Campari Group Holding Company

LAGFIN S.C.A.,
SOCIETE EN COMMANDITE PAR ACTIONS
ANNUAL REPORT AT 31 DECEMBER 2022
R.C.S. Luxembourg: B51599

Index

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The latter, which includes the audited financial statements and the auditor's report thereto is included in the 'ESEF compliant single report package' which can be found on the Company's website https://www.camparigroup.com/en/page/investors/financial-reports under 'annual report at 31 December 2022', 'ESEF compliant single report package'.
In case of any discrepancies between this 'pdf printed version' and the 'ESEF compliant single report package', the single report package prevails.

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

About this report

Note on presentation

The annual report for the year ended 31 December 2022 was prepared in accordance with the International Financial Reporting Standards, 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 Standards Interpretation Committee ('IFRS IC'), 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 report. Forward-looking statements made in this annual 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 are expressed in Euro (€).

For ease of reference, all the figures in this annual report are expressed in millions of € to one decimal place, whereas the original data is recorded and consolidated by the Group in €. 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 €. The use of values expressed in millions of € 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 so 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 2022

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.;
• Piga S.r.l.;
• Tehama Street, LLC;
• Grand Margarita, LLC;
• Negroni Limited;
• Brown Derby, LLC;
• D.R. Finance S.à.r.l.;
• Grand 75, LLC
and indirectly all Campari's subsidiaries (the 'Campari Group').
Lagfin and its directly and indirectly controlled subsidiaries constitute the 'Lagfin Group' or the 'Group'.
The Company has two branches, one in Milan, Italy, and one in Paradiso (Lugano), Switzerland.

Significant events of the year

Acquisitions and commercial agreements

Acquisition of an initial 70% stake in Wilderness Trail Distillery, LLC
On 7 December 2022, Campari closed an agreement to purchase an initial 70% interest of the Wilderness Trail Distillery, LLC and its subsidiary Wilderness Trace Distillery, LLC. The consideration paid amounted to US$415.4 million (or €394.5 million at exchange rates at closing) excluding transaction costs and including preliminary price adjustments attributable to cash and net working capital. The corresponding enterprise value for 100% of the outstanding capital is US$600 million (or €569.9 million at exchange rates at closing), on a cash free/debt free basis equivalent to a multiple of c.16 times the expected 2022 EBITDA. Campari will acquire the remaining 30% of the outstanding shares subject to a call/put option exercisable in 2031 at an enterprise value determined by applying the above multiple to the higher of 2030 or average of 2028-2030 EBITDA.
Wilderness Trail Distillery, LLC, located in Danville, Kentucky, USA, was launched in 2012 as a 'premium craft distillery' with a clear focus on making the highest quality bourbon and rye whiskey. The founders are fermentation experts with more than 20 years' experience in the production of whiskey, consistently recognised as pioneers in the engineering, research and development, fermentation and distilling activities.
Two premium proprietary Wilderness Trail expressions, Wilderness Trail Bourbon and Wilderness Trail Rye Whiskey, were launched in 2018, while the introduction of the high-end silver label 6-year and 8-year bourbon line for a deeper and mature flavour, further premiumized the portfolio.
For the fiscal year ended on 31 December 2021 in accordance with local GAAP, the acquired business achieved overall net sales of US$40.8 million including net sales from Wilderness Trail Distillery bourbon and rye brand of US$7.2 million on top of the business generated by bulk sales as well as storage fees and visitor centre, and an EBITDA of US$22.7 million. For the fiscal year ending on 31 December 2022, the acquired business is expected to generate overall sales of c. US$57 million, an increase of c.39% vs. previous year, with an increasing weight of the higher margin business generated by the Wilderness Trail bourbon and rye brand versus bulk sales, and an EBITDA of c. US$37 million (an increase of c.64% vs. previous year consistently in accordance with local GAAP).
By adding the fast-growing super premium Wilderness Trail brand, Campari further expands and premiumizes its bourbon offering, priming it to become the Campari's second major leg after the aperitif portfolio. Moreover, it accelerates its premiumisation journey, further enriching the RARE portfolio, the division aimed to unlock and accelerate the growth potential of a select range of high-end individual expressions in the Campari's core premium spirits markets. In addition, Campari granted the opportunity to significantly expand its production capacity and ageing inventory to satisfy the future growth of its premium bourbons, such as the high potential Whiskey Barons range, currently capped due to capacity constraints. Campari is very excited to partner with such a strong team

of industry pioneers and distilling experts allowing to accelerate and significantly expand the innovation platform for the bourbon portfolio.

Campari and Moët Hennessy reached 100% of Tannico ownership
On 1 December 2022, the two companies, already majority shareholders through their 50-50 joint-venture (‘JV’), confirmed their commitment to lead e-commerce platform in Europe, by acquiring the remainder of Tannico’s share capital equal to 37.89%, for a total consideration of €33.0 million, divided equally between Campari and Moët Hennessy. The JV aims at building a premium pan-European e-commerce player for the benefit of all wine and spirits brands and their European consumers. Furthermore, since 1 January 2023, Thierry Bertrand-Souleau has taken over the leadership of Tannico with the role of CEO bringing a solid omnichannel and retail business experience in the international markets, in line with the growth ambitious path of the e-commerce platform. Thanks to its strategic achievements, Tannico is today an established player with market leadership positions in Italy and France, where it owns a majority stake in French e-commerce platform Ventealapropriete.com.

Acquisition of an initial minority interest in Howler Head bourbon brand together with exclusive global distribution rights and acquisition of minority stake in Catalyst Spirits Ltd.
On 24 August 2022, Campari announced the signing and simultaneous closing of an agreement with Catalyst Spirits to acquire an initial 15% interest in Monkey Spirits, LLC for a total consideration of US$15 million (€15.0 million at exchange rates at closing), with a path to increase its shareholding subject to a customary call option mechanism, based on the future brand results, which can be exercised starting from 2025. The company is the owner of Howler Head, the original banana-flavoured super-premium Kentucky straight bourbon whiskey, for which Campari also obtained concomitantly the exclusive global distribution rights. Howler Head was launched nationally in the United States in 2021 and in its first full year of operations sold over 50,000 9L cases, primarily to the United States and Canada markets, generating overall net sales of US$6.7 million in accordance with local GAAP. The brand is the official flavoured whiskey partner of UFC (Ultimate Fighting Championship). The transaction was supplemented on 23 September 2022 with the acquisition of a minority interest in London-based Catalyst Spirits Ltd for a non-material consideration, a global spirits brand incubator company helmed by industry veteran Simon Hunt. The Campari company’s mission is building digitally native brands, matching each brand in the pipeline with the right entertainment and marketing platform.

Acquisition of Del Professore brand
On 15 July 2022 Campari Group signed an agreement to acquire the Del Professore brand for a total consideration of €6.3 million, a super-premium craft vermouth. Del Professore was founded in 2013 in Rome by a group of bartenders led by Leonardo Leuci, known to have launched the Jerry Thomas Speakeasy in Rome, the first Italian bar to enter the 50 World’s Best Bars. The Del Professore range comprises a vermouth range and a gin range. In addition to the brand acquisition, the transaction envisages a consultancy contract with the prominent bartender Leonardo Leuci, who will continue acting as brand ambassador for Campari Group. The brand represents a perfect fit to the Group’s RARE portfolio, with synergies to its signature cocktails. Through this transaction, Campari Group aims to enhance its position in the super-premium craft vermouth and gin categories.

Campari acquired Picon, a leading bitter aperitif brand in France
On 10 May 2022, Campari announced the signing and simultaneous closing of an agreement with Diageo to acquire the Picon brand, and minor related assets, for an overall consideration of €123.6 million. Picon is a traditional, market-leading French bittersweet aperitif with a unique orange flavour, invented in 1837 by Gaétan Picon. For the fiscal year ended on 30 June 2021, the brand achieved net sales of €21.5 million and a contribution after advertising and promotion expenses of €12.9 million in accordance with local GAAP. Around 80% of its sales was generated in France, where it has a leading position in the bitter aperitif category, whilst the remaining was mostly generated in Benelux. With the acquisition of the Picon brand, Campari aims to further enlarge its brand offering in its core bitter aperitifs category in international markets and increase its critical mass in the strategic markets of France and Benelux.

New distribution agreement with Coca Cola FEMSA in Brazil
On 19 April 2022, Campari entered into a distribution agreement with the Brazilian subsidiary of Coca-Cola FEMSA, S.A.B. de C.V. and the Coca-Cola system for the distribution of its products in a defined territory of the Brazilian market. The partnership aims to leverage the strength of Coca Cola FEMSA’s distribution network and execution capabilities to strengthen Campari’s coverage in this market.

Other operations of Lagfin
In order to perform a reorganization of activities and create a vehicle dedicated to future investments, a partial proportional demerger was approved by the shareholders of Lagfin as of 16 November 2022. €100.0 million of

cash, €95.0 million of equity and €5.0 million of shareholder loan were transferred to a newly incorporated company, DR Holding S.A., outside the perimeter of Lagfin, but with the same shareholders.
As part of the reorganization Lagfin and D.R. Holding S.A. incorporated D.R. Finance S.à r.l. with a capital of €10.0 million, share premium of €190,0 million and cash of €200.0 million.
Lagfin owns 51% of D.R. Finance S.à r.l..

During 2022 Lagfin SCA purchased shares of Davide Campari NV for a total consideration of € 42.6 million.
As a result percentage of ownership of Lagfin SCA in Davide Campari NV increased from 53.873 % in 2021 to 54.247 % in 2022.

During 2022 the Parent Company moreover has established the following companies in order to perform real estate investments for a total value of € 107.5 million:

- Negroni Ltd
- Grand 75, LLC
- Brown Derby, LLC
- Gran Margarita, LLC
- Tehama Street, LLC

Research and development activity

The Parent Company does not carry out any research and development activity. Please refer to note 4 ix- “Research and innovation costs “for the activities carried out by the subsidiaries.

Group significant events

Financial debt management
With respect to the acquisitions concluded in 2022, leveraging its excellent business and financial profile, Campari decided to maximise the fund raised in order to optimise its available cash. On 30 November 2022 a US$420 million term loan was entered into, with a floating interest rate and a final maturity date on 6 December 2027. The financing was granted to Campari America, LLC, the United States wholly owned subsidiary of Davide Campari-Milano N.V., by a pool of leading financial institutions composed of Bank of America, BNP Paribas (Italian Branch), Crédit Agricole Corporate and Investment Bank (Milan Branch) and Cassa Depositi e Prestiti S.p.A. Allen&Overy acted as legal advisors to Campari and Clifford Chance acted as legal advisors to the Mandated Lead Arrangers and Lenders on the term loan transaction.

Share buyback programmes and commitment to Sustainability
During 2022 Campari has announced the launch of two share buyback programmes under Article 5 of Regulation (EU) No. 596/2014, intended to meet the obligations arising from the long-term share-based incentive plans currently in place or yet to be adopted and whose beneficiaries are (or will be) employees or other members of the administrative or management bodies of either Campari or other Campari Group companies. The share buyback programmes are managed in accordance with all applicable laws and regulations.
The share buyback programme launched on 7 March 2022, coordinated and executed by UBS Europe SE, was implemented in accordance with the resolution approved at the Campari’s Annual General Meeting held on 8 April 2021 and was completed on 11 April 2022. The programme was managed with a maximum value allocation of €40 million and a reported number of 3,014,744 Campari shares acquired in the period from 7 March to 11 April 2022.
On 11 May 2022, Campari launched a new share buyback programme, implemented in accordance with the resolution approved by the Company’s Annual General Meeting held on 12 April 2022 and coordinated by Morgan Stanley Europe SE. The programme started on 12 May 2022 and will end not sooner than 28 February 2023 and, in any case, not after 31 May 2023. The maximum value allocated to the programme is €110 million, with a maximum number of 16,000,000 Campari shares to be purchased at time and price deemed most appropriate. Consistently with a similar sustainability initiative successfully completed in January 2022, this programme includes a contractually agreed reward mechanism to allocate an amount deriving from its outperformance[1] to energy efficiency projects, namely, the installation of photovoltaic panels at the production site in Jamaica. With this programme, Campari confirms its strong commitment to the decarbonisation agenda through the responsible

[1] The outperformance is the difference between the purchase price and the average VWAP (Volume Weighted Average Price) during the execution period.

use of resources and reduction of the environmental impacts of its production activities, being environment one the four of its sustainability roadmap.

Between 1 January and 31 December 2022, Campari granted 1,879,568 own shares, out of which 1,844,088 shares were sold for a total cash inflow of €7.0 million, corresponding to the average exercise price multiplied by the number of own shares sold to stock option beneficiaries, while additionally 35,480 shares were transferred in the context of share matching plans. In the same period and through the share buyback programmes, Campari purchased 12,722,262 shares at an average price of €10.10, for a total amount of €128.1 million[2]. At 31 December 2022, the Company held 39,952,423 own shares, equivalent to 3.4% of the share capital.

During the 2022 Financial Year, Lagfin SCA did not acquire any of its own shares.

Commitment to sustainability-Campari was recognized with B rating by CDP

In December 2022 a key milestone in the Group's commitment to sustainability and towards a greater transparency was reached: Campari was recognized a B rating to the CDP Climate Change questionnaire by the global environmental non-profit CDP (Carbon Disclosure Project). This acknowledgement is a testimony of the Group's efforts to reduce its environmental impact and protect the planet. CDP elaborates its scoring according to the companies' missions, focusing on principles and values for a sustainable economy. Companies are assessed across four consecutive levels which represent the steps they are taking towards environmental stewardship. The levels are D) Disclosure; C) Awareness; B) Management; A) Leadership. Management points are recognized for those companies that provide evidence of actions associated with good environmental management.

New regional headquarters in London

In November 2022, Campari has unveiled its state-of-the-art new headquarters for its Northern Central and Eastern European business unit and United Kingdom market in the heart of London. Its new regional headquarter signals a new era for the company's operations in this country and in the Northern Central and Eastern Europe Region, as well as internationally. Building on its rapid growth trajectory in the United Kingdom, this new opening also underlines Campari's ambitions for the future, creating new jobs and lasting partnerships as part of a long-term commitment to the market. Named 'The House of Campari Group, UK', the new London headquarters is the first time ever owned office in the United Kingdom, becoming a key permanent in-market home for the company. In addition, leveraging a significant real estate investment in a strategic market, Campari could blend its heritage with a cutting edge and innovative hospitality space. The new headquarters also hosts the Campari Academy, a brand-new concept to the UK market. After Milan, Sao Paolo and Sydney, London's Campari Academy represents the first experience in a United Kingdom venue, offering innovative masterclasses and industry-leading training programmes aiming to connect, educate and inspire bartenders. Moreover, it provides an additional layer of hospitality and drinks excellence for both customers and employees.

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.

Group Financial Review

During the year ending 31 December 2022 some reclassifications of the financial statements at 31 December 2020 and 2021 were recorded for a better representation of financial assets, for the classification of the derivative on the bond in current financial liabilities, for the presentation purchase of Campari's shares subsequent to the achievement of control as equity transactions as detailed in note 3x "Reclassification of comparative figures at December 31, 2020 and 2021". These adjustments did not have any material impact on the consolidated financial statetemnt result and were mainly balance sheet reclassifications.

Sales performance

[2] The amount includes €0.3 million liabilities paid and €0.1 million receivables to be collected, both in connection with the share buyback programme.

Net sales mainly relate to spirit products in Campari Group's markets. The nature, amount, timing and uncertainty of sales, as well as the corresponding cash flows, are affected by economic and business factors which differ across markets, also as a function of their different sizes and maturity profiles. These elements are primarily attributable to demographics, consumption habits and also influenced by historical, social and climatic factors, local consumer taste preferences, propensity to consume, the market commercial structure in terms of the weight of the distribution channels (off-premise vs. on-premise) as well as retailers concentration. As an effect of the above factors, the sales composition by brand differs from market to market. Consequently, the brand building and sales infrastructure investments are allocated to respond to each market priority.
For the Group, the four operating segments managed in terms of resource allocation, and in particular, 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 diversified context and to assess the contribution of the different 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 their scale, growth potential and business priority.

1. Key highlights

In 2022, the Group's net sales amounted to €2,714.6 million, an overall increase of +24.7% as compared with 2021. Both organic and exchange rate components were positive at +17.0% and +7.9%, only partially offset by a negligible perimeter effect of -0.2%.

	for the years ended 31 December			full year change %, of which				organic change % by quarter			
	2022 € million	2021 € million	total change € million	total	organic	perimeter	exchange rate[1]	first	second	third	fourth
Total	**2,714.6**	2,176.3	**538.3**	24.7 %	**16.9%**	-0.2%	7.9%	29.4%	12.5%	18.6%	**9.6%**

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

A strong organic growth (+16.9%) was registered across all regions despite the macroeconomic challenges and supply constraints, thanks to very healthy brand momentum as well as the successful execution of price increases, which mitigated the strong inflation impacting cost of goods sold. Sustained sales growth continued in the fourth quarter with normalizing trends (+9.6%), benefitting from strong pricing whilst reflecting expected supply constraints. If compared with 2019, an unaffected base with respect to the pandemic, the net sales performance in 2022 was very positive, with an overall organic increase of +39.9% and a CAGR of +11.8%.

In order to mitigate the effect of hyperinflationary economies, the organic change for countries having to adopt the hyperinflationary methodology laid down in IFRS (Argentina) 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.

With regards to ongoing Russia-Ukraine conflict and related business activities, Russia and Ukraine accounted overall for approximately 3% of Campari Group's net sales in both 2022 and 2021.

An in-depth analysis by geographical region and core market of sales registered in 2022 compared with 2021 is provided below. Unless otherwise stated, the comments relate to the organic change in each market.

2. Organic sales performance of operating segments

The sales performance of the four operating segments in 2022 compared with 2021 is provided in the table below.

	for the years ended 31 December					full year change %, of which				
Group net sales focus by region	2022 € million	%	2021 € million	%	total change € million	total	organic	perimeter	exchange rate[1]	fourth quarter organic change %
Americas	1,235.4	45.5%	929.5	42.7%	305.9	32.9%	17.0%	0.1%	15.8%	11.1%
Southern Europe. Middle East and Africa[2]	747.1	27.5%	638.9	29.4%	108.2	16.9%	18.2%	(1.5%)	0.2%	4.3%
North. Central and Eastern Europe[2]	534.2	19.7%	439.9	20.2%	94.3	21.4%	16.8%	0.7%	3.9%	5.7%
Asia-Pacific	197.9	7.3%	167.8	7.7%	30.1	17.9%	12.4%	1.0%	4.5%	30.4%
Total	**2,714.6**	**100.0%**	**2,176.3**	**100.0%**	**538.3**	**24.7%**	**17.0%**	**(0.2%)**	**7.9%**	9.6%

(1) Includes the effects associated with hyperinflation in Argentina.
(2) 2021 data restated reflecting minor geographic reclassification.

- **Americas**

The region, broken down into its core markets below, recorded an overall organic increase of +17.0%. The region is predominantly off-premise skewed, particularly North America.

	% of Group total	for the years ended 31 December 2022 € million	2022 %	2021 € million	2021 %	total change € million	full year change %, of which total	organic	perimeter	exchange rate [1]	fourth quarter organic change %
US	27.7%	752.1	60.9%	582.9	62.7%	169.2	29.0%	14.7%	0.3%	14.0%	12.5%
Jamaica	5.6%	151.9	12.3%	106.1	11.4%	45.8	43.2%	29.9%	-	13.3%	38.5%
Other countries of the region	12.2%	331.4	26.8%	240.4	25.9%	91.0	37.9%	17.0%	(0.4%)	21.3%	(2.8%)
Americas	**45.5%**	**1,235.4**	**100.0%**	**929.5**	**100.0%**	**306.0**	**32.9%**	**17.0%**	**0.1%**	**15.8%**	**11.1%**

(1) The exchange rate effect in Argentina includes the impact of applying the IAS 29 'Hyperinflation' principle in this market, where as a prudent measure to strip out the effects of the local high inflation rate, the exchange rate effect also included the pricing component.

The **United States**, the Group's largest market, accounting for 27.7% of total Group sales, closed the year with a solid double-digit growth of +14.7% driven by continued positive momentum in the on-premise and resilient home consumption, despite a tough comparison base (+18.9%). The positive full year 2022 performance was mainly driven by Espolòn (+35.1%), Wild Turkey core bourbon (+22.6%), Russell's Reserve (+37.7%) and by the aperitifs with Aperol (+49.8%) and Campari (+33.1%), thanks to strong consumer demand and benefitting also from price increases. The shipments of Grand Marnier were slightly down due to continuing glass supply constraints (against a tough comparison base of +44.6%), while the SKYY portfolio declined. Sustained brand momentum continued in the fourth quarter (+12.5%) thanks to the strong performance of Espolòn (+40.4%), Wild Turkey core bourbon (+11.9%), Russell's Reserve (+37.6%) as well as Aperol, Campari and the amari portfolio. Compared to the results of 2019, an overall organic increase of +39.3% and a CAGR of +11.7% was registered in 2022.

Jamaica recorded strong double-digit growth of +29.9% with an acceleration in the fourth quarter (+38.5%), mainly driven by Wray&Nephew Overproof and Campari.

Other countries in the region reported a strong organic growth in sales of +17.0%. **Canada** performed overall positively driven by Aperol, Campari and Espolòn. Moreover, a strong growth was achieved across the rest of the region, mainly driven by double digit increase in Brazil, Mexico and Argentina, thanks to the consumer demand for Campari, Aperol and SKYY portfolio.

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

The region, which is broken down by core markets in the table below, reported an organic increase of +18.2%. It is predominantly skewed to the on-premise channel.

	% of Group total	for the years ended 31 December 2022 € million	2022 %	2021 € million	2021 %	total change € million	full year change %, of which total	organic	perimeter	exchange rate	fourth quarter organic change %
Italy [1]	17.1%	463.7	62.1%	415.7	65.1%	48.0	11.5%	15.5%	(4.0%)	-	(1.5%)
France	5.6%	151.7	20.3%	128.5	20.1%	23.2	18.1%	12.1%	6.0%	-	15.6%
Other countries of the region [1]	4.9%	131.7	17.6%	94.7	14.8%	37.0	39.1%	38.3%	(0.4%)	1.2%	12.6%
Southern Europe, Middle East and Africa	**27.5%**	**747.1**	**100.0%**	**638.9**	**100.0%**	**108.2**	**16.9%**	**18.2%**	**(1.5%)**	**0.2%**	**4.3%**

(1) 2021 data restated reflecting minor geographic reclassification.

The performance in the **Italian** market in 2022 was very satisfactory (+15.5%), with the aperitifs delivering solid results, Aperol (+20.5%), Campari (+26.4%), non-alcoholic Crodino (+15.7%) and Campari Soda (+6.2%), largely thanks to strong on-premise consumption and the successful execution of price increases, helped also by the good weather during the summer period. In the fourth quarter, a slightly negative performance was recorded (-1.5%) mainly due to a shortfall in Cinzano sparkling wines sales in its peak season due to glass availability constraints as well as a tough comparison base (+60.0% in the fourth quarter of 2021), mitigated by positive growth in Aperol and Campari thanks to strong pricing. Core Aperol and Campari grew in the quarter with strong brand health continuing. Compared with the results of 2019, the market registered an overall organic increase of +30.1% and a CAGR of +9.2% in 2022.

France registered solid organic growth of +12.1% with positive underlying trends continuing, with core Aperol and Riccadonna sparkling wine growing double digits. Champagne Lallier and the Rhum Agricole portfolio also grew.

Other countries in the region registered an overall organic growth of +38.3%, particularly **Spain**, thanks to Aperol and Campari, **Nigeria**, thanks to Campari, and **South Africa**, thanks to Bisquit&Dubouché. With regard to **Global Travel Retail**, the channel achieved strong double-digit growth of +80.8%, mainly driven by Aperol, Campari, The GlenGrant and Grand Marnier, benefiting from tourism recovery.

- **Northern, Central and Eastern Europe**

The region, predominantly off-premise skewed, reported highly positive overall organic growth (+16.8%) across its core countries.

		for the years ended 31 December										
	% of Group total	2022 € million	%	2021 € million	%	total change € million	full year change %, of which total	organic	perimeter	exchange rate	fourth quarter organic change %
Germany	7.1%	193.6	36.2%	163.1	37.1%	30.5	18.7%	18.6%	0.1%	-	7.2%
United Kingdom (1)	3.4%	91.1	17.1%	72.3	16.4%	18.8	26.0%	25.0%	-	1.0%	15.5%
Other countries of the region (1)	9.2%	249.5	46.7%	204.5	46.5%	45.0	22.0%	12.4%	1.6%	8.0%	1.8%
North, Central and Eastern Europe	**19.7%**	**534.2**	**100.0%**	**439.9**	**100.0%**	**94.3**	**21.4%**	**16.8%**	**0.7%**	**3.9%**	**5.7%**

(1) 2021 data restated reflecting minor geographic reclassification.

Germany showed strong business performance (+18.6%) thanks to continued resilient home consumption combined with a strong on-premise, boosted also by pricing. The performance was led largely by Aperol (+31.9%), Aperol Spritz RTE (+91.9%) and Crodino (+32.3%) whilst Campari also grew mid-single digits following the strong price repositioning. The performance of the fourth quarter was positive (+7.2%), driven by the continued strength of the aperitifs, offsetting the softness in Cinzano sparkling wine, which continued to be impacted by glass availability. Compared to the 2019 results, the market registered an overall organic increase of +37.6% and a CAGR of +11.2% in 2022.

The **United Kingdom** registered good double-digit growth in 2022 (+25.0%), despite a tough comparison base (+39.1% in 2021), largely driven by continued positive momentum of core Aperol and Magnum Tonic, despite product availability constraints of the latter.. Other brands such as Crodino, Lallier Champagne, Campari and Wild Turkey bourbon also performed well.

Performance in the **other countries of the region** was up overall by +12.4%, largely led by the aperitifs, including the non-alcoholic aperitif Crodino.

- **Asia-Pacific**

This region, which is predominantly off-premise skewed and whose market breakdown is shown in the table below, recorded an organic growth of +12.4%.

		for the years ended 31 December									
	% of Group total	2022 € million	%	2021 € million	%	total change € million	full year change %, of which total	organic	perimeter	exchange rate	fourth quarter organic change %
Australia	4.6%	124.9	63.1%	108.6	64.7%	16.4	15.1%	9.6%	1.4%	4.1%	31.1%
Other countries of the region	2.7%	72.9	36.9%	59.3	35.3%	13.6	23.0%	17.6%	0.3%	5.2%	29.1%
Asia-Pacific	**7.3%**	**197.9**	**100.0%**	**167.8**	**100.0%**	**30.0**	**17.9%**	**12.4%**	**1.0%**	**4.5%**	**30.4%**

Australia, the region's largest market, showed a positive full year performance (+9.6%) with a very strong fourth quarter (+31.1%), driven by strong shipments recovery of Wild Turkey RTD (+35.7%) after persistent ocean freight challenges, as well as strong growth in Wild Turkey bourbon (+68.9%), Aperol (+27.8%) and Campari (+52.4%). Compared to 2019 results, the market registered an overall organic increase of +31.9% and a CAGR of +9.7% in 2022.

Sales in the **Other countries of the region** grew by +17.6% with a strong fourth quarter (+29.1%). **South Korea** registered a very strong performance (+84.1%), driven by high-end Wild Turkey offerings, The GlenGrant, X-Rated and SKYY. **Japan** was positive after a strong fourth quarter driven by Wild Turkey bourbon, The GlenGrant and SKYY. **China** was negative due to Covid-19 lockdowns. Sustained momentum continued elsewhere including **New Zealand**, thanks to the Group's enhanced investments across all levers. Moreover, **India** delivered very positive performance though off a small base.

- **Brand contribution on segments**

The table shows the brand contribution to consolidated net sales and the most relevant segment and markets for each brand. While the global priority cluster includes brands with a globally diversified geographic exposure (either current or potential), regional priorities are concentrated in a limited number of countries within the same region and local priorities focus on one main domestic market[3].

[3] Starting from 1 January 2022, some changes in the clustering of priorities occurred, in order to reflect the brands' different growth profile. In particular Crodino, Aperol Spritz ready-to-enjoy (both previously within local priorities) and Magnum Tonic (previously within rest of portfolio) entered the regional priority cluster; SKYY ready-to-drink (previously within rest of portfolio) entered the local priority cluster; the Brazilian brand (Dreher and Sagatiba) were moved to the rest of

	percentage of Group sales	full year change % compared with full year 2021, of which				fourth quarter organic change % compared with fourth quarter 2021	segment/main markets for brands
		total	organic	perimeter	exchange rate		
global priority brands	**57.4%**	**26.4%**	**18.7%**	**-**	**7.6%**	**11.1%**	**-**
Aperol	21.6%	31.8%	28.2%	-	3.6%	15.8%	- *Italy, SEMEA* *Germany, NCEE* *US, AMERICAS* *France, SEMEA* *United Kingdom, NCEE*
Campari	10.6%	30.8%	23.8%	-	7.0%	7.2%	- *Italy, SEMEA* *US, AMERICAS* *Brazil, AMERICAS* *Jamaica, AMERICAS* *Germany, NCEE*
Wild Turkey portfolio[1][2]	8.0%	33.8%	21.4%	-	12.5%	19.4%	- *US, AMERICAS* *Australia, APAC* *South Korea, APAC* *Japan, APAC* *Canada, AMERICAS*
Grand Marnier	6.5%	12.1%	1.3%	-	10.9%	1.0%	- *US, AMERICAS* *Canada, AMERICAS* *France, SEMEA* *Gtr, SEMEA* *China, APAC*
Jamaican rums portfolio[3]	5.6%	25.8%	15.5%	-	10.3%	13.3%	- *Jamaica, AMERICAS* *US, AMERICAS* *United Kingdom, NCEE* *Canada, AMERICAS* *Mexico, AMERICAS*
SKYY[1]	5.1%	8.6%	-1.8%	-	10.3%	3.8%	- *US, AMERICAS* *Argentina, AMERICAS* *Germany, NCEE* *South Africa, SEMEA* *Canada, AMERICAS*
regional priority brands	**25.4%**	**26.9%**	**18.7%**	**0.2%**	**8.0%**	**9.0%**	**-**
Espolòn	6.6%	49.0%	33.5%	-	15.5%	37.3%	
Cinzano, Riccadonna and Mondoro	5.7%	23.2%	13.5%	-	9.7%	-0.7%	
Italian specialties[4]	3.1%	21.5%	13.9%	1.5%	6.1%	-2.6%	
Crodino	2.3%	17.1%	16.8%	-	0.4%	0.3%	
Magnum Tonic	1.6%	5.3%	0.5%	-	4.8%	9.4%	
Aperol Spritz ready-to-enjoy	1.3%	36.4%	35.1%	-	1.2%	7.1%	
The GlenGrant	1.1%	23.8%	20.0%	-	3.8%	-4.2%	
other[5]	3.7%	20.4%	14.4%	-	6.0%	13.2%	
local priority brands[6]	**8.3%**	**17.3%**	**5.7%**	**7.6%**	**4.0%**	**1.5%**	**-**
Campari Soda	2.9%	6.1%	6.1%	-	-	-2.9%	
Wild Turkey ready-to-drink[7]	1.9%	12.0%	8.0%	-	4.1%	34.5%	
SKYY ready-to-drink	1.0%	17.4%	3.8%	-	13.6%	-24.2%	
X-Rated	0.5%	-8.6%	-11.8%	-	3.2%	-19.6%	
other[8]	2.1%	56.3%	10.0%	40.2%	6.1%	2.4%	
rest of the portfolio	**8.9%**	**10.7%**	**6.7%**	**-8.9%**	**12.9%**	**9.9%**	**-**
total	**100.0%**	**24.2%**	**16.4%**	**-0.2%**	**7.9%**	**9.6%**	**-**

(1) Excludes ready-to-drink.
(2) Includes American Honey.
(3) Includes Appleton Estate, Wray&Nephew Overproof and Kingston 62.
(4) Includes Braulio, Cynar, Averna, Frangelico and Del Professore.
(5) Includes Bisquit&Dubouché, Bulldog, Forty Creek, 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 2022 Aperol Spritz ready-to-enjoy and X-Rated were moved from the rest of the portfolio category and reported as local priority brands. Aperol Spritz ready-to-enjoy is a stand-alone brand not included in the Aperol brand performance. the performances have been calculated based on the 2021 data as recalculated to reflect the new brand cluster applicable from 1 January 2022.
(7) Includes American Honey ready-to-drink.
(8) Includes Cabo Wabo, Ouzo and Picon.

Focusing on the key brands driving the aforementioned performances by segment, the main drivers by brand-category and by brand, are reported below.

Global priority brands overall registered solid growth (+18.7%). **Aperol** registered a strong double-digit organic growth of +28.2% in its 19th year after its acquisition, thanks to the very healthy brand momentum across all key markets driven by the successful execution of its growth model, which was further boosted by price increases, in particular in core Italy, Germany, the United States, France and the United Kingdom. In the fourth quarter a strong performance of +15.8% was recorded despite a tough comparison base (+45.8% in the same period of 2021) thanks to the continued deseasonalisation activities across core European markets and the extension of drinking

portfolio (previously within local priorities). With regards to the sales comments, the performances have been calculated based on the 2021 data as recalculated to reflect the new brand cluster applicable from 1 January 2022.

occasions. Strong double-digit brand performance was also registered beyond the key markets, such as Spain, Austria, Belgium and Poland in Europe, as well as Brazil, Argentina, Mexico and Canada in the Americas. Double digit growth was also achieved in the Asia-Pacific region, mainly in Australia and New Zealand. Additionally, the brand delivered very strong growth in Global Travel Retail in 2022. **Campari** was up by +23.8% largely thanks to core Italy, the United States, Brazil and Jamaica. The strong overall performance benefitted from resilient off-premise momentum due to the at-home mixology trend as well as continued health in the on-premise combined with the success of the consumer-driven Campari spritz in the brand's core markets. Very positive growth was also recorded in the fourth quarter of the year (+7.2%), driven by the outperformance of the core Jamaican (+17.2%) and United States market (+31.7%). The **Wild Turkey portfolio** delivered double-digit growth of +21.4% with outperformance of high-end variants. Wild Turkey bourbon was up by +26.2%, mainly driven by the core United States market (+22.6%), Australia (23.7%) and South Korea (+144.9%), thanks to a combination of classic cocktail revival in the on-premise channel and at-home mixology as well as strong pricing. High-end Russell's Reserve grew +36.4% thanks to the United States and South Korea as consumers continue to premiumise. American Honey was only slightly positive, handicapped by glass constraints. **Grand Marnier** showed a positive performance of +1.3% mainly driven by the growth in Global Retail Travel and France, thus offsetting the slightly negative shipment performance in the core United States market, which was impacted by glass supply and logistics constraints as well as a tough comparison base (+44.6%). The **Jamaican rums portfolio** was up by +15.5%, with Wray&Nephew Overproof showing a double-digit growth of +23.2% thanks to Jamaica and the United States. Appleton Estate was positive overall (+3.2%) against a tough comparison base (+31.0% in 2021), mainly led by its core market Jamaica, the United Kingdom as well as New Zealand and Mexico. **SKYY** continued to register a weak performance of -1.8% due to shipment decline in the core United States market and China, which were partly mitigated by the growth across the rest of the markets (+50.7%), largely thanks to Argentina, the Global Travel Retail, Germany, Italy and Brazil.

Regional priority brands registered double-digit growth (+18.7%), with Espolòn continuing to grow strong double digit (+33.5%), despite a tough comparison base, driven by the core United States market as well as international markets including Australia, albeit off a small base. The GlenGrant showed a strong performance overall (+20.0%) driven by premiumisation trends, in particular in South Korea and the Global Retail Travel. Crodino continue its strong performance (+16.8%) driven by strong growth in the core Italian market as well as seeding markets such as Germany, Benelux, Austria, Switzerland and the United Kingdom as the brand continued to expand internationally as the non-alcoholic aperitif. Very positive results were also delivered by Aperol Spritz ready-to-enjoy (+35.1%), mainly driven by Germany and all markets where the brand was recently launched. Magnum Tonic reported a weak growth due to continued procurement availability constraints (+0.5%). Other brands also showed a positive growth, such as the Italian specialties (Frangelico, Averna, Cynar and Braulio) growing at +13.9%, sparkling wines and vermouths (Cinzano, Mondoro and Riccadonna) growing at +13.5%, Bisquit&Dubouché, Montelobos, Ancho Reyes and Maison la Mauny.

The **local priority brands** grew by +5.7%, thanks to the positive performance of Cabo Wabo (+21.0%), driven by the core United States market, Campari Soda (+6.1%) thanks to the core Italian market, combined with the good results of SKYY ready-to-drink (+3.8%) and Wild Turkey ready-to-drink (+8.0%), partly offset by X-Rated, registering an overall weak performance due to China (-11.8%), still impacted by lockdowns in relation to the zero-Covid policy, while South Korea continues to grow double-digits.

The **rest of the portfolio** reported a positive growth of +6.7%.

3. Perimeter variation

The perimeter variation of -0.2% in 2022, as compared with sales in 2021, is analysed in the table below.

perimeter variation		
breakdown of the perimeter effect	€ million	% on 2021
asset deal	15.4	0.7%
total acquisitions	**15.4**	**0.7%**
new agency brands	3.4	0.2%
discontinued agency brands	(22.6)	-1.0%
total agency brands	(19.2)	**-0.9%**
total perimeter effect	**(3.8)**	**-0.2%**

- **Business acquisitions and asset deal**

In 2022, the sales contribution from assets deal was +0.7% on overall Group and comprised the Picon and Del Professore brands starting from May and August 2022, respectively. The acquisition of Wilderness Trail Distillery, LLC, completed on 7 December 2022, did not contribute to the Group's 2022 results: as the financial effect generated in the remaining part of 2022 was not material, it was not considered for the purposes of the Campari Group consolidated financial statements. For further information refer to paragraph 'Significant events of the year'

- **Agency brands distribution**

The perimeter variation due to the agency brands in 2022 represented a net decrease of -0.2% and was mainly related to the termination of the distribution agreement for the Jägermeister brand in Italy, effective from 1 January 2022 (brand sales accounted for less than 1% of consolidated sales in 2021). This negative variation was only partially offset by the sales generated by the new agency brands Truly Hard Seltzer from February 2022, for which the Group entered a partnership to manufacture and distribute the brand in Australia, and Howler Head bourbon from September 2022, following the acquisition of an initial minority investment in the brand owner Monkey Spirits, LLC and related distribution rights.

4. Exchange rate effects

The exchange rate effect for 2022 was positive at +7.9%, mainly thanks to the appreciation against the € of the Group's key currencies such as the US Dollar, the Jamaican Dollar, the Canadian Dollar, the Brazilian Real and the Mexican Peso. The exchange rate effect includes the impact of applying the IAS 29 Hyperinflation principle in Argentina. Moreover, as a prudent measure to strip out the effects of the local high inflation rate, the exchange rate effect also includes the pricing component. The table below shows, for the Group's most important currencies, the average exchange rates for the year 2022 and 2021 respectively, and the spot rates at 31 December 2022, with the percentage change against the € compared with 31 December 2021.

	average exchange rates			spot exchange rates		
	for the year ended 31 December 2022 1 €	for the year ended 31 December 2021 : 1 Euro €	revaluation/(devaluation) vs. 2021 %	at 31 December 2022 1 €	at 31 December 2021 : 1 €	revaluation/(devaluation) vs. 31 December 2021 %
US Dollar	1.054	1.184	12.3%	1.067	1.133	6.2%
Canadian Dollar	1.370	1.483	8.3%	1.444	1.439	-0.3%
Jamaican Dollars	161.777	178.337	10.2%	161.803	174.455	7.8%
Mexican peso	21.205	23.990	13.1%	20.856	23.144	11.0%
Brazilian Real	5.443	6.381	17.2%	5.639	6.310	11.9%
Argentine Peso(1)	188.503	116.362	-38.3%	188.503	116.362	-38.3%
Russian Ruble(2)	74.039	87.232	17.8%	79.226	85.300	7.7%
Great Britain Pounds	0.853	0.860	0.9%	0.887	0.840	-5.3%
Swiss Franc	1.005	1.081	7.6%	0.985	1.033	4.9%
Australian Dollar	1.517	1.575	3.8%	1.569	1.562	-0.5%
Yuan Renminbi	7.080	7.634	7.8%	7.358	7.195	-2.2%

(1) The average exchange rate of the Argentine Peso for both 2022 and 2021 was equal to the spot exchange rate at 31 December 2022 and at 31 December 2021 respectively, based on IFRS accounting requirements for hyperinflation.

(2) On 2 March 2022, the European Central Bank ('ECB') decided to suspend the publication of €reference rate for the Russian Rouble until further notice. The Group has therefore decided to refer to an alternative reliable source for exchange rates based on executable and indicative quotes from multiple dealers.

Statement of profit or loss

Key highlights

Profit or loss for the full year 2022 confirmed a strong organic performance for all profitability indicators. Specifically, in organic terms, net sales, gross profit, contribution margin and the result from recurring operations (EBIT-adjusted) showed a growth of +17.0%, +13.9%, +14.5% and +19.0%, respectively. In particular, the result from recurring operations (EBIT-adjusted) grew stronger than net sales, thus driving margin accretion. This result was achieved thanks to a sustained brand momentum and positive effects of price increases, which helped to mitigate the inflationary pressure on input costs.

The perimeter component for the full year 2022 reflects the termination of the distribution agreement for the Jägermeister brand in Italy, only partially offset by the additions of the Picon and Del Professore brands, the new agency brands Truly Hard Seltzer in Australia and Howler Head brand in the US, whilst the acquisition of Wilderness Trail Distillery, LLC (closed at the end of year-end 2022) did not generate any impact on the profit or loss.

The exchange rate effect was favourable during the period, mainly driven by the revaluation against the € of the Group's key currencies, such as the US Dollar, the Jamaican Dollar, the Canadian Dollar, the Brazilian Real and the Mexican Peso.

The table below shows the profit or loss[1] for the full year 2022 and a breakdown of the total change by organic change, perimeter change and exchange rate effects.

	for the years ended 31 December											
	2022		2021		total change		of which organic		of which perimeter		of which due to exchange rates and hyperinflation	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
Net sales	**2,714.6**	**100.0%**	**2,176.3**	**100.0%**	**538.3**	**24.7%**	**369.6**	**17.0%**	**(3.8)**	**(0.2%)**	**172.5**	**7.9%**
Cost of sales	(1,133.9)	(41.8%)	(884.4)	(40.6%)	(249.5)	28.2%	(189.6)	21.3%	6.4	(0.7%)	(66.3)	7.6%
Gross profit	**1,580.6**	**58.2%**	**1,291.9**	**59.4%**	**288.7**	**22.3%**	**179.9**	**13.9%**	**2.7**	**0.2%**	**106.1**	**8.2%**
Advertising and promotional expenses	(479.0)	(17.6%)	(397.8)	(18.3%)	(81.2)	20.4%	(50.6)	12.7%	(2.2)	0.6%	(28.4)	7.1%
Contribution margin	**1,101.6**	**40.6%**	**894.2**	**41.1%**	**207.4**	**23.2%**	**129.1**	**14.5%**	**0.5**	**0.1%**	**77.8**	**8.6%**
Selling, general and administrative expenses	(541.8)	(20.0%)	(465.5)	(21.4%)	(76.3)	16.4%	(49.6)	10.6%	1.1	(0.2%)	(27.8)	6.0%
Result from recurring activities (EBIT-adjusted)	**555.3**	**20.5%**	**424.3**	**19.5%**	**131.0**	**30.9%**	**79.4**	**19.0%**	**1.6**	**0.4%**	**50.0**	**11.5%**
Other operating income (expenses)	(107.0)	(3.9%)	(38.5)	(1.8%)	(68.5)	117.9%						
Operating result (EBIT)	**452.9**	**16.7%**	**390.1**	**17.9%**	**62.8**	**16.1%**						
Financial income (expenses) and adjustments	7.2	0.3%	(75.4)	(3.5%)	82.6	(109.5%)						
Put option, earn out income (expenses) and hyperinflation effect	0.7	-	(7.5)	(0.3%)	8.2	(109.3%)						
Profit (loss) related to associates and joint-ventures	(6.6)	(0.2%)	(0.1)	0.0%	(6.5)	6500%						
Profit before taxation	**454.2**	**16.7%**	**307.1**	**14.1%**	**147.1**	**47.9%**						
Profit before taxation-adjusted	**561.2**	**20.7%**	**333.7**	**15.3%**	**227.5**	**68.2%**						
Taxation	(154.5)	(5.7%)	(86.5)	(4.0%)	(68.0)	78.6%						
Net profit for the period	**299.6**	**11.0%**	**220.6**	**10.1%**	**79.0**	**35.8%**						
Net profit for the period-adjusted	**406.6**	**15.0%**	**243.7**	**11.2%**	**162.9**	**66.8%**						
Non-controlling interests	144.4	5.3%	125.6	5.8%	18.8	15.0%						
Group net profit	**155.2**	**5.7%**	**95.0**	**4.4%**	**60.2**	**63.4%**						
Group net profit-adjusted	**254.0**	**9.5%**	**118.0**	**5.4%**	**136.0**	**115.3%**						
Total depreciation and amortisation	(92.6)	(3.4%)	(82.3)	(3.8%)	(10.3)	12.5%	(5.7)	6.7%	-	-	(4.6)	5.8%
EBITDA-adjusted	**647.9**	**23.0%**	**506.6**	**23.3%**	**141.3**	**27.9%**	**85.1**	**17.0%**	**1.6**	**0.3%**	**54.6**	**10.6%**
EBITDA	**545.5**	**20.1%**	**472.4**	**21.7%**	**73.1**	**15.5%**						

(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.

Statement of profit or loss in detail

The key profit or loss items for the full year 2022 are analysed below, while a detailed analysis of the 'sales performance' is included in the previous paragraph, to which reference is made.

Gross profit for the period was €1,580.6 million, up +22.3% compared with 2021 lead by strong topline performance notwithstanding the very challenging macro environment, combined with supply chain headwinds. The organic component of +13.9% was combined with a positive exchange rate variation at +8.2% and a negligible perimeter effect of +0.2%. As a percentage of net sales, the profitability stood at 58.2%, slightly lowerr than 59.4% reported in 2021, hence generating a dilutive effect of 80 basis points on a reported basis. This variance was driven by the dilutive organic effect of 120 basis points, only partially offset by the accretive combined effect of exchange rate and perimeter components for totally 40 basis points. The organic margin dilution was negatively impacted by the heightened input cost inflation, negatively affecting particularly glass, alcohol and sugar as well as logistics, and a less favourable sales mix (i.e. outperformance of Espolòn impacted by persistently high purchase price of agave and the aperitif portfolio, particularly impacted by the inflationary pressure on glass), which were only partially mitigated by a better absorption of production and logistics fixed costs and the successful price increases implemented in the key brand-market combinations, especially in the core aperitif business. In the fourth quarter, a low seasonality period for the aperitifs, gross margin dilution was limited to -20 basis points: the positive pricing initiatives almost offset the cost of sales' inflation.

Advertising and promotional expenses amounted to €479.0 million, up +20.4% overall compared with 2021. As a percentage of sales, advertising and promotional expenses stood at 17.6%, lower than the 18.3% shown in 2021, thus generating an accretive effect of 60 basis points on profitability on a reported basis. Organic, exchange rate and perimeter variations were positive at +12.7%, +7.1% and +0.6%, respectively. In organic terms, the investments reflected the continuous commitment to brand building and consumer engagement in key consumption occasions across all channels (on-premise, off-premise, digital and online) and generated an accretive effect of 60 basis points thanks to a strong top line growth.

The **contribution margin** was €1,101.6 million, an overall increase of +23.2% on the full year 2021. As a percentage of sales, the contribution margin stood at 40.6%. The organic growth component was +14.5% below the one of net sales, hence creating a dilutive effect of 60 basis points on profitability. The perimeter effect was negligible at +0.1%, with a positive impact on profitability of 10 basis points, while the exchange rate effect of +8.6% had an accretive impact on margins of 30 basis points.

Selling, general and administrative expenses amounted to €541.8 million, up by +16.4% on 2021. As a percentage of sales, they amounted to 20.0% lower than 21.4% recorded in 2021. At organic level, selling, general and administrative expenses increased by +10.6%, lower than the net sales growth and therefore generating a meaningful accretion effect on margins of 110 basis points. The investments reflected the continuous strengthening of Group's commercial capabilities with a focus on Asia, including the set-up of in-market company in India as well as the investments in the enterprise digital transformation across finance, supply chain and commercial.

The result from recurring operations (EBIT-adjusted) was €555.3 million, with an overall increase of +30.9% on the full year 2021. The return on sales-adjusted (ROS) stood at 20.5%, up from 19.5% recorded in 2021, with an accretive effect of 110 basis points on a reported basis. The organic growth component was +19.0%, higher than organic sales growth and thus generating a profit accretion of 50 basis points on net sales. The impact of the exchange rate variation was positive at +11.5% (with an accretion of 50 basis points), namely generated by the revaluation against the € of the Group's key currencies, in particular the transactional effect of the US Dollar, while the perimeter effect was slightly positive at +0.4%. If compared with the results of full year 2019, an unaffected base with respect to Covid-19, an overall organic increase of +33.4% and a CAGR of +10.1% was registered in 2022.

Other operating income (expenses) comprised a net expense of €107.0 million, which mainly included the costs associated with restructuring, mergers and acquisitions projects and indemnities for contract resolutions (totalling €25.8 million), last mile long-term incentive schemes with retention purposes to be potentially recognised to senior management[4] (€10.0 million), the non-recurring costs associated to the Russia-Ukraine conflict amounting to €8.0 million, namely related to the write-off of the inventory stocks destroyed during the conflict and a measurement of the expected credit losses reflecting the highly increased probability of default recorded in both countries.

[4] Pursuant to the Remuneration Policy, a last mile incentive scheme with retention purposes to be potentially awarded to the Chief Executive Officer has been approved by the Parent Company's corporate bodies and therefore implemented as set out in the Remuneration Report in the 'Governance' section of the Campari Group annual report for the year ended 31 December 2022.

Moreover, it included impairments of assets (€6.6 million), other costs related to indirect tax disputes and the costs associated to the Group digital transformation (€8.0 million) and a provision for risk (€44.0 million).

The operating result (EBIT) in full year 2022 was €452.9 million, reflecting an increase of +16.1% compared with 2021. ROS, the operating result as a percentage of net sales, amounted to 16.7% (17.9% in 2021).

Depreciation and amortisation totalled €92.6 million, up by +12.5% on 2021, of which 6.7% was at organic level and 5.8% related to exchange rate variations.

EBITDA-adjusted stood at €647.9 million, an increase of +27.9%, of which +17.0% was at organic level, +10.6% was driven by exchange rate variations, while the perimeter effect was slightly positive at +0.3%.

EBITDA was €545.5 million, an increase of +15.5% compared with 2021.

Net financial income totalled €7.2 million compared with net financial expenses of €75.4 million in 2021, including the negative foreign effect of cross-currency transactions of €4.6 million (positive €7.9 million in 2021). Excluding these exchange components and the financial adjustments (remeasurement of amortised cost in connection with liability management occurred in 2022[5] and a positive interest resulting from the favourable closure of a tax dispute in Brazil on indirect taxes in 2021), the net financial expenses stood in 2022, showing a decrease compared to 2021. This trend does not yet reflect the overall increase in interest rates, given that the main debt transaction (a new term loan to fund Wilderness Trail Distillery, LLC acquisition), which reflected this trend, was completed at the end of 2022. The average cost of net debt of Campari Group, adjusted for the above-mentioned foreign exchange and financial adjustments components and excluding the new term loan from the 2022 average net debt, was at 2.2% (2.5% in 2021). A detailed analysis of the net financial expenses is provided in the table below.

	for the years ended 31 December	
	2022 € million	2021 € million
Total interest expenses bond, loans and leases	(38.3)	(37.4)
Bank and other term deposit interests income	15.1	7.2
Other net expenses	49.0	(50.5)
Remeasurement of amortised cost in connection with liability management	(4.6)	-
Total financial expenses before exchange gain (losses)	**21.2**	**(80.7)**
Exchange gain (losses)	(14.0)	5.2
Total financial income (expenses) and adjustments	**7.2**	**(75.4)**

Other net expenses include € 72.4 million of revaluation of derivative financial instruments of the Parent Company. (Refer to Note xi of the separate financial statements for further details).

The profit (loss) related to associates and joint-ventures represented a net loss of €6.6 million, resulting from the allocation of the results from joint-venture companies mainly driven by non-recurring recognition of impairment loss over intangible assets.

Profit before taxation (Group and non-controlling interests) was €454.2 million, an increase of +47.9% compared with 2021. Profit before taxation as a percentage of sales was 16.7% (14.1% in 2021).

Taxation totalled €154.5 million on a reported basis. The reported tax rate in 2022 was 34.0%, compared to a reported tax rate of 28.2% in 2021..Excluding the adjustments to operating, financial and fiscal expenses and the related tax effects (totalling €54.8 million in 2022 compared to €23.1 million in 2021), the normalised tax rate was 31.5% in 2022, higher than the 27.0% recognised in 2021. 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 (€17.2 million in 2022 higher than €15.1 million, driven by the pro-rata effects of the new acquisitions), the 2022 cash tax rate was 28.1%, higher than 22.5% showed in 2021 (or 23.4% in 2021 on a like-for-like basis if recalculated based on the extended tax law in Italy on the fiscal amortization timeline of goodwill and brands in Italy[6]). The increase in the cash tax rate was driven by the unfavourable country mix, given the strong business outperformance in markets with higher taxation. The pro-forma cash tax rate would be 23.7% if including the estimated full year deferred tax and profit or loss effect of the Wilderness Trail Distillery and Picon acquisitions.

Result relating to non-controlling interests for the period corresponded €144.4 million (€125.6 million in 2021).

[5] Remeasurement of liability's amortised cost by discounting the modified contractual cash flows using the financial instrument's original effective interest rate.
[6] The amortisation of goodwill and brands eligible for tax purposes was extended from the original 18 years to 50 years, following the Italian tax law no. 234 revised on 30 December 2021, as disclosed in the Campari Group consolidated financial statements at 31 December 2021, to which reference is made.

The **Group's net profit** was €155.2 million in 2022, an increase of +63.4% compared to 2021, with a sales margin of 5.7%, higher than 2021 (4.4%). Excluding the adjustments to operating and financial result and the related tax effects and tax adjustments, the Group's net profit increased by 115.3% to €254.0 million (€118.0 million in 2021 reported on a consistent basis).

Basic and diluted earnings per share[7] **of Campari Group** were respectively €0.30 and €0.29. Once adjusted for the aforementioned components, they amounted both to €0.34. Adjusted basic earnings per share and adjusted diluted earnings per share were up by 26.0% and 26.6% respectively, compared to 2021 measured 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			
	2022 € million		2021 € million	
adjustments to operating income (expenses), of which:		**(102.4)**		**(34.3)**
Ukraine and Russia conflict costs	*(8.0)*		-	
restructuring costs, mergers and acquisitions projects fees, indemnities from contract resolutions	*(25.8)*		*(10.6)*	
last mile long-term incentive schemes with retention purposes	*(10.0)*		*(10.0)*	
impairment of assets	*(6.6)*		*(8.0)*	
gain on fiscal dispute	-		*6.2*	
other adjustments to operating income (expenses)	*(52.0)*		*(11.9)*	
adjustments to financial income (expenses)		**(4.6)**		**4.7**
adjustment related to remeasurement in joint-ventures and associates		**-**		**2.9**
total adjustments		**(107.0)**		**(26.7)**
tax adjustments, of which:		**8.2**		**3.6**
tax adjustments	*(7.7)*		*(4.9)*	
tax effect on operating and financial adjustments	*15.9*		*8.6*	
total net adjustments		**(98.8)**		**(23.1)**

	for the years ended 31 December							
	2022			2021			changes	
€ million	reported	adjustments	adjusted	reported	adjustments	adjusted	reported	adjusted
profit before taxation	**454.2**	(63.0)	**517.2**	**307.1**	(26.7)	**333.7**	47.9%	54.9%
total taxation	**(154.5)**	**8.2**	**(162.7)**	**(86.5)**	**3.6**	**(90.1)**	78.6%	80.6%
tax adjustments		*(7.7)*			*(4.9)*			
tax effect on operating and financial adjustments		*15.9*			*8.6*			
net profit for the period	**299.6**	(54.8)	**354.4**	**220.6**	(23.1)	**243.7**	35.8%	45.4%
tax rate (reported and normalized)	**(34.0%)**		**(31.5%)**	**(28.2%)**		**(27.0%)**		
deferred taxes on goodwill and trademarks		(17.2)	(17.2)		(15.1)	(15.1)		
cash tax rate			**(28.1%)**			**(22.5%)**		

[7] 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' in this management board report.

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 periods 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 period.

	for the years ended							
	2022				2021[1]			
	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	1,235.4	45.5%	258.1	46.1%	929.5	42.7%	184.4	42.4%
Southern Europe, Middle East and Africa	747.1	27.5%	101.3	181%	638.9	29.4%	71.1	16.3%
Northern, Central and Eastern Europe	534.2	19.7%	185.7	33.2%	439.9	20.2%	162.7	37.4%
Asia-Pacific	197.9	7.3%	14.7	2.6%	167.8	7.7%	17.0	3.9%
Total	**2,714.6**	**100.0%**	**559.8**	**100.0%**	**2,176.3**	**100.0%**	**435.2**	**100.0%**

(1) 2021 data restated reflecting minor changes on market reclassifications.

- **Americas**

The Americas region made the largest contribution to the Group in terms of both sales and results from recurring activities, at 45.5% and 46.1% 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 the full year 2022 are shown below.

	for the years ended								
	2022		2021[1]		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**1,235.4**	**100.0**	**929.5**	**100.0**	**305.9**	**32.9%**	**154.0**	**16.6%**	**-**
Gross margin	**678.4**	**54.9**	**518.2**	**55.8**	**160.2**	**30.9%**	**70.2**	**13.4%**	**(150.0)**
Advertising and promotional costs	(224.3)	(18.2)	(179.4)	(19.3)	(44.9)	25.0%	(19.7)	11.0%	90.0
Selling, general and administrative expenses	(196.0)	(15.9)	(158.6)	(17.1)	(37.4)	23.6%	(14.1)	8.9%	110.0
Result from recurring activities	**258.1**	**20.9**	**180.2**	**19.4**	**77.9**	**43.2%**	**36.3**	**19.7%**	**50.0**

(1) 2021 data restated reflecting minor changes on market reclassification

The result from recurring activities increased by +43.2% overall, generating a margin on sales of 20.8% compared with the 19.4% reported in the same period of the previous year. The organic change was +19.7%, generating an accretive effect of 50 basis points on profitability. The main drivers at an organic level were as follows:
- **gross margin** increased in value by +13.4%, below net sales growth (+16.6%), thus generating a dilution effect on profitability of 150 basis points. In particular, heightened input cost inflation, particularly logistics, and less favorable sales mix (i.e. outperformance of Espolòn, still impacted by high agave purchase) were only partially mitigated by the successful price increases;
- **advertising and promotional expenses** recorded an increase of +11.0%, lower than net sales growth and therefore generating an accretive effect on profitability (90 basis points). The performance in the period showed accelerated initiatives behind selected global priority brands, particularly the aperitifs, also to benefit from the strengthening of the on-premise channels combined with resilient home-consumption;
- **selling, general and administrative expenses** increased by +8.9% at organic level, lower than organic sales growth, thus resulting in a profit accretion of 110 basis points.

- **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 27.5%, and the third-largest in terms of profitability, at 17.8%. Besides Italy, the other key markets include France, Spain, South Africa and Nigeria, in addition to the Global Travel Retail channel. The results for 2022 are shown below.

	for the years ended								
	2022		2021[1]		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**747.1**	**100.0**	**638.9**	**100.0**	**108.2**	**16.9%**	**115.9**	**18.2%**	**-**
Gross margin	**458.9**	**61.4**	**387.1**	**60.6**	**71.8**	**18.5%**	**71.6**	**18.5%**	**20.0**
Advertising and promotional costs	(135.3)	(18.1)	(114.7)	(18.0)	(20.6)	18.0%	(19.1)	16.7%	20.0
Selling, general and administrative expenses	(222.3)	(29.8)	(201.3)	(31.5)	(21.0)	10.4%	(21.9)	10.9%	190.0
Result from recurring activities	**101.3**	**13.6**	**71.1**	**11.1**	**30.2**	**42.5%**	**30.6**	**43.0%**	**230.0**

[1] 2021 data restated reflecting minor changes on market reclassification

The result from recurring operations increased to €101.3 million overall, generating a sales margin of 13.5% compared to the 11.1% reported in the same period of the previous year. The main organic drivers were as follows:

- **gross margin** showed an increase of +18.5%, leading to an accretion of 20 basis points, sustained by strong pricing particularly in fast growing aperitifs, which more than offset the input costs inflation, particularly on glass;
- **advertising and promotional expenses** were up by +16.7% in comparison with 2021, lower than net sales growth and hence having an accretive effect on profitability (20 basis points). The trend reflected sustained investments in the period behind the core brands for the region, also to leverage the full on-premise reopening;
- **selling, general and administrative expenses** increased by +10.9% compared to 2021, with an accretive effect on profitability of 190 basis points, benefitting from a higher absorption of structure fixed costs as a result of a very strong sales growth (+18.2%).

- **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 19.7% and 33.5% respectively.
The region includes the direct markets of 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 2022 are shown below.

	for the years ended								
	2022		2021[1]		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**534.2**	**100.0**	**439.9**	**100.0**	**94.3**	**21.4%**	**65.5**	**14.9%**	**-**
Gross margin	**354.5**	**66.4**	**305.5**	**69.4**	**49.0**	**16.0%**	**36.1**	**11.8%**	**(190.0)**
Advertising and promotional costs	(88.5)	(16.6)	(74.2)	(16.9)	(14.3)	19.3%	(11.8)	15.9%	(10.0)
Selling, general and administrative expenses	(80.3)	(15.0)	(71.1)	(16.2)	(9.2)	12.9%	(6.4)	(9.2%)	80.0
Result from recurring activities	**185.7**	**34.8**	**160.2**	**36.4**	**25.5**	**15.9%**	**17.9**	**11.0%**	**(130.0)**

(1) 2021 data restated reflecting minor changes on market reclassification

The result from recurring activities was up by +17.9% overall, generating a sales margin of 34.8%, compared with 36.4% reported in 2021. Organic growth was +11.0% with a dilutive effect of 130 basis points. The main drivers were as follows:

- **gross margin** showed a growth of +11.8% leading to an overall organic dilutive effect of 190 basis points, impacted by cost of sales inflation and unfavourable product and market mix, only partially offset by price increases;
- **advertising and promotional expenses** increased by +15.9%, higher than sales growth of +14.9%, generating a dilutive effect on profitability of 10 basis points. The trend highlighted showed sustained investments behind the key brands for the region, particularly the aperitifs (Aperol and Campari), also benefiting from the strong on-premise performance;
- **selling, general and administrative expenses** showed an increase of +9.2%, with an accretive effect of 80 basis points on profitability, thanks to efficiencies on the back of strong top-line growth (+14.9%).

- **Asia-Pacific**

The Asia-Pacific region includes the Group's own Australian, China, Indian and South Korean distribution 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 2022 was 7.3% and 2.6% respectively. The results for the full year 2022 are shown below.

	for the years ended								
	2022		2021		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**197.9**	**100.0**	**167.8**	**100.0**	**30.0**	**17.9%**	**20.8**	**12.4%**	**-**
Gross margin	**88.8**	**44.9**	**81.1**	**48.3**	**7.7**	**9.5%**	**5.0**	**6.2%**	**(270)**
Advertising and promotional costs	(30.9)	(15.6)	(29.5)	(17.5)	(1.5)	5.1%	0.1	-0.5%	200
Selling, general and administrative expenses	(43.2)	(21.9)	(34.6)	(20.6)	(8.6)	24.9%	(6.8)	19.7%	(130)
Result from recurring activities	**14.7**	**7.4**	**17.0**	**10.2**	**(2.4)**	**-14.0%**	**(1.6)**	**-9.7%**	**(200)**

The result from recurring activities decreased by -14.0% overall, generating a sales margin of 7.4% compared with the 10.2% reported in 2021. The organic change was negative at -9.7%, with a corresponding dilution in profitability of 200 basis points, due to the following effects:

- **gross margin** grew by +6.2%, lower than net sales growth, and showed a dilutive effect on profitability by 270 basis points. The positive price and volume mix driven by a high-margin offering of Wild Turkey Bourbon and Wild Turkey RTD only partly offset the very negative effects related to logistic constraints and the increased inflationary pressure at the level of input costs;
- **advertising and promotional expenses** were stable at -0.5% and therefore lower than the organic sales growth (+12.4%), generating an accretive effect on profitability that reached 200 basis points;
- **selling, general and administrative expenses** increased by +19.7%, higher than net sales (+12.4%) thus generating a dilutive effect on profitability of 130 basis points, reflecting continued investments in the region.

Operating working capital

The breakdown of the total change in operating working capital compared with the figure at 31 December 2022 is as follows.

	at 31 December			*of which*		
	2022	2021	total change	*organic*	*perimeter*	*exchange rates and hyperinflation*
	€ million	€ million	€ million	*€ million*	*€ million*	*€ million*
Trade receivables	309.9	291.0	18.9	*15.2*	*3.5*	*0.2*
Total inventories, of which:	1,004.2	745.7	258.5	*208.3*	*28.2*	*22.0*
- maturing inventory	*501.7*	*409.7*	*92.0*	*60.1*	*19.9*	*12.0*
- biological assets	*7.1*	*3.7*	*3.4*	*2.9*	*-*	*0.4*
- other inventory	*495.5*	*332.3*	*163.2*	*145.2*	*8.4*	*9.6*
Trade payables	(542.6)	(396.1)	(146.5)	*(138.0)*	*(2.4)*	*(6.1)*
Operating working capital	**771.5**	**640.6**	**130.9**	***85.4***	***29.4***	***16.1***
Sales of the period	2,714.6	2,176.3				
Working capital as % of net sales	28.4	29.4				

At 31 December 2022, operating working capital totalled €771.5 million recording an increase of €130.9 million compared to 31 December 2021 which, in term of percentage over net sales at 31 December 2022, resulted in a reduction in 90 basis point going from 29.4% at the end of 2021 to 28.4% at the end of 2022 on a reported basis. The value increase was the combined effect of the following drivers: an organic increase of €85.4 million mainly driven by the step-up in inventories, boosted by the positive impact from business acquisitions for €29.4 million, and an exchange rate variation leading to an increase of €16.1 million. If adjusted for the pro-forma effects of the recent acquisition (i.e. including the pro-forma full year net sales of the acquired business), the operating working capital on net sales ratio would be 28.4% of net sales, showing a reduction of 150 basis points from 2021.

Focusing on the organic performance, trade receivables and inventory were up, by €15.2 million and €208.3 million respectively, mainly driven by the strong net sales performance especially towards to end the year and the planned inventory build-up to support the strong customer demand at year end in a context of possible supply constraints. The increase in maturing inventory of €60.1 million was attributable to the organic step up in ageing liquid, mainly linked to bourbon whiskey (Wild Turkey), cognac (Grand Marnier), Jamaican rum (Appleton Estate), tequila (Espolòn), as well as Scotch whisky (The GlenGrant) to support both the sustained consumer demand and the planned premiumisation strategy. It should be noted that, due to its nature, the aging liquid is comparable to invested capital as its growth profile is planned over a long-term horizon.
These changes in operating working capital assets were partially offset by the increase of €138.0 million in trade payables, which were impacted by the intensification of inflationary pressure at the level of the main input factors.

The increase attributable to the exchange rate component, equal to €16.1 million is related to inventories for €22.0 million, of which €12.0 million was attributable to maturing inventory located in the Americas, particularly in the United States and Jamaica, impacted by the revaluation of US and Jamaican Dollar, partially offset by an increase in exchange rate effect over trade payables for €6.1 million. The exchange rate component on trade receivables from customers was negligible and totalling €0.2 million.

Lastly, the external growth represented by the business acquisitions of the year had a positive affected on operating working capital for €29.4 million. The change is mainly attributable to the inventories acquired in connection with the Wilderness Trail Distillery acquisition and, to a lesser extent, to the acquisition of a champagne business in France (refer to paragraph 'Acquisitions and Commercial agreements' in the events section of this management board report).

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 years ended 31 December			
	2022 € million	*of which recurring* *€ million*	2021 € million	*of which recurring* *€ million*
Operating result (EBIT)	**452.8**		**390.1**	
Result from recurring activities (EBIT-adjusted)		**555.3**		**424.3**
Depreciation and amortization	92.6	92.6	82.3	82.3
EBITDA	**545.5**		**472.4**	
EBITDA-adjusted		**647.9**		**506.6**
Effects from hyperinflation accounting standard adoption	0	6.7	0	4.5
Accruals and other changes from operating activities	51.7	16.6	15.3	54.7
Goodwill. brand. tangible fixed assets and sold business impairment	(5.3)	-	9.3	-
Income taxes paid	(164.0)	(120.3)	(88.9)	(74.0)
Cash flow from operating activities before changes in working capital	**427.9**	**550.9**	**408.1**	**491.8**
Changes in net operating working capital	(27.6)	(83.9)	57.0	5.0
Cash flow from operating activities	**400.3**	**467**	**465.1**	**496.8**
Net interests paid	(44.6)	(11.4)	(19.9)	(15.6)
Cash adjustments to financial income (expenses)	-	-	-	-
Capital expenditure	(484.3)	(107.5)	(208.0)	(81.9)
Free cash flow	**(128.6)**	**348.1**	**237.2**	**399.3**
Sale and purchase of brands and rights				
(Acquisition) disposal of business	(375.7)		(3.1)	
Dividend paid out by the Company	(29.9)		(27.2)	
Distribution to shareholders on demerger	(100.0)			
Other items including net purchase of own shares	(120.9)		27.6	
Cash flow invested in other activities	**(626.5)**		**(2.7)**	
Other changes	(22.8)		(70.2)	
Total change in net financial debt due to operating activities	**(777.9)**		**164.3**	
Put option and earn out liability changes(1)	(45)		(8.2)	
Increase in investments for lease right of use(2)	(15.1)		(13.0)	
Net cash flow of the period=change in net financial debt	**(838.0)**		**143.1**	
Effect of exchange rate changes	**31.5**		**24.0**	
Net financial debt at the beginning of the period	**(1,304.9)**		**(1,472.0)**	
Net financial debt at the end of the period	**(2,111.4)**		**(1,304.9)**	

(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 4 ii-'Property, plant and equipment – right of use assets by nature' of Lagfin Group- consolidated financial statements at 31 December 2022.

Key highlights

At 31 December 2022, net cash flow showed a cash flow absorption of €838.0 million, also reflected as an equivalent decrease in the net financial debt compared to 31 December 2022, including a positive exchange rate effect on net financial debt items of €31.5 million. The cash generation/(absorption) in terms of free cash flow on a reported basis was negative in 2022, standing at €128.6 million, compared to a free cash flow of €237.2 million reported in 2021. This is mainly due to the purchase of tangible and intangible fixed assets (€348.5 million) and to the purchase of investment properties (€135.8 million). The recurring free cash flows amounted to €348.1 million, down by €51.2 million compared with 2021. In terms of percentages on EBITDA-adjusted, recurring free cash flows totalled 53.7%, compared to 78.8% in 2021.

Analysis of the consolidated statement of cash flows

The following drivers contributed to the absorption of free cash flows in 2022:

- operating result (EBIT) amounted to €452.8 million compared to €390.1 million in 2021 and included a negative effect of €102.3 million related to operating adjustments. Excluding operating adjustments, the result from recurring activities (EBIT-adjusted) amounted to €555.3 million (€424.3 million in 2021);

- EBITDA amounted to €545.5 million with an increase of €73.1 million compared to the previous year. Excluding the before-mentioned non-recurring components, EBITDA-adjusted amounted to €647.9 million (€506.6 million in 2021);
- non-cash liabilities arising from the application of the hyperinflation accounting standard in Argentina amounted to €6.7 million in 2022;
- accruals for provisions net of utilisations and other miscellaneous operating changes, such as indirect taxation and excise duties, showed a positive effect of €51.7 million;
- write-off losses, mainly related to intangible assets, stood at €5.3 million and were 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 2022 was €164.0 million. The amount paid included non-recurring withholding taxes over dividend distribution of €15.7 million and the second instalment of €5.1 million of the substitution tax permitting the access to the tax benefit, which allows a higher amortisation on goodwill and brands for tax purposes, that the Group applied to in previous years. Excluding the non-recurring components, taxes paid amounted to €120.3 million, an increase of €46.3 million compared to the last year. This change was a consequence of the adverse phasing of tax payments from 2021 into 2022, as well as an increase in advance tax payments for 2022 as a result of higher pre-tax profit due to positive business performance and higher tax rate due to geographical mix;
- working capital recorded a cash absorption of €27.6 million (refer to paragraph ‘Operating working capital’ for details);
- interest paid, net of interest received, stood at €44.6 million in 2022;
- net investment in capital expenditure amounted to €484.3 million, of which the recurring component was €107.5 million, confirming the Group’s commitment to continue to invest in the expansion of its production capacity and efficiency to support long-term growth and in the enhancement of its IT infrastructure.

Cash flow invested in other activities was negative at €626.5 million, compared to a negative absorption of €2.7 million in 2021, resulting mainly in:
- the purchase of an initial 70% stake in Wilderness Trail Distillery, LLC for a total cash consideration including adjustments of €397.0 million (US$417.9 million), as well as an entity based in the Champagne region, net of the related net financial positions acquired;
- the acquisition of an initial stake in Monkey Spirits, LLC and Catalyst Spirits Ltd. (for a combined amount of €19.1 million), both connected with the Howler Head brand;
- the purchase of the remainder of Tannico’s share capital through Campari Group’s and Moët Hennessy’s 50-50 joint-venture (for an amount of €16.5 million);
- the purchase of the Picon and Del Professore brands for €129.9 million,
- dividends paid for €29.9 million,
- the net purchase of own shares for €120.9 million and
- distribution to shareholders on demerger €100.9 million.

New **leases** and changes in **liabilities for put options and earn-outs** are shown purely to reconcile net cash flows for the year with total net financial debt. The significant increase compared to 2021 is reflecting the liabilities related to put and call option mechanism connected to the business acquired during the year, in particular the Wilderness Trail Distillery acquisition for an amount of €171.0 million.

Net financial debt

As of 31 December 2022, consolidated net financial debt amounted to €2,111.4 million, up by €806.5 million compared with €1,304.9 million reported at 31 December 2021. The increase was largely driven by cash absorption due to the various acquisitions and asset deals completed during the year combined with a long-term loan subscription, as well as meaningful investments in manufacturing capacity expansion, as part of a multiyear capital expenditure program initiated by Group in 2021.

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

	at 31 December			*of which*		
	2022	2021	total change	*organic*	*perimeter* (2)	*exchange rates*
	€ million	€ million	€ million	*€ million*	*€ million*	*€ million*
cash and cash equivalents	747.4	910.7	(163.3)	*366.4*	*(561.2)*	*31.5*
bonds	-	(50.0)	50.0	*50.0*	-	-
loans due to banks	(298.4)	(358.0)	59.6	*63.9*	-	*(4.3)*
lease payables	(14.4)	(13.5)	(0.9)	*(0.6)*	-	*(0.3)*
other financial assets and liabilities	237.5	115.7	121.8	*121.7*	*0.1*	-
short-term net financial debt	**672.1**	**604.9**	**67.2**	***601.5***	***(561.2)***	***26.9***
bonds	(1,166.4)	(1,160.7)	(5.7)	*(5.7)*	-	-
loans due to banks (1)	(1,361.2)	(584.9)	(776.3)	*(775.6)*	*(0.7)*	-
lease payables	(65.1)	(70.4)	5.3	*7.4*	-	*(2.1)*
other financial assets and liabilities	48.9	4.9	44.0	*43.6*	-	*0.4*
medium-/long-term net financial debt	**(2,543.8)**	**(1,811.1)**	**(732.7)**	***(730.2)***	***(0.7)***	***(1.8)***
net financial debt before put option and earn-out payments	**(1,871.7)**	**(1,206.2)**	**(665.5)**	***(128.8)***	***(561.8)***	***25.1***
liabilities for put option and earn-out payments	(239.7)	(98.7)	(141.0)	*28.1*	*(171.0)*	*1.9*
net financial debt	**(2,111.4)**	**(1,304.9)**	**(806.5)**	***(100.7)***	***(732.9)***	***27.1***

As of 31 December 2022, net financial debt remains skewed into medium to long-term maturities in line with the Group's long-term growth strategy and remained supported by significant credit lines available to the Group for a total of €765.5 million, of which €72.3 million were drawn down at the end of the year. Short-term net financial position confirmed to be positive and characterised by considerable liquidity, represented by cash and cash equivalents, which sustains Group's goals to maintain flexibility in a challenging macroeconomic context and to enable any short-term investment opportunity decision.
During 2022 the net financial debt was impacted by the acquisition initiatives completed during the year for a total amount €732.9 million and namely related to the acquisition of an initial 70% stake in Wilderness Trail Distillery, LLC (for total amount of €394.5 million) to which a liability for put option is added (for a total amount of €171.0 million), an entity based in the Champagne region and various asset deals, namely the Picon and Del Professore brands (for a combined amount of €131.8 million) and the acquisition of an initial stake in Monkey Spirits, LLC and Catalyst Spirits Ltd. (for a combined amount of €19.1 million), both connected with the Howler Head brand. Lastly, the item also contained the purchase of the remainder of Tannico's share capital through Campari Group's and Moët Hennessy's 50-50 joint-venture (for an amount of €16.5 million). For more details, please refer to the 'Significant events of the year'- paragraph of this management board report.

	Wilderness Trail Distillery	other minor business combinations and asset deals	total
	€ million (1)	€ million	€ million
interests acquisition in business or investments	(397.0)	(167.2)	(564.2)
net financial assets (debt) acquired in business combinations	2.5	(0.2)	2.3
total acquisition cash effect on closing date	**(394.5)**	**(167.4)**	**(561.9)**
payables for future cash out including put option and earn-out	(171.0)	(0.1)	(171.0)
Net effect of (acquisitions) disposals on net financial debt	**(565.5)**	**(167.5)**	**(732.9)**
of which stated at 31 December 2022			
net impact on cash and cash equivalent	*(394.5)*	*(166.7)*	*(561.2)*
net impact on net financial debt other than cash and cash equivalent	*(171.0)*	*(0.7)*	*(171.7)*

(1) The consideration paid includes post-closing adjustments and transaction costs.

The short-term net financial position, mainly comprised of cash and cash equivalents (€747.4 million) net of loans due to banks (€298.4 million), was positive at €672.1 million and reported an overall increase of €67.2 million compared with 31 December 2021. The organic component accounted for €601.5 million and was driven by a positive free cash flow generation resulting from a strong business performance, the repayment of the 5-year unrated bond issued in 2017 with maturity in April 2022 for €50.0 million and the repayment of other short-term loans during the year. These movements more than offset the €30.1 million dividend payments and the €121.1 million[8] net cash outflow to purchase own shares on the market supporting the share buyback programmes

(8) The amount included €0.2 million liability in connection with the share buyback programmes. At 31 December 2022 the equivalent of 3.4% of the share capital, corresponding to 39,952,423 own shares, was held by the Company, mainly aimed to meet the obligations arising from the long-term share-based incentive plans.

launched in March and in May 2022, net of the proceeds from the sale of shares in connection with the exercise of share-based incentive schemes, namely stock option plans.

The medium to long-term financial debt largely consisted of bonds and loans due to banks for a total amount of €2,527.6 million. The overall reported increase of €732.7 million during the period was mostly driven by the subscription of the following new term loans, completed in the last quarter of 2022. On 11 October 2022 the Group entered into the first Group loan agreement which incorporates sustainability commitment linked to the responsible use of resources and reduction of the environmental impact of its production activities, which is one of the four pillars of Campari Group's sustainability roadmap. The loan duration is 3 years for a nominal amount of €50.0 million. Furthermore, on 30 November 2022, leveraging on the excellent economic and financial profile, the Group decided to maximise the fundraising at favourable conditions as well as to complete the Wilderness Trail Distillery, LLC acquisition by entering into a variable-rate loan for a nominal amount of US$420.0 million, with an amortization plan and a final maturity date on 6 December 2027.

The Group's net financial debt also included liabilities of €239.7 million related to future commitments to acquire outstanding minority interests in controlled companies. The increase is mainly driven by the estimated liability for the put option of the remaining 30% shareholding of Wilderness Trail Distillery, LLC.
Finally, the reported variation was impacted by positive exchange rates effects of €27.1 million overall, mainly driven by the US Dollar.

At 31 December 2022, the Group's net debt/EBITDA-adjusted ratio[9] was 3.3 times, compared with 2.6 times at 31 December 2021 on a like-for-like basis. The pro-forma index adjusted to take into account the annual effect on EBITDA of the business sale and acquisition of the last 12 months, with particular reference to the recent acquisitions for the year 2022, and therefore considered more consistent in comparative terms with the previous year, is equal to 2.2 times. The worsening of the ratio was mainly driven by the improved EBITDA-adjusted more than offset by the slight increase of the net financial debt.

Capital expenditure

During 2022 net investments in Property plant and Equipment, real estate properties and intangible assets totalled €484.3 million, of which €107.5 million were recurring and €376.8 million were non-recurring.

The recurring investments were related to initiatives aimed at continuously enhancing the supply chain, via production capacity expansion, efficiency improvements and sustainability related initiatives, as well as 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 €92.4 million;
- the purchase of barrels for maturing bourbon and rum totalling € million, net of related disposals;
- investments to develop biological assets, totalling €7.0 million.

Non-recurring investments, totalling €476.1 million, related to the extraordinary capacity expansion initiatives, mainly in Italy to expand the manufacturing footprint for aperitifs and in Mexico to expand supply chain facilities for tequila production, as well as digital transformation projects and renovation activities related to the new headquarters in London.
Real estate properties investments (€147.2 million) mainly relate to:
- Brown Derby, LLC purchased a mixed-use building located in Chicago, Illinois, Unites States of America;
- Grand 75 LLC purchased an office building located in Chicago, Illinois, Unites States of America:
- Grand Margarita, LLC purchased a mixed-use building located in Soma District, San Francisco, California, Unites States of America;
- Negroni Ltd. purchased an office building located in London, United Kingdom.

With regard to the type of investment, net purchases comprised tangible assets of €189.6 million, biological assets namely related to grapes and agave plantations for €6.9 million and intangible assets of €16.8 million.

Lastly, investments for the rights of use of third-party assets were related to tangible assets attributable to offices, plant and machinery and vehicles, which increased during the period by €9.8 million.

To satisfy future sustained consumer demand, starting from 2023 until 2025 and, the Group plans extraordinary investments of approximately €550-600 million, mainly linked to projects to enhance its supply chain capacity, including ESG, but also IT infrastructure and brand houses for continuous brand building. In particular, the Group aims to doubling its overall production capacity for key categories (aperitifs, bourbon and tequila).

(9) For information on the definition of alternative performance measures, see the paragraph 'Definitions and reconciliation of the Alternative Performance Measures (APMs or non-GAAP measures) to GAAP measures' of this management board report.

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			
	2022	2021[1]	total change	*organic change*	*perimeter*	*asset deals and other operations*	*exchange rates and hyperinflation*
	€ million	€ million	€ million	*€ million*	*€ million*		*€ million*
fixed assets	4,505.6	3,480.5	1,025.1	*270.2*	*537.7*	*129.9*	*87.3*
other non-current assets and (liabilities)	(359.5)	(364.5)	5.0	*2.8*	*(16.6)*	*35.6*	*(16.8)*
operating working capital	771.5	640.6	130.9	*85.4*	*28.9*	*0.5*	*16.1*
other current assets and (liabilities)	(177.5)	(134.7)	(42.8)	*(40.8)*	*0.1*	*-*	*(2.1)*
total invested capital	**4,740.1**	**3,621.9**	**1,118.2**	***317.5***	***550***	***166.1***	***84.6***
Group shareholders' equity	1,356.6	1,252.8	103.8	*178.9*	*(185.5)*	*(1.4)*	*111.8*
non-controlling interests	1,272.1	1,064.2	207.9	*38.0*	*170.1*	*-*	*(0.2)*
net financial debt	2,111.4	1,304.9	806.4	*100.6*	*565.5*	*167.5*	*(27.1)*
total financing sources	**4,740.1**	**3,621.9**	**1,118.2**	***317.5***	***550***	***166.1***	***84.6***

Invested capital at 31 December 2022 was €4,740.1 million, showing up €1,118.2. million compared with the figures at 31 December 2021. This change was mainly due to business combination completed during the year, namely the acquisition of Wilderness Trace Distillery, LLC, which was first consolidated at 7 December 2022, resulting in an increase in all the invested capital items, with the recognition, albeit provisional, of the following entries:
- fixed assets of €1,025.1 million (of which €536.1 million Wilderness Trace Distillery, LLC and investments in real estate properties approximately €124.0 million);
- operating working capital of €130.9 million (of which €28.4 million Wilderness Trace Distillery, LLC);

For more details on the figures recorded in relation to the acquisition, please see note x-'Business combinations' of the consolidated financial statements.

Focusing on the organic change, the most significant variations attributable to the invested capital referred to:
- the increase of €85.4 million in operating working capital, driven by the rise of inventories supporting the positive business momentum and the Group premiumisation strategy (refer to paragraph 'Operating working capital' for more information);
- the increase of €270.2 million in fixed assets, attributable mainly to the acquisition of land and buildings to strengthen the Group's production capacity and efficiency as well as the purchase of barrels dedicated to the aging process and purchase of office and mixed used building;

The asset deal effect referred to the acquisition of both the Picon and Del Professore brands and the acquisition of an initial stake in Monkey Spirits, LLC and Catalyst Spirits Ltd., both connected with the Howler Head brand, and the interests increase in the Moët Hennessy's 50-50 joint-venture, for total consideration of €166.1 million, including ancillary costs (refer to the paragraph 'Significant events of the period - Acquisitions and Commercial agreements' in this management board report).

Moreover, invested capital at 31 December 2022 was significantly impacted by non-monetary foreign currency translation effects, resulting in an increase of €84.6 million.

Regarding financing sources, the main changes related to an increase of €103.8 million in the Group's shareholders' equity, mostly due to the combined effect of the Group results for the period of €199.2 million, net purchases of the own shares supporting stock option plans for €121.1 million, payment dividend for €30.1 million and increase of non-monetary foreign currency effect of €111.8 million mainly due to the US Dollar and the Jamaican Dollar. With respect to net financial debt variations totalling €806.4 million is namely reflecting the funding requirements of the year to support external business development initiatives: for more detailed information 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 155.6% at the end of the period, a sharp decrease on the 104.2% recorded at 31 December 2021.

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 with the same items of the Parent Company LAGFIN S.C.A. Societèen Commandite par Actions, please refer to paragraph 'Shareholders' equity' in the note to the consolidated financial statement at 31 December 2022.

Full year 2022 conclusion and outlook

The Group delivered a strong organic performance in a challenging 2022, thanks to very healthy brand momentum, enabling price increases that helped mitigate the rising cost of sales inflation over the year, while also remaining focused on long-term sustainable growth and brand building. The overall performance benefitted from strong exchange rate effect thanks to the US Dollar.
Looking at 2023, Lagfin Group remains confident about the positive business momentum across key brands and markets thanks to strong brand equity, in particular aperitifs. The Group will continue to leverage adequate price increase opportunities, mainly on aperitifs, as well as portfolio premiumisation, mainly brown spirits.
The overall macro-environment for inflation remains challenging, despite some signs of easing. Nonetheless, the Group remains confident to preserve current operating margin on sales at organic level.
Looking beyond 2023 and the medium-term horizon, the Group is confident to continue delivering strong organic sales growth and mix improvement, leading to margin expansion.
Simultaneously, as the Group remains positive on the future consumer demand, robust medium-term investments are laid down to boost in particular supply chain capacity.

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 GROUP 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 € (expressed at average exchange rates for the same period in the previous year) and the effects of brands asset deal, business acquisitions and disposals, as well as the signing or termination of distribution agreements.
Specifically:
- the exchange rate effects are calculated by converting the figures for the current period at the exchange rates applicable in the same period in 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 in 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 in the previous year from their corresponding date of disposal or termination.

In order to mitigate the effect of hyperinflationary economies, the organic change for countries having to adopt the hyperinflationary methodology laid down in IFRS 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.
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): related 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 on 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 for assessing 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 operations (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 other operating income (expenses).

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 including financial liability remeasurement effects;
- 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 agreements, also including the non-cash effect, 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 the Group's interests in associates and joint-ventures. The item also includes any fair value re-assessments of previously held Group's interests in joint-ventures and associates before their consolidation.

Profit or loss before taxation-adjusted: the result before taxation for the period, before other operating income (expenses), adjustments to financial income (expenses), before 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.

Tax rate-adjusted
The tax rate-adjusted is calculated by deducting from the taxation, the tax adjustments mentioned above. The new value of taxation adjusted is then correlated to the profit or loss before taxation-adjusted.

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 correlated to 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.

Operating working capital as percentage of net sales
The ratio is calculated by dividing the net sales on operating working capital balances based on the reported value at the closing date of the reference period; the net sales reference value is twelve months and is calculated based on the reported value at the closing date of the reference period, into which the portion of net sales recorded in the previous year is incorporated for the remaining months. Upon the occurrence of significant business acquisition (or sale) transactions a pro-forma index is calculated to take into account the annual effect on net sales of the business transaction (including for acquisition, excluding for a sale) of the last twelve months, to ensure consistency in comparative terms with the previous year reported.

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 assets;
- deferred tax liabilities;
- post-employment benefit obligations;
- provisions for risks and charges;
- investments in associates and joint-ventures.
- 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.

Financing sources: calculated as the algebraic sum of:
- Group shareholders' equity;
- non-controlling interests;
- net financial debt.

Net financial debt: calculated as the algebraic sum of:
- cash and cash equivalents;
- lease receivables;
- bonds;
- loans due to banks;
- lease payables;
- liabilities for put option and earn-out payments;
- other current and non-current financial assets 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 as well as the items connected with brands asset deal, 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 flow 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 correspond 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 measure 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 the 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 business development. 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 funding options. 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.
Upon the occurrence of significant business acquisition (or sale) transactions a pro-forma index adjusted is calculated to take into account the annual effect on EBITDA of the business transaction (including for acquisition, excluding for a sale) of the last twelve months, to ensure consistency in comparative terms with the previous year reported.

- **Appendix of alternative performance indicators**

In 2022, 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 2022	EBITDA		EBIT		profit before taxation		Group net profit	
	€ million	% on sales	€ million	% on sales	€ million	% on sales	€ million	% on sales
alternative performance measure reported	**545.5**	**20.1%**	**452.9**	**16.7%**	**454.2**	**16.7%**	**155.2**	**5.7%**
fees from acquisition/disposals of business or companies and indemnities from contract resolutions	(14.4)	-0.5%	(14.4)	-0.5%	(14.4)	-0.5%	(14.4)	-0.5%
restructuring and reorganisation costs	(11.4)	-0.4%	(11.4)	-0.4%	(11.4)	-0.4%	(11.4)	-0.4%
last mile long-term incentive schemes with retention purposes	(10.0)	-0.4%	(10.0)	-0.4%	(10.0)	-0.4%	(10.0)	-0.4%
Ukraine and Russia conflict	(8.0)	-0.3%	(8.0)	-0.3%	(8.0)	-0.3%	(8.0)	-0.3%
devaluation of assets, goodwill, brands and business disposed	(6.6)	-0.2%	(6.6)	-0.2%	(6.6)	-0.2%	(6.6)	-0.2%
other adjustments of operating income (expenses)	(54.3)	-0.4%	(54.3)	-0.4%	(54.3)	-0.4%	(54.3)	-0.4%
gains (losses) from disposals of fixed assets	2.3	0.1%	2.3	0.1%	2.3	0.1%	2.3	0.1%
adjustments to financial income (expenses)					(4.6)	-0.2%	(4.6)	-0.2%
tax adjustments							8.2	0.3%
total adjustments	**(102.4)**	**-2.2%**	**(102.4)**	**-2.2%**	**(107.0)**	**-2.3%**	**(98.8)**	**-2.0%**
alternative performance measure-adjusted	**647.9**	**23.9%**	**555.3**	**20.5%**	**561.2**	**20.7%**	**254.0**	**9.4%**

for the year ended 31 December		2022	
€ million	reported	Adjustments	adjusted
profit before taxation	**454.2**	(63.0)	**517.2**
total taxation	**(154.5)**	**8.2**	**(162.7)**
tax adjustments		*(7.7)*	
tax effect on operating and financial adjustments		*15.9*	
net profit for the period	**299.6**	(54.8)	**354.4**
tax rate (reported and adjusted)	**-34.0%**		**-31.5%**
deferred taxes on goodwill and trademarks		(17.2)	(17.2)
cash tax rate			**-28.1%**

for the year ended 31 December 2022	**Free cash flow**
	€ million
alternative performance measure reported	**(128.6)**
devaluation of assets, goodwill, brands and business disposed	3.1
other changes from operating activities	(102.3)
non-recurring taxes paid	(20.7)
changes in other non-financial assets and liabilities	10.0
net cash flow from non-recurring investments	(105.8)
total adjustments	**(215.7)**
alternative performance measure-adjusted (recurring free cash flow)	**87.1**

	for the year ended 31 December 2022
	€ million
EBITDA-adjusted at 31 December 2022	647.9
net financial debt at 31 December 2022	**2,111.4**
net debt/EBITDA-adjusted ratio	**ratio 3.3**

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	**472.4**	**21.8%**	**390.1**	**17.9%**	**307.1**	**14.1%**	**95.0**	**4.4%**
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) (incl. 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	**(34.3)**	**-1.6%**	**(34.3)**	**-1.6%**	**(26.7)**	**-1.2%**	**(23.1)**	**-1.1%**
alternative performance measure adjusted	**506.6**	**23.3%**	**424.3**	**19.5%**	**333.7**	**15.3%**	**118.0**	**5.4%**

	for the year ended 31 December 2021		
€ million	reported	adjustments	adjusted
profit before taxation	**307.1**	(26.7)	**333.7**
total taxation	**(86.5)**	**3.6**	**(90.1)**
tax adjustments		*(4.9)*	
tax effect on operating and financial adjustments		*8.6*	
net profit for the period	**220.6**	(23.1)	**243.7**
tax rate (reported and adjusted)	**-28.2%**		**-27.0%**
deferred taxes on goodwill and trademarks		(15.1)	(15.1)
cash tax rate			**-22.5%**

for the year ended 31 December 2021	**Free cash flow**
	€ million
alternative performance measure reported	**237.2**
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)	**312.4**

	for the year ended 31 December 2021
	€ million
EBITDA adjusted at 31 December 2021	506.6
net financial debt at 31 December 2021	**1,304.9**
net debt/EBITDA-adjusted ratio	**ratio 2.6**

Lagfin Group-Consolidated financial statements as at 31 December 2022

Consolidated primary statements

Consolidated statement of profit or loss

	notes	for the years ended 31 December	
		2022 € million	2021 € million
Gross sales		**3,279.1**	**2,699.5**
Excise duties		(564.5)	(523.2)
Net sales	4 i	**2,714.6**	**2,176.3**
Cost of sales	4 iii	(1,133.9)	(884.4)
Gross profit		**1,580.6**	**1,291.9**
Advertising and promotional costs	4 iv	(479.0)	(397.8)
Contribution margin		**1,101.6**	**894.1**
Selling, general and administrative expenses	4 vi	(541.8)	(465.6)
Other operating expenses	6 iv	(112.3)	(58.3)
Other operating income		5.3	19.8
Operating result		**452.9**	**390.1**
Financial expenses	4 x	(107.8)	(135.1)
Financial income	4 x	115.7	52.2
Share of profit (loss) of associates and joint-ventures	4 xii	(6.6)	(0.1)
Profit before taxation		**454.2**	**307.1**
Taxation	4 xiii	(154.5)	(86.5)
Profit for the period		**299.6**	**220.6**
Profit attributable to:			
Shareholders of the parent Company		155.2	95.0
Non-controlling interests		144.4	125.6

Consolidated statement of other comprehensive income

	notes	for the years ended 31 December	
		2022 € million	2021 € million
Profit for the period (A)		**299.6**	**220.6**
B1) Items that may be subsequently reclassified to the statement of profit or loss			
Gains (losses) on cash flow hedge	8 iv	46.2	5.9
Related Income tax effect	4 xiii	(11.1)	(1.4)
Cash flow hedge		**35.2**	**4.5**
Exchange differences on translation of foreign operations	8 iv	**115.6**	**139.2**
Total: items that may be subsequently reclassified to the statement of profit or loss (B1)		**150.7**	**143.7**
B2) Items that may not be subsequently reclassified to the statement of profit or loss			
Gains/(losses) on remeasurement of defined benefit plans	8 iv	5.2	1.7
Related Income tax effect	4 xiii	(1.2)	(0.4)
Remeasurements of defined benefit plans		**4.0**	**1.3**
Total: items that may not be subsequently reclassified to the statement of profit or loss (B2)		**4.0**	**1.3**
Other comprehensive income (expenses) (B=B1+B2)		**154.7**	**145.0**
Total comprehensive income (A+B)		**454.3**	**365.6**
Attributable to:			
Shareholders of the parent Company		243.2	174.3
Non-controlling interests		211.1	190.6

Consolidated statement of financial position

(before appropriation of results)

	notes	At 31 December 2022 € million	At 31 December 2021 Restated Nota 3 x € million	As at 1 January 2021 Restated Nota 3 x € million
ASSETS				
Non-current assets				
Property, plant and equipment	5 ii	762.3	563.0	567.4
Right of use assets	5 ii	69.0	72.7	72.4
Biological assets	5 ii	17.5	13.4	8.9
Real estate investments	5 iii	337.0	212.4	56.1
Goodwill	5 iv	2,083.0	1,587.4	1,525.3
Brands	5 iv	1,182.0	974.9	956.6
Intangible assets with a finite life	5 iv	54.8	56.8	47.2
Interests in associates and joint-ventures	4 xii	35.7	26.6	26.6
Deferred tax assets	4 xiii	76.9	58.9	44.5
Other non-current assets	5 v	24.0	5.6	6.3
Other non-current financial assets	7 iv	50.4	5.7	7.1
Total non-current assets		**4,692.6**	**3,577.3**	**3,318.4**
Current assets				
Inventories	6 iii	997.2	742.0	656.7
Biological assets	6 iii	7.1	3.7	1.6
Trade receivables	6 i	309.9	291.0	283.0
Other current financial assets	7 iii	332.7	285.7	221.3
Cash and cash equivalents	7 ii	747.4	910.7	708.3
Income tax receivables	4 xiii	19.1	18.5	29.7
Other current assets	5 vi	63.6	50.2	45.9
Total current assets		**2,477.0**	**2,301.8**	**1,946.5**
Assets held for sale	**5 ix**	**11.6**	**0**	**3.3**
Total assets		**7,181.2**	**5,879.1**	**5,268.2**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Shareholders' equity				
Issued capital and reserves attributable to shareholders of the parent Company	8 iv	1,312.6	1,252.8	1,082.9
Non-controlling interests	8 iv	1,272.1	1,064.2	882.8
Total shareholders' equity		**2,584.7**	**2,317.0**	**1,965.7**
Non-current liabilities				
Bonds	7 v	1,166.4	1,160.7	1,198.5
Loans due to banks	7 v	1,361.2	585.6	496.9
Other non-current financial liabilities	7 v	302.9	120.9	196.3
Post-employment benefit obligations	9 iv	24.1	30.1	33.4
Provisions for risks and charges	9 i	69.6	34.4	41.8
Deferred tax liabilities	4 xiii	404.5	368.9	338.2
Other non-current liabilities	5 viii	31.9	22.3	7.5
Total non-current liabilities		**3,360.6**	**2,322.9**	**2,312.6**
Current liabilities				
Bonds	7 vi	0	50.0	6.6
Loans due to banks	7 vi	298.4	358.0	416.7
Other current financial liabilities	7 vi	113.0	231.7	93.7
Trade payables	6 ii	542.6	396.1	322.8
Income tax payables	4 xiii	80.9	30.0	9.2
Provision for risk and changes	9 i	10.0	-	-
Other current liabilities	5 viii	191.0	173.5	141.1
Total current liabilities		**1,235.9**	**1,239.2**	**990.0**
Total liabilities		**4,596.5**	**3,562.1**	**3,302.4**
Total liabilities and shareholders' equity		**7,181.2**	**5,879.1**	**5,268.1**

Consolidated statements of cash flows

	notes	2022 € million	2021 Restated € million
		for the years ended 31 December	
Operating profit		**452.8**	**390.1**
Depreciation and amortisation	4 viii	92.6	82.3
(Gain) or loss on sale of fixed assets		(8.4)	1.3
Impairment loss (or reversal) of tangible fixed assets, goodwill, brand and sold business	8 ii – 8 iii	3.1	8.0
Change in provisions		54.9	11.1
Change in payables to employees		(9.0)	54.8
Change in net operating working capital		(18.6)	9.5
Income taxes refund (paid)		(164.0)	(88.9)
Change in other indirect taxes		-	(7.3)
Other operating items		(3.2)	4.2
Cash flow generated from (used in) operating activities		**400.3**	**465.1**
Disposal (purchase) of tangible and intangible fixed assets	8 ii – 8 iii	(348.5)	(136.0)
Disposal (purchase) of investment properties		(135.8)	(72.0)
Acquisition of companies or business divisions		(476.6)	(3.8)
Cash and cash equivalents at acquired companies		100.9	0.7
Put options and earn-out payments		(45.0)	(8.2)
Interests received		14.7	6.9
Decrease (increase) in short-term deposits and investments	7 iii	(44.9)	(63.1)
Cash flow generated from (used in) investing activities		**(935.2)**	**(275.5)**
Proceeds from issue of bonds, notes and debentures	7 viii	(37.4)	40.4
Repayments of bonds, notes and debentures	7 viii	(50.0)	-
Proceeds from non-current borrowings	7 viii	811.1	194.0
Repayment of non-current borrowings	7 viii	(54.3)	(158.7)
Net change in short-term financial payables and loans due to bank	7 viii	(76.9)	19.1
Payment of lease payables	7 viii	(15.1)	(15.8)
Derivative fair value changes		71.2	(67.1)
Interest on paid leases	7 vii	(2.9)	(2.9)
Interests paid on other financial items	7 viii	(56.4)	(23.1)
Distribution to shareholders on demerger		(100.0)	-
Inflows (outflows) of other financial items	7 viii	2.0	28.6
Purchase of own shares	8 iv	(127.9)	(71.0)
Sale of own shares	8 iv	7.0	68.2
Dividend paid to equity holders of the Parent		(29.9)	(27.2)
Cash flow generated from (used in) financing activities		**340.5**	**(15.5)**
Net change in cash and cash equivalents: increase (decrease)		**(194.4)**	**174.1**
Effect of exchange rate changes on cash and cash equivalents		**31.5**	**28.3**
Cash and cash equivalents at the beginning of period	7 ii	910.7	708.4
Cash and cash equivalents at end of period	7 ii	747.4	910.7

Consolidated statement of changes in shareholders' equity

	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 2021 Restated	**3.7**	**0.2**	**1,342.9**	**(94.1)**	**1,252.8**	**1,064.2**	**2,317.1**
Dividends to owner of the company						(30.1)	**(30.1)**
Davide Campari-Milano N.V. share purchase				(20.8)	**(20.8)**	(21.4)	**(42.2)**
Increase (decrease) through treasury share transactions			(68.0)		**(68.0)**	(53.1)	**(121.1)**
Subsidiaries own shares operations increase (decrease) through share-based payment transactions			11.0		**11.0**	8.6	**19.6**
Changes in ownership interests				(9.4)	**(9.4)**	(5.6)	**(15.0)**
Partial proportional demerger			(88.1)	(6.9)	**(95.0)**		**(95.0)**
Basis of consolidation changes						98.5	**98.5**
Increase (decrease) through other changes				(1.1)	**(1.1)**	(0.2)	**(1.3)**
Profit (loss)			155.2		**155.2**	144.4	**299.6**
Other comprehensive income (expense)				88.0	**88.0**	66.7	**154.7**
Total comprehensive income	**-**	**-**	**10.1**	**49.8**	**59.9**	**207.8**	**267.7**
at 31 December 2022	**3.7**	**0.2**	**1,353.0**	**(44.3)**	**1,312.6**	**1,272.1**	**2,584.8**

	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 Restated	**3.7**	**0.2**	**1,247.0**	**(168.1)**	**1,082.9**	**882.7**	**1,965.7**
Dividends to owner of the company	-	-	-	-	-	(27.6)	(27.6)
Davide Campari-Milano N.V. share purchase	-	-	-	0.5	0.5	(0.5)	-
Subsidiaries own shares operations increase (decrease)	-	-	(1.5)	-	(1.5)	(1.3)	(2.8)
Subsidiaries own shares operations increase (decrease) through share-based payment transactions	-	-	6.2	-	6.2	5.1	11.3
Changes in ownership interests	-	-	-	(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)	-	-	-	80.1	80.1	64.9	145.0
Total comprehensive income	**-**	**-**	**98.9**	**76.2**	**175.1**	**181.5**	**356.6**
at 31 December 2021	**3.7**	**0.2**	**1,345.9**	**(91.9)**	**1,258.0**	**1,064.2**	**2,322.3**
Campari goodwill reversal				(2.2)	**(2.2)**		**(2.2)**
Change Lagfin shareholder loan			(3.8)		**(3.8)**		**(3.8)**
Change result for Lagfin shareholder loan			0.8		**0.8**		**(0.8)**
at 31 December 2021 Restated	**3.7**	**0.2**	**1,342.9**	**(94.1)**	**1,252.8**	**1,064.2**	**2,317.1**

Notes to the consolidated financial statements

1. General Information

Lagfin S.C.A., Société en Commandite par Actions ('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 primary object of the Company is the holding of either direct or indirect control of Davide Campari-Milano N.V.
The Company may also carry out transactions aimed at acquiring and maintaining relevant shareholdings in companies of any kind, both il Luxembourg or abroad, as well as financial commercial and real estate transactions. Its strategy is based on long-term investments in companies and financial and real estate assets with solid potential for value creation and divesting them as they are deemed to have reached their full potential value.
Lagfin established on 2 August 2018 a branch in Italy, named Lagfin S.C.A., Société en Commandite par Actions-Italian Branch (the 'Italian Branch) and on 27 August 2018, a branch in Switzerland, named Lagfin S.C.A., Société en Commandite par Actions-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 2022 were approved on 26 May 2023 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 millions of 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 significant general accounting policies

The consolidated financial statements at 31 December 2022 were prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board ('IASB') and ratified by the European Union ('IFRS-EU'). These include all the international accounting standards ('IAS') and interpretations of the International Financial Reporting Standards Interpretation Committee ('IFRS IC'), formerly the Standing Interpretations Committee ('SIC').

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 € (€).

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 judgment 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.

i. Principles of consolidation

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.

ii. 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.

iii. 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.

iv. 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 2022, 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.

v. Currency conversion criteria and exchange rates applied to the financial statements

– Currency conversion

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 € 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.

The key exchange rates used for conversion transactions are shown below.

	for the year ended 31 December 2022	at 31 December 2022	for the year ended 31 December 2021	at 31 December 2021
	average rate	end-of-period rate	average rate	end-of-period rate
US Dollar	1.054	1.067	1.184	1.133
Canadian Dollar	1.370	1.444	1.483	1.439
Jamaican Dollar	161.777	161.803	178.337	174.455
Argentine Peso[(1)]	188.503	188.503	116.362	116.362
Australian Dollar	1.517	1.569	1.575	1.562
Brazilian Real	5.443	5.639	6.381	6.310
Swiss Franc	1.005	0.985	1.081	1.033
Chile Peso	917.917	913.820	897.632	964.350
Yuan Renminbi	7.080	7.358	7.634	7.195
Great Britain Pounds	0.853	0.887	0.860	0.840
Japanese Yen	138.005	140.660	129.857	130.380
South Korea Won	1,358.071	1,344.090	1,353.946	1,346.380
Mexican peso	21.205	20.856	23.990	23.144
New Zealand Dollar	1.659	1.680	1.673	1.658
Peruvian Sol	4.040	4.046	4.588	4.519
Russian Ruble	74.039	79.226	87.232	85.300
Singapore Dollar	1.452	1.430	1.590	1.528
Ukraine Hryvnia	33.975	39.037	32.296	30.922
South Africa Rand	17.210	18.099	17.479	18.063

[(1)]The average exchange rate of the Argentine Peso was assumed to be equal to the spot exchange rate at the reporting date as required by the hyperinflation accounting standard.

– Transactions in foreign currencies (not hedged with derivatives)

Revenues and costs related to foreign currency transactions are reported at the exchange rate applied on the date on which the transaction is carried out.
Monetary assets and liabilities in foreign currencies are initially translated into € at the exchange rate in effect on the transaction date and subsequently converted into € at the exchange rate applied 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.

vi. 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 (€). The economic and financial data are restated in local currency, taking into account the current purchasing power of the currency on the date of the financial statements. 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 monetary and non-monetary 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 restated statement of profit or loss is converted into € 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 effect of restating non-cash items is recognised in the statement of profit or loss under net financial income (expenses).
The indexes used to remeasure the values at 31 December 2022, 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 ended 31 December	
	2022 average rate	2021 average rate
Consumer Price Index	1,147.273	579.990
	2022 conversion factor	2021 conversion factor
January	1.896	1.445
February	1.811	1.395
March	1.697	1.331
April	1.600	1.278
May	1.523	1.237
June	1.447	1.199
July	1.347	1.164
August	1.259	1.136
September	1.186	1.097
October	1.115	1.060
November	1.063	1.034
December	1.000	1.000

vii. 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 judgments that could have a significant impact on the financial statements are set out in the related notes as follows:

a) 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 fair acquisition values that are attributed to the assets and liabilities acquired. Please refer to note 5 i-'Acquisition and sale of businesses and purchase of non-controlling interests', 7 iv-' Other non-current financial assets', 7 v-'Non-current financial debt', 7 vi-'Current financial debt' and 9 iii-' Fair value information on assets and liabilities' of the consolidated financial statements at 31 December 2022;

b) disclosure regarding 'other operating income and expenses': management judgment whether non-recurring or not usual. Please refer to note 4 vi-'Selling, general and administrative expenses and other operating income and expenses' of consolidated financial statements at 31 December 2022;

c) disclosures for contingent assets and liabilities: management judgment 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 9 i- 'Provisions for risks, charges and contingent assets and liabilities' of the consolidated financial statements at 31 December 2022;

d) restructuring provisions, provisions for risk and charges: management judgment 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 9 i- 'Provisions for risks, charges and contingent assets and liabilities' of the consolidated financial statements at 31 December 2022;

e) 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 8 v-'Share-based payments' of the consolidated financial statements at 31 December 2022;

f) goodwill and intangible assets: management judgment of the assets to be recognised and synergies resulting from an acquisition. Management judgments and estimates required to determine future cash flows and appropriate applicable assumptions to support the intangible asset value. Please refer to note 5 iv-'Intangible assets' of the consolidated financial statements at 31 December 2022;

g) taxation: management judgment and estimate required to assess uncertain tax positions and the recoverability of deferred tax assets. Please refer to note 4 xiii-'Taxation' of the consolidated financial statements at 31 December 2022;

h) incremental interest rate for lease transactions: management judgments and estimates required to determine the rate level. Please refer to note 7 vii- ‘Lease components in the statement of financial position’ of the consolidated financial statements at 31 December 2022;

i) Derivative fair value: management judgment and estimate required to assess the fair value of the derivative instrument embedded in the Parent Company’s Bond.

Macroeconomic scenario including Russia-Ukraine conflict implications, inflationary and input cost pressure and climate related matters

During 2022 the Group has continued to monitor and analyse the evolution of the Covid-19 pandemic, which, thanks to the easing of restrictions in most economies, seems to have been mostly overcome.

Anyway, a critical review was conducted with reference to the macro-economic scenario, which is keeping the development of the global economy uncertain. This review included the ongoing Russia-Ukraine conflict which started in February 2022 and a detailed analysis has been performed to identify, and consequently manage, the principal risks and uncertainties to which the Group is exposed. This event and the related geopolitical tensions caused are implying significant challenges to business activities and introduce a high degree of uncertainty about the expected development of those activities and the related impacts on the economic and financial system, at both European and global level.
The impact of the conflict is not materially affecting the Group business performances at a consolidated level.

Going concern including net financial debt
The Group continues to be very sound, in terms of its operating and financial profiles, and has not been exposed to any going-concern issues during 2022 thanks to the agility and resilience of its organisation. Thanks to the lifting of the Covid-19 restrictions in most economies, the Group has seen a bounce-back in the out-of-home consumption, combined with sustained home-premise consumption, which also favoured premiumisation within the industry.
With regard to the difficult inflationary pressure of high input costs, the Group has actively implemented strategies aimed at carefully monitoring the cost production trends as well as carrying out price increases across selected brands and geographics in order to mitigate the negative impact on margins.
With regard to the Group’s net debt position and namely with respect to financial assets, 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. In respect to financial liabilities, the Group’s indebtedness ratios measured internally (given the lack of covenants on existing debt) were under control and consistently standing at a level considered entirely manageable by the Group. During 2022, the Group’s financial structure was confirmed to have been strengthened 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 ordinary course of its business, and the fact that the Group’s loan profile is appropriately balanced between variable and fixed rate has minimised its exposure to market risks. With respect to lease and rental agreements, there have not been new significant lease agreements, including sub-leases, nor significant contract amendments generating financial receivables or liabilities. In terms of fair value measurement hierarchies of financial items, there were no changes to be reflected in 2022 other than those disclosed in the related notes.
A separate analysis has been performed with reference to financial liabilities arising from put option and earn-out agreements valued at fair value and where the basis of the estimate is linked to brand performance. The analysis was conducted in conjunction with the considerations described 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.

Impairment of non-financial assets: goodwill, brands and intangible assets with a finite life and property, plant and equipment
In the current macroeconomic context, mainly inflation, logistics constraints as well as risk free rates increases that might lead to higher cost of capital, the Group performed an impairment assessment. This assessment confirmed that these external events did not trigger any substantial change in the recoverability of its goodwill and trademarks values.
During 2022 the positive business momentum has continued across key brands and regions, largely benefiting from the consumption recovery. Regarding the ongoing cost inflations, the Group has actively implemented price increases across brands and geographics throughout the year to mitigate the negative impact on margins. In the current circumstance and also considering the potential risk in the change of consumer behaviours due to inflation, there is anyway no evidence of significant deterioration of consumer demand affecting the Group’s business plans. Consequently, there was no evidence of substantial changes of circumstances that could indicate that the

carrying amount of goodwill and brands with an indefinite life may no longer be recoverable. Moreover, there has not been any interruption of the operation of the Group's plants or supply from suppliers or problems with logistic and freight transport activities that the Group was not able to mitigate in the ordinary course of business.
During 2022 there were no issues related to operations in terms of production facilities since all the Group's plants and distilleries remained fully operational. Furthermore, there was no direct impact caused by the Russia-Ukraine conflict as the Group does not have any production facilities in both countries.

Operating working capital, revenue recognition and provision and onerous contracts
The macro-economic trend in 2022 did not trigger any significant change in clients' contracts and any change in the revenue recognition criteria previously identified. During the year significant judgements were used to review the expected credit losses based on the Group business model to manage financial instruments namely with reference to the markets directly impacted by the Russia-Ukraine conflict. To facilitate the liquidity management, the Group continued the reverse factoring program, confirmed with a limited number of trusted suppliers involved, consistently with the previous year.
The macroeconomic trend, mainly the geopolitical tensions, in 2022 triggered the need to perform an in-depth assessment to reflect the net realisable value of inventories namely for market directly impacted by the Russia-Ukraine conflict with no material effect on the Group's financial performance as described in note 4-vi 'Selling, general and administrative expenses and Other operating income and expenses'. With respect to biological assets, during 2022 there were no changes to the fair value measurement hierarchies to be reflected in the Group's accounts. 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 ordinary course of business or requiring any significant estimate of onerous contracts to be reflected in the Group's accounts. Moreover, no supply chain constraints that should have been reflected in the above assessment were detected.

Taxation
During the period, all significant assumptions and estimates considered in the preparation of the 2022 annual report were reviewed. In particular tax rates were investigated to check for any changes that 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, that could influence the recoverability of deferred tax assets and the recognition of any additional liabilities for uncertain tax positions or tax risks related to the macroeconomic environment connected with the Russia-Ukraine conflict.

viii. Principles of control and consolidation

– Principles 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 business 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.
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.

– Principles of consolidation

The consolidated financial statements include the financial statements of Lagfin and of its subsidiaries. All subsidiaries are consolidated on a line-by-line basis. The carrying amount of the equity of the investments in

subsidiaries 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.
The subsidiaries' financial statements are based on the same financial year as the Parent Company and drawn up for the purposes of consolidation. When necessary, appropriate adjustments are made to subsidiaries' financial statements to bring them into line with the Group's accounting policies. Joint-ventures and associates are measured by applying the equity method.
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. All intra-group assets and liabilities, shareholders' equity, revenues, costs and cash flow relating to transactions between Group entities are fully derecognised on consolidation. All remaining assets and liabilities, expenses and revenues of the subsidiaries are fully reflected in the consolidated financial statements. 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.
The profit (loss) for the year and all other components of the *s*tatement 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. Non-controlling interests in shareholders' equity and related results are reported under the appropriate items in the primary financial statements.

– Basis of consolidation

The following changes were made to the basis of consolidation, resulting from the acquisitions and reorganisation of companies:

- on 30 July 2022 all assets and liabilities of Société Civile Immobilière Du VAL were transferred to Campari France S.A.S. via a 'dissolution sans liquidation' according to French law, aiming to optimise and streamline the Group's structure. For statutory purposes the effective date of the transaction was 30 July 2022 with retroactive effective date for tax purposes as at 1 January 2022;
- on 31 July 2022 Les Rives Marne S.A.S. was merged within Champagne Lallier S.A.S, with the aim of optimizing and streamlining the Group's structure. For statutory and tax purposes, the effective date the merger was 1 January 2022;
- on 14 October 2022, the Group completed the acquisition of 95% of Eric Luc, which was included in the consolidation perimeter from the acquisition date.
- on 7 December 2022, the Group completed the acquisition of an initial 70% interest of the Wilderness Trail Distillery, LLC and its subsidiary Wilderness Trace Distillery, LLC. Both companies were included in the consolidation perimeter from the acquisition date.

During 2022 the Company has established the following companies in order to perform real estate investments for a total value of € 107.5 million:

- Brown Derby, LLC;
- D.R. Finance S.à r.l.;
- Grand 75, LLC;
- Grand Margarita, LLC;
- Negroni Ltd.;
- Tehama Street, LLC.

In order to perform a reorganization of activities and create a vehicle dedicated to future investments, a partial proportional demerger was approved by the shareholders of Lagfin as of 16 November 2022. €100.0 million of cash, €95.0 million of equity and €5.0 million of shareholder loan were transferred to a newly incorporated company, DR Holding S.A., outside the perimeter of Lagfin, but with the same shareholders.
As part of the reorganization Lagfin and D.R. Holding S.A. incorporated D.R. Finance S.à r.l. with a capital of €10.0 million, share premium of €190,0 million and cash of €200.0 million.
Lagfin owns 51% of D.R. Finance S.à r.l..

During 2022 Lagfin purchased shares of Davide Campari NV for a total consideration of €42.6 million.
As a result of the investment of Lagfin the percentage of ownership increased from 53.873 % in 2021 to 54.247 % in 2022.

– The tables below list the companies included in the basis of consolidation at 31 December 2022.

name of company, activity	registered office	share capital at 31 December 2022		% owned by Davide Campari-Milano N.V.		indirect ownership through
		currency	amount	direct	Indirect	
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, 20099 Sesto San Giovanni; Milan, Italy	€	700,000		56.179%	
Camparino S.r.l., trading company	Piazza Duomo 21, 20121 Milan, Italy	€	48,880		56.179%	
Piga S.r.l.	Corso di Porta Vittoria 18, Milano, Italy	€	10,000	50%	56.179%	
Telco Real Estate	Foro Buonaparte 12, Milano, Italy	€	10,000	100%		
Terrazza Aperol S.r.l., trading company	Sestiere San Marco 2776, Venice, Italy	€	20,000			
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	56.179%		
Campari Austria GmbH, trading company	Naglergasse 1/Top 13,1010 Wien, Austria	€	500,000		56.179%	
Campari Benelux S.A., trading company	Rue aux Laines 70, 1000 Bruxelles, Belgium	€	1,000,000		56.179%	Glen Grant Ltd. 38.99%
Campari Deutschland GmbH, trading company	Adelgundenstr. 7 Munich, 80538 Germany	€	5,200,000		56.179%	
Campari España S.L.U., holding and trading company	Calle de la Marina 16-18, planta 29, Barcelona, Spain	€	4,279,331		56.179%	
Campari RUS LLC, trading company	115088, Moscow, 2nd Yuzhnoportovy proezd, 14/22, Russia	RUB	210,000,000		56.179%	
Campari Schweiz A.G., trading company	Lindenstrasse 8, 63471 Baar, Switzerland	CHF	500,000		56.179%	
Campari Ukraine LLC, trading company	8, Illinska Street, 5 Floor, block 8 and 9, Kiev, 4070 Ukraine	UAH	87,396,209			Campari RUS LLC 1%
Glen Grant Ltd., manufacturing and trading company	Glen Grant Distillery, Elgin Road, Rothes, Morayshire, AB38 7BN, United Kingdom	GBP	24,949,000		56.179%	
Kaloyiannis-Koutsikos Distilleries S.A., manufacturing and trading company	6&E Street, A' Industrial Area, 38500 Volos, Greece	€	6,811,220		56.179%	
Société des Produits Marnier Lapostolle S.A.S., holding and manufacturing company	14, rue Montalivet 75008 Paris, France	€	27,157,500		56.179%	
Campari France S.A.S., manufacturing and trading company	14 rue Montalivet 75008 Paris, France	€	112,759,856		56.179%	Société des Produits Marnier Lapostolle S.A.S. 100%
Bellonnie et Bourdillon Successeurs S.A.S., manufacturing and trading company	Zone de Génipa, 97224, Ducos, Martinique	€	5,100,000		54.23%	Campari France S.A.S.96.53%
Distilleries Agricole de Sainte Luce S.A.S., agricultural production company	Zone de Génipa, 97224, Ducos, Martinique	€	2,000,000		54.23%	Bellonnie et Bourdillon Successeurs S.A.S. 100%
SCEA Trois Rivières, agricultural service company	Zone de Génipa, 97224, Ducos, Martinique	€	5,920		54.23%	Bellonnie et Bourdillon Successeurs S.A.S. 25% Distilleries Agricoles de Sainte Luce S.A.S 75%
Champagne Lallier S.A.S., manufacturing company	4 Place de la Libération, 51160, AY, France	€	3,575,420		44.94%	Campari France S.A.S. 80%
Scev des Gloriettes, property company	4 Place de la Libération, 51160, AY, France	€	34,301		44.94%	Campari France S.A.S. 80%
Sci Athena, property company	4 Place de la Libération, 51160, AY, France	€	1,000		44.94%	Champagne Lallier S.A.S. 100%
Eric Luc, manufacturing and property company	5 rue Ritterbandt, 51160, AY, Champagne, France	€	700,000		53.37%	Campari France S.A.S. 95%
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		56.179%	Campari España S.L.U.
10 Chapel Street Ltd.	71 Queen Victoria Street, London, England	£	2,857,813	100%		
14 Chapel Street Ltd.	71 Queen Victoria Street, London, England	£	2,672,805	100%		
D.R. Finance S.à.r.l.	3, Rue des Bains, L-1212 Luxembourg	€	10,000,000	51%		
Haldson Ltd.	71 Queen Victoria Street, London, England	£	4,685,338	100%		
Highball S.à.r.l.	3, Rue des Bains, L-1212 Luxembourg	£	5,229,747	100%		
Negroni Limited	71 Queen Victoria Street, London, England	£	3,000,000	100%		
Americas						
Campari America, LLC, manufacturing and trading company	1114 Avenue of the Americas, 19th Floor New York, 10036 United States	US$	566,321,274		56.179%	
Campari Argentina S.A., manufacturing and trading company	Tucuman, Piso 4 1107 Buenos Aires, Ciudad de Buenos Aires Argentina	ARS	1,179,465,930(1)		39.325%	Campari America LLC 70%
Campari do Brasil Ltda., manufacturing and trading company	Alameda Rio Negro 585, Edificio Demini, Conjunto 62, Alphaville-Barueri-SP, Brasil	BRL	239,778,071		39.325%	Wilderness Trail Distillery, LLC 100%
Campari Mexico S.A. de C.V., trading company	Avenida Americas 1500 Piso G-A Colonia Country Club, Guadalajara, Jalisco, 44610 Mexico	MXN	2,970,184,642		56.179%	Campari do Brasil Ltda. 1.19%
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		56.179%	Campari Schweiz A.G. 0.0001%
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		56.179%	Campari España S.L.U. 99.9998% Campari America, LLC 0.0002%

name of company, activity	registered office	share capital at 31 December 2022		% owned by Davide Campari-Milano N.V.		indirect ownership through
		currency	amount	direct	Indirect	
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	144,810,964		56.179%	Campari Mexico, S.A. de C.V. 99.99% Campari America, LLC 0.1%
Campari Peru SAC, trading company	Av. Jorge Basadre No.607, oficina 702, distrito de San Isidro, Lima, Peru	PEN	34,733,588		28.65%	Campari España S.L.U. 51%
Forty Creek Distillery Ltd., manufacturing and trading company	297 South Service Road West, Grimsby, ON L3M 1Y6 Canada	CAD	105,500,100		28.65%	Campari España S.L.U. 51%
J. Wray&Nephew Ltd., manufacturing and trading company	23 Dominica Drive, Kingston 5, Jamaica	JMD	750,000		56.179%	Campari Espãna S.L.U. 99.92%, Campari do Brasil Ltda. 0.08%
Wilderness Trail Distillery, LLC, holding company(2)	4095 Lebanon Road Danville, Kentucky 40422 United States	US$	-		56.179%	
Wilderness Trace Distillery, LLC, manufacturing and trading company(2)	4095 Lebanon Road Danville, Kentucky 40422 United States	US$	-		56.179%	Campari Espãna S.L.U.
Brown Derby LLC	Tri-Star Equities, 155 East 26th Street, New York, 10010-1824, USA United States	USD	15,123,676	100%		
Grand 75 LLC	Tri-Star Equities, 155 East 26th Street, New York, 10010-1824, USA	USD	6,535,769	100%		
Grand Margarita LLC	Tri-Star Equities, 155 East 26th Street, New York, 10010-1824, USA	USD	4,082,172	100%		
LG Partners, LLC	7568 PASEO VISTA PL MONTEREY CA 93940-7311	USD	1,902,000	100%		
Portfolio3, LLC	Tri-Star Equities, 155 East 26th Street, New York, 10010-1824, USA	USD	6,373,757	100%		
Portfolio4, LLC	Tri-Star Equities, 155 East 26th Street, New York, 10010-1824, USA	USD	5,810,971	100%		
Portfolio5, LLC	Tri-Star Equities, 155 East 26th Street, New York, 10010-1824, USA	USD	1,870,753	100%		
Portfoli 6, LLC	Tri-Star Equities, 155 East 26th Street, New York, 10010-1824, USA	USD	4,928,787	100%		
Tehama St LLC	Tri-Star Equities, 155 East 26th Street, New York, 10010-1824, USA	USD	897,892	100%		
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		56.179%	
Campari Australia Pty Ltd., manufacturing and trading company	Level 21, 141 Walker Street North Sydney, 2060, Australia	AUD	56,500,000		56.179%	
Campari India Private Ltd., trading company	Upper Ground&First Floor Shop No. SG-1 & SF-1, DT Greater Kailash-II, New Delhi 110048, India	INR	172,260		56.179%	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		56.179%	Campari Australia Pty Ltd.
Campari Singapore Pte Ltd., trading company	152 Beach Road, #24-06, 1Gateway East, 189721, Singapore	SGD	19,100,000		56.179%	
Trans Beverages Company Ltd., trading company	5th Floor, 14 Samsung-ro 133-gil Gangnam-gu, Seoul, South Korea, Songpa-gu, Seoul, Korea	KRW	2,000,000,000		28.65%	Glen Grant Ltd.

(1) The share capital does not include effects related to the hyperinflation accounting standard.
(2) The share capital of the companies related to the closing date 7 December 2022.

ix. Change in accounting standards

– Summary of the new accounting standards adopted by the Group from 1 January 2022

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 amendment was considered in the preparation of this Group’s full year consolidated financial statements.

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 amendment was considered in preparing this Group’s full year consolidated financial statements with no significant impact to be reported.

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 amendment was considered in preparing this Group's full year consolidated financial statements with no significant impact to be reported.

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

- IFRS 9-'Financial Instruments'. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test for 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.
- These amendments were considered in preparing this Group's full year consolidated financial statements with no significant impact to be reported.

– <u>Accounting standards, amendments and interpretations that have been endorsed but are not yet applicable/have not been adopted in advance by the Group</u>

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 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 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 12-'Income Taxes' Deferred Tax related to Assets and Liabilities arising from a single Transaction (issued on 7 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.

– <u>Accounting standards, amendments and interpretations not yet endorsed</u>

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' includes the following amendments with first application on 1 January 2024:

- Classification of Liabilities as Current or Non-current and Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively). 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 the 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.
- Non-current Liabilities with Covenants (issued on 31 October 2022). The amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current; while additional disclosures are required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period.

Amendment to IFRS 16-‘Leases’, lease liability in a sale and leaseback (issued on 22 September 2022). A sale and leaseback transaction involves the transfer of an asset by an entity (the seller-lessee) to another entity (the buyer-lessor) and the leaseback of the same asset by the seller-lessee. The amendment specifies how a seller-lessee measures the lease liability, which arises in a sale and leaseback transaction, to ensure that it does not recognise any amount of the gain or loss related to the right-of-use retained. The amendment does not change the accounting for leases unrelated to sale and leaseback transactions. The first application is scheduled for 1 January 2024.

x. Changes and Reclassification of comparative figures at 1 January 2021 and 31 December 2021 according to IAS 8.

During 2022, Lagfin discovered errors mainly of classification and in order to correct them made retrospective restatements.

The reclassifications of the financial statements at 1 January 2021 and 31 December 2021 mainly related to the reclassification of short-term investments from cash and cash equivalents to current financial assets and reclassification of goodwill related to acquisitions of shares of Campari, subsequent to achievement of control, to equity.

The effect of the restatement on those financial statements is summarized below and mainly impacts the statement of financial position and cash flow statements for 2021.

Reclassifications of the statement of financial position

	at 1 January 2020			at 31 December 2021		
	stated figures € million	Reclassifications	reclassified figures € million	stated figures € million	Reclassifications	reclassified figures € million
ASSETS						
Non-current assets						
Property, plant and equipment (3)	567.4	1.3	568.7	561.3	1.7	563.0
Right of use assets	72.4	-	72.4	72.7	-	72.7
Biological assets	8.9	-	8.9	13.4	-	13.4
Real estate investments (3)	56.1	(1.3)	55.8	214.1	(1.7)	212.4
Goodwill (2)	1,737.3	(212.0)	1,525.3	1,801.6	(214.2)	1,587.4
Brands	956.6	-	956.6	974.9	-	974.9
Intangible assets with a finite life	47.2	-	47.2	56.8	-	56.8
Interests in associates and joint-ventures	26.6	-	26.6	26.6	-	26.6
Deferred tax assets	44.6	-	44.5	58.9	-	58.9
Other non-current assets	6.3	-	6.3	5.6	-	5.6
Other non-current financial assets	7.1	-	7.1	5.7	-	5.7
Total non-current assets	**3,530.5**	**(212.0)**	**3,318.4**	**3,791.5**	**(214.2)**	**3,577.3**
Current assets						
Inventories	656.6	-	656.7	742.0	-	742.0
Biological assets	1.7	-	1.6	3.7	-	3.7
Trade receivables	283.0	-	283.0	291.0	-	291.0
Other current financial assets (1)	1.3	220.0	221.3	15.8	269.9	285.7
Cash and cash equivalents (1)	928.3	(220.0)	778.3	1,180.6	(269.9)	910.7
Income tax receivables	29.7	-	29.7	18.5	-	18.5
Other current assets	45.9	-	45.9	50.2	-	50.2
Total current assets	**1,946.5**	**-**	**1,946.5**	**2,301.8**	**-**	**2,301.8**
Assets held for sale	**3.3**	**-**	**3.3**	**-**	-	**-**
Total assets	**5,480.2**	**(212.0)**	**5,268.2**	**6,093.3**	**(214.2)**	**5,879.1**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Shareholders' equity						
Issued capital and reserves attributable to shareholders of the parent Company (2) (4)	1,294.9	(212.0)	1,082.9	1,470.0	(217.2)	1,252.8
Non-controlling interests	882.8	-	882.8	1,064.2	-	1,064.2
Total shareholders' equity	**2,177.7**	**(212.0)**	**1,965.7**	**2,534.2**	**(217.2)**	**2,317.0**
Non-current liabilities						
Bonds	1,198.5	-	1,198.5	1,160.7	-	1,160.7
Loans due to banks	496.9	-	496.9	586.2	(0.6)	585.6
Other non-current financial liabilities (4)	196.3	-	196.3	156.4	(35.5)	120.9
Post-employment benefit obligations	33.4	-	33.4	30.1	-	30.1
Provisions for risks and charges	41.8	-	41.8	34.4	-	34.4
Deferred tax liabilities	338.1	-	338.2	368.9	-	368.9
Other non-current liabilities	7.5	-	7.5	21.9	0.4	22.3
Total non-current liabilities	**2,312.5**	**-**	**2,312.6**	**2,359.0**	**(36.1)**	**2,322.9**
Current liabilities						
Bonds	6.6	-	6.6	50.0	-	50.0
Loans due to banks	416.7	-	416.7	358.4	(0.4)	358.0
Other current financial liabilities (4)	93.7	-	93.7	192.5	39.2	231.7
Trade payables	322.8	-	322.8	396.1	-	396.1
Income tax payables	9.2	-	9.2	30.0	-	30.0
Other current liabilities	141.1	-	141.1	173.7	(0.2)	173.5

	at 1 January 2020			at 31 December 2021		
	stated figures € million	Reclassifications	reclassified figures € million	stated figures € million	Reclassifications	reclassified figures € million
Total current liabilities	**990.0**	**-**	**990.0**	**1,200.2**	**39**	**1,239.2**
Total liabilities	**3,302.5**	**-**	**3,302.4**	**3,559.2**	**2.9**	**3,562.1**
Total liabilities and shareholders' equity	**5,480.2**	**(212.0)**	**5,268.1**	**6,093.3**	**(214.2)**	**5,879.1**

Reclassifications of the statement of profit and loss

	at 31 December 2020			at 31 December 2021		
	stated figures € million	Reclassifications	reclassified figures € million	stated figures € million	Reclassifications	reclassified figures € million
Gross sales	**2,255.2**	**-**	**2,255.2**	**2,699.5**	**-**	**2,699.5**
Excise duties	(474.9)	-	(474.9)	(523.2)	-	(523.2)
Net sales	**1,780.3**	**-**	**1,780.3**	**2,176.3**	**-**	**2,176.3**
Cost of sales	(751.1)	-	(751.1)	(884.4)	-	(884.4)
Gross profit	**1,029.2**	**-**	**1,029.2**	**1,291.9**	**-**	**1,291.9**
Advertising and promotional costs	(309.8)	-	(309.8)	(397.8)	-	(397.8)
Contribution margin	**719.4**	**-**	**719.4**	**894.2**	**-**	**894.2**
Selling, general and administrative expenses	(407.7)	-	(407.7)	(465.6)	-	(465.6)
Other operating expenses	(97.3)	-	(97.3)	(58.3)	-	(58.3)
Other operating income	20.5	-	20.5	19.8	-	19.8
Operating result	**235.0**	**-**	**235.0**	**390.1**	**-**	**390.1**
Financial expenses (4)	(64.6)	-	(64.6)	(135.9)	0.8	(135.1)
Financial income	20.2	-	20.2	52.2	-	52.2
Share of profit (loss) of associates and joint-ventures	(2.8)	-	(2.8)	(0.1)	-	(0.1)
Profit before taxation	**187.8**	**-**	**187.8**	**306.3**	**0.8**	**307.1**
Taxation	(11.3)	-	(11.3)	(86.5)	-	(86.5)
Profit for the period	**176.6**	**-**	**176.6**	**219.8**	**0.8**	**220.6**
Profit attributable to:						
Shareholders of the parent Company	94.6	-	94.6	94.2	0.8	95.0
Non-controlling interests	81.9	-	81.9	125.6	-	125.6

Reclassifications of the cash flows

	at 31 December 2021		
	As previously reported € million	Adjustments	As adjusted € million
Operating profit	**390,1**	**-**	**390,1**
Depreciation and amortisation	82,3	-	82,3
(Gain) or loss on sale of fixed assets	1,3	-	1,3
Impairment loss (or reversal) of tangible fixed assets, goodwill, brand and sold business	8,0	-	8,0
Change in provisions	11,1	-	11,1
Change in payables to employees	54,8	-	54,8
Change in net operating working capital (5) (8)	50,3	(40,8)	9,5
Income taxes refund (paid) (5)	(53,2)	(35,7)	(88,9)
Change in other indirect taxes	(7,3)	-	(7,3)
Other operating items (8)	(62,9)	67,1	4,2
Cash flow generated from (used in) operating activities	**474,5**	**(9,4)**	**465,1**
Purchase of tangible and intangible fixed assets (7)	(218,1)	218,1	-
Disposal of tangible and intangible assets (7)	10,1	(10,1)	-
Disposal (purchase) of tangible and intangible assets (7)	-	(136,0)	(136,0)
Disposal (purchase) of investment properties (7)	-	(72,0)	(72,0)
Acquisition of companies or business divisions	**(3,8)**	**-**	**(3,8)**
Cash and cash equivalents at acquired companies	0,7	-	0,7
Put options and earn-out payments	(8,2)	-	(8,2)
Interests received	6,9	-	6,9
Decrease (increase) in short-term deposits and investments (1)	(13,2)	(49,9)	(63,1)
Other changes	-	-	-
Cash flow generated from (used in) investing activities	**(225,6)**	**(49,9)**	**(275,5)**
Proceeds from issue of bonds, notes and debentures (6) (8)	89,9	(49,5)	40,4
Repayments of bonds, notes and debentures	-	-	-
Proceeds from non-current borrowings (6)	66,0	128,0	194,0
Repayment of non-current borrowings (4)	(157,7)	(1,0)	(158,7)
Net change in short-term financial payables and loans due to bank	19,1	-	19,1
Payment of lease payables	(15,8)	-	(15,8)
Interest on paid leases	(2,9)	-	(2,9)
Interests paid on other financial items	(23,9)	0,8	(23,1)
Derivative fair value change (8)	-	(67,1)	(67,1)
Inflows (outflows) of other financial items (4)	30,4	(1,9)	28,5
Purchas and sale of own shares	(2,8)	-	(2,8)
Dividend paid to equity holders of the Parent	(27,2)	-	(27,2)
Cash flow generated from (used in) financing activities	**(24,9)**	**9,3**	**(15,6)**
Net change in cash and cash equivalents: increase (decrease)	**224,0**	**(50,0)**	**174,0**
Effect of exchange rate changes on cash and cash equivalents	**28,3**	**-**	**28,3**
Cash and cash equivalents at the beginning of period (1)	928,3	(219,9)	708,4
Cash and cash equivalents at end of period (1)	1 180,6	(269,9)	910,7

(1) Misclassification of certain financial assets (€ 269,9 million in 2021 and € 220 million in 2020): The Company has presented current financial assets within cash and cash equivalents even if they did not meet the criteria as per IAS 7.7 requirements. The error has been identified in 2022 and has been corrected for both 31 December 2021 and 1 January 2021
(2) In accordance with IFRS 10.23 the purchases of shares of Campari, subsequent to the achievement of control, should have been presented as equity transactions, given that no change in control occurred. The difference between the amount of the non-controlling interests acquired and the consideration paid should have been recognized directly in equity. Accordingly, the goodwill related to these acquisitions was reclassified within equity. The error has been identified in 2022 and has been corrected for both 31 December 2021 and 1 January 2021
(3) Misclassification of certain fixed assets (€ 1,7 million in 2021 and € 1,3 million in 2020:
The company has presented the office located in Italy and used for administrative purposes as investment properties, but they did not meet the requirements as per IAS 40.5. This was identified as error in 2022 and has been corrected for both 31 December 2021 and 1 January 2021.
(4) Shareholder loan was accounted using the amortized cost while, taking into account the feature of the loan which is repayable on demand, it should have been measured at loan amount. This was identified as error in 2022 and has been corrected for both 31 December 2021 and 1 January 2021.
(5) In the cash flow statement within the Cash flow from operating activities the amount of taxes effectively paid was not properly disclosed and was corrected.
(6) In the cash flow statement within the Cash flow from financing activities Proceeds (repayment) from non-current borrowings were reported with the wrong sign and was corrected.
(7) In the Cash flow generated from (used in) investing activities the Purchase of tangible and intangible fixed assets was properly disclosed in more detail with Disposal of tangible and intangible assets, Disposal (purchase) of tangible and intangible assets and Disposal (purchase) of investment properties.
(8) In the Cash flow generated from (used in) operating activities it was wrongly presented the change in the derivative. It was properly reclassified in Cash flow generated from (used in) financing activities.

4. Results for the period

This section details accounting policies for net sales, operating segment, cost of sales, point of sale materials, other operating income and expenses, personnel costs, depreciation and amortization, financial income and expenses, lease components share of profit (loss) of associates and joint-ventures, as well as taxation. Judgments and estimates are stated regarding other operating income and expenses, and taxation.
This section discloses the information on costs and revenues, gain and losses affecting the results and performance for the period ended 31 December 2022, as well as financial information for taxation, associates and joint-ventures.

i. Net sales

Accounting policy

Revenue recognition

Revenues are recognised when the customer gains control of the goods. Transfer of control is determined using a five-step analytical model applied to all revenues from customer contracts.
This occurs when the goods are delivered to the customer, who has complete 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.

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 upon in advance;
- customer incentives, such as discount vouchers, free products, price protection, market development allowances, and price reduction allowances (to compensate for 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 financing element is deemed to be present as sales are made with only a brief delay before payment: contracts are generally not 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.

Consumption taxes recognition
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.

Disclosure
Net sales, which almost entirely relate to the sale of spirits, totalled €2,714.1 million at the total Group level, compared with €2,176.3 million of the previous year. The overall performance in 2022 was very positive and achieved despite the macroeconomic challenges, thanks to a strong business momentum over brand and geographies, as well as the successful execution of price increases.
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	2022 € million	2021 € million
Americas	1,321.0	984.2
Southern Europe, Middle East and Africa	1,305.2	1,055.5
North, Central and Eastern Europe	557.8	461.5
Asia-Pacific	197.9	167.8
Total	3,382.0	**2,669.0**
Non-allocated items and adjustments	(667)	(492.9)
Consolidated net sales	**2,714.6**	**2,176.3**

While the global priority cluster includes brands with a globally diversified geographic exposure (either current or potential), regional priorities are concentrated in a limited number of countries within the same region and local priorities focus on one main domestic market.
The table provided below shows the contribution rate of the brand category/brand to each relevant geographic area/market.

	for the year ended 31 December 2022	
	percentage of Group sales	segment/main markets for brands
global priority brands	**57.4%**	
Aperol	21.6%	- *Italy, SEMEA* *Germany, NCEE* *US, AMERICAS* *France, SEMEA*

		United Kingdom, NCEE
Campari	10.6%	- Italy, SEMEA US, AMERICAS Brazil, AMERICAS Jamaica, AMERICAS Germany, NCEE
Wild Turkey portfolio(1)(2)	8.0%	- US, AMERICAS Australia, APAC South Korea, APAC Japan, APAC Canada, AMERICAS
Grand Marnier	6.5%	- US, AMERICAS Canada, AMERICAS France, SEMEA Gtr, SEMEA China, APAC
Jamaican rums portfolio(3)	5.6%	- Jamaica, AMERICAS US, AMERICAS United Kingdom, NCEE Canada, AMERICAS Mexico, AMERICAS
SKYY(1)	5.1%	- US, AMERICAS Argentina, AMERICAS Germany, NCEE South Africa, SEMEA Canada, AMERICAS
regional priority brands	**25.4%**	-
Espolòn	6.6%	
Cinzano, Riccadonna and Mondoro	5.7%	
Italian specialties(4)	3.1%	
Crodino	2.3%	
Magnum Tonic	1.6%	
Aperol Spritz ready-to-enjoy	1.3%	
The GlenGrant	1.1%	
other(5)	3.7%	
local priority brands(6)	**8.3%**	-
Campari Soda	2.9%	
Wild Turkey ready-to-drink(7)	1.9%	
SKYY ready-to-drink	1.0%	
X-Rated	0.5%	
other(8)	2.1%	
rest of the portfolio	**8.9%**	-
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, Frangelico and Del Professore.
(5) Includes Bisquit&Dubouché, Bulldog, Forty Creek, 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. Aperol Spritz ready-to-enjoy is a stand-alone brand not included in the Aperol brand performance.
(7) Includes American Honey ready-to-drink.
(8) Includes Cabo Wabo, Ouzo and Picon.

ii. Operating segment

Accounting policy

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.

Disclosure

for the year ended 31 December 2022	Americas	Southern Europe, Middle East and Africa	Northern, Central and Eastern Europe	Asia-Pacific	total allocated	non-allocated items and adjustments	consolidated

€ million							
Net sales to third-parties	1,235.4	746.5	534.2	197.9	2,714.1	0.5	2,714.6
Net sales between segments	85.6	558.7	23.6	-	667.9	(668)	-
Total net sales	**1,321.0**	**1,305.2**	**557.8**	**197.9**	**3,382.0**	**(667)**	**2,714.6**
Segment result	**233.2**	**78.6**	**127.4**	**12.7**	**495.8**	**1**	**452.9**
Operating result	-	-	-	-	-	-	452.9
Financial income (expenses)	-	-	-	-	-	7.9	7.9
Share of profit (loss) of associates and joint-ventures	-	-	-	-	-	(6.6)	(6.6)
Taxation	-	-	-	-	-	(154.5)	(154.5)
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**299.6**
Non-controlling interests	-	-	-	-	-	144.4	144.4
Group profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**155.2**
Goodwill	**1,237.8**	**401.0**	**247.4**	**25.6**	**1,911.8**	**171.2**	**2,083.0**

for the year ended 31 December 2021 Restated	Americas	Southern Europe, Middle East and Africa	Northern, Central and Eastern Europe	Asia-Pacific	total allocated	non-allocated items and adjustments	consolidated
€ 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)**	**2,176.3**
Segment result	**177.5**	**45.8**	**151.0**	**15.5**	**390.1**	**-**	**390.1**
Operating result	-	-	-	-	-	-	390.1
Financial income (expenses)	-	-	-	-	-	(82.9)	(82.9)
Share of profit (loss) of associates and joint-ventures	-	-	-	-	-	(0.1)	(0.1)
Taxation	-	-	-	-	-	(86.5)	(86.5)
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**220.6**
Non-controlling interests	-	-	-	-	-	(125.6)	(125.6)
Group profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**95.0**
Goodwill	**740.7**	**400.6**	**249.3**	**25.6**	**1,416.2**	**171.2**	**1,587.4**

iii. Cost of sales

Disclosure

	for the years ended 31 December	
	2022	2021
	€ million	€ million
Materials and manufacturing costs	945.8	762.6
Distribution costs	188.1	121.9
Total cost of sales	**1,133.9**	**884.4**
Breakdown by nature		
Raw materials and finished goods acquired from third parties	694.5	569.0
Inventory write-downs	12.8	18.0
Personnel costs	99.7	79.4
Depreciation/amortization	51.7	45.8
Utilities	29.4	15.0
External production and maintenance costs	35	28.5
Variable transport costs	147.6	90.7
Other costs	63.3	37.9
Total cost of sales	**1,133.9**	**884.4**

As a percentage of net sales, the cost of sales increased from 40.6% of 2021 to 41.8% in 2022 negatively impacted by the heightened input cost inflation, particularly logistics and raw materials, due to a less favourable sales mix (i.e. the outperformance of Espolòn, including the negative impact of the agave purchase price, which remains at the highest level driven by robust demand in the tequila and very positive growth of Jamaican rum, impacted by increased input cost factors) and which were only partially mitigated by better absorption of supply chain fixed costs.

iv. Advertising and promotional costs

Accounting policy

Point of sale materials are charged to advertising and promotional costs at the time when the items are purchased.

Disclosure

	for the years ended 31 December	
	2022	2021
	€ million	€ million
Merchandising and promotional costs	171.5	142.6
Advertising spaces	154	136.4
Media production	23.1	24.0

Sponsorships, testimonials, influencers and events	96.4	65.6
Research and innovation	23.8	22.9
Trade allowance for promotional purposes	(3.8)	(7.4)
Depreciation/amortization (1)	3.4	3.3
Personnel costs (1)	4.0	3.5
Other advertising and promotional costs	7.2	7.0
Total advertising and promotional costs	**479.0**	**397.8**

Advertising and promotional costs totalled €479.0 million in 2022, rising by €81.2 million compared with 2021. As a percentage of sales, they stood at 17.8%, lower than the 18.3% shown in 2021, and mainly reflects increased sponsorships, testimonials, and influencers expenses related to initiatives in line with the Group's focus on digital brand-building activities undertaken on the on-premise channel.

v. Public grants

In 2022 operating grants for an overall €1.6 million were recorded in the statement of profit or loss. These public contributions were mainly due to the financing of marketing activities for the promotion of quality wines in non-EU countries and the construction of systems for the production of electricity using solar panels at the Caltanissetta and Alghero plants in Italy. In 2021 no operating grants were recorded.

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

Accounting policy

Other operating income and expenses include certain transactions or events identified by the Group as not relevant for assessing the annual performance. Those are adjusting elements for performance indicators disclosed in the management board report.

Disclosure

	for the years ended 31 December	
	2022 € million	2021 € million
Personnel costs	322.1	287.6
Services, maintenance and insurance	92.1	84.6
Travel, business trips, training and meetings	47.1	27.3
Depreciation/amortization	35.4	31.7
Charges for the use of third party assets	6.6	5.0
Utilities	8.0	1.5
Agents and other variable sales costs	10.1	8.0
Other	20.4	19.9
Total selling, general and administrative expenses	**541.8**	**465.6**
Operating expenses	112.3	58.3
Operating income	(5.3)	(19.8)
Total other operating income and expenses	**107.0**	**38.5**
Breakdown of other operating income and expenses by nature		
Restructuring costs	*11.4*	*10.6*
Merger and Acquisitions projects fees and indemnities from contract resolutions	*14.4*	*-*
Last mile long-term incentive schemes with retention purposes	*10.0*	*10.0*
Impairment loss on goodwill and brands	*-*	*6.9*
Impairment losses	*6.6*	*-*
Ukraine and Russia conflict cost	*8.0*	*-*
Impairment loss on tangible and held for sale assets	*-*	*1.1*
Consultancies	*-*	*2.5*
Fiscal penalties	*-*	*(6.2)*
Other net expenses	*56.7*	*13.6*
Total other operating income and expenses	**107.0**	**38.5**

At 31 December 2022, the total selling, general and administrative expenses amounted to € 541.8 million, showing an increase of € 76.2 million compared to the figures reported in 2021, mainly related to personnel, travel and business trip costs which was favoured by an easy comparison base still affected by the pandemic restriction.
The year's investments also reflected the continuous strengthening of the Group's capabilities in developing digitalisation across the organisation through acceleration programs in digital transformation as well as the improvement in route-to-market with a focus on Asia.
In terms of other operating income and expenses in 2022, the main components of the year included the costs associated with restructuring and reorganizational projects, Mergers and Acquisitions projects, indemnities for contract resolutions and impairment of assets (€32.4 million) as well as the long-term non-recurring last mile incentive plans for retention purposes to be potentially recognized to senior management (€10.0 million). The costs of the year included the non-recurring costs associated with the Russia-Ukraine conflict amounting to €8.0 million, related to the write-off of the inventory stocks destroyed during the conflict and a measurement of the expected credit losses reflecting the highly increased probability of default recorded in both countries. Other costs included expenses associated to indirect tax disputes and some of the activities connected to Group digital transformation.

The increase in the “Operating expenses” is due mainly to the provision of € 44 million for a dispute. For further details please see note 10 “Subsequent events”.

vii. Personnel costs

Accounting policy

For detailed information on the accounting policy on post-employment plans and share based payments, please refer to note 8 v.-‘share-based payments’, 9 iv-‘defined benefit and contribution plans’, respectively.

Disclosure

	for the years ended 31 December	
	2022 € million	2021 € million
Salaries and wages	330.7	274.3
Social security contributions	64.4	58.8
Cost of defined contribution plans	11.4	9.8
Cost of defined benefit plans	1.3	0.3
Other costs relating to mid/long-term benefits	(1.9)	16.3
Cost of share-based payments	19.8	10.9
Non-recurring personnel costs	20.4	20.6
Total personnel costs	**446.2**	**391.0**
of which:		
Included in cost of sales	*99.7*	*79.4*
Included in selling, general and administrative expenses	*322.1*	*287.6*
Included in advertising and promotional expenses	*4.0*	*3.5*
Included in other operating income (expenses)	*20.4*	20.6
Total personnel costs	**446.2**	**391.0**

(1

At 31 December 2022, personnel costs equal to € 446.2 million recorded an increase of € 55.2 million compared to the figures reported in the previous year. As a percentage of sales, personnel costs amounted to 16.4%, compared to 18% in 2021. The total personnel costs also included the expenses associated with indemnities and non-recurring last mile long-term incentive schemes with retention purposes to be potentially recognised to senior management.

viii. Depreciation and amortisation

Accounting policy

For detailed information on the accounting policy, please refer to note 7 vii-‘Lease components in the statement of financial position’, 5 ii-‘Property, plant and equipment, right of use assets and biological assets’, 5 iv-‘Intangible assets’ and 9 iii-‘Fair value information on assets and liabilities’.

Disclosure

	for the years ended 31 December	
	2022 € million	2021 € million
- Property, plant and equipment	46.3	39.7
- Right of use assets	2.1	2.1
- Intangible assets	3.3	5.6
Depreciation and amortization included in cost of sales	**51.7**	**45.8**
- Property, plant and equipment	8.6	7.5
- Right of use assets	11.8	11.5
- Intangible assets	15.0	12.7
Depreciation and amortization included in selling, general and administrative expenses	**35.4**	**31.7**
- Property, plant and equipment	1.8	1.6
- Right of use assets	1.1	1.3
- Intangible assets	0.5	0.5
Depreciation and amortization included in advertising and promotional expenses	**3.4**	**3.3**
- Property, plant and equipment	2.1	0.4
- Right of use assets	-	0.0
- Intangible assets	-	0.2
Depreciation and amortization included in other expenses	**2.1**	**0.6**
- Property, plant and equipment	58.8	47.6
- Right of use assets	15.0	14.9
- Intangible assets	18.8	19.0
- Investment properties	-	0.8
Total depreciation and amortization in the statement of profit or loss	**92.6**	**82.3**

ix. Research and innovation costs

Accounting policy

Costs incurred in research, in developing alternative products or processes, or in conducting technological research and development are recognised in profit or loss in the period in which they are incurred.

Disclosure
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 €23.8 million in 2022 (€22.9 million in 2021) are recognised in the statement of profit or loss for the year they are incurred.

x. Financial income and expenses

Accounting policy
Financial income and expenses include interest income and charges in respect of financial instruments and the results of hedging transactions used to manage interest rate risk. Borrowing costs are recognised in the income statement based on the effective interest method. The remaining financial components include items in respect of post-employment plans, the discount unwind of long-term obligations and hyperinflation charges. The exchange gain or loss are inclusive of derivatives agreement impacts, excluding cash flow hedges that are used to cover the currency risk of highly probable future currency transactions.
For detailed information on the accounting policy for financial instruments, please refer to note 7 i.- 'Financial instruments'.

Disclosure

	for the years ended 31 December	
	2022 € million	2021 Restated € million
Interest expenses on bonds	(14.9)	(22.1)
Interest expenses on leases	(2.9)	(2.9)
Interest expenses on loans	(20.7)	(13.2)
Total interest expenses	**(38.5)**	**(38.2)**
Bank and term deposit interests	15.1	7.2
Other income	95.8	31.2
Other income from transferable securities	3.3	0.0
Total financial income	**114.2**	**38.4**
Bank expenses	(3.5)	(3.6)
Loss on disposal of transferable securities	(41.9)	0.0
Remeasurement effect from liability management	(4.6)	0.0
Derivative Financial Instruments on Bond at fair value	0.0	(77.2)
Share of profit (loss) of associates and joint venture	(6.6)	-
Other charges and exchange rate differences	(4.5)	(1.0)
Total financial expenses	**(61.1)**	**(81.7)**
Net financial income (expenses) before exchange gain (losses), hyperinflation effects and put option	**14.6**	**(81.5)**
Exchange rate differences	(14.0)	5.2
Total financial income (expenses) before hyperinflation and put option	**0.6**	**(76.3)**
Amortising from put option liabilities and change in estimate	0.0	(0.3)
Financial income on tax assessment	0.0	4.7
Other	0.0	(29.0)
Financial income (expenses) adjustments	0.0	16.7
Hyperinflation effects	0.7	0.4
Net financial income (expenses)	**1.3**	**(83.8)**

Net financial income (expenses), which included the effects of exchange rate differences and hyperinflation, reported a total net income of € 1.3 million, with an increase of € 85.1 million compared to the same period in 2021.

Other financial income mainly includes €72.4 million (2021: €10.0 million) of revaluation of derivative financial instruments. Refer to note of the Company only financial statements for further details.

xi. Leases components in the statement of profit or loss

Accounting policy
For detailed information on the accounting policy, please refer to note 7 vii- 'lease components in the statement of financial position'.

Disclosure

	for the years ended 31 December	
	2022 € million	2021 € million
Interest on lease payables	2.9	2.9
Depreciation and amortisation on right of use underlying assets	15.1	14.8

Variable lease payment not included in measurement of lease liability	10.1	10.2
Expense related to short terms leases	0.9	0.9
Expense related to low value leases	5.7	1.5
Total lease components in the statement of profit or loss	**34.8**	**30.3**

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. For further details of contractual commitments for the use of third-party assets that are not recognised using lease accounting, please refer to note 9 ii- 'Commitments and risks.

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

Accounting policy

Associates and joint-venture recognition

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.

Associates and joint-ventures measurement

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 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 whenever events or circumstances indicate that the carrying amount of the investment may not be recoverable; any impairment loss is allocated to the investment with effect in the statement of profit or loss.

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Disclosure

The list of associates and joint-ventures is listed below.

name, activity	registered office	share capital at 31 December 2022 currency	amount	% owned by the company direct	indirect	direct shareholder
CT Spirits Japan Ltd., trading company	2-26-5 Jingumae Shibuya-ku, Tokyo 150-0001, Japan	JPY	100,000,000	40.00		
Dioniso S.r.l., holding and trading company	Via Franco Sacchetti, 20 Sesto San Giovanni; Milan, Italy	€	1,000,000	50.00		
Spiritus Co Ltd., trading company	4F., No, 70, Sec. 3, Nanjing E. Rd Zhongshan Dist, Taipei City 104503, Taiwan (R.O.C.)	TWD	33,600,000		40.00	Glen Grant Ltd.

€ million	investment in associates and joint-ventures
at 31 December 2021	**26.1**
Share of profit (loss)	(6.6)
Increase in interests	16.5
at 31 December 2022	**36.0**

(1) The share of result does not include the cost associated with the provision recorded to offset the cumulated losses generated by the Japan joint-venture for €0.1 million.

€ million	investment in associates and joint-ventures

at 31 December 2020	**26.1**
Share of profit (loss)[1]	(3.2)
Gain from remeasurement of previous held investment	2.9
Increase in interests	31.1
Decrease in interests	(28.0)
Reclassifications	(4.2)
Exchange rate and other movements	1.5
at 31 December 2021	**26.1**

(1) The share of result does not include the cost associated with the provision recorded to offset the cumulated losses generated by the Japan joint-venture for €0.2 million.

In December 2022, the Group acquired, through the 50-50 joint-venture Dioniso S.r.l., the remainder of its Tannico subsidiary share capital for a total consideration of € 33.0 million, divided equally between the two joint-venturers Campari Group and Moët Hennessy, confirming the commitment to lead e-commerce platform in Europe.

For the year ended 2022, the Group recorded a € 6.6 million loss resulting from share of results of associates and joint-ventures, applying the equity method for all its interests (€3.2 million loss in 2021 which was almost offset by the gain from the remeasurement of previously held investments, mainly Trans Beverages Company Ltd.) mainly driven by non-recurring recognition of impairment loss over associates and joint-venture's intangible assets.

The following table includes the breakdown of interest in associates and joint-ventures.

name of entity	country of business	% of ownership interest	nature of relationship	measurement method	currency	carrying amount	
						at 31 December	
						2022 € million	2021 € million
Dioniso Group	Italy	50.0%	*Joint-venture*	Equity method	EUR	35.6	25.7
Spiritus Co. Ltd	Taiwan	40.0%	*Joint-venture*	Equity method	TWD	0.4	0.4
CT Spirits Japan Ltd.	Japan	40.0%	*Joint-venture*	Equity method	JPY	-	-
Total investments in associates and joint-ventures						**36.0**	**26.1**

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 2022 € million	at 31 December 2021 € million
Total assets	123.6	151.1
Total shareholders' equity	72.1	52.9
Revenues	69.2	35.4
Net income (loss) of the period	(13.4)	(3.6)

Highlights-Spiritus Co. Ltd.	at 31 December 2022		at 31 December 2021[1]	
	€ million	Taiwan dollar million	€ million	Taiwan dollar million
Total assets	2.6	85.3	1.1	33.6
Total shareholders' equity	1.0	33.9	1.1	33.6
Revenues	2.3	70.7	-	-
Net income (loss) of the period	-	0.3	-	-

(1) No profit and loss were recorded in 2021 as the company became fully operative in 2022.

	at 31 December			
Highlights-CT Spirits Japan Ltd.	2022		2021	
	€ million	Japanese Yen million	€ million	Japanese Yen million
Total assets	18.1	2,547.9	16.8	2,187.8
Total shareholders' equity	(9.1)	(1,275.8)	(10.1)	(1,321.2)
Revenues	21.6	2,978.6	16.1	2,092.9
Net income (loss) of the period	0.3	45.4	(3.9)	(501.5)

xiii. Taxation

Accounting policy

Current tax is based on taxable profit for the year. Taxable profit is different from accounting profit due to temporary differences between accounting and tax treatments and due to items that are never taxable or tax deductible. Tax benefits are not recognised unless it is probable that the tax positions are sustainable.

In preparing the taxation estimates, a detailed assessment is performed considering uncertainties regarding the tax treatment of transactions carried out, which could give rise to disputes with the tax authorities with related tax liabilities included in current liabilities. 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.

Other non-income taxes, such as property and capital taxes, are included in operating expenses. Penalties and interest on tax liabilities are included in other operating income and expenses and financial income and expenses,

respectively unless they qualify as income taxes based on local legislations, being in that case classified as income taxes.
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. No deferred tax liability is provided in respect of any future dividend distributions of foreign subsidiaries where the Group is able to control those and it is probable that earnings will not be remitted in the foreseeable future or where no liability would arise on the remittance.

Disclosure

	for the years ended 31 December	
	2022 € million	2021 € million
- current taxes for the year	(169.8)	(84.8)
- current taxes relating to previous years	3.1	(1.5)
- deferred tax expenses	6.2	(7.0)
- accruals and release for tax risks	6.0	6.7
Taxes recorded in the statement of profit or loss	**(154.5)**	**(86.5)**
Taxes recorded in the statement of other comprehensive income	**(12.3)**	**(1.8)**

Reconciliation of tax expenses

Taxes are calculated based on the applicable regulations at the rates in force, which, in 2022, were 24.94% for Luxembourg Corporate income tax (24% for Italian Corporate income tax and 21.22% for Swiss Corporate income tax).

Reconciliation of tax charges

The following table shows a reconciliation of the theoretical tax charge against the Group's actual tax charge.
The theoretical rate used is the rate in force during the year in question, based on the legal provisions, considering the rate applicable in Luxembourg. Tax base differences are included under 'other differences.

	for the years ended 31 December	
	2022 € million	2021 Restated € million
Group profit before taxation	**454.2**	**307.1**
Applicable tax rate	-24.94%	-24.94%
Theoretical Group taxes at current tax rate	**(113.3)**	**(76.6)**
Difference in tax rate of Group companies	(36.7)	(10.0)
Permanent differences	(4.3)	5.1
Tax incentives	1.5	0.9
Net releases to tax provision	6.0	6.7
Tax on future dividend distributions	(12.2)	(12.6)
Taxes relating to previous financial years	(1.6)	(0.4)
Other consolidation differences	(10.3)	1.1
IRAP	16.4	(0.7)
Actual tax charge	**(154.5)**	**(86.5)**
Actual tax rate	**(34.0%)**	**(28.2%)**

Breakdown of deferred taxes by type

	at 31 December	
	2022 € million	2021 € million
Deferred tax assets	76.9	58.9
Deferred tax liabilities	(404.5)	(368.9)
Net deferred tax	**(327.6)**	**310.0**

	at 31 December		for the years ended 31 December					
	2022	2021	2022	2021	2022	2022	2021	2021
	statement of financial position		statement of profit or loss		statements of other comprehensive income			
					of which OCI variations	of which exchange rate	of which OCI variation	of which exchange rate
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Deferred expenses	9.3	7.6	1.4	5.4	-	0.9	-	0.2
Tax provisions	53.0	46.3	5.0	5.2	-	2.7	(0.4)	1.8
Tax losses carried forward	21.5	19.7	2.8	6.3	-	0.9	-	0.4
Reclassification to deferred tax liabilities	(64.2)	(51.6)	-	-	-	(12.5)	-	(9.4)
Leases	9.0	10.0	(1.1)	2.4	-	0.1	-	(2.1)
Intra-group profit elimination	22.9	0.0	7.3		-	-		
Other	25.4	26.7	14.0	2.7	(2.5)	0.3	(1.4)	0.7
Deferred tax assets	**76.9**	**58.9**	**29.5**	**22.0**	**(2.5)**	**(7.5)**	**(1.8)**	**(8.4)**
Accelerated depreciation	(47.6)	(43.5)	(2.3)	2.7	-	(2.1)	-	(2.3)

Goodwill and brands deductible at local level	(231.3)	(207.9)	(11.7)	(10.9)	-	(11.7)	-	(14.0)
Goodwill and brands not deductible at local level	(115.6)	(112.7)	-	1.7	-	(2.9)	-	(0.4)
Taxes payable on undistributed profits	(25.4)	(30.8)	5.3	(10.6)	-	-	-	-
Leases	(9.8)	(10.5)	0.7	(2.8)	-	(0.1)	-	2.2
Reclassification of deferred tax assets	64.2	51.6	-	-	-	12.6	-	9.4
Other	(39.0)	(15.0)	(15.3)	(9)	(9.8)	(1.3)	(1)	(1.4)
Deferred tax liabilities	**(404.5)**	**(368.9)**	**(23.3)**	**(29.0)**	**(9.8)**	**(5.6)**	**(1)**	**(6.5)**
Total	**(327.6)**	**(310.0)**	**6.2**	**(7.0)**	**(12.3)**	**(13.1)**	**(2.8)**	**(14.9)**

Deferred tax assets in relation to past losses are mainly attributable to Glen Grant Ltd., Campari do Brasil Ltda., Champagne Lallier S.A.S., Campari España S.L.U. and Campari Mexico S.A. de C.V.. With the exception of the latter, for which tax losses can be carried forward for a 10-year period, local legislation does not set a time limit for their use but does set a quantitative limit for each individual year, based on declared taxable income. The companies have also begun to use these losses to offset taxable profit, except for Glen Grant Ltd. And Champagne Lallier S.A.S.. Unused tax losses carry forwards for which deferred tax assets were not activated mainly referred to Casa Montelobos, S.A.P.I. de C.V., Licorera Ancho Reyes y cia, S.A.P.I. de C.V. and Campari Ukraine LLC, as below reported.

	tax losses carryforwards € million	unrecognised deferred tax assets € million	expiry date
Casa Montelobos, S.A.P.I. de C.V.	7.4	2.2	10 years
Licorera Ancho Reyes y cia, S.A.P.I. de C.V.	8.1	2.4	10 years
Campari Ukraine LLC	2.4	0.4	no Limit

The corporate income tax payable is shown net of advance payments and taxes deducted at source. The increase in tax payable in 2022 is mainly reflected in the increase in the business performance 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.

	2022 € million	2021 € million
Income taxes	19.1	18.5
Income tax receivables	**19.1**	**18.5**
Taxes payable	80.9	30.0
Income tax payables	**80.9**	**30.0**

<u>Organisation for Economic Cooperation and Development (OECD) global minimum taxes</u>

On 15 December 2022, the EU Council reached a unanimous agreement for the implementation of the EU Minimum Tax Directive (Pillar two). The final text of the directive, which was published in the EU Official Journal on 22 December 2022, entered into force on 23 December 2022 and all European jurisdictions are still working to amend their local tax laws to introduce the newly introduced global minimum 'top-up tax'. The directive aims to guarantee a global minimum level of taxation for multinational enterprise groups and large national groups in the Union and provides for the introduction of an additional tax every time the effective tax rate payable on the income of a multinational group in a given jurisdiction is less than 15%. The Group is monitoring the evolution of the legislation and is focusing on assessing the potential current tax impacts of the global minimum top-up tax; based on preliminary analysis and simulations it is not believed that there will be significant impacts in terms of taxation.

5. Operating assets and liabilities

This section details accounting policies for the acquisition and sale of businesses and the purchase of non-controlling interests, property plant and equipment, right of use assets, biological assets, intangible assets, post-employment plans and share-based payments. Judgements and estimates are stated with regard to business combinations and goodwill and intangible assets.

This section discloses the information on 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

Accounting policy

<u>Business combinations recognition</u>

Business combinations are recorded by applying the acquisition method.

The Group verifies firstly whether the acquired set of activities and assets meets the definition of a business, and control is transferred to the Group, meaning that the transaction falls within the definition of a business combination. 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 by also applying the option of the 'concentration test' to simplify the assessment itself for each business combination to segregate asset deal transactions.

Definition of the business combination costs

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 retained earnings. 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 related to the business acquired as per acquisition date 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.

Goodwill in a business combination

The goodwill acquired in a business combination is allocated 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.

In the event of a business disposal, the goodwill of the cash-generating unit connected to the disposal is included in the carrying value of the net items sold by measuring its relative fair value, having as reference the proceeds from the sale and the most recent fair value attributed to the related cash generating unit.

Disclosure

Business combinations

Acquisition of an initial 70% stake in Wilderness Trail Distillery, LLC

As mentioned in the dedicated section 'Significant events of the year' in the management board report, on 7 December 2022, the Group signed the closing of an agreement to purchase an initial 70% interest of the Wilderness Trail Distillery, LLC and its subsidiary Wilderness Trace Distillery, LLC (jointly referred to as 'the company').

The total consideration amounted to €565.5 million (US$595.4 million converted in € at the exchange rate at the closing date) consisted of the following:

- the price paid to acquire 70% of the capital of the company totalled €397.0 million (US$417.9 million converted in € at the exchange rate at the closing date);
- the payables resulting in 30% of the outstanding shares subject to a call/put option mechanism with the previous shareholders of the company exercisable in 2031 at an enterprise value determined by applying a multiple of approximately 16 times to the higher of 2030 or average of 2028-2030 EBITDA, included among the Group's

other financial liabilities and estimated at a total of €171.0 million (US$180.0 million converted in € at the exchange rate at closing date);
- the positive net financial position acquired of €2.5 million (US$2.6 million converted in € at the exchange rate at the closing date).

The interests acquired on 7 December 2022 and consolidated by the Group from that date equates to 100% of the company following the assumption of control on the closing date and due to the simultaneous conclusion of mutual purchase/sale agreements, taking the form of put and call options with previous owners for the stake currently in their possession (30% of the company). These agreements gave rise to a financial liability being recorded in the Group's financial statements. However, the purchase deeds stipulate that non-controlling interests would continue to exist until the aforementioned financial liability is liquidated. Given the nature of these interests, it was deemed appropriate to value them at the price paid by the Group in proportion to the residual stake they own. The financial liability for the put and call options, measured at fair value, was therefore not considered to be one of the components of the purchase price to be allocated to the net assets of the acquired business, and was recognised as a direct reduction of Group shareholders' equity. The non-controlling interests are derecognised as if they were acquired at the acquisition date with any difference between the non-controlling interests and the liability values accounted as an equity transaction.

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

Provisional purchase price allocation

On the date on which the publication of these consolidated financial statements was authorised, the Group is still in the process of recognising and reworking the information for allocating the purchase price at the fair value of the net assets acquired. The above analysis will be carried out within 12 months of the closing date with the support of independent external experts. Details of the consideration paid, the net assets acquired, and the goodwill obtained are as follows. The values shown here are explained in the following notes to the financial statements, where they are highlighted as changes in the basis of consolidation for the purposes of the financial statements. Where not expressed in €, the values were converted at the exchange rate on the closing date of the transaction.

values at acquisition date	book values at acquisition date € million	adjustments and reclassifications € million	provisional fair value at 31 December 2022 € million
ASSETS			
Non-current assets			
Property, plant and equipment	30.3	(3.6)	26.7
Brand	-	59.7	59.7
Deferred tax assets	-	(0.1)	(0.1)
Total non-current assets	**30.3**	**56.1**	**86.4**
Current assets			
Inventories	24.0	3.5	27.5
Trade receivables	2.8	-	2.8
Cash and cash equivalents	2.4	-	2.4
Other current financial assets	-	0.1	0.1
Other current assets	1.1	(0.1)	0.9
Total current assets	**30.2**	**3.6**	**33.8**
Total asset	**60.5**	**59.7**	**120.2**
LIABILITES			
Current liabilities			
Trade payables	1.8	0.1	1.9
Other current liabilities	1.8	(1.1)	0.8
Total current liabilities	**3.7**	**(0.9)**	**2.8**
Total liabilities	**3.7**	**(0.9)**	**2.8**
NET EQUITY ACQUIRED	**56.8**	**60.6**	**117.4**
TOTAL LIABILITY AND EQUITY	**60.5**	**59.7**	**120.2**
a) Total cost, of which:			**567.9**
Price paid in cash, excluding ancillary costs			397.0
Liabilities for put and call agreements			171.0
b) Net financial position acquired, of which:			**(2.5)**
- Cash, cash equivalent and financial assets			*(2.5)*
Enterprise value (a+b)			**565.5**
Non-controlling interests			**170.1**
Purchase price to be allocated			**567.1**
Price paid in cash, excluding ancillary costs			397.0
Non-controlling interests			170.1
Total value allocation			**567.1**
Net assets acquired			117.4
Goodwill generated by acquisition			449.7

By adding the fast-growing super premium Wilderness Trail brand, the Group further expands and premiumizes the bourbon offering, primed to become a major leg for the Group after the aperitif portfolio. Moreover, the premiumisation journey accelerates, further enriching the RARE portfolio, the division aimed to unlock and accelerate the growth potential of a select range of high-end individual expressions in the Group's core premium spirits markets. In addition, the Group granted the opportunity to significantly expand its production capacity and ageing inventory to satisfy the future growth of its premium bourbons, such as the high potential Whiskey Barons range, currently capped due to capacity constraints.

Given the profitability of the business on the closing date, the Group has provisionally allocated a total value of €59.7 million (US$62.9 million) to the acquired brands. Goodwill was deemed to be fully reportable due to the synergies that are expected to be generated by including these brands in the Group's commercial structure. Specifically, by i) leveraging Group's route-to-market and marketing capabilities to further develop and expand the Wilderness Trail brand; ii) by leveraging the WTD's production capacity in order to accommodate the growth of the Group's existing bourbon portfolio, excluding the core Wild Turkey and iii) by accelerating and significantly expanding the innovation platform for Group's bourbon portfolio thanks to the Wilderness Trail Distillery's highly flexible output. Goodwill is tax-deductible based on the relevant local regulations.

intangible assets generated by Wilderness Trail Distillery, LLC	goodwill € million	brands € million	total € million
provisional fair value at acquisition date exchange rate disclosed at 31 December 2022	449.7	59.7	509.4
exchange rate differences	(5.8)	(0.8)	(6.5)
values included in consolidated accounts at 31 December 2022	**443.9**	**59.0**	**502.9**

Since the acquisition was finalised on 7 December 2022, the Group's net results do not include any impact from the business acquired. The only effects of the acquisition on the Group's income statement were the ancillary costs incurred for legal and financial consultancy attributable to the transaction amounted to €10.0 million that were classified under other operating income and expenses.
If the business had been consolidated from the start of the year, the effect on net sales and EBITDA would have been around €57 million and €37 million, respectively.

Acquisition of a 95% stake of SCEA Eric Luc
On 14 October 2022 the Group acquired SCEA Eric Luc (further mentioned as 'the company'), an entity based in Champagne exploiting multiple hectares (ha) of vineyards in various capacities.

The total consideration amounted to €1.9 million consisted of the following:
- the price paid to acquire 95% of the capital of the company totalled €1.7 million;
- the payables resulting in 5% of the outstanding shares subject to a call/put option mechanism with the previous shareholders of the company exercisable starting from 2025, included among the Group's other financial liabilities and at a total amount of €0.1 million;
- the negative net financial position acquired of €0.1 million.

The interests acquired on 14 October 2022 and consolidated by the Group from that date equates to 100% of the company following the assumption of control on the closing date and due to the simultaneous conclusion of mutual purchase/sale agreements, taking the form of put and call options with previous owners for the stake currently in their possession (5% of the company). These agreements gave rise to a financial liability being recorded in the Group's financial statements.

As the beforementioned put and call option on all residual shares is defined at a fixed price per outstanding shares, the business combination is recognised as a single transaction, thus obtaining 100% of the interest in the company and, therefore, no minority interests were recognized in the process of purchase price allocation and determination of goodwill. The consideration transferred for the business combination therefore also includes the financial debt granted to the minority shareholders under the put option.

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

Definitive purchase price allocation
All information relating to the calculation of the fair value of the net assets acquired were usable within the approval of the annual report 2022 and the Group definitively completed the purchase price allocation process, which was not material on a consolidated level. The relevant values resulting from the acquisition were related to tangible assets for €1.1 million, operating working capital for €0.5 million, net financial debt for €0.1 million. The goodwill resulting from the fair value allocation, which is non-tax-deductible based on the relevant local regulations, was negligible and equal to €0.3 million.

ii. Property, plant and equipment, right of use assets and biological assets

Accounting policy
Property, plant and equipment are stated at cost less accumulated depreciation, which is applied on a straight-line basis to estimated residual values over their expected useful lives.
For right of use assets, please refer to the note 6 vii –'Lease components in the statement of financial position'.
For biological assets accounting treatment, please refer to note 8 iii.-'Fair value information on assets and liabilities'.

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. For right of use assets, unless the Group is reasonably certain that it will obtain ownership of the leased asset at the end of the lease term, they are amortised on a straight-line basis over their estimated useful life or the term of the agreement, whichever is the shorter.
The Group depreciation rate ranges by asset category 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. The Group performs impairment tests when there is an indication of impairment at the level of individual fixed asset or group of fixed assets, to ensure that property, plant and equipment are not carried at above their recoverable amounts.
Borrowing costs are not capitalized as part of the cost of an asset since borrowings are not generally attributable to the acquisition, construction, or production of a qualifying asset.

Disclosure

property, plant and equipment by nature	land and buildings € million	plant and machinery € million	other € million	total € million
Carrying amount at the beginning of the period	433.2	400.6	224.8	1,058.6
Accumulated depreciation at the beginning of the period	(135.0)	(250.7)	(109.9)	(495.6)
at 31 December 2021 Restated	**298.2**	**149.9**	**114.9**	**563.0**
Perimeter effect from business combination	23.1	3.9	0.8	27.8
Additions	88.0	70.2	55.1	213.3
Disposals	(0.6)	(0.2)	(9.6)	(10.4)
Depreciation	(12.8)	(21.2)	(19.0)	(53.0)
Reversal	-	-	1.7	1.7
Impairment	(0.3)	(0.1)	-	(0.4)
Exchange rate differences and other changes	6.5	2.4	11.4	20.3
at 31 December 2022	**402.1**	**204.9**	**155.3**	**762.3**
Carrying amount at the end of the period	559.5	482.3	284.2	1,326.0
Accumulated depreciation at the end of the period	(157.4)	(277.5)	(128.9)	(563.8)

Capital expenditure for the period, totalling €213.3 million, was mainly related to the extraordinary capacity expansion initiatives, mainly in Mexico destinated to the Espolòn production (€64.3 million), as well as improvements made to strengthen the Group's production capacity and efficiency, and investments for the renovation of brand houses and visitor centers. Finally, the purchase of barrels for maturing bourbon, rum and whisky amounted to €13.9 million. Disposals, amounting to €10.4 million, mainly related to the sale of barrels that were no longer suitable for use in the maturing process.
The perimeter effect was associated mainly with the property, plant and equipment purchased through the acquisition of the 70% stake in Wilderness Distillery, LLC and to non-material items related to SCEA Eric Luc, an entity based in the Champagne region in France.

There are no restrictions or covenants on the aforementioned assets.

right of use assets by nature	land and buildings € million	plant and machinery € million	other € million	total € million
Carrying amount at the beginning of the period	86.5	9.3	26.1	121.7
Accumulated depreciation at the beginning of the period	(27.9)	(4.2)	(17.1)	(49.2)
at 31 December 2021	**58.5**	**5.1**	**9.0**	**72.7**
Additions	3.5	0.4	5.9	9.8
Depreciation	(9.1)	(1.1)	(4.9)	(15.1)
Exchange rate differences and other changes	2.0	0.1	(0.5)	1.6
at 31 December 2022	**55.0**	**4.5**	**9.5**	**69.0**
Carrying amount at the end of the period	86.1	7.2	20.8	114.1
Accumulated depreciation at the end of the period	(31.2)	(2.7)	(11.3)	(45.2)

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.

biological assets represented as fixed assets	assets valued at cost € million
Carrying amount at the beginning of the period	21.6
Accumulated depreciation at the beginning of the period	(8.2)
at 31 December 2021	**13.4**
Perimeter effect from business combination	0.1
Additions	7.0
Disposal	(0.2)
Depreciation	(3.4)
Exchange rate differences and other changes	0.7
at 31 December 2022	**17.5**
Carrying amount at the end of the period	29.5
Accumulated depreciation at the end of the period	(12.0)

The addition of € 7.0 million was mainly related to agave plantations in Mexico (€3.0 million) and grape plantations in France (€2.8 million). All biological assets at 31 December 2022 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 2022, the Mexican agave plantations comprised 893 hectares. There is no non-productive biological asset for agave plantations and the average growing cycle covers a period of 6 years. During 2022 the Group harvested approximately 500 tons of agave in Mexico, which have been measured at fair value less costs to sell and transferred to inventories.
At 31 December 2022, the French grape plantations located in the Champagne region comprised 18.4 hectares, out of which overall 65% of these hectares were rented with medium and long-term agreements, and the remaining 35% 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 2022 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, 45% owned and 55% 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. 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 €0.7 million (€0.8 million in 2021).

No triggering events for impairment tests occurred during the year.

iii. Investment properties

Net amount at the beginning of the period	assets valued at cost € million
at 31 December 2021 Restated	**212.4**
Additions	147.2
Disposal	(27.6)
Reversals	5.0
at 31 December 2022	**337.0**
Carrying amount at the end of the period	356.4
Accumulated depreciation at the end of the period	19.3

At 31 December 2022, investment property are related to:
- properties located in France;
- properties located in Italy;
- properties located in the Principality of Monaco;
- properties located in the UK;
- properties located in the USA.

The additions are mainly related to:
- Brown Derby, LLC purchased a mixed-use building located in the Loop, Chicago, Illinois, Unites States of America;
- Grand 75, LLC purchased an office building located in the West Loop, Chicago, Illinois, Unites States of America;
- Grand Margarita, LLC purchased a mixed-use building located in Soma District, San Francisco, California, Unites States of America;
- Negroni Ltd. purchased an office building located in the City of London, United Kingdom.

The disposals are related to the sale of an apartment in the Principality of Monaco, of another apartment in Sardinia (Italy) and to the reclassification in the account 'Held for sale' (€ 11.6 million) of a property in Milan.

iv. Intangible assets

Accounting policy

Intangible assets recognition

Intangible assets with definite life are recorded at cost, net of accumulated amortisation and any impairment losses. In the event they are acquired through business combinations, they are reported separately from goodwill and brands, and measured at fair value, when this can reliably be measured, on the acquisition date.
Intangible 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. The costs of innovation projects and studies are recorded in the income statement in full in the year in which they are incurred.
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.
The following contracts are managed as a service contract with the related costs expensed as they are incurred: 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; ii. 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 iii. the contract does not convey any rights over tangible assets to the Group. 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.

Intangible assets amortisation and impairment

Intangible assets with a finite life are amortised on a straight-line basis in relation to their useful life, and reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The amortisation period 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.
Other intangible assets with indefinite and definite life contains distribution rights and key money, the latter tested for impairment leveraging on a specialized third parties expert opinion connected to real estate assets.

Intangible assets with indefinite life impairment test

Goodwill, brands and other intangible assets with an indefinite life are not amortized and are reviewed for impairment tests every year or more frequently if there is any indication that the asset may be impaired. The annual approval of the impairment test results is performed by the Board of Directors, which takes place before the approval of the annual financial reports (consolidated and Company only).
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 cash generating unit 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 and are charged to other operating expenses. Goodwill impairments can no longer be written back.

Disclosure

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– Goodwill and brands

	goodwill € million	brands with an indefinite life € million	brands with a finite life € million	total € million
Carrying amount at the beginning of the period	1,590.5	1,008.7	32.0	2,631.2
Cumulative impairment at the beginning of the period	(3.0)	(42.3)	(23.5)	(68.8)
at 31 December 2021 Restated	**1,587.4**	**966.4**	**8.5**	**2,562.3**
Additions	-	129.9	-	129.9
Perimeter effect from business combination	450.0	59.7	-	509.7
Amortisation	-	-	(2.3)	(2.3)
Exchange rate differences	45.5	19.3	0.5	65.3
at 31 December 2022	**2,083.0**	**1,175.3**	**6.7**	**3,265.0**
Carrying amount at the end of the period	2,085.7	1,217.6	31.7	3,335.0
Cumulative impairment at the end of the period	(3.0)	(42.3)	(24.9)	(69.9)

	goodwill € million	brands with an indefinite life € million	brands with a finite life € million	total € million
Carrying amount at the beginning of the period	1,359.5	980.0	31.6	2,371.1
Cumulative impairment at the beginning of the period	(2.8)	(35.4)	(21.7)	(59.9)
at 1 January 2021 Restated	**1,356.6**	**944.6**	**9.9**	**2,311.1**
Change resulting from provisional allocation of acquisition value	(2.5)	2.1	-	(0.4)
Change from consolidation	171.1	-	-	171.1
At 1 January 2021 post reclassifications	**1,525.2**	**946.7**	**9.9**	**2,481.8**
Additions	3.6	-	-	3.6
Perimeter effect from business combination	-	(6.9)	-	(6.9)
Amortisation	-	-	(2.0)	(2)
Exchange rate differences	58.6	26.6	0.7	85.9
at 31 December 2021 Restated	**1,587.4**	**966.4**	**8.5**	**2,562.3**
Carrying amount at the end of the period	1,590.5	1,008.7	32.0	2,631.2
Cumulative impairment at the end of the period	(3.0)	(42.3)	(23.5)	(68.8)

During the year no impairment loss has been recognised. Brands with a finite life included the value of the X-Rated. The change in the basis of consolidation comprises an increase of €639.7 million attributable to the identification of amounts for goodwill (€449.7 million) and brands (€59.7 million) related to the acquisition of Wilderness Trail Distillery, combined with a €0.3 million increase attributable to the identification of goodwill for the acquisition of SCEA Eric Luc and an overall consideration of €129.9 million for the asset deals related to Picon (€123.6 million) and Del Professore (€6.4 million) brands (for further details, see note 5 i-'Acquisition and sale of businesses and purchase of non-controlling interests').

– Other Intangible assets

	software € million	other € million	other with indefinite life € million	total € million
Carrying amount at the beginning of the period	131.5	20.2	3.6	155.3
Accumulated amortisation at the beginning of the period	(88.5)	(10)	0	(98.5)
at 31 December 2021	**43**	**10.2**	**3.6**	**56.8**
Additions	16.3	0.4	-	16.7
Amortisation	(15.3)	(1.3)	-	(16.6)
Impairment	0	(2.7)	-	(2.7)
Exchange rate differences and other changes	0.5	0.1	-	0.6
at 31 December 2022	**44.5**	**6.7**	**3.6**	**54.8**
Carrying amount at the end of the period	149.6	18.0	3.6	171.2
Accumulated amortisation at the end of the period	(105)	(11.3)	0	(116.3)

Intangible assets with a finite life are amortised on a straight-line basis depending on their remaining useful life.
Additions in the period totalling €16.7 million related to projects to continuously upgrade the new information technology environment. During the period triggering events were identified, leading to an impairment test review that resulted in an impairment loss of €2.7 million.

– Impairment test

In line with the previous years, the approval of the annual assessment of the recoverability of the Group's intangible assets with indefinite life was conducted before the fiscal year-end. Consequently, the book value of the intangible assets (i.e., the amount at which an asset is recognised in the balance sheet) was determined as of 30 September 2022, i.e., the latest available actual figures at the time of the analysis. The results of such test remained valid as of 31 December 2022, 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 2022.
Regarding climate-related matters, the business plan considered the necessary investments to pursue the Group's global sustainability strategy, including the path to decarbonization. Such investments were taken into account also in the longer horizon (i.e., in the terminal value). Regarding currencies, it should be noted that the projections were determined based on the exchange rates to €s assumed unchanged to the ones used for drafting the 2023 budget. Although IAS36 requires that exchange rates are assumed flat to the current fiscal year over the time horizon, the fluctuations of 2023 budgeted currencies are estimated not to have a meaningful impact on future cash flows 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 current macroeconomic environment and the Covid-19 pandemic, in line with the impairment tests performed in 2020 and 2021. 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. The stress test is performed in addition to the recurrent sensitivity analyses.

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 design adopted by the Group based on its current organisational structure. 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 business of the relevant CGU. 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 2023 budget and the strategic plans for the period 2024-2025 and approved by the Board of Directors. 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 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 the 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 extraordinary events that are not currently foreseeable. 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 2024-2027 for the Group's key markets (source: IMF, October 2022 release), assumed to be 2.2% for the Americas CGU (vs. 2.7% in 2021), 2.0% for the SEMEA CGU (vs. 1.4% in 2021), 2.5% for the NCEE CGU (vs. 1.7% in 2021) and 2.7% for the APAC CGU (vs. 2.5% in 2021) or 2.3% for the Group overall (vs 2.1% in 2021). It should be noted that the 2023 inflation rate estimate of IMF, assumed as particularly high, was excluded for the purposes of defining the terminal growth rate in order to follow a conservative approach. 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 estimated 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. The calculation of WACC has resulted in line with a set of spirits industry comparable peers. The discount rates used in the 2022 impairment test for the four CGUs, are as follows: 7.7% for the Americas CGU (vs. 6.3% in 2021), 8.9% for the SEMEA CGU (vs. 7.8% in 2021), 8.3% for the NCEE CGU (vs. 7.7% in 2021) and 7.3% for the APAC CGU (vs. 7.1% in 2021), or 8.1% for the Group overall (vs. 7.1% of 2021 impairment test).
To take into account the current market volatility and uncertainty over 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 2022 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.

	at 31 December	
CGU	2022 € million	2021 € million
Americas	1,237.8	740.7
Southern Europe, Middle East and Africa	572.2	572.0
Northern, Central and Eastern Europe	247.4	249.3
Asia-Pacific	25.6	25.6
Total	**2,083.0**	**1,587.4**

Changes in goodwill values at 31 December 2022 compared with 31 December 2021 are mainly due to positive perimeter change equal to €450.0 million overall, mainly allocated to the Americas CGU, deriving from the acquisition of Wilderness Trail Distillery, LLC, as well as favourable exchange rate effects of €41.9 million, which were re-allocated to the individual CGU.

The impairment test on brands with indefinite life was performed on individual basis using the value in use criterion. It should be noted that brands with an immaterial value individually and in the aggregate are not subject to an impairment test. The Group considers the 'value in use' to be a proxy of the recoverable amount of the trademark values, for the following reasons: (i) the value in use is measured by using a valuation methodology Multi-period Excess Earnings Method (MEEM) which is widely accepted in practice for determining the trademarks' fair value, for example in a purchase price allocation following an acquisition and (ii) the Group business plans for the 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. This methodology is considered valid assuming that the identification of a representative sample of comparable transactions is not easily available across the different types of assets.
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 2023 budget and the strategic plans prepared by Campari's subsidiaries in 2022 for the period 2024-2025. 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 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 2.3% (vs. a range of 2.1%-2.7% in 2021), in line with the inflation estimates for the 2024-2027 period, was used. The discount rates used for the individual brands tested varied from 7.6% to 9.1% (vs. a range of 7.2%-8.1% in 2021) and took into account a specific risk premium for the brand in question.
In the second quarter of 2022 the Group acquired two new brands: Picon and Del Professore. Given the recency of the acquisitions as well as the absence of any indicators that an impairment might have been triggered for these brands, the Group considered the fair values determined at the acquisition dates has remained valid. Regarding the intangible assets linked to Wilderness Trail Distillery, given that the transaction was completed on 7 December 2022 and the assessment of their values is still subject to purchase price allocation, they were not included in the 2022 impairment test.
Based on the methodology described above, the impairment test as of 2022 has confirmed the full recoverability of the brands under test. The sensitivity analyses together with the stress tests described above indicated

impairment risks for Forty Creek as well as brands that incurred impairment losses in 2020 (namely Bulldog and The Glen Grant).

	at 31 December	
	2022 € million	2021 € million
Grand Marnier	300.7	300.7
Wild Turkey	171.2	161.2
Frangelico	54.0	54.0
Jamaican Rum Portfolio	96.1	89.1
The GlenGrant and Old Smuggler	88.8	88.8
Forty Creek	72.0	72.2
Cabo Wabo	66.6	62.7
Averna e Braulio	65.5	65.5
X-Rated	6.7	8.5
Riccadonna	11.3	11.3
Bulldog	34.8	36.7
Picon	123.6	-
Wilderness Trail Distillery	59.0	-
Del Professore	6.4	-
Other	25.5	24.1
Total	**1,182.0**	**974.9**

Changes in brand values at 31 December 2022 compared with 31 December 2021 are mainly due to perimeter change of €189.6 million and positive FX effect equal to €19.2 million.

v. Other non-current assets

Disclosure

	2022 € million	2021 € million
Equity investment in other companies	18.8	0.8
Security deposits	2.4	2.0
Other non-current receivables from main shareholders	0.1	
Other non-current receivables	2.7	2.8
Other non-current assets	**24.0**	**5.6**

The change of the year in equity investments in other companies for €19.1 million is related to the acquisition of the 15% minority interests in Monkey Spirits, LLC, owner of the Howler Head brand, as well as Catalyst Spirits. Furthermore, the item included the 10% interests in Thirsty Camel Ltd., a local player that is specialized in the marketing and distribution of alcoholic and non-alcoholic products in the territory.

vi. Other current assets

Disclosure

	at 31 December		
	2022 € million	*of which perimeter effect*[(1)] *€ million*	2021 € million
Other receivables from tax authorities	39.5	*0.6*	24.6
Prepaid expenses	8.9	*0.4*	11.9
Advances and other receivables from suppliers	3.2	-	3.7
Receivables from personnel	3.0	-	3.2
Advances to suppliers	0.2	-	0.2
Receivables from Parent Company for Group VAT	0.1	-	-
Other	8.7	-	6.6
Other current assets	**63.6**	***1.0***	**50.2**

(1) The perimeter effect is mainly related to the acquisition of Wilderness Trail Distillery, LLC.

Other receivables from tax authorities, totalling €39.5 million, primarily comprise €32.2 million for VAT and €3.3 million for excise duties (€1.1 million at 31 December 2021).

at 31 December 2022	other receivables[(1)] € million	provision for bad debt € million
Not overdue	**31.4**	**-**
Overdue since	**32.8**	**(0.6)**
Less than 30 days	-	-
30-90 days	0.1	-
1 year	9.7	(0.3)
5 years	23.0	(0.3)
more than 5 years	0.1	-
Total receivables broken down by maturity	**64.2**	**(0.6)**
Amount impaired	(0.6)	
Total	**63.6**	

(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 which reflected the low risk level connected with the specific counterpart of these receivables.

€ million	other receivables
at 31 December 2021	**0.5**
Accruals	0.1
Releases	-
at 31 December 2022	**0.6**

€ million	other receivables
at 31 December 2020	**0.7**
Accruals	0.1
Releases	(0.3)
at 31 December 2021	**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 2022	€ million	€ million	€ million	€ million	€ million	€ million	**€ million**
Credit loss rate	-	-	-	0.5%	0.4%	-	**0.9%**
Estimated total gross carrying amount at default	23.3	-	0.8	8.5	28.0	0.1-	**60.8**
Provision for expected credit losses	-	-	-	(0.3)	(0.3)		**(0.6)**

		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)**

vii. Other non-current liabilities

Accounting policy

For detailed information on the accounting policy on post-employment plans and share based payments, please refer to note 8 v.- 'share-based payments', 9 iv- 'defined benefit and contribution plans', respectively.

Disclosure

	at 31 December	
	2022	2021 Restated
	€ million	€ million
Other employee benefits (including retention incentive)	23.6	13.3
Medium-long term incentive plans	-	3.4
Other share benefits long-term (cash settled plans)	1.1	-
Profit sharing	4.9	3.8
Other non-current liabilities	2.4	1.8
Other non-current liabilities	**31.9**	**22.3**

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

The change of €9.6 million is mainly related to non-recurring last mile long-term incentive schemes with retention purposes to be potentially recognised to senior management.

viii. Other current liabilities

Disclosure

	at 31 December		
	2022	*of which perimeter effect*	2021 Restated
	€ million	*€ million*	€ million
Payables to staff	89.2	*0.1*	97.6
Payables to agents	3.6	-	3.7
Deferred income	4.9	*0.6*	2.9
Amounts due to controlling shareholder for Group VAT	0.6	-	0.1
Value added tax	22.0	*0.1*	16.1
Tax on alcohol production	36.9	-	30.4
Withholding and miscellaneous taxes	9.1	-	10.2
Other	24.7	-	12.5
Other current liabilities	**191.0**	***0.9***	**173.5**

(1) The perimeter effect is mainly related to the acquisition of Wilderness Trail Distillery, LLC.

The increase in the item "Other" is due mainly to down payment on sale of real estate.

at 31 December 2022	other payables to third parties € million
On demand	24.4
Due within 1 year	166.6
Total	**191.0**

at 31 December 2021	other payables to third parties € million
On demand	118.8
Due within 1 year	54.8
Total	**173.7**

ix. Assets Held for sale

The amount relates to a property in Milan. The Company has undertaken to sell this property within the first half of 2023, subject to the exercise of a pre-emption right by the State on part of it. The pre-emption was not exercised and the sale was finalized in May 2023.

6. Operating working capital

This section details accounting policies for trade receivables and payables and inventory and biological assets. This section discloses the information on the Group's operating working capital composition broken down into the various items that are managed to generate the Group performances.

i. Trade receivables

Accounting policy

For details on the accounting policy, please refer to note 7 i.- 'Financial instruments.

Disclosure

	at 31 December		
	2022 € million	*of which perimeter effect* *€ million*	2021 € million
Trade receivables from external costumers	307.6	*3.5*	286.8
Trade receivables from associate	2.1	-	1.9
Receivables in respect of contributions to promotional costs	0.2	-	2.4
Trade receivables	**309.9**	***3.5***	**291.0**

(1) The perimeter effect is mainly related to the acquisition of Wilderness Trail Distillery LLC.

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 2022	trade receivables (1) € million	provision for expected future losses and bad debt € million
Not overdue	**231.5**	**(7.8)**
Overdue	**96.5**	**(10.4)**
Less than 30 days	62.1	(0.4)
30-90 days	8.8	(3.2)
Within 1 year	12.3	(1.9)
Within 5 years	11.9	(3.4)
Due after 5 years	1.4	(1.4)
Total receivables broken down by maturity	**328.0**	**(18.1)**
Amount impaired	(18.1)	
Total	**309.9**	

(1) This item does not include prepaid expenses.

The following tables show the impairment changes for expected future losses and bad debt in 2022 and 2021.

€ million	provision for expected future losses and bad debt
at 31 December 2021	**6.9**
Accruals	15.2
Utilizations	(0.5)
Releases	(3.8)
Exchange rate differences and other changes	0.3
at 31 December 2022	**18.1**

€ 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**

At 31 December 2022, the provision for expected future losses and bad debt amounted to €18.1 million, which was up by €11.2 million compared to 2021. The accrual of €15.2 million recorded in 2022 is mainly related to the updated and specific valuation on trade receivables of Russia and Ukraine, in light of the significant increase in the probability of default recorded in both countries following the ongoing conflict which was reflected in the relative assessment of expected losses, as well as in Argentina following the increase in receivables due to the local hyperinflationary impact. The utilisations for the year were due to the settlement of lawsuits outstanding from previous periods.

The following table provides the probability of default, obtained from external data providers, used for the calculation of the expected future losses for each subsidiary, used at 31 December 2022 and at 31 December 2021, according to the country in which the subsidiary is based.

	at 31 December	
	2022 %	2021 %
Argentina	17.11%	9.37%
Australia	0.07%	0.04%
Austria	0.05%	0.03%
Belgium	0.06%	0.04%
Brasil	0.63%	0.58%
Canada	0.13%	0.06%
China	0.24%	0.09%
France	0.06%	0.05%
Germany	0.06%	0.03%
Greece	0.41%	0.13%
India	0.29%	0.20%
Italy	0.35%	0.15%
Jamaica	0.84%	0.85%
Martinique	0.06%	0.05%
Mexico	0.47%	0.22%
New Zealand	0.07%	0.04%
Peru	0.40%	0.22%
Russia	32.88%	0.27%
Singapore	0.07%	0.85%
South Africa	1.18%	0.36%
South Korea	0.25%	0.08%
Spain	0.13%	0.07%
Switzerland	0.03%	0.02%
UK	0.08%	0.04%
Ukraine	100.00%	2.23%
United States	0.13%	0.11%

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						
	current	less than 30 days	30-90 days	1 year	5 years	more than 5 years	total
at 31 December 2022	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Credit loss rate	2.3%	0.8%	0.1%	0.7%	1.1%	0.5%	**5.6%**
Estimated total gross carrying amount at default	230.1	62.1	8.8	12.3	11.9	1.4	**326.6**
Provision for expected credit losses	(7.7)	(2.5)	(0.3)	(2.4)	(3.6)	(1.7)	**(18.1)**

	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)**

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

Accounting policy

For details on the accounting policy, please refer to note 7 i.- 'Financial instruments'

Disclosure

	at 31 December		
	2022 € million	*of which perimeter effect* *€ million*	2021 € million
Trade payables to external suppliers	542.6	*2.4*	396.1
Trade payables	**542.6**	***2.4***	**396.1**

(1) The perimeter effect is mainly related to the acquisition of Wilderness Trail Distillery LLC.

During 2022, the Group continued to join the reverse factoring programme 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 €23.5 million at 31 December 2021 (€20.3 million at 31 December 2022).

at 31 December 2022	trade payables € million
On demand	45.9
Due within 1 year	492.4
Due in 1 to 2 years	4.4
Due after 5 years	-
Total	**542.6**

at 31 December 2021	trade payables € million
On demand	76.0
Due within 1 year	313.5
Due in 1 to 2 years	6.4
Due after 5 years	0.2
Total	**396.1**

iii. Inventories and biological assets

Accounting policy

Inventories are stated at the lower of cost and net realisable value. Costs of finished product include raw materials, supplies and consumables, direct labour and expenses and an appropriate proportion of production and other overheads. Cost is calculated at the weighted average cost incurred in acquiring inventories. Maturing inventory includes the depreciation cost of the barrels used in the aging process on a straight-line basis over the aging horizon. Maturing inventory, as well as biological assets that, for their nature, are retained for more than one year, are classified as current assets, as they are expected to be realised in the normal operating cycle.

For detailed information on the accounting policy for inventory biological assets, please also refer to note 9 iii- 'Fair value information on assets and liabilities'.

Disclosure

	at 31 December		
	2022 € million	*of which perimeter effect* *€ million*	*2021* € million
Finished products and goods for resale	253.6	*0.9*	172.8
Maturing inventory	501.7	*19.9*	409.7
Work in progress	152.8	*5.6*	103.7
Raw materials, supplies and consumables	89.1	*1.8*	*55.9*
Inventories	**997.2**	***28.2***	***742.0***
Current biological assets	**7.1**	***-***	***3.7***
Total	**1,004.2**	***28.2***	***745.7***

Stocks totalled €1,004.2 million at 31 December 2022, up by 258.5 million on 31 December 2021. This change was mainly attributable to increases connected with the strong net sales performance, especially towards the end of the year and the planned inventory build-up to support the strong customer demand in a context of possible supply constraints. Moreover, the rise of maturing inventories was in line with the Group's strategic premiumisation guidelines.

The perimeter effect was mainly related to the acquisition of Wilderness Trail Distillery, LLC and comprised mainly of maturing inventory.

Current biological assets at 31 December 2022 totalled €7.1 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 9 iii-'Fair value information on assets and liabilities'. No guarantees were given to third parties in relation to these inventories. Agricultural produce in Martinique benefitted from public grants of €0.2 million (€0.3 million in 2021).

Inventories are reported net of the relevant impairment provisions.

	€ million
at 31 December 2021	**(13.6)**
Accruals/Release	(1.1)
Utilisation	3.3
Exchange rate differences and other changes	(3.7)
at 31 December 2022	**(15.1)**

	€ 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)**

7. Net financial debt

This section details accounting policies for financial assets and related impairment, financial liabilities, derecognition of financial assets and liabilities, financial derivatives and hedging transactions, financial guarantees and lease components. Judgements and estimates are stated with regard to incremental interest rates for lease transactions.
This section provides details of the Group's net financial debt composition broken down into the various items.

i. Financial instruments

Accounting policy
Financial instruments held by the Group are categorised as follows.

– Financial assets, including trade and other receivables

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. Trade receivables arise from contracts with customers and are recognised when performance obligations are satisfied, and the consideration due is unconditional as only the passage of time is required before the payment is received. 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 based on 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 on both 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 aiming 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 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, including trade and other payables

Financial liabilities include financial payables, bonds and loans due to banks, 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.

Trade and other payables are initially recognised at fair value including transaction costs and subsequently carried at amortised costs.

– 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. They 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: this effectiveness must 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 the 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.

For detailed information on the accounting policy for put and call options over associates and joint-ventures agreements, please refer to note 4 xii.-'share of profit (loss) of associates and joint-ventures'.

- Financial guarantees

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 with subsequent remeasurement impacting profit or loss. 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.

Disclosure

individual categories of financial assets and liabilities at at 31 December 2022 € million	measurement at amortized cost	measurement at fair value through profit and loss	measurement at fair value with changes recognized in the statement of comprehensive income
Cash and cash equivalents	747.4	-	-
Trade receivables	309.9	-	-
Current financial receivables	0.9	16.2	-
Other non-current financial assets	50.4	1.0	-
Other non-current assets	5.3	18.8	-
Loans due to banks [1]	(1,659.6)	-	-
Lease payables	(79.5)	-	-
Bonds	(1,166.4)	-	-
Accrued interest on bonds	(5.7)	-	-
Other current financial liabilities	(113.0)	-	-
Other non-current financial liabilities	(302.9)	-	-
Liabilities for put option and earn-out payments [2]	(3.4)		(236.3)
Trade payables	(542.6)	-	-
Current assets for hedging derivatives	-	1.3	0.4
Non-current asset for hedging derivatives	-	-	41.5
Total	**(2,759.2)**	**37.3**	**(194.4)**

(1) Liabilities linked to some business combination may be elected to have the fair value variation accounted for against the Group equity.
(2) Derivative on loans due to bank and new pre-hedging contract subscribed.

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 €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 also used 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., and acquired interests in third party investments in Monkey Spirits, LLC and Thirsty Camel Ltd., commitments to increment the ownership in these companies exists in the form of put and/or call option elected as derivative financial instruments measured at fair value with impact in the Group statement of profit or loss.
At both 31 December 2022 and 2021 the options, which are dependent on the performance of the companies, were determined to be fair value market terms based on similar recent transactions, with fair value changes negligible in both years. At the time of the expiring of the options and in case of satisfaction of the conditions stated in the relevant agreement between parties, the derivatives will be replaced by an increased equity interest in the companies.

The tables below show a breakdown of the foreign exchange contracts on highly probable sales and purchases and interest rate swap on loan; call and/or put agreements over associates and joint-ventures elected as derivative instruments with negligible fair value variation were disclosed in note 9 iii-'Fair value information on assets and liabilities'.

foreign exchange forward contracts and options (highly probable forecast sales and purchases)(1)	at 31 December			
	2022		2021	
€ million	notional amount hedged items	average forward rate	notional amount hedged items	average forward rate
US Dollar	27.3	1.01	46.8	1.14
New Zealand Dollar	7.2	1.69	11.4	1.69
Mexican Pesos	-	-	(11.2)	18.81
Russian Ruble	-	-	9.8	85.51
Australian Dollar	0.3	1.52	6.5	1.43
Swiss franc	1.0	0.97	3.3	1.05
Singapore Dollar	2.0	1.42	2.9	1.57
Sterling Pound	-	-	2.1	0.85
Canadian Dollar	0.5	1.32	0.8	1.44
Total	**38.4**		**72.4**	

(1) The values are related to sales only for 2022 while 2021 forward contracts on Mexican Pesos were related to purchases.

hedged items and related derivatives forward	at 31 December					
	2022			2021		
€ 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)	38.4	1.7	0.1	72.4	(0.3)	0.1

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group reference is the budget exposure of the main currencies and, as more effectively as possible, any under/over exposure which may arise through plain vanilla currency derivatives. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency. For what concerns coverage ratio, the Group normally hedge between 50% and 90% of the currency risk exposure throughout the whole year. In these hedge relationships the main sources of ineffectiveness are:

1. interest rate differentials between currencies and
2. discrepancies between invoices issued and hedging contract (i.e. changes in the timing of the hedge transaction).

hedged items and related derivatives interest rate swaps	at 31 December					
	2022			2021		
€ million	notional amount hedged items	carrying amounts hedging instruments(1)	change in fair value gain (losses)	notional amount hedged items	carrying amounts hedging instruments	change in fair value gain (losses)

interest rate swap contracts on loans financial statements impact	750.0	41.5	0.9	250.0	(0.7)	1.1

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

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group exposure is described in note 8 ii-' Nature and extent of the risks arising from financial instruments'. The Group determined the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dated and maturities and the notional or par amount. The assessment whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedge item using the hypothetical derivative method. The Group applies a hedge ratio 1:1.

ii. Cash and cash equivalents

Disclosure

	at 31 December			
	2022	perimeter effect	2021 Restated	2020 Restated
	€ million	€ million	€ million	€ million
Bank current accounts and cash	644.7	(561.2)	644.2	457.9
Term deposit maturing within 3 months	102.7	-	266.5	250.4
Cash and cash equivalents	**747.4**	**(561.2)**	**910.7**	**708.3**

The perimeter variation included the net cash outflow for the following transactions:
- the overall cash-out related to the acquisition of a 30% interest stake in Wilderness Trail Distillery for €394.5 million composed of the consideration paid €397.0 million less the cash and cash equivalents acquired of €2.5 million;
- the consideration paid less cash and cash equivalents acquired of €1.2 million for an entity based in the Champagne region;
- the purchase of the Picon and Del Professore brands for a combined cash-out amount of €129.9 million;
- the acquisition of an initial stake in Monkey Spirits, LLC and Catalyst Spirits Ltd. for a combined amount of €19.1 million, both connected with the Howler Head brand and
- the purchase of the remainder of Tannico's share capital through Campari Group's and Moët Hennessy's 50-50 joint-venture for an amount of €16.5 million.

At 31 December 2022, the 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 7 viii-'Reconciliation with net financial debt and cash flow statement').

iii. Other current financial assets

Disclosure

	at 31 December		
	2022	2021 Restated	2020 Restated
	€ million	€ million	€ million
Valuation at fair value of forward contracts	1.8	0.7	0.3
Financial investments	328.0	283.1	-
Financial receivables from Terra Moretti (i.e. business disposal)	2.0	1.5	-
Other financial assets	0.9	0.4	221.0
Other current financial assets	**332.7**	**285.7**	**221.3**

iv. Other non-current financial assets

Disclosure

	at 31 December 2022 € million	at 31 December 2021 € million
Non-current assets for hedging derivatives	41.5	-
Term deposit	4.8	4.2
Financial receivables from Terra Moretti (i.e., business disposal)(1)	1.0	1.5
Other non-current financial assets	3.1	-
Non-current financial assets	**50.4**	**5.7**

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

Non-current assets for hedging derivatives of €41.5 million referred to pre-hedge derivatives associated with bond and loans. At 31 December 2022, term deposits of €3.4 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.

v. Non-current financial debt

Disclosure

	At 31 December	
	2022 € million	2021 Restated € million
Bond issued in 2017	150.0	150.0
Bond issued in 2019	149.8	149.7
Bond issued in 2020	866.6	861.1
Non-current bonds	**1,166.4**	**1,160.7**
Liabilities and loans due to banks	1,361.2	585.6
Lease payables	65.1	70.4
Non-current liabilities for hedging derivatives	-	0.7
Liabilities for put option and earn-out payments	236.3	50.4
Other non-current financial liabilities	302.9	120.9
Non-current financial liabilities	**1,965.5**	**828.0**
Total non-current financial debt	**3,131.9**	**1,988.7**

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 2022, the Bonds item included the following issues:

	at 31 December 2022			
	Issuer	nominal value € million	maturity	coupon rate fixed
Bond issued in 2017	Davide Campari-Milano N.V.	150.0	05/04/2024	2.165%
Bond issued in 2019	Davide Campari-Milano N.V.	150.0	30/04/2024	1.655%
Bond issued in 2020	Davide Campari-Milano N.V.	550.0	06/10/2027	1.250%
Bond issued in 2020	Lagfin S.C.A.	330.0	02/07/2025	2.000%

– Liabilities and loans due to banks

The increase compared to last year was mainly explained by the subscription of a new loan agreement in October 2022, which incorporates sustainability commitment linked to the responsible use of resources and reduction of the environmental impact of the Group's production activities. The loan duration is 3 years for a nominal amount of €50.0 million. Furthermore, in November 2022, leveraging on the excellent economic and financial profile, the Group decided to maximise the fundraising at favourable conditions as well as to complete the Wilderness Trail Distillery, LLC acquisition by entering into a variable-rate loan for a nominal amount of US$420.0 million (€393.8 at the exchange rate of 31 December 2022), with an amortization plan and a final maturity date on 6 December 2027

– Liabilities for put options and earn-out

€ million at 31 December 2021	total **50.4**	*variation impacting profit or loss*	*variation impacting Group net equity or investment value*
increases	20.8	-	*20.8*
perimeter effect	171.0		*171.0*
remeasurement	(6.6)	-	*(6.6)*
exchange rate differences and other changes	0.6		*0.6*
at 31 December 2022	**236.3**		
of which measured at fair value	*236.3*		
of which measured at amortized cost	*-*		

€ million at 31 December 2020	total **99.8**	*variation impacting profit or loss*	*variation impacting Group net equity or investment value*
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	*-*		

The significant movement reported during 2022 was mainly driven by the estimated liability for the put option of the remaining 30% shareholding of Wilderness Trail Distillery, LLC in the amount of €171.0 million, as well as the new commitment to purchase the remaining minority interests of Trans Beverage Company Ltd. for €20.8 million based on updated put and call arrangement agreed during the year.

At 31 December 2022, the long-term portion included:
- the estimated payable for put options linked to Wilderness Trail Distillery, LLC commented above,
– - the estimated payable for put options and earn-out linked to Ancho Reyes and Montelobos totalling €40.5 million and payable starting from 2024, whose variation for a decrease amount of €3.6 million were depending on the exchange rate and remeasurement effects,
- the estimated payable for put options and earn-out related to the Lallier acquisition totalling €3.9 million payable starting from 2023, which was subject to a remeasurement effects leading to a decrease of €2.3 million.

vi. Current financial debt

Disclosure

	at 31 December	
	2022 € million	2021 Restated € million
Bond issued in 2017	-	50.0
Accrued interest on bonds	5.7	6.3
Loans due to banks	298.4	358.0
Lease payables	14.4	13.5
Liabilities for put option and earn-out payments	3.4	48.2
Liabilities on hedging contracts	-	0.8
Current liabilities for hedge derivatives, not reported using hedge accounting procedures	-	0.2
Other financial liabilities	113.0	231.7
Current financial debt	**434.9**	**708.7**

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

– Bonds

In April 2022, the bond issued in 2017 with a nominal value of €50.0 million and a fixed annual coupon of 1.768% matured and was paid out.

– Liabilities and loans due to banks

At 31 December 2022, loans due to banks reported a decrease of €59.6 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.

– Liabilities for put options and earn-out payments

€ million at 31 December 2021	total **48.2**	*variation impacting profit or loss*	*variation impacting Group net equity or investment value*
payments	(45.0)	-	-
reclassification from non-current liability		-	-
exchange rate differences and other changes	0.2	*(0.1)*	*0.3*
at 31 December 2022	**3.4**		
of which measured at fair value	*-*		
of which measured at amortized cost	*3.4*		

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*		

At 31 December 2022, the short-term portion of the item included a liability of €3.4 million for the purchase of the residual non-controlling shares in J.Wray&Nephew Ltd., secured by restricted cash and cash equivalents.
The decrease reported during 2022 was related to the final payment of €44.5 million 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 the remaining shares held.

The Company, among other things, aims to ensure that it meets financial covenants attached to the Bond notes and similar instruments. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

vii. Lease components in the statement of financial position

Accounting policy

The Group has various agreements in place for the use of offices, vehicles, machinery, shops and other minor assets belonging to third parties. Each agreement is subject to a detailed analysis to define if a right-of-use/financial liability has to be recognized or not. 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.

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.

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 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.

The discount rate used to measure the financial liability is the incremental borrowing rate (IBR) when the implicit interest rate in the lease agreement cannot be easily 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 and the most important elements considered in adjusting the rate are the credit-risk spread of each country observable on the market and the different durations of the lease agreements.

The term of the lease is calculated considering the non-cancellable period of the lease together with a) the periods covered by an option to extend the agreement, if it is reasonably certain that it will be exercised, or b) 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 any exercising of such options to extend or to terminate the agreements will take place, considering all the relevant factors that create a financial incentive for such decisions.

Disclosure

Changes in the lease payables in 2022 and 2021 are provided in the tables below.

lease payables	at 31 December 2021	addition	payments	interest expenses	reclassification	exchange rate differences and other changes	at 31 December 2022
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Within 12 months	(13.5)		18.1	-	(18.8)	(0.2)	(14.4)
Over 12 months	(70.4)	(9.6)		(2.9)	18.8	(0.9)	(65.1)
Total lease payables	**(83.9)**	**(9.6)**	**18.1**	**(2.9)**	**-**	**(1.1)**	**(79.5)**

lease payables	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)**

The IBRs applied in 2022 and 2021 were as follows.

applied IBRs for the year ended 31 December 2022 Currency	within 5 years	from 5 to 10 years	over 10 years
EUR	4.7%	4.8%	4.2%
US$	6.0%	5.8%	5.3%
GBP	5.9%	5.5%	4.9%

applied IBRs 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%
US$	2.4%	2.7%	2.6%
GBP	2.4%	2.3%	2.0%

The increase in IBR is connected with the macro-economic scenario.

The amounts recognised in the cash flow statement were as follows.

	for the years ending	
€ million	2022	2021
Total cash outflow for leases	(15.1)	(15.8)
Total cash outflow for interests	(2.9)	(3.0)
Total cash outflow for lease	**(18.1)**	**(18.8)**

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

€ million	within 12 months	over 12	total
Buildings	(9.5)	(55.5)	(64.9)
Vehicles	(3.2)	(5.0)	(8.3)
Machinery	(0.9)	(3.8)	(4.7)
Other	(0.8)	(0.6)	(1.4)
Land	-	(0.2)	(0.2)
Total financial liabilities for leases as of 31 December 2022	**(14.4)**	**(65.1)**	**(79.5)**
Total financial assets for leases as of 31 December 2022	-	-	-
Total financial assets and liabilities (net value) as of 31 December 2022	**(14.4)**	**(65.1)**	**(79.5)**

€ 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)**

viii. Reconciliation with net financial debt and cash flow statement Disclosure

	at 31 December	
	2022 € million	2021 Restated € million
Cash and cash equivalents	747.4	910.7
Cash (A)	**747.4**	**910.7**
Securities	14.2	13.2
Other current financial assets	318.5	272.5
Current financial receivables (B)	**332.7**	**285.7**
Loans due to banks current	(298.4)	(358.0)
Current portion of lease payables	(14.4)	(13.5)
Current portion of bonds	-	(50.0)
Current portion of payables for put option and earn-out	(3.4)	(48.2)
Other current financial liabilities	(95.2)	(170.0)
Current financial payables (C)	**(411.4)**	**(639.7)**
Net current financial debt (A+B+C)	**668.7**	**556.7**
Loans due to banks non-current (1)	(1,361.2)	(584.9)
Non-current portion of lease payables	(65.1)	(70.4)
Non-current portion of bonds	(1,166.4)	(1,160.7)
Non-current portion of payables for put option and earn-out	(236.3)	(50.4)
Other non current financial liabilities	(1.6)	(0.8)
Non-current financial debt (D)	**(2,830.5)**	**(1,867.2)**
Net debt (A+B+C+D) (2)	**(2,161.8)**	**(1,310.5)**
Reconciliation with the Group's net financial debt as shown in the Management board report:		
Non-current financial assets for hedging derivatives	41.5	-
Term deposits	4.8	4.2
Non-current financial receivables	1.0	1.5
Other non-current financial assets	3.1	-
Group net financial debt	**(2,111.4)**	**(1,304.9)**

8. Risk management and capital structure

This section details accounting policies for shareholders' equity, share-based payments, basic and diluted earnings per share. Judgements and estimates are stated with regard to compensation plans. This section details also 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.

i. Capital management

Disclosure

With regard to capital management, the Group 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 the Group 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 7 viii-'Reconciliation with net financial debt and cash flow statement') is the value of the Group's net financial debt at 31 December 2022, whereas the EBITDA-adjusted relates to the Operating result excluding depreciation and amortization and other operating income (expenses) (refer to note 4 vi- 'Selling, general and administrative expenses and Other operating income and expenses' and 4 viii-'Depreciation and amortisation'). At 31 December 2022, this multiple was 2.4 times, compared with 1.6 times at 31 December 2021, based on consistent calculation criteria. The pro-forma index adjusted to take into account the annual effect on EBITDA of the business sale and acquisition of the last 12 months, with particular reference to the recent acquisitions for the year 2022, and therefore considered more consistent in comparative terms with the previous year, is equal to 2.2 times. The worsening of the ratio was mainly driven by the improved EBITDA-adjusted more than offset by the slight increase of the net financial debt.

ii. 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

– <u>Credit risk</u>

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.

– <u>Liquidity risk</u>

The Group's ability to generate substantial cash flow through its operations minimises liquidity risk. This risk is defined as the difficulty in raising funds to cover the Group's financial obligations payment.
The table below summarises financial liabilities at 31 December 2022 by maturity, based on contractual repayment obligations, including non-discounted interest.

at 31 December 2022	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	-	283.2	312.6	570.6	-	1,166.4
Loans due to banks	-	806.4	307.0	546.0	0.2	1,659.6
Leases	-	14.4	65.1	-	-	79.5
Payables for put option and earn-out	-	3.4	-	-	-	3.4
Other financial liabilities	-	415.9	-	-	-	415.9
Trade payables	45.9	492.3	4.4	-	-	542.6

Provision for risk and changes	-	10.0	4.0	8.0	22.0	44.0
Other non-financial liabilities	24.4	339.1	-	-	-	363.5
Total liabilities	**70.3**	**2,364.7**	**693.1**	**1,124.6**	**22.2**	**4,274.9**

The Group's financial payables, except non-current payables with a fixed maturity, consist of short-term bank debt. Thanks to its liquidity and satisfactory 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 for a total of €765.5 million, of which €72.3 million were drawn down at the end of the year.

– Interest rate risk

A breakdown of the effective interest rate, taking all the cost components of the amortised costs into account, divided by type of financial liability is as follows.

				at 31 December	
	nominal interest rate nominal interest rate	effective e interest rate effective interest rate[1]	maturity € million	2022 € million	2021 € million
Loans due to banks	fixed rate 1,183% + variable rate[2][3]	3.965%	2024	1,659.6	943.6
Davide Campari-Milano N.V. bond issues:					
- issued in 2017	fixed rate 1.768%	1.768%	2022	-	50.0
- issued in 2017	fixed rate 2.165%	2.165%	2024	150.0	150.0
- issued in 2019	fixed rate 1,655%	1.752%	2024	149.8	149.7
- issued in 2020	fixed rate 1,250%	1.410%	2027	546.5	545.9
Leases	incremental borrowing rate	incremental borrowing rate	2023-2028	79.5	83.9
Lagfin S.C.A bond issue in 2020	Interest borrowing rate	Interest borrowing rate	2022-2027	320.1	315.2

(1) Calculated on any difference included in the amortised cost accounting.
(2) The figure shown relates to the applied rate and maturity of the loans due to banks by Davide Campari Milano N.V. and Campari America, 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. Overall, at 31 December 2022, 70% (92% 2021) of the Group's total financial debt was fixed-rate debt.

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.
With regard to 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 2022	increase/decrease in interest rates in basis point	increase in interest rates € million	decrease in interest rates € million
€	+/- 5 basis points	(0.6)	0.6
Dollar	+30/-10 basis points	0.3	(1.2)
Other currencies		2.5	(3.3)
Total effect		**2.2**	**(4.0)**
at 31 December 2021			
€	+/- 5 basis points	(0.7)	0.7
Dollar	+30/-10 basis points	1.1	(0.5)
Other currencies		1.8	(2.3)
Total effect		**2.3**	**(2.1)**

– Exchange rate risk

The Group develops its business activities globally, and sales in non-€ markets are progressively increasing. However, the establishment of Group companies in countries including the United States, Brazil, Australia, Argentina 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 € 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 2022	increase/decrease in currency rates in %	increase in exchange rates € million	decrease in exchange rates € million
Dollar	+8%/-11%	2.9	(1.8)
Other currencies		0.1	(0.1)
Total effect		**3.1**	**(1.9)**
at 31 December 2021			
Dollar	+10%/-1%	0.3	(2.4)
Other currencies		0.3	(2.8)
Total effect		**0.7**	**(5.2)**

– Market and price risk

Market risk consists of the possibility that changes in exchange rates, interest rates or the prices of raw materials or commodities (alcohol, aromatic herbs, sugar, cereals and agave) could negatively affect the value of assets, liabilities or expected cash flows.

The price of raw materials depends on a wide variety of factors, which are difficult to forecast and are largely beyond the Group's control. 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 are related to natural growing processes.

The Group has a substantial inventory of aged product categories, such as Bourbon whisky, Scotch whisky, Canadian whisky, rum, cognac and tequila, which mature over lengthy periods. While the maturing inventory is stored at numerous locations around the world, the loss as a result of contamination, fire, or other natural disaster or destruction resulting from negligence or the acts of third parties or otherwise of all or a portion of the inventory of any one of those aged product categories may not be replaceable and, consequently, may lead to a substantial decrease in the supply of those products. Additionally, the judgmental nature of determining how much of the Group's aged products to lay down in any given year for future consumption involves an inherent risk of forecasting error. Finally, price is another critical element, as the recoverability of the cost incurred in the maturing process is subject to the Group's ability to select an adequate range of premium products capable of satisfying the needs of demanding customers while the loss of sales and market shares or lead to future excess inventory and decreased profit margin. The Group regularly reviews its marketing and production strategy to mitigate those risks enabling long-term forecasting analytical tools.

iii. Debt management

The Group's debt management objectives are based on its ability to ensure that it retains an optimal level of financial soundness, while maintaining an appropriate level of liquidity that enables it to secure an economic return and, at the same time, access external sources of funding. The Group monitors changes to its net debt/EBITDA-adjusted ratio on an ongoing basis as commented in the above note 8 i -'Capital management'.

iv. 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 2022, 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.

– Shareholders' equity attributable to non-controlling interest

The non-controlling interest, equal to € 1,272.1 million (€ 1,064.20 million at 31 December 2021) 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 2021 Restated € million	Dividend distribution € million	Change in ownership interests € million	DCM N.V. shares purchase € million	Treasury shares transactions € million	Total other comprehensive income € million	Net result € million	**At 31 December 2022 € million**
Davide Campari-Milano N.V. Group	1,061.2	(30.1)	(5.6)	(21.4)	(44.5)	167.5	143.6	**1,270.7**
Bellonnie et Bourdillon	1.6	-	-	-	-	-	(0.3)	**1.4**
Trans Beverages	1.4	-	-	-	-	(2.5)	1.1	**-**
Non-controlling interests	**1,064.2**	**(30.1)**	**(5.6)**	**(21.4)**	**(44.5)**	**165.0**	**144.4**	**1,272.1**

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

– 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 2022 and 2021.

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

	at 31 December			
	2022		2021	
	shareholders' equity € million	result of the period € million	shareholders' equity € million	result of the period € million
Figures from the annual financial statements of Lagfin	**1,492.2**	**147.8**	**1,419.0**	**90.1**
- Difference between carrying value and pro-rata value of shareholders' equity of equity investments	(368.9)	-	(353.5)	-
- Pro-rata results of subsidiaries	-	179.9	-	155.7
- Elimination of intra-group operations	18.2	(172.5)	16.6	(150.9)
- Allocation of consolidation difference and reversal of merger difference	171.2	-	170.7	-
Figures from the consolidated financial statements (figures attributable to the Group)	**1,312.6**	**155.2**	**1,252.8**	**95.0**
Shareholders' equity and net profit attributable to non-controlling interests	1,272.1	144.4	1,064.2	125.6
Group's equity and net profit	**2,584.7**	**299.6**	**2,317.0**	**220.6**

v. Share-based payments

Accounting policy

– Compensation plans in the form of stock options

The Group has multiple incentive plans in place, including benefits in 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 in the subsidiary Davide-Campari, 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 the subsidiary 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 the subsidiary 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 fair value of stock options is represented by the value of the option calculated by applying the Black-Scholes model and the grant date starts once the options are assigned. 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.

Disclosure
On 12 April 2022, the Annual General Meeting approved a new stock option plan which foresees the granting of stock options to directors of the Board and the Company's management, granting the relevant bodies the authorization to implement the plan by 30 June 2023. Options were granted on 12 April 2022 to individual beneficiaries, giving the right to exercise the plan within two years of the end of the fifth year from the grant date. The total number of options granted in 2022 for the purchase of further shares was 8,725,347 (645,795 in 2021), with an average grant price of €10.29 (€9.91 in 2021), 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 2022		at 31 December 2021	
	no. of shares	average allocation/exercise price (€)	no. of shares	average allocation/exercise price (€)
Options outstanding at the beginning of the period	33,491,265	5.59	52,541,307	4.83
Options granted during the period	8,725,347	10.29	645,795	9.91
(Options cancelled during the period)	(1,336,625)	6.76	(671,291)	6.34
(Options exercised during the period)[1]	(1,844,088)	3.67	(19,009,546)	3.60
(Options expired during the period)	(65,680)	-	(15,000)	-
Options outstanding at the end of the period	38,970,219	6.70	33,491,265	5.59
of which exercisable at the end of the period	8,980,965	3.82	10,092,564	3.59

[1] The average market price on the exercise date was €10.07.

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

	average exercise price
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
Allocations: 2022	**10.29**

The following assumptions were used for the fair value measurement of options issued in 2022 and 2021.

Black-Scholes model parameters	2022	2021
Expected dividends (€)	0.060	0.055
Expected volatility (%)	25.92%	20.89%
Historic volatility (%)	23.90%	20.89%
Market interest rate	1.354%	-0.124%
Expected option life (years)	7	7
Exercise price (€)	10.29	9.91

The average fair value of options granted in 2022 was €3.06 (€1.99 in 2021). The average remaining life of outstanding options at 31 December 2022 was 3.5 years (3.3 years at 31 December 2021).

- **Accounting policy**
- **Share-based payments in the form of 'Employees Share Ownership Plan', 'Extra-Mile Bonus Plan ('EMB') and Mid-Term Incentive plan ('MTI')**

The Shareholders' meeting of 8 April 2021 approved the resolution for the implementation of the Employee Share Ownership Plan ('ESOP'). ESOP is a share matching plans offering employees the opportunity to invest in the ssubsidiary Davide Campari-Milano N.V. shares. 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, which will be used to purchase shares of the ssubsidiary 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. 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 profit or loss 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 ssubsidiary Davide Campari-Milano N.V. shares. Any cumulative changes in fair value are recognised in the profit or loss in the remeasurement period to align the liability with the 'pro-rata' value of the expected bonus payment pay-out.

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 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.

On 12 April 2022, the Annual General Meeting approved a Mid-Term Incentive plan ('MTI') based on Campari shares and aimed at rewarding Camparistas for their active participation in the Group performance and fostering their retention. Eligible Camparistas will be granted a right to receive a number of Campari shares for free, subject to their uninterrupted employment over a three-year vesting period from the grant date. The number of award rights to be granted to each beneficiary will be calculated based on the beneficiary's annual base gross salary as of 31 December preceding the grant date.

Disclosure
With respect to ESOP, this initiative started having an impact on the Group's accounts from the first quarter of 2022 and the accounting treatment followed the one applied for benefits granted in the form of stock option plans. With respect to EMB, the initiative started having an impact on the Group's accounts from the third quarter of 2021, while the MTI initiative started having an impact on the Group's accounts from first half of 2022.

The table below shows the changes in share-based rights during 2022, compared with 2021.

	at 31 December	
n. of rights	2022	2021
outstanding rights at the beginning of the year	1,129,949	-
assigned during the period	2,726,391	1,182,408
cancelled during the period	(213,949)	(46,551)
exercised during the period	(35,480)	(5,908)
expired during the period	-	-
outstanding rights at the end of the year	3,606,911	1,129,949

If a share-based scheme is not permitted or is not effective based on specific national legislation, a phantom stock option plan is awarded, resulting in a liability. The latter, recorded under the item personnel long-term liabilities, was negligible at 31 December 2022.

vi. Other comprehensive income

The changes during the year and the related tax effect on other comprehensive income items for the years ended 31 December 2022 and 2021 were as follows.

	for the years ending	
	2022 € million	2021 € million
Cash flow hedge:		
Profit (loss) for the period	4.5	4.3
Profit (losses) classified to other comprehensive income	41.8	1.6
Related Income tax effect	(11.1)	(1.4)
Total cash flow hedge	**35.2**	**4.5**
Foreign currency translation:		
Hyperinflation effects	14.9	8.0
Exchange differences on translation of foreign operations	100.7	131.2
Total foreign currency translation	**115.6**	**139.2**
Remeasurements of defined benefit plans:		
Gains/(losses) on remeasurement of defined benefit plans	5.2	1.7
Related Income tax effect	(1.2)	(0.4)
Total remeasurements of defined benefit plans	**4.0**	**1.3**

vii. 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 2022 and 2021.

9. Other disclosures

This section details accounting policies for provisions for risks, future charges and contingent assets and liabilities, fair value information on assets and liabilities, defined benefit and contribution plans. Judgements and estimates are stated with regard to contingent assets and liabilities and provisions.

Moreover, this section discloses additional information which management considers being relevant for stakeholders.

i. Provisions for risks, charges and contingent assets and liabilities

Accounting policy

Provisions arising from legal or constructive obligations resulting from past events are reliably estimated and reviewed periodically to reflect changes in circumstances, 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.

Dedicated restructuring provisions are only reported 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.
For detailed information on the accounting policy related to tax provisions, please refer to note 4 xiii.- ‘taxation’.

The Group may be involved in legal proceedings in respect of which it is not possible to make a reliable estimate of any expected settlement. Such cases are reported as contingent liabilities with a specific disclosure made available for information purposes.

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.

Disclosure

Provision for risks and charges

	tax provision € million	restructuring provisions € million	agent severance fund € million	other € million	total € million
at 31 December 2021	**5.5**	**8.0**	**1.3**	**19.6**	**34.4**
Change resulting from provisional allocation of acquisition value	-	-	-	-	-
at 31 December 2021 post-reclassifications‘1’	**5.5**	**8.0**	**1.3**	**19.6**	**34.4**
Perimeter effect for acquisition	-	-	-	-	-
Accruals	5.1	0.6	(0.1)	46.8	52.4
Utilizations	-	(0.2)	(0.2)	(0.9)	(1.3)
Releases	-	(1.0)	-	(1.3)	(2.3)
Reclassification	(4.9)	-	-	(0.1)	(5.0)
Exchange rate differences and other changes	(0.1)	0.4	-	1.1	1.3
at 31 December 2022	**5.5**	**7.8**	**1.0**	**65.2**	**79.6**
Of which:					
- due within 12 months	0.3	4.6	-	18.6	23.5
- due after 12 months	5.3	3.2	1.0	46.6	56.1

changes in provision for risks and charges	tax provision € million	restructuring provisions € million	agent severance fund € million	other € million	total € 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.

The restructuring provision includes some tail-end effects coming from the restructuring programme of the agricultural sugar business launched previous 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 €10.1 million over a distribution agreement and some customers suit in France and Mexico totalling €4.8 million and provision referred to the offset of cumulated losses generated by the Japan joint venture for €4.2 million.

During 2022 the Parent Company accrued € 44 million for a dispute. For further details please see note 10 “Subsequent events”.

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 (€1.2 million at the exchange rate on 31 December 2022) including the related penalties corresponding to production tax (IPI) remains ongoing. The tax authorities contested the correct classification of products sold by Campari do Brazil 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 company subsidiary Campari do Brazil Ltda. to four customers in 2000, 2005, 2007 and 2008. The amount specified, including penalties, totalled BRL69 million (€12.2 million at the exchange rate on 31 December 2022) 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.

ii. 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 €390.9 million (€242.3 million at 31 December 2021). These mainly included commitments for the purchase of raw materials, semi-finished goods totalling €166.1 million (€67.4 million at 31 December 2021); the purchase of packaging and pallets, amounting to €87.3 million (€50.9 million at 31 December 2021); initiatives to enhance and outsource selected Group information technology services totalling €45.1 million (€29.8 million in 2021); the purchase of advertising and promotional services and sponsorships totalled €24.0 million (€23.3 million at 31 December 2021) as well as for general and maintenance services for €50.1 million (€58.1 million in 2021).
- Existing contractual commitments for purchasing of property, plant and equipment, and intangible assets totalling €26.1 million (€5.8 million at 31 December 2021). The increase compared to 2021, mainly relates to tangible assets.
- 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 2022, 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 €11.7 million (€32.6 million at 31 December 2022). The change in the period was connected to the definition of a portion of the commitment following the purchase of the remaining shares in Tannico by Dioniso joint-venture (for more information, see the section ‘Significant events of the year’ in the management board report).
- Other guarantees. The Group has provided other forms of security in favour of third parties, totalling €269.7 million at 31 December 2022 (€269.0 million at 31 December 2021). These mainly include securities to Group companies for credit lines totalling €593.9 million (€147.3 million at 31 December 2021) and customs guarantees for excise duties totalling €63.3 million (€58.3 million at 31 December 2021).
- 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 2022 they mainly related to warehouses for storing goods and maturing stock as well as information technology, vehicles and buildings. The increase compared to 2021 mainly refer to the subscription of new contracts to secure additional warehouse space for maturing inventories in line with the Group strategy, as well as new contracts for land and buildings.
- The total uncalled capital commitments on investments in private equity holdings amounts to € 34.5 million (2021: € 21.6 million) and commitments on bank loans approved and not used as at year end amounts to € 29,4 million.

- In 2019 and 2020 the Group purchased real estate properties under construction in Monaco, for a total consideration of € 247.0 million of which € 102,45 million have already been paid. The entire price will be paid in the next years following the progress of works.
- During 2022 the Group has provided unsecured guarantees for a total amount of £ 7.7 million on behalf of related parties. No liability is expected to arise.
- The Group signed guarantees for a total consideration of € 3 million issued by an Italian bank in favour of the Financial Administration (Agenzia delle Entrate) against surplus VAT credits offset under the group VAT scheme. The deadline is September 2023 for € 0.5 million and December 2025 for € 2.5 million.

	at 31 December	
	2022 € million	2021 € million
Within 1 year	13.7	9.9
1-5 years	13.2	6.9
After 5 years	13.8	15.5
Total	**40.6**	**32.4**

iii. Fair value information on assets and liabilities

Accounting policy

Fair value on financial assets and liabilities

For fair value information on financial assets and liabilities, please refer to note 6 i.-'Financial instruments'.

Fair value on biological assets

The Group's biological assets include grapes for champagne production, sugar cane plantations for rum production and agave for tequila/mezcal production, which are used as raw materials for the production of those 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.

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.

Fair value measurement of current biological assets in inventory (agricultural produce: agave, grapes and sugar) is determined based on the sale price net of estimated sales costs, if available, or having as the 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.

Disclosure
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.

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 2022.

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

	carrying amount at 31 December		fair value at 31 December 2022	
	2022	2021	2022	2021
	€ million	€ million	€ million	€ million
Cash and cash equivalents	747.4	910.7	747.4	910.7
Current financial receivables	330.9	284.9	330.9	284.9
Current assets for hedging derivatives	1.8	0.7	1.8	0.7
Current assets for hedge derivatives, not in hedge accounting	-	0.1	-	0.1
Non-current assets for hedging derivatives	41.5	-	41.5	-
Other non-current financial assets	8.9	5.7	8.9	5.7
Financial assets	**1,130.5**	**1,202.1**	**1,130.5**	**1,202.1**
Loans due to banks	1,659.6	942.9	1,659.6	958.3
Lease payables	79.5	83.9	79.5	83.9
Bonds issued in 2017	150.0	200.0	150.0	204.6
Bonds issued in 2019	149.8	149.7	149.8	151.7
Bonds issued in 2020	866.6	861.1	866.6	869.4
Accrued interest on bonds	5.7	6.3	5.7	6.3
Other current and non-current financial liabilities	91.0	162.6	91.0	162.6
Current liabilities for hedging derivatives	-	0.8	-	0.8
Non-current liabilities for hedging derivatives	-	0.7	-	-
Current liabilities for hedge derivatives, not in hedge accounting	-	0.2	-	0.2
Liabilities for put option and earn-out payments	239.7	98.7	239.7	98.7
Financial liabilities	**3,241.9**	**2,506.9**	**3,241.9**	**2,536.5**
Financial guarantees	11.7	32.6	11.7	32.6
Securities to group companies for credit lines	593.9	147.3	593.9	147.3
Customs guarantees for excise duties	63.3	105.4	63.3	105.4
Other guarantees	6.3	16.3	6.3	16.3
Unrecognised financial instruments (commitments)	**675.3**	**301.7**	**675.3**	**301.7**

consideration was determined as a condition subordinated to the company's performance acquired, based on contractually agreed indicators.

31 December 2022	level 1	level 2	level 3

	€ million	€ million	€ million
Assets valued at fair value			
Current financial receivables	16.2	-	-
Other non-current financial assets	50.4	-	-
Other non-current assets	-	-	18.8
Current assets for hedging derivatives	-	1.7	-
Non-current asset for hedging derivatives[1]	-	41.5	-
Liabilities valued at fair value			
Liabilities for put option and earn-out payments	-	-	236.3
Derivatives	-	61.3	-

[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 2022 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 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 (US$, 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 or 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 option – expected contractually target business performances measured over a period of 5 years from the acquisition date; – risk-adjusted discount rate: 3.2%. Lallier group option – expected contractually target business performances measured over a period of 3 years from the acquisition date; – risk-adjusted discount rate: 3.2%. Wilderness Trail Distillery option –expected contractually target business performances measured over a period of 9 years from the acquisition date; – risk-adjusted discount rate: 3.2%. Trans Beverage Company Ltd. – expected contractually target business performances measured over a period of 6 years from the acquisition date; – risk-adjusted discount rate: 3.2%.	The estimated fair value would increase (decrease) if: – 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 Group Net Equity.
Derivatives resulting from put/call agreement connected with equity investments, associates and joint-ventures	The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.	Monkey Spirits, LLC – expected contractually target business performances measured over a period of 3 years from the acquisition date; – risk-adjusted discount rate: 3.2%. Thirsty Camel Ltd. – expected contractually target business performances	The estimated fair value would increase (decrease) if:

type	valuation technique	Significant unobservable inputs	inter-relationship between significant unobservable inputs and fair value measurement
		measured over a period of 2 years from the acquisition date; – risk-adjusted discount rate: 3.2%. CT Spirits Japan Ltd. – expected contractually target business performances measured over a period of 3 years from the acquisition date; – risk-adjusted discount rate: 3.2%. Spiritus Co Ltd. – expected contractually target business performances measured over a period of 3 years from the acquisition date; – risk-adjusted discount rate 3.2%.	– 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 Group Net Equity.

There were no transfers between fair value measurement levels during the period.

The following table shows a reconciliation from the opening balance to the closing balance of the periods for level 3 fair values.

€ million	other non-current assets	contingent considerations
level 3 fair values at 31 December 2021	**0.8**	**50.4**
-change in fair value included in profit or loss	(0.2)	-
-change in fair value included in Net Equity[(1)]	-	(6.6)
-additions	19.1	191.8
-exchange rate effect and other movements	(1.0)	0.6
level 3 fair values at 31 December 2022	**18.8**	**236.3**

[(1)] (Note 10 iii-'Shareholder's equity')

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. The baseline is the contingent consideration recorded as put option liability in the consolidated financial statements at 31 December.

at 31 December 2022 € million	profit or loss (+) increase/(-) decrease	group net equity (+) increase/(-) decrease
contingent consideration		
risk adjusted discount rate +/-1% (+/-100 basis points)	-	0.9/-0.9
expected contractually target business performances +/-10% (+/-1000 basis points)	-	-20.0/+40.0

In light of the negligible amount of other non-current assets classified as level 3 fair value items (namely related to equity interests in third party investments), 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.

Financial derivatives

A summary of financial derivatives implemented by the Group at 31 December 2022, broken down by hedging strategy, is shown below.

(i) Derivatives used for fair value hedging

– At 31 December 2022, 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 €1.3 million, while liabilities were negligible (€0.5 million of assets and €1.4 million of liabilities in 2021).

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	
	2022 € million	2021 € 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	(1.4)	(0.6)
Total gains (losses) on hedging items	**(1.4)**	**-**

(ii) 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 € 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 €41.7 million and €4.5 million in profit or loss related to the reversal of cash flow reserve associated with the pre-hedge derivative (€1.6 million and €4.3 million respectively in 2021).
- At the reporting date, the valuation of these contracts gave rise to the reporting of assets of €41.9 million (€0.1 million of assets and €0.1 million of liabilities in 2021), of which €41.5 million was associated with bond and loans.

The table below shows when the aforementioned hedged cash flows are expected to be received (paid), at 31 December 2022. 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 2022	within one year € million	1-5 years € million	total € million
Cash inflows	15.2	30.6	45.8
Net cash flows	**15.2**	**30.6**	**45.8**

for the year ended 31 December 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**

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 2021	(10.4)	2.4	(7.9)
profit or loss impact	4.5	(1.1)	3.4
net equity impact	41.8	(10.0)	31.8
at 31 December 2022	**35.9**	**(8.6)**	**27.3**

	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)**

(iii) Hedging derivatives not reported using hedge accounting

These instruments are mainly related to hedges of future purchases in currencies other than the €. At 31 December 2022 negligible amounts were reported for both financial liabilities and assets (€0.2 million and €0.1 million respectively at 31 December 2021).

<u>IBOR reform</u>

With respect to the amendments to IFRS connected to the 'Interest Rate Benchmark Reform' phase 2, the impact on the Group is negligible at 31 December 2022. US Dollar Libor replacement, that will not have a relevant impact for the Group either, will be effective from 30 of June 2023.

b) Non-financial instruments

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

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.

31 December 2022	level 1 € million	level 2 € million	level 3 € million
Assets valued at fair value			
Biological assets	-	-	7.1

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

The following tables show the valuation techniques used in measuring level 2 and level 3 fair values at 31 December 2022 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 2021 for sugar cane and grapes, was used in the production process during the year 2022 and the value reported in the Group statement of the financial position at 31 December 2022 represented the new value of agricultural products that are growing on the plants.

The following table shows a reconciliation from the opening and the closing balance for level 3 fair values as of 31 December 2022 and 2021 respectively.
In 2022, the change in fair value indicated referred to the harvests of agave and sugar cane carried out during the year.

€ million	biological assets in inventory[1]
at 31 December 2021	**3.7**
harvest and reclassification to raw materials	(0.1)
accretion	0.8
change in fair value included in profit or loss (cost of goods sold)	2.2
exchange rate differences	0.4
at 31 December 2022	**7.1**

[1] Please refer to note 5 iii-'Inventories and biological assets.

€ million	biological assets in inventory)
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**

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 other variables constant, would not have generated significant effects either on the statement of profit or loss or on the inventory item.

iv. Defined benefit and contribution plans

Accounting policy
– 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.
1. 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 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, while the service costs are posted under the reporting line of cost of sales and selling, general and administrative expenses.
2. Defined contribution plans
Based on legal or contractual obligations, or on a voluntary basis, the Group fulfils post-employment employees obligations by paying contributions to a separate entity (publicly or privately administered pension funds), without making any actuarial calculation. At the end of the financial year, any liabilities for contributions to be paid are included in 'Other current liabilities', while the cost for the period is recognised under the reporting line of cost of sales and selling, general and administrative expenses.

Disclosure
Regarding 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 SAS. Campari Deutschland GmbH and Campari Schweiz A.G. have some funded defined benefit plans in place for employees and/or former employees. These plans have dedicated assets.
The liability for medical insurance in place at 31 December 2022 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 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 2022 and 2021.

€ million	liabilities	assets
Liabilities (assets) at 31 December 2021	**37.6**	**(4.2)**
Amounts included in profit or loss:		
- current service costs	0.9	-
- past service costs	0.6	-
- net interest	0.3	-
Total	**1.8**	**-**
Amounts included in the statement of other comprehensive income:		
- gain/(losses) resulting from changes in actuarial assumptions	(5.1)	(0.1)
- exchange rate differences	0.3	(0.1)
Total	**(4.8)**	**(0.2)**
Other changes:		
- benefits paid	(1.3)	0.8
- contribution to the plan by other members	0.3	(0.6)
- contributions to the plan by employees	(0.5)	(0.1)
- benefits transferred	(1.2)	-
Total	**(2.7)**	**-**
Liabilities (assets) at 31 December 2022[(1)]	**31.9**	**(4.4)**

[(1)] Of which €24.1 million included under Defined benefit plans (note 8 iv); of which €3.5 million included under Other non-current liabilities (note 6 v-'Non-current financial debt' of this group consolidated financial statements).

€ 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 Group consolidated financial statements).

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 categorized as 'other liabilities' linked to medical cover 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 2021	**28.9**	**3.3**	**5.4**	**(4.2)**	**1.2**
Amounts included in profit or loss:					-
- current service costs	0.4	0.2	0.2	-	0.2
- past service costs	0.6	-	-	-	-
- net interest	0.3	-	-	-	-
Total	**1.3**	**0.3**	**0.3**	**-**	**0.2**
Amounts included in the statement of other comprehensive income:					
- gain/(losses) resulting from changes in actuarial assumptions	(4.3)	(0.2)	(0.6)	(0.1)	(0.7)
- exchange rate differences	-	0.1	0.1	(0.1)	-
Total	**(4.3)**	**-**	**(0.5)**	**(0.2)**	**(0.7)**
Other changes:					
- benefits paid	(0.5)	-	(0.8)	0.8	-
- contribution to the plan by other members	-	-	0.3	(0.6)	(0.3)
- contributions to the plan by employees	(0.6)	-	0.1	(0.1)	-
- benefits transferred	(1.2)	-		-	-
Total	**(2.4)**	**-**	**(0.3)**	**-**	**(0.3)**
Liabilities (assets) at 31 December 2022	**23.6**	**3.5**	**4.8**	**(4.4)**	**0.4**

Of which €24.1 million included under Defined benefit plans (note 8 iv.); of which €3.5 million included under Other non-current liabilities (note 6 v-'Non-current financial debt' of this 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 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 (note 11 vii.); of which €3.3 million included under Other non-current liabilities (note 9 v-'Non-current financial debt' of this Group consolidated financial statements).

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	
	2022	2021
- equity investments	2.2	1.9
- insurance policies	2.2	2.3
Fair value of plan assets	**4.4**	**4.2**

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

at 31 December	2022	2021	2022	2021	2022	2021
	unfunded pension plans		funded pension plans		other plans	
Discount rate	3.10% - 3.74%	0.89% -0.90%	2.25%-4.00%	0.35%-0.97%	11.50%-12.00%	8.00%
Future salary increases	2.00% - 3.00%	2.00% - 3.00%	1.00%	0.00%-1.00%		
Future pension increases			2.00%-2.25%	0.00%-2.00%		
Growth rate of healthcare costs				0.00%	0.00%-7.00%	7.00%
Expected return on assets			3.94%	0.97%		
Staff turnover rate	0.00% - 35.29%	4.54%-8.00%				
Forecast inflation rate	1.65% - 3.00%	0.50%-1.00%	1.10%			

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 2022 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
2022									
Discount rate	+/-0.25%+/-0.5%	-3.14%/-1.06%	1.09%/3.35%	+/- 0.5%	-7.40%	8.50%	+/- 1.0%	-6.95%	8.21%
Future salary increases				+/- 0.5%	1.10%	-1.00%			
Future pension increases									
Forecast inflation rate	+\- 0.5%	0.43%/1.83%	-1.72%/-0.43%						
Staff turnover rate	+\- 0.5%	-2.28%/-0.33%	0.34%/2.89%						
Growth rate of healthcare costs							+/- 1.0%	8.21%	-6.92%
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%

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 2022	unfunded pension plans	funded pension plans	other plans
Within 12 months	16.6	16.0	0.4	0.2
From 1 to 5 years	4.6	2.2	1.8	0.6
From 5 to 10 years	9.8	5.0	3.7	1.1
Total	**30.9**	**23.2**	**5.8**	**1.9**
Average plan duration (years)	**7**	**9**	**9**	**5**

€ 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**

v. Related parties

Disclosure

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 amount for the various categories of transactions with related parties.

At 31 December 2022	Other financial liabilities € million	Other non-current liabilities € million
Shareholder loans	-	21.6

At 31 December 2021	Other financial liabilities € million	Other non current liabilities € million
Shareholder loans	-	39.1
Interests	0.8	-

In addition, transactions with related parties include the agreement with Lagfin S.C.A. and Davide Campari-Milano N.V., relating to the option, exercised jointly with the Campari Group's other Italian subsidiaries, to adopt the national tax consolidation scheme governed by articles 117 et seq. of the Consolidated Law on Corporate Income Tax (TUIR) for the period running from 2021 to 2023.
The Group has also joined the Campari Group VAT scheme pursuant to article 73, para. 3, of Presidential Decree (DPR) 633/72.
The receivables and payables arising as a result of the tax consolidation procedure are non-interest-bearing.
No other transactions have taken place with controlling entities, nor with their directly and/or indirectly-owned subsidiaries, other than with Group companies.

vi. Remuneration to the Parent Company's board of directors

Disclosure

The Directors of the Parent Company and of the subsidiary Davide Campari-Milano N.V., received an aggregate compensation for 2022 amounting to € 20.1 million. No loans were granted to the Directors and members of the Audit Committee.

vii. Employees

Disclosure

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	2022	2021
Production	1,726	1,560
Sales and distribution	1,672	1,539
General	781	756
Total	**4,179**	**3,855**
Category	2022	2021
Managers	691	620
Office staff	2,526	2,367
Technical workers	962	868
Total	**4,179**	**3,855**
Region	2022	2021
Italy	990	879
Abroad	3,189	2,976
Total	**4,179**	**3,855**

At 31 December 2022, the average number of employees (excluding employees of joint arrangements, associates and unconsolidated subsidiaries) was 4,179, of which 990 were based in Italy and 3,189 around the world, mostly in the Americas. No Group employees are based in the Netherlands.

10. Subsequent events

i. Corporate actions

Definition of gender diversity target figures

Pursuant to the new Dutch Act on gender diversity (*Wet inzake evenwichtige man vrouwverhouding in de top van het bedrijfsleven*), on 21 February 2023 the Board of Directors of the subsidiary Davide Campari-Milano N.V. has resolved upon the setting of appropriate and ambitious gender diversity target figures for (i) the Executive Directors, (ii) the Non-Executive Directors and (iii) the Senior Management and the drawing up of a plan to achieve these targets. The gender diversity target figures and the plan for their achievement were determined as follows:

i. Executive Directors: at least 33.33% female and 33.33% male Executive Directors by the renewal of the Board of Directors in 2028;
ii. Non-Executive Directors: at least 40% female and 40% male Non-Executive Directors by the renewal of the Board of Directors in 2025;
iii. Senior Management: at least 40% female and 40% male members of Senior Management by the end of 2027. According to the subsidiary Campari Group organization, Senior Management includes all members of global, regional and local leadership teams that are in charge of leading business, functional teams and people. This comprises 4 layers (internally named Senior Executive, Executive, Sr Management and Management), to include from top to all positions reporting to general managers in big, medium and smaller markets (it does not include coordinators, supervisors, senior specialists, even if with people mgmt. responsibilities).

On April 26, 2023 Davide Campari Milano N.V. paid to Lagfin dividends related to the financial year 2022 for a total consideration of € 37.0 million.

During the first four months of 2023 the Group (i) redeemed two insurance policies for a total consideration of € 12.9 million, (ii) made additional payments related to the real estate properties under construction in Monaco for a total consideration of € 66,75 million and (iii) funded two newly formed U.S. special purposed vehicles for a total consideration of € 44,34 million that in their turn purchased real estate properties in San Francisco and Chicago.

On March 30, 2023 Lagfin together with other defendants settled a dispute for which the plaintiff initially claimed an amount exceeding € 400 million; such dispute was unrelated to the Company's ordinary course of business. Lagfin Italian Branch shall pay to the plaintiff a total amount of € 50 million in several tranches: a first tranche of € 10 million in FY2023 and 10 (ten) annual consecutive tranches starting from FY2024 of € 4 million each. This amount is recognised in this Consolidated financial statements at the amortized cost basis for a total consideration of € 44.0 million.

Business combination

- On 1 March 2023, Campari Group acquired the remaining outstanding shares in the distribution joint-venture CT Spirits Japan Ltd. ('CTSJ'), in which it previously had a non-controlling stake. As a result, CTSJ has become a wholly owned subsidiary, triggering its full consolidation in Campari Group's accounts since that date.

- On 3 April 2023, Campari Group became the majority shareholder of Thirsty Camel Ltd., in which it previously had a non-controlling stake. Thirsty Camel markets and distributes some of the world's leading brands and began distributing the full Campari portfolio in New Zealand on 1 January 2023, thus supporting the Group's expansion and presence in the area. The company will be included in the consolidation area starting from April 2023 with an impact on consolidated group accounts not expected to be material. The above transactions, completed via the anticipated exercise of contractual call options on the entities' share capital and which have no material impact on consolidated accounts, had the objective to further strengthen Campari Group's commercial capabilities and enhance its focus on its brands in this strategic region.

Financing

- On 5 May 2023, Davide Campari-Milano N.V. has entered into a term facility of €400 million and a revolving facility of the same amount, hence an agreement for a total amount equal up to €800 million (the 'Loan') with a pool of banks. The term facility of €400 million and the revolving facility have an original termination date on, respectively, 30 June 2029 and 30 June 2028 and with an extension option - at the banks' discretion - at 30 June 2029 with reference to the revolving facility. The purpose of the agreement is general corporate purposes of Campari Group, including, but not limited to, the repayment of the €250 million term loan made, and a revolving facility of the same amount, available to Davide Campari Milano N.V. in 2019 and with termination date in July 2024, and the cancellation of a revolving loan of €150 million granted to it in 2020.

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Independent auditor's report

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

Report on the audit of the consolidated 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 2022, 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 2022, 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, 26 May 2023

Lagfin S.C.A. Société en Commandite par Actions
Separate financial statements at 31 December 2022

Prepared in accordance with IFRS
as adopted by the European Union

Company only primary statements

Statement of profit or loss

	notes	for the years ended 31 December 2022 € million	2021 Restated € million
Rental income		1.3	0.9
Other income	6 i	6.5	0.3
Raw materials and external services	6 ii	(11.2)	(5.9)
Staff expenses	6 iii	(2.0)	(1.8)
Other expenses	6 iv	(46.0)	(1.5)
Value adjustments of formation expenses, tangible and intangible assets	6 v	(2.0)	(2.6)
Operating result		**(53.5)**	**(10.6)**
Share of profit of subsidiaries/investees	6 vi	174.5	153.7
Financial income	6 vi	100.6	31.2
Financial expense	6 vi	(61.1)	(101.8)
Profit before taxation		**160.6**	**72.4**
Tax expense	6 vii	(9.6)	25.4
Deferred taxes	6 vii	(3.2)	(7.7)
Profit for the year		**147.8**	**90.1**

Statement of other comprehensive income

	for the years ended 31 December 2022 € million	2021 Restated € million
Profit (loss) for the year	**147.8**	**90.1**
Valuation Davide Campari-Milano N.V.	20.5	83.1
Related income tax effect	(0.2)	(1.0)
Items reclassified to the statement of profit and loss	**20.3**	**82.1**
Total comprehensive income	**168.0**	**172.3**

Statement of financial position

		at 31 December		
	notes	2022	2021 Restated Note xiv	As at 1 January 2021 Restated Note xiv
		€ million	€ million	€ million
Non-current assets				
Tangible fixed assets	7 i	14.2	2.7	2.2
Investment Properties	7 ii	127.4	149.9	125.5
Intangible assets	7 iii	3.3	3.7	3.8
Financial fixed assets	7 iv	2,033.9	1,686.4	1,466.2
Deferred taxes assets		4.4	3.6	8.4
Other non-current assets	7 v	99.8	16.7	11.4
Total non-current assets		**2,282.9**	**1,862.9**	**1,617.5**
Current assets				
Trade receivables		0.1	0.0	0.8
Financial assets	7 vi	313.8	269.9	220.0
Cash and securities	7 vii	96.8	115.2	159.2
Tax receivables		0.7	2.2	8.4
Other current asset	7 viii	74.7	53.5	9.8
Total current assets		**486.1**	**440.9**	**398.2**
Assets held for sale	**7 ix**	**11.6**	**-**	**-**
Total assets		**2,780,6**	**2,303.8**	**2,015.7**
Equity				
Capital	7 x	3.7	3.7	3.7
Share premium and other reserves		1,148.4	1,020.5	1,212.9
Legal reserve		0.4	0.4	0.4
Reserve FTA		171.7	171.7	171.7
Result brought forward		-	50.4	50.7
Profit of the year		**168.0**	172.3	(194.6)
Total equity		**1,492.2**	**1,419.0**	**1,244.8**
Non-current liabilities				
Bonds		320.1	315.2	310.4
Non-current financial liabilities		544.0	221.3	157.9
Other liabilities		0.4	0.4	0.3
Provision for risks and charges and contingent assets	7 xi	34.0	-	-
Deferred tax liabilities		23.5	19.4	15.0
Total non-current liabilities		**922.0**	**556.3**	**483.6**
Current liabilities				
Loans due to banks		189.6	157.9	191.3
Current financial liabilities		83.7	157.8	88.7
Trade payables		0.6	4.2	5.2
Tax liabilities		65.1	8.2	1.4
Provision for risks and charges and contingent assets	7xi	10.0	-	-
Other liabilities		17.4	0.4	0.7
Total current liabilities		**366.4**	**328.5**	**287.3**
Total liabilities	**7 xi**	**2,780.6**	**2,303.8**	**2,015.7**

Statement of cash flows

	Notes	at 31 December 2022 € million	2021 Restated € million
Operating profit (loss)		**(53.5)**	**(10.6)**
Depreciation and amortization		2.1	2.6
Gain or loss on sale of fixed assets	6 i	(5.8)	-
Change in provisions	13	44.0	-
Change in net operating working capital		64.0	4.5
Taxes	6 vii	(23.0)	(9.8)
Other changes	7 v	(83.1)	(5.1)
Cash flow generated from (used in) operating activities		**(55.4)**	**(18.4)**
Disposals (purchase) of tangible and intangible fixed assets		(5.3)	(0.3)
Disposal (purchase) of investment properties		10.9	(24.4)
Change in investments in subsidiaries, associates, and joint ventures	7 iv	(190.1)	(17.9)
Decrease (increase) in financial investments	7 iv	(44.0)	(49.9)
Dividends received	7 iv	37.7	34.4
Cash flow generated from (used in) investing activities		**(190.7)**	**(58.2)**
Proceeds from issue of bonds, notes, and debentures		(37.4)	40.4
Proceeds (repayment) from non-current borrowings	7 xi	330.1	64.0
Repayment of non-current borrowings	7 xi	(7.5)	(0.5)
Interests paid (received) on other financial items	6 vi	(31.7)	(3.5)
Derivative fair value changes	6 vi	71.2	(67.1)
Distribution to the shareholders as a result of the demerger	2	(100.0)	-
Inflows (outflows) of other financial items		2.9	(0.8)
Cash flow generated from (used in) financing activities		**227.7**	**32.5**
Net change in cash and cash equivalents: increase (decrease)		**(18.4)**	**44.0**
Cash and cash equivalents at the beginning of period		115.2	159.2
Cash and cash equivalents at end of period		96.8	115.2

Statement of changes in equity

	notes	Capital € million	Reserve € million	Legal reserve € million	Reserve FTA € million	Result brought forward € million	Result for the financial year € million	Total € million
at 31 December 2020		**3.7**	**1,212.9**	**0.4**	**171.7**	**50.7**	**(194.6)**	**1,244.8**
Allocation of previous year's result		-	(194.3)	-	-	(0.3)	194.6	-
Other		-	1.9	-	-	-	-	1.9
Profit for the year		-	-	-	-	-	90.1	90.1
Result OCI		-	-	-	-	-	82.1	82.1
Total Profit for the period		-	-	-	-	-	172.3	172.3
at 31 December 2021		**3.7**	**1,020.5**	**0.4**	**171.7**	**50.4**	**172.3**	**1,419.0**
Allocation of previous year's result		-	134.6	-	-	37.7	(172.3)	-
Other		-	0.2	-	-	-	-	0.2
Partial proportional demerger	2	-	(6.9)	-	-	(88.1)	-	(95.0)
Profit for the year		-	-	-	-	-	147,8	147,8
Result OCI		-	-	-	-	-	20.2	20.2
Total Profit for the period		-	-	-	-	-	168.0	168.0
at 31 December 2022		**3.7**	**1,148.4**	**0.4**	**171.7**	**-**	**168.0**	**1,492.2**

Notes to the Company only financial statements

1. General information

Lagfin S.C.A. Société en Commandite par Actions 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).

On 7 November 2016 the Company changed its legal form to become a Société en Commandite par Actions.

The primary object of the Company is the holding of either direct or indirect control of Davide Campari-Milano N.V..

The Company may also carry out transactions aimed at acquiring and maintaining relevant shareholdings in companies of any kind, both il Luxembourg or abroad, as well as financial commercial and real estate transactions. Its strategy is based on long-term investments in companies and financial and real estate assets with solid potential for value creation and divesting them as they are deemed to have reached their full potential value.

The Company established on 2 August 2018 a branch in Sesto San Giovanni (MI), Italy, named Lagfin S.C.A. Succursale di Sesto San Giovanni (the 'Italian Branch'), which eventually, after the transfer of its corporate seat to Milan, via Lorenzo Mascheroni 19, became Lagfin S.C.A. Italian Branch and on 27 August 2018, a branch in Paradiso (Lugano), Switzerland, named Lagfin S.C.A. Lussemburgo, Succursale di Paradiso (the latter the 'Swiss Branch', each of the Branches a 'Branch' and the two Branches collectively the 'Branches').

Lagfin's financial year runs from 1 January to 31 December.

The Company prepares its consolidated financial statements, which are then made available at its corporate seat, in accordance with International Financial Reporting Standards ('IFRS').

For ease of reference, all the figures in the notes of this Company only financial statement are expressed in € million.

2. Significant events of the year

Significant events during the period are reported in a dedicated section in the management board report of this annual report, to which reference is made. The main operations are detailed below.

During 2022 the Company has established the following companies in order to perform real estate investments for a total value of € 107.5 million:
- Brown Derby, LLC;
- D.R. Finance S.à r.l.;
- Grand 75, LLC;
- Gran Margarita, LLC;
- Negroni Ltd.;
- Tehama Street, LLC.

In order to perform a reorganization of activities and create a vehicle dedicated to future investments, a partial proportional demerger was approved by the shareholders of Lagfin SCA as of 16 November 2022. €100.0 million of cash, €95.0 million of equity and €5.0 million of shareholder loan were transferred to a newly incorporated company, DR Holding S.A., outside the perimeter of Lagfin SCA, but with the same shareholders.
As part of the reorganization Lagfin S.C.A. and D.R. Holding S.A. incorporated D.R. Finance S.à r.l. with a capital of €10.0 million, share premium of €190,0 million and cash of €200.0 million.
Lagfin S.C.A. owns 51% of D.R. Finance S.à r.l.

During 2022 Lagfin SCA purchased shares of Davide Campari NV for a total consideration of €42.6 million.
As a result of the investment of Lagfin SCA the percentage of ownership increased from 53.873 % in 2021 to 54.247 % in 2022.

3. Accounting information and policies

iv. Accounting principles

These financial statements have been prepared in accordance with IFRS, as endorsed by the European Union, issued and effective as of 31 December 2022. The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The Company 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 judgment that there is a reasonable expectation that the Company 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 only 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 IFRS.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied to the current financial year and to the comparative figures.

v. 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.

When the tangible asset consists of several significant components with different useful lives, depreciation is applied to each component individually. The amount to be depreciated is represented by the carrying amount, less the estimated residual value, at the end of its useful life, if this value is significant and can reasonably be determined. Land, even if acquired in conjunction with a building, is not depreciated, and nor are available-for-sale tangible assets, which are reported at the lower of their carrying amount and fair value less cost to sell.

The depreciation rate ranges are as follows:
- buildings 2%-3%;
- general plant 25%;
- furniture and fixtures 12%-33.33%;
- electronic office machines and equipment 20%-33%;
- telephone systems, cellular telephones and motor vehicles 25%.

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.

vi. Investment properties

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.

vii. 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.

Subsequently, intangible assets are recorded at cost net of accumulated amortisation and any impairment losses. 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 depreciation rate ranges are as follows:
- concessions: based on the expiry of the relevant right;
- licenses: 33.33%.

Costs relating to industrial patents, concessions, licences and other intangible fixed assets are recorded on the assets side of the statement of financial position only if they are able to produce future economic benefits for the Company. These costs are amortised based on the period of use, if this can be determined, or according to the contract term. Software licences represent the cost of purchasing licences and, if incurred, external consultancy fees; there are normally no cost associated with internal personnel costs necessary for development. These costs are recorded in the year in which the internal or external costs are incurred for training personnel and other related costs.

viii. Asset held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.
The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition.
Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.
Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

ix. Financial assets

Financial assets include investments, short-term securities and financial receivables, which in turn include the positive fair value of financial derivatives, trade and other receivables and cash and cash equivalents.
Specifically, cash and cash equivalents include cash, bank deposits and highly liquid securities that are readily convertible into cash and are subject to an insignificant risk of a change in value. Deposits and securities included in this category mature in less than three months based on the conditions existing on the date of the acquisition of the asset. Current securities include short-term securities or marketable securities that represent a temporary investment of cash and do not meet the requirements for classification as cash and cash equivalents. Financial assets represented by debt securities are classified and valued in the statement of financial position based on the business model that the Company has adopted to manage these financial assets and based on the financial flows associated with each financial asset.

The Company measures a financial asset at amortised cost if it meets both of the following conditions:
- it is held under a business model whose objective is to hold assets in order to collect contractual cash flows; and,
- its contractual terms and conditions are such that the cash flows generated by the asset are attributable exclusively to payments of principal and the related interest. Financial assets measured at amortised cost are measured at fair value at the time of initial recognition; subsequent measurements reflect the repayments made, the effects of applying the effective interest method and any write-downs. Any gain or loss made on derecognition is recognised in profit or loss, together with foreign exchange gains and losses.

A financial asset represented by debt securities is measured at fair value through other comprehensive income (‘FVOCI’) if it meets both of the following conditions:
- it is held under a business model whose objective is to collect both the contractual cash flows and the cash flows arising from the sale of the asset; and,
- its contractual terms and conditions are such that the cash flows generated by the asset are attributable exclusively to payments of principal and the related interest. After initial recognition, these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign

exchange gains and losses and impairment losses are recognised in the income statement. Net gains and losses deriving from other changes in fair value are recognised through a balancing entry in the statement of other comprehensive income. On derecognition, the accumulated gains and losses in the statement of other comprehensive income are recorded to the income statement.

Investment in entities that are not new in trading are accounted under the equity method. The investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the investee since the acquisition date. Goodwill is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Company's share of the results of operations of the subsidiaries. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the subsidiary, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Dividends received by the investee are recovered in deduction of the value of the investment.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in subsidiaries. At each reporting date, the Company determines whether there is objective evidence that the investment is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value, and then recognises the loss within 'Share of profit of a subsidiaries" in the statement of profit or loss.

x. Impairment of a financial asset

Financial assets are tested for recoverability by applying an impairment model based on the expected credit loss ('ECL'). The Company applies the simplified method for trade receivables, which considers the probabilities of defaults over the financial instrument's life (lifetime expected credit losses). In making impairment assessments, the Company considers its historical credit loss experience, adjusted for forward-looking factors specific to the nature of the Company's receivables and economic environment. If any such evidence exists, an impairment loss is recognized under selling, general and administrative expenses.

More specifically, non-performing receivables are analytically analysed based on the debtor's creditworthiness and ability to pay the sums due, as well as the degree of effective coverage provided by any collateral and personal guarantees in existence. A financial asset is considered to be impaired when internal or external information indicates that it is unlikely that the Company 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.

xi. 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 derivative instruments that are measured at fair value through profit & loss. 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.

xii. Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank. Bank overdrafts repayable on demand are also included if the use of short-term overdrafts forms an integral part of cash management practices.

Cash and cash equivalents have been assigned low credit risk based on the external credit ratings of the respective banks and financial institutions.

xiii. Share capital and share premium

Ordinary shares are classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

xiv. 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 applying the tax rates and regulations in force or effectively approved on the reporting date. In preparing the above estimates, detailed assessment was also given to uncertainties regarding the tax treatment of transactions carried out by the Company that could give rise to disputes with the tax authorities. Current taxes relating to items posted directly to shareholders' equity are included in shareholders' equity. Other non-income taxes, such as property and capital taxes, are included in operating expenses. Deferred tax assets and liabilities are calculated on all temporary differences between the asset and liability values recorded in the financial statements and the corresponding values recognised for tax purposes using the liability method.

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 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 Company operates, in those periods when the temporary differences are generated or derecognised. Current and deferred tax assets and liabilities are offset when these relate to income taxes levied by the same tax authority and a legal right of set-off exists, provided that realisation of the asset and settlement of the liability take place simultaneously. The balance of any set-off is posted to deferred tax assets if positive and deferred tax liabilities if negative.

xv. Foreign currency translation

The financial statements are presented in Euro ('€'), which is the Company's functional currency.

Transactions in foreign currencies are measured in the Company's functional currency and are initially recorded in the functional currency at the exchange rates prevailing at the date of the transaction.

Monetary assets and liabilities, denominated in foreign currencies, are retranslated at the exchange rate prevailing at the reporting date. Exchange differences arising from the settlement of monetary items or on the translation to the functional currency at the reporting date are recognised in the Statement of Profit&Loss and Other Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

xvi. Provision for risk and charges and contingent assets

The provision for risks and charges are recognised when: there is a current legal or implicit obligation resulting from a past event; it is likely that the fulfilment of the obligation will require some form of payment; the amount of the obligation can be reliably estimated.

Provisions are recorded at a value representing the best estimate of the amount the Company would reasonably have to pay to discharge the obligation or transfer it to third parties on the reporting date. Where the financial impact of the timing is significant, and the payment dates of the obligations can be reliably estimated, the accrual is discounted to present value. The change in the related provision over time is allocated to the statement of profit or loss under 'Financial income (expenses)'.

Provisions are periodically updated to reflect changes in estimates of cost, timescales and discount rates. Revisions to estimates of provisions are booked to the same statement of profit or loss item that contains the accrual or, if the liability relates to tangible assets (i.e., dismantling and restoration), these revisions are reported as an offsetting entry to the related asset. When the Company expects that third parties will repay all or part of the provisions, 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 Company discloses purely contingent assets and provides information where there are significant amounts that are highly likely to be realised. The Company 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.

The provision for risks and charges are recognised when:
- there is a current legal or implicit obligation resulting from a past event;
- it is likely that the fulfilment of the obligation will require some form of payment;
- the amount of the obligation can be reliably estimated.

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

Where the financial impact of the timing is significant, and the payment dates of the obligations can be reliably estimated, the accrual is discounted to present value. The change in the related provision over time is allocated to the statement of profit or loss under 'Financial income (expenses)'.

Provisions are periodically updated to reflect changes in estimates of cost, timescales and discount rates. Revisions to estimates of provisions are booked to the same statement of profit or loss item that contains the accrual or, if the liability relates to tangible assets (i.e. dismantling and restoration), these revisions are reported as an offsetting entry to the related asset. When the Company expects that third parties will repay all or part of the provisions, 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 Company discloses purely contingent assets and provides information where there are significant amounts that are highly likely to be realised. The Company 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.

xvii. Restatement of comparative figures at 1 January 2021 and 31 December 2021 according to IAS 8.

Retrospective restatement at 1 January 2021 and 31 December 2021 according to IAS 8.

During 2022, Lagfin SCA discovered errors mainly of classification and in order to correct them made retrospective restatements.

The reclassifications of the financial statements at 1 January 2021 and 31 December 2021 mainly related to the reclassification of short-term investments from cash and cash equivalents to current financial assets and of derivative from other liabilities to current financial liabilities.

The effect of the restatement on those financial statements is summarized below and mainly impacts the statement of financial position and cash flow statements for 2021.

Reclassifications of the statement of financial position

	at 1 January 2021			at 31 December 2021		
	As previously reported € million	Adjustments	As adjusted € million	As previously Reported € million	Adjustments	As adjusted € million
Non-current assets						
Tangible fixed assets (2)	0.8	1.4	2.2	1	1.7	2.7
Investment Properties (2)	126.9	(1.4)	125.5	151.6	(1.7)	149.9
Intangible assets	3.8	-	3.8	3.7	-	3.7
Financial fixed assets	1,466.2	-	1,466.2	1,686.4	-	1,686.4
Deferred taxes assets	8.4	-	8.4	3.6	-	3.6
Other non-current assets	11.4	-	11.4	16.7	-	16.7
Total non-current assets	**1,617.5**	**-**	**1,617.5**	**1,863**	**-**	**1,863**
Current assets						
Trade receivables	0.9	-	0.9	-	-	-
Financial assets (1)	-	220.0	220.0	-	269.9	269.9
Cash and securities (1)	379.1	(220.0)	159.1	385.1	(269.9)	115.2
Tax receivables	8.4	-	8.4	2.2	-	2.2
Other current asset	9.8	-	9.8	53.5	-	53.5
Total current assets	**398.2**	**-**	**398.2**	**440.9**	**-**	**440.9**
Total assets	**2,015.7**	**-**	**2,015.7**	**2,308**	**-**	**2,308**
Equity						
Capital	3.7	-	3.7	3.7	-	3.7
Share premium and other reserves(3)	1,215.1	(2.2)	1,212.9	1,024.6	(4.1)	1,020.5
Legal reserve	0.4	-	0.4	0.4	-	0.4
Reserve FTA (3)	172.1	(0.4)	171.7	172.1	(0.4)	171.7
Result brought forward	50.7	-	50.7	49.7	0.7	50.4
Profit (Loss) of the year (3)	(195.3)	0.7	(194.6)	171.5	0.8	172.3
Total equity	**1,246.7**	**(1.9)**	**1,244.8**	**1,422.0**	**(3.0)**	**1,419.0**
Non-current liabilities						
Bonds	310.4	-	310.4	315.2	-	315.2
Non-current financial liabilities	157.9	-	157.9	229.6	(8.3)	221.3
Other liabilities	0.3	-	0.3	0.4	-	0.4
Deferred tax liabilities	15.0	-	15.0	19.4	-	19.4
Total non-current liabilities	**483.6**	**-**	**483.6**	**564.6**	**(8.3)**	**556.3**
Current liabilities						
Loans due to banks	191.3	-	191.3	157.9	-	157.9
Current financial liabilities (3) (4)	46.5	42..2	88.7	29.1	128.7	157.8
Trade payables	5.2	-	5.2	4.2	-	4.2
Tax liabilities	1.4	-	1.4	8.2	-	8.2
Other liabilities (4)	41.0	(40.4)	0.6	117.9	(117.4)	0.4
Total current liabilities	**285.4**	**1.9**	**287.3**	**317.3**	**11.3**	**328.5**
Total liabilities	**2,015.7**	**-**	**2,015.7**	**2,303.8**	**-**	**2,303.8**

Reclassifications of the statement of profit and loss

	at 31 December 2021		
	As previously reported € million	Adjustments	As adjusted € million
Rental income	0.9	-	0.9
Other income	0.3	-	0.3
Raw materials and external services	(5.9)	-	(5.9)
Staff expenses	(1.8)	-	(1.8)
Other expenses	(1.5)	-	(1.5)
Value adjustments of formation expenses, tangible and intangible assets	(2.6)	-	(2.6)
Operating result	**(10.6)**	**-**	**(10.6)**
Share of profit of subsidiaries/investees	153.7	-	153.7
Financial income	31.2	-	31.2
Financial expense (3)	(102.6)	0.8	(101.8)
Profit before taxation	**71.6**	**0.8**	**72.4**
Tax expense	25.4	-	25.4
Deferred taxes	(7.7)	-	(7.7)
Profit (loss) for the year	**89.3**	**0.8**	**90.1**
Valuation Davide Campari-Milano N.V.	83.1	-	83.1
Related income tax effect	(1)	-	(1)
Items reclassified to the statement of profit and loss	**82.1**	**-**	**82.1**
Total comprehensive income	**171.5**	**0.8**	**172.3**

Reclassifications of the cash flows

	at 31 December 2021		
	As previously reported € million	Adjustments	As adjusted € million
Operating profit (loss)	**(10.6)**		**(10.6)**
Depreciation and amortization	2.6		2.6
Change in net operating working capital (5) (7)	45.3	(40.7)	4.5
Taxes (5)	25.9	(35.7)	(9.8)
Other changes	(5.1)		(5.1)
Other operating items (7)	(67.1)	67.1	-
Cash flow generated from (used in) operating activities	**(9.1)**	**(9.3)**	**(18.4)**
Disposals (purchase) of tangible and intangible fixed assets (2)	(24.7)	24.4	(0.3)
Disposal (purchase) of investment properties (2)	-	(24.4)	(24.4)
Change in investments in subsidiaries, associates, and joint ventures	(17.9)		(17.9)
Decrease (increase) in financial investments (1)	-	(49.9)	(49.9)
Dividends received	34.4		34.4
Cash flow generated from (used in) investing activities	**(8.2)**	**(49.9)**	**(58.2)**
Proceeds from issue of bonds, notes, and debentures (6) (7)	89.9	(49.4)	40.4
Proceeds (repayment) from non-current borrowings (6)	(64.0)	128.0	64.0
Repayment of non-current borrowings (4)	0.5	(1.0)	(0.5)
Interests paid (received) on other financial items (4)	(4.3)	0.8	(3.5)
Derivative fair value changes (7)	-	(67.1)	(67.1)
Split up	-		-
Inflows (outflows) of other financial items (4)	1.1	(1.9)	(0.8)
Cash flow generated from (used in) financing activities	**23.2**	**9.3**	**32.5**
Net change in cash and cash equivalents: increase (decrease)	**6.0**	**(49.9)**	**44.0**
Cash and cash equivalents at the beginning of period (1)	379.2	(220.0)	159.2
Cash and cash equivalents at end of period (1)	385.1	(269.9)	115.2

(1) Misclassification of certain financial assets (Euro 269,9 million in 2021 and Euro 220 million in 2020): The Company has presented current financial assets within cash and cash equivalents even if they did not meet the criteria as per IAS 7.7 requirements. The error has been identified in 2022 and has been corrected for both 31 December 2021 and 1 January 2021.

(2) Misclassification of certain fixed assets (Euro 4,1 million in 2021 and Euro 3,8 million in 2020: The company has presented the office located in Italy and used for administrative purposes as investment properties, but they did not meet the requirements as per IAS 40.5. This was identified as error in 2022 and has been corrected for both 31 December 2021 and 1 January 2021.Shareholder Loans were accounted from amortized cost to cost, taking into account the feature of the loans, repayable on demand.

(3) Shareholder loan was accounted using the amortized cost while, taking into account the feature of the loan which is repayable on demand, it should have been measured at loan amount. This was identified as error in 2022 and has been corrected for both 31 December 2021 and 1 January 2021.

(4) Misclassification of the financial derivative (Euro 117,4 million in 2021 and Euro 40,4 in 2020): The Company has presented the liability originated by the fair value of the embedded derivative in other liabilities instead of financial liabilities as defined in IAS 32.11. This was identified as error in 2022 and has been corrected for both 31 December 2021 and 1 January 2021.

(5) In the cash flow statement within the Cash flow from operating activities the amount of taxes effectively paid was not properly disclosed and was corrected.

(6) In the cash flow statement within the Cash flow from financing activities Proceeds (repayment) from non-current borrowings were reported with the wrong sign and was corrected.

(7) In the Cash flow generated from (used in) operating activities it was wrongly presented the change in the derivative. It was properly reclassified in Cash flow generated from (used in) financing activities.

4. Significant accounting judgments, estimates and assumptions

The preparation of the financial statements of the Company requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

4.1 Judgments

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 Company'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 that circumstances change, or where new information becomes available. Future outcomes can consequently differ from estimates.
Details of critical estimates and judgements which could have a significant impact upon the financial statements are set out in the related notes as follows;

- investments in subsidiaries: management judgement in assessing the value of the investments in subsidiaries are not carried at a value higher than their recoverable amounts.
- taxation: management judgement and estimate required to assess uncertain tax positions and the recoverability of deferred tax assets.
- derivative: management judgement and estimate required to assess fair value of derivative.

5. Changes in accounting standards

i. Summary of the new accounting standards adopted by the Company from 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 amendment was considered in the preparation of this standalone financial statements with no significant impact to be reported.

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 amendment was considered in preparing these stand-alone financial statements with no significant impact to be reported.

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

- IFRS 9- 'Financial Instruments'. The amendment clarifies which fees an entity includes when it applies the '10 percent' test for assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- 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.

These amendments were considered in the preparation of this standalone financial statements with no significant 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 Company

The Company is still assessing the impact of these amendments on its financial position or operating results, when applicable.

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 judgments to accounting policy disclosures. 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 12- 'Income Taxes' Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 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 explains the results and performance for the period ended 31 December 2022.

iii. Other income

	for the years ended 31 December	
	2022 € million	2021 € million
Concessions and other similar rights	0	0
Disposal of investment properties	5.8	0
Miscellaneous income	0	0.2
Reversal of provisions	0.7	0.1
Total other income	**6.5**	**0.3**

iv. Raw materials and external services

	for the years ended 31 December	
	2022 € million	2021 € million
Use of consumable materials	0.2	0.1
Rents and services charges	0.2	0.3
Repairs and maintenance	0.5	0.3
IT services	0.2	0.2
Banking services	1.4	0.6
Professional fees	7.2	3.7
Insurance premiums	0.0	0.1
Marketing and communication costs	1.2	0.2
Other external charges	0.3	0.3
Total raw materials and external services	**11.2**	**5.9**

v. Staff expenses

	for the years ended 31 December	
	2022 € million	2021 € million
Salaries	1.7	1.3
Social insurance contributions	0.3	0.4
Total staff expenses	**2.0**	**1.8**

Average number of employees: 13 (in 2021) 13 (in 2022).

vi. Other expenses

	for the years ended 31 December	
	2022 € million	2021 € million
Director's fees	0.2	0.2
Non-refundable VAT	1.3	0.9
Operating provisions	0.2	0.1
Provision for risks (13)	44.0	-
Other taxes	0.3	0.3
Total other expenses	**46.0**	**1.5**

vii. Value adjustment.

	for the years ended 31 December	
	2022 € million	2021 € million
Intangible assets	0.1	0.2
Buildings	1.1	2.1
Other equipment	0.8	0.4
Total value adjustment	**2.0**	**2.6**

viii. Financial income and expenses

	for the years ended 31 December	
	2022 € million	2021 € million
Income from participating interest	-	0.2
Income from other investments	0.7	0.9
Other income from transferable securities	3.3	4.9
Interest income	5.7	1.7
Foreign currency exchange	1.5	4.4
Other financial income	89.4	19.1
Share of profit of investee accounted according to equity method	174.5	153.7
Total financial income	**275.1**	**184.9**
Value adjustments	-	0.1
Loss on disposal of transferable securities	41.9	7.4
Interest expense	6.9	14.5
Foreign currency exchange	10.9	2.7
Other financial expenses	1.4	77.1
Total financial costs	**61.1**	**101.8**
Net financial income (costs)	**214.0**	**83.1**

The increase in Share of profit of investee accounted according to equity method mainly refers to the proportion of the net profit attributable to the shares in Davide Campari-Milano N.V. for an amount of €174.5 million (2021: €153.7 million).

Other financial income mainly includes €72.4 million (2021: €10.0 million) of revaluation of derivative financial instruments. Refer to note xi for further details.

ix. Taxation

Taxes are calculated based on the applicable regulations at the rates in force, which, in 2022, were 24.94% for Luxembourg Corporate income tax (24% for Italian Corporate income tax and 21.22% for Swiss Corporate income tax)
A breakdown of the current and deferred taxes included in the Company's statement of profit or loss and statement of other comprehensive income is as follows.

	for the years ending 31 December	
profit or loss and other comprehensive income	2022 € million	2021 € million
- current taxes for the year and previous years	(9.6)	25.4
- deferred tax expenses of the year	(3.2)	(7.7)
Taxes recorded in the statement of profit or loss	**(12.8)**	**17.7**
Taxes recorded in the statement of comprehensive income	**0.0**	**(1.0)**

	at 31 December	
financial position	2022 € million	2021 € million
Deferred tax assets	4.4	3.6
Deferred tax liabilities	(23.5)	(19.4)
Net deferred tax	**(18.6)**	**(15.8)**

Reconciliation of tax charges

The following table shows a reconciliation of the theoretical tax charge against the Company's actual tax charge. The theoretical rate used is the rate in force during the year in question, based on the legal provisions, considering the rate applicable in Luxembourg.

Tax base differences are included under 'other' differences.

	For the years ending 31 December	
	2022 € million	2021 € million
Profit before tax	**160.6**	**72.4**
Applicable tax rate	24,94%	24.94%
Theoretical taxes at a current tax rate	**40.1**	**19.1**
Share of profit of subsidiaries/investees	(41.9)	(36.9)
Other differences	14.6	-
Actual tax liability in the statement of profit or loss	**12.8**	**(17.8)**
Actual tax rate	**7.9%**	**-24.69%**

Profit before taxation represents the basis on which tax is calculated, in accordance with current tax regulations. The reported tax rate in the 2022 period was 7.9%, compared to a reported tax rate of -24.69% in 2021. The discrepancy in the reported tax rate was mainly guided by the significant increase of the share profit of subsidiaries taxed in Italy with a lower tax ratio due to the so-called 'participation exemption' pursuant to article 87 of the Italian tax Law Decree no. 917/1986.

Breakdown of deferred taxes by type

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

	statement of financial position		statement of profit or loss		other comprehensive income Statements	
	at 31 December		for the years ending 31 December		for the years ending 31 December	
	2022 € million	2021 € million	2022 € million	2021 € million	2022 € million	2021 € million
Fixed assets	0.5	0.6	-	-	-	-
Securities Fair Value	-	0.9	-	0.5	-	-
Loss carried forward	3.8	2.0	2.0	0.6	-	-
Other	-	0.0	-	-	-	-
Deferred tax assets	**4.4**	**3.6**	**2.0**	**1.0**	**-**	**-**
Fixed assets	0.2	0.3	(0.2)	0.0	-	-
Leasing IFRS 16	-	0.2	-	0.0	-	-
Participation in subsidiary/investees	18.5	16.5	(1.7)	(1.4)	-	(1.0)
Securities Fair Value	4.3	1.9	(3.3)	(1.9)	-	-
Other	0.5	0.4	-	(5.4)	-	-
Deferred tax liabilities	**23.5**	**19.4**	**(5.2)**	**(8.8)**	**-**	**(1.0)**
Total	**(19.1)**	**(15.8)**	**(3.2)**	**(7.7)**	**-**	**1.0**

Deferred tax assets arise from temporary differences and mainly relate to costs that are deductible based on specific tax rules and amount, to the creation of taxed provisions and, lastly, to unrealized exchange-rate losses. Temporary differences that entailed the reporting of deferred tax liabilities related mainly to the share of profit of subsidiaries.

The amounts credited and debited under this item are recognized in the statement of profit or loss for the period or under other comprehensive income or expense if the temporary difference is also recorded under other comprehensive income or expense.

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

	at 31 December	
	2022 € million	2021 € million
Taxes receivables	0.7	2.2
Taxes payable	(65.1)	(8.2)
Total net income tax receivables (payables)	(64.4)	**(6.0)**

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.

7. Operating assets and liabilities

This section describes the assets and liabilities used to generate the Company performance.

x. Tangible fixed assets

	at 31 December	
	2022 € million	2021 € million
Plant and machinery	0.0	0.0
Offices	13,1	1,7
Other equipment	1.1	1,0
Total fixed assets	**14.2**	**2.7**

The movements for the financial year 2022 are the following.

	plant and machinery € million	Offices Restated € million	Other equipment € million	total € million
Costs				
at 31 December 2020	**0.0**	**5.1**	**2.9**	**8.0**
Additions	-	0.5	0.2	0.7
Disposals	-	-	-	-
at 31 December 2021	**0.0**	**5.6**	**3.1**	**8.7**
Additions	-	11.1	0.3	11.5
Disposals	-	-	-	-
at 31 December 2022	**0.0**	**16.7**	**3.4**	**20.2**

	plant and machinery € million	Offices Restated € million	Other equipment € million	total € million
Amortisation and impairment				
at 31 December 2020	**0.0**	**3.8**	**2.0**	**5.8**
Additions	-	0.1	0.1	0.2
Reversals	-		-	-
at 31 December 2021	**0.0**	**3.9**	**2.1**	**6.0**
Additions	-	0.2	0.4	0.6
Reversals	-	-	-	-
at 31 December 2022	**0.0**	**3.7**	**2.3**	**6.0**
Net book value 2022	**0.0**	**13.0**	**1.1**	**14.2**

Offices are related to Lagfin's offices in Paradiso and Milan.

xi. Investment property

	at 31 December		
	2022 € million	31 December 2021 restated € million	1 January 2021 restated € million
Total investment properties	**127.4**	**149.9**	**125.5**

The movements for the financial year 2022 are the following.

	Investment properties € million
Cost	
at 31 December 2020	**132.2**
Additions	25.6
Disposals	-
at 31 December 2021	**157.8**
Additions	-
Disposals	26.9
at 31 December 2022	**130.9**

	Investment properties € million
Amortisation and impairment	
at 31 December 2020	**6.7**
Additions	1.2
Reversals	-
at 31 December 2021	**7.9**
Additions	-
Disposals	4.5
at 31 December 2022	**3.4**
Net book value 2022	**127.4**

Investment properties for €127.4 million refer to real estate properties directly held by the Company and located in the Principality of Monaco, France, Italy and the UK.
The disposals are related to the sale of apartments in Italy and the Principality of Monaco and a reclassification in the account "Held for sale" (€11.6 million).
The total fair value of the investment properties amount to € 155.7 million and is based on a valuation by independent valuers who hold a recognized and relevant professional qualifications and have recent experience in the location and category of the investment properties being valued.

xii. Intangible assets

	at 31 December	
	2022 € million	2021 € million
Concessions and licenses	2.7	2.8
Use of rights	0.6	1.0
Total intangible assets	**3.3**	**3.7**

The movements for the financial year 2022 are the following

	Licenses € million	Concessions € million	Use of rights € million	Total € million
Cost				
at 1 January 2021	**0.0**	**3.0**	**0.9**	**3.9**
Additions	-	-	-	-
Disposals	-	-	-	-
at 31 December 2021	**0.0**	**3.0**	**0.9**	**3.9**
Additions	-	-	-	-
Disposals	-	-	-	-
Other	-	-	(0.3)	(0.3)
at 31 December 2022	**0.0**	**3.0**	**0.6**	**3.6**

	Licenses € million	Concessions € million	Use of rights € million	Total € million
Amortisation and impairment				
at 1 January 2021	**0.0**	**0.2**	**-**	**0.2**
Additions	-	-	-	-
Reversals	-	-	-	-
at 31 December 2021	**0.0**	**0.2**	**-**	**0.2**
Additions	-	0.1	-	0.1
Reversals	-	-	-	-
at 31 December 2022	**0.0**	**0.3**	**0.0**	**0.3**
Net book value 2022	**0.0**	**2.7**	**0.0**	**0.3**

xiii. Financial fixed assets

The following table reflects the changes relating to investments in subsidiaries and associates.

€ million	at 31 December 2021	increases	decreases	at 31 December 2022
Portfolio 3, LLC	6.1	-	0.1	6.0
Telco Real Estate S.r.l.	1.5	0.1	-	1.6
10 Chapel Street Ltd.	3.3	-	0.3	3.0
14 Chapel Street Ltd.	3.1	-	0.3	2.8
Portfolio4, LLC	2.2	3.2	-	5.4
Portfolio5, LLC	1.8	-	-	1.8

Portfolio6, LLC	1.1	3.5	-	4.6
Highball S.à.r.l.	0.5	-	0.1	0.4
Halsdon Ltd.	1.8	3.5	-	5.3
Negroni Ltd.	-	3.9	-	3.9
Davide Campari-Milano N.V.	1,663.2	205.8	-	1,869
LG Partners. LLC	1.5	0.3	-	1.8
AC Partners S.p.A. in liquidazione	0.0	-	-	0.0
Piga S.r.l.	0.5	0.5	-	1.0
Grand 75, LLC	0.0	6.1	-	6.1
Brown Derby, LLC	0.0	14.2	-	14.2
Gran Margarita, LLC	0.0	3.8	-	3.8
Tehama Street, LLC	0.0	0.8	-	0.8
D.R. Finance S.à r.l.	0.0	102.0	-	102.0
Medium-long term loans to participating interests (Italian Branch)	0.0	-	-	0.0
Investments in subsidiaries	**1,686.4**	**347.7**	**0.8**	**2,033.9**

The list of investments in direct and indirect subsidiaries, including additional information extract from their last financial statements available is as follows.

			Equity value	Profit (loss) of the year	Investment percentage	Carrying amount
Name	**Head office**	Currency	€ million	€ million		€ million
Portfolio 3, LLC	New York (USA)	USD	6.0	(0.5)	100%	6.0
Telco Real Estate S.r.l.	Milan (ITALY)	EUR	1.6	-	100%	1.6
10 Chapel Street Ltd.	London (UK)	GBP	3.0	(0.2)	100%	3.0
14 Chapel Street Ltd.	London (UK)	GBP	2.8	(0.3)	100%	2.8
Portfolio4, LLC	New York (USA)	USD	5.4	1.0	100%	5.4
Portfolio5, LLC	New York (USA)	USD	1.8	(0.4)	100%	1.8
Portfolio6, LLC	New York (USA)	USD	4.6	-	100%	4.6
Highball S.à r.l.	Luxembourg	GBP	1.3	(1.0)	100%	0.4
Halsdon Ltd.	London (UK)	GBP	5.3	-	100%	5.3
Negroni Ltd.	London (UK)	GBP	3.9	0.6	100%	3.9
Davide Campari-Milano N.V.	The Netherlands	EUR	2,676.4	331.5	54.2%	1,869
LG Partners. LLC	California (USA)	USD	1.6	0.1	100%	1.8
Piga S.r.l.	Milan (ITALY)	EUR	1.0	-	50%	1
Grand 75, LLC	New York (USA)	USD	6.1	(2.0)	100%	6.1
Brown Derby, LLC	New York (USA)	USD	14.2	(4.6)	100%	14.2
Gran Margarita, LLC	New York (USA)	USD	3.8	-	100%	3.8
Tehama Street, LLC	New York (USA)	USD	0.8	-	100%	0.8
D.R. Finance S.à r.l.	Luxembourg	EUR	200.0	-	51%	102.0

The Company holds as its main investment the participation in Davide Campari-Milano N.V., the change of which is mainly explained by the share of the net profit of Davide Campari-Milano N.V and dividends distributed. Other variations of the net equity of Davide Campari-Milano N.V. are recognised in Other comprehensive income.

In order to perform a reorganization of activities and create a vehicle dedicated to future investments, a partial proportional demerger was approved by the shareholders of Lagfin S.C.A. as of 16 November 2022. €100.0 million of cash, €95.0 million of equity and €5.0 million of shareholder loan were transferred to a newly incorporated company, D.R. Holding S.A., outside the perimeter of Lagfin S.C.A., but with the same shareholders.
As part of the reorganization Lagfin S.C.A. and D.R. Holding S.A. incorporated D.R. Finance S.à r.l. with a capital of €10.0 million, share premium of €190,0 million and cash of €200.0 million.
Lagfin S.C.A. owns 51% of D.R. Finance S.à r.l.

Acquisition of shares of Davide Campari-Milano N.V. (€43.6 million).

xiv. Other non-current assets

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

	at 31 December	
	2022	2021
	€ million	€ million
Securities held as fixed assets	2.4	1.7
Deposits	0.0	0.0
Receivables affiliated undertakings	97.4	15.0
Other receivables	0.0	0.0
Total other non-current assets	**99.8**	**16.7**

Receivables affiliated undertakings mainly includes promissory notes versus undertakings companies (€89.5 million).

xv. Financial assets

	at 31 December		
	2022 € million	31 December 2021 restated € million	1 January 2021 restated € million
Current financial assets	313.8	269.9	220.0
Total financial assets	**313.8**	**269.9**	**220.0**

Financial assets mainly includes investments in Bonds €111.4 million, Equity Current Asset €80.4 million, Funds €6.6 million and Private Equity Current Asset €75.1 million.
In particular Private Equity Current Asset mainly includes investments in the following 3 funds:
- HSMA Orion €10.0 million;
- HSMA Pegasus €13.5 million;
- Tangible credit €25.4 million.

xvi. Cash and cash equivalents

A breakdown of cash and cash equivalents is reflected in the table below.

	at 31 December		
	2022 € million	31 December 2021 restated € million	1 January 2021 restated € million
Cash equivalents	40.8	-	-
Cash at bank	56.0	115.2	159.2
Total Cash and cash equivalents	**96.8**	**115.2**	**159.2**

The increase in cash equivalents of the year was related to the subscription of a Short-term deposits. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

xvii. Other current assets

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

	at 31 December	
	2022 € million	2021 € million
Receivables affiliated undertakings	0.0	18
Miscellaneous receivables	0.0	0.2
Tax receivables from Group companies	72.2	34.6
Other receivables	2.5	0.6
Other current assets	**74.7**	**53.5**

A breakdown of the group tax receivables, taking in consideration the nature of tax is as follows.

	at 31 December	
	2022 € million	2021 € million
Tax consolidation	55.7	32.6
Loan	16.0	0.0
VAT	0.5	2.1
	72.2	**34.6**

Tax Consolidation current assets refer to receivables from Italian group companies that are part of the fiscal units for direct tax and vat purposes. The corresponding amounts owed to the tax authorities, including that arising from taxes owed directly by the Italian branch, are registered on "Payable fiscal consolidation Italian branch".

xviii. Assets Held for sale

The amount relates to a property in Milan Via Tamburini. The Company has undertaken to sell this property within the first half of 2023, subject to the exercise of a pre-emption right by the State on part of it. The pre-emption was not exercised and the sale was finalized in May 2023.

xix. Equity

The subscribed capital amounts to €3.717.200,00 and is divided into 46.465 fully paid-in shares with a par value of €80,00 per share.

	Number of shares	€ million
As of December 31st, 2020		
Ordinary shares of €80,00	46.465	3.717.200,00
As of December 31st, 2021		
Ordinary shares of €80,00	46.465	3.717.200,00
As of December 31st, 2022		
Ordinary shares of €80,00	46.465	3.717.200,00

xx. Current and non-current liabilities

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

	at 31 December	
	2022 € million	2021 Restated € million
Bonds	320.1	315.2
Non-current financial liabilities	544.0	221.3
Other non-current liabilities	0.4	0.4
Provision for risks and changes and contingent assets (13)	34.0	-
Deferred taxes	23.5	19.4
Total non-current liabilities	**928.0**	**556.3**

	at 31 December	
	2022 € million	2021 Restated € million
Credit institutions debts	189.6	157.9
Current Financial liabilities	83.7	157.8
Trade payables	0.6	4.2
Tax liabilities	65.1	8.2
Provision for risks and changes and contingent assets (13)	10.0	-
Other liabilities	17.4	0.4
Total current liabilities	**366.4**	**328.5**

The increase mainly related to the proceed from non-current borrowings (€330.1 million) net of repayment of non-current borrowings (€7.5 million) and to the provision for risks and charges and contingent assets (€44 million).

As of 31 December 2022, a breakdown of the financial liabilities is reflected in the table below.

	at 31 December 2022	
	Short-term	Medium-term
Derivative financial	61.9	
Shareholder loan	21.6	
Credit institutions liabilities		149.0
Other debt loans		395.0
Total Financial debt	**83.7**	**544.0**

The Company, through its Italian Branch, issued a bond in July 2020 that, if certain conditions are met, can be converted into a predetermined number of Campari shares.
The contract therefore has two components: the bond loan and a conversion option.
This derivative was separated from the bond issue and measured at fair value, both at the date of initial recognition of the hybrid instrument and at each subsequent balance sheet date.
Changes in fair value are recognized in the income statement.
The Company therefore accounts for the embedded derivative in accordance with the rules for non-hedging derivatives, charging changes in the fair value of the derivative to the income statement, as adjustments to the value of financial assets and liabilities, and, as a contra entry in the balance sheet to a fund (derivative financial instruments payable).
Based on the above, the following amounts are recorded under 'Derivative financial instruments payable':

- €19.6 million at the issue date of the bond loan;
- € 40.4 million as of December 31st, 2020;
- €117.2 million as of December 31st, 2021;
- € 61.3 million as of December 31st, 2022.

The Company, among other things, aims to ensure that it meets financial covenants attached to the Bond notes and similar instruments. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

The increase in the item "Other liabilities" of about €17.0 million in respect of prior year is due mainly to down payment on sale of real estate.

The increase in the item "Tax liabilities" of about €57.0 million in respect of prior year is due mainly to the payable fiscal consolidation.

The company may, from time to time, consider opportunistic buybacks of its own debt subject to market prices and trading liquidity.

8. Financial Risk management

The Company is exposed to interest rate risk, credit risk, liquidity risk, foreign currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are described below.

8.1 Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in meeting its obligations associated with financial liabilities. The Company has established procedures with the objective of maintaining a balance between continuity of funding and flexibility through the use of loans from related parties.
All trades payables are due within one year from the end of the reporting period.

8.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or cash flows of financial instruments may fluctuate because of changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency other than the functional currency of the Company.
The Company is exposed to foreign exchange risk arising from various currency exposures relating to its operating activities. Management of the Company closely monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

8.3 Capital risk

Capital includes only equity shares.
The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions, in order to ensure that it will be able to continue as a going concern while maximizing the return to the Shareholder through the optimization of the debt and equity balance. To maintain or adjust the capital structure, the Company may adjust the dividend payment to the Shareholder, return capital to the Shareholder or issue new shares.

8.4 Credit risk

Credit risk is the risk that a counterparty may not meet its obligations under a financial instrument or customer contract, leading to a financial loss.
Credit risk related to cash and cash equivalents is managed by holding cash balances with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

The carrying amount of financial assets recorded in the financial statements represents the maximum credit exposure.

8.5 Climate related risk

Up to now, the Company has not been significantly impacted by climate change. Nevertheless, Management will continue monitoring every year the potential risks resulting from the effects of climate change. So far, Management has not identified nor considered any material impacts of climate change on assumptions used (e.g. impairment test, etc.) and on the Company's financial reporting (e.g. provisions, fixed assets, etc.).”

9. Fair value measurement

The fair value measurements are listed as follows:
- 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 Company used valuation models based on market parameters;
- the fair value of non-current financial payables was obtained by discounting all future cash flows to present value under the conditions in effect at the end of the year. Derivatives, valued using techniques based on market data, are mainly interest rate swaps and forward sales/purchases of foreign currencies to hedge both the fair value of the underlying instruments and cash flows. The most commonly applied measurement methods include forward pricing and swap models, which use present value calculations.

The models incorporate various inputs, including the credit rating of the counterparty, market volatility, spot and forward exchange rates and current and forward interest rates. An analysis of financial instruments measured at fair value based on three different valuation levels is provided in the table below.

	Level 1 €	Level 2 €	Level 3 €
As of 31 December 2021	**268.1**	**117.3**	
Assets and liabilities valued at fair value	**268.1**	**117.3**	
Securities	268.1		
Derivatives		117.3	
As of 31 December 2022	**313.8**	**61.3**	
Assets and liabilities valued at fair value	**313.8**	**61.3**	
Securities	313.8		
Derivatives		61.3	

The level 1 valuation for the financial assets in question was calculated using a methodology based on the NAV, which was obtained from specialist external sources.

The level 2 valuation used for financial instruments measured at fair value is based on parameters such as exchange rates and interest rates, which are quoted on active markets or are observable on official yield curves.

No assets or liabilities were valued resulting from the application of level 3 method as of December 31st, 2022.

10. Contingencies

The Company did not have any contingent liabilities as of 31 December 2022.

11. Commitments

The total uncalled capital commitments on investments in private equity holdings amounts to €34.5 million (2021: €21.6 million) and commitments on bank loans approved and not used as at year end amounts to €29,4 million.

In 2019 and 2020 the Company purchased real estate properties under construction in Monaco, for a total consideration of €247.0 million of which €102,45 million have already been paid. The entire price will be paid in the next years following the progress of works.

During 2022 the Company has provided unsecured guarantees for a total amount of £7.7 million on behalf of related parties. No liability is expected to arise.

The Company signed guarantees for a total consideration of €3 million issued by an Italian bank in favour of the Financial Administration (Agenzia delle Entrate) against surplus VAT credits offset under the group VAT scheme. The deadline is September 2023 for €0.5 million and December 2025 for €2.5 million.

12. Related parties

The Company adopts procedures to ensure the substantive and procedural transparency and integrity of transactions with related parties, whether carried out directly or through subsidiaries, in addition to defining the concept of related parties.

The main intra-group activities, paid for at market prices, are carried out on the basis of contractual relationships, which in particular relate to:

- the management of investments;
- the settlement of financial flows through the centralised intra-group cash and financial management system;
- the sharing of general, administrative and legal services;
- information technology support;
- commercial agreements.

Intra-group transactions are carried out through the centralised cash management system, with interest charged at market rates.

As indicated in note xi ‘Current Financial liabilities’ include €21.6 million as shareholder loan (€39.1 million as of December 31, 2021).

In addition, transactions with related parties include the agreement with Davide Campari-Milano N.V., relating to the option, exercised jointly with the Campari Group’s other Italian subsidiaries, to adopt the national tax consolidation scheme governed by articles 117 et seq. of the Consolidated Law on Corporate Income Tax (TUIR) for the period running from 2021 to 2023.
The Company has also joined, along with Davide Campari-Milano N.V. the Campari Group VAT scheme pursuant to article 73, para. 3, of Presidential Decree (DPR) 633/72.
The receivables and payables arising as a result of the tax consolidation procedure are non-interest-bearing.
No other transactions have taken place with controlling entities, nor with their directly and/or indirectly-owned subsidiaries, other than with Group companies.

13. Subsequent events

On March 30, 2023 the Company together with other defendants settled a dispute for which the plaintiff initially claimed an amount exceeding € 400 million; such dispute was unrelated to the Company’s ordinary course of business. Lagfin shall pay to the plaintiff a total amount of € 50 million in several tranches: a first tranche of € 10 million in FY2023 and 10 (ten) annual consecutive tranches starting from FY2024 of € 4 million each. This amount is recognised in this financial statements at the amortized cost basis for a total consideration of € 44.0 million.

On April 26, 2023 Davide Campari Milano N.V. paid to Lagfin dividends related to the financial year 2022 for a total consideration of €37 million.

During the first four months of 2023 the Company (i) redeemed two insurance policies for a total consideration of €12.9 million, (ii) made additional payments related to the real estate properties under construction in Monaco for a total consideration of €66,75 million and (iii) funded two newly formed U.S. special purposed vehicles for a total consideration of €44,34 million that in their turn purchased real estate properties in San Francisco and Chicago.

14. Proposal for the appropriation of profit

We propose to allocate the 2022 Financial Year result to the profits brought forward from previous years.

Luxembourg, 26 May 2023

Chairman of the Board of Directors

Vania Baravini

Governance

Corporate officers

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

Board of Directors

Vania Baravini	Chairman
Federico Franzina	Director
Massimilano Seliziato	Director

Indipendent Auditor

Ernst&Young S.A., Société Anonyme

Building a better
working world

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Independent auditor's report

To the General Partner of
Lagfin S.C.A.
3, Rue Des Bains,
L-1212 Luxembourg

Report on the financial statements

We have audited the accompanying financial statements of Lagfin S.C.A, which comprise the statement of financial position as at 31 December 2022, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 financial statements" section of our report. We are also independent of the Company 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 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 management report but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

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Responsibilities of the General Partner for the financial statements

The General Partner is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards "IFRS" as adopted by the European Union and for such internal control as the General Partner determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the General Partner is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the General Partner'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 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 Company to cease to continue as a going concern.

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

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

Ernst & Young
Société anonyme
Cabinet de révision agréé

Bruno Di Bartolomeo

Luxembourg, 26 May 2023

Lagfin S.C.A.
Société en commandite par actions

Registered office: 3, Rue des Bains, L-1212 Luxembourg
R.C.S. Luxembourg: B 51599
Share capital: €3,717,200.00 fully paid in