Lagfin

Campari Group Holding Company

LAGFIN S.C.A.,
SOCIETE EN COMMANDITE PAR ACTIONS
ANNUAL REPORT AT 31 DECEMBER 2021

Index

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

Management board report for the year ended 31 December 2021

Index-Management board report

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'), parent company of the Campari Group ("Campari Group") whose shares are listed on the Italian Stock Exchange;
- 10 Chapel Street Ltd.;
- 14 Chapel Street Ltd.;
- Haldson Ltd.;
- Highball S. à r.l.;
- LG Partners, LLC;
- Portfolio 3, LLC;
- Portfolio 4, LLC;
- Portfolio 5, LLC;
- Portfolio 6, LLC;
- Telco Real Estate S.r.l.

and indirectly all Campari's subsidiaries (the 'Campari Group').

Lagfin and its directly and indirectly controlled subsidiaries constitute the 'Lagfin Group' or the 'Group'.

Significant events of the year

Acquisitions, commercial agreements and enhancement of distribution capabilities

Moët Hennessy and Campari partnered in a 50%/50% joint-venture

Moët Hennessy and Campari signed the closing for the formation of a 50%/50% joint-venture ('JV') with the purpose of investing in wines&spirits e-commerce companies and building a European e-commerce pure player in this growing business.

As part of this partnership, Campari contributed its stake in Tannico, the leading e-commerce platform for wines and premium spirits in Italy, to the JV (in 2020 Campari completed its initial investment of 49% in Tannico for a consideration of €23.4 million).

Tannico also owns a majority stake of 68.5% in Ventealapropriete.com ('VAP'), following the closing taken place on 8 July 2021. This transaction was funded via a capital increase underwritten, among other shareholders, by Campari for €25.4 million. Tannico will have the possibility to increase its interest to 100% of VAP from 2024. VAP is a major e-commerce platform selling premium domestic and international wines, as well as high-end spirits in France. In 2020, VAP obtained net sales of €34.5 million (under local GAAP).

Tannico and Ventealapropriete.com have complementary business models, territories and capabilities in terms of technology, marketing and logistics and generated pro-forma aggregated sales of over €70 million in 2020.

The combined business will be led by a seasoned management team led by Marco Magnocavallo, current Chief Executive Officer of Tannico, who remains a key minority shareholder in the business. The transaction confirms Group's commitment to the strategic e-commerce channel, set to continue to grow strongly thanks to the positive trend of the home consumption of spirits cocktails.

Route-to-market developments in Asia Pacific

During 2021 a number of initiatives were realized supporting the Group's strategy to further develop its presence in the Asian-Pacific markets.

In January 2021, the Group increased its interests in the South Korean joint-venture Trans Beverages Company Ltd., from 40% to 51% of share capital. As a result, the company, previously represented as a joint-venture investment, has been consolidated since 4 January 2021. The Group has the right to exercise a call option on the remaining share capital from 2024.

In April 2021, the Group acquired an interest in a New Zealand company, Thirsty Camel Ltd., a local player that is specialised in the marketing and distribution of alcoholic and non-alcoholic products in the territory. The aim of the agreement is to promote and develop the Group's aperitifs, bitters, liqueur, tequila, single malt and vodka products in New Zealand.

On 8 October 2021, Campari Australia and The Boston Beer Company, parent of Truly Hard Seltzer, entered into a partnership which will see Campari Australia locally manufacture and distribute Truly Hard Seltzer in Australia from February 2022. In the United States, the biggest hard seltzer market globally, Truly grew the most in terms of number of cases of all hard seltzer brands in the last 12 months leveraging its strong innovation pipeline and extensive range. Recently, seltzer RTDs have been experiencing exceptional growth in Australia as well. This partnership will enable the Group to play a key role with Truly in this growing business.

On 17 November 2021, the Group signed an agreement with Taiwan Hsin Lin Enterprise Company Limited (‘THL’) to acquire an initial interest stake of 40% in Spiritus Co Ltd., a newly incorporated joint-venture in Taiwan, with a path to control of the company in the medium term. Spiritus Co Ltd. was incorporated on 15 December 2021 and started its operations in January 2022. In line with the Group's ambition to continue to expand into Asian markets, this partnership will provide the Group with a significant platform to accelerate the growth of the business and to promote and develop the Group’s brand portfolio in Taiwan, leveraging THL’s talented team, expansive sales force and distribution network.

Termination of the distribution agreements

With the aim of focusing more on the premium offering and the portfolio of brands owned by the Group, at the beginning of 2021 the agreement to distribute the William Grants&Sons brands in Germany was terminated. The portfolio’s sales represented around 2% of the Group overall sales in 2020.

Furthermore, the distribution agreement for the Jägermeister brand in Italy, expired in December 2021, will not be renewed. The termination of this agreement has been effective since 1 January 2022 and is not expected to generate material effects on the Group’s accounts (brand sales accounted for less than 1% of consolidated sales in 2020).

Corporate actions

Group significant events

Share buyback plan and commitment to sustainability
The AGM held on 8 April 2021 authorised the Davide Campari-Milano N.V. Board of Directors for the purchase of own shares, mainly aimed at the replenishment of the own shares portfolio to serve the current and future stock option plans for the Group's management and other incentive plans currently in force. The authorisation is granted until 8 October 2022. The repurchase can take place for a minimum price, excluding expenses, of the nominal value of the shares concerned and a maximum price of an amount equal to 5% above the average closing price over a period of 5 days preceding the day of the agreement to acquire the shares.
On 31 May 2021 Davide Campari-Milano N.V. announced the launch of a programme covering the period from 8 April 2021 to 8 October 2022 coordinated by Exane BNP Paribas by 31 March 2022 at the latest. Moreover, the programme includes a contractually-agreed reward mechanism. An amount deriving from the outperformance[1] in the purchase cost of the shares during the programme will be allocated by Campari to an energy efficiency project, namely the installation of photovoltaic panels at Campari's main plant located in Italy (Novi Ligure), allowing the Company to insource the production of renewable electricity and reduce emissions, in line with the Group's energy efficiency and decarbonation agenda. Since the outperformance generated by the share buyback programme is higher than what was originally expected, it is possible to extend the financing of the environmental sustainability photovoltaic transformation project also to the Italian plant in Canale, in addition to the plant in Novi Ligure (Italy). By introducing this share buyback programme linked to an ESG commitment, Campari further confirms its strong commitment to the responsible use of resources and reduction of the environmental impact of its production activities, one of the four pillars of the Group's sustainability roadmap.
As a result of the exercise of stock option plans, between 1 January and 31 December 2021, Davide Campari-Milano N.V. sold 19,009,546 own shares, for a total cash-in of €68.3 million, corresponding to the average exercise price multiplied by the number of own shares sold to the stock option beneficiaries. Additionally 5,908 shares were transferred in the context of other forms of share matching plans. In the same period, the Davide Campari-Milano N.V. purchased 5,931,376 shares at an average price of €12.0, for a total amount of €71.0[2] million. Considering the spot price per share at 31 December 2021 of €12.9, a theoretical gain of €5.1 million on these purchases is implied within Group equity. At 31 December 2021, Davide Campari-Milano N.V held 29,109,729 own shares, equivalent to 2.5% of the share capital.

Other ESG initiatives-Vaccination Hub collaboration in Italy
In Milan, Italy, in collaboration with one of the largest Italian healthcare providers, Gruppo MultiMedica, a vaccination hub was created to support both the Group's and other companies' employees, as well as local citizens during the critical months of the Covid-19 Italian vaccination campaign.

Global guidelines on 'New ways of working'
The Group introduced guidelines for the new ways of working deriving from the specific regulations that each country has enforced as a consequence of the pandemic.
The new ways of working are based on two key principles: a togetherness connection, which is fundamental to support the Group culture and success, and flexibility, to combine personal and work activities in the most suitable place at the most appropriate time. The right office environment will be a place in which employees can achieve great things working, creating and collaborating together. The Group will continue to invest more over time on designing the right environments for its employees to work together. The office space will acquire a new meaning and will remain a core component of the working philosophy while, at the same time, employees will embrace remote working and exploit relevant technology.

Campari Group celebrated 20 years on the Italian Stock Exchange
Since the initial public offering on the Italian Stock Exchange on 6 July 2001, Campari Group has evolved into a top global spirits player through nearly €3.4 billion in acquisitions, driving its market capitalisation from €0.9 billion in July 2001 to €14.9 billion in December 2021, approximately 17x the market capitalisation at IPO[3]. Having increased its net sales from €494.3 million in 2001 to €2,172.7 in 2021, Campari Group is a true success story. Over the last two decades, Campari Group has successfully built upon its proud history to become one of the leading players in the global branded beverage industry. In 2020, Davide Campari-Milano N.V. transferred its registered office to the Netherlands with no impact on its operations or on its tax residence, which remain in Italy. Davide Campari-Milano N.V.'s ordinary shares continue to be listed solely on the Italian Stock Exchange.

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[1] The outperformance is the difference between the purchase price and the average VWAP (Volume Weighted Average Price) during the execution period.
[2] The amount does not include the payable of €0.1 million to be collected in connection with the share buyback programme.
[3] All stock data references from 6 July 2001 to 31 December 2021. IPO date 6 July 2001.

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 Lagfin Group consolidated financial statements, to which reference is made.

In February 2022, a number of countries (including various EU countries, the UK and the US) imposed sanctions against certain Russian entities and individuals as a result of the official recognition of the Donetsk People Republic and Lugansk People Republic by the Russian Federation. Announcements of potential additional sanctions have been made following military operations initiated by Russia against Ukraine on February 24th, 2022.

Due to the growing geopolitical tensions, since February 2022, there has been a significant increase in volatility on the financial markets, as well as a significant depreciation of the Russian Ruble against the US$ and the €. It is expected that these events may affect the activities of Russian enterprises in various sectors of the economy.

Group Financial Review

During the year ending 31 December 2021 certain adjustments on the purchase price allocation related to the acquisitions completed in 2020 were recorded. Those changes required some of the balances stated at 31 December 2020 to be shown differently, as detailed in the note 3 xi-'Reclassification of comparative figures at 31 December 2020' of the Lagfin Group's consolidated financial statements at 31 December 2021, to which reference is made. These adjustments did not have a significant impact on the profit or loss or cash flows for the period ending 31 December 2020.

Sales performance

In 2021, the Group's net sales amounted to €2,176.3 million, an overall increase of +22.2% as compared with 2020. The organic growth component reported a strong change of +25.6%, only partially offset by the adverse impact in both perimeter and exchange rate components, negative at -1.9% and -1.0% respectively.

	for the years ended 31 December			full year change %, of which				organic change % by quarter			
	2021	2020	total change								
	€ million	€ million	€ million	total	organic	perimeter	exchange rate[1]	first	second	third	fourth
Net sales	**2,176.3**	1,780.3	**396.0**	22.2%	**25.6%**	-1.9%	-1.0%	17.9%	54.0%	12.8%	**20.9%**

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

1. Organic change

The organic performance in 2021 was very positive, registering double-digit growth (+25.6%). The fourth quarter continued to show a solid double-digit positive trend (+20.9%), despite the pandemic fourth-wave disruption at year-end affecting consumption and logistics. It was also boosted by a favourable comparison base in the fourth quarter of 2020 (-7.0%), which had been impacted by the re-introduction of restrictions in the on-premise channel. The very positive growth of 2021 confirmed the continued strong and healthy brand momentum across key markets, thanks to resilient off-premise dynamics and the on-premise bounce-back. In addition, the comparison base for the full year 2020 (-4.1% organic growth) had an overall positive impact on the performance registered in 2021.
If compared with 2019 results, an unaffected base with respect to Covid-19 and, hence, considered to be a reference benchmark, the net sales performance in 2021 was highly satisfactory with an overall organic increase of +20.5%[4], demonstrating a solid underlying business momentum driven by overall increased consumption and brands penetration vs. pre-pandemic levels.

2. Perimeter variation

The perimeter variation of -1.9% in 2021, as compared with sales in 2020, is analysed in the table below.

perimeter variation		
breakdown of the perimeter effect	€ million	% on 2020
acquisitions (Baron Philippe de Rothschild France Distribution S.A.S.[1] and Champagne Lallier)	6.4	0.4%
total acquisitions	**6.4**	**0.4%**
new agency brands	1.1	0.1%
discontinued agency brands	(41.4)	-2.3%
total agency brands	**(40.4)**	**-2.3%**
total perimeter effect	**(34.0)**	**-1.9%**

(1) Baron Philippe de Rothschild France Distribution S.A.S. ('RFD'), re-named Campari France Distribution S.A.S. ('CFD'). Effective from 1 January 2021 CFD and Marnier-Lapostolle Bisquit SAS were merged. The name of the new company following the merge was Campari France SAS.

- **Business acquisitions**

In 2021, the perimeter variation due to business acquisitions was positive at +0.4%. It was driven by the acquisitions of CFD from 28 February 2020 and of Champagne Lallier from 30 June 2020. With regard to the CFD acquisition, sales of the Group's brands contributed to the organic sales change, as they were previously distributed by CFD, and were hence reported 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. With respect to the inclusion of Trans Beverage Ltd. in the Group's perimeter at January 2021, sales of the Group's own brands for 2021 was reported as an organic component in light of the previous distribution agreement in place for the South Korean market, whereby sales in that market were already represented as Group sales, whereas the agency brands of the legal entity included in the Group's figures following this acquisition were recorded as a perimeter effect.

[4] The organic percentage change in 2021 compared with 2019 is calculated as the sum of the overall values of organic performance in 2021 and 2020 (with respect to 2020 and 2019 respectively), divided by the overall net sales for the comparison period, i.e. 2019.

- **Agency brands distribution**

The perimeter variation due to the distribution of agency brands in 2021 represented a net decrease of -2.3% and was mainly related to the termination of the agreement to distribute the William Grants&Sons portfolio in Germany from January 2021, which more than offset the sales generated by the agency brands distributed by Trans Beverage Ltd. as mentioned above.

3. Exchange rate effects

The exchange rate effect for the year ending 2021 was negative at -1.0%, mainly due to the devaluation of the US Dollar, one of the Group's key currencies, against the Euro, combined with the devaluation of the Jamaican Dollar, the Brazilian Real, the Argentina Peso, the Russian Ruble and the Swiss Franc. The exchange rate effect includes the impact of applying IFRS guidance on managing hyperinflation in Argentina.
The table below shows, for the Group's most important currencies, the average exchange rates for the year ending 2021, and the spot rates at 31 December 2021, with the percentage change against the Euro as compared with the same period in 2020 and at 31 December 2020.

	average exchange rates			spot exchange rates		
	for the year ended 31 December 2021	for the year ended 31 December 2020	revaluation/(devaluation) vs. 2020	at 31 December 2021	at 31 December 2020	revaluation/(devaluation) vs. 31 December 2020
	1 Euro	1 Euro	%	1 Euro	1 Euro	%
US Dollar	1.184	1.141	-3.6%	1.133	1.227	8.3%
Canadian Dollar	1.483	1.530	3.1%	1.439	1.563	8.6%
Jamaican Dollars	178.337	162.606	-8.8%	174.455	174.805	0.2%
Mexican peso	23.990	24.514	2.2%	23.144	24.416	5.5%
Brazilian Real	6.381	5.890	-7.7%	6.310	6.374	1.0%
Argentine Peso(1)	116.362	103.249	-11.3%	116.362	103.249	-11.3%
Russian Ruble	87.232	82.654	-5.2%	85.300	91.467	7.2%
Great Britain Pounds	0.860	0.889	3.4%	0.840	0.899	7.0%
Swiss Franc	1.081	1.070	-1.0%	1.033	1.080	4.6%
Australian Dollar	1.575	1.655	5.1%	1.562	1.590	1.8%
Yuan Renminbi	7.634	7.871	3.1%	7.195	8.023	11.5%

(1) The average exchange rate of the Argentine Peso for both 2021 and 2020 was equal to the spot exchange rate at 31 December 2021 and 31 December 2020 respectively.

4. Comments on sales performance

The LGroup's revenues include sales of spirits on the markets. Their nature, amount, timing and uncertainty as well as the connected cash flows are affected by economic factors influenced by homogeneous elements, although markets have different sizes and maturity profiles. These elements are primarily attributable to geographical areas' features and the related breakdown by countries and, secondly, to the development of brand clusters (global, regional and local) and the related breakdown by brands.
For the Group the four operating segments managed in terms of resource allocation, particularly investment in brand-building and distribution capabilities are the following: Americas ('Americas'), Southern Europe, Middle East and Africa ('SEMEA'), Northern, Central and Eastern Europe ('NCEE'), and Asia-Pacific ('APAC').
In order to highlight the main business performance drivers in a geographically diversified context, and assess the contribution of the newly acquired brands to the overall sales performance of the Group, further breakdowns by brand category (global, regional and local brands) and for major brands, are provided, to better explain their contribution to the region. The categorisation of brands into three main clusters (global priorities, regional priorities and local priorities) is based on the geographic scale, business priorities and growth potential of the brands themselves.

The sales performance of the four operating segments in 2021 in comparison to 2020 is provided in the table below.

	for the years ended 31 December									
	2021		2020		total change	full year change %, of which				fourth quarter organic change %
	€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate(1)	
Americas	929.5	42.7%	773.9	43.5%	155.6	20.1%	23.0%	-	-3.1%	10.6%
Southern Europe, Middle East and Africa	638.9	29.4%	463.6	26%	175.3	37.8%	36.7%	1.0%	0.1%	51.4%
North, Central and Eastern Europe	439.9	20.2%	411.9	23.1%	28.0	6.8%	18.6%	-9.7%	-0.3%	15.5%
Asia-Pacific	167.8	7.7%	130.8	7.4%	37.0	28.3%	22.9%	0.8%	4.6%	6.6%
Total	**2,176.3**	**100.0%**	**1,780.2**	**100.0%**	**395.9**	**22.2%**	**25.6%**	**-1.9%**	**-1.0%**	**20.9%**

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

The total growth of the Group's main brands in 2021, as well as the organic performance of the portfolio and the key brands compared to 2019 unaffected by Covid-19 and hence considered to be a reference benchmark, is provided in the table below.

While the global priority includes brands with a more diversified geographic exposure, regional priorities are concentrated in a limited number of countries and local priorities are primarily one-market oriented.
In order to provide information on the contribution of the brand to each geography, the breakdown of the geographic areas and key markets is provided below, according to a scale that considers the contribution rate of the brands to each relevant geographic area/market.

	percentage of 2021 Group's net sales	full year change % compared with full year 2020, of which				fourth quarter organic change % compared with fourth quarter 2020	full year organic change % compared with full year 2019	main region/markets for brands
		total	organic	perimeter	exchange rate			
global priority brands	**56.4%**	**24.4%**	**26.2%**	**-**	**-1.8%**	**22.0%**	**20.9%**	
Aperol	20.3%	32.5%	32.8%	-	-0.3%	45.8%	32.2%	- *Italy, SEMEA* *Germany, NCEE* *US, Americas* *France, SEMEA* *Russian Fed., NCEE*
Campari	10.1%	28.8%	30.1%	-	-1.3%	35.3%	23.4%	- *Italy, SEMEA* *US, Americas* *Germany, NCEE* *Jamaica, Americas* *Brazil, Americas*
Wild Turkey portfolio[1][2]	7.4%	8.3%	10.9%	-	-2.6%	-9.6%	16.1%	- *US, Americas* *Australia, APAC* *South Korea, APAC* *Japan, APAC* *Canada, Americas*
SKYY[1]	5.9%	7.8%	8.2%	-	-0.5%	-0.3%	-9.4%	- *US, Americas* *Argentina, Americas* *China, APAC* *South Africa, SEMEA* *Germany, NCEE*
Grand Marnier	7.2%	39.3%	43.2%	-	-3.9%	42.8%	21.2%	- *US, Americas* *Canada, Americas* *France, SEMEA* *Italy, SEMEA* *Germany, NCEE*
Jamaican rums portfolio[3]	5.5%	17.4%	22.7%	-	-5.2%	10.2%	27.8%	- *Jamaica, Americas* *US, Americas* *United Kingdom, NCEE* *Canada, Americas* *Mexico, Americas*
regional priority brands	**19.3%**	**29.2%**	**29.8%**	**0.5%**	**-1.2%**	**22.2%**	**31.7%**	
Espolòn	5.5%	33.3%	37.5%	-	-4.2%	28.3%	77.6%	*Americas*
Bulldog	0.7%	36.9%	35.1%	-	1.8%	13.0%	18.7%	*NCEE*
The GlenGrant	1.1%	44.7%	44.0%	-	0.6%	55.9%	15.9%	*SEMEA*
Forty Creek	1.1%	8.1%	5.5%	-	2.6%	-4.9%	23.8%	*SEMEA*
Italian bitters[4]	3.2%	20.4%	20.6%	-	-0.2%	21.2%	1.5%	*NCEE*
Cinzano	2.9%	15.4%	12.1%	-	3.3%	-0.2%	1.2%	*SEMEA*
other[5]	4.9%	42.8%	44.3%	2.2%	-3.6%	34.6%	58.0%	-
local priority brands[6]	**12.3%**	**24.7%**	**24.6%**	**-**	**0.1%**	**23.9%**	**20.7%**	
Campari Soda	3.3%	43.8%	43.8%	-	-	57.2%	21.3%	*SEMEA*
Crodino	2.4%	10.5%	10.5%	-	-	29.5%	-12.0%	*SEMEA*
Wild Turkey ready-to-drink[7]	2.1%	6.8%	1.6%	-	5.2%	-7.5%	24.4%	*APAC*
Dreher and Sagatiba	1.0%	17.1%	26.4%	-	-9.4%	9.2%	18.3%	*Americas*
other[8]	3.5%	35.4%	36.0%	-	-0.7%	23.2%	58.9%	-
rest of the portfolio	**12.0%**	**5.0%**	**18.3%**	-14.4%	**1.1%**	**14.1%**	**5.7%**	
total	**100.0%**	**22.6%**	**25.6%**	**-1.9%**	**-1.0%**	**20.9%**	**20.5%**	

(1) Excludes ready-to-drink.
(2) Includes American Honey.
(3) Includes Appleton Estate, Wray&Nephew Overproof and Kingston '62.
(4) Includes Braulio, Cynar, Averna and Frangelico.
(5) Includes Bisquit&Dubouché, Riccadonna, Mondoro, Trois Rivières, Maison La Mauny, Ancho Reyes, Montelobos and Lallier.
(6) In light of the positive trends recorded over the past periods, starting from 1 January 2021 Aperol Spritz ready-to-enjoy and X-Rated were moved from the rest of the portfolio category and reported as local priority brands.
(7) Includes American Honey ready-to-drink.
(8) Includes Cabo Wabo, Ouzo, X-Rated and Aperol Spritz ready-to-enjoy. Aperol Spritz ready-to-enjoy is a stand-alone brand not included in the Aperol brand performance.

An in-depth analysis by geographical region and core market of sales registered in 2021 in comparison with 2020 is provided below. Unless otherwise stated, the comments relate to the organic change in each market. The performance of each region and the key markets compared to 2019, unaffected with respect to Covid-19 and hence considered to be a reference benchmark, is also provided.

- **Americas**

The region, broken down into its core markets below, recorded an overall organic increase of +23.0%. The region is predominantly off-premise skewed, particularly North America. If compared to the results of 2019, the performance of 2021 in the region confirmed the very positive double-digit trend, rising at +19.9%.

		for the years ended 31 December										
	% of Group total	2021		2020		total change	full year change %, of which				fourth quarter organic change %	full year organic change % compared with 2019
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate (1)		
US	26.8%	582.9	62.7%	506.8	65.5%	74.5	14.7%	18.9%	-	-4.2%	6.8%	22.8%
Jamaica	4.9%	106.1	11.4%	90.9	11.7%	15.2	16.7%	28.0%	-	-11.3%	8.4%	15.4%
Canada	3.3%	72.7	7.8%	63.4	8.2%	9.3	14.7%	10.9%	0.4%	3.4%	11.5%	24.4%
Mexico	1.9%	41.1	4.4%	26.1	3.4%	15.1	57.9%	56.1%	-1.6%	3.4%	50.5%	3.8%
Brazil	1.9%	40.5	4.4%	33.0	4.3%	7.5	22.7%	32.9%	-	-10.2%	-3.8%	5.7%
Other countries of the region	4.0%	86.0	9.3%	53.6	6.9%	32.4	60.4%	45.1%	-	15.3%	26.9%	22.6%
Americas	**42.7%**	**929.5**	**100.0%**	**773.9**	**100.0%**	**154.0**	**19.9%**	**23.0%**	**-**	**-3.1%**	**10.6%**	**19.9%**

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

The **United States**, the Group's largest market, accounting for 26.8% of total Group sales, closed 2021 with a very positive organic performance of +18.9% (+6.8% in the fourth quarter), benefitting from the progressive on-premise reopening and resilient off-premise consumption. The full year confirmed a sustained double-digit performance driven by the very solid premiumisation trend in spirit consumption supporting the performance of Grand Marnier, Espolòn and Wild Turkey, with high-end expressions outperforming, combined with good results from the aperitif segment (Aperol and Campari). SKYY was flattish, while the shipment performance of the Jamaican rums portfolio was slightly negative reflecting both a tough comparison base as well as supply constraints.
The result in the fourth quarter was very solid (+6.8%) despite the tough comparison base (+13.0% in the fourth quarter of 2020) and it was driven by the good performances of Grand Marnier, Espolòn and the Aperitifs, which offset the weakness in shipments of the Wild Turkey portfolio, affected by supply chain constraints.
Off-premise sell-out data reflected the very tough comparison base from last year, while the 2-year stack grew by +28.2% in value terms, ahead of the overall spirits market[5].

Jamaica recorded an increase in sales of +28.0% (+8.4% in the fourth quarter) against an easy comparison base. Overall performance was driven by the strong growth of Wray&NephewOverproof, Appleton Estate, Campari and Magnum Tonic. Resilience in the off-premise channel was supported by sustained home consumption, while the on-premise channel began to show an improvement, following the reduction in curfew hours, particularly ahead of the year-end festive season, combined with an improvement in the tourism sector.

Canada reported highly positive growth of +10.9% in 2020 (+11.5% in the fourth quarter), mainly driven by Forty Creek, Appleton Estate, Espolòn, Grand Marnier, SKYY Vodka and benefitting from the on-premise channel gradual reopenings.

Brazil registered solid growth of +32.9% mainly driven by Campari and Aperol, as well as the local brand Dreher, supported by an easy comparison base with the same period in the previous year (-15.2% in 2020). The trading environment remains volatile and still heavily affected by the pandemic.

Mexico showed sound organic growth of +56.1% (+50.5% in the fourth quarter) against a favourable comparison base on the same period in the previous year (-31.2% in 2020 and -25.2% in the fourth quarter), sustained by the lifting of restrictions in the summer period, leading to fully reopened on-trade premises at the end of the year. Both international and domestic tourism improved and gradually recovered during the year. SKYY ready-to-drink, Montelobos and Aperol showed very positive performances.

The **other countries** reported an overall organic growth in sales of +45.1% with improved brand momentum in a volatile trading environment, also favoured by a low comparison base (-13.7% in 2020). Performance was boosted by the very positive results registered in **Peru**, **Chile** and **Argentina**. In the latter market, as a prudent measure to strip-out the effects of the local high inflation rate, the organic change includes only the component attributable to the volumes sold.

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

The region, which is broken down by core markets in the table below, reported an organic increase of +36.7%. It is predominantly skewed to the on-premise channel. If compared to the results of 2019, the 2021 performance was up by double-digits (+15.5%). The overall performance of the period benefitted from favourable weather

[5] Source: Nielsen data XAOC+Liquor+Plus Conv CYTD, 52 weeks ended 1 January 2022.

conditions during the key summer season for the aperitif portfolio and the bounce-back of consumption in the on-premise channel, thanks to the positive progression of the vaccination campaign. Nonetheless, uncertainty remains due to the continued emergence of new variants.

		for the years ended 31 December										
	% of Group total	2021 € million	2021 %	2020 € million	2020 %	total change € million	full year change %, of which: total	organic	perimeter	exchange rate	fourth quarter organic change %	full year organic change % compared with 2019
Italy	19.1%	414.6	64.9%	303.8	65.5%	110.8	36.5%	36.4%	0.1%	-	60.0%	12.8%
France	5.9%	128.5	20.1%	102.5	22.1%	25.9	25.3%	22.1%	3.2%	-	22.5%	94.6%
GTR[1]	0.7%	14.9	2.3%	8.8	1.9%	6.1	68.8%	70.2%	-	-1.4%	172.4%	-48.3%
Other countries of the region	3.7%	80.9	12.7%	48.4	10.4%	32.5	67.0%	63.4%	2.0%	1.6%	56.2%	11.3%
Southern Europe, Middle East and Africa	**29.4%**	**638.9**	**100.0%**	**463.6**	**100.0%**	**175.2**	**37.8%**	**36.7%**	**1.0%**	**0.1%**	**51.4%**	**15.5%**

(1) Global Travel Retail.

The performance in the on-premise skewed **Italian** market was very strong in 2021 (+36.4%), favoured also by an easy comparison base (-17.4% in 2020), and was mainly driven by the strong double-digit growth of both the aperitifs portfolio (Campari, Aperol) and the single-serve aperitif Campari Soda. Non-alcoholic single serve aperitif Crodino performed also well in 2021, although it has not yet fully recovered since pre-pandemic level. Aperol Spritz ready-to-enjoy was also very positive in the year. The overall performance was favoured by overall increased frequency of consumption across channels and the 'revenge conviviality' in the on-premise venues over the year, combined with an extremely favourable summer season also in terms of weather. This trend was further strengthened by the restart of the tourist flow (both domestic and international), combined with a still relevant staycation effect.
The 2021 fourth quarter growth of +60.0%, on the back of an easy comparison base (-32.6% in the fourth quarter 2020), reflects the strong brand momentum and the boost generated by the much-anticipated reopening of ski resorts and the local winter-tourism season.
The 2021 organic growth in Italy was very resilient even compared with 2019, showing a growth of +12.8% and +8.0% for the full year and the fourth quarter respectively.
Off-premise sell-out data was positive, outperforming the overall spirits market, growing at +38.0% in value terms compared with 2019's unaffected base in value terms, thanks to a strong performance from the aperitifs[6].

France registered an organic growth of +22.1%, mainly driven by the continued positive brand momentum of Aperol, Riccadonna, as well as the sound growth of Campari, Trois Rivieres and Grand Marnier.

Global Travel Retail reported double-digit growth of +70.2% with an acceleration in the fourth quarter, against a favourable comparison base (-68.9% in 2020). The performance reflected the initial lifting of global travel restrictions, which were still disruptive and remained down by -48.3% compared with 2019.

The **other countries in the region** reported overall growth of +63.4%, favoured by an easy comparison base (-38.7% in 2020). In particular, **Spain**, which is an on-premise skewed market, benefitted from the recovery of this channel despite the lack of international tourism. The strong performance in **South Africa** was mainly supported by the progressive replenishment of stock levels against an easy comparison base. **Nigeria** showed a very good growth driven by the core brand Campari, still in a volatile scenario with ongoing socio-economic instability, while **Greece** recorded double-digit growth in the period.

- **Northern, Central and Eastern Europe**

The region reported highly positive overall organic growth (+18.6%) across its core countries. Predominantly off-premise skewed, it confirmed a very positive home consumption trend, combined with on-premise recovery in 2021. If compared with the results of 2019, the performance in 2021 in the region reflected positive double-digit growth of +25.8%.

[6] Source: IRI Liquid Data-Hypermarkets+Supermarket+Proximity stores/Superettes-YTD 26 December 2021.

	% of Group total	for the years ended 31 December 2021 € million	2021 %	2020 € million	2020 %	total change € million	full year change %, of which total	organic	perimeter	exchange rate	fourth quarter organic change %	full year organic change % compared with 2019
Germany	7.5%	164.9	37.5%	182.8	44.3%	(19.7)	-10.8%	10.7%	-21.5%	-	12.4%	20.0%
United Kingdom	3.2%	70.4	16.0%	49.0	11.9%	21.4	43.7%	39.1%	-0.1%	4.7%	29.2%	48.8%
Russia	2.8%	60.1	13.7%	50.7	12.3%	9.4	18.4%	25.0%	-	-6.6%	16.2%	33.4%
Other countries of the region	6.6%	144.4	33.0%	129.5	31.4%	23.3	19.2%	19.4%	-	-0.2%	14.2%	21.8%
North, Central and Eastern Europe	**20.2%**	**439.9**	**100.0%**	**411.9**	**100.0%**	**34.4**	**8.5%**	**18.6%**	**-9.7%**	**-0.3%**	**15.5%**	**25.8%**

Germany showed a very resilient performance with continued double-digit growth (+10.7%), despite a tough comparison base (+8.6% in 2020). Performance was mainly driven by the very favourable growth of Aperol and Aperol Spritz ready-to-enjoy, with the latter being recently launched in the market. In addition, Campari, Crodino and Grand Marnier also struck up positive performances. The strong business momentum continued into the fourth quarter (+12.4%) notwithstanding the less pronounced staycation effect.
Off-premise sell-out data grew by +28.3% in value terms, over twice as fast as the overall spirits market compared with 2019's unaffected base[7].

Sales in the **United Kingdom** reflected positive growth of +39.1%, benefitting from the good momentum in the on-premise channel, following the full reopening of venues and a strong consumer demand for social interaction, combined with sustained off-premise consumption. Performance was mainly driven by the very positive growth of Aperol, Campari, Wray&Nephew Overproof and Magnum Tonic. Moreover, the very solid performance of the fourth quarter (+29.2%) was sustained by a favourable comparison base (-20.4% in the fourth quarter 2020).

Russia registered a very positive growth of +25.0%. The performance in the period was driven by the double-digit growth of the sparkling wine Mondoro, Aperol and Campari.

Performance in the **other countries of the region** was up overall by +19.4%, thanks to the double-digit trends of **Switzerland**, **Austria** and **Belgium**, largely led by Aperol.

- **Asia-Pacific**

This region, which is predominantly off-premise skewed and whose market breakdown is shown in the table below, recorded a strong organic growth of +22.9%, supported by the Group's enhanced investments across all levels in the region. The overall environment is still volatile in the region, due to the high incidence of Covid-19 cases, triggering renewed localised lockdowns and affecting the recovery of the on-premise channel. If compared with the results of 2019, the performance for 2021 in the region showed strong organic growth of +27.9%.

	% of Group total	for the years ended 31 December 2021 € million	2021 %	2020 € million	2020 %	total change € million	full year change %, of which total	organic	perimeter	exchange rate	fourth quarter organic change %	full year organic change % compared with 2019
Australia	5.0%	108.6	64.7%	103.4	79.0%	5.2	5.0%	-0.1%	-	5.1%	-12.5%	20.1%
Other countries of the region	2.7%	59.3	35.3%	27.5	21.0%	31.8	115.9%	109.4%	4.0%	2.5%	83.6%	45.0%
Asia-Pacific	**7.7%**	**167.8**	**100.0%**	**130.8**	**100.0%**	**37.0**	**28.3%**	**22.9%**	**0.8%**	**4.6%**	**6.6%**	**27.9%**

In **Australia**, the region's largest market, organic growth in the period was almost stable: the positive performance of Wild Turkey ready-to-drink, Campari and Aperol Spritz ready-to-enjoy helped offset the weakness of Espolòn and Wild Turkey, impacted by supply constraints linked to trans-oceanic shipments.
Performance in the fourth quarter (-12.5%) was impacted by a tough comparison base, very poor weather conditions, and the aforementioned supply constraints.
Off-premise sell-out in Australia remained strong growing by +25.8% in value terms compared with 2019's unaffected base[8].

Sales in the **other countries of the region** grew by triple digits, also favoured by an easy comparison base (-29.7% in 2020), driven by the very positive performance in **China** (+126.4%), **New Zealand** and **South Korea**, which also benefitted from the Group's enhanced investments into business infrastructures. In China the Group continues to build its brands, with positive performance from X-Rated, SKYY Vodka and Aperol. In South Korea, the positive performance is mainly driven by X-Rated and high-end Wild Turkey offerings.

[7] Source: Germany NielsenIQ RMS-Grocery+Drug (spirits incl. RTDs excluding. Crodino), YTD December 2021.
[8] Source: IRI, YTD 26 December 2021.

Focusing on the performance of the brands, in order to explain in more detail the reasons underlying the aforementioned performances by geography, the main drivers concerning the sales trends by brand category and by brand are reported below.

All brand clusters recorded double-digit growth in 2021. The performance of the global, regional and local brand clusters also confirmed double-digit growth when compared with 2019, thanks to the continued strong and healthy brand momentum.

Global priority performance (+26.2%) was driven by the solid brand momentum.
Aperol registered organic growth of +32.8%with double-digit performance across all major markets as the brand continued to recruit consumers in the on-premise channel and also benefitted from sustained home consumption. Core markets such as Italy, the United States, France, the United Kingdom, Russia, Switzerland, Belgium, and Austria expanded by double digits, while Spain grew by triple-digits, aided by the strong recovery in the on-premise. Newer markets such as China and Mexico also grew triple-digits, while Latin American markets such as Brazil and Argentina grew by high double-digits. Compared with 2019 Aperol grew by +32.2%.
Campari was up by +30.1%, with a very positive performance in its core markets, recording double-digit growth in the Italian market and solid performances in United States, the United Kingdom, Nigeria, Jamaica, Brazil, Argentina and Germany. The performance benefitted from positive home mixology trends, as well as positive on-premise momentum. Strong appreciation for the liquid versatility as well as proprietary cocktails such as the Negroni, Boulevardier and Americano and the spread of Campari spritz in established markets are the key drivers of the brand's continued growth. Compared with 2019 Campari grew by +23.4%. The Wild Turkey portfolio, recorded very solid growth of +10.9%, driven by a solid category momentum and the premiumisation trend favouring the high-end offering, especially in the core United States market, offsetting the weakness of Australia, mainly impacted by logistic constraints. SKYY closed 2021 with growth of +8.2%, against an easy comparison base, driven by the double-digit performance of international markets, offsetting the soft performance in the core United States. Grand Marnier recorded a solid growth of +43.2%, mainly driven by the very positive trend in the core United States market, favoured by home-made cocktail consumption trends as well as the success of the Grand Margarita in both channels. The French and Canadian markets also reported a growth. The Jamaican rums portfolio registered organic growth of +22.7% with Appleton Estate (+31.0%) benefitting from the favourable category trend in premium rum, particularly in the United States, the United Kingdom, Jamaica and Canada while Wray&NephewOverproof (+17.1%) was driven by its core markets: Jamaica, the United Kingdom and Canada.

Regional priority brands notched up very sound figures (+29.8%), with Espolòn continuing to grow at double-digit rates, thanks to the solid premium tequila category momentum in its core United States market, combined with the very positive performance of The GlenGrant, growing by double digits thanks to the successful repositioning of the brand with increased focus on the long-term and high-end variants. The other brands such as Bulldog, the Italian bitters, the sparkling wines (Mondoro and Riccadonna) and Cinzano, Bisquit&Dubouché, Ancho Reyes, Montelobos and Lallier also delivered highly positive figures.

The **local priority brands** grew by +24.6%, driven by the highly positive performance of Campari Soda across channels following a successful brand relaunch in core Italy, combined with the good results of Aperol Spritz ready-to-enjoy, which was sustained by sound growth in Italy and the first introduction of the brand in selected international markets such as Germany and Australia. The overall performance was further strengthened by the strong growth of X-Rated in China and South Korea, as well as the solid growth of Crodino.
The **rest of the portfolio** reported double-digit growth of +18.3%, thanks to the positive results of Magnum tonic and SKYY ready-to-drink.

Statement of profit or loss

Key highlights

Profit or loss for the full year 2021 showed a very positive organic performance for all profitability indicators, confirming a very sustained recovery throughout the year. Specifically, in organic terms, net sales, gross profit, contribution margin and the result from recurring activities (EBIT-adjusted) showed unprecedent growth, in a still highly volatile context, of +25.6%, +28.5%, +28.3% and +42.3%, respectively. In particular, all indicators grew strongly compared to net sales, thus driving margin accretion, driven by the healthy brand momentum across key markets, despite the challenges of logistics constraints and the initial effect of cost inflation. Overall, these results were supported by a favourable comparison base with 2020 due to the pandemic.
When compared to 2019 results, unaffected by Covid-19, the organic performance of all indicators was very solid too, showing double digit growth across all indicators. This result was achieved thanks to strong business momentum over brand and geography combinations with overall increased consumption and penetration versus pre-pandemic level.

In the year 2021 the perimeter component was namely related to the termination of some distribution agreements from January 2021, only partially offset by the acquisition of Campari France Distribution SAS[9], finalised on 28 February 2020 and the acquisition of Champagne Lallier S. ° r.l. completed on 10 June 2020.

The exchange rate effect was unfavourable during 2021 mainly due to the devaluation of the US Dollar, one of the Group's key currencies, against the Euro.

The table below shows the profit or loss[(1)] for 2021 and a breakdown of the total change by organic change, perimeter change and exchange rate effects.

	for the years ended 31 December											
	2021		2020		total change		of which organic		of which perimeter		of which due to exchange rates and hyperinflation	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
Net sales[(2)]	**2,176.3**	**100.0**	**1,780.3**	**100.0**	**396.0**	**22.2%**	**453.1**	**25.6%**	**(34.0)**	**-1.9%**	**(18.5)**	**-1.0%**
Cost of sales	(884.4)	(40.6)	(751.1)	(42.2)	(133.3)	17.7%	(160.6)	21.5%	29.5	-3.9%	1.4	-0.2%
Gross profit	**1,291.9**	**59.4**	**1,029.2**	**57.8**	**262.7**	**25.5%**	**292.6**	**28.5%**	**(4.5)**	**-0.4%**	**(17.2)**	**-1.7%**
Advertising and promotional expenses	(397.8)	(18.3)	(309.8)	(17.4)	(88.0)	28.4%	(90.2)	29.1%	(0.2)	0.1%	2.3	-0.8%
Contribution margin	**894.2**	**41.1**	**719.4**	**40.4**	**174.8**	**24.3%**	**202.4**	**28.3%**	**(4.7)**	**-0.7%**	**(14.8)**	**-2.1%**
Selling, general and administrative expenses	(465.6)	(21.4)	(407.7)	(22.9)	(57.8)	14.2%	(66.1)	16.8%	(3.6)	0.9%	0.1	-0.0%
Result from recurring activities (EBIT-adjusted)	**428.6**	**19.7**	**311.7**	**17.5**	**117.0**	**37.5%**	**136.3**	**42.3%**	**(8.3)**	**-2.6%**	**(14.7)**	**-4.6%**
Other operating income (expenses)	(38.5)	(1.8)	(76.8)	(4.3)	38.3	-49.9%						
Operating result	**390.1**	**17.9**	**235.0**	**13.2**	**155.1**	**66.0%**						
Financial income (expenses)	(83.7)	(3.8)	(63.7)	(3.6)	20.0	31.4%						
Adjustments to financial income (expenses)	16.7	0.8	1.4	0.0	15.3	1,092.9%						
Put option, earn out income (expenses) and hyperinflation effect	0.4	-	18.0	1.0	(17.6)	-97.8%						
Profit (loss) related to associates and joint-ventures	0	-	(2.8)	(0.2)	2.8	-100%						
Profit before taxation and non-controlling interests	**306.3**	**14.1**	**187.9**	**10.5**	**118.4**	**63.0%**						
Profit before taxation and non-controlling interests adjusted	**345.0**	**15.9**	**257.1**	**14.4**	**87.9**	**34.2%**						
Taxation	(86.5)	(4.0)	(11.3)	(0.6)	(75.2)	655.5%						
Net profit for the period	**219.8**	**10.1**	**176.5**	**9.9**	**43.3**	**24.5%**						
Net profit for the period-adjusted	**258.5**	**11.9**	**190.7**	**10.7**	**67.8**	**35.6%**						
Non-controlling interests	125.6	(5.8)	81.9	4.6	43.7	53.4%						
Group net profit	**94.2**	**4.3**	**94.6**	**5.3**	**-0,4**	**-0.4%**						
Group net profit-adjusted	**134.2**	**6.1**	**108.8**	**6.1**	**24.1**	**22.2%**						
Total depreciation and amortisation	(83.5)	(3.8)	(80.8)	(4.5)	-2.7	3.4%	(2.4)	3.1%	(0.5)	0.7%	1.2	-1.5%
EBITDA-adjusted	**512.2**	**23.5**	**392.5**	**22.0**	**119.7**	**30.5%**	**138.7**	**34.7%**	**(7.8)**	**-1.9%**	**(15.9)**	**-4.0%**
EBITDA	**473.6**	**21.8**	**315.7**	**17.7**	**157.9**	**50.0%**						

(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 additional financial information.
(2) Sales after deduction of excise duties.

9 Effective from 1 January 2021 Campari France Distribution SAS ('CFD') and Marnier-Lapostolle Bisquit S.A.S. were merged. The name of the new company following the merger is Campari France SAS.

Statement of profit or loss in detail

The key profit or loss items for 2021 are analysed below, while a detailed analysis on 'sales performance' is included in the previous paragraph, to which reference is made.

Gross profit for the period was €1,291.9 million, up +25.5% compared to the same period of 2020. The organic component of +28.5%, favoured by an easy comparison base (-8.5% in 2020), was slightly offset by exchange rate variations of -1.7% and an almost neutral perimeter effect of -0.4%. As a percentage of sales, profitability stood at 59.4%, higher than in 2020 (57.8%). In terms of basis points, total profitability increased as a percentage of sales by 180 basis points overall. The organic components accounted for the majority of the accretive effect, contributing 160 basis points, while the perimeter impact was positive at 70 basis points, more than offsetting the dilutive exchange rate component of 30 basis points. Overall, the gross margin accretion was driven by the key combinations of high margin brands and markets, mainly driven by the outperformance of aperitifs (particularly Aperol, Campari and Campari Soda), boosted by a solid trend in premium expressions (namely Grand Marnier) in their core geographies with exceptional performances in the United States.
The combination of a favourable sales mix, the removal of the United States import tariffs and a stronger absorption of fixed production costs driven by renewed demand have allowed a highly satisfactory margin recovery, closing half of the gross margin gap caused in 2020, as expected. These positive effects contributed to contain the intensifying inflationary pressure detected on input costs that began to occur especially with reference to logistic constraints. Moreover, the agave purchase price, which remains at the highest level, driven by a very strong demand in the tequila category, has continued to generate a dilutive effect on gross margins, despite lessening slightly also thanks to price increases passed on during the year. Compared to 2019, gross profit grew +17.6% organically, with a margin dilution of 150 basis points, due to the unfavourable sales mix mostly driven by the outperformance of Espolòn, with product costs still impacted by high agave prices, and the underperformance of SKYY, combined with Crodino which was hit by lockdowns in the Italian market.

Advertising and promotional expenses amounted to €397.8 million, up +28.4% overall with respect 2020. As a percentage of sales, advertising and promotional expenses moved from 17.5% in 2020 to 18.3% in 2021 with an overall dilution effect on sales of 80 basis points. The organic increase was +29.1%, which was partly impacted by negligible variations in the exchange rate of -0.8% and perimeter of +0.1%. The organic growth was higher than net sales organic growth (+25.6%), hence dilutive on margin by 50 basis points. During 2021, brand-building initiatives overall focused on digital activations, key to leverage new consumer behaviour, trends and preferences, and they were progressively targeted to the on-premise channel, once permitted by regulations and the Covid evolution. In terms of brand clusters, the organic enhancement in 2021, which was also sustained by a favourable comparison base (-2.2% in 2020), reflected accelerated marketing investments during the peak season in the last quarter to fuel strong brand momentum behind the key global priorities, including aperitifs, also to benefit from the gradual reopening of the on-premise channel, as well as selected regional and local priorities.
When compared with 2019, the advertising and promotional expenses in 2021 increased by +26.0% organically, with a margin dilution of 80 basis points.

The **contribution margin** was €894.2 million, an overall increase of +24.3% on 2020. As a percentage of sales, the contribution margin stood at 41.1%, showing an overall accretion of 130 basis points compared to 2020. The organic growth component was +28.3%, also aided by a favourable comparison base (-11.0% in 2020) and was higher than the organic sales growth, thus generating an improved profitability of 90 basis points. The perimeter effect was slightly negative at -0.7% with a positive impact on profitability of 40 basis points, and it was mainly attributable to the discontinuation of the distribution of agency brands. The exchange rate effect of -2.1% had a dilutive impact on margins of 30 basis points.

Selling, general and administrative expenses amounted to €465.6 million, up by +14.2% on 2020. As a percentage of sales, they amounted to 21.4% compared with 22.9% in 2020, with an overall accretive effect on margins of 90 basis points. At organic level, selling, general and administrative expenses increased by +16.8% compared with 2020, lower than the net sales trend, therefore, generating an accretion effect on margins of 160 basis points. The increase in selling, general and administrative expenses gradually accelerated throughout the year, and reflected investments mainly aimed at strengthening the Group's capabilities and business infrastructure. Moreover, it reflected the expected structure costs phasing (mainly incentives and hiring catch-up), against an unfavourable comparison base. In terms of performance compared to the previous year, during 2020 a series of overhead cost mitigation initiatives were activated to protect profitability, given the decrease in net sales during the initial lockdowns; they also involved a significant review of the estimates linked to target-based incentives which were, instead, broadly achieved in 2021 following the exceptional performance recovery recorded this year.
Compared to 2019, selling, general and administrative expenses rose by +15.5% organically, behind the strong sales growth (+20.5%) generating a margin accretion of 90 basis points.

The result from recurring activities (EBIT-adjusted) was €428.6 million, with an overall increase of +37.5% on 2020. The organic growth component was +42.3%, which was higher than the organic sales growth, generating an improved profitability of 240 basis points. The impact of perimeter variations on EBIT adjusted was negative by €8.3 million or -2.6% (neutral in terms of margin on sales), mainly attributable to the discontinuation of certain agency brands. Moreover, the exchange rate effect was negative by €14.7 million or -4.6% (with a dilution of 50 basis points), namely generated by the devaluation of the US Dollar, one of the Group's key currencies, against the Euro, as well as the core Emerging Market currencies.
Compared to 2019, the EBIT adjusted grew by +13.0% organically, lower than net sales (+20.5%), therefore generating a margin dilution of 140 basis points.

Other operating income (expenses) comprised a net expense of €38.5 million. This referred to costs associated with the restructuring projects, non-recurring last mile long-term incentive schemes with retention purposes to be potentially recognised to senior management[10], as well as brand impairment losses on Champagne Lallier and Rhum Agricole. These amounts were only partly mitigated by the positive adjustment resulting from the closure of a tax dispute regarding indirect taxes in Brazil following the final favourable opinion received from the local authorities, coupled with the insurance reimbursement of damages due to the malware attack suffered in 2020.

The operating result (EBIT) in 2021 was €390.1 million, reflecting an increase of +66.0% on the same period in 2020.

Depreciation and amortisation totalled €83.5 million, increased by 3.4% on 2020, of which +3.1% was at organic level and +0.7% related to perimeter variations, partially offset by exchange rate variations of -1.5%.

EBITDA-adjusted stood at €512.2 million, an increase of +30.5%, of which +34.7% was at organic level, partially offset by the exchange rate and the perimeter effect of -4.0% and -1.9% respectively.

EBITDA was €473.6 million, an increase of +50.0% compared to 2020 (€315,7 million).

Net financial expenses, which include exchange rate components, totalled €83.7 million compared to €63.7 million in 2020.

[10] Pursuant to the Remuneration Policy, a last mile incentive scheme with retention purpose to be potentially awarded to the current CEO has been approved by the Parent Company's corporate bodies and therefore implemented as illustrated in the Remuneration Report in the 'Governance' section.

In 2021 the **adjustments to financial income (expenses)** were positive at € 16.7 million.

The **income (expenses) relating to put options, earn-out and hyperinflation effects** was slightly positive at €0.4 million (€18.0 million in 2020 mainly due to the liability revision of projected cash out from the Bulldog earn-out). It included net expenses totalling €0.3 million attributable to the non-cash effects of the remeasurement and discounting to present value of payables for future commitments relating to earn-out and minority shareholdings in the acquired businesses. The item also included amounts arising from the application of the hyperinflation management measures for the accounts of the Argentine company, generating net revenue of €0.4 million.

The profit (loss) related to associates and joint-ventures represented a net loss of €0.1 million, resulting from the combined effect of the reassessment of the Group's interests in the South Korean joint-venture, Trans Beverages Company Ltd., which was included in the Group's perimeter from 4 January 2021 after the acquisition of a controlling stake, completely offset by the loss arising from the results allocation from joint-venture companies.

Profit before taxation (Group and non-controlling interests) was €306.3 million, an increase of +63.0% compared with 2020. Profit before taxation as a percentage of sales was 14.1% (10.5% in 2020).

Taxation totalled €86.5 million on a reported basis. The reported tax rate in 2021 was 27.2%, compared to a reported tax rate of 10.8% in 2020. The difference in the reported tax rate was mainly guided by the significant decrease of the overall tax adjustments reported in 2021, as fiscal year 2020 mainly benefitted from the positive tax adjustments resulting from the deferred tax remeasurement pursuant to the Italian tax Law Decree no. 104/2020.
The normalised tax rate, i.e. the ratio of normalised income taxation to the Group's profit before taxation, excluding the other operating income and expenses, the re-assessment of previously held joint-venture investments before their consolidation, the adjustments to financial and to tax income and expenses for the year, was 26.3% in 2021, below the normalised tax rate of 27.9% recognised in 2020 and mainly due to a different geographical mix. Excluding the impact of the non-cash component due to the deferred taxes relating to the amortisation of goodwill and brands eligible for tax purposes, the 2021 cash tax rate was 22.7%, broadly in line with the 23.2% reported in 2020 on a consistent basis.

Result relating to non-controlling interests for the period was marginal and corresponds to a loss of €125.6 million.

The **Group's net profit** was €94.2 million in 2021, with a slight decrease (-0,4%) if compared with 2020, with a sales margin of 4.3% (5.3% reported in the same period of the previous year). Excluding the adjustments to operating and financial result, the re-assessment of previously held joint-venture investments before their consolidation and the related tax effects and tax adjustments, the Group's net profit was €134.2 million (€108.8 million in 2020 reported on a consistent basis).

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

	for the years ended 31 December			
	2021 € million		2020 € million	
adjustments to operating income (expenses), of which:		**(59.4)**		**(90.1)**
impairment loss on goodwill, trademark and on tangible assets	-		*(35.4)*	
restructuring and reorganisation costs	-)		*(21.4)*	
other adjustments to operating income (expenses)	*(59.4)*		*(33.3)*	
adjustments to financial income (expenses)		**16.7**		**1.4**
adjustment related to income (expenses) related to put option and earn out		**0.4**		**19.4**
adjustment related to remeasurement in joint-ventures and associates		**-**		**-**
total adjustments		**(38.7)**		**(69.3)**
tax adjustments, of which:	3.6	**-**		**55.1**
tax benefit from Italian Legislative Decree 104/2020	-		*29.9*	
Patent Box				
tax adjustments	*(4.9)*		*2.2*	
tax effect on operating and financial adjustments	*8.6*		*23.0*	
total net adjustment		**(38.7)**		**(14.2)**

	2021			2020		
€ million	reported	adjustments	adjusted	reported	adjustments	adjusted
profit before taxation before minorities	**306.3**	(38.7)	**345.0**	**187.8**	(69.3)	**257.1**
total taxation	**(86.5)**	**-**	**(86.5)**	**(11.3)**	**55.1**	**(64.4)**
net profit for the period	**219.8**	(38.7)	**258.5**	**176.5**	(14.2)	**190.7**

Profitability by business area

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

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

	for the years ended 31 December							
	2021				2020			
	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	929.5	42.7%	184.5	42.4%	773.9	43.4%	139.7	43.4%
Southern Europe, Middle East and Africa	638.9	29.4%	71.2	16.4%	463.6	26.0%	32.5	10.1%
Northern, Central and Eastern Europe	439.9	20.2%	162.5	37.3%	411.9	23.2%	133.2	41.4%
Asia-Pacific	167.8	7.7%	17.0	3.9%	130.8	7.4%	16.5	5.1%
Total	**2,176.3**	**100.0%**	**435.2**	**100.0%**	**1,780.3**	**100.0%**	**321.9**	**100.0%**

- **Americas**

The Americas region made the largest contribution to the Group in terms of both sales and results from recurring activities, at 42.7% and 42.4% respectively.
The direct markets of the United States, Jamaica, Canada, Brazil, Mexico, Argentina and Peru together accounted for nearly all the region's sales. The results for 2021 are shown below.

	for the years ended 31 December								
	2021		2020		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**929.5**	**100.0**	**773.9**	**100.0**	**155.6**	**20.1%**	**178.1**	**23.0%**	**-**
Gross margin	**522.6**	**56.2**	**429.4**	**55.5**	**93.2**	**21.7%**	**115.4**	**26.9%**	**170**
Advertising and promotional costs	(179.5)	(19.3)	(141.2)	(18.2)	(38.3)	27.1%	(41.8)	29.6%	(100)
Selling, general and administrative expenses	(158.6)	(17.1)	(148.5)	(19.2)	(10.2)	6.8%	(11.7)	7.9%	240
Result from recurring activities	**184.5**	**19.8**	**139.7**	**18.1**	**44.8**	**32.1%**	**61.9**	**44.3%**	**310**

The result from recurring activities increased by +32.1% overall, generating margin on sales of 19.9% compared with the 18.1% reported in the previous year. The organic change was +44.3%, causing an accretive effect of 310 basis points on profitability. The main drivers were as follows:

- the **gross margin** increased in value by +26.9%, ahead of net sales growth (+23.0%), thus generating an accretion of profitability of 170 basis points. The increase in gross profitability was mainly due to the favourable sales mix driven by the high-margin brands such as the aperitifs (Aperol and Campari) and premium spirits (mainly Grand Marnier), offsetting the lower-margin brand Espolòn, still affected by the elevated level of agave purchase prices and SKYY Vodka which underperformed in core United States, a high margin market;
- **advertising and promotional** expenses recorded an increase of +29.6%, higher than net sales growth and therefore with a dilutive effect on profitability (100 basis points), also impacted by a favourable comparison base (-8.3% in 2020). The performance in the year showed accelerated initiatives behind the global priority brands in their core geographies with special focus on aperitifs, also to benefit from the gradual reopening of the on-premise channel in key countries throughout the year, combined with investments in SKYY Vodka in the United States, in connection with its complete brand relaunch;
- **selling, general and administrative expenses** increased by +7.9% at organic level, lower than organic sales growth and thus resulted in an accretion in profitability of 240 basis points (excluding any effect arising from the application of the hyperinflation management measures to the Argentinian accounts that is included in the exchange rate effect). The main drivers that contributed to the change were, on the one hand, the streamlining of some local structures in the region and, on the other hand, a phasing effect due to hiring and incentives catch ups.

- **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 29.4% and the third-largest in terms of profitability at 16.4%. Besides Italy, the other key markets include France, Spain, South Africa and Nigeria, in addition to the Global Travel Retail channel. The results for 2021 are shown below.

	for the years ended 31 December								
	2021		2020		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**638.9**	**100.0**	**463.6**	**100.0**	**175.3**	**37.8%**	**170.1**	**36.7%**	**-**
Gross margin	**387.1**	**60.6**	**279.3**	**60.3**	**107.8**	**38.6%**	**106.7**	**38.2%**	**70**
Advertising and promotional costs	(114.7)	(18.0)	(90.6)	(19.5)	(24.1)	26.6%	(23.9)	26.3%	150
Selling, general and administrative expenses	(201.3)	(31.5)	(156.3)	(33.7)	(44.9)	28.7%	(41.0)	26.2%	260
Result from recurring activities	**71.2**	**11.1**	**32.5**	**7.0**	**38.8**	**119.8%**	**41.8**	**129.1%**	**470**

The result from recurring operations increased to €71.2 million overall, generating a sales margin of 11.1% compared to the 7.0% reported in the previous year. The main organic drivers were as follows:

- the **gross margin** showed an increase of +38.2%, leading to an accretion of 70 basis points, sustained by a favourable sales mix driven by the deafening outperformance of the high-margin aperitifs (Aperol, Campari and Campari Soda). By geography, the accretion was mainly driven by the Italian market, sustained by the overall increased frequency of consumption across channels and 'revenge conviviality' in the on-premise venues over the year;
- **advertising and promotional expenses** were up by +26.3% in comparison with the previous year, lower than net sales growth and hence had an accretive effect on profitability (150 basis points). The trend reflected sustained investments in the year behind the core brands for the region and in particular the aperitifs (Campari, Aperol) in their peak seasons to also benefit from the on-premise reopening;
- **selling, general and administrative expenses** increased by +26.2% compared to 2020, also driven by a phasing effect in connection with estimated incentives and hiring catch-ups. The trend in the year was also favoured by an easy comparable base (-10.1% decrease in 2020), which reflected the implementation of cost mitigation actions from the second quarter of 2020, in connection with the Covid-19 outbreak. Selling, general and administrative expenses generated an accretive effect on profitability of 260 basis points, also as a result of a very strong sales growth (+36.7%) compared with SG&A growth (+26.2%).

- **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 20.2% and 37.3% respectively.
The region includes the direct markets in Germany, Austria, Switzerland, Benelux, the United Kingdom, Russia and Ukraine, which represent nearly all the sales in the region, and the markets served by third-party distributors. The results for 2021 are shown below.

	for the years ended 31 December								
	2021		2020		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**439.9**	**100.0**	**411.9**	**100.0**	**28.0**	**6,8%**	**75.0**	**18.6%**	**-**
Gross margin	**306.0**	**69.6**	**259.2**	**62.9**	**50.0**	**19.5%**	**55.6**	**21.7%**	**170**
Advertising and promotional costs	(74.2)	(16.9)	(73.9)	(17.9)	(13.8)	22.8%	(13.7)	22.7%	(50)
Selling, general and administrative expenses	(69.3)	(15.8)	(52.1)	(12.6)	(7.1)	11.3%	(7.2)	11.5%	90
Result from recurring activities	**162.5**	**37.1**	**133.2**	**32.3**	**29.2**	**21.9%**	**34.7**	**26.0%**	**210**

The result from recurring activities was up by +21.9% overall, generating a sales margin of 37.1%, compared with 33.0% reported in the previous year. Organic growth was +26.0% with an accretive effect of 210 basis points. The main drivers were as follows:

- the **gross margin** showed solid growth of +21.7%, higher than sales growth: this led to an accretive effect on profitability of 170 basis points driven by a favourable geographic/product mix and, in particular, by the high-margin brand Aperol;
- **advertising and promotional expenses** increased by +22.7%, higher than sales growth of +18.6%, with a dilution effect on profitability of 50 basis points. The trend highlighted sustained investments behind the main brands and in particular Aperol during both the key summer season for the aperitif category and the winter season, during which the activations mainly aimed to recruit consumers were resumed;
- **selling, general and administrative expenses** showed an increase of +11.5%. Given the lower than sales growth rate, an accretive effect of 90 basis points on profitability was generated.

- **Asia-Pacific**

The Asia-Pacific region includes the Group's own Australian and South Korean sales platforms, as well as markets served by third-party distributors and joint-ventures. The region's contribution to the Group's net sales and result from recurring activities in the 2021 were 7.7% and 3.9 % respectively. The results for 2021 are shown below.

	for the years ended 31 December								
	2021		2020		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**167.8**	**100.0**	**130.8**	**100.0**	**37.0**	**28.3%**	**29.9**	**22.9%**	**-**
Gross margin	**81.1**	**48.3**	**61.3**	**46.8**	**19.8**	**32.3%**	**14.9**	**24.3%**	**60**
Advertising and promotional costs	(29.5)	(17.5)	(17.6)	(13.5)	(11.8)	67.1%	(10.8)	61.4%	(420)
Selling, general and administrative expenses	(34.6)	(20.6)	(27.2)	(20.8)	(7.5)	27.4%	(6.3)	23.1%	-
Result from recurring activities	**17.0**	**10.1**	**16.5**	**12.6**	**0.5**	**3.1%**	**(2.2)**	**-13.2%**	**(370)**

The result from recurring activities increased by +3.1% overall, generating a sales margin of 10.1% compared with the 12.6% reported in the previous year. The organic change was negative at -13.2%, with a corresponding dilution in profitability of 370 basis points, due to the following effects:
- the **gross margin** grew by +24.3%, higher than net sales growth, and showed an increased profitability by 60 basis points, driven by high-margin offering, primarily led by Campari, Wild Turkey and X-Rated, with the generated resources reinvested in advertising and promotion, as well as in initiatives to strengthen the distribution capabilities of the region;
- **advertising and promotional expenses** were up by +61.4%, higher than the organic sales growth (+22.9%), propelled by continuous investments during the year for the main brands in the region, with a dilutive effect on profitability that reached 420 basis points in the year;
- **selling, general and administrative expenses** increased by +23.1%, reflecting route-to-market investments in the region. The growth in the period was in line with the net sales growth , therefore having a neutral effect on profitability.

Operating working capital

The breakdown of the total change in operating working capital compared with the restated figure at 31 December 2021 is as follows.

	at 31 December			*of which*		
	2021	2020[1]	total change	*organic*	*perimeter*	*exchange rates and hyperinflation*
	€ million	€ million	€ million	*€ million*	*€ million*	*€ million*
Trade receivables	291.2	283.0	8.2	-	2.7	5.6
Total inventories, of which:	742.0	658.3	83.7	*60.4*	*1.7*	*23.1*
- maturing inventory	*409.7*	*368.1*	*41.6*	*23.8*	*-*	*17.8*
- biological assets	*3.7*	*1.7*	*2.0*	*1.9*	*-*	*0.2*
- other inventory	*332.4*	*288.5*	*43.9*	*34.7*	*1.7*	*9.0*
Trade payables	(396.1)	(322.8)	(73.3)	*(65.4)*	*(1.9)*	*(6.0)*
Operating working capital	**637.1**	**618.5**	**18.6**	***(5)***	***2.5***	***22.6***
Sales of the period	2,176.3	1,780.3				
Working capital as % of net sales	29.3	34.7				

(1) Values as of 31 December 2020 have been 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 2020' of Lagfin Group consolidated financial statements at 31 December 2021.

At 31 December 2021, operating working capital as a percentage of net sales was 29.3%, down -5.4% from 34.7% at year-end 2020, which had been largely impacted by phasing effects.

The operating working capital at 31 December 2021 was €637.1 million (€617.0 million at 31 December 2020). Stripping out the exchange rate effect, which generated an increase of €22.6 million, and a negligible perimeter growth effect of €2.5 million, the organic decrease over the period was €5.0 million.

Focusing on organic performance, trade receivables were stable compared with the previous year-end, driven by efficient management of payments.
Trade payables reported an organic increase of €65.4 million driven by the sustained business expansion and, to some extent, linked to the reverse factoring program launched in 2020. In particular, the program carried out with selected suppliers generated an increase in payables by €20.3 million at 31 December 2021 (€7.0 million at 31 December 2020).
Inventory registered an increase of €85.2 million, of which €23.8 million related to the organic step up in ageing liquid supporting the maturation process, mostly linked to The GlenGrant, Jamaican rum and Espolòn to meet the expected future demand. 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 increase in inventories is mainly attributable to finished products in line with future expected demand, as well as the inflationary effects on the main production factors, that have begun to materialize since after the first phase of the pandemic .

The increase attributable to the exchange rate component, totalling €22.6 million, was related to receivables from customers for €5.6 million, almost fully offset by an increase in payables to suppliers for €6.0 million. The exchange-rate effect on inventories was positive for €23.1 million, of which €17.8 million was due to maturing inventory, which is concentrated in the Americas region (mainly in the United States) and in the United Kingdom, and the remaining €7.4 million was due to other inventory.

Lastly, the perimeter effect totalling €2.5 million is attributable to the incorporation of the subsidiary Trans Beverages Company Ltd. in South Korea in Group accounts. The company, previously represented as a joint-venture investment, has been fully consolidated since January 2021, following the increase by the Group of its shareholding from 40% to 51%, in line with its enhanced strategic focus in Asia. For further information on this transaction, please refer to paragraph 'Acquisition and sale of businesses and the purchase of non-controlling interests' in the Lagfin Group consolidated financial statements at 31 December 2021.

Reclassifications of the operating working capital statement in the management board report

€ million	stated figures	change resulting from provisional allocation of acquisition value	reclassified figures
	at 31 December 2020		
Trade receivables	282.9	-	282.9
Total inventories, of which:	656.8	1.6	658.3
- maturing inventory	*368.1*	-	*368.1*
- biological assets	*1.6*	*0.1*	*1.7*
- other inventory	*287.0*	*1.5*	*288.6*
Trade payables	(321.2)	-	(321.2)
Operating working capital	**617.4**	**1.6**	**618.9**
Sales in the previous 12 months rolling	1,780.3		1,780.3
Working capital as % of sales in the previous 12 months	34.7		34.7

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 net financial debt components are not shown.

	for the year ended 31 December 2021			
	2021 € million	*of which recurring € million*	2020 € million	*of which recurring € million*
Operating result (EBIT)	**390.1**		**234.9**	
Result from recurring activities (EBIT-adjusted)		**424.5**		**311.7**
Depreciation and amortization	82.3	82.3	80.8	80.8
EBITDA	**472.4**		**315.7**	
EBITDA-adjusted		***506.8***		**392.5**
Effects from hyperinflation accounting standard adoption	4.5	*4.5*	2.4	*2.4*
Accruals and other changes from operating activities	(7.5)	*(17.5)*	(21.4)	*(21.4)*
Goodwill, brand, tangible fixed assets and sold business impairment	8.0	-	45.7	-
Income taxes paid	(53.2)	*(48.1)*	(119.7)	*(84.8)*
Cash flow from operating activities before changes in working capital	**424.2**	***445.7***	***222.6***	***288.7***
Changes in net operating working capital	50.3	*50.3*	35.7	*35.7*
Cash flow from operating activities	**474.5**	***496.0***	***258.3***	***324.4***
Net interests paid	(19.9)	*(19.9)*	(34.0)	*(34.0)*
Cash adjustments to financial income (expenses)	-	-	1.4	-
Capital expenditure	(208.0)	*(81.9)*	(109.3)	*(64.6)*
Free cash flow	**246.6**	***394.2***	**116.5**	***226.0***
(Acquisition) disposal of business	(3.1)		(177.2)	
Dividend paid out by DCM N.V	(27.2)		(30.3)	
Other items including net purchase of DCM N.V. own shares	27.6		(433.0)	
Cash flow invested in other activities	**(2.7)**		**(640.5)**	
Other changes	(76.5)		44.7	
Total change in net financial debt due to operating activities	**(79.2)**		**(595.8)**	
Put option and earn out liability changes(1)	(8.2)		(5.6)	
Increase in investments for lease right of use(3)	(13.0)		(7.8)	
Net cash flow of the period=change in net financial debt	**146.2**		**(492,7)**	
Effect of exchange rate changes	**24**		**(33.5)**	
Net financial debt at the beginning of the period	**(1,472.0)**		**(945.8)**	
Net financial debt at the end of the period	**(1,301.8)**		**(1,472.0)**	

(1) 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.
(2) For information on the value shown, please see note 7 iii-'Right of use assets' of Lagfin Group- consolidated financial statements at 31 December 2021.

Key highlights

At 31 December 2021, the liquidity generated in 2021, which is reflected in an equivalent decrease in the net financial debt compared to 31 December 2020, was €183.5 million overall, of which €159.5 million attributable to cash flow generation and €24.0 million to exchange rate effects on net financial debt items. This result was driven by an unprecedent organic growth, in a still highly volatile context in 2021, thanks to a continued strong and healthy momentum in the key brand and geography combinations, boosted by the overall increased consumption and penetration versus pre-pandemic levels.
The cash generation in terms of free cash flow on a reported basis was positive in 2021, standing at €246.6 million, compared to a free cash flow of €116.5 million in 2020, when the business performance had been heavily affected by the Covid-19 outbreak. The recurring free cash flows amounted to €394.2 million in 2021, up 74.4% (or €168.2 million) compared with 2020. Compared with 2019, recurring free cash flows increased by 72.6% (or €165.8 million) from €228.4 million[11]. In terms of percentages on EBITDA adjusted, recurring free cash flows totalled 77.8%, compared to 57.6% in 2020 and 58.2% in 2019.[12]
With regard to cash flow invested in other activities, the overall effect in terms of cash flow absorption was €50.3 million, mainly related to the DCM N.V. dividend payment of €27.7 million, the purchase of DCM N.V own shares to serve share-based payment plans, as well as the cash-out transactions related to acquisitions occurred in 2021.

Analysis of the consolidated statement of cash flows

The following drivers contributed to the positive generation of free cash flows in 2021:
- Operating result (EBIT) amounted to €390.1 million compared to 234.9 million in 2020 and included a negative effect of €34.3 million related to operating adjustments mainly for restructuring initiatives, write-offs of minor brands and a non-recurring last mile long-term incentive scheme[13], only partially mitigated by the positive

[11] Recurring free cash flow reported in the Lagfin Group-Consolidated financial statements at 31 December 2019.
[12] EBITDA adjusted reported in the Lagfin Group-Consolidated financial statements as of 31 December 2019 was €392.5 million.
[13] Pursuant to the Remuneration Policy, a last mile incentive scheme with retention purpose to be potentially awarded to the current CEO has been approved by the Parent Company's competent corporate bodies and therefore implemented as illustrated in the 'Remuneration Report' in the 'Governance' section.

adjustment resulting from the closure of a tax dispute in Brazil and one-off refunds. Excluding these components, the result from recurring activities (EBIT adjusted) amounted to €424.5 million (€311.7 million in 2020);
- EBITDA amounted to €472.4 million. It increased by €156.7 million compared to the previous year. Excluding the beforementioned non-recurring components, EBITDA adjusted amounted to €506.8 million (€392.5 million in 2020);
- non-cash liabilities arising from the application of the accounting standard used to manage hyperinflationary effects in Argentina amounted to €4.5 million in 2021;
- accruals for provisions net of utilisations and other miscellaneous operating changes, such as indirect taxation and excise duties, showed a negative effect of €7.5 million. The difference compared with the same period last year is mainly attributable to certain benefits accrued for employee incentive plans, including also a non-recurring last mile long-term incentive schemes with retention purposes. Excluding the latter, accruals and other changes from operating activities amounted to €17.5 million;
- impairment losses of €8.0 million, mainly attributable to trademarks for €6.9 million and to the asset held for sale related to the Sorocaba facility in Brasil, considered as non-cash adjusting components and consequently not included in the recurring free cash flows;
- the cash financial impact deriving from the tax payments effected in 2021 was €53.2 million. The amount paid included a non-recurring payment of €5.1 million related to the first instalment of the substitute tax due to obtain access to the tax benefit envisaged by Legislative Decree no. 104/2020 in Italy. This tax law enabled a step-up in the value of the trademarks and goodwill back to the corresponding book values, which then benefitted from a higher depreciation rate for tax purposes. Excluding this component, taxes paid amounted to €48.1 million;
- working capital recorded a cash generation of €50.3 million (refer to paragraph ‘Operating working capital’ for details);
- interest paid, net of interest received, stood at €19.9 million in 2021;
- net investment in capital expenditure amounted to €208.0 million, of which the recurring component was €81.9 million, confirming the Group’s commitment to continue enhancing its supply chain via production capacity expansion and efficiency improvements for the long-term growth, its IT infrastructure as well as its office and brand house spaces.

Cash flow used in other activities was negative at €2.7 million, compared to a negative absorption of €640.5 million in 2020, which had been affected by the business combination realised in 2020. Cash flows invested in 2021 in other activities mainly related to:
- Davide Campari-Milano N.V. dividend payments to its minorities of €27.2 million,
- other items totalling a positive value of €27.6 million arising mainly from the cash generation effect related to the sale and purchase of Davide Campari-Milano N.V. own shares to serve share-based payment plans and the transactions related to acquisitions occurred in the year and the cash inflow collected by Moët Hennessy as a result of the set-up of a 50%/50% joint-venture.

Other changes reported a negative effect of €76.5 million in 2021 and reflected the changes recognition of certain non-cash components, mainly related to exchange rate effects and derivatives, which were included for the purposes of reconciling the changes in cash flows with the changes in net financial debt. New **leases** and changes in **liabilities for put/call options and earn outs** are shown purely to reconcile net cash flows for the year with total net financial debt.

The impact on the change in net financial debt reflected by **exchange rate differences on net financial debt** items amounted to €24.0 million.

Net financial debt

At 31 December 2021, consolidated net financial debt amounted to €1,285.5 million, up €186.5 million compared with the €1,472.0 million reported at 31 December 2020.

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

	at 31 December			*of which*		
	2021	2020	total change	*organic*	*perimeter* [2]	*exchange rates*
	€ million	€ million	€ million	*€ million*	*€ million*	*€ million*
cash and cash equivalents	1,180.6	928.3	252.3	*227.4*	*(3.4)*	*28.3*
bonds	(50.0)	-	(50.0)	*(50.0)*	-	-
loans due to banks	(358.0)	(416.7)	58.7	*59.6*	-	*(0.9)*
lease payables	(13.5)	(13.9)	0.4	*0.8*	-	*(0.4)*
other financial assets and liabilities	(115.0)	(81.6)	(33.4)	*(33,4)*	-	-
short-term net financial debt	**644.1**	**416.0**	**228.0**	***204.4***	***(3.4)***	***27.0***
bonds	(1,160.7)	(1,198.4)	37.7	*37.7*	-	-
loans due to banks [1]	(586.2)	(496.9)	(89.3)	*(89.3)*	-	-
lease payables	(70.4)	(69.5)	(0.9)	*3.8*	-	*(2.9)*
Debts to shareholders	(35.5)	(26.8)	(8.7)	*(8.7)*		
other financial assets and liabilities	5.6	6.7	(1.1)	*(1.1)*	-	-
medium-/long-term net financial debt	**(1,847.2)**	**(1,784.6)**	**(62.7)**	***(59.8)***	***-***	***(2.9)***
net financial debt before put option and earn-out payments	**(1,203.2)**	**(1,368.5)**	**165.3**	***144.6***	***(3.4)***	***24.1***
liabilities for put option and earn-out payments	(98.6)	(103.3)	4.7	*4.7*	-	-
net financial debt	**(1,301.8)**	**(1,471.8)**	**170.0**	***149.3***	***(3.4)***	***24.1***

(1) Including the relevant derivative.
(2) The perimeter variation included the net cash outflow for the following transactions:
- set up of the 50%/50% joint-venture agreement in wines&spirits e-commerce segment with Moët Hennessy;
- the effect deriving from the incorporation of the joint-venture in South Korea into the Group accounts by raising its stake from 40% to 51%;
- the acquisition of 40% interest in the newly incorporated joint-venture in Taiwan, named Spiritus Company Limited;
- the acquisition of 10% stake in Thirsty Camel Ltd., classified as other investments.

For more information on these transactions, please refer to paragraph 'Significant events of the year' of the management board report in this annual report at 31 December 2021.

At 31 December 2021, the composition of net financial debt is skewed on a medium/long-term horizon and identifies the Group's preference to leverage a financial profile that reflects its investment strategy in long-term external growth. Short term debt is characterised by a significant net liquidity position, dominated by a notable amount of cash and cash equivalents, and which reflects the Group's priority to maintain flexibility in short-term investment decisions. Moreover, the Group relies on significant credit lines totalling €1,180.6 million.

Short-term net financial debt was positive at €644.1 million and mainly consisted of cash and cash equivalents (€1,180.6 million) net of loans due to banks and bonds (€408 million). The significant improvement of € 228.0 million compared with short-term net financial debt at 31 December 2021 was driven by the stunning cash generation of €252.3 million (representing an organic amount of €227.4 million) attributable to the very satisfactory performance of the Group's business achieved during the year 2021. The cash generation improvement also benefitted from the cash inflow of €28.0 million resulting from the establishment of a partnership with Moët Hennessy for initiatives aimed at building a European player in the growing wines&spirits e-commerce segment through Tannico. The short-term financial position is supplemented by investments mainly consisting of low-risk financial items, partially offset by payables for interest accrued on existing bonds for €6.3 million.

The medium-/long-term financial debt consisted primarily of bonds and loans due to banks for a total amount of €1,746.9 million. The change in bank loans (€89.3 million) was mainly due to efficient liability management aimed at maximising favourable market conditions through the subscription of new loans for an overall amount of €586.2 million. Other financial assets and liabilities, for a net positive amount of €5.6 million, mainly related to receivables connected with the sale of the non-core business completed in previous years, as well as restricted deposits supporting future payments associated with past business acquisitions.

Moreover, the Group's net financial debt included a liability of €98.6 million, consisting of future commitments to purchase outstanding minority shareholdings in controlled companies and, in particular, in Société des Produits Marnier Lapostolle S.A.S. (for an expected cash outflow of €45.0 million), Montelobos, Ancho Reyes, J. Wray&Nephew Ltd. and Champagne Lallier S. à r.l. (for an estimated combined cash outflow of €53.6 million). During 2021, a payment of €6.2 million in put option liabilities mainly related to the agreement in place with the previous shareholders of Société des Produits Marnier Lapostolle S.A.S..
The Group's debt management objective is based on the achievement of an optimal and sustainable level of financial solidity, while maintaining an appropriate level of flexibility with regard to acquisition opportunities and funding options, through available cash. The Group monitors the evolution of the net debt/EBITDA adjusted ratio on an ongoing basis. For the purposes of the ratio calculation, net debt is the value of the Group's net financial debt at 31 December 2021, whereas the EBITDA adjusted relates to the rolling EBITDA adjusted over the last

twelve months (for more information related to the calculation, please refer to 'Alternative Performance Measures' in this annual report). At 31 December 2021, this multiple was 2.5 times, compared with 3.8 times at 31 December 2020, based on consistent calculation criteria. The decrease of the ratio compared to 31 December 2020 was mainly driven by the decrease in net financial debt thanks to the positive cash generation from the business performance, as well as the improved rolling EBITDA adjusted, which incorporated the results of the year ending 2021, largely enhanced compared with the results at 31 December 2020.

Capital expenditure

In 2021, net investments totalled €208.0 million, of which €81.9 million were recurring and €126.1 million were non-recurring.

The recurring investments were related to initiatives aimed at continuously enhancing its supply chain, via production capacity expansion, efficiency improvements and ESG related initiatives and its business 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 overall to €60.0 million;
- the purchase of barrels for maturing bourbon and rum totalling €18.2 million, net of related disposals;
- investments to develop biological assets, totalling €3.7 million.

Non-recurring investments, totalling €126.1 million, related to a new buildings in London and New York, digital transformation projects and other initiatives aimed at strengthening the Group's brand identities via the creation of brand houses.

With regard to the type of investment, net purchases comprised tangible assets of €110.9 million, investment properties of € 74.4 million and intangible assets of €24.8 million.

Lastly, investments for the rights of use of third-party assets were related to tangible assets at 31 December 2021. The increase in the year amounted to €13.0 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			*of which*		
	2021	2020 post-reclassifications	total change	*organic change*	*perimeter*	*exchange rates and hyperinflation*
	€ million	€ million	€ million	*€ million*	*€ million*	*€ million*
fixed assets	3,780.2	3,517.0	263.2	*153.2*	*3.7*	*105.9*
other non-current assets and (liabilities)	(449.7)	(414.5)	(35.2)	*(14.8)*	*(4.1)*	*(16.3)*
operating working capital	640.7	618.6	22.1	*(5.2)*	*2.5*	*24.8*
other current assets and (liabilities)	(135.3)	(71.3)	(64.0)	*(57.7)*	*-*	*(6.3)*
total invested capital	**3,835.9**	**3,649.7**	**186.2**	***76.0***	***2.1***	***108.1***
Group shareholders' equity	1,470.0	1,294.9	175.1	*46.0*	*(3.0)*	*132.1*
non-controlling interests	1,064.2	882.8	181.4	*179.8*	*1.6*	*-*
net financial debt	1,301.7	1,472.0	(170.3)	*(149.7)*	*3.4*	*(24.0)*
total financing sources	**3,835.9**	**3,649.7**	**186.2**	***76.0***	***2.1***	***108.1***

Invested capital at 31 December 2021 was €3,835.9 million, showing up €186.4 million compared with the restated figures at 31 December 2020.

Focusing on the organic change, the most significant variations attributable to the invested capital referred to:
- the increase of €153.2 million in fixed assets, mainly related to the acquisition of a new office building in London, the purchase of barrels dedicated to the ageing process as well as improvements to expand and strengthen the Group's production capacity and efficiency (for further information, please refer to the paragraph 'Capital expenditure' of this management board report);
- the rise in other current liabilities (net of assets) of €63.9 million, mainly related to an increase in current tax liabilities and to the catch up of short-term and mid-term incentive plans, all reflecting the positive business performance in 2021.

Reclassifications of the reclassified statement of financial position statement in the management board report

	at 30 December 2020		
€ million	stated figures	change resulting from provisional allocation of acquisition value	reclassified figures
fixed assets	3,517.4	(0.4)	3,517.0
other non-current assets and (liabilities)	(413.4)	(1.1)	(414.5)
operating working capital	617.0	1.6	618.6
other current assets and (liabilities)	(71.3)	-	(71.3)
total invested capital	**3,649.7**	**-**	**3,649.7**
Group shareholders' equity	1,294.9	-	1,294.9
non-controlling interests	882.8	-	882.8
net financial debt	1,472.0	-	1,472.0
total financing sources	**3,649.7**	**-**	**3,649.7**

The perimeter effect is mainly related to the incorporation of Trans Beverages Company Ltd. in South Korea. For a detailed explanation of the external growth items related to this operation, please refer to the paragraph 'Acquisition and sale of businesses and purchase of non-controlling interests' in the consolidated financial statements.

Moreover, invested capital at 31 December 2021 was significantly impacted by non-monetary foreign currency translation effects, resulting in an increase of €108.1 million.

Regarding financing sources, the main changes related to an increase of €175.1 million in the Group's shareholders' equity, mostly due to the combined effect of the results for the period of €219.8 million and the payment of dividend of €27.2 million. For additional information on the variations in net financial debt, totalling €170.3 million, please refer to the paragraph 'Net financial debt' in this management board report.

As a result of the changes mentioned above, the Group's financial structure showed a net debt to shareholders' funds ratio of 88.6% at the end of the period, significantly up on the 35.0% recorded at 31 December 2020 (on a restated basis), due to the combined effect of a lower net financial debt and higher shareholders' funds in absolute terms.

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 2021.

Full year 2021 conclusion and outlook

2021 was a very successful year thanks to healthy momentum which benefitted from overall increased consumption and penetration across brands, markets and distribution channels versus pre-pandemic levels, despite the logistics challenges and the increasing pressure of cost inflation. The strong momentum was supported by continuous investments in marketing and innovation with an increasing focus on the on-premise activations upon the reopening of this key channel. As life progressively returns to a ‘new normal’, the positive trends confirms that the social experience and conviviality outside home remain an essential habit in consumers' lifestyles. Meanwhile, consumption in the off-trade channel continued to be sustained driven by the home-made premium cocktails trend. The organic performance was also very strong when compared to the unaffected base of 2019 thanks to increased consumption and penetration versus pre-pandemic levels.
Looking at the evolution of the pandemic worldwide, whilst the Covid-19 disease situation has progressively improved thanks to the massive vaccination campaigns, its induced effects with respect to a challenging operating environment, global supply chain challenges and cost inflation is expected to persist in the short term.

Looking at 2022, we remain highly confident about the continued strong business momentum with accelerated consumer recruitment across our key brands, fully leveraging new consumption habits across both on-premise and off-premise channels. Regards to profitability, whilst we continue to leverage price increase opportunities to mitigate cost headwinds, the temporary pressure on input costs is expected to further intensify during the current year (mainly packaging, raw materials including agave, and logistics), hence postponing the gross margin accretion (+70 bps previously expected), and ultimately leading to a broadly unchanged organic EBIT margin in 2022.
As a long-term focused organization, we remain committed to maintaining a sustained level of investments behind our brands and capabilities, to be best positioned to fully benefit from the gradual phase out of the pandemic induced challenges.

Luxembourg, 14th April 2022

ARTEMISIA MANAGEMENT S.A., Société Anonyme
General Partner

Vania Baravini
Director

Massimiliano Seliziato
Director

Definitions and reconciliation of the Alternative Performance Measures (APMs or non-GAAP measures) to GAAP measures

This paragraph presents and comments on certain financial performance measures that are not defined in the IFRS (non-GAAP measures).
These measures, which are described below, are used to analyse the Group's business performance in the 'Key Highlights' and 'Management board report' sections and comply with the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority ('ESMA') in its communication ESMA/2015/1415.
The alternative performance measures listed below should be used to supplement the information required under IFRS to help readers of the annual report to gain a better understanding of the Group's economic, financial and capital position. They are applied to Group planning and reporting, and some are used for incentive purposes.
Alternative performance measures can serve to facilitate comparison with groups operating in the same sector, although, in some cases, the calculation method may differ from those used by other companies. They should be viewed as complementary to, and not replacements for, the comparable GAAP measures and movements they reflect.

Financial measures used to measure the Group's performance

Organic change: Lagfin shows organic changes to comment on its underlying business performance. By using this measure, it is possible to focus on the business performance common to both periods under comparison and which management can influence. Organic change is calculated by excluding both the impact of currency movement against the Euro (expressed at average exchange rates for the same period in the previous year) and the effects of business acquisitions and disposals, as well as the signing or termination of distribution agreements. In order to mitigate the effect of hyperinflationary economies, organic change for countries having to adopt the hyperinflationary methodology laid down in IFRS only includes only the component attributable to volumes sold in relation to net sales, while the effects associated with hyperinflation, including price index variation and price increases, are treated as exchange rate effects.
Specifically:
- the exchange rate effects are calculated by converting the figures for the current period at the exchange rates applicable in the comparative period of the previous year. The exchange rate includes the effects associated with hyperinflationary economies;
- the results attributable to businesses acquired or the conclusion of distribution agreements during the current year are excluded from organic change for 12 months from the date on which the transaction is closed;
- the results attributable to businesses acquired or the conclusion of distribution agreements during the previous year are included in full in the figures for the previous year as from the closing date of the transaction, and are only included in the current period's organic change 12 months after their conclusion;
- the results from business disposals or the termination of distribution agreements during the same period of the previous year are wholly excluded from the figures for that period and, therefore, from organic change;
- the results from business disposals or the termination of distribution agreements during the current period are excluded from the figures for the same period of the previous year from their corresponding date of disposal or termination.

The organic change as a percentage is the ratio of the overall value of the organic change, calculated as described above, to the overall value of the measure in question for the previous period under comparison.

Gross profit: calculated as the difference between net sales and the cost of sales (consisting of their materials, production and distribution costs components).

Contribution margin: calculated as the difference between net sales, the cost of sales (consisting of their materials, production and distribution cost components) and advertising and promotional expenses.

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

These items are deducted from, or added to, the following measures: operating result (EBIT), EBITDA, profit or loss before taxation and the Group's net profit for the period. For a detailed reconciliation of the items that had an impact on the alternative performance measures referred to above in the current and comparison periods, see the appendix given at the end of this section.

The Group believes that properly adjusted measures help both management and investors to assess the Group's results and cash flows year over year on a comparable basis as well as against those of other groups in the sector, as they exclude the impact of certain items that are not relevant to assess performance.

Operating result (EBIT): calculated as the difference between net sales, the cost of sales (in terms of their materials, production and distribution), advertising and promotional expenses, and selling, general and administrative expenses.

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

EBITDA: the operating result before depreciation and amortisation of intangible assets with a finite life, property, plant and equipment and right of use assets.

EBITDA-adjusted: EBITDA as defined above, excluding the other operating income (expenses) mentioned above.

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

Put option, earn out income (expenses): relates to the income (expenses) associated with the review of estimates and assessment of expected cash out settlement for put option and earn out, including the non-cash effect as well, arising from the related actualisation.

Profit (loss) related to associates and joint-ventures: relates to the income (expenses) resulting from the application of the equity method in the valuation of associates and joint-venture investments, including also any gain (loss) resulting from their disposals. The item also includes the fair value re-assessments of previously held joint-venture investments before their consolidation.

Profit before taxation-adjusted: the profit or loss for the period before taxation for the period, before other operating income (expenses), adjustments to financial income (expenses), before the put option earn out income (expenses) and the profit (loss) related to re-assessments of previously held joint-venture investments before their consolidation and including the non-controlling interests result before taxation

Tax adjustments: include the tax effects of transactions or events identified by the Group as components adjusting the taxation of the period related to events covering a single period or financial year, such as:
- positive (negative) taxation effects associated with the operating and financial adjustments, as well as the put option earn out income (expenses) and the profit (loss) related to re-assessments of previously held associate and joint-venture before their consolidation;
- non-recurring positive (negative) taxation effects.

Cash tax rate
The cash tax rate is calculated by deducting from the taxation the tax adjustments mentioned above and the deferred taxes on brands and goodwill which are relevant for tax purposes. The new value of cash taxation is then related on the profit or loss before taxation-adjusted.

Group's net profit adjusted: the result for the period attributable to the Group before other operating income (expenses), adjustments to financial income (expenses), to put option earn out income (expenses) and the profit (loss) related to re-assessments of previously held joint-venture investments before their consolidation, before the related taxation effect and before other positive/negative tax adjustments for the period.

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

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

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

Fixed assets: calculated as the algebraic sum of:
- property, plant and equipment;
- right-of-use assets;
- biological assets;
- investment property;
- goodwill;
- brands;
- intangible assets with a finite life;
- investments in associates and joint-ventures.

Other non-current assets and liabilities: calculated as the algebraic sum of:
- other non-current assets;
- deferred tax assets;
- other non-current financial asset;
- deferred tax liabilities;
- post-employment benefit obligations;
- provisions for risks and charges;
- other non-current liabilities;
- other non-current financial liabilities.

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

Other current assets and liabilities: calculated as the algebraic sum of:
- income tax receivables;
- other current assets;
- income tax payables;
- other current liabilities;
- other current financial assets;
- other current financial liabilities;
- assets and liabilities held for sales.

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

Net financial debt: calculated as the algebraic sum of:
- cash and cash equivalents;
- lease receivables;
- lease payables;
- bonds;
- loans due to banks;
- liabilities for put option and earn-out payments;
- other current and non-current financial asset and liabilities.

Organic change reported in operating working capital, net financial debt and reclassified financial position items
The organic change is calculated by excluding, from the overall change of the period, the exchange rate effects and the perimeter effect. The perimeter effect represents the items of the business acquired and sold at the date of their transaction.

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

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

Reclassified statement of cash flows
This item shows the cash flows generation excluding cash flows relating to changes in short-term and long-term debt and in investments in marketable securities. The total cash flows generated (or used) in the period thus corresponds to the change in net financial debt.

Free cash flow
This is a liquidity measure and provides useful information to the readers of the report about the amount of cash generated which can be used for general corporate purposes, after payments for interests, direct taxes, capital expenditure and excluding income from the sale of fixed assets. Free cash flow shall be considered in addition to, not as a substitute for, or superior to, cash flow from operating activities prepared in accordance with GAAP.

Recurring free cash flows: cash flows that measures the Group's self-financing capacity, calculated on the basis of cash flows from operations, before the other operating income and expenses referred to above, and adjusted for interest, net direct taxes paid and cash flows used in capital expenditure attributable to ordinary business before the income/losses component arising from the sale of fixed assets.

Recurring provisions and operating changes: these include provisions and operating changes, excluding the other operating income and expenses referred to above.

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

Debt/EBITDA adjusted ratio
The net debt/EBITDA adjusted ratio is used by management to assess the Group's level of financial leverage, which affects its capacity to refinance its debt by the set maturity dates and to obtain further financing to invest in new business opportunities. The Group monitors changes in this measure on an ongoing basis. Net debt is the Group's net financial debt reported at the closing date of the reference period; the Group's EBITDA adjusted for the past 12 months is calculated based on the reported value at the closing date of the reference period, into which the portion of EBITDA adjusted recorded in the previous year is incorporated for the remaining months.

- **Appendix of alternative performance indicators**

In 2021, EBITDA, the result from recurring activities (EBIT), profit or loss before taxation, Group net profit were adjusted to take into account the items shown in the tables below.

for the year ended 31 December 2021	**EBITDA**		**EBIT**		**profit before taxation**		**Group net profit**	
	€ million	% on sales	€ million	% on sales	€ million	% on sales	€ million	% on sales
alternative performance measure reported	**473.6**	**21.7%**	**390.1**	**17.9%**	**388.6**	**17.9%**	**94.2**	**4.33%**
impairment loss on goodwill, trademark and on tangible assets	(8.0)	-0.4%	(8.0)	-0.4%	(8.0)	-0.4%	(8.0)	-0.4%
restructuring costs	(10.6)	-0.5%	(10.6)	-0.5%	(10.6)	-0.5%	(10.6)	-0.5%
Jamaica site restoration	(5.0)	-0.2%	(5.0)	-0.2%	(5.0)	-0.2%	(5.0)	-0.2%
gains (losses) from disposals of fixed assets	1.8	0.1%	1.8	0.1%	1.8	0.1%	1.8	0.1%
gain (loss) resulting from fiscal disputes	6.2	0.3%	6.2	0.3%	6.2	0.3%	6.2	0.3%
last mile long-term incentive schemes with retention purposes	(10.0)	-0.5%	(10.0)	-0.5%	(10.0)	-0.5%	(10.0)	-0.5%
cyber attack expenses net of insurance refund	4.8	0.2%	4.8	0.2%	4.8	0.2%	4.8	0.2%
other adjustments of operating income (expenses) (including donations)	(13.4)	-0.6%	(13.4)	-0.6%	(13.4)	-0.6%	(13.4)	-0.6%
profit (loss) related to re-assessments previously held associates and joint-ventures					2.9	0.1%	2.9	0.1%
interest revenues connected to the definition of fiscal disputes					4.7	0.2%	4.7	0.2%
tax adjustments							3.6	0.2%
total adjustments	**(34.2)**	**-1.6%**	**(34.2)**	**-1.6%**	**(26.7)**	**-1.2%**	**(23.1)**	**-1.2%**
alternative performance measure adjusted	**439.4**	**20.2%**	**355.9**	**16.4%**	**279.6**	**12.9%**	**71.1**	**3.1%**

	for the year ended 31 December 2021		
€ million	reported	adjustments	adjusted
profit before taxation	**306.3**	(26.7)	**279.6**
total taxation	**(86.5)**	**3.6**	**(82.9)**
tax adjustments		*(4.9)*	
tax effect on operating and financial adjustments		*8.6*	
net profit for the period	**219.8**	(23.1)	**196.7**
tax rate (reported and adjusted)	**-28.2%**		**-29.6%**

for the year ended 31 December 2021	**Free cash flow**
	€ million
alternative performance measure reported	**473.6**
goodwill, brand and sold business impairment	8.0
other changes from operating activities	(34.3)
non-recurring taxes paid	(5.1)
changes in other non financial assets and liabilities	10.0
net cash flow from non-recurring investments	(53.8)
total adjustments	**(75.2)**
alternative performance measure adjusted (recurring free cash flow)	**398.4**

	for the year ended 31 December 2021 € million
EBITDA adjusted at 31 December 2021	512.2
net financial debt at 31 December 2021	**1,314.9**
net debt/EBITDA-adjusted ratio	**ratio 2.6**

for the year ended 31 December 2020	EBITDA		EBIT		profit before taxation		Group net profit	
	€ million	% on sales	€ million	% on sales	€ million	% on sales	€ million	% on sales
alternative performance measure reported	**315.7**	**17.7%**	**235.0**	**13.2%**	**187.9**	**10.5%**	**94.6**	**5.3%**
impairment on goodwill and trademarks	(35.4)	-2.0%	(35.4)	-2.0%	(35.4)	-2.0%	(35.4)	-2.0%
restructuring and reorganisation costs	(21.4)	-1.2%	(21.4)	-1.2%	(21.4)	-1.2%	(21.4)	-1.2%
fees from acquisition/disposals of business or companies	(2.6)	-0.1%	(2.6)	-0.1%	(2.6)	-0.1%	(2.6)	-0.1%
other adjustments of operating income (expenses) (including donations)	(30.7)	-1.7%	(30.7)	-1.7%	(30.7)	-1.7%	(30.7)	-1.7%
income (expenses) related remeasurement of put option and earn out					19.4	1.1%	19.4	1.1%
adjustments to financial income (expenses)					1.4	0.1%	1.4	0.1%
tax adjustments							55.1	3.1%
total adjustments	**(90.1)**	**-5.1%**	**(90.1)**	**-5.1%**	**(69.3)**	**-3.9%**	**(14.2)**	**-0.8%**
alternative performance measure adjusted	**225.6**	**12.7%**	**144.9**	**8.1%**	**118.6**	**6.7%**	**80.4**	**4.5%**

	for the year ended 31 December 2020		
€ million	reported	adjustments	adjusted
profit before tax before minorities	**187.9**	(69.3)	**118.6**
total taxation	**(11.3)**	**55.1**	**(43.8)**
tax benefit from Italian Legislative Decree n.104		*29.9*	
tax adjustments		*2.2*	
tax effect on operating and financial adjustments		*23.0*	
net profit for the period	**176.5**	(14.2)	**162.3**
tax rate (nominal and adjusted)	**-6.0%**	-	**-36.9%**

for the year ended 31 December 2020	**free cash flow**
	€ million
alternative performance measure reported	**315.7**
accruals and other changes from operating activities	(90.1)
goodwill, brand and sold business impairment	45.7
non-recurring taxes paid	(34.9)
adjustments to financial income (expenses)	1.4
net cash flow from non-recurring investments	(15.2)
total adjustments	**(93.1)**
alternative performance measure adjusted (recurring free cash flow)	**222.6**

	for the year ended 31 December 2020
	€ million
EBITDA adjusted at 31 December 2020	392.5
net financial debt at 31 December 2020	**1472.0**
net debt/EBITDA-adjusted ratio	**ratio 3.7**

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Lagfin Group-Consolidated financial statements as of 31 December 2021

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Consolidated primary statements

Consolidated statement of profit or loss[1]

	notes	for the years ended 31 December 2021 € million	2020 € million
Gross sales		**2,699.5**	**2,255.2**
Excise duties)		(523.2)	(474.9)
Net sales	6 ii.	**2,176.3**	**1,780.3**
Cost of sales	6 iii.	(884.4)	(751.1)
Gross profit		**1,291.9**	**1,029.2**
Advertising and promotional costs	6 iv.	(397.8)	(309.8)
Contribution margin		**894.2**	**719.4**
Selling, general and administrative expenses	6 v.	(465.6)	(407.7)
Other operating expenses	6 v.	(58.3)	(97.3)
Other operating income	6 v.	19.8	20.5
Operating result		**390.1**	**235.0**
Financial expenses	6 viii.	(135.9)	(64.6)
Financial income	6 viii.	52.2	20.2
Share of profit (loss) of associates and joint-ventures	6 x.	(0.1)	(2.8)
Profit before taxation		306.3	**187.8**
Taxation	6 xi.	(86.5)	(11.3)
Profit for the period		**219.8**	**176.6**
Profit attributable to:			
Shareholders of the parent Company		94.2	94.6
Non-controlling interests		125.6	81.9

Consolidated statement of other comprehensive income

	notes	for the years ended 31 December 2021 € million	2020 € million
Profit for the period (A)		**219.8**	**176.6**
B1) Items that may be subsequently reclassified to the statement of profit or loss			
Gains (losses) on cash flow hedge	10 iii.	5.9	3.8
Related Income tax effect	6 xi.	(1.4)	(0.9)
Cash flow hedge		**4.5**	**2.9**
Exchange differences on translation of foreign operations	10 iii.	**139.2**	**(234.6)**
Total: items that may be subsequently reclassified to the statement of profit or loss (B1)		**143.7**	**(231.8)**
B2) Items that may not be subsequently reclassified to the statement of profit or loss			
Gains/(losses) on remeasurement of defined benefit plans	10 iii.	1.7	0.2
Related Income tax effect	6 xi.	(0.4)	(0.1)
Remeasurements of defined benefit plans		**1.3**	**0.2**
Total: items that may not be subsequently reclassified to the statement of profit or loss (B2)		**1.3**	**0.2**
Other comprehensive income (expenses) (B=B1+B2)		**145.0**	**(231.6)**
Total comprehensive income (A+B)		**364,8**	**(55.0)**
Attributable to:			
Shareholders of the parent Company		174.3	(36.2)
Non-controlling interests		190.6	(20.6)

Consolidated statement of financial position
(before appropriation of results)

	notes	at 31 December 2021 € million	2020 post-reclassifications € million
ASSETS			
Non-current assets			
Property, plant and equipment	7 ii.	561.3	567.4
Right of use assets	7 iii.	72.7	72.4
Biological assets	7 iv.	13.4	8.9
Investment properties	7 v.	214,1	56.1
Goodwill	7 vi.	1,801.6	1,737.3
Brands	7 vi.	974.9	956.6
Intangible assets with a finite life	7 vi.	56.8	47.2
Interests in associates and joint-ventures	6 x.	26.6	26.6
Deferred tax assets	6 xi.	58.9	44.6
Other non-current assets	7 vi.	5.6	6.3
Other non-current financial assets	9 iii.	5.7	7.1
Total non-current assets		**3,791,5**	**3,530.5**
Current assets			
Inventories	8 iii.	742.0	656.6
Biological assets	8 iii.	3.7	1.7
Trade receivables	8 i.	291.0	283.0
Other current financial assets	9 ii.	15.8	1.3
Cash and cash equivalents	9 i.	1,180.6	928.3
Income tax receivables	6 xi.	18.5	29.7
Other current assets		50.2	45.9
Assets held for sale	7 ix.	-	3.3
Total current assets		**2,301.8**	**1,946.5**
Total assets		**6,093.3**	**5,480.2**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Issued capital and reserves attributable to shareholders of the parent Company	10 iii.	1,470.0	1,294.9
Non-controlling interests	10 iii.	1,064.2	882.8
Total shareholders' equity		**2,534.2**	**2,177.7**
Non-current liabilities			
Bonds	9 v.	1,160.7	1,198.5
Loans due to banks	9 v.	586.2	496.9
Other non-current financial liabilities	9 v.	156.4	196.3
Post-employment benefit obligations	11 vii.	30.1	33.4
Provisions for risks and charges	11 ii.	34.4	41.8
Deferred tax liabilities	6 xi.	368.9	338.1
Other non-current liabilities	7 x.	21.9	7.5
Total non-current liabilities		**2,359.0**	**2,312.5**
Current liabilities			
Bonds	9 vi.	50.0	6.6
Loans due to banks	9 vi.	358.4	416.7
Other current financial liabilities	9 vi.	192.5	93.7
Trade payables	8 ii.	396.1	322.8
Income tax payables	6 xi.	30.0	9.2
Other current liabilities	7 xi.	173.7	141.1
Total current liabilities		**1,200.2**	**990.0**
Total liabilities		**3,559.2**	**3,302.5**
Total liabilities and shareholders' equity		**6,093.3**	**5,480.2**

Consolidated statements of cash flows

	notes	2021	2020
		for the years ended 31 December	
		€ million	€ million
Operating profit		**390.1**	**234.9**
Effects from hyperinflation accounting standard adoption			2.4
Depreciation and amortisation	6 vii.	82.3	80.8
(Gain) or loss on sale of fixed assets		1.3	(11.3)
Impairment loss (or reversal) of tangible fixed assets, goodwill, brand and sold business	6 v.	8.0	45.6
Change in provisions		11.1	(1.5)
Change in payables to employees		54.8	(8.6)
Change in net operating working capital		50.3	49.3
Income taxes refund (paid)		(53.2)	-
Change in other indirect taxes		(7.3)	(119.7)
Other operating items (including derivative financial instrument on bond fair value)		(62.9)	13.6
Cash flow generated from (used in) operating activities		**474.5**	**258.3**
Purchase of tangible and intangible fixed assets and investment properties	7 ii.- iv.- v.	(218.1)	(162.6)
Disposal of tangible and intangible assets	7 ii.- iv.	10.1	55.0
Acquisition of companies or business divisions		(3.8)	(95.4)
Cash and cash equivalents at acquired companies		0.7	3.3
Put options and earn-out payments		(8.2)	(85.1)
Interests received		6.9	6.2
Decrease (increase) in short-term deposits and investments	9 ii.	(13.2)	(161.8)
Other changes		-	(1.8)
Cash flow generated from (used in) investing activities		**(225.6)**	**(442.1)**
Proceeds from issue of bonds, notes and debentures	9 vii.	89.9	875.0
Repayments of bonds, notes and debentures	9 vii.	-	(580.9)
Proceeds from non-current borrowings	9 vii.	66.0	195.1
Repayment of non-current borrowings	9 vii.	(157.7)	(13.2)
Net change in short-term financial payables and loans due to bank	9 vii.	19.1	154.9
Payment of lease payables	9 iv.	(15.8)	(14.6)
Interest on paid leases	9 iv.	(2.9)	(3.2)
Interests paid on other financial items	9 vii.	(23.9)	(32.6)
Inflows (outflows) of other financial items	9 vii.	30.4	12.3
Purchase and sale of own shares	10 iii.	(2.8)	(271.2)
Dividend paid by DCM N.V. to non controlling interest	10 iii.	(27.2)	(30.3)
Cash flow generated from (used in) financing activities		**(24.9)**	**298.6**
Net change in cash and cash equivalents: increase (decrease)		**224.0**	**75.8**
Effect of exchange rate changes on cash and cash equivalents		**28.3**	
Cash and cash equivalents at the beginning of period	9 i.	928.3	851.2
Cash and cash equivalents at end of period	9 i.	1,180.6	927.0

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 2020		**3.7**	**0.2**	**1,247.0**	**43.9**	**1,294.9**	**882.7**	**2,177.7**
Dividends to owner of the company	10 iii.	-	-	-	-	-	(27.6)	(27.6)
Davide Campari-Milano N.V. share purchase	10 iii.	-	-	-	0.5	0.5	(0.5)	-
Subsidiaries own shares operations increase (decrease)	10 iii.	-	-	(1.5)	-	(1.5)	(1.3)	(2.8)
Subsidiaries own shares operations increase (decrease) through share-based payment transactions	10 iii.	-	-	6.2	-	6.2	5.1	11.3
Change in ownership interests	10 iii.	-	-	-	(0.3)	(0.3)	15.3	15.0
Increase (decrease) through other changes		-	-	-	(4.1)	(4.1)	-	(4.1)
Profit (loss)		-	-	94.2	-	94.2	125.6	219.8
Other comprehensive income (expense)	10 iii.	-	-	-	80.1	80.1	64.9	145.0
Total comprehensive income		**3.7**	**0.2**	**1,345.8**	**120.2**	**1,470.0**	**1,064.2**	**2,534.3**
at 31 December 2021								

	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		**3.7**	**0.2**	**1,297.5**	**151.7**	**1,453.2**	**1,156.7**	**2,610.1**
Dividends to owner of the company	10 iii.	-	-	-	-	-	(30.3)	(30.3)
Davide Campari-Milano N.V. share purchase	10 iii.	-	-	-	-	-	(65.2)	(65.2)
Subsidiaries own shares operations increase (decrease)	10 iii.	-	-	(145.2)	-	(145.2)	(125.9)	(271.1)
Subsidiaries own shares operations increase (decrease) through share-based payment transactions	10 iii.	-	-	-	3.2	3.2	2.9	6.1
Change in ownership interests	10 iii.	-	-	-	16.5	16.5	(36.7)	(20.2)
Increase (decrease) through other changes		-	-	-	1.9	1.9	1.5	3.4
Profit (loss)		-	-	94.6	-	94.6	81.9	176.6
Other comprehensive income (expense)	10 iii.	-	-	-	(129.4)	(125.0)	(102.2)	(231.6)
Total 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**

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 Italy, named Lagfin S.C.A.-Italian Branch- (the 'Italian branch) and on 27 August 2018, a branch in Switzerland, named Lagfin S.C.A. Lussemburgo, Succursale di 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 Group includes Davide Campari-Milano N.V. and all Campari subsidiaries (the 'Campari Group'). Lagfin and its direct and indirect controlled subsidiaries constitute the Lagfin Group (or 'the Group').
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 the corresponding section in the management board report of this annual report, to which reference is made.

3. Accounting information and policies

The consolidated financial statements at 31 December 2021 were prepared in accordance with the International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') and ratified by the European Union ('IFRS-EU'). These include all the international accounting standards ('IAS') and interpretations of the International Financial Reporting Standards Interpretation Committee ('IFRS IC'), formerly the Standing Interpretations Committee ('SIC').

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the date of signing the Company's consolidated financial statements.

The financial statements were prepared in accordance with the historical cost method and taking any value adjustments into account where appropriate for certain categories of assets and liabilities, which were measured in accordance with the methods provided by IFRSs.

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 of its subsidiaries.
These accounting statements are based on the same financial year as the Parent Company and drawn up for the purposes of consolidation. 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 the 2021, 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 flows 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 Group's assets and liabilities and items in the profit or loss during the year. These estimates and assumptions, which are based on the best valuations available at the time of their preparation and are reviewed regularly, may differ from the actual circumstances and may be revised accordingly at the time the circumstances change or when new information becomes available. Future outcomes can consequently differ from estimates.
Details of critical estimates and judgements that could have a significant impact on the financial statements are set out in the related notes as follows:

- Business combination: management judgement to determine all the factors relevant to the relationship with the investee to ascertain whether control has been established and whether the investee should be consolidated as a subsidiary. Management judgment to define acquisition fair values that are attributed to the assets and liabilities acquired. Please refer to note 7 i-'Acquisition and sale of businesses and purchase of non-controlling interests' of the consolidated financial statements at 31 December 2021;
- disclosure regarding 'other operating income and expenses': management judgement whether non-recurring or not usual. Please refer to note 6 v-'Selling, general and administrative expenses and other operating income and expenses ' of consolidated financial statements at 31 December 2021;
- disclosures for contingent assets and liabilities: management judgement in assessing the likelihood of whether a liability will arise and an estimate to quantify the possible range of any settlement and judgement in assessing the likelihood of the assets collection. Please refer to note 11 ii-'Provisions for risks and future charges' of the consolidated financial statements at 31 December 2021;
- restructuring provisions, provisions for risk and charges: management judgement in assessing the likelihood of whether a liability will arise and an estimate to quantify the possible range of any settlement. Please refer to note 11 ii-'Provisions for risks and future charges' of the consolidated financial statements at 31 December 2021;
- compensation plans in the form of share-based payments: management estimate in determining the assumptions in calculating the fair value of the plans. Please refer to note 11 i-'Share-based payments' of the consolidated financial statements at 31 December 2021;
- goodwill and intangible assets: management judgement of the assets to be recognised and synergies resulting from an acquisition. Management judgements and estimates required to determine future cash flows and appropriate applicable assumptions to support the intangible asset value. Please refer to note 7 v-'Intangible assets' of the consolidated financial statements at 31 December 2021;
- taxation: management judgement and estimate required to assess uncertain tax positions and the recoverability of deferred tax assets. Please refer to note 6 xi-'Taxation' of the consolidated financial statements at 31 December 2021;
- incremental interest rate for lease transactions: management judgements and estimates required to determine the rate level. Please refer to note 9 iv-'Lease components' of the consolidated financial statements at 31 December 2021.

- <u>Climate related matters</u>

There has been increasing interest in how climate change will impact the Group's business. With reference to the climate related matters, a critical review was undertaken, and a focused analysis was performed to identify, and consequently manage, the principal risks and uncertainties to which the Group is exposed. The most significant area of effort will be the management of water scarcity and waste and reducing energy and GHG emissions in the supply chain area. The Lagfin Group recognises the importance of climate change risk and 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 as well as emission reduction.
Financial statements information is presented through historical values which, by their nature, do not fully capture future events. One area identified as climate related matter is the inventory management. The Group's plantations are exposed to the risk of damage caused by extreme weather events like storms, strong winds hurricanes and droughts. Changes in global climatic conditions could intensify one or more of these events. Periods of drought and associated high temperatures or lack of water can increase the risk of fires and insect outbreaks. In addition to their effects on yields, they are extreme weather events, which could also increase the cost of production. Therefore, the Group has processes in place to monitor and mitigate these risks through some insurance programmes, as well as through proactive initiatives to promote responsible use of resources and reduction in the environmental impact of production (for more information, please reference to the 'Risk management' and 'Non-financial information' sections).
In determining fair value measurement, the impact of potential climate-related matters, including legislation, which may affect the fair value measurement of assets and liabilities in the financial statements, has been considered. These risks in respect of climate-related matters are included as key assumptions where they materially impact the measure of the recoverable amount. At present, the impact of climate-related matters is not material to the Group's financial statements, as even in the inventory management identified as climate-related matter, mitigation actions were put in place to minimize any possible emergency.
With regard to the preparation of the financial statements and the analysis conducted aiming to identify and address the new uncertainties related to climate changes which could affect the business, based on the Group strategy outlined in the context of the global supply chain environmental targets, no critical situation that cannot be attributable to and addressed in the ordinary course of the business was identified.

- <u>Outbreak of Covid-19</u>

The Covid-19 pandemic continues to impact countries and economies in different ways. While some governments are starting to ease restrictions, with a very positive impact on consumption trends in the on-premise channel which has gradually reopened across all countries, others continue to enforce lockdown measures. The timing and intensity of the world recovery still remain uncertain even though the ongoing mass vaccination campaigns launched since the beginning of 2021 are progressively accelerating in many countries, albeit at a different pace. Despite the vaccine roll-out, some countries continue to be heavily affected by the pandemic, whilst others are cautiously observing a new spike of contagions of variants. Overall, the situation seems to be improving in many parts of the world, also thanks to the effective interventions by governments in terms of either the imposition of selective and temporary lockdowns or the gradual lifting of the restrictions also through the introduction of vaccination green passes.
The Group is continuing to monitor and analyse the evolution of the pandemic and its effects on the macroeconomic scenario, the markets in which it operates, the behavioural patterns of its consumer base and the related impact 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.

Either way, Covid-19 continues to potentially affect the recognition and measurement of assets, liabilities, income and expenses. As a result of the above-mentioned uncertainty associated with the unprecedented nature of Covid-19, in preparing these 2021 consolidated financial statements, despite the very strong business performance recovery compared with the previous year, which also benefitted from an overall increased consumption and penetration of its brands with respect to pre-pandemic levels, the Group performed a greater assessment analysis than the usual update required. In addition, the going concern has also been carefully reassessed.
A critical review was conducted, and a focused analysis performed to identify, and consequently manage, the principal risks and uncertainties to which the Group is exposed.
In particular, all significant assumptions and estimates underlying the preparation of the following items were the subject to an analysis to identify and address new uncertainties linked to the unpredictability of the pandemic: 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 attributable to and addressed during the ordinary course of business.

Specific additional supplementary information is provided below with respect to the Covid-19 impact on the Group disclosure.

Going concern
The Group continues to be very sound, in terms of its operating and financial profiles, and was not exposed to any going-concern issues during 2021 thanks to the agility and resilience of its organisation.
Whilst smart-working is still the recommended policy for office-based Group employees, the Group has begun to set the guidelines for the introduction of new globally consistent ways of working for a safe return to the workplace, respecting the specific regulations that each country will enforce
During 2021, the Group continued to build on its agility and learning ability, particularly strengthened during the pandemic peak in 2020, to engage with consumers with new online and digital initiatives, thus supporting the positive own brand momentum across key markets thanks to resilient off-premise dynamics, combined through gradual on-premise re-opening. The very sound performance achieved in 2021 boosted by a strong generation of cash flows allowed the Group to reinvest in long-term growth, including production capacity, digital capabilities and supporting the Group sustainability agenda.

Goodwill, brands and intangible assets with a finite life
Goodwill and intangible assets with an indefinite useful life were subject to annual impairment tests to verify if any substantial deterioration of business performance occurred with respect to each cash generation unit and brands. During the year an additional analysis was performed to verify whether trigger events occurred during the intra-annual period: no issues was identified since over the year no deterioration in consumer demand affecting business plans was registered and there was no interruption in the Group’s plants operations or supplies or any other issues involving logistics and freight transport activities. Compared with 2020, 2021 was characterised by a significantly improved business and consumer sentiment for the Group, thanks to the acceleration of the vaccination campaigns and the gradual reopening of the on-premise channel. The spirits industry has demonstrated strong resilience throughout the pandemic thanks to sustained home consumptions with strong home cocktail mixing trends, also favoured by a positive development of the e-commerce channel and ready-to-drink category. The impairment loss identified with respect to the annual test were not material overall for the Group.

Net financial debt
In conducting the assessment to identify whether in 2021 there were events triggering issues on the Group’s financial performances, certain characteristics specific to the Group’s situation have been taken into consideration.
As far as financial assets are concerned, they are not subject to particular risks, since the investments considered by the Group are always the subject of a careful and scrupulous preliminary analysis and are always aligned with the financial needs of the moment.
With regard to financial liabilities, the Group’s indebtedness ratios measured internally (given the lack of covenants on existing debt) were under control, standing at a level considered entirely manageable by the Group. During 2021, the Group’s financial structure was confirmed to have been boosted by the availability of significant committed and uncommitted credit lines. No renegotiation of interest rates or other terms of existing agreements (derivatives included) have been performed 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 fixed-interest rates has minimised its exposure to market risks.
In terms of fair value measurement hierarchies of financial items, during 2021 there were no changes to be reflected in the 2021 consolidated Group’s financial statements other than those disclosed in the related notes.
With respect to lease and rental agreements, there have been no significant lease agreements, including sub-leases, generating financial receivables for the Group. During 2021, there were no significant contract amendments directly linked to the pandemic and no significant rental concessions were agreed with lessors exclusively in relation to 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.
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 performance. The analysis was conducted in conjunction with the considerations described above in relation to the impairment test on goodwill, brands and intangible assets with a finite life, in order to ensure homogeneity and consistency in the valuation, and from the analyses no particular circumstances emerged requiring significant revisions of these liabilities.

Operating working capital, revenue recognition and provision and onerous contracts
The pandemic environment over the year did not trigger any significant change with clients’ contracts and any change in the revenue recognition criteria previously identified. Significant judgements were used to review the expected credit losses in the normal course of business and based on the Group business model to manage

financial instruments, since no specific issues were identified during the year. No significant anticipated partial payments were experienced, indicating an implicit price concession to be accounted for or an impairment loss.
To facilitate the management of liquidity, the Group continued the reverse factoring agreements introduced at the end of 2020, confirming a limited number of trusted suppliers involved during 2021. A detailed analysis was reassessed to confirm 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 no separate disclosure as primary line items of the Group financial statements in consideration of the total exposure.
During 2021 the coronavirus outbreak did not generate the need to include dedicated and additional adjustments to be reflected in the net realisable value of inventories nor to change the production cost allocation linked to inefficiencies. With respect to biological assets, during the year there were no changes to the fair value measurement hierarchies to be reflected in the consolidated Group's financial statements. In terms of the assessment of provision for risks and charges, there were no events or situations generating the need to include additional provisions outside the normal course of business or requiring any significant estimate of onerous contracts to be reflected in the Group's accounts.

Taxation
All significant assumptions and estimates considered in the preparation of the 2021 annual report were reviewed. In particular, all tax rates were investigated 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. The review conducted has not identified any new triggering events, which could have an effect on the recoverability on deferred tax assets and on the recognition of any additional liabilities for uncertain tax positions.

Property, plant and equipment
Over 2021 the business development confirmed no issues related to operations. In terms of production facilities, all the Group's plants and distilleries remained fully operational and the outbreak did not trigger the need to perform an impairment test for the production facilities, apart from specific transactions in progress, such as the restructuring of the sugar business in Jamaica commenced in 2020, and planned changes in route to markets managed as part of the normal course of business.

iv. Basis of consolidation
The following changes were made to the basis of consolidation, resulting from the creation, acquisition, sale and reorganisation of companies:
- on 4 January 2021 the Group increased its interests in the South Korean joint-venture Trans Beverages Company Ltd. leading to the consolidation of the company, with its 40% stake growing to 51% and confirming the call option on the remaining share capital, which can be exercised from 2024;
- on February 2021 the liquidation process of Campari Services S.r.l. was completed and the company was therefore excluded from the consolidation perimeter;
- on 1 May 2021 Campari France Distribution S.A.S. and Marnier-Lapostolle Bisquit S.A.S. were merged with the aim of optimising and streamlining the Group's structure. The name of the new company following the merger was Campari France S.A.S.. For statutory and fiscal purposes, the effective date of the merger was 1 January 2021;
- on 25 May 2021, Dioniso S.r.l. ('Dioniso') was established by Campari Group also via a contribution of its interests in the joint-venture Tannico e Wineplatform S.p.A. Following the closing concerning the establishment of 50%/50% joint-venture with Moët Hennessy, the Group sold 50% of Dioniso's shares to the joint partner;
- on 1 September 2021 a selection of previously held shareholdings of Di.Ci.E. Holding B.V. (i.e., Campari Mexico S.A. de C.V., Campari South Africa Pty Ltd., Licorera Ancho Reyes y cia, S.A.P.I. de C.V, Casa Montelobos, S.A.P.I. de C.V) were transferred to Campari España S.L.;
- on 17 November 2021, the Group signed an agreement with Taiwan Hsin Lin Enterprise Company Limited ('THL') to acquire an initial interest stake of 40% in Spiritus Co Ltd., a newly incorporated joint-venture in Taiwan. Spiritus Co Ltd. was incorporated on 15 December 2021 and it was therefore classified as a joint-venture from the agreement date;

- on 14 December 2021, as part of the ongoing process of optimising and streamlining the corporate structure of the Group and the aforementioned first step taking place in September 2021, Di.Ci.E. Holding B.V has been incorporated into Davide Campari-Milano N.V. and the merger was effective from that date. Consequently Di.Ci.E.'s remaining shareholdings (i.e. Campari Deutschland GmbH, Campari Austria GmbH, Campari Ukraine LLC, Campari RUS LLC, Forty Creek Distillery Ltd., Campari Schweiz A.G., CT Spirits Japan Ltd., Kaloyiannis-Koutsikos Distilleries S.A., Campari India Private Ltd., Campari (Beijing) Trading Co. Ltd., Campari Singapore Pte Ltd., Campari Argentina S.A., Campari Australia Pty Ltd) were transferred to Davide Campari-Milano N.V.;
- On 9 December 2021 Campari Mexico Corporativo S.A. de C.V. and Campari Mexico Destiladora S.A. de C.V. signed a merger agreement with the aim of optimising and streamlining the Group's structure. For statutory and fiscal purposes, the effective date of the merger was 31 December 2021 with Campari Mexico Destiladora S.A. de C.V. as the surviving company. This reorganization did not have any impact on the group consolidation

The tables below list the companies included in the basis of consolidation at 31 December 2021.

name of company, activity	registered office	share capital at 31 December 2021		% owned by the Company		
		currency	amount	direct	indirect	direct shareholder
Lagfin S.C.A., Sociètè en Commandite par Actions, holding company	Rue de 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; Milan, Italy	€	700,000		55.258	
Camparino S.r.l., trading company	Piazza Duomo 21, Milan, Italy	€	48,880		55.258	
Terrazza Aperol S.r.l., trading company	Sestiere San Marco 2775, Venice, Italy	€	20,000		55.258	
Telco Real Estate	Foro Buonaparte 12, Milano, Italy	€	10,000		55.258	
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	55.258		
Campari Austria GmbH, trading company	Naglergasse 1/Top 13,1010 Wien, Austria	€	500,000		55.258	
Campari Benelux S.A., finance and trading company	Avenue de la Méterologie, 10, Bruxelles, Belgium	€	1,000,000		55.258	Glen Grant Ltd. 39%
Campari Deutschland GmbH, trading company	Adelgundenstr. Munich, 80538 Germany	€	5,200,000		55.258	
Campari España S.L., holding and trading company	Calle de la Marina 16-18, planta 28, Barcelona, Spain	€	4,279,331		55.258	
Campari RUS LLC, trading company	115088, Moscow, 2nd Yuzhnoportovy proezd, 14/22, Russia	RUB	2,010,000,000		55.258	
Campari Schweiz A.G., trading company	Lindenstrasse 8, Baar, Switzerland	CHF	500,000		55.258	
Campari Ukraine LLC, trading company	8, Illinska Street, 5 Floor, block 8 and 9, Kiev, Ukraine	UAH	87,396,209		55.258	Campari RUS LLC 1%
Glen Grant Ltd., manufacturing and trading company	Glen Grant Distillery, Rothes, Morayshire, AB38 7BN, United Kingdom	GBP	24,949,000		55.258	
Kaloyiannis-Koutsikos Distilleries S.A., manufacturing and trading company	6 & E Street, A' Industrial Area, Volos, Greece	€	6,811,220		55.258	
Société des Produits Marnier Lapostolle S.A.S., holding and manufacturing company	32 rue de Monceau, 75008 Paris, France	€	27,157,500		51.230	Minority Shareholders 7.29%
Société Civile Immobilière Du VAL, property company	32 rue de Monceau, 75008 Paris, France	€	16,769,392		51.230	Campari France S.A.S. 100%
Campari France S.A.S., manufacturing and trading company	14 rue Montalivet 75008 Paris, France	€	112,759,856		51.230	Société des Produits Marnier Lapostolle S.A.S. 100%
Bellonnie&Bourdillon Successeurs S.A.S.,	Zone de Génipa, 97224, Ducos, Martinique	€	5,100,000		48.898	Campari France S.A.S.96.53%

name of company, activity	registered office	share capital at 31 December 2021		% owned by the Company		
		currency	amount	direct	indirect	direct shareholder
manufacturing and trading company						minority shareholders 3.47%
Distilleries Agricole de Sainte Luce S.A.S., agricultural production company	Zone de Génipa, 97224, Ducos, Martinique	€	2,000,000		48.898	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		48.898	Bellonnie et Bourdillon S.A.S. 25% Distilleries de Sainte Luce S.A.S 75%
Champagne Lallier S. à r.l., manufacturing company	4 Place de la Libération, 51160, AY, France	€	3,575,420		40.979	Campari France S.A.S. 80% minority shareholders 20%
Scev des Gloriettes, property company	4 Place de la Libération, 51160, AY, France	€	34,301		40.979	Campari France S.A.S. 80% minority shareholders 20%
Les Rives Marne S.A.S., trading company	4 Place de la Libération, 51160, AY, France	€	100,000		40.979	Champagne Lallier S. à r.l. 100%
Sci Athena, property company	4 Place de la Libération, 51160, AY, France	€	1,000		40.979	Champagne Lallier S. à r.l. 99.9% Les Rives Marne S.a.s. 0.1%
Campari South Africa Pty Ltd., trading company	2nd Floor ICR House Alphen Park, Constantia main road, Constantia, Western Cape 7806, South Africa	ZAR	310,247,750		55.258	Campari España S.L.
10 Chapel Street Ltd.	2nd Floor 37-38 Long Acre, London, WC2E9JT, England	£	100	100.00		
14 Chapel Street Ltd.	2nd Floor 37-38 Long Acre, London, WC2E9JT, England	£	100	100.00		
Haldson Ltd.	Linen Hall, 162-168 Regent Street, Room 252-254, London W1B5TB, England	£	100	100.00		
Highball S.à r.l.	3, Rue des Bains, L-1212 Luxembourg	£	5,229,747	100.00		
Americas						
Campari America, LLC, manufacturing and trading company	1114 Avenue of the Americas, 19th Floor New York, United States	USD	566,321,274		55.258	
Campari Argentina S.A., manufacturing and trading company	Olga Cossettini, 243 Piso 3, Puerto Madero, CABA, Argentina	ARS	1,179,365,930(2)		55.258	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		55.258	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		55.258	Campari España S.L. 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	10,100,000		55.258	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		28.182	Campari España S.L. 51% minority shareholders 49%
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		28.182	Campari España S.L. 51% minority shareholders 49%
Campari Peru SAC, trading company	Av. Jorge Basadre No.607, oficina 702, distrito de San Isidro, Lima, Peru	PEN	34,733,589(3)		55.258	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(3)		55.258	
J. Wray&Nephew Ltd., manufacturing and trading company	23 Dominica Drive, Kingston 5, Jamaica	JMD	750,000		55.258	Campari Espãna S.L.
Portfolio 3, LLC	Tri-Star Equities, 155 East 26th Street, New York, 10010-1824, USA	USD	7,250,000	100.00		
Portfolio 4, LLC	Tri-Star Equities, 155 East 26th Street, New York, 10010-1824, USA	USD	2,600,000	100.00		
Portfolio 5, LLC	Tri-Star Equities, 155 East 26th Street, New York, 10010-1824, USA	USD	2,050,000	100.00		
Portfolio 6, LLC	Tri-Star Equities, 155 East 26th Street, New York, 10010-1824, USA	USD	1,210,000	100.00		
Asia						

name of company, activity	registered office	share capital at 31 December 2021		% owned by the Company		
		currency	amount	direct	indirect	direct shareholder
Campari (Beijing) Trading Co. Ltd., trading company	Building 1, Level 5, Room 66, 16 Chaowai Avenue, Chaoyang District, Beijing, China	CNY	104,200,430		55.258	
Campari Australia Pty Ltd., manufacturing and trading company	Level 21, 141 Walker Street North Sydney, Australia	AUD	56,500,000		55.258	
Campari India Private Ltd., services company	Upper Ground & First Floor Shop No. SG-1 & SF-1, DT Greater Kailash-II, New Delhi 110048, India	INR	172,260		55.258	Campari Australia Pty Ltd 0.01%
Campari New Zealand Ltd., trading company	C/o KPMG 18, Viaduct Harbour Av., Maritime Square, Auckland, New Zealand	NZD	10,000		55.258	Campari Australia Pty Ltd.
Campari Singapore Pte Ltd., trading company	152 Beach Road, #24-06, 1Gateway East, 189721, Singapore	SGD	100,000		55.258	
Trans Beverages Company Ltd., trading company	Nr 1702,c-dong (GL Metrocity Munjung SK V1) 642-3 Munjung-dong, Songpa-gu, Seoul, Korea	KWD	2,000,000,000		28.182	Glen Grant Ltd.

Associates and joint-venture accounted for using the equity method

name, activity	registered office	share capital at 31 December 2021		% owned by the company		direct shareholder
		currency	amount	direct	indirect	
CT Spirits Japan Ltd., trading company	2-26-5 Jingumae Shibuya-ku, Tokyo 150-0001, Japan	JPY	100,000,000	40.00	22.103	
Dioniso S.r.l., holding and trading company	Via Franco Sacchetti, 20 Sesto San Giovanni; Milan, Italy	€	1,000,000	50.00	27.629	
Spiritus Co Ltd., trading company	4F., No, 70, Sec. 3, Nanjing E. Rd Zhongshan Dist, Taipei City 104503, Taiwan (R.O.C.)	NTD	33,600,000		22.103	Glen Grant Ltd.

(1) This figure does not include the portion of capital with right of usufruct, equal to 0.59%, whose bare ownership is held by shareholders of Société des Produits Marnier Lapostolle S.A.S. who hold 7.29% of the capital, both covered by agreements for Campari Group purchases.
(2) The share capital does not include effects related to the hyperinflation accounting standard.
(3) Includes the capital contribution.

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		% owned by the Company		
		Currency	Amount	Direct	Indirect	Direct shareholder
Parent Company, Lagfin S.C.A, Holding company	Rue de 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 Méterologie, 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, Ukraina	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. à 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. à r.l. 100%
Sci Athena, property company	4 Place de la Libération, 51160, AY, France	€	1,000		40.963	Champagne Lallier S. à r.l. 99.9% Les Rives Marne Sas 0.1%
Campari South Africa Pty Ltd., trading company	12th 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 therefrom. 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 of the subsidiaries, are fully reflected in the consolidated financial statements. The carrying amount of the equity of the investments is derecognised against the corresponding portion of the shareholders' equity of the subsidiaries. At the first consolidation stage individual assets and liabilities are measured at fair value in the context of the purchase price allocation at the date control was acquired. Any residual positive difference in the allocation is recorded under the asset item 'Goodwill', and any negative amount is allocated to the statement of profit or loss.

Non-controlling interests in shareholders' equity and related results 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-venture

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, which 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 recognised at cost plus acquisition-related costs and are subsequently reported in the consolidated financial statements using the equity method from the date on which significant influence or joint control commences and ending when that influence or control ceases.

If there is a significant loss of influence or joint control, the holding and/or investment is recognised at fair value and the difference between the fair value and the carrying amount is 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 a put and/or call option or a combination of both, cannot be estimated and recorded as a 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 agreements for put and/or call

options are considered to be derivative agreements and represented in the Group accounts as financial instruments measured at fair value with an impact in the statement of profit or loss. At that time of expiration of the call and/or 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 an incentive plan granted to personnel of the associate or joint-venture are recorded as an incremental cost of the investment once the attainment 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 key exchange rates used for conversion transactions are shown below.

	for the year ended 31 December 2021	at 31 December 2021	for the year ended 31 December 2020	at 31 December 2020
	average rate	end-of-period rate	average rate	end-of-period rate
US Dollar	1.184	1.133	1.141	1.227
Canadian Dollar	1.483	1.439	1.530	1.563
Jamaican Dollar	178.337	174.455	162.606	174.805
Argentine Peso (1)	116.362	116.362	103.249	103.249
Australian Dollar	1.575	1.562	1.655	1.590
Brazilian Real	6.381	6.310	5.890	6.374
Swiss Franc	1.081	1.033	1.070	1.080
Chile Peso	897.632	964.350	903.135	872.520
Yuan Renminbi	7.634	7.195	7.871	8.023
Great Britain Pounds	0.860	0.840	0.889	0.899
Japanese Yen	129.857	130.380	121.778	126.490
South Korea Won	1,353.946	1,346.380	1,345.104	1,336.000
Mexican peso	23.990	23.144	24.514	24.416
New Zealand Dollar	1.673	1.658	1.756	1.698
Peruvian Sol	4.588	4.519	3.992	4.443
Russian Ruble	87.232	85.300	82.654	91.467
Singapore Dollar	1.590	1.528	1.574	1.622
Ukraine Hryvnia	32.296	30.922	30.815	34.769
South Africa Rand	17.479	18.063	18.768	18.022

(1) The average exchange rate of the Argentine Peso was equal to the spot exchange rate at the reporting date.

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 2021, in accordance with hyperinflationary economies IFRS rules, are shown in the table below. Specifically, the national Consumer Price Index ('nationwide CPI') of Argentina was used.

	for the years ending 31 December	
	2021 average rate	2020 average rate
Consumer Price Index	579.990	385.862
	2021 conversion factor	2020 conversion factor
January	1.445	1.331
February	1.395	1.305
March	1.331	1.263
April	1.278	1.244
May	1.237	1.225
June	1.199	1.198
July	1.164	1.176
August	1.136	1.145
September	1.097	1.113
October	1.060	1.073
November	1.034	1.040
December	1.000	1.000

xi. Reclassification of comparative figures at 31 December 2020

Reclassifications for purchase price allocation

On 10 June 2020, the Group completed the acquisition of an 80% interest in the share capital of Champagne Lallier S. à r.l. and other companies in its group.
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 final fair value allocation of net assets identified was published the Group half year condensed consolidated financial statements at 30 June 2021, and are provided as well here below. Changes to the net assets, which were shown provisionally at 31 December 2020, have been identified separately and detailed in the following tables as required amendments to the opening balances. The updated allocation did not have a significant impact on the statement of profit or loss, statement of changes in shareholders' equity and cash flow statement for 2020.

Reclassifications of the consolidated statement of financial position

	at 31 December 2020		
	stated figures	change resulting from provisional allocation of acquisition value	reclassified figures
	€ million	€ million	€ million
ASSETS			
Non-current assets			
Property, plant and equipment	570.4	(3.0)	567.4
Right of use assets	72.4	-	72.4
Biological assets	5.5	3.4	8.9
Investment properties	56.1	-	56.1
Goodwill	1,739.8	(2.5)	1,737.3
Brands	954.5	2.1	956.6
Intangible assets with a finite life	47.6	(0.4)	47.2
Investments in associates and joint-ventures	26.6	-	26.6
Deferred tax assets	44.6	-	44.6
Other non-current assets	6.3	-	6.3
Other non-current financial assets	7.1	-	7.1
Total non-current assets	**3,530.9**	**(0.4)**	**3,530.5**
Current assets		-	
Inventories	655.1	1.5	656.6
Biological assets	1.6	0.1	1.7
Trade receivables	283.0	-	283.0
Other current financial assets	1.3	-	1.3
Cash and cash equivalents	928.3	-	928.3
Income tax receivables	29.7	-	29.7
Other current assets	45.9	-	45.9
Assets held for sale	3.3	-	3.3
Total current assets	**1,944.9**	**1.6**	**1,946.5**
Total assets	**5,479.1**	**1.1**	**5,480.2**
LIABILITIES AND SHAREHOLDERS' EQUITY		-	
Shareholders' equity		-	
Issued capital and reserves attributable to shareholders of the parent Company	1,294.9	-	1,294.9
Non-controlling interests	882.8	-	882.8
Total shareholders' equity	**2,177.7**	**-**	**2,177.7**
Non-current liabilities		-	
Bonds	1,198.5	-	1,198.5
Loans due to banks	496.9	-	496.9
Other non-current financial liabilities	196.3	-	196.3
'Post-employment benefit obligations	33.4	-	33.4
Provisions for risks and charges	41.6	0.2	41.8
Deferred tax liabilities	337.2	0.9	338.1
Other non-current liabilities	7.5	-	7.5
Total non-current liabilities	**2,311.4**	**1.1**	**2,312.5**
Current liabilities		-	
Bonds	6.6	-	6.6
Loans due to banks	416.7	-	416.7
Other current financial liabilities	93.7	-	93.7
Trade payables	322.8	-	322.8
Income tax payables	9.2	-	9.2
Other current liabilities	141.1	-	141.1
Total current liabilities	**990.0**	**-**	**990.0**
Total liabilities	**3,301.4**	**1.1**	**3,302.5**
Total liabilities and shareholders' equity	**5,479.1**	**1.1**	**5,480.2**

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, when 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 profit or loss 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 the 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 necessary for development. These costs are recorded in the year in which the internal or external costs are incurred to train 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 in which 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 any rights over tangible assets to the Group, 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 that 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 once 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. The Group undertakes this assessment for each business combination to segregate asset deal transaction.
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 on which the control is acquired, and any resulting gains or losses are recognised in the statement of profit or loss.
Contingent considerations are measured at fair value on the acquisition date and are included among the transferred payments for the purposes of calculating goodwill. Among other factors, the nature of and compensation for the selling shareholders' continuing employment is considered to determine if any contingent payments are for post-combination employee services, which are excluded from consideration. Subsequent changes to the fair value of the contingent considerations, i.e. when 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 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 at which 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 relative value of the assets sold compared with 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 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 (i.e. at fair value).

The choice of method for determining non-controlling interests is made on a case-by-case basis separately 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 interests must continue to be represented in addition to the Group's shareholders' equity and, at the same time, the financial liability for contingent deferred consideration for the put and/or call option agreements (normally set at a variable price) estimated to be paid on the exercise of those options, must be recorded.
Movements in the estimated liability in respect of options are recognised in retained earnings. 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 contingent consideration in the form of 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 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 liability 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.
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 held-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 of the economic life of the asset and the contract duration of the underlying lease agreement.

The Group depreciation rate ranges 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 in which the Group has complied with all the underlying conditions to be entitled to receive the grant. 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

Intangible assets with an indefinite useful life and goodwill are subjected to impairment tests every year, or more frequently if, there is any indication that the asset may be impaired. With reference to intangible assets with finite useful life and tangible assets the Group ascertains, at least once a year, whether there are indicators of potential impairment. If the Group finds that such indications exist, it estimates the recoverable value of the relevant asset. The ability to recover the assets is ascertained by comparing the carrying amount to the related recoverable value, which is represented by the higher of the fair value less cost of disposal, 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. Growth rate assumptions are applied to the years beyond the business plan horizon. 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 loss is recorded if the recoverable value of an asset is lower than its carrying amount, by posting the related cost in the statement of profit or loss. In the event that in subsequent periods, circumstances arise in support of an impaired asset other than goodwill that has recovered the lost value, the carrying amount of the asset or the related 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 in the statement of profit or loss.

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 of 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 to offset. 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 (explicit interest rates in lease agreements are rare). 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 subsidiary, 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.
After the start date, the amount recorded for the liabilities relating to lease contracts increases to reflect the accrual of interest and decreases 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 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 that 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.

The management is required to make estimates and assumptions that might influence the valuation of the right of use and the financial liability for leases, including the determination of:
- whether the arrangements are or contains a lease by applying the lease definition;
- terms of the agreement;
- interest rate used to discount future lease payments to current value.

The agreements are either included or excluded from the application of the standard based on a detailed analysis carried out for each agreement and in line with the rules laid down by IFRS standards. Variable lease payments that are not linked to an index or rate continue to be charged to the statement of profit or loss as costs for the period.

ix. Financial instruments

Financial instruments held by the Group are categorised as follows.

- **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 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 the 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.
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 represented by debt securities are classified and valued in the statement of financial position based on the business model adopted to manage these financial assets and on the financial flows associated with each financial asset. They are measured at fair value through other comprehensive income (FVOCI) if all the conditions required by IFRS 9 are respected.

- **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 default 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 recognised under selling, general and administrative expenses. More specifically, non-performing receivables are 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.

- **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-out linked to business combinations and derivative instruments and financial liabilities for put options on non-controlling interests.

– **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 (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) 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.

– **Financial derivatives and hedging transactions**
Financial derivatives embedded in contracts in which 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 by 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 to be reported using hedge accounting procedures, the following accounting treatment is applied:
- 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;
- 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 in which 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.

– **Financial guarantee contract liabilities**
The Group recognises financial guarantees as a financial liability if the likelihood of these guarantees being called is assessed not to be remote and the Group is expected to be liable for any legal obligation in respect of these financial guarantee agreements. Financial guarantee contract liabilities are measured initially at their fair values. These liabilities are subsequently measured at the higher of the amount determined under IAS 37 and the amount initially recognised (i.e. fair value) less, where appropriate, any cumulative amortisation of the initial amount

recognised. They are represented as a long- or short-term financial liability, depending on the time of the expected execution of the guarantees.
If the likelihood of these guarantees being called is assessed to be remote, they are treated as commitments with disclosure requirements only. It occurs when they are represented as other forms of security in favour of third parties, such as customs guarantees for excise duties and guarantees to grant credit lines.

x. Own shares

Own shares (both ordinary and special voting 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 include grapes for champagne production, sugar cane plantations and agave, which are used as raw materials for the production of spirits.
Grape vines remain classified as fixed biological assets valued at cost, net of accumulated depreciation and accumulated impairment losses. Immature vines are stated at accumulated cost. Capitalisation of costs ceases when the vines reach maturity. Depreciation commences when the grape vines are considered mature, which is when they produce their first commercially viable crop. Grapes growing on the plant are immediately classified as biological inventory since agricultural output covers a one-year period and the harvest is expected to occur in the second half of the year. Taking into account the biological and vegetative cycle, all the costs incurred in anticipation of the future harvest (service, products and other ancillary costs) are considered as inventory in current biological assets at the reporting date at a value that is in line with the fair value of the growing grapes based on available information on commodities markets.
Sugar cane plantations remain classified as fixed biological assets valued at cost, net of accumulated depreciation and accumulated impairment losses up to the harvest, which occurs from February to June. At the harvest time the agricultural output that covers a one-year period, is classified as an inventory item at a value estimated based on the costs of infrastructure, land preparation and sugar cane cultivation, with reference to an active market for comparable plantation and similar output in terms of age and qualitative characteristics, if available.
Agave plantations remain classified as fixed biological assets valued at cost, net of accumulated depreciation and accumulated impairment losses. The vegetative cycle for the ripening of the agave fruit is approximately six years. During this period the agave plants have not yet matured to be used for distillation purposes but can theoretically be sold as medium-aged plants. Agave cannot be distinguished from planting and can only be harvested once. The value of the growing product is represented as biological inventory and the reported fair value is estimated on the basis of the costs of infrastructure, soil preparation and agave cultivation, in the absence of an active reference market for comparable plantations and similar productions in terms of age and qualitative characteristics.

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 they 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.

a) 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).

b) 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.
When these contributions have already been paid at the reporting date, no liabilities are recorded in the financial statements.

- Compensation plans in the form of stock options
The Group pays additional benefits in the form of stock option plans to employees, directors and individuals who regularly carry out work for one or more Group companies.
Pursuant to IFRS 2-'Share-Based Payment', the total fair value of the stock options on the 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. In the event of forfeiture of an option, the cumulated cost recorded until that date is released to the statement of profit or loss. If an option is cancelled, it is treated as an acceleration of the vesting period and any outstanding charge is recognised immediately in 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 to exercise the option, the current share price, the expected volatility and dividend, and the risk-free rate, as well as the non-vesting conditions. Volatility is 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 stock options are recorded at fair value with an offsetting entry in the stock option reserve.
The dilutive effect of options not yet exercised is included in the calculation of diluted earnings per share.

- Share-based payments in the form of 'Employees Share Ownership Plan'
Employee Share Ownership Plan ('ESOP') is a share matching plans offering employees the opportunity to invest in Davide Campari-Milano N.V. shares for which free shares will be granted after a certain vesting period. The free shares granted represent an equity settled arrangement.
The accounting treatment for the ESOP follows the accounting treatment applied for benefits granted in the form of stock option plans. The fair value of the ESOP plan is represented by the value of the option calculated by applying the Black-Scholes model. In the event that the granting of the benefit in the form of a share-based scheme is not permitted or it is not effective on the basis of specific national legislation, the same benefits are granted in the form of a phantom stock option plan. These plans confer the same rights as the ESOP plan but are cash-settled and the initial fair value measurement is calculated by applying the Black-Scholes model. The cost resulting from this valuation is spread over the vesting period, with an impact on the income statement using a long-term liability offsetting account (in place of an equity reserve). As a subsequent measurement, at each balance sheet date and at least once a year and on the settlement date, the value of the phantom plan must be fully remeasured on the basis of the current market value of the Davide Campari-Milano N.V. shares. Any cumulative changes in fair value are recognised in the income statement in the remeasurement period to align the liability with the "pro-rata" value of the expected bonus payment pay-out. This initiative will start having an impact on the Group's accounts from the first quarter of 2022.

The Extra-Mile Bonus Plan ('EMB') awarded in 2021 represents a preparatory assignment to the launch of the ESOP program with which it shares the main features. The fair value of the EMB plan is represented by the awarded number of rights assigned calculated based on the annual base gross salary of eligible employees at 31 December 2020, divided by twelve.

xv. Provisions for risks and charges and contingent assets

The provisions 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 that the company would reasonably have to pay to discharge the obligation or transfer it to third parties on the reporting date.
When 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 (i.e. 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, a receivable 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 discloses purely contingent assets and provides information when 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 a restructuring obligation deriving from a formal detailed restructuring programme that has led to a reasonable expectation by interested parties that the restructuring will be carried out with an outflow of resources whose amount can be reliably estimated, either because the process has already started or because the main features of the restructuring programme have already been communicated.

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, for which the breakdown of sales is not disclosed in consideration of their limited importance.
Their nature, amount, timing and uncertainty, as well as the connected cash flows, are affected by economic factors influenced by homogeneous elements, although markets have different sizes and maturity profiles. These elements are primarily attributable to features of geographical areas and the related breakdown by countries and, secondarily, attributable to the development of brand clusters (global, regional and local) and the related breakdown by brands. For the Group, the four operating segments managed in terms of resource allocation, particularly investment in brand-building and distribution capabilities, are the following: Americas ('Americas'), Southern Europe, Middle East and Africa ('SEMEA'), Northern, Central and Eastern Europe ('NCEE'), and Asia-Pacific ('APAC'). In order to highlight the main business performance drivers in a geographically diversified context and assess the contribution of the newly-acquired brands to the overall sales performance of the Group, further breakdowns by brand category (global, regional and local brands) and for major brands are provided, to better explain their contribution to the region. The categorisation of brands into the three main clusters mentioned above is based on the geographic scale, business priorities and the growth potential of the brands themselves.
Revenues are recognised at the price stated in the contract, net of any estimates of deferred discounts or incentives granted to the customer in line with industry practice, for example:
- volume/value discounts based on cumulative sales above a threshold at the end of a given period;
- performance-based discounts (such as discounts, rebates, performance bonuses, logistical discounts), based on promotional activities carried out by the customer and agreed in advance;

- customer incentives, such as discount vouchers, free products, price protection, market development allowances and price reduction allowances (to compensate low sales);
- 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 when there is more than one year between the transfer of the goods and the 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.
Receivables are 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 worldwide. In most jurisdictions, excise duty is a production tax that is payable by the manufacturer, becomes payable when the product is removed from captive warehouses, and is not directly related to the sales value: the excise duty is consequently recognised as a cost for the Group. Excise duties are normally recovered through the sales although they are generally not shown as a separate item on external invoices. Excise duty increases are not always passed on to the customer and if a customer does not pay for the product received, the Group cannot request a refund of the excise duty. For excise duties passed on to customers, the Group considers itself an agent of the regulatory authorities and, consequently, the re-invoiced excise values are excluded from the presentation of net sales in the primary statements and are presented to offset the cost incurred by the Group.

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. Personnel costs also include the share-based payments connected with the 'Employees Share Ownership plan'.
Costs incurred in developing alternative products or processes, or in conducting technological research and development, are considered to be current costs and are recognised in profit or 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, a detailed assessment was also given of uncertainties regarding the tax treatment of transactions carried out, which 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 recognised only where there is a genuine intention to transfer that profit. Taxes payable on undistributed profits are recognised 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.
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 in which the temporary differences are generated or derecognised.
Current 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 the realisation of the asset and the settlement of the liability take place simultaneously.

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.

xxii. Earnings per share

Basic earnings per share are calculated by dividing the Group's net result by the weighted average number of shares outstanding during the period, excluding any own shares held.
For the purposes of calculating the diluted earnings (loss) per share, the weighted average of outstanding shares is adjusted in line with the assumption that all potential shares with a diluting effect will be converted.

5. Change in accounting standards

i. Summary of the new accounting standards adopted by the Group from 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 amendment was considered in the preparation of this Group's consolidated financial statements with no significant impact to be reported. For additional information please refer to note 11 iii-'Fair value information on assets and liabilities'

Amendments to IFRS 16-'Leases' Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021). The IFRS 16 was amended to extend the availability of the practical expedient, allowed in 2020, by one year. Specifically, the practical expedient in the 2021 amendment applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment, applicable to annual reporting periods beginning on or after 1 January 2021, was considered in the preparation of this Group's consolidated financial statements with no impact to be reported.

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

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

Amendments to IFRS 3-‘Business Combinations’ (issued on 14 May 2020).
The amendments are intended to replace a reference to a previous version of the IASB’s Conceptual Framework (the 1989 Framework) with a reference to the current version without significantly changing its requirements. In particular, an exception to the recognition principle of IFRS 3 is added to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37-‘Provisions, Contingent Liabilities and Contingent Assets’ or IFRIC 21-‘Levies’, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. 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 recognise 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 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 due to the form in which the lease incentives were illustrated in that example.

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

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, in so far as they are applicable.

Amendment to IAS 1-‘Presentation to Financial Statements’ (issued on 23 January 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.
Amendments to IAS 8-‘Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021).
The amendments introduce a new definition of ‘accounting estimates’, clarifying the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how

entities use measurement techniques and inputs to develop accounting estimates. The first application is scheduled for 1 January 2023.

Amendments to IAS 1-'Presentation of Financial Statements' and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021). The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The first application is scheduled for 1 January 2023.

Amendments to IAS 12-'Income Taxes' Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 6 May 2021). The amendment requires an entity to recognise deferred tax on initial recognition of particular transactions to the extent that the transaction gives rise to equal amounts of deferred tax assets and liabilities. The proposed amendments would apply to transactions such as leases and decommissioning obligations for which an entity recognises both an asset and a liability.
The first application is scheduled for 1 January 2023.

6. Results for the period

This section details the results and performance for the period ended 31 December 2021. Disclosures are provided for segmented information, operating costs, other operating items, finance income and expenses, the Group's share of profit or loss of associates and joint-ventures and taxation. For taxation, associates and joint-ventures the balance sheet disclosures are also provided in this section.

i. Seasonal factors

Sales of certain 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 during spring and summer whereas sales of other products, such as sparkling wines and spirits, are concentrated in the last quarter. Seasonal consumption cycles in the markets in which the Group operates may impact on its financial results and operations. In general, the Group's diversified product portfolio and its sales geographical spread substantially helps reduce risks relating to seasonal factors. Moreover, in order not to be excessively exposed to seasonal peaks, the Group is carrying out initiatives to de-seasonalise the consumption moments of the main brands, with particular attention to the aperitif segment, guaranteeing constant consumption throughout the year.

ii. Net sales and Operating segment

Business results are affected by economic factors influenced by homogeneous elements, although markets have different sizes and maturity profiles. These elements are primarily attributable to geographical areas' features and the related breakdown by countries and, secondarily, attributable to the development of brand clusters (global, regional and local) and the corresponding breakdown by brands. Since 2012, the Group has mainly based its management analysis on geographical regions, identified as operating segments that reflect the Group's operating model and current way of working by business unit. The geographical regions considered are: i) the Americas ii) Southern Europe, Middle East and Africa iii) Northern, Central and Eastern Europe and (iv) Asia-Pacific. The Chief Executive Officer periodically reviews the Group's operating businesses to assess performance and inform resource allocation decisions.
The level of profitability analysed is the operating result. The profitability of each region reflects the profit generated by the Group through sales to third parties in that region, thereby eliminating the effects of inter-company margins.

The result of the operating segments is shown in the table below.

for the year ended 31 December 2021	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	929.5	638.9	439.9	167.8	2,176.3	-	2,176.3
Net sales between segments	54.7	416.6	21.6	-	492.9	-492.9	-
Total net sales	**984.2**	**1.055.5**	**461.5**	**167.8**	**2,669.0**	**-492.9**	**2176.3**
Segment result	**177.5**	**45.8**	**151.3**	**15.5**	**390.1**	**-**	**390.1**
Operating result	-	-	-	-	-	-	390.1
Financial income (expenses)	-	-	-	-	-	-14.0	-79.2
Share of profit (loss) of associates and joint-ventures	-	-	-	-	-	0	0
Taxation	-	-	-	-	-	-88.0	-88.0
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**222.8**
Non-controlling interests	-	-	-	-	-	-125.6	-125.6
Group profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**97.2**
Goodwill	**740.7**	**786.0**	**249.3**	**25.6**	**1,801.7**	**-**	**1,801.7**

for the years ended 31 December 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-venture						(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 at 31 December 2020	**684.4**	**786.3**	**247.0**	**22.0**		**-**	**1,739.8**
Restatements	-	(2.5)	-	-		-	(2.5)
Goodwill at 31 December 2020 post-reclassifications	**684.4**	**783,8**	**247.0**	**22.0**		**-**	**1,737.2**

Net sales, which almost entirely relate to the sale of spirits, totalled €2,176.3 million at the total Group level, compared with €1,780.3 million of the previous year, include also income deriving from rentals. The overall performance in 2021 was very positive and achieved thanks to strong business momentum over brand and geography combinations with overall increased consumption and penetration versus pre-pandemic level.
In order to highlight the main business performance drivers in a geographically diversified context and assess the contribution of the newly acquired brands to the overall sales performance of the Group, further breakdowns by brand category and for major brands are provided below, to explain better their contribution to the region and the main related market. The categorisation of brands into three main clusters is based on the brands' geographic scale, business priorities, and growth potential.

	for the years ended 31 December	
Group net sales focus by region	2021	2020
	€ million	€ million
Americas	984.2.	773.9
Southern Europe, Middle East and Africa	1,055.5	463.6
North, Central and Eastern Europe	461.5	412.8
Asia-Pacific	167.8	130.8
Total	**2,669.0**	**1,780.3**
Non-allocated items and adjustments	(492.9)	0
Consolidated net sales	**2,176.3**	**1,780.3**

While the global priority includes brands with a more diversified geographic exposure, regional priorities are concentrated in a limited number of countries and local priorities are primarily one-market oriented.
To provide information on the brands' contribution to each geography, the breakdown of the main geographic areas and key markets is provided, according to a scale that considers the contribution rate of the brands to each relevant geographic area/market. The table provided below shows the contribution rate of the brand category/brand to each relevant geographic area/market.

	for the years ended 31 December 2021	
	percentage of Group net sales	main region/markets for brands
global priority brands	**56.4%**	
Aperol	20.3%	- *Italy, SEMEA* *Germany, NCEE* *US, Americas* *France, SEMEA* *Russian Fed., NCEE*
Campari	10.1%	- *Italy, SEMEA* *US, Americas* *Germany, NCEE* *Jamaica, Americas* *Brazil, Americas*
Wild Turkey portfolio(1)(2)	7.4%	- *US, Americas* *Australia, APAC* *South Korea, APAC* *Japan, APAC* *Canada, Americas*
SKYY(1)	5.9%	- *US, Americas* *Argentina, Americas* *China, APAC* *South Africa, SEMEA* *Germany, NCEE*

Grand Marnier	7.2%	- *US, Americas* *Canada, Americas* *France, SEMEA* *Italy, SEMEA* *Germany, NCEE*
Jamaican rums portfolio(3)	5.5%	- *Jamaica, Americas* *US, Americas* *United Kingdom, NCEE* *Canada, Americas* *Mexico, Americas*
regional priority brands	**19.3%**	-
Espolòn	5.5%	*Americas*
Bulldog	0.7%	*NCEE*
The GlenGrant	1.1%	*SEMEA*
Forty Creek	1.1%	*SEMEA*
Italian bitters(4)	3.2%	*NCEE*
Cinzano	2.9%	*SEMEA*
other(5)	4.9%	-
local priority brands(6)	**12.3%**	-
Campari Soda	3.3%	*SEMEA*
Crodino	2.4%	*SEMEA*
Wild Turkey portfolio ready-to-drink(7)	2.1%	*APAC*
Dreher and Sagatiba	1.0%	*Americas*
other(8)	3.5%	-
rest of the portfolio	**12.0%**	-
total	**100.0%**	-

(1) Excludes ready-to-drink.
(2) Includes American Honey.
(3) Includes Appleton Estate, Wray&Nephew Overproof and Kingston 62.
(4) Includes Braulio, Cynar, Averna and Frangelico.
(5) Includes Bisquit&Dubouché, Riccadonna, Mondoro, Trois Rivières, Maison La Mauny, Ancho Reyes, Montelobos and Lallier.
(6) In light of the positive trends recorded over the past periods, starting from 1 January 2021 Aperol Spritz ready-to-enjoy and X-Rated were moved from the rest of the portfolio category and reported as local priority brands.
(7) Includes American Honey ready-to-drink.
(8) Includes Cabo Wabo, Ouzo, X-Rated and Aperol Spritz ready-to-enjoy. Aperol Spritz ready-to-enjoy is a stand-alone brand not included in the Aperol brand performance.

iii. Cost of sales

A breakdown of the cost of sales is shown in the table below.

	for the years ended 31 December	
	2021 € million	2020 € million
Materials and manufacturing costs	762.6	656.7
Distribution costs	121.9	89.4
Real Estate Management costs	-	5.0
Total cost of sales	**884.4**	**751.1**
Breakdown by nature		
Raw materials and finished goods acquired from third parties	569.0	478.2
Inventory write-downs	18.0	8.7
Personnel costs	79.4	77.0
Depreciation/amortisation	45.8	46.6
Utilities	15.0	11.9
External production and maintenance costs	28.5	34.1
Variable transport costs	90.7	63.9
Other costs	37.9	30.7
Total cost of sales	**884.4**	**751.1**

As a percentage of net sales, the cost of sales decreased from 42.1% of 2020 to 40.6% in 2021 due to a favourable product/market mix, supported by the performance of high-margin brands boosted by a solid trend in premium expressions, the removal of the United States import tariffs and a stronger absorption of fixed production costs driven by higher volume produced. These positive effects contributed to contain the intensifying inflationary pressure detected on input costs, especially with reference to logistics, packaging and raw materials including the negative impact of the agave purchase price, which remains at the highest level driven by a robust demand in the tequila category.

iv. Advertising and promotional costs

A breakdown of advertising and promotional costs is shown in the table below.

	for the years ended 31 December	
	2021 € million	2020 € million
Merchandising and promotional costs	142.6	115.7
Advertising spaces	136.4	102.4
Media production	24.0	20.9
Sponsorships, testimonial, influencers and events	65.6	42.3
Research and innovation	22.9	24.8
Trade allowance for promotional purposes	(7.4)	(8.3)
Depreciation/amortization(1)	3.3	2.6
Personnel costs(1)	3.5	3.0
Other advertising and promotional costs	7.0	6.4

Total advertising and promotional costs	**397.8**	**309.8**

(1) For an analysis of personnel costs and depreciation and amortisation components by nature, please see also the breakdown of personnel costs in notes 6 vi-'Personnel costs' and 6 vii-'Depreciation and amortisation'.

Advertising and promotional costs, booked by the Group, totalled €397.8 million in 2021, rising by €88.0 million compared with 2020.
The most significant variance in the period regards the increase in sponsorships, testimonial, and influencers expenses in line with the Group focus on digital brand-building activities undertaken during the year on the on-premise channel.

v. 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 in the table below.

	for the years ended 31 December	
	2021 € million	2020 € million
Personnel costs	287.6	234.2
Services, maintenance and insurance	84.6	77.0
Travel, business trip, training and meetings	27.3	24.6
Depreciation/amortisation	31.7	31.6
Charges for use of third party assets	5.0	4.0
Utilities	1.5	1.4
Agents and other variable sales costs	8.0	6.2
Other	19.9	28.7
Total selling, general and administrative expenses	**465.6**	**407.7**
Operating expenses	58.3	97.3
Operating income	(19.8)	(20.5)
Total other operating income and expenses	**38.5**	**76.8**
Breakdown of other operating income and expenses by nature(1)		
Restructuring costs	*10.6*	*19.8*
Last mile long-term incentive schemes with retention purposes	*10.0*	-
Impairment loss on goodwill and brands	6.9	35.4
Impairment loss on tangible and held for sale assets	1.1	10.3
Acquisition fees/m&a fees	-	*1.8*
Consultancies	*2.5*	*13.8*
Accruals for staff restructuring		*1.6*
Accrual (release) for future expenses		*0.9*
Penalty for the termination of distribution relationship		*3*
Gain on sale of assets		*(13.4)*
Fiscal penalties	*(6.2)*	-
Other income		-
Other net expenses	*136*	*3.6*
Total other operating income and expenses	**38.5**	**76.8**

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

At 31 December 2021, the total selling, general and administrative expenses amounted to €465.6 million, showing an increase of €57.9 million compared to the figures reported in 2020. The main drivers of the increase in overheads were the rising investments aimed to strengthen the Group's capabilities and business infrastructure. Moreover, it reflected the expected structure costs phasing, mainly incentives and hiring catch up, against an unfavourable comparison base. In terms of performance compared to the previous year, during 2020, a series of cost mitigation initiatives were activated to protect profitability, given the decrease in net sales during the initial lockdowns; they also involved a significant review of the estimates linked to target-based incentives which were, instead, broadly achieved in 2021 following the exceptional performance recorded this year.
In terms of other operating income and expenses, in 2021 the main components were attributable to investments in the Group digital transformation process, non-recurring last-mile long-term incentive schemes with retention purposes to be potentially recognised to senior management (€10.0 million), restructuring programmes for €10.6 million, as well as decommissioning and restoration of the factory area surrounding the sugar cane business in Jamaica for €5.0 million and the impairment loss on low performing brands Champagne Lallier and Rhum Agricole for €6.9 million (for further details of the brand impairment loss, please see note 7 v-'Intangible assets'). These costs were only partially mitigated by the gain resulting from the final favourable opinion received from the local authorities related to the closure of an indirect tax dispute in Brazil, and by the insurance reimbursement related to the malware attacked suffered in 2020 for a total of €11.0 million.

vi. Personnel costs

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

	for the years ended 31 December	
	2021 € million	2020 € million
Salaries and wages	274.3	250.2
Social security contributions	58.8	50.6
Cost of defined contribution plans	9.8	9.4
Cost of defined benefit plans	0.3	-
Other costs relating to mid/long-term benefits	16.3	(6.8)

Cost of share-based payments	10.9	10.7
Non-recurring personnel costs	20.6	-
Total personnel costs	**391.0**	**314.1**
of which:		
Included in cost of sales	*79.4*	*77.0*
Included in selling, general and administrative expenses	*287.6*	*234.1*
Included in advertising and promotional expenses	*3.5*	*3.0*
Included in other operating income (expenses)	*20.6*	*-*
Total personnel costs	**391.0**	**314.1**

At 31 December 2021, personnel costs equal to €391 million recorded an increase of €76,9 million compared to the figures reported in the previous year. As a percentage of sales, personnel costs amounted to 18%, compared to 18.1% in 2020. Their allocation to the cost of sales and selling, general and administrative expenses have been analysed in the preceding two notes. The total personnel costs included also, with regard to Davide Campari-Milano N.V., costs associated with the restructuring projects and non-recurring last mile long-term incentive schemes with retention purposes to be potentially recognised to senior management. The overall increase results from an easy comparison base since 2020 was affected by cost mitigation actions such as, hiring freeze policies and reduction of employee bonuses aimed at containing costs in the highly impacted pandemic context.

vii. Depreciation and amortisation

A breakdown of depreciation and amortisation costs by nature and by function is shown in the table below.

	for the years ended 31 December	
	2021 € million	2020 € million
- Property, plant and equipment	39.7	41.1
- Right of use assets	2.1	2.4
- Intangible assets	5.6	3.1
Depreciation and amortisation included in cost of sales	**45.8**	**46.6**
- Property, plant and equipment	7.5	7.8
- Right of use assets	11.5	12.0
- Intangible assets	12.7	11.8
Depreciation and amortisation included in selling, general and administrative expenses	**31.7**	**31.6**
- Property, plant and equipment (1)	1.6	1.5
- Right of use assets	1.3	1.1
- Intangible assets	0.5	-
Depreciation and amortisation included in advertising and promotional expenses	**3.3**	**2.6**
- Property, plant and equipment (1)	0.4	-
- Investment properties	2.0	-
- Intangible assets	0.2	-
Depreciation and amortisation included in other expenses	**2.6**	**-**
- Property, plant and equipment (1)	50.0	50.4
- Right of use assets	14.9	15.5
- Intangible assets	16.6	14.9
- Investment properties	2.0	-
Total depreciation and amortisation in the statement of profit or loss	**83.5**	**80.8**

(1)This item included depreciation of biological assets.

viii. Financial income and expenses

The breakdown of net financial expenses for the period is as follows.
Net financial income (expenses), which included the effects of exchange rate differences and hyperinflation, reported a total net cost of €87.2 million, with an increase of €42.9 million compared to the same period in 2020. The breakdown by nature of net financial expenses for the period is as follows.

	For the years ending 31 December	
	2021 € million	2020 € million
Interest expenses on bonds	(22.1)	(25.1)
Interests expenses on leases	(2.9)	(3.2)
Interest expenses on loans	(13.2)	(9.3)
Total interest expenses	**(38.2)**	**(37.6)**
Bank and term deposit interests	7.2	6.2
Dividends from third parties	0.0	0.1
Valuation SICAV and other financial assets at fair value	0.0	0.0
Other income	31.2	14.0
Total financial income	**38.4**	**20.2**
Net interest on defined benefit plans	0.0	(0.2)
Bank expenses	(3.6)	(4.8)
Valuation SICAV and other financial assets at fair value	0.0	(6.8)
Derivative Financial Instruments on Bond at fair value	(77.2)	(20.9)
Other charges and exchange rate differences	(1)	(13.7)
Total financial expenses	**(81.7)**	**(46.4)**
Net financial income (expenses) before exchange gain (losses), one-offs, financial adjustments,hyperinflation effects and put option	**(81.5)**	**(63.8)**
Exchange rate differences	5.2	0

Amortising from put option liabilities and change in estimate	(0.3)	18.7
Liability management	0	1.4
Financial income on tax assessment	4.7	-
Other	(29.0)	-
Financial income (expenses) adjustments	16.7	**1.4**
Hyperinflation effects	0.4	**(0.7)**
Net financial income (expenses)	**(83.8)**	**(44.3)**

Net financial income (expenses), which included the effects of exchange rate differences and hyperinflation reported a total net cost of € 83.8 million, much higher than the net cost of € 44.3 million recognized in 2020. Such increase in mainly due to the valuation at the fair value of the derivative linked to the bonds issued by Lagfin Italian Branch (€77.1 million, compared to €20.9 million during 2020).
The other significant items that affected the total financial components of the year included a financial income on tax assessment of €4.7 million related to the interest gain resulting from the favourable closure of a fiscal dispute in Brazil on indirect taxes.

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

	for the years ended 31 December	
	2021 € million	2020 € million
Financial expenses payable to bondholders	(22.1)	(20.2)
Net changes in fair value and other amortised cost components	-	(3.5)
Cash flow hedge reserve reported in the statement of profit or loss during the year	-	(1.4)
Net interest payable on bonds	**(22.1)**	**(25.1)**
Financial income (charges) adjustments	**-**	-
Total expenses for bonds	**(22.1)-**	**(25.1)**

ix. Leases components

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

	for the years ended 31 December	
	2021 € million	2020 € million
Interest on lease payables	2.9	3.2
Depreciation and amortisation on right of use underlying assets	14.8	15.5
Variable lease payment not included in measurement of lease liability	10.2	7.2
Expense related to short terms leases	0.9	1.0
Expense related to low value leases	1.5	3.3
Total lease components in the statement of profit or loss	**30.3**	**30.2**

Variable leases continued to be included in the statement of profit or loss. They mainly referred to information technology equipment, warehouses for storing products and some production equipment, in addition to the use of agricultural land.

x. Share of profit (loss) of associates and joint-ventures

The changes in the interest value of associates and joint-ventures in 2021 and 2020 are shown in the tables below.

€ million	investment in associates and joint-ventures
at 31 December 2020	**(2.8)**
at 31 December 2021	**0**

During the year, the Group has carried out several initiatives:
- in January 2021 the incorporation of the South Korean joint-venture Trans Beverages Co. Ltd. into Campari Group accounts by raising its stake from 40% to 51%. As a result of this transaction, the previous interests in the company have been reassessed generating a gain of €2.9 million, which was reported under the 'gain from remeasurement of previous held investment' item and reclassified from the associates line;
- in June 2021, the setup of the 50%/50% joint-venture agreement with Moët Hennessy to create a premium pan-European Wines & Spirits e-commerce player. As part of this partnership Campari contributed the investments in Dioniso S.r.l. which was initially composed of the Tannico S.r.l. contribution in kind and subsequently enhanced by the capital contributions which took place in July and October 2021 for a total amount of €30.2 million. The Dioniso S.r.l. investment value was subsequently reduced by €28.0 million following the establishment of the joint-venture.
- in December 2021 the acquisition of 40% interest in the newly incorporated joint-venture in Taiwan, named Spiritus Company Limited. This transaction has been represented as addition of the year.

The following table includes the breakdown of interest in associates and joint-ventures at 31 December 2021.

name of entity	country of business	% of ownership interest	nature of relationship	measurement method	currency	carrying amount at 31 December 2021 € million	carrying amount at 31 December 2020 € million
Dioniso Group	Italy	50.0%	*Joint venture*	Equity method	EUR	25.7	-
Tannico e Wineplatform S.p.A.	Italy	49.0%	*Associate*	Equity method	EUR	-	24.7
Spiritus Co. Ltd	Italy	40.0%	*Joint venture*	Equity method	TWD	0.4	-
Trans Beverages Co. Ltd.[1]	South Korea	40.0%	*Joint venture*	Equity method	KRW	-	1.4
CT Spirits Japan Ltd.	Japan	40.0%	*Joint venture*	Equity method	JPY	-	-
Total investments in associates and joint-ventures						**26.1**	**26.1**

[1] At 31 December 2021 Trans Beverages Co. Ltd. has been consolidated since it represented a Campari Group subsidiary.

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

Highlights - Dioniso Group	at 31 December 2021 € million
Total assets	151.1
Total shareholders' equity	52.9
Revenues	35.4
Net income (loss) of the period	(3.6)

Highlights - Spiritus Co. Ltd	at 31 December 2021 € million	at 31 December 2021 Taiwan dollar million
Total assets	1.1	33.6
Total shareholders' equity	1.1	33.6
Revenues [1]	-	-
Net income (loss) of the period	-	-

[1] No profit and loss recorded in the period since the company will be fully operative starting from 2022.

	at 31 December			
Highlights - CT Spirits Japan Ltd.	2021		2020	
	€ million	Japanese Yen million	€ million	Japanese Yen million
Total assets	16.8	2,187.8	14.6	1,847.9
Total shareholders' equity	(10.1)	(1,321.2)	(6.4)	(810.8)
Revenues	16.1	2,092.9	6.9	841.6
Net income (loss) of the period	(3.9)	(501.5)	(7.6)	(922.0)-

xi. 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.

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 ended 31 December 2021 € million	for the years ended 31 December 2020 € million
- current taxes for the year	(84.8)	(60.8)
- current taxes relating to previous years	(1.5)	10.7
- deferred tax expenses	(7)	34.4
- accruals and release for tax risks	6.7	4.4
Taxes recorded in the statement of profit or loss	**(86.5)**	**(11.3)**
Taxes recorded in the statement of other comprehensive income	**(1.8)**	**(1.0)**

Taxation in 2021 amounted to €86.5 million compared to €11.3 million reported in 2020. The difference in the reported net tax burden was guided by the strong recovery in the business performance and the significant decrease of the overall non-recurring tax components reported in 2020 pursuant to the Italian tax Law Decree no. 104/2020. In particular, a one-off benefit of €29.9 million on the 2020 tax items was recorded in relation to the remeasurement of deferred taxation on brand and goodwill fiscal values after the step-up to their corresponding book values, net of the 3% substitutive tax to be paid to access the fiscal benefit.

The effect of the above-mentioned law, which allows the deduction of higher amortisation for fiscal purposes, has not impacted the representation of the 2021 taxation as reported above, since the tax benefit deriving from lower current taxation is offset by a corresponding deferred tax burden. In addition, the cash tax saving of the year 2021 was neutralised by the payment of the relevant instalment of the substitute tax due in the first year as a requisite to access the tax incentive, equal to €5.1 million. Finally, the above-mentioned Italian tax law, was revised on 30 December 2021 pursuant to Law no. 234 (Budget Law) and published in the Italian Official Gazette on 31 December 2021. Following the introduction of the Budget Law, the amortisation period of goodwill and brands for tax purposes only was extended from the original 18 years to 50 years, with a consequent dilution over time of the expected tax benefits.

Reconciliation of tax expenses

The table below shows a reconciliation of the Group's theoretical tax liability with its actual tax liability.

Considering the complexity of global taxation rate applicable to Group companies, the theoretical rate used in preparing the reconciliation is that applicable for the Parent company. The rate in force on the reporting date is the Italian corporate income tax ('IRES') of 24.0%, while the regional production tax ('IRAP'), which is applicable to Italian companies, has been taken into account as permanent difference. The residual tax base differences between geographies are also included under the permanent difference items.

	for the years ended 31 December	
	2021 € million	2020 € million
Group profit before taxation	**306.3**	**187.8**
Applicable tax rate in Italy (IRES)	-24.94%	-24.94%
Theoretical Group taxes at current tax rate in Italy	**(76.4)**	**(46.8)**
Difference in tax rate of Group companies	(10.01	(8.5)
Permanent differences	5.1	6.1
Tax incentives	0.9	0.8
Tax benefit from Italian Legislative Decree n.104/2020	-	29.9
Net releases to tax provision	6.7	4.4
Tax on future dividend distributions	(12.6)	-
Taxes relating to previous financial years	(0.4)	(3.4)
Other consolidation differences	3.3	3.4
IRAP	(0.7)	2.9
Actual tax charge	**(63.9)**	**(11.3)**
Actual tax rate	**(21.0%)**	**6.00%**

Breakdown of deferred taxes by type

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

	at 31 December	
	2021 € million	2020 post-reclassifications € million
Deferred tax assets	58.9	44.6
Deferred tax liabilities	(368.9)	(337.2)
Net deferred tax	**(310.0)**	**(202.6)**

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.

	at 31 December		for the years ended 31 December					
	2021	2020 post reclassifications	2021	2020	2021	2021	2020	2020
	statement of financial position		statement of profit or loss		statements of other comprehensive income			
					of which OCI variation	of which exchange rate	of which OCI variation	of which exchange rate
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Deferred expenses	7.6	1.4	5.4	0.2	-	0.2	-	(0.1)
Tax provisions	46.3	39.2	5.2	5.5	(0.4)	1.8	(0.1)	(4.4)
Tax losses carried forward	19.7	11.6	6.3	(2.1)	-	0.4	-	(2.4)
Reclassification to deferred tax liabilities	(51.6)	(42.1)	-	-	-	(9.4)	-	1.8
Leases	10.0	9.8	2.4	-	-	(2.1)	-	(0.3)
Exchange rate effect				-			(5.7)	
Other	26.7	24.7	2.7	4.5	(1.4)	0.7	(0.9)	(0.3)
Deferred tax assets	**58.9**	**44.5**	**22.0**	**8.1**	**(1.8)**	**(8.4)**	**(6.6)**	**(5.7)**
Accelerated depreciation	(43.5)	(43.2)	2.7	(2.5)	-	(2.3)	-	3.6
Gains subject to deferred taxation		(0,1)		0,2				
Goodwill and brands deductible at local level	(207.9)	(182.9)	(10.9)	(13.1)	-	(14.0)	-	19.8
Tax rate changes		-		-				
Goodwill and brands not deductible at local level	(112.7)	(113.6)	1.7	14.3	-	(0.4)	-	3.0
Taxes payable on undistributed profits	(30.8)	(20.2)	(10.6)	2.6	-	-	-	-
Leases	(10.5)	(9.9)	(2.8)	0.5	-	2.2	-	0.1
Reclassification of deferred tax assets	51.6	42.1	-	-	-	9.4	-	(1.8)
Exchange rate effect		-					26.2	
Other	(15.0)	(9.4)	(9)	24.3	(1)	(1.4)	-	1.4
Deferred tax liabilities	**(368.9)**	**(337.2)**	**(29.0)**	**26.3**	**(1)**	**(6.5)**	**26.2-**	**26.2**
Total	**(310.0)**	**(292.7)**	**(7)**	**34.4**	**(2.8)**	**(14.9)**	**19.5**	**20.5**

According to the new mentioned Italian tax Law Decree no. 104/2020, in 2021 deferred taxes for goodwill and brands deductible at the local level showed a decrease, moving from €13.1 million to €10.9 million. The value disclosed in the table above of €10.9 million, also included €5.1 million of substitute tax paid in 2021 to access the tax benefit. The above-mentioned Italian tax law was revised on 30 December 2021 pursuant to Law no. 234 (Budget Law) published in the Official Gazette on 31 December 2021 which provided an extension of the tax amortisation period from the original 18 years to 50 years, with a consequent dilution over time of the expected tax benefits: the figures reported in the 2021 accounts reflected these new rules.

Deferred tax assets in relation to past losses are mainly attributable to Campari do Brasil Ltda., Campari España S.L, Glen Grant Ltd. 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 years 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 losses to offset taxable profit except for Campari do Brasil Ltda. and Glen Grant Ltd.. Unused tax losses carryforwards for which deferred tax assets were not activated referred to 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 € million	unrecognised deferred tax assets € million	expiry date
Casa Montelobos, S.A.P.I. de C.V.	5.5	1.6	10 years
Licorera Ancho Reyes y cia, S.A.P.I. de C.V.	7.1	2.1	10 years

The breakdown of income tax receivables and payables is as follows.

	at 31 December	
	2021	2020
	€ million	€ million
Income taxes	18.5	29.7
Income tax receivables	**18.5**	**29.7**
Taxes payable	30.0	9.2
Income tax payables	**30.0**	**9.2**

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 increase in tax payable in 2021 is mainly reflected the increase in the business performances occurred during the year and the reclassification of liabilities for uncertainties in the tax treatment of performed transactions, previously recorded among the provisions for risks and charges item.

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

Increase of interest in Trans Beverages Co. Ltd. up to 51%

As mentioned in the dedicated section 'Significant events of the year' in the management board report, on 4 January 2021 Campari Group increased its interests in the South Korean joint-venture Trans Beverages Company Ltd., from 40% to 51% whilst the call option terms to buy the remaining share capital from 2024 remain unchanged. As a result of this business combination, the Group obtained the control over the relevant activities. For this reason, starting from 2021, the South Korean company previously evaluated at equity method has been fully consolidated in Campari Group accounts.
The overall consideration for the remaining 11% was €1.2 million, including €0.7 million of cash and cash equivalent of the acquired company. This transaction has required the reassessment of the Group's previously held interests, which generate a gain in the statement of profit or loss of €2.9 million.
The Group has the right to exercise a call option on the remaining share capital starting from 2024.
This transaction aligns with the Group's strategy further to develop its presence in the Asian Pacific markets.

The transaction scope includes mainly stock inventory, trade receivables and trade payables.
No brands or other intangible assets were identified for the purposes of the purchase price allocation, other than goodwill for a total consideration of €3.6 million. Goodwill was deemed to be fully reportable due to the synergies expected to be generated by integrating the business acquired into the Group's commercial structure. The goodwill is not tax-deductible based on the relevant local regulations.

	fair value at the date of acquisition KRW million	fair value at the date of acquisition € million
Price paid for the step-up acquisition	1,532.7	1.2
Previous held investment remeasured	5,573.4	4.2
Non-controlling interest	2,196.6	1.6
Total value of the transaction	**9,302.7**	**7.0**
Net assets acquired	4,482.9	3.4
of which:		
Inventories	*2,227.7*	*1.7*
Trade receivables	*3,595.1*	*2.7*
Trade payables	*(2,498.2)*	*(1.9)*
Other	*1,158.3*	*0.9*
Goodwill generated by acquisition	4,819.8	3.6
Total values allocated	**9,302.7**	**7.0**

Until the Group acquires all the remaining share capital, the Group has to record the non-controlling interests. Given the nature of such interests, it was deemed appropriate to value them at the subsidiary's proportionate share of net assets allocated to the business acquired based on the purchase price allocation process, excluding goodwill.

Business combinations completed in the previous year

As set out in detail in the 'Significant events of the year' section of the management board report, on 10 June 2020, Campari Group completed the acquisition of 80% interest in Champagne Lallier S. à r.l. and other companies in its group (jointly, the 'company' or 'Champagne Lallier'). With this acquisition, Campari Group has added a premium champagne brand to its portfolio, thus building further critical mass in the French strategic market.
The impact of the updated provisional allocation of the acquisition values for Champagne Lallier S. à r.l. is summarised below. Changes to the provisional net assets' values recognised at 31 December 2020 are shown separately. The allocation did not have any monetary impact. The updated provisional values shown are the result of the recognition and reworking of further information about facts and circumstances existing at the closing date. The analysis was partly carried out with the assistance of independent experts.

The total consideration paid for the deal was €21.3 million (excluding the net financial debt at the closing date).
The changes to the values included in the Group's consolidated figures at 31 December 2020 are shown separately in note 3 xi-'Reclassification of comparative figures at 31 December 2020'.

reference value at the acquisition date	book values € million	provisional fair value disclosed at 31 December 2020 € million	adjustments and reclassifications € million	fair value disclosed at 31 December 2021 € million
ASSETS				
Non-current assets				
Property, plant and equipment	5.5	8.2	(3.4)	4.8
Biological assets	2.6	-	3.6	3.6
Brand	-	1.0	2.1	3.1
Intangible assets with a finite life	0.2	0.2	(0.2)	-
Other non-current financial assets	0.1	-	-	-
Total non-current assets	**8.5**	**9.3**	**2.2**	**11.4**
Current assets				
Inventories	22.1	22.1	1.4	23.5
Biological assets	-	-	0.2	0.2
Trade receivables	3.6	3.6	-	3.6
Cash and cash equivalents	3.8	2.8	-	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**	**29.7**	**1.6**	**31.3**
Total asset	**39.2**	**39.1**	**3.7**	**42.7**
LIABILITIES				
Non-current liabilities				
Provisions for risks and charges	-	-	0.2	0.2
Deferred tax liabilities	-	0.2	0.9	1.2
Total non-current liabilities	**-**	**0.3**	**1.1**	**1.4**
Current liabilities				
Loans due to banks	20.7	20.7	-	20.7
Other current financial liabilities	5.8	3.0	-	3.0
Trade payables	6.5	6.5	-	6.5
Other current liabilities	1.0	1.0	-	1.0
Total current liabilities	**34.1**	**31.3**	**-**	**31.3**
Total liabilities	**34.1**	**31.5**	**1.1**	**32.6**
NET EQUITY ACQUIRED	**5.1**	**7.6**	**2.6**	**10.1**
TOTAL LIABILITY AND EQUITY	**39.2**	**39.1**	**3.7**	**42.7**
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:		**20.9**	**-**	**20.9**
- Cash, cash equivalent and financial assets		*(2.8)*	-	*(2.8)*
- Financial debt acquired		*23.7*	-	*23.7*
Enterprise value (a+b)		**46.5**	**-**	**46.5**
Non-controlling interests		**5.3**	**-**	**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		**5.3**	**-**	**5.3**
Total values to be allocated		**26.6**	**-**	**26.6**
Allocation to:				
Net assets acquired		**7.6**	**2.5**	**10.1**
Goodwill generated by acquisition		**19.1**	**(2.5)**	**16.5**

The Group has revised the final allocation for the brand's fair values to take into account the business's profitability on the closing date. The final total value allocated to the acquired brands is €3.1 million. The allocation value does not reflect the post-acquisition development initiatives that the Group intends to undertake based on its strategic plans, aimed at strengthening the brand via brand-building initiatives and exploiting its growth potential both in the domestic and key international markets.

reference value at the acquisition date	goodwill € million	brand € million	total € million
Provisional fair value published at 31 December 2020	**19.1**	**1.0**	**20.1**
Change resulting from provisional allocation of acquisition value	(2.5)	2.1	(0.4)
Fair values disclosed at 31 December 2021	**16.5**	**3.1**	**19.6**

ii. Property, plant and equipment

Changes in this item in 2021 and 2020 are shown in the tables below.

	land and buildings € million	plant and machinery € million	other € million	total € million
Carrying amount at the beginning of the period	385.8	386.2	289.4	1,061.4
Accumulated depreciation at the beginning of the period	(127.3)	(258.8)	(104.6)	(490.7)
at 31 December 2020	**258.4**	**127.3**	**184.8**	**570.4**
Change resulting from provisional allocation of acquisition value	(3.4)	-	0.4	(3.0)
at 31 December 2020 post-reclassifications	**255.0**	**127.3**	**185.2**	**567.4**
Reclassification as Real Estate Investments	-	-	(84.1)	(84.1)
Additions	49.9	34.9	29.5	114.3
Reversals	-	-	0.1	0.1
Disposals	(1.0)	(0.3)	(8.8)	(10.1)

Depreciation	(11.8)	(18.1)	(16.0)	(50.0)
Exchange rate differences and other changes	6.1	6.3	7.0	19.4
at 31 December 2021	**298.2**	**150.1**	**113.0**	**561.3**
Carrying amount at the end of the period	433.2	400.7	218.9	1.052.8
Accumulated depreciation at the end of the period	(135.0)	(250.8)	(105.9)	(491.7)

The change resulting from provisional allocations of acquisition value related to the assets arising from the acquisition of Champagne Lallier S. à r.l..
Capital expenditure for the period, totalling €114.3 million, was mainly related to the acquisition of an office building in London (€38.4 million), the purchase of barrels for maturing bourbon, rum and whisky (€18.2 million), as well as the investments for the renovation of brand houses and visitor centres. In addition, some improvements were made to strengthen the Group's production capacity and efficiency in the period. Disposals, amounting to €10.1 million, mainly related to the sale of barrels that were no longer suitable for use in the maturing process.

iii. Right of use assets

The changes in assets underlying the right of use in 2021 and 2020 are indicated in the tables below.

	land and buildings € million	plant and machinery € million	other € million	total € million
Carrying amount at the beginning of the period	76.4	8.4	18.3	103.1
Accumulated depreciation at the beginning of the period	(17.4)	(2.3)	(10.9)	(30.6)
at 31 December 2020	**59.0**	**6.2**	**7.4**	**72.4**
Additions	8.6	0.1	6.4	15.1
Disposals	(1.3)	-	-	(1.3)
Depreciation	(8.9)	(1.2)	(4.7)	(14.9)
Exchange rate differences and other changes	2.2	0.0	(0.1)	2.2
at 31 December 2021	**58.5**	**5.1**	**9.0**	**72.7**
Carrying amount at the end of the period	86.5	9.3	26.1	121.1
Accumulated depreciation at the end of the period	(27.9)	(4.2)	(17.1)	(49.2)

Increases for the year were mainly related to offices and vehicles included in the category 'other'. There are no restrictions or covenants on the aforementioned right of use assets.

iv. Biological assets

Changes in this item in 2021 and 2020 are shown in the tables below.

	assets valued at cost € million
Carrying amount at the beginning of the period	10.9
Accumulated depreciation at the beginning of the period	(5.5)
at 31 December 2020	**5.5**
Change resulting from provisional allocation of acquisition value	3.4
at 31 December 2020 post-reclassifications	**8.9**
Additions	7.2
Impairment	(0.1)
Disposal	(0.1)
Depreciation	(2.6)
Exchange rate differences and other changes	0.1
at 31 December 2021	**13.4**
Carrying amount at the end of the period	21.6
Accumulated depreciation at the end of the period	(8.2)

The addition of €7.0 million was mainly related to agave plantations in Mexico (€3.6 million) and grape plantations in France (€2.6 million). All biological assets at 31 December 2021 were recognised on a cost basis, net of depreciation and impairment. No guarantees were given to third parties in relation to these fixed assets.
At 31 December 2021, the Mexican agave plantations comprised 848 hectares. There is no non-productive biological asset for agave plantations and the average growing cycle covers a period of 6 years. By 2021 no harvesting activities are planned.
At 31 December 2021 the French grape plantations located in the Champagne region comprised 10.4 hectares, out of which overall 70% of these hectares were rented with medium and long-term agreements, and the remaining 30% was owned. There are no non-productive biological assets for grape plantations. Agricultural output covers a one year period and the harvest occurred in the second half of the year. Taking into account the biological and vegetative cycle, all the costs incurred in anticipation of the future harvest (service, products and other ancillary costs) have been considered as inventory in current biological assets at 31 December 2021 in the Group's accounts: this value is in line with the fair value of the growing grapes based on available information on commodities markets.
In addition, in the Martinique area, sugar cane plantations comprise 553 hectares, of which overall 50% owned and 50% rented with long-term agreements. Among them, 501 hectares are cultivated, and the remaining 52 hectares are not cultivated. Agricultural output covers a one-year period and the harvest is expected from February to June. Given that process, the sugar cane has been considered as current biological asset classified

within the inventory and measured based on the costs sustained during the production process at 31 December: this value was estimated based on the costs of infrastructure, land preparation and sugar cane cultivation, due to the absence of any active reference market for comparable plantation and similar output in terms of age and qualitative characteristics.

v. Investment properties

	assets valued at cost € million
Net amount at the beginning of the period	56.1
at 31 December 2020	**56.1**
Reclassification as Real Estate investments	84.1
Additions	75.8
Disposals	-
Amortization and impairment	(2.0)
at 31 December 2021	**214.0**
Carrying amount at the end of the period	**259.8**
Accumulated depreciation at the end of the period	(45.8)

At 31 December 2021, investment property, totalling €214.1 million, are related to:
- properties located in France for €4.8 million;
- properties located in Italy for €29.6 million;
- properties located in Principality of Monaco for €111.6 million;
- properties located in UK for €43.2 million;
- properties located in USA for €24.9 million.

vi. Intangible assets

– Goodwill and brands

Changes during 2021 and 2020 are shown in the tables 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	1,742.8	980.1	35.6	2,758.6
Cumulative impairment at the beginning of the period	(3.1)	(35.4)	(25.8)	(64.4)
at 31 December 2020	**1,739.7**	**944.6**	**9.9**	**2,694.2**
Change resulting from provisional allocation of acquisition value	(2.5)	2.1		(0.4)
at 31 December 2020 post-reclassifications	**1,737,2**	**946.7**	**9.9**	**2,693.6**
Perimeter effect for acquisitions	5,8	-	-	5.8
Impairment loss	-	(6.9)	-	(6.9)
Amortisation	-	-	(2.1)	(2.1)
Exchange rate differences	58.6	26.6	0.7	85.8
at 31 December 2021	**1,801.6**	**966.4**	**8.5**	**2,776.5**
Carrying amount at the end of the period	1,804.6	1,008.7	32.0	2,845.3
Cumulative impairment at the end of the period	(3.0)	(42.3)	(23.5)	(68.8)

An impairment loss of €6.9 million has been recognised during the year, attributable mainly to the following brands: Champagne Lallier (€3.1 million) and Rhum Agricole brands (€3.9 million) due to increased raw material costs and delayed brand activation in the international markets and Global Travel Retail channel due to the pandemic. Please refer to the following paragraph, 'Impairment test on goodwill and brands', for more information regarding impairment loss.

Brands with a finite life included the value of the X-Rated. The change in the basis of consolidation comprises the incorporation of Trans Beverages Company Ltd (which resulted in the recognition of €3.6 million of goodwill) and the acquisition of shares of Davide Campari Milano N.V. bringing Lagfin's controlling interest to 55.26% of share capital, which resulted in the recognition of €2.2 million of goodwill (for further details, see note 7 i- 'Acquisition and sale of businesses and purchase of non-controlling interests).

– Intangible assets with a finite life

Changes in this item in 2021 and 2020 are shown in the tables below.

	software € million	other € million	total € million
Carrying amount at the beginning of the period	110.6	26.2	137.0
Accumulated amortisation at the beginning of the period	(79.1)	(10.1)	(89.2)
at 31 December 2020	**31.5**	**16.1**	**47.6**
Change resulting from provisional allocation of acquisition value	-	(0.4)	(0.4)
at 31 December 2020 post-reclassifications	**31.5**	**15.7**	**47.2**
Perimeter effect for acquisitions	-	0.1	0.1
Additions	24.8	-	24.8

Amortisation	(13.0)	(1.3)	(14.3)
Exchange rate differences and other changes	(0.2)	(0.8)	(1.0)
at 31 December 2021	**43.0**	**13.8**	**56.8**
Carrying amount at the end of the period	131.5	23.7	155.2
Accumulated amortisation at the end of the period	(88.5)	(9.9)	(98.4)

Intangible assets with a finite life are amortised on a straight-line basis depending on their remaining useful life. Additions in the period totalling €24.8 million related to projects to continuously upgrade and integrate new information technology.

– Impairment test on goodwill and brands

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 the 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 the regional level. This is in line with the geographical segment reporting structure adopted by the Group, based on its current organisational structure. For brands, the values were tested individually or by combinations of brands acquired.

The approval of the impairment test results by the Board of Directors of Davide Campari-Milano N.V. 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. Consequently, the book value of goodwill and brands (i.e. the amount at which an asset is recognised in the balance sheet) was determined as of 30 September 2021, i.e. the latest available actual figures at the time of the analysis. The results of such test were valid as of 31 December 2021, 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 2021.

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 the 2022 budget. Although IAS36 requires that exchange rates are assumed flat to the current fiscal year over the time horizon, the fluctuations of 2022 budgeted currencies are estimated not to have a meaningful impact on future cash flows.

In line with the previous years, the Group considered the business plan, including the 2022 budget and 2023-2025 strategic plans (drafted by the Group's companies in 2021 and approved by the Board of Directors of Davide Campari-Milano N.V.), as the base of the annual impairment test.

Whilst the budget and strategic plan best depict the future economic developments of the Group, further analyses have been developed to estimate the impact on recoverable amounts of a significant drop in net sales and EBIT as compared to the business plan. In this regard, the Group has very conservatively introduced three stress tests to further stretch the impairment test considering the uncertainty and volatility generated by the Covid-19 pandemic, in line with the impairment tests performed in 2020. Considering only the downward risk via assuming -5%, -10%, -15% net sales and EBIT reduction over the entire test period for all brands and markets, the three stress tests were tested individually in each stand-alone test and are considered very prudent and conservative. Note that the stress test is performed in addition to the recurrent sensitivity analyses.

Impairment test of goodwill

The allocation of goodwill for each CGU is based on the previous allocation values, adjusted to consider 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 based on the relevant sales achieved in each CGU.

The recoverable amounts of the CGUs were determined based on a 'value in use' methodology. 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 IAS36 states that, for calculating the 'value in use', pre-tax discount rate and future cash flows should be used. In the impairment test performed, it has been verified that the use of a post-tax approach provides consistent results with the ones which would have been obtained by adopting a pre-tax approach.

Forecasts of cash flows relating to the Group were taken from the 2022 budget and the strategic plans for the period 2023-2025 and approved by the Board of Directors of Davide Campari Milano N.V..

Moreover, cash flow projections are extrapolated beyond the plan period covered by the budget and the strategic plans to be adapted for a ten-year period, with growth rates gradually normalising towards the level of the perpetuity growth rate (described as below). The use of a ten-year period is justified by the long lifecycle of the brands with respect to the reference markets and it also takes into account the long ageing process of certain businesses included in the CGU's.
Assumptions of future cash flows were made based on conservative approach in terms of both expected growth rates and operating margin trends. In addition, projections were based on reasonableness, prudence and consistency regarding 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 2022-2026 for the Group's key markets (source: IMF, October 2021 release), assumed to be 2.7% for the Americas CGU (vs 2.3% in 2020), 1.4% for the SEMEA CGU (vs. 1.0% in 2020), 1.7% for the NCEE CGU (vs. 1.5% in 2020) and 2.3% for the APAC CGU (vs 1.9% in 2020) or 2.1% for the Group overall (vs 1.8% in 2020).
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 estimating cash flows. The WACC was determined based on 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 the 2021 impairment test for the four CGUs, are as follows: 6.3% for the Americas CGU (vs. 6.0% in 2020), 7.8% for the SEMEA CGU (unchanged vs. 2020), 7.7% for the NCEE CGU (vs. 8.1% in 2020) and 7.1% for the APAC CGU (vs. 6.3% in 2020), or 7.1% for the Group overall (unchanged vs. 2020 impairment test).

To take into account the current market volatility and uncertainty over the future economic prospects, stress tests and sensitivity analyses were carried out to assess the recoverability of goodwill value, as described above.
Based on the methodology described above, the impairment test for goodwill as of 31 December 2021 confirmed the full recoverability, including sensitivity and stress scenarios, of all the CGUs with a headroom resulting sufficient to exclude goodwill impairment losses that may arise from meaningful business downside risks.

Values of goodwill as of 31 December 2021
The values of goodwill at 31 December 2021 and 2020 allocated by CGU are shown in the table below.

	at 31 December	
CGU	2021 € million	2020[(1)] € million
Americas	740.7	684.4
Southern Europe, Middle East and Africa	786.0	786.3
Northern, Central and Eastern Europe	249.3	247.0
Asia-Pacific	25.6	22.0
Total	**1,801.6**	**1,739.7**

(1) Excluding changes resulting from the purchase price allocation adjustments.

Changes in goodwill values at 31 December 2021 compared with 31 December 2020 are mainly due to favourable exchange rate effects of €58.6 million, which were re-allocated to the individual CGU and positive perimeter change equal to €5.8 million.

Impairment test on brands
The 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 2022 budget and the strategic plans prepared by the Group's subsidiaries in 2021 for the period 2023-2025. Moreover, projections have been extrapolated beyond the plan period to be adapted for a ten-year period, with growth rates gradually normalising towards the level of the perpetuity growth rate. The use of a ten-year period is justified by the long lifecycle of the brands with respect to the reference markets and it also takes into account the long ageing 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 strategy 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.
To determine the terminal value of each brand, a perpetual growth rate of between 2.1% to 2.7% (vs. a range of 1.8%-2.3% in 2020), in line with the inflation estimates, was used. The discount rates used for the individual brands tested varied from 7.2% to 8.1% (vs. a range of 6.7%-8.1% in 2020) and took into account a specific risk premium for the brand in question.
Brands with an immaterial value individually and in the aggregate are not subject to impairment test.
Based on the methodology as described above, the impairment test as of 31 December 2021 has indicated an aggregate impairment loss of €6.9 million relating to the Lallier and the Rhum Agricole brands applying a discount rate for both brands of 8.1% (unchanged vs. 2020). The impairment is due to increased raw material costs and delayed brand activation in the international markets and Global Travel Retail channel impacted by Covid. These effects are not expected to reverse in the short term positively.
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 with sufficient headroom resulted for all the brands, except for the following.
The sensitivity analyses indicated some impairment risks for the above-mentioned Lallier and Rhum Agricole brands as well as Bulldog and the Glen Grant brands that incurred impairment losses in 2020. The results of the stress tests are aligned with the sensitivity analyses being Lallier, Rhum Agricole as well as Bulldog and the Glen Grant facing impairment risks under the stress scenarios. Regarding the Bulldog and the Glen Grant brands, their recoverable amounts have increased under the current test due to improved business performance and continued positive premiumisation trends respectively. However, as there is still a risk of impairment losses under both the stress tests and sensitivity analysis[14] and the persisting volatility, the Group considers it reasonable to not reverse at this stage the impairment losses recorded in 2020 for both brands[15] . The Group will closely monitor the future development of the brands and carefully assess the recoverability of the trademark values.
IAS36 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 Lallier 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 identifying a representative sample of comparable transactions that are not consistently available across the different types of assets. As benchmarks are typically available for measuring business values as a whole, instead of a brand only, such methodology would not be suitable for these purposes.

Values of brand as of 31 December 2021
The values of brands at 31 December 2021 and 2020 are shown in the table below.

	at 31 December	
	2021 € million	2020[2] € million
Grand Marnier	300.7	300.7
Wild Turkey	161.2	148.8
Frangelico	54.0	54.0
Jamaican Rum Portfolio	89.1	89.0
The GlenGrant and Old Smuggler	88.8	88.8
Forty Creek	72.2	66.5

[14] Possible loss ranging from €1.4 million to €4.2 million for Bulldog and possible loss ranging from €0.6 million to €10.3 million for the GlenGrant.
[15] Impairment losses of €15.5 million for the GlenGrant and €15.8 million for Bulldog in 2020.

Cabo Wabo	62.7	57.9
Averna and Braulio	65.5	65.5
X-Rated (1)	8.5	9.9
Riccadonna	11.3	11.3
Bulldog	36.7	34.3
Other	24.1	27.9
Total	**974.9**	**954.5**

(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 the purchase price allocation adjustments.

Changes in brand values at 31 December 2021 compared with 31 December 2020 are mainly due to the impairment losses of the Rhum Agricole and Lallier brands for a total of €6.9 million, and exchange rate effects of €26.6 million.

vii. Other non-current assets

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

	at 31 December	
	2021 € million	2020 € million
Equity investment in other companies	0.8	0.9
Security deposits	2.0	1.3
Other non-current receivables	2.8	4.1
Other non-current assets	**5.6**	**6.4**

The items equity investment in other companies included the 10% interests in Thirsty Camel Ltd., a local player that is specialised in the marketing and distribution of alcoholic and non-alcoholic products in the territory.

viii. Other current assets

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

	at 31 December		
	2021 € million	*of which perimeter effect(1)* *€ million*	2020 € million
Other receivables from tax authorities	24.6	*0.5*	22.6
Prepaid expenses	11.9	*0.3*	6.9
Advances and other receivables from suppliers	3.7	-	1.3
Receivables from personnel	3.2	-	0.0
Advances to suppliers	0.2	-	2.6
Receivables from Parent Company for Group VAT	-	-	0.0
Receivables from agents and miscellaneous customers			1.4
Other receivables from Associates			0.0
Other	6.6	*0.5*	11.1
Other current assets	**50.2**	***1.3***	**45.9**

(1) The perimeter effect comprises the incorporation of Trans Beverages Company Ltd..

Other receivables from tax authorities, totalling €24.6 million, primarily comprise €20.9 million for VAT and €1.1 million for excise duties.

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

at 31 December 2021	other receivables(1) € million	provision for bad debt € million
Not overdue	**14.2**	**-**
Overdue since	**24.6**	**(0.5)**
Less than 30 days	1.5	-
30-90 days	0.1	-
1 year	22.9	(0.3)
5 years	-	(0.2)
more than 5 years	0.1	-
Total receivables broken down by maturity	**38.8**	**(0.5)**
Amount impaired	(0.5)	
Total	**38.3**	

(1) The item does not include prepaid expenses.

at 31 December 2020	other receivables(1) € million	provision for bad debt € million
Not overdue	**21.4**	**-**
Overdue since	**18.2**	**(0.7)**
Less than 30 days	0.0	0.0
30-90 days	3.0	(0.1)
1 year	14.9	(0.4)
5 years	0.2	(0.2)
Due after 5 years	0.0	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.

The tables below provide information on the change in the provision for bad debt and the credit risk exposure of the Group's other current receivables using a provisional matrix.

€ million	other receivables
at 31 December 2020	**0.7**
Accruals	0.1
Releases	(0.3)
at 31 December 2021	**0.5**

€ million	other receivables
at 31 December 2019	**0.7**
Accruals	0.3
Releases	(0.2)
Exchange rate differences and other changes	(0.1)
at 31 December 2020	**0.7**

	other current receivable days past due						
	current	less than 30 days	30-90 days	1 year	5 years	more than 5 years	Total
at 31 December 2021	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Credit loss rate	-	-	-	0.5%	0.5%	-	**1.0%**
Estimated total gross carrying amount at default	23.7	1.5	0.1	19.0	4.4	1.1	**49.7**
Provision for expected credit losses	-	-	-	(0.2)	(0.2)	-	**(0.5)**

	other current receivable days past due						
	current	less than 30 days	30-90 days	1 year	5 years	more than 5 years	Total
at 31 December 2020	€ million	€ million	€ million	€ million	€ million	€ million	€ million
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**
Provision for expected credit losses	-	-	(0.1)	(0.4)	-	-	**(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 € million	impairment loss € million	disposals € million	2021 € million
Property, plant and equipment	3.3	(1.1)	(2.3)	-
Total assets classified as held for sales	**3.3**	**(1.1)**	**(2.3)**	**-**

The property in France was disposed of during 2021 and the production assets located in Brazil, including the ceased Sorocaba facility, have been totally impaired as of 31 December 2021.

x. Other non-current liabilities

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

	at 31 December	
	2021 € million	2020 € million
Other employee benefits(1)	13.3	3.0
Medium-long term incentive plans	3.4	1.8
Profit sharing	3.8	2.0
Other non-current liabilities	1.4	0.6
Other non-current liabilities	**21.9**	**7.4**

(1) Including non-recurring last mile long-term incentive schemes.

The change of €14.5 million is mainly related to non-recurring last mile long-term incentive schemes with retention purposes to be potentially recognised to senior management. For more information, please refer to 'Governance' section.

xi. Other current liabilities

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

	at 31 December		
	2021 € million	*of which perimeter effect(1)* *€ million*	2020 € million
Payables to staff	97.6	-	61.6
Payables to agents	3.7	-	2.9
Deferred income	2.9	-	6.9

Amounts due to controlling shareholder for Group VAT	2.1	-	0.5
Value added tax	15.1	*0.1*	26.5
Tax on alcohol production	30.4	-	36.2
Withholding and miscellaneous taxes	10.2	-	7.3
Other	11.7	*1.1*	9.1
Other current liabilities	**173.7**	***1.3***	**141.1**

(1) The change includes a marginal impact related to the incorporation of Trans Beverages Company Ltd..

The increase of €33.4 million in other current liabilities is mainly attributable to the payables to staff due to the catch-up of incentive plans, all in line with the positive business performance in 2021.

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

at 31 December 2021	other payables to third parties € million
On demand	118.9
Due within 1 year	54.8
Total	**173.7**

at 31 December 2020	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 the various items that are managed to generate the Group performances.

i. Trade receivables

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

	at 31 December		
	2021 € million	*of which perimeter effect(1)* *€ million*	2020 post-reclassifications(2) € million
Trade receivables from costumers	286.8	*2.7*	276.1
Trade receivables from associates	1.9	-	4.0
Receivables in respect of contributions to promotional costs	2.4	-	2.9
Trade receivables	**291.0**	***2.7***	**283.0**

(1)The change includes a marginal impact related to the incorporation of Trans Beverages Company Ltd..
(2)For information on reclassification of comparative figures, please refer to note 3xi "Reclassification of comparative figures at 31 December 2020"

The table below shows the trade 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 2021	trade receivables(1) € million	provision for expected future losses and bad debt € million
Not overdue	**230.7**	**(1.3)**
Overdue since	**60.3**	**(5.6)**
Less than 30 days	26.8	(0.1)
30-90 days	7.4	(0.7)
1 year	18.4	(1.0)
5 years	6.2	(2.4)
More than 5 years	1.5	(1.4)
Total receivables broken down by maturity	**291.0**	**(6.9)**
Amount impaired	(6.9)	
Total	**284.1**	

(1)This item does not include prepaid expenses.

at 31 December 2020	trade receivables(1) € million	provision for expected future losses and bad debt € million
Not overdue	**193.1**	**(0.8)**
Overdue since	**96.1**	**(7.3)**
Less than 30 days	54.5	-
30-90 days	16.1	(2.3)
1 year	15.9	(1.3)
5 years	8.1	(2.3)
More than 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.

The overdue category decreased significantly from €96.1 million in 2020 to €60.3 million in 2021 thanks to the Group efficient management of payment terms.

The following tables show the impairment changes for expected future losses and bad debt in 2021 and 2020.

€ million	provision for expected future losses and bad debt
at 31 December 2020	**8.1**
Accruals	1.9
Utilisations	(1.2)
Releases	(1.9)
Exchange rate differences and other changes	(0.1)
at 31 December 2021	**6.9**

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

At 31 December 2021, the provision for expected future losses and bad debt amounted to €6.9 million, which was down by €1.2 million compared to 2020. It includes the impairment of specific receivables in order to reflect the estimated realisable value. The utilisations for the year were due to the settlement of lawsuits outstanding from previous periods.
The tables below set out the information related to the credit risk exposure on the Group's trade receivables using a provision matrix:

	trade receivables days past due						
at 31 December 2021	current	less than 30 days	30-90 days	1 year	5 years	more than 5 years	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Credit loss rate	0.4%	0.1%	0.1%	0.4%	0.8%	0.5%	**2.3%**
Estimated total gross carrying amount at default	235.6	27.1	8.4	18.4	6.2	1.5	**297.3**
Provision for expected credit losses	(1.3)	(0.2)	(0.4)	(1.1)	(2.4)	(1.4)	**(6.9)**

	trade receivables days past due						
at 31 December 2020	current	less than 30 days	30-90 days	1 year	5 years	after 5 years	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Credit loss rate	0.52%	0.13%	0.3%	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)**

The amount of the provision and the level of utilisation over the years, confirms that overall, the Group is exposed to a cluster of customers and markets that are not significantly affected by credit risk.

ii. Trade payables

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

	at 31 December		
	2021	*of which perimeter effect*(1)	2020(2)
	€ million	*€ million*	€ million
Trade payables to external suppliers	396.1	*1.9*	322.8
Trade payables	**396.1**	***1.9***	**322.8**

(1) The change includes a marginal impact related to the incorporation of Trans Beverages Company Ltd..
(2)For information on reclassification of comparative figures, please refer to note 3xi "Reclassification of comparative figures at 31 December 2020"

During 2021, the Group continued to join the reverse factoring programme launched in 2020 in cooperation with an external banking provider and selected key suppliers. The programme involved strategic partners based in Italy to allow participating suppliers to receive early payments on their invoices. Based on the programme's characteristics and the nature of the transaction, the trade payables in scope, continued to be classified as a trade payable on the grounds which led to an improvement in terms of commercial payment without giving any guarantee or change other terms or conditions of the original agreements. The programme increased payables by approximately €20.3 million at 31 December 2021 (€7.0 million at 31 December 2020).

The table below shows the trade payables broken down by maturity.

at 31 December 2021	trade payables

	€ million
On demand	76.0
Due within 1 year	312.4
Due in 1 to 2 years	6.4
Due after 5 years	0.2
Total	**396.1**

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**

iii. Inventories and biological assets

The breaks down of this item is as follows.

	at 31 December		
	2021 € million	*of which perimeter effect(1)* *€ million*	2020 post-reclassifications(2) € million
Finished products and goods for resale	172.8	*1.7*	143.0
Maturing inventory	409.7	-	368.1
Work in progress	103.7	*(0.1)*	94.6
Raw materials, supplies and consumables	55.9	-	50.9
Inventories	**742.0**	***1.5***	**656.6**
Current biological assets	**3.7**	***0.1***	**1.7**
Total	**745.7**	***1.7***	**658.3**

(1) The change includes a marginal impact related to the incorporation of Trans Beverages Company Ltd..
(2) For information on reclassification of comparative figures, please refer to note 3xi "Reclassification of comparative figures at 31 December 2020"

Stocks totalled €745.7 million at 31 December 2021, up by €87.4 million on 31 December 2020. This change was mainly attributable to organic increases connected with the growing business as well as to the rising in stocks of maturing inventories in line with the Group's strategic premiumisation guidelines. The exchange rate effect was also significant, accounting for approximately one third of the total change, as a result of the localisation of significant inventories out of Eurozone and in particular in the Americas.
The effect of the consolidation of Trans Beverages Company Ltd. was negligible and amounted to €1.7 million.

Current biological assets at 31 December 2021 totalled €3.7 million, corresponding to the fair value of the sugar cane, grapes and agave harvests that had not yet ripened. All these biological products are classified as current inventory in consideration of their annual vegetative growing process, except agave, which is also classified as inventory during the 6-year growing period even though the agave plants are not yet ripe for the harvest useful for distillation, as they can theoretically be sold as a growing plant. For more information related to the fair value estimation, refer to paragraph 4 xii-'Biological assets'. No guarantees were given to third parties in relation to these inventories. Agricultural produce in Martinique benefitted from public grants of €0.3 million (€0.5 million in 2020).
Inventories are reported minus the relevant impairment provisions. The changes in 2021 and 2020 are shown in the tables below.

	€ million
at 31 December 2020	**(16.0)**
Accruals/Release	(0.7)
Utilisation	5.2
Exchange rate differences and other changes	(2.1)
at 31 December 2021	**(13.6)**

	€ 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 Group's net financial debt composition broken down into the various items. Figurative financial assets and liabilities arising from rent and lease agreements are also provided in this section.

i. Cash and cash equivalents

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

	at 31 December		
	2021	*of which perimeter effect (1)*	2020
	€ million	*€ million*	€ million
Bank current accounts and cash	646.9	*(3.4)*	457.9
Term deposit maturing within 3 months	533.7	-	250.5
Other securities			**219.9**
Cash and cash equivalents	**1,180.6**	***(3.4)***	**928.3**

(1) The perimeter variation included the net cash outflow for the following transactions:
- finalisation of the joint-venture agreement in wines&spirits e-commerce segment with the partner Moët Hennessy,
- the effect deriving from the incorporation of the subsidiary in South Korea into Campari Group accounts: Trans Beverages Company Ltd. was previously represented as a joint-venture investment in Campari Group's accounts, while, during the first half of 2021, in line with the Group's strategy to empower its presence in the Asian Pacific region, the Group increased its interests by raising its stake from 40% to 51%,
- the acquisition of 40% interest in the newly incorporated joint-venture in Taiwan, named Spiritus Company Limited,
- the acquisition of 10% stake in Thirsty Camel Ltd., classified as other investments.

For more information on these transactions, please refer to paragraph 'Significant events of the year' of the management board report.

At 31 December 2021, the extremely solid cash flow generation was attributable to the very satisfactory performance of the Group's business achieved during the year. For a better understanding of the liquidity management, reference is made to cash flow information and the net financial debt (note 9 viii-'Reconciliation with net financial debt and cash flow statement').

ii. Other current financial assets

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

	at 31 December	
	2021	2020
	€ million	€ million
Valuation at fair value of forward contracts	0.7	0.3
Financial investments	13.2	-
Financial receivables from Terra Moretti (i.e. business disposal[1])	1.5	-
Other financial assets	0.4	1.0
Other current financial assets	**15.8**	**1.3**

(1) Receivable current portion associated with the past sale of Sella&Mosca S.p.A. and Teruzzi&Puthod S.r.l..

iii. Other non-current financial assets

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

	at 31 December	
	2021	2020
	€ million	€ million
Term deposit	4.2	4.0
Financial receivables from Terra Moretti (i.e. business disposal[1])	1.5	3.1
Non-current financial assets	**5.7**	**7.1**

(1) Receivable non-current portion associated with the past sale of Sella&Mosca S.p.A. and Teruzzi&Puthod S.r.l..

At 31 December 2021, term deposits of €4.2 million were intended to acquire the remaining shareholdings in J.Wray&Nephew Ltd., for which the Group has an equal financial liability for put option and earn-out.

iv. Lease components

Changes in the lease payables in 2021 and 2020 are provided in the tables below.

	at 31 December 2020	addition	payments	interest expenses	reclassification	exchange rate differences and other changes	at 31 December 2021
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Within 12 months	(13.9)	-	18.8	-	(18.9)	0.6	(13.5)
Over 12 months	(69.5)	(14.3)	-	(2.9)	18.9	(2.6)	(70.4)
Total lease payables	**(83.3)**	**(14.3)**	**18.8**	**(2.9)**	**-**	**(2.0)**	**(83.9)**

	at 31 December 2019	addition	payments	interest expenses	reclassification	perimeter effect	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)**	**-**	**(4.3)**	**9.9**	**(83.3)**

The IBRs applied in 2021 and 2020 were as follows.

for the year ended 31 December 2021 Currency	within 5 years	from 5 to 10 years	over 10 years
EUR	1.1%	1.3%	1.2%
USD	2.4%	2.7%	2.6%
GBP	2.4%	2.3%	2.0%

for the year ended 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%

The amounts recognised in the cash flow were as follows.

	for the years ended 31 December	
€ million	2021	2020
Total cash outflow for lease capital	(15.8)	(14.6)
Total cash outflow for lease interests	(2.9)	(3.2)
Total cash outflow for lease	**(18.8)**	**(14.6)**

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

€ million	within 12 months	over 12 months	total
Buildings	(9.2)	(60.5)	(69.7)
Vehicles	(2.8)	(4.4)	(7.2)
Machinery	(1.0)	(4.5)	(5.5)
Other	(0.5)	(0.8)	(1.3)
Land	-	(0.2)	(0.2)
Total financial liabilities for leases as of 31 December 2021	**(13.5)**	**(70.4)**	**(83.9)**
Total financial assets for leases as of 31 December 2021	-	-	-
Total financial assets and liabilities (net value) as of 31 December 2021	**(13.5)**	**(70.4)**	**(83.9)**

€ million	within 12 months	over 12 months	total
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	-	(0.2)	(0.2)
IT equipment	(0.1)	-	(0.1)
Total financial liabilities for leases as of 31 December 2020	**(13.9)**	**(69.5)**	**(83.3)**
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)**

v. Non-current financial debt

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

	at 31 December	
	2021 € million	2020 € million
Bond issued in 2017	150.0	200.0
Bond issued in 2019	149.7	149.5
Bond issued in 2020	861.1	849.1
Non-current bonds	**1,160.7**	**1,198.5**
Liabilities and loans due to banks	586.2	496.9
Lease payables	70.4	69.5
Liabilities for put option and earn-out payments	50.4	99.8
Non-Current Payables to Shareholders	35.5	26.7
Other non-current financial liabilities	0.1	0.4
Non-current financial liabilities	**742.6**	**693.2**
Total non-current financial debt	**1,903.3**	**1,891.7**

The main financial liabilities and the main changes that occurred in the composition of financial liabilities during the year are as follows:

- Bonds

At 31 December 2021, the Bonds item included the following issues.

at 31 December 2021	Issuer	nominal *€ million*	maturity	issue price	nominal coupon	rate	effective yield
Bond issued in 2017	Davide Campari-Milano N.V.	150.0	05/04/2024	100.00%	2.165%	fixed	2.165%
Bond issued in 2019	Davide Campari-Milano N.V.	150.0	30/04/2024	100.00%	1.655%	fixed	1.655%
Bond issued in 2020	Davide Campari-Milano N.V.	550.0	06/10/2027	99.76%	1.250%	fixed	1.370%
Bond issued in 2020	Lagfin S.C.A.	330.0	02/07/2025	100.00%	2.000%	fixed	3.700%

At 31 December 2021 the bond issued in 2017 by Davide Campari-Milano N.V., with a nominal value of €50.0 million, has been reclassified to short term due to the maturing date being within twelve months (April 2022).
The residual change recorded in 2021 relates to the amortised cost of the above long-term portion of bonds and was negative at €0.8 million.

- Liabilities for put options and earn-out

The changes of non-current liabilities for put option and earn-out in 2021 and 2020 are shown in the tables below.

€ million	total	*variation impacting profit or loss*	*variation impacting Group net equity or investment value*
at 31 December 2020	**99.8**		
payments	(2.0)	-	-
increases	0.4	-	*0.4*
amortisation costs effect	0.2	*0.2*	-
remeasurement	(0.7)	-	*(0.7)*
reclassification to current liability	(50.6)	-	-
exchange rate differences and other changes	3.3	-	*3.3*
at 31 December 2021	**50.4**		
of which measured at fair value	*50.4*		
of which measured at amortised cost	*-*		

€ million	total	*variation impacting profit or loss*	*variation impacting Group net equity or investment value*
at 31 December 2019	**128.8**		
increases	1.6	-	*1.6*
amortisation costs effect	0.2	*0.2*	-
perimeter effect	4.3	-	-
remeasurement	22.0	-	*22.0*
reclassification to current liability	(55.1)	-	-
exchange rate differences and other changes	(2.0)	-	*(2.0)*
at 31 December 2020	**99.8**		
of which measured at fair value	*49.4*		
of which measured at amortised cost	*50.4*		

At 31 December 2021, the long-term portion of the item included:
- the estimated payable for put options and earn-out linked to Ancho Reyes and Montelobos totalling €44.2 million payable starting from 2024 increased by €3.3 million during the year based on exchange rate effects and was subject to a remeasurement, which led to a decrease of €0.7 million;
- the estimated payable for put options and earn-out related to the Lallier acquisition totalling €6.2 million payable starting from 2023.

The significant movement reported during 2021 was related to the reclassification to current financial items of €50.6 million liability associated with the Société des Produits Marnier Lapostolle S.A.S. business combination and emerging from the agreements signed with a number of the former shareholders for the purchase of some of the remaining shares held by them in the next twelve months. The company's committed liability related to Tannico of €2.0 million (€1.6 million in 2020) linked to a personnel compensation scheme was paid in the context of the formation of the new 50%/50% joint-venture with Moët Hennessy.

vi. Current financial debt

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

	at 31 December 2021 € million	2020 € million
Bond issued in 2017	50.0	-
Accrued interest on bonds	6.3	12.9
Loans due to banks	358.4	416.7
Lease payables	13.5	13.9
Liabilities for put option and earn-out payments	48.2	3.5
Liabilities on hedging contracts	0.8	0.1
Derivative financial instrument on bond	118.5	41.6
Current liabilities for hedge derivatives not in hedge accounting	0.2	-
Other financial liabilities	5.0	28.3
Current financial debt	**600.9**	**517.0**

The main financial liabilities and the main changes that occurred in the composition of financial liabilities during the year are as follows:

- <u>Bonds</u>

As mentioned in the previous paragraph, at 31 December 2021 the bond issued in 2017 with a nominal value of €50.0 million, a fixed annual coupon of 1.768% and maturing on April 2022 has been reclassified to short-term liability.

- <u>Liabilities and loans due to banks</u>

At 31 December 2021, loans due to banks reported a net decrease of €58.7 million due to repayment of loans and credit facilities. The item includes, in addition to the current portion of medium / long-term loans, some short-term loans managed dynamically to strengthen the Group's financial structure further and achieve greater flexibility to respond promptly to the still volatile macroeconomic context.

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

The changes of non-current liabilities for put option and earn-out occurred in 2021 and 2020 are shown in the tables below.

at 31 December 2020 € million	total **3.5**	*variation impacting profit or loss*	*variation impacting Group net equity or investment value*
payments	(6.2)	-	-
reclassification from non-current liability	50.6	-	-
exchange rate differences and other changes	0.3	*0.3*	-
at 31 December 2021	**48.2**		
of which measured at fair value	*-*		
of which measured at amortised cost	*48.2*		

€ million at 31 December 2019	total **54.0**	*variation impacting profit or loss*	*variation impacting Group net equity or investment value*
payments	(85.1)	-	-
increases		-	-
amortisation costs effect	(19.0)	*(19.0)*	-
remeasurement		-	-
reclassification from non-current liability	55.1	-	-
exchange rate differences and other changes	(1.6)	*(0.2)*	*(1.4)*
at 31 December 2021	**3.5**		
of which measured at fair value	*-*		
of which measured at amortised cost	*3.5*		

At 31 December 2021, the short-term portion of the item included €45.0 million liability resulting from the agreements signed for the purchase of all the remaining shares in Société des Produits Marnier Lapostolle S.A.S. reclassified as current item during the year net of the settlements completed during the year, and €3.2 million liability for the purchase of the residual non-controlling shares in J.Wray&Nephew Ltd, secured by restricted cash and cash equivalents.

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	
	2021 € million	2020 € million
Cash and cash equivalents	1,180.6	928.3
Cash (A)	**1,180.6**	**928.3**
Securities	13.2	-
Other current financial assets	2.6	1.3
Current financial receivables (B)	**15.8**	**1.3**
Loans due to banks current	(358.0)	(416.7)
Current portion of lease payables	(13.5)	(13.9)
Current portion of bonds	(50.0)	-
Other current financial payables	(12.3)	(41.3)
Current portion of payables for put option and earn-out	(48.2)	(3.5)
Current debts to shareholders	-	-
Current portion of Derivative Financial Instruments on Bond	(118.5)	(41.6)
Current financial payables (C)	**(600.5)**	**(517.0)**
Net current financial debt (A+B+C)	**595.9**	**412.5**
Loans due to banks non-current [1]	(586.2)	(496.9)
Non-current portion of lease payables	(70.4)	(69.5)
Non-current portion of bonds	(1,160.7)	(1,198.4)
Non-current portion of payables for put option and earn-out	(50.4)	(99.8)
Non-current debts to shareholders	(35.5)	(26.8)
Other non-current financial liabilities	(0.1)	(0.4)
Non-current financial debt (D)	**(1,903.3)**	**(1,891.7)**
Net debt (A+B+C+D) [2]	**(1,307.5)**	**(1,479.2)**
Reconciliation with the Group's net financial debt as shown in the Management board report:		
Term deposits	4.2	4.0
Non-current financial receivables	1.5	3.1
Group net financial debt	**(1,301.8)**	**(1,472.0)**

(1) Including related derivatives.
(2) In accordance with ESMA guidelines.

viii. Financial instruments-disclosures

The value of individual categories of financial assets and liabilities held by the Group at 31 December 2021 and 31 December 2020 is shown below.

at 31 December 2021 € million	measurement at amortised cost	measurement at fair value through profit and loss [3]	measurement at fair value with changes recognised in the statement of comprehensive income
Cash and cash equivalents	1,180.6	-	-
Trade receivables	291.0	-	-
Current financial receivables	1.9	13.2	-
Other non-current financial assets	4.2	1.5	-
Other non-current assets		0.7	-
Loans due to banks [1]	(944.2)	-	-
Lease payables	(83.9)	-	-
Bonds	(1,210.7)	-	-
Accrued interest on bonds	(6.3)	-	-
Other current financial liabilities	(6.0)	-	-
Liabilities for put option and earn-out payments	(48.2)	(50.4)	-
Trade payables	(396.1)	-	-
Current assets for hedge derivatives, not in hedge accounting	-	0.1	-
Current liabilities for hedge derivatives, not in hedge accounting	-	(0.2)	-
Current assets for hedging derivatives	-	-	0.6
Non-current liabilities for hedging derivatives [2]	-	-	(0.7)
Current liabilities for hedging derivatives	-	-	(0.8)
Total	**(1,217.7)**	**(35.0)**	**(0.9)**

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

at 31 December 2020 € million	measurement at amortised cost	measurement at fair value through profit and loss	measurement at fair value with changes recognised in the statement of comprehensive income
Cash and cash equivalents	708.4	219.9	-
Trade receivables	283.0	-	-
Current financial receivables	-	1.0	-
Other non-current financial assets	4.1	3.0	-
Other non-current assets	-	1.0	-
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	-	(41.6)	
Liabilities for put option and earn-out payments(2)	(53.9)	(49.4)	-
Trade payables	(322.8)	-	-
Current assets for hedge derivatives, not in hedge account	-	-	-
Current liabilities for hedge derivatives, not in hedge account	-	-	-
Current assets for hedge derivatives	-	-	0.2
Non-current liabilities for hedging derivatives(3)	-	-	(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) Liabilities linked to some business combination may be elected to have the fair value variation accounted for against the Group equity
(3) Derivative on loan due to bank.

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 are designated as hedging instruments in the form of 1) foreign exchange forward and option contracts, elected as cash flow hedges to hedge highly probable forecast sales and purchases in different currencies compared to Euro and, 2) interest rate swap contract to mitigate the risk associated to variable interest rate changes on loan and bond agreements not issued at a 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 connection with the establishment of joint-ventures in Spiritus Co. Ltd and CT Spirits Japan Ltd., commitments to increment the ownership in these companies exists in the form of call option elected as derivative financial instruments measured at fair value with impact in the Campari Group statement of profit or loss. At 31 December 2021 the fair value was negligible. At the time of the expiring of the call options and in case of satisfaction of the conditions stated in the relevant agreement between parties, the derivatives will be replaced by an increased interest in the companies.

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 call agreements over joint-ventures elected as derivative instruments.

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

foreign exchange forward contracts and options (highly probable forecast sales and purchases)	at 31 December			
	2021		2020	
€ million	notional amount hedged items	average forward rate	notional amount hedged items	average forward rate
US Dollar	46.8	1.14	10.0	1.20
New Zealand Dollar	11.4	1.69	-	-
Mexican Pesos	(11.2)	18.81	-	-
Russian Ruble	9.8	85.51	-	-
Australian Dollar	6.5	1.43	2.7	1.31
Swiss franc	3.3	1.05	0.9	1.08
Singapore Dollar	2.9	1.57	0.5	-
Sterling Pound	2.1	0.85	-	-
Canadian Dollar	0.8	1.44	-	-
Total	**72.4**		**13.6**	

	at 31 December					
	2021			2020		
€ 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 and options (highly probable forecast sales and purchases)	72.4	(0.3)	0.1	13.6	0.1	0.1

– Interest rate swap contracts

	at 31 December					
	2021			2020		
€ million	notional amount hedged items	carrying amounts hedging instruments(1)	change in fair value gain (losses)	notional amount hedged items	carrying amounts hedging instruments(1)	change in fair value gain (losses)
interest rate swap	250.0	(0.7)	1.1	250.0	(3.5)	(3.0)

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

– Put and call agreements

	at 31 December 2021			at 31 December 2020		
€ 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)
call option on associates and joint-ventures	1.2	-	-	42.4	-	-

The notional amount recognized in 2020 related to the commitment with Tannico to increase the investment in the associate: the commitment was transferred to the Dioniso group as part of the 50%/50% joint-venture with Moët Hennessy.

10. Risk management and capital structure

This section details the Group's capital structure and the financial risks it is exposed to. For information on the composition of and changes in shareholders' equity during the periods under review, refer to the statement of changes in shareholders' equity.
With regards to capital management, Davide Campari-Milano N.V. has implemented a dividend distribution policy which reflects the Group priority to use its available financial sources mainly to fund external growth via acquisitions. Concomitantly Davide Campari-Milano N.V. carries out share buyback programs on a rolling basis intended to meet the obligations arising from share-based payments plans currently in force or to be adopted. The financial requirements deriving from the aforementioned capital management operations are managed dynamically maintaining an appropriate level of flexibility with regard to acquisition opportunities and funding options, also taking into account the optimal and sustainable level of financial solidity which is monitored on an ongoing basis through the index net debt on EBITDA-adjusted. For the purposes of the ratio calculation, net debt (refer to note 9 viii-'Reconciliation with net financial debt and cash flow statement') is the value of the Group's net financial debt at 31 December 2021, whereas the EBITDA-adjusted relates to the Operating result excluding depreciation and amortization and other operating income (expenses) (refer to note 6 v-'Selling, general and administrative expenses and Other operating income and expenses' and 6 vii-'Depreciation and amortisation'). At 31 December 2021, with regard to Campari Group, this multiple was 1.6 times, compared with 2.8 times at 31 December 2020, based on consistent calculation criteria. The decrease of the ratio during the year 2021 was mainly driven by the decrease in net financial debt thanks to the positive cash generation from the business

performance, as well as the improved EBITDA-adjusted, which incorporated the results of the year ending 2021, largely enhanced compared with the results as of 31 December 2020.

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 loans due to bank, lease payables 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 uses derivatives, primarily interest rate swaps, cross-currency swaps and forward contracts, to hedge interest rate and exchange rate risks.

- Credit risk

In specific 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 Group. 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 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, monitored ratings 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.

- Liquidity risk

The Group's ability to generate substantial cash flow through its operations minimises liquidity risk. This risk is defined as the difficulty of raising funds to cover the Group's financial obligations payment.
The table below summarises financial liabilities at 31 December 2021 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'.

at 31 December 2021	on demand	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	€ million
Bonds	-	63.5	12.6	326.4	808.3	1,210.7
Loans due to banks	-	201.9	11.1	731.3	-	944.2
Leases	-	13.5	11.9	30.6	27.9	83.9
Payables for put option and earn-out	-	48.2	6.2	44.2	-	98.6
Other financial liabilities	-	5.8	-	-	-	5.8
Trade payables	76.0	313.7	6.4	-	0.2	396.1
Other non-financial liabilities	118.8	54.8	-	-	-	173.7
Total liabilities	**194.8**	**701.4**	**48.2**	**1,132.5**	**836.4**	**2,913.3**

at 31 December 2020	on demand	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	€ 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 liabilities		**311.3**	**454.0**	**793.7**	**951.44**	**2,510.5**

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

- <u>Interest rate risk</u>

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.

	nominal interest rate	effective interest rate[1]	maturity	at 31 December 2021 € million	2020 € million
Loans due to banks	fixed rate 0.572% + variable rate[2][3]	1.325%	2024	553.3	564.3
Davide Campari-Milano N.V. bond issues:					
- issued in 2015 (Eurobond)					
- issued in 2017	fixed rate 1.768%	1.768%	2022	50.0	50.0
- issued in 2017	fixed rate 2.165%	2.165%	2024	150.0	150.0
- issued in 2019	fixed rate 1.655%	2.563%	2024	149.7	149.5
- issued in 2020	fixed rate 1.250%	1.408%	2027	545.9	545.2
Lagfin S.C.A. bond issue in 2020	fixed rate 2.000%	3.700%	2025	315.2	310.4
Leases	Interest borrowing rate	interest borrowing rate	2022-2027	83.9	83.8

[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 due to banks by Davide Campari Milano N.V., 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, loans due to banks and lease agreements.
The Parent Company's 2017, 2019 and 2020 bond issues pay interest at a fixed rate.

Sensitivity analysis

The table below shows the effects of 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 or loss, while a positive value indicates a potential net increase in this item. The assumptions used with regard to a potential change in rates are based on an analysis of the trend on the reporting date.
As regards the fixed-rate financial liabilities hedged by interest rate swaps, the change in the hedging instrument offsets the difference in the underlying liability, with practically no effect in the statement of profit or loss.

		profit or loss	
at 31 December 2021	increase/decrease in interest rates in basis point	increase in interest rates € million	decrease in interest rates € million
Euro	+/- 5 basis point	(0.7)	0.7
Dollar	+30/-10 basis point	1.1	(0.5)
Other currencies		1.8	(2.3)
Total effect		**2.3**	**(2.1)**
at 31 December 2020			
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)**

- <u>Exchange rate risk</u>

The Group develops its business activities globally, 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, since both costs and income are denominated in the same currency.
For the Group, net exposure to foreign exchange effects is limited to transactions concluded among Group companies relating to certain sales and purchases regulated in currencies other than the functional currencies of the companies. Although these transactions represent only a portion of the overall business, the Group policy regularly determines the net exposure to the primary currencies to mitigate the residual foreign exchange risk by using forward and option derivatives agreements.

Sensitivity analysis

An analysis was performed on the effects of a possible change in the exchange rates against the Euro on the statement of profit or loss, keeping all the other variables constant.
This analysis does not include the consolidated financial statements' effect on 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 transactions 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.

		net equity	
at 31 December 2021	increase/decrease in interest rates in basis point	increase in exchange rates € million	decrease in exchange rates € million
Dollar	+1000/-130 basis point	0.3	(2.4)
Other currencies		0.3	(2.8)
Total effect		**0.7**	**(5.2)**
at 31 December 2020			
Dollar	+11/-64 basis point	1.4	-
Other currencies		-	(0.4)
Total effect		**1.5**	**(0.4)**

- <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 obtaining high-quality quantities of raw materials. However, we cannot exclude that the Group could face challenges in getting 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 related to natural growing processes.

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.

- <u>Other reserves and retained earnings attributable to Group shareholders</u>

	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 2020 (restated)	**203.2**	**19.9**	**6.9**	**187.4**	**16.1**	**1.0**	**43.9**
Stock options for the period							
Profits (losses) allocated to shareholders' equity		3.3				0.9	
Tax effect recognised in shareholder's equity		(0.8)				(0.2)	
Traslation difference			72.4				
Effects from hyperinflation accounting standard adoption			4.4				
Change in ownership interest	0.2						
Balance at 31 December 2021	**203.4**	**19.9**	**(4.4)**	**(110.5)**	**16.1**	**(0.3)**	**124.3**

The change in the currency translation differences reserve mainly related to net assets denominated in US Dollar, Canadian Dollar and Great Britain Pound.
Changes in ownership interests are related to the recognition of effects from the movement in non-controlling interests having an effective involvement in the conduct of the business and where their interest must continue to

be represented in addition to the Group's shareholders' equity and, at the same time, the financial liability relating to the put and/or call option agreements must be recorded. Any subsequent remeasurements of the fair value of the financial liability relating to the put and/or call option agreements are treated as transactions with minority shareholders and recognised as Group's shareholders' equity up to the date of their liquidation.
The changes in ownership interests, including the reclassification of non-controlling interests values and put option and earn-out remeasurements to Group reserves, are as follows.

for the year ended 31 December 2021	net result of the period[1] € million	exchange rate and other movement € million	put and/or call option remeasurement € million	total reclassification to Group equity € million
Ancho Reyes and Montelobos	(0.6)	0.3	0.4	0.2
Champagne Lallier	(0.4)	-	-	(0.4)
Changes in ownership interests	**(1.0)**	**0.3**	**0.4**	**(0.2)**

(1) Excluding the net result of the period of BBS Group equal to €(0.2) million and Trans Beverages equal to €0.3 million.

- Shareholders' equity attributable to non-controlling interests

The non controlling interest, equal to €1,064.2 million (€882.7 million at 31 December 2020) 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 2020	Dividend distribution	Change in ownership interests	DCM N.V. shares purchase	Treasury shares transactions	Total other comprehensive income	Net result	At 31 December 2021
Davide Campari-Milano N.V. Group	880.9	(27.6)	15.3	(0.5)	3.8	64.9	123.8	1,061.6
Bellonnie et Bourdillon [1]	1.8		-	-		-	(0.2)	1.6
Trans Beverages		(0.6)					2.0	1.4
Non-controlling interests	**882.7**	**(27.6)**	**15.3**	**(0.5)**	**3.8**	**64.9**	**125.6**	**1,064.6**

[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 includes the purchase of an additional 0.03% of the Davide Campari-Milano N.V. shares by Lagfin and to the purchase of own-shares by Davide Campari-Milano N.V. made during 2020.

- Transactions with non-controlling interests

Except for the business combination completed during the year and involving non-controlling interests, there were no other transactions with them for the years ended 31 December 2021 and 2020.

11. Other disclosures

This section includes additional financial information required by the relevant accounting standards, or that management considers being material for shareholders.

i. Share-based payments

The subsidiary Davide Campari-Milano N.V. has several own shares that can be used to support share-based payments requirements. The table below shows changes in the number of own shares held during the periods considered.

	no. of ordinary shares held		purchase price (€ million)	
	2021	2020	2021	2020
Balance at 1 January	42,193,807	13,704,200	342.4	108.7
Purchases	5,931,376	36,281,893	71.1	293.6
Disposals	(19,015,454)	(7,792,286)	(139.8)	(59.8)
Final balance	29,109,729	42,193,807	273.7	342.4
% of share capital	2.51%	3.63%		

Sales of own shares during the year, which are shown in the above table at an amount equal to the original purchase cost of €139.8 million (€59.8 million in 2020), were carried out at the actual market price totalling €68.3 million (€22.4 million in 2020). The Parent Company reported a negative difference of €71.5 million (€37.4 million in 2020), which was recorded in shareholders' equity (embedded within the retained earnings) and partially offset by the use of the stock option reserve of €11.3 million (€6.1 million in 2020).

- Compensation plans in the form of stock options

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 at the 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 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.
The Shareholders' meeting of 8 April 2021 approved a new stock option plan, established the maximum number of shares that may be granted and authorised by 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 4 May 2021 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 2021 for the purchase of further shares was 645,795 (12.474.917 in 2020) with an average grant price of €9.91 (€6.41 in 2020), equivalent to the weighted average market price in the month preceding the day on which the options were granted.

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

	at 31 December 2021		at 31 December 2020	
	No. of shares	Average allocation/exercise price (€)	No. of shares	Average allocation/exercise price (€)
Options outstanding at the beginning of the period	52,541,307	4.83	49,289,367	4.13
Options granted during the period	645,795	9.91	12,474,917	6.41
(Options cancelled during the period)	(671,291)	6.34	(1,430,691)	5.29
(Options exercised during the period) (1)	(19,009,546)	3.60	(7,792,286)	2.87
(Options expired during the period)	(15,000)	-	-	-
Options outstanding at the end of the period	33,491,265	5.59	52,541,307	4.83
of which exercisable at the end of the period	10,092,564	3.59	15,647,473	3.07

(1) The average market price on the exercise date was €11.41.

The exercise prices for the options granted in each year range were as follows.

	average exercise price
Allocations: 2012	2.63
Allocations: 2013	2.98
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
Allocations: 2021	**9.91**

The stock option plan does not include vesting conditions linked to business results or to market conditions. The following assumptions were used for the fair value measurement of options issued in 2021 and 2020.

Black-Scholes model parameters	2021	2020
Expected dividends (€)	0.055	0.055
Expected volatility (%)	20.89%	37.87%
Historic volatility (%)	20.89%	37.87%
Market interest rate	-0.12%	-0.08%
Expected option life (years)	7.00	7.00
Exercise price (€)	9.91	6.41

The average fair value of options granted in 2021 was €1.99 (€2.40 in 2020). The average remaining life of outstanding options at 31 December 2021 was 3.3 years (3.0 years at 31 December 2020).

- Share-based payments in the form of 'Employees Share Ownership plan'

The Shareholders' meeting of Davide Campari-Milano N.V. of 8 April 2021 approved the resolution to implement an Employee Share Ownership Plan ('ESOP'), which is a share matching plans offering employees the opportunity to invest in Davide Campari-Milano N.V. shares for which free shares will be granted after a certain vesting period. ESOP aims at encouraging employees to share the Company's values, strengthening the sense of belonging and encouraging active participation in the Group's long-term growth. The ESOP is intended for all Group employees, with the exception of members of the Board of Directors. These employees will be offered the opportunity to allocate certain amounts to the plan. Their contributions will be used to purchase shares of Davide Campari-Milano N.V. (the 'Purchased Shares') by the plan administrator and, after a three-year vesting period, complementary free shares will be awarded. After the closing of the enrolment period between 18 October and 17 December 2021, the participation rate of eligible Campari Group's employees amounted to 51.6%. This initiative will start having an impact on the Group's accounts from the first quarter of 2022 and the accounting treatment will follow the accounting treatment applied for benefits granted in the form of stock option plans.
As part of this, the Extra-Mile Bonus Plan ('EMB') programme was awarded in 2021 representing a preparatory assignment to the launch of the ESOP programme with which it shares the main features.
The above-mentioned Shareholders' meeting approved the resolution to reward all permanent employees, who worked at the Group for at least 6 months during 2020, with the exception of the Group Leadership Team, for their participation in the Group's performance. Eligible employees will be awarded the right to receive a number of Campari shares for free, subject to their continued employment during a vesting period of three years. This beforementioned initiative started having an impact on the Group's accounts from the third quarter of 2021. The fair value of the EMB plan is represented by the awarded number of rights assigned calculated based on the annual base gross salary of eligible employees as at 31 December 2020, divided by twelve.

The table below shows the changes in EMB rights during 2021.

	at 31 December
n. of rights	2021
outstanding rights at the beginning of the year	-
assigned during the period	1,182,408
cancelled during the period	(46,551)
exercised during the period	(5,908)
expired during the period	-
outstanding rights at the end of the year	1,129,949

In terms of phantom stock option plan awarded under the EMB plan, if a share-based scheme is not permitted or is not effective based on specific national legislation, a liability, negligible at 31 December 2021, was recorded under the item personnel long-term liabilities.

The ESOP and EMB information documents, drafted in accordance with applicable legislation, are available on the Campari Group's website: www.camparigroup.com/en/page/group/governance.

ii. Provisions for risks, future charges and contingent assets

The tables below show the changes in this item during 2021 and 2020.

	tax provision	restructuring provisions	agent severance fund	other	total

	€ million	€ million	€ million	€ million	€ million
at 31 December 2020	**18.1**	**6.7**	**1.3**	**15.6**	**41.6**
Change resulting from provisional allocation of acquisition value	0.2	-	-	-	0.2
at 31 December 2020 post-reclassifications	**18.3**	**6.7**	**1.3**	**15.6**	**41.8**
Accruals	-	5.8	0.1	5.2	13.7
Utilisations		(1.8)	(0.1)	(0.1)	(2.0)
Releases	-	(2.4)	-	(1.2)	(6.3)
Reclassification[1]	(12.9)	(0.5)	-	(0.1)	(13.5)
Exchange rate differences and other changes	0.1	0.3	-	0.2	0.6
at 31 December 2021	**5.5**	**8.0**	**1.3**	**19.6**	**34.4**
of which:					
- due within 12 months	0.1	3.4	1.3	8.7	13.4
- due after 12 months	5.4	4.6	-	10.9	21.0

[1]The change of €12.9 million referred to the reclassification of provisions for uncertain tax positions to current tax payables.

	tax provision	restructuring provisions	agent severance fund	other	total
	€ million	€ million	€ million	€ million	€ million
at 31 December 2019	**22.6**	**10.4**	**1.4**	**17.1**	**51.4**
Change resulting from provisional allocation of acquisition value	0.3	-	-	0.7	1.0
at 31 December 2019 post-reclassifications	**22.8**	**10.4**	**1.4**	**17.8**	**52.4**
Perimeter effect for acquisition	0.3	-	-	-	0.3
Accruals	-	9.4	0.2	3.9	13.5
Utilisations		(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**
- due within 12 months	-	6.7	-	2.1	8.8
- due after 12 months	18.1	(0.0)	1.3	13.5	32.8

The restructuring provision includes some tail-end effects coming from the restructuring programme of the agricultural sugar business launched last year in Jamaica and still on-going.
Other provisions involved recognition by the Company and subsidiaries of liabilities for various lawsuits, including a Brazilian legal dispute totalling €8.9 million over a distribution agreement and some customers suit in France totalling €3.1 million.

Contingent liability
The information reported below concerns contingent liabilities arising from outstanding disputes, for which the provision recognition criteria have not been met 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.
On the date of this report, a dispute amounting to BRL6.6 million (€1.0 million at the exchange rate on 31 December 2021) 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 BRL68.2 million (€10.8 million at the exchange rate on 31 December 2021) plus interest. 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.

Contingent assets:
During 2021 the Brazilian Supreme Court finalised the judgment of the fiscal dispute related to certain indirect taxes (Social Integration Programme levy (PIS)-social security financing levy (COFINS)) on the circulation of goods and services (ICMS) concerning the final ruling issued by the Brazilian federal tax court (TFR). The dispute related to the right to exclude certain PIS/COFINS taxes from the ICMS calculation base and the right to offset amounts paid since 2002. The Supreme Court's final decision clarified the valuation methodology to be applied to define the amount of indirect tax wrongfully paid and officially requested by the Group in compensation. The difference between the minimum amount recognised in the 2019 Group accounts and the total value of the request, was represented and disclosed as contingent asset in both the Campari Group's 31 December 2019 and 2020 financial statements. In consideration of the positive development of the matter and the fact that the sentence is final and unappealable, the residual amount claimed was deemed virtually certain and recognised in Group profit or loss in 2021 for a total amount of BRL70.1 million (€11.1 million at the spot exchange rate at 31 December 2021 or €10.9 million converted at the average exchange rate for the twelve months ending 31 December 2021, including interests).

At 31 December 2021 there were no unrecognised contingent assets.

iii. Fair value information on assets and liabilities

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

	carrying amount at 31 December		fair value at 31 December	
	2021 € million	2020 € million	2021 € million	2020 € million
Cash and cash equivalents	1,180.6	928.3	1,180.6	928.3
Current financial receivables	15.0	1.0	15.0	1.0
Current assets for hedging derivatives	0.6	0.2	0.6	0.2
Current assets for hedge derivatives, not in hedge accounting	0.1	0	0.1	0
Other non-current financial assets	5.7	7.1	5.7	7.1
Financial assets	**1,202.0**	**936.6**	**1,202.0**	**936.6**
Loans due to banks(1)	943.5	913.7	958.3	913.7
Lease payables	83.9	83.3	83.9	83.3
Bonds issued in 2017	200.0	200.0	204.6	209.9
Bonds issued in 2019	149.7	149.5	151.7	155.2
Bonds issued in 2020	861.1	849.0	869.4	875.3
Accrued interest on bonds	6.3	12.9	6.3	12.9
Other current and non-current financial liabilities	5.1	28.7	5.1	28.7
Current liabilities for hedging derivatives	0.8	0.1	0.8	0.1
Non-current liabilities for hedging derivatives(2)	0.7	3.5	0.7	3.5
Current portion of Derivative Financial Instruments on Bond	118.5	41.6	118.5	41.6
Debt to shareholders	35.5	26.7	35.5	26.7
Current liabilities for hedge derivatives, not in hedge accounting	0.2	0.0	0.2	0.0
Liabilities for put option and earn-out payments	98.6	103.3	98.6	103.3
Financial liabilities	**2,503.9**	**2,412.3**	**2,533.6**	**2,454.2**
Financial guarantees	32.6	-	32.6	-
Securities to group companies for credit lines	147.3	79.0	147.3	79.0
Customs guarantees for excise duties	105.4	126.2	105.4	126.2
Other guarantees	16.3	5.4	16.3	5.4
Unrecognised financial instruments (commitments)	**301.7**	**210.6**	**301.7**	**210.6**

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

There were no changes in the Group's valuation processes, techniques, and types of inputs used in the fair value measurements during the period regarding the fair value of a) financial and b) non-financial instruments. The valuation date for all items is 31 December 2021.

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 non-performance risk 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.

- level 1: valuation for the financial assets in question was calculated using a methodology based on the NAV, which was obtained from specialised external sources;
- level 2: valuation used for financial instruments measured at fair value was based on parameters such as exchange rates and interest rates, which are quoted on active markets or are observable on official yield curves;
- level 3: valuation used for financial liabilities deriving from or connected to business combinations, where a portion of the consideration was determined as a condition subordinated to the company's performance acquired, based on contractually agreed indicators.

at 31 December 2021	level 1 € million	level 2 € million	level 3 € million
Assets valued at fair value			
Cash and cash equivalents (securities)	268.1	-	-
Current financial receivables	14.7	-	-
Other non-current financial assets	1.5	-	0.8
Other non-current assets	-	-	-
Current assets for hedging derivatives(1)	-	0.6	-
Current assets for hedging derivatives, not in hedge account	-	0.1	-
Liabilities valued at fair value			
Liabilities for put option and earn-out payments	-	-	50.4
Non-current liabilities for hedging derivatives(1)	-	0.7	-
Current liabilities for hedge derivatives, not in hedge accounting(1)	-	0.2	-
Current liabilities for hedging derivatives(1)	-	0.8	-
Derivative financial instrument on bond	-	117.3	-

(1)Items for which fair value are disclosed in the related note.

at 31 December 2020	level 1 € million	level 2 € million	level 3 € million
Assets valued at fair value			
Cash and cash equivalents (securities)	-	219.9	-
Current financial receivables	1.0	-	-
Other non-current financial assets	3.0	-	-
Other non-current assets	1.0	-	-
Current assets for hedging derivatives(1)	-	0.2	-
Current assets for hedging derivatives, not in hedge account	-	-	-
Liabilities valued at fair value			
Liabilities for put option and earn-out payments	-	49.4	-
Non-current liabilities for hedging derivatives(1)	-	41.6	-
Current liabilities for hedge derivatives, not in hedge accounting(1)	-	-	-
Current liabilities for hedging derivatives(1)	-	0.1	-
Derivative financial instrument on bond	-	40.4	-

(1) Items for which fair value are disclosed in the related note.

The following tables show the valuation techniques used in measuring level 2 and level 3 fair values at 31 December 2021 for financial instruments measured at fair value in the statement of financial position, and the significant unobservable inputs used.

type	valuation technique	Significant unobservable inputs	inter-relationship between significant unobservable inputs and fair value measurement
Forward and option exchange contracts	For Campari Group, net exposure to foreign exchange effects is limited to transactions concluded among Group companies relating to certain sales and purchases regulated in currencies other than the functional currencies of the companies. Although these transactions represent only a portion of the overall business, the Group policy regularly determines the net exposure to the primary currencies (USD, GBP, AUD) based on its predicted intercompany sales and purchases up to 18 months. The Group then enters into foreign currency forward and option contracts to hedge those exposures. The fair value is determined using quoted forward exchange rates at the reporting date based on high credit quality yield curves in the respective currencies. The models incorporate various inputs, including the counterparty's credit rating, market volatility, spot and forward exchange rates and current and forward interest rates.	Not applicable.	Not applicable.
Derivative agreements not in hedge accounting	Sometime the Group decided not to designate foreign currency derivative contracts as hedge accounting relationships for operational reasons. The derivative agreements used by the Group are forward and option exchange contracts covering foreign exchange exposure on receivables and payables, for which the natural hedge effect is obtained.	Not applicable.	Not applicable.
Interest rate swaps	Interest rate swaps agreements are namely connected with financing. The fair value of interest rate swaps agreements is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources reflecting the applicable benchmark interbank rate used by market participants when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.	Not applicable.	Not applicable.
Contingent consideration and put/call agreements connected with business combination	The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.	Ancho Reyes and Montelobos put option – expected contractually target business performances measured over a period of 5	The estimated fair value would increase (decrease) if:

		years from the acquisition date; – risk-adjusted discount rate (31 December 2021: 2.43%, unchanged compared with 31 December 2020). <u>Lallier group put option</u> – expected contractually target business performances measured over a period of 3 years from the acquisition date; – risk-adjusted discount rate (31 December 2021: 2.43%, 31 December 2020: N/A).	– the expected contractually target business performances, were higher (lower); or – the risk-adjusted discount rate was lower (higher) with related impact in financial liabilities affecting the expected cash out value and Campari Group Net Equity.

There were no transfers between level 1 and level 2 fair value measurements during the period. Contingent considerations and other minor non-current assets were transferred from level 2 into level 3 fair value measurements during the year ended 31 December 2021 in consideration of the significant unobservable inputs used in the valuation process.

The following table shows a reconciliation from the opening balance to the closing balance at 31 December 2021 for level 3 fair values.

€ million	other non-current assets	contingent considerations and put/call agreements
level 3 fair values at 31 December 2020	**-**	**-**
-reclass from level 2 to level 3	0.6	49.4
-change in fair value included in profit or loss	0.1	-
-change in fair value included in associates and joint-venture	-	0.4
-change in fair value included in Group net equity (Note 10-iii 'Shareholder's equity')	-	(0.7)
-disposal	(0.1)	(2.0)
-additions	0.3	-
-exchange rate effect and other movements	-	3.3
level 3 fair values at 31 December 2021	**0.8**	**50.4**

For the level 3 fair value items, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have been the following effects.

at 31 December 2021 € million	profit or loss (+) increase/(-) decrease	group net equity (+) increase/(-) decrease
contingent consideration		
risk adjusted discount rate +/-1% (+/-100 basis points)	-	1.5/-1.5
expected contractually target business performances +/-10% (+/-1000 basis points)	-	-5.0/+5.0

In light of the negligible amount of other non-current assets classified as level 3 fair value items, no sensitivity was detected as any reasonably possible changes at the balance sheet date of one of the significant unobservable inputs, keeping the other variables constant, would not have generated significant effects either on the statement of profit or loss or on the group net equity.

<u>Financial derivatives</u>
A summary of financial derivatives implemented by the Group at 31 December 2021, broken down by hedging strategy, is shown below.

- Derivatives used for fair value hedging

At 31 December 2021, certain Group subsidiaries have contracts for hedging payables and receivables in foreign currency in place that meet the requirements to be defined as fair value hedging instruments. These contracts were negotiated to match maturities with incoming and outgoing cash flows resulting from sales and purchases in individual currencies. At the reporting date. the valuation of these contracts gave rise to the reporting of assets of €0.5 million and liabilities of €1.4 million.
Gains and losses on the hedged and hedging instruments used in all the Group's fair value hedges, corresponding to the contracts mentioned above, are summarised below.

	for the years ended 31 December	
	2021 € million	2020 € million
Gains on hedging instruments	0.1	0.1
Total gains (losses) on hedging instruments	**0.1**	**0.1**
Gains on hedged items	0.6	-
Losses on hedged items	(0.6)	(0.2)
Total gains (losses) on hedging items	**-**	**(0.2)**

- 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;
- hedging of future sales and purchases in currencies other than the Euro and interest rates on future transactions.

The fair value variation of the hedging instruments during the year generated an impact in other comprehensive income of €1.6 million and €4.3 million in profit or loss related to the reversal of cash flow reserve associated with the pre-hedge derivative closed in 2018.
At the reporting date, the valuation of these contracts gave rise to the reporting of assets of €0.1 million and liabilities of €0.1 million.
The table below shows when the aforementioned hedged cash flows are expected to be received (paid), at 31 December 2021. These cash flows concern both interest and currency derivatives and have not been discounted. Since the company does not distinguish the outflow for positive and negative fair values of derivative contracts, the below cash outflows are presented net.

for the year ended 31 December 2021 2021	within one year € million	1-5 years € million	total € million
Cash outflows (A)	(0.1)	-	(0.1)
Cash inflows (B)	0.1	1.2	1.3
Net cash flows (A+B)	**-**	**1.2**	**1.2**

for the year ended 31 December 2021 2020	within one year € million	1-5 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)	**0.2**	**0.4**	**0.6**

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
at 31 December 2020	**(16.2)**	**3.9**	**(12.4)**
profit or loss impact	4.3	(1.0)	3.3
net equity impact	1.6	(0.4)	1.2
at 31 December 2021	**(10.4)**	**2.4**	**(7.9)**

	gross amount € million	tax effect € million	net amount € million
at 31 December 2019	(20.0)	4.8	(15.2)
profit or loss impact	4.4	(1.1)	3.4
net equity impact	(0.6)	0.1	(0.5)
at 31 December 2020	**(16.2)**	**3.9**	**(12.4)**

- Hedging derivatives not reported using hedge accounting

These instruments are mainly related to hedges of future purchases in currencies other than the Euro. At 31 December 2021, financial liabilities for €0.2 were recognised and financial assets of €0.1 million. At 31 December 2020, no financial assets and liabilities for hedging derivatives not reported using hedge accounting were recorded.

<u>IBOR reform</u>

A fundamental reform of major interest rate benchmarks (Interest Rate Benchmark Reform) is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform').
Currencies that will be affected by this change after 31 December 2021 are CHF, GBP and JPY, which do not represent countries whose interest rate risk is significant for the Group.
US Dollar Libor replacement, that will not have a relevant impact for the Group either, will be effective from 30 of June 2023.
The Group anticipates that IBOR reform will affect its operational and risk management processes and hedge accounting, even if on a limited and not significant size. With respect to the amendments to IFRS connected to the 'Interest Rate Benchmark Reform' phase 2 as highlighted in note 5 i.-'Summary of the new accounting standards adopted by the Group from 1 January 2021,' the impact on the Group is negligible at 31 December 2021.

b) Non-financial instruments

<u>Fair value of non-financial instruments</u>:

For current biological assets (agricultural produce: agave, grapes and sugar), the fair value was determined based on the sale price net of estimated sales costs, if available, or having as main reference the total production costs in case the agricultural product is so peculiar that there is the absence of any active reference market for comparable plantation and similar output in terms of age and qualitative characteristics.

The following biological assets are not measured at fair value and consequently are not represented in this disclosure section:

- grapevines and agave plantations which remain classified as fixed biological assets valued at cost, net of accumulated depreciation and accumulated impairment losses,
- sugar cane plantations remain classified as fixed biological assets valued at cost, net of accumulated depreciation and accumulated impairment losses, up to the annual harvest.

The table below details the hierarchy of 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.

at 31 December 2021	level 1 € million	level 2 € million	level 3 € million
Assets valued at fair value			
Biological assets		-	3.7

at 31 December 2020	level 1 € million	level 2 € million	level 3 € million
Assets valued at fair value			
Biological assets		-	1.7

The following tables show the valuation techniques used in measuring level 2 and level 3 fair values at 31 December 2021 for non-financial instruments measured at fair value in the statement of financial position, and the significant unobservable inputs used.

type	valuation technique	significant unobservable inputs	inter-relationship between significant unobservable inputs and fair value measurement
biological assets (inventory)	The fair value of agricultural products grown on the plant is determined by considering the market value of similar commodities and the biological/vegetative cycle which is based on all costs incurred in anticipation of the future harvest (service, products and other ancillary costs).	- actual cost of cultivation and preparation of the land and the plant per hectare - estimated yields per hectare - estimated market price for similar commodities.	The estimated fair value would increase (decrease) if: – the estimated cost of cultivation and preparation of the land and plantation were higher (lower); or - the estimated yield per hectare was higher (lower).

All the biological products (agave, sugar cane and grapes) are classified as current inventory in consideration of their annual vegetative growing process, apart from agave which is classified as inventory even during the 6-year growing period in consideration of the vegetative characteristics of the product. The amount disclosed in the consolidated accounts at 31 December 2020 for sugar cane and grapes, was used in the production process during the year 2021 and the value reported in the Group statement of the financial position at 31 December 2021 represented the new value of agricultural products that are growing on the plants.

Biological assets represented by agricultural products in inventory were transferred from level 2 into level 3 fair value measurements during the twelve months ended 31 December 2021 in consideration of the significant unobservable inputs used in the valuation process.

The following table shows a reconciliation from the opening and the closing balance as of 31 December 2021 for level 3 fair values.

€ million	biological assets in inventory[1]
at 31 December 2020	**1.6**
reclassification of opening balance	0.1
at 31 December 2020 post-reclassifications	**1.7**
harvest and reclassification to raw materials	(0.1)
accretion	1.9
change in fair value included in profit or loss (cost of sale)	-
exchange rate differences	0.2

at 31 December 2021	**3.7**

(1) Please refer to note 8 iii-'Inventories and biological assets.

In light of the negligible amount of biological assets in inventory classified as level 3 fair value items, no material sensitivity effect was detected as any reasonably possible changes at the balance sheet date of one of the significant unobservable inputs, keeping the others variables constant, would not have generated significant effects either on the statement of profit or loss or on the inventory item.

iv. Commitments and risks

The main commitments and risks of the Group on the reporting date are divided into the following categories:

- Contractual commitments to purchase goods or services totalled €242.3 million (€281.8 million at 31 December 2020). These mainly included commitments for the purchase of raw materials, semi-finished goods totalling €67.4 million (€107.3 million at 31 December 2020); the purchase of packaging and pallets, amounting to €50.9 million (€46.9 million at 31 December 2020); initiatives to enhance and outsource selected Group information technology services totalling €29.8 million (€23.9 million in 2020); the purchase of advertising and promotional services and sponsorships totalled €23.3 million (€22.4 million at 31 December 2020) as well as for general and maintenance services for €58.1 million (€64.8 million in 2020).
- Existing contractual commitments for purchasing of property, plant and equipment, and intangible assets totalling €5.8 million (€20.7 million at 31 December 2020).
- Financial guarantees. The Group has provided financial guarantees in the context of the 50%/50% joint-venture in Dioniso Group with Moët Hennessy to create a premium pan-European Wines&Spirits e-commerce player and which holds the leading e-commerce platforms for wines and premium spirits in Italy Tannico e Wineplatform S.p.A. and in France Ventealapropriete.com. The Group is providing 50% of financial support to Dioniso Group for the completion of business expansion transactions in case existing cash flows are not sufficient and the bank indebtedness or other third-party financing cannot be obtained at satisfactory conditions. At 31 December 2021, the estimated potential cash out for the Group in relation to Dioniso Group existing commitments in the form of put and/or call option connected with business combination and committed liability for the personnel compensation scheme was €32.6 million.
- Other guarantees. The Group has provided other forms of security in favour of third parties, totalling €269.0 million at 31 December 2021 (€210.6 million at 31 December 2020). These mainly include securities to Group companies for credit lines totalling €147.3 million (146.9 million at 31 December 2020) and customs guarantees for excise duties totalling €58.3 million (€58.3 million at 31 December 2020).
- Contractual commitments for using of third-party assets not recognised using lease accounting. The table below breaks down the amounts owed by the Group in future periods by maturity, relating to the main contractual commitments for the use of third-party assets. At 31 December 2021 they related to warehouses for storing goods and maturing stock as well as information technology and production equipment. The increase compared to 2020 mainly refer to the subscription of new contracts to secure additional warehouse space for maturing inventories in line with the Group strategy.

	at 31 December	
	2021 € million	2020 € million
Within 1 year	9.9	9.2
1-5 years	6.9	1.2
After 5 years	15.5	1.2
Total	**32.4**	**11.6**

v. Research and innovation costs

The Group's research and development activities are related solely to ordinary production and commercial activities, namely ordinary product quality control and packaging studies in various markets.
The research and innovation costs totalling €22.9 million in 2021 (€24.8 million in 2020) are recognised in the statement of profit or loss for the year they are incurred.

vi. Grants

In 2021 no operating grants for promotional spending on sparkling wines were recognised (totalled €2.9 million in 2020). Operating grants in support of industrial investments and of sugar cane plantations in Martinique recognised in the statement of profit or loss in the period are equal to €0.8 million (€0.5 million in 2020).

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, the 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 statement of profit or loss.
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 that 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 Campari France Distribution S.A.S.. 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 2021 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.

The table below summaries of the changes in the present value of defined benefit obligations, and the fair values of the assets relating to the plan in 2021 and 2020.

€ million	liabilities	assets
Liabilities (assets) at 31 December 2020	**40.4**	**(4.1)**
Amounts included in profit or loss:		-
- current service costs	0.4	-
- past service costs	(0.1)	-
- net interest	0.2	-
- gains/(losses) on regulations implemented	0.2	-
Total	**0.7**	**-**
Amounts included in the statement of other comprehensive income:		-
- gain/(losses) resulting from changes in actuarial assumptions	(1.6)	(0.1)
- exchange rate differences	0.2	(0.1)
Total	**(1.4)**	**(0.2)**
Other changes:		-
- benefits paid	(0.7)	0.4
- contribution to the plan by other members	-	(0.2)
- contributions to the plan by employees	0.1	(0.1)
- benefits transferred	(1.5)	-
Total	**(2.1)**	**0.1**
Liabilities (assets) at 31 December 2021[(1)]	**37.6**	**(4.2)**

[(1)] Of which €30.1 million included under Defined benefit plans (note 11 vii); of which €3.3 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 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)	-
Total	**(0.5)**	**(0.1)**
Other changes:		-
- benefits paid	(2.4)	0.3
- contribution to the plan by other members	0.1	(0.1)
- contributions to the plan by employees	0.1	(0.1)
- benefits transferred	1.4	(0.1)
Total	**(0.8)**	**0.1**
Liabilities (assets) at 31 December 2020	**40.4**	**(4.1)**

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	other liabilities	gross value of pension plans	fair value of assets	net values
Liabilities (assets) at 31 December 2020	**31.6**	**3.0**	**5.8**	**(4.1)**	**1.8**
Amounts included in profit or loss:					-
- current service costs	0.2	-	0.3	-	0.3
- past service costs	0.1	-	(0.2)	-	(0.2)
- net interest	0.1	-	-	-	-
- gains/(losses) on regulations implemented		0.2		-	-
Total	**0.4**	**0.2**	**0.1**	**-**	**0.1**
Amounts included in the statement of other comprehensive income:					
- gain/(losses) resulting from changes in actuarial assumptions	(1.2)	0.1	(0.4)	(0.1)	(0.5)
- exchange rate differences		-	0.1	(0.1)	-
Total	**(1.2)**	**0.1**	**(0.3)**	**(0.2)**	**(0.5)**
Other changes:					
- benefits paid	(0.4)	-	(0.4)	0.4	-
- contribution to the plan by other members		-	-	(0.2)	(0.2)
- contributions to the plan by employees		-	0.1	(0.1)	-
- benefits transferred	(1.5)	-	-	-	-
Total	**(1.9)**	**-**	**(0.2)**	**0.1**	**(0.2)**
Liabilities (assets) at 31 December 2021[(1)]	**28.9**	**3.3**	**5.4**	**(4.2)**	**1.2**

[(1)] Of which €30.1 million included under Defined benefit plans (11 vii.); of which €3.3 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	unfunded obligations		funded obligations		
€ million	pension plans	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	-	(0.3)	-	-	-
Total	**(0.1)**	**(0.5)**	**-**	**(0.1)**	**-**
Other changes:					
- benefits paid	(2.0)	-	(0.3)	0.3	-
- contribution to the plan by other members		-	0.1	(0.1)	-
- contributions to the plan by employees		-	0.1	(0.1)	-
- benefits transferred	1.9	(0.5)	0.1	(0.1)	-
Total	**(0.1)**	**(0.5)**	**(0.1)**	**0.1**	**-**
Liabilities (assets) at 30 December 2020	**31.6**	**3.0**	**5.8**	**(4.1)**	**1.8**

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	
	2021	2020
- equity investments	1.9	1.7
- insurance policies	2.3	2.4
Fair value of plan assets	**4.2**	**4.1**

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

at 31 December	2021	2020	2021	2020	2021	2020
	unfunded pension plans		funded pension plans		other plans	
Discount rate	0.89% -0.90%	0.33%-0.35%	0.35%-0.97%	0.20%-0.80%	8.00%	9.00%
Future salary increases	2.00% - 3.00%	1.50%-3.00%	0.00%-1.00%	3.00%		
Future pension increases			0.00%-2.00%	2.00%		
Growth rate of healthcare costs			0.00%		7.00%	7.00%
Expected return on assets			0.97%	0.75%-0.80%		
Staff turnover rate	4.54%-8.00%	2.63%-5.71%				
Forecast inflation rate	0.50%-1.00%	0.50%		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 2021 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
2021									
Discount rate	+/-0.25%+/-0.5%	-5.49%/-2.70%	+3.69%/+6.10%	+/-0.50%+/-0.75%/	-8.39%/-8.71%	+9.69%/+10.27%	+/- 0,5%	-4.61%	5.04%
Future salary increases				+/-0.50%	1.03%	-0.94%			
Future pension increases				+/- 0.75%	2.15%	-2.08%			
Forecast inflation rate	+\- 0.5%	1.75%/2.14%	-2.18%/-1.59%						
Staff turnover rate	+\- 0.5%	-3.44%/-0.21%	+3.69%/+0.24%						
Growth rate of healthcare costs							+/- 0,5%	5.04%	-4.61%
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%	+/- 0,5%	-4.40%	4.80%
Future salary increases				+/-0.50%	2.15%	-2.00%			
Future pension increases				+/- 0,25%	2.27%	-2.19%			
Forecast inflation rate	+\- 0.5%	2.52%/4.37%	-2.43%/-4.10%						
Growth rate of healthcare costs							+/- 0,5%	4.80%	-4.40%

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 based on the consumer prices index, the pension plan is exposed to the various countries' inflation rates, 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. Overall considering the contained exposure to funded pension plans leveraging on plan assets, the financial volatility of markets is not generating significant disruption or criticality.

The following payments are the expected contributions made in future years to provide for the obligations of the defined benefit plans.

€ million	at 31 December 2021	unfunded pension plans	funded pension plans	other plans
Within 12 months	2.5	1.8	0.5	0.1
From 1 to 5 years	9.1	6.7	1.9	0.6
From 5 to 10 years	30.9	25.9	3.9	1.1
Total	**42.5**	**34.4**	**6.3**	**1.9**
Average plan duration (years)	**13**	**11**	**19**	**10**

€ million	at 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**

viii. Related parties

Transaction 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 with related parties.

at 31 December 2021	Other financial liabilities € million	Other non current liabilities € million
Shareholder loans	-	36.1
Interests	0.8	-
Total	**0.8**	**36.1**

at 31 December 2020	Other financial liabilities € million	Other non current liabilities € million
Shareholder loans	20.2	24.8
Interests	0.7	-

Total	**20.9**	**24.8**

ix. Remuneration to Directors and General Partner

The Directors of the Parent company and of the subsidiary Davide Campari Milano N.V., received an aggregate compensation for 2021 amounting to 19,7 million euros. No loans were granted to the Directors and members of the Audit Committee.

x. Employees

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

	for the years ended 31 December	
Business segment	2021	2020
Production	1,560	1,236
Sales and distribution	1,539	1,705
General	756	855
Total	**3,855**	**3,796**
Category	2021	2021
Managers	620	258
Office staff	2,367	2,594
Manual workers	868	944
Total	**3,855**	**3,796**
Region	2021	2021
Italy	879	884
Abroad	2,976	2,912
Total	**3,855**	**3,796**

At 31 December 2021, the average number of employees (excluding employees of joint arrangements, associates and unconsolidated subsidiaries) was 3,855, of which 879 were based in Italy and 2,976 around the world, mostly in the Americas. No Group employees are based in the Netherlands.

12. Subsequent events

In February 2022, a number of countries (including various EU countries, the UK and the US) imposed sanctions against certain Russian entities and individuals as a result of the official recognition of the Donetsk People Republic and Lugansk People Republic by the Russian Federation. Announcements of potential additional sanctions have been made following military operations initiated by Russia against Ukraine on February 24th, 2022.

Due to the growing geopolitical tensions, since February 2022, there has been a significant increase in volatility on the financial markets, as well as a significant depreciation of the Russian Ruble against the US$ and the €. It is expected that these events may affect the activities of Russian enterprises in various sectors of the economy.

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Independent auditor's report

To the General Partner of
Lagfin S.C.A.

Report on the audit of the financial statements

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 2021, 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 2021, 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.

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 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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, 14 April 2022