that the direct financial impact on the Group will not be significant. in the event of either a regulated or a no-deal exit; political developments will be continuously monitored to anticipate and minimize any vulnerabilities in all the main functions affected. and adopt prudent measures to mitigate the risks. where possible.

Risks relating to market competition
The Group is part of the alcoholic and non-alcoholic beverage sector. where there is a high level of competition and a huge number of operators. The main *competitors* are large international groups involved in the current wave of mergers and acquisitions that are operating aggressive competitive strategies at a global level. The Group's competitive position vis-à-vis the major 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. The Group constantly monitors the industry dynamics of mergers and acquisitions and the initiatives taken by *competitors*. constantly invests in products' success and growth to increase the brands value and expand customers.

Exchange rate and other financial risks
Around 62.8% of the Group's consolidated net sales in 2019 came from outside the Eurozone. With the Group's international operations outside the Eurozone growing. a significant fluctuation in exchange rates. principally caused by macroeconomic or political instability or. in the specific case of the United Kingdom (which accounts for 2.5% of the Group's net sales). by uncertainty about Brexit. could have a negative impact on the Group's activities and operating results.
However. the existence of permanent Group establishments in countries such as the United States. United Kingdom. Australia. Jamaica. Brazil. Canada. Russia and Argentina allows this risk to be partially hedged. given that both costs and revenues are mainly denominated in the same currency. Therefore. exposure to foreign exchange transactions generated by sales and purchases in currencies other than the Group's functional currencies represented a moderate proportion of consolidated sales and consolidated margins in 2019.
For a more detailed analysis of the Group's risks. see note 39-Provisions for risks and charges. and for financial risks. note 45-Nature and scale of the risks arising from financial instruments' of these financial statements.

Risk in fluctuation of raw materials prices
Market risks consists of the possibility that changes in exchange rates. interest rates or raw materials or *commodities* prices (alcohol. aromatic herbs. sugar. agave and cereals) could negatively affect the value of assets. liabilities or expected cash flows.
The price of raw materials depends on a wide multiplicity of unlikely predictable factors. which are not under control of the Group. Historically. the Group basically had no problem to obtain the adequate and high-quality quantity of raw materials. However. we cannot exclude that the Group could face challenges in supplying raw materials. This situation could have an impact on costs increase and - consequently - on the Group results and cash flow. Regarding this topic. starting from 2016 the Group is facing an increase of the agave's price. the tequila's raw material. connected to the increase of agave and tequila demand. The Group is implementing actions aimed at reducing the agave price fluctuation also through signing co-investments agreements with local agricultural manufacturers to guarantee qualitative and qualitative quantities of agave. The benefits of these investments probably will be observed in the medium term. considering the natural growing process of agave plants.

Tax risks
The Group operates in many countries with different tax regulations. In many jurisdictions. distillates and wines are subject to import and excise duties. some of which could rise and negatively affect demand for Campari Group products. Such changes could have a negative impact on profit margins or sales. reducing overall consumption or encouraging consumers to move to categories of alcoholic beverages that are less heavily taxed. Moreover. significant changes in the international tax environment. such as the effect of Brexit on trade between Europe and the United Kingdom or changes in the import duties in the United States. could suddenly increase overall *business* costs if there is a rise in the Group's effective tax rate. and could lead to uncertain and/or unexpected tax exposure.
The Group regularly reviews its business strategy and tax policy considering legal and regulatory changes and assesses the likelihood of any negative results of potential inspections to determine the adequacy of its tax provisions.

Risks relating to legislation in the beverage industry and application of import duties
Activities relating to the alcoholic beverages and soft drinks industry-production. distribution. export. import. sales and marketing-are governed by complex national and international legislation. often drafted with somewhat restrictive aims. This context requires monitoring of the economic risks arising from the increasing tension in global trade and the application by the United States of duties on alcoholic products from the European Union. Moreover. 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. Campari Group is committed to constantly publicizing messages and models of behaviour associated with the *responsible consumption and serving* of alcoholic drinks via its communication channels. Any further tightening of regulations in the main countries in which the Group operates could lead to a fall in demand for its products.

Risks relating to the Group's dependence on licenses for the use of third-party brands and licenses granted to third parties for use of the Group's brands
At 31 December 2019. 4.9% of the Group's consolidated net sales came from production and/or distribution under license of third-party products. Should any of these licensing agreements be terminated or not renewed for any reason. this could have a negative effect on the Group's activities and operating results.

Risks relating to the Group's dependence on key customers
In some markets where the Group operates. sales are concentrated on a limited number of key customers: therefore. a possible change in the priorities or deterioration of the financial conditions of these customers could have significant adverse effects on the Group's business and outlook. Furthermore. if such key customers see the contractual terms and conditions as no longer acceptable. they may require them to be renegotiated. resulting in less favorable terms and conditions for the Company.

Risks relating to the Group's dependence on consumer preference spending
An important success factor in the beverage 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 unfavorable economic situation in certain markets is dampening the confidence of consumers. making them less likely to buy drinks.

Risk of failure to comply with laws and regulations
As the Group is exposed and subject to numerous different regulations. there is a risk that failure to comply with laws and regulations. as well as with the Group's policies. could harm its reputation and/or result in potentially substantial fines. To mitigate this risk. the Group has created a Code of Ethics and defined Business Conduct Guidelines. It also provides its employees with regular training on its global policies.
Internal assurance activities are continuously monitored and assessed with local *management* to improve the internal control system. Present in many regions across the world. the Group has also adopted a specific policy on human rights intended to mitigate any legislative shortcomings existing locally in that regard.
The Group has also implemented a global training program on *antitrust compliance*. aimed at mitigating the risk of any breach of antitrust laws.
Through the *Group Privacy and Data Protection* (GPDP) department. the Company is managing a project to align with the new European regulations on personal data protection (the "GDPR" or "Regulation"). In compliance with the new Regulation. a *Data Protection Officer* (DPO) has been appointed and an organizational model has been defined for the protection of personal data and identifying roles and responsibilities. As part of the project work. numerous *training and awareness* activities have also been carried out. At the same time. Campari Group has defined a series of *policies* to manage GDPR requirements and has also introduced a tool to manage and track the main activities required under GDPR to effectively demonstrate *compliance* with this Regulation.

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 control procedures to ensure that products manufactured in Group plants are compliant and safe in terms of quality and hygiene. in accordance with applicable laws 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.

Environmental risk
Production activities and the implementation of the Group's strategies are subject to the effects of natural events. Environmental changes. some of which could have a significant impact. could interfere with the local *supply chain* and harm some customers. These events are generally unpredictable and may affect the seasonality of sales. just as natural disasters (such as hurricanes) may damage products and disrupt production at some plants. Some weather conditions might also have a positive effect on certain geographical regions. but a negative effect in other segments.
The Group monitors environmental risks. has emergency plans in place and continuously develops plans to deal with such crises. The Group counts compliance with regulations and with local and international standards among its priorities. together with business continuity assessment. *back-up* scenarios and global insurance policies.

Risks relating to environmental policy
Regarding the risks associated with environmental policy. the Group's industrial management has implemented dedicated procedures on safety and qualitative controls in the area of environmental pollution and the disposal of solid waste and waste water. The objective of this structure is to continuously monitor and update the Group's business activities based on the legislation in force in the individual countries in which it operates.

Risks relating to employees
In the various countries where the Group has subsidiaries. its dealings with employees are regulated and protected by collective labor agreements and local laws.
Any reorganization or restructuring undertaken. where this becomes essential for strategic reasons. is defined based on 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 currently very low and that any accidents that do occur tend to be minor.

Cyber-security risks
Cyber-security risks have a potential global impact for Lagfin Group. due to both the strong interconnectedness within the Group and the ever-increasing pervasiveness of technology (and the internet) on the performance of company activities. The major risks associated with cyber-security include reputational damage caused by breaches/theft of sensitive data. the malfunctioning or disruption of IT systems. the unavailability of online services due to a cyber-attack and the increased cost of resolving these problems.
The Group has implemented ventures projects to become aware the employees of cyber risks (*C-Level fraud. Phishing. Social Engineering*). The employees take part in annual e-training sessions and in monthly tests to improve the main cyber threats knowledge.

Moreover. cyber risks mitigation's projects have been defined to reduce the related risks exposure. These projects are continuously updated based on the trends of the cyber threats.

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

The table below shows a reconciliation between the result
for the period and shareholders' equity for the Group with the same items of the Parent Company Lagfin S.A.

	31 December 2019		31 December 2018	
	Shareholders' equity € million	Profit € million	Shareholders' equity € million	Profit € million
Figures from the annual financial statements of Lagfin	1.266.9	11.4	**355.3**	**3.1**
Difference between carrying value and pro-rata value of shareholders' equity of equity investments	13.8	-	296.6	-
Pro-rata results of subsidiaries	-	158.9	-	167.5
Elimination intra-group transactions and evaluation criteria alignment	4.9	(62.0)	(10.1)	(85.1)
Allocation difference of consolidation	169.2		91.3	-
Figures from the consolidated financial statements	**1.454.9**	**108.3**	**733.1**	**85.5**
Shareholders' equity and net profit attributable to non-controlling interests	1.158.3	149.2	1.671.2	214.0
Group's equity and net profit	**2.613.2**	**257.5**	**2.404.3**	**299.5**

Lagfin S.C.A
Consolidated financial statements at 31 December 2019

Financial statements

Consolidated income statement[1]

	Notes	2019 € million	*of which: related parties € million*	2018 € million	*of which: related parties € million*
Net sales	9	**1.844.8**	-	**1,714.3**	-
Cost of goods sold	10	-727.3	-	(688.1)	-
Gross profit		**1.117.6**	-	**1,026.2**	-
Advertising and promotional costs		(319.9)	-	(289.2)	-
Contribution margin		**797.7**	-	**737.0**	-
Overheads	11	(421.0)	-	(360.6)	-
Operating result		**376.6**	-	**376.4**	-
Financial income (expenses)	16	(73.3)	-	(20.6)	-
Share of net profit of associates and joint ventures		0.1	-	(0.2)	-
Profit before tax		**303.4**	-	**355.4**	-
Income tax expense	17	(45.9)	-	(55.9)	-
Profit for the period		**257.5**	-	**299.4**	-
Profit attributable to:					
Parent Company shareholders		108.3	-	85.5	-
Non-controlling interests		149.2	-	214.0	-

[1] For information on the definition of alternative performance indicators, see the section in the report on operations 'Alternative performance indicators'.

Consolidated statements of comprehensive income

	Notes	2019 € million	2018 € million
Profit for the period (A)		**257.5**	**299.0**
B1) Items that may be subsequently reclassified to income statement			
Cash flow hedge:		-	-
Profit (loss) for the period	33	3.6	(1.4)
Profit (loss) classified to other comprehensive income	33	(10.9)	(10.3)
Net gains (loss) from cash flow hedge		(7.3)	(11.7)
Tax effect	17	1.8	2.7
Total cash flow hedge		**(5.5)**	**(9.0)**
Conversion difference:			
Profit (loss) for the period		-	-
Profit (loss) classified to other comprehensive income	33	29.7	25.0
Total conversion difference		**29.7**	**25.0**
Total: items that may be subsequently reclassified to income statement (B1)		**24.2**	**16.0**
B2) Items that may not be subsequently reclassified to income statement			
Remeasurements of post-employment benefit obligations:			
Profit (loss) for the period	37	(3.1)	2.4
Tax effect	17	1.0	(0.6)
Total remeasurements of post-employment benefit obligations		**(2.1)**	**1.8**
Total: items that may not be subsequently reclassified to income statement (B2)		**(2.1)**	**1.8**
Other comprehensive income (expenses) (B=B1+B2)		**22.1**	**17.8**
Total comprehensive income (A+B)		**279.6**	**317.2**
Attributable to:			
Parent Company shareholders		**144.3**	**90.4**
Non-controlling interests		135.3	226.8

Consolidated statements of financial position

	Notes	31 December 2019	*of which: related parties*	31 December 2018	*of which: related parties*
		€ million	*€ million*	€ million	*€ million*
ASSETS					
Non-current assets					
Net tangible fixed assets	18	499,2	-	455.4	-
Right of use assets	32	*81,5*	-	-	-
Biological assets	19	*3.9*	-	1.0	-
Investment properties	20	*74,2*	-	215.3	-
Goodwill and trademarks	21	*2.603,0*	-	2,512.2	-
Intangible assets with a finite life	23	*52,4*	-	47.0	-
Investments in associates and joint ventures	24	*1,0*	-	0.9	-
Deferred tax assets	17	*37.5*	-	38.4	-
Other non-current assets	25	*157,0*	-	130.3	-
Total non-current assets		***3.509,7***	-	**3,400.6**	-
Current assets					
Inventories	26	*617.7*	-	565.3	-
Biological assets	26	*0.9*	-	0.8	-
Trade receivables	27	*318,4*	-	286.1	-
Short-term financial receivables	28	*8.3*	-	29.1	-
Cash and cash equivalents	30	*851,2*	-	759.7	-
Income tax receivables	29	*20,7*	-	23.7	-
Other receivables	27	*44,8*	-	32.2	-
Total current assets		***1.862,1***	-	**1,696.8**	-
Assets held for sale	31	*5.3*	-	7.8	-
Total assets		***5.377,1***	-	**5,105.4**	-
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
- Share capital		*3,7*	-	2.0	-
- Reserves		*1.451,1*	-	731.1	-
Capital and reserves attributable to Parent Company	33	*1.454,8*	-	733.1	-
Non-controlling interests	34	*1.158,3*	-	1,671.2	-
Total shareholders' equity		***2.613,1***	-	**2,404.3**	-
Non-current liabilities					
Bonds	35	*349.4*	-	778.7	-
Other non-current liabilities	35	*552,8*	-	601.7	*24.6*
Post-employment benefit obligations	37	*33.4*	-	31.8	-
Provisions for risks and charges	38	*51.4*	-	118.8	-
Deferred tax liabilities	17	*386,3*	-	368.4	-
Total non-current liabilities		***1.373,3***	-	**1,899.4**	***24.6***
Current liabilities					
Payables to banks	36	*230,1*	-	124.8	-
Bonds	36	*580,0*	-	218.6	-
Other financial liabilities	36	*123,9*	*39.7*	74.8	*22.00*
Trade payables	39	*241,3*	-	216.5	-
Income tax payables	40	*75,5*	-	12.9	-
Other current liabilities	39	*140,0*	-	154.1	-
Total current liabilities		***1.390,8***	***39.7***	**801.7**	***22.0***
Total liabilities		***2.764,0***	***39.7***	**2,701.1**	***46.6***
Total liabilities and shareholders' equity		***5.377,1***	***39.7***	**5,105.4**	***46.6***

Consolidated statements of cash flows

	Note	2019	2018
		€ mllion	€ million
Operating profit		**376.6**	**376.4**
Joint Venture profit		-	0.2
Effects from hyperinflation accounting standard adoption		4.5	3
Depreciation and amortisation	12	76.8	57.6
Gains and losses on sales of fixed assets	18	(2.5)	(3.0)
Gains on sales of business		-	-38.5
Impairment of tangible fixed assets, goodwill, trademark and sold business	18	9.1	(2.3)
Accruals of provision		-	7.3
Utilizations of provisions	38	(15.7)	-
Other changes in non financial assets and liabilities		(10.0)	(2.4)
Change in net operating working capital		(29.6)	(26.5)
Income tax paid		(45.3)	(48.5)
Other non-cash items		(3.1)	(0.6)
Cash flow generated from (used in) operating activities		**360.8**	**322.8**
Purchase of tangible and intangible fixed assets	18-19-23	(92.0)	(82.8)
Disposal of tangible and intangible assets	11	9.6	11.9
Acquisition and sale of companies or business divisions		(86.5)	15.7
Cash and cash equivalents at acquired companies(*)	7	6.0	6.5
Disposal of non strategic assets		222.0	-
Put options and earn out payments		(69.2)	(42.9)
Interests received		9.0	7.1
Net changes in securities	25-28	27.4	5.8
Investment in financial activities		(81.0)	(15.1)
Dividends received		0	0.1
Other changes		(0.1)	(0.4)
Cash flow generated from (used in) investing activities		**(54.8)**	**(94.0)**
Bond issued by Parent Company		149.3	-
Other medium-long term financing		167.1	-
Revolving facility loan issue		-	28.0
Revolving facility loan repayments		-	(28.0)
Bond repayment		(219.1)	-
Payment of lease liabilities		(13.0)	-
Other repayments of other medium- and long -term debts		(302.0)	(0.5)
Net change in short-term financial payables and bank loans		98.8	(32.4)
Interests paid		(27.7)	(31.0)
Shareholders loans		0	(7.8)
Interest on leases		(3.4)	-
Change in other financial payables and receivables		14.1	(5.7)
Purchase and sale of own shares	41	(47.3)	(55.5)
Dividend paid to non-controlling interest			-
Dividend paid by Davide Campari-Milano S.p.A. to non controlling interest		(27.7)	(27.8)
SICAV Investments			9.8
Cash flow generated from (used in) financing activities		**(211.1)**	**(150.8)**
Other differences including exchange rate differences		**(3.6)**	**6.1**
Net change in cash and cash equivalents: increase (decrease)		**92.0**	**84.1**
Cash and cash equivalents at the beginning of period	30	759.7	675.6
Cash and cash equivalents at end of period	30	851.2	759.7

(*) It should be noted that the cash acquired/sold in connection with business combination/disposal of the year, equal to €6.0 million, must be considered not inclusive of the financial liabilities acquired, equal to €8.7 million. For more information, see note 7-Business combination (acquisition and sales).

(*) It should be noted that the cash acquired/sold in connection with business combination/disposal of the year, equal to €6.0 million, must be considered not inclusive of the financial liabilities acquired, equal to €8.7 million. For more information, see note 7-Business combination (acquisition and sales).

Statement of changes in shareholders' equity

	Notes	Attributable to Parent Company shareholders					Shareholders' equity	
		Share capital	Legal reserve	Retained earnings	Other reserves	Total	Non controlling interests	Total
		€ million	€ million	€ million	€ million	€ million	€ million	€ million
Balance at 31 December 2017		**2.0**	**0.2**	**526.6**	**121.5**	**650.2**	**1,501.0**	**2,151.2**
Dividend payout	33	-	-	-	-	-	(27.9)	(27.9)
Subsidiaries own shares operations	33	-	-	(15.4)		(15.4)	(40.1)	(55.5)
Stock options	41	-	-	0.9	1.0	1.9	5.0	6.9
Other changes		-	-	2.8	3.1	5.9	6.4	12.3
Profit for the period		-	-	85.5	-	85.5	214.0	299.5
Other comprehensive income (expense)		-	-	-	4.9	4.9	12.9	17.8
Balance at 31 December 2018		**2.0**	**0.2**	**600.4**	**130.5**	**733.0**	**1,671.2**	**2,404.3**

	Notes	Attributable to Parent Company shareholders					Shareholders' equity	
		Share capital	Legal reserve	Retained earnings	Other reserves	Total	Non controlling interests	Total
		€ million	€ million	€ million	€ million	€ million	€ million	€ million
Balance at 31 December 2018		**2.0**	**0.2**	**600.4**	**130.5**	**733.0**	**1671.2**	**2,404.3**
Dividend payout	33	-	-	-	-	-	(27.7)	(27.7)
Capital Injection		1.7	-	-	-	1.7	-	1.7
Subsidiaries own shares operations	33	-	-	(24.9)	-	(24.9)	(23.3)	(48.2)
Alicros merger		-	-	625.5	-	625.5	-	-
Stock options	41	-	-	4.0	(0.5)	3.5	3.3	6.8
Other changes		-	-	(9.8)	6.1	(3.7)	1.6	(5.3)
Profit for the period		-	-	108.3	-	108.3	149.2	257.5
Other comprehensive income (expense)		-	-	-	11.4	11.4	10.7	22.1
Variation of Perimeter's consolidation							1.9	1.9
Balance at 31 December 2019		**3.7**	**0.2**	**1,303.4**	**147.5**	**1,454.9**	**1,158.3**	**2,613.2**

Notes to consolidated financial statement

1. General Information

Lagfin was incorporated under the law of Luxembourg on 22 June 1995 for an unlimited period as a Société Anonyme. The registered office of the Company is in Luxembourg-Ville.

The object of the Company is the holding of either direct o indirect control of Davide Campari-Milano S.p.A. and of other participations, in any form whatsoever, in any Luxembourg or foreign companies, the acquisition of any securities and rights by way of share participations, contributions, subscriptions, underwritings or by options to purchase and in any other manner, their management and development and any other transactions which are directly or indirectly connected with its object.

The Group is composed by the Company, LG Partners, LLC and Davide Campari-Milano S.p.A. that, with its subsidiaries constitute the 'Campari Group' (together the 'Group').

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved on 17 June 2020 by the Board of Directors of Lagfin's General Partner (Artemisia Management S.A., Société Anonyme), which has authorised their publication

The General Partner reserves the right to amend the financial statements should any significant events occur that require changes to be made, up to the date of the Shareholders' meeting of the Parent Company. The financial statements are presented in Euro, the reference currency of the parent company and many of its subsidiaries.

2. Preparation criteria

The consolidated financial statements at 31 December 2019 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 include all the international accounting standards ('IAS') and interpretations of the International Financial Reporting Interpretations Committee ('IFRIC') previously named, the Standing Interpretations Committee ('SIC').

The financial statements were prepared based on the going concern principle, on the cost basis and taking any value adjustments into account where appropriate, except for statement of financial position items, such as financial instruments, biological assets, that, under the IFRS, must be recognised at fair value and except in cases where the IFRS allow a different valuation criterion to be used.

The carrying amount 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.

Principles of consolidation

The consolidated financial statements include the financial statements of the Parent Company and of the Italian and foreign subsidiaries.

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

Joint ventures are consolidated applying the equity method.

Form and content

In accordance with the format selected by the Group, the income statement has been classified by function, and the Statement of Financial Position based on the division between current and non-current assets and liabilities.

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

Transactions or events that may generate income and expenses that are not relevant for assessing performance, such as gains/losses on the sale of fixed assets, restructuring and reorganisation costs, financial expenses and any other non-recurring income/expenses, are described in the notes.

In 2019, the Group did not carry out any atypical and/or unusual transactions, defined in the Consob communication as transactions which, due to their materiality or size, type of counterparties to the transaction, or method for determining the price and timing of the event (proximity to the close of the period), could give rise to concerns over the accuracy or completeness of the information in the financial statements, conflicts of interest, the safeguarding of company assets or the protection of minority shareholders.

The cash-flow statement was prepared using the indirect method.

Lastly, the consolidated income statement and consolidated statement of financial position contain columns providing information on any significant transactions with related parties.

Basis of consolidation

The following changes occurred in the basis of consolidation, resulting from the creation, acquisition, sale and reorganisation of companies, partly described in the report on operations in the section 'Significant events during the period':

- on 1 October 2019, Campari Group completed the acquisition of Rhumantilles S.A.S. ('Rhumantilles'), the French company and owner of 96.5% of Bellonnie&Bourdillon Successeurs S.A.S., headquartered in Martinique, by French company Financière Chevrillon and a group of minority shareholders. These companies were therefore included in the consolidation perimeter from the acquisition date. As a result of this acquisition, the companies Société Distilleries Agricoles De Sainte Luce S.A.S. and SCEA Trois Rivières, subsidiaries of Bellonnie&Bourdillon Successeurs S.A.S., were also included in the consolidation perimeter.
- on 20 November 2019, Campari Group completed the acquisition, from a group of Mexican entrepreneurs, of controlling interests in the share capital of Licorera Ancho Reyes y Cia S.A.P.I. de C.V. ('Ancho Reyes') and Casa Montelobos S.A.P.I. de C.V. ('Montelobos'). These companies were therefore included in the consolidation perimeter from the acquisition date.
- during 2019, the process of liquidating both Grandes Marques Nederland B.V. (finance and trading company), Campari Service America LLC (services company) and 1403 2nd Avenue LLC (real estate company) were completed. They were therefore excluded from the consolidation perimeter.
- during 2019 Alicros S.p.A.. has been merged with the Parent Company Lagfin S.A.

The tables below list the companies included in the consolidation perimeter at 31 December 2019.

Name, activity	Registered office	Share capital at 31 December 2019		% owned by Parent Company		
		Currency	Amount	Direct	Indirect	Direct shareholder
Parent Company						
Lagfin S.C.A., Société en Commandite par Actions, holding company	Rue des Bains 3, L-1212	€	3.,717,000			
Fully consolidated companies						
Italy						
Davide Campari-Milano S.p.A., holding, trading and manufacturing company	Via Franco Sacchetti 20, Sesto San Giovanni	€	58,080,000	51.61		
Campari International S.r.l., trading company	Via Franco Sacchetti 20, Sesto San Giovanni	€	700,000		51.61	Davide Campari-Milano S.p.A.
Camparino S.r.l., trading company	Piazza Duomo 21, Milan	€	48,880		51.61	Davide Campari-Milano S.p.A.
Campari Services S.r.l. in liquidazione, services company(1)	Via Franco Sacchetti 20, Sesto San Giovanni	€	160,000		51.61	Davide Campari-Milano S.p.A.
Europe and Africa						
Campari Austria GmbH, trading company	Naglergasse 1/Top 13 ,1010 Wien	€	500,000		51.61	DI.CI.E. Holding B.V.
Campari Benelux S.A., finance and trading company	Avenue de la Méterologie, 10, Bruxelles	€	1,000,000		51.61	Glen Grant Ltd.
Campari Deutschland GmbH, trading company	Bajuwarenring 1, Oberhaching	€	5,200,000		51.61	DI.CI.E. Holding B.V.
Campari España S.L., holding and trading company	Calle de la Marina 16-18, planta 28, Barcellona	€	3,272,600		51.61	Davide Campari-Milano S.p.A.
Campari RUS OOO, trading company	2nd Yuzhnoportoviy proezd 14/22, Moscow	RUB	2,010,000,000		51.61	DI.CI.E. Holding B.V.
Campari Schweiz A.G., trading company	Lindenstrasse 8, Baar	CHF	500,000		51.61	DI.CI.E. Holding B.V.
Campari Ukraine LLC, trading company	8, Illinska Street, 5 Floor, block 8 and 9, Kiev	UAH	87,396,209		51.61	DI.CI.E Holding B.V. (99%), Campari RUS OOO (1%)
DI.CI.E. Holding B.V., holding company	Luna Arena, Herikerbergweg 114, Zuidoost, Amsterdam	€	15,015,000		51.61	Davide Campari-Milano S.p.A.
Glen Grant Ltd., manufacturing and trading company	Glen Grant Distillery, Rothes, Morayshire	GBP	24,949,000		51.61	Davide Campari-Milano S.p.A.
Kaloyiannis-Koutsikos Distilleries S.A., manufacturing and trading company	6 & E Street, A' Industrial Area, Volos	€	6,811,220		51.61	DI.CI.E. Holding B.V.
Société Civile Immobilière DU VAL, property company	32 rue de Monceau, 75008 Paris	€	16,769,392		41.48	Marnier - Lapostolle Bisquit SASU
Société des Produits Marnier Lapostolle S.A., holding and manufacturing company	32 rue de Monceau, 75008 Paris	€	27,157,500		41.48 (2)	Davide Campari-Milano S.p.A.
Marnier-Lapostolle Bisquit SASU, manufacturing and trading company	32 rue de Monceau, 75008 Paris	€	22,759,856		41.48	Société des Produits Marnier Lapostolle S.A.
Rhumantilles S.A.S., holding company	32 rue de Monceau, 75008 Paris	€	80,391		41.48	Marnier-Lapostolle Bisquit SASU
Bellonnie&Bourdillon S.A.S., manufacturing and trading company	Zone de Génipa, 97224, Ducos, Martinique	€	5,100,000		42.11	Rhumantilles S.A.S. (96,53%) minority shareholders (3,47%)
Distilleries de Sainte Luce S.A.S., agricultural production company	Zone de Génipa, 97224, Ducos, Martinique	€	2,000,000		20.66	Bellonnie et Bourdillon S.A.S. (99,99%) minority shareholders (0,01%)
SCEA Trois Rivières, agricultural service company	Zone de Génipa, 97224, Ducos, Martinique	€	5,920		40.04	Bellonnie et Bourdillon S.A.S. (25%) Distilleries de Sainte Luce S.A.S (75%)
Campari South Africa Pty Ltd., trading company	12th Floor, Cliffe Deker Hofmeyr 11 Buitengracht street, Cape Town	ZAR	490,247,750		51.61	DI.CI.E. Holding B.V.
Campari Distribution Ireland Ltd., trading company(1)	Lower Mont Street, Dublin	€	-		51.61	Davide Campari-Milano S.p.A.
Americas						

LG Partners, LLC	Missouri	USD	2,016,232	100.00		
Campari America, LLC, manufacturing and trading company	1114 Avenue of the Americas, 19th Floor New York	USD	566,321,274[3]		51.61	Davide Campari-Milano S.p.A.
Campari Argentina S.A., manufacturing and trading company	Olga Cossettini, 243 Piso 3, Puerto Madeo, CABA	ARS	1,179,365,930[4]		51.61	DI.CI.E. Holding B.V. (98,81%), Campari do Brasil Ltda. (1,19%)
Campari do Brasil Ltda., manufacturing and trading company	Alameda Rio Negro 585, Edificio Demini, Conjunto 62, Alphaville-Barueri-SP	BRL	239,778,071		51.61	Campari Schweiz AG
Campari Mexico S.A. de C.V., trading company	Avenida Americas 1500 Piso G-A Colonia Country Club, Guadalajara, Jalisco	MXN	820,184,642		51.61	DI.CI.E. Holding B.V.
Campari Mexico Corporativo S.A. de C.V., services company	Avenida Americas 1500 Piso G-A Colonia Country Club, Guadalajara, Jalisco	MXN	50,000		51.61	Campari Mexico, S.A. de C.V. (99%) Campari America, LLC (1%)

Name, activity	Registered office	Share capital at 31 December 2019		% owned by Parent Company		
		Currency	Amount	Direct	Indirect	Direct shareholder
Campari Mexico Destiladora S.A. de C.V., manufacturing company	Camino Real a Atotonilco No. 1081, La Trinidad, San Ignacio Cerro Gordo, Jalisco, Z.C. 47195	MXN	50,000		51.61	Campari Mexico, S.A. de C.V. (99%) Campari America, LLC (1%)
Licorera Ancho Reyes y cia, S.A.P.I. de C.V., manufacturing and trading company	Paseo de los Tamarindos No. 90 Edificio Arcos Bosques Torre II-Piso 5C Col. Bosques de las Lomas, 05120	MXN	168,906,052		26.32	DI.CI.E. Holding B.V.
Casa Montelobos, S.A.P.I. de C.V., manufacturing and trading company	Paseo de los Tamarindos No. 90 Edificio Arcos Bosques Torre II-Piso 5C Col. Bosques de las Lomas, 05120	MXN	139,036,323		26.32	DI.CI.E. Holding B.V.
Campari Peru SAC, trading company	Av. Jorge Basadre No.607, oficina 702, distrito de San Isidro, Lima	PEN	34,733,589[3]		51.61	Campari Espāna S.L. (99,92%), Campari do Brasil Ltda. (0,08%)
Forty Creek Distillery Ltd., manufacturing and trading company	297 South Service Road West, Grimsby	CAD	105,500,100[3]		51.61	DI.CI.E. Holding B.V.
J. Wray&Nephew Ltd., manufacturing and trading company	23 Dominica Drive, Kingstone 5	JMD	750,000		51.61	Campari Espāna S.L.
Asia						
Campari (Beijing) Trading Co. Ltd., trading company	Room 66, Floor 5, Block 1, No.16, Chaoyangmenwai Street, Chaoyang District, Beijing, China	CNY	104,200,430		51.61	DI.CI.E. Holding B.V.
Campari Australia Pty Ltd., manufacturing and trading company	Level 10, Tower B, 207 Pacific Hwy, St Leonards, NSW, 2065, Australia	AUD	56,500,000		51.61	DI.CI.E. Holding B.V.
Campari India Private Ltd., services company	CoWrks, Ground Floor and First Floor, Worldmark 1, Asset Area 11 Aerocity, Hospitality District , Indira Gandhi International Airport, NH-8 New Delhi- 110037, INDIA	INR	100,000		51.61	Di.Ci.E. Holding BV (99%); Campari Australia Pty Ltd (1%)
Campari Japan Ltd., trading company	6-17-15, Jingumae Shibuya-ku, Tokyo 150-0001 Japan	JPY	153,000,000		51.61	DI.CI.E. Holding B.V.
Campari New Zealand Ltd., trading company	C/o KPMG 18, Viaduct Harbour Av., Maritime Square, Auckland New Zealand	NZD	10,000		51.61	Campari Australia Pty Ltd.
Campari Singapore Pte Ltd., trading company	152 Beach Road, #24-06, 1Gateway East, Singapore 189721	SGD	100,000		51.61	DI.CI.E Holding B.V.

Investments accounted for using equity method

Name, activity	Registered office	Share capital at 31 December 2019				
		Currency	Amount	Direct	Indirect	Direct shareholder
Trans Beverages Company Limited, trading company	Nr 1702,c-dong (GL Metrocity Munjung SK V1) 642-3 Munjung-dong, Songpa-gu, Seoul, Korea	KWD	2,000,000,000		20.64	Glen Grant Ltd.

(1) Company in liquidation
(2) This figure does not include the portion of capital in beneficial ownership of 2.24%, where the portion in bare ownership is held by the shareholders of Société des Produits Marnier Lapostolle S.A., which owns 19.62% of capital and for which there are agreements in place to make purchases by 2021.
(3) Includes the capital contribution
(4) The capital shown does not include the effects of applying accounting principles relating to hyperinflation.

Definition of control

Control is determined when the Group is exposed to or has a right to variable returns resulting from its involvement with the investee, and, at the same time, has the ability to use its power over the investee to affect these returns.

Specifically, the Group controls a subsidiary if, and only if, it has:

- power over the investee (or holds valid rights that give it the actual ability to manage significant activities of the investee);
- exposure or rights to variable returns resulting from its involvement with the investee;
- the ability to use its power over the investee to affect the size of its returns.

Generally, control is assumed to exist when the Group possesses a majority of the voting rights. In support of this assumption and when the Group holds less than the majority of the voting rights (or similar rights), the Group considers all relevant facts and circumstances in assessing whether it controls the investee, including contractual arrangements with other holders of voting rights, rights arising from contractual arrangements, and the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls a subsidiary if facts and circumstances indicate that one or more of the three significant elements defining control have changed. Consolidation of a subsidiary begins when the Group obtains direct or indirect control of that subsidiary (or through one or more other subsidiaries) and ceases when the Group loses control thereof. The assets, liabilities, revenues and costs of the subsidiary acquired or disposed of over the year are included in the consolidated financial statements from the date on which the Group obtains control until the date on which the Group no longer exercises control over the company.

The profit (loss) for the year and all other components of the statement of comprehensive income are attributed to the shareholders of the Parent Company and to non-controlling interests, even if this results in non-controlling interests having a negative value. When necessary, appropriate adjustments are made to subsidiaries' financial statements to bring them into line with the Group's accounting policies. All intra-group assets and liabilities, shareholders' equity, revenues, costs and cash flow relating to transactions between Group entities are fully derecognised on consolidation.

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 financial statements. The carrying amount of the equity investments is derecognised 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.

Non-controlling interests in shareholders' equity and profit are reported under the appropriate items in the financial statements; the portion of shareholders' equity relating to non-controlling interests is determined on the basis of the present values assigned to assets and liabilities on the date control was assumed, whether or not the components of non-controlling interests entitle holders to receive a proportional share of the subsidiary's net assets in the event of liquidation.

Changes in investments in subsidiaries that do not result in the acquisition or loss of control are recorded as changes in shareholders' equity.

If the Group loses control of a subsidiary, the related assets (including goodwill), liabilities, non-controlling interests and other components of shareholders' equity are derecognised, while any gain or loss is recognised in the income statement. Any ownership interest maintained is recorded at fair value.

Associates and joint ventures
An associate is a company over which the Group exercises significant influence. Significant influence means the power to contribute to determining a subsidiary's financial and management policies, without having control or joint control over it.
A joint venture is a joint-control agreement in which the parties that hold joint control have rights to the net assets covered by the agreement. Joint control is the contractually agreed sharing of control under an agreement, which solely exists when decisions on relevant activities require unanimous consensus from all parties sharing control.
The factors considered to determine significant influence or joint control are similar to those necessary to determine control over subsidiaries.
These companies are reported in the consolidated financial statements using the equity method, starting on the date when significant influence or joint control begins and ending when such influence or control ceases.
If there is a significant loss of influence or joint control, the holding and/or investment is valued at fair value with the difference between fair value and carrying amount being recorded in the income statement.
If the Group's interest in any losses of associates exceeds the carrying amount of the equity investment in the financial statements, the value of the equity investment is derecognised, and the Group's portion of further losses is not reported, unless, and to the extent to which, the Group has a legal or implicit obligation to cover such losses.
The Group assesses the existence of any impairment indicators on an annual basis by comparing the value of the investment measured at equity with the recoverable value; any impairment value is allocated to the investment as a whole with an offsetting entry in the income statement.

Transactions derecognised during the consolidation process
When preparing the consolidated financial statements, unrealised gains and losses resulting from intra-group transactions are derecognised, as are the entries giving rise to payables and receivables, and costs and revenues between the companies included in the basis of consolidation.
Unrealised gains and losses generated on transactions with associated companies or joint ventures are derecognised to the extent of the Group's percentage interest in those companies.
Dividends collected from consolidated companies are derecognised.

Currency conversion criteria and exchange rates applied to the financial statements
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 period, while statement of financial position items are converted at period-end exchange rates; exchange rate differences resulting from the application of differing criteria for conversion to the Euro of income statement and statement of financial position items are recorded under the currency translation reserve in shareholders' equity until the investment in question is sold;
- any conversion differences between the value of initial shareholders' equity, as converted at end-of-period exchange rates, and the value of shareholders' equity for the previous year converted at current exchange rates are also recorded under the currency translation reserve.
When preparing the consolidated statement of cash flows, average exchange rates were used to convert the cash flows of subsidiaries outside the Eurozone.

The exchange rates used for conversion transactions are shown below.

	31 December 2019		31 December 2018	
	average rate	end-of-period rate	average rate	end-of-period rate
US Dollar	1.120	1.123	1.182	1.145
Canadian Dollar	1.486	1.460	1.530	1.561
Jamaica Dollars	149.201	148.887	152.188	145.872
Argentine Peso(*)	67.275	67.275	43.159	43.159
Australian Dollar	1.611	1.600	1.580	1.622
Brazilian Real	4.413	4.516	4.309	4.444
Switzerland Francs	1.113	1.085	1.155	1.127
Chile Pesos	786.975	844.860	757.019	794.370
Yuan Renminbi	7.734	7.821	7.808	7.875
Euro	1.000	1.000	1.000	1.000
Great Britain Pounds	0.877	0.851	0.885	0.895
Haitian Gourde	99.226	103.301	80.185	77.145
India Rupees	78.848	80.187	80.728	79.730
Japanese Yen	122.060	121.940	130.415	125.850
South Korea Won	1,304.834	1,296.280	1,299.256	1,277.930
Mexican Peso	21.558	21.220	22.714	22.492
New Zealand Dollars	1.699	1.665	1.706	1.706
Peruvian Sol	3.737	3.726	3.881	3.863
Russia Rubles	72.459	69.956	74.055	79.715

Singapore Dollars	1.527	1.511	1.593	1.559
Ukraine Hryvnia	28.930	26.720	32.119	31.736
Uruguay Pesos	39.421	41.842	36.226	37.094
Rand	16.171	15.777	15.611	16.459

(*) The average exchange rate of the Argentine Peso for both 2019 and 2018 was equal to the spot exchange rate at 31 December 2019 and 31 December 2018 respectively.

Hyperinflation

If a subsidiary operates in a hyperinflationary economy, the related economic and financial results are adjusted in accordance with the method established by IAS 29-'Financial Reporting in Hyperinflationary Economies', before being translated into the functional currency of the Group (Euro). The economic and financial data are restated in local currency, taking into account the current purchasing power of the currency at the financial statements date. This process requires a number of complex procedural steps, which are kept consistent over time.

The restatement procedures used by the Group are as follows:

a) selection of a general price index;

b) segregation of cash and non-cash items;

c) restatement of non-cash items;

d) restatement of the income statement;

e) calculation of monetary profit or loss;

g) restatement of adjusted balance-sheet and income-statement values.

The effect of restating non-cash items is recognised in the income statement as net financial income (expenses).

The restated income statement is converted into Euro by applying the spot exchange rate at the end of the period instead of the average exchange rate for the period.

No restatement of the values presented in the comparative period prior to the official declaration of the subsidiary's adoption of hyperinflationary accounting is required in the Group's consolidated figures.

The indices used to remeasure the values at 31 December 2019 are shown in the table below. Specifically, the national Consumer Price Index ('nationwide CPI') of Argentina was used.

Consumer price index	31 December 2019 284.42	31 December 2018 184.26
	2019 conversion factor	2018 conversion factor
January	1.500	1.451
February	1.446	1.417
March	1.381	1.384
April	1.335	1.347
May	1.295	1.320
June	1.261	1.272
July	1.234	1.234
August	1.187	1.188
September	1.121	1.115
October	1.085	1.058
November	1.041	1.026
December	1.000	1.000

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 a consideration.
Intangible assets acquired are recorded under 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 acquisition 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 in the income statement for the financial year in which they are incurred
Intangible assets with a finite life are amortised on a straight-line basis in relation to their remaining useful life, taking into account losses due to a reduction in the cumulative value.
The period of amortisation of intangible assets with a finite life is reviewed at least at the end of every financial year in order to ascertain any changes in their useful life, which, if identified, will be considered as changes in estimates.
The costs of development projects and studies are recorded in the income statement in full in the year in which they are incurred.
Advertising and promotional costs are recorded in the income statement when the company has received the goods or services in question.
Costs relating to industrial patents, concessions, licences and other intangible fixed assets are recorded on the assets side of the statement of financial position 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 the contract term.
Software licences represent the cost of purchasing licences and, if incurred, external consultancy fees or internal personnel costs necessary for development. These costs are recorded in the year in which the internal or external costs are incurred for training personnel and other related costs.
Goodwill and brands which result from acquisitions and qualify as intangible assets with an indefinite life are not amortised. The possibility of recovering their carrying amount 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 cash-generating unit to which the goodwill relates. On the basis of this, management directly or indirectly assesses the return on investment including goodwill. See also the section on 'Business combinations' below.
Goodwill write-downs can no longer be written back in future years. When control of a previously acquired company is transferred, the gain or loss on the sale takes into account the corresponding residual value of the previously recorded goodwill.

Business combinations
Business combinations are recorded by applying the acquisition 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, at the acquisition date and the value of the portion of shareholders' equity relating to non-controlling interests, measured at fair value or as a pro-rata share of the net assets recognised

for the acquired entity. The designated methodology for each acquisition is specified when the values deriving from the allocation process are shown.
In the case of business combinations made 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. Subsequent changes to the fair value of the conditional payment, i.e. where the amount and future disbursement are dependent on future events that are classified as a financial instrument, are reported on the income statement or separately in equity under the other components of comprehensive income. The designated methodology for each acquisition is specified when the values deriving from the allocation process are shown. Conditional payments that do not represent financial instruments regulated by IFRS 9-'Financial instruments', are valued on the basis of the specific applicable IFRS/IAS. Conditional payments that are classified as equity instruments are not revalued; they are therefore recorded under equity when settled.
Ancillary costs relating to the transaction are recognised in the income statement at the time they are incurred.
Any changes in fair value occurring once more information becomes available during the measurement period (12 months from the date of acquisition) 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 portion of shareholders' equity relating to non-controlling interests 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 exceeds the sum of the transferred payments, the value of the non-controlling interests' 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 initial recognition, 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 acquisition date to the individual cash-generating units or to the groups of cash-generating units likely to benefit from merger synergies, regardless of whether 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 amount of the assets in order to establish the gain 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.

Recognition of non-controlling interests
Non-controlling interests relate to the portion of a subsidiary's shareholders' equity that is not directly or indirectly attributable to the Group.
Non-controlling interests are determined by calculating the goodwill using one of the following methods:
- based on the subsidiary's proportionate share of net assets, determined according to the rules set out by the accounting standard on business acquisitions;
- in proportion to the price paid.
The choice of method for determining non-controlling interests is made on a case-by-case basis for each business combination.
If there are cross-mechanisms which give the Group the right to acquire the non-controlling interests (put option agreement) or rights to sell the same to the Group (call option agreement) or a combination of both (put and call option agreements), an analysis is made as to whether the risks and benefits connected with the share of legal ownership of the business to which the non-controlling interests pertain are broadly attributable to the latter or to the Group. These rights to purchase or sell the non-controlling interests may be defined at a fixed price, a variable price or a fair value, and may be exercisable at a fixed date or at any time in the future. Each of these variables is examined to determine the effects on the presentation of the accounts.

If the non-controlling interests have an effective involvement in the conduct of the business, their interest must continue to be represented in addition to the Group's shareholders' equity and, at the same time, the financial liability relating to the put and/or call option agreements must be recorded.
At the close of each year, the effects of agreements with non-controlling interests are shown as follows:
- an allocation is made of the portion of net shareholders' equity that would have been recognised to the non-controlling interests, including the related operating result, as well as the changes to the consolidated income statement and the dividends paid during the year;
- non-controlling interests recognised at the time of initial acquisition (a) are shown as if they were eliminated on that date and deducted from the financial liabilities for put and/or call options;

- financial liabilities associated with put and/or call option agreements are shown at fair value (b) as changes in the Group's shareholders' equity, without the need for measurement based on amortised cost;
- the difference between (a) and (b) is recorded in the Group's shareholders' equity.

The financial liability for put and/or call options, measured at its fair value, is not considered to be one of the components of the purchase price to be allocated to the net assets of the acquired business. Any subsequent remeasurements of the fair value of the financial liability relating to the put and/or call option agreements are treated as transactions with minority shareholders and recognised as Group's shareholders' equity up to the date of their liquidation.

If the risks and benefits associated with ownership of the non-controlling interests are borne by the Group, the non-controlling interests are not shown. The financial liability for put and/or call options, measured at its fair value, is considered to be one of the components of the purchase price to be allocated to the net assets of the acquired business. Any change in the fair value is recorded as financial income (expense) in the Group results.

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 only capitalised if 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 statement of financial position 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 profit and loss when the expense is incurred.

Financial expenses incurred in respect of investments in assets which normally take a substantial period of time to be prepared for use or sale are capitalised and depreciated over the useful life of the asset class to which they belong.

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

Ordinary maintenance and repair expenses are expensed in profit and loss 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 carrying amount of the assets includes the estimated costs (discounted to present value) to be incurred when the structures are abandoned, which are reported as an offsetting entry to a specific provision.

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

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 carrying amount less the estimated net market value at the end of its useful life, if this value is significant and can be reasonably determined.

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

The rates are as follows:

- business related properties and light construction:	3%-10%
- plant and machinery:	10%
- furniture, office and electronic equipment:	10%-20%
- vehicles:	20%-25%
- miscellaneous equipment:	20%-30%

Depreciation ceases on the date on which the asset is classified as available for sale or on which the asset is derecognised for accounting purposes, whichever occurs first.

A tangible asset is derecognised from the statement of financial position 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.

Grants

The Group recognises unconditional public grants, including those relating to biological assets, in the income statement for the period when the grant is received.

Grants made to compensate the Group for certain expenses incurred in the operation of business, are recognised in the Income statement when the expenses are incurred.

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 that relate to tangible fixed assets are recorded as deferred income and credited to the Income statement over the whole period corresponding to the useful life of the asset in question.

Impairment
The Group ascertains, at least once a year, whether there are indicators of potential impairment of intangible and tangible assets. If the Group finds that such indications exist, it estimates the recoverable value of the relevant asset.
Moreover, intangible assets with an indefinite useful life or not yet available for use, and goodwill are subject to impairment tests every year or more frequently, whenever there is an indication that the asset may be impaired.
The ability to recover the assets is ascertained by comparing the carrying amount 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 external information.
The discount rate applied 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 generating the financial flows to which the asset belongs.
Impairment is recorded if the recoverable value of an asset is lower than its carrying amount.
This loss is posted to the Income statement unless the asset was previously written up through a shareholders' equity reserve.
In this case, the impairment loss 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 amount 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 calculated if no impairment had been recorded.
The recovery of impairment 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 rent income (investment property) are valued at cost less accumulated depreciation and impairment losses.
The depreciation rate for buildings is that used for the relevant fixed asset category.
Investment property is derecognised from the statement of financial position when sold or when it becomes permanently unusable and no future economic benefits are expected from its disposal.

Leases
The Group has various agreements in place for the use of offices, vehicles, machinery, shops and other minor assets belonging to third parties. Lease agreements are generally entered into for a term of 3-10 years but may contain options to extend them. The terms of the lease are negotiated individually and contain a wide range of different terms and conditions. The agreements do not include covenants but the leased assets may be used to guarantee the liability arising from contractual commitments.

With effect from 1 January 2019, following the initial recognition of IFRS 16-'Leases', the Group recognises a right of use for all lease agreements except short-term agreements (i.e. of less than or equal to 12 months and which do not contain a purchase option) and those for low-value assets (i.e. with a unit value of less than €5,000) on the start date of the lease, which corresponds to the date in which the underlying asset is available for use. Lease payments relating to short-term and low-unit value agreements are shown as costs on the Income statement on a straight-line basis over the term of the lease.

Rights of use are valued at cost, net of accumulated amortisation and impairment losses, and adjusted after each remeasurement of the lease liabilities. The value assigned to the rights of use corresponds to the amount of the lease liabilities recognised plus initial direct costs incurred, lease payments settled on the start date of the agreement or previously, and restoration costs, net of any lease incentives received. Restoration costs, which may be recognised in rare cases, normally relate to offices, for which there could be a contractual requirement to restore them to their original state at the end of the lease agreement. The Group estimates the fair value of the restoration obligation based on the agreement with the lessor or by using expert valuations from third parties. The value of the liability, discounted to present value, as determined above, increases the right of use of the underlying asset, and a dedicated provision is created as a contra-entry. Unless the Group is reasonably certain that it will obtain ownership of the leased asset at the end of the lease term, the rights of use are amortised on a straight-line basis over its estimated useful life or the term of the agreement, if less.

The financial liability for leases is recognised on the start date of the agreement at a total value equal to the present value of the lease payments to be made during the term of the agreement, discounted to present value using incremental borrowing rates (IBR) when the implicit interest rate in the lease agreement cannot easily be determined. The variable lease payments continue to be charged to the Income statement as costs for the period.
After the start date, the amount recorded for the liabilities relating to lease contracts increases to reflect the accrual of interest and reduces to reflect the payments made. Each lease payment is divided into a repayment of the capital portion of the liability and a financial cost. The financial cost is charged to the Income statement over the term of the agreement to reflect a constant interest rate on the remaining debt portion of the liability for each period.

If there are sublease agreements or agreements to modify the lease agreement, the rules required by IFRS 16- 'Leases', shall apply.

Under IFRS 16, the management is required to make estimates and assumptions that might influence the valuation of the right of use and the financial liability for leases, including the determination of:
- agreements for the application of the new rules for measuring assets/liabilities using the financial method;
- terms of the agreement;
- interest rate used for discounting future lease payments to current value.

The agreements are either included or excluded from the application of the standard based on detailed analysis carried out for each agreement and in line with the rules laid down by IFRS standards.

The term of the lease is calculated taking account of the non-cancellable period of the lease together with the periods covered by an option to extend the agreement if it is reasonably certain that it will be exercised, or any period covered by an option to terminate the lease contract, if it is reasonably certain it will not be exercised. Group assesses whether it is reasonably certain that it will exercise the options to extend or terminate the agreements taking account of all the relevant factors that create a financial incentive pertaining to such decisions.

Lease incentives received at the latest by the start date of the agreement are deducted directly from the value of the right of use; the corresponding value reflects the money already received net of the credit amount to be collected. Lease incentives agreed during the term of the agreement are considered to be amendments to the original agreement, measured at the date of the amendment, with a resulting impact of the same value on both the right of use and the liability relating to leases.

Financial instruments

Financial instruments held by the Group are categorised as follows.

i). Financial assets

Financial assets include investments, 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 liquid securities that are readily convertible into cash and are subject to an insignificant risk of a change in value. Deposits and securities included in this category mature in less than three months from the closing date of the period.
Current securities include short-term securities or marketable securities that represent a temporary investment of cash and do not meet the requirements for classification as cash and cash equivalents.
Financial assets represented by debt securities are classified and valued on the statement of financial position based on the business model that the Group has adopted to manage these financial assets, and based on the financial flows associated with each financial asset.
Financial assets also include investments in companies that are not held for trading. These assets are strategic investments, and the Group has decided to recognise changes in the related fair values through profit and loss (FVTPL). Changes in value that clearly represent a recovery of part of the cost of the investment are not recorded in the Income statement, but are deducted directly from the asset.

Financial assets are classified and measured on the basis of a business model developed by the Group. The business model has been defined at a level that reflects the way in which groups of financial assets are managed to achieve a particular business objective. The model's measurement process requires an assessment based in part on quantitative and qualitative factors relating to, for example, the way in which the performance of the financial assets in question is communicated to management with strategic responsibilities and the way in which the risks connected with these financial assets are managed.

The Group measures a financial asset at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,
- its contractual conditions are such that the cash flows generated by the asset are attributable exclusively to payments of principal and related interest.

Financial assets measured at amortised cost are measured at fair value at the time of initial recognition; subsequent measurements reflect the repayments made, the effects of applying the effective interest method and any write-downs. Any gain or loss made on derecognition is recognised in profit or loss, together with foreign exchange gains and losses.

A financial asset represented by debt securities is measured at fair value through other comprehensive income (FVOCI) if it meets both of the following conditions:

- it is held within a business model whose objective is to collect both the contractual cash flows and the cash flows arising from the sale of the asset; and,
- its contractual conditions are such that the cash flows generated by the asset are attributable exclusively to payments of principal and related interest. After initial recognition, these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognised on the income statement. Net gains and losses deriving from other changes in fair value are recognised with a balancing entry in the statement of comprehensive income. Upon derecognition, the accumulated gains and losses in the statement of comprehensive income are recorded to the income statement.

Impairment of a financial asset

Financial assets are tested for recoverability by applying an impairment model based on the expected credit loss (ECL).

The Group applies the simplified method for trade receivables, which considers the probabilities of defaults over the financial instrument's life (lifetime expected credit losses). Impaired loans are analysed based on the debtor's creditworthiness and ability to pay the sums due, as well as the degree of effective coverage of any collateral and personal guarantees in existence. With regard to all other trade receivables, two approaches are applied to estimate impairment, based on the specific characteristics of the individual countries in which the Group operates and its constant growth at a global level: one is matrix-based and the other applies the probability of default (PD) obtained from external sources specialising in the country in which each subsidiary is located.

A financial asset is considered impaired when internal or external information indicates that it is unlikely that the Group will receive the full contractual amount.

Lastly, with regard to other financial assets measured at amortised cost, and, specifically, cash and cash equivalents, the impact in terms of expected loss is not considered material and for this reason no adjustment is made to the book values.

ii). Financial liabilities

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

Financial liabilities are classified and measured at amortised cost, except for financial liabilities that are initially measured at fair value, for example financial liabilities relating to earn-outs linked to business combinations and derivative instruments and financial liabilities for put options on non-controlling interests.

iii). Derecognition of financial assets and liabilities

A financial asset or liability (or, if applicable, part of a financial asset/liability or part of a group of similar financial assets/liabilities) is derecognised from the statement of financial position if the Group has unconditionally transferred the right to receive financial flows from the asset or the obligation to make payments or fulfil other obligations related to the liability.

In cases where an existing financial liability is replaced by another to the same lender under substantially different conditions, or where the conditions of an existing liability have changed substantially, the replacement or change is treated in the financial statements as a derecognition of the original liability, and a new liability is therefore reported, with any difference in the carrying amounts recognised in the Income statement.

iv). Financial derivatives and hedging transactions

Financial derivatives embedded in contracts where the primary element is a financial asset that falls within the scope of IFRS 9 are not separated. The hybrid instrument is instead examined as a whole for classification in the statement of financial position and subsequent measurement.

Financial derivatives are used exclusively for hedging purposes to reduce exchange and interest rate risk. Financial derivatives are only accounted for according to the methods established for hedge accounting (fair value hedge or cash flow hedge) if, at the start of the hedging period, the hedging relationship has been designated. It is assumed that the hedge is highly effective: it must be possible for this effectiveness to be reliably measured during the accounting periods for which it is designated. All financial derivatives are measured at fair value.

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

i. fair value hedge: if a financial derivative is designated as a hedge against exposure to changes in the fair value of an asset or liability attributable to a particular risk that could have an impact in the income statement, the gains or losses resulting from subsequent measurements of the fair value of the hedging instrument are reported in the Income statement. The gain or loss on the hedged item, which is attributable to the hedged risk, is reported as a portion of the carrying amount of this item and as an offsetting entry in the Income statement;

ii. 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 recorded in the financial statements, or of a transaction that is considered to be highly probable and that could have an impact on the Income statement, the effective portion of the gains or losses on the financial instrument is recognised in the statement of comprehensive income. Cumulative gains or losses are reversed 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 gain or loss associated with a hedge or the portion of a 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 cumulative gains and losses, which, until that time had been posted to shareholders' equity, are recognised 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, any gains or losses resulting from measuring the financial derivative at its present value are posted to the Income statement.

A highly probable intra-group transaction qualifies as a hedged item in a cash flow hedge of exchange rate risk, provided that the transaction is denominated in a currency other than the functional currency of the company entering into the transaction and that the 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 the statement of comprehensive income 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 to shareholders' equity.

The original cost of 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 production cost, determined using the weighted average method, and market value.

Work in progress is recorded at the acquisition cost of the raw materials used including the actual production costs incurred up to the point of production reached.

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

Low-value replacement parts and maintenance equipment that cannot be used in connection with one element of the assets are reported as inventories and recognised in the Income statement when used.

Biological assets

The Group's biological assets that relate to sugar cane plantations, agave and oranges, of which are used as the raw materials for the production of spirits, are classified as 'Other fixed assets' of the Group and follow the accounting rules reported in the section on 'Tangible assets'. These fixed assets are used for an average period of 6 years and are not intended to be sold as an independent biological product. The depreciation period runs from initial capitalisation given that agricultural production, by its nature, is characterised by the immediate start of the product life cycle.

For the time up to harvest, the developing agricultural product is shown under 'Biological inventories' and valued on the basis of production costs incurred up to the reporting date; this is considered an effective approximation

of the related fair value if there is no active market with quoted prices from which an alternative reference value may be determined.
At harvest, the agricultural products are moved to 'Raw materials inventories' and are measured at their fair value net of estimated point-of-sale costs. Any difference compared with the previous valuation is charged to the Group's Income statement.

Non-current assets held for sale
Non-current assets held for sale include non-current assets (or disposal groups) whose carrying amount 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 held for sale are valued at the lower of their net carrying amount and present value, less sale costs, and are not amortised.

Benefits for employees
Post-employment benefits:
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.
i. 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 cumulative value of actuarial gains and losses is recorded directly in the statement of comprehensive income and is not subsequently recognised in the Income statement.
The costs associated with an increase in the present value of the obligation, as the time of payment of the benefits draws nearer, are included under financial expenses. Service costs are posted to the Income statement. The liability recognised represents the present value of the defined benefit obligation, less the present value of plan assets. If an amendment to the plan changes the benefits accruing from past service, the costs arising from past service are recognised in the Income statement at the time the change to the plan is made. The same treatment is applied if there is a change to the plan that reduces the number of employees or that amends the terms and conditions of the plan (treatment is the same regardless of whether the final result is a profit or a loss).
ii. 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 in the financial statements.

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 carry out 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 carry out work for one or more Group companies become fully entitled to receive the stock options.
Changes in the present value after the grant 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 recorded for each change that determines an increase in the present value of the recognised option. The cost is recognised as a portion, for each period in which the vesting conditions have been met, while in the event of the cancellation of an option, the cost recorded until that date is released to income on the Income statement.
The fair value of stock options is represented by the value of the option calculated by applying the Black-Scholes model, which takes into account the conditions for exercising the option, the current share price, expected volatility and the risk-free rate, as well as the non-vesting conditions.
The stock options are recorded at fair value with an offsetting entry in the stock option reserve.
The dilutive effect of options not yet exercised is included in the calculation of diluted earnings per share.

Provision for risks and charges and contingent assets
Accruals for the provision for risks and charges are recognised when:
- there is a current legal or implicit obligation resulting from a past event;

- it is likely that the fulfilment of the obligation will require some form of payment;
- the amount of the obligation can be reliably estimated.

Accruals are recorded 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 the timing is significant, and the payment dates of the obligations can be reliably estimated, the accrual is discounted to present value. The change in the related provision over time is allocated to the Income statement under 'Financial income (expenses)'.

Provisions are periodically updated to reflect changes in estimates of cost, timescales and discount rates. Revisions to estimates of provisions are booked to the same income statement item that contains the accrual or, if 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 provisions will be repaid by third parties, the payment is recorded under assets only if it is virtually certain, and the accrual and related repayment are posted to the Income statement.

The Group records purely contingent assets but provides information where there are significant amounts that are highly likely to be realised. The Group records the relevant asset only when the original uncertainty relating to it no longer applies and it is certain that the asset will be realised.

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.

Revenues from sales and services

Revenues are recognised when the customer gains control of the goods. Transfer of control is determined using a five-step analytical model that is applied to all revenues from contracts with customers.

This occurs when the goods are delivered to the customer, who has full discretion over the sales channel and price of the products themselves, and there is no unfulfilled obligation that could affect acceptance by the customer. Delivery takes place when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and the customer has accepted the products in accordance with the sales contract, the terms and conditions of acceptance have expired or the Group has objective evidence that all criteria for acceptance have been met. The Group's revenues mainly include sales of spirits on the market and, to a marginal extent, revenues from co-packing services in some way linked to the Group's core business. In view of the significance of the core business to total Group sales, a breakdown of sales has not been prepared.

Revenues are recognised at the price shown in the contract, net of any estimates of deferred discounts or incentives granted in line with industry practice, for example:

1) volume/value discounts based on cumulative sales above a threshold at the end of a given period;
2) performance-based discounts (such as discounts, rebates, performance bonuses, logistical discounts) based on promotional activities carried out by the customer and agreed in advance;
3) customer incentives, such as discount vouchers, free products, price protection, market development allowances and price reduction allowances (to compensate low sales);
4) product placement allowances (such as contributions for placement and range).

Historical experience is used to estimate deferred discounts/incentives based on agreements with clients, and revenues are recognised only to the extent that it is highly probable that there will be no need for subsequent significant adjustments.

No element of financing is deemed to be present as sales are made with only a brief delay before payment: contracts are not normally entered into where there is more than one year between the transfer of the goods and payment by the customer.

Discounts relating to specific payment terms that lower the Group entity's collection risk or reduce administrative costs and/or improve liquidity (such as payments at the time of sale) are recognised as a reduction in revenue.

A liability reducing the related trade receivable is recognised for deferred discounts due to customers in relation to sales made up to the end of the period. Such liabilities can then be offset against the amounts payable by the customer.

A credit is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group incurs consumption taxes all over the world. In most of the jurisdictions, excise duties are a production tax that becomes payable when the product is removed from the tied estate and is not directly correlated with the sales value. Excise duties are recognised as a cost offset by the revenues deriving from the amounts collected. In line with industry practice, sales are shown in the Group's Income statement net of excise duties.

Recognition of costs and expenses in the Income statement
Costs are recognised in the Income statement when they relate to goods and services consumed during the period.
Personnel costs include stock option plans (in keeping with their largely remunerative nature) allocated to employees, directors and individuals who regularly carry out work for one or more Group companies.
Costs incurred in developing alternative products or processes, or in conducting technological research and development, are considered current costs and expenses in profit and loss in the period in which they are incurred.

Financial income and expenses
Financial income and expenses (including exchange rate differences) are mainly recognised in the Income statement in the year in which they are incurred; recognition in other components of the statement of comprehensive income is governed by the rules of IFRS 9-'Financial Instruments'. Financial expenses that are not capitalised are recognised in the Income statement based on the effective interest method.

Taxes
Current income taxes are calculated on estimated taxable income, and the related payable is recorded under 'Tax payable'.
Current tax payable and receivable are recognised 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. In preparing the above estimates, detailed assessment was also given to uncertainties regarding the tax treatment of transactions carried out by the Group that could give rise to disputes with the tax authorities.
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 financial statements and the corresponding values recognised for tax purposes using the liability method.
Provisions for deferred 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 recorded 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 derecognised.
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.
The balance of any 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 carried out.
Monetary assets and liabilities in foreign currencies are initially translated into Euro at the exchange rate in effect on the transaction date and subsequently converted into Euro at the exchange rate in effect on the reporting date, with the difference in value being posted to the Income statement.
Non-monetary assets and liabilities arising from the payment/collection of a foreign currency advance are initially recognised at the exchange rate in effect on the transaction date and are not subsequently modified to take account of the change in the exchange rate in effect on the reporting date.

Use of estimates
The preparation of the financial statements and related notes in accordance with IFRS requires the management to make estimates and assumptions that have an impact on the value of revenues, with particular reference to deferred costs and incentives, costs, assets and liabilities in the statement of financial position and on disclosures concerning contingent assets and liabilities at the reporting date.
If, in the future, these estimates and assumptions, based on the best valuation currently available, differ from the actual circumstances, they will be amended accordingly at the time the circumstances change.
In particular, estimates are used to identify provisions for risks with respect to receivables, obsolete inventory, depreciation and amortisation, asset impairment, employee benefits, taxes, restructuring provisions and the allocation of other provisions, as well as to determine the duration and incremental interest rate for leasing transactions.
The estimates and assumptions are reviewed regularly, and the impact of any change is reflected in the Income statement.

Goodwill and intangible assets with an indefinite useful life are subject to annual impairment tests to check for any losses in value.
The calculations are based on expected cash flows from the cash-generating units to which the goodwill is attributed, as inferred from multi-year budgets and plans. Growth rate assumptions are applied to the years beyond the plan horizon as well as for discounting.

The initial valuation is revised if a significant event occurs or there is a change in the characteristics that affect the valuation and these are under the Group's control.

The incremental borrowing rates used to evaluate leasing contracts are defined by the Group are revised on a recurring basis and applied to all agreements with similar characteristics; these were considered to be a single portfolio of agreements. The rates are determined using the average effective debt rate of the Parent Company, appropriately adjusted as required by the new accounting rules, to simulate a theoretical interest rate consistent with the agreements being valued. The most important elements considered in adjusting the rate are the credit risk spread of each country observable on the market and the varying durations of the lease agreements. Explicit interest rates in lease agreements are rare.

4. Change in accounting standards

a. IFRS 16-Leases-impacts of first-time adoption
IFRS 16 Leases, published by the IASB on 13 January 2016, supersedes IAS 17 Leases starting from 1 January 2019 and introduces methods of accounting presentation that more appropriately reflect the type of leases in the financial statements. Specifically, IFRS 16 introduces a single model for accounting for leases in the financial statements of lessees, requiring lessees to recognise an asset for the right of use of the underlying asset and a liability for the obligation to make lease payments. Furthermore, the nature of the costs of the above-mentioned leases changes since IFRS 16 replaces the recognition on a straight-line basis of the costs of operating leases with depreciation of the right of use asset and the financial expenses of the liabilities. For the lessor, the accounting treatment methods are similar to those specified in IAS 17, meaning the lessor continue to classify leases as operating or finance leases.

Before 1 January 2019 in accordance with previous IAS 17 Leases, the Group classified each of its leases (as lessee) as either a finance lease or an operating lease, at the inception date. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased asset or, if lower, at the present value of the minimum lease payments. In operating lease, the leased asset was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term.

Regarding first-time adoption of the standard, Campari Group has decided to adopt the modified retrospective approach. Therefore, the figures for the comparative period have not been restated and some simplifications and practical expedients have been applied, as permitted by the standard. The adoption of IFRS 16 had no effect on the opening shareholder's equity at 1 January 2019.

The key assumptions used for the first application of IFRS 16 are summarised below:
- all agreements in effect on 1 January 2019 concerning the use of third-party assets were analyzed in light of the new definition of lease included in the updated accounting rules;
- as part of the analysis performed, the Group also considered arrangements which are not structured as a lease from a legal point of view but could contain a lease based on the new definition of a lease included in IFRS 16; thus, the Group decided not to take advantage of the practical expedient making it possible to identify leases on the basis of analysis already performed pursuant to IAS 17 and IFRIC 4-'Determining Whether an Arrangement Contains a Lease'
- lease agreements of assets with a low unit value (i.e. unit value lower than €5 thousand) and short-term leases (i.e. less than 12 months) were managed separately. Costs relating to these leases, mainly related to IT equipment, will continue to be recognized in the income statement as separately identified operating costs;
- for leasing contracts falling within the scope of application of the new standard, the right of use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued leases payments as well as any lease incentives, received before the 1 January 2019;
- no impact on carrying amounts at 1 January 2019 relating to lease agreements in which the Group acts as lessee and that were classified as finance leases based on IAS 17 was identified, except for their asset's classifications. The previously applied interest rates, the residual value of the financial liabilities and the carrying amounts of the underlying leased assets were confirmed, while the carrying amount of the leased asset were reclassified in the new caption 'right of use';

- only for the not material class of assets 'other', the simplification allowing not to separate payments for the use of the asset (lease component) and payments for services or maintenance (non-lease component) relating to the same asset, has been applied;
- sub-lease agreements, which had been classified as operating leases under IAS 17, were re-analyzed to check their classification as operating or finance leases based on the new rules; the above classification must use the right of use asset of the main lease as a reference rather than the asset underlying the sub-lease agreement;
- lastly, it should be noted that no onerous contracts were identified.

Other practical expedients applied at the transition date were:
- the initial direct costs (including key money) were excluded from measuring the right of use asset at the date of initial application;
- the determination of the lease terms was assessed using hindsight in case the contract contains options to extend or terminate the lease;
- right of use assets and liabilities were not recognized for leases with a residual term less than 12 months.

Discount rate
The key assumptions regarding the definition of the incremental borrowing rate (IBR) on the first-time adoption date of the new standard were as follows:
- a method for estimating IBR was determined, to be applied to all agreements with similar characteristics, which were considered as a single portfolio of agreements. Thus, the Company opted to adopt the practical expedient allowing simplified measurement of this parameter, as permitted by the new standard;
- the starting point for defining the IBR on the first-time adoption date of the new standard is the average borrowing rate for existing loans of the Parent Company at 31 December 2018 with a similar maturity to the average of the agreements being remeasured. This rate was appropriately adjusted, as required by the new accounting rules, to simulate a theoretical incremental borrowing rate consistent with the agreements being measured. In estimating the IBR, the characteristics considered when segregating the agreements in effect at 31 December 2018 included: average remaining term, amount of the financial liability, country where the leased asset is located, and currency of the agreement.

The IBRs applied to discount lease payments at 1 January 2019 are reported below.

Currency	Within 5 years	From 5 to 10 years	Over 10 years
EUR	1.7%	2.6%	3.1%
USD	4.2%	4.6%	4.7%
GBP	2.7%	3.1%	3.3%

The provisional impact disclosed in the consolidated financial statements as of 31 December 2018 has resulted in not material changes, as provided below. It should be noted that the new accounting criteria could be amended up until the submission of the first Group consolidated financial statements for the year (31 December 2019) that includes the first-time adoption date.

Impact on first time adoption

Right of use assets

€ million	1 January 2019
Buildings	66.6
Land	0.3
Machinery	5.7
Vehicles	7.3
IT equipment	0.5
Other	1.0
Total right of use assets	**81.4**

Financial assets and liabilities for leasing and sub-leasing

€ million	Within 12 months	Over 12 months	Total
Financial liabilities for leases:			
Buildings	(9.4)	(64.7)	(74.2)
Land	-	(0.3)	(0.3)
Machinery	(0.8)	(4.8)	(5.7)
Vehicles	(2.7)	(4.6)	(7.3)
IT equipment	(0.2)	(0.3)	(0.5)
Other	(0.3)	(0.7)	(1.0)
Total financial liabilities for leases as of 1 January 2019	**(13.5)**	**(75.5)**	**(89.0)**
Financial asset for leases:			
Buildings	1.9	5.7	7.6

Total financial assets for leases as of 1 January 2019	**1.9**	**5.7**	**7.6**
Total financial assets and liabilities (net value) as of 1 January 2019	**11.6**	**69.8**	**81.4**

Reconciliation between contractual commitments at 31 December 2018 for using third-party assets and financials liabilities for leases at 1 January 2019

	€ million
Operating lease commitments disclosed at 31 December 2018 (*)	**102.8**
Short-term leases and low-value assets leases	(0.6)
Commitments for variable lease payments	(1.2)
Non lease component commitments (rendering of services)	(1.7)
Net value of contractual commitments included in financial liabilities for leases at 1 January 2019	**99.2**
Discounting effect	(17.4)
Financial liabilities for leases as of 1 January 2019	**81.8**

(*) Included in note 46-Commitments and risks of the consolidated financial statements as of 31 December 2018

Reconciliation between assets for right of use and financial assets and liabilities for leasing and sub-leasing from the first time application of IFRS16 accounting principle and overall balance at 1 January 2019

Right of use assets reconciliation

Right of use assets as of 1 January 2019	Preliminary estimated first-time adoption impact	adjustments	IFRS 16 first time adoption	Reclassification of items included in 2018 stated figures (*)	1 January 2019
	€ million	€ million	€ million	€ million	€ million
Buildings	68.5	(0.9)	67.6	(5.7)	61.9
Land	2.0	(1.7)	0.3	-	0.3
Machinery	5.7	-	5.7	-	5.7
Vehicles	6.6	0.7	7.3	1.3	8.6
IT equipment	0.6	-	0.5	-	0.5
Other	1.0	-	1.0	-	1.0
Total right of use assets	**84.3**	**(1.9)**	**82.4**	**(4.4)**	**78.0**

(*) The reclassification refers to lease incentive received before 1 January 2019 and assets under financial lease that were classified respectively in the 'Other current liabilities' and 'Net tangible fixed assets' line items of the consolidated financial statements as of 31 December 2018.

Financial assets and liabilities for leases and sub-leases reconciliation

Financials assets and liabilities for leases and sub-lease as of 1 January 2019	Preliminary estimated first-time adoption impact	adjustments	IFRS 16 first time adoption	Reclassification of items included in 2018 stated figures(*)	1 January 2019
	€ million	€ million	€ million	€ million	€ million
Financial liabilities for leases:					
Within 12 months	(14.7)	1.2	(13.5)	(4.8)	(18.3)
Over 12 months	(76.7)	0.8	(75.9)	(1.0)	(76.9)
Total financial liabilities for leases and sub-lease	**(91.4)**	**1.9**	**(89.4)**	**(5.8)**	**(95.2)**
Financial assets for sub-leases:					
Within 12 months	1.9	-	1.9	0.8	2.6
Over 12 months	5.7	-	5.7	0.8	6.5
Total financial assets for leases and sub-leases	**7.6**	**-**	**7.6**	**1.5**	**9.1**
Financial assets and liabilities for leases and sub-leases (net)	**(83.7)**	**1.9**	**(81.8)**	**(4.3)**	**(86.2)**

(*) The reclassification refers to financial asset and liabilities arising from leasing classified as financial leases as of 31 December 2018 and includes liabilities linked to lease agreement classified in 'Other current liabilities' line items on the consolidated financial statements as of 31 December 2018.

b. Other accounting standards, amendments and interpretations applicable from 1 January 2019

IFRIC 23 interpretation-'Uncertainty over Income Tax Treatments'

IFRIC 23 aims to clarify how to calculate current and deferred taxes when there is uncertainty about the tax treatments adopted by the entity drawing up the financial statements, which may not be accepted by the tax authorities. The application of the interpretation did not have an impact on the measurement of the tax burden as Campari Group already applied IAS 12 in a manner consistent with IFRIC 23.

Amendment to IAS 28-'Investments in Associates and Joint Ventures'

The aim of the changes introduced with this amendment is to clarify that the impairment provisions in IFRS 9-'Financial Instruments', apply to long-term interests in associates and joint ventures. These amendments do not apply to the Group.

Amendment to IAS 19-'Plan Amendment, Curtailment or Settlement'

In this amendment, the IASB clarifies how to calculate pension expenses if there is a change in the defined-benefit plan. The amendment did not generate any impact on the Group's financial position as there had not been any amendments to its existing plans.

The IASB document 'Annual Improvements to IFRS Standards 2015-2017 Cycle' introduced the following changes:

- IFRS 3-'Investments in Associates and Joint Ventures' clarifies that a company must remeasure a previously held interest in a business that meets the definition of a joint operation when it obtains control;
- IFRS 11-'Joint Arrangements' clarifies that a company does not need to remeasure a previously held interest in a joint operation when it acquires joint control of the same;
- IAS 23-'Borrowing Costs' clarifies that when an asset is ready for its intended use or sale, an entity must treat any outstanding borrowing made specifically to obtain that asset as part of the funds that it has borrowed generally.

These amendments do not apply to Campari Group.

Lastly, the amendment to IAS 12-'Income Taxes' clarifies that a company must recognise the income tax consequences of dividends in profit or loss. The Group was already following this interpretation.

c. Accounting standards, amendments and interpretations that have been ratified but are not yet applicable/have not been adopted by the company in advance

The Group is still assessing the impact of these amendments on its financial position or operating results.

Amendment to 'References to the Conceptual Framework in IFRS Standards' (issued on 29 March 2018)
The IASB has published a revised version of the Conceptual Framework for Financial Reporting, with its initial recognition for 1 January 2020. The aim of the amendment is to update the references in various standards and interpretations that have now been superseded.
The main changes relate to:
- a new chapter on measurement;
- better definitions and guidance, with particular regard to the definition of liabilities;
- clarifications of important concepts such as stewardship, prudence and measurement uncertainty;
- clarifications on definitions and recognition criteria for assets and liabilities.

Amendments to IAS 1 and IAS 8 'Definition of Material' (issued on 31 October 2018)
The IASB has published 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' in order to help companies to assess whether information should be included in the financial statements. Information is deemed 'material' if omitting, misstating or obscuring it could influence the decisions of the users of financial statements. The amendments will apply from 1 January 2020. Early adoption is, however, permitted.

Amendments to IFRS 9, IAS 39 and IFRS 7 on 'Interest Rate Benchmark Reform': (issued on 26 September 2019)
The IASB has issued amendments to IFRS 9, IAS 39 and IFRS 7. These amendments provide temporary reliefs allowing hedge accounting to continue to be used in the period of uncertainty leading up to the interest rate reform. The latter concerns the replacement of the current interest rate benchmarks with an alternative risk-free interest rate. These amendments enter into force on 1 January 2020; early application is permitted.

d. Accounting standards, amendments and interpretations not yet ratified

Amendments to IFRS 3 'Definition of a Business' (issued on 22 October 2018)
The IASB has published an amendment to IFRS 3, '*Definition of a Business*', with the objective of helping companies to decide whether a transaction is an acquisition of a business or of a group of assets that does not meet the definition of a business according to IFRS 3-'Business Combinations'. The amendments will apply to acquisitions after 1 January 2020. Early adoption is permitted. The Group did not choose for early adoption.
IFRS 17-'Insurance Contracts' (issued on 18 May 2017) with initial recognition scheduled for 1 January 2021. The standard does not apply to the Group.

5. Seasonal factors

Sales of some Group products are more affected than others by seasonal factors, because of different consumption patterns or consumer habits.
For example, sales of sparkling wines in some markets are concentrated in certain periods of the year, mainly around Christmas.
The Group's commercial risk is higher because the result obtained in these periods can significantly influence the sales result for the full year.
In general, the Group's diversified product portfolio and the geographical spread of its sales help to substantially reduce any risks relating to seasonal factors.

6. Debt management

The Group's debt management objectives are based on its ability to ensure that it retains an optimal level of financial soundness, while maintaining an appropriate level of liquidity that enables it to make an economic

return and, at the same time, access external sources of funding. The Group monitors changes to its net debt/EBITDA adjusted ratio on an ongoing basis.
This multiple was 1.6 times at 31 December 2019 decreasing from 2.0 at 31 December 2018, with same calculation criteria.

7. Business combination (acquisition and sales)

The impact of acquisitions of businesses carried out in 2019 on the Group's net financial debt is summarised below.

	Rhumantilles € million	Ancho Reyes and Montelobos € million	Total € million
Business combination (including post-closing adjustments)	(53.8)	(32.6)	(86.5)
Net financial assets (debt) acquired	(6.7)	3.9	(2.7)
Payables for earn-out	-	(23.9)	(23.9)
Total business combination net value	**(60.5)**	**(52.6)**	**(113.1)**
Of which stated at 31 December 2019:			
Net impact on cash and cash equivalent	(60.5)	(28.7)	(89.2)
Net impact on net financial debt other than cash and cash equivalent	-	(23.9)	(23.9)

On the date that these annual financial statements were approved, based on the process of recognising and restating the information necessary for allocating the purchase prices of the two transactions at the fair value of the respective net assets acquired, the Group carried out the provisional purchase price allocation, that will be finalised within 12 months of the closing date, in compliance with applicable accounting standards.

Acquisition of Trois Rivières and La Mauny French rums

As mentioned in the paragraph 'Significant events during the period', on 1 October 2019 Campari Group completed the acquisition of Rhumantilles S.A.S. ('Rhumantilles'), a French company which own 96.5% of Bellonnie&Bourdillon Successeurs S.A.S., with its headquarters in Martinique. As a result of this acquisition, the companies Distilleries Agricoles De Sainte Luce S.A.S. and Société Civile d'Exploitation Agricole Trois Rivières (both headquartered in Martinique) were also included in the scope of consolidation.
The scope of the transaction included the Trois Rivières and La Mauny brands (strategic brands with premium positioning) and Duquesne (a brand destined for the local market in Martinique), as well as holdings in land, distilleries and visitor centres, and a warehouse for maturing high-quality liquids.

The enterprise value of the deal was €60.5 million (including also the net financial debt acquired).

As admitted by the related accounting standards the provisional purchase price allocation at the fair values of the assets acquired is shown below. It should be emphasised that this allocation is provisional. Once further information about facts and events existing at the closing of the transaction is obtained, recognised and restated, the values calculated could be different from those presented in this report. This analysis will be carried out, in part with the assistance of independent experts, within 12 months of the closing date.
Based on the preliminary analysis performed, goodwill was deemed to be fully reportable due to the synergies expected to be generated by integrating the brands acquired into the Group's commercial structure. The goodwill is not tax-deductible based on the relevant local regulations.

The acquired interests have been consolidated starting from 1 October 2019. However, the signed agreement foresees to maintaining the non-controlling interest with no specific agreed deadline for their liquidation. Given the nature of such interests, it was deemed appropriate to value them at the price paid by the Group, in proportion to the residual stake they own.

The values shown here are explained in the following notes to the financial statements, where they are highlighted as changes in the basis of consolidation in the statement of financial position. Where not expressed in euro, the values were converted at the exchange rate on the closing date of the transaction.

Value at acquisition date	Book values at acquisition date € million	Provisional fair value at 31 December 2019 € million
ASSETS		
Non-current assets		
Net tangible fixed assets	12.2	12.2
Right of use assets	1.3	1.3
Biological assets	1.4	1.4
Trademark	0.6	9.0
Intangible assets with a finite life	0.4	0.4
Deferred tax assets	0.5	0.5
Other non-current assets	0.4	0.4
Total non-current assets	**16.8**	**25.2**
Current assets		
Inventories	18.7	18.7
Biological assets	0.1	0.1
Trade receivables	4.5	4.5
Short-term financial receivables	1.9	1.9
Income tax receivables	0.7	0.7
Other receivables	1.9	1.9
Total current assets	**27.9**	**27.9**
Total assets	**44.8**	**53.1**
LIABILITIES		
Non-current liabilities		
Payables to banks	0.6	0.6
Other non-current financial liabilities	1.3	1.3
Provisions for risks and charges	1.5	1.5
Deferred tax liabilities	(0.1)	2.1
Total non-current liabilities	**3.2**	**5.4**
Current liabilities		
Payables to banks	6.8	6.8
Other financial liabilities	15.9	-
Trade payables	4.7	4.7
Income tax payables	0.1	0.1
Other current liabilities	4.3	4.3
Current liabilities	**31.8**	**16.0**
Total liabilities	**35.1**	**21.4**
Net assets acquired	**9.7**	**31.8**
Non-controlling interests	-	1.9
Goodwill generated by acquisition	-	**24.0**
Enterprise value (a+b)		**60.5**
a) Total cost, of which:	-	**53.8**
- Price paid in cash, excluding ancillary costs	-	54.1
- Price adjustments after closing	-	(0.2)
b) Net financial position acquired, of which:	**22.5**	**6.7**
- Cash, cash equivalent and financial assets	(1.9)	(1.9)
- Financial debt acquired	24.5	8.6

The ancillary costs attributable to the acquisition amounted to €0.5 million and were classified in the income statement under overheads for the period ending 31 December 2019.

Trois Rivières and La Mauny give Campari Group significant critical mass in France, a key region for the brands and set to become one of the Group's strategic areas. Furthermore, with the aim of exploiting future growth potential, Campari Group intends to leverage its business infrastructure in order to undertake new brand development initiatives, which will be assessed after the acquisition.
Taking into account the profitability of the acquired business on the closing date, the Group has provisionally allocated a value of €9.0 million to the aforementioned brands. The allocation value does not reflect the above-mentioned initiatives to develop the brand, which the Group intends to carry out after the acquisition, in line with its strategic plans.

Intangible assets generated by Rhumantilles acquisition	Goodwill € million	Trademark € million	Total € million
Provisional fair value at the date of acquisition	**24.0**	**9.0**	**33.0**
Provisional fair value published at 31 December 2019	24.0	9.0	33.0

Acquisition of the controlling interests in the Ancho Reyes and Montelobos brands
As mentioned in the paragraph 'Significant events during the period', on 20 November 2019 Campari Group completed the acquisition from a group of Mexican entrepreneurs of the controlling stakes in the capital of Licorera Ancho Reyes y Cia S.A.P.I. de C.V. ('Ancho Reyes') and Casa Montelobos S.A.P.I. de C.V. ('Montelobos'), headquartered in Mexico.

The two companies are the owners of the super premium brands Ancho Reyes, a spicy liqueur, and Montelobos, a handcrafted mezcal, respectively.

The total overall consideration was €52.6 million (including the net financial debt acquired), and comprised the following:
- the price paid to acquire 51% of the capital of the two companies totalled €32.6 million (USD35.7 million, converted at the exchange rate effective upon settlement of the payment);
- the payables resulting from the reciprocal call and put options with the previous shareholders of the two companies for the remaining 49%, included among the Group's other financial payables which can be exercised by the counterparties from 2024 and are estimated at a total of €23.9 million (USD26.4 million, converted at the exchange rate effective on the closing date). The options may be exercised from 2024 onwards;
- net positive financial position acquired of €3.9 million.

The provisional purchase price allocation at the fair values of the assets acquired is shown below.
It should be emphasised that this allocation is provisional, as allowed by the applicable accounting standards. Once further information about facts and events existing at the closing of the transaction is obtained, recognised and restated, the values calculated could be different from those presented in this report. This analysis will be carried out, in part with the assistance of independent experts, within 12 months of the closing date.
Based on the preliminary analysis performed, Goodwill was deemed to be fully reportable due to the synergies expected to be generated by integrating the brands acquired into the Group's commercial structure. The goodwill is not tax-deductible based on the relevant local regulations.

The interests acquired on 20 November 2019 and consolidated by the Group starting from 30 November 2019 (since there were no significant changes in the net assets acquired between the two dates), is equal to 100% of the companies following assumption of control on the closing date, also attributable to the simultaneous stipulation of mutual purchase/sale agreements taking the form of put and call options with some of the previous owners for the stake currently in their possession (49% of the two companies). These agreements gave rise to financial payables being recorded in the Group's financial statements. However, the purchase deeds stipulated that non-controlling interests would still exist until the aforementioned financial payables are liquidated. Given the nature of such interests, it was deemed appropriate to value them at the share net of assets attributed to the business acquired based on the aforementioned fair value allocations, excluding goodwill. The financial liability for put and call options, measured at its fair value, was therefore not considered to be one of the components of the purchase price to be allocated to the net assets of the acquired business, and has been recognised as a direct reduction of Group shareholders' equity.

The values shown here are explained in the following notes to the financial statements, where they are highlighted as changes in the basis of consolidation in the statement of financial position. Where not expressed in euro, the values were converted at the exchange rate on the closing date of the transaction.

Value at acquisition date	Book values at acquisition date € million	Provisional fair value at 31 December 2019 € million
ASSETS		
Non-current assets		
Net tangible fixed assets	1.4	1.4
Right of use assets	0.2	0.2
Brand	-	9.8
Intangible assets with a finite life	-	4.1
Deferred tax assets	-	0.1
Total non-current assets	**1.6**	**15.5**
Current assets		
Inventories	2.5	2.5
Trade receivables	3.7	3.5
Cash and cash equivalent	4.1	4.1
Other receivables	1.3	1.3
Total current assets	**11.6**	**11.4**
Total assets	**13.2**	**26.9**
LIABILITIES		
Non-current liabilities		
Other non-current financial liabilities	0.2	0.2
Deferred tax liabilities	-	4.2
Total non-current liabilities	**0.2**	**4.3**
Current liabilities		
Trade payables	5.9	5.9
Other current liabilities	1.1	1.1
Current liabilities	**7.0**	**7.0**
Total liabilities	**7.2**	**11.3**
Net assets acquired	**6.0**	**15.6**
Non-controlling interests	-	**7.7**
Goodwill generated by acquisition	-	**24.7**
Enterprise value (a+b)		**52.6**
a) Total cost, of which:	-	**56.5**
- Price paid in cash, excluding ancillary costs	-	32.4
- Price adjustments after closing	-	0.2
- Liabilities for non-controlling interest purchase	-	23.9
b) Net financial position acquired, of which:	**(3.9)**	**(3.9)**
- Cash, cash equivalent and financial assets	(4.1)	(4.1)
- Financial debt acquired	0.2	0.2

The ancillary costs attributable to the acquisition amounted to €0.7 million and were classified in the income statement under overheads for the period ending 31 December 2019.

The aim of the acquisition is to expand the Group's offer of super premium brands, with significant exposure on the strategic on-premise channel and a specific focus on the key US market, which accounts for around two thirds of sales for both brands. The remaining portion of sales occurs in Mexico, the UK and other international markets. Taking into account the profitability of the business on the closing date, the Group has provisionally allocated a total value of €9.8 million to the acquired brands. The allocation value does not reflect the post-acquisition development initiatives that the Group intends to undertake based on its strategic plans to extract as much value as possible from the Ancho Reyes liqueur, which has great international potential and versatility, making it perfectly placed to capitalise on the growing trend in mixology, and the craft product Montelobos within the premium mezcal segment.

Intangible assets generated by Ancho Reyes and Montelobos acquisition	Goodwill € million	Trademarks € million	Intangible assets with a finite life(*) € million	Total € million
Provisional fair value at the date of acquisition	24.7	9.8	4.1	38.6
Exchange rate effect at 31 December 2019	0.3	0,1	-	0.5
Provisional fair value published at 31 December 2019	**25.0**	**9.9**	**4.1**	**39.1**

(*) Intangible assets with a finite life refers to reacquired rights of products pertaining to the portfolio of brands acquired.

8. Operating segment

The Group's operating businesses are determined on the basis of the results of the operating segments, which are periodically reviewed by the Chief Operating Decision Maker (Chief Executive Officer) to assess performance and inform resource allocation decisions.

Since 2012, the Group has mainly based its management analysis on geographical regions, identified as operating segments that reflect the Group's operating model and current way of working by business unit.

The geographical regions considered are: i) the Americas ii) Southern Europe, Middle East and Africa iii) Northern, Central and Eastern Europe and (iv) Asia-Pacific.

The level of profitability analysed is the result from recurring activities, equal to the operating result before adjustments to operating income and expenses (for a definition of alternative performance indicators, please see the 'Alternative performance indicators' section of the Report on Operations above).
In addition, the profitability of each region reflects the profit generated by the Group through sales to third parties in that region, thereby cancelling out the effects of inter-company margins.

2019	Americas	Southern Europe, Middle East and Africa	Northern, Central and Eastern Europe	Asia-Pacific	Total allocated	Non-allocated items and adjustments	Consolidated
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales to third parties	821.5	498.7	396.1	128.5	1,844.8	-	1,844.8
Net sales between segments	47.4	322.1	17.8	-	387.3	(387.3)	-
Total net sales	**868.9**	**820.8**	**411.5**	**128.5**	**2,229.8**	**(387.3)**	**1,842.5**
Operating result(*)	**165.7**	**73.7**	**122.7**	**14.5**	**376.6**	**-**	**376.6**
Operating result	-	-	-	-	-	-	386.3
Financial income (expenses)	-	-	-	-	-	(73.4)	(73.4)
Share of net profit (loss) of companies accounted for using the equity method	-	-	-	-	-	0.1	0.1
Taxes	-	-	-	-	-	(45.8)	(45.8)
Non-controlling interests	-	-	-	-	-	(149.2)	(149.2)
Group profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**108.3**
Goodwill	**726.9**	**376.3**	**435.1**	**23.5**	**1,390.5**	**-**	**1,561.8**

(*) Including operating adjustments.

2018	Americas	Southern Europe, Middle East and Africa	Northern, Central and Eastern Europe	Asia-Pacific	Total allocated	Non-allocated items and adjustments	Consolidated
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales to third parties	**744.7**	**479.8**	**361.5**	**128.3**	**1,714.3**	**-**	**1,714.3**
Net sales between segments	**28.7**	**319.1**	**17.7**	**0.1**	**365.6**	**(365.6)**	**-**
Total net sales	773.4	798.9	379.2	128.4	2079.9	(365.6)	1,714.3
Operating result(*)	**161.5**	**83.6**	**115.1**	**18.7**	**378.8**	**-**	**380.7**
Operating result	-	-	-	-	-	-	380.7
Financial income (expenses)	-	-	-	-	-	(32.0)	(32.0)
Share of net profit (loss) of companies accounted for using the equity method	-	-	-	-	-	2.3	2.3
Taxes	-	-	-	-	-	(54.5)	(54.5)
Group profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**296.3**
Goodwill	**693.5**	**520.0**	**260.9**	**23.2**	**1,497.6**	**-**	**1,326.4**

(*) Including operating adjustments.

9. Net sales

Consolidated net sales, which almost entirely relate to the sale of spirits products, totalled €1,844.8 million, compared with €1,714.3 million achieved during the previous year. For more detailed analysis of net sales, please refer to the information in the 'Sales performance' section of the Interim Report on Operations.

10. Cost of goods sold

The cost of goods sold is broken down by function and by type in the table below.

	2019	2018
	€ million	€ million
Materials and manufacturing costs	635.7	603.9
Distribution costs	85.6	79.9
Real Estate Management costs	4.23	4.4
Total cost of goods sold	**725.5**	**688.1**
Breakdown by type		
Raw materials and finished goods acquired from third parties	465.8	428.4
Inventory write-downs	5.4	5.4
Personnel costs	74.2	72.7
Depreciation/amortisation	45.3	39.2
Utilities	12.5	13.0
External production and maintenance costs	37.6	35.0
Variable transport costs	62.6	58.0
Other costs	23.9	36.5
Total cost of goods sold	**727.3**	**688.1**

The increase in the cost of goods sold is commented upon in the Report on operations, where the change in these costs as a percentage of sales is analysed. For a breakdown of personnel costs, see note 13 - Personnel costs.

Most of the change in the item Depreciation/amortisation is attributable to the effect of applying IFRS 16-'Leases' (€2.2 million), which introduced depreciation of the right of use asset to replace the recognition of operating lease expenses on an accruals basis.
For more details, see note 4-Changes in accounting standards and note 33-Leases.

11. Overheads

A breakdown of overheads is shown by function and by type in the table below.

	2019 € million	2018 € million
Personnel costs	230.0	209.2
Services, maintenance and insurance	62.2	58.7
Travel, business trip, training and meetings	38.3	33.1
Depreciation/amortisation	29.3	17.5
Expenses for use of third party assets	3.2	14.5
Utilities	1.8	1.7
Agents and other variable sales costs	13.2	12.0
Other overheads	20.2	20.4
Adjustment to overheads:	22.9	(6.5)
Write-down and other restructuring costs	*-*	*14.6*
Expenses for staff restructuring	*8.4*	*11.3*
Accruals for staff restructuring	*1.8*	*11.6*
Accrual (release) for future expenses	*(4.4)*	*2.0*
Consultancies	*12.2*	*-*
Penalty for the termination of distribution relationship	*0.3*	*-*
Fiscal penalties	*0.3*	*-*
Gain on sale of assets	*(2.2)*	*(2.2)*
Gain on business disposal	*-*	*(38.5)*
Capital losses on sale of assets	*-*	*0.1*
Impairment loss on tangible assets	*6.6*	*2.0*
Revaluation of property		*(4.7)*
Other income	*(7.1)*	*(7.2)*
Other expenses	*5.8*	*4.4*
Total overheads	**421.0**	**360.6**

The changes in the items 'Depreciation/amortisation' and 'Expenses for use of assets' are attributable to the application of the new IFRS 16-'Leases' and amount to €10.4 million and €11.9 million respectively. For more details, see note 4-Changes in accounting standards' and note 33-Leases.
The negative elements affecting overheads in 2019 included the costs incurred by the Group for restructuring projects undertaken in the previous year and still ongoing, expenses associated with the completion of business acquisitions and the sale of non-strategic assets, and costs associated with the ongoing enhancement of the distribution structure, as well as initiatives aimed at outsourcing accounting and administrative activities and selected Information Technology services.
The item 'Other income' includes a rebate of indirect taxes following a favourable ruling from the Supreme Federal Court in Brazil.
Other expenses line, includes elements which are not unitary significant.

12. Depreciation and amortisation

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

	2019 € million	2018 € million
- Tangible fixed assets	39.8	35.5
- Right of use	2.2	-
- Intangible fixed assets	3.2	3.6
Depreciation and amortization included in cost of goods sold	**45.3**	**39.2**
- Tangible fixed assets	8.0	8.9
- Right of use	10.4	-
- Intangible fixed assets	10.9	8.6
Depreciation and amortization included in overheads	**29.3**	**17.5**
- Tangible fixed assets	1.1	0.9
- Right of use	1.1	-
- Intangible fixed assets	0.0	0.0
Depreciation and amortization included in advertising and promotional expenses	**2.2**	**0.9**
- Tangible fixed assets	47.3	45.3
- Right of use	13.7	-
- Intangible fixed assets	14.1	12.2
Total depreciation and amortization in the income statement	**76.8**	**57.6**
Total depreciation and amortization	**76.8**	**57.6**

Of the increase in the item, €17.5 million was due to the application of the new IFRS 16-'Leases'. For more details, see note 4-Changes in accounting standards and note 33-Leases.

13. Personnel costs

	2019 € million	2018 € million
Salaries and wages	230.9	214.4
Social security contributions	48.7	46.7
Cost of defined contribution plans	9.3	8.2
Cost of defined benefit plans	0.2	0.4
Other costs relating to mid/long-term benefits	11.2	7.2
Cost of share-based payments	6.9	6.9
Total personnel costs	**307,2**	**283.8**
of which:		
Included in cost of goods sold	*74.2*	*72.7*
Included in overhead	*230.0*	*209.2*
Included in advertising and promotional expenses	*2.8*	*1.9*
Total	**307.2**	**283.8**

Personnel costs are equal at €307.2 million at 31 December 2019 (€283.8 million at 31 December 2018). Their allocation to the cost of goods sold and overheads have analysed in the two previous notes.

14. Research and development costs

The Group's research and development activities related 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.

15. Grants

Operating grants received indirectly by the Group from public institutions for promotional spending on the sparkling wines category totalled €2.1 million in 2019.
Operating grants in support of industrial investments recognized in the income statement are equal to €0.1 million.
Operating grants in support of sugar cane plantations in Martinique were not significant during 2019 given the inclusion of Rhumantilles in the consolidation scope as of the closing date.

16. Financial income and expenses

Net financial expenses for the period break down as follows.

	2019 € million	2018 € million
Net interest payable on bonds	(34.0)	(30.3)
Interest payable on leases	(3.4)	(0.4)
Interest payable to banks	(3.4)	(3.0)
Total interest payable	**(40.8)**	**(33.7)**
Bank term deposit interest	9.0	7.1
Dividends from third parties	2.1	0.1
Valuation SICAV and other financial assets at fair value	1.2	1.9
Other income	4.5	12.1
Total financial income	**16.7**	**21.2**
Net interest on defined benefit plans	(0.5)	(0.4)
Discounting from put option liabilities	(1.1)	2.3
Bank charges	(3.2)	(2.6)
Valuation SICAV and other financial assets at fair value	(47.1)	-
Other charges and exchange rate differences	(0.3)	(8.9)
Total financial expenses	**(51.6)**	**(9.6)**
Income from financial assets	-	1.8
Financial income from audit	5.3	-
Other	0.5	-
Financial income (expenses) adjustments	**5.8**	**1.8**
Hyperinflation effects	**(3.6)**	**(0.5)**
Net financial income (expenses)	**(73.3)**	**(20.8)**

Net financial expenses, which included the effects of exchange rate differences and hyperinflation, stood at €72.4 million, an increase on the previous year's figure of €20.8 million.
The increase is due mainly by fair value's valuation of SICAV and other financial assets owned by the Parent Company equal to € 47.1 million.
The increase in 'Increase payable on leases' was due to the application of IFRS 16 - 'Leases'. The €3.7 million increase in net interest payable on bond loans is mainly due to the positive effect in 2018 of the early termination of IRS agreements and of interest rate hedging on future transactions.

The breakdown on interest payable to bondholders is shown in the table below.

	2019 € million	2018 € million
Financial expenses payable to bondholders	(29.8)	(30.0)
Net changes in fair value and other amortized cost components	(1.9)	(1.8)
Cash flow hedge reserve reported in the income statement during the year	(2.3)	1.4
Net interest payable on bonds	**(34.0)**	**(30.3)**
Financial income (expenses) adjustments	(1.3)	-
Total financial income (expenses) adjustments	**(1.3)**	**-**
Total expenses for bonds	**(35.3)**	**(30.3)**

The average cost of borrowing (which excludes the effects of exchange rate differences and adjustments for financial components) was 4.1%, up slightly on 2018 (3.3%). Of this increase, 0.4% was attributable to application of IFRS 16-'Leases'.

The negative carry on interest generated by cash and cash equivalents compared with interest on existing medium- and long-term debt also contributed to the rise in the average cost of borrowing.

Financial income relating to tax inspections totalled €5.3 million during the year thanks to the favourable outcome of a dispute with the Brazilian tax authorities.

At 31 December 2019, net liabilities of €1.1 million were recorded. These were due to the non-cash effects of discounting the payable for future commitments to purchase the remaining Société des Produits Marnier Lapostolle S.A. shares from the former shareholders to present value.

The impact of applying the methodology to measure the effects relating to the application of IAS 29-'Financial Reporting in Hyperinflationary Economies' had an impact of €3.6 million in 2019.

17. Income taxes

Taxes are calculated based on existing regulations, applying the tax rates in force in each country.

Deferred tax assets and liabilities are calculated each year based on the rates enacted at the time the temporary differences are reversed; appropriate adjustments are made if the rate has changed from previous years, provided that the related law has been substantially enacted at the date on which the financial report is prepared.

The amounts of current and deferred taxes recorded directly in the statement of comprehensive income relate to the effects of the remeasurement of pension funds and the measurement at fair value of cash-flow hedging contracts.

Details of current and deferred taxes included in the Group's income statement and statement of comprehensive income are as follows.

	2019 € million	2018 € million
- current taxes for the year	(110.9)	(47.6)
- current taxes relating to previous years	19.8	(2.2)
- deferred tax expenses	(13.0)	(16.3)
- release for tax risks	58.2	10.2
Taxes recorded in the income statement	**(45.9)**	**(55.9)**
Taxes recorded in the statement of comprehensive income	**2.8**	**2.1**

Taxes for 2019 include a tax benefit of €25.4 million (€26.0 million in the previous year) relating to the Patent Box scheme.

A total of €58.2 million was released from the provisions for tax risks in 2019 owing to the natural end of major tax periods and the revision of risk estimates associated with the tax treatment of Campari Group transactions that may have given rise to disputes with the Italian tax authorities.

Reconciliation of tax expenses
The table below shows a reconciliation of the Group's theoretical tax liability with its actual tax liability.
The theoretical rate used is that in force on the reporting date, based on legal provisions, taking into account the IRES rate of 24.94% applied to the Parent Company.

Tax base differences are included under the permanent differences item.

	2019 € million	2018 € million
Group profit before tax	**303,4**	**355.1**
Applicable tax rate in Luxembourg	24.94%	26.01%
Theoretical Group taxes at current tax rate in Luxembourg	**(75,7)**	**(92.4)**
Difference in tax rate of Group companies	(47.0)	(1.8)
Permanent differences	(3.4)	11.7
Tax incentives	29.1	29.5
Net releases to tax provision	58.2	10.2
Tax on future dividend distributions		-
Taxes relating to previous financial years	(3.3)	(5.4)
Other consolidation differences	(0.9)	(3.9)
IRAP	(2.9)	(3.9)
Actual tax charge	**(45.9)**	**(55.9)**
Actual tax rate	**15.11%**	**15.74%**

Breakdown of deferred taxes by type
Details of deferred tax income/expense and deferred tax assets/liabilities posted to the income statement, the statement of comprehensive income and the statement of financial position are broken down by type below.

	Statement of financial position		Income statement		Statement of comprehensive income	
	31 December 2019 € million	31 December 2018 € million	2019 € million	2018 € million	2019 € million	2018 € million
Deferred expenses	1.2	1.7	(0.4)	-	-	-
Taxed funds	38.3	41.3	(2.4)	(1.0)	0.6	(0.5)
Past losses	15.5	17.3	(2.7)	5.5	-	-
Reclassified in reduction of deferred tax liabilities	(45.4)	(38.8)	-	(0.7)	-	-
Lease	8.3	2.5	(1.2)	-	-	-
Exchange rate effect	-	-	-	-	(0.5)	(1.7)
Other	19.7	14.5	1.9	(6.6)	1.8	2.7
Deferred tax assets	**37.5**	**38.4**	**(4.8)**	**(2.8)**	**1.9**	**0.5**
Accelerated depreciation	(41.5)	(74.8)	35.8	(2.7)	-	-
Gains subject to deferred taxation	(0.3)	(0.3)	-	0.1	-	-
Goodwill and brands deducted locally	(249.4)	(225.8)	(15.8)	(16.5)	-	-
Tax rate changes	-	-	-	(1.5)	-	-
Goodwill Trademark not deductible at local level	(111.3)	(103.4)	(1.6)	(0.8)	-	-
Taxes payable on undistributed profits	(22.7)	(1.0)	(21.8)	-	-	-
Lease	(8.8)	(1.9)	1.4	-	-	-
Reclassification of deferred tax assets	45.4	38.8	-	(0.1)	-	-
Exchange rate effect	-	-	-	-	(2.4)	(6.8)
Other	2.7	0.3	(2.9)	7.9	-	0.1
Deferred tax liabilities	**(386.1)**	**(368.2)**	**(4.8)**	**(13.7)**	**(2.4)**	**(6.7)**
Total	**(348.5)**	**(329.7)**	**(9.7)**	**(16.5)**	**(0.5)**	**(6.3)**

Deferred tax assets in respect of past losses are mainly attributable to Marnier Lapostolle Bisquit SASU, Campari do Brasil Ltda and Campari España S.L.. 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 companies have also begun to use these to offset taxable profit.
Deferred taxes of €21.8 million were recognised over the course of the year, taking into account the tax burden arising from the distribution profit reserves estimated by the Group, pertaining to certain subsidiaries. Dividend payments are scheduled over a medium- and long-term horizon, taking into account the Parent Company's financial requirements and business needs.

The 2019 financial year comprehends tax adjustments of €56.8 million (€43.4 million in 2018). These adjustments include the benefit deriving from the Patent Box regulation for an amount of €25.4 million (€26.0 million in 2018). 2019 is the last year of the five-year period granted for tax relief on the basis of agreements signed with the tax authorities: cumulatively the benefit recognized in the Group's income statements, with reference to the tax years from 2014 to 2019, was equal to €96.2 million. The most significant tax adjustments in the 2019 financial year include: the tax burden relating to the operational and financial adjustments (for more details, see the section of the Alternative Performance Indicators of the management report at 31 December 2019) for an overall impact of €5.4 million, in addition to adjustments related to the prudent revision of the estimates of the risks associated with uncertainties on the tax treatment related to transactions made by the Group for €47.8 million, partially offset by deferred tax costs and linked to the distribution of estimated earnings reserves in to some Group companies of €21.8 million.

18. Net tangible fixed assets

Changes in this item are shown in the table below.

	Land and buildings € million	Plant and machinery € million	Other € million	Total € million
Carrying amount at the beginning of the period	338,8	330,4	178,0	847,2
Accumulated amortization at the beginning of the period	(96,2)	(212,1)	(83,5)	(391,8)
31 December 2018	**242,6**	**118,3**	**94,5**	**455,4**
Perimeter effect for acquisition	5.5	6.1	2	13.6
Reclassification as 'assets held for sale'	-	(1.6)	-	(1.6)
Investments	27.1	20.6	28	75.7
Disposals	(0.3)	(0.2)	(6.4)	(6.9)
Depreciation	(11.3)	(17.6)	(14.1)	(43)
Exchange rate differences and other changes	3.6	(2.7)	5	5.9
31 December 2019	**267.2**	**122.9**	**109**	**499.2**
Carrying amount at the end of the period	382.8	363.8	197.6	944.1
Accumulated amortization at the end of the period	(115.5)	(240.8)	(88.6)	(444.9)

The change in the basis of consolidation relates to the assets arising from the acquisition of Rhumantilles, Ancho Reyes and Montelobos.

Investment in the period (€75.7 million) related to maintenance work carried out on the Group's structures, facilities and offices, equal to €56.4 million and the purchase of barrels for maturing bourbon, rum and whisky (€19.3 million). Disposals, amounting to €6.9 million, mainly related to the sale of barrels for maturing inventory in America.

19. Biological assets

Changes in this item are shown in the table below.

	Assets valued at cost € million
Carrying amount at the beginning of the period	1.3
Accumulated depreciation at the beginning of the period	(0.3)
31 December 2018	**1.0**
Perimeter effect for acquisition	1.4
Investments	2.1
Depreciation	(0.6)
31 December 2019	**3.9**
Carrying amount at the end of the period	7.3
Accumulated depreciation at the end of the period	(3.4)

Totalling €2.1 million, investments referred mainly to agave plantations in Mexico, while perimeter changes were attributable to sugar cane plantations in Martinique.

All residual biological assets at 31 December 2019 are recognised on a cost basis, net of depreciation and impairment. There were no guarantees given to third parties in relation to these fixed assets.

20. Investment property

At 31 December 2019, investment property, totalling €74.2 million, are mainly related to property owned by:

- Parent Company for € 72.3 million related to the property located in Principality of Monaco and Italy;
- Campari Group's investment property totalling €1.1 million referred to non-strategic proprietary buildings that are not closely associated.
- Smaller amounts are related to assets belonging to LG Partners, LLC..
- The change during the year was due to the sale of property belonging to Société des Produits Marnier Lapostolle S.A., specifically the Villa Les Cèdres, which had entered Campari Group's scope as part of the Société des Produits Marnier-Lapostolle S.A. acquisition in 2016 and had been put on sale immediately after the transaction was completed. As stipulated in the agreements with the sellers of Société des Produits Marnier Lapostolle S.A., the Group has transferred to all the former shareholders the gains on the sale of the villa in excess of €80 million as contractually defined and negotiated in compliance with the terms of the Takeover Bid dated 13 May 2016 (as well as €1.8 million relating to the price supplement pertaining to Campari Group, as minority shareholder of Société des Produits Marnier-Lapostolle S.A. at the time of the public purchase offer). The sale did not significantly affect the Group's income statement for the year ended 31 December 2019. For more information, see 'Significant events during the year'.

21. Goodwill and trademarks

Changes during the period are shown in the table below.

	Goodwill	Trademarks with an indefinite life	Trademarks with a finite life	Total
	€ million	€ million	€ million	€ million
Carrying amount at the beginning of the period	1,500.6	1,000.0	38.3	2,538.9
Opening impairment	(3.0)	-	(22.2)	(25.2)
31 December 2018	**1,497.6**	**1,000.0**	**16.1**	**2,513.7**
Perimeter effect for acquisition	48.6	18.8	-	67.4
Depreciation	-	-	(3.7)	(3.7)
Exchange rate differences	15.6	9.7	0.3	25.6
31 December 2019	**1,561.8**	**1,028.5**	**12.7**	**2,603.0**
Carrying amount at the end of the period	1,564.8	1,028.5	36.5	2,631.9
Closing impairment	(3.1)	-	(23.7)	(29.0)

Intangible assets with an indefinite life are represented by goodwill and brands, both deriving from acquisitions. The Group expects to obtain positive cash flow from these assets for an indefinite period of time. Goodwill and brands with an indefinite life are not amortised but are subject to impairment tests at least once a year.
Brands with a finite life included the value of the X-Rated Fusion Liqueur which, in previous years, had suffered impairment losses. In 2015, its useful life was reviewed and determined as a total period of ten years from 2016.
The change in the basis of consolidation comprises increases totalling €67.4 million attributable to the identification of amounts for goodwill (€48.6 million) and brands (€18.8 million) related to the acquisition of Rhumantilles, Ancho Reyes and Montelobos (for more details, see note 7-Business combinations).
Positive exchange rate differences, totalling €25.6 million, arose when the amounts for brands and goodwill, which were recorded in local currency, were adjusted to year-end exchange rates, and due specifically to the appreciation of the US and Canadian dollars.

22. Impairment

For the purpose of verifying the recoverable value of intangible assets with indefinite life (i.e. impairment test), goodwill values were tested at aggregate level based on the values allocated to the four cash-generating units (CGUs), namely, Americas CGU, SEMEA CGU, NCEE CGU and APAC CGU. This structure reflects the lowest level at which goodwill is monitored by the Group and is considered appropriate, given the synergies and efficiencies obtained at regional level. This is in line with the geographical segment reporting structure adopted by the Group, based on its current organisational structure. For brands, the values were tested individually or by combinations of brands acquired.
The approval of the impairment test results by the Board of Directors of Davide Campari-Milano S.p.A. takes place separately and before the financial reports (consolidated and separate) are approved, pursuant to Bank of Italy-Consob-Isvap Document no. 4 of 3 March 2010. As a consequence, the book value of goodwill and trademark (i.e. the amount at which an asset is recognized in the balance sheet) was determined as of 30 September 2019, i.e. the latest available actual figures[2]. The results of such test were valid as of 31 December 2019, given that no events or impairment indicators have arisen that could result in a material reduction of the assets value or recoverable amounts in the fourth quarter of 2019.

Upon the adoption of IFRS 16–'Leases', effective 1 January 2019, lessees must record a right of use asset and a lease liability in their statement of financial position for all lease contracts. Under IFRS 16, these 'new' right-of-use assets are subject to the impairment requirements of IAS 36. Therefore, Campari Group calculated the cash flows for the years 2020 (budget) and 2021-2024 (strategic plans) in compliance with IFRS 16, i.e. including the depreciation of the right of use assets and excluding the lease payments.
After having considered that the majority of the leased assets, in value terms, is represented by contracts likely to be renewed, and having evaluated the limited amount of total right of use assets if compared to total Fixed Assets, when applying the accounting standard in the context of the impairment testing the Group, it is assumed that all the contracts will be automatically renewed in perpetuity.
Moreover, for what concerns the effects generated by the leases renewals according to IFRS 16, for the purposes of the recoverable amount calculation an approach representative of the real cash outflows has been adopted. Particularly, since leases are assumed to be implicitly renewed over the time horizon of the impairment test, the impairment model includes an annual cash out equal to the lease payment as capital expenditure, rather than considering a figurative capex for the full amount of 'new' right of use asset in the year of renewal. Nevertheless, also with the latter approach, the impact was not meaningful, given the limited value of right of use assets.

[2] The book values at 30 September 2019 have been adjusted to preliminarily reflect the effects of the events that occurred between 30 September 2019 and the date of approval of the 2019 impairment test (i.e. the preliminary Purchase Price Allocations relating to the acquisition of Rhumantilles SA, closed on 1 October 2019, and the acquisition of Licoreira Ancho Reyes y Cia S.A.P.I. de C.V. and Casa Montelobos S.A.P.I. de C.V., closed on 20 November 2019).

For the purposes of achieving a consistent calculation of the book values of the CGU, the right of use assets have been included in the carrying amounts. It should be noted that the allocation methodology of the right of use assets to the individual CGU is similar to the methodology applied to other Fixed Assets, i.e. as a proportion of the brand sales identified in each CGU.
With regards to the discount rate (WACC), it should be noted that the effects generated by the adoption of IFRS16 have not been included; in particular, the cost of debt component has been calculated without considering the effects of the same rate deriving from the application of the principle. The long-term group indebtedness is not materially impacted by the application of IFRS 16.
With regards to currencies, it should be noted the projections are determined based on exchange rates to Euros assumed unchanged to the ones used for drafting budget numbers 2020. Although IAS 36 requires that exchange rates are assumed flat to the current fiscal year over the time horizon, the fluctuations of 2020 budgeted currencies are estimated to not have a meaningful impact on future cash flows.

Impairment testing of goodwill

The allocation of goodwill for each CGU is based on the previous allocation values, adjusted to take into account the exchange rate effects and other variations such as perimeter change.
The carrying amounts of the CGUs were determined by allocating, in addition to goodwill, the brand values allocated based on of the profitability achieved by the brand in each CGU, as well as the fixed assets and working capital, which were mainly allocated on the basis of the relevant sales achieved in each CGU.
The recoverable amounts of the CGUs were determined based on a 'value in use' methodology, under which the asset value is measured by discounting the estimated future cash flows generated by the continued use of such asset. Expected cash flows, which were based on the Group's cash flow estimates, were discounted using a post-tax discount rate, reflecting both the time value of money and a further adjustment to include the market risk and the specific risks for the company. The IAS 36 states that, for calculating the 'value in use', pre-tax discount rate and future cash flows should be used. In the impairment test performed, it has been verified that the use of a post-tax approach provides consistent results with the ones which would have been obtained by adopting a pre-tax approach.
Forecasts of cash flows relating to the Group were taken from the 2020 budget and the strategic plans prepared by the Group's subsidiaries in 2019 for the period 2021-2024 and approved by the Board of Directors.
In addition, the five-year cash flow plan was extrapolated on a ten-year basis, assuming a growth rate no higher than the average long-term growth rate for the market in which the Group operates. The use of a ten-year forecast period was justified by the extension of the life cycle of the brands in the reference market, as well as the length of the maturing process of certain brands in some CGUs. Assumptions of future cash flows were made based on conservative approach in terms of both growth rates and operating margin trends expected. In addition, projections were based on reasonableness, prudence and consistency with respect to the allocation of future overheads, trends in capital investment, conditions of financial equilibrium and the main macroeconomic variables. Cash flow projections relate to current operating conditions and therefore do not include cash flows connected with any one-off operations. The main assumptions used in calculating the value in use of the CGUs are the long-term growth rate and discount rate.
Terminal value was determined using the perpetuity growth method of discounting. Specifically, a conservative perpetual growth rate was used that corresponds to the average of consumer price for the period 2020-2024 (source: IMF), assumed to be 2.4% for the Americas CGU, 1.3% for the SEMEA CGU, 1.9% for the NCEE CGU and 2.2% for the APAC CGU. The perpetual growth rate value does not exceed the long-term growth rate of the industry in which the Group operates, consistent with what is required by IAS 36.
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), which depends on the risk associated with the estimate of cash flows. The WACC was determined on the basis of observable indicators and market parameters, the current value of money, and the specific risks connected with the business of the relevant CGU. It should be noted that the calculation of WACC has resulted in line with a set of spirits industry comparable peers. The discount rates used in 2019 impairment test for the four CGUs, are as follows: 6.5% for the Americas CGU 6.9% for the SEMEA CGU, 7.8% for the NCEE CGU and 5.2% for the APAC CGU.

Impairment testing on brands

Impairment testing was performed on brands individually, using the value in use criterion. The recoverable value of the brand was calculated using the multi-period excess earnings method (MEEM).
The MEEM is an earnings-based valuation method. The theoretical premise of the MEEM is that the value of a brand is equal to the current value of the residual cash flows attributable to the asset analysed. According to this method, the relevant earnings attributable to the intangible assets are calculated using the income that the company would record after having deducted the earnings attributable to all the other assets (contributory asset

charge), i.e. deducting from the company's results the remuneration for using other assets that contribute to the generation of such results.
Estimates of income flows generated by individual brands, net of contributory asset charge, and of the terminal value, discounted to present value using an appropriate discount rate, were used to calculate the recoverable value of brands.
Forecasts of income flows come from the 2020 budget and the strategic plans prepared by the Group's subsidiaries in 2019 for the period 2021-2024. In addition, the five-year plan of income flows was extrapolated on a ten-year basis, assuming a growth rate 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 by the extension of the life cycle of the brands in the industry in which the Group operates, and takes into account the length of the maturing process of certain brands. In the case of GlenGrant single malt Scotch whisky, a 15-year time horizon was adopted in consideration of the particularly long ageing required by the production cycle. With particular reference to this brand, the Group has adopted a strategy of re-focusing on the super-premium and higher-margin expressions, with particularly long ageing profile. The benefit of such brand re-positioning is expected to manifest over a much longer time horizon compared with the 10-year period covered by the impairment test model for other brands.[3]
For the purposes of determining the terminal value of each brand, a perpetual growth rate of between 2.0% to 2.3%, that does not exceed the long-term growth estimates for the sector, was used. The discount rates used for the individual brands tested varied from 7.0% to 8.0% and took into account a specific risk premium for the brand in question.
Brands with an immaterial value individually and in aggregate are not subject to impairment testing.

Results of impairment testing[4]
Based on the methodologies and assumptions set out above, the values of goodwill and trademarks at 31 December 2019 were determined to be fully recoverable.
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 brands. Specifically, sensitivity analysis of recoverable values of the individual CGUs and individual brands was carried out based on the assumption of a percentage point increase in the discount rate and a percentage point reduction in the terminal growth rate. An additional sensitivity analysis was carried out based on the assumption of five percentage points increase in the Group tax rate used to calculate post-tax cash flows. The sensitivity analysis described above confirmed that the values of the goodwill and brands are fully recoverable.

Values of goodwill and trademark as of 31 December 2019
The values of goodwill at 31 December 2019 allocated by CGU are shown in the table below.

CGU	31 December 2019 € million	31 December 2018 € million
Americas	726.9	693.5
Southern Europe, Middle East and Africa	547.6	520.0
Northern, Central and Eastern Europe	263.8	260.9
Asia-Pacific	23.5	23.2
Total	**1,561.8**	**1,497.6**

Changes in goodwill values at 31 December 2019 compared with 31 December 2018 are mainly due to positive exchange rate effects of €15.6 million, which were re-allocated proportionally to the individual CGUs, and perimeter change equal to €48.6 million.

[3] It should be noted that, with the purposes of providing an illustrative consistency check with the other trademarks, the impairment test on a 10-year time horizon was carried out for Glen Grant as well with no evidences of impairment losses.
[4] Following the acquisitions of Rhumantilles SA (closed on October 1, 2019) and of Ancho Reyes and Montelobos (closed on 20 November 2019), the related trademark and goodwill values have not been tested analytically based on an impairment test carried out according to the described methodology because they relate to very recent acquisitions with no indication of impairment loss after the closing date. The values allocated on a provisional basis are considered an appropriate representation of the fair values of the brands and goodwill.

The values of brands at 31 December 2019 are shown in the table below.

	31 December 2019 € million	31 December 2018 € million
Grand Marnier	300.7	300.7
Wild Turkey	162.5	159.5
Jamaican Rum Portfolio	104.4	106.6
Glen Grant and Old Smuggler	104.3	104.3
Forty Creek	71.2	66.6
Averna and Braulio	65.5	65.5
Cabo Wabo	63.2	62.0
Frangelico	54.0	54.0
Bulldog	53.0	50.4
X-Rated Fusion Liqueur(1)	12.9	14.7
Riccadonna	11.3	11.3
Others	38.3	19.1
Total	**1,041.4**	**1,014.7**

(1) Asset with finite life. The trademark value amortized over a timeframe of 10 years until 2025.

Changes in brand values at 31 December 2019 compared with 31 December 2018 are mainly due to positive exchange rate effects of €10.0 million and perimeter change equal to €18.7 million.

23. Intangible assets with a finite life

Changes in this item are shown in the table below.

	Software € million	Other € million	Total € million
Carrying amount at the beginning of the period	89.5	22.0	111.5
Accumulated amortization at the beginning of the period	(55.9)	(8.5)	(64.4)
31 December 2018	33.6	13.4	47.0
Perimeter effect for acquisition	-	4.5	4.5
Investments	13.4	0.8	14.2
Disposal	-	(0.1)	(0.1)
Amortisation for the period	(11.2)	(0.8)	(12.0)
Exchange rate differences and other changes	(0.1)	(1.0)	(1.1)
31 December 2019	35.7	16.8	52.4
Carrying amount at the end of the period	102.8	26.1	128.8
Accumulated amortization at the end of the period	(67.1)	(9.3)	(76.4)

Intangible assets with a finite life are amortised on a straight-line basis based on their remaining useful life. The change in perimeter was due to the effects of the acquisitions during the period and related to the recognition of assets resulting from the reacquisition of distribution rights, to be amortised on the remaining contract period of the agreement, which was early closed.
Investment in intangible assets with a finite life during the year, totalling €13.4 million, mainly related to projects to continuously upgrade and integrate the information technology systems currently used by the Group.

24. Investments in affiliates and joint ventures

The Group has a call option on the remaining shares, which represent 60% of the share capital. The Group's interest in the joint venture at 31 December 2019 and changes in this item are shown in the table below.

Name of entity	**Country of business**	**% of ownership interest**	**Nature of relationship**	**Measurement method**	**Currency**	**Carrying amount** € million
Trans Beverages Co. Ltd.	South Korea	40.0%	*Joint venture*	Equity method	KRW	0.5
Reterre GmbH	Deutschland	50.0%	*Joint venture*	Equity method	EUR	0.0
Piga S.r.l.	Italy	50.0%	*Joint venture*	Equity method	EUR	0.5
Total investments in associates and joint-venture						**1.0**

The key financial, asset and income figures for the joint venture are shown in the table below.

Trans Beverages Co Ltd.	31 December 2019 € million	31 December 2019 South Korean Won million
Total assets	6.0	7,804.2
Total shareholders' equity	**1.2**	**1,568.8**
Revenues	8.5	11,049.1
Net income of the period	0.2	280.6

At 31 December 2019, Lagfin through the Campari Group owned 40% of the shares in Trans Beverages Co. Ltd, a joint venture in South Korea, following the signing of an agreement in March 2018 with local partner BNC F&B Co. Ltd.. The purpose of the joint venture is to promote and develop the Group's products in the reference market
Changes to the interests held in affiliates and joint ventures are shown below.

	€ million
31 December 2018	**0.9**
Net income (loss) of the period	0.1
31 December 2019	**1.0**

25. Other non-current assets

This item breaks down as follows:

	31 December 2019 € million	*Of which perimeter effect € million*	31 December 2018 € million
Financial receivables	9.4	-	13.0
Term deposit	5.2	-	4.8
Non-current financial assets	**14.7**	-	**17.8**
Equity investment in other companies	1.3	*0.2*	1.1
Security deposits	1.1	*0.3*	1.1
Other non-current receivables from main shareholders	1.9	-	2.2
Other non-current tax receivables	4.2	-	4.4
Other Securities	133.8		103.7
Other non-current assets	**142.3**	***0.5***	**112.5**
Total other non-current assets	**157.0**	***0.5***	**130.3**

Financial receivables referred mainly to €4.8 million of assets arising from leases and €3.3 million of deposits destined for the acquisition of the remaining shares of J.Wray&Nephew Ltd, pertaining to which the Group has an equal amount of financial payables for put options and earn-outs.

At 31 December 2019, deposits totalling €5.2 million related to a cash investment by the Parent Company in an investment fund valued at mark-to-market. The other non-current tax receivables, totalling €4.2 million, included receivables from the tax authorities due to the Group's Italian companies.

Other Securities mainly includes capital bonds and insurance policies of € 133.8 million.

Please see note 46-'Related Parties' for details of the other relationships.

26. Inventories and biological assets

This item breaks down as follows.

	31 December 2019 € million	*Perimeter effect for acquisition € million*	31 December 2018 € million
Raw materials, supplies and consumables	54.3	*5.2*	45.8
Work in progress	82.4	*12.3*	70.1
Maturing inventory	364.7	-	340.1
Finished products and goods for resale	116.3	*3.8*	109.2
Inventories	**617.7**	***21.2***	**565.3**
Current biological assets	**0.9**	***0.1***	**0.8**
Total	**618.6**	***21.3***	**566.1**

Stocks totalled €617.7 million at 31 December 2019, showing an overall increase of €52.5 million on 31 December 2018. This change is essentially attributable to several factors, as summarised below:

- effects resulting from the acquisition of Rhumantilles, Ancho Reyes and Montelobos, totalling €21.2 million;
- organic increases equal to €23.7 million, of which €19.1 million is due to increases in stocks of maturing inventory, in line with the Group's strategic guidelines.

Current biological assets at 31 December 2019 totalled €0.9 million, being the fair value of the sugar cane and agave harvests that had not yet ripened. This fair value estimate is based on the production costs incurred minus any impairment, calculated on the basis of the estimated revenues from the sale of the harvest minus the costs of cultivation, harvesting and transportation to point of sale. There were no guarantees given to third parties in relation to these inventories. Agricultural produce in Martinique benefits from public grants that were not significant in 2019 given Rhumantilles' inclusion on the scope of consolidation as of the closing date.

Inventories are reported minus the relevant impairment provisions. The changes are shown in the table below.

	€ million
31 December 2018	**(15.0)**
Perimeter effect for acquisition	(0.2)
Accruals (Release)	(1.0)
Utilisation	1.7
Exchange rate differences and other changes	0.2
31 December 2019	**(14.3)**

27. Trade receivables and other receivables

This item breaks down as follow.

	31 December 2019 € million	*Perimeter effect for acquisition € million*	31 December 2018 € million
Trade receivables from external costumers	311.2	*7.9*	277.8
Receivables in respect of contributions to promotional costs	7,2	*-*	8.3
Trade receivables	**318.4**	***7.9***	**286.1**
Advances to suppliers	0.4	*-*	0.4
Advances and other receivables from suppliers	1.1	*0.0*	3.4
Other receivables from tax authorities	20.4	*1.7*	6.8
Receivables from agents and miscellaneous customers	1.0	*(0.0)*	1.7
Prepaid expenses	9.7	*0.1*	12.3
Other receivables from Associates	0.8	*-*	-
Other	10.7	*1.4*	7.7
Other receivables	**44.8**	***3.2***	**32.2**

Trade receivables are shown net of year-end bonuses and payables for promotional costs: this is consistent with the disclosure of revenues on the income statement. In addition, this item is reported net of the related provision for impairment, which reflects the actual risk of uncollectability.
Other receivables from tax authorities, totalling €20.4 million, primarily comprise €15.4 million for VAT, €3.2 million for excise duty and €1.7 million for other taxes. The increase in the current year was due to the beneficial outcome of a tax dispute following a favourable ruling from the Supreme Federal Court in Brazil.

The table below shows receivables broken down by maturity.
In light of the analysis performed on estimated expected future losses (using the expected credit loss method), there were no receivables not yet due and not written down.

31 December 2019	Trade receivables(*) € million	Other receivables(*) € million	Total € million
Not overdue	**235.6**	**28.7**	**264.3**
Overdue	**87.0**	**7.0**	**94.0**
Less than 30 days	44.1	-	44.1
30-90 days	18.1	4.0	22.1
Within 1 year	18.4	3.0	21.4
Within 5 years	5.5	-	5.5
Total receivables broken down by maturity	**322.6**	**35.7**	**358.3**
Amount impaired	(7.5)	(0.7)	(8.3)
Total	**315.0**	**35.0**	**350.0**

(*) This item does not include deferred charges.

31 December 2018	Trade receivables(*) € million	Other receivables(*) € million	Total € million
Not overdue	**192.9**	**8.0**	**201.0**
Overdue	**101.2**	**1.2**	**102.4**
Less than 30 days	64.0	0.2	64.3
30-90 days	24.4	0.7	25.1
Within 1 year	11.9	0.2	12.1
Within 5 years	0.8	0.1	0.9
Total receivables broken down by maturity	**294.1**	**9.2**	**303.3**
Amount impaired	(9.7)	(0.7)	(10.3)
Total	**284.4**	**8.5**	**293.0**

(*) This item does not include deferred charges.

The following table shows the changes in impairment provisions for expected future losses in the period.

	Provisions for expected future losses	
€ million	Trade receivables	Other receivables
31 December 2018	**9.7**	**0.7**
Perimeter effect for acquisition	0.3	-
Accruals	2.3	-
Utilizations	(3.5)	-
Releases	(1.5)	-
Exchange rate differences and other changes	0.2	-
31 December 2019	**7.5**	**0.7**

Utilisations for the year were due to the settlement of lawsuits outstanding from previous years.

28. Current financial receivables

This item breaks down as follows:

	31 December 2019 € million	31 December 2018 € million
Securities and term deposit	**-**	**27.4**
Valuation at fair value of forward contracts	0.2	0.3
Financial assets from associates	-	0.6
Financial asset for leases	2.3	
Other financial assets	5.8	0.8
Other current financial receivables	**8.3**	**1.7**
Current financial receivables	**8.3**	**29.1**

The decrease in the 'Securities and term deposits' item is attributable to the cashing-in of marketable securities that represented a temporary investment of cash.
Financial assets for leases, totalling €2.3 million, related to amounts recognised as a result of applying the new accounting standard IFRS 16-'Leases'. For more information, see note 4-Changes in accounting standards.
The increase in 'Other financial assets' was due primarily to €5.1 million of interest-bearing receivables resulting from the sale of businesses being reclassified to current assets.

29. Current income tax receivables

The current income tax receivables (€ 20.7 million) at 31 December 2019 and (€ 23.7 million) at 31 December 2018 can all be recovered within twelve months.

30. Cash and cash equivalents and reconciliation with net financial debt and with the cash flow statement

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

	31 December 2019 € million	*Perimeter effect for acquisition € million*	31 December 2018 € million
Bank current accounts and cash	566.5	*6.0*	335.6
Term deposit maturing within 3 months	199.0	-	298.0
Investments in company with variable share capital (SICAV)	0.0		15.3
Other securities	85.7		110.7
Cash and cash equivalents	**851.1**	***6.0***	**759.7**

The cash and cash equivalents item comprises 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 market-based rates depending on the currency and period concerned.
Cash and cash equivalents also include securities that are readily convertible into cash, consisting of short-term, highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of a change in value.

Reconciliation with the net financial debt

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

	31 December 2019 € million	31 December 2018 € million
Cash and cash equivalents	851.2	759.6
Cash (A)	**851.2**	**759.6**
Securities	-	27.4
Other current financial receivables	8.3	1.7
Current financial receivables (B)	**8.3**	**29.1**
Current bank payables	(230.1)	(124.8)
Current portion of lease payables	(15.4)	(0.5)
Current portion of bonds	(580.0)	(218.6)
Current payables to Shareholders	(19.5)	(22.0)
Other current financial payables	(35.1)	(15.7)
Current portion of payables for put option and earn-out	(54.0)	(36.6)
Current financial payables (C)	**(934.0)**	**(418.2)**
Net current financial position (A+B+C)	**74.5**	**370.5**
Non-current bank payables	(325.2)	(412.3)
Non-current portion of lease payables	(82.1)	(1.4)
Non-current portion of bonds(**)	(349.4)	(790.8)
Non-current payables to Shareholders	0.0	(24.6)
Other non-current financial payables	(0.5)	(0.7)
Non-current portion of payables for put option and earn-out	(128.8)	(137.7)
Non-current financial debt (D)	**(886.0)**	**(1,367.5)**
Net debt (A+B+C+D)(*)	**(960.5)**	**(997.0)**
Reconciliation with the Group's financial debt, as shown in the Directors'		
Term deposits	5.2	4.8
Non-current financial receivables	9.4	13.0
Group net financial debt	**(945.8)**	**(979.2)**

(**) Including related derivatives.

For all information concerning the items that make up net financial debt excluding liquidity, see note 28-Current financial receivables, note 25-Other non-current assets, note 35-Bonds and other current liabilities and note 36-Payables to banks and other current financial payables.

31. Net assets held for sales

Net assets held for sale are valued at the lower of net book value and fair value less selling costs.

At 31 December 2019, this item included:

- surplus real estate assets relating to a residual portion of the Termoli site (value unchanged from 31 December 2018);
- property in France;
- production assets located in Brazil, including the defunct Sorocaba facility.

	31 December 2018	Reclassification as assets held for sale	Write-off	31 December 2019
Assets	€ million	€ million	€ million	€ million
Net tangible fixed assets	7.8	1.6	(4.1)	5.3
Total assets held for sales	**7.8**	**1.6**	**(4.1)**	**5.3**

32. Leases

The impact of applying accounting standard IFRS 16 - 'Leases' effective 1 January 2019 is provided below. For additional information on the first-time application of the new accounting standard, please refer to the comments in note 4-Changes in accounting standards.
The changes in assets underlying the right of use are indicated in the table below.

	Land and buildings € million	Plant and machinery € million	Other € million	Total € million
1 January 2019	**62.1**	**5.7**	**10.2**	**78.0**
Perimeter effect for acquisition	0.1	-	1.4	1.4
Investments	11.9	1.8	2.1	15.8
Depreciation	(8.4)	(1.0)	(4.3)	(13.7)
Exchange rate differences and other changes	-	-	(0.1)	(0.1)
31 December 2019	**65.7**	**6.5**	**9.3**	**81.5**
Carrying amount at the end of the period	74.2	7.4	14.9	96.5
Accumulated amortization at the end of the period	(8.4)	(1.0)	(5.7)	(15.0)

There are no restrictions or covenants on the right of use assets indicated above.
Increases for the year were mainly related to offices and automobiles.

The average of main IBR applied in 2019 were as follows.

Currency	Within 5 years	From 5 to 10 years	Over 10 years
EUR	1.7%	2.1%	2.7%
USD	3.9%	4.0%	4.1%
GBP	2.8%	2.9%	3.0%

Changes in the lease liabilities and financial receivables are provided in the table below.

Financial liabilities for leases	1 January 2019 € million	Perimeter effect for acquisition € million	Addition € million	Payments € million	Interest expenses € million	Reclassification € million	Exchange rate differences and other changes € million	t 31 December 2019 € million
Within 12 months	(18.3)	-	-	17.4	-	(14.5)	(0.1)	(15.4)
Over 12 months	(76.5)	(1.4)	(15.8)	-	(3.4)	14.5	0.6	(82.1)
Financial liabilities for leases	**(94.8)**	**(1.4)**	**(15.8)**	**17.4**	**(3.4)**	**-**	**0.5**	**(97.5)**

Financial assets for leases	1 January 2019 € million	Perimeter effect for acquisition € million	Addition € million	Collections € million	Interest expenses € million	Reclassification € million	Exchange rate differences and other changes € million	t 31 December 2019 € million
Within 12 months	2.7	-	-	(0.3)	0.3	1.5	(2.0)	2.3
Over 12 months	6.5	-	-	-	-	(1.5)	(0.2)	4.8
Financial assets for leases	**9.2**	**-**	**-**	**(0.3)**	**0.3**	**-**	**(2.1)**	**7.1**

Amounts recognised in the income statement

€ million	31 December 2019 € million
Interest of lease	3.4
Depreciation and amortization on right of use underlying assets	13.7
Variable lease payment not included in measurement of lease liability	6.0
Expense related to short terms leases	0.7
Expense related to leases with low value	2.6

Amounts recognised in the cash flow statement

	31 December 2019 € million	31 December 2018 € million
Total cash outflow for leases	15.8	0.5

Contractual commitments for the use of third-party assets that are not recorded using lease accounting

The following table indicates amounts owed by the Group in future periods broken down by maturities related to contractual commitments for the use of third-party assets that are not recorded using lease accounting.
The amount as at 31 December 2018 included contractual commitments that later fell within the scope of the new standard adopted.
As at 31 December 2019, contractual commitments for the use of third-party assets that are not recorded using lease accounting mainly related to warehouses for storing goods.

The table below shows the amounts owed by the Group in future periods, broken down by maturity, relating to the main contractual commitments for the use of third-party assets.

	31 December 2019 € million	31 December 2018 € million
Within 1 year	7.2	18.1
1-5 years	7.4	43.4
After 5 years	1.2	41.0
Total	**15.7**	**102.4**

33. Consolidated statement of Shareholder's equity

For information on the composition of and changes in shareholders' equity for the periods under review, see the statement of changes in shareholders' equity.

Share capital

At 31 December 2019, the share capital was € 3,717,000 and is divided into 46,465 shares fully paid with par value of Euro 80.00 per share.

Dividends paid and proposed

The parent Company hasn't paid dividends during the year.

Other reserves

	Extraordinary reserve	Capital injection	Capital Grants	Stock option	Cash flow hedging	Foreign currency traslation reserves	Hyperinflation effect reserve	Remeasurement reserve for actuarial effects relating to defined benefit plans	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Balance at 31 December 2017	**15.5**	**86.7**	**51.0**	**11.0**	**(0.3)**	**(41.9)**	**0.0**	**(0.4)**	**121.5**
Cost of stock options for the period	-	-	-	1.0	-	-	-	-	1.0
Losses (profits) reclassified in the income statement	-	-	-	-	(0.4)	-	-	-	(0.4)
Profits (losses) allocated to shareholders' equity	-	-	-	-	(2.9)	-	-	0.7	(2.2)
Tax effect recognised in shareholder's equity	-	-	-	-	0.7	-	-	(0.2)	0.6
Traslation difference	-	-	-	-	-	6.9	-	-	6.9
Effects from hyperinflation accounting standard adoption	-	-	-	-	-	-	3.1	-	3.1
Balance at 31 December 2018	**15.5**	**86.7**	**51.0**	**12.0**	**(2.8)**	**(34.9)**	**3.1**	**0.1**	**130.5**
Cost of stock options for the period	-	-	-	(0.5)	-	-	-	-	(0.5)
Losses (profits) reclassified in the income statement	-	-	-	-	1.9	-	-	-	1.9
Tax effect recognised in shareholder's equity					(0.5)				(0.5)
Profits (losses) allocated to shareholders' equity	-	-	-	-	(5.6)	-	-	(1.6)	(7.2)
Tax effect recognised in shareholder's equity	-	-	-	-	1.3	-	-	0.5	1.9
Traslation difference	-	-	-	-	-	15.4	-	-	15.4
Effects from hyperinflation accounting standard adoption	-	-	-	-	-	-	6.1	-	6.1
Balance at 31 December 2019	**15.5**	**86.7**	**51.0**	**11.5**	**(5.7)**	**(19.5)**	**9.2**	**1.0**	**147.5**

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 42-Stock option plan.
The cash flow hedge reserve contains amounts (net of the related tax effect) pertaining to changes resulting from fair value adjustments of financial derivatives recorded using the cash flow hedging methodology.
For further information, see note 43-Financial instruments-disclosures.
The translation reserve contains exchange-rate differences related to the translation of subsidiaries' financial statements reported in a currency other than the euro, while the hyperinflation reserve includes the impact of measuring the related effects in Argentina.
The remeasurement reserve for actuarial effects relating to defined benefit plans includes the effects of changes to the actuarial assumptions used to calculate the net obligations for defined benefit plans.

34. Non-controlling interests

The non controlling interest, equal to €1,158.3 million (€1,671.2 million at 31 December 2018 and € 1,501.0 million at 31 December 2017) is related to the following consolidated companies with full consolidated method.

Below are changes occurring during the year.

	31 december 2018	Intragroup merger (Alicros)	Perimeter effect for acquisition and liquidation	Reclassification	Exchange rate and other movements	Comprehensive income for the period	Dividend distribution	DCM own shares, stock options and other minor	31 december 2019
Campari Group	1 045 367,8		9 700,0	(8 000,0)	200,0	159 932,3	(27 679,0)	(21 221,6)	1 158 299,4
Alicros S.p.A.	625 789,6	(625 789,6)							-
LG Partners	(259,7)	259,7							-
1403 2nd Avenue LLC	344,5		(344,5)						-
Total	**1.671.242,1**	**(625.529,9)**	**9.355,5**	**(8.000,0)**	**200,0**	**159.932,3**	**(27.679,0)**	**(21.221,6)**	**1.158.299,4**

Below the detail related to Campari Group's Changes.

	31 December 2018 € million	Perimeter effect for acquisition € million	Reclassification € million	Exchange rate and other movements € million
Rhumantilles	-	1.9	-	-
Ancho Reyes and Montelobos	-	7.8	(8.0)	0.2
Non-controlling interest	**-**	**9.7**	**(8.0)**	**0.2**

Non-controlling interests are recognised whenever the portion of a subsidiary's shareholders' equity is not entirely attributable to the Group, directly or indirectly.

The acquisitions of Rhumantilles, Ancho Reyes and Montelobos completed at the end of the year entailed agreements which, in different ways, left a portion of the risks and benefits of the businesses acquired with certain sellers. The share attributable to non-controlling interests, equal initially to €9.7 million, represents the value allocated to these rights. Solely with regard to the acquisition of Ancho Reyes and Montelobos, the existence of cross purchase/sale agreements involving put/call option mechanisms with some of the previous owners for the share they currently hold (equal to 49% of the capital of the two companies) made it necessary to record a financial liability related to the future purchase obligation (see note 36-Bonds and other non-current liabilities) and the simultaneous elimination of the amount recognised under non-controlling interests in favour of the Group's shareholders' equity..

35. Bonds and other non-current liabilities

The breakdown of bonds and other non-current liabilities is as follows:

	31 December 2019 € million	*Of which perimeter effect € million*	31 December 2018 € million
Bond (Eurobond) issued in 2015	-	-	578.7
Bond issued in 2017	200.0	-	200.0
Bond issued in 2019	149.4	-	-
Total current bonds	**349.4**	**-**	**778.7**
Payables and loans due to banks	325.2	*0.6*	412.3
Leases	82.1	*1.4*	1.4
Non current liabilities for hedging derivatives	-	-	12.1
Payables for put option and earn-outs	128.8	-	137.7
Payables to Shareholders			34.0
Other liabilities	0.5		2.0
Non-current financial liabilities	**536.6**	***2.0***	**588.8**
Other non-financial liabilities	**16.2**	-	**12.9**
Other non-current liabilities	**552.8**	***2.0***	**601.7**

Bonds
At 31 December 2019, the Bonds item included the following issues placed by the Parent Company:
- bond issued in 2017 by Davide Campari Milano S.p.A., maturing on 5 April 2022, with a nominal value of €50 million. The bond pays a fixed annual coupon of 1.768%;
- bond issued in 2017 by Davide Campari Milano S.p.A., maturing on 5 April 2024, with a nominal value of €150 million. The bond pays a fixed annual coupon of 2.165%.
- bond issued on 23 April 2019 by the Davide Campari Milano S.p.A., maturing on 30 April 2024, with a nominal value of €150 million. The bond pays a fixed annual coupon of 1.655%. The bond concerned was linked to a cash flow hedge on future transactions, which in 2018 carried a debt balance of €12.1 million for the company. The transaction entailed the liquidation of the derivative's fair value as at the transaction date with the impact reported in the Group's statement of comprehensive income as described in note 43, which should be referred to for further information. The effective interest rate of the bond after including the hedging impact was 2.245%.

The Eurobond 2015, with a residual nominal value of €580.9 million and maturity of 30 October 2020, has been reallocated to the 'Other current financial payables' item (see comment in note 38 below).

The changes recorded in 2019 relating to the effects of the amortised cost of the above bonds were negative at €1.8 million.

Payables and loans due to banks
This item includes euro-denominated loans entered into with leading banks; interest is mainly due at floating market rates.
Specifically, as described in the section 'Significant events during the period', on 31 July 2019, Davide Campari-Milano S.p.A. prepaid the term loan taken out on 3 August 2016 in the nominal amount of €300.0 million and accompanied by a revolving credit facility of €200.0 million; both had original maturities of August 2021.
At the same time a term loan was entered into with a nominal amount of €250.0 million, maturing on 31 July 2024, at an interest rate of 3-month Euribor plus a 1.25% spread.
The transaction entailed incurring non-recurring financial expenses of €1.3 million included in the valuation of the amortised cost of the related financial liability.
The loan was accompanied by a revolving credit facility of the same amount and maturity, at an interest rate of 3-month Euribor plus a 0.75% spread, as well as drawdown fees.
The revolving credit facility had not been used at 31 December 2019.

Leases
This item included the financial liability reflecting the obligation to make lease payments as specified in accounting standard IFRS 16-'Leases'.
For more information, see note 4-Changes in accounting standards.

Payables for put options and earn-outs
At 31 December 2019, the long-term portion of the item 'Payables for put options and earn-outs' included:
- the payable (totalling €105.3 million) arising following agreements signed with members of the former controlling shareholder family of Société des Produits Marnier Lapostolle S.A. aimed at purchasing, by the end of 2021, all remaining shares held by them; the transaction to sell the property Villa Les Cèdres resulted in a liability of €52.7 million due to the Campari Group's commitment to pay a price supplement to all former shareholders of the Société des Produits Marnier-Lapostolle S.A. as at the launch date of the public Tender Offer of 13 May 2016; as at 31 December 2019, a residual payable of €7.9 million was recorded in relation to several members of the former controlling shareholder family (€2.8 million was recorded under the current financial liabilities described in note 37-Payables to banks and other current financial payables). Further details may be found in the 'Significant events during the period' section.
- the estimated payable for put options and earn-outs linked to the Ancho Reyes and Montelobos acquisition totalling €23.5 million payable starting in 2024.

The changes during the year relating to these payables are attributable to the revision of estimates made on the basis of existing contractual agreements, as well as non-cash effects deriving from amortised costs and the reclassification under current payables of the portion due to be paid in 2020.

Other non-financial liabilities
The other non-financial liabilities at 31 December 2019 mainly included medium- to long-term liabilities relating to incentive-based plans accrued on behalf of employees, totalling €9.7 million. They also included medical cover of €3.8 million and profit-sharing benefits for employees of €2.1 million.

36. Payables to banks, bonds and other current financial payables

The table below shows a breakdown of the Group's payables to banks and other current financial payables.

	31 December 2019 € million	*Of which perimeter effect € million*	31 December 2018 € million
Payables and loans due to banks	**230.1**	***6.8***	**124.8**
Current payables to Shareholders	19.5	-	22.0
Other financial liabilities	23.7	-	5.2
Short-term portion of Davide Campari-Milano S.p.A bond (Eurobond) issued in 2012(*)	-	-	218.6
Short-term portion of Davide Campari-Milano S.p.A bond (Eurobond) issued in 2015(*)	580.0	-	-
Accrued interest on bonds	8.7	-	8.9
Leases	15.4	-	0.5
Liabilities on hedging contracts	0.2	-	0.5
Current liabilities for hedge derivatives, not reported using hedge accounting procedures	1.5	-	0.6
Payables for put options and earn-out	54.0	-	36.6
Other financial liabilities	1.0	-	-
Total other financial payables	**703.9**	-	**293.4**

(*) Includes the effects of applying amortised costs.

The main financial liabilities are as follows:

Payables to banks

Short-term payables to banks related to short-term loans or credit facilities used by the Group to obtain additional financial resources.

Bonds

At 31 December 2019, this item included the Eurobond 2015, which was reported with a residual nominal amount of €580.9 million, due on 30 September 2020. The bond pays a fixed annual coupon of 2.75% and the issue price was 99.715% of par, corresponding to a gross return of 2.807%. Negotiations with leading financial institutions are in progress for the restructuring of the maturing debt, based on the actual liquidity needs.

During the year, the Eurobond 2012, which had a residual nominal value of €219.0 million and was set to mature on 25 October 2019, was repaid. The bond paid a fixed annual coupon of 4.50% and the issue price was 99.068% of par, corresponding to a gross return of 4.659%.

Payables for put options and earn-outs

At 31 December 2019, payables for put options related to the following liabilities:

- €3.2 million for the purchase of the residual non-controlling shares in J.Wray & Nephew Ltd, which is secured by Group holdings of restricted cash and cash equivalents;
- €30.1 million for the option to purchase several shares still held by the former shareholders of Société des Produits Marnier Lapostolle S.A. that can be exercised over the next 12 months; this item includes €2.8 million arising after the sale of the property Villa Les Cèdres (see also comments in note 36-Bonds and other non-current liabilities).

On the other hand, payables for earn-outs totalling €20.7 million are wholly related to the estimated payable tied to the Bulldog acquisition.

Leases

This item included the financial liability reflecting the obligation to make lease payments as specified in accounting standard IFRS 16 - 'Leases'.

For more information, see note 4-Change in accounting standards.

37. 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, tax and economic conditions in each country where the Group operates.

The benefits are provided through defined contribution and/or defined benefit plans.

For defined contribution plans, Group companies pay contributions to publicly or privately administered pension funds, based on either legal or contractual obligations, or on a voluntary basis.

The companies fulfil all their obligations by paying said contributions.

At the end of the financial year, any liabilities for contributions to be paid are included in 'Other current liabilities'; the cost for the period is recognised 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 employee indemnity liability (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 contributions accruing from 1 January 2007, which have been allocated to a fund held at the INPS (Italian social security agency) or to supplementary pension funds, are considered to be 'defined contribution plans'.
The portion of the TFR considered as a defined benefit plan consists of an unfunded plan that does not, therefore, hold any dedicated assets. The other unfunded defined benefit plans relate to Marnier Lapostolle Bisquit SASU.
Campari Deutschland GmbH and Campari Schweiz A.G have some funded defined benefit plans in place for employees and/or former employees. These plans have dedicated assets.
The liability for medical insurance in place at 31 December 2019 relates to J. Wray & Nephew Ltd. and offers access to health care provided that employees stay with the company until pensionable age and have completed a minimum period of service. The cost of these benefits is spread over the employee's service period using a calculation methodology similar to that used for defined benefit plans.

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 statement of financial position, 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 the right to reduce its future contributions to the plan, the surplus is reported as a non-current asset, in accordance with IAS 19.

The table below reports changes in the present value of defined benefit obligations, and the fair values of the assets relating to the plan in 2019 and 2018.

€ million	liabilities	assets
Liabilities (assets) 31 December 2018	**39.2**	**(3.7)**
Amounts included in the income statement:		-
- current service costs	0.2	-
- net interest	0.5	(0.1)
- gains/(losses) on regulations implemented	0.1	-
Total	**0.8**	**(0.1)**
Amounts included in the statement of comprehensive income:		-
- gain/(losses) resulting from changes in actuarial assumptions	3.1	-
- changes to plan assets (excluding components already considered in net interest payable)	-	-
- exchange rate differences	0.1	-
Total	**3.2**	**(0.1)**
Other changes:		-
- benefits paid	(1.5)	0.2
- business combination	-	-
- benefits transferred	(0.8)	(0.2)
Total	**(2.3)**	**(0.1)**
Liabilities (assets) 31 December 2019(*)	**41.1**	**(3.9)**

(*) Of which €33.4 million included under Defined benefit plans (note 38); of which €3.8 million included under Other non-current liabilities (note 36).

€ million	liabilities	assets
Liabilities (assets) 31 December 2017	**44.6**	**(3.7)**
Amounts included in the income statement:		-
- current service costs	0.2	-
- net interest	1.1	-
Total	**1.3**	**-**
Amounts included in the statement of comprehensive income:		-
- gain/(losses) resulting from changes in actuarial assumptions	(2.3)	-
- exchange rate differences	0.1	-
Total	**(2.2)**	**-**
Other changes:		-
- benefits paid	(1.9)	0.3
- contribution to the plan by other members	0.1	(0.1)
- contribution to the plan by employees	(0.6)	(0.1)
- benefits transferred	(2.2)	-
Total	**(4.6)**	**(0.1)**
Liabilities (assets) 31 December 2018	**39.2**	**(3.7)**

The table below shows the total changes in obligations for defined benefit plans financed by assets that serve the plan (funded obligations) and the liabilities relating to long-term unfunded benefits. It also includes benefits linked to medical cover, as described above, provided by J. Wray & Nephew Ltd. to its current and/or former employees, and the long-term benefits of the Group's Italian companies (TFR).

Current value of obligations	unfunded obligations		funded obligations		
€ million	pension plans	other liabilities	gross value of pension plans	fair value of assets	net values
Liabilities (assets) 31 December 2018(*)	**30.9**	**3.9**	**4.6**	**(3.7)**	**0.9**
Amounts included in the income statement:					-
- current service costs	0.1	-	0.1	-	0.1
- net interest	0.5	-	0.1	(0.1)	-
- gains (losses) on regulations implemented	-	0.1	-	-	-
Total	**0.6**	**0.1**	**0.1**	**(0.1)**	**0.1**
Amounts included in the statement of comprehensive income:					
- gain (losses) resulting from changes in actuarial assumptions	2.3	-	0.8	-	0.7
- exchange rate differences	-	-	0.1	-	-
Total	**2.3**	**(0.0)**	**0.9**	**(0.1)**	**0.8**
Other changes:					
- benefits paid	(1.5)	0.5	(0.2)	0.2	-
- benefits transferred	(0.2)	(0.8)	0.2	(0.2)	-
Total	**(1.7)**	**(0.2)**	**0.1**	**(0.1)**	**-**
Liabilities (assets) 31 December 2019(*)	**31.7**	**3.7**	**5.6**	**(3.9)**	**1.7**

(*) Of which €33.4 million included under Defined benefit plans (note 38); of which €3.8 million included under Other non-current liabilities (note 36).

Current value of obligations	unfunded obligations		funded obligations		
€ million	pension plans(*)	other liabilities	gross value of pension plans	fair value of assets	net values
Liabilities (assets) 31 December 2017	**33.6**	**6.5**	**4.8**	**(3.7)**	**1.1**
Amount included in the income statement:					
- current service costs	-	0.2	0.1	-	0.1
- net interest	0.4	0.6	0.1	-	0.1
Total	**0.4**	**0.8**	**0.1**	**-**	**0.1**
Amounts included in the statement of comprehensive income:					
- gain (losses) resulting from changes in actuarial assumptions	(1.7)	(0.3)	(0.3)	-	(0.3)
- exchange rate differences	-	-	0.1	-	-
Total	**(1.7)**	**(0.3)**	**(0.2)**	**-**	**(0.3)**
Other changes:					
- benefits paid	(1.6)	-	(0.3)	0.3	-
- *business combination*	-	-	-	-	-
- contribution to the plan by other members	-	-	0.1	(0.1)	-
- - contributions to the plan by employees	-	(0.6)	0.1	(0.1)	-
- benefits transferred	0.3	(2.5)	-	-	-
Total	**(1.3)**	**(3.2)**	**(0.1)**	**0.1**	**-**
Liabilities (assets) 31 December 2018	**30.9**	**3.9**	**4.6**	**(3.7)**	**0.9**

The cost of work provided is classified under personnel costs, financial liabilities on obligations are classified under financial liabilities, and the effects of the recalculation of actuarial impacts are included in the other items of the statement of comprehensive income. The table below shows a breakdown of the values of assets that service the pension plans.

	2019	2018
Equity investment	1.5	1.2
Insurance policies	2.4	2.5
Fair value of assets plan	**3.9**	**3.7**

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

	Unfunded pension plans		Funded pension plans		Other plans	
	2019	2018	2019	2018	2019	2018
Discount rate	0.56%	1,20% -1,63%	0.87%	1,00% -1,77%	6.50%	7.00%
Future salary increases	2,00% -3,00%	3,00%	2.00%	2.00%	-	-
Growth rate of healthcare costs	-	-	-	-	5.00%	5.00%
Expected return on assets	-	-	0.87%	1,77%	-	-
Staff turnover rate	3.39%	2,16% -3,64%	-	-	-	-
Forecast inflation rate	0,80% -2,00%	1.25%	-	-	-	-

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.

Quantitative sensitivity analysis of the significant assumptions used at 31 December 2019 is shown below. Specifically, it shows the effects on the final net obligation arising from a positive or negative percentage change in the key assumptions used.

	Unfunded pension plans			Funded pension plans			Other plans		
	Change in the assumptions	Impact of positive change	Impact of negative change	Change in the assumptions	Impact of positive change	Impact of negative change	Change in the assumptions	Impact of positive change	Impact of negative change
2019									
Discount rate	+\- 0.5%	-3,70% / -4,11%	3,96%/4.44%	+0.5%-1%	-11.4%/-9.11%	+13.7%/+19.8%	-	-	-
Future salary increases	-	-	-	+/-0.50%	2.30%	-2.10%	+/- 0,5%	-7.00%	2.00%
Future pension increases	-	-	-	+/- 0,25%	2.36%	-2.28%	-	-	-
Forecast inflation rate	+\- 0.5%	2,4%/1,63%	-2,3%/-1,58%	-	-	-	-	-	-
Growth rate of healthcare costs	-	-	-	-	-	-	+/- 0.5%	7.00%	-2.00%
2018									
Discount rate	+\- 0.25%-0.5%	-2.92%/-3.47%	+3.07%/-3.70%	+0.5%-1%	-9.%/-10.2%	10.5%/+12.1%	+/- 0,5%	-4.56%	4.76%
Future salary increases	-	-	-	+/- 0.5%	1.80%	-1.70%	-	-	-
Future pension increases	-	-	-	+\-0.25%	2.35%	-2.30%	-	-	-
Forecast inflation rate	+\- 0.5%	2,3%	-2,3%	-	-	-	-	-	-
Growth rate of healthcare costs	-	-	-	-	-	-	+\-1.5%	2.96%	-6.56%

The sensitivity analysis shown above is based on a method involving extrapolation of the impact on the net obligation for defined benefit plans of reasonable changes to the key assumptions made at the end of the financial year.
The methodology and the assumptions made in preparing the sensitivity analysis remain unchanged from the previous year.
Given that pension liabilities have been adjusted on the basis of the consumer prices index, the pension plan is exposed to the inflation rate of the various countries in question, to interest rate risks and to changes in the life expectancy of former employees. Given that the assets servicing the plans mainly relate to investments in bonds, the Group is also exposed to market risk in the related sectors.
The following payments are the expected contributions that will be made in future years to provide for the obligations of the defined benefit plans.

€ million	31 December 2019	Unfunded pension plans	Funded pension plans	Other plans
Within 12 months	1	-	-	
From 1 to 5 years	3	1	2	-
From 5 to 10 years	9	2	4	3
Total	**12**	**3**	**7**	**3**
Average plan duration (years)	**14**	**17**	**15**	**9**

€ million	31 December 2018	Unfunded pension plans	Funded pension plans	Other plans
Within 12 months	2	2	-	-
From 1 to 5 years	12	8	-	4
From 5 to 10 years	10	10	1	-
Total	**24**	**19**	**1**	**4**
Average plan duration (years)	**12**	**15**	**15**	**4**

38. Provisions for risks, future charges and contingent assets

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

	Tax provision € million	Restructuring provisions € million	Agent severance fund € million	Other € million	Total € million
31 December 2018	**80.4**	**16.0**	**1.2**	**21.2**	**118.8**
Perimeter effect for acquisition	-	-	-	1.5	1.5
Accruals	-	1.8	0.3	1.0	3.1
Utilizations	-	(7.5)	(0.2)	(4.3)	(12.2)
Releases	(58.2)	-	-	(5.7)	(63.7)
Exchange rate differences and other changes	0.4	0.1	-	3.6	4.1
31 December 2019	**22.6**	**10.4**	**1.4**	**17.1**	**51.4**
of which estimated outlay:					
- due within 12 months	0.1	10.4	0.1	1.3	11.8
- due after 12 months	22.5	-	1.3	15.9	39.7

At 31 December 2019 the tax provision totalled €22.6 million. Changes during the year mainly reflects the natural closing of fiscally relevant periods, in addition to the revision of estimates related to risks associated with uncertainties over the tax treatment of transactions carried out by the Campari Group that could result in disputes with Italian tax authorities. As a consequence, a release of tax provision of €58,2 million, was recorded.
Changes in the restructuring provisions relate to the Campari Group's reorganisation projects.

Other provisions reflected the recognition by the Davide Campari Milano S.p.A. and subsidiaries of liabilities for various lawsuits, including a legal dispute totalling €13.5 million relating to a distribution agreement.

The information reported below concerns contingent liabilities arising from outstanding disputes, in relation to which the Group did not, however, deem it necessary to make provisions as of the date of this report.

Various disputes are outstanding with the Brazilian tax authorities; however, the Group believes it is unlikely to lose the cases, based on the information available at the date of this report.
At 31 December 2018, one dispute relating to production tax (IPI) was outstanding, in which the tax authorities contested the correct classification of products sold by Campari do Brasil Ltda..
In the first half of 2019, the local administrative authority issued the final ruling in the Group's favour. The total amount relating to the dispute was BRL15.4 million (€3.4 million at the exchange rate on 31 December 2019) plus interest. Based on the above, starting in the next consolidated financial statements, this information will no longer be provided.
As at today's date, a dispute worth BRL6.7 million (€1.5 million at the exchange rate on 31 December 2019) including related penalties is still pending.
Based on the assessments of external legal consultants, the Group believes that the outcome of the dispute will be in favour of the Company. It is therefore deemed unnecessary at present to create a specific provision.
Another outstanding dispute relates to a tax inspection report concerning the payment of ICMS (tax on the consumption of goods and services) with respect to sales made by Campari do Brasil Ltda to four customers in 2000, 2005, 2007 and 2008. The amount specified, including penalties, totalled BRL46.9 million (€10.4 million at the exchange rate on 31 December 2019) plus interest.
The dispute is pending before the administrative court and is not expected to be settled in the near future.
Based on the assessments of external legal consultants, which have appealed the findings of the local tax authorities, the Group believes that the outcome of the dispute will be in favour of the Company. It is therefore deemed unnecessary at present to create a specific provision.
In June 2016, the Company received a tax inspection notice relating to the years 2012 and 2013, alleging non-compliance in the use of a tax benefit relating to the sales of finished products manufactured in the Suape plant. The contested amount is BRL24.5 million (€5.4 million at the exchange rate at 31 December 2019) including the related penalties, plus interest. The Company's lawyers have prepared an appeal that shows compliance with all the requirements laid down in tax law. Based on the advice of its lawyers, the Group continues to believe that there is no reason to make a specific provision.

In December 2015, a claim for compensation totalling USD23 million was notified to subsidiary J.Wray & Nephew Ltd by Algix Jamaica Limited. This company maintained that it had suffered damage to its fish farm due to the waste water from the sugar processing carried out by J.Wray&Nephew Ltd. During the proceedings, to enable the company to continue with its sugar production business, J.Wray&Nephew Ltd was requested to comply with specific new environmental regulations. In 2017, J.Wray&Nephew Ltd. complied with the above-mentioned rules and the sugar production business was therefore authorised. In 2019 a settlement was signed with the other party to settle the dispute, which had no significant financial impact on the Group.

<u>Contingent assets</u>
At 31 December 2019 there were contingent assets resulting from a final ruling issued by the Brazilian court (TFR) related to the right to exclude certain indirect taxes (PIS-COFIN) of ICMS from the calculation base, and the right to offset amounts paid in 2002.
The Group's income statement for 2019 reflected an amount totalling BRL54.5 million (€12.4 million at the average exchange rate for 2019 and including interest) that is the best estimate of the minimum right to reimbursement for the period 2002-2018.
The estimate of the amount of indirect taxes wrongfully paid and officially requested by the Group as compensation is BRL121.0 million (including interest). The difference with respect to the amount reported in the financial statements at 31 December 2019 represent a contingent asset and is due to the application of a valuation methodology that is more favourable for the taxpayer, in relation to which an agreeable opinion from competent Brazilian authorities on this matter has not been received. The Group will record this additional receivable only when the uncertainty relating to the evaluation methodology will no longer applies, and it is certain about the determination method.

39. Trade payables and other current liabilities
40.

	31 December 2019	*Perimeter effect for acquisition*	31 December 2018
	€ million	*€ million*	€ million
Trade payables to third-parties	241.3	*10.5*	216.5
Trade payables	**241.3**	***10.6***	**216.5**
Payables to staff	57.4	*1.9*	67.5
Payables to agents	2.7	*-*	2.3
Deferred income	5.3	*2.0*	13.4
Amounts due to controlling shareholder for Group VAT	0.8	*-*	-
Value added tax	24.2	*0.5*	23.0
Tax on alcohol production	38.6	*0.5*	35.4
Withholding and miscellaneous taxes	6.4	*0.3*	6.6
Other	4.6	*0.1*	6.0
Other current liabilities	**140.0**	***5.5***	**153.4**

Higher exposure to suppliers was mainly due to the perimeter effect resulting from acquisitions made during the year. Payables for capital grants and deferred income relating to these grants break down as shown in the next section.

The maturities for trade payables and other current liabilities are shown below.

	Trade payables	Other payables to third parties	Total
	€ million	€ million	€ million
On demand	5.3	49.7	55.0
Due within 1 year	236.0	90.3	326.3
Due in 3 to 5 years	-	0.1	0.1
Total	**241.3**	**140.0**	**381.3**

41. Income tax payables

The item equal to € 75.5 million (€ 12.9 million at 31 December 2018) is composed by income taxes due within twelve months, net of paid advances and withholding tax.

42. Stock option plan

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

In 2019 Davide Campari-Milano S.p.A. Shareholders' Meeting approved a stock option plan for a total maximum number of options resulting from the ratio of €3,450,000.00 and the strike price for a category of beneficiaries other than members of the Board of Directors for whom no assignment of options was planned during that year.

The options were therefore granted to the individual beneficiaries, with the right to exercise options in the two-year period following the end of the fifth year from the grant date.

The number of options granted in 2019 was 364,400, for the purchase of the same number of shares, with an average allocation price of €8.85, equivalent to the weighted average market price in the month proceeding the day on which the options were granted.

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

	31 December 2019		31 December 2018	
	No. of shares	Average allocation/exercise price (€)	No. of shares	Average allocation/exercise price (€)
Options outstanding at the beginning of the period	60,550,159	3.87	56,402,473	3.32
Options granted during the period	364,400	8.85	11,298,000	6.25
(Options cancelled during the period)	(1,311,080)	4.47	(3,071,673)	3.73

(Options exercised during the period)(*)	(10,314,112)	2.72	(4,078,641)	2.95
(Options expired during the period)	-	-	-	-
Options outstanding at the end of the period	49,289,367	4.13	60,550,159	3.87
of which those that can be exercised at the end of the period	20,796,216	2.96	15,198,854	2.64

(*) The average market price on the exercise date was €8.52.

The average remaining life of outstanding options at 31 December 2019 was 3.1 years (3.9 years at 31 December 2018).
The exercise prices for the options granted each year range as follows.

	Average exercise price
Allocation 2012	2.63
Allocation 2013	2.99
Allocation 2014	3.14
Allocation 2015	3.54
Allocation 2016	4.29
Allocation 2017	6.19
Allocation 2018	6.25
Allocation 2019	**8.85**

The average fair value of options granted in 2019 was €2.10 (€1.24 in 2018).
The fair value of stock options is represented by the value of the option calculated 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, risk-free rate and the non-vesting conditions for the plans.
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 measurement of options issued in 2019 and 2018.

	2019	2018
Expected dividends (€)	0.05	0.05
Expected volatility (%)	22.8%	20.2%
Historic volatility (%)	22.8%	20.2%
Market interest rate	0.20%	0.67%
Expected option life (years)	7.00	7.00
Exercise price (€)	8.85	6.25

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

	Number of own shares		Purchase price (€ million)	
	2019	2018	2019	2018
Balance at 1 January	14,981,958	9,053,113	99.3	55.0
Purchases(*)	9,036,356	10,007,486	75.3	67.5
Disposals	(10,314,114)	(4,078,641)	(65.9)	(23.3)
Final balance	13,704,200	14,981,958	108.7	99.3
% of share capital	1.18%	1.29%		

(*) Purchases do not include positions that have not yet been paid to the intermediary responsible for implementing the share buyback programme.

Sales of own shares during the year, which are shown in the above table at an amount equal to the original purchase cost of €65.9 million, were carried out at the actual market price totalling €28.0 million. The Parent Company reported a negative difference of €37.9 million, which was recorded in shareholders' equity and partially offset by the use of the stock option reserve of €7.9 million.

43. Financial instruments-disclosures

The value of individual categories of financial assets and liabilities held by the Group at 31 December 2019 and 31 December 2018 is shown below. These values have been revised based on the classification rules set out in the accounting standard IFRS 9-'Financial Instruments', and on the business model identified by the Group.

31 December 2019 € million	Measurement at amortized cost	Measurement at fair value through profit and loss	Measurement at fair value with changes recognized in the statement of comprehensive income
Cash and cash equivalents	765.5	85.7	-
Trade receivables	318.4	-	-
Current financial receivables	8.1	-	-
Other non-current financial assets	4.6	5.2	-
Other non-current assets	-	1.3	-
Non-current receivables for lease	4.8	-	-
Payables to banks	(555.2)	-	-
Lease payables	(97.5)	-	-
Bonds	(929.4)	-	-
Accrued interest on bonds	(8.7)	-	-
Debts to Shareholder	(19.5)	-	-
Other financial liabilities	(23.7)	-	-
Put option and earn-out payables	(138.6)	(44.2)	-
Trade payables	(241.3)	-	-
Current assets for hedging derivatives	-	-	0.2
Current liabilities for hedging derivatives	-	-	(0.2)
Non-current liabilities for hedging derivatives, not reported using hedge accounting procedures	-	(1.5)	-
Total	**(912.5)**	**(39.9)**	**-**

31 December 2018 € million	Measurement at amortized cost	Measurement at fair value through profit and loss	Measurement at fair value with changes recognized in the statement of comprehensive income
Cash and cash equivalents	633.8	125.9	-
Trade receivables	286.1	-	-
Current financial receivables	1.4	27.4	-
Other non-current financial assets	13.0	4.8	-
Other non-current assets	-	1.1	-
Non-current receivables for leasing	0.8	-	-
Payables to banks	(536.9)	-	-
Real estate lease payables	(1.9)	-	-
Bonds	(997.3)	-	-
Accrued interest on bonds	(8.9)	-	-
Debts to Shareholder	(46.6)		
Other financial liabilities	(5.9)	-	-
Put option and earn-out payables	(153.7)	(20.6)	-
Trade payables	(216.5)	-	-
Non-current assets for hedge derivatives, not in hedge accounting	-	0.1	-
Current assets for hedging derivatives	-	-	0.3
Non-current liabilities for hedging derivatives	-	-	(12.1)
Current liabilities for hedging derivatives	-	-	(1.0)
Non-current liabilities for hedging derivatives, not reported using hedge accounting procedures	-	(0.6)	-
Total	**(774.6)**	**11.5**	**(12.8)**

44. Financial assets and liabilities

The information below is provided in accordance with IFRS 13-'Fair Value Measurement'.

The models currently used by the Group to measure the fair value of financial instruments provide for the inclusion of counterparty non-performance risk rating components. The method used for determining fair value is described below.

A summary of the financial assets and liabilities, irrespective of the proposed classification based on the applicable business model, together with their book value and corresponding fair value, is shown below.

	Carrying amount		Fair value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	€ million	€ million	€ million	€ million
Cash and cash equivalents	851.2	759.7	851.2	759.7
Assets for hedge derivatives, not reported using hedge accounting	-	0,6	-	0,6
Assets for forex hedge derivatives	0.2	0.3	0.2	0.3
Other short-term financial receivables	8.1	28.8	8.1	28.8
Other non-current financial assets	9.8	17.8	9.8	17.8
Non-current receivables for leasing	4.8	-	4.8	-
Other non-current assets	1.3	1.1	1.3	1.1
Financial assets	**875.4**	**808.3**	**875.4**	**808.3**
Payables to bank	536.9	537.1	536.9	537.1
Lease payables	97.5	1.9	97.5	1.9
Bond (Eurobond)issued in 2012	-	218.6	-	226.5
Bond (Eurobond)issued in 2015	580.0	578.7	593.2	604.2
Bonds issued in 2017	200.0	200.0	209.3	206.0
Bonds issued in 2019	149.4	-	155.2	-
Accrued interest on bonds	8.7	8.9	8.7	8.9
Other financial liabilities	41.4	20.4	41.4	20.4
Non current liabilities for IRS derivatives on future transaction	-	12.1	-	12.1
Current liabilities for derivatives on foreign exchange transactions	0.2	1.0	0.2	1.0
Liabilities for hedging derivatives, not reported using hedge accounting	1.5	0.6	1.5	0.6
Debts to Shareholders	19.5	32.1	19.5	32.1
Payables for put options and earn-outs	182.8	174.3	182.8	174.3
Financial liabilities	**744.1**	**1,785.7**	**772.4**	**1,825.1**

Financial instruments

Fair value of financial instruments:

- for financial assets and liabilities that are liquid or nearing maturity, it is assumed that the carrying amount 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 to present value under the conditions in effect at the end of the year.

Derivatives, valued using techniques based on market data, are mainly interest rate swaps and forward sales/purchases of foreign currencies to hedge both the fair value of the underlying instruments and cash flows.

The most commonly applied valuation methods include 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 analyses financial instruments measured at fair value based on three different valuation levels.

31 December 2019	Level 1 € million	Level 2 € million	Level 3 € million
Assets valued at fair value			
Cash and cash equivalents	-	85.7	-
Other non-current financial assets	5.2	-	-
Other non-current assets	-	1.3	-
Futures currency contracts	-	0.2	-
Liabilities valued at fair value			
Put option and earn-out payables	-	44.2	-
Forward currency contracts	-	0.2	-
Hedging derivatives not reported using hedge accounting procedures	-	1.5	-

31 December 2018	Level 1 € million	Level 2 € million	Level 3 € million
Assets valued at fair value			
Cash and cash equivalents	-	125.9	-
Current financial receivables	27.4	-	-
Other non-current financial assets	4.8	-	-
Futures currency contracts	-	0.3	-
Hedging derivatives not reported using hedge accounting procedures	-	0.1	-
Liabilities valued at fair value			
Put option and earn-out payables	-	20.6	-
Interest rate swap on future transactions	-	12.1	-
Forward currency and interest rate contracts	-	1.0	-

Hedging derivatives not reported using hedge accounting procedures	-	0.6	-

The level 1 valuation for the financial assets in question was derived using methodology based on the NAV, which was obtained from specialist external sources.
The level 2 valuation used for financial instruments measured at fair value is based on parameters such as exchange rates and interest rates, which are quoted on active markets or are observable on official yield curves.
No assets or liabilities were valued using the level 3 method at 31 December 2019.

Financial derivatives
A summary of financial derivatives implemented by the Group at 31 December 2019, broken down by hedging strategy, is shown below.

- Fair value hedging derivatives

At 31 December 2019, the Group has in place contracts for hedging payables and receivables in foreign currency that meet the definition of hedging instruments based on IAS 39.
At 31 December 2019, certain Group subsidiaries held forward contracts on receivables and payables in currencies other than the Euro in their financial statements.
The contracts were negotiated to match maturities with incoming and outgoing cash flows resulting from sales and purchases in individual currencies.
The valuation of these contracts at the reporting date gave rise to the reporting of assets of €0.2 million and liabilities of €0.2 million.
Gains and losses on the hedged and hedging instruments used in all the Group's fair value hedges, corresponding to the above-mentioned contracts, are summarised below.

	31 December 2019 € million	31 December 2018 € million
Gains on hedging instruments	0.2	0.2
Losses on hedging instruments	-	(0.5)
Total gains (losses) on hedging instruments	**0.2**	**(0.3)**
Gains on hedged items	0.2	0.4
Losses on hedged items	(0.3)	(0.7)
Total gains (losses) on hedging instruments	**(0.1)**	**(0.3)**

- Derivatives used for cash flow hedging

The Group uses the following contracts to hedge its cash flows:
- interest rate swaps on the Eurobond issued in 2015. Around the time the loan was granted, the Parent Company entered into an interest rate hedging agreement. This resulted in an initial financial liability of €1.3 million, recorded under comprehensive income or expense and released to the income statement with the cash flows generated by the underlying debt. In 2019, the effect on the income statement was €0.3 million;
- During the year, the net change in fair value related to interest rate swaps hedging the risk of interest rate fluctuations on future transactions involving the signing of new loan agreements, and recorded under components of the statement of comprehensive income, was a negative figure of €11.2 million. The effect on the income statement was €-1.3 million relating to agreements that were terminated earlier than the original maturity. The effect on the income statement for 2019 was €2.0 million relating to interest rate swap hedges signed in previous years and linked to new loan agreements signed in the current year;
- hedging of future sales and purchases in currencies other than the Euro and interest rates on future transactions.

The table below shows when the aforementioned hedged cash flows are expected to be received, as at 31 December 2019. These cash flows only concern interest and have not been discounted.

31 December 2019	Within one year € million	1-5 years € million	Over 5 years € million	Total € million
Cash outflows	0.2	-	-	0.2
Net cash flows	**0.2**	**-**	**-**	**0.2**

31 December 2018	Within one year € million	1-5 years € million	Over 5 years € million	Total € million
Cash outflows	(0,2)	(12,1)	-	(12,3)
Net cash flows	**(0,2)**	**(12,1)**	**-**	**(12,3)**

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

	Gross amount € million	Tax effect € million	Net amount € million
Reserve at 31 December 2018	(12.7)	3.0	(9.7)
Booked to the income statement during the period	3.6	(0.9)	2.7

Recognized in equity during the period	(10.9)	2.6	(8.3)
Reserve at 31 December 2019	**(20.0)**	**4.8**	**(15.2)**

	Gross amount € million	Tax effect € million	Net amount € million
Reserve at 31 December 2017	(1.0)	0.3	(0.7)
Booked to the income statement during the period	(1.4)	0.3	1.1
Recognized in equity during the period	(10.3)	2.4	(7.9)
Reserve at 31 December 2018	**(12.7)**	**3.0**	**(9.7)**

- Hedging derivatives not reported using hedge accounting

It should be noted that hedging derivatives not reported using hedge accounting and valued at €1.5 million are recognised under financial liabilities.
These instruments relate to hedges of future purchases in currencies other than the Euro, in particular Sterling and Dollars.

Non-financial instruments
Fair value of non-financial instruments:
- for fixed biological assets, the cost method net of accumulated depreciation was used to calculate their carrying amount;
- for current biological assets (agricultural produce), the fair value was determined based on the sale price net of estimated sales costs.

Investment property is valued at cost, this being considered a reliable approximation of its fair value.

The tables below detail the hierarchy of financial and non-financial instruments measured at fair value, based on the valuation methods used:
- Level 1: the valuation methods use prices quoted on an active market for the assets and liabilities subject to valuation;
- Level 2: the valuation methods take into account inputs other than the quoted market prices in Level 1, but only those that are observable on the market, either directly or indirectly;
- Level 3: the methods used take into account inputs that are not based on observable market data.

In 2019, no changes were made in the valuation methods applied.

The table below analyses non-financial instruments measured at fair value, which only include biological assets. The change in Level 2 during the two periods being compared was largely due to the sale in 2019 of non-strategic properties for the Group.

31 December 2019	Level 1 € million	Level 2 € million	Level 3 € million
Assets valued at fair value			
Investment properties	-	1.1	-
Biological assets	-	0.9	-

31 December 2018	Level 1 € million	Level 2 € million	Level 3 € million
Assets valued at fair value			
Investment properties	-	122.8	-
Biological assets	-	0.8	-

45. Nature and extent 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 (large-scale retailers, domestic and international distributors) on which credit checks are performed in advance.
Each company carries out an assessment and control procedure for its customer portfolio, which includes constantly monitoring amounts received. In the event of excessive or repeated delays, supplies are suspended.

Historically, losses on receivables represent a very low percentage of revenues and annual outstanding receivables, and significant hedging and/or insurance is put in place where there is uncertainty about cash collection.
Financial transactions are carried out with leading domestic and international institutions, whose ratings are monitored, in order to minimise counterparty insolvency risk.
The maximum risk associated with commercial and financial transactions at the reporting date is equivalent to the net carrying amount of these assets, also taking into account the risk of expected credit loss estimated by the Group using the business model identified.

Liquidity risk

The Group's ability to generate substantial cash flow through its operations allows it to minimise liquidity risk. 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 2019 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 2019	Within 1 year € million	Due in 1 to 2 € million	Due in 3 to 5 € million	Due after 5 years € million	Total € million
Payables and loans due to banks	243,1	11,7	327,6	-	582,4
Bonds	603,5	6,6	368,1	-	978,2
Shareholders loans	39,6	_	-	-	39,6
Lease	19,1	19,0	50,6	23,8	112,5
Other financial payables	1,7	-	-	-	1,7
Total financial liabilities	907,1	37,3	746,3	23,8	1714,4

31 December 2018	Within 1 year € million	Due in 1 to 2 € million	Due in 3 to 5 € million	Due after 5 years € million	Total € million
Payables and loans due to banks	124.8	91.0	321.3	-	537.1
Bonds	249.0	601.0	61.5	153.2	1,064.8
Shareholders loans	7.0	8.5	16.6		32.1
Lease	0.6	0.1	0.3	0.9	1.9
Other financial payables	20.4	-	-	-	20.4
Total financial liabilities	**401.8**	**700.6**	**399.7**	**154.2**	**1,656.3**

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 significant generation 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 and price risk

Market risk consists of the possibility that changes in exchange rates, interest rates or the prices of raw materials or commodities (alcohol, aromatic herbs, sugar, cereals and agave) could negatively affect the value of assets, liabilities or expected cash flows.
The price of raw materials depends on a wide variety of factors, which are difficult to forecast and are largely beyond the Group's control. We cannot rule out the possibility that the emergence of any tensions in this area could lead to difficulties in obtaining supplies, causing costs to rise, which would have negative consequences on the Group's financial results.
The Group is implementing measures aimed at limiting the risk of raw material price fluctuations including through joint agricultural production agreements with local producers, the benefits from which can be derived over the medium term since they are related to natural growing processes.

Interest rate risk

The Group is exposed to the risk of fluctuating interest rates in respect of its financial assets, payables to banks and lease agreements.
The controlled company Davide Campari Milano S.p.A.'s 2015, 2017 and 2019 bond issues pay interest at a fixed rate.
Overall, at 31 December 2019, 73.9% of the Group's total financial debt was fixed-rate debt.

Sensitivity analysis

The table below shows the effects on the Group's income statement of a possible change in interest rates, if all other variables remain 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 with regard to 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 the 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:

		Income statement	
31 December 2019	Increase/decrease in interest rate	Increase in interest rate € million	Decrease in interest rate € million
Euro	+/- 5 basis point	(0.5)	0.5
Dollar	+30/-10 basis point	0.7	(0.3)
Other currencies		0.8	(1.1)
Total effect		**1.0**	**(0.9)**
31 December 2018			
Euro	+/- 5 basis point	(0.6)	0.6
Dollar	+30/-10 basis point	0.5	(0.2)
Other currencies		1.1	(1.5)
Total effect		**1.0**	**(1.1)**

Exchange rate risk
The Group develops its business activities on an international scale, and sales achieved in non-EUR markets are progressively increasing. However, the establishment of Group entities in countries such as the United States, Brazil, Australia, Argentina, Russia and Switzerland allows the exchange rate risk to be partly hedged, given that both costs and income are denominated in the same currency.
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 2019. For these transactions, Group policy is to mitigate the risk by using forward sales or purchases.

Sensitivity analysis
Analysis was performed on the income statement 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 financial statements of translating the financial statements of subsidiaries denominated in a foreign currency following a possible change in exchange rates.
The assumptions adopted regarding 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 sales and purchases in a currency other than the Group's functional currency.
The effects on shareholders' equity are determined by changes in the fair value of forward contracts on future transactions, which are used as cash flow hedges.

		Net equity	
31 December 2019	Increase/decrease in exchange rate	Increase in exchange rate € million	Decrease in exchange rate € million
Dollar	+110/-64 basis point	0.4	(0.4)
Other currencies		0.2	(0.9)
Total effect		**0.6**	**(1.2)**
31 December 2018			
Dollar	+110/-64 basis point	0.8	(0.4)
Other currencies		1.0	(0.1)
Total effect		**1.8**	**(0.5)**

46. Commitments and risks

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

- Existing contractual commitments for the purchase of goods or services

These commitments totalled €292.7 million (€258.5 million at 31 December 2018), of which an amount of €175.3 million falls due by 31 December 2020.
Specifically, the change relative to 2018 was mainly due to commitments arising in 2019 related to initiatives to outsource accounting and administrative activities totalling €46.5 million and commitments related to initiatives to outsource selected Group information technology services totalling €29.0 million at 31 December 2019.
Furthermore, commitments related to the purchase of raw materials, semi-finished goods and merchandise totalling €101.4 million (€134.8 million at 31 December 2018), the purchase of packaging and pallets, amounting to €51.6 million (€61.8 million at 31 December 2018) and the purchase of advertising and promotional services and sponsorships totalling €23.0 million (€33.5 million at 31 December 2018).

- Existing contractual commitments for the purchase of property, plant and equipment, and intangible assets

These commitments totalling €6.8 million (€6.5 million at 31 December 2018) mature by 31 December 2020 and mainly relate to the purchase of property, plant and equipment.

- Other guarantees

The Group has issued other forms of security in favour of third parties, totalling €203.3 million at 31 December 2019 (€189.8 million at 31 December 2018). These mainly include customs guarantees for excise duties totalling €124.8 million (€87.8 million at 31 December 2018) and guarantees for the granting of credit lines totalling €80.4 million (€90.0 million at 31 December 2018).

47. Related parties

Dealings with related parties 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 tables below indicate the amounts for the various categories of transactions entered into with related parties.

	Other financial liabilities	Other non current liabilities
31 December 2019	€ million	€ million
Shareholder loans (Lagfin)	19.5	-
Shareholder loans (Alicros* minority)	20.2	-
Total	**39.7**	**-**
31 December 2018		
Shareholder loans (Lagfin)	20.2	0.2
Shareholder loans (Alicros* minority)	1.8	24.4
Total	**22.0**	**24.6**
31 December 2017		
Shareholder loans (Lagfin)	20.4	-
Shareholder loans (Alicros* minority)	-	34.0
Total	**20.4**	**34.0**

(*) Lagfin S.C.A., Société en Commandite par Actions as of 12 February 2019

48. Employees

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

Business segment	2019	2018
Production	1,373	1,423
Sales and distribution	1,499	1,388
General	839	822
Total	**3,711**	**3,633**
Category	2019	2018
Managers	236	199
White collar	2,462	2,390
Blue collar	1,013	1,045
Total	**3,711**	**3,633**
Region	2019	2018
Italy	847	706
Luxemburg	1	1
Abroad	2,863	2,926

Total	3,711	3,633

49. Directors and general partner

The Directors of the Parent Company's General Partner and of the subsidiary Davide Campari Milano S.p.A. received an aggregate compensation for 2019 amounting to € 8 million. No loans were granted to the Directors and members of the Audit Committee.

50. External Auditor compensation

The external auditor of the Company of the subsidiary Davide Campari-Milano S.p.A. and its subsidiaries, received a compensation for 2019 amounting to € 2 million.

51. Events taking place after the end of the period

Acquisitions and commercial agreements

Joint venture in Japan

On 14 February 2020 the Group entered into agreement to create a joint venture in Japan, CT Spirits Japan Ltd., with a local partner, expert in the food&beverage industry. The aim of the joint venture is to promote and develop the Group's portfolio in this market. The Group maintains the right to purchase the remaining 60% of the share capital of the joint venture, starting from 2023.

Acquisition of Baron Philippe de Rothschild France Distribution S.A.S..

On 28 February 2020, Campari Group completed the acquisition of 100% of French distributor Baron Philippe de Rothschild France Distribution S.A.S. ('RFD'), a wholly-owned subsidiary of Baron Philippe de Rothschild S.A. specialising in the distribution of a diversified portfolio of international premium spirits, wine and champagne brands in France.
RFD is the sole distributor for the French market of the Campari Group's portfolio, currently the main contributor to RFD's sales and growth. With regard to the rest of the portfolio, RFD is the exclusive distributor for the French market of the seller's premium and super premium wines, including the Mouton Rothschild and Mouton Cadet brands. The total acquisition price was €54.6 million (including contractually defined price adjustments and the net financial debt at the closing date). The transaction was financed using the Group's available resources.
In 2019, RFD's total sales were €149.8 million based on local accounting principles (€100.0 million after the reclassification based on International Financial Reporting Standards principles 'IFRS').
The incorporation of the distribution structure of RFD (now called Campari France Distribution S.A.S.) into Campari's network and the possibility of operating directly in France (a high-potential market for the Group) represents a unique opportunity to enhance the focus on its key brands and benefit from the increased critical mass of the aperitifs business and the newly-acquired Trois Rivières and La Mauny premium rhum agricole brands.

Acquisition of Champagne Lallier

On 5 May 2020, Campari Group announced the signing of the agreement with the privately owned French company SARL FICOMA, family holding of Mr Francis Tribaut, for acquiring an 80% interest, with a medium-term route to total ownership, in the share capital of SARL Champagne Lallier and other group companies (jointly as the 'Company').
The Company is the owner of the Champagne brand 'Lallier', which was founded in 1906 in Aÿ, one of the few villages classified as 'Grand Cru' in Champagne, a clear indication of the product's quality.
In 2019 the sales of the Company amounted to around €21 million (under local GAAP), including primarily sales related to Champagne of approximately 1 million bottles, of which close to 700,000 bottles of Lallier. As of 31 December 2019, the book value of the inventories carried by the Company amounted to approximately €21.0 million.
The consideration to be paid is €21.8 million, which represents 80% of the share capital of the Company and is subject to customary price adjustments. The consideration will be financed through available resources and will be paid using cash. The net financial debt of the Company is €21.2 million.
Pursuant to the agreement, the remaining shareholding is subject to customary reciprocal put and call options which can be exercised starting from 2023. Mr. Francis Tribaut will continue in his role as managing director of

Champagne Lallier.
The deal is expected to close during the third quarter of 2020. The transaction scope includes the brands, related stocks, real estate assets (owned and operated vineyards included) and production facilities.
With this acquisition, which marks the entry of the first Italian player in the Champagne category, Campari Group will add a premium and historical champagne brand, Lallier, mainly sold in selected on-trade outlets and bottle shops, further extending its range of premium offerings to this key channel for brand building. Moreover, Campari Group will build further critical mass in the strategic French market where the Group recently started to sell through its own in-market company.

Acquisition of an interest in Tannico S.p.A.

On 5 June 2020 Campari Group announces that it has signed an agreement with all shareholders to acquire a 49% interest in Tannico S.p.A. ('Tannico' or the 'Target').
The transaction structure foresees that Campari Group acquires 39% of the share capital of Tannico and simultaneously subscribes to a reserved capital increase to reach, in aggregate, a 49% shareholding.
Tannico is a major player in online sales of wines and premium spirits in Italy. The overall consideration for the 49% interest is €23.4 million. The consideration will be financed through available resources and will be paid using cash. Pursuant to the investment agreement, Campari Group will have the possibility to increase its interest to 100% starting from 2025, based on certain conditions.

Other significant events

Proposal to transfer the registered office of Davide Campari Milano S.p.A. to the Netherlands and enhancement of current increased voting mechanism
On February 18, 2020 the Board of Directors of Davide Campari-Milano S.p.A. (the Company) resolved to submit to the shareholders the proposal to transfer the Company's registered office to the Netherlands, with simultaneous transformation of the Company into a Naamloze Vennootschap (N.V.) governed by Dutch law with the company name 'Davide Campari-Milano N.V.' (the Transaction).
The transaction is aimed at encouraging a capital structure more supportive of the Group's long-term external growth strategies and rewarding a shareholder base with a long-term investment horizon, in line with the Group's strategic guidance.
Key elements of the transaction are as follows.

- The Transaction entails the transfer of the registered office to the Netherlands and the adoption of the company form known as Naamloze Vennootschap (N.V.) under Dutch law, substantially equivalent to the company form known as Società per Azioni.
- In order to support the Group's growth strategy through consolidation transactions in the global spirits sector, the Transaction envisages enhancing the increased voting rights mechanism currently in force through the adoption of a mechanism based on the assignment of special voting shares.
  - Assignment of 2, 5 and 10 voting rights for each Ordinary Share which is held for 2, 5 or 10 years. The status quo ante for shareholders already holding the increased voting benefit will be maintained through the assignment of Special Voting Shares.
  - Such additional voting rights are subject to the uninterrupted holding of Ordinary Shares. In case of transfer of the Ordinary Shares to which the Special Voting Shares are connected, the benefit of the increased voting shares will be lost.
- Shareholders who do not participate in the adoption of the resolution on the Transaction will be entitled to exercise their withdrawal right.
- The Transaction is subject to the satisfaction (or waiver, as the case may be) of a limited number of conditions precedent, including the amount of cash to be paid to shareholders exercising their withdrawal right not exceeding in aggregate the amount of Euro 150 million (calculated after taking into account the amounts payable by the shareholders exercising their option and pre-emption rights pursuant to applicable laws and by other third parties).
- Lagfin, which today owns 51% of Campari's issued capital and 65.3% of the voting rights, has confirmed its long-term commitment to the Group strategy and prospects and its support to the Transaction; commitment of Lagfin to acquire Campari shares resulting from the exercise of the right of withdrawal (recesso) in the context of the offer and sale process provided for under Italian law up to an aggregate amount of Euro 76.5 million.
- The Company's Ordinary Shares will continue to be listed on the Italian Stock Exchange of Borsa Italiana, while the Special Voting Shares will not be tradable on the Italian Stock Exchange.
- No reorganization of the Group's operational and managerial activities, which will continue to be led by the Company on a continuous and uninterrupted basis. The Company will maintain its own legal status, without

any impact on its legal relationships, including relationships with its employees, which will continue to be governed by Italian law.

- The tax residence will be maintained in Italy.
- No impact on the financial reporting. The financial statements will continue to be prepared in accordance with IAS/IFRS.

It is envisaged that the Transaction will be consummated within the end of July 2020, subject to the satisfaction (or the waiver, as the case may be) of the conditions precedent and the completion of all preliminary formalities of the Transaction.
Further information on the Transaction will be made available by the Company through additional press releases in accordance with the applicable provisions of law. All additional documents required by the applicable laws and regulations in relation to the Transaction (including the Explanatory Report prepared by the Board of Directors, the New Articles of Association and the Terms and Conditions for Special Voting Shares) will be made available to the public within the terms provided by law.

Outbreak of the coronavirus, Covid-19

The global outbreak of the coronavirus (Covid-19) and its consequences for health, lifestyles, social relations and economic activities are now a cause for great alarm about the future impact of the pandemic on the global economic system.
The virus, which was recorded for the first time in China at the beginning of the year, has now spread to the rest of the world. On 11 March 2020, the World Health Organisation (WHO) declared the Covid-19 virus a pandemic after more and more countries reported infections.
The health crisis struck Italy on 21 February 2020, earlier than in other European countries, and is now spreading very aggressively in the American region, particularly in the United States.
In order to contain the spread, the governments of the various countries have introduced progressively more restrictive measures to limit the movements of and contacts between people, as well as the suspension, often total, of productive activities in sectors defined as critical, allowing only essential activities and production to continue.

This includes the beverage sector, logistics services and freight transport. In this environment of significant uncertainty over the duration and spread of the virus and the expected impact on the global economy, the financial markets have reacted negatively, recording very high levels of volatility since the outbreak of the epidemic.
At the same time, all governments, albeit in differing ways, are launching fiscal and monetary responses to support businesses and households, as well as measures designed to restore the confidence of the financial markets.
With reference to Campari Group, the company's priority is, and will continue to be, to guarantee the safety of its employees ('Camparistas') and the continuity of the business. The Group adopted promptly and responsibly all the conduct and safety measures specified by the authorities in its various markets by introducing new protocols, work practices and safety measures. In terms of the production facilities, all the Group's plants and distilleries are currently operational and comply rigorously with the emergency health provisions in force to protect the health of Camparistas and their families.
The Group's aim is to continue to meet client demand and maintain the stocks necessary to tackle the crisis, while at the same time ensuring business continuity. There has been no interruption of supply from our suppliers nor in logistics and freight transport activities.
The pandemic is clearly having negative impacts on the spirits business, starting from the end of first quarter of 2020, given the sector's natural exposure to consumers in the distribution channel represented by bars and restaurants.
The severe restrictions aimed at containing and slowing the spread of the virus through limitations on social contact and convivial gatherings has entailed an almost total closure of the on-premise channel.
Owing to the severe limitations on people's movements, the Global Travel Retail channel has also been heavily affected.
Meanwhile, in all the main markets, home consumption is not currently limited by restrictions on the sale of spirits in the large-scale retail (off-premise) channel, despite the fact that the distribution chains are progressively arranging their warehouse space to tackle short-term priorities in consumption.

The Company has determined that these events are non-adjusting subsequent events for most of its assets. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have been only adjusted to reflect the relevant impact related to the investment in three private equity funds for which an adjustment of approximatively €46.582.776,25 has been considered permanent and recorded, as at December 31, 2019.

Other events

On January 2020 the Group purchased a real estate property in London, UK.
On January 2020 and March 2020 the Group entered into two loan agreements with Mediobanca International (Luxembourg) SA for a total consideration of Euro 30,000,000.
On June 2020 the Group entered into a loan agreement with Compagnie Monegasque de Banque SA for a total consideration of Euro 74,150,000.

Luxembourg, 17 June 2020

Board of Directors

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Independent auditor's report

To the Partners of
Lagfin S.C.A.

Opinion

We have audited the consolidated financial statements of Lagfin S.C.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The General Partner is responsible for the other information. The other information comprises the information included in the consolidated management report but does not include the consolidated financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the General Partner for the consolidated financial statements

The General Partner is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the General Partner determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the General Partner is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the General Partner either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Building a better working world

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Partner.

- Conclude on the appropriateness of the General Partner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

The consolidated financial statements of Lagfin S.C.A. for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 15 July 2019.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Bruno Di Bartolomeo

Luxembourg, 17 June 2020