Lagfin

Campari Group Holding Company

LAGFIN S.C.A.,
SOCIETE EN COMMANDITE PAR ACTIONS
ANNUAL REPORT AT 31 DECEMBER 2020

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Disclaimer
This document was not made available to the public with a signed version, which is retained at Lagfin Group corporate office.

About this report

Note on presentation
This annual report was prepared in in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), as adopted by the European Union. The designation IFRS also includes International Accounting Standards (IAS) as well as all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standard Interpretations Committee (SIC).

Forward-looking statements
This report contains forward-looking statements that reflect management's current view of future development of the Group. In some cases, words such as 'may', 'will', 'expect', 'could', 'should', 'intend', 'estimate', 'anticipate', 'believe', 'outlook', 'continue', 'remain', 'on track', 'design', 'target', 'objective', 'goal', 'plan' and similar expressions are used to identify forward-looking statements that contain risks and uncertainties which are beyond the control of the Group and which call for significant judgment. Should the underlying assumptions turn out to be incorrect or if the risks or opportunities described materialize, the actual results and developments may materially deviate (negatively or positively) from those expressed by such statements. The outlook is based on estimates that Lagfin has made on the basis of all the information available at the time of completion of this annual report.

Factors that could cause the actual results and developments to differ from those expressed or implied by the forward-looking statements are included in the section 'Risk management and Internal Control System' of this annual report. These factors may not be exhaustive and should be read in conjunction with the other cautionary statements included in this annual report. Forward-looking statements made in this report shall be evaluated in the context of these risks and uncertainties.

Lagfin does not assume any obligations or liability in respect of any inaccuracies in the forward-looking statements made in this annual report or for any use by any third party of such forward-looking statements. Lagfin does not assume any obligation to update any forward-looking statements made in this annual report beyond statutory disclosure requirements.

Information on the figures presented
All references in this annual report to 'Euro' and '€' refer to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union.

For ease of reference, all the figures in this annual report are expressed in millions of Euros to one decimal place, whereas the original data is recorded and consolidated by the Group in Euros. Similarly, all percentages relating to changes between two periods or to percentages of net sales or other indicators are always calculated using the original data in Euros. The use of values expressed in millions of Euros may therefore result in apparent discrepancies in both absolute values and data expressed as a percentage.

For information on the definition of the alternative performance measures used, see paragraph 'Alternative performance measures' in the dedicated paragraph of this annual report.

The language of this annual report is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Corporate officers

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

Board of Directors

Vania Baravini	Chairman
Federico Franzina	Director
Massimiliano Seliziato	Director

Independent Auditor

Ernst&Young S.A., Société Anonyme

Building a better
working world

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Independent auditor's report

To the General Partner 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 2020, 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 2020, 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 as adopted for Luxembourg by the CSSF 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 Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for 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.

Building a better working world

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 and those charged with governance 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 relating to the preparation and presentation of the consolidated financial statements, 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.
- 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 General Partner 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 Company'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.

Report on other legal and regulatory requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Bruno Di Bartolomeo

Luxembourg, 30 April 2021

Management report for the year ending 31 December 2020

Group Structure

Lagfin S.C.A., Société en Commandite par Actions (the 'Company' or 'Lagfin' or the 'Parent Company'), with registered office at 3, Rue Des Bains, L-1212 Luxembourg, controls directly:

- Davide Campari-Milano N.V. ('Campari' or 'DCM'), whose shares are listed on the Italian Stock Exchange;
- LG Partners, LLC;
- Portfolio 3, LLC;

and indirectly all Campari's subsidiaries (the 'Campari Group').
Lagfin and its directly and indirectly controlled subsidiaries constitute the 'Lagfin Group' or the 'Group'.

Updates on the coronavirus, Covid-19 outbreak

The year ended 31 December 2020 was one of the most challenging years ever for humanity and the world economy. The significant impact that the unexpected Covid-19 ('Coronavirus') pandemic had on the lives of all people around the world ranks it among the most difficult events in history. Furthermore, its consequences on lifestyles are likely to persist for quite some time, even after its complete defeat. Lagfin Group's full year performance has ultimately been impacted by this very challenging and volatile context, whilst the strength of its assets and the agility and resilience of its brands and business model have safeguarded its results and ability to deliver on its commitments and continue its long-term growth.
The year was characterized by high quarterly volatility in connection with the measures taken to combat the Coronavirus. After the World Health Organization's declaration of Covid-19 as a pandemic, the restrictions imposed around the world to contain the virus spread ('first wave') resulted in a rapid deterioration of the socio-economic and financial situation globally, with a subsequent negative impact on all the markets in which the Group operates, especially in the first and second quarter of the year. During the third quarter 2020, with the progressive lifting of restrictive measures after the lockdown, the Group's business performance benefitted from a recovery in the aperitifs business in its peak summer season for core on-premise markets and from the consumption occasions generated by people spending holidays in their home country rather than abroad ('staycation'), whilst home spirits consumption continued in off-premise skewed regions. After a brief temporary relief over the summer, the impact of the so called 'second wave', which brought with it new, even if generally a little less stringent, restrictions on people's lives and habits across all markets, led to an overall decline in the fourth quarter, focused particularly the on-premise skewed markets.

Although lockdown restrictions are temporary in nature and were gradually being eased across many countries as a result of a gradual improvement in the health crisis, restrictive measures may nonetheless continue over an extended period of time and intensify, depending on how the pandemic develops, including any new waves of the Covid-19 outbreak, and the progression of vaccine administration and its effectiveness. Uncertainty remains as regards the time needed for a full recovery and the economic and social consequences of the crisis despite the support from local government, supranational bodies and EU.

Measures to restrict social contacts have had, and continue to have, detrimental impact on global trade in general. More specifically, with respect to the spirits business, they have had a significant adverse effect on consumption levels, given the sector's natural exposure to consumption in the on-premise distribution channel, mainly represented by bars and restaurants. Over the past months, many on-premise outlets have failed to re-open, and although a considerable number of outlets have expanded their outdoor spaces to give customers a greater sense of security, many people are still cautious and are avoiding public places. Social distancing is also reducing the number of clients that can be served. With restrictive measures remaining in place, each of these factors is likely to continue to impact consumption trends and affect the Group's ability to continue to implement brand building strategies targeting the on-premise channel. Furthermore, the significant reduction in travel resulting from travel restrictions is having an adverse effect on the Group's global retail travel sales.

Nevertheless, in this volatile context, the Group's plants and distilleries continue to be fully operational, while complying with rigorous health and safety protocols. Whilst advocating smart-working as the recommended policy for office-based employees, the Group has put in place stringent measures to ensure a safe return to the workplace, wherever feasible, confirming a strong commitment to and responsible behaviour in complying with the latest regulations and protocols. However, in many parts of the world, new restrictive measures are under consideration, thus making a return to normality highly challenging.

With regard to consumption patterns, based on analyses of sell-out statistics and consumer data, new trends in consumer habits have been detected during the Covid-19 outbreak, which the Group has started to actively leverage. In particular, in new scenarios of forced physical distancing, the human desire to socialise remains strong, with new occasions for consumption developing as consumers attempt to make bar-quality drinks at home. This shift from the on-trade to off-trade channel that is taking place on an unprecedented scale, is impacting the performance of the spirit industry, including the Group's businesses. Home-made cocktail making could be viewed as a new source of entertainment and remote social gatherings, driving increased consumption opportunities in the off-premise channel.
As at-home consumption benefits from social distancing measures affecting out-of-home drinking habits, more and more consumers have shown an inclination to purchase beverages online, which has resulted in a significant increase in e-commerce sales. The strategic relevance of digital transformation and the importance for the Group of reinforcing this channel led the acquisition of a 49% interest in Tannico (the leading online wines and premium spirits platform in Italy), which is an essential part of the digital transformation journey being undertaken across the entire organisation.

The Group is continuing to monitor and evaluate the evolution of the pandemic and its effects on the macroeconomic scenario, on the markets in which it operates, on the behavioural patterns of its consumer base and on the Group's financial position and the results of its operations, despite the objective difficulty in making predictions in a context constrained by numerous and new variables that are beyond the Group's control. Within this radically changed global context, the Group is continuing to confirm its long-term vision. Within a very difficult context, the Group managed to relocate its main subsidiary's legal seat to the Netherlands, add a significant in market company in France, start up a joint venture in Japan, change the route to market in South Africa and restructure the sugar operations in Jamaica. The Group has also shown its solidarity with the communities during this dramatic year by making significant financial and material contributions to worthy causes. Lastly, after the successful completion of the acquisitions of Champagne Lallier, Campari's distribution company in France and the afore mentioned interest in Tannico, on 6 October 2020, Lagfin and Davide Campari-Milano N.V. successfully placed bonds for an amount of, respectively, of €330 million and €550 million, reflecting their excellent business and financial profile as well as their strong reputation in the capital markets. In a period characterised by global macroeconomic volatility, the transactions were highly successful and attracted a geographically well-diversified base of European high-quality investors. It was also a concrete evidence of the Group's commitment to engaging in major projects, mastering new challenges whilst confirming its long-term objectives in terms of business growth and development.
Despite the challenging environment, the Group continues its unrelenting work, building on its assets and brands for the years to come: September 2020 culminated with a celebration of Campari's 160 years of history since its foundation. This was marked by the unveiling, at Campari's headquarters in Sesto San Giovanni (Milan), of a unique work of art, Infinito Campari, a sculpture produced by Oliviero Rainaldi that represents the soul of Campari, exalting its ambition to endure over time, as only art can do.

Main brand-building activities

The brand portfolio represents a strategic asset for the Group. One of the main pillars of the Group's mission is to build and develop its assets and brands. The Group has an ongoing commitment to investment in marketing designed to strengthen 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 new communications tools, especially the digital media channel, which is seen as strategic thanks to its interactive, customisable and measurable properties.

The main marketing initiatives focused on global and regional priority brands, undertaken in full year 2020, are set out below. Since the outbreak of the Covid-19 pandemic the brand-building investments, particularly brand-activation initiatives aimed at consumers and commercial partners in the on-premise and Global Travel Retail channels, have been reshaped and mainly refocused on digital activations. With the gradual reopening of the on-premise channel and relaxing of emergency containment, initiatives previously suspended during lockdown were resumed on a selected basis and were managed in a very flexible manner in light of the changing initiatives aimed at the continuous containment of the pandemic.

As a result of the restrictive measures gradually introduced to fight the pandemic, the Group's visitor centres around the world were temporarily closed. Some of them gradually reopened in June 2020, although with reduced opening hours, limited tours and experiences and rigorous compliance with the emergency health measures in force to protect the health of both employees and guests.

Global priority brands

Aperol

Overall, throughout 2020 in the context of the Covid-19 outbreak, several successful **charity initiatives** were promoted by Aperol under '**Together we Can**', involving donations to good causes in Italy while maintaining an active involvement of the audience and strengthening the concept of Togetherness. Moreover, **Aperol digital experiences** were implemented across markets to entertain people with the positive and light-hearted mood of Aperol Spritz.

The initiatives aimed at reinforcing home consumption of Aperol Spritz by educating consumer on the perfect serve and by strengthening the link with food, included the **Together We Can Cook** activity in November 2020, launched in Italy and supported by renowned Italian chefs and prompting users to test their creative cooking skills and show they can make a perfect aperitif with Aperol Spritz. The strategy, aimed at spreading the Aperol Spritz as a 365 days a year relevance cocktail as well as increasing the moments of consumption during the day, was developed in the United States, where, in October, the **#AperolLovesPizza** campaign was launched through public relations partnerships. The same kinds of initiative were launch in parallel in various geographies: in Germany in November 2020, with the activity **Indulgence @Home Activation** aimed at connecting Aperol with Italian food and supported by exclusive media partners, to inspire readers by indulging storytelling; in Argentina in November 2020 with the **#brunchearspritz** campaign, launched to position the cocktail as the ideal aperitif for pairing with any brunch; in France in December 2020, through traditional media, such as out-of-home placements and radio, to associate indisputably Aperol to the spritz, to communicate about the recipe and drive **brand awareness** and to bring it to mind. In September 2020, **out-of-home placements** were secured in the United States, specifically in New York and Los Angeles; muralists were hired to paint Aperol postcards incorporating scenes from notable Italian locations and aimed at promoting the brand heritage and provenance while connecting with consumers who were missing their vacations.

In August 2020, the **Aperol Spritz O Meter** campaign was launched in the United Kingdom to celebrate the national Prosecco Day. The campaign aimed at engaging and educating the British on the perfect Aperol Spritz to serve using a simple key visual, showing the wrong ways in which an Aperol Spritz is commonly made.

In July 2020, an edutainment content was launched in Italy to teach the consumers about Aperol Spritz perfect serve, leveraging on the rotation filming technique. The users, connecting to **#AperolSpritzChallenge**, were invited to replicate the recipe at home while having fun trying to master the rotation twist.

In June 2020, the Aperol digital campaign **The sound of togetherness** was launched in 20 countries. The campaign features a series of scenes of consumers at home, showing their moments of 'conviviality' during the lockdown period while enhancing the positive mood that people have in common.

In the United States, in May 2020, Aperol launched the digital campaign **Elevate summer moments with Aperol Spritz at home** on social media and partnered with Spotify to drive awareness and consideration by focusing on Aperol Spritz as the perfect summer cocktail for at home consumption. At the same time Aperol kicked off a social media initiative **#TogetherWeToast**, encouraging consumers to spread positivity by posting a virtual toast to a friend and in turn support US hospitality workers. From the end of first quarter 2020, in the United Kingdom, Australia, Spain and Germany, **Aperol virtual toast events** were carried out to enhance virtual connection and promoting at home consumption, in some cases with the collaboration of chefs, influencers, DJ sets and concerts.

In January 2020, for the fourth year in a row, Aperol was the **official aperitif of the Australian Tennis Open**, renewing its official partnership. Pop-up bars and gardens were specially designed for the two main brand experiences, Club Aperol and Casa Aperol.
In February 2020, Aperol was the official **sponsor** of the **Venice Carnival**, one of the most famous public celebrations in Italy. The sponsorship, giving great resonance to the brand in Venice after the centenary celebration, included the Carnival's opening dinner at the Casino and nine days of activities brought to life mainly in St. Mark's Square, which was completely coloured in orange with two bars and a large Aperol-branded stage. Each year a young Venetian woman is chosen as 'angel' of the year and floats down on a cable from the bell tower into the square. This year, she was dressed in a long orange gown inspired by the colour of Aperol.

Campari

In October 2020, an inspirational new digital campaign was launched globally, bringing to life the brand's newly evolved ethos of **Red Passion**. The campaign features hero video content and impactful visuals through a group of protagonists like Monica Berg, as acknowledged as being the most influential person in the spirits industry in 2020, together with Bendik Giske, artist and saxophonist, Margot Bowman, an avant-garde and energetic director, and MJ Harper, artist and choreographer.
During 2020, Campari confirmed and further strengthened its longstanding legacy with the brilliant world of Cinema, embodying creativity and passion.
In Italy the **#PerIlCinema** initiative was launched in December 2020; this was aimed at offering tangible help to the Italian Cinema industry and professionals who, through their extraordinary talent and passion were working hard to continue to entertain despite the circumstances. In particular, a second cinema ticket curtesy of the brand will be given for the first 20,000 participants to use throughout 2021.
In September 2020, for the third consecutive year, Campari sponsored the **Venice International Film Festival**, celebrating the values of passion and creativity. In the Campari Lounge, the audience had the chance to become immerged in the brand essence, thanks to an experiential installation. Moreover, in this very special year, a brand new cinema experience was built through a platform on the water in the heart of the Lagoon named Campari Boat-in Cinema. In this location, a series of events were organized to shine a light on young, upcoming talents and the 'Campari Passion For Film Award' was bestowed. Lastly, a Celebrative campaign was shot during the festival and aired during the following week in order to strengthen the bond between the brand and the Venice Film Festival.
In September 2020, for the second year in a row, Campari was the exclusive spirits partner of the **New York Film Festival**, the premier US showcase of the best-in-world cinema that is presented by the Film Society of Lincoln Center. The sponsorship confirmed Campari's long-standing commitment to the world of film and art and also covered the world premiere of On The Rocks film as well, directed by Sofia Coppola and starring Bill Murray and Rashida Jones.
For the 8th consecutive year, the **Negroni Week** was held thanks to the partnership with Imbibe magazine. During this special year, the Negroni week invited everyone to **Raise a Negroni to your bar** in order to raise funds to charities supporting the hospitality industry directly.
From June 2020, **Campari Negroni RTE** (ready-to-enjoy), the Negroni being the second most consumed and renowned classic cocktail in the world (according to Drinks 2019), was gradually launched globally with a 50 cl bottle offering.
At the end of first quarter 2020, after the outbreak of Covid-19, Campari launched a series of local digital initiatives:
- as the official partners of the **22nd Biennale of Sydney**, the biggest cultural event in Australia, Campari switched from an offline to an online event, and invited visitors to live an experience from home, visiting the exhibition online and attending virtual workshops;
- in Italy and Germany, Campari organized **Drink delivery experiences at home**, collaborating with delivery companies. A perfect serve kit was created to educate consumers on how to make cocktails at home;
- in the United Kingdom, Campari launched the initiative **Campari reopens**. Some of the world-best bars, such as the Dante in New York, Drink Kong in Rome, and Three Sheets in London, were virtually reopened, allowing consumers to experience a top-end bar, creating their own cocktails in a Campari masterclass with a world-class bartender.

In February 2020, Campari sponsored the **Vienna Opera Ball**, one of the biggest cultural events in Austria and which also attracts significant media coverage in Europe, Japan and the United States.

Wild Turkey

In November 2020, the Wild Turkey annual global initiative **With thanks** kicked off in multiple markets, including the United States, Australia, the United Kingdom and Italy, to celebrate remarkable individuals in local communities who had given support to charities during the trying times of the pandemic, and reward them with a personalised token of appreciation.
In September 2020, the digital campaign for the super premium expression of Wild Turkey, **Longbranch**, was launched in the United States. It was aimed at driving awareness by leveraging the co-creator, Matthew

McConaughey. The slogan **Wonder What If** highlights the rich storytelling that McConaughey has brought to the brand as Creative Director, building a campaign that is blend of the culturally curious and the artistic in equal parts.
Wild Turkey Rare Breed Rye was launched in July 2020 as a blend of 4-6 and 8-year-old non-chill filtered rye, crafted in one of the few distilleries dedicated to the art of rye whiskey.
In June 2020, the 6th release in the award-winning Wild Turkey Master's Keep series, **Master's Keep Bottled in Bond**, was launched globally. It is a 17-year-old Kentucky straight bourbon whiskey with the bottled-in-bond label, a certification that guarantees a strict production process and ensures incomparable flavour and consistency.
Talk Turkey, the first series of advertainment on the Wild Turkey brand, starring Matthew McConaughey, got underway in 2019 and continued throughout the first quarter of 2020.

<u>SKYY</u>
In the fourth quarter 2020, among the product and marketing initiatives of SKYY, the **SKYY Infusions Coconut** was launched in Argentina, while in China the **SKYY San Francisco Limited Edition** was rolled out, along with the deployment of the **Bold Cocktail Campaign**, leveraging social and digital platforms to build emotional linkages with millennials by elevating the bold easy mix idea.
During the third quarter 2020, in the United States, SKYY Vodka launched a **new themed video** across all digital and social channels to the tune of the famous **Victoria Monet track Do You Like It**. In-stream video was added to engage consumers across online publishers, such as Rolling Stone, GQ, People and Thrillist. As at-home online activity continued to increase, SKYY e-commerce initiatives, together with search media, were pursued to keep consumers excited about at-home cocktails.
A digital and social campaign **We Are The Pride** was launched in the United States in June 2020 in support of the LGBTQ+ Community. The campaign featured pop star Kim Petras and RuPaul's Drag Race talents such as Violet Chachki and Heidi N Closet.

<u>Jamaican rums</u>
With regard to the Jamaican rums portfolio, starting from October 2020, the new global communication campaign **Crafted with Joy** went live in the brands' key markets, Canada, the United States and Jamaica, as well as in other geographies. The activation was mainly at digital level, aiming at driving awareness and elevating the brand's presence as a Premium+ leader in the rum category by featuring a series of scenes exemplifying joyful excellence and showcasing the key brand attributes of provenance, ageing, terroir, as well as the master blender, Joy Spence.
In the last quarter of 2020, the prestigious Appleton Estate **Hearts Collection** was made available in select, retail premium spirits outlets in global markets. It is a rare, limited-edition series of three single marque pot-still rums distilled in a Forsyth Pot Still and aged between 21-26 years. Hand selected from Appleton Estate's legendary inventory, it is the outcome of collaboration between the brand's master blender and the Italian connoisseur Luca Gargano, one of the greatest rum collectors in the world.
Starting from February 2020, the **Appleton Estate** brand was relaunched in its key markets with a new packaging design which emphasized the brand's premium characteristics and the minimum aging statement.
In addition, a new range of aged rum, **Kingston 62**, was launched in the Jamaican market in the first quarter 2020 and in Peru and the United Kingdom in July 2020, supported by point-of-sale trade communications as well as a digital campaign aimed at communicating the new brand name, new packaging and outstanding quality of rum.

<u>Grand Marnier</u>
In June 2020, Grand Marnier launched a **new global social media campaign** aimed at enabling consumers to find their own **Grand Moment** in everyday life by taking good care of themselves and finding their own new normality. International bartenders hosted live sessions on Instagram with social clips by the brand ambassador for Grand Marnier.
In January 2020, the new **Cuvée du Centenaire**, which was created in 1927 to celebrate the first century of the House of Marnier Lapostolle, was rolled out worldwide with premium packaging inspired by the *art nouveau* movement.

Regional and local priority brands
Concerning the regional priority brands, the first global campaign of **<u>Averna</u>** Open Sicily was launched, celebrating the vibrant world of Sicily and the modern expressions of the island with a new brand visual identity, packaging and communication.
In addition, the new packaging of **<u>Bisquit&Dubouché</u>** VS and VSOP was launched in Belgium. With respect to **<u>Espolòn</u>**, the brand received the Impact Hot Brand 2019 award for the fourth year in a row, and a national digital campaign 'Choose your own adventure' focusing on the week-long celebrations of Mexican Independence Day was launched in September 2020 in the United States, aimed at increasing brand awareness, maintaining the good growth rate and ensuring that the brand continued standing apart from the competitive crowd. A strong brand

activation was also undertaken in Italy to celebrate the 'Dia de los Muertos' in November 2020, bringing Espolòn's unique game changer spirit to life through Influencer activations, media partnerships, Mexican heritage murals and street art operas in key lifestyle and urban bars and venues.
Concerning the local priority brands, **Crodino** was relaunched with an adult and premium offering in the European markets and a newly designed transparent 17.5cl bottle was launched that celebrates its authentic Italian heritage.
Lastly, **Campari Soda** launched the digital campaign 'Design Connection': a collection of three design objects made with the iconic Campari Soda bottle and produced with the collaboration of three young and talented designers; the campaign was aimed at strengthening the brand linkage with design, given its iconic bottle, a design masterpiece, conceived in the early 30s by futurist Fortunato Depero.

Campari's corporate activities
In September 2020, the Campari celebrated its **160th anniversary** with a sculpture that represents the values that have guided the Group since its foundation in 1860.
The 160th anniversary was celebrated in Sesto San Giovanni (Milan), where the Company's first bottling plant was built at the place where the Group's headquarters is located today. The celebration included the inauguration of **Infinito Campari**, a work of art designed and created by the internationally renowned sculptor Oliviero Rainaldi; that consists of two elements: a work of landscape art, entitled 'The Telescopic Labyrinth', and a monumental sculpture in Carrara marble that lies at its heart. The work is inspired by the history of Campari and in particular by two works created by artists who, in their time, made key contributions to building the brand: the futurist Fortunato Depero, with his work of 1931 entitled 'The Campari Pavilion', and the painter and illustrator Leonetto Cappiello who, with 'Lo Spiritello' (1921), marked the history of the brand.
Furthermore, on the occasion of this anniversary, the Campari Group presented the **160 Years of Campari stamp** issued by the Italian Ministry of Economic Development and belonging to the thematic series 'Excellencies of the Italian productive and economic system'.

Significant events of the year

Corporate actions

Significant events

Exchangeable Bonds
On 2 July 2020, Lagfin, acting through its Italian branch, successfully issued an unrated 5-year exchangeable bond at a principal amount of €100,000 per bond for a total amount of €330 million, due in 2025; the bonds were issued at par and bear interests at the fixed rate of 2%, payable annually in areas on 2 July of each year, with the first coupon to be paid on 2 July 2021. The Bonds have a maturity of 5 years (except in case of early redemption) and will be redeemed, at Lagfin's option, either through the delivery of a predetermined number of existing ordinary shares of Davide Campari-Milano N.V. or through a cash settlement of equivalent economic value for the bond holders.

The Vienna Stock Exchange approved for admittance the bonds to listing and trading on the Vienna multilateral trading facility ('MTF'). The first trading day was 2 July 2020. The Vienna MTF is operated by the Vienna Stock Exchange (Wiener Börse).

Davide Campari-Milano N.V.'s shares purchase
Over the course of 2020 Lagfin bought 33.066.132 additional Davide Campari-Milano N.V.'s shares thus increasing its controlling interest from 51% to 53.85%.

Transfer of the Davide Campari-Milano N.V. registered office to the Netherlands
On 4 July 2020, the transfer of the official seat of Davide Campari-Milano S.p.A. to the Netherlands ('Redomiciliation'), with its simultaneous conversion to a Naamloze Vennootschap (N.V.), was completed: the Dutch notarial deed for the transfer of Campari's official seat resolved by the extraordinary shareholders' meeting of 27 March 2020 was executed, with effect on the same date. The new company name is therefore 'Davide Campari-Milano N.V.' and the new articles of association have come into effect ('Articles of Association').
As part of this transaction, Davide Campari-Milano N.V. was required to pay to its shareholders who exercised their right of withdrawal a reference unitary price per share set at €8.376 (this withdrawal price having been determined in accordance with Article 2437-ter (3) of the Italian Civil Code). Lagfin offered to purchase a part of the shares subject to withdrawal. The cash outflow borne on 7 July 2020, by the Group was above €315 million, €64,7 million of which borne by Davide Campari-Milano N.V. for the purchase of 7.7 million shares, net of the shares for which the withdrawal was waived, and above €251 million borne by Lagfin for the exercise of the option and pre-emption right on 30 million withdrawn shares
With the transfer of the sole registered office which does not entail any changes in the organization, management or operational activities and, above all, envisages that the tax residence of Campari Group is maintained in Italy, the key objective pursued by Davide Campari-Milano N.V. is to enhance its increased voting mechanism in favour of long-term shareholders and, therefore, the adoption of a flexible capital structure that can further support Campari Group in pursuing growth opportunities also via major acquisitions.

Davide Campari-Milano N.V. N.V. Capital Reduction on 27 November 2020
On 27 November 2020, Davide Campari-Milano N.V. announces that the capital reduction (the 'Capital Reduction') via a decrease of the nominal value of each ordinary share from €0.05 to €0.01 (and the consequent reduction of the nominal value of Campari's special voting shares), approved by the extraordinary general meeting held on 18 September 2020, has become effective by way of a notarial deed amending the Articles of Association executed on 27 November 2020 after the issuance by the Court of Amsterdam of a declaration stating that no creditors have objected to the Capital Reduction, pursuant to article 2:100(3) of the Dutch Civil Code. As a result of the Capital Reduction, Campari's ordinary share capital is now equal to €11,616,000.00. The Capital Reduction has no effect on the number of ordinary shares composing the share capital that will remain unchanged and be equal to 1,161,600,000 ordinary shares, each having a nominal value of €0.01. The total amount of the decrease of the ordinary share capital (equal to €46,464,000.00) has been allocated to Campari's non-distributable reserves. As pointed out in the relevant documentation, the Capital Reduction is aimed at minimizing the impact of the issuance of special voting shares on the Campari's reserves and its articles of association permit the issue of such shares without requiring the shareholders so entitled to pay for the nominal value of the special voting shares but rather through the use of the Campari's available reserves.

Davide Campari-Milano N.V. N.V. Financial debt
On 6 October 2020, Davide Campari Milano N.V. successfully issued an unrated 7-year Eurobond for a principal of €550 million due in 2027; it was targeted at institutional investors and pays a fixed annual coupon of 1.25%. The issue price was 99.76% and the spread over the midswap is 165 basis points.

On 15 December 2020, the bond was admitted to trading on the ExtraMOT PRO, the professional segment of the Italian Stock Exchange's ExtraMOT MTF market, the reference market for the listing of debt instruments already admitted to trading on a European Union regulated market. The notes, the first issued by Campari Group to be listed on this segment, are targeted at institutional investors. The listing on the ExtraMOT PRO is a secondary listing for the notes. The notes continue also to be listed on the Official List and admitted to trading on regulated market of the Luxembourg Stock Exchange. With this dual listing Campari Group intends to further enhance the diversification of its bondholder base by leveraging the international reach of the ExtraMOT PRO market.

Since its inaugural issue in 2009, the Campari Group has cumulatively raised €2.3 billion in funds in the unrated Eurobond market, including this issue, confirming its positive and long-lasting relationship with the debt-capital markets. The proceeds of the issue of the notes will be used by the Campari Group for general corporate purposes and in line with the Group's strategy, including but not limited to the refinancing of the Group's existing indebtedness.

On 14 April 2020 Davide Campari Milano N.V. entered into a term debt facility agreement for an amount of up to €750 million (the 'Facility') with a pool of leading international banks. The Facility consists of a short-term bridge loan with an interest rate of 3-month Euribor plus a 0.65% spread, on top of utilization fees, with an initial maturity date of 30 June 2021 and an option for extension to 31 December 2021. The purpose of the Facility was to support the general corporate purposes of the Campari Group, including but not limited to, the redemption of the Eurobond issued by Davide Campari-Milano N.V. in 2015 and expired in September 2020, for a residual nominal amount of €581 million. Ahead of the 2015 Eurobond redemption, the Facility has been drawn for an amount of €600 million (repaid immediately after the 2020 bond issue), whilst a second tranche of €150 million is still undrawn and available to Davide Campari-Milano N.V..

Davide Campari-Milano N.V. share buyback plan and purchase of own shares
With regard to execution of the share buyback program, the Davide Campari-Milano N.V.'s Board of Directors decided, on 18 February 2020, to continue it for an increased amount of up to €350 million over the following next twelve months. The increase in buyback will serve the new strategy of having a portfolio of own shares to meet all the existing stock option plans, rather than just those plans that are close to being exercised. The aim is to hedge the risk of an increase in the price of the shares underlying the options and, as a result, contain the Davide Campari-Milano N.V.'s overall outlay required to service the incentive plans. The shareholders' meeting, confirming the purposes mentioned above, authorised the Board of Directors to purchase and/or sell own shares until 30 June 2021, to re-constitute the portfolio of own shares to serve the current and future stock option plans for the Campari Group's management, while complying with the limits and procedures laid down in the applicable laws and regulations.
Between 1 January and 31 December 2020, Davide Campari N.V. purchased 36,281,893 own shares, at an average price of €8.09, for a total amount of €293.6 million (including 7.7 million shares for an amount of €64.7 million bought back in the context of the Redomiciliation process at a withdrawal price of €8.376 per share). Considering the spot price per share at 31 December 2020 of €9,34 a theoretical gain of €45.3 million on these purchases is implied within Campari Group equity. During the same period the Davide Campari Milano N.V. sold 7,792,286 own shares for an outlay of €22.4 million, following the exercise of stock options. At 31 December 2020, Davide Campari Milano N.V. held 42,193,807 own shares, equivalent to 3.63% of the share capital.

Acquisitions and commercial agreements

Acquisition of a 49% interest in Tannico
On 29 June 2020, the Campari Group completed the acquisition of a 49% interest in Tannico e Wineplatform S.p.A. ('Tannico' or 'Tannico S.p.A.'). Founded in 2013, Tannico is the market leader in online sales of wines and premium spirits in Italy, with a market share of over 30%. Tannico has progressively expanded into the business-to-business, offering targeted value-added services to professional operators in areas such as assortment and warehouse management, as well as tailored delivery solutions. Since 2017, Tannico has expanded its footprint to more than 20 markets, including the USA, Germany, UK, and France.
In 2019, Tannico achieved net sales of €20.6 million (under local generally accepted accounting principles, or 'GAAP'). The compound annual growth rate (CAGR) for net sales for the past three years (2016-2019) was approximately 50%, with net sales rising significantly in 2020, partly due to the Covid-19 emergency, almost reaching break-even from a profitability standpoint.

The total consideration paid for the 49% interest was €23.5 million, which was financed from available resources. Under the investment agreement, Campari Group will have the possibility of increasing its interest to 100% from 2025, subject to certain conditions.
Tannico is a unique and strategic fit with Campari's long-term business development goals. By leveraging Tannico's expertise, Campari will greatly enhance its digital capabilities and accelerate its development plans in e-commerce, a channel that is already growing and is set to become of even greater strategic importance given the likely long-lasting change in consumer behaviour due to the Covid-19 emergency.

Acquisition of Champagne Lallier
On 10 June 2020, Campari completed the acquisition of an 80% interest, with a medium-term route to total ownership, in the share capital of Champagne Lallier S.a.r.l. and other group companies (jointly, the 'company' or 'Champagne Lallier), from the privately-owned French company Ficoma S.a.r.l., the family holding company of Francis Tribaut. 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 Company's sales amounted to €21.0 million (under local GAAP), including primarily sales of champagne of approximately 1 million bottles, of which close to 700,000 bottles of Lallier.
The consideration paid was €21.3 million (excluding the net financial debt at the closing date) and was financed from available resources. The transaction encompasses the brands, related stocks, real estate assets (including owned and operated vineyards) and production facilities.
Under the agreement, the remaining shareholding is subject to reciprocal put and call options, which can be exercised from 2023. Francis will continue in his role as managing director of Champagne Lallier.
Starting from January 2021, the highly respected industry veteran Dominique Demarville joined Champagne Lallier as General Manager and Cellar Master. The choice of Dominique reflects the ambition of Campari Group to develop Maison Lallier not only as a global Champagne player but as a superior Champagne range. With his great competence and passion for the Champagne world Dominique would lead Lallier to the next level, continuing the excellent job done by Francis.
With this acquisition, which marks the entry of the first player of Italian origin into the Champagne category, Campari has added to its portfolio a premium and historical champagne brand, Lallier; since it is mainly sold in selected on-trade outlets and wine shops, this brand further extends Campari's range of premium offerings in this key channel for brand building. Moreover, Campari will build further critical mass in the strategic French market where Campari recently started to sell through its own in-market company.

Acquisition of Baron Philippe de Rothschild France Distribution S.A.S.
On 28 February 2020, the 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. specializing 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's portfolio, which is 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 €50.3 million (excluding the net financial debt at the closing date). The transaction was financed using Campari'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 Campari) represents a unique opportunity to enhance the focus on key brands and benefits from the increased critical mass of the aperitifs business and the newly-acquired Trois Rivières and La Mauny premium rhum agricole brands.

Joint venture in Japan
On 14 February 2020, the Campari Group signed an agreement to create CT Spirits Japan Ltd., a joint venture in Japan, with a local partner experienced in the food&beverage sector. The aim of the joint venture is to promote and develop Campari's products in this market. Campari Group holds a 40% stake and has a call option on the remaining holding of 60% of the share capital, which can be exercised from 2023.

Terrazza Aperol
In November 2020, Campari Group secured a space in the heart of Venice (Campo Santo Stefano), set to become the first directly managed Aperol Flagship location, later in 2021, once the project execution and marketing activities will be completed. This initiative is part of Campari's activities to create brand houses for its iconic brands and will enable Campari to ensure local and international Aperol brand visibility and equity in the on-premise channel, while also consolidating its expertise in managing sales outlets, following the reopening of Camparino flagship in Milan in 2019.

Other significant events impacting the Group's results

Malware attack

At the beginning of November 2020, the Campari Group has been the victim of a targeted ransomware attack following unauthorized access to its network. The malware attack was promptly identified and Campari Group IT took immediate action with the support of cyber-security experts, to limit its spread across data and systems and to immediately implement all possible extra security measures. At the very initial stage, all on-premise servers were switched off (determining a temporary IT outage) to isolate the IT systems, avoid malware spread or further illegitimate actions, to allow such systems' sanitization and progressive restarting in a secure way, and then rapidly resume normal activities. The situation has been permanently monitored to assess and minimize the recovery time. The attack has caused the encryption of certain data on some of the Campari Group's servers and after technical investigations the Campari Group has announced in transparent dialogue with its stakeholders, that notwithstanding security measures in place, some personal and business information has been compromised with potential consequences for employee, customer, supplier and business partner data. Campari Group offers its sincerest apologies for any complications and concerns that this may bring to its potentially impacted employees, customers, suppliers, business partners, as well as to its many stakeholders, and has offered identity theft support where customary. There is no indication that Campari Group websites have been accessed.
The investigation on the matter and all the activities aimed at the protection of the involved subjects, are ongoing, with the support of legal and cyber-security experts and in full cooperation with relevant authorities.
As defensive measures Campari Group is implementing all actions deemed appropriate, to further protect its IT estate and, therefore, personal and business data stored therein.
Campari Group's recurring operations did not suffer any material financial impact measured on annual basis from the temporary outage since the business continuity its operations, customers and partners has been preserved and rolled out by order of priority, with the objective of restoring operations in the fastest, yet most prudent fashion, to avoid any recurrence. In particular, the manufacturing and logistics activities as well as the processing of sales orders across all markets have been resumed and are regularly functioning as Campari's top priority.
Campari Group will keep the authorities and stakeholders informed and collaborate with them as appropriate and in accordance with applicable laws and regulations.

Restructuring programme in the Agri Business in Jamaica

In July 2020, the Campari Group launched a restructuring programme in Jamaica for the agricultural sugar business, in the wake of financial losses accumulated over the years as a result of the global decline in the price of sugar, a reduction in demand in the local market and heightened competition, exacerbated by the Covid-19 scenario. The restructuring programme is aimed at preserving the business continuity of the core spirits business in Jamaica. The consultation process with the local authorities and trade unions started in July 2020, with a view to achieving the best possible outcome for the local community. In view of the scale of the restructuring program, which will ultimately result in the recognition of restructuring costs (to be determined based on the outcome of the consultation process), the Campari Group is managing the initiative with the local authorities with great care and sensitivity for the local community. Following the start of consultations, on 29 July 2020, it was announced that Campari Group would cease operating its Appleton Estates Sugar Factory. Financials at 31 December 2020 include €13.5 million costs relating to the estimated corresponding restructuring costs.

Donations in response to the Covid-19 pandemic emergency

In response to the pandemic emergency, the Campari Group has been proactively supporting local communities through donations of cash and alcohol for the manufacture of sanitisers for healthcare workers on the front line worldwide, while at the same time providing support for baristas and other sector operators affected by the temporary closure of their business.
Among its various initiatives, Davide Campari-Milano N.V. donated €1 million in March 2020 to fund a general intensive care operational unit for the Covid-19 emergency at the ASST Fatebenefratelli Sacco public health institution in Milan, a reference point for the management of patients most seriously affected by coronavirus.
In April and June 2020 respectively, Campari made a donation to the Italian Civil Protection and to FNOPI (National Federation of Healthcare Workers) through the Aperol video initiatives 'Together we can' and 'Together we can dance'. The first initiative was organized in conjunction with Rockin'1000 and featured 1,200 musicians from all over the world singing from their homes a choral song written by the popular Italian musician Max Gazzè. The second initiative was supported by Luca Tommassini, a world-renowned dancer and choreographer, and over 1,000 dancers from all around the world participated in this video, creating a virtual dance choreography side by side for a good cause.
The Campari Group made a donation to Fondazione MultiMedica Onlus, the foundation for Gruppo MultiMedica, one of the largest hospital groups in Lombardy (Italy). The aim was to strengthen the Intensive and Sub-intensive Care Units and to ensure personal protective equipment for healthcare operators in the field.

In the United States, Campari America donated U$1 million to Another Round, Another Rally, a non-profit organization that raises emergency funds offering relief to workers and bartenders in the hospitality industry, which has been forced to shut down its commercial operations as a result of the Covid-19 emergency. This initial donation, supported on social media by the main brands, SKYY, Wild Turkey, Appleton Estate, Campari, Aperol, Grand Marnier, Espolòn, Cabo Wabo and Bulldog, and by various influencers, including Matthew McConaughey, gave rise to the #OneMoreRound challenge, in which the public were encouraged to make donations.
The initiative was deployed in many countries: Campari Canada donated to the Bartenders Benevolent Fund; Campari UK staff and Campari UK jointly donated to The Drink Trust; Campari Deutschland donated to the non-profit organization StartNext; Campari Australia supported the venues by providing access to contactless bottled cocktail delivery and collection services, product donations and marketing toolkits.
The initiatives above mentioned were overall extended during the second wave of the pandemic starting from October 2020.

Subsequent events

Subsequent events relating to corporate actions, significant events, acquisitions and commercial agreements and other significant events impacting results are reported in a dedicated note in the Group consolidated financial statements, to which reference is made.

Group Financial Review

During the year ending 31 December 2020 certain adjustments on the purchase price allocation related to the acquisitions completed in 2019 were recorded. Those changes required some of the balances stated at 31 December 2019 to be shown differently, as detailed in the note 3 xii-'Reclassification of comparative figures at 31 December 2019' of Lagfin Group consolidated financial statements at 31 December 2020 to which reference is made. These adjustments did not have a significant impact on the profit or loss or cash flow for the period ending 31 December 2020.

Sales performance

1. Overall performance

In 2020, the Group's net sales totalled €1,780.2 million, with an overall decrease of -3.5% as compared to 2019. The organic growth component showed a negative change of -4%. The exchange rate component was negative at -2.7%, while the perimeter effect was positive at +3.0%.

	2020	2019	total change	full year change %, of which				organic change % by quarter			
	€ million	€ million	€ million	total	organic	perimeter	exchange rate[(1)]	first	second	third	fourth
Total	**1,780.3**	1,844.8	**-64.5**	**-3.5%**	**-3.8%**	3.0%	-2.7%	-5.3%	-15.9%	+12.9%	**-7.0%**

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

Organic change

The full year performance showed an organic change of -3,8%, with a fourth quarter down -7.0% after a decline of -2.8% in the first nine months period. The overall performance was largely hit by renewed lockdowns and severe restrictive measures affecting key on-premise markets (a channel which is estimated to represent approximately 40% of the Group's overall pre-Covid-19 sales), such as Italy, as well as the Global Travel Retail channel. The off-premise skewed markets, such as the United States, Canada, Australia and Northern Europe, continued their sustained growth. In particular, notwithstanding a strong third quarter (+12.9%), very positively impacted by favourable weather conditions, summer 'staycation' effect and the gradual reopening of on-premise which benefitted the aperitif business in its peak summer season, the fourth quarter suffered heavily from the resurgence of the pandemic, which is still active and challenging in many markets. Overall, the fourth quarter was weak, mainly driven by European markets, due to the restrictions re-introduced in the on-premise channel as well as a less pronounced staycation effect as compared to the summer, given the lower seasonality for aperitifs and the lack of winter sports tourism.

Regarding the United States, the Group's largest market, the growth was driven by a positive year-end close (+13.0% in the fourth quarter), mainly thanks to a gradual shipment re-alignment to very positive off-premise consumption patterns, as the destocking at wholesaler level across the whole portfolio was gradually completed by year-end. Excluding the destocking effect, the United States market organic growth would have been +9.1% in 2020 (as opposed to +3.4%), while the Group's overall organic growth would have been -2.5% (as opposed to -3.8%).

With regard to brand performance, the global and local priority brands declined overall by -3.8% and -4.4% respectively, mainly due to a negative performance in brands characterized by on-premise exposure (particularly the aperitifs), impacted by restrictions throughout the year across markets, amplified by renewed lockdowns at year-end, as well as trade destocking in the United States. The regional priority brands were slightly positive at +0.4%, mainly driven by the strong growth of Espolòn tequila.

Although the evolution of the pandemic remains highly uncertain in most countries, the strong brand momentum continued as confirmed by consumption data, with sell-out trends outperforming shipments across all the key off-premise brand and market combinations, mainly fuelled by home consumption. The sell-out trends were positively driven by relentless brand building activities throughout the year, mainly influenced by initiatives in digital and off-premise channels.

The e-commerce channel also grew positively during the year, accounting for approximately 2% of Group's net sales in 2020, with the United States and the United Kingdom over indexing at 3% and 10% respectively[1].

[1] Internal data and estimates.

	for the years ending 2020		2019		total change	full year change %, of which				change % fourth quarter
	€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate[1]	organic
Americas	773.9	43,5%	821.5	44.5%	-47.6	-5.8%	-1.8%	0.7%	-4.7%	2.5%
Southern Europe, Middle East and Africa	463.6	26%	498.7	27%	-35.1	-7.0%	-18.5%	11.6%	-0.1%	-30.2%
North, Central and Eastern Europe	411.9	23,1%	396.1	21.5%	15.9	4%	8,2%	-2.2%	-2.0%	-3.0%
Asia-Pacific	130.8	7,3%	128.5	7.0%	2.3	1.8%	4,7%	-	-2.9%	2.8%
Total	**1,780.3**	**100.0%**	**1,844.8**	**100.0%**	**-64.5**	**-3.5%**	**-3,8%**	**3.0%**	**-2.7%**	**-7.0%**

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

	percentage of Group sales	full year change %, of which				change % fourth quarter
		total	organic	perimeter	exchange rate	organic
global priority brands	55.6%	-6.0%	-3.8%	-	-2.2%	-7.1%
regional priority brands	18.0%	3.2%	0.4%	6.1%	-3.3%	3.3%
local priority brands	11.0%	-7.5%	-4.4%	0.3%	-3.4%	-14.0%
rest of the portfolio	15.3%	-0.5%	-10.0%	12.8%	-3.4%	-15.5%
Total	**100.0%**	**-3.8%**	**-4.1%**	**3.0%**	**-2.7%**	**-7.0%**

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

❖ **Geographical regions**

- The **Americas** region recorded a decline of -1.8% (+2.5% in the fourth quarter): the resilient performance of off-premise skewed Canada (+12.5%) as well as the sustained growth in the United States (+3.4%) were unable to offset the decline in Jamaica (-8.2%), Mexico (-31.2%) and the remaining South American countries.
- The **Southern Europe, Middle East and Africa** region reported an organic decrease in sales of -18.5% (-30.2% in the fourth quarter), driven by the negative performance of its core on-premise skewed market, Italy (-17.4%), the Global Travel Retail channel (-68.9%), Spain (-47.7%) and South Africa. France grew overall with positive transition to an owned distribution structure.
- The **Northern, Central and Eastern Europe** region showed positive organic growth of +8.2%. Specifically, resilient growth in the region, mainly off-premise skewed, was sustained by the double-digit growth of Russia (+10.7%), the United Kingdom (+7.4%) and Germany (+8.6%).
- The **Asia-Pacific** region recorded a positive performance of +4.7% (+2.8% in the fourth quarter), driven by Australia, the region's core market, which increased by +20.2%, more than offsetting the negative decline in the rest of the region, especially Japan and China, mainly due to the pandemic effects.

❖ **Brands**

- The Group's **global priority brands** registered an organic sales decrease of -3.8% (-7.1% in the fourth quarter). The overall performance of on-premise skewed brands (Aperol, Campari, Grand Marnier) was affected by on-premise restrictions, also exacerbated by the destocking in the United States, which more than offset the very positive momentum in the off-premise channel. Jamaican rums and Wild Turkey grew, whilst SKYY declined, largely due to the ongoing destocking in the core United States market ahead of a complete brand re-launch.
- The **regional priority brands** recorded an organic increase of +0.4% (+3.3% in the fourth quarter) largely due to the weak performance in sales of core brands, such as Cinzano, The GlenGrant, Bulldog and the bitters. On the contrary, Espolòn and Forty Creek showed solid double-digit growth.
- The **local priority brands** contracted by -4.4% (-14.0% in the fourth quarter) as a result of the decline in sales of Campari Soda and Crodino, impacted by its exposure to the on-premise channel in Italy, despite the positive performance of Wild Turkey ready-to-drink, as well as other brands, led by Cabo Wabo and Ouzo 12.

Perimeter variation

The perimeter variation of +3.0% in 2020, as compared with sales in the same period of 2019, is analysed in the table below.

breakdown of the perimeter effect	€ million	% on 2019
acquisitions (Rhumantilles S.A.S., Ancho Reyes and Montelobos, Baron Philippe de Rothschild France Distribution S.A.S.[1] and Champagne Lallier)	64.3	3.5%
total acquisitions	**64.3**	**3.5%**
discontinued agency brands	(9.6)	-0.5%
total discontinued agency brands	**(9.6)**	**-0.5%**
total perimeter effect	**54.6**	**3.0%**

(1) Baron Philippe de Rothschild France Distribution S.A.S. ('RFD'), now named Campari France Distribution S.A.S. ('CFD').

- **Business acquisitions**

In 2020, the perimeter variation due to business acquisitions was positive at +3.5%. It was driven by the acquisition of Rhumantilles S.A.S., owner of the Trois Rivières and La Mauny brands, which contributed to the Group's results from 1 October 2019, as well as by the acquisition of Ancho Reyes and Montelobos, which contributed to the Group's results from 20 November 2019. The acquisition of CFD contributed to the Group's results from 28 February 2020 and the acquisition of Champagne Lallier from 30 June 2020. With regard to the CFD acquisition, sales of Campari Group's products contributed to the organic sales change, given that they were previously distributed by CFD, hence shown as Group sales, by virtue of the distribution agreement that had existed prior to the acquisition, whereas sales of agency brands are classified as perimeter variations.

- **Brands distributed**

The perimeter variation due to termination of the distribution of agency brands in 2020 amounted to -0.5% and was mainly related to contracts in Germany and Russia from 1 January 2020.

Exchange rate effects

The exchange rate effect in 2020 was negative at -2.7%, due to the devaluation of almost all the Group's currencies against the Euro, with the exception of the Swiss Franc (not material for the Group). The exchange rate effect includes the impact of applying the IFRS guidance on managing hyperinflation in Argentina to both conversion to Euro at the spot exchange rate at the end of the period of all the profit or loss items expressed in Argentine Pesos and the new method for calculating organic growth for the Argentine market.

The table below shows the average exchange rates for 2020 and the spot rates at 31 December 2020 for the Group's most important currencies, together with the percentage change against the Euro as compared with the same period in 2019 and at 31 December 2019.

	average exchange rates			spot exchange rates		
	For the year ending 2020 1 Euro	For the year ending 2019 : 1 Euro	appreciation/(devaluation) vs. 2019 %	At 31 December 2020 1 Euro	At 31 December 2019 : 1 Euro	appreciation/(devaluation) vs. 31 December 2019 %
US Dollar	1.141	1.120	-1.9%	1.227	1.123	-8.5%
Canadian Dollar	1.530	1.486	-2.9%	1.563	1.460	-6.6%
Jamaican Dollars	162.606	149.201	-8.2%	174.805	148.887	-14.8%
Mexican peso	24.514	21.558	-12.1%	24.416	21.220	-13.1%
Brazilian Real	5.890	4.413	-25.1%	6.374	4.516	-29.1%
Argentine Peso(1)	103.249	67.275	-34.8%	103.249	67.275	-34.8%
Russia Rubles	82.654	72.459	-12.3%	91.467	69.956	-23.5%
Great Britain Pounds	0.889	0.877	-1.3%	0.899	0.851	-5.4%
Switzerland Francs	1.070	1.113	4.0%	1.080	1.085	0.5%
Australian Dollar	1.655	1.611	-2.7%	1.590	1.600	0.6%
Yuan Renminbi	7.871	7.734	-1.7%	8.023	7.821	-2.5%

(1) The average exchange rate of the Argentine Peso for both 2020 and 2019 was equal to the spot exchange rate at 31 December 2020 and 31 December 2019 respectively.

2. Sales by region

Sales for 2020 are analysed by geographical region and core 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 an overall organic decrease of -1.8% (+2.5% in the fourth quarter). The region is predominantly off-premise skewed, particularly North America, with the channel estimated to account for approximately 65% of the region's overall pre-Covid-19 sales.

		for the years ending									
	% of Group total	2020		2019		total change	full year change %, of which				change % fourth quarter
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate(1)	organic
US	28.5%	506.8	65.5%	495.1	60.3%	11.7	2.4%	3.4%	0.9%	-2.0%	13.0%
Jamaica	5.1%	90.9	11.7%	108.0	13.1%	-17.0	-15.8%	-8.2%	-	-7.6%	-9.3%
Canada	3.6%	63.4	8.2%	58.0	7.1%	5.4	9.4%	12.5%	0.1%	-3.2%	15.8%
Brazil	1.9%	33.0	4.3%	52.0	6.3%	-19.0	-36.5%	-15.2%	-	-21.3%	-22.7%
Mexico	1.5%	26.1	3.4%	41.8	5.1%	-15.8	-37.7%	-31.2%	1.7%	-8.2%	-25.2%
Other countries of the region	3.0%	53.6	6.9%	66.7	8.1%	-13.0	-19.5%	-13.7%	0.2%	-6.0%	-8.8%
Americas	**43.5%**	**773.9**	**100.0%**	**821.5**	**100.0%**	**-47.6**	**-5.8%**	**-1.8%**	**0.7%**	**-4.7%**	**2.5%**

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

The **United States**, the Group's largest market, with 28.5% of total sales, closed 2020 with a positive organic performance of +3.4%, following shipment recovery in the fourth quarter (+13.0%) in a predominantly off-premise skewed market (a channel which is estimated to represent approximately 70% of the market's overall pre-Covid-19 sales). The growth was driven by strong category momentum for tequila, rum and American whiskey, with very

positive performance from Espolòn tequila, Jamaican rums and Wild Turkey bourbon (particularly the higher-margin Longbranch and Russell's Reserve) respectively. On-premise restrictions impacted the overall performance, in particular for the European imports (Grand Marnier, Campari, Aperol and the Italian bitters), together with the destocking across the whole portfolio, now fully completed.
Brand momentum in the off-premise channel continued to be strong across the whole portfolio with sell-out growing at +32.3%, i.e. approximately 1.5 times faster than the overall market)[2]. The performance was strong double-digit growth since the beginning of the year for all core brands as well as the newly acquired Mexican brand Montelobos and Ancho Reyes.

Jamaica recorded a decrease in sales of -8.2% (-9.3% in the fourth quarter), suffering from a sharp reduction in tourist flows and closures in the on-premise channel due to the Covid-19 pandemic. The effect was intensified by an unfavourable comparison base with the organic results for 2019 (+17.6%), despite the good continued momentum of Wray&Nephew Overproof.

Canada, an off-premise skewed market, registered a very resilient growth of +12.5% in the year (+15.8% in the fourth quarter). The performance was driven Forty Creek, Appleton Estate, Aperol, Espolòn, Campari and Grand Marnier, as well as positive results from local brands.

Brazil, affected by the pandemic combined with the already critical macroeconomic situation, recorded a negative performance of -15.2% (-22.7% in the fourth quarter) due to uncertain contingency and its large exposure to the on-premise market. The fall in sales of Campari, Aperol and SKYY was only partially offset by a slight growth in sales of the local brand Dreher.

Mexico recorded an organic decline of -31.2% (-25.2% in the fourth quarter) within the whole portfolio, in particular SKYY ready to drink and SKYY Vodka, as well as Jamaican rums, Cinzano sparkling wines, Aperol and Grand Marnier, highly impacted by the pandemic.

The **other countries** recorded an overall fall in sales of -13.7% (-8.8% in the fourth quarter), driven by the negative results registered in **Peru** and in the **remaining countries of the region**. This trend was partially offset by the positive performance of **Chile** and **Argentina**, the latter driven by shipments recovery in the context of an unstable economy. As a prudent measure to strip out the effects of the high inflation local rate, the organic change in this market includes the component attributable to volumes sold only.

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

The region, which is broken down by core market in the table below, reported an organic decrease of -18.6% (-30.2% in the fourth quarter). The region is predominantly on-premise skewed, with the channel estimated to account for approximately 65% of the region's overall pre-Covid-19 sales.

		for the years ending									
	% of Group total	2020		2019		total change	full year change %, of which				change % fourth quarter
		€ million	%	€ million	%	€ million	Total	organic	perimeter	exchange rate	organic
Italy	17.1%	303.8	65.5%	367.0	73.6%	-63.2	-17.2%	-17.4%	0.1%	-	-32.6%
France	5.8%	102.5	22.1%	40.3	8.1%	62.3	154.7%	38.4%	116.2%	-	9.6%
GTR(1)	0.5%	8.8	1.9%	30.1	6.0%	-21.3	-70.7%	-68.9%	-1.9%	-	-78.9%
Other countries of the region	2.7%	48.4	10.4%	61.3	12.3%	-12.9	-21.0%	-38.7%	18.3%	-0.6%	-16.0%
Southern Europe, Middle East and Africa	**26.1%**	**463.6**	**100.0%**	**498.7**	**100.0%**	**-35.1**	**-7.0%**	**-18.6%**	**11.6%**	**-0.1%**	**-30.2%**

(1) Global Travel Retail.

Italy recorded an organic decrease in sales of -17.4% in the year which is characterized by a high level of quarterly volatility. The quarterly performance deeply reflected the consequences of the shutdown of on-premise venues following the outbreak of Covid-19 pandemic, reporting a negative change of -24.4% in the first quarter, which reached a drop of -39.3 % in the second quarter, fully mirroring the effects of the restrictions. In the third quarter, thanks to the progressive reopening of the on-premise channel during the summer period in addition to a 'staycation effect', the performance recovered, showing a very positive trend at +35.4%; finally, the second wave of pandemic, that forced new closures in the on-premise channel, generated a negative performance at -32.6% during the fourth quarter. In the year, the performance of aperitifs remained negative due to its key exposure to the on-premise channel (estimated to represent approximately 70% of the market's overall pre-Covid-19 sales), affected more heavily by the measures taken following the outbreak of the pandemic, in an economic context that is suffering from a period of strong tensions. The entire portfolio registered weak results in the year, most notably

[2] Source: US Nielsen data Total outlet combined ('xAOC') +Total Liquor, representing approximately 34% of total US off-trade volume, YTD – W/E 26 December 2020.

Aperol and Campari and the single-serve aperitifs (Campari Soda and Crodino), with the exception of Aperol Spritz ready-to-drink[3] which registered a double-digit growth. Sell-out in the off-premise remained strong, with both Aperol and Campari tracking above +25% in 2020, while Campari Soda and Aperol Spritz ready-to-drink also grew double-digits[4], and helped mitigate the sales shortfall in the on-premise channel.

France was positive at +38.4% (+9.6% in the fourth quarter) thanks to the positive transition to the Group's new wholly owned distribution structure. The performance was driven by Aperol, Riccadonna, Campari and The GlenGrant.

The **Global Travel Retail** recorded an organic decrease of -68.9% (-78.9% in the fourth quarter), reflecting the limitations on the movement of people following the Covid-19 pandemic, heavily impacting the whole channel.

The **other countries in the region** reported an overall fall of -38.7% (-16.0% in the fourth quarter), mainly due to **South Africa** and **Spain**. In particular, the latter was very weak due to the lack of international tourism and its exposure on the on-premise channel, negatively impacted by Covid-19 restrictions, with a poor performance mainly for Aperol, Campari and Bulldog. **Nigeria** was negative against a tough comparison base with the previous year (+27.8%), in a volatile scenario with ongoing socio-economic instability.

- **Northern, Central and Eastern Europe**

The region recorded overall organic growth of +8.2% (-3.0% in the fourth quarter) spread across its core central and northern European countries. The region is predominantly off-premise skewed, with the channel estimated to account for approximately 70% of the region's overall pre-Covid-19 sales.

		for the years ending									
	% of Group total	2020		2019		total change	full year change %, of which				change % fourth quarter
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate	organic
Germany	10.3%	182.8	44.3%	172.6	43.6%	10.2	5.9%	8.6%	-2.7%	-	1.1%
United Kingdom	2.8%	49	11.9%	46.2	11.7%	2.8	6.1%	7.5%	-	-1.4%	-20.4%
Russia	2.9%	50.7	12.3%	55.9	14.1%	-5.2	-9.3%	10.8%	-7.3%	-12.8%	2.2%
Other countries of the region	7.3%	129.5	31.4%	121.3	30.6%	8.2	6.7%	6.9%	-0.1%	-0.1%	-5.2%
North, Central and Eastern Europe	**23.1%**	**411.9**	**100.0%**	**396.1**	**100.0%**	**15.9**	**4%**	**8.2%**	**-2.2%**	**-2.0%**	**-3.0%**

Sales in **Germany** were up by +8.6% (+1.1% in the fourth quarter), driven by the double-digit performance of Aperol and Ouzo 12, as well as a positive performance for Campari, Bulldog and Cinzano sparkling wines. The non-alcoholic aperitif Crodino also grew in the year. The high exposure of this market to the off-premise channel (estimated to represent approximately 70% of the market's overall pre-Covid-19 sales) positively contributed to organic performance.
The off-premise sell-out trends for Germany remained strong in 2020, growing twice as fast as the local market, with double-digit growth across key brands, in particular Aperol and Campari[5].

Sales in the **United Kingdom** increased by +7.5%, sustained by the off-premise channel, with strong growth of Wray&Nephew Overproof, Aperol, Campari and Magnum Tonic; the growth was achieved notwithstanding a very negative fourth quarter (-20.4%) against a tough comparison base (+67.8% in fourth quarter 2019) and impacted by the on-premise venues closing following the second wave of the pandemic.
Solid performance in the e-commerce channel, with sales up approximately +90% in comparison with 2019, now accounting for approximately 10% of the net sales in the United Kingdom[6].
The off-premise sell-out trends for the UK remained strong in 2020, growing twice as fast as the local market.

Russia recorded an increase of +10.8% in sales (+2.2% in the fourth quarter), driven by the positive growth of Aperol, Mondoro and Cinzano vermouth.

Performance in the **other countries in the region** was up overall by +6.9% (-5.2% in the fourth quarter, impacted by the second wave of the pandemic). The positive sales growth in the year was driven by **Switzerland**, **Belgium** and **Eastern European countries**, mainly due to Aperol and Campari, while **Austria** declined, mainly due to the lack of tourism.

- **Asia-Pacific**

[3] A stand-alone brand not included in the Aperol brand performance.
[4] Source: IRI (Italy) Iper+super+Libero Servizio Piccolo ('LSP'); YTD WE 27/12/2020.
[5] Germany: Nielsen Lebensmitteleinzelhandel and Drogeriemarkt ('LEH+DM')=Off-Trade (no Cash&Carry), W2-W53 2020.
[6] Internal data and estimates.

This region, which is broken down by core market in the table below, recorded organic growth of +4.6% (+2.8% in the fourth quarter). The region is predominantly off-premise skewed, with this channel estimated to account for approximately 70% of the region's overall pre-Covid-19 sales.

		for the years ending									
	% of Group total	2020		2019		total change	full year change %, of which				change % fourth quarter
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate	organic
Australia	5.8%	103.4	79.0%	88.4	68.7%	15.0	17.0%	20.2%	-	-3.3%	18.7%
Other countries of the region	1.5%	27.5	21.0%	40.2	31.3%	-12.7	-31.7%	-29.7%	-	-2.0%	-32.9%
Asia-Pacific	**7.4%**	**130.8**	**100.0%**	**128.5**	**100.0%**	**2.3**	**1.8%**	**4.6%**	**-**	**-2.9%**	**2.8%**

In **Australia**, the region's largest market, organic growth in the period was very positive at +20.2% (+18.7% in the fourth quarter) in a predominantly off-premise market (a channel which is estimated to represent approximately 85% of the market's overall pre-Covid-19 sales). The performance was driven by continued strength in Wild Turkey ready-to-drink, Wild Turkey bourbon, American Honey, Espolòn and Campari registering double-digit growth, as well as the very positive performances of Cinzano Vermouth, Frangelico, The GlenGrant and also Espolòn off a small base. Sell-out trends in the off-premise for the Group's brands in Australia remained very positive in 2020, at +22.6% for the year, driven by Wild Turkey ready-to-drink, Wild Turkey bourbon and also Espolòn and Campari[7].

Sales in the **other countries in the region** fell by -29.7% (-32.9% in the fourth quarter), with most markets suffering due to restrictions related to the pandemic. New Zealand and Japan registered a negative performance for sales, both being impacted by new route-to-market transitions. **China** also declined after a weak fourth quarter driven by destocking ahead of route-to-market change, amplified by a tough comparison base (fourth quarter 2019 +120.2%), despite the strong growth in X-Rated Fusion Liqueur.

3. Sales by main brands at consolidated level

The following table summarises growth (split into its various components) in the Group's main brands in 2020, broken down into the categories identified by the Group based on the priority (global, regional, local and other) assigned to them.

The effects of new acquisitions are shown under the external growth component, represented by perimeter variations, and contributed to the Group's results from the day after the closing date of the acquisition, if not specified differently. With regard to 2020, the Trois Rivières and La Mauny French rums were included in the regional priority brands, while the Duquesne brand was classified under local priority brands. The Ancho Reyes and Montelobos brands, resulting from the acquisition completed on 20 November 2019, were included under regional priority brands. The agency brands relating to the acquisition of CFD, which was completed on 28 February 2020, were included in the rest of the portfolio. It should be noted that the products belonging to the Campari Group portfolio sold by CFD continue to be reported as organic changes, in line with previous practice. Lallier, the Champagne brand, resulting from the acquisition completed on 10 June 2020, was classified under regional priority brands.

[7] Australia: IRI Scan Data, YTD WE 27/12/2020.

	percentage of Group sales	full year change %, of which				change % fourth quarter
		total	organic	perimeter	exchange rate	organic
Aperol	18.8%	-1.3%	-0.1%	-	-1.3%	-10.3%
Campari	9.6%	-7.5%	-4.5%	-	-3.0%	-14.1%
Wild Turkey portfolio(1) (2)	8.4%	2.8%	4.9%	-	-2.2%	29.1%
SKYY(1)	6.7%	-18.3%	-16.2%	-	-2.1%	-18.5%
Grand Marnier	6.4%	-16.5%	-14.9%	-	-1.5%	-25.6%
Jamaican rums portfolio(3)	5.8%	-0.2%	5.2%	-	-5.4%	3.2%
global priority brands	**55.6%**	**-6.0%**	**-3.8%**	**-**	**-2.2%**	**-7.1%**
Espolòn	5.0%	27.0%	29.9%	-	-2.8%	30.1%
Bulldog	0.6%	-13.5%	-11.6%	-	-1.9%	10.5%
The GlenGrant	0.9%	-20.0%	-19.3%	-	-0.7%	-4.7%
Forty Creek	1.3%	14.2%	17.5%	-	-3.2%	42.4%
Bitter and Italian liquors(4)	3.2%	-16.9%	-15.6%	-	-1.3%	-9.8%
Cinzano	3.1%	-13.6%	-9.3%	-	-4.4%	-10.8%
other(5)	3.9%	26.0%	-2.1%	34.6%	-6.5%	1.1%
regional priority brands	**18.0%**	**3.2%**	**0.4%**	**6.1%**	**-3.3%**	**3.3%**
Campari Soda	2.8%	-15.7%	-15.7%	-	-	-30.2%
Crodino	2.7%	-20.3%	-20.4%	-	0.1%	-32.6%
Wild Turkey portfolio ready-to-drink(6)	2.4%	19.2%	22.5%	-	-3.3%	10.5%
Dreher and Sagatiba	1.0%	-25.7%	-1.4%	-	-24.3%	-16.6%
other(7)	2.1%	15.5%	14.4%	2.2%	-1.0%	22.0%
local priority brands	**11.0%**	**-7.5%**	**-4.4%**	**0.3%**	**-3.4%**	**-14.0%**
rest of the portfolio	**15.3%**	**-0.5%**	**-10.0%**	12.8%	**-3.4%**	**-15.5%**
total	**100.0%**	**-3.8%**	**-4.1%**	**3.0%**	**-2.7%**	**-7.0%**

(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, Montelobos and Champagne Lallier.
(6) Includes American Honey ready-to-drink.
(7) Includes Duquesne.

The Group's **global priority brands** (55.6% of sales) fell by -3.8% at organic level, with an overall decrease of -6.0%, an exchange rate effect of -2.2% and a neutral perimeter effect. The comments below relate to the organic performance of individual brands.

Aperol recorded an almost stable performance at -0.1% during the year. The organic trend of the brand in the full year was highly impacted by the overall negative performance in core on-premise skewed markets, due to the lockdown measures to contain Covid-19 pandemic, such as the core Italian market (accounting for 31% of Aperol sales in 2020 and down by -15.2%), as well as Spain and Global Travel Retail. On the contrary, sustained growth were registered in core off-trade skewed markets like Germany (+16.9%), the United States (+7.8%), France as well as Russia, Switzerland and the United Kingdom. On a quarterly basis, following a very positive trend in the third quarter (+26.2%) favoured by positive weather conditions during July and August and the summer staycation effect in selected markets, the fourth quarter (-10.3%) was mainly affected by the re-introduction of restrictive measures which impacted the on-premise skewed markets, particularly Italy. Excluding the performance in Italy and the Global Travel Retail, the brand has grown by +11.0% in the full year.
The brand's off-premise sell-out trends continue to be very strong across its core markets in 2020, such as Germany (+31.0%) and the US (+66.5%)[8].
Campari closed the year with a decline of -4.5%, heavily impacted by a negative fourth quarter performance (-14.1%), mainly driven by the on-premise skewed Italian market. In the year, the brand benefitted from double digit growth in the off-premise skewed US market (+21.5%), in the United Kingdom, France and Australia, as well as from positive results registered in the highly exposed German off-premise market. These results were not able to offset the negative performance registered in the core Italian market, with key on-premise outlets being closed during lockdown peak periods, as well as in Jamaica, Brazil, Spain and Global Travel Retail.
The brand registered strong double-digit off-premise sell-out growth across the brand's core markets in 2020, such as Italy, Germany and United States[9].
The **Wild Turkey** portfolio, which includes American Honey, showed an increase of +4.9% in the year. The overall performance was mainly driven by the shipment recovery in the US market, particularly in the last part of the year, as well as Australia which registered double-digit growth in the year. On the other hand, the Japanese market, the brand's third largest market, was weak due to the pandemic effects and the destocking carried out by the Group ahead of the planned change in the region's route-to-market.
Strong off-premise sell-out data was registered in the core market of the United States (+25.6%[10]).

[8] Germany: Nielsen LEH+DM = Off-Trade (no C&C), W2-W53 2020; US: Nielsen data XAOC+Total Liquor, representing approximately 34% of total US off-trade value, YTD W/E 26/12/2020.
[9] Italy: IRI Iper+super+LSP, YTD WE 27/12/2020; Germany: Nielsen LEH+DM = Off-Trade (no C&C), W2-W53 2020; US: Nielsen data XAOC+Total Liquor, representing approximately 34% of total US off-trade value, YTD W/E 26/12/2020.
[10] US: Nielsen data XAOC+Total Liquor, representing approximately 34% of total US off-trade value, YTD W/E 26/12/2020.

SKYY closed the year with a fall of -16.2%, mainly due to core US market down by -10.5% driven by ongoing destocking ahead of a complete brand re-launch, while SKYY off-premise sell-out trends remained positive +7.3%[11]. Internationally, the brand declined with the exception of Germany and Argentina.

Grand Marnier recorded a decline of -14.9%, due to the negative shipment performance in the core United States market, driven by ongoing destocking and the brand's heavy on-premise skew, as well as in the Global Travel Retail channel and France. Excluding the United States destocking effect, the overall brand performance would have been -2.4% in 2020. Solid sell-out data in the off-premise was registered in the core market of the United States at +37.8%[13].

The **Jamaican rums portfolio** (Appleton Estate, Wray&Nephew Overproof and Kingston 62) recorded an organic growth of +5.2% in the year. Wray&Nephew Overproof achieved a double-digit growth (+21.9%) driven by Jamaica, the United States and the United Kingdom, as well as Canada favoured by a low base effect. Sales of Appleton Estate were positive (+3.1%), sustained by a favourable category trend in the premium rum, thanks to the good performance in Canada, the United States and New Zealand, boosted by the new packaging and product range, offsetting the negative trend in Jamaica, Mexico and the Global Travel Retail. The rest of portfolio registered a decline due to portfolio reshuffle, namely the launch of Kingston 62.

The sell-out trends in the off-premise in the US for Appleton Estate (+38.8%) and Wray&Nephew Overproof (+62.2%) remained very positive[13].

The **regional priority brands** (18.0% of sales) registered a substantially neutral organic growth trend of +0.4%, with an overall increase of +3.2% achieved by a perimeter effect of +6.1% partially offset by an exchange rate effect of -3.3%. The comments below relate to the organic performance of individual brands.

Espolòn (5.0% of total sales) recorded a continued very positive double-digit performance (+29.9%), mainly driven by the core United States market thanks to solid category momentum, as well as other seeding markets such as Australia, Canada and Russia. The brand registered an off-premise sell-out growth of +87.4% in 2020 in the core market of the United States[13].

Bulldog sales fell (-11.6%), due to very negative performances in its core market Spain, which suffered from the on-premise skew as well as persistent strong category competition, as well as in the Global Travel Retail and in South Africa, the latter penalised by the significant destocking ahead of the planned changes in the route-to-market structures and the pandemic effect. The overall performance was partly mitigated by positive double-digit growth results in Germany and Belgium.

The GlenGrant recorded a negative performance of -19.3% in the year. This was mainly due to a strong decline in the Global Travel Retail channel, a key strategic channel for the brand's premium variants development, which was particularly impacted by the effects of Covid-19. Italy, the United States and South Africa were also negative mainly due to the pandemic. The overall negative performance was only partially mitigated by positive results in Australia, France and Germany. The enhanced focus on the long-term repositioning of the brand, gradually shifting from high-volume and short-aged variants into premium higher-margin propositions, remains confirmed.

Forty Creek recorded a positive performance of +17.5%, thanks to the results achieved in Canada.

Italian bitters and liqueurs (Cynar, Averna, Braulio and Frangelico) were negative overall (-15.6%) largely due to declines in core Italy and US markets given their on-premise skew and Global Travel Retail.

Cinzano sales fell by -9.3% overall. Performance in the sparkling wines segment was negative due to the weakness in core Italian and Russian market, as well as in Japan, China and Switzerland, which completely offset the positive results registered in Germany and selected East European markets. In the vermouth segment, the negative performance was mainly attributable to Italy, as well as Eastern Europe markets, where the decline was due to brand repositioning as traditional vermouth. On the contrary, growth was registered in Russia, Argentina and Australia.

In the **other brands**, Bisquit&Dubouché cognac recorded a decline, mainly in South Africa, currently the brand's core market. Mondoro and Riccadonna recorded a positive performance. The former was driven by its core Russian market, whilst the latter by the French market, positively impacted by both the change in route-to-market and Aperol's positive trend.

The **local priority brands** (11.0% of the Group's portfolio) showed an organic sales decrease of -4.4%, with an overall variation of -7.5%, an exchange rate effect of -3.4% and a perimeter effect of +0.3%. The comments below relate to the organic performance of individual brands.

The organic performance of the local priority brands is due to the contraction in sales of the Italian single-serve aperitifs, **Campari Soda** and **Crodino**, which were particularly impacted by the performance in the key Italian market due to their very large exposure into the on-premise channel and therefore were particularly impacted by Covid-19 pandemic. In seeding markets, the brand grew overall by mid-single digit thanks to the performance in Switzerland, Belgium, Austria and Germany, benefiting from the new brand roll-out. **Wild Turkey ready-to-drink** recorded a very positive performance, driven by its key Australian market; **Ouzo 12** and **Cabo Wabo** registered

[11] US: Nielsen data XAOC+Total Liquor, representing approximately 34% of total US off-trade value, YTD W/E 26/12/2020.

a good performance as well thanks to their key markets, Germany and United States respectively, while the **Brazilian brand** (**Dreher** and **Sagatiba**) showed a slight decline.

The **rest of the portfolio** (15.3% of sales) recorded a negative organic performance of -10.0%, mainly due to **SKYY ready-to-drink** in Mexico and Japan, as well as the agency brands, partly mitigated by the very positive performance of **Aperol Spritz ready-to-drink**[12] in Italy and **X-rated fusion liquor** in the core market of China, despite new route-to-market setup.

[12] A stand-alone brand not included in the Aperol brand performance.

Statement of profit or loss

Key highlights

The profit or loss figures for the full year 2020 suffered heavily from the effects of the unexpected impact of the Covid-19 pandemic. Starting from the end of the first quarter, severe restrictions were progressively introduced, including the suspension of productive activities defined as non-essential (which does not include beverages), having a strong impact on end clients' propensity to consume, particularly in on-premise skewed markets where the high-margin aperitif business was mostly affected. During the third quarter 2020, with the progressive uplifting of restrictive measures after the lockdown, the Group's business performance benefitted from a temporary recovery in the aperitifs business in its peak summer season for core on-premise markets. Moreover, it benefitted from the consumption generated by people spending holidays in their home country rather than abroad ('staycation' effect), whilst home spirits consumption continued in off-premise skewed regions. After a brief temporary summer relief, the impact of the so called 'second wave', which has brought new, even if generally a little less stringent, restrictions on people's lives and habits across all markets, led to an overall decline in fourth quarter 2020 which impacted, once again, particularly the on-premise skewed markets. At year-end the situation still remains uncertain given the spread of the pandemic and is highly dependent on the vaccine administration.

Therefore, despite a particularly favourable start to the year in many geographic regions, the 2020 business results reflected the effects of a new economic situation, which was by no means foreseeable. While strong brand momentum remained very healthy as shown by sustained sell-out trends in the off-premise channel, the year was heavily influenced by the Covid-19 pandemic measures, which affected on-premise skewed markets in particular. As such, net sales and all the profitability indicators monitored by the Group resulted in a negative organic performance on a full year basis.

A cost analysis was carried out at Group level aimed at containing variable and discretionary structure costs. With regard to advertising investments, brand activation initiatives have been re-phased on a selected basis to refocus on core priorities during this particular year, and progressively shifted from the on-premise channel into digital and online, as well as e-commerce. At selling, general and administrative expenses level, the containment of the discretionary component was mainly driven by hiring freeze policies and travels bans initiatives. Finally, with regard to non-discretionary spending, no structural downsizing actions were taken as regards the Group's infrastructure in the context of Covid-19. The Group confirmed its unchanged commitment to its long-term development strategy, such as via the deployment of initiatives previously planned to support the Group's growth strategy, and the continued strengthening of its route-to-market structures. Meanwhile, within the context of a very challenging year, resources have particularly focused on a continuous enhancement of the IT infrastructure, further hardened after the malware attack suffered in the fourth quarter, a regular monitoring of supplier and customer performances, prudent liability management to prevent liquidity issues, as well as a general redefinition of ways of working by introducing new protocols, work practices and safety measures across the organisation.

The perimeter variations relate mainly to the recent acquisitions of Rhumantilles S.A.S., Ancho Reyes and Montelobos, completed in the latter part of 2019, the acquisition of Campari France Distribution S.A.S., finalised on 28 February 2020, and the acquisition of Champagne Lallier S.a.r.l., completed on 10 June 2020 which entered the consolidation perimeter from 30 June 2020 onwards. The perimeter disclosure also includes the effect deriving from the termination of some low-margin distribution agreements, which in any case contributed in a very limited way to the business's performances.

With regard to the total changes in profitability indicators, the favourable exchange rate effect was driven by the strong devaluation in currencies in low-margin emerging markets against the Euro. At the level of EBIT adjusted, this effect was offset by the negative perimeter impact due to the disproportional weight of structure of costs of the newly acquired businesses when compared to the net sales value, severely impacted by Covid-19. The table below shows the profit or loss(1) for 2020 and a breakdown of the total change by organic growth, external growth and exchange rate effects.

	For the years ending 31 December											
	2020		2019		total change		of which organic		of which external		of which due to exchange rates and hyperinflation	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
Net sales[2]	**1,780.3**	**100.0**	**1,844.8**	**100.0**	**(64.5)**	**-3.5%**	**(67.6)**	**-3.7%**	**54.6**	**3.0%**	**(50.3)**	**-2.7%**
Cost of sales	(751.1)	(42.2)	(727.3)	(39.4)	(23.8)	3.3%	(20.8)	2.7%	(40.0)	5.5%	35.7	-5.0%
Gross profit	**1,029.2**	**57.8**	**1,117.5**	**60.6**	**(88.3)**	**-7.9%**	**(81.3)**	**-7.9%**	**14.6**	**1.3%**	**(14.5)**	**-1.3%**
Advertising and promotional costs	(309.8)	(17.4)	(319.9)	(17.3)	10.1	-3.2%	6.7	-2.2%	(4.2)	1.3%	7.4	-2.3%
Contribution margin	**719.4**	**40.4**	**797.6**	**43.2**	**(78.2)**	**-9.8%**	**(73.4)**	**10.2%**	**10.4**	**1.3%**	**(7.2)**	**-0.9%**
Selling, general and administrative expenses	(407.7)	(22.9)	(398.1)	(21.6)	(8.3)	2.1%	(3.3)	0.8%	(19.0)	4.8%	12.7	-3.2%
Result from recurring activities (EBIT-adjusted)	**311.7**	**17.5**	**399.3**	**21.6**	**(86.6)**	**-21.7%**	**(83.5)**	**21.3%**	**(8.6)**	**-2.1%**	**5.5**	**1.4%**
Other operating income (expenses)	(76.8)	(4.3)	(22.9)	(1.2)	(55.1)	253.9%						
Operating result	**235.0**	**13.2**	**376.4**	**20.4**	**(141.7)**	**-37.6%**						
Financial income (expenses)	(63.7)	(3.6)	(74.5)	(4.0)	(5.9)	14.4%						
Adjustments to financial income (expenses)	1.4	0.0	5.8	0.3	(4.4)	-75.9%						
Put option, earn out income (expenses) and hyperinflation effect	18.0	1.0	(4.7)	(0.1)	22.8	-						
Profit (loss) related to associates and joint ventures	(2.8)	(0.2)	0.1	-	(2.9)	-						
Profit before taxation and non-controlling interests	**187.9**	**10.5**	**303.3**	**16.4**	**(115.5)**	**-38.1%**						
Profit before taxation and non-controlling interests-adjusted	**257.1**	**14.4**	**319.1**	**17.3**	**(62.0)**	**-19.4%**						
Taxation	(11.3)	(0.6)	(45.9)	(2.5)	34.6	-75.4%						
Net profit for the period	**176.5**	**9.9**	**257.5**	**14.0**	**(80.9)**	**-31.4%**						
Net profit for the period-adjusted	**190.7**	**10.7**	**216.4**	**11.7**	**(25.7)**	**-11.9%**						
Non-controlling interests	81.9	4.6	149.2	8.1	(67.3)	-45.1%						
Group net profit for the period	**94.6**	**5.3**	**108.3**	**5.9**	**(120.5)**	**-12.6%**						
Group net profit adjusted	**108.8**	**6.1**	**67.2**	**3.6.9**	**41.6**	**61.9%**						
Total depreciation and amortisation	(80.8)	(4.5)	(76.8)	(4.2)	(4.2)	5.2%	(4.9)	3.3%	(1.8)	5.7%	2.7	-3.8%
EBITDA-adjusted	**392.5**	**22.0**	**475.1**	**25.8**	**(83.8)**	**-17.6%**	**(78.2)**	**-17.3%**	**(8.4)**	**-0.9%**	**2.8**	**0.6%**
EBITDA	**315.7**	**17.7**	**453.4**	**24.6**	**(137.7)**	**-30.4%**						

(1) For information on the definition of alternative performance measures, see the paragraph ‘Definitions and reconciliation of the Alternative Performance Measures (APMs or non-GAAP measures) to GAAP measures’ of this management report.
(2) Sales after deduction of excise duties.

Statement of profit or loss in detail

The key profit or loss items are analysed below.

See the previous paragraph ‘sales performance’ for a detailed analysis of **sales** for the period.

The **gross profit** for the period was €1,029.2 million, -7.9% on 2019. The organic component was -7.9%, which was higher than the organic decrease in sales (-3.8%), while the perimeter variation of +1.3% was completely offset by the exchange rate effect. As a percentage of sales, the gross margin fell overall, from 61% in 2019 to 58% in 2020. The organic dilution of profitability was mainly driven by the unfavourable sales mix, led by the outperformance of low margin Espolòn characterized by the high agave price, the underperformance in high margin aperitifs brands in core on-premise skewed Italian market (particularly Aperol, Campari and the single-serve aperitifs Campari Soda and Crodino), the destocking driven declines in high-margin SKYY Vodka and European imports in the United States, the negative impact of US import tariffs, all combined with a lower absorption of fixed production costs.

The exchange rate effect of an 80 basis point accretion in the period was more than offset by the perimeter effect having a 100 basis point dilution.

Advertising and promotional costs were €309.8 million, down by -3.2% overall compared to 2019, with a decrease of -2.2% in organic values (compared with a decline in net sales of -3.8%). As a percentage of sales, they increased from 17.3% to 17.4% in 2020. Throughout the year, due to the lockdowns and the general restrictions limiting people traffic in the on-premise channel, brand activation investments were progressively redirected from on-premise into digital and online brand activations, e-commerce initiatives, as well as off-premise brand building activities. In this respect, after the cost containment actions taken in the first part of the year, advertising investments (mostly a discretionary expense) were recovered via a rephasing into the last two quarters. The main objective has been to engage consumers and industry professionals through social media, driving home consumption through e-commerce platforms and further leverage of modern trade. In line with this strategy, the Group has significantly stepped up its digital capabilities to support on-line marketing, with a strong focus on core brands.

The **contribution margin** was €719.4 million, an overall decrease of -9.8% compared to 2019. As a percentage of sales, it was at 40.4%, an overall dilution of 283 basis points compared to 2019 year. The organic growth component fell by -10.2%, more than the decline in organic sales growth (-3.8%), generating an organic dilutive effect. The negative exchange rate effect of -0.9% had an accretive effect on margins.

Selling, general and administrative expenses, a predominantly fixed cost type of expense, amounted to €407.7 million, with an increase (+2,41%) in comparison to the previous year. As a percentage of sales, they amounted to 22.9%, compared to 21.6% in 2019, with a resulting dilutive effect on margins of 132 basis points. The organic change was at 0.8% and generated an organic dilutive effect due to the lower absorption of fixed costs in the context of an organic contraction in sales. Although no structural downsizing actions were undertaken with regard to the business infrastructure in the context of Covid-19, the containment of variable and discretionary costs was mainly driven by hiring freeze policies as well as a reduction in travelling and entertainment expenses. Finally, the costs of 2020 reflected the revision of the estimated target-based incentives which unfortunately were not achieved following the 2020 business results heavily affected by the pandemic.

The **result from recurring activities (EBIT adjusted)** was €311.7 million in 2020, an overall decrease of 21.7% on 2019.
The organic decline component was -21.3%, with a tough comparison base with the same period in 2019. Excluding the US destocking effect (approximately €19 million), the EBIT adjusted change would have been -15.7%. The impact of perimeter variations on EBIT adjusted was -2.1%, mainly due to the unfavourable impact of recent acquisitions: reference is made in particular to the disproportionate effect deriving from the first-time consolidation of the French distributor, given the very limited absorption of fixed structure costs in 2020, due to the lower sales levels impacted by the pandemic. On the other hand, the exchange rate effect was +1.4%, generated by the strong devaluation in currencies in low-margin emerging markets against the Euro.

Other operating income (expenses) showed a net charge of €76.8 million. This related namely to the following significant events or transactions affecting the year:
- €35.4 million attributable to brand impairment losses on Bulldog (€16.0 million[13]), The GlenGrant (€15.5 million) and Rhum Agricole (€3.9 million) as a consequence of the negative impact of Covid-19 on the brand performances particularly given their significant exposure to Global Travel Retail and on-premise, not expected to fully recover in the short term;
- €21.4 million of restructuring costs: €13.5 million related to the sugar business in Jamaica and €7.9 million for the reorganisation activities impacting some of the Group's central operations, which were started in previous periods;
- €15.9 million of transaction fees in connection with the transfer of the Company's registered office to the Netherlands (€9.9 million), as well as transaction fees in connection with recent acquisitions and changes in route to market (€6.0 million);
- €17.4 million of other costs connected to special projects, legal disputes as well as costs related to direct donations made by the Group to support the pandemic emergency and costs connected to IT restoration operations as a result of the malware attack suffered in November 2020, aimed at further protecting the Group's IT estate.

The **operating result** in 2020 was €235 million, reflecting a decrease of -37.6% from 2019.

Depreciation and amortisation totalled €80.8 million, up +5.2% on 2019.
The perimeter variation relating to recent acquisitions accounted for +5.7% and was partially offset by exchange rate variations of -3.8%.

EBITDA adjusted was €392.5 million, a decrease of -17.6%, of which -17.3% was at organic level, while the positive +0.6% contribution of the exchange rate effects was substantially compensated by the -0.9% perimeter impact.

EBITDA was €315.7 million, a decrease of -30.4% compared with 2019 (€453.4 million).

Net financial expenses totalled €63.8 million, showing a decrease of €10.7 million compared to the same period of 2019 (€74.5 million).

[13] Value determined based on average exchange rate for the period 1 January-31 December 2020, equivalent to €15.8 million at the closing exchange rate at 31 December 2020.

Positive **adjustments to financial income (expenses)** of €1.4 million were recorded for the year 2020. These adjustments related mainly to a liability management transaction for the term loan subscribed in July 2019, to which minor amendments were made to benefit from better financial terms and conditions.

The item **income (expenses) relating to put options, earn out and hyperinflation effects** was positive and totalled €18.0 million. It includes income totalling €18.7 million attributable to the non-cash effects of the remeasurement and discounting to present value of the estimated liabilities for future commitments relating to earn out and minority shareholdings in the acquired businesses. The decrease is mainly due to the revision of projected cash out from the Bulldog earn out (€19.4 million), the basis of the estimate having been linked to the expected future brand performance and the revision conducted in conjunction with impairment test of intangible assets to ensure consistency. The item also includes expenses arising from the application of the hyperinflation management measures to the Argentina accounts, totalling a net expense of €0.7 million.

The **profit (loss) related to associates and joint ventures** was a charge of €2.8 million, mainly related to the joint venture in Japan and essentially due to the lower absorption of fixed structure costs in a context of low level of sales.

Profit before taxation and non-controlling interests was €187.8 million, a decrease of -38.1% compared with 2019. Profit before taxation as a percentage of sales was 10.5% (16.44% in 2019).

Taxation totalled €11.3 million. The reported tax rate in 2020 was 6.0%, compared with a reported tax rate of 15.1%. The overall tax amount in 2020 included recurring income tax of €77.9 million and positive tax adjustments totalling €55.1 million. The latter reflected the favourable tax effects arising from the operating and financial adjustments as well as other, purely fiscal, adjustments. In particular, the merely fiscal adjustments included a one-off benefit of €29.9 million related to the remeasurement of deferred tax liabilities as a result of the step-up of certain brand and goodwill fiscal values to their corresponding book values, as stated in the Company's separate accounts. The positive reversal of deferred tax liabilities recorded in 2020 profit or loss is net of the substitutive tax to be paid in order to access the fiscal benefit. While the one-off impact is recognized in the 2020 profit or loss, the expected recurring tax benefit in the profit or loss statement, originated from a deductible notional amortization of the new stepped-up value of brand and goodwill assets valid for fiscal purposes only, will start from fiscal year 2021, generating its cash tax savings effects starting from fiscal year 2022 onwards. This benefit is granted to Italian companies pursuant to Law Decree no. 104/2020, enacted in August 2020 and converted with amendments into Law no.126/2020 in October 2020.
The 2020 overall tax adjustment compared with the figure of €56.8 million reported in 2019, which mainly included a one-off benefit of €25.4 million related to Patent Box tax regime: 2019 was the last year of the five years granted for the one-off tax relief based on the agreements signed with the Italian tax authorities.

Result relating to non-controlling interests for the period was marginal and corresponds to a profit of 81,9.

The **Group's net profit** was €94,6 million in 2020, a decrease of -39.1% compared with 2019, with a sales margin of 5.31%. However, after excluding adjustments to operating, financial and put options and earn out, the related tax effects and tax components, the Group's net profit was €108.8 million (€67.2 million in 2019).

The profit before tax and net profit, total and adjusted to take into account other operating income and expensed and adjustments to financial income and expenses, together with the related tax effects and other tax adjustments, are shown below.

	for the years ending 31 December	
	2020 € million	2019 € million
total adjustments to operating income (expenses), of which:	**(90.1)**	**(21.7)**
brands impairment losses	*(35.4)*	*-*
restructuring and reorganisation costs	*(21.4)*	*(9.5)*
other adjustments to operating income (expenses)	*(33.3)*	*(12.2)*
total adjustments to financial income (expenses)	**1.4**	**5.8**
total adjustment related to remeasurement of put option and earn out	**19.4**	**-**
total tax adjustments, of which:	**55.1**	**56.8**
tax benefit from Italian Legislative Decree 104/2020	*29.9*	*-*
Patent Box	*-*	*25.4*
tax adjustments	*2.2*	*26.0*
tax effect on operating and financial adjustments	*23.0*	*5.4*
total net adjustment	**(14.2)**	**41.0**

	for the years ending 31 December					
	2020			2019		
€ million	reported	adjustments	adjusted	reported	Adjustments	adjusted
profit before tax before minorities	**187.8**	(69.3)	**257.1**	**303.3**	(15.8)	**319.1**
total taxation	**(11.3)**	**55.1**	**(66.4)**	**(45.9)**	**56.8**	**(102.7)**
net profit for the period	**176.5**	(14.2)	**190.7**	**257.4**	41.0	**216.4**

Profitability by business area

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

Please refer to the 'Sales performance' paragraph of this management report for a more detailed analysis of sales by business area for the year.

	For the years ending 31 December							
	2020				2019			
	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	773.9	43.4%	139.7	43.4%	821.5	44.5%	171.4	42.0%
Southern Europe, Middle East and Africa	463.6	26.0%	32.5	10.1%	498.7	27%	88.1	21.6%
Northern, Central and Eastern Europe	411.9	23.2%	133.2	41.4%	396.1	21.5%	132.9	32.6%
Asia-Pacific	130.8	7.4%	16.5	5.1%	128.5	7.0%	15.6	3.8%
Total	**1,780.3**	**100.0%**	**321.9**	**100.0%**	**1,844.8**	**100.0%**	**408.0**	**100.0%**

- **Americas**

The Americas region made the largest contribution to the Group in terms of both sales and result from recurring activities, at 43.7% and 43.4% respectively.
The direct markets of US, Jamaica, Canada, Brazil, Mexico, Argentina and Peru together account for nearly all the region's sales. The results for 2020 are shown below.

	For the years ending 31 December								
	2020		2019		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**773.9**	**100.0**	**821.5**	**100.0**	**(47.6)**	**-5.8%**	**(14.8)**	**-1.8%**	**-**
Gross margin	**429.4**	**55.5**	**479.7**	**58.4**	**(50.3)**	**-10.5%**	**(44.8)**	**-9.3%**	**(450)**
Advertising and promotional costs	(141.2)	(18.2)	(157.3)	(19.1)	16.1	-10.2%	13.1	-8.3%	130
Selling, general and administrative expenses	(148.5)	(19.2)	(151.0)	(18.4)	2.5	-1.7%	(5.3)	3.5%	(100)
Result from recurring activities	**139.7**	**18.1**	**171.4**	**20.9**	**(31.7)**	**-18.5%**	**(37.0)**	**-21.6%**	**(420)**

The result from recurring activities decreased by -18.5% overall and recorded a sales margin of 18.1% compared with 20.9% for the previous year. The organic change was -21.6%, having a dilutive effect of 420 basis points on profitability. The main drivers that affected these organic results were as follows:
- **gross margin** decreased in value by -9.3% at organic level and, as this was lower than sales growth (-1.8%), it resulted in a consequent dilution of profitability of 450 basis points. The decline in gross profitability was mainly due to an unfavourable channel and sales mix, driven in particular by the outperformance of Espolòn, with margin continuing to be dampened by the elevated agave purchase price, the negative impact of US import tariffs and severe destocking in high-margin brands (SKYY Vodka and European imports), exacerbated by a lower absorption of fixed production costs, due to the lower net sales level;
- **advertising and promotional costs** recorded an organic decrease of -8.3%. Over the year, this result was the combined effect of the phasing of spending throughout the twelve months particularly on global priorities (SKYY Vodka, ahead of complete brand relaunch) and the rationalization of promotional investments shifting from an offline to an online focus. The disproportional decrease in this cost item, compared with organic sales growth, had an accretive effect of 130 basis points;
- **selling, general and administrative expenses** increased by +3.5% at organic level, higher than organic sales growth, which resulted in a deterioration in profitability of 100 basis points, due to a lower absorption of fixed costs given the top-line decline and only partly mitigated by the streamlining of some local structures in the region.

- **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, at 26.2% and the third-largest in terms of profitability at 10.1%. This region was strongly impacted by the lockdown measures implemented to fight the Covid-19 pandemic mainly due for Italy the region's largest market, being largely exposed to the on-premise and high-margin aperitifs business. Besides Italy, the other key markets of France, Spain, South Africa and Nigeria, together with the Global Travel Retail channel, accounting for nearly all the sales in this region, were also significantly impacted by Covid-19. The results for 2020 are shown below.

	For the years ending 31 December								
	2020		2019		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**463.6**	**100.0**	**498.7**	**100.0**	**(35.1)**	**-7.0%**	**(92.7)**	**-18.6%**	**-**
Gross margin	**279.4**	**60.3**	**333.1**	**66.8**	**(53.7)**	**-16.1%**	**(67.1)**	**-20.1%**	**(130)**
Advertising and promotional costs	(90.6)	(19.5)	(89.2)	(17.9)	(1.4)	1.6%	(0.4)	0.4%	(420)
Selling, general and administrative expenses	(156.3)	(33.7)	(155.8)	(31.2)	(0.6)	0.4%	15.7	-10.1%	(330)
Result from recurring activities	**32.5**	**7.0**	**88.1**	**17.7**	**(55.6)**	**-63.2%**	**(51.8)**	**-58.8%**	**(870)**

The result from recurring operations decreased by -63.2% overall and recorded a sales margin of 7.0% compared with 17.7% for the previous year. Organic change was -58.5%, having a dilutive effect of 870 basis points on profitability. The main drivers that affected these organic results were as follows:

- **gross margin** showed an organic decrease of -20.1%, equivalent to a dilution of 130 basis points, due to an unfavourable sales mix driven by on-premise closures, having an adverse impact particularly on the high-margin aperitifs category in core Italian market combined with lower absorption of fixed production costs. The year was characterized by high level quarterly volatility in connection with the measures to combat the Coronavirus leading to a decline driven particularly by the on-premise skewed markets. The Global Travel Retail channel was heavily impacted by travel restrictions due to the pandemic and so too the rest of the region skewed into on-premise markets, such as Spain, were also affected with an adverse impact on margins;
- **advertising and promotional costs** were almost stable (+0.4%) in comparison with the previous year, reflecting the gradual recovery of key initiatives focused on the main brands in the second part of the year (such as the Campari sponsored Venice Film Festival and the Averna new campaign), characterized by a temporary recovery of the business, and a continuous shift of brand building investments in aperitifs to drive consumption, from off to online. The dilutive effect generated was 420 basis points;
- **selling, general and administrative expenses** diminished by -10.1% at organic level, though at a lower rate than the top line, thus having a dilutive effect on profitability of 330 basis points. The reduction compared to last year was driven by the cost optimization initiatives implemented at Group level, particularly for variable costs, including hiring freezes policies and a travel ban. The costs for the year also reflected the reduction in employee bonus amounts as annual business results were heavily affected by the pandemic.

- **Northern, Central and Eastern Europe**

The Northern, Central and Eastern Europe region is the Group's third-largest region in terms of net sales, and the second largest in terms of profitability, at 22.8% and 41.4% respectively. Thanks to the large exposure of this geographical area to the off-premise channel, the effects of the Covid-19 outbreak were more limited compared with other regions and a positive organic performance in net sales and result from recurring operations was achieved.

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 2020 are shown below.

	For the years ending 31 December								
	2020		2019		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**411.9**	**100.0**	**393.8**	**100.0**	**18.1**	**4.6%**	**26.7**	**6.8%**	**-**
Gross margin	**259.2**	**62.9**	**244.8**	**63.1**	**14.4**	**3.7%**	**13.5**	**5.5%**	**(80)**
Advertising and promotional costs	(73.9)	(17.9)	(55.6)	(14.1)	(18.3)	-4.7%	(5.6)	10.0%	(40)
Selling, general and administrative expenses	(52.1)	(12.6)	(66.0)	(15.2)	13,9	3.6%	(3.6)	5.5%	10
Result from recurring activities	**133.2**	**32.3**	**123.2**	**33.7**	**10**	**2.5%**	**4.3**	**3.5%**	**(110)**

The result from recurring activities was almost stable (+0.3%) overall and recorded a sales margin of 33.0%, compared with 33.7% reported in the previous year. Organic growth was +3.2% having a dilutive effect of 110 basis points. The main drivers that affected these organic results were as follows:

- **gross margin** showed solid organic growth of +5.5%, although lower than sales growth.;
- **advertising and promotional costs** increased by +10.0% highlighting a phasing effect from the first into the second part of the year of the initiatives focused on the main brands, with a dilution effect on profitability
- **selling, general and administrative expenses** showed an increase of +6.1%, at a lower rate than the sales growth.

- **Asia-Pacific**

The Asia-Pacific region includes the Group's own Australian sales platform, as well as markets served by joint ventures and third-party distributors. The region's contribution to the Group's net sales and result from recurring activities in 2020 were 7.4% and 5.1% respectively. The results for 2020 are shown below.

	For the years ending 31 December								
	2020		2019		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**130.8**	**100.0**	**128.5**	**100.0**	**2.3**	**1.8%**	**5.9**	**4.6%**	**-**
Gross margin	**61.3**	**46.8**	**60.0**	**46.6**	**1.3**	**2.2%**	**3.0**	**5.1%**	**20**
Advertising and promotional costs	(17.6)	(13.5)	(17.8)	(13.9)	0.2	-1.2%	(0.3)	1.5%	40
Selling, general and administrative expenses	(27.2)	(20.8)	(26.5)	(20.6)	(0.6)	2.3%	(1.4)	5.1%	(10)
Result from recurring activities	**16.5**	**12.6**	**15.6**	**12.1**	**0.9**	**5.8%**	**1.4**	**9.1%**	**50**

The result from recurring activities increased by +5.8% overall and recorded a sales margin of 12.6% compared with 12.1% reported in the previous year. The organic variation was positive at +9.1%, with a corresponding accretion in profitability of 50 basis points, due to the following effects:

- **gross margin** grew by +5.1% at organic level, resulting in an improvement in profitability of 20 basis points, driven by the favourable sales mix within the region and thanks to improved profitability in local priorities in Australia;
- **advertising and promotional costs** were up by +1.5%, lower than the organic sales growth, with an accretive effect on profitability of 40 basis points;
- **selling, general and administrative expenses** increased by +5.1% with a dilutive effect of profitability of 10 basis points. The increase was mainly due to costs related to route to market initiatives and the transfer of the regional offices from Sydney to Singapore, in order to benefit from a more centrally located position with regards to the main Asian market.

Operating working capital

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

	At 31 December			*of which*		
	2020	2019[1]	total change	*organic*	*perimeter* [2]	*exchange rates and hyperinflation*
	€ million	€ million	€ million	*€ million*	*€ million*	*€ million*
Trade receivables	282.9	318.4	(35.4)	*(42.4)*	*38.8*	*(31.8)*
Total inventories, of which:	656.8	616.7	40.1	*47.8*	*35.6*	*(43.3)*
- maturing inventory	*368.1*	*374.4*	*(6.3)*	*20*	*-*	*(26.3)*
- biological assets	*1.6*	*0.9*	*0.7*	*0.8*	*-*	*(0.1)*
- other inventory	*287.0*	*241.5*	*45.5*	*26.7*	*35.6*	*(16.8)*
Trade payables	(322.8)	(241.3)	(81.5)	*(50.6)*	*(44.6)*	*13.7*
Operating working capital	**617**	**693.8**	**(76.8)**	***(45.1)***	***29.8***	***(61.4)***
Net sales of the period	1,780.3	1,844.8				
Working capital as % of net sales rolling	34.7	37.6				

[1] Values as of 31 December 2019 reclassified for Purchase Price Allocations. For information on the reclassifications of comparative figures, refer to note 3 xi- 'Reclassification of comparative figures at 31 December 2019' of Campari Group consolidated financial statements at 31 December 2020.
[2] The change includes an overall marginal impact of €0.9 million, related to the exit from the consolidation area of the Japanese Group's commercial company operating in Japan market following changes in the local distribution structure.

Operating working capital at 31 December 2020 was €617 million, a decrease of €76.8 million compared with the balance at 31 December 2019. This change was the combined effect of the following drivers: an organic decrease of €45 million, driven by an increase in inventories, totalling €47.8 million, more than offset by the favourable combined effect of an increase in trade payables of €50.6 million and a decrease in receivables from customers, of €42.4 million; a perimeter effect driven by the acquisitions closed during the year for an amount of €29.8 million, as well as an exchange rate variation leading to a reduction of €61.4 million.

Focusing on the organic performance, the decrease in trade receivables of €42.4 million is mainly driven by a temporary working capital reduction at year-end, due to phasing effects generated by the renewed restrictions impacting business performance. In particular, the decrease in receivables by €35 million was a consequence of the business slowdown in the fourth quarter in connection with the new restrictions due the pandemic 'second wave', whilst the increase in payables by €50.6 million was due to phasing.
Notwithstanding the unfavourable economic environment, customer payments terms remained broadly unchanged across all geographies.
Inventory registered an increase totalling €47.8 million, out of which €20.1 million related to the organic step up in ageing liquid supporting the maturation process, mostly linked to The GlenGrant and Bisquit&Dubouché cognac maturing inventory. It should be noted that, due to its nature, working capital represented by ageing liquid is similar to invested capital as its growth profile is planned over a long-term horizon. The other inventory increase is mostly a consequence of weaker demand towards the end of year due to Covid-19.

The decrease attributable to the exchange rate component, totalling €61.4 million, was related to receivables from customers for €31.8 million, only partly offset by an increase in payables to suppliers for €13.7 million. The exchange-rate effect on inventories was a negative €43.3 million, of which €26.3 million was due to maturing inventory, which is concentrated in the Americas region (particularly in the United States and Jamaica) and in the United Kingdom.

Lastly, the perimeter effect totalling €29.8 million is largely attributable to the new French acquisitions of Campari France Distribution and Champagne Lallier (for additional information, please see paragraph 'Significant events of the year' in the management report).

At 31 December 2020, operating working capital as a percentage of net sales in the last 12 months was 34.7%, with an overall decrease in the percentage of sales of -2.9% compared with the previous year mainly attributable to the exchange rate effect (which also includes the hyperinflationary effects in Argentina). With particular reference to the perimeter effect, it should be noted that the acquisitions of Campari France Distribution and Champagne Lallier occurred on 28 February and 10 June 2020 respectively, therefore the balance sheet figures at 31 December 2020 included the working capital of the acquired companies while the sales reported in the previous 12 months included the contribution of the brands acquired only for the period from the date on which the transactions were completed. If the statement was adjusted to take account of the full-year consolidation effect of the acquired companies, operating working capital would be reduced to 33.2% of consolidated net sales.

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 absorbed). Therefore, the cash flows relating to changes in current and non-current net financial debt, and in investments in marketable securities are not shown.

	for the years ending 31 December			
	2020 € million	*of which recurring* *€ million*	2019 € million	*of which recurring* *€ million*
EBITDA	**315.7**		**453.5**	
EBITDA-adjusted		***411.3***		***475.2***
Effects from hyperinflation accounting standard adoption	2.4	*2.4*	4.5	*4.5*
Accruals and other changes from operating activities	(21.4)	*(21.4)*	(22.3)	*(14.8)*
Goodwill, brand and sold business impairment	45.7	*-*	-	*-*
Income taxes paid	(119.7)	*(84.8)*	(45.3)	*(81.1)*
Cash flow from operating activities before changes in working capital	**222.6**	***307.5***	**390.4**	***383.8***
Changes in net operating working capital	35.7	*35.7*	(29.6)	*(29.6)*
Cash flow from operating activities	**258.3**	***343.1***	**360.8**	***354.2***
Net interests paid	(32.6)	*(32.6)*	(18.7)	*(18.7)*
Adjustments to financial income (expenses)	-	*-*	(40.2)	*(46.0)*
Capital expenditure	(109.3)	*(64.6)*	(82.4)	*(61.1)*
Free cash flow	**116.4**	***246.0***	**219.5**	***228.4***
(Acquisition) disposal of business	(177.2)		141.5	
Dividend paid out to DCM N.V: minority interests	(30.3)		(27.7)	
Other changes (net purchase of DCM N.V. shares included)	(433.0)		(129.9)	
Total cash flow used in other activities	**(640.5)**		**(16.1)**	
Exchange rate differences and other changes	11.2		(3.6)	
Change in net financial position due to operating activities	**(512.9)**		**199.8**	
Put option and earn out liability changes(1)	(5.6)		(69.2)	
Effect of IFRS 16-'Leases' first application(2)	-		(81.4)	
Increase in investments for lease right of use(3)	(7.8)		(15.8)	
Net cash flow of the period=change in net financial position	**(526.3)**		**33.4**	
Net financial position at the beginning of the period	**(945.8)**		**(979.2)**	
Net financial position at the end of the period	**(1,472.1)**		**(945.8)**	

(1) This item includes the full effects of the acquisitions of companies, businesses or strategic assets during the period for a total amount of €4.3 million, 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 9 iv-'Lease components' of Campari Group consolidated financial statements at 31 December 2020.

Highlights

In 2020, **net cash flow** reflected a cash flow absorption of €526.3 million, corresponding to an equivalent increase in net financial debt from 31 December 2019. This result was the combined effect of the slowdown in business performances due to Covid-19 outbreak during the year and the significant transactions and payment commitments completed by the Group over the same time horizon which affected the overall result in term of liquidity absorption.
Cash generation in terms of **free cash flow** was positive in 2020 and equal to €116.4 million, after non-recurring tax payments due in the year.
With regards to the other activities, all payment commitments were confirmed and the Group continued to pursue its development objectives in line with its long-term strategy. The overall effect in terms of cash flow absorption was €640.5 million, mainly related to the following: €271.2 million for the purchase of own shares by Davide Campari-Milano N.V. to serve stock option plans (including the liquidation of a number of 7.7 million shares related to the management of the residual shares withdrawal resulting from the transfer of the official seat in the Netherlands, amounting to €64.7 million), €277,3 million for the purchase of an additional 2,85% of Davide Campari-Milano N.V shares by Lagfin, €120.6 million in total for the acquisition of Baron Philippe de Rothschild France Distribution S.A.S., Champagne Lallier S.a.r.l. and interests in Tannico S.p.A., lastly €30.3 million for dividend payment to Davide Campari-Milano N.V's. minority interests.

Analysis of the consolidated statement of cash flows

The following drivers contributed to the positive generation of free cash flow in 2020:

- EBITDA amounted to €315.7 million. It decreased by €137.8 million compared with 2019 and included a negative effect of €90.1 million related to operating adjustments mainly for restructuring projects and the transfer of Davide Campari-Milano N.V. registered office to the Netherlands. Excluding these components, EBITDA adjusted amounted to €411.3 million (€475.2 million in 2019);

- non-cash liabilities arising from the application of the accounting standard used to manage hyperinflationary effects in Argentina totalling €2.4 million in 2020;

- cash absorption of €21.4 million mainly related to a reduction in payments for indirect taxation and excise duties;
- impairment losses of €45.7 million, mainly attributable to brand devaluations for Bulldog[14], The GlenGrant and Rhum Agricole as well as the write-off of some tangible assets, which are considered as non-cash adjusting components not included in the recurring free cash flow.
- the cash financial impact arising from tax payments made in 2020 amounted to €119.7 million; excluding the non-recurring tax relief (residual amount based on fiscal year 2019) obtained under Patent box tax regime and the payments due in 2020 in connection with the sale of Villa Les Cèdres, completed in 2019 (for more information about this transaction, please refer to Campari Group 2019 consolidated annual report), taxes paid were €84.8 million, in line with the recurring tax cash out in 2019 (€81.1 million). Some local fiscal jurisdictions have granted local companies a temporary rescheduling of tax payments to help offset the negative effects on liquidity due to the pandemic situation: Campari Group took advantage of such measures, which enabled the postponement of payments amounting to €2.1 million; this effect was partly offset by the increase of the tax balance in 2020 due to the positive results achieved in 2019 fiscal year by certain group legal entities in key markets.
- working capital recorded a cash generation of €35.7 million in 2020 (absorption of €29.6 million in 2019) (refer to paragraph 'Operating working capital' for details);
- net interest paid of €32.6 million in 2020, or €31.1 million after registering €1.4 million of profit related to non-recurring components linked to the liability management transaction on existing debt. Excluding the interest cost on lease totalling €3.2 million, interest paid net of interest received on the net financial position, was €29.4 million;
- net investment in capital expenditure amounted to €109.3 million, of which the recurring component was €64.6 million (with a slight increase compared with 2019), confirming the Group's commitment to continue enhancing the long-term efficiency of plants, offices and infrastructure despite the difficult macroeconomic context.

Cash flow used in other activities was negative at €640.5 million, compared with a negative value of €16.1 million in 2019. The increase mainly reflects the effect of significant disposals and acquisitions of businesses carried out by the Group in the two years under comparison:
- in 2020 the increase mainly reflects the effect of acquisitions of Baron Philippe de Rothschild France Distribution S.A.S., Champagne Lallier S.a.r.l. and interests in Tannico S.p.A. for a total amount of €120.6 million. The total cash outflow of these deals was €95.4 million, corresponding to the total consideration paid at the closing date to which the net financial debt acquired of €25.2 million must be added. For additional information, refer to the paragraph 'Net financial debt'. In addition, during the year the Group successfully closed an agreement leading to a cash outflow of €4.2 million, to secure a prestige location in Venice for the new opening in 2021 of the Aperol brand house in line with the Group's brand building strategies.
- in 2019, the sale of some non-core real estate attributable mainly to the acquisition of Grand Marnier (€200.0 million gross of the price supplement paid to previous shareholders of the company and tax cash outflow in 2020), net of the acquisition of Rhumantilles S.A.S., Ancho Reyes and Montelobos (for a total amount of €89.2 million), generated a positive net cash flow totalling €110.8 million.

In addition to the above transactions and despite the uncertain situation caused by pandemic, the Group decided to confirm its commitments in terms of dividend payments of €30.3 million (increased compared with the €27.7 million in 2019), the purchase of own shares by Davide Campari-Milano N.V. to service stock option plans, totalling €271.2 million (€47.3 million in 2019) and the purchase of an additional 2,85% of Davide Campari-Milano N.V shares Lagfin totalling €277,3 million.

Exchange rate differences and **other changes** had a positive effect of €11.2 million on the 2020 net cash flow (absorption of €3.6 million in 2019), reflecting the impact of exchange rate differences on, namely, operating working capital, as well as the recognition of some non-cash components, which were included for the purposes of reconciling the changes in cash flow with the change in net financial debt.

The effects of new **leases** and changes in **liabilities for put options and earn out** are shown purely for the purposes of reconciling the net cash flow of the year with the total net financial debt. Liabilities for put options and earn out, totalling €5.6 million, were mainly driven by the combined effect of revision of the estimated earn out for Bulldog, Ancho Reyes and Montelobos (such estimated values being linked to the future performance of the brands), net of the liability deriving from the first consolidation of Champagne Lallier business.

[14] Bulldog value determined based on average exchange rate for the period 1 January-31 December 2020, equivalent to €15.8 at the closing exchange rate at 31 December 2020.

Net financial debt

At 31 December 2020, consolidated net financial debt was €1,472 million. The increase of €526.2 million on the €945.8 million reported at 31 December 2019 was the combined effect of a positive free cash flow generated by the business of €116.4 million (or €246.0 million on a recurring basis), more than offset by payment commitments for an overall amount of €640.5 million, including acquisitions, share buyback and dividends.

During 2020, the Group's financial structure was solid and stable overall, despite the challenging macroeconomic environment and the effects of the pandemic which resulted in a reduced, though yet very satisfactory, cash flow generation. Lagfin, acting through its Italian branch, issued an Exchangeable Bond due in 2025 equal to €330 million, on July 2, 2020. Davide Campari-Milano N.V. successfully issued an unrated 7-year Eurobond, targeted at institutional investors and listed on Luxembourg Stock Exchange (with a dual listing on the ExtraMOT PRO segment of the Italian Stock Exchange), for a total offering of €550 million. The proceeds from this issue were used to refinance the Group's existing indebtedness (for more information please refer to paragraph 'Significant events of the year'): reference is made to the Eurobond issued in 2015, expired in September 2020 for a residual nominal amount of €580.9 million.

Moreover, during the year, the Group confirmed the strong commitment to its long-term external growth objectives by completing the acquisitions of Baron Philippe de Rothschild France Distribution S.A.S., Champagne Lallier S.a.r.l., in addition to the acquisition of interests in Tannico S.p.A., for an overall impact of €125.0 million, as set out below.

	Tannico S.p.A.	Champagne Lallier	Baron Philippe de Rothschild France Distribution S.A.S.(1)	total
	€ million	€ million	€ million	€ million
interests' acquisition in business or investments (including post-closing adjustments)	(23.8)	(21.3)	(50.3)	(95.4)
net financial assets (debt) acquired	-	(20.9)	(4.3)	(25.2)
total acquisition cash effect on closing date	**(23.8)**	**(42.2)**	**(54.6)**	**(120.6)**
payables for put option and earn out	-	(4.3)	-	(4.3)
Net effect of (acquisitions) disposals on net financial debt	**(23.8)**	**(46.5)**	**(54.6)**	**(125.0)**
of which stated at 31 December 2020:				
net impact on cash and cash equivalent	*(23.8)*	*(18.5)*	*(49.8)*	*(92.1)*
net impact on net financial debt other than cash and cash equivalent	-	*(28.1)*	*(4.9)*	*(32.9)*

(1) Baron Philippe de Rothschild France Distribution S.A.S. ('RFD'), now named Campari France Distribution S.A.S..

Changes in the debt structure in the two periods under comparison are shown in the table below.

	At 31 December		
	2020	2019	total change
	€ million	€ million	€ million
cash and cash equivalents	928.3	851.2	77.1
bonds	0.0	(580.0)	580.0
loans due to banks	(416.7)	(230.1)	(186.7)
lease payables	(13.9)	(15.4)	1.5
Debts to Shareholders	-	(19.5)	19.5
other financial assets and liabilities	(81.6)	(26.8)	(54.8)
short-term net financial debt	**416.0**	**(20.5)**	**436.6**
bonds	(1,198.4)	(349.4)	(849.0)
loans due to banks (1)	(496.9)	(325.2)	(171.8)
lease payables	(69.5)	(82.1)	12.6
Debts to Shareholders	(26.8)	-	(26.8)
other financial assets and liabilities	6.7	14.1	(7.3)
medium-/long-term net financial debt	**(1,784.9)**	**(742.6)**	**(1,042.3)**
net financial debt before put option and earn out payments	**(1,368.8)**	**(763.1)**	**(605.7)**
liabilities for put option and earn-out payments	(103.3)	(182.8)	79.5
net financial debt	**(1,472.1)**	**(945.9)**	**(526.2)**

(1) Including the relevant derivatives.
(2) The change includes an overall marginal impact of €1.2 million, related to the exit from the consolidation area of the Japanese Group's commercial company operating in the Japanese market following on-going changes in the distribution structure. The main items of net financial position were €3.8 million of cash and cash equivalents, €0.1 million in lease payables, €2.2 million in other current financial liabilities, €0.3 long term lease payables.

In terms of structure, the net financial debt at 31 December 2020 showed a positive net financial position in the short-term, which left the Group's financial obligations embedded in the medium and long term profile. The management of liabilities in 2020, achieved thanks to the solid reputation of the Group, not only guaranteed the satisfaction of maturing obligations, but also confirmed the Group's commitment to pursue a long-term strategy.

The short-term net financial position, mainly composed by cash and cash equivalents (€928.3 million), net of payables to banks (€416.7 million). This change included an increase in bank payables of €186.7 million, mainly driven by new term debt facilities and uncommitted credit lines drawn down for general business purposes. The reimbursement of the Eurobond issued in 2015 and expired in September 2020 (therefore classified under short term liabilities), contributed to a positive variation of €580.0 million in the short-term financial position at 31 December 2020. The short-term financial position was related to figurative lease components and comprised €13.9 million payables only, with the lease receivables (€2.3 million at the end of previous year) having been settled during 2020.

The medium/long-term exposure comprised bonds in the amount of €1,198.4 million, including the above mentioned newly bonds. Loans due to banks totalled €496.6 million, showing an increase of €171.8 million compared with 31 December 2019 driven by the subscription of new term debt facility agreements.

The Group's debt management objectives are based on the achievement of an optimal and sustainable level of financial solidity, while maintaining an appropriate level of flexibility with regards to acquisition opportunities and funding options, through available cash. The Group monitors the evolution in the net debt/adjusted EBITDA ratio on an ongoing basis. For the purposes of the ratio calculation, the net debt is the value of the Group's net financial position at 31 December 2020, whereas the consolidated adjusted EBITDA is that of the last 12 months. At 31 December 2020, this multiple was 2.8 times, compared with 1.6 times at 31 December 2019, based on consistent calculation criteria. The increase is the combined effect of the significant cash outflow incurred by Campari Group as a result of the transactions completed in 2020 and the temporary negative impact of Covid-19 on EBITDA adjusted, as set out above.

Capital expenditure

In 2020, net investments totalled €109.3 million, of which €64.6 million were recurring and €44.7 million were non-recurring.

Recurring investments related to initiatives aimed at continually enhancing the production efficiency of the Group's industrial plants, offices and infrastructure. Specifically, they related to the following projects:
- maintenance expenditure on Group's operations and production facilities, offices and IT infrastructure which, although not material on an individual basis, amounted to €48.3 million in total;
- the purchase of barrels for maturing bourbon and rum totalling €12.4 million, net of related disposals;
- investments to develop biological assets, totalling €3.9 million.

Non-recurring investments, totalling €44.7 million, related to initiatives such as the opening of new offices, activities aimed at creating and strengthening new brand houses, structures and product innovation projects, as well as the effect of purchases and disposals of investment properties made by Lagfin.

With regard to the type of investment, the net purchases comprised tangible assets of €143.2 million and intangible assets of €14.5 million.

Lastly, the investments for rights of use of third-party assets were related to tangible assets at 31 December 2020. The increase during the year amounted to €7.8 million and was attributable to offices, plant and machinery and vehicles.

Reclassified statement of financial position

The Group’s financial position is shown in the table below in summary and in reclassified format, to highlight the structure of invested capital and financing sources.

	At 31 December		
	2020 € million	2019[1] € million	total change € million
fixed assets	3,517.4	3,351.9	165.5
other non-current assets (liabilities)	(413.4)	(346.0)	(67.4)
operating working capital	617.0	693.4	(76.4)
other current assets (liabilities)	(71.3)	(143.7)	72.4
total invested capital	**3,649.7**	**3,555.8**	**93.9**
Group shareholders' equity	1,294.9	1,453.2	(158.3)
non-controlling interests	882.8	1,156.8	(274.0)
net financial debt	1.472,0	945,8	526.2
total financing sources	**3,649.7**	**3,555.8**	**(93.9)**

[1] For information on reclassifications of comparative figures, refer to note 3 xi-‘Reclassification of comparative figures at 31 December 2019’ of Campari Group consolidated financial statements at 31 December 2020.

Invested capital at 31 December 2020 was €3,649.7 million, €93.9 million lower than the restated figures at 31 December 2019.

Focusing on the organic change, the most significant events attributable to the invested capital were referred to the increase of €47.6 million in other non-current assets (net of liabilities) and €45.1 million in other current assets (net of liabilities), mainly attributable to:
- a reduction in other current liabilities as a consequence of significant tax payments made in 2020, out of which €60.1 million is related to tax payments due in 2020 in accordance with the timing provided for by the applicable tax legislation and deriving from the disposal of Villa Les Cèdres completed in 2019;
- a net reduction in deferred tax liabilities related, for €29.9 million, to a positive reversal to the profit or loss of deferred tax liabilities resulting from the step-up of certain brand and goodwill values relevant for amortization tax purposes, to their corresponding book values as stated in the Company’s separate accounts. This benefit is granted to companies pursuant to Italian Law Decree no. 104/2020, enacted in August 2020 and converted with amendments into Law no.126/2020 in October 2020.

These increases have been mostly offset by a reduction of €35.7 million in working capital (see the paragraph ‘Operating working capital’ in this management report for more information) and fixed assets of €38.7 million.

The acquisitions of interests in Tannico and the effect of the consolidation of the values resulting from the recently acquired Baron Philippe de Rothschild France Distribution and Champagne Lallier S.a.r.l. were only marginally offset by the deconsolidation of the Group's commercial company in Japan, following a change in the local distribution structure (for additional information in relation to the acquisition transactions, refer to the paragraph ‘Significant events of the year’). The change attributable to the external growth led to an increase across all invested capital items. The invested capital at 31 December 2020 was finally significantly impacted by non-monetary foreign currency translation effects, resulting in a reduction of €200.5 million.

Regarding financing sources, the main changes relate to a decrease of €158.3 million in shareholders’ equity, mostly due to translation differences on net assets held in currencies other than the Euro and the dividend paid by Davide Campari-Milano N.V.. For additional information on the change in the net financial debt, totalling €526.2 million, refer to the paragraph ‘Net financial debt’ of this management report.

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

For information related to the reconciliation between the result for the period and shareholders' equity for the Group, please refer to paragraph 'Shareholders' equity' in the Company only financial statement at 31 December 2020.

Risk management and Internal Control System

The risk management and internal control system is an integral part of the Group's operations and culture and supports the efficiency and effectiveness of business processes, the reliability of financial information and compliance with laws and regulations.

The Group has a risk management system in place aimed at identifying, assessing, managing and monitoring potential events or situations that could potentially impact Campari Group's activities and the achievement of its objectives.

The Group has implemented a tool to identify, assess and monitor corporate risks. This tool is based on the logic of Self Risk Assessment (SRA), which provides for self-assessment and direct participation by operational management and/or other operators responsible for risk assessment. Individuals are asked to assess the impact and likelihood of each risk. The SRA tool has multiple objectives: to help the business identify risks and consequently make strategic and operational decisions; to strengthen understanding of the Group's risk profile to allow decision makers to analyse risks and monitor how they evolve over time; to ensure traceability of risk assessment activities that provide the foundation for the financial information communicated to stakeholders. The SRA is performed globally at local, business unit and group level.

The Group operates at three levels of internal control:

- First Level: operating areas identification, evaluation and monitoring of applicable risks in individual processes and the establishment of specific actions for managing such risks. The structures responsible for the individual risks, for their identification, measurement and management, as well as for the performance of the necessary checks are located at this first level.
- Second Level: departments responsible for supporting management with setting policies and procedures and in developing process and controls to manage risks and issues.
- Third Level: it provides an independent and objective assurance of the adequacy and effective operation of the first and second levels of control and, in general, of the overall mode of managing risks. This activity is carried out by the Internal Audit function which operates independently; assessment of the controls may require the definition of compensating controls and plans for remediation and improvement. The results of the monitoring are subject to periodic review by management.

The internal control system is subject to verification and updating annually in order to ensure its constant suitability as an instrument of control over the business's principal areas of risk.

i. Risk Appetite

The Group sets its risk appetite within risk taking and risk acceptance parameters that are driven by the applicable laws, the Code of Conduct, core values and corporate policies. The Group operates within a relatively low overall risk range, inherent to its activities and strategy. The Group's risk appetite differs by risk category, as set out below:

Risk Category	Category Description	Risk Appetite
Strategic (S)	Risks related to Campari Group's business strategy that could affect its long-term positioning and performance	The Group is prepared to take risks in a responsible way that takes stakeholders' interests into account and is consistent with the Group's growth strategy by maintaining a very disciplined financial approach
Operational (O)	Risks impacting internal processes, people, systems and/or external resource that affect the Group's ability to pursue its strategy	The Group looks to mitigate operational risks to the maximum extent based on cost/benefit considerations
Financial (F)	Risks relating to uncertainty of return and financial loss due to financial performance	The Group has a cautious approach with respect to financial risks. Through debt capital market transactions, cash balances and bank credit line agreements, Campari Group seeks to maintain a debt/capital structure profile which achieves investment in long-term goals and reward stakeholders
Compliance (C)	Risks of non-compliance with laws, regulations, local standards, Code of Ethics, internal policies and procedures	The Group holds itself and its employees responsible for acting with honesty, integrity, respect and strives to comply with the Group's Code of Ethics, applicable laws and regulations at all times everywhere the Group operates

With regard to overall performance in 2020, the Group's net sales totalled €1,780.3 million, with an overall decrease of -3.5% as compared to 2019. The organic growth component showed a negative trend with a contribution of -3.8%, essentially attributable to the effect of the Covid-19 pandemic.

The main risks to which the Group is exposed are detailed in the next paragraph. For more information on other financial risks, including credit risks, liquidity risks and cash-flow risks, please refer to Campari Group consolidated financial statements at 31 December 2020.

ii. Main risks for the Group

Strategic risks

Risks relating to dependency on the sale of key products and the seasonality of certain Campari Group products (S)
A significant proportion of the Campari Group's sales are focused on certain key brands, such as Aperol, Campari, SKYY Vodka, Wild Turkey, Grand Marnier and the Jamaican rum portfolio including Appleton Estate and Wray&Nephew Overproof. In 2020, 55.6% of the Group's consolidated net sales came from these brands. Accordingly, any factor adversely affecting the sale of these key products individually or collectively could have a material adverse effect on the Group's results from operations.
In addition, sales of certain Group products are affected by seasonal factors due to different consumption patterns or consumer habits. In particular, aperitif consumption tends to be concentrated in the hottest months of the year (May to September), whereas sales of other products, such as sparkling wines and spirits, are concentrated in the last quarter (September to December). Seasonal consumption cycles in the markets in which the Group operates may have an impact on its financial results and operations. Although the Group has a global presence, the majority of its revenue is in the northern hemisphere. This is particularly true in the summer months, when unseasonably cool or wet weather can affect sales volumes.
Mitigation actions put in place by the Group to mitigate those risks include investments in products' success and growth to increase brands value and the Group's diversified portfolio of products and brands

Risks relating to the Group's dependence on consumer preferences and habits and propensity to spend (S)
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 developments using its media and marketing tools.
Preferences and tastes can change in unpredictable ways due to a variety of factors, such as changes in demographics, consumer health and wellness, concerns about obesity or alcohol consumption, product attributes and ingredients, weather, negative publicity resulting from regulatory action or litigation against the Group or comparable companies or a downturn in economic conditions that may reduce disposable income and make consumers less likely to buy drinks. Changes in lifestyle and everyday behavioural patterns can occur also as a result of global pandemics and subsequent restrictions including safety measures enacted by governments such as social distancing and lockdown, changes in travel, vacation or leisure activity patterns. Consumers may also begin to prefer the products of competitors or may reduce their demand for products in the spirits and wine categories in general.
In order to mitigate these risks, the Group leverages a diversified portfolio of brands to ensure coverage of consumer occasions, trends and prices and constantly monitors consumer trends at market and brand level. Nevertheless, 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 significantly affect its activities and operating results. Moreover, the unfavourable economic situation in certain markets may dampen the confidence of consumers, making them less likely to buy drinks.
The outbreak of a new strain of the coronavirus (Covid-19) has disrupted and is expected to continue to disrupt financial markets and the operations of businesses worldwide. On 11 March 2020, the World Health Organization declared Covid-19 a pandemic after more and more countries across the globe reported infections. The rapid spread of Covid-19 has resulted in a rapid deterioration of the socio-economic and financial situation globally, with a consequential negative impact on all markets in which the Campari Group operates. Furthermore, in order to contain the spread of Covid-19, governments of the various countries concerned have introduced progressively more restrictive measures to limit the movement of, and contact among, people (including social distancing, quarantine, 'shelter in place', lockdown or similar orders and travel restrictions) and suspended productive activities in sectors defined as non-critical, allowing only essential activities and production to continue. Such measures restricting social contact have had, and continue to have, an adverse effect on global trade and supply chains and more specifically with respect to the spirits business, a significant adverse effect on consumption levels given the sector's natural exposure to consumption in the on-premise distribution channel mainly represented by

bars and restaurants. Furthermore, the significant reduction in air travel resulting from travel restrictions has had, and continues to have, an adverse effect on the Group’s retail travel sales.
Despite the Group’s flexibility and capability of adapting to changing conditions (e.g. re-forecasting, capability to focus on online rather than on traditional sales, flexibility in cash flow management), the Group is unable to predict the ultimate impact from Covid-19 on the results of its operations, financial condition, business and/or prospects. Although lockdown restrictions are temporary in nature and are gradually being eased across many countries as a result of a gradual improvement in the health crisis, restrictive measures may nonetheless continue for an extended period of time and intensify depending on developments in the pandemic, including new waves of the Covid-19 outbreak, and on vaccine administration and effectiveness. Further management time and resources may need to be spent on matters related to Covid-19, distracting from implementation of the Campari Group’s long-term strategy. In addition, the new protocols, work practices and safety measures that the Campari Group has been required to adopt in its plants and distilleries may be costly and may affect production levels. The Group’s suppliers, customers, distributors and other contractual counterparties may be restricted or prevented from conducting business activities for indefinite or intermittent periods of time, including as a result of safety concerns, shutdowns, slowdowns, illness of such parties’ workforce and other actions and restrictions requested or mandated by governmental authorities.
Uncertainty remains as regards the extent and timing of the economic recovery to pre-Covid-19 levels in when the restrictive measures are gradually lifted across different markets. For example, many on-premise outlets will not be re-opening, and although a considerable number of outlets have expanded their outdoor spaces to give customers a greater sense of safety, many people are still cautious and are avoiding public places. Social distancing is also reducing the number of clients that can be served.
Each of these factors is likely to continue to have a negative impact on consumer demand and consumption, as well as on the Group’s capability to continue to implement brand building strategies targeting the on-premise channel and will consequently have an adverse effect on the Group’s results of its operations, financial condition, business and/or prospects.
Any of the foregoing could limit consumption of the Group’s products or the Group’s capacity to meet demand for its products and consequently have a material adverse effect on the Group’s results from its operations, financial condition, business and/or prospects. While the Group is continuing to monitor and assess the evolution of the pandemic and its effects on the macroeconomic scenario, on the markets in which it operates, on the behavioural patterns of its consumer base and on the Group’s financial position and results of its operations, significant uncertainty remains about the length and extent of the restrictions in the markets in which Group operates. The future impact of the Covid-19 pandemic on the Group’s results from operations, financial condition, business and/or prospects, which may be material and adverse, will depend on ongoing developments in the pandemic, including the success of containment measures and other actions taken by governments around the world, the possibility of further waves leading to the re-imposition of severe lockdown measures as well as the overall condition and outlook of the global economy.
The Covid-19 pandemic may also exacerbate other risks, including, but not limited to, the Group’s competitiveness, demand for the Group’s products, shifting consumer preferences, exchange-rate fluctuations, and credit market conditions affecting the availability of capital and financial resources.

Risks relating to adverse macroeconomic and business conditions and instability in the countries in which the Group operates (S)
Global economic conditions and conditions specific to developed markets, including Italy, other major European countries, the United States and Australia as well as the emerging markets in which the Group does business (including in eastern Europe, Asia, Latin America and Africa) could substantially affect its sales and profitability.
Operating in emerging markets makes the Group vulnerable to various risks inherent in international business, including exposure to an often unstable local political and economic environment which may impact the ability of the Group to trade locally and the ability of the Group’s counterparts to meet their financial obligations, exchange-rate fluctuations (and related hedging issues), export and import quotas, and limits or curbs on investment, advertising or repatriation of dividends. Each of these risks could have a negative impact on the Group’s activities in the relevant emerging markets and consequently on the Group’s financial 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 corporate strategies put in place and/or the introduction of measures to safeguard its competitive positioning and performance.
Global economic activity went through a sharp economic downturn following the 2007-2008 global financial crisis. The disruption to global financial markets created increasingly difficult conditions in recent years, including decreased liquidity and availability of credit and greater market volatility, which continue to affect the functioning of financial markets, the global economy and international trade. The international macroeconomic situation continues to be characterised by uncertainty, due in part to the progressive heightening of tensions in international trade between the United States and China, the slowdown of economic growth recorded in the Eurozone, China’s slowing economy, the increase in the volatility of international equity markets in a context of increased risk

aversion among investors, and the volatility that has characterised the European corporate bonds markets, which have been negatively affected by the global macroeconomic scenario.
It is difficult to determine the breadth and duration of the economic and financial market problems and their potential effects on consumers of the Group's products and on its suppliers, customers and business in general. For example, distributors may reduce inventory levels, consumers may choose to buy fewer spirits or to 'trade-down' by buying fewer premium products in preference for lower categories of spirits or wines, a lower volume of travellers, especially air travellers, may reduce retail travel sales, and competitors may reduce prices. Continuation or a further worsening of these difficult financial and macroeconomic conditions could materially adversely affect the Group's sales, profitability and results from its operations. Therefore, the Group constantly monitors and assesses the markets in which it operates, as well as customers' behavioural patterns.

Risks relating to acquisitions (S)
The Group expects that the ongoing consolidation within the spirits business will continue and it will therefore continue to evaluate potential acquisitions. The pursuit of these opportunities, and, if such pursuit is successful, the subsequent integration of the businesses acquired, places significant demands on the time and attention of the Group's senior management and may involve considerable financial and other costs (for example, in the identification and investigation of potential acquisitions, the negotiation of agreements and the challenges associated with integration, particularly where the accounting and management systems differ materially from those used elsewhere within the Group). In addition, the Group may from time to time incur additional indebtedness to finance acquisitions. The Group may therefore be exposed to risks in relation to acquisitions that may have an adverse effect on the Campari Group's financial condition and results from its operations.
Despite the Group having implemented a diversified investment strategy, with integration plans being implemented and monitored, the Group's growth prospects may suffer if the Group is unable to implement its acquisition strategy and/or realise the full intended benefits of synergies if, for example, the Group encounters unexpected difficulties when integrating businesses acquired. Employees and customers of acquired businesses may sever their relationships with those businesses during or after completion of the transaction. In addition, if the Group makes an acquisition in a market outside of those in which the Group currently has a presence, the Group will have to address an unfamiliar regulatory and competitive environment and may not be able to do so successfully, which might adversely affect the Group's operations in that market.

Risks relating to the disruptions or termination of the Group's arrangements with the Group's third party manufacturers or distributors (S)
The production and distribution of the Campari portfolio is carried out, to a large extent, directly by the Group. However, the Group relies upon third parties (including key customers in specific geographies) to distribute, and in some cases also produce, a number of its own brands in a number of markets under licensing arrangements. Outside of the Group's twenty-one direct markets, including seven in the Americas (the United States, Jamaica, Brazil, Canada, Argentina, Mexico and Peru), eleven in Europe (Italy, France, Spain, Germany, Russia, Switzerland, Austria, Belgium, Luxembourg, the United Kingdom and Ukraine), one in Africa (South Africa) and two in Asia Pacific (Australia and China), the Group generally depends upon third parties to distribute its products. In 2020, 13% of the Group's consolidated net sales came from distribution under license of own products outside its direct distribution network. The vast majority of the Group's own products were manufactured by the Group and the remainder were manufactured by third parties under license. Furthermore, the Group distributes third-party brands under license agreements in certain markets. In 2020, 5.8% of the Group's consolidated net sales came from distribution by the Group under license of third-party products. Although licenses are with several third parties, avoiding concentration on few licenses/third parties, the use of or reliance on third parties for these critical functions entails risks, including the risk of termination of licences and of delays or disruptions in production and distribution. Furthermore, the Group has less control over the quality of products manufactured by third parties. In addition, in certain cases, there may be no suitable replacements for the Group's third-party manufacturers. A disruption or termination of the Group's present arrangements with these third parties without having suitable alternative arrangements in place could have a material adverse effect on the Group's business, prospects, results from its operations and/or financial condition.

Risks relating to a decline in the social acceptability of the Group's products or governmental policies against alcoholic beverages (S)
The Group's ability to market and sell its alcoholic beverage products depends heavily on both society's attitudes toward drinking and governmental policies that flow from those attitudes. In recent years, increased social and political attention has been directed at the alcoholic beverage industry. Recently, this attention has focused largely on public health concerns related to alcohol abuse, including drinking and driving, underage drinking, and health consequences from the misuse of alcoholic beverages. Although Campari Group has a global presence, alcohol critics in Europe and the United States increasingly seek governmental measures to make alcoholic beverages more expensive including through tax increases for certain product categories, restrict their availability, and make

it more difficult to advertise and promote, including as a result of laws and regulations aimed at restricting advertising. If the social acceptability of alcoholic beverages were to decline significantly, sales of the Group's products could materially decrease. The Group's sales would also suffer if governments ban or restrict advertising or promotional activities, limit hours or places of sale, or take other actions designed to discourage alcohol consumption.
Consequently, the Group constantly monitors regulatory changes, consumer trends at market level and promotes responsible drinking initiatives.

Risks relating to market competition and the consolidation of participants in the beverages industry (S)
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 these 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.
In addition, the consolidation of participants in the beverages sector may increase competitive pressures as larger suppliers are able to offer a broader product line. Consolidation in the beverage industry may also reduce the number of distribution outlets available to the Group, or lead to higher distribution costs. The Group competes with other brands for shelf space in retail stores and marketing focus by independent wholesalers. Independent wholesalers and retailers offer other products, sometimes including their own brands, that compete directly with the Group's products. If independent wholesalers and retailers give higher priority to other brands, purchase less of or devote inadequate promotional support to the Group's brands, it could materially and adversely affect the Group's sales and reduce the Group's competitiveness. For example, due to intense competition in Europe, the Group may not be able to increase prices of its brands in line with rising production, selling and promotional costs and/or in line with its price positioning/premiumisation strategies. Moreover, delays or unanticipated increases in the costs of developing new products or in gaining market acceptance for new products could further adversely affect the Group's competitive position and results from its operations.
The Group constantly monitors the industry dynamics of mergers and acquisitions and the initiatives taken by *competitors*, constantly invests in its products' success and growth to increase the brands value and expand customers.

Risks related to the relationship of the United Kingdom with the European Union (S)
The United Kingdom's membership of the European Union ended on 31 January 2020 (Brexit) in accordance with the agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (the Withdrawal Agreement). Under the terms of the Withdrawal Agreement, a transition period commenced which lasted until 31 December 2020. In December 2020, the United Kingdom and the European Union reached an agreement on the future relationship between them.
The United Kingdom is a high potential market for the Group. The Group has a direct distribution network in the United Kingdom and operates in the country through local offices, plants and distilleries. In 2020, approximately 2.8% of the Group's net sales were generated in the United Kingdom. Any material adverse effect of Brexit on global or regional economic or market conditions could lead to changes in consumer spending in the United Kingdom, exchange-rate volatility, or restrictions in the movement of people and goods, all of which could adversely affect the Group's business, the results from its operations and financial condition. Moreover, the United Kingdom 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, each of which could have an adverse effect on the Group's operations in the United Kingdom. The potential implications of Brexit cannot be fully understood until any future tariffs, taxes and other free-trade agreements and regulations have been established by the United Kingdom. As such, no assurance can be given that such matters relating to Brexit would not adversely affect the ability of the Group to satisfy its obligations under the Notes and/or the market value and/or the liquidity of the Notes in the secondary market.
However, political developments will be continuously monitored to anticipate and minimize any vulnerabilities in all the main functions affected, and to adopt prudent measures to mitigate the risks, where possible.

Environmental risk (S)
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 local supply chains 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. 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.

Exchange-rate and other financial risks (S and F)

While the Group reports its financial results in euros, the Group's portfolio of brands generates sales and costs throughout the world in a variety of currencies. Around 62% of the Group's consolidated net sales in 2020 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, 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, the United Kingdom, Australia, Jamaica, Brazil, Canada, Russia and Argentina allows this risk to be partially hedged, given that both costs and revenues are broadly denominated in the same currency. Therefore, exposure to foreign-exchange transactions generated by sales and purchases in currencies other than the Group's Euro functional currency represented a moderate proportion of consolidated sales and profitability in 2020, hence the use of hedging measures was very limited.

For a more detailed analysis of the Group's financial risks, please refer to the Group consolidated financial statements at 31 December 2020.

Operational risks

Risk relating to an inability to attract and retain qualified personnel (O)

The Group's success depends in part on the efforts and abilities of its senior management team and key employees. The loss or retirement of senior management or other key personnel, or an inability to identify, attract and retain qualified personnel in the future, may make it difficult for the Group to manage its business and could adversely affect its operations and financial results. Therefore, Campari Group has put in place talent reviews and succession plans, as well as talent development programmes and retention plans for key resources.

Risk from fluctuations in the prices of raw materials or energy (O)

Market risks consists of the possibility that changes in exchange rates, interest rates or prices for raw materials or commodities (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 unpredictable factors, that are not under the control of the Group. Historically, the Group has basically not had any problems in obtaining an adequate and high-quality quantity of raw materials. However, it cannot be excluded the possibility that the Group could face challenges with the supply of raw materials. This situation could have an impact on costs and consequently on the Group results and cash flow. In this regard from 2016, the Group has been faced with an increase in the price of agave, the raw material for tequila, due to increased demand for agave and tequila. The Group is implementing actions aimed at reducing agave price fluctuations, including by signing co-investments agreements with local agricultural manufacturers to guarantee qualitative and qualitative quantities of agave. The benefits of these investments will probably only be observable in the medium term, given the natural growing process of agave plants. In addition, energy price increases result in higher transportation, freight and other operating costs for the Group and have an indirect impact on the purchase of key ancillary materials, such as glass. Procurement policies are in place in order to maximize efficiency.

An increase in the cost of raw materials or energy could therefore increase costs for the Group and consequently have an adverse impact on the Group's cash flow and financial results.

Risk related to climate change (O)

The Group recognizes the importance of climate change risk and how the Group's inability to manage it could negatively affect Campari Group's reputation, revenues, and profits (e.g. via increased taxation and supply chain volatility).

The Group promotes a responsible use of resources and a reduction of the environmental impact of production to mitigate climate change. In this context, the Group has adopted an environmental policy that applies to all company locations and divisions and has set up a structure dedicated to control environmental pollution, waste, and water disposal. The Group closely monitors energy consumptions and carbon dioxide emissions and undertakes initiatives to reduce them by increasing the use of lower-emission energy source. The Group has also set specific targets in line with the UN Sustainable Development Goals aimed at reducing Green House Gases (GHG) emissions deriving from the Group's direct operations and the overall supply chain, and at increasing the use of renewable electricity in all European production sites (for more information refer paragraph 'Non-financial disclosure' of the governance section).

Risk relating to disruption in information technology systems (O)
The Group depends on its information technology and data processing systems to operate its business, and a significant malfunction or disruption in the operation of its systems, human error, interruption of power supply, or a security breach that compromises the confidential and sensitive information stored in those systems, could disrupt the Group's business and adversely impact the Group's ability to compete. 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 malware attack and the increased cost of resolving these problems. Cyber-security risks have a global impact for the Group, due to both the strong interconnectedness within the Group and the ever-increasing pervasiveness of technology (and the internet) on the performance of activities. The Group has implemented awareness campaigns to heighten employee awareness of cyber risks (C-Level fraud, Phishing, Social Engineering). Employees take part in annual e-training sessions and take monthly tests to improve their knowledge of the main cyber threats.
The Covid-19 pandemic has triggered extensive use of remote working arrangements that have been implemented, where feasible, across all regions. Wherever possible, smart-working policies have been recommended for office-based employees, given that the safety and wellbeing of employees is a top priority. The Group had put in place a smart working policy prior to the Covid-19 pandemic and is engaged in major projects that leverage online digital technologies and expand on smart working in the Group's offices. Therefore, new protocols, training programmes, work practices and safety measures have been introduced and reinforced during 2020 by the Group to prevent malware attacks. More flexible working methods are being promoted as they can bring benefits for both employees and the Group, encouraging a better work-life balance and increasing employees' responsibilities in pursuing the Group's objectives and results. Notwithstanding the procedure introduced, in November 2020 Campari Group was the victim of a targeted ransomware attack following unauthorized access to its network. For additional information on this topic, please refer to the paragraph 'Significant events of the year'.

Compliance risks

Tax risks and changes in fiscal regulations (C)
Distilled spirits and wines are subject to import duties or excise taxes in many countries where the Group operates. Many jurisdictions are considering excise tax increases. An increase in import duties or excise taxes could adversely affect profit margins or sales revenue by reducing overall consumption or encouraging consumers to switch to lower-taxed categories of alcoholic beverages. Furthermore, tax-related changes in any of the markets in which the Group operates, such as the effect of Brexit on trade between Europe and the United Kingdom or changes in import duties in the United States on alcoholic products originating from the European Union, could result in a rise in the Group's effective tax rate or lead to uncertain and/or unexpected tax exposure for the Group that could increase the Group's overall business costs.
The Group regularly reviews its business strategy and tax policy in light of legislative and regulatory changes and assesses the likelihood of any negative results of potential tax inspections to determine the adequacy of its tax provisions.

Risk of failure to comply with laws and regulations (C)
As the Group is exposed and subject to numerous different regulations, there is a risk that failure to comply with laws and regulations, and with Group policies, could harm its reputation and/or result in potentially substantial fines. To mitigate this risk, the Group has drawn up a Code of Ethics and laid down 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 programme on antitrust compliance, aimed at mitigating the risk of any breach of antitrust laws.
Through the Group Privacy and Data Protection (GPDP) department, the Group is managing a project to align with the new European regulations on personal data protection (the 'GDPR' or 'Regulation'). In accordance 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 to identify roles and responsibilities. As part of the project work, numerous training and awareness activities have also been carried out. At the same time, the Group has drawn up 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 legislation on the beverage industry and the application of import duties (C)
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 necessitates 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. The Group is committed to constantly publicizing messages and models of behaviour associated with responsible consumption and serving of alcoholic drinks through its communication channels and constantly monitors any changes in the legislation applicable to the beverage industry. Any further tightening of regulations in the main countries in which the Group operates could lead to a fall in demand for its products.

Risk related to non-compliance with environmental regulations and policy (C)
Due to the Group's global presence, its operations are subject to environmental regulations imposed by national, state and local agencies, including, in certain cases, regulations that impose liability without regard to fault. These regulations can result in costs or liability, including fines and/or environmental remediation obligations, which might adversely affect the Group's operations. The environmental regulatory climate in the markets in which the Group operates is becoming stricter, with a greater emphasis on enforcement.
The responsible use of resources and reduction of the environmental impact of the Group's production activities are, of course, practices that guide the Group's activities with the aim of pursuing sustainable development.
The Group has adopted an environmental policy aimed at reducing the environmental impacts that may be caused by the Group's activities. This policy, which is regularly reviewed to keep it in line with the nature and size of the Group and its corporate objectives, applies to all company locations and divisions and is also shared with suppliers, funders and employees. The Group's industrial management has also set up a structure dedicated to safety, quality controls on environmental pollution, waste and water disposal. 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.
While the Group has implemented those initiatives, there can be no assurance that it will not incur substantial environmental liability and/or costs or that applicable environmental laws and regulations will not change or become more stringent in the future. Any increase in environmental compliance costs, and other related costs and fines could have an adverse effect on the Group's business, prospects, financial condition and/or results from its operations.

Risks relating to product compliance and safety (C)
If any of the Group's products are defective or found to contain contaminants, the Group may be subject to product recalls or other liabilities. The Group takes precautions to ensure that its beverage products are free from contaminants and that its packaging materials are free of defects by conducting extensive quality controls and having a worldwide quality team. In the event that contamination or a defect does occur in the future despite all precautions, this could lead to business interruptions, product recalls or liability, each of which could have an adverse effect on the Campari Group's business, reputation, prospects, financial condition and/or results from its operations.
Although the Group has drawn up guidelines to be implemented if quality is accidentally compromised, such as in the event of any withdraw or recall of products from the market, and maintains insurance policies against certain product liability risks, if contamination or a defect occurs, any amounts that Campari recovers may not be sufficient to offset any damage it may sustain, which could adversely impact its business, results from its operations and/or financial condition.

Responsibilities in respect of the annual report

Management is responsible for preparing the annual report in accordance with law and International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union (EU-IFRS).

30 April 2021

Artemisia Management S.A., Société Anonyme
General Partner
Board of Directors

Vania Baravini
Director

Massimiliano Seliziato
Director

Lagfin S.C.A., Société en Commandite par Actions
Consolidated financial statements at 31 December 2020

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Consolidated primary statements

Consolidated statement of profit or loss[1]

	Notes	for the years ending 31 December 2020 € million	2019 € million
Sales		**2,255.2**	**2,313.6**
Excise duties		(474.9)	(468.8)
Net sales	6 ii	**1,780.3**	**1,844.8**
Cost of sales	6 iii	(751.1)	(727.3)
Gross profit		**1,029.2**	**1,117.6**
Advertising and promotional costs		(309.8)	(319.9)
Contribution margin		**719.4**	**797.7**
Selling, general and administrative expenses	6 iv	(407.7)	(398.1)
Other operating expenses	6 iv	(97.3)	(35.0)
Other operating income	6 iv	20.5	12.1
Operating result		**235.0**	**376.7**
Financial expenses	6 vii	(64.6)	(90.0)
Financial income	6 vii	20.2	16.7
Share of profit (loss) of associates and joint ventures	6 ix	(2.8)	0.1
Profit before taxation		**187.8**	**303.4**
Taxation	6 x	(11.3)	(45.9)
Profit for the period		**176.6**	**257.5**
Profit attributable to:			
Owners of the parent		94.6	108.3
Non-controlling interests		81.9	149.2

Consolidated statement of other comprehensive income

	Notes	for the years ending 31 December 2020 € million	For the year ending 2019[1] € million
Profit for the period (A)		**176.6**	**257.5**
B1) Items that may be subsequently reclassified to the statement of profit or loss			
Cash flow hedge:			
Gains (losses) on cash flow hedge	10 iii	3.8	(7.3)
Related Income tax effect	6 x	(0.9)	1.8
Total cash flow hedge		**2.9**	**(5.5)**
Foreign currency translation:			
Exchange differences on translation of foreign operations	10 iii	(234.6)	29.7
Total foreign currency translation		**(234.6)**	**29.7**
Total: items that may be subsequently reclassified to the statement of profit or loss (B1)		**(231.8)**	**24.2**
B2) Items that may not be subsequently reclassified to the statement of profit or loss			
Remeasurements of defined benefit plans:			
Gains/(losses) on remeasurement of defined benefit plans	10 iii	0.2	(3.1)
Related Income tax effect	6 x	(0.1)	1.0
Total remeasurements of defined benefit plans		**0.2**	**(2.1)**
Total: items that may not be subsequently reclassified to the statement of profit or loss (B2)		**0.2**	**(2.1)**
Other comprehensive income (expenses) (B=B1+B2)		**(231.6)**	**22.1**
Total other comprehensive income (A+B)		**(55.0)**	**279.6**
Attributable to:			
Owners of the parent		**(36.2)**	**144.3**
Non-controlling interests		**(20.6)**	**135.3**

[1] For information on reclassifications of comparative figures, refer to note 3 xi-'Reclassification of comparative figures at 31 December 2019'.

Consolidated statement of financial position
(before appropriation of results)

	Notes	at 31 December 2020 € million	2019[1] € million
ASSETS			
Non-current assets			
Property, plant and equipment	7 ii	570.4	511.1
Right of use assets	7 iii	72.4	81.5
Biological assets	7 iv	5.5	3.9
Investment properties		56.1	74.2
Goodwill	7 v	1,739.8	1,559.0
Brands	7 v	954.5	1,035.6
Intangible assets with a finite life	7 v	47.6	47.9
Investments in associates and joint ventures	6 ix	26.6	1.0
Deferred tax assets	6 x	44.6	38.2
Other non-current assets	7 vi	6.3	142.3
Other non-current financial assets	9 iii	7.1	14.7
Total non-current assets		**3,530.9**	**3,509.4**
Current assets			
Inventories	8 iii	655.1	615.8
Biological assets	8 iii	1.6	0.9
Trade receivables	8 i	283.0	318.3
Other current financial assets	9 ii	1.3	8.3
Cash and cash equivalents	9 i	928.3	851.2
Income tax receivables	6 x	29.7	20.7
Other current assets	7 vii	45.9	44.8
Assets held for sale	7 viii	3.3	5.3
Total current assets		**1,944.9**	**1,860.1**
Total assets		**5,479.1**	**5,374.8**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Issued capital and reserves attributable to owners of the parent	10 iii	1,294.9	1,451.7
Non-controlling interests	10 iii	882.8	1,158.3
Total shareholders' equity		**2,177.7**	**2,610.0**
Non-current liabilities			
Bonds	9 v	1,198.5	349.4
Loans due to banks	9 v	496.9	325.7
Other non-current financial liabilities	9 v	196.3	210.9
Post-employment benefit obligations	11 vii	33.4	33.4
Provisions for risks and charges	11 ii	41.6	52.4
Deferred tax liabilities	6 x	337.2	386.3
Other non-current liabilities	7 ix	7.5	16.2
Total non-current liabilities		**2,311.4**	**1,374.3**
Current liabilities			
Bonds	9 vi	416.7	580.0
Loans due to banks	9 vi	6.6	230.1
Other current financial liabilities	9 vi	93.7	123.9
Trade payables	8 ii	322.8	241.8
Income tax payables	6 x	9.2	75.5
Other current liabilities	7 x	141.1	139.4
Total current liabilities		**990.0**	**1,390.7**
Total liabilities		**3,301.4**	**2,764.9**
Total liabilities and shareholders' equity		**5,479.1**	**5,374.8**

[1] For information on reclassification of comparative figures, refer to note 3 xi-‘Reclassification of comparative figures at 31 December 2019’.

Consolidated statements of cash flows

	Notes	for the years ending 2020 € million	2019(1) € million
Operating profit		**234.9**	**395.9**
Effects from hyperinflation accounting standard adoption		2.4	4.5
Depreciation and amortisation	6 vi	80.8	76.8
Gain or loss on sale of fixed assets	6 iv	(11.3)	(2.5)
Impairment of tangible fixed assets, goodwill, trademark and sold business	6 iv	45.6	9.1
Utilizations of provisions	11 ii	(1.5)	(15.7)
Change in payables to employees		(8.6)	(10.0)
Change in net operating working capital		49.3	(29.6)
Income taxes refund (paid)		(119.7)	(45.3)
Other non-cash items		(13.6)	(3.1)
Cash flow generated from (used in) operating activities		**258.3**	**380.3**
Purchase of tangible and intangible fixed assets	7 ii- iv- v	(162.6)	(92.0)
Disposal of tangible and intangible assets	7 ii- iv	55.0	9.6
Acquisition of companies or business divisions	7 i	(95.4)	(86.5)
Cash and cash equivalents at acquired companies(2)	7 i	3.3	6.0
Proceeds from sale of investment property		-	200.0
Put options and earn-out payments	9 v-9 vi	(85.1)	(69.2)
Interests received	6 vii	6.2	9.0
Decrease (increase) in short-term deposits and investments		(161.8)	27.4
Other changes		(1.8)	1.9
Cash flow generated from (used in) investing activities		**(442.1)**	**6.4**
Proceeds from issue of bonds, notes and debentures	9 vii	875.0	149.3
Repayments of bonds, notes and debentures	9 vii	(580.9)	(219.1)
Proceeds from non-current borrowings	9 vii	195.1	228.7
Repayment of non-current borrowings	9 vii	(13.2)	(300.0)
Net change in short-term financial payables and bank loans	9 vii	154.9	87.1
Payment of lease liabilities	9 iv	(14.6)	(13.0)
Interest on leases	9 iv	(3.2)	(3.4)
Interests paid	9 vii	(32,6)	(27.7)
Shareholders Loan		7,3	(4.9)
Other inflows (outflows) of cash	9 vii	12.3	(23.2)
Purchase and sale of own shares	10 iii	(271.2)	(47.3)
Dividend paid by DCM N.V. to non controlling interest	10 iii	(30.3)	(27.7)
Cash flow generated from (used in) financing activities		**298.6**	**(201.2)**
Other differences including exchange rate differences		**(38.9)**	**(3.6)**
Net change in cash and cash equivalents: increase (decrease)		**75.8**	**181.9**
Cash and cash equivalents at the beginning of period		851.2	759.7
Cash and cash equivalents at end of period		927.0	851.2

(1) For information on reclassifications of comparative figures, refer to note 3 xi-'Reclassification of comparative figures at 31 December 2019'.

(2) It should be noted that the cash acquired/sold in connection with business combination/disposal of the year, equal to €3.3 million, must be considered not inclusive of the financial liabilities acquired, equal to €32.9 million. For more information, see note 7 i-'Acquisition and sale of businesses and purchase of non-controlling interests'.

Consolidated statement of changes in shareholders' equity

	Notes	Issued capital	Legal reserve	Retained earnings	Other reserves	Equity attributable to owners of the parent	Non-controlling interests	Total
		€ million	€ million	€ million	€ million	€ million	€ million	€ million
at 31 December 2019 restated[1]		**3.7**	**0.2**	**1,297.5**	**151.7**	**1,453.2**	**1,156,7**	**2,610.1**
Dividends to owners of the parent	10 iii	-	-	-	-	-	(30.3)	(30.3)
DCM N.V.shares purchase						-	(65.2)	(65.2)
Subsidiaries own shares operations	10 iii	-	-	(145.2)	-	(145.2)	(125.9)	(271.1)
Increase (decrease) through share-based payment transactions	10 iii	-	-	-	3.2	3.2	2.9	6.1
Changes in ownership interests	10 iii	-	-	-	16.5	16.5	(36.7)	(20.2)
Increase (decrease) through other changes	10 iii	-	-	-	1.9	1.9	1.5	3.4
Profit (loss)	10 iii	-	-	94.6	-	94.6	81.9	176.6
Other comprehensive income (expense)	10 iii	-	-	-	(129.4)	(125.0)	(102.2)	(231.6)
Total other comprehensive income		-	-	94.6	(129.4)	(30.3)	(23.9)	(54.2)
at 31 December 2020		**3.7**	**0.2**	**1,247.0**	**43.9**	**1.294,9**	**882.7**	**2.177,7**

[1] For information on reclassifications of comparative figures, refer to note 3 xi-'Reclassification of comparative figures at 31 December 2019'.

	Issued capital	Legal reserve	Retained earnings	Other reserves	Equity attributable to owners of the parent	Non-controlling interests	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
at 31 December 2018	**2.0**	**0.2**	**600.3**	**130.5**	**733.1**	**1,671.2**	**2,404.3**
Dividends to owners of the parent	-	-	-	-	-	(27.7)	(27.7)
Capital Injection	1.7	-	-	-	1.7	-	1.7
Subsidiaries own shares operations	-	-	(25.4)	-	(25.4)	(23.8)	(49.2)
Alicros merger	-	-	625.5	-	625.5	(625.5)	-
Increase (decrease) through share-based payment transactions	-	-	-	4.0	4.0	3.8	7.9
Changes in ownership interests	-	-	-	-	-	1.9	1.9
Increase (decrease) through other changes	-	-	(11.1)	21.1	10.0	11.2	21.2
Profit (loss)	-	-	108.3	-	108.3	149.2	257.5
Other comprehensive income (expense)	-	-	-	(3.9)	(3.9)	(3.7)	(7.6)
Total other comprehensive income	**-**	**-**	**108.3**	**(3.9)**	**104.4**	**145.5**	**249.9**
at 31 December 2019 restated[1]	**3.7**	**0.2**	**1,297.5**	**151.7**	**1,453.2**	**1,156,7**	**2,610.1**

[1] For information on reclassifications of comparative figures, refer to note 3 xi-'Reclassification of comparative figures at 31 December 2019'.

Notes to the consolidated financial statements

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 established in Luxembourg (Grand Duchy of Luxembourg).
The object of the Company is the holding of either direct or indirect control of Davide Campari-Milano N.V. 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.
Lagfin established on 2 August 2018 a branch in Sesto San Giovanni, Italy, named Lagfin-Succursale di Sesto San Giovanni (the 'Italian branch) and on 27 August 2018, a branch in Paradiso, Switzerland, named Lagfin-Succursale Paradiso (the 'Swiss branch').
Lagfin's financial year runs from 1 January to 31 December.
The consolidated financial statements of the Group for the year ended 31 December 2020 were approved on 30 April 2021 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 Lagfin's shareholders' meeting. The financial statements are presented in Euro, the reference currency of the Lagfin and many of its subsidiaries.

2. Significant events of the year

Significant events during the year relating to corporate actions, significant events, acquisitions and commercial agreements and other significant events impacting the results are reported in a dedicated section in the management report of this annual report, to which reference is made.

3. Accounting information and policies

The consolidated financial statements at 31 December 2020 were prepared in accordance the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB' and ratified by the European Union (IFRS-EU). These include all the international accounting standards (IAS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly 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, this is with the exception of statement of financial position items, such as financial instruments and biological assets, that, under the IFRS, must be recognised at fair value and except in cases in which 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.

i. Principles of consolidation

The consolidated financial statements include the financial statements of Lagfin and its subsidiaries.
These accounting statements, based on the same financial year as Lagfin's and drawn up for the purposes of consolidation, have been prepared in accordance with the international accounting standards adopted by the Group. Joint ventures and associates are consolidated applying the equity method.

ii. Form and content

In accordance with the format selected by the Group, the statement of profit or loss has been classified by function, and the statement of financial position is based on a distinction 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 2020, the Group did not carry out any atypical and/or unusual transactions that, 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 statement of cash flow was prepared using the indirect method.

iii. Use of estimates

Preparation of the financial statements and the related notes in accordance with IFRS requires the management to make estimates and assumptions that have an impact on the value of revenues, particularly with regard to deferred costs and incentives, costs, assets and liabilities in the statement of financial position, and on disclosures relating to contingent assets and liabilities at the reporting date.
If, in the future, these estimates and assumptions, which are based on the best valuations currently available, differ from the actual circumstances, they will be amended accordingly at the time that circumstances change.
In particular, estimates are used to identify provisions for risks with respect to receivables, obsolete inventory, asset impairment, employee benefits, taxes, restructuring provisions, as well as to determine the term and incremental interest rate for lease transactions. Detailed methodology followed is explained in the relevant note.
The estimates and assumptions are reviewed regularly, and the impact of any change is reflected in the statement of profit or loss.
Goodwill and intangible assets with an indefinite useful life are subject to annual impairment tests to check for any losses in value. The calculation is based on expected cash flows from the cash-generating units to which the goodwill is attributed and on a number of other judgemental elements and critical assumptions explained in the relevant note. Growth rate assumptions are applied to the years beyond the plan horizon, as well as for discounting purposes. The initial valuation is revised if a significant event occurs or if there is a change in the characteristics that affects the valuation and if these changes are under the Group’s control.
The incremental borrowing rates used to evaluate leasing contracts are determined by the Group and are revised on a recurring basis; they are applied to all agreements with similar characteristics, which are treated as a single portfolio of agreements. The rates are determined using the average effective debt rate of the Company, appropriately adjusted as required by the 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.

<u>Outbreak of Covid-19</u>
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 spread to the rest of the world. On 11 March 2020, the World Health Organization (WHO) declared the Covid-19 virus to be a pandemic after more and more countries reported infections.
The health crisis hit Italy on 21 February 2020 and, since then, it has rapidly spread into other countries in Europe and the Americas in an aggressive manner, particularly in the United States. In order to contain the spread, the governments of the various countries concerned have introduced progressively more restrictive measures to limit the movements of, and contacts among, people and suspended productive activities in sectors defined as non-critical, allowing only essential activities and production to continue. This has included, among others, the beverage sector, logistics services and freight transport.

The year was characterized by a high level of quarterly volatility reflecting the escalation of the measures to combat the coronavirus. After Covid-19 was declared to be a pandemic, the restrictions imposed all over the word to contain the virus spread (‘first wave’) resulted in a rapid deterioration of the socio-economic and financial situation globally that had a negative impact on all the markets in which the Campari Group operates, especially in the first and second quarter of the year. During the third quarter 2020, with the progressive uplifting of restrictive measures after the lockdown, the Group’s business performance benefitted from a recovery in the aperitifs business in its peak summer season for core on-premise markets and from the consumption occasions generated by people spending holidays in their home country rather than abroad, whilst home spirits consumption continued in off-premise skewed regions. After a brief temporary summer relief, the impact of the so called ‘second wave’, which has brought new, even if generally a little less stringent, restrictions on people's lives and habits across all markets, led to overall decline in fourth quarter 2020, focused particularly the on-premise skewed markets.

Although lockdown restrictions are temporary in nature and are gradually being eased across many countries as a result of the slow improvement in the health crisis, restrictive measures may nonetheless continue over an extended period of time and intensify depending on how the pandemic develops, including any new waves of the Covid-19 outbreak, and the progress with vaccine roll-out and its effectiveness. Uncertainty remains as regards to the time needed for a full recovery and the economic and social consequences of the crisis despite local government, supranational and EU support. Over the past few months, the financial markets have reacted negatively, recording very high levels of volatility since the outbreak of the epidemic. At the same time, local governments, albeit in differing ways, have launched fiscal and monetary responses to support the recovery of businesses and households, thus in part restoring the confidence of the financial markets. With particular reference to the European Union, members are currently in discussions to find measures aimed at supporting EU members currently facing an unprecedented crisis.

With regard to Group, the company's priority is, and will continue to be, to guarantee the safety of its employees and the continuity of its 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 production facilities, during the crisis all the Group's plants and distilleries were kept operational while complying rigorously with the emergency health provisions in force to protect the health of the employees and their families. The Group's aim has been to continue to meet client demand and maintain the stocks necessary to tackle the crisis, while at the same time ensuring business continuity.
While there have been no issues for business continuity, since March 2020 the pandemic has clearly been having a negative impact on the spirits business across all markets, given the sector's natural exposure to the on-premise distribution channels, and in particular the closures of bars and restaurants. Owing to travel bans, the Global Travel Retail channel has also been greatly affected. With regard to the off-premise distribution channel, although the sale of spirits was not affected by restrictions, retailers have been impacted, with intensity varying from market to market, by changes in customer behaviour patterns, as well as by the liquidity crisis.

As a result of the uncertainty associated with the unprecedented nature of Covid-19, in preparing these year-end consolidated financial statements, the Group carefully evaluated and considered the impact of the outbreak on its 2020 year-end figures and has provided an update of the relevant Group specific disclosures since the last annual reporting date.
A critical review was undertaken, and a focused analysis performed to identify, and consequently managed, the principal risks and uncertainties to which the Group is exposed.
In particular, all significant assumptions and estimates underlying preparation of the following items were the subject of in-depth analysis in order to address the uncertainties linked to the unpredictability of the potential impact of the outbreak: impairment of non-financial assets, fair value measurement of financial instruments, expected credit loss assessment, deferred tax assets and tax reliefs, revenue recognition, reverse factoring agreements, lease agreements, provisions and onerous contracts. The analysis conducted did not highlight any critical situations that cannot be addressed in the ordinary course of the business.
Where the re-assessment exercise has led to particular conclusions, specific additional information is provided in the notes, while no particular explanations are provided where the outbreak has not had any specific impact on Group's financial performance, financial position and cash flows.

The Group continues to be very sound, in terms of its financial and equity profiles, and has not been exposed to any going-concern issues thanks to the agility and resilience of its organization and following actions taken:
- by complying promptly and responsibly with all the containment measures imposed by the authorities in all the countries in which it operates, the Group has been able to safeguard its employees; furthermore, there has been no disruption of supplies from Group suppliers, nor in logistics and freight transport activities;
- by keeping its production facilities open with the necessary safeguards throughout the crisis, maintaining stock levels and meeting client demand, the Group has been able to ensure its business continuity;
- by adapting very quickly to working from home, learning how to react very quickly to abrupt changes in markets and reinvented the Group business models accordingly, namely accelerating the transition in marketing and sales from the 'offline' to the 'online';
- by re-directing the available resources to activities appropriate to the new environment, such as strengthening and accelerating its IT support activities, and monitoring supplies and customer performance;
- by taking rapid action to mitigate costs and preserve its liquidity (no covenants on existing debt and a strong financial structure boosted by liquidity and available credit lines), while remaining focused on its long-term growth strategy;
- by accelerating its digital transformation and e-commerce programmes to further strengthen its digital capabilities across the entire organization.

No material changes or additions were made to the alternative performance measures reported in the management report in order to ensure the consistency of the information provided over time. Instead, the focus was placed on narrative information to provide a fair view of the Group's development and of the impact of the pandemic on the Group business performances.

iv. Basis of consolidation

The following changes were made to the basis of consolidation, resulting from the creation, acquisition, sale and reorganization of companies, partly described in note-Significant events during the year:

- 33.066.132 new Davide Campari-Milano N.V.'s shares have been bought, bringing Lagfin's controlling interest to 53.85%;
- on 27 November 2020, Davide Campari-Milano N.V. announces the capital reduction via a decrease of the nominal value of each ordinary share from €0.05 to €0.01. As a result of such capital reduction, Davide Campari-Milano N.V.'s ordinary share capital is now equal to €11,616,000.00. The capital reduction had no effect on the number of ordinary shares composing the share capital that remain unchanged and be equal to 1,161,600,000 ordinary shares, each having a nominal value of €0.01;
- on 19 November 2020, the Group completed the acquisition of 100% Terrazza Aperol S.r.l., which was included in the consolidation perimeter from the acquisition date;
- on 29 June 2020, the Group completed the acquisition of a 49% interest in Tannico S.p.A., which was classified as an associate company from the acquisition date;
- on 10 June 2020, the Group completed the acquisition of an 80% interest, in the share capital of Champagne Lallier S.a.r.l. and other group companies (Les Gloriettes Scev, Les Rives des Marne S.a.r.l. and Sci Athena). The companies were included in the consolidation perimeter from the acquisition date;
- on 20 May 2020 Rhumantilles S.A.S. was merged within Marnier-Lapostolle Bisquit SASU, with the aim of optimising and streamlining the Group's structure. For statutory and tax purposes, the effective date of the merger was 1 January 2020;
- on 28 February 2020, the Group completed the acquisition of 100% of the French distributor Baron Philippe de Rothschild France Distribution S.A.S., which was included in the consolidation perimeter from the acquisition date;
- on 14 February 2020, the Group signed an agreement to create CT Spirits Japan Ltd., a joint venture in Japan, with a local partner experienced in the food&beverage sector. The Group holds a 40% interest in the joint venture and has a call option on the remaining 60% of the share capital, which can be exercised from 2023. The entity was classified as a joint venture from the agreement date and deconsolidated the previous Japanese subsidiary;
- during the first half of 2020, the processes of liquidating Campari Distribution Ireland Ltd. was completed. The entity was therefore excluded from the consolidation perimeter.
- during the second half of 2020 Lagfin formed a new real estate company called Portfolio 3, LLC.

The tables below list the companies included in the basis of consolidation at 31 December 2020.

Name, activity	Registered office	Share capital at 31 December 2020 Currency	Amount	Direct	% owned by the Company Indirect	Direct shareholder
Parent Company Lagfin S.C.A., Société en Commandite par Actions, holding company	Rue des Bains 3, L-1212 Luxembourg	€	3,717,000			
Fully consolidated companies ***Italy***						
Campari International S.r.l., trading company	Via Franco Sacchetti 20, Sesto San Giovanni	€	700,000		55.876	Davide Campari N.V.
Campari Services S.r.l. in liquidazione, services company(1)	Via Franco Sacchetti 20, Sesto San Giovanni	€	160.000		55.876	Davide Campari N.V.
Camparino S.r.l., trading company	Piazza Duomo 21, Milan, Italy	€	48,880		55.876	Davide Campari N.V.
Terrazza Aperol S.r.l., trading company	Sestiere San Marco 2775, Venice, Italy	€	20,000		55.876	Davide Campari N.V.
Europe and Africa						
Davide Campari N.V., Holding, trading and manufacturing company	Official seat: Amsterdam (Netherlands) Corporate address: Via Franco Sacchetti 20, 20099 Sesto San Giovanni, Milan, Italy	€	11,616,000	55.876		
Campari Austria GmbH, trading company	Naglergasse 1/Top 13,1010 Wien, Austria	€	500,000		55.876	DI.CI.E. Holding B.V.
Campari Benelux S.A., finance and trading company	Avenue de la Météorologie, 10, Bruxelles, Bruxelles	€	1,000,000		55.876	Glen Grant Ltd 39% Davide Campari N.V. 61%
Campari Deutschland GmbH, trading company	Adelgundenstr. Munich, 80538 Germany	€	5,200,000		55.876	DI.CI.E. Holding B.V.
Campari España S.L., holding and trading company	Calle de la Marina 16-18, planta 28, Barcellona, Spain	€	3,272,600		55.876	Davide Campari N.V.
Campari RUS OOO, trading company	115088, Moscow, 2nd Yuzhnoportovy proezd, 14/22, Russia	RUB	2,010,000,000		55.876	DI.CI.E. Holding B.V.
Campari Schweiz A.G., trading company	Lindenstrasse 8, Baar, Switzerland	CHF	500,000		55.876	DI.CI.E. Holding B.V.
Campari Ukraine LLC, trading company	8, Illinska Street, 5 Floor, block 8 and 9, Kiev, Ukraine	UAH	87,396,209		55.876	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, the Netherlands	€	15,015,000		55.876	Davide Campari N.V.
Glen Grant Ltd., manufacturing and trading company	Glen Grant Distillery, Rothes, Morayshire, AB38 7BN, United Kingdom	GBP	24,949,000		55.876	Davide Campari N.V.
Kaloyiannis-Koutsikos Distilleries S.A., manufacturing and trading company	6 & E Street, A' Industrial Area, Volos, Greece	€	6,811,220		55.876	DI.CI.E. Holding B.V.
Société des Produits Marnier Lapostolle S.A., holding and manufacturing company	32 rue de Monceau, 75008 Paris, France	€	27,157,500		51.205(2)	Davide Campari 91.64% Minority Shareholders 8.36%
Société Civile Immobilière Du VAL, property company	32 rue de Monceau, 75008 Paris, France	€	16,769,392		51.205(2)	Marnier-Lapostolle Bisquit SASU 100%
Marnier-Lapostolle Bisquit SASU, manufacturing and trading company	32 rue de Monceau, 75008 Paris, France	€	112,759,856		51.205(2)	Société des Produits Marnier Lapostolle S.A. 100%
Campari France Distribution S.A.S., trading company	14 rue Montalivet, 75008 Paris	€	1,200,000		51.205(2)	Marnier-Lapostolle Bisquit SASU 100%
Bellonnie&Bourdillon S.A.S., manufacturing and trading company	Zone de Génipa, 97224, Ducos, Martinique	€	5,100,000		49.428	Marnier-Lapostolle Bisquit SASU 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		49.428	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		49.428	Bellonnie et Bourdillon S.A.S. 25% Distilleries de Sainte Luce S.A.S 75%
Champagne Lallier S.a.r.l., manufacturing company	4 Place de la Libération, 51160, AY, France	€	3,575,420		41.186	Marnier-Lapostolle Bisquit SASU 80% minority shareholders 20%
Scev des Gloriettes, property company	4 Place de la Libération, 51160, AY	€	34,301		41.186	Marnier-Lapostolle Bisquit SASU 80% minority shareholders 20%
Les Rives Marne S.A.S., trading company	4 Place de la Libération, 51160, AY, France	€	100,000		40.963	Champagne Lallier S.a.r.l. 100%
Sci Athena, property company	4 Place de la Libération, 51160, AY, France	€	1,000		40.963	Champagne Lallier S.a.r.l. 99.9% Les Rives Marne Sas 0.1%
Campari South Africa Pty Ltd., trading company	12^{th} Floor, Cliffe Deker Hofmeyr 11 Buitengracht street, Cape Town, Sud Africa	ZAR	490,247,750		55.876	DI.CI.E. Holding B.V.
Piga S.r.l., holding company	Corso di Porta Vittoria, 18 Milan, Italy	€	10,000	50.00		
Americas						
LG Partners, LLC, holding company	Missouri	USD	2,016,232	100.00		
Portfolio 3, LLC, Real estate company	Tri-Star Equities, 155 East 26th Street, 10010-1824 New York, United States	USD	7,250,000	100.00		
Campari America, LLC, manufacturing and trading company	1114 Avenue of the Americas, 19th Floor New York, United States	USD	566,321,274		55.876	Davide Campari N.V.
Campari Argentina S.A., manufacturing and trading company	Olga Cossettini, 243 Piso 3, Puerto Madeo, CABA, Argentina	ARS	1,179,365,930(3)		55.876	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, Brasil	BRL	239,778,071		55.876	Davide Campari N.V. 99.999% Campari Schweiz AG 0.001%
Campari Mexico S.A. de C.V., trading company	Avenida Americas 1500 Piso G-A Colonia Country Club, Guadalajara, Jalisco, Mexico	MXN	1,670,184,642		55.876	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, Mexico	MXN	5,050,000		55.876	Campari Mexico, S.A. de C.V. 99% Campari America, LLC 1%
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, Mexico	MXN	5,050,000		55.876	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, Mexico	MXN	177,888,738		28.497	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, Mexico	MXN	144,823,850		28.497	DI.CI.E. Holding B.V.
Campari Peru SAC, trading company	Av. Jorge Basadre No.607, oficina 702, distrito de San Isidro, Lima, Peru	PEN	34,733,589(4)		55.876	Campari Espãna S.L. 99.92%, Campari do Brasil Ltda. 0.08%
Forty Creek Distillery Ltd., manufacturing and trading company	297 South Service Road West, Grimsby, Canada	CAD	105,500,100(4)		55.876	DI.CI.E. Holding B.V.

J. Wray&Nephew Ltd., manufacturing and trading company	23 Dominica Drive, Kingstone 5, Jamaica	JMD	750,000		55.876	Campari Espãna S.L.
Asia						
Campari (Beijing) Trading Co. Ltd., trading company	Building 1, Level 5, Room 66, 16 Chaowai Avenue, Chaoyang District, Beijing, China	CNY	104,200,430		55.876	DI.CI.E. Holding B.V.
Campari Australia Pty Ltd., manufacturing and trading company	Level 21, 141 Walker Street North Sydney, Australia	AUD	56,500,000		55.876	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, India New Delhi- 110037, INDIA	INR	120,810,330		55.876	Di.Ci.E. Holding BV 99%; Campari Australia Pty Ltd 1%
Campari New Zealand Ltd., trading company	C/o KPMG 18, Viaduct Harbour Av., Maritime Square, Auckland New Zealand	NZD	10,000		55.876	Campari Australia Pty Ltd.
Campari Singapore Pte Ltd., trading company	152 Beach Road, #24-06, 1Gateway East, 189721 Singapore	SGD	100,000		55.876	DI.CI.E Holding B.V.

Investments accounted for using the equity method

Name, activity	Registered office	Share capital at 31 December 2020		% owned by the company		Direct shareholder
		Currency	Amount	Direct	Indirect	
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		22.35	Glen Grant Ltd.
CT Spirits Japan Ltd., trading company	2-26-5 Jingumae Shibuya-ku, Tokyo 150-0001, Japan	JPY	100,000,000		22.35	Di.Ci.E. Holding BV
Tannico e Wineplatform S.p.A., trading company	Via Chiossetto, n. 1 – Milan, Italy	€	11,533		27,379	Davide Campari N.V.

(1) Company in liquidation. Values as for last approved financial statements at 31 December 2019.
(2) This figure does not include the portion of capital with right of usufruct, equal to 1.65%, whose bare ownership is held by shareholders of Société des Produits Marnier Lapostolle S.A. who hold 8.36% of the capital, which is covered by agreements for repurchases to be made by 2021.
(3) The share capital does not include effects related to the hyperinflation accounting standard.
(4) Includes the capital contribution.

v. 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 other 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.

vi. 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 asset item 'Goodwill', and any negative amount is taken to the statement of profit or loss.
Non-controlling interests in shareholders' equity and profit are reported under the appropriate items in the financial statements.
Changes in investments in subsidiaries that do not result in 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 statement of profit or loss. Any ownership interest maintained is recorded at fair value.

vii. 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 exists where there is a joint-control agreement under which the parties, that hold joint control, have a right 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 the 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 initially recognized at cost plus acquisition related costs and subsequently reported in the consolidated financial statements using the equity method from the date on which significant influence or joint control begins and ending when that influence or control ceases.
If there is a significant loss of influence or of joint control, the holding and/or investment is recognised at fair value with the difference between fair value and the carrying amount being recorded in the statement of profit or loss.
Any committed payments to increment the ownership interest in an associate or a joint venture, in the form of put and/or call option or a combination of the two, cannot be estimated and recorded as financial liability at the time of the transaction since the guidance valid for financial Instruments does not apply to interests in associates and joint ventures that are accounted for using the equity method. These written agreement for put and/or call options are considered as derivative agreements and represented in the Group accounts as financial instruments measured at fair value with impact in the statement of profit or loss. At that time of the expiring of the call and/or the put options, the derivatives will be replaced by an increased value of the investment to be recorded against the cash out for the derivative settlement.
Contingent or committed payments in the form of incentive plan granted to personnel of the associate of joint venture are recorded as incremental cost of the investment once achievement of the performance condition becomes probable based on the fair value of the replacement award as of the acquisition date.
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 statement of profit or loss.

viii. 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.

ix. 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:
- statement of profit or loss 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 statement of profit or loss and statement of financial position items are recorded under the currency translation reserve under 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.

	For the year ending 2020 average rate	At 31 December 2020 end-of-period rate	For the year ending 2019 average rate	At 31 December 2019 end-of-period rate
US Dollar	1.141	1.227	1.120	1.123
Canadian Dollar	1.530	1.563	1.486	1.460
Jamaica Dollars	162.606	174.805	149.201	148.887
Argentine Peso (1)	103.249	103.249	67.275	67.275
Australian Dollar	1.655	1.590	1.611	1.600
Brazilian Real	5.890	6.374	4.413	4.516
Switzerland Francs	1.070	1.080	1.113	1.085
Chile Pesos	903.135	872.520	786.975	844.860
Yuan Renminbi	7.871	8.023	7.734	7.821
Great Britain Pounds	0.889	0.899	0.877	0.851
India Rupees	84.580	89.661	78.848	80.187
Japanese Yen	121.778	126.490	122.060	121.940
South Korea Won	1,345.104	1,336.000	1,304.834	1,296.280
Mexican peso	24.514	24.416	21.558	21.220
New Zealand Dollars	1.756	1.698	1.699	1.665
Peruvian sol	3.992	4.443	3.737	3.726
Russia Rubles	82.654	91.467	72.459	69.956
Singapore Dollars	1.574	1.622	1.527	1.511
Ukraine Hryvnia	30.815	34.769	28.930	26.720
Rand	18.768	18.022	16.171	15.777

(1) The average exchange rate of the Argentine Peso for both 2020 and 2019 was equal to the spot exchange rate at 31 December 2020 and 31 December 2019 respectively.

x. Hyperinflation

If a subsidiary operates in a hyperinflationary economy, the related economic and financial results are adjusted in accordance with the method established by IFRS, 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 on the financial statements date. This process requires a number of complex procedural steps, which are maintained 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 statement of profit or loss;
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 statement of profit or loss under net financial income (expenses).

The restated statement of profit or loss 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 2020 are shown in the table below.

Specifically, the national Consumer Price Index ('nationwide CPI') of Argentina was used.

	For the year ending 31 December	
	2020 average rate	2019 average rate
Consumer Price Index	385.862	284.418
	2020 conversion factor	2019 conversion factor
January	1.331	1.500
February	1.305	1.446
March	1.263	1.381
April	1.244	1.335
May	1.225	1.295
June	1.198	1.261
July	1.176	1.234
August	1.145	1.187
September	1.113	1.121
October	1.073	1.085
November	1.040	1.041
December	1.000	1.000

xi. Reclassification of comparative figures at 31 December 2019

Reclassifications for enhanced disclosures

In order to be more in compliance with the European transparency directive, some reclassifications summarized in the following primary statements tables, were applied. The new structure is an enhanced representation of the information required under IFRS to help readers of the annual financial statements to gain a better understanding of the Group's economic, financial and capital position. It is noted that the reclassifications are not implying changes in the disclosures provided in the Group annual report at 31 December 2019, which remains fully comprehensive and complete.

Reclassified figures (for enhanced disclosures) of the Consolidated statement of profit or loss

€ million	For the year ending 31 December 2019			
old description	stated figures	reclassifications	enhanced stated figures	new descriptions
			2,313.6	**Sales**
			(468.8)	Excise duties
Net sales	**1,844.8**	**-**	**1,844.8**	**Net sales**
Cost of goods sold	(727.3)		(727.3)	Cost of sales
Gross profit	**1,117.5**	**-**	**1,117.6**	**Gross profit**
Advertising and promotional costs	(319.9)		(319.9)	Advertising and promotional costs
Contribution margin	**797.6**	**-**	**797.7**	**Contribution margin**
Overheads	(421.0	22.9	(398.2)	Selling, general and administrative expenses
		(35.0)	(35.0)	Other operating expenses
		12.1	12.1	Other operating income
Operating result	**376.6**	**-**	**376.7**	**Operating result**
Financial income (expenses)	(73.3)	(16.7)	(90.0)	Financial expenses
		16.7	16.7	Financial income
Share of net profit of associates and joint ventures	0.1		0.1	Share of profit (loss) of associates and joint ventures
Profit before tax	**303.4**	**-**	**303.4**	**Profit before taxation**
Income tax expense	(45.9)		(45.9)	Taxation
Profit for the period	**257.5**	**-**	**257.5**	**Profit for the period**
Profit attributable to:				**Profit attributable to:**
Parent Company shareholders	108.3		108.3	Owners of the parent
Non-controlling interests	149.2		149.2	Non-controlling interests

Reclassified figures (for enhanced disclosure) of the Consolidated statement of other comprehensive income[1]

€ million	For the year ending 31 December 2019		
old description	stated figures	enhanced stated figures	new descriptions
Profit for the period (A)	**257.5**	**257.5**	**Profit for the period (A)**
B1) Items that may be subsequently reclassified to profit or loss			B1) Items that may be subsequently reclassified to the statement of profit or loss
Cash flow hedge:			Cash flow hedge:
Profit (loss) for the period	3.6		Profit (loss) for the period
Profit (losses) classified to other comprehensive income	(10.9)		Profit (losses) classified to other comprehensive income
Net gains (losses) from cash flow hedge	(7.3)	(7.3)	Gains (losses) on cash flow hedge
Tax effect	1.8	1.8	Related Income tax effect
Total cash flow hedge	**(5.5)**	**(5.5)**	**Total cash flow hedge**
Conversion difference:			Foreign currency translation:
Profit (loss) for the period	-		
Profit (losses) classified to other comprehensive income	29.7	29.7	Exchange differences on translation of foreign operations
Total conversion difference	**29.7**	**29.7**	**Total foreign currency translation**
Total: items that may be subsequently reclassified to profit or loss (B1)	**24.2**	**24.2**	Total: items that may be subsequently reclassified to the statement of profit or loss (B1)
B2) Items that may not be subsequently reclassified to profit or loss			B2) Items that may not be subsequently reclassified to the statement of profit or loss
Remeasurements of post-employment benefit obligations:	-		Remeasurements of defined benefit plans:
Profit(loss) for the period	(3.1)	(3.1)	Gains/(losses) on remeasurement of defined benefit plans
Tax effect	1.0	1.0	Related Income tax effect
Total remeasurements of post-employment benefit obligations	**(2.1)**	**1.0**	**Total remeasurements of defined benefit plans**
Total: items that may not be subsequently reclassified to profit or loss (B2)	**(2.1)**	**(2.1)**	**Total: items that may not be subsequently reclassified to the statement of profit or loss (B2)**
Other comprehensive income (expenses) (B=B1+B2)	**22.1**	**22.1**	**Other comprehensive income (expenses) (B=B1+B2)**
Total comprehensive income (A+B)	**279.6**	**279.6**	**Total other comprehensive income (A+B)**
Attributable to:			Attributable to:
Parent Company shareholders	**144,3**	**144,3**	Owners of the parent
Non-controlling interests	135,3	135,3	Non-controlling interests

[1] No reclassifications have been performed, the changes regard only the description of the items.

Reclassified figures (for enhanced disclosure) of the Consolidated statement of financial position

€ million	At 31 December 2019			
old description	stated figures	reclassifications	enhanced stated figures	new description
ASSETS				**ASSETS**
Non-current assets				**Non-current assets**
Net tangible fixed assets	499.2	-	499.2	Property, plant and equipment
Right of use assets	81.5	-	81.5	Right of use assets
Biological assets	3.9	-	3.9	Biological assets
Investment properties	74.2	-	74.2	Investment properties
Goodwill and brands	2,603.0	(1,041.3)	1,561.7	Goodwill
		1,041.3	1,041.3	Brands
Intangible assets with a finite life	52.4	-	52.4	Intangible assets with a finite life
Investments in associates and joint ventures	1.0	-	1.0	Investments in associates and joint ventures
Deferred tax assets	37.5	-	37.5	Deferred tax assets
Other non-current assets	157	(14.7)	142.3	Other non-current assets
	-	14.7	14.7	Other non-current financial assets
Total non-current assets	**3,509.7**	**-**	**3,509.7**	**Total non-current assets**
Current assets				**Current assets**
Inventories	617.7	-	617.7	Inventories
Biological assets	0.9	-	0.9	Biological assets
Trade receivables	318.4	-	318.4	Trade receivables
Short-term financial receivables	8.3	-	8.3	Other current financial assets
Cash and cash equivalents	851.2	-	851.2	Cash and cash equivalents
Income tax receivables	20.7	-	20.7	Income tax receivables
Other receivables	44.8	-	44.8	Other current assets
Assets held for sale	5.3	-	5.3	Assets held for sale
Total current assets	**1,862.1**	**-**	**1,862.1**	**Total current assets**
Total assets	**5,377.1**	**-**	**5,377.1**	**Total assets**
LIABILITIES AND SHAREHOLDERS' EQUITY				**LIABILITIES AND SHAREHOLDERS' EQUITY**
Shareholders' equity				**Shareholders' equity**
Capital and reserves attributable to Parent Company	1,454.8	-	1,454.8	Issued capital and reserves attributable to owners of the parent
Non-controlling interests	1,158.3	-	1,158.3	Non-controlling interests
Total shareholders' equity	**2,613.1**	**-**	**2,613.1**	**Total shareholders' equity**
Non-current liabilities				**Non-current liabilities**
Bonds	349.4	-	349.4	Bonds
Other non-current liabilities	552.8	(227.1)	325.7	Loans due to banks
	-	210.9	210.9	Other non-current financial liabilities
Post-employment benefit obligations	33.4	-	33.4	Post-employment benefit obligations
Provisions for risks and charges	51.4	-	51.4	Provisions for risks and charges
Deferred tax liabilities	386.3	-	386.3	Deferred tax liabilities
	-	16.2	16.2	Other non-current liabilities
Total non-current liabilities	**1,373.3**	**-**	**1,373.3**	**Total non-current liabilities**
Current liabilities				**Current liabilities**
Bonds	580.0	-	580.0	Bonds
Payables to banks	230.1	-	230.1	Loans due to banks
Other financial liabilities	123.9	-	123.9	Other current financial liabilities
Trade payables	241.3	-	241.3	Trade payables
Income tax payables	75.5	-	75.5	Income tax payables
Other current liabilities	140.0	-	140.0	Other current liabilities
Total current liabilities	**1,390.8**	**-**	**1,390.8**	**Total current liabilities**
Total liabilities	**2,764.0**	**-**	**2,764.0**	**Total liabilities**
Total liabilities and shareholders' equity	**5,377.1**	**-**	**5,377.1**	**Total liabilities and shareholders' equity**

Reclassified figures (for enhanced disclosure) of the cash flows[1]

€ million	For the year ending 31 December 2019		
old description	stated figures	enhanced stated figures	new description
Operating profit	**395.9**	**395.9**	**Operating profit**
Effects from hyperinflation accounting standard adoption	4.5	4.5	Effects from hyperinflation accounting standard adoption
Depreciation and amortisation	76.8	76.8	Depreciation and amortisation
Gains and losses on sales of fixed assets	(2.5)	(2.5)	Gain or loss on sale of fixed assets
Impairment of tangible fixed assets, goodwill, trademark and sold business	9.1	9.1	Impairment of tangible fixed assets, goodwill, trademark and sold business
Utilizations of provisions	(15.7)	(15.7)	Utilizations of provisions
Change in long-term payables to employees	(10.0)	(10.0)	Change in payables to employees
Change in net operating working capital	(29.6)	(29.6)	Change in net operating working capital
Income taxes refund (paid)	(45.3)	(45.3)	Income taxes refund (paid)
Other non-cash items	(3.1)	(3.1)	Other non-cash items
Cash flow generated from (used in) operating activities	**380.3**	**380.3**	**Cash flow generated from (used in) operating activities**
Purchase of tangible and intangible fixed assets	(92.0)	(92.0)	Purchase of tangible and intangible fixed assets
Disposal of tangible and intangible assets	9.6	9.6	Disposal of tangible and intangible assets
Acquisition and sale of companies or business divisions	(86.5)	(86.5)	Acquisition of companies or business divisions
Cash and cash equivalents at acquired companies[1]	6.0	6.0	Cash and cash equivalents at acquired companies[1]
Disposal of non-strategic assets	200.0	200.0	Proceeds from sale of investment property
Put options and earn-out payments	(69.2)	(69.2)	Put options and earn-out payments
Interests received	9.0	9.0	Interests received
Net changes in securities	27.4	27.4	Decrease (increase) in short-term deposits and investments
Other changes	(2.1)	(2.1)	Other changes
Cash flow generated from (used in) investing activities	**6.4**	**6.4**	**Cash flow generated from (used in) investing activities**
Bond issued by Parent Company	149.3	149.3	Proceeds from issue of bonds, notes and debentures
Other medium-long term financing	228.7	228.7	Proceeds from non-current borrowings
Bond repayment	(219.1)	(219.1)	Repayments of bonds, notes and debentures
Payment of lease liabilities	(13.0)	(13.0)	Payment of lease liabilities
Other repayments of other medium- and long -term d	(300.0)	(300.0)	Repayment of non-current borrowings
Net change in short-term financial payables and bank loans	87.1	87.1	Net change in short-term financial payables and bank loans
Interests paid	(32.6)	(32.6)	Interests paid
Interest on leases	(3.4)	(3.4)	Interest on leases
Change in other financial payables and receivables	(23.2)	(23.2)	Other inflows (outflows) of cash
Purchase and sale of own shares	(47.3)	(47.3)	Purchase and sale of own shares
Dividend paid by DCM NV	(27.7)	(27.7)	Dividend paid by to equity holders of the Parent
Cash flow generated from (used in) financing activities	**(201.2)**	**(201.2)**	**Cash flow generated from (used in) financing activities**
Other differences including exchange rate differences	**(3.6)**	**(3.6)**	**Other differences including exchange rate differences**
Net change in cash and cash equivalents: increase (decrease)	**181.9**	**181.9**	**Net change in cash and cash equivalents: increase (decrease)**
Cash and cash equivalents at the beginning of period	613.9	613.9	Cash and cash equivalents at the beginning of period
Cash and cash equivalents at end of period	704.4	704.4	Cash and cash equivalents at end of period

[1] No reclassifications have been performed, the changes regard only the description of the items.

Reclassifications for purchase price allocation

On 1 October 2019 the Group completed the acquisition of Rhumantilles S.A.S. (‘Rhumantilles’) and on 20 November 2019 completed the acquisition 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’).

As allowed by the applicable standard, the acquisition values initially allocated can be modified during the measurement period in which the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date. The provisional allocation was published on 31 December 2019. The required amendments to the opening balances are detailed in the following table. The updated allocation did not have a significant impact on the statement of profit or loss and cash flow statement for 2019.

Reclassifications for purchase price allocation of the reclassified statement of financial position

Group statement of financial position	At 31 December 2019		
€ million	stated figures	reclassifications for purchase price allocation	reclassified figures
fixed assets	3,352.7	(1.0)	3,351.7
other non-current assets and (liabilities)	(345.0)	(0.2)	(345.2)
operating working capital	695.7	(2.5)	693.2
other current assets and (liabilities)	(150.0)	0.7	(149.3)

Assets and liabilities intended for sale	5.3		5.3
total invested capital	**3,558.9**	**(3.1)**	**3,555.8**
shareholders' equity	2,613.1	(3.1)	2,610.0
net financial debt	945.8	-	945.8
total financing sources	**3,558.9**	**(3.1)**	**3,555.8**

Reclassifications for purchase price allocation of the operating working capital

Operating working capital	At 31 December 2019		
€ million	stated figures	reclassifications for purchase price allocation	reclassified figures
Trade receivables	318.4	(0.1)	318.3
Total inventories, of which:	618.6	(1.9)	616.7
- maturing inventory	364.7	*9.7*	*374.4*
- biological assets	0.9	-	*0.9*
- other inventory	253.0	*(11.6)*	*241.4*
Trade payables	(241.3)	(0.5)	(241.8)
Operating working capital	**695.7**	**(2.5)**	**693.2**
Sales in the previous 12 months rolling	1,844.8		1,844.8
Working capital as % of sales in the previous 12 months	37.7		37.7

Reclassifications for purchase price allocation of the consolidated statement of financial position

€ million	At 31 December 2019 enhanced stated figures	reclassifications for purchase price allocation	reclassified figures
ASSETS			
Non-current assets			
Property, plant and equipment	499.2	11.9	511.1
Right of use assets	81.5	-	81.5
Biological assets	3.9	-	3.9
Investment properties	74.2	-	74.2
Goodwill	1,561.7	(2.7)	1,559.0
Brands	1,041.3	(5.7)	1,035.6
Intangible assets with a finite life	52.4	(4.5)	47.9
Investments in associates and joint ventures	1.0	-	1.0
Deferred tax assets	37.5	0.7	38.2
Other non-current assets	142.3	-	142.3
Other non-current financial assets	14.7	-	14.7
Total non-current assets	**3,509.7**	**(0.3)**	**3,509.4**
Current assets			
Inventories	617.7	(1.9)	615.8
Biological assets	0.9	-	0.9
Trade receivables	318.4	(0.1)	318.3
Other current financial assets	8.3	-	8.3
Cash and cash equivalents	851.2	-	851.2
Income tax receivables	20.7	-	20.7
Other current assets	44.8	-	44.8
Assets held for sale	5.3	-	5.3
Total current assets	**1,862.1**	**-2**	**1,860.1**
Total assets	**5,377.1**	**-2.3**	**5,374.8**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity		-	
Issued capital and reserves attributable to owners of the parent	1,454.8	(3.1)	1,451.7
Non-controlling interests	1,158.3	-	1,158.3
Total shareholders' equity	**2,613.1**	**(3.1)**	**2,610.0**
Non-current liabilities			
Bonds	349.4	-	349.4
Loans due to banks	325.7	-	325.7
Other non-current financial liabilities	210.9	-	210.9
Post-employment benefit obligations	33.4	-	33.4
Provisions for risks and charges	51.4	1.0	52.4
Deferred tax liabilities	386.3	-	386.3
Other non-current liabilities	16.2	-	16.2
Total non-current liabilities	**1,373.3**	**1.0**	**1,374.3**
Current liabilities			
Bonds	580.0	-	580.0
Loans due to banks	230.1	-	230.1
Other current financial liabilities	123.9	-	123.9
Trade payables	241.3	0.5	241.8
Income tax payables	75.5	-	75.5
Other current liabilities	140.0	(0.6)	139.4
Total current liabilities	**1,390.8**	**(0.1)**	**1,390.7**
Total liabilities	**2,764.0**	**0.9**	**2,764.9**
Total liabilities and shareholders' equity	**5,377.1**	**(2.3)**	**5,374.8**

4. Significant accounting policies

i. 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, are not capitalised and are reported in the statement of income statement for the financial year in which they are incurred; there are no significant development costs to be considered.
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 treated as changes in estimates.
The costs of innovation projects and studies are recorded in income statement in full in the year in which they are incurred.

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 based on the period of use, if this can be determined, or according to the contract term.
Software licences represent the cost of purchasing licences and, if incurred, external consultancy fees; there are normally no cost associated with 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.
Cloud computing arrangements under which the Group contracts to pay a fee in exchange for a right to access the supplier's application software for a specified term and where the cloud infrastructure is managed and controlled by the supplier, insofar as access to the software is on an 'as needed' basis over the internet or via a dedicated line and, the contract does not convey to the Group any rights over tangible assets, are managed as a service contract with the related costs expensed as they are incurred. Any prepayment giving a right to a future service is recognised as a prepaid asset. Detailed analysis is undertaken to determine whether the implementation costs for software hosted under cloud arrangements can be capitalised.
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 one a year, and in any case when events occur that lead to the assumption of a reduction in value based on the criteria specified 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 paragraph 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.

ii. Business combinations

Business combinations are recorded by applying the acquisition method.
The Group verifies firstly whether a business combination falls within the definition of a Business according to the IFRS guidance. In particular, the Group deems an undertaking to be a business only if it is an integrated set of activities and assets that includes at least an input and a substantive process which together contribute to the ability to create an output. A business can therefore exist even without the inclusion of all the inputs and processes necessary to create an output. This definition makes it possible to identify the acquisition of a business rather than just a group of assets. The Group undertakes this assessment for each business combination.
The cost of an acquisition is determined by the sum of the payments transferred as part of a business combination, measured at fair value, on the acquisition date and at 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 statement of profit or loss.
Conditional payments are measured at fair value on 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 statement of profit or loss 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 statement of profit or loss 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 Statement of profit or loss 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.

iii. 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 for 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 (call option agreement) or rights to sell the same to the Group (put 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 set at a fixed price, a variable price or a fair value, and may be exercisable on 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, those 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 under non-controlling interests, including the related operating result, as well as the changes to the consolidated statement of profit or loss 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 under 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 under the 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.

iv. Property, plant and equipment

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 statement of profit or loss; other costs are charged to profit or 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 statement of profit or loss when incurred.
Ordinary maintenance and repair expenses are expensed in profit or 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 posted 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 residual value, at the end of its useful life, if this value is significant and can reasonably be 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 cost to sell. Barrels are depreciated based on the useful life, which can vary depending on the maturing work in progress for the liquid.
For lease-hold-improvements, the period of depreciation is the shorter between the economic life of the asset and the contract duration of the underlying lease agreement.
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 held 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 statement of profit or loss in the year of this derecognition.

v. Grants

The Group recognises unconditional public grants, including those relating to biological assets, in the statement of profit or loss 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 statement of profit or loss when the expenses are incurred.
Capital grants are recorded when there is a reasonable certainty that all the requirements necessary for access to such grants have been met and that the grant will be disbursed.
This generally occurs when the decree acknowledging the grant is issued.
Capital grants that relate to tangible fixed assets are recorded as deferred income and credited to the statement of profit or loss over the whole period corresponding to the useful life of the asset in question.

vi. 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 subjected to impairment tests every year, or more frequently if, there is any 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 cost to sell, 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 statement of profit or loss. 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 to reflect the new estimate of recoverable value, which 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. In this case, the recovery in value is first allocated to the revaluation reserve.

vii. Investment property

Property and buildings held to generate rental 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.

viii. 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 a lease are negotiated individually and may contain a wide range of different terms and conditions. Such agreements do not include covenants but the leased assets may be used to guarantee the liability arising from contractual commitments.

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 by 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, whichever is the shorter.

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. Variable lease payments which are not linked to an index or rate continue to be charged to the statement of profit or loss 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 statement of profit or loss 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', are applied.
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 determination of:
- whether arrangements are or contain a lease by applying the lease definition;
- 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 into account 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. The Group assesses whether it is reasonably certain that it will exercise the options to extend or will terminate the agreements taking into account all the relevant factors that create a financial incentive for 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.

ix. 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 based on the conditions existing on the date of the acquisition of the asset.
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 in 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 or loss (FVTPL).

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 under a business model whose objective is to hold assets in order to collect contractual cash flows; and,
- its contractual terms and conditions are such that the cash flows generated by the asset are attributable exclusively to payments of principal and the 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 under 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 terms and conditions are such that the cash flows generated by the asset are attributable exclusively to payments of principal and the 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 in the income statement. Net gains and losses deriving from other changes in fair value are recognised through a balancing entry in the statement of other comprehensive income. On derecognition, the accumulated gains and losses in the statement of other 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). In making impairment assessments, the Group considers its historical credit loss experience, adjusted for forward-looking factors specific to the nature of the Group's receivables and economic environment. If any such evidence exists, an impairment loss is recognized under selling, general and administrative expenses. More specifically, non-performing receivables are analytically

analysed based on the debtor’s creditworthiness and ability to pay the sums due, as well as the degree of effective coverage provided by any collateral and personal guarantees in existence.
With regard to 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 a matrix-based model and the other applies the probability of default (PD) obtained from external sources specialising in the country in which each subsidiary is located. The provision matrix, including the overall actual result of the year, is reported in the relevant disclosure notes.
A financial asset is considered to be 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, more 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, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:
- the rights to receive cash flows from the asset have expired or,
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

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 treated separately. 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 applying 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 statement of profit or loss, the gains or losses resulting from subsequent measurements of the fair value of the hedging instrument are reported in the statement of profit or loss. 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 statement of profit or loss;
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 statement of profit or loss, the effective portion of the gains or losses on the financial instrument is recognised in the statement of other comprehensive income. Cumulative gains or losses are reversed from shareholders’ equity and recorded in the statement of profit or loss in the same period in which the transaction being hedged has an impact on the statement of profit or loss. The gain or loss associated with a hedge or the portion of a hedge that has become ineffective is posted to the statement of profit or loss 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 when 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 statement of profit or loss.
If hedge accounting cannot be applied, any gains or losses resulting from measuring the financial derivative at its present value are posted to the statement of profit or loss.
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 other comprehensive income must be reclassified in the statement of profit or loss in the same period in which the currency risk of the hedged transaction affects the consolidated statement of profit or loss.

x. Own shares
Own shares are reported as a reduction in shareholders' equity.
The original cost of own shares and the economic effects of any subsequent sales are reported as movements in shareholders' equity.

xi. 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.

xii. Biological assets
The Group's biological assets that relate to sugar cane plantations, grapes for champagne production, 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 the 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 statement of profit or loss.

xiii. Assets held for sale
Assets held for sale include 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.
Assets held for sale are valued at the lower of their net carrying amount and fair value less cost to sell, and are not amortised.

xiv. Employee Benefits

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

The procedures for providing these benefits vary depending 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 statement of profit or loss 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 other comprehensive income and is not subsequently recognised in the statement of profit or loss.
The costs associated with an increase in the present value of the obligation, as the time for payment of the benefits draws nearer, are included under financial expenses. Service costs are posted to the statement of profit or loss.
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 statement of profit or loss 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 (the 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
Davide Campari-Milano N.V. pays additional benefits in the form of stock option plans to employees, directors and individuals who regularly carry out work for one or more Campari Group companies.
Pursuant to IFRS 2-'Share-Based Payment', the total fair value of the stock options on the grant date is to be reported as a cost in the statement of profit or loss, 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, any 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 cancellation of an option, the cost recorded until that date is released to the statement of profit or loss.
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 terms and conditions for exercising the option, the current share price, the 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.

xv. Provision for risks and charges and contingent assets

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.

Provisions are recorded at a value representing the best estimate of the amount the company would reasonably have to 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 statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss.
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 virtually certain that the asset will be realised.

xvi. 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.

xvii. 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 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 generally not included as a separate item on external invoices; increases in excise duty are not always passed on to the customer and where a customer fails to pay for product received the Group cannot reclaim an excise duty refund. The Group therefore recognises excise duty, unless it regards itself as an agent of the regulatory authorities, as a cost to the Group. Net sales are presented net of excise duties where the Group acts as an agent.

xviii. Recognition of costs and expenses in the statement of profit or loss

Costs are recognised in the statement of profit or loss 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 to be current costs and recognised in profit or loss in the period in which they are incurred.
Costs incurred in developing alternative products or processes, or in conducting technological research and innovation, are considered current costs and recognised in the statement of profit and loss in the period in which they are incurred.

xix. Financial income and expenses

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

xx. Taxation

Current income taxes are calculated on estimated taxable income, and the related payable is recorded under 'Tax payable'.
Current tax payables and receivables are recognised in the amount 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 Company 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 recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit

will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:
• when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss or
• in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.
Deferred tax liabilities are recognised for all taxable temporary differences, except:
• when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, or
• in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
Deferred tax assets and liabilities are determined on the basis of the 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.

xxi. Transactions in foreign currencies (not hedged with derivatives)

Revenues and costs related to foreign currency transactions are reported at the exchange rate applying on the date on which 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 applying on the reporting date, with the difference in value being posted to the statement of profit or loss.
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 any change in the exchange rate in effect on the reporting date.

5. Change in accounting standards

i. Summary of the new accounting standards adopted by the Group from 1 January 2020

Amendment of the definition of a Business under IFRS 3-'Business Combinations'
The IASB published an amendment to the 'Definition of a Business' given in IFRS 3, 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 within the meaning of IFRS 3. The amendment was considered in the preparation of Group's consolidated financial statements.

Amendment of IAS 1 and IAS 8 Definition of Material
The IASB published an amendment to the 'Definition of Material' given in IAS 1 and IAS 8 with the aim of clarifying the definition in order to help companies to assess whether information should be included in the financial statements.
Information is deemed to be 'material' if omitting, misstating or obscuring it could influence the decisions of the primary users of financial statements. The amendment was considered in preparation of Group's consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 on 'Interest Rate Benchmark Reform'
The IASB issued amendments to IFRS 9, IAS 39 and IFRS 7. These amendments provide temporary relief, allowing hedge accounting to continue to be used in the period of uncertainty leading up to the interest-rate reform, namely the replacement of the current interest rate benchmarks with an alternative risk-free interest rate. The amendment had no direct impact on Group's consolidated financial statements.

Amendment of IFRS 16-'Leases' to encompass Covid-19-Related Rent Concessions (issued on 28 May 2020).
The amendment i) exempts lessees from assessing whether a Covid-19-related rent concession is a lease modification; ii) requires lessees applying the exemption to treat Covid-19-related rent concessions as if they were not lease modifications; iii) require lessees applying the exemption to disclose that fact; and iv) require lessees to apply the exemption retrospectively, in accordance with IAS 8, but does not require them to restate prior period figures. The amendment is effective for annual reporting periods beginning on or after 1 June 2020 and had no impact on Group's consolidated financial statements.

Amendment of 'References to the Conceptual Framework in IFRS Standards'
The IASB has published a revised version of the Conceptual Framework for Financial Reporting aimed at updating the references given in various standards and interpretations that have now been superseded.

ii. Accounting standards, amendments and interpretations that have been endorsed but are not yet applicable/have not been adopted in advance by the Company

The Group is still assessing the impact of these amendments on its financial position or operating results, insofar as they are applicable.

Amendments to IFRS 4-'Insurance Contracts' on the deferral of IFRS-9 (issued on 25 June 2020). The amendment further extended the temporary exemption from IFRS 9, according to IFRS 4, until to 1 January 2023, in order to align with the effective date of IFRS 17-'Insurance Contracts'. The first application is scheduled for 1 January 2021.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 on 'Interest Rate Benchmark Reform' phase 2 (issued on 27 August 2020). The amendments support companies in applying IFRS standards when i) changes are made to contractual cash flows or hedging relationships because of the reform; and ii) assist companies in providing useful information to users of financial statements. The first application is scheduled for 1 January 2021.

iii. Accounting standards, amendments and interpretations not yet endorsed

The Group is still assessing the impact of these amendments on its financial position or operating results, insofar as they are applicable.

Amendments to IFRS 3-'Business Combinations' (issued on 14 May 2020)
The reference to the Conceptual Framework for Financial Reporting has been updated without changing the accounting requirements for business combinations. The first application scheduled for 1 January 2022.

Amendments to IAS 16-'Property, Plant and Equipment' on Proceeds before Intended Use (issued on 14 May 2020)
The amendments prohibit a company from deducting, from the cost of an item of property, plant and equipment, amounts received from selling items produced while bringing that asset to the location and into the condition necessary for it to be capable of operating in the manner intended by management. Instead, the company must recognize the proceeds from selling such items, and the cost of producing them, in profit or loss. The first application is scheduled for 1 January 2022.
Amendments to IAS 37-'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts-Cost of Fulfilling a Contract (issued on 14 May 2020)

The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. They can either be the incremental costs of fulfilling that contract (examples would be direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The first application is scheduled for 1 January 2022.

Amendments to Annual improvements 2018-2020 (issued on 14 May 2020) include the following amendments to IFRS.

- IFRS 1-'First-time Adoption of International Financial Reporting Standards'. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS.
- IFRS 9-'Financial Instruments'. The amendment clarifies the fees that an entity may include when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- IAS 41-'Agriculture'. The amendment removes the requirement to exclude taxation cash flows when measuring the fair value of assets falling within the scope of IAS 41.
- IFRS 16-'Leases'. The amendment to illustrative example 13 in IFRS 16 removes the illustration of payments from the lessor relating to leasehold improvements, in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives were illustrated in that example.

The first application of these amendments is scheduled for 1 January 2022.

Amendment to IAS 1-'Presentation to Financial Statements' (issued January 23, 2020). The amendment specifies the requirements to classify liabilities as current or non-current by clarifying i) what is meant by a right to defer the settlement; ii) that if an entity has the right to roll over an obligation for at least twelve months after the end of reporting period, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period; iii) that the classification is unaffected by the likelihood that an entity will exercise its deferral right; and iv) that the settlement refers to a transfer to the counterparty that results in the extinguishment of the liability.
The first application is scheduled for 1 January 2023.

IFRS 17-'Insurance Contracts' (issued on 18 May 2017).
This sets out the requirements for a company which reports information about insurance contracts it issues and reinsurance contracts it holds. Including the amendments issued on 25 June 2020, aimed at helping companies to implement the standard and making it easier for them to explain their financial performance, the principle has initial recognition scheduled for 1 January 2023. Once it is effective, the principle will replace IFRS 4-'Insurance contracts'.
This accounting standard does not apply to the Group.

6. Results for the period

This section details the results and performance for the period ending 31 December 2020. Disclosures are provided for segmented information, operating costs, other operating items, finance income and expenses, the Group's share of the profit or loss of associates and joint ventures and taxation. For taxation balance sheet disclosures are also provided in this section.

i. Seasonal factors

Sales of certain Campari Group products are more affected than others by seasonal factors, because of different consumption patterns or consumer habits. In particular, aperitif consumption tends to be concentrated in the hottest months of the year (May to September), whereas sales of other products, such as sparkling wines and spirits, are concentrated in the last quarter (September to December). Seasonal consumption cycles in the markets in which the Campari Group operates may have an impact on its financial results and operations. In general, the Group's diversified product portfolio and the geographical spread of its sales help to substantially reduce risks relating to seasonal factors.

ii. Net sales and Operating segment

Consolidated net sales, which almost entirely relate to the sale of spirits, totalled €1,780.3 million, compared with €1,844.8 million achieved during the previous year. For a more detailed analysis of net sales, please refer to the information in the 'Sales performance' paragraph of the management report.

The Group's operating businesses are determined on the basis of the results of the operating segments.
Since 2012, Lagfin 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 refer to the 'Definitions and reconciliation of the Alternative Performance Measures to GAAP measures' paragraph of the management report).
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.

For the year ending 2020	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	773.9	463.6	412.0	130.8	1,780.3	-	1,780.3
Net sales between segments	51.1	329.1	17.4	-	397.7	(397.7)	-
Total net sales	**825.0**	**792.8**	**429.4**	**130.8**	**2,178.0**	**(397.7)**	**1,780.3**
Segment result	**117.4**	**(13.9)**	**120.2**	**11.3**	**235.0**	**-**	**235.0**
Operating result	-	-	-	-	-	-	235.0
Financial income (expenses)	-	-	-	-	-	(44.3)	(44.3)
Share of profit (loss) of associates and joint ventures	-	-	-	-	-	(2.8)	(2.8)
Taxation	-	-	-	-	-	(11.7)	(11.7)
Profit for the period	-	-	-	-	-	-	**176.5**
Non-controlling interests	-	-	-	-	-	(1.0)	(81.9)
Group profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**94.6**
Goodwill	**684.4**	**786.3**	**247.0**	**22.0**			**1,739.8**

For the year ending 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**	**413.9**	**128.5**	**2,232.1**	**(387.3)**	**1,844.8**
Segment result	**165.7**	**73.7**	**122.7**	**14.5**	**376.6**	**-**	**376.6**
Operating result	-	-	-	-	-	-	376.6
Financial income (expenses)	-	-	-	-	-	(73.3)	(73.3)
Share of net profit (loss) of associates and joint venture	-	-	-	-	-	0.1	0.1
Taxation	-	-	-	-	-	(45.9)	(45.9)
Group profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**108.3**
Goodwill	**726.9**	**547.6**	**263.8**	**23.5**	**1,561.8**	**-**	**1,561.8**

iii. Cost of sales

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

	For the years ending 31 December	
	2020	2019
	€ million	€ million
Materials and manufacturing costs	656,7	635,7
Distribution costs	89.4	85.6
Real Estate Management costs	5.0	4.2
Total cost of sales	**751.1**	**725.5**
Breakdown by type		
Raw materials and finished goods acquired from third parties	478.2	465.8
Inventory write-downs	8.7	5.4
Personnel costs	77.0	74.2
Depreciation/amortisation	46.6	45.3
Utilities	11.9	12.5
External production and maintenance costs	34.1	37.6
Variable transport costs	63.9	62.6
Other costs	30.7	23.9
Total cost of sales	**751.1**	**727.3**

The cost of sales amounted to €751.1 million in 2020, up by €25.6 million compared with the previous year, despite a decrease in sales. As a percentage of net sales, the cost of sales increased from 39.4% in 2019 to 42.1% in 2020, mainly due to the unfavourable production mix driven by the underperformance of sales in high margin aperitifs brands in core market and by the outperformance of low margin Espolòn characterized by the high price of agave. The impact on the change in the cost of sales is commented upon in the paragraph 'statement of profit or loss' in the management report, to which reference is made). For an analysis of the components, please see also the breakdown of personnel costs in notes 6 v-'Personnel costs' and 6 vi-'Depreciation and amortisation' of these Campari Group consolidated financial statements.

iv. Selling, general and administrative expenses and Other operating income and expenses

A breakdown of selling, general and administrative expenses and Other operating income and expenses, is shown by function and by type in the table below.

	For the years ending 31 December	
	2020 € million	2019 € million
Personnel costs	234.2	230.0
Services, maintenance and insurance	77.0	62.2
Travel, business trip, training and meetings	24.6	38.3
Depreciation/amortisation	31.6	29.3
Charges for use of third-party assets	4.0	3.2
Utilities	1.4	1.8
Agents and other variable sales costs	6.2	13.2
Other	28.7	20.2
Total selling, general and administrative expenses	**407.7**	**398.2**
Other operating expenses	97.3	35.0
Other operating income	(20.5)	(12.1)
Total other operating (income) and expenses	**76.8**	**22.9**
Breakdown of other operating (income) and expenses by nature(1)		
Impairment loss on goodwill and brands	35.4	-
Impairment loss on tangible assets	10.3	6.6
Acquisition fees	*1.8*	*-*
Consultancies	*13.8*	*12.2*
Expenses for restructuring	*19.8*	*8.4*
Accruals for staff restructuring	*1.6*	*1.8*
Accrual (release) for future expenses	*0.9*	*(4.4)*
Penalty for the termination of distribution relationship	*3*	*0.3*
Gain on sale of assets	*(13.4)*	*(2.2)*
Fiscal penalties	*-*	*0.3*
Other income	*-*	*(7.1)*
Other expenses	*3.6*	*7.0*
Total other operating income and expenses	**76.8**	**22.9**

(1) The breakdown showed the net impact of other income and expense items by nature.

In 2020 the total selling, general and administrative expenses amounted to €484.5 million, showing an increase of €68.5 million compared to the last year figures. The decrease of travelling and entertainments expenses was completely offset by the increase of other operating net expenses which were related to a number of events characterizing the year 2020 (refer to paragraph 'Significant events of the year'). As a result of the negative impact of Covid-19 on the brands' performance, impairment losses totalling €35.4 million were recognized for Bulldog (€16.0 million[15]), The GlenGrant (€15.5 million) and Rhum Agricole (€3.9 million) brands (for further details of the brand impairment loss, please see note 7 v-'Intangible assets' of this Campari Group consolidated financial statements). With regards to the remaining items, the programme launched to restructure the sugar cane business in Jamaica totalled €13.4 million (included in the item 'Expenses for restructuring'), was mainly attributable to tangible asset write-off. While the malware attack suffered in November 2020 did not have any critical impact in terms of business continuity, the actions put in place to resolve the situation led to the deployment of significant defensive measures implemented to protect the Group's IT estate and, therefore, personal and business data stored therein. Finally, in response to the pandemic emergency, the Campari Group made donations to several institutions aimed at supporting local communities and initiatives across all geographies. The costs incurred for these activities, in addition to fees recognized in connection with the transfer of the Company's registered office to the Netherlands (€9.9 million, included in the item 'Consultancies'), as well as transaction fees in relation to recent acquisitions and route-to-market changes, on top of the management of special projects and legal disputes, led to additional cost of €31.3 million.
During the year Lagfin sold for the price of €48.5 million a property in Monte Carlo recorded for a net book value of €36.5 million realizing a gain of €11.9 million.

v. Personnel costs

A breakdown of personnel costs by nature is shown in the table below.

	For the years ending 31 December	
	2020 € million	2019 € million
Salaries and wages	250.2	230.9
Social security contributions	50.6	48.7
Cost of defined contribution plans	9.4	9.3
Cost of defined benefit plans	0.0	0.2
Other costs relating to mid/long-term benefits	(6.8)	11.2
Cost of share-based payments	10.7	6.9
Total personnel costs	**314.1**	**307.2**
of which:		
Included in cost of sales	*77.0*	*74.2*
Included in selling, general and administrative expenses	*234.1*	*230.0*

[15] Value determined based on average exchange rate for the period 1 January-31 December 2020, equivalent to €15.8 million at the closing exchange rate at 31 December 2020.

Included in advertising and promotional expenses	*3.0*	*2.8*
Total personnel costs	**314.1**	**307.2**

Personnel costs are equal to €314.1 million at 31 December 2020 (€307.2 million at 31 December 2019). Their allocation to the cost of sales and selling, general and administrative expenses have been analysed in the preceding two notes.

As a percentage of sales, personnel costs amounted to 17.6%, compared to 16.6% in 2019. With regard to the business infrastructure in the context of Covid-19, no structural downsizing actions were undertaken and the containment of variable and discretionary costs was the main driver achieved through hiring freeze policies and reduction of employee bonuses. The costs of 2020 reflected the revision of the estimates of incentives linked to targets, including also the reversal of medium term incentives accrued in previous years, which unfortunately were not achieved following the 2020 business results affected by the pandemic.

vi. Depreciation and amortisation

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

	For the years ending 31 December	
	2020 € million	2019 € million
- Property, plant and equipment	41.1	39.8
- Right of use assets	2.4	2.2
- Intangible assets	3.1	3.2
Depreciation and amortization included in cost of sales	**46.6**	**45.3**
- Property, plant and equipment	7.8	8.0
- Right of use assets	12.0	10.4
- Intangible assets	11.8	10.9
Depreciation and amortization included in selling, general and administrative expenses	**31.6**	**29.3**
- Property, plant and equipment	1.5	1.1
- Right of use assets	1.1	1.1
Depreciation and amortization included in advertising and promotional expenses	**2.6**	**2.2**
- Property, plant and equipment(1)	50.4	48.9
- Right of use assets	15.5	13.7
- Intangible assets	14.9	14.1
Total depreciation and amortization in the statement of profit or loss	**80.8**	**76.8**
Total depreciation and amortization	**80.8**	**76.8**

(1) Depreciation of biological assets is included in this item.

vii. Financial income and expenses

The breakdown of net financial expenses for the period is as follows.

	For the years ending 31 December	
	2020 € million	2019 € million
Interest expenses on bonds	(25.1)	(34.0)
Interest expenses on leases	(3.2)	(3.4)
Interest expenses on loans	(9.3)	(3.4)
Total interest expenses	**(37.6)**	**(40.8)**
Bank and term deposit interests	6.2	9
Dividends from third parties	0.1	2.1
Valuation SICAV and other financial assets at fair value	0.0	1.2
Other income	14.0	4.5
Total financial income	**20.2**	**16.7**
Net interest on defined benefit plans	(0.2)	(0.5)
Bank expenses	(4.8)	(3.2)
Valuation SICAV and other financial assets at fair value	(6.8)	(47.1)
Derivative Financial Instruments on Bond at fair value	(20.9)	-
Other charges and exchange rate differences	(13.7)	0.3
Total financial expenses	**(46.4)**	**(50.5)**
Net financial income (expenses) before amortising from put option liabilities and change in estimate, financial adjustments and hyperinflation effects	**(63.8)**	**(74.6)**
Amortising from put option liabilities and change in estimate	**18.7**	**(1.1)**
Liability management	1.4	-
Financial income on tax assessment	-	5.3
Other	-	0.5
Financial income (expenses) adjustments	**1.4**	**5.8**
Hyperinflation effects	**(0.7)**	**(3.6)**
Net financial income (expenses)	**(44.3)**	**(73.3)**

Net financial income (expenses), which included the effects of exchange rate differences and hyperinflation, reported a total net cost of € 44.3 million, down on the net cost of €73.3 million recognized in 2019. This decrease of €29 million is mainly due by fair value's valuation of SICAV and other financial assets owned by the Parent Company equal to € 27.8 million at 31 December 2020 compared to € 47.1 million at 31 December 2019.

At 31 December 2020, a financial income for put options and earn-out of €18.7 million was recorded, mainly related to a reassessment of the estimated liability as regards the projected brand performance-linked settlement cash-out for the Bulldog earn-out, which generated a revenue resulting from the decrease in liability of €19.4 million. The estimate was performed in conjunction with the impairment test on intangible assets to ensure homogeneity and coherence in the assessment. In addition, other minor non-cash effects of the discounting to present value of payables for future commitments, relating to earn-out and residual shareholdings in acquired businesses, have been also included.
Positive adjustments to financial income (expenses) of €1.4 million were recorded in connection with the liability management concerning the term loan concluded in July 2019, which was subject to minor amendments carried out to benefit from better financial terms and conditions.
The impact of applying the methodology of reporting in hyperinflationary economies had an impact of €0.7 million in 2020 (€3.6 million in 2019).

Derivative Financial Instruments on bonds at fair value is mainly represented by expenses incurred related to derivatives for an amount of € 20.916.059,00
The breakdown on interest payable to bondholders is shown in the table below.

	For the years ending 31 December	
	2020 € million	2019 € million
Financial expenses to bondholders	(20.2)	(29.8)
Net changes in fair value and other amortized cost components	(3.5)	(1.9)
Cash flow hedge reserve reported in the statement of profit or loss during the year	(1.4)	(2.3)
Net interest payable on bonds and private placements	**(25.1)**	**(34.0)**
Financial income (charges) adjustments	-	(1.3)
Total expenses for bonds	**(25.1)**	**(35.3)**

viii. Lease components

The amounts recognised in the statement of profit or loss are shown in the table below.

	For the years ending 31 December	
	2020 € million	2019 € million
Interest of lease	3.2	3.4
Depreciation and amortization on right of use underlying assets	15.5	13.7
Variable lease payment not included in measurement of lease liability	7.2	6.0
Expense related to short terms leases	1.0	0.7
Expense related to leases with low value	3.3	2.6

Variable leases continued to be included in the statement of profit or loss and mainly referred to information technology equipment, warehouses for storing products and some production equipment, in addition to the use of agricultural land.
The overall increase in all lease components was mainly attributable to the business acquired during the year, the impact of which was noted from its initial consolidation in the Group.

ix. Share of profit (loss) of associates and joint ventures

At 31 December 2020, a loss arisen from associated companies and joint ventures measured applying the equity method for an amount of €2.8 million.
The change in the investment value of associated and joint ventures is shown in the table below.

€ million	Investment in associates and joint venture
At 31 December 2019	**1.0**
Share of profit (loss)	(2.8)
Additions	25.6
Exchange rate and other movements	2.8
At 31 December 2020	**26.6**

At 31 December 2020, the Campari Group held 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. For more information about this transaction please refer to paragraph 'Subsequent events'.

On 14 February 2020, the Campari Group signed an agreement with a local partner in Japan experienced in the food&beverage sector, to create CT Spirits Japan Ltd., a joint venture in which the Campari Group owns 40% of the company's shares, with an option on the remaining shares which represent 60% of the share capital, exercisable from 2023. The transaction is represented as an addition of the year for an amount of €0.2 million.

On 29 June 2020, the Campari Group completed the acquisition of a 49% interest in Tannico e Wineplatform S.p.A.. This transaction represented as addition in the year composed as follows:

- the total consideration paid for the 49% interest was €23.8 million including related acquisition costs. Under the investment agreement, the Group will have the option of increasing its interest to 100% from 2025, subject to certain conditions: based on the characteristic of the agreement there are no liability to be included in the group's accounts as of 31 December 2020 (refer to note 9 viii-'Financial instruments-disclosures');
- a committed liability arising from the agreement and linked to the associates personnel compensation scheme for €1.6 million at 31 December 2020 has been included in the Group's account under the liabilities for put options and earn-out line item: the fair value of this committed liability is measured on annual basis and reflected as an increase in the investment with no impact on the statement of profit or loss.

In relation to the acquisition of interests in Tannico, any commitment to increment the ownership in this associate, in the form of put and/or call option, is booked as derivative financial instruments measured at fair value with an impact in the Group statement of profit or loss. At 31 December 2020 the fair value was negligible. It will be possible to exercise the option from 2025.

The application of the equity method for all associates and joint ventures at year end has led to the recognition of a decrease in investment of €2.8 million recognized in the statement of profit or loss as share of loss of associates. With reference to CT Spirits Japan Ltd. joint venture, in consideration of the negative result of the period, the carrying value of the investment was completely written off and a provision of €2.7 million has been recognized in light of the group obligation to make payments on behalf of the investee.

For further information, refer also to paragraph 'Significant events of the year'.

The following table includes the change in the balance of investments in associates as of 31 December 2020.

Company name	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	1.4
CT Spirits Japan Ltd.	Japan	40.0%	*Joint venture*	Equity method	JPY	-
Tannico e Wineplatform S.p.A.	Italy	49.0%	*Associated company*	Equity method	EUR	24.7
Total investments in associates and joint venture						**26.1**

The key financial, asset and profit or loss figures for the joint ventures and associates are shown in the tables below.

	At 31 December			
Highlights-Trans Beverages Co Ltd.	2020		2019	
	€ million	South Korean Won million	€ million	South Korea Won million
Total assets	6.5	8,648.2	6.0	7,804.2
Total shareholders' equity	3.4	4,482.9	1.2	1,568.8
Revenues	8.4	11,247.6	8.5	11,049.1
Net income of the period	2.2	2,983.7	0.2	280.6

Highlights-CT Spirits Japan Ltd.	At 31 December 2020	
	€ million	Japanese Yen million
Total assets	14.6	1,847.9
Total shareholders' equity	(6.4)	(810.8)
Revenues	6.9	841.6
Net income of the period	(7.6)	(922.0)

Highlights - Tannico e Wineplatform S.p.A.	At 31 December 2020 € million
Total assets	15.6
Total shareholders' equity	7.4
Revenues	37.1
Net income of the period	(3.0)

x. Taxation

Income taxes are calculated based on the existing regulations, applying the tax rates in force in each country and taking into account the average tax rate expected for the full year.
Deferred tax assets and liabilities are calculated each year based on the rates enacted at the time when the temporary differences are expected to be reversed; appropriate adjustments are made if the rate has changed from previous years, provided that the relevant law has already been enacted on the date on which the financial report is drawn up.
The amounts of current and deferred taxes recorded directly in the statement of other comprehensive income relate to the effects of the remeasurement of pension funds and the measurement at fair value of cash-flow hedging contracts.

In response to the coronavirus outbreak and in light of recent government reactions to the pandemic, an analysis was specifically performed to assess the potential impact of taxation on the Group's figures. For the purpose of accounting, all significant assumptions and estimates underlying tax estimates were the subject of an in-depth analysis using a multiple scenario approach to address the uncertainties arising from the unpredictability of the potential impact of the Covid-19 outbreak on business performance. In particular, all tax rates were reviewed to check for any changes occurred during the period in the various tax jurisdictions and any amendments substantially enacted were considered in assessing both current and deferred taxes. Specific assessments were also conducted to confirm the recoverability of deferred tax assets and recognize any additional liability for uncertain tax positions. Based on the analyses performed, no material adjustments needed to be included in the annual report at 31 December 2020.
Details of current and deferred taxes included in the Group's statement of profit or loss and statement of other comprehensive income are as follows.

	For the years ending 31 December	
	2020 € million	2019 € million
- current taxes for the year	(60.8)	(110.9)
- current taxes relating to previous years	10.7	19.8
- deferred taxes	34.4	(13.0)
- accruals and release for tax risks	4.4	58.2
Taxes recorded in the statement of profit or loss	**(11.3)**	**(45.9)**
Taxes recorded in the statement of other comprehensive income	**(1.0)**	**2.8**

The 2020 taxation is impacted by the deferred taxes remeasurement on Campari Group certain goodwill and brands relevant for tax purposes pursuant to article 110 (paras. 8-8bis) of the Italian Law Decree no. 104 enacted on August 14, 2020, converted into Law on October 13, 2020, as subsequently amended by Budget Law no. 178 enacted on December 30, 2020.
According to the mentioned article, this benefit is granted to Italian companies and is allowing the step-up of brand and goodwill fiscal values to their corresponding book values, as stated in the Company's separate accounts. Some rules were followed to identify the items eligible to be included in the new tax regime. Among these, the existence of such brands and goodwill in both 31 December 2019 and 2020 accounts is one of the most relevant. Davide Campari-Milano N.V.'s Board of Directors, held on 17 December 2020, resolved to adhere to the aforementioned tax rule for eligible intangible assets booked in the Company's separate accounts, resulting in a one-off benefit of €29.9 million to the 2020 taxation related to the above mentioned remeasurement of deferred taxation, net of the 3% substitutive tax to be paid in order to access the fiscal benefit.
While the one-off impact is recognized in 2020 accounts, the recurring tax savings expected, originated from a deductible notional amortisation of the new stepped-up value of brands and goodwill assets valid for fiscal purposes only, will start from fiscal year 2021, generating its cash tax savings effects starting from fiscal year 2022 onwards.

The 2020 taxation did not include any benefit arising from the Patent Box tax scheme expired in 2019 after 5 years. The year 2019 was the last of the five years granted for the one-off tax relief based on the agreements signed with the Italian tax authorities (€25.4 million in 2019).

The caption included the positive impact mainly generated by the losses of Lagfin's Italian branch for €11.5 million.

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 the rate in force on the reporting date, based on legal provisions, taking into account the Company tax rate of 24.94% applied to the Parent Company.

Tax base differences are included under the permanent differences item.

	For the years ending 31 December	
	2020 € million	2019 € million
Group profit before tax	**187.8**	**303.4**
Applicable tax rate in Italy (IRES)	24.94%	24.94%
Theoretical Group taxes at current tax rate in Italy	**(46.8)**	**(75.7)**
Difference in tax rate of Group companies	(8.5)	(47.0)
Permanent differences	6.1	(3.4)
Tax incentives	0.8	29.1
Tax benefit from Italian Legislative Decree n.104/2020	29.9	-
Net releases to tax provision	4.4	58.2
Taxes relating to previous financial years	(3.4)	(3.3)
Other consolidation differences	3.4	(0.9)
IRAP	2.9	(2.9)
Actual tax charge	**(11.3)**	**(45.9)**
Actual tax rate	**6.00%**	**15.11%**

Breakdown of deferred taxes by type

The balance of current and deferred tax assets and liabilities is shown below.

	At 31 December		
	2020 € million	*Of which perimeter effect* [1] *€ million*	2019 post reclassification[1] € million
Deferred tax assets	44.6	*3.1*	38.3
Deferred tax liabilities	(337.2)	*(1.8)*	(386.3)
Net deferred tax	**(292.6)**	***1.3***	**(348.0)**

(1) For information on the reclassifications of comparative figures, refer to note 3 xi-'Reclassification of comparative figures at 31 December 2019' of this Lagfin Group consolidated financial statements.

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

	Statement of financial position		Statement of profit or loss		Statements of other comprehensive income	
	At 31 December		For the years ending 31 December			
	2020	2019 post reclassification[1]	2020	2019	2020	2019
	€ million	€ million	€ million	€ million	€ million	€ million
Deferred expenses	1.4	1.2	0.2	(0.4)	-	-
Taxed provisions	39.2	38.3	5.5	(2.4)	(0.1)	0.6
Tax losses carried forward	11.6	15.5	(2.1)	(2.7)	-	-
Reclassification to deferred tax liabilities	(42.1)	(45.4)	-	-	-	-
Leases	9.8	8.3	-	(1.2)	-	-
Exchange rate effect	-	-	-	-	(5.7)	(0.5)
Other	24.7	20.4	4.5	1.9	(0.9)	1.8
Deferred tax assets	**44.5**	**38.3**	**8.1**	**(4.8)**	**(6.6)**	**1.9**
Accelerated depreciation	(43.2)	(38.6)	(2.5)	35.8	-	-
Gains subject to deferred taxation	(0.1)	(0.3)	0.2	-	-	-
Goodwill and brands deductible at local level	(182.9)	(249.4)	(13.1)	(15.8)	-	-
Tax rate changes	-	-	-	-	-	-
Goodwill and brands not deductible at local level	(113.6)	(113.1)	14.3	(1.6)	-	-
Taxes payable on undistributed profits	(20.2)	(22.7)	2.6	(21.7)	-	-
Leases	(9.9)	(8.8)	0.5	1.4	-	-
Reclassification of deferred tax assets	42.1	45.4	-	-	-	-
Exchange rate effect	-	-	-	-	26.2	(2.4)
Other	(9.4)	1.4	24.3	(2.9)	-	-
Deferred tax liabilities	**(337.2)**	**(386.1)**	**26.3**	**(4.8)**	**26.2**	**(2.4)**
Total	**(292.7)**	**(347.8)**	**34.4**	**(9.7)**	**19.5**	**(0.5)**

[1] For information on the reclassifications of comparative figures, refer to note 3 xi-'Reclassification of comparative figures at 31 December 2019' of this Campari Group consolidated financial statements.

Deferred tax assets in relation to past losses are mainly attributable to Campari do Brasil Ltda., Campari España S.L and Campari Mexico S.A. de C.V.. With the exception of the latter for which tax losses can be carried forward for a 10-year period, 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. Unused tax losses carry forwards for which deferred tax asset were not activated referred to J. Wray&Nephew Ltd., Casa Montelobos, S.A.P.I. de C.V. and Licorera Ancho Reyes y cia, S.A.P.I. de C.V., as below reported.

	tax losses carryforwards	unrecognized deferred tax assets	expiry date
	€ million	€ million	
J. Wray&Nephew Ltd.	1.7	0.4	No limit
Casa Montelobos, S.A.P.I. de C.V.	4.1	1.2	10 years
Licorera Ancho Reyes y cia, S.A.P.I. de C.V.	6.0	1.8	10 years

Taxes payable on undistributed profits 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 breakdown of income tax receivables and payables is as follows.

	At 31 December 2020	*Of which perimeter effect* [1]	At 31 December 2019
	€ million	*€ million*	€ million
Income taxes	29.7	*0.2*	20.7
Income tax receivables	**29.7**	***0.2***	**20.7**
Taxes payable	9,2	*0.3*	75.5
Income tax payables	**9.2**	***0.3***	**75.5**

[1] The change includes an overall marginal impact on income tax receivables of €0.1 million and income tax payable of €0.3 million, relating to the deconsolidation of the Japanese Campari Group's commercial company operating in the Japanese market following recent changes in the local distribution structure.

Income tax receivables and payables are all due within 12 months. The corporate income tax payable is shown net of advance payments and taxes deducted at source.
The decrease in tax payables compared to 31 December 2019 is mainly attributable to payments due in 2020 in connection with the sale of Villa Les Cèdres, completed in 2019.
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7. Operating assets and liabilities

This section describes the assets used to generate the Group's performance and the liabilities incurred in addition to providing detailed disclosures on the recent acquisitions and disposals.

i. Acquisition and sale of businesses and purchase of non-controlling interests

The impact of acquisitions carried out in 2020 on the Group's net financial position is summarised below.

	Tannico S.p.A. € million	Champagne Lallier S.a.r.l. Les Gloriettes Scev € million	Baron Philippe de Rothschild France Distribution S.A.S.(1) € million	total € million
interests' acquisition in business or investments (including post-closing adjustments)	(23.8)	(21.3)	(50.3)	(95.4)
net financial assets (debt) acquired	-	(20.9)	(4.3)	(25.2)
total acquisition cash effect on closing date	**(23.8)**	**(42.2)**	**(54.6)**	**(120.6)**
payables for put option and earn-out	-	(4.3)	-	(4.3)
net effect of (acquisitions) disposals on net financial debt	**(23.8)**	**(46.5)**	**(54.6)**	**(125.0)**
of which stated at 31 December 2020:				
net impact on cash and cash equivalent	*(23.8)*	*(18.5)*	*(49.8)*	*(92.1)*
net impact on net financial debt other than cash and cash equivalent	-	*(28.1)*	*(4.9)*	*(32.9)*

(1) Baron Philippe de Rothschild France Distribution S.A.S. ('RFD'), now named Campari France Distribution S.A.S..

<u>Interests in associates</u>

Acquisition of a 49% interest in Tannico

As mentioned in the dedicated section 'Significant events during the year', the Campari Group completed the acquisition of a 49% interest in Tannico e Wineplatform S.p.A. ('Tannico') on 29 June 2020.

The Campari Group acquired 39% of the share capital in Tannico and simultaneously subscribed to a reserved capital increase to reach, in aggregate, a 49% shareholding. The overall consideration for the 49% interest was €23.5 million, plus €0.3 million in transaction costs (which form part of the carrying amount for the associate). Pursuant to the investment agreement, the Campari Group will have the option of increasing its interest to 100% from 2025 onwards, based on certain conditions. These conditions are also inclusive of call and put agreements that are representative of derivative contracts for Campari, the fair value of which were negligible at both 30 June 2020 and 31 December 2020. A committed liability arising from the agreement and linked to the associate personnel compensation scheme is included in the Company's account under the liabilities for put options and earn-out line item starting from 31 December 2020: the fair value of this liability is measured on an annual basis and reflected as an increase in the investment with no impact on the statement of profit or loss.

By leveraging Tannico's expertise, Campari Group intends to accelerate the development plans for e-commerce, which is expected to become increasingly strategic in the light of the new consumer purchasing trends.

At 31 December 2020 Tannico continued to be recognised under associates in the Group's consolidated statement of financial position since the requirements as regards control over the investee company have not been satisfied.

<u>Business combinations</u>

On the date that these year-end consolidated financial statements were approved, the process of recognising and restating the information necessary for allocating the purchase prices of the various transactions at the fair value of the respective net assets acquired was finalised for Rhumantilles S.A.S. ('Rhumantilles'), 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') and Baron Philippe de Rothschild France Distribution S.A.S., in a period not exceeding 12 months from the closing date of each transactions, in compliance with applicable accounting standards.

In relation to Champagne Lallier, the purchase price allocation process is still provisional and will be finalised in a period of no more than 12 months from the closing date of the transactions, in compliance with applicable accounting standards. Once further information about the facts and events existing at the closing of the transaction is obtained, recognized and restated, the values calculated could be different from those presented in this report.

For all acquisitions, goodwill was deemed to be fully reportable due to the synergies that are expected to be generated by including these brands into the Group's commercial structure. Goodwill is not tax-deductible based on the relevant local regulations.

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

As mentioned in the dedicated section 'Significant events during the year', the Campari Group completed the acquisition of its French distributor Baron Philippe de Rothschild France Distribution S.A.S., now renamed Campari France Distribution S.A.S. ('CFD'), in its entirety, on 28 February 2020.

The enterprise value of the deal was €54.6 million (including the net financial debt acquired).

This fully owned subsidiary was consolidated into the Group's accounts from 1 March 2020 since there were no significant changes in the net assets acquired between these two dates.

The scope of the transaction includes a number of identified key assets represented by both inputs and processes, namely stock inventory, account receivables, skilled and organised workforce, tangible and intangible assets, a relationship with various distribution channels and different commercial agreement models.

The incorporation of CFD the distribution structure into Campari's network and the possibility of operating directly in France (a high-potential market for the Group) provides a unique opportunity to enhance the Group's focus on its key brands and to benefit from the increased critical mass of the aperitifs business.

Based on the foregoing, it has been concluded that the Group has substantial control over the relevant activities of the acquired company, and it is evident that the fair value of the gross assets acquired is not concentrated substantially in a single identifiable asset or group of similar assets and that the processes and inputs acquired together will contribute significantly to the Group's ability to create outputs. Consequently, the transaction equates to a business combination over which the Group has full control, as defined in the relevant accounting standards.

Definitive purchase price allocation

The definitive purchase price allocation at the fair values of the assets acquired is shown below. Changes to the net assets, which were shown provisionally at 30 June 2020, have been identified separately. The analysis was carried out with the assistance of independent experts.

Details of the consideration paid, the net assets acquired, and goodwill obtained are as follows. The values shown are explained in the following notes to the financial statements, where they are highlighted as changes in the basis of consolidation for the purposes of the financial statements. All the values are expressed in Euros. No changes in provisional fair value at 30 June 2020 compared to fair value at 31 December 2020 have been identified.

values at acquisition date	book values at acquisition date € million	provisional fair value stated at 30 June 2020 € million	fair value at 31 December 2020 € million
ASSETS			
Non-current assets			
Property, plant and equipment	0.4	0.4	0.4
Right of use assets	4.8	4.8	4.8
Intangible assets with a finite life	1.1	0.1	0.1
Deferred tax assets	2.3	3.2	3.2
Other non-current assets	0.3	0.3	0.3
Total non-current assets	**8.9**	**8.8**	**8.8**
Current assets			
Inventories	16.9	13.7	13.7
Trade receivables	36.2	36.2	36.2
Cash and cash equivalents	0.6	0.6	0.6
Income tax receivables	0.1	0.1	0.1
Other current assets	3.2	3.2	3.2
Total current assets	**56.9**	**53.6**	**53.6**
Total asset	**65.7**	**62.4**	**62.4**
LIABILITES			
Non-current liabilities			
Other non-current financial liabilities	4.8	4.8	4.8
Post-employment benefit obligations	1.9	1.9	1.9
Provisions for risks and charges	0.0	0.3	0.3
Deferred tax liabilities	1.5	1.5	1.5
Total non-current liabilities	**8.2**	**8.5**	**8.5**
Current liabilities			
Loans due to banks	0.1	0.1	0.1
Trade payables	38.2	38.2	38.2
Other current liabilities	5.2	5.2	5.2
Total current liabilities	**43.5**	**43.5**	**43.5**
Total liabilities	**51.7**	**52.0**	**52.0**
NET EQUITY ACQUIRED	**14.0**	**10.4**	**10.4**
TOTAL LIABILITY AND EQUITY	**65.7**	**62.4**	**62.4**

a) Total cost, of which:	**50.3**	**50.3**
Price paid in cash, excluding ancillary costs	*60.0*	*60.0*
Price adjustments at closing	*(9.7)*	*(9.7)*
b) Net financial position acquired, of which:	**4.3**	**4.3**
- Cash, cash equivalent and financial assets	*(0.6)*	*(0.6)*
- Financial debt acquired	*4.9*	*4.9*
Enterprise value (a+b)	**54.6**	**54.6**
Purchase price to be allocated	**50.3**	**50.3**
Price paid in cash, excluding ancillary costs	60.0	60.0
Price adjustments at closing	(9.7)	(9.7)
Total values to be allocated	**50.3**	**50.3**
Allocation to:		
Net assets acquired	**10.4**	**10.4**
Goodwill generated by acquisition	**39.9**	**39.9**

Ancillary costs relating to external legal fees and due-diligence costs amounted to €0.2 million and were recognised in the statement of profit or loss under selling, general and administrative expenses for the period ending 31 December 2020.

In 2020, from the acquisition date, the business contributed to the Group's results in the amount of €80.3 million to net sales and €9.2 million to EBITDA before non-recurring items. It should be noted that if the business had been consolidated from the start of the year, the effect on net sales and EBITDA for the period would have been around €96.0 million and €10.0 million respectively.

No brands or other intangible assets were identified for the purposes of the provisional allocation, other than goodwill, which was deemed to be fully reportable due to the synergies expected to be generated by integrating the business into the Group’s operations.

intangible assets generated by Baron Philippe de Rothschild France Distribution S.A.S.(1)	goodwill € million	total € million
provisional fair value stated at 30 June 2020	**39.9**	**39.9**
fair value at 31 December 2020	**39.9**	**39.9**

(1) Baron Philippe de Rothschild France Distribution S.A.S. (‘RFD’), now renamed Campari France Distribution S.A.S..

Acquisition of Champagne Lallier S.a.r.l.

As mentioned in the ‘Significant events during the year’ section, the Campari Group completed the acquisition of an 80% interest on 10 June 2020, as part of a medium-term route to total ownership, in the share capital of Champagne Lallier S.a.r.l. and other companies in its group (jointly referred to as ‘the company’).

The total consideration paid was €46.5 million (including the net financial debt acquired), and consisted of the following:

- the price paid to acquire 80% of the capital of the company totalled €21.3 million;
- the payables resulting from the reciprocal call and put options with the previous shareholders of the company for the remaining 20%, included among the Group’s other financial liabilities, which can be exercised by the counterparties from 2023 and are estimated at a total of €4.3 million. These options may be exercised from 2024 onwards;
- the net negative financial position acquired of €20.9 million.

The interests acquired on 10 June 2020 and consolidated by the Group from 30 June 2020 (since there were no significant changes in the net assets acquired between the two dates) equates to 100% of the company following the assumption of control on the closing date and due to the simultaneous conclusion of mutual purchase/sale agreements, taking the form of put and call options with previous owners for the stake currently in their possession (20% of the company). These agreements gave rise to a financial liability being recorded in the Group’s financial statements. However, the purchase deeds stipulate that non-controlling interests would continue to exist until the aforementioned financial liability is liquidated. Given the nature of these interests, it was deemed appropriate to value them at the price paid by the Group, in proportion to the residual stake they own. The financial liability for the put and call options, measured at 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 scope of the transaction includes a number of identified key assets represented by both inputs and processes, namely stock inventory, account receivables, skilled and organised workforce, tangible and intangible assets, brands, real estate assets (including owned and operated vineyards) and production facilities.

Based on the foregoing, it has been concluded that the Group has substantial control over the relevant activities of the acquired company, and it is evident that the fair value of the gross assets acquired is not concentrated substantially in a single identifiable asset or group of similar assets. It is therefore possible to confirm that the acquired processes and the acquired inputs together significantly contribute to the Group's ability to create outputs. Consequently, the transaction equates to a business combination over which the Group has full control.

Provisional purchase price allocation

On the date on which the publication of these consolidated financial statements was authorised, the Group is still in the process of recognising and reworking the information for allocating the purchase price at the fair value of the net assets acquired. The above analysis will be carried out within 12 months of the closing date with the support of independent external experts. Details of the consideration paid, the net assets acquired, and goodwill obtained are as follows. 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 for the purposes of the financial statements. All the values are expressed in Euros.

values at acquisition date	book values at acquisition date € million	provisional fair value stated at 30 June 2020 € million	adjustments and reclass € million	provisional fair value at 31 December 2020 € million
ASSETS				
Non-current assets				
Property, plant and equipment	5.5	5.5	2.6	8.2
Biological assets	2.6	2.6	(2.6)	-
Brand	-	1.0	-	1.0
Intangible assets with a finite life	0.2	0.2	-	0.2
Other non-current financial assets	0.1	0.1	(0.1)	-
Other non-current assets	-	-	-	-
Total non-current assets	**8.5**	**9.4**	**(0.1)**	**9.3**
Current assets				
Inventories	22.1	22.1	-	22.1
Trade receivables	3.6	3.6	-	3.6
Cash and cash equivalents	3.8	3.8	(1.0)	2.8
Income tax receivables	0.1	0.1	-	0.1
Other current assets	1.1	1.1	-	1.1
Total current assets	**30.7**	**30.7**	**(1.0)**	**29.7**
Total asset	**39.2**	**40.2**	**(1.1)**	**39.1**
LIABILITES				
Non-current liabilities				
Deferred tax liabilities	-	0.2	-	0.2
Total non-current liabilities	**-**	**0.3**	**-**	**0.3**
Current liabilities				
Loans due to banks	20.7	20.7	-	20.7
Other current financial liabilities	5.8	5.8	(2.8)	3.0
Trade payables	6.5	6.5	-	6.5
Other current liabilities	1.0	1.0	-	1.0
Total current liabilities	**34.1**	**34.1**	**(2.8)**	**31.3**
Total liabilities	**34.1**	**34.4**	**(2.8)**	**31.5**
NET EQUITY ACQUIRED	**5.1**	**5.8**	**1.7**	**7.6**
TOTAL LIABILITY AND EQUITY		**40.2**	**(1.1)**	**39.1**
a) Total cost, of which:		**25.6**	**-**	**25.6**
Price paid in cash, excluding ancillary costs		*20.9*	-	*20.9*
Price adjustments at closing		*0.4*	-	*0.4*
Liabilities for non-controlling interest purchase		*4.3*	-	*4.3*
b) Net financial position acquired, of which:		**22.6**	**(1.7)**	**20.9**
- Cash, cash equivalent and financial assets		*(3.8)*	*1.0*	*(2.8)*
- Financial debt acquired		*26.4*	*(2.7)*	*23.7*
Enterprise value (a+b)		**48.3**	**(1.7)**	**46.5**
Non-controlling interests		**1.0**	**4.3**	**5.3**
Purchase price to be allocated		**21.3**	**-**	**21.3**
Price paid in cash, excluding ancillary costs		20.9	-	20.9
Price adjustments at closing		0.4	-	0.4
Non-controlling interests		**1.0**	**4.3**	**5.3**
Total values to be allocated		**22.3**	**4.3**	**26.6**
Allocation to:				
Net assets acquired		**5.8**	**1.7**	**7.6**
Goodwill generated by acquisition		**16.5**	**2.6**	**19.1**

Ancillary costs relating to external legal fees and due-diligence costs amounted to €1.8 million and were classified in the statement of profit or loss under selling, general and administrative expenses for the period ending 31 December 2020.

In 2020, from the acquisition date, the business contributed to the Group's results in the amount of €11.0 million to net sales and €0.3 million to EBITDA before non-recurring items. It should be noted that if the business had been consolidated from the start of the year, the effect on net sales and EBITDA for the period would have been around €22.0 million and €1.0 million respectively.

The aim of the acquisition is to expand the Group's critical mass in its strategic French market, set to become one of the Group's key areas in the wake of the changes to the distribution structure. Given the profitability of the business on the closing date, the Group has provisionally allocated a total value of €1.0 million to the acquired brands. The allocation value does not, however, reflect the post-acquisition development initiatives that the Group intends to undertake based on its strategic plans.

intangible assets generated by Champagne Lallier S.a.r.l. and Les Gloriettes Scev	goodwill € million	brands € million	total € million
provisional fair value stated at 30 June 2020	**16.5**	**1.0**	**17.5**
provisional fair value at 31 December 2020	**19.1**	**1.0**	**20.1**

Acquisition of shares of Davide Campari Milano N.V.

As set out in detail in the 'Significant events during the year' Lagfin bought 33.066.132 new Davide Campari-Milano N.V. shares. This acquisition combined with Davide Campari-Milano N.V. own shares purchases has brought Lagfin controlling interest to 55,876% of Davide Campari-Milano N.V.'s share capital.

Business combinations completed in the previous year

As set out in detail in the 'Significant events during the year' section of the Group's consolidated financial statements at 31 December 2019, the Campari Group completed the acquisition of Rhumantilles S.A.S. ('Rhumantilles') on 1 October 2019 and 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, on 20 November 2019. In making these acquisition, Campari Group's intention is to further increase its exposure to the strategic US on-premise channel and to add significantly to its critical mass in France.
The impact of the finalised allocation of the acquisition values for Trois Rivières and La Mauny French rums and Ancho Reyes and Montelobos spirits is summarised below. Changes to the provisional net asset values recognized at 31 December 2019 are shown separately. The allocation did not have any monetary impact. The updated final fair values shown are the result of the recognition and reworking of further information in relation to facts and circumstances existing at the closing date. This analysis was carried out with the assistance of independent experts. The following combined information relates to both acquisitions, which are not considered to be material on an individual basis but are related to spirits.

The combined enterprise value of the two deals was €112.5 million (including the net financial debt acquired and the post-closing price adjustments).
The changes to the values included in the Group's consolidated figures at 31 December 2019 are shown separately in note 3 xi-'Reclassification of comparative figures at 31 December 2019' of this Campari Group consolidated financial statements. Where not expressed in Euros, the values were converted at the exchange rate on the closing date of the transaction.

values at acquisition date	book values at acquisition date € million	provisional fair value stated at 31 December 2019 € million	adjustment and reclass € million	fair value at 31 December 2020 € million
ASSETS				
Non-current assets				
Property, plant and equipment	13.6	13.6	11.9	25.5
Right of use assets	1.4	1.4	-	1.4
Biological assets	1.4	1.4	-	1.4
Brand	0.6	18.8	(5.7)	13.1
Intangible assets with a finite life	0.4	4.5	(4.5)	-
Deferred tax assets	0.5	0.6	0.7	1.3
Other non-current assets	0.5	0.5	-	0.5
Total non-current assets	**18.5**	**40.8**	**2.5**	**43.3**
Current assets			**-**	
Inventories	21.2	21.2	(1.9)	19.3
Biological assets	0.1	0.1	-	0.1
Trade receivables	8.1	7.9	(0.1)	7.8
Cash and cash equivalents	6.0	6.0	-	6.0
Income tax receivables	0.7	0.7	-	0.7
Other current assets	3.2	3.2	-	3.3
Total current assets	**39.5**	**39.3**	**(2.0)**	**37.3**
Total asset	**58.0**	**80.1**	**0.5**	**80.6**
LIABILITES				
Non-current liabilities				
Loans due to banks	0.6	0.6	-	0.6
Other non-current financial liabilities	1.4	1.4	-	1.4
Provisions for risks and charges	1.5	1.5	1.0	2.4
Deferred tax liabilities	(0.1)	6.2	-	6.3
Total non-current liabilities	**3.4**	**9.8**	**1.0**	**10.7**
Current liabilities				
Loans due to banks	6.8	6.8	-	6.8
Trade payables	10.6	10.6	0.5	11.0
Income tax payables	0.1	0.1	-	0.1
Other current liabilities	5.5	5.5	-	5.5
Total current liabilities	**38.8**	**22.9**	**0.5**	**23.4**
Total liabilities	**42.2**	**32.7**	**1.4**	**34.1**
NET EQUITY ACQUIRED	**15.7**	**47.4**	**(1.0)**	**46.4**
TOTAL LIABILITY AND EQUITY		**80.1**	**0.5**	**80.6**
a) Total cost, of which:		**110.3**	**(0.6)**	**109.8**
Price paid in cash, excluding ancillary costs		*82.4*	-	*82.4*
Price adjustments after closing		*(0.0)*	*(0.6)*	*(0.6)*
Reacquired distribution rights [(1)]		*4.1*	-	*4.1*
Liabilities for non-controlling interest purchase		*23.9*	-	*23.9*
b) Net financial position acquired, of which:		**2.7**	**-**	**2.7**
- Cash, cash equivalent and financial assets		*(6.0)*	-	*(6.0)*
- Financial debt acquired		*8.8*	-	*8.8*
Enterprise value (a+b)		**113.1**	**(0.6)**	**112.5**
Non-controlling interests		**9.7**	**(3.1)**	**6.6**
Purchase price to be allocated		**86.5**	**(0.6)**	**85.9**
Price paid in cash, excluding ancillary costs		86.5	-	86.5
Price adjustments after closing		(0.0)	(0.6)	(0.6)
Non-controlling interests		**9.7**	**(3.1)**	**6.6**
Total values to be allocated		**96.1**	**(3.7)**	**92.5**
Allocation to:				
Net assets acquired		**47.4**	(1.0)	**46.4**
Goodwill generated by acquisition		**48.7**	(2.7)	**46.0**

[(1)] Reacquired distribution rights arising from transactions completed immediately before the business combination closing.

The Group has revised the final allocation for brands fair values to take into account the profitability of the business on the closing date. The final total value allocated to the acquired brands is €13.1 million. 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 these brands and to undertake innovative initiatives designed to exploit the potential of key international markets.

intangible assets generated by spirit companies	goodwill € million	brands € million	intangible assets with a finite life € million	total € million
provisional fair value at the date of acquisition	**48.7**	**18.8**	**4.5**	**72.0**
change resulting from allocation of acquisition value	(2.7)	(5.7)	(4.5)	(12.9)
fair value at 31 December 2020	**46.0**	**13.1**	**-**	**59.1**
of which:				
intangible assets generated by Rhumantilles acquisition	*18.4*	*7.8*	-	*26.2*
intangible assets generated by Ancho Reyes and Montelobos acquisition	*27.6*	*5.3*	-	*32.9*

The changes in intangible assets generated by spirit companies from the acquisition date to 31 December 2020 is as follows.

intangible assets generated by spirit companies	goodwill € million	brands € million	intangible assets with a finite life € million	total € million
provisional fair value at the date of acquisition	**48.7**	**18.8**	**4.5**	**72.0**
exchange rate	0.3	0.1	-	0.4
provisional fair value published at 31 December 2019	**49.0**	**18.9**	**4.5**	**72.4**
change resulting from allocation of acquisition value	(2.7)	(5.7)	(4.5)	(12.9)
exchange rate restated	(0.1)	-	-	(0.1)
fair value restated at 31 December 2020	**46.2**	**13.2**	**-**	**59.4**
of which:				
intangible assets generated by Rhumantilles acquisition	*18.4*	*7.8*	-	*26.2*
intangible assets generated by Ancho Reyes and Montelobos acquisition	*27.8*	*5.4*	-	*33.2*

ii. Property, plant and equipment

The coronavirus outbreak has had no a significant impact on operations: in terms of production facilities, all the Group's plants and distilleries have remained operational and complied rigorously with the emergency provisions in force to protect the health of workers and their families in each of the countries concerned. There has been no interruption in supply from Group suppliers or any issues with logistics and freight transport activities. The pandemic has had a negative impact on the business, with the consequent need to reshape production planning at the factories, which has been managed as part of the normal course of business. Consequently, the outbreak has not triggered a need to perform a specific impairment test for the production facilities apart from specific planned transactions in progress such as the restructuring of the sugar business in Jamaica and changes in route to market. The overall recoverability of the value of tangible assets was included in the impairment test performed at level of goodwill and brands (see note 7 vi-'Intangible assets' of this Lagfin Group consolidated financial statements for additional information)

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	382.8	363.8	197.6	944.1
Accumulated amortization at the beginning of the period	(115.5)	(240.8)	(88.6)	(444.9)
At 31 December 2019	**267.2**	**123.0**	**109**	**499.2**
Change resulting from provisional allocation of acquisition value	7.4	3.0	1.6	11.9
Balance at 31 December 2019 post-reclassifications(1)	**274.6**	**126.0**	**110.6**	**511.1**
Perimeter effect for acquisitions	6.8	1.1	0.6	8.6
Perimeter effect for sale or reorganization of business	-	-	(0.2)	(0.2)
Reclassification as assets held for sale	0.3	-	-	0.3
Additions	11.5	28.4	108.417	148.3
Disposals	(0.1)	-	(6.6)	(6.8)
Depreciation	(11.8)	(18.0)	(16.0)	(45.8)
Impairment	(3.3)	(2.2)	(1.5)	(7.1)
Exchange rate differences and other changes	(19.6)	(7.9)	(10.6)	(38)
At 31 December 2020	**258.4**	**127.3**	**184,8**	**570,4**
Carrying amount at the end of the period	385.8	386.2	289.4	1,061.4
Accumulated amortization at the end of the period	(127.3)	(258.8)	(104.6)	(490.7)

(1) For information on the reclassification of comparative figures, refer to note 3 xi-'Reclassification of comparative figures at 31 December 2019'.

The change in the basis of consolidation relates to the assets arising from the acquisition of Champagne Lallier S.a.r.l., and Campari France Distribution S.A.S..

Capital expenditure for the period, totalling €148.3 million, was mainly related to the purchase of barrels for maturing bourbon, rum and whisky for €19.3 million as well as the investments for the renovation of brand houses and visitor centres and for the advance of €81.7 million related to the purchase in Anse du Portier in Monaco. In addition, in the period some improvements were made to strengthen the Group's production capacity and efficiency. Disposals, amounting to €6.8 million, mainly related to the sale of barrels no longer suitable for use in the maturing process.

iii. Right of use assets

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
Carrying amount at the beginning of the period	74.2	7.4	14.9	96.5
Accumulated amortization at the beginning of the period	(8.4)	(1.0)	(5.7)	(15.0)
At 31 December 2019	**65.7**	**6.5**	**9.3**	**81.5**
Perimeter effect for acquisitions	3.9	-	0.9	4.8
Perimeter effect for sale or reorganization of business	(0.5)	-	-	(0.5)
Additions	4.3	1.5	2.0	7.8
Depreciation	(9.0)	(1.3)	(5.2)	(15.5)
Impairment	(1.1)	-	-	(1.1)
Exchange rate differences and other changes	(4.4)	(0.5)	0.5	(4.4)
At 31 December 2020	**59**	**6.2**	**7.4**	**72.4**
Carrying amount at the end of the period	76.4	8.4	18.3	103.1

Accumulated amortization at the end of the period	(17.4)	(2.3)	(10.9)	(30.6)

The change in the basis of consolidation relates to the right of use assets arising from the acquisition of Campari France Distribution S.A.S.
Increases for the year were mainly related to offices and automobiles. The impairment of right of use assets was related only to planned changes in route to market manged in the normal course of business.
There are no restrictions or covenants on the right of use assets indicated above.

iv. 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	7.3
Accumulated depreciation at the beginning of the period	(3.4)
At 31 December 2019	**3.9**
Additions	3.9
Disposal	(0.6)
Depreciation	(1.8)
Exchange rate differences and other changes	0.1
At 31 December 2020	**5.5**
Carrying amount at the end of the period	10.9
Accumulated depreciation at the end of the period	(5.5)

The addition of €3.9 million, was related mainly to agave plantations in Mexico (€3.0 million) and sugar cane plantations in Martinique (€0.9 million).
All residual biological assets at 31 December 2020 were recognised on a cost basis, net of depreciation and impairment.
No guarantees were given to third-parties in relation to these fixed assets.

v. Investment properties

At 31 December 2020, investment property, totalling €56 million, are mainly related to property owned by:
- Lagfin for €43 million related to properties located in Principality of Monaco and Italy;
- Portfolio 3, LCC for €14 million related to the New York property;
- smaller amounts are related to assets belonging to LG Partners, LLC.

vi. Intangible assets

- <u>Goodwill and brands</u>

Changes during the period are shown in the table below.

	Goodwill € million	Brands with an indefinite life € million	Brands with a finite life € million	Total € million
Carrying amount at the beginning of the period	1,564.8	1,028.5	36.5	2,629.8
Opening impairment	(3.1)	0.0	(23.7)	(26.8)
For the year ending31 December 2019	**1,561.7**	**1,028.5**	**12.9**	**2,602.9**
Change resulting from provisional allocation of acquisition value	(2.7)	(5.7)		(8.4)
For the year ending 31 December 2019 post-reclassifications(1)	**1,559**	**1,022.7**	**12.9**	**2,594,5**
Perimeter effect for acquisition	271	1.0	-	272
Impairment loss	-	(35.4)	-	(35.4)
Depreciation	-	-	(2.1)	(2.1)
Exchange rate differences	(90.2)	(43.7)	(0.9)	(134.7)
For the year ending 31 December 2020	**1,739.7**	**944.6**	**9.9**	**2,694.2**
Carrying amount at the end of the period	1,742.8	980.1	35.6	2,758.6
Closing impairment	(3.1)	(35.4)	(25.8)	(64.4)

(1) For information on the reclassification of comparative figures, refer to note 3 xi-'Reclassification of comparative figures at 31 December 2019'.

Intangible assets with an indefinite life are represented by goodwill and brands, both associated with 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.
An impairment loss of €35.4 million has been recognised during the year, attributable to the following brands: Bulldog (€16.0 million), The GlenGrant (€15.5 million) and Rhum Agricole brands (€3.9 million). For more

information regarding impairment loss please refer to the following paragraph 'Impairment test on goodwill and brands'.

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 €272 million attributable to the identification of amounts for goodwill (€271 million) and brands (€1.0 million) mainly related to the acquisition of shares of Davide Campari Milano N.V. bringing Lagfin's controlling interest to 53.85%. of share capital (for further details, see note 7 i-'Acquisition and sale of businesses and purchase of non-controlling interests').
Negative exchange rate differences, totalling €134.7 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 depreciation of the US and Canadian dollars.

- 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	102.8	26.1	128.8
Accumulated amortisation at the beginning of the period	(67.1)	(9.3)	(76.4)
At 31 December 2019	**35.6**	**16.8**	**52.4**
Change resulting from provisional allocation of acquisition value	-	(4.5)	(4.5)
At 31 December 2019 post-reclassifications[(1)]	**35.6**	**12.3**	**47.9**
Perimeter effect for acquisitions	0.1	0.2	0.3
Perimeter effect for sale or reorganisation of business	(0.6)	-	(0.6)
Additions	10.4	4.2	14.9
Amortisation	(12.0)	(0.8)	(12.8)
Exchange rate differences and other changes	(2.1)	0.2	(1.9)
At 31 December 2020	**31.5**	**16.1**	**47.6**
Carrying amount at the end of the period	110.6	26.2	137
Accumulated amortization at the end of the period	(79.1)	(10.1)	(89.2)

(1) For information on the reclassification of comparative figures, refer to note 3 xi-'Reclassification of comparative figures at 31 December 2019'.

Intangible assets with a finite life are amortised on a straight-line basis depending on their remaining useful life.
Additions in the period totalling €14.9 million related to €10.7 million for the projects to continuously upgrade and integrate new information technology and to €4.2 million for the key money recorded after the completion of the asset deal reinforcing the brand house strategy.

- Impairment test on goodwill and brands

The impact of COVID-19 on the Group's 2020 impairment test process

The global Covid-19 outbreak has posed significant challenges to business activities and introduced a high degree of uncertainty on the economic and financial system. As such, in accordance with the IAS 36 (paragraphs 9 and 12) and as well as recommended by ESMA (European Securities and Market Authority), the Company should carefully and fairly (neither over optimistic nor pessimistic) evaluate the impact of the Covid-19 to assess if it has triggered the impairment of assets.
With respect to the spirits industry, the Covid-19 generated a significant adverse effect on the consumption levels in 2020, given the sector's natural exposure to consumption in the on-premise channel, due to the lockdowns and the restrictive measures to contain the virus spread in general. Global Travel Retail was also heavily affected due to the significant reduction in travels. On the contrary, the off-premise channel has generally demonstrated more resilience as consumers have increased their at-home consumption.
In this volatile environment, beyond the annual impairment test, the Campari Group performed an interim test as of 30 June 2020 to assess if Covid-19 had triggered any impairment losses for the Campari Group's goodwill and brands.
However, as noted by ESMA, the interim impairment test cannot replace the required annual test, also considering the Pandemic's persisting impact on the global economy and businesses. Currently, many countries across the globe are still going through the pandemic with the continuing adoption of restrictive measures. The positive development of the vaccine towards the end of the year has helped restore the market confidence. However, the timing and the depth of the vaccine roll out remain uncertain.
In line with the previous years, the Campari Group considered the business plan, including 2021 budget and 2022-2025 strategic plans (drafted by the Campari Group's companies in 2020 and approved by the respective Board

of Directors) the base of the annual impairment test. Whilst such plan best depicts the future economic developments of the Group, further analyses have been developed, in this highly volatile year generated by Covid-19, to estimate the impact on recoverable amounts of a significant drop in net sales and operating profit as compared to the business plan. In this regard, the Campari Group very conservatively introduced three stress tests to further stretch the impairment test, in line with the interim impairment test as of 30 June 2020. Consistently with a very prudent and conservative approach, the three stress tests were considered to assess only the downward risk via assuming -5%, -10%, -15% reduction in net sales and operating profit over the entire test period for all brands and markets. Each test was performed on a stand-alone basis. It should be noted that the stress tests were performed in addition to the recurrent sensitivity analyses, which were 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.

Procedure of intangible assets impairment test

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 Campari Group Board of Directors. takes place separately and before the financial reports (consolidated and Company only) are approved. In line with the previous years, the approval of the annual assessment of the recoverability of the Group's intangible assets was conducted before the fiscal year end. As a consequence, the book value of goodwill and brands (i.e. the amount at which an asset is recognized in the balance sheet) was determined as of 30 September 2020, i.e. the latest available actual figures. The results of such test were valid as of 31 December 2020, 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 2020.
With regards to currencies, it should be noted that the projections were determined based on the exchange rates to Euros assumed unchanged to the ones used for drafting 2021 budget. Although IAS 36 requires that exchange rates are assumed flat to the current fiscal year over the time horizon, the fluctuations of 2021 budgeted currencies are estimated to not have a meaningful impact on future cash flows.

Impairment test 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 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 2021 budget and the strategic plans for the period 2022-2025 and approved by the Board of Directors.
In addition, the five-year cash flow plan was extrapolated on a ten-year basis. 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 selling, general and administrative expenses, 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 and non-recurring 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 estimated inflation rates of the consumer price for the period 2021-2025 for the Group's key markets (source: IMF, October 2020 release), assumed to be 2.3% for the Americas CGU, 1.0% for the SEMEA CGU, 1.5% for the NCEE CGU and 1.9% for the APAC CGU or 1.8% for the Group overall.
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 2020 impairment test for the four CGUs, are as follows: 6.0% for the Americas CGU 7.8% for the SEMEA CGU, 8.1% for the NCEE CGU and 6.3% for the APAC CGU, or 7.1% for the Group overall.
To take into account the current market volatility and uncertainty over the future economic prospects, stress tests and sensitivity analysis were carried out to assess the recoverability of goodwill value, as described above.
Based on the methodology as described above, the impairment test for goodwill as of 31 December 2020 confirmed the full recoverability, including sensitivity and stress scenarios, of all the CGUs, therefore not highlighting any goodwill impairment loss.

Values of goodwill as of 31 December 2020
The values of goodwill at 31 December 2020 allocated by CGU are shown in the table below.

	For the years ending 31 December	
CGU	2020 € million	2019[(1)] € million
Americas	684.4	726.9
Southern Europe, Middle East and Africa	786,3	547.6
Northern, Central and Eastern Europe	247.0	263.8
Asia-Pacific	22.0	23.5
Total	**1,739.7**	**1,561.8**

(1) Pre-reclassification figures which do not include the changes resulting from provisional allocation of acquisition value.

Changes in goodwill values at 31 December 2020 compared with 31 December 2019 are mainly due to negative exchange rate effects of €(90.2) million, which were re-allocated proportionally to the individual CGUs, and positive perimeter change (including purchase price allocation adjustments) equal to €271 million.

Impairment test on brands
Impairment test 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 2021 budget and the strategic plans prepared by the Group's subsidiaries in 2020 for the period 2022-2025. Regarding the Group's planning and forecasting activity, in 2020 the strategic plan drafting process was adapted to the exceptional circumstances with the aim to implement a more flexible and condensed approach to better suit the business requirements. In addition, the five-year plan of income flows was extrapolated on a ten-year basis, with growth rates gradually normalizing towards the level of the perpetuity growth rate. 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 The Glen Grant single malt Scotch whisky, a 15-year time horizon was adopted in line with previous years. The use of a fifteen-year Time Horizon is justified by the long-term effect of the brand ageing strategy, a commonly implemented market practice for the premium spirits players. Given the nature of the ageing strategy in the Scotch whisky segment, the benefit of this strategic is expected to increasingly manifest over the

years in a much longer time horizon compared with the 10-year period covered by the impairment test model for other brands.
For the purposes of determining the terminal value of each brand, a perpetual growth rate of between 1.8% to 2.3%, in line with the inflation estimates, was used. The discount rates used for the individual brands tested varied from 6.7% to 8.1% 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 test.
Same as goodwill, to take into account market volatility and uncertainty over future economic prospects, sensitivity analysis and stress test were performed to assess the recoverability of the brand values. Based on the methodology as described above, the impairment test as of 31 December 2020 has indicated impairment losses of €15.5 million relating to The Glen Grant brand and €3.9 [16]million relating to the Rhum Agricole brands. The Glen Grant brand is heavily affected by the Covid-19 given its relevant exposure to the Global Travel Retail, the channel mostly hit by the Pandemic due to the travelling ban, whose recovery time currently remains highly uncertain. The impairment loss under the current assessment reflects the high uncertainty of the business recovery in this area. While regards to the Rhum Agricole brands, the shortfall is mainly due to the increased raw material costs and unfavourable sales mix due to the Covid-19, hitting in particular the on-premise channel and delaying the brand activation in the international markets as well. These effects are not expected to positively reverse in the short term.
The Bulldog brand, which suffered of an impairment loss as of 30 June 2020 test, has broadly confirmed its reduced brand value with the year-end impairment test (loss of €15.8 million as of 31 December 2020[17]). Considering the size of the headroom and that no fundamental changes with regards to the brand's future business performance have happened compared with the June 2020 impairment test, the Group considered reasonable to not reverse, at year end, any of the impairment loss recorded in the second quarter of 2020 for this brand.
Regarding the stress test, besides The Glen Grant and Rhum Agricole brands, the stress test indicated that the Bulldog brand would incur an impairment loss in the range of €1.5 million to €4.9 million under the three stress tests.
Regarding the sensitivity analyses, besides The Glen Grant and Rhum Agricole brands, an impairment loss may arise for the Bulldog brand for ca. €7.0 million when the WACC was increased by 100 bps and the long-term growth rate was decreased by 100 bps.
Considering the potential impairment loss arising from the sensitivity analysis and the stress tests, the Group will closely monitor the future development of the Bulldog brand and carefully assess the recoverability of the brand values.

IAS 36 defines recoverable amount as the higher of an asset's or cash generating unit's fair value less cost of disposals and its value in use. In measuring the recoverable amount of the brand values, the Group considers the 'value in use' determined for The Glen Grant and Rhum Agricole brands to be a proxy of their fair value less cost of disposals, for the following reasons: (i) the value in use is measured by using a valuation methodology (MEEM) which is widely accepted in practice for determining the brands' fair value, for example in a purchase price allocation following an acquisition and (ii) the Group business plans for these three brands can be considered market participant as there is no indication that a different player would have taken a different business strategy on such brands.
A commonly accepted alternative method of measuring 'fair value less costs of disposal' is based on transaction multiples. This however requires the identification of a representative sample of comparable transactions which are not consistently available across the different types of assets. As benchmarks are typically available for measuring business values as a whole, as opposed to a brand only, such methodology would not be suitable for these purposes.

Values of brand as of 31 December 2020
The values of brands at 31 December 2020 are shown in the table below.

	For the years ending 31 December	
	2020 € million	2019[(2)] € million
Grand Marnier	300.7	300.7
Wild Turkey	148.8	162.5
Frangelico	54.0	54.0
Jamaican Rum Portfolio	89.0	104.4

[16]Reflecting the band value derived from the final Purchase Price Allocation ('PPA'), where the brand value was reduced by €0.8 million vs. the brand value derived from the provisional PPA as of 30 September 2020.
[17] Value determined based on the closing exchange rate at 31 December 2020, equivalent to €16.0 million at average exchange rate for the period 1 January-31 December 2020.

The Glen Grant and Old Smuggler	88.8	104.3
Forty Creek	66.5	71.2
Cabo Wabo	57.9	63.2
Averna and Braulio	65.5	65.5
X-Rated Fusion Liqueur(1)	9.9	12.9
Riccadonna	11.3	11.3
Bulldog	34.3	53.0
Other	27.9	38.3
Total	**954.5**	**1,041.4**

(1) Asset with finite life. The brand value amortized over a timeframe of 10 years until 2025.
(2) Pre-reclassification figures which do not include the changes resulting from provisional allocation of acquisition value.

Changes in brand values at 31 December 2020 compared with 31 December 2019 are mainly due to the impairment losses of Bulldog brand (€15.6 million, corresponding to €16.0 million at average exchange rate for the period 1 January-31 December 2020), The Glen Grant brand (€15.4 million) and Rhum Agricole brands (€3.9 million[18]), as well as negative exchange rate effects of €44.8 million and other changes (including perimeter change and purchase price allocation adjustments) for an amount of €4.7 million.

vii. Other non-current assets

A breakdown of other non-current assets is shown in the table below.

	At 31 December		
	2020 € million	*of which perimeter effect (1)* *€ million*	2019 € million
Equity investment in other companies	0.9	-	1,3
Security deposits	1.3	*0.2*	1.1
Other non-current receivables from main shareholders	2.0	-	1.9
Other non-current tax receivables	2.1	-	4.2
Other securities	0.0		133.9
Other non-current assets	**6.4**	***0.2***	**142.3**

(1) The change includes an overall marginal impact of €(0.1) million, related to the deconsolidation of the Japanese Group's commercial company operating in the Japanese market following recent changes in the local distribution structure.

The other non-current tax receivables, totalling €2.1 million, included receivables from tax authorities payable to the Italian companies for €1.4 million. These arose from the entitlement to refunds of higher income tax paid in previous years due to the non-deductibility of IRAP (Italian regional production tax).

viii. Other current assets

A breakdown of other current assets is shown in the table below.

	Balance at 31 December 2020 € million	*of which perimeter effect* *€ million*	Balance at 31 December 2019 post-reclassification(1) € million
Advances to suppliers	2.6	-	0.4
Advances and other receivables from suppliers	1.3	-	1.1
Other receivables from tax authorities	22.6	*2.9*	20.4
Receivables from agents and miscellaneous customers	1.4	*0.1*	1.0
Prepaid expenses	6.9	*0.6*	9.7
Other receivables from Associates	0.0	-	0.8
Other	11.1	-	10.7
Other current assets	**45.9**	***3.7***	**44.8**

(1) For information on the reclassification of comparative figures, refer to note 3 xi-'Reclassification of comparative figures at 31 December 2019'.
(2) The change includes an overall marginal impact of €(0.6) million, related to the deconsolidation of the Japanese Group's commercial company operating in the Japanese market following recent changes in the local distribution structure.

Other receivables from tax authorities, totalling €22.6 million, primarily comprise €17.8 million for VAT, €2.7 million for excise duty and €2.1 million for other taxes.

The table below shows a broken down of receivables by maturity.

30 December 2020	Other receivables (1) € million	Provision for bad debt € million
Not overdue	**21.4**	**-**
Overdue	**18.2**	**(0.7)**
Less than 30 days	-	-
30-90 days	3.0	(0.1)
Within 1 year	14.9	(0.4)

[18] Reflecting the band value deriving from the final Purchase Price Allocation ('PPA'), where the brand value was reduced by €0.8 million vs. the brand value deriving from the provisional PPA as of 30 September 2020.

Within 5 years	0.2	(0.2)
Due after 5 years	0.0	-
Total receivables broken down by maturity	**39.6**	**(0.7)**
Amount impaired	(0.7)	
Total	**38.9**	

(1) The item does not include prepaid expenses.

31 December 2019	Other receivables [1] € million	Provision for bad debt € million
Not overdue	**28.8**	
Overdue	**7.0**	**(0.7)**
Less than 30 days	-	-
30-90 days	4.0	-
Within 1 year	3.0	(0.7)
Within 5 years	-	-
Due after 5 years	-	-
Total receivables broken down by maturity	**35.8**	**(0.7)**
Amount impaired	(0.7)	
Total	**35.1**	

[1] The item does not include prepaid expenses.

€ million	Provision for bad debt Other receivables
31 December 2019	**0.7**
Accruals	0.3
Releases	(0.2)
Exchange rate differences and other changes	(0.1)
31 December 2020	**0.7**

The tables below provide information on the credit risk exposure of the Group's other current receivables using a provision matrix.

	Other current receivables day past due					
31 December 2020	Current € million	<30 days € million	30-90 days € million	< 1 year € million	< 5 years € million	Total € million
Expected credit loss rate	-	-	0.2%	0.9%	0.4%	1.6%
Estimated total gross carrying amount at default	25.0	-	3.0	17.4	-	**45.7**
Expected credit loss	-		(0.1)	(0.4)	-	**(0.7)**

	Other current receivables day past due					
31 December 2019	Current € million	<30 days € million	30-90 days € million	< 1 year € million	< 5 years € million	Total € million
Expected credit loss rate	-	-	-	1.5%	-	**1.5%**
Estimated total gross carrying amount at default	32.7	-	5.3	7.5	-	**45.4**
Expected credit loss	-	-	-	(0.7)	-	**(0.7)**

ix. 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 2020, this item included:
- property in France;
- production assets located in Brazil, including the ceased Sorocaba facility.

	At 31 December				
	At 31 December 2019 € million	Write-off € million	Reclassification as assets held for sale of the period € million	Exchange rate effect € million	At 31 December 2020 € million
Assets					
Property plant and equipment	5.3	(2.0)	0.5	(0.4)	3.3
Total assets classified as held for sales	**5.3**	**(2.0)**	**0.5**	**(0.4)**	**3.3**

The real estate assets relating to a residual portion of the Termoli site previously recorded in assets held for sales has been totally written off as of 31 December 2020.

x. Other non-current liabilities

Other non-financial liabilities totalling €7.3 million at 31 December 2020 mainly related to other long-term benefit for employees for €3.0 million, to profit-sharing for €2.0 million and medium-to long-term liabilities relating to incentive-based plans accrued on behalf of employees for €1.8 million.

xi. Other current liabilities

A breakdown of other current liabilities is shown in the table below.

	Balance at 31 December 2020 € million	*of which perimeter effect € million*	Balance at 31 December 2019 post-reclassification € million
Payables to staff	61.6	*4.5*	57,4
Payables to agents	2.9	-	2.7
Deferred income	6.9	*0.8*	5.3
Amounts due to controlling shareholder for Group VAT	0.5	-	0.8
VAT	16.5	*(0.2)*	24.2
Tax on alcohol production	36.2	-	38.6
Withholding and miscellaneous taxes	7.3	*0.5*	6.4
Other	9.1	*(3.1)*	4,0
Other current liabilities	**141.1**	***2.5***	**139.5**

(1) For information on reclassification of comparative figures, refer to note 3 xi-'Reclassification of comparative figures at 31 December 2019'.
(2) The change includes an overall marginal impact of €(3.7) million, related to the deconsolidation of the Japanese Group's commercial company operating in the Japanese market following recent changes in the local distribution structure.

Other current liabilities totalling €141 million refer mainly to payables to staff for an amount of €61.6 million and to tax on alcohol production for €36.2 million.
Payables for capital grants and deferred income relating to these grants are detailed in the next section.

The maturities of other payables are shown in the tables below.

31 December 2020	Other payables to third parties € million
On demand	77.2
Due within 1 year	63.8
Due in 3 to 5 years	0.1
Total	**141.1**

31 December 2019	Other payables to third parties € million
On demand	50.6
Due within 1 year	88.8
Due in 3 to 5 years	0.1
Total	**139.5**

8. Operating working capital

This section explains the Group's operating working capital composition broken down into in the various items that are managed to generate the Group performances.
The coronavirus outbreak while had a significant impact on net sales, did not trigger any significant changes with clients' contracts. An in-depth analysis has been conducted to accurately review the expected credit losses on receivables and to reassess the likelihood of the Group collecting the considerations to which it is entitled.
Significant judgements were used in determining whether an anticipated partial payment indicated that there was an implicit price concession to be accounted for or there is an impairment loss. The reassessment did not indicate any change in the actual business model to manage financial instruments and highlighted an increase in risk that did not have a significant impact on the annual figures in which it is reflected.
To facilitate the management of liquidity during this volatile year, the Group entered into reverse factoring agreements with a limited number of trusted suppliers. A detailed analysis was conducted to define the proper representation of these agreements within the consolidated figures: the trade payables under reverse factoring agreements continued to be classified as a component of the Group's operating working capital with not separate disclosure as primary line items of the Group financial statements in consideration of the immateriality of the exposure.
The coronavirus outbreak has not generated the need to include dedicated and additional adjustments to be reflected in the net realizable value of inventories nor to change the production cost allocation linked to inefficiencies.

i. Trade receivables

A breakdown of trade receivables is shown in the table below.

	At 31 December		
	2020 € million	*of which perimeter effect* [2] *€ million*	2019 post-reclassifications[1] € million
Trade receivables from external costumers	276.1	*38.8*	311.2
Trade receivables from associate	4.0	-	
Receivables in respect of contributions to promotional costs	2.9	-	7.2
Trade receivables	**283.0**	***38.8***	**318.4**

(1) For information on reclassification of comparative figures, refer to note 3 xi-'Reclassification of comparative figures at 31 December 2019'.
(2) The change includes an overall marginal impact of €(0.9) million, relating to the deconsolidation of the Japanese Group's commercial company operating in the Japanese market following recent changes in the local distribution structure.

Trade receivables are shown net of year-end bonuses and payables for promotional costs: in line with the disclosure of revenues on the statement of profit or loss. In addition, this item is reported net of the related provision for impairment, which reflects the actual risk of uncollectible receivables.

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), no receivables were considered as not yet due and not written down.

At 31 December 2020	Trade receivables[1] € million	Provision for expected future losses and bad debt € million
Not overdue	**193.1**	**(0.8)**
Overdue	**96.1**	**(7.3)**
Less than 30 days	54.5	-
30-90 days	16.1	(2.3)
Within 1 year	15.9	(1.3)
Within 5 years	8.1	(2.3)
Due after 5 years	1.5	(1.4)
Total receivables broken down by maturity	**289.2**	**(8.1)**
Amount impaired	(8.1)	
Total	**281.1**	

(1) This item does not include prepaid expenses.

At 31 December 2019	Trade receivables[1] € million	Provision for expected future losses and bad debt € million
Not overdue	**235.6**	**(0.5)**
Overdue	**87.0**	**(7.0)**
Less than 30 days	44.1	(0.4)
30-90 days	18.1	(1.5)
Within 1 year	18.4	(1.6)
Within 5 years	5.5	(2.7)
Due after 5 years	0.8	(0.8)
Total receivables broken down by maturity	**322.6**	**(7.5)**
Amount impaired	(7.5)	
Total	**315.0**	

(1) This item does not include prepaid expenses.

The following table shows the changes in impairment for expected future losses and bad debt in the period.

€ million	Provisions for expected future losses and bad debt Trade receivables
At 31 December 2019	**7.5**
Perimeter effect for acquisitions	0.6
Accruals	2.5
Utilizations	(1.2)
Releases	(0.4)
Exchange rate differences and other changes	(1.0)
At 31 December 2020	**8.1**

The provision for expected future losses and bad debt includes the impairment of specific receivables in order to reflect the estimated realisable value in accounts and an estimate for expected credit losses on receivables and stood at €8.1 million at 31 December 2020. Utilisations for the year were due to the settlement of lawsuits outstanding from previous years.
The table below set out the information in relation to the credit risk exposure on the Group's trade receivables using a provision matrix:

At 31 December 2020	Current € million	<30 days € million	30-90 days € million	< 1 year € million	< 5 years € million	Total € million
	Trade receivables days past due					
Credit loss rate	0.52%	0.13%	0.30%	0.58%	1.26%	**2.8%**
Estimated total gross carrying amount at default	194.6	54.5	16.1	15.9	9.6	**290.7**
Provision for expected credit losses	(1.5)	(0.4)	(0.9)	(1.7)	(3.7)	**(8.1)**

At 31 December 2019	Current € million	<30 days € million	30-90 days € million	< 1 year € million	< 5 years € million	Total € million
	Trade receivables days past due					
Credit loss rate	0.44%	0.19%	0.11%	0.51%	1.06%	**2.3%**
Estimated total gross carrying amount at default	237.4	44.1	18.1	18.4	6.4	**324.4**
Provision for expected credit losses	(1.4)	(0.6)	(0.4)	(1.7)	(3.4)	**(7.5)**

The amount of the provision as well as the level of utilisation over the years, confirms that overall the Group is exposed to a cluster of customers and to markets that are not significantly affected by credit risk. The unprecedented challenges of Covid-19 created a strong driver for enhanced collaboration across customers in general and led to a strengthening of strategic partnerships especially during the first stage of the restrictions imposed to contain the spread of the virus ('first wave'). The Group allowed customers in some markets to benefit from extraordinary payment terms, granting them the option of paying once the business reopen after the lockdown. These initiatives were highly appreciated, and the Group subsequently made regular collections without any impact on its liquidity. As a result, notwithstanding the unfavourable economic circumstances caused by the pandemic, in terms of the percentage weight of the total value of credits, the expected credit losses highlighted a very limited deterioration in the quality of receivables.

ii. Trade payables

A breakdown of trade payables is shown in the table below.

	At 31 December 2020 € million	of which perimeter effect[2] € million	2019 post-reclassifications[1] € million
Trade payables to external suppliers	322.8	44.6	241.8
Trade payables	**322.8**	**44.6**	**241.8**

[1] For information on reclassification of comparative figures, refer to note 3 xi-'Reclassification of comparative figures at 31 December 2019'.
[2] The change includes an overall marginal impact of €(0.2) million, relating to the deconsolidation of the Japanese Group's commercial company operating in the Japanese market following recent changes in the local distribution structure.

Higher exposure to suppliers was mainly due to the perimeter effect resulting from acquisitions made during the year for a total amount of €44.6 million and organic phasing effects.
The maturities of trade payables is shown below.

At 31 December 2020	Trade payables € million
On demand	10.5
Due within 1 year	312.3
Due in 3 to 5 years	-
Total	**322.8**

At 31 December 2019	Trade payables[1] € million
On demand	4.7
Due within 1 year	241.1
Due after 1 year	-
Total	**241.8**

[1] For information on reclassification of comparative figures, refer to note 3 xi-'Reclassification of comparative figures at 31 December 2019'.

During 2020, the Group launched its first supplier reverse factoring program in cooperation with an external banking provider. The pilot programme kicked off involving a first wave of strategic partners based in Italy with the aim to allow participating suppliers to receive early payments on their invoices. Based on the characteristic of the programme and the substance of the transaction, the trade payable included in the programme continued to be classed as a trade payable and the programme generated an increase in payables of approximately €7.0 million at 31 December 2020.

iii. Inventories and biological assets

The breaks down of this item is as follows.

	At 31 December		
	2020 € million	of which perimeter effect[(2)] € million	2019 post-reclassifications[(1)] € million
Raw materials, supplies and consumables	50.4	0.5	53.6
Work in progress	94.6	11.0	71.6
Maturing inventory	368.1	(10.8)	374.4
Finished products and goods for resale	142.0	35.0	116.3
Inventories	**655.1**	**35.6**	**615.9**
Current biological assets	**1.6**	**-**	**0.9**
Total	**656.7**	**35.6**	**616.7**

[(1)] For information on reclassification of comparative figures, refer to note 3 xi-'Reclassification of comparative figures at 31 December 2019'.

[(2)] The change includes an overall marginal impact of €(0.2) million, relating to the deconsolidation of the Japanese Group's commercial company operating in the Japanese market following recent changes in the local distribution structure.

Stocks totalled €656.7 million at 31 December 2020, up by €40.1 million on 31 December 2019. This change is essentially attributable to several factors, as summarised below:

- effects of the acquisition of Champagne Lallier S.a.r.l and Campari France Distribution S.A.S., totalling €35.8 million;
- organic increases of €47.7 million, of which €20.1 million is due to increases in stocks of maturing inventories, in line with the Group's strategic guidelines;
- negative exchange rate effect of €43.3 million, mainly relating to the maturing inventory concentrated in the Americas region.

Current biological assets at 31 December 2019 totalled €1.6 million, corresponding to 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 less the costs of cultivation, harvesting and transportation to the point of sale. No guarantees given to third parties in relation to these inventories. Agricultural produce in Martinique benefits from public grants for an amount of €0.5 million (not significant in 2019 given Rhumantilles' inclusion in the scope of consolidation).

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

	€ million
At 31 December 2019	**(14.3)**
Perimeter effect for acquisitions	(0.5)
Accruals (release)	(5.4)
Utilisation	2.5
Exchange rate differences and other changes	1.8
At 31 December 2020	**(16.0)**

9. Net financial debt

This section provides details of the composition of the Group's net financial position broken down into the various items that are managed. Figurative financial assets and liabilities arising from rent and lease agreements, are also provided in this section.

The pandemic is clearly having negative impacts on the business and this triggers the needs of in-depth analysis on the potential consequential impact on the Group's financial performance. In conducting this assessment, certain characteristics specific to the Group's situation have been taken into consideration. As far as financial assets are concerned, the fact that the Group's assets are not exposed to concentration being spread across a large number of high standing financial counterparts granted that no specific risks were faced. With regard to financial liabilities, the temporary increase in the Group's indebtedness ratios didn't raise any constraints, also given the lack of covenants on existing debt. Moreover, the Group's financial structure has been boosted by the availability of significant credit lines. No renegotiation of interest rates or other terms of existing agreements (derivatives included) have been requested if not required by the Group in the normal course of its business, and the fact that the Group's loan profile is mainly at the fixed interest rates minimized the exposure to market risks.
In terms of lease and rental agreements, there have been no significant lease agreements, including sub-leases, generating financial receivables for the Group. During the year, there were no significant contract amendments directly linked to the outbreak and no significant rental concessions have been agreed with lessors exclusively for Covid-19. The lease amendment referred in particular to buildings linked to planned changes in the route to market strategy and were managed in compliance with the normal recurring transactions they represent.
To facilitate the management of liquidity during this volatile year, the Group entered into reverse factoring agreements with a limited number of trusted suppliers. A detailed analysis was conducted to define the proper representation of these agreements within the consolidated figures: the trade payables under reverse factoring agreements continue to be classified as a component of Group's operating working capital without their separate disclosure as primary line items in the Group's financial statements in consideration of the immateriality of the exposure.
A separate analysis has been performed with reference to put option and earn-out agreements valued at fair value and where the basis of estimate is linked to brand performances; the analysis was performed in conjunction with the impairment test on intangible assets, to ensure homogeneity and coherence in the assessment.

i. Cash and cash equivalents

The breakdown of the Group's cash and cash equivalents is as follows.

	At 31 December		
	2020 € million	*Of which perimeter effect* [1] *€ million*	2019 € million
Bank current accounts and cash	457.9	*(95.9)*	566.5
Term deposit maturing within 3 months	250.5	-	199.0
Oher securities	**219.9**		**85.7**
Cash and cash equivalents	**928.3**	***(95.9)***	**851.2**

[1] The change includes an overall marginal impact of €3.8 million, relating to the deconsolidation of the Japanese Group's commercial company operating in the Japanese market following recent changes in the local distribution structure.

Cash and cash equivalents item consist of 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 in a change in value. During this volatile year, the Group implemented several actions to monitor and manage cash in order to satisfy all financial needs. Notwithstanding the impact of pandemic on the business, the Group was able to meet all existing financial commitments, including dividend payments and the completion of a business acquisition. For a better understanding of the liquidity management reference to cash flows information and net financial position (note 9 vii-'Reconciliation with net financial debt and cash flow statement') is made.

ii. Other current financial assets

A breakdown of other current financial assets is shown in the table below.

	At 31 December	
	2020 € million	2019 € million
Valuation at fair value of forward contracts	0.3	0.2
Lease receivables	-	2.3
Other financial assets	1.0	5.8
Other current financial assets	**1.3**	**8.3**

At 31 December 2020, other current financial assets amounting to €1.3 million were primarily related to the interest-bearing receivables from Terra Moretti S.r.l., associated with the sale completed previous year of Sella&Mosca S.p.A. and Teruzzi&Puthod S.r.l.. Changes during the year reflect the extension of the agreement with the counterpart and the long-term portion of receivables associated with this transaction has been represented below in note 9 iii-'Non-current financial assets'.

iii. Non-current financial assets

A breakdown of other non-current financial assets is shown in the table below.

	At 31 December	
	2020 € million	2019 € million
Term deposit	4.0	9.8
Financial receivables	3.1	4.8
Non-current financial assets	**7.1**	**14.7**

At 31 December 2020, term deposits of €4.0 million were intended for the acquisition of the remaining shareholdings in J.Wray&Nephew Ltd., for which the Group has an equal financial liability for put options and earn-out.
Changes during the year are related to the collection of a cash investment by the Parent Company in an investment fund valued at mark-to-market, totalling €5.2 million.
The financial receivables relate mainly to €3.1 million in assets arising from the interest-bearing receivables from Terra Moretti S.r.l., associated with the sale of Sella&Mosca S.p.A. and Teruzzi&Puthod S.r.l.. The short-term portion of this interest-bearing receivable has been classified under current financial assets.

iv. Lease components

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

Lease payables	At 31 December 2019	Addition	Payments	Interest expenses	Reclassification	Perimeter effect[1]	Exchange rate differences and other changes	At 31 December 2020
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Within 12 months	(15.4)		19.6	-	(21.5)	0.1	3.3	(13.9)
Over 12 months	(82.1)	(7.8)		(3.2)	21.5	(4.4)	6.6	(69.5)
Total lease payables	**(97.5)**	**(7.8)**	**19.6**	**(3.2)**	**(0.0)**	**(4.3)**	**9.9**	**(83.3)**

[1]The change includes an overall marginal impact on financial liabilities for leases of €(0.5) million, related to the deconsolidation area of the Japanese Group's commercial company operating in the Japanese market following recent changes in the local distribution structure.

Lease receivables	At 31 December 2019	Addition	Collection	Interest income	Reclassification	Perimeter effect	Exchange rate differences and other changes	At 31 December 2020
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Within 12 months	2.3		(1.8)	-	2.0	-	(2.4)	-
Over 12 months	4.8	-		-	(2.0)	-	(2.8)	-
Total lease receivables	**7.1**	**-**	**(1.8)**	**-**	**-**	**-**	**(5.3)**	**-**

The IBRs applied in 2020 and 2019 were as follows.

For the year ending 31 December 2020 Currency	Within 5 years	From 5 to 10 years	Over 10 years
EUR	1.0%	1.2%	1.3%
USD	1.9%	2.3%	2.5%
GBP	1.7%	1.9%	1.9%

For the year ending 31 December 2019 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%

The amounts recognised in the cash flow were as follows.

	For the years ending	
€ million	2020	2019
Total cash outflow for leases	**(14.6)**	**(15.8)**

The tables below show the breakdown of financial liabilities for leases by asset class.

€ million	Within 12 months	Over 12 months	Total
Financial liabilities for leases:			
Buildings	(9.0)	(60.3)	(69.3)
Machinery	(1.0)	(5.2)	(6.2)
Vehicles	(3.0)	(2.5)	(5.5)
Other	(0.7)	(1.3)	(2.0)
Land	(0.0)	(0.2)	(0.2)
IT equipment	(0.1)	-	(0.1)
Total financial liabilities for leases as of 31 December 2020	**(13.9)**	**(69.5)**	**(83.3)**
Financial asset for leases:	-	-	-
Buildings	-	-	-
Total financial assets for leases as of 31 December 2020	**-**	**-**	**-**
Total financial assets and liabilities (net value) as of 31 December 2020	**(13.9)**	**(69.5)**	**(83.3)**

€ million	Within 12 months	Over 12 months	Total
Financial liabilities for leases:			
Buildings	(10.3)	(71.5)	(81.8)
Land	(0.0)	(0.3)	(0.3)
Machinery	(0.9)	(5.2)	(6.1)
Vehicles	(3.5)	(4.2)	(7.7)
IT equipment	(0.2)	(0.1)	(0.3)
Other	(0.4)	(0.8)	(1.3)
Total financial liabilities for leases as of 31 December 2019	**(15.4)**	**(82.1)**	**(97.4)**
Financial asset for leases:			
Buildings	2.3	4.8	7.1
Total financial assets for leases as of 31 December 2019	**2.3**	**4.8**	**7.1**
Total financial assets and liabilities (net value) as of 31 December 2019	**(13.1)**	**(77.3)**	**(90.3)**

v. Non-current financial debt

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

	At 31 December		
	2020 € million	*Of which perimeter effect* [1] *€ million*	2019 € million
Bond issued in 2017	200.0	-	200.0
Bond issued in 2019	149.4	-	149.4
Bond issued in 2020	849.1		-
Total non-current bonds	**1,198.5**	**-**	**349.4**
Loans due to banks	496.9	-	325,2
Lease payables	69.5	*4.4*	82.1
Liabilities for put option and earn-out payments	99.8	*4.3*	128.8
Non-Current Payables to Shareholders	26.7		0
Other Non-Current Liabilities	0.4		0.5
Non-current financial liabilities	**693.2**	***8.8***	**536.1**

[1] The change in non-current financial liabilities includes an overall marginal impact of €0.3 million, relating to the deconsolidation of the Japanese Group's commercial company operating in the Japanese market following recent changes in the local distribution structure.

- <u>Bonds</u>

At 31 December 2020, the Bonds item included the following issues:

- 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 in 2019 by 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%.

- bond issued on 6 October 2020 by Davide Campari-Milano N.V., maturing on 6 October 2027, with a nominal value of €550 million. The issue price was 99.76% and the bond pays a fixed annual coupon of 1.25% with the effective gross yield to maturity at 1.37%.
- Exchangeable bond issued on 2 July, 2020, by Lagfin, acting through its Italian Branch, maturing on 2 July 2025, with nominal value of € 330 million.

- <u>Leases</u>

This item included the financial liability reflecting the obligation to make lease payments.

- <u>Liabilities for put options and earn-out</u>

At 31 December 2020, the long-term portion of the item 'Liabilities for put options and earn-out payments' included:
- the payable, totalling €50.4 million, arising from the agreements signed with a number of the former shareholders in Société des Produits Marnier Lapostolle S.A. for the purchase of all the remaining shares held by them by 2023; this item included €4.2 million committed obligation arising from the sale of the property Villa Les Cèdres occurred in 2019. The amount represented in this line item is net of the current portion duly reported as current financial liability;
- the estimated payable for put options and earn-out linked to Ancho Reyes and Montelobos totalling €41.6 million payable starting from 2024 increased by €20.0 million during the year based on the revised estimate of the projected cash out (refer also to note x iii-'Shareholders' equity');
- the estimated payable for put options and earn-out related to the Lallier acquisition totalling €6.3 million payable starting from 2023, increased by €2.0 million during the year based on the revised estimate of the projected cash out (refer also to note x iii-'Shareholders' equity');
- other liabilities connected to the interests in Tannico for €1.6 million.

The changes in the year were mainly related to the payment made to purchase a number of some remaining shares held by previous shareholders in Société des Produits Marnier Lapostolle S.A. based on the agreement in place, and to the recognition of non-cash amortised costs.

vi. Current financial debt

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

	At 31 December		
	2020 € million	*Of which perimeter effect* *€ million* [1]	2019 € million
Short-term portion of Davide Campari N.V. bond (Eurobond) issued in 2015[1]	-	-	580.0
Accrued interest on bonds	12.9	-	8.7
Loans due to banks	416.7	*20.8*	230,1
Lease payables	13.9	*(0.1)*	15.4
Liabilities for put option and earn-out payments	3.5	-	54.0
Liabilities on hedging contracts	0.1	-	0.2
Derivative Financial Instruments on Bond	41.6	-	-
Current liabilities for hedge derivatives, not reported using hedge accounting procedures	-	-	1.5
Other financial liabilities	28.3	*1.1*	24.7
Current financial liabilities	**517.0**	***21.8***	**934.0**

[1] The change in other financial liabilities includes an overall marginal impact of €2.3 million, relating to the deconsolidation of the Japanese Group's commercial company operating in the Japanese market following recent changes in the local distribution structure.

The main financial liabilities are as follows:

- <u>Accrued interests on Bonds</u>

At 31 December 2020, this item included amount related to accrued interest on bonds.

- <u>Leases</u>

This item included the financial liability involving the obligation to make lease payments.

- <u>Liabilities for put options and earn-out payments</u>

At 31 December 2020, liabilities for put options can be broken down as follows:
- €2.9 million for the purchase of the residual non-controlling shares in J.Wray & Nephew Ltd, secured by Group holdings of restricted cash and cash equivalents;
- €0.6 million for the option to purchase shares still held by the former shareholders in Société des Produits Marnier Lapostolle S.A. that can be exercised over the next 12 months.

vii. Reconciliation with net financial debt and cash flow statement

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

	At 31 December	
	2020 € million	2019 € million
Cash and cash equivalents	928.3	851.2
Cash (A)	**928.3**	**851.2**
Other current financial assets	1.3	8.3
Current financial receivables (B)	**1.3**	**8.3**
Loans due to banks current	(416.7)	(230)
Current portion of lease payables	(13.9)	(15.4)
Current portion of bonds	-	(580.0)
Other current financial payables	(41.3)	(35.1)
Current portion of payables for put option and earn-out	(3.5)	(54)
Current debts to shareholders	-	(19.5)
Current portion of Derivative Financial Instruments on Bond	(41.6)	-
Current financial payables (C)	**(517.0)**	**(934)**
Net current financial debt (A+B+C)	**412.5**	**(74.5)**
Loans due to banks non-current[2]	(496.9)	(325.2)
Non-current portion of lease payables	(69.5)	(82.1)
Non-current portion of bonds	(1,198.4)	(349.4)
Non-current debts to shareholders	(26.8)	0
Other non-current financial payables	(0.4)	(0.5)
Non-current portion of payables for put option and earn-out	(99.8)	(128.8)
Non-current financial debt (D)	**(1,891.7)**	**(885.9)**
Net debt (A+B+C+D)[1]	**(1,479.2)**	**(960.5)**
Reconciliation with the Group's net financial debt as shown in the Directors' report:		
Term deposits	4.0	9.8
Non-current financial receivables	3.1	4.8
Group net financial debt	**(1,472.0)**	**(945.8)**

[1] In accordance with ESMA guidelines.
[2] Including related derivatives.

viii. Financial instruments-disclosures

The value of individual categories of financial assets and liabilities held by the Group at 31 December 2020 and 31 December 2019 is shown below. These values have been revised based on the business model identified by the Group.

At 31 December 2020 € million	Measurement at amortised 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	708.4	219.9	-
Trade receivables	283.0	-	-
Current financial receivables	0.0	1.0	
Other non-current financial assets	4.1	3.0	
Other non-current assets		1.0	
Lease receivables	-		
Loans due to banks[(1)]	(913.7)		
Lease payables	(83.3)		
Bonds	(1,198.4)		
Accrued interest on bonds	(12.9)		
Debts to Shareholder	(26.8)		
Other financial liabilities	(28.7)		
Derivative Financial Instruments on Bond[(2)]	-	(41.6)	
Liabilities for put option and earn-out payments[(3)]	(53.9)	(49.4)	
Trade payables	(322.8)		
Current assets for hedge derivatives, not in hedge accounting		-	
Current liabilities for hedge derivatives, not in hedge accounting		-	-
Current assets for hedging derivatives			0.2
Non-current liabilities for hedging derivatives[(4)]			(3.5)
Current liabilities for hedging derivatives			(0.1)
Total	**(1,645.0)**	**133.9**	**(3.4)**

[(1)] Excluding derivative on loan due to bank.
[(2)] Derivative on Lagfin bond.
[(3)] Liabilities linked to some business combination may be elected to have the fair value variation accounted for against the Group equity.
[(4)] Derivative on loan due to bank.

31 December 2019 € million	Measurement at amortised cost	Measurement at fair value through profit and loss	Measurement at fair value with changes recognized in the statement of other comprehensive income
Cash and cash equivalents	704.4	85,7	-
Trade receivables	316.9	-	-
Current financial receivables	8.1	-	-
Other non-current financial assets	4.6	5.2	-
Other non-current assets	-	1.3	-
Lease receivables	4.8	-	-
Loans due 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)	-	-
Liabilities for put option and earn-out payments	(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 in hedge accounting	-	(1.5)	
Total	**(912.5)**	**(39.9)**	**0.0**

Hedging activities and derivatives

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are foreign currency risk and interest rate risk.

Derivatives designated as hedging instruments 1) to reflect the change in fair value of foreign exchange forward and option contracts, elected as cash flow hedges to hedge highly probable forecast sales and purchased in difference currencies compared to Euro, 2) to mitigate the interest rate changes on loan and bond agreements not issued at fixed interest rate.

The Group used also derivatives not designated as hedging instruments to reflect the change in fair value of foreign exchange of forward and option contracts that are not elected in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk for expected sales and purchases.

In relation to the acquisition of interests in Tannico, any commitment to increment the ownership in the associate, in the form of put and/or call option, is booked as derivative financial instruments measured at fair value with impact in the Campari Group statement of profit or loss. At 31 December 2020 the fair value was negligible. At the time of the expiring of the call and/or the put options during 2025 and in case of satisfaction of some conditions stated in the agreement between parties, the derivatives will be replaced by an increased value of the investment to be recorded against the estimated cash out for €42 million at 31 December 2020.

On July 2, 2020, Lagfin issued, through its Italian branch, €330 million Exchangeable Bonds due in 2025 (ISIN Code: XS2198575271). The bond included an option on the shares of Davide Campari-Milano N.V.. Lagfin can decide if to repay in cash or through the shares of Davide Campari-Milano N.V i. The derivative was valued at fair value through profit and loss. At inception the derivative was recognized for €19.6 million. At the end of the year amounted to €40.3 million.

The table below shows a breakdown of the foreign exchange contracts on highly probable sales and purchases and interest rate swap on loan as well as put and call agreements elected as derivative instruments.

- Foreign exchange forward contracts (highly probable forecast sales and purchases)

Foreign exchange forward contracts (highly probable forecast sales and purchases)	At 31 December 2020		At 31 December 2019	
€ million	Notional amount hedged items	Average forward rate	Notional amount hedged items	Average forward rate
US Dollar	10.0	1.20	26.5	1.10
Swiss franc	0.9	1.08	2.7	1.09
Australian Dollar	2.7	1.31	4.2	1.46
Canadian Dollar	-	-	0.6	1.33
Russian Ruble	-	-	2.5	71.84
Total	**13.6**		**36.6**	

	At 31 December 2020			At 31 December 2019		
€ million	Notional amount hedged items	Carrying amounts hedging instruments	Change in fair value gain (losses)	Notional amount hedged items	Carrying amounts hedging instruments	Change in fair value gain (losses)
Foreign exchange forward contracts (highly probable forecast sales and purchases)	13.6	0.1	0.1	36.6	-	0.2

- Interest rate swap contracts

	At 31 December 2020			At 31 December 2019		
€ million	Notional amount hedged items	Carrying amounts hedging instruments (*)	Change in fair value gain (losses)	Notional amount hedged items	Carrying amounts hedging instruments	Change in fair value gain (losses)
Interest rate swap	250.0	(3.5)	(3.0)	-	-	-

(1)The carrying value is included in the line 'Loans due to banks' in the recap table of financial instruments reported above.

- Put/call agreements

	At 31 December 2020			At 31 December 2019		
€ million	Notional amount hedged items	Carrying amounts hedging instruments	Change in fair value gain (losses)	Notional amount hedged items	Carrying amounts hedging instruments	Change in fair value gain (losses)
Put/call agreements	42.4	-	-	-	-	-

10. Risk management and capital structure

This section details the Group's capital structure and the financial risks the Group is exposed to. The capital structure is managed with the aims of achieving capital efficiency, providing flexibility to invest throughout the economic cycle and giving efficient access to debt markets at attractive cost levels.

i. 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

In certain markets in which the Group operates, sales are concentrated in 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 these key customers view the contractual terms and conditions as no longer acceptable, they may ask for them to be renegotiated, resulting in less favourable terms and conditions for the Company. Examples of mitigation measures: monitoring of customers at market level, strategy and innovation development at corporate and market level; multi-country investment strategy.
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 outstanding annual 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 the risk of expected credit loss estimated by the Group using the business model identified into account.
In the context of high uncertainty caused by Covid-19, qualitative and quantitative analysis of trade receivables was performed. It was confirmed that the off-trade channel was not significantly affected by the Covid-19 outbreak and did not experience any material business disruptions while the on-trade channel was partially impacted in terms of sales due to the lockdown measures imposed by the local governments in different ways in the various geographies. At the year end, in the first wave all past-due credit on account of the pandemic had been collected with no evidence of any significant deterioration in the credit quality of customers.

- 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 to raise funds to cover the payment of the Group's financial obligations.
The table below summarises financial liabilities at 31 December 2020 by maturity, based on contractual repayment obligations, including non-discounted interest. For comments related to the Group's liquidity during the year refer to the introduction of note 9-'Net financial debt' of this Group consolidated financial statements.

At 31 December 2020	Within 1 year	Due in 1 to 2 years	Due in 3 to 5 years	Due after 5 years	Total
	€ million	€ million	€ million	€ million	€ million
Bonds	13.5	63.5	337.8	912.0	1,326.8
Loans due to banks	254.6	310.8	353.5	15.1	934.0
Leases	16.2	27.2	26.3	24.3	94.0
Payables for put option and earn-out	3.5	50.6	49.4	-	103.5
Shareholders Loan	20.2	-	26.7	-	46.9
Other financial liabilities	3.3	1.9	-	-	5.2
Total financial liabilities	**311.3**	**454.0**	**793.7**	**951.44**	**2,510.5**

At 31 December 2019	Within 1 year	Due in 1 to 2 years	Due in 3 to 5 years	Due after 5 years	Total
	€ million	€ million	€ million	€ million	€ million
Bonds	603.5	6.6	368.1	-	978.2
Loans due to banks	36.4	4.2	259.2	-	299.8
Leases	19.1	19.0	50.6	23.8	112.5
Payables for put option and earn-out	54.0	105.3	23.5	-	182.8
Other financial liabilities	1.7	-	-	-	1.7
Total financial liabilities	**714.6**	**135.1**	**701.4**	**23.8**	**1,575.0**

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 and, in addition, there are unused credit lines that could cover any liquidity requirements.
The change in the overall structure of financial liabilities over the various deadlines reported above and which lead the Group to a safe and structured long-term exposure profile, was achieved thanks to careful liability management operations (refer to paragraph ‘Group financial review’ in the management report).

- Interest rate risk

The table below provides a breakdown of the Group’s main financial liabilities, together with the effective interest rates and maturities. As regards the effective interest rate of hedged liabilities, the rate reported includes the effect of the hedging itself. Furthermore, the values of hedged liabilities are shown here net of the value of the related derivative, whether this is an asset or liability.
A breakdown of the effective interest rate, taking all the cost components of the amortised costs into account, divided by type of financial liability is as follows.

				At 31 December	
	Nominal interest rate	Effective interest rate (1)	Maturity	2020 € million	2019 € million
Loans due to banks non-current	Fixed rate 0.908%+variable rate (2)(3)	1.352%	2024	564.3	280.2
Davide Campari-Milano N.V. bond issues					
- issued in 2015 (Eurobond)	fixed rate 2.75%	3.068%	2020	-	580.0
- issued in 2017	fixed rate 1.768%	1.888%	2022	50.0	50.0
- issued in 2017	fixed rate 2.165%	2.251%	2024	150.0	150.0
- issued in 2019	fixed rate 1,655%	1.712%	2024	149.5	149.4
- issued in 2020	fixed rate 1,250%	1.370%	2027	545.2	-
Lagfin bond issue in 2020	fixed rate 2%	3,7%	2025	310.4	-
Leases	Interest borrowing rate	interest borrowing rate	2019-2026	83.8	97.5

(1)Calculated on any difference between the initial amount of the liability and the maturity amount.
(2) The figure shown relates to the applied rate and maturity of the loans payables to banks by Davide Campari Milano S.p.A., which is responsible for nearly all market funding.
(3)Inclusive of the interest rate swap on the term loan subscribed in 2019.

The Group is exposed to the risk of fluctuating interest rates in respect of its financial assets, payables to banks and lease agreements.
The Group’s 2015, 2017, 2019 and 2020 bond issues pay interest at a fixed rate.

Sensitivity analysis

The table below shows the effects a possible change in interest rates on the Group’s statement of profit or loss, 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 on 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.

At 31 December 2020	increase/decrease in interest rates in basis point	statement of profit or loss increase in interest rates € million	decrease in interest rates € million
Euro	+/- 5 basis point	(0.7)	0.7
Dollar	+30/-10 basis point	0.8	(0.4)
Other currencies		1.1	(1.5)
Total effect		**1.3**	**(1.2)**
At 31 December 2019			
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)**

- <u>Exchange rate risk</u>

The Group develops its business activities on a global scale, and sales in non-euro markets are progressively increasing. However, the establishment of Group companies in countries including the United States, Brazil, Australia, Argentina, Russia and Switzerland allows 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 2020. For these transactions, the Group's policy is to mitigate risk by using forward sales or purchases.

Sensitivity analysis

An analysis was performed on effects of a possible change in the exchange rates against the Euro the statement of profit or loss, 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 on the reporting date.
The types of transaction included in this analysis are sales and purchases in any 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.

At 31 December 2020	increase/decrease in interest rates in basis point	Net equity increase in exchange rates € million	decrease in exchange rates € million
Dollar	+110/-64 basis point	1.4	(0.0)
Other currencies		0.0	(0.4)
Total effect		**1.5**	**(0.4)**
At 31 December 2019			
Dollar	+110/-64 basis point	0.4	(0.4)
Other currencies		0.2	(0.9)
Total effect		**0.6**	**(1.2)**

- <u>Market and price risk</u>

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. Historically, the Group has had no problem in obtaining high-quality quantity of raw materials in sufficient quantities. However, we cannot exclude that the Group could face challenges in obtaining supplies of raw materials. The Group is in the process of implementing measures aimed at limiting the risk of raw material price fluctuations including co-investments agricultural production agreements with local producers, the benefits of which can be seen over the medium term as they are related to natural growing processes.
The Campari Group has a substantial inventory of aged product categories, such as Bourbon whisky, Scotch whisky, Canadian whisky, rum, cognac and tequila which mature over lengthy periods. While the maturing inventory is stored at numerous locations around the world, the loss as a result of contamination, fire or other natural disaster or destruction resulting from negligence or the acts of third parties or otherwise of all or a portion of the inventory of any one of those aged product categories may not be replaceable and, consequently, may lead to a substantial decrease in supply of those products. Additionally, the judgmental nature of determining how much of the Group's aged products to lay down in any given year for future consumption involves an inherent risk of forecasting error. Finally, price is another critical element, as the recoverability of the cost incurred in the maturing process is subject to the Group's ability to select an adequate range of premium products capable of

satisfying the needs of demanding customers while the loss of sales and market shares or lead to future excess inventory and decreased profit margin. In order to mitigate those risks the Group regularly reviews its marketing and production strategy also enabling long-term forecasting analytical tools.

ii. 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 2020, the share capital was €3,717,000 and is divided into 46,465 shares fully paid with par value of €80.00 per share,

Dividends paid and proposed
Lagfin hasn't paid dividends during the year,

- Other reserves and retained earnings attributable to Group shareholders

	Other reserves (Parent)	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
Balance at 31 December 2019 (restated)	**181.2**	**16.8**	**(7.8)**	**(49.3)**	**11.9**	**(1.0)**	**151.7**
Stock options for the period	-	3.3	-	-	-	-	3.3
Profits (losses) allocated to shareholders' equity	-	-	2.1	-	-	0.1	2.2
Tax effect recognised in shareholder's equity	-	-	(0.5)	-	-	(0.1)	(0.6)
Translation difference	-	(0.1)	-	(132.3)	-	-	(132.3)
Effects from hyperinflation accounting standard adoption	-	-	-	-	3.2	-	3.2
Change in ownership interest	22.1	(0.1)	(0.7)	(5.9)	1.0	-	16.3
Balance at 31 December 2019	**203.2**	**19.9**	**(6.9)**	**(187.4)**	**16.1**	**(1.0)**	**43.9**

The stock option reserve contains the provisions 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.
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.
The translation reserve contains exchange-rate differences related to the translation of financial statements of subsidiaries 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.

As highlighted in paragraph 4 xx-'Taxation', the subsidiary Davide Campari-Milano N.V. confirmed the decision to access the special fiscal regime, enacted with the Law Decree no. 104 dated 14 August 2020 to step-up the tax basis of some eligible brands and goodwill. The step-up is impacting the tax value only without implying any change in the reported net book values of brands and goodwill. However, to be in compliance with the above-mentioned tax rules, a special regime of tax suspension has been imposed on the Company's retained earnings reserve for an amount equal to €492.7 million.

- Other comprehensive income

The changes during the year and the related tax effect on other comprehensive income items for the years ending 31 December 2020 and 2019 were as follows.

	For the year ending 2020 € million	For the year ending 2019 € million
Cash flow hedge:		
Profit (loss) for the period	4.4	3.6
Profit (losses) classified to other comprehensive income	(0.6)	(10.9)
Related Income tax effect	(0.9)	1.8
Total cash flow hedge	**2.9**	**(5.5)**
Foreign currency translation:		
Hyperinflation effects	5.7	11.8
Exchange differences in the translation of foreign operations	(240.3)	17.9
Total foreign currency translation	**(234.6)**	**29.7**
Remeasurements of defined benefit plans:		
Gains/(losses) on remeasurement of defined benefit plans	0.2	(3.1)
Related Income tax effect	(0.1)	1.0
Total remeasurements of defined benefit plans	**0.2**	**(2.1)**

- Shareholders' equity attributable to non-controlling interests

The non-controlling interest, equal to €882.7 million (€1,156.7 million at 31 December 2019) is related to the Davide Campari-Milano N.V consolidated with full consolidated method.

Below are changes occurring during the year.

€ million	At 31 December 2019	Dividend distribution	perimeter effect for acquisitions	reclassification	Treasury shares transactions	Total other comprehensive income	exchange rate and other movements	At 31 December 2020
Davide Campari-Milano N.V. Group	1.154,8	(30.3)	(98.2)		(125.9)	(23.9)	4.4	880.9
Bellonnie et Bourdillon [(1)]	1.9		-	-		(0.2)	-	1.8
Ancho Reyes and Montelobos	-		-	1.2		(0.8)	(0.4)	-
Champagne Lallier	-		5.3	(5.3)		-	-	-
Non-controlling interests	**1,156.7**	**(30.3)**	**92.9**	**(4.1)**	**(124.9)**	**(24.9)**	**4.0**	**882.7**

[(1)] On 20 May 2020 Rhumantilles S.A.S. was merged in Marnier-Lapostolle Bisquit SASU, for more information please refer to note 3 iv-'Basis of consolidation' of this Campari Group consolidated financial statements.

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 changes occurred during the year are mainly related to the purchase of an additional 2,85% of the Davide Campari-Milano N.V. shares by Lagfin and to the purchase of ow-shares by Davide Campari-Milano N.V. made during 2020.
The Champagne Lallier group acquisitions completed in 2020 entailed an agreement which, in different ways, left a part of the risks and benefits of the businesses acquired with different sellers. The share attributable to non-controlling interests, initially equal to €5.3 million, represents the value allocated to these rights. The existence of reciprocal purchase/sale agreements involving put/call option mechanisms with a number of the previous owners for the 20% share they currently hold required the recognition of a financial liability related to the future purchase obligation (refer to note 9 v-'Non-current financial debt') and the simultaneous elimination of the amount recognised under non-controlling interests in favour of the Group's shareholders' equity (refer to note 'Other reserves' above). Thus, the amount of non-controlling interests at 31 December 2020 was reduced to €1.8 million, corresponding only to the Rhumantilles transaction.

Company name	Country of business	% of ownership interest 2020	% of ownership interest 2019
Bellonnie et Bourdillon	Martinique	3.47%	3.47%
Ancho Reyes and Montelobos	Mexico	49.0%	49.0%
Champagne Lallier	France	20.0%	20.0%

Group % of non-controlling interest For the year ending 31 December 2020	total non-controlling interests € million	Bellonnie et Bourdillon € million	Ancho Reyes and Montelobos € million	Champagne Lallier € million
Net sales	39.4	22.7	4.4	12.3
Profit (loss) for the period	(6.5)	(4.7)	(1.7)	(0.1)
Profit (loss) for the period attributable to non-controlling interest	**(1.0)**	**(0.2)**	**(0.8)**	**-**
Current assets	83.1	40.3	5.3	37.5
Non-current assets	114.1	51.2	6.2	32.5
Current Liabilities	74.5	38.1	2.9	33.4
Non-current Liabilities	15.6	4.8	1.4	9.3
Equity	107.2	48.6	7.2	27.2
Equity attributable to non-controlling interest	**22.5**	**1.8**	**3.4**	**5.3**

Group % of non-controlling interest For the year ending 31 December 2019	total non-controlling interests € million	Bellonnie et Bourdillon € million	Ancho Reyes and Montelobos € million	Champagne Lallier € million

Net sales	4.5	4.5	-	-
Profit (loss) for the period	(0.2)	(0.2)	-	-
Profit (loss) for the period attributable to non-controlling interest	**-**	**-**	**-**	**-**
Current assets	49.6	38.8	10.7	-
Non-current assets	93.9	53.3	7.0	-
Current Liabilities	40.1	33.9	6.5	-
Non-current Liabilities	9.2	4.9	1.7	-
Equity	94.2	53.3	9.5	-
Equity assets attributable to non-controlling interest	**21.9**	**1.9**	**4.6**	**-**

- Transactions with non-controlling interests

With the exception of the purchase of Davide Campari-Milano N.V. shares and the business combination completed during the year and involving non-controlling interests, there were no other transactions with them for the years ending 31 December 2020 and 2019.

11. Other disclosures

This section includes additional financial information that is either required by the relevant accounting standards or that management considers to be material for shareholders.
The coronavirus outbreak has not generated a need to include additional provisions nor any estimate of onerous contracts to be reflected in the Group's accounts, nor has there been any change in fair value measurement hierarchies during 2020.

i. Stock option plan

The subsidiary Davide Campari-Milano N.V., has a number of incentive plans in place; these take the form of stock option plans, governed in accordance with the shareholders' resolution, pursuant to applicable law, and implemented by means of a specific regulation ('Stock Option Regulations').
The purpose of the plan is to offer beneficiaries who occupy key positions within the Campari Group the opportunity to own shares in Davide Campari-Milano N.V., 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-Milano N.V., and who, on the approval date of the plan 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.
The Board of Directors of Davide Campari-Milano N.V. has the right to draft regulations, select beneficiaries, and determine the share quantities and values for the execution of the stock option plans.
Davide Campari-Milano N.V.'s Shareholders' meeting of 27 March 2020 approved a new stock option plan, established the maximum number of shares that may be granted and authorized the Board of Directors of the Company to identify, within the limits laid down at the shareholders' meeting, the beneficiaries and the number of options that may be granted to each.
Options were therefore granted on 8 April 2020 to individual beneficiaries, giving them the right to exercise them within two years of the end of the fifth year from the grant date.
The total number of options granted in 2020 for the purchase of further shares was 12.474.917 with an average grant price of €6.41, equivalent to the weighted average market price in the month preceding the day on which the options were granted.

Considering the stock option plan is not inclusive of vesting conditions linked to business results or to market conditions, the financial volatility generated by Covid-19 pandemic did not generate any disruption or criticality.

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

	For the years ending 31 December			
	2020		2019	
	No. of shares	Average allocation/exercise price (€)	No. of shares	Average allocation/exercise price (€)
Options outstanding at the beginning of the period	49,289,367	4.13	60,550,159	3.87
Options granted during the period	12,474,917	6.41	364,400	8.85
(Options cancelled during the period)	(1,430,691)	5.29	(1,311,080)	4.47
(Options exercised during the period)(1)	(7,792,286)	2.87	(10,314,112)	2.72
(Options expired during the period)	-	-	-	-
Options outstanding at the end of the period	52,541,307	4.83	49,289,367	4.13
of which exercisable at the end of the period	15,647,473	3.07	20,796,216	2.96

(1) The average market price on the exercise date was €8.94.

The average remaining life of outstanding options at 31 December 2020 was 3.0 years (3.1 years at 31 December 2019).
The exercise prices for the options granted in each year range were as follows.

	Average exercise price
Allocations: 2012	2.63
Allocations: 2013	2.95
Allocations: 2014	3.14
Allocations: 2015	3.54
Allocations: 2016	4.29
Allocations: 2017	6.19
Allocations: 2018	6.25
Allocations: 2019	8.85
Allocations: 2020	**6.41**

The average fair value of options granted in 2020 was €2.40 (€2.18 in 2019).

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 2020 and 2019.

	2020	2019
Expected dividends (€)	0.055	0.05
Expected volatility (%)	37.9%	22.8%
Historic volatility (%)	37.9%	22.8%
Market interest rate	-0.08%	0.20%
Expected option life (years)	7.00	7.00
Exercise price (€)	6.41	8.85

Davide Campari-Milano N.V. 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.

	No. of ordinary shares held in treasury for the years ending		Purchase price (€ million) for the years ending	
	2020	2019	2020	2019
Balance at 1 January	13,704,200	14,981,958	108.7	99.3
Purchases	36,281,893	9,036,356	293.6	75.3
Disposals	(7,792,286)	(10,314,114)	(59.8)	(65.9)
Final balance	42,193,807	13,704,200	342.4	108.7
% of share capital	3.63%	1.18%		

Sales of own shares during the year, which are shown in the above table at an amount equal to the original purchase cost of €59.8 million, were carried out at the actual market price totalling €22.4 million. Davide Campari-Milano N.V. reported a negative difference of €37.4 million, which was recorded in shareholders' equity (embedded within the retained earnings) and partially offset by the use of the stock option reserve of €6.1 million.

ii. Provisions for risks, future charges and contingent assets

The coronavirus outbreak has not generated a need to reflect specific and additional provisions in the Group's year-end figures. Nor has there been any need to recognise the impact of onerous contracts, primarily due to the fact that the global supply chain has not suffered from significant disruption, as indicated in note 7 ii-'Property, plant and equipment'.
The table below shows the changes in this item during the period.

	Tax provision € million	Restructuring provisions € million	Agent severance fund € million	Other € million	Total € million
At 31 December 2019	**22.6**	**10.4**	**1.4**	**18.1**	**52.4**
Perimeter effect for acquisition	0.5	-	-	0.7	1.2
Accruals	-	9.4	0.2	3.9	13.5
Utilizations	-	(3.9)	(0.2)	(0.1)	(4.2)
Releases	(4.5)	(8.6)	(0.1)	(1.8)	(14.9)
Exchange rate differences and other changes	(0.6)	(0.6)	-	(4.2)	(5.4)
At 31 December 2020	**18.1**	**6.7**	**1.3**	**15.6**	**41.6**
Of which:					
- due within 12 months		*6.7*		*2.1*	*8.8*
- due after 12 months	*18.1*	*(0.0)*	*1.3*	*13.5*	*32.8*

At 31 December 2020 the tax provision totalled €18.1 million. Changes during the year mainly reflect the natural closing of fiscally relevant periods, in addition to the review of estimates relating to risks associated with uncertainties over the tax treatment of transactions carried out by the Group that could result in disputes with tax authorities. As a result, a release of tax provision for €4.5 million was recognised.

In relation to the restructuring provision, in July 2020, the Group launched a restructuring programme in Jamaica concerning the agricultural sugar business, in the wake of financial losses accumulated over the years as a result of the global decline in the price of sugar, a reduction in demand in the local market and heightened competition, further exacerbated by Covid-19. The restructuring programme was aimed at preserving business continuity of the core spirits business in Jamaica. The consultation process with the local authorities and trade unions started in July 2020, with a view to achieving the best possible outcome for the local community. In view of the scale of the restructuring programme (amounting to €13.5 million as reported in note 6 iv-'Selling, general and administrative expenses and Other operating income and expenses'), a recognition of restructuring provision was determined equal to €6.7 million, based on the actual outcome of the consultation process.

Other provisions involved recognition by the Company and subsidiaries of liabilities for various lawsuits, including a Brazilian legal dispute totalling €8.4 million over a distribution agreement.

<u>Contingent liability</u>
The information reported below concerns contingent liabilities arising from outstanding disputes, for which, the Group did not deem it necessary to set aside provisions on 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. The disputes were as follows:

- on the date of this report, a dispute amounting to BRL7.5 million (€1.2 million at the exchange rate on 31 December 2020) including the related penalties corresponding to production tax (IPI) remains ongoing. The tax authorities contested the correct classification of products sold by Campari do Brasil Ltda.. Based on the assessments conducted by 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 BRL46.5 million (€7.3 million at the exchange rate on 31 December 2020) plus interest. The dispute is ongoing before the administrative court and is not expected to be settled in the near future. Based on the assessments conducted by 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.

<u>Contingent assets:</u>
At 31 December 2020, there were unrecognized contingent assets for an amount of about BRL67.8 million (€10.6 million at the exchange rate on 31 December 2020), including interests until 31 December 2020, resulting from a final ruling issued by the Brazilian federal tax court (TFR) relating to the right to exclude certain indirect taxes (Social Integration Programme levy (PIS)-social security financing levy (COFINS)) or tax on the consumption of goods and services (ICMS) from the calculation base, and the right to offset amounts paid in 2002.

In 2019 the Group’s accounts included an amount totalling BRL54.5 million (€12.4 million at the average exchange rate for 2019) that was the best estimate of the minimum entitlement to reimbursement for the period 2002-2018. The estimate for the amount of indirect tax wrongfully paid and officially requested by the Group in compensation is BRL121.0 million (including interest) (€27.4 million at the average exchange rate for 2019). The difference between the minimum amount recognised in 2019 accounts and the total value of the request represents a contingent asset which is due to the application of a valuation methodology that is more favourable for the taxpayer. No opinion from the competent Brazilian authorities in the Group’s favour has been received yet. The Brazilian Supreme Court having the role to clarify the uncertainty tax position, has postponed the final decision with indefinite date due to the Covid-19 situation. The Group will therefore record this additional receivable only when the uncertainty relating to the evaluation methodology no longer applies, and there is certainty about the determination method.

iii. Fair value information on assets and liabilities

A summary of the financial assets and liabilities, irrespective of the proposed classification based on the applicable business model, together with their carrying amount and corresponding fair value, is shown below. The method to determine fair values for financial instruments provides for the inclusion of the counterparty non-performance risk rating component.

	carrying amount At 31 December		fair value At 31 December	
	2020 € million	2019 € million	2020 € million	2019 € million
Cash and cash equivalents	928.3	851.2	928.3	851.2
Assets for forex hedge derivatives	0.2	0.2	0.2	0.2
Other short-term financial receivables	1.0	8.1	1.0	8.1
Other non-current financial assets	7.1	11.1	7.1	11.1
Non-current lease receivables	-	4.8	-	4.8
Financial assets	**936.6**	**875.4**	**936.6**	**875.4**
Loans due to banks(1)	913.7	536.9	913.7	536.9
Lease payables	83.3	97.5	83.3	97.5
Bond (Eurobond) issued in 2015	-	580.0	-	593.2
Bonds issued in 2017	200.0	200.0	209.9	209.3
Bonds issued in 2019	149.5	149.4	155.2	155.2
Bonds issued in 2020	849.0		875.3	
Accrued interest on bonds	12.9	8.7	12.9	8.7
Non-current liabilities for hedging derivatives(2)	3.5	-	-	-
Other financial liabilities	28.7	41.4	28.7	41.4
Current liabilities for derivatives on foreign exchange transactions	0.1	0.2	0.1	0.2
Liabilities for hedging derivatives, not reported using hedge accounting procedures	0.0	1.5	0.0	1.5
Debts to Shareholders	26.7	19.5	26.7	19.5
Derivative Financial Instruments on Bond	41.6		41.6	
Liabilities for put option and earn-out payments	103.3	182.8	103.3	182.8
Financial liabilities	**2,412.3**	**1,817.9**	**2,454.2**	**1,846.2**

(1) Excluding related derivate.
(2) Derivative on loans due to banks.

The models currently used by the Group to measure the fair value of a) financial and b) non-financial instruments are described below.

a) 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 measurement of hedging instruments at fair value, the Group 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 measurement 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.
An analysis of financial instruments measured at fair value based on three different valuation levels is provided in the table below.

At 31 December 2020	Level 1 € million	Level 2 € million	Level 3 € million
Assets valued at fair value		219.9	
Cash and cash equivalents			
Current financial receivables	1.0		
Other non-current financial assets	3.0		
Other non-current assets	1.0		
Futures currency contracts		0.2	
Liabilities valued at fair value			
Liabilities for put option and earn-out payments		49.4	
Derivative Financial Instruments on Bond		41.6	
Forward currency contracts		0.1	

At 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			
Liabilities for put option and earn-out payments	-	20.6	-
Interest rate swap on future transactions		12.1	
Forward currency and interest rate contracts	-	1.0	-

Hedging derivatives not in hedge accounting	-	0.6	-

The level 1 valuation for the financial assets in question was calculated using a 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 values resulting from the application of level 3 method at 31 December 2020.

Financial derivatives
A summary of financial derivatives implemented by the Group at 31 December 2020, broken down by hedging strategy, is shown below.

Over the course of the year, the financial markets have reacted negatively and within a very volatile pattern, since the outbreak of the pandemic. All governments, albeit in differing ways, have launched fiscal and monetary initiatives to support businesses and households, as well as measures designed to restore the confidence of the financial markets. With reference to the Group, the exposure on financial derivative agreements have not generated significant criticality to be addressed outside the normal course of business thanks to the very contained values of outstanding transactions.

- Fair value hedging derivatives

At 31 December 2020, the Group has contracts for hedging payables and receivables in foreign currency in place that meet the requirements to be defined as hedging instruments based on IAS 39 guidance.
At 31 December 2020, certain Group subsidiaries held forward contracts on receivables and payables in currencies other than the Euro in their financial statements.
These 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 €0.1 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.

	For the years ending 31 December	
	2020 € million	2019 € million
Gains on hedging instruments	0.1	0.2
Total gains (losses) on hedging instruments	**0.1**	**0.2**
Gains on hedged items	-	0.2
Losses on hedged items	(0.2)	(0.3)
Total gains (losses) on hedging items	**(0.2)**	**(0.1)**

- Derivatives used for cash flow hedging

The Group uses the following contracts to hedge its cash flows:
- interest rate swaps hedging the risk of interest rate fluctuations on future transactions relating to the stipulation of financial loans. In 2020, the derivative was recognized with an initial negative impact in the income statement for €3.8 million compensated by the gain resulting from the remeasurement of the hedge items, for €5.2 million, leading to a net gain of €1.4 million represented as financial adjustment commented in note 6 vii-'Financial income and expenses'. The fair value variation of the hedging instruments during the year generated as additional components, a gain of €0.8 million recorded in income statement and other comprehensive income movements of €0.4 million;
- hedging of future sales and purchases in currencies other than the Euro and interest rates on future transactions;
- 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 2020. These cash flows only concern interest and have not been discounted.

At 31 December 2020	Within one year € million	1-5 years € million	Over 5 years € million	Total € million
Cash outflows (A)	(0.1)	(0.4)	-	(0.5)
Cash inflows (B)	0.1	-	-	0.1
Net cash flows (A+B)	**(0.1)**	**(0.4)**	**-**	**(0.5)**

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

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 2019	(20.0)	4.8	(15.2)
Booked to the statement of profit or loss during the period	4.4	(1.0)	3.4
Recognized in equity during the period	(0.6)	0.1	(0.5)
Reserve at 31 December 2020	**(16.2)**	**3.9**	**(12.3)**
	Gross amount € million	Tax effect € million	Net amount € million
Reserve at 31 December 2018	(12.7)	3.0	(9.7)
Booked to the statement of profit or loss 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)**

- Hedging derivatives not reported using hedge accounting

Hedging derivatives not reported using hedge accounting are recognised under financial liabilities. These instruments mainly related to hedges of future purchases in currencies other than the Euro. At 31 December 2020 no financial liabilities were recognised (€1.5 million at 31 December 2019).

b) 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 corresponding 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, which is 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 2020, no changes were made in the valuation methods applied.

The table below provides an analyse of non-financial instruments measured at fair value, including investment properties and biological assets.

At 31 December 2020	Level 1 € million	Level 2 € million	Level 3 € million
Assets measured at fair value			
Investment properties		56.1	
Biological assets	-	1.6	-

At 31 December 2019	Level 1 € million	Level 2 € million	Level 3 € million
Assets measured at fair value			
Investment properties	-	74.2	-
Biological assets	-	0.9	-

iv. Commitments and risks

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

- The total uncalled capital commitments on investments in private equity holdings amounts to €13.121.868,32 (2019: €1.407.968,23).
- In 2019, the Company purchase a real estate property under construction in Monaco, Principality of Monaco, for a total consideration of €127.000.000,00 of which €81.750.00,00 have already been paid. The entire price will be paid in the next years following the progress of works.

- A pledge on certificates for a total amount of €70.000.000,00 have been signed by the Italian Branch against the provision of a credit line of €60.000.000,00 by UBI. This will expire in June 2021 and is renewable.

- The Italian Branch signed a guarantee of €507.187,74 issued by BNL in favour of the Financial Administration (Agenzia delle Entrate) against surplus VAT credits offset under the group VAT scheme. The deadline is September 2023.

- Existing contractual commitments for the purchase of goods or services in Campari Group.

These commitments totalled €281.8 million (€292.7 million at 31 December 2019), of which an amount of €176.7 million falls due by 31 December 2021.
Overall these mainly relate to initiatives to enhance and outsource selected Group information technology services totalling €23.9 million (€33.9 million in 2019); commitments for the purchase of raw materials, semi-finished goods and merchandise totalling €107.3 million (€101.4 million at 31 December 2019); the purchase of packaging and pallets, amounting to €46.9 million (€51.6 million at 31 December 2019); the purchase of advertising and promotional services and sponsorships totalled €22.4 million (€23.0 million at 31 December 2019) and for general and maintenance services for €64.8 million (€59.7 million in 2019).

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

These commitments totalling €20.7 million (€6.8 million at 31 December 2019) of which €13.5 million to mature by 31 December 2021 and mainly relate to the purchase of software, property, plant and equipment. Specifically, the overall change relative to 2019 was mainly due to commitments arising in 2020 relating to software equipment.

- Other guarantees

The Group has provided other forms of security in favour of third parties, totalling €210.6 million at 31 December 2019 (€203.3 million at 31 December 2019). These mainly include customs guarantees for excise duties totalling €126.2 million (€124.8 million at 31 December 2019) and guarantees for the granting of credit lines totalling €79.0 million (€80.4 million at 31 December 2019).

- Contractual commitments for the use of third-party assets that are not recognised 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.
As at 31 December 2020, contractual commitments for the use of third-party assets that are not recorded using lease accounting mainly related to information technology equipment, production equipment, the use of land and warehouses for storing goods.

v. Innovation 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.
The research and innovation costs are recognised in the statement of profit or loss for the year in which they are incurred

vi. Grants

Operating grants received indirectly by the Group from public institutions for promotional spending on the sparkling wines category totalled €2.9 million in 2020 (€2.1 million in 2019).
Operating grants in support of industrial investments in Martinique recognized in the income statement are equal to €0.3 million (€0.1 million in 2019). Operating grants in support of sugar cane plantations in Martinique were €0.2 million (not significant during 2019 given the inclusion of Rhumantilles in the consolidation scope at the end of the year).

vii. Defined benefit and contribution plans

Group companies provide post-employment benefits to staff, both directly and by contributing to external funds.
The procedures for providing these benefits vary depending on the legal, tax and economic conditions in each country in which the Group operates. The benefits are provided through defined contribution and/or defined benefit plans.
For defined contribution plans, Group companies pay contributions to 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 these 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 occasionally 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 the reform of the supplementary pension scheme in 2007, for companies employing at least 50 people, 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 and Campari France Distribution SAS. 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 2020 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, calculated on an actuarial basis using the projected unit credit method, is reported in 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.

Considering the contained exposure to funded pension plans leveraging on plan assets, the financial volatility generated by Covid-19 did not generate any disruption or criticality.

The table below provides a summary of the changes in the present value of defined benefit obligations, and the fair values of the assets relating to the plan in 2020 and 2019.

€ million	liabilities[1]	assets
Liabilities (assets) at 31 December 2019	**41.1**	**(3.9)**
Amounts included in profit or loss:		
- current service costs	0.2	(0.2)
- net interest	0.2	-
- gains/(losses) on regulations implemented	0.2	-
Total	**0.6**	**(0.2)**
Amounts included in the statement of other comprehensive income:		
- gain/(losses) resulting from changes in actuarial assumptions	(0.2)	(0.1)
- exchange rate differences	(0.3)	(0.0)
Total	**(0.5)**	**(0.1)**
Other changes:		
- benefits paid	(2.4)	0.3
- business combination	1.9	-
- contribution to the plan by other members	0.1	(0.1)
- contributions to the plan by employees	0.1	(0.1)
- benefits transferred	0.1	(0.1)
- other changes	(0.5)	-
Total	**(0.8)**	**0.1**
Liabilities (assets) at 31 December 2020 [*]	**40.4**	**(4.1)**

[1] Of which €33.4 million included under Defined benefit plans (note 11 xvii); of which €3.0 million included under Other non-current liabilities (note 9 v-'Non-current financial debt' of this Campari Group consolidated financial statements).

€ million	liabilities	assets
Liabilities (assets) at 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 other comprehensive income:		-
- gain/(losses) resulting from changes in actuarial assumptions	3.1	-
- exchange rate differences	0.1	-
Total	**3.2**	**(0.1)**
Other changes:		-
- benefits paid	(1.3)	0.2
- benefits transferred	(0.8)	(0.2)
Total	**(2.1)**	**(0.1)**
Liabilities (assets) at 31 December 2019	**41.1**	**(3.9)**

The table below shows the total changes in obligations for defined benefit plans financed using 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[1]	other liabilities	gross value of pension plans	fair value of assets	net values
Liabilities (assets) at 31 December 2019	**31.7**	**3.7**	**5.6**	**(3.9)**	**1.7**
Amounts included in profit or loss:					-
- current service costs	(0.1)	-	0.3	(0.2)	0.1
- net interest	0.2	-	-	-	-
- gains/(losses) on regulations implemented		0.2		-	-
Total	**0.1**	**0.2**	**0.3**	**(0.2)**	**0.1**
Amounts included in the statement of other comprehensive income:					
- gain/(losses) resulting from changes in actuarial assumptions	(0.1)	(0.1)	-	(0.1)	-
- exchange rate differences	0.0	(0.3)	-	-	-
Total	**(0.1)**	**(0.5)**	**-**	**(0.1)**	**-**
Other changes:					
- benefits paid	(2.0)	-	(0.3)	0.3	-
- business combination	1.9	-		-	-
- contribution to the plan by other members		-	0.1	(0.1)	-
- contributions to the plan by employees		-	0.1	(0.1)	-
- benefits transferred	-	-	0.1	(0.1)	-
- other changes		(0.5)			-
Total	**(0.1)**	**(0.5)**	**(0.1)**	**0.1**	-
Liabilities (assets) at 31 December 2020[(*)]	**31.6**	**3.0**	**5.8**	**(4.1)**	**1.8**

[(1)] Of which €33.4 million included under Defined benefit plans (note 11 xvii); of which €3.0 million included under Other non-current liabilities (note 9 v-'Non-current financial debt' of this Campari Group consolidated financial statements).

Current value of obligations			funded obligations		
€ million	pension plans	other liabilities	gross value of pension plans	fair value of assets	net values
Liabilities (assets) at 31 December 2018	**30.7**	**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 other comprehensive income:					
7iè0- gain/(losses) resulting from changes in actuarial assumptions	2.3	-	0.8	-	0.7
- exchange rate differences		-	0.1	-	-
Total	**2.3**	**-**	**0.9**	**(0.1)**	**0.8**
Other changes:					
- benefits paid	(1.7)	0.5	(0.2)	0.2	-
- benefits transferred	(0.2)	(0.8)	0.2	(0.2)	-
Total	**(1.9)**	**(0.2)**	**0.1**	**(0.1)**	**-**
Liabilities (assets) at 31 December 2019	**31.7**	**3.7**	**5.6**	**(3.9)**	**1.7**

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 recognised in the other items of the statement of other comprehensive income. The table below provides a breakdown of the values of assets that service the pension plans.

	At 31 December	
	2020	2019
- equity investments	1.7	1.5
- insurance policies	2.4	2.4
Fair value of plan assets	**4.1**	**3.9**

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

	At 31 December					
	2020	2019	2020	2019	2020	2019
	Unfunded pension plans		Funded pension plans		Other plans	
Discount rate	0.33%-0.35%	0.56%	0.20%-0.80%	0.87%	9.00%	6.50%
Future salary increases	1.50%-3.00%	2.00% -3.00%	3.00%	2.00%		
Future pension increases			2.00%			
Growth rate of future medical costs					7.00%	5.00%
Expected return on assets			0.75%-0.80%	0.87%		
Rates of employee turnover	2.63%-5.71%	3.39%				
Future inflation rate	0.50%	0.80% -2.00%	1.00%			

The rates relating to the costs of future medical costs are not included in the assumptions used in determining the above defined benefit obligations. Thus, any changes in these rates would not have any effect.

A quantitative sensitivity analysis of the significant assumptions used at 31 December 2020 is provided 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
2020									
Discount rate	+/-0.25%+/-0.5%	-9.60%/-2.51%	+3.04%/+10.97%	+/-0.25%+/-0.50%/	-2.32%/-10.93%	+2.41%/+13.05%			
Future salary increases				+/-0.50%	2.15%	-2.00%	+/- 0.5%	-4.40%	4.80%
Future pension increases				+/- 0.25%	2.27%	-2.19%			
Future inflation rate	+\- 0.5%	2.52%/4.37%	-2.43%/-4.10%						
Growth rate of future medical costs							+/- 0.5%	4.80%	-4.40%
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%					
Future inflation rate	+\- 0.5%	2.4%/1.63%	-2.3%/-1.58%		2.36%	-2.28%			
Growth rate of future medical costs							+/- 0.5%	7.00%	-2.00%

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 future salary and pension increases. 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 2020	Unfunded pension plans	Funded pension plans	Other plans
Within 12 months	2.4	1.8	0.5	0.1
From 1 to 5 years	8.6	6.4	1.8	0.4
From 5 to 10 years	24.1	18.8	4.1	1.2
Total	**35.1**	**26.9**	**6.4**	**1.7**
Average plan duration (years)	**12**	**12**	**15**	**10**

€ million	31 December 2019	Unfunded pension plans	Funded pension plans	Other plans
Within 12 months	0.7	0.3	0.5	
From 1 to 5 years	3.0	1.2	1.8	-
From 5 to 10 years	8.8	1.7	4.4	2.7
Total	**12.5**	**3.1**	**6.7**	**2.7**
Average plan duration (years)	**14**	**17**	**15**	**9**

viii. Related parties

Transactions 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 2020	€ million	€ million
Shareholder loans (Lagfin)	8.6	16.3
Shareholder loans (Lagfin minority)	11.6	10.4
Total	**20.2**	**26.7**
31 December 2019		
Shareholder loans (Lagfin)	28.1	-
Shareholder loans (Lagfin minority)	11.6	-
Total	**39.7**	**-**

ix. Directors and general partner

The Directors of the Parent Company and of the subsidiary Davide Campari Milano N.V., received an aggregate compensation for 2020 amounting to € 8,8 million, No loans were granted to the Directors and members of the Audit Committee.

x. External Auditor compensation

The external auditor of the Company, of the subsidiary Davide Campari-Milano N.V., and its subsidiaries, received a compensation for 2020 amounting to € 2 million.

xi. Employees

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

Business segment	For the years ending 31 December	
	2020	2019
Production	1,236	1,373
Sales and distribution	1,705	1,499
General	855	839
Total	**3796**	**3,711**
Category	2020	2019
Managers	258	236
Office staff	2.594	2,462
Manual workers	944	1,013
Total	**3.796**	**3,711**
Region	2020	2019
Italy	884	847
Luxemburg	-	1
Abroad	2,912	2,863
Total	**3.796**	**3,711**

At 31 December 2020, the average number of employees (excluding employees of joint arrangements, associates and unconsolidated subsidiaries) was 3,796, of which 884 were base in Italy and 2,912 around the world, mostly in the Americas.

12. Subsequent events

On February 4, 2021, Lagfin signed an addendum on the mortgage agreement towards CMB Monaco in which it was decided an extension of the term of loans (€ 2.6 million and € 4.8 million) for a further period of 4 years.

On February 16, 2021, Lagfin incorporated Telco Real Estate S.r.l. with registered office in Italy. The Company subscribed for 100% of the share capital of EUR 10.000,00.

On March 29, 2021, Lagfin entered into an amendment of the loan agreement dated June 19, 2020 granted by CMB Monaco SA, by increasing the loan the maximum amount to € 150 million.

Acquisitions and commercial agreements of Campari Group

Route-to-market development in Asia Pacific region
On 4 January 2021 the Group increased its interests in South Korea joint venture Trans Beverages Company Ltd., moving from a stake of 40% to 51% and confirming a call option on the remaining holding of the share capital, which can be exercised from 2024. This transaction is in line with the Group's strategy to empower the Group's presence in the Asian Pacific markets.

Termination of the agreement to distribute the portfolio of William Grants&Sons brands in Germany
The agreement to distribute William Grants&Sons products in Germany was terminated beginning of 2021. Sales represented around 2% of Group sales in 2020.

Other significant events impacting the Group results

Covid-19 pandemic emergency

Looking into 2021 and beyond, the on-premise channel will remain affected by the on-going restrictions and lockdowns across all geographies and uncertainty remains high due to the timing of the vaccine roll-out and its effectiveness throughout the year. The Group remains confident about the long-term consumption trends and growth opportunities. For further information, please refer to the paragraph 'Full year 2020 conclusion and outlook' of this annual report.