

**DAVIDE CAMPARI-MILANO N.V.
ANNUAL REPORT
AT 31 DECEMBER 2020**

**CAMPARI
GROUP**

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Disclaimer

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

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About this report

Note on presentation

The annual report at 31 December 2020 was prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code. The designation IFRS also includes International Accounting Standards ('IAS') as well as all the interpretations of the International Financial Reporting Interpretations Committee ('IFRIC'), formerly the Standard Interpretations Committee ('SIC').

Adaptation plan pursuant to Articles 15 and 18 of the Market Regulations

In accordance with Articles 15 and 18 of Consob Regulation 20249 of 28 December 2017 and subsequent amendments concerning 'conditions for listing shares of companies that control companies established and governed by laws of non-EU countries', the Parent Company Davide Campari Milano N.V. (the 'Company' or 'Parent Company' or 'Campari' and together with its subsidiaries the 'Campari Group' or the 'Group') has identified its significant subsidiaries as defined Article 15(2) of the above-mentioned Regulation, and verified that the conditions set out in paragraphs b) and c) of Article 15 have been met.

Forward-looking statements

Campari Group's management 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 Campari Group has made on the basis of all the information available at the time of completion of this annual report.

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

Campari Group 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. Campari Group does not assume any obligation to update any forward-looking statements made in this annual report beyond statutory disclosure requirements.

Information on the figures presented

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

For ease of reference, all the figures in this annual report are expressed in millions of Euro to one decimal place, whereas the original data is recorded and consolidated by the Group in Euro. 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 Euro. The use of values expressed in millions of Euro may therefore result in apparent discrepancies in both absolute values and data expressed as a percentage.

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

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

European Single Electronic Format requirements

Pursuant to article 4 of the Transparency Directive¹, starting from the financial year 2020 the annual financial reports of companies listed on European stock exchange would be prepared in compliance with the European Single Electronic Format, or ESEF. The entire annual financial report, i.e. including ad minima the audited financial statements and the management report, shall be prepared in xHTML format. In addition, issuers preparing IFRS consolidated financial statements shall mark up those using Inline XBRL. To facilitate the introduction of the new rules, for annual reports for the year ending 31 December 2020, only the consolidated primary financial statements and certain administrative information meet the ESEF requirements. Campari Group manage ESEF by leveraging on a dedicated IT software implemented during the year, allowing to comply with the new regulation. However, during December 2020, the European Parliament and the Council included an amendment to the Transparency Directive allowing for a 1-year postponement of the obligation for listed companies to draw up and publish their annual financial reports in accordance with the ESEF. The ESEF postponement will be adopted as a supplementary measure to help the recovery from the Covid-19 pandemic. Following the Dutch Ministry of Finance informing in January 2021 the House of Representatives that the issuers are given an additional year to make their annual financial reports generally available in accordance with the ESEF, Campari Group will comply with it making available according to ESEF requirements, the annual reports ending from 31 December 2021 onwards.

¹ Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC.

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Key Highlights

for the years ending 31 December				
	2020	2019 ⁽²⁾	change	
	€ million	€ million	total %	organic change %
Net sales⁽¹⁾	1,772.0	1,842.5	-3.8%	-4.1%
Contribution margin	716.1	801.3	-10.6%	-11.0%
EBITDA	309.8	458.1	-32.4%	
EBITDA adjusted	399.9	479.8	-16.7%	-16.3%
EBIT	231.8	386.3	-40.0%	
EBIT adjusted	321.9	408.0	-21.1%	-20.4%
Profit before tax and non-controlling interests	209.6	354.6	-40.9%	
Net profit-Group and non-controlling interests	186.9	308.4	-39.4%	
Group net profit	187.9	308.4	-39.1%	
Group net profit adjusted	202.1	267.4	-24.4%	
ROS % (EBIT/net sales)	13.1%	21.0%		
ROS (EBIT adjusted/net sales)	18.2%	22.1%		
ROI % (Operating income/fixed assets)	7.9%	12.6%		
ROI % (Operating income adjusted/fixed assets)	10.9%	13.3%		
Basic earnings per share (€)	0.17	0.27		
Diluted earnings per share (€)	0.16	0.26		
Basic earnings per share (€) adjusted	0.18	0.23		
Diluted earnings per share (€) adjusted	0.17	0.23		
Average number of employees	3,784	3,701		
(Acquisition) sale of companies or business division	(120.6)	110.8		
Free cash flow	168.6	258.5		
Free cash flow adjusted	261.7	267.3		
Net financial debt	1,103.8	777.4		
Shareholders' equity-Group and non-controlling interests	1,998.4	2,388.5		
Invested capital	3,102.2	3,165.9		

⁽¹⁾ Sales after deduction of excise duties.

⁽²⁾ The statement of financial position figures shown at 31 December 2019 have been adjusted as a result of the provisional allocation of business acquisition values. For additional information see note 3 xi-'Reclassification of comparative figures at 31 December 2019' of Campari Group consolidated financial statements at 31 December 2020.

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Corporate bodies

Board of Directors⁽¹⁾

Luca Garavoglia ⁽²⁾	Chairman
Robert Kunze-Concewitz ⁽³⁾	Chief Executive Officer
Paolo Marchesini ⁽³⁾	Chief Financial Officer
Fabio Di Fede ⁽³⁾	Group General Counsel and Business Development Officer
Eugenio Barcellona ⁽²⁾	Director and Member of the Control and Risks Committee and the Remuneration and Appointment Committee
Fabio Facchini ⁽²⁾⁽⁴⁾	Director and Member of the Control and Risks Committee
Alessandra Garavoglia ⁽²⁾	Director
Michel Klersy ⁽²⁾	Director
Catherine Gérardin-Vautrin ⁽²⁾	Director and Member of the Control and Risks Committee and the Remuneration and Appointment Committee
Annalisa Elia Loustau ⁽²⁾	Director and Member of the Control and Risks Committee and the Remuneration and Appointment Committee

External auditor⁽⁵⁾

Ernst&Young Accountants LLP

⁽¹⁾ The Board of Directors of Davide Campari-Milano N.V. (the 'Company' or 'Davide Campari' or 'Campari') was appointed by the Company's Shareholders' meeting of 16 April 2019 for a three-year term 2019-2021.

⁽²⁾ Non-executive directors.

⁽³⁾ Executive Managing Director.

⁽⁴⁾ Appointed as non-executive director by the Company's Extraordinary General meeting on 18 September 2020. On that same date, Fabio Facchini was also appointed as a member of the Control and Risks Committee by the Company's Board of Directors.

⁽⁵⁾ The Company's Shareholders' meeting held on 27 March 2020 resolved that, as from the effective date of the Redomiciliation to Amsterdam, the Netherlands, Ernst&Young Accountants LLP succeed without any interruption to EY S.p.A. appointed as external auditor by the Company's Shareholders' meeting of 16 April 2019.

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Management report for the year ending 31 December 2020

Updates on the coronavirus, Covid-19 outbreak

The year ended 31 December 2020 was one of the most challenging years ever for humanity and the world economy. The significant impact that the unexpected Covid-19 ('Coronavirus') pandemic had on the lives of all people around the world ranks it among the most difficult events in history. Furthermore, its consequences on lifestyles are likely to persist for quite some time, even after its complete defeat. The Campari Group's full year performance has ultimately been impacted by this very challenging and volatile context, whilst the agility and resilience of its brands and business model have safeguarded its results and ability to deliver on its commitments and continue its long-term growth.

The year was characterized by high quarterly volatility in connection with the measures taken to combat the Coronavirus. After the World Health Organization's declaration of Covid-19 as a pandemic, the restrictions imposed around the world to contain the virus spread ('first wave') resulted in a rapid deterioration of the socio-economic and financial situation globally, with a subsequent negative impact on all the markets in which the Group operates, especially in the first and second quarter of the year. During the third quarter 2020, with the progressive lifting of restrictive measures after the lockdown, the Group's business performance benefitted from a recovery in the aperitifs business in its peak summer season for core on-premise markets and from the consumption occasions generated by people spending holidays in their home country rather than abroad ('staycation'), whilst home spirits consumption continued in off-premise skewed regions. After a brief temporary relief over the summer, the impact of the so called 'second wave', which brought with it new, even if generally a little less stringent, restrictions on people's lives and habits across all markets, led to an overall decline in the fourth quarter, focused particularly the on-premise skewed markets.

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

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

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

With regard to consumption patterns, based on analyses of sell-out statistics and consumer data, new trends in consumer habits have been detected during the Covid-19 outbreak, which the Group has started to actively leverage. In particular, in new scenarios of forced physical distancing, the human desire to socialise remains strong, with new occasions for consumption developing as consumers attempt to make bar-quality drinks at home. This shift from the on-trade to off-trade channel that is taking place on an unprecedented scale, is impacting the performance of the spirit industry, including Campari Group businesses. Home-made cocktail making could be viewed as a new source of entertainment and remote social gatherings, driving increased consumption opportunities in the off-premise channel.

As at-home consumption benefits from social distancing measures affecting out-of-home drinking habits, more and more consumers have shown an inclination to purchase beverages online, which has resulted in a significant increase in e-commerce sales. The strategic relevance of digital transformation and the importance for Campari of reinforcing this channel led the acquisition of a 49% interest in Tannico (the leading online wines and premium

spirits platform in Italy), which is an essential part of the digital transformation journey being undertaken across the entire organisation.

Campari Group is continuing to monitor and evaluate the evolution of the pandemic and its effects on the macroeconomic scenario, on the markets in which it operates, on the behavioural patterns of its consumer base and on the Group's financial position and the results of its operations, despite the objective difficulty in making predictions in a context constrained by numerous and new variables that are beyond the Group's control. Within this radically changed global context, Campari Group is continuing to confirm its long-term vision. Within a very difficult context, the Group managed to relocate its legal seat to the Netherlands, add a significant in market company in France, start up a joint venture in Japan, change the route to market in South Africa and restructure the sugar operations in Jamaica. The Group has also shown its solidarity with the communities during this dramatic year by making significant financial and material contributions to worthy causes. Lastly, after the successful completion of the acquisitions of Champagne Lallier, the Group's distribution company in France and the afore mentioned interest in Tannico, on 6 October 2020, Campari Group successfully placed a €550 million bond on the Euro market, reflecting its excellent business and financial profile as well as its strong reputation in the capital markets. In a period characterised by global macroeconomic volatility, the transaction was highly successful and attracted a geographically well-diversified base of European high-quality investors. It was also a concrete evidence of the Group's commitment to engaging in major projects, mastering new challenges whilst confirming its long-term objectives in terms of business growth and development.

Despite the challenging environment, the Group continues its unrelenting work, building on its brands for the years to come: September 2020 culminated with a celebration of Campari's 160 years of history since its foundation. This was marked by the unveiling in Sesto San Giovanni (Milan), the Group's headquarters, of a unique work of art, Infinito Campari, a sculpture produced by Oliviero Rainaldi that represents the soul of Campari, exalting its ambition to endure over time, as only art can do.

Main brand-building activities

The brand portfolio represents a strategic asset for the Campari Group. One of the main pillars of the Group's mission is to build and develop its brands. The Group has an ongoing commitment to investment in marketing designed to strengthen the recognition and reputation of iconic and distinctive brands in the key markets, as well as launching and developing them in new high-potential geographical regions. The Group is developing its strategies with an increasing focus on new communications tools, especially the digital media channel, which is seen as strategic thanks to its interactive, customisable and measurable properties.

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

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

Global priority brands

Aperol

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

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

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

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

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

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

In January 2020, for the fourth year in a row, Aperol was the **official aperitif of the Australian Tennis Open**, renewing its official partnership. Pop-up bars and gardens were specially designed for the two main brand experiences, Club Aperol and Casa Aperol.

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

Campari

In October 2020, an inspirational new digital campaign was launched globally, bringing to life the brand's newly evolved ethos of **Red Passion**. The campaign features hero video content and impactful visuals through a group of protagonists like Monica Berg, as acknowledged as being the most influential person in the spirits industry in 2020, together with Bendik Giske, artist and saxophonist, Margot Bowman, an avant-garde and energetic director, and MJ Harper, artist and choreographer.

During 2020, Campari confirmed and further strengthened its longstanding legacy with the brilliant world of Cinema, embodying creativity and passion.

In Italy the **#PerIlCinema** initiative was launched in December 2020; this was aimed at offering tangible help to the Italian Cinema industry and professionals who, through their extraordinary talent and passion were working hard to continue to entertain despite the circumstances. In particular, a second cinema ticket courtesy of the brand will be given for the first 20,000 participants to use throughout 2021.

In September 2020, for the third consecutive year, Campari sponsored the **Venice International Film Festival**, celebrating the values of passion and creativity. In the Campari Lounge, the audience had the chance to become immersed in the brand essence, thanks to an experiential installation. Moreover, in this very special year, a brand new cinema experience was built through a platform on the water in the heart of the Lagoon named Campari Boat-in Cinema. In this location, a series of events were organized to shine a light on young, upcoming talents and the 'Campari Passion For Film Award' was bestowed. Lastly, a Celebrative campaign was shot during the festival and aired during the following week in order to strengthen the bond between the brand and the Venice Film Festival.

In September 2020, for the second year in a row, Campari was the exclusive spirits partner of the **New York Film Festival**, the premier US showcase of the best-in-world cinema that is presented by the Film Society of Lincoln Center. The sponsorship confirmed Campari's long-standing commitment to the world of film and art and also covered the world premiere of On The Rocks film as well, directed by Sofia Coppola and starring Bill Murray and Rashida Jones.

For the 8th consecutive year, the **Negroni Week** was held thanks to the partnership with Imbibe magazine. During this special year, the Negroni week invited everyone to **Raise a Negroni to your bar** in order to raise funds to charities supporting the hospitality industry directly.

From June 2020, **Campari Negroni RTE** (ready-to-enjoy), the Negroni being the second most consumed and renowned classic cocktail in the world (according to Drinks 2019), was gradually launched globally with a 50 cl bottle offering.

At the end of first quarter 2020, after the outbreak of Covid-19, Campari launched a series of local digital initiatives:

- as the official partners of the **22nd Biennale of Sydney**, the biggest cultural event in Australia, Campari switched from an offline to an online event, and invited visitors to live an experience from home, visiting the exhibition online and attending virtual workshops;
- in Italy and Germany, Campari organized **Drink delivery experiences at home**, collaborating with delivery companies. A perfect serve kit was created to educate consumers on how to make cocktails at home;
- in the United Kingdom, Campari launched the initiative **Campari reopens**. Some of the world-best bars, such as the Dante in New York, Drink Kong in Rome, and Three Sheets in London, were virtually reopened, allowing consumers to experience a top-end bar, creating their own cocktails in a Campari masterclass with a world-class bartender.

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

Wild Turkey

In November 2020, the Wild Turkey annual global initiative **With thanks** kicked off in multiple markets, including the United States, Australia, the United Kingdom and Italy, to celebrate remarkable individuals in local communities who had given support to charities during the trying times of the pandemic, and reward them with a personalised token of appreciation.

In September 2020, the digital campaign for the super premium expression of Wild Turkey, **Longbranch**, was launched in the United States. It was aimed at driving awareness by leveraging the co-creator, Matthew McConaughey. The slogan **Wonder What If** highlights the rich storytelling that McConaughey has brought to the

brand as Creative Director, building a campaign that is blend of the culturally curious and the artistic in equal parts.

Wild Turkey Rare Breed Rye was launched in July 2020 as a blend of 4-6 and 8-year-old non-chill filtered rye, crafted in one of the few distilleries dedicated to the art of rye whiskey.

In June 2020, the 6th release in the award-winning Wild Turkey Master's Keep series, **Master's Keep Bottled in Bond**, was launched globally. It is a 17-year-old Kentucky straight bourbon whiskey with the bottled-in-bond label, a certification that guarantees a strict production process and ensures incomparable flavour and consistency.

Talk Turkey, the first series of advertainment on the Wild Turkey brand, starring Matthew McConaughey, got underway in 2019 and continued throughout the first quarter of 2020.

SKYY

In the fourth quarter 2020, among the product and marketing initiatives of SKYY, the **SKYY Infusions Coconut** was launched in Argentina, while in China the **SKYY San Francisco Limited Edition** was rolled out, along with the deployment of the **Bold Cocktail Campaign**, leveraging social and digital platforms to build emotional linkages with millennials by elevating the bold easy mix idea.

During the third quarter 2020, in the United States, SKYY Vodka launched a **new themed video** across all digital and social channels to the tune of the famous **Victoria Monet track Do You Like It**. In-stream video was added to engage consumers across online publishers, such as Rolling Stone, GQ, People and Thrillist. As at-home online activity continued to increase, SKYY e-commerce initiatives, together with search media, were pursued to keep consumers excited about at-home cocktails.

A digital and social campaign **We Are The Pride** was launched in the United States in June 2020 in support of the LGBTQ+ Community. The campaign featured pop star Kim Petras and RuPaul's Drag Race talents such as Violet Chachki and Heidi N Closet.

Jamaican rums

With regard to the Jamaican rums portfolio, starting from October 2020, the new global communication campaign **Crafted with Joy** went live in the brands' key markets, Canada, the United States and Jamaica, as well as in other geographies. The activation was mainly at digital level, aiming at driving awareness and elevating the brand's presence as a Premium+ leader in the rum category by featuring a series of scenes exemplifying joyful excellence and showcasing the key brand attributes of provenance, ageing, terroir, as well as the master blender, Joy Spence.

In the last quarter of 2020, the prestigious Appleton Estate **Hearts Collection** was made available in select, retail premium spirits outlets in global markets. It is a rare, limited-edition series of three single marque pot-still rums distilled in a Forsyth Pot Still and aged between 21-26 years. Hand selected from Appleton Estate's legendary inventory, it is the outcome of collaboration between the brand's master blender and the Italian connoisseur Luca Gargano, one of the greatest rum collectors in the world.

Starting from February 2020, the **Appleton Estate** brand was relaunched in its key markets with a new packaging design which emphasized the brand's premium characteristics and the minimum aging statement.

In addition, a new range of aged rum, **Kingston 62**, was launched in the Jamaican market in the first quarter 2020 and in Peru and the United Kingdom in July 2020, supported by point-of-sale trade communications as well as a digital campaign aimed at communicating the new brand name, new packaging and outstanding quality of rum.

Grand Marnier

In June 2020, Grand Marnier launched a **new global social media campaign** aimed at enabling consumers to find their own **Grand Moment** in everyday life by taking good care of themselves and finding their own new normality. International bartenders hosted live sessions on Instagram with social clips by master blender Patrick Raguenaud, the brand ambassador for Grand Marnier.

In January 2020, the new **Cuvée du Centenaire**, which was created in 1927 to celebrate the first century of the House of Marnier Lapostolle, was rolled out worldwide with premium packaging inspired by the *art nouveau* movement.

Regional and local priority brands

Concerning the regional priority brands, the first global campaign of **Averna** Open Sicily was launched, celebrating the vibrant world of Sicily and the modern expressions of the island with a new brand visual identity, packaging and communication.

In addition, the new packaging of **Bisquit&Dubouché** VS and VSOP was launched in Belgium. With respect to **Espolòn**, the brand received the Impact Hot Brand 2019 award for the fourth year in a row, and a national digital campaign 'Choose your own adventure' focusing on the week-long celebrations of Mexican Independence Day was launched in September 2020 in the United States, aimed at increasing brand awareness, maintaining the good growth rate and ensuring that the brand continued standing apart from the competitive crowd. A strong brand activation was also undertaken in Italy to celebrate the 'Día de los Muertos' in November 2020, bringing Espolòn's

unique game changer spirit to life through Influencer activations, media partnerships, Mexican heritage murals and street art operas in key lifestyle and urban bars and venues.

Concerning the local priority brands, **Crodino** was relaunched with an adult and premium offering in the European markets and a newly designed transparent 17.5cl bottle was launched that celebrates its authentic Italian heritage. Lastly, **Campari Soda** launched the digital campaign 'Design Connection': a collection of three design objects made with the iconic Campari Soda bottle and produced with the collaboration of three young and talented designers; the campaign was aimed at strengthening the brand linkage with design, given its iconic bottle, a design masterpiece, conceived in the early 30s by futurist Fortunato Depero.

Corporate activities

In September 2020, Campari Group celebrated its **160th anniversary** with a sculpture that represents the values that have guided the Group since its foundation in 1860.

The 160th anniversary was celebrated in Sesto San Giovanni (Milan), where the Company's first bottling plant was built at the place where the Group's headquarters is located today. The celebration included the inauguration of **Infinito Campari**, a work of art designed and created by the internationally renowned sculptor Oliviero Rainaldi; that consists of two elements: a work of landscape art, entitled 'The Telescopic Labyrinth', and a monumental sculpture in Carrara marble that lies at its heart. The work is inspired by the history of Campari and in particular by two works created by artists who, in their time, made key contributions to building the brand: the futurist Fortunato Depero, with his work of 1931 entitled 'The Campari Pavilion', and the painter and illustrator Leonetto Cappiello who, with 'Lo Spiritello' (1921), marked the history of the brand.

Furthermore, on the occasion of this anniversary, Campari Group presented the **160 Years of Campari stamp** issued by the Italian Ministry of Economic Development and belonging to the thematic series 'Excellencies of the Italian productive and economic system'.

Significant events of the year

Corporate actions

Ordinary and Extraordinary shareholders' meeting held on 27 March 2020

The Extraordinary shareholders' meeting held on 27 March 2020 resolved to transfer the registered office of Davide Campari-Milano S.p.A. to the Netherlands, subject to certain conditions precedent.

The Ordinary shareholders' meeting approved the 2019 annual financial statements and agreed the distribution of a dividend of €0.055 per outstanding share, an increase of +10.0% on the previous year. The total dividend, calculated on the outstanding shares and excluding own shares in the portfolio (18,451,416 shares on the date of the Company's Shareholders' meeting), amounted to €62,873,172.12 and was paid on 22 April 2020.

Transfer of the registered office to the Netherlands

On 4 July 2020, the transfer of the official seat of Davide Campari-Milano S.p.A. to the Netherlands ('Redomiciliation'), with its simultaneous conversion to a Naamloze Vennootschap (N.V.), was completed: the Dutch notarial deed for the transfer of Campari's official seat resolved by the extraordinary shareholders' meeting of 27 March 2020 was executed, with effect on the same date. The new company name is therefore 'Davide Campari-Milano N.V.' (the 'Company' or 'Davide Campari' or 'Campari') and the new articles of association have come into effect ('Articles of Association').

As part of this transaction, the Company was required to pay to shareholders who exercised their right of withdrawal a reference unitary price per share set at €8.376 (this withdrawal price having been determined in accordance with Article 2437-ter(3) of the Italian Civil Code). The cash outflow borne by the Company for the liquidation of 7.7 million shares, net of withdrawn shares for which the option and pre-emption right was exercised by the controlling shareholder Lagfin S.C.A., Société en Commandite par Actions for an overall commitment of above €250 million, and the shares for which the withdrawal was waived, on 7 July 2020, was €64.7 million. The liquidation of the above 7.7 million shares generated a negative price difference, to be recognized within Group equity, for an amount of €3.4 million based on the difference between the withdrawal price of €8.376 and the closing price on the settlement date (7 July 2020) of €7.94 per share, or an amount of €5.2 million, based on the difference between the withdrawal price of €8.376 and the market closing price of €7.70 per share on the date of the transaction approval (22 June 2020). This result confirmed the full compliance with the Group's commitment not to exceed the maximum cost cap of €7/8 million deemed by the Company to be acceptable.

With the transfer of the sole registered office which does not entail any changes in the organization, management or operational activities and, above all, envisages that the tax residence of the Group is maintained in Italy, the key objective pursued by the Company is to enhance its increased voting mechanism in favour of long-term shareholders and, therefore, the adoption of a flexible capital structure that can further support the Group in pursuing growth opportunities also via major acquisitions.

Additional information on the Redomiciliation in compliance with applicable legislation and regulations is provided and made available on the Campari's website (www.camparigroup.com).

Extraordinary General meeting of 18 September 2020

On 18 September 2020 the Extraordinary General meeting of the Company resolved to:

- a) reduce the nominal value of each ordinary share from €0.05 to €0.01 and consequently reduce the nominal value of each special voting share A from €0.05 to €0.01, the nominal value of each special voting share B from €0.20 to €0.04 and the nominal value of each special voting share C from €0.45 to €0.09. After the capital reduction the Company's share capital is still composed of 1,161,600,000 ordinary shares, which are listed, freely transferable and each of them confers the right to cast 1 vote. The special voting shares are not listed on a regulated market, are not transferable and do not confer any economic right. Each of the special voting shares A, B and C confers the right to cast respectively 1, 4 and 9 votes.
- b) Implement provisions of the articles of association on the conversion of the shares into Special Ordinary Shares. In order to implement Article 13.11 of the Company's articles of association, the Extraordinary General meeting of the Company approved the authorization to provide holders of special voting shares C of a right to exchange one special voting share C, together with the corresponding qualifying ordinary share, for one special ordinary share giving right to 20 votes (the Special Ordinary Share). This right of conversion is aimed at further strengthening the Group's stability and fostering the development and the continuous involvement of a stable base of long-term shareholders. (for more details please refer to 'Governance' section of this 2020 annual report).
- c) Appoint Fabio Facchini as non-executive director for the period ending at the closure of the Annual General meeting of shareholders to be held in 2022. Fabio Facchini, whose nomination is binding pursuant to article 15.2 of the Company's articles of association, is considered independent within the meaning of the Dutch Corporate Governance Code. On that same date, Fabio Facchini was also appointed as a member of the Control and Risks Committee by the Company's Board of Directors. The Board of Directors believes that his audit experience

and general management expertise will provide a valuable contribution to the Board of Directors.

- d) Approve the remuneration policy, as updated and amended in accordance with the new Dutch legal framework. The remuneration policy provides for the parameters for remuneration of the executive directors and the non-executive directors, taking into account the relevant legal requirements and the principles of the Dutch Corporate Governance Code that follow from the applicable Dutch and European legislation. The remuneration policy is made available on Campari's website (<https://www.camparigroup.com/en/page/group/governance>).

Capital Reduction on 27 November 2020

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

Group significant events

Financial debt management

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

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

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

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

Share buyback plan and Purchase of own shares

With regard to execution of the share buyback program, the Company's Board of Directors decided, on 18 February 2020, to continue it for an increased amount of up to €350 million over the following next twelve months. The increase in buyback will serve the new strategy of having a portfolio of own shares to meet all the existing stock option plans, rather than just those plans that are close to being exercised. The aim is to hedge the risk of an increase in the price of the shares underlying the options and, as a result, contain the Company's overall outlay required to service the incentive plans. The Company's Shareholders' meeting, confirming the purposes mentioned above, authorised the Board of Directors to purchase and/or sell own shares until 30 June 2021, to re-

constitute the portfolio of own shares to serve the current and future stock option plans for the Group's management, while complying with the limits and procedures laid down in the applicable laws and regulations. Between 1 January and 31 December 2020, the Company purchased 36,281,893 own shares, at an average price of €8.09, for a total amount of €293.6 million (including 7.7 million shares for an amount of €64.7 million bought back in the context of the Redomiciliation process at a withdrawal price of €8.376 per share). Considering the spot price per share at 31 December 2020 of €9.34 a theoretical gain of €45.3 million on these purchases is implied within Group equity. During the same period the Company sold 7,792,286 own shares for an outlay of €22.4 million, following the exercise of stock options. At 31 December 2020, the Company held 42,193,807 own shares, equivalent to 3.63% of the share capital.

Acquisitions and commercial agreements

Acquisition of a 49% interest in Tannico

On 29 June 2020, Campari Group completed the acquisition of a 49% interest in Tannico e Wineplatform S.p.A. ('Tannico' or 'Tannico S.p.A.'). Founded in 2013, Tannico is the market leader in online sales of wines and premium spirits in Italy, with a market share of over 30%. Tannico has progressively expanded into the business-to-business, offering targeted value-added services to professional operators in areas such as assortment and warehouse management, as well as tailored delivery solutions. Since 2017, Tannico has expanded its footprint to more than 20 markets, including the USA, Germany, UK, and France.

In 2019, Tannico achieved net sales of €20.6 million (under local generally accepted accounting principles, or 'GAAP'). The compound annual growth rate (CAGR) for net sales for the past three years (2016-2019) was approximately 50%, with net sales rising significantly in 2020, partly due to the Covid-19 emergency, almost reaching break-even from a profitability standpoint.

The total consideration paid for the 49% interest was €23.5 million, which was financed from available resources. Under the investment agreement, Campari Group will have the possibility of increasing its interest to 100% from 2025, subject to certain conditions.

Tannico is a unique and strategic fit with Campari Group's long-term business development goals. By leveraging Tannico's expertise, the Group will greatly enhance its digital capabilities and accelerate its development plans in e-commerce, a channel that is already growing and is set to become of even greater strategic importance given the likely long-lasting change in consumer behaviour due to the Covid-19 emergency.

Acquisition of Champagne Lallier

On 10 June 2020, Campari Group completed the acquisition of an 80% interest, with a medium-term route to total ownership, in the share capital of Champagne Lallier S.a.r.l. and other group companies (jointly, the 'company' or 'Campagne Lallier'), from the privately-owned French company Ficoma S.a.r.l., the family holding company of Francis Tribaut. The company is the owner of the champagne brand Lallier, which was founded in 1906 in Aÿ, one of the few villages classified as 'Grand Cru' in Champagne, a clear indication of the product's quality.

In 2019, the Company's sales amounted to €21.0 million (under local GAAP), including primarily sales of champagne of approximately 1 million bottles, of which close to 700,000 bottles of Lallier.

The consideration paid was €21.3 million (excluding the net financial debt at the closing date) and was financed from available resources. The transaction encompasses the brands, related stocks, real estate assets (including owned and operated vineyards) and production facilities.

Under the agreement, the remaining shareholding is subject to reciprocal put and call options, which can be exercised from 2023. Francis will continue in his role as managing director of Champagne Lallier.

Starting from January 2021, the highly respected industry veteran Dominique Demarville joined Champagne Lallier as General Manager and Cellar Master. The choice of Dominique reflects the ambition of Campari Group to develop Maison Lallier not only as a global Champagne player but as a superior Champagne range. With his great competence and passion for the Champagne world Dominique would lead Lallier to the next level, continuing the excellent job done by Francis.

With this acquisition, which marks the entry of the first player of Italian origin into the Champagne category, Campari Group has added to its portfolio a premium and historical champagne brand, Lallier; since it is mainly sold in selected on-trade outlets and wine shops, this brand further extends Campari's range of premium offerings in this key channel for brand building. Moreover, Campari Group will build further critical mass in the strategic French market where the Group recently started to sell through its own in-market company.

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

On 28 February 2020, Campari Group completed the acquisition of 100% of French distributor Baron Philippe de Rothschild France Distribution S.A.S. ('RFD'), a wholly owned subsidiary of Baron Philippe de Rothschild S.A. specializing in the distribution of a diversified portfolio of international premium spirits, wine and champagne brands in France. RFD is the sole distributor for the French market of the Campari Group's portfolio, which is currently the main contributor to RFD's sales and growth. With regard to the rest of the portfolio, RFD is the

exclusive distributor for the French market of the seller's premium and super premium wines, including the Mouton Rothschild and Mouton Cadet brands. The total acquisition price was €50.3 million (excluding the net financial debt at the closing date). The transaction was financed using the Group's available resources.

In 2019, RFD's total sales were €149.8 million, based on local accounting principles (€100.0 million after the reclassification based on International Financial Reporting Standards principles 'IFRS').

The incorporation of the distribution structure of RFD (now called Campari France Distribution S.A.S.) into Campari's network and the possibility of operating directly in France (a high-potential market for the Group) represents a unique opportunity to enhance the Group's focus on its key brands and benefit from the increased critical mass of the aperitifs business and the newly-acquired Trois Rivières and La Mauny premium rum agricole brands.

Joint venture in Japan

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

Terrazza Aperol

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

Other significant events impacting Group results

Malware attack

At the beginning of November 2020, Campari Group has been the victim of a targeted ransomware attack following unauthorized access to its network. The malware attack was promptly identified and Group IT took immediate action with the support of cyber-security experts, to limit its spread across data and systems and to immediately implement all possible extra security measures. At the very initial stage, all on-premise servers were switched off (determining a temporary IT outage) to isolate the IT systems, avoid malware spread or further illegitimate actions, to allow such systems' sanitization and progressive restarting in a secure way, and then rapidly resume normal activities. The situation has been permanently monitored to assess and minimize the recovery time. The attack has caused the encryption of certain data on some of the Group's servers and after technical investigations the Group has announced in transparent dialogue with its stakeholders, that notwithstanding security measures in place, some personal and business information has been compromised with potential consequences for employee, customer, supplier and business partner data. Campari Group offers its sincerest apologies for any complications and concerns that this may bring to its potentially impacted employees, customers, suppliers, business partners, as well as to its many stakeholders, and has offered identity theft support where customary. There is no indication that Campari Group websites have been accessed.

The investigation on the matter and all the activities aimed at the protection of the involved subjects, are ongoing, with the support of legal and cyber-security experts and in full cooperation with relevant authorities.

As defensive measures Campari Group is implementing all actions deemed appropriate, to further protect its IT estate and, therefore, personal and business data stored therein.

The Group's recurring operations did not suffer any material financial impact measured on annual basis from the temporary outage since the business continuity for Group operations, customers and partners has been preserved and rolled out by order of priority, with the objective of restoring operations in the fastest, yet most prudent fashion, to avoid any recurrence. In particular, the manufacturing and logistics activities as well as the processing of sales orders across all markets have been resumed and are regularly functioning as the Group's top priority.

The Group will keep the authorities and stakeholders informed and collaborate with them as appropriate and in accordance with applicable laws and regulations.

Restructuring programme in the Agri Business in Jamaica

In July 2020, the Group launched a restructuring programme in Jamaica for the agricultural sugar business, in the wake of financial losses accumulated over the years as a result of the global decline in the price of sugar, a reduction in demand in the local market and heightened competition, exacerbated by the Covid-19 scenario. The restructuring programme is aimed at preserving the business continuity of the core spirits business in Jamaica. The consultation process with the local authorities and trade unions started in July 2020, with a view to achieving the best possible outcome for the local community. In view of the scale of the restructuring program, which will

ultimately result in the recognition of restructuring costs for the Group (to be determined based on the outcome of the consultation process) the Group is managing the initiative with the local authorities with great care and sensitivity for the local community. Following the start of consultations, on 29 July 2020, it was announced that the Group would cease operating its Appleton Estates Sugar Factory. The Group financials at 31 December 2020 include €13.5 million costs relating to the estimated corresponding restructuring costs.

Donations in response to the Covid-19 pandemic emergency

In response to the pandemic emergency, Campari Group has been proactively supporting local communities through donations of cash and alcohol for the manufacture of sanitisers for healthcare workers on the front line worldwide, while at the same time providing support for baristas and other sector operators affected by the temporary closure of their business.

Among its various initiatives, the Company donated €1 million in March 2020 to fund a general intensive care operational unit for the Covid-19 emergency at the ASST Fatebenefratelli Sacco public health institution in Milan, a reference point for the management of patients most seriously affected by coronavirus.

In April and June 2020 respectively, the Company made a donation to the Italian Civil Protection and to FNOPI (National Federation of Healthcare Workers) through the Aperol video initiatives 'Together we can' and 'Together we can dance'. The first initiative was organized in conjunction with Rockin'1000 and featured 1,200 musicians from all over the world singing from their homes a choral song written by the popular Italian musician Max Gazzè. The second initiative was supported by Luca Tommassini, a world-renowned dancer and choreographer, and over 1,000 dancers from all around the world participated in this video, creating a virtual dance choreography side by side for a good cause.

Campari Group made a donation to Fondazione MultiMedica Onlus, the foundation for Gruppo MultiMedica, one of the largest hospital groups in Lombardy (Italy). The aim was to strengthen the Intensive and Sub-intensive Care Units and to ensure personal protective equipment for healthcare operators in the field.

In the United States, Campari America donated USD1 million to Another Round, Another Rally, a non-profit organization that raises emergency funds offering relief to workers and bartenders in the hospitality industry, which has been forced to shut down its commercial operations as a result of the Covid-19 emergency. This initial donation, supported on social media by the main brands, SKYY, Wild Turkey, Appleton Estate, Campari, Aperol, Grand Marnier, Espolòn, Cabo Wabo and Bulldog, and by various influencers, including Matthew McConaughey, gave rise to the #OneMoreRound challenge, in which the public were encouraged to make donations.

The initiative was deployed in many countries: Campari Canada donated to the Bartenders Benevolent Fund; Campari UK staff and Campari UK jointly donated to The Drink Trust; Campari Deutschland donated to the non-profit organization StartNext; Campari Australia supported the venues by providing access to contactless bottled cocktail delivery and collection services, product donations and marketing toolkits.

The initiatives above mentioned were overall extended during the second wave of the pandemic starting from October 2020.

Subsequent events

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

Group Financial Review

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

Sales performance

1. Overall performance

In 2020, the Group's net sales totalled €1,772.0 million, with an overall decrease of -3.8% as compared to 2019. The organic growth component showed a negative change of -4.1%. The exchange rate component was negative at -2.7%, while the perimeter effect was positive at +3.0%.

	2020	2019	total change	full year change %, of which				organic change % by quarter			
	€ million	€ million	€ million	total	organic	perimeter	exchange rate ¹	first	second	third	fourth
Total	1,772.0	1,842.5	-70.4	-3.8%	-4.1%	3.0%	-2.7%	-5.3%	-15.9%	+12.9%	-7.0%

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

Organic change

The full year performance showed an organic change of -4.1%, with a fourth quarter down -7.0% after a decline of -2.8% in the first nine months period. The overall performance was largely hit by renewed lockdowns and severe restrictive measures affecting key on-premise markets (a channel which is estimated to represent approximately 40% of the Group's overall pre-Covid-19 sales), such as Italy, as well as the Global Travel Retail channel. The off-premise skewed markets, such as the United States, Canada, Australia and Northern Europe, continued their sustained growth. In particular, notwithstanding a strong third quarter (+12.9%), very positively impacted by favourable weather conditions, summer 'staycation' effect and the gradual reopening of on-premise which benefitted the aperitif business in its peak summer season, the fourth quarter suffered heavily from the resurgence of the pandemic, which is still active and challenging in many markets. Overall, the fourth quarter was weak, mainly driven by European markets, due to the restrictions re-introduced in the on-premise channel as well as a less pronounced staycation effect as compared to the summer, given the lower seasonality for aperitifs and the lack of winter sports tourism.

Regarding the United States, the Group's largest market, the growth was driven by a positive year-end close (+13.0% in the fourth quarter), mainly thanks to a gradual shipment re-alignment to very positive off-premise consumption patterns, as the destocking at wholesaler level across the whole portfolio was gradually completed by year-end. Excluding the destocking effect, the United States market organic growth would have been +9.1% in 2020 (as opposed to +3.4%), while the Group's overall organic growth would have been -2.5% (as opposed to -4.1%).

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

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

The e-commerce channel also grew positively during the year, accounting for approximately 2% of Group's net sales in 2020, with the United States and the United Kingdom over indexing at 3% and 10% respectively².

² Internal data and estimates.

	for the years ending										
	2020		2019		total change € million	full year change %, of which				change % fourth quarter organic	
	€ million	%	€ million	%		total	organic	perimeter	exchange rate ¹¹		
Americas	773.9	43.7%	821.5	44.6%	-47.6	-5.8%	-1.8%	0.7%	-4.7%	2.5%	
Southern Europe, Middle East and Africa	463.6	26.2%	498.7	27.1%	-35.1	-7.0%	-18.6%	11.6%	-0.1%	-30.2%	
North, Central and Eastern Europe	403.7	22.8%	393.8	21.4%	9.9	2.5%	6.8%	-2.2%	-2.0%	-3.0%	
Asia-Pacific	130.8	7.4%	128.5	7.0%	2.3	1.8%	4.6%	-	-2.9%	2.8%	
Total	1,772.0	100.0%	1,842.5	100.0%	-70.4	-3.8%	-4.1%	3.0%	-2.7%	-7.0%	

⁽¹¹⁾ Includes the effects associated with hyperinflation in Argentina.

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

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

❖ Geographical regions

- The **Americas** region recorded a decline of -1.8% (+2.5% in the fourth quarter): the resilient performance of off-premise skewed Canada (+12.5%) as well as the sustained growth in the United States (+3.4%) were unable to offset the decline in Jamaica (-8.2%), Mexico (-31.2%) and the remaining South American countries.
- The **Southern Europe, Middle East and Africa** region reported an organic decrease in sales of -18.6% (-30.2% in the fourth quarter), driven by the negative performance of its core on-premise skewed market, Italy (-17.4%), the Global Travel Retail channel (-68.9%), Spain (-47.7%) and South Africa. France grew overall with positive transition to an owned distribution structure.
- The **Northern, Central and Eastern Europe** region showed positive organic growth of +6.8% (-3.0% in the fourth quarter). Specifically, resilient growth in the region, mainly off-premise skewed, was sustained by the double-digit growth of Russia (+10.7%), the United Kingdom (+7.4%) and Germany (+8.6%).
- The **Asia-Pacific** region recorded a positive performance of +4.6% (+2.8% in the fourth quarter), driven by Australia, the region's core market, which increased by +20.2%, more than offsetting the negative decline in the rest of the region, especially Japan and China, mainly due to the pandemic effects.

❖ Brands

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

Perimeter variation

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

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

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

• Business acquisitions

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

• Brands distributed

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

Exchange rate effects

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

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

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

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

2. Sales by region

Sales for 2020 are analysed by geographical region and core market below. Unless otherwise stated, the comments relate to the organic change in each market.

• Americas

The region, broken down into its core markets below, recorded an overall organic decrease of -1.8% (+2.5% in the fourth quarter). The region is predominantly off-premise skewed, particularly North America, with the channel estimated to account for approximately 65% of the region's overall pre-Covid-19 sales.

for the years ending											
	% of Group total	2020		2019		total change	full year change %, of which				change % fourth quarter
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate ¹	organic
US	28.6%	506.8	65.5%	495.1	60.3%	11.7	2.4%	3.4%	0.9%	-2.0%	13.0%
Jamaica	5.1%	90.9	11.7%	108.0	13.1%	-17.0	-15.8%	-8.2%	-	-7.6%	-9.3%
Canada	3.6%	63.4	8.2%	58.0	7.1%	5.4	9.4%	12.5%	0.1%	-3.2%	15.8%
Brazil	1.9%	33.0	4.3%	52.0	6.3%	-19.0	-36.5%	-15.2%	-	-21.3%	-22.7%
Mexico	1.5%	26.1	3.4%	41.8	5.1%	-15.8	-37.7%	-31.2%	1.7%	-8.2%	-25.2%
Other countries of the region	3.0%	53.6	6.9%	66.7	8.1%	-13.0	-19.5%	-13.7%	0.2%	-6.0%	-8.8%
Americas	43.7%	773.9	100.0%	821.5	100.0%	-47.6	-5.8%	-1.8%	0.7%	-4.7%	2.5%

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

The **United States**, the Group's largest market, with 28.6% of total sales, closed 2020 with a positive organic performance of +3.4%, following shipment recovery in the fourth quarter (+13.0%) in a predominantly off-premise skewed market (a channel which is estimated to represent approximately 70% of the market's overall pre-Covid-19 sales). The growth was driven by strong category momentum for tequila, rum and American whiskey, with very

positive performance from Espolòn tequila, Jamaican rums and Wild Turkey bourbon (particularly the higher-margin Longbranch and Russell's Reserve) respectively. On-premise restrictions impacted the overall performance, in particular for the European imports (Grand Marnier, Campari, Aperol and the Italian bitters), together with the destocking across the whole portfolio, now fully completed. Moreover, the Italian portfolio was also penalised by the introduction of import tariffs. SKYY continued to be affected by destocking at wholesaler level (impacting in particular the flavour category), ahead of a complete brand re-launch. Excluding the destocking effect, the US market organic growth would have been +9.1% in 2020.

The market showed a solid performance in the e-commerce channel, with sales up approximately +500% in comparison with 2019, now accounting for approximately 3% of the net sales in the United States³.

Brand momentum in the off-premise channel continued to be strong across the whole portfolio with sell-out growing at +32.3%, i.e. approximately 1.5 times faster than the overall market⁴. The performance was strong double-digit growth since the beginning of the year for all core brands as well as the newly acquired Mexican brand Montelobos and Ancho Reyes.

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

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

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

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

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

• Southern Europe, Middle East and Africa

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

	% of Group total	for the years ending										change % fourth quarter organic
		2020		2019		total change	full year change %, of which					
		€ million	%	€ million	%		€ million	Total	organic	perimeter	exchange rate	
Italy	17.1%	303.8	65.5%	367.0	73.6%	-63.2	-17.2%	-17.4%	0.1%	-	-32.6%	
France	5.8%	102.5	22.1%	40.3	8.1%	62.3	154.7%	38.4%	116.2%	-	9.6%	
GTR ¹⁾	0.5%	8.8	1.9%	30.1	6.0%	-21.3	-70.7%	-68.9%	-1.9%	-	-78.9%	
Other countries of the region	2.7%	48.4	10.4%	61.3	12.3%	-12.9	-21.0%	-38.7%	18.3%	-0.6%	-16.0%	
Southern Europe, Middle East and Africa	26.2%	463.6	100.0%	498.7	100.0%	-35.1	-7.0%	-18.6%	11.6%	-0.1%	-30.2%	

⁽¹⁾ Global Travel Retail.

Italy recorded an organic decrease in sales of -17.4% in the year which is characterized by a high level of quarterly volatility. The quarterly performance deeply reflected the consequences of the shutdown of on-premise venues following the outbreak of Covid-19 pandemic, reporting a negative change of -24.4% in the first quarter, which reached a drop of -39.3 % in the second quarter, fully mirroring the effects of the restrictions. In the third quarter, thanks to the progressive reopening of the on-premise channel during the summer period in addition to a

³ Internal data and estimates.

⁴ Source: US Nielsen data Total outlet combined ('xAOC') +Total Liquor, representing approximately 34% of total US off-trade volume, YTD – W/E 26 December 2020.

'staycation effect', the performance recovered, showing a very positive trend at +35.4%; finally, the second wave of pandemic, that forced new closures in the on-premise channel, generated a negative performance at -32.6% during the fourth quarter. In the year, the performance of aperitifs remained negative due to its key exposure to the on-premise channel (estimated to represent approximately 70% of the market's overall pre-Covid-19 sales), affected more heavily by the measures taken following the outbreak of the pandemic, in an economic context that is suffering from a period of strong tensions. The entire portfolio registered weak results in the year, most notably Aperol and Campari and the single-serve aperitifs (Campari Soda and Crodino), with the exception of Aperol Spritz ready-to-drink⁵ which registered a double-digit growth. Sell-out in the off-premise remained strong, with both Aperol and Campari tracking above +25% in 2020, while Campari Soda and Aperol Spritz ready-to-drink also grew double-digits⁶, and helped mitigate the sales shortfall in the on-premise channel.

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

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

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

• Northern, Central and Eastern Europe

The region recorded overall organic growth of +6.8% (-3.0% in the fourth quarter) spread across its core central and northern European countries. The region is predominantly off-premise skewed, with the channel estimated to account for approximately 70% of the region's overall pre-Covid-19 sales.

	% of Group total	for the years ending									
		2020		2019		total change € million	full year change %, of which				change % fourth quarter organic
		€ million	%	€ million	%		total	organic	perimeter	exchange rate	
Germany	10.3%	182.8	45.3%	172.6	43.8%	10.2	5.9%	8.6%	-2.7%	-	1.1%
United Kingdom	2.8%	49.0	12.1%	46.2	11.7%	2.8	5.9%	7.4%	-	-1.4%	-20.4%
Russia	2.9%	50.7	12.6%	55.9	14.2%	-5.2	-9.3%	10.7%	-7.3%	-12.8%	2.2%
Other countries of the region	6.8%	121.2	30.0%	119.0	30.2%	2.2	1.9%	2.1%	-0.1%	-0.1%	-5.2%
North, Central and Eastern Europe	22.8%	403.7	100.0%	393.8	100.0%	9.9	2.5%	6.8%	-2.2%	-2.0%	-3.0%

Sales in **Germany** were up by +8.6% (+1.1% in the fourth quarter), driven by the double-digit performance of Aperol and Ouzo 12, as well as a positive performance for Campari, Bulldog and Cinzano sparkling wines. The non-alcoholic aperitif Crodino also grew in the year. The high exposure of this market to the off-premise channel (estimated to represent approximately 70% of the market's overall pre-Covid-19 sales) positively contributed to organic performance.

The off-premise sell-out trends for Germany remained strong in 2020, growing twice as fast as the local market, with double-digit growth across key brands, in particular Aperol and Campari⁷.

Sales in the **United Kingdom** increased by +7.4%, sustained by the off-premise channel, with strong growth of Wray&Nephew Overproof, Aperol, Campari and Magnum Tonic; the growth was achieved notwithstanding a very negative fourth quarter (-20.4%) against a tough comparison base (+67.8% in fourth quarter 2019) and impacted by the on-premise venues closing following the second wave of the pandemic.

Solid performance in the e-commerce channel, with sales up approximately +90% in comparison with 2019, now accounting for approximately 10% of the net sales in the United Kingdom⁸.

The off-premise sell-out trends for the UK remained strong in 2020, growing twice as fast as the local market.

Russia recorded an increase of +10.7% in sales (+2.2% in the fourth quarter), driven by the positive growth of Aperol, Mondoro and Cinzano vermouth.

⁵ A stand-alone brand not included in the Aperol brand performance.

⁶ Source: IRI (Italy) Iper+super+Libero Servizio Piccolo ('LSP'); YTD WE 27/12/2020.

⁷ Germany: Nielsen Lebensmitteleinzelhandel and Drogeriemarkt ('LEH+DM') = Off-Trade (no Cash&Carry), W2-W53 2020.

⁸ Internal data and estimates.

Performance in the **other countries in the region** was up overall by +2.1% (-5.2% in the fourth quarter, impacted by the second wave of the pandemic). The positive sales growth in the year was driven by **Switzerland, Belgium and Eastern European countries**, mainly due to Aperol and Campari, while **Austria** declined, mainly due to the lack of tourism.

• Asia-Pacific

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

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

In **Australia**, the region's largest market, organic growth in the period was very positive at +20.2% (+18.7% in the fourth quarter) in a predominantly off-premise market (a channel which is estimated to represent approximately 85% of the market's overall pre-Covid-19 sales). The performance was driven by continued strength in Wild Turkey ready-to-drink, Wild Turkey bourbon, American Honey, Espolòn and Campari registering double-digit growth, as well as the very positive performances of Cinzano Vermouth, Frangelico, The GlenGrant and also Espolòn off a small base. Sell-out trends in the off-premise for the Group's brands in Australia remained very positive in 2020, at +22.6% for the year, driven by Wild Turkey ready-to-drink, Wild Turkey bourbon and also Espolòn and Campari⁹.

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

3. Sales by main brands at consolidated level

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

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

⁹ Australia: IRI Scan Data, YTD WE 27/12/2020.

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

⁽¹⁾ Excludes ready-to-drink.

⁽²⁾ Includes American Honey.

⁽³⁾ Includes Appleton Estate and Wray&Nephew Overproof rum.

⁽⁴⁾ Includes Braulio, Cynar, Averna and Frangelico.

⁽⁵⁾ Includes Riccadonna, Mondoro, Trois Rivières, Maison La Mauny, Ancho Reyes, Montelobos and Champagne Lallier.

⁽⁶⁾ Includes American Honey ready-to-drink.

⁽⁷⁾ Includes Duquesne.

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

Aperol recorded an almost stable performance at -0.1% during the year. The organic trend of the brand in the full year was highly impacted by the overall negative performance in core on-premise skewed markets, due to the lockdown measures to contain Covid-19 pandemic, such as the core Italian market (accounting for 31% of Aperol sales in 2020 and down by -15.2%), as well as Spain and Global Travel Retail. On the contrary, sustained growth were registered in core off-trade skewed markets like Germany (+16.9%), the United States (+7.8%), France as well as Russia, Switzerland and the United Kingdom. On a quarterly basis, following a very positive trend in the third quarter (+26.2%) favoured by positive weather conditions during July and August and the summer staycation effect in selected markets, the fourth quarter (-10.3%) was mainly affected by the re-introduction of restrictive measures which impacted the on-premise skewed markets, particularly Italy. Excluding the performance in Italy and the Global Travel Retail, the brand has grown by +11.0% in the full year.

The brand's off-premise sell-out trends continue to be very strong across its core markets in 2020, such as Germany (+31.0%) and the US (+66.5%)¹⁰.

Campari closed the year with a decline of -4.5%, heavily impacted by a negative fourth quarter performance (-14.1%), mainly driven by the on-premise skewed Italian market. In the year, the brand benefitted from double digit growth in the off-premise skewed US market (+21.5%), in the United Kingdom, France and Australia, as well as from positive results registered in the highly exposed German off-premise market. These results were not able to offset the negative performance registered in the core Italian market, with key on-premise outlets being closed during lockdown peak periods, as well as in Jamaica, Brazil, Spain and Global Travel Retail.

The brand registered strong double-digit off-premise sell-out growth across the brand's core markets in 2020, such as Italy, Germany and United States¹¹.

The **Wild Turkey** portfolio, which includes American Honey, showed an increase of +4.9% in the year. The overall performance was mainly driven by the shipment recovery in the US market, particularly in the last part of the year, as well as Australia which registered double-digit growth in the year. On the other hand, the Japanese market, the brand's third largest market, was weak due to the pandemic effects and the destocking carried out by the Group ahead of the planned change in the region's route-to-market.

Strong off-premise sell-out data was registered in the core market of the United States (+25.6%)¹².

¹⁰ Germany: Nielsen LEH+DM = Off-Trade (no C&C), W2-W53 2020; US: Nielsen data XAOC+Total Liquor, representing approximately 34% of total US off-trade value, YTD W/E 26/12/2020.

¹¹ Italy: IRI Iper+super+LSP, YTD WE 27/12/2020; Germany: Nielsen LEH+DM = Off-Trade (no C&C), W2-W53 2020; US: Nielsen data XAOC+Total Liquor, representing approximately 34% of total US off-trade value, YTD W/E 26/12/2020.

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

SKYY closed the year with a fall of -16.2%, mainly due to core US market down by -10.5% driven by ongoing destocking ahead of a complete brand re-launch, while SKYY off-premise sell-out trends remained positive +7.3%¹³. Internationally, the brand declined with the exception of Germany and Argentina.

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

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

The sell-out trends in the off-premise in the US for Appleton Estate (+38.8%) and Wray&Nephew Overproof (+62.2%) remained very positive¹³.

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

Espolòn (5.0% of total sales) recorded a continued very positive double-digit performance (+29.9%), mainly driven by the core United States market thanks to solid category momentum, as well as other seeding markets such as Australia, Canada and Russia. The brand registered an off-premise sell-out growth of +87.4% in 2020 in the core market of the United States¹³.

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

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

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

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

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

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

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

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

¹³ US: Nielsen data XAOC+Total Liquor, representing approximately 34% of total US off-trade value, YTD W/E 26/12/2020.

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

The **rest of the portfolio** (15.3% of sales) recorded a negative organic performance of -10.0%, mainly due to **SKYY ready-to-drink** in Mexico and Japan, as well as the agency brands, partly mitigated by the very positive performance of **Aperol Spritz ready-to-drink**¹⁴ in Italy and **X-rated fusion liquor** in the core market of China, despite new route-to-market setup.

¹⁴ A stand-alone brand not included in the Aperol brand performance.

Statement of profit or loss

Key highlights

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

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

Specifically, in 2020 net sales, gross margin, contribution margin and the result from recurring activities (EBIT adjusted) showed an organic overall annual decline of -4.1%, -8.5%, -11.0% and -20.4% respectively. All the indicators showed a greater decrease than sales, with a resulting dilution in margins. In particular, in terms of EBIT adjusted, the overall organic dilution of 380 basis points reflected a negative sales mix (driven by the severe decline in high margin combinations of brands and markets, such as the aperitifs), the pressure of the increase in the agave purchase price, the negative impact of US import tariffs, as well as a lower absorption of fixed costs across the profit or loss, given the drop in sales. Advertising investments and selling, general and administrative expenses, as well as advertising investments, decreased organically, though to a lower degree than net sales driving a limited dilutive effect.

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

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

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

For the years ending 31 December

	2020		2019		total change		of which organic		of which external		of which due to exchange rates and hyperinflation	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
Net sales⁽²⁾	1,772.0	100.0	1,842.5	100.0	(70.4)	-3.8%	(74.8)	-4.1%	54.6	3.0%	(50.3)	-2.7%
Cost of sales	(746.1)	(42.1)	(721.3)	(39.1)	(24.8)	3.4%	(20.6)	2.9%	(40.0)	5.5%	35.7	-5.0%
Gross profit	1,025.9	57.9	1,121.2	60.9	(95.3)	-8.5%	(95.4)	-8.5%	14.6	1.3%	(14.5)	-1.3%
Advertising and promotional costs	(309.8)	(17.5)	(319.9)	(17.4)	10.1	-3.1%	6.9	-2.2%	(4.2)	1.3%	7.4	-2.3%
Contribution margin	716.1	40.4	801.3	43.5	(85.2)	-10.6%	(88.4)	11.0%	10.4	1.3%	(7.2)	-0.9%
Selling, general and administrative expenses	(394.2)	(22.2)	(393.3)	(21.3)	(0.9)	0.2%	5.4	-1.4%	(19.0)	4.8%	12.7	-3.2%
Result from recurring activities (EBIT-adjusted)	321.9	18.2	408.0	22.1	(86.1)	-21.1%	(83.0)	20.4%	(8.6)	-2.1%	5.5	1.4%
Other operating income (expenses)	(90.1)	(5.1)	(21.7)	(1.2)	(68.4)	315.6%						
Operating result	231.8	13.1	386.3	21.0	(154.5)	-40.0%						
Financial income (expenses)	(38.9)	(2.2)	(33.0)	(1.8)	(5.9)	17.9%						
Adjustments to financial income (expenses)	1.4	0.1	5.8	0.3	(4.4)	-75.9%						
Put option, earn out income (expenses) and hyperinflation effect	18.1	1.0	(4.7)	(0.3)	22.8	-487.8%						
Profit (loss) related to associates and joint ventures	(2.8)	(0.2)	0.1	-	(2.9)	-						
Profit before taxation and non-controlling interests	209.6	11.8	354.6	19.2	(145.0)	-40.9%						
Profit before taxation and non-controlling interests-adjusted	278.9	15.7	370.4	20.1	(91.5)	-24.7%						
Taxation	(22.7)	(1.3)	(46.2)	(2.5)	23.5	-50.8%						
Net profit for the period	186.9	10.5	308.4	16.7	(121.5)	-39.4%						
Net profit for the period-adjusted	201.1	11.3	267.4	14.5	(66.3)	-24.8%						
Non-controlling interests	(1.0)	(0.1)	-	-	(1.0)	-						
Group net profit for the period	187.9	10.6	308.4	16.7	(120.5)	-39.1%						
Group net profit adjusted	202.1	11.4	267.4	14.5	(65.3)	-24.4%						
Total depreciation and amortisation	(78.0)	(4.4)	(71.8)	(3.9)	(6.2)	8.6%	(4.9)	6.8%	(4.1)	5.7%	2.7	-3.8%
EBITDA-adjusted	399.9	22.6	479.8	26.0	(79.9)	-16.7%	(78.2)	16.3%	(4.5)	-0.9%	2.8	0.6%
EBITDA	309.8	17.5	458.1	24.9	(148.3)	-32.4%						

⁽¹⁾ For information on the definition of alternative performance measures, see the paragraph 'Definitions and reconciliation of the Alternative Performance Measures (APMs or non-GAAP measures) to GAAP measures' of this management report.

⁽²⁾ Sales after deduction of excise duties.

The decrease in profitability in 2020 shown by the operating profitability indicators, expressed as a percentage (basis points) of total net sales and organic sales, is shown in the following table⁽¹⁾.

margin accretion (dilution) in basis point ⁽²⁾	Total	Organic
Cost of goods sold	(300)	(280)
Gross margin	(300)	(280)
Advertising and promotional costs	(10)	(30)
Contribution margin	(310)	(320)
Selling, general and administrative expenses	(90)	(60)
Result from recurring activities (EBIT-adjusted)	(400)	(380)

⁽¹⁾ For information on the definition of alternative performance measures, see the paragraph 'Definitions and reconciliation of the Alternative Performance Measures (APMs or non-GAAP measures) to GAAP measures' of this management report.

⁽²⁾ There may be rounding effects given that the corresponding basis points have been rounded to the nearest ten.

Statement of profit or loss in detail

The key profit or loss items are analysed below.

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

The **gross profit** for the period was €1,025.9 million, -8.5% on 2019. The organic component was -8.5%, which was higher than the organic decrease in sales (-4.1%), while the perimeter variation of +1.3% was completely offset by the exchange rate effect. As a percentage of sales, the gross margin fell overall, from 60.9% in 2019 to 57.9% in 2020, with a decrease in total and organic profitability as a percentage of sales of 300 and 280 basis points respectively. The organic dilution of profitability was mainly driven by the unfavourable sales mix, led by the outperformance of low margin Espolón characterized by the high agave price, the underperformance in high margin aperitifs brands in core on-premise skewed Italian market (particularly Aperol, Campari and the single-serve aperitifs Campari Soda and Crodino), the destocking driven declines in high-margin SKYY Vodka and European imports in the United States, the negative impact of US import tariffs, all combined with a lower absorption of fixed production costs.

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

Advertising and promotional costs were €309.8 million, down by -3.1% overall compared to 2019, with a decrease of -2.2% in organic values (compared with a decline in net sales of -4.1%). As a percentage of sales, they increased from 17.4% to 17.5% in 2020 and generated an organic dilution effect on sales of 30 basis points. Throughout the year, due to the lockdowns and the general restrictions limiting people traffic in the on-premise channel, brand activation investments were progressively redirected from on-premise into digital and online brand activations, e-commerce initiatives, as well as off-premise brand building activities. In this respect, after the cost containment actions taken in the first part of the year, advertising investments (mostly a discretionary expense) were recovered via a rephasing into the last two quarters. The main objective has been to engage consumers and industry professionals through social media, driving home consumption through e-commerce platforms and further leverage of modern trade. In line with this strategy, the Group has significantly stepped up its digital capabilities to support on-line marketing, with a strong focus on core brands.

The **contribution margin** was €716.1 million, an overall decrease of -10.6% compared to 2019. As a percentage of sales, it was at 40.4%, an overall dilution of 310 basis points compared to 2019 year. The organic growth component fell by -11.0%, more than the decline in organic sales growth (-4.1%), generating an organic dilutive effect of 320 basis points. The negative exchange rate effect of -0.9% had an accretive effect on margins of 70 basis points; this offset the perimeter variations, having a dilution effect of 60 basis points (up by +1.3% on the previous year).

Selling, general and administrative expenses, a predominantly fixed cost type of expense, amounted to €394.2 million, almost stable (+0.2%) in comparison to the previous year. As a percentage of sales, they amounted to 22.2%, compared to 21.3% in 2019, with a resulting dilutive effect on margins of 90 basis points. The organic change was at -1.4% and generated an organic dilutive effect of 60 basis points on margin due to the lower absorption of fixed costs in the context of an organic contraction in sales. Although no structural downsizing actions were undertaken with regard to the business infrastructure in the context of Covid-19, the containment of variable and discretionary costs was mainly driven by hiring freeze policies as well as a reduction in travelling and entertainment expenses. Finally, the costs of 2020 reflected the revision of the estimated target-based incentives which unfortunately were not achieved following the 2020 business results heavily affected by the pandemic.

The **result from recurring activities (EBIT adjusted)** was €321.9 million in 2020, an overall decrease of -21.1% on 2019. The return on sales adjusted (ROS) was 18.2% (22.1% in 2019). The organic decline component was -20.4%, with a tough comparison base with the same period in 2019 (+6.7%). The decrease was stronger than that of organic sales (-4.1%), thus resulting in a dilutive effect of 380 basis points. Excluding the US destocking effect (approximately €19 million), the EBIT adjusted change would have been -15.7%. The impact of perimeter variations on EBIT adjusted was -2.1%, mainly due to the unfavourable impact of recent acquisitions: reference is made in particular to the disproportionate effect deriving from the first time consolidation of the French distributor, given the very limited absorption of fixed structure costs in 2020, due to the lower sales levels impacted by the pandemic. On the other hand, the exchange rate effect was +1.4%, generated by the strong devaluation in currencies in low-margin emerging markets against the Euro.

Other operating income (expenses) showed a net charge of €90.1 million. This related namely to the following significant events or transactions affecting the year:

- €35.4 million attributable to brand impairment losses on Bulldog (€16.0 million¹⁵), The GlenGrant (€15.5 million) and Rhum Agricole (€3.9 million) as a consequence of the negative impact of Covid-19 on the brand performances particularly given their significant exposure to Global Travel Retail and on-premise, not expected to fully recover in the short term;
- €21.4 million of restructuring costs: €13.5 million related to the sugar business in Jamaica and €7.9 million for the reorganisation activities impacting some of the Group's central operations, which were started in previous periods;
- €15.9 million of transaction fees in connection with the transfer of the Company's registered office to the Netherlands (€9.9 million), as well as transaction fees in connection with recent acquisitions and changes in route to market (€6.0 million);
- €17.4 million of other costs connected to special projects, legal disputes as well as costs related to direct donations made by the Group to support the pandemic emergency and costs connected to IT restoration

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

operations as a result of the malware attack suffered in November 2020, aimed at further protecting the Group's IT estate.

The **operating result** in 2020 was €231.8 million, reflecting a decrease of -40.0% from 2019. The ROS, which measures the operating result as a percentage of net sales, amounted to 13.1% (21.0% in 2019).

Depreciation and amortisation totalled €78.0 million, up +8.6% on 2019, of which +6.8% was at organic level. The perimeter variation relating to recent acquisitions accounted for +5.7% and was partially offset by exchange rate variations of -3.8%.

EBITDA adjusted was €399.9 million, a decrease of -16.7%, of which -16.3% was at organic level, while the positive +0.6% contribution of the exchange rate effects was substantially compensated by the -0.9% perimeter impact.

EBITDA was €309.8 million, a decrease of -32.4% compared with 2019 (€458.1 million).

Net financial expenses totalled €38.9 million, showing an increase of €5.9 million compared to the same period of 2019 (€33.0 million). The negative variance of €6.9 million of exchange gain/(loss) was mainly due to the exchange gain/(loss) as net financial expenses included €4.1 million exchange loss in 2020 compared with a €2.8 million exchange gain in 2019.

Excluding the exchange gain/(loss), net financial expenses showed a saving of €1.0 million, despite the higher average level of net debt in the year ending 31 December 2020 (totalling €979.6 million, compared with €865.8 million in the year ending 31 December 2019). In particular the average cost of net debt for 2020, excluding the component relating to exchange gain(loss), was 3.5%, showing an improvement compared with the 4.1% reached in 2019, with both periods impacted by the negative carry effect. This decrease is mainly attributable to the reduced average coupon on existing gross debt, thanks to the liability management carried out. The favourable trend in the average cost of gross debt demonstrates the soundness of the Group's financial profile, further strengthened thanks to the new bond issue completed on 6 October 2020 with very attractive conditions, which led to an average cost of nominal coupons on gross debt decreasing from 2.15% to 1.42% post transaction.

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

The item **income (expenses) relating to put options, earn out and hyperinflation effects** was positive and totalled €18.1 million. It includes income totalling €18.8 million attributable to the non-cash effects of the remeasurement and discounting to present value of the estimated liabilities for future commitments relating to earn out and minority shareholdings in the acquired businesses. The decrease is mainly due to the revision of projected cash out from the Bulldog earn out (€19.4 million), the basis of the estimate having been linked to the expected future brand performance and the revision conducted in conjunction with impairment test of intangible assets to ensure consistency. The item also includes expenses arising from the application of the hyperinflation management measures to the Argentina accounts, totalling a net expense of €0.7 million.

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

Profit before taxation and non-controlling interests was €209.6 million, a decrease of -40.9% compared with 2019. Profit before taxation as a percentage of sales was 11.8% (19.2% in 2019).

Taxation totalled €22.7 million on a reported basis. The reported tax rate in 2020 was 10.8%, compared with a reported tax rate of 13.0%. The overall tax amount in 2020 included recurring income tax of €77.9 million and positive tax adjustments totalling €55.1 million. The latter reflected the favourable tax effects arising from the operating and financial adjustments as well as other, purely fiscal, adjustments. In particular, the merely fiscal adjustments included a one-off benefit of €29.9 million related to the remeasurement of deferred tax liabilities as a result of the step-up of certain brand and goodwill fiscal values to their corresponding book values, as stated in the Company's separate accounts. The positive reversal of deferred tax liabilities recorded in 2020 profit or loss is net of the substitutive tax to be paid in order to access the fiscal benefit. While the one-off impact is recognized in the 2020 profit or loss, the expected recurring tax benefit in the profit or loss statement, originated from a deductible notional amortization of the new stepped-up value of brand and goodwill assets valid for fiscal purposes only, will start from fiscal year 2021, generating its cash tax savings effects starting from fiscal year 2022 onwards. This benefit is granted to Italian companies pursuant to Law Decree no. 104/2020, enacted in August 2020 and

converted with amendments into Law no.126/2020 in October 2020. The Company's Board of Directors, held on 17 December 2020, confirmed the decision to adhere to the aforementioned tax rule for eligible intangible assets booked in the Company's separate accounts.

The 2020 overall tax adjustment compared with the figure of €56.8 million reported in 2019, which mainly included a one-off benefit of €25.4 million related to Patent Box tax regime: 2019 was the last year of the five years granted for the one-off tax relief based on the agreements signed with the Italian tax authorities.

The normalised tax rate, i.e. the ratio of normalised income taxation to the Group's profit before taxation, excluding other operating income and expenses, adjustments to financial and tax income and expenses for the year, was 27.9% in 2020, in line with the rate of 27.8% recognised in 2019.

Lastly, excluding the impact of the non-cash component relating to the deferred taxes on the fiscal amortization of historical goodwill and brands relevant for tax purposes, which decreased from €15.8 million of last year to €13.1 million, the 2020 tax rate for the cash components alone was 23.2%, slightly lower than the rate of 23.5% reported at year ending 31 December 2019 on a consistent basis.

Result relating to non-controlling interests for the period was marginal and corresponds to a loss of €1.0 million.

The **Group's net profit** was €187.9 million in 2020, a decrease of -39.1% compared with 2019, with a sales margin of 10.6%, lower than the 16.7% seen in the previous year. However, after excluding adjustments to operating, financial and put options and earn out, the related tax effects and tax components, the Group's net profit was €202.1 million (€267.4 million in 2019).

Basic and diluted earnings per share¹⁶, were €0.17 and €0.16 respectively, and amounted to €0.18 and €0.17 once adjusted for the afore-mentioned components. Adjusted basic earnings per share and adjusted diluted earnings per share were down by -23.7% and -23.5% respectively compared with 2019.

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

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

€ million	for the years ending 31 December						changes	
	2020			2019			reported	adjusted
	reported	adjustments	adjusted	reported	adjustments	adjusted	reported	adjusted
profit before tax before minorities	209.6	(69.3)	278.9	354.6	(15.8)	370.4	-40.9%	-24.7%
total taxation	(22.7)	55.1	(77.9)	(46.2)	56.8	(103.1)	-50.8%	-24.5%
net profit for the period	186.9	(14.2)	201.1	308.4	41.0	267.4	-39.4%	-24.8%
tax rate (nominal and adjusted)	-10.8%	-	-27.9%	-13.0%	-	-27.8%		
deferred taxes on goodwill and brands		(13.1)	(13.1)		(15.8)	(15.8)		
cash tax rate			-23.2%			-23.5%		

¹⁶ For information on the definition of alternative performance measures, see the paragraph 'Definitions and reconciliation of the Alternative Performance Measures (APMs or non-GAAP measures) to GAAP measures' of this management report.

Profitability by business area

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

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

	For the years ending 31 December							
	2020				2019			
	net sales € million	% of total %	result from recurring activities € million	% of total %	net sales € million	% of total %	result from recurring activities € million	% of total %
Americas	773.9	43.7%	139.7	43.4%	821.5	44.6%	171.4	42.0%
Southern Europe, Middle East and Africa	463.6	26.2%	32.5	10.1%	498.7	27.1%	88.1	21.6%
Northern, Central and Eastern Europe	403.7	22.8%	133.2	41.4%	393.8	21.4%	132.9	32.6%
Asia-Pacific	130.8	7.4%	16.5	5.1%	128.5	7.0%	15.6	3.8%
Total	1,772.0	100.0%	321.9	100.0%	1,842.5	100.0%	408.0	100.0%

• Americas

The Americas region made the largest contribution to the Group in terms of both sales and result from recurring activities, at 43.7% and 43.4% respectively.

The direct markets of US, Jamaica, Canada, Brazil, Mexico, Argentina and Peru together account for nearly all the region's sales. The results for 2020 are shown below.

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

The result from recurring activities decreased by -18.5% overall and recorded a sales margin of 18.1% compared with 20.9% for the previous year. The organic change was -21.6%, having a dilutive effect of 420 basis points on profitability. The main drivers that affected these organic results were as follows:

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

• Southern Europe, Middle East and Africa

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

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

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

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

• Northern, Central and Eastern Europe

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

The region includes the direct markets in Germany, Austria, Switzerland, Benelux, the UK, Russia and Ukraine, which represent nearly all the sales in the region, and the markets served by third-party distributors. The results for 2020 are shown below.

	For the years ending 31 December									
	2020		2019		total change		organic change		organic accretion/dilution of profitability basis points	
	€ million	%	€ million	%	€ million	%	€ million	%		
Net sales	403.7	100.0	393.8	100.0	9.9	2.5%	26.7	6.8%		-
Gross margin	255.9	63.4	248.5	63.1	7.4	3.0%	13.5	5.4%		(80)
Advertising and promotional costs	(60.4)	(15.0)	(55.6)	(14.1)	(4.8)	8.7%	(5.6)	10.0%		(40)
Selling, general and administrative expenses	(62.3)	(15.4)	(60.0)	(15.2)	(2.2)	3.7%	(3.6)	6.1%		10
Result from recurring activities	133.2	33.0	132.9	33.7	0.4	0.3%	4.3	3.2%		(110)

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

- **gross margin** showed solid organic growth of +5.4%, although lower than sales growth. This led to a dilution of profitability of 80 basis points due to the unfavourable geographic/product mix with the outperformance of lower-margin brands in Russia partly mitigated by the positive mix driven by Germany;
- **advertising and promotional costs** increased by +10.0% highlighting a phasing effect from the first into the second part of the year of the initiatives focused on the main brands, with a dilution effect on profitability of 40 basis points;
- **selling, general and administrative expenses** showed an increase of +6.1%, at a lower rate than the sales growth and therefore generating an accretive effect of 10 basis points on profitability.

• Asia-Pacific

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

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

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

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

Operating working capital

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

	At 31 December			of which		
	2020	2019 ⁽¹⁾	total change	organic	perimeter ⁽²⁾	exchange rates and hyperinflation
	€ million	€ million	€ million	€ million	€ million	€ million
Trade receivables	281.8	316.8	(35.0)	(42.0)	38.8	(31.8)
Total inventories, of which:	656.8	616.7	40.1	47.7	35.6	(43.3)
- maturing inventory	368.1	374.4	(6.3)	20.1	-	(26.3)
- biological assets	1.6	0.9	0.8	0.9	-	(0.1)
- other inventory	287.0	241.5	45.6	26.8	35.6	(16.8)
Trade payables	(321.2)	(241.2)	(80.0)	(49.2)	(44.6)	13.7
Operating working capital	617.4	692.3	(74.9)	(43.4)	29.8	(61.4)
Net sales of the period	1,772.0	1,842.5				
Working capital as % of net sales rolling	34.8	37.6				

⁽¹⁾ Values as of 31 December 2019 reclassified for Purchase Price Allocations. For information on the reclassifications of comparative figures, refer to note 3 xi 'Reclassification of comparative figures at 31 December 2019' of Campari Group consolidated financial statements at 31 December 2020.

⁽²⁾ The change includes an overall marginal impact of €0.9 million, related to the exit from the consolidation area of the Japanese Group's commercial company operating in Japan market following changes in the local distribution structure.

Operating working capital at 31 December 2020 was €617.4 million, a decrease of €74.9 million compared with the balance at 31 December 2019. This change was the combined effect of the following drivers: an organic decrease of €43.4 million, driven by an increase in inventories, totalling €47.7 million, more than offset by the favourable combined effect of an increase in trade payables of €49.2 million and a decrease in receivables from customers, of €42.0 million; a perimeter effect driven by the acquisitions closed during the year for an amount of €29.8 million, as well as an exchange rate variation leading to a reduction of €61.4 million.

Focusing on the organic performance, the decrease in trade receivables of €42.0 million is mainly driven by a temporary working capital reduction at year-end, due to phasing effects generated by the renewed restrictions impacting business performance. In particular, the decrease in receivables by €35 million was a consequence of the business slowdown in the fourth quarter in connection with the new restrictions due the pandemic 'second wave', whilst the increase in payables by €49.2 million was due to phasing. Notwithstanding the unfavourable economic environment, customer payments terms remained broadly unchanged across all geographies.

Inventory registered an increase totalling €47.7 million, out of which €20.1 million related to the organic step up in ageing liquid supporting the maturation process, mostly linked to The GlenGrant and Bisquit&Debouché cognac maturing inventory. It should be noted that, due to its nature, working capital represented by ageing liquid is similar to invested capital as its growth profile is planned over a long-term horizon. The other inventory increase is mostly a consequence of weaker demand towards the end of year due to Covid-19.

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

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

At 31 December 2020, operating working capital as a percentage of net sales in the last 12 months was 34.8%, with an overall decrease in the percentage of sales of -2.8% compared with the previous year mainly attributable to the exchange rate effect (which also includes the hyperinflationary effects in Argentina). With particular reference to the perimeter effect, it should be noted that the acquisitions of Campari France Distribution and Champagne Lallier occurred on 28 February and 10 June 2020 respectively, therefore the balance sheet figures at 31 December 2020 included the working capital of the acquired companies while the sales reported in the previous 12 months included the contribution of the brands acquired only for the period from the date on which the transactions were completed. If the statement was adjusted to take account of the full-year consolidation effect of the acquired companies, operating working capital would be reduced to 33.2% of consolidated net sales.

Reclassified statement of cash flows

The table below shows a simplified and reclassified version of the cash flow statement in the consolidated financial statements.

The main classification consists of the representation of the change in net financial debt at the end of the period as the final result of the total cash flow generated (or absorbed). Therefore, the cash flows relating to changes in current and non-current net financial debt, and in investments in marketable securities are not shown.

	for the years ending 31 December			
	2020 € million	of which recurring € million	2019 € million	of which recurring € million
EBITDA	309.8		458.1	
EBITDA-adjusted		399.9		479.8
Effects from hyperinflation accounting standard adoption	2.4	2.4	4.5	4.5
Accruals and other changes from operating activities	(9.3)	(9.3)	(24.8)	(17.3)
Goodwill, brand and sold business impairment	45.7	-	-	-
Income taxes paid	(119.7)	(84.8)	(45.3)	(81.1)
Cash flow from operating activities before changes in working capital	228.8	308.1	392.5	385.9
Changes in net operating working capital	43.4	43.4	(29.6)	(29.6)
Cash flow from operating activities	272.2	351.5	363.0	356.3
Net interests paid	(25.3)	(25.3)	(27.9)	(27.9)
Adjustments to financial income (expenses)	1.4	-	5.8	-
Capital expenditure	(79.8)	(64.6)	(82.4)	(61.1)
Free cash flow	168.6	261.7	258.5	267.3
(Acquisition) disposal of business	(120.6)		110.8	
Dividend paid out by the Company	(62.9)		(57.3)	
Other changes (net purchase of own shares included)	(275.6)		(54.3)	
Total cash flow used in other activities	(459.1)		(0.8)	
Exchange rate differences and other changes	(22.6)		(13.9)	
Change in net financial position due to operating activities	(313.1)		243.7	
Put option and earn out liability changes ⁽¹⁾	(5.6)		(77.6)	
Effect of IFRS 16-'Leases' first application ⁽²⁾	-		(81.4)	
Increase in investments for lease right of use ⁽³⁾	(7.8)		(15.8)	
Net cash flow of the period=change in net financial position	(326.4)		68.9	
Net financial position at the beginning of the period	(777.4)		(846.3)	
Net financial position at the end of the period	(1,103.8)		(777.4)	

⁽¹⁾ This item includes the full effects of the acquisitions of companies, businesses or strategic assets during the period for a total amount of €4.3 million, which impacted the Group's net financial debt and liquidity flows.

⁽²⁾ This item, which is a non-cash item, was included purely to reconcile the change in financial debt relating to activities in the period with the overall change in net financial debt.

⁽³⁾ For information on the value shown, please see note 9 iv-'Lease components' of Campari Group consolidated financial statements at 31 December 2020.

Highlights

In 2020, **net cash flow** reflected a cash flow absorption of €326.4 million, corresponding to an equivalent increase in net financial debt from 31 December 2019. This result was the combined effect of the slow down in business performances due to Covid-19 outbreak during the year and the significant transactions and payment commitments completed by the Group over the same time horizon, which affected the overall result in term of liquidity absorption.

Cash generation in terms of **free cash flow** was positive in 2020 and equal to €168.6 million, after non-recurring tax payments due in the year. Cash generation in terms of **recurring free cash flow** amounted to €261.7 million in 2020, showing a slight decrease in absolute terms compared with the €267.3 million generated in 2019, and an increase as a percentage of adjusted EBITDA (65.4% in 2020 compared with 55.7% in 2019), mainly driven by reduced working capital.

With regards to the other activities, all payment commitments were confirmed and the Group continued to pursue its development objectives in line with its long-term strategy. The overall effect in terms of cash flow absorption was €459.1 million, mainly related to the following: €271.2 million for the purchase of own shares to serve stock option plans (including the liquidation of a number of 7.7 million shares related to the management of the residual shares withdrawal resulting from the transfer of the official seat in the Netherlands, amounting to €64.7 million), €120.6 million in total for the acquisition of Baron Philippe de Rothschild France Distribution S.A.S., Champagne Lallier S.a.r.l. and interests in Tannico S.p.A., lastly €62.9 million for dividend payment.

Analysis of the consolidated statement of cash flows

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

- EBITDA amounted to €309.8 million. It decreased by €148.3 million compared with 2019 and included a negative effect of €90.1 million related to operating adjustments mainly for restructuring projects and the transfer of the Company registered office to the Netherlands. Excluding these components, EBITDA adjusted amounted to €399.9 million (€479.8 million in 2019);
- non-cash liabilities arising from the application of the accounting standard used to manage hyperinflationary

effects in Argentina totalling €2.4 million in 2020;

- cash absorption of €9.3 million mainly related to a reduction in payments for indirect taxation and excise duties;
- impairment losses of €45.7 million, mainly attributable to brand devaluations for Bulldog¹⁷, The GlenGrant and Rhum Agricole as well as the write-off of some tangible assets, which are considered as non-cash adjusting components not included in the recurring free cash flow.
- the cash financial impact arising from tax payments made in 2020 amounted to €119.7 million; excluding the non-recurring tax relief (residual amount based on fiscal year 2019) obtained under Patent box tax regime and the payments due in 2020 in connection with the sale of Villa Les Cèdres, completed in 2019 (for more information about this transaction, please refer to Campari Group 2019 consolidated annual report), taxes paid were €84.8 million, in line with the recurring tax cash out in 2019 (€81.1 million). Some local fiscal jurisdictions have granted local companies a temporary rescheduling of tax payments to help offset the negative effects on liquidity due to the pandemic situation: Campari Group took advantage of such measures, which enabled the postponement of payments amounting to €2.1 million; this effect was partly offset by the increase of the tax balance in 2020 due to the positive results achieved in 2019 fiscal year by certain group legal entities in key markets.
- working capital recorded a cash generation of €43.4 million in 2020 (absorption of €29.6 million in 2019) (refer to paragraph 'Operating working capital' for details);
- net interest paid of €25.3 million in 2020, or €23.8 million after registering €1.4 million of profit related to non-recurring components linked to the liability management transaction on existing debt. Excluding the interest cost on lease totalling €3.2 million, interest paid net of interest received on the net financial position, was €22.1 million;
- net investment in capital expenditure amounted to €79.8 million, of which the recurring component was €64.6 million (with a slight increase compared with 2019), confirming the Group's commitment to continue enhancing the long-term efficiency of plants, offices and infrastructure despite the difficult macroeconomic context.

Cash flow used in other activities was negative at €459.1 million, compared with a negative value of €0.8 million in 2019. The increase mainly reflects the effect of significant disposals and acquisitions of businesses carried out by the Group in the two years under comparison:

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

In addition to the above transactions and despite the uncertain situation caused by pandemic, the Group decided to confirm its commitments in terms of dividend payments of €62.9 million (increased compared with the €57.3 million in 2019) and the purchase of own shares to service stock option plans, totalling €271.2 million (€47.3 million in 2019).

Exchange rate differences and **other changes** had a negative effect of €22.6 million on the 2020 net cash flow (absorption of €13.9 million in 2019), reflecting the impact of exchange rate differences on, namely, operating working capital, as well as the recognition of some non-cash components, which were included for the purposes of reconciling the changes in cash flow with the change in net financial debt.

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

¹⁷ Bulldog value determined based on average exchange rate for the period 1 January-31 December 2020, equivalent to €15.8 at the closing exchange rate at 31 December 2020.

Net financial debt

At 31 December 2020, consolidated net financial debt was €1,103.8 million. The increase of €326.4 million on the €777.4 million reported at 31 December 2019 was the combined effect of a positive free cash flow generated by the business of €168.6 million (or €261.7 million on a recurring basis), more than offset by payment commitments for an overall amount of €459.1 million, including acquisitions, share buyback and dividends, as well as other negative changes for €36.0 million.

During 2020, the Group's financial structure was solid and stable overall, despite the challenging macroeconomic environment and the effects of the pandemic which resulted in a reduced, though yet very satisfactory, cash flow generation. Against this volatile backdrop, Campari Group successfully issued an unrated 7-year Eurobond, targeted at institutional investors and listed on Luxembourg Stock Exchange (with a dual listing on the ExtraMOT PRO segment of the Italian Stock Exchange), for a total offering of €550 million. The proceeds from this issue were used to refinance the Group's existing indebtedness (for more information please refer to paragraph 'Significant events of the year'): reference is made to the Eurobond issued in 2015, expired in September 2020 for a residual nominal amount of €580.9 million. With its extremely sound and flexible financial profile, during the year the Group has been able to meet all existing financial commitments and confirm the continuation of the share buyback programme for the year ending 31 December 2020, thanks to the significant amount of available cash and cash equivalents, which totalled €548.1 million at 31 December 2020. At the same time, the credit lines intended for general corporate purposes in line with the Group's strategy (totalling €631.6 million) were only partially drawn down for €31.5 million (recognized in the financial debt, as set out in the summary table below).

More specifically, the consolidated net financial debt at 31 December 2020 reflected the cash effects of the main payment commitments for a total amount of €394.2 million, which included the net cash outflow for the purchase of own shares to service stock option plans of €271.2 million (which included €64.7 million for the buyback of withdrawn shares in the context of the Redomiciliation), the dividend of €62.9 million distributed in April 2020 and the non-recurring outflow of €60.1 million of taxes due under the tax regulations applying to the disposal of the real estate asset Villa Les Cèdres in France, which was completed in 2019 (for more information about this transaction, please refer to the Campari Group 2019 annual report). Moreover, during the year, and notwithstanding the pandemic, the Group confirmed the strong commitment to its long-term external growth objectives by completing the acquisitions of Baron Philippe de Rothschild France Distribution S.A.S., Champagne Lallier S.a.r.l., in addition to the acquisition of interests in Tannico S.p.A., for an overall impact of €125.0 million, as set out below.

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

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

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

	At 31 December			of which		
	2020 € million	2019 € million	total change € million	organic € million	perimeter ⁽²⁾ € million	due to exchange rates € million
cash and cash equivalents	548.1	704.4	(156.4)	(18.1)	(95.9)	(42.4)
bonds	-	(580.0)	580.0	580.0	-	-
loans due to banks	(244.3)	(31.0)	(213.3)	(195.2)	(20.8)	2.7
lease payables	(13.9)	(15.4)	1.5	0.5	0.1	0.9
lease receivables	-	2.3	(2.3)	(2.2)	-	(0.0)
other financial assets and liabilities	(13.3)	(8.9)	(4.4)	(3.5)	(0.9)	(0.0)
short-term net financial debt	276.6	71.5	205.2	361.4	(117.4)	(38.8)
bonds	(894.7)	(349.4)	(545.3)	(545.3)	-	-
loans due to banks ⁽¹⁾	(320.0)	(249.3)	(70.7)	(70.7)	-	-
lease payables	(69.5)	(82.1)	12.6	12.0	(4.4)	5.1
lease receivables	-	4.8	(4.8)	(4.6)	-	(0.3)
other financial assets and liabilities	7.1	9.8	(2.8)	(1.9)	-	(0.9)
medium-/long-term net financial debt	(1,277.1)	(666.1)	(611.0)	(610.5)	(4.4)	3.9
net financial debt before put option and earn out payments	(1,000.5)	(594.6)	(405.8)	(249.1)	(121.9)	(34.9)
liabilities for put option and earn-out payments	(103.3)	(182.8)	79.5	82.4	(4.3)	1.4
net financial debt	(1,103.8)	(777.4)	(326.4)	(166.7)	(126.2)	(33.5)

⁽¹⁾ Including the relevant derivatives.

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

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

The short-term net financial position, mainly composed by cash and cash equivalents (€548.1 million), net of payables to banks (€244.3 million), was a positive €276.6 million, showing an increase of €205.2 million compared with the previous year. This change included an increase in bank payables of €213.3 million, mainly driven by new term debt facilities and uncommitted credit lines drawn down for general business purposes. The reimbursement of the Eurobond issued in 2015 and expired in September 2020 (therefore classified under short term liabilities), contributed to a positive variation of €580.0 million in the short-term financial position at 31 December 2020. The short-term financial position was related to figurative lease components and comprised €13.9 million payables only, with the lease receivables (€2.3 million at the end of previous year) having been settled during 2020. Other financial payables and receivables mainly relate to payables for interest normally accrued on existing bonds (€6.3 million) and other financial payables related to the new acquired companies, net of financial receivables connected with the sale of non-core business realized in previous years.

The medium/long-term exposure comprised bonds in the amount of €894.7 million, including the above mentioned newly subscribed unrated 7-year Eurobond of €550.0 million. Loans due to banks totalled €320.0 million, showing an increase of €70.7 million compared with 31 December 2019 driven by the subscription of new term debt facility agreements.

Figurative payables relating to long-term leases, of €69.5 million, were also recorded. The medium/long-term financial receivables item of €4.8 million in 2019 was settled in advance during the year. Lastly, medium to long-term net financial debt included other financial payables and receivables for a net amount of €7.1 million, mainly relating to receivables connected with the sale of non-core business (€3.0 million) and restricted deposits supporting future payments associated with past business acquisitions (€3.0 million).

Separately, the Group's net financial debt showed a liability of €103.3 million, consisting of future commitments to purchase outstanding minority shareholdings in controlled companies, and in particular in Société des Produits Marnier Lapostolle S.A. (for a cash outflow of €50.9 million), Montelobos, Ancho Reyes, J. Wray&Nephew Ltd. and the newly acquired Champagne Lallier S.a.r.l. (for an estimated combined cash outflow of €50.8 million) and other committed liabilities connected.

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

adjusted, as set out above.

Capital expenditure

In 2020, net investments totalled €79.8 million, of which €64.6 million were recurring and €15.1 million were non-recurring.

Recurring investments related to initiatives aimed at continually enhancing the production efficiency of the Group's industrial plants, offices and infrastructure. Specifically, they related to the following projects:

- maintenance expenditure on Group's operations and production facilities, offices and IT infrastructure which, although not material on an individual basis, amounted to €48.3 million in total;
- the purchase of barrels for maturing bourbon and rum totalling €12.4 million, net of related disposals;
- investments to develop biological assets, totalling €3.9 million.

Non-recurring investments, totalling €15.1 million, related to initiatives such as the opening of new offices, activities aimed at creating and strengthening new brand houses, structures and product innovation projects.

With regard to the type of investment, the net purchases comprised tangible assets of €65.3 million and intangible assets of €14.5 million.

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

Reclassified statement of financial position

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

	At 31 December			of which		
	2020	2019 ⁽¹⁾	total change	organic change	perimeter	exchange rates and hyperinflation
	€ million	€ million	€ million	€ million	€ million	€ million
fixed assets	2,944.6	3,062.4	(117.8)	(38.7)	96.1	(175.2)
other non-current assets (liabilities)	(369.2)	(441.6)	72.5	47.6	(0.6)	25.5
operating working capital	617.4	692.3	(74.9)	(43.4)	29.8	(61.4)
other current assets (liabilities)	(90.6)	(147.2)	56.6	45.1	0.9	10.6
total invested capital	3,102.2	3,165.9	(63.7)	10.5	126.2	(200.5)
Group shareholders' equity	1,996.6	2,386.6	(389.9)	(159.4)	-	(230.5)
non-controlling interests	1.8	1.9	(0.2)	(0.2)	-	-
net financial debt	1,103.8	777.4	326.4	170.1	126.2	30.1
total financing sources	3,102.2	3,165.9	(63.7)	10.5	126.2	(200.5)

⁽¹⁾ For information on reclassifications of comparative figures, refer to note 3 xi-'Reclassification of comparative figures at 31 December 2019' of Campari Group consolidated financial statements at 31 December 2020.

Invested capital at 31 December 2020 was €3,102.2 million, €63.7 million lower than the restated figures at 31 December 2019.

Focusing on the organic change, the most significant events attributable to the invested capital were referred to the increase of €47.6 million in other non-current assets (net of liabilities) and €45.1 million in other current assets (net of liabilities), mainly attributable to :

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

These increases have been mostly offset by a reduction of €43.4 million in working capital (see the paragraph 'Operating working capital' in this management report for more information) and fixed assets of €38.7 million.

The acquisitions of interests in Tannico and the effect of the consolidation of the values resulting from the recently acquired Baron Philippe de Rothschild France Distribution and Champagne Lallier S.a.r.l. were only marginally

offset by the deconsolidation of the Group's commercial company in Japan, following a change in the local distribution structure (for additional information in relation to the acquisition transactions, refer to the paragraph 'Significant events of the year'). The change attributable to the external growth led to an increase across all invested capital items as follows:

- fixed assets of €96.1 million, of which brand and goodwill accounted for €59.9 million and associates for €23.8 million;
- non-current liabilities (net of other non-current assets) of -€0.6 million;
- operating working capital of €29.8 million;
- other current liabilities (net of other current assets) of €0.9 million;
- net financial debt of €126.2 million (see paragraph 'Net financial debt' for more information).

The invested capital at 31 December 2020 was finally significantly impacted by non-monetary foreign currency translation effects, resulting in a reduction of €200.5 million.

Regarding financing sources, the main changes relate to a decrease of €389.9 million in shareholders' equity, mostly due to translation differences on net assets held in currencies other than the Euro and the dividend paid by the Company. For additional information on the change in the net financial debt, totalling €326.4 million, refer to the paragraph 'Net financial debt' of this management report.

As a result of the changes mentioned above, the Group's financial structure showed a net debt to shareholders' funds ratio of 55.2% at the end of the period, showing an increase compared with the 32.6% recorded at 31 December 2019 (on a restated basis).

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 Davide Campari-Milano N.V., please refer to paragraph 'Shareholders' equity' in the Company only financial statement at 31 December 2020.

Full year 2020 conclusion and outlook

The year 2020 confirmed its absolute peculiarity characterized by the Covid-19 ('Coronavirus') pandemic, which is heavily marking world history. Despite Campari Group's full year performance was ultimately impacted in this very challenging and volatile year, thanks to its agility and the strength of its brands and business model, Campari Group delivered very satisfactory results overall whilst meeting all its financial commitments and continuing to pursue its long-term growth strategy via acquisitions.

Full year 2020 performance showed strong business resilience and brand momentum in key off-premise brand-market combinations, as supported by sustained consumption trends.

The significant impact of the unexpected pandemic had consequences on people lifestyles which are likely to persist for many years, even after the defeat of the virus.

Looking into 2021 and beyond, the Group remains confident about the long-term consumption trends and growth opportunities. Its brands remain resilient and very healthy with strong consumer pull. Concomitantly, the Group remains cautious due to the short-term uncertainty related to the on-going restrictions and the vaccine roll-out affecting on-premise channel across all geographies as well as Global Travel Retail. Home consumption is expected to remain sustained, fuelled by continuous marketing investments, driving the performance in particular in key off-premise markets. With destocking activities completed in the US market, the shipments are expected to progressively align with consumption trends in this particular market.

As a committed and long-term brand builder, Campari Group will continue to leverage the digital and on-line investments, alongside a dynamic omni-channel approach, with a particular focus on e-commerce, rapidly adapting to the 'new-normal' environment.

Moreover, for 2021, perimeter and exchange rate effect are expected to negatively impact the Group's EBIT adjusted by approximately €9 million (mainly due to the termination of agency brands) and €13 million (driven by weak US Dollar as well as emerging market currencies¹⁸) respectively.

Overall as a global player, the Group will remain focused in strengthening its iconic brands ensuring they are strongly positioned and ready to accelerate their growth on the back of consistent investments in new opportunities offered by consumption trends. The Group remains firmly convinced that the out of home social experience and conviviality will remain essential to consumers lifestyles in the future.

Looking forward, the Group remains cautiously confident in the short-term and optimistic about the long-term business momentum.

¹⁸ Based on an estimated average rate of €/US Dollar of 1.21 in full year 2021.

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

These financial statements present and comment 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 'Report on operations' 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 annual financial statements 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 OPERATING PERFORMANCE

Organic change: the Group shows organic changes to comment on its underlying business performance. By using this measure, it is possible to focus on the business performance common to both periods under comparison and which management can influence. Organic change is calculated by excluding both the impact of currency movement against the Euro (expressed at average exchange rates for the same period in the previous year) and the effects of business acquisitions and disposals, as well as the signing or termination of distribution agreements. In order to mitigate the effect of hyperinflationary economies, organic change for countries having to adopt the hyperinflationary methodology laid down in IFRS only includes the component attributable to volumes sold in relation to net sales, while the effects associated with hyperinflation, including price index variation and price increases, are treated as exchange rate effects.

Specifically:

- the exchange rate effects are calculated by converting the figures for the current period at the exchange rates applicable in the comparative period of the previous year. The exchange rate includes the effects associated with hyperinflation 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 previous year are wholly excluded from the figures for that year and, therefore, from organic change;
- the results from business disposals or the termination of distribution agreements during the current year are excluded from the figures for the previous year from their corresponding date of disposal or termination.

The percentage organic change is the ratio of the absolute value of the organic change, calculated as described above, to the absolute value of the 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 costs.

Other operating income (expenses): relate to certain transactions or events identified by the Group as adjustment components for the operating result, such as:

- capital gains (losses) on the disposal of tangible and intangible assets;
- capital gains (losses) on the disposal of businesses;
- penalties arising from the settlement of tax disputes;
- impairment losses on fixed assets;
- restructuring and reorganization 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, EBITDA, profit before taxation and 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 years, 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 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 costs, and selling, general and administrative expenses.

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

EBITDA: the operating result before depreciation and amortization of intangible and tangible fixed assets and leased assets.

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

Adjustments to financial income (expenses): certain transactions or events identified by the Group as components adjusting the profit before taxation related to events covering a single period or financial year, such as:

- expenses related to the early settlement of financial liabilities or liability management operations;
- financial expenses arising from acquisitions/disposals of businesses or companies;
- other non-recurring financial income (expenses).

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

Profit before taxation-adjusted: the profit or loss for the period before taxation, before other operating income (expenses) and adjustments to financial income (expenses), before the put option earn out income (expenses) referred to above and before 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) described above;
- non-recurring positive/(negative) taxation effects.

Cash tax rate

The cash tax rate is calculated by deducting from the taxation the tax adjustments above mentioned and the deferred taxes on brands and goodwill which are relevant for tax purposes. The new value of cash taxation is then related on the pre-tax result 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) and the put option earn out income (expenses) referred to above, before the related taxation effect and before other positive/negative tax adjustments for the period.

Basic and diluted earnings per share adjusted (basic/diluted EPS adjusted): basic/diluted earnings per share (EPS) before other operating income (expenses), adjustments to financial income (expenses) and the put option earn out income (expenses) referred to above, 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 to net sales for the period.

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

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

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

• **Reclassified statement of financial position**

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

Fixed assets: calculated as the algebraic sum of:

- property, plant and equipment;
- right-of-use assets;
- biological assets;
- investment property;
- goodwill;
- brands;
- intangible assets with a finite life;
- investments in associates and joint ventures.

Other non-current assets and liabilities: calculated as the algebraic sum of:

- other non-current assets;
- deferred tax assets;
- other non-current financial asset;

- deferred tax liabilities;
- post-employment benefit obligations;
- provisions for risks and charges;
- other non-current liabilities;
- other non-current financial liabilities.

Operating working capital: calculated as the algebraic sum of:

- inventories;
- biological asset inventories;
- trade receivables;
- trade payables;

Other current assets and liabilities: calculated as the algebraic sum of:

- income tax receivables;
- other current assets;
- income tax payables;
- other current liabilities;
- other current financial assets;
- other current financial liabilities;
- assets and liabilities held for sales.

Invested capital: calculated as the algebraic sum of the items listed above and in particular:

- fixed assets;
- other non-current assets and liabilities;
- operating working capital;
- other current assets and liabilities.

Net financial debt

Net financial debt is calculated as the algebraic sum of:

- cash and cash equivalents;
- other non-current financial asset and liabilities;
- other current financial assets and liabilities;
- lease receivables;
- lease payables;
- bonds;
- loans due to banks;
- liabilities for put option and earn-out payments.

Capital expenditure

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

Recurring capital expenditure

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

Reclassified statement of cash flows

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

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

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

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

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

Debt/ EBITDA-adjusted ratio

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

• Appendix of alternative performance indicators

In 2020, EBITDA, the result from recurring activities (EBIT), profit or loss before taxation and Group net profit were adjusted to take into account the items shown in the table below.

for the year ending 31 December 2020	EBITDA		EBIT		profit before taxation		Group net profit		basic earnings per share	diluted earnings per share
	€ million	% on sales	€ million	% on sales	€ million	% on sales	€ million	% on sales	€	€
alternative performance measure reported	309.8	17.5%	231.8	13.1%	209.6	11.8%	187.9	10.6%	0.17	0.16
impairment on goodwill and trademarks	(35.4)	-2.0%	(35.4)	-2.0%	(35.4)	-2.0%	(35.4)	-2.0%	(0.03)	(0.03)
restructuring and reorganisation costs	(21.4)	-1.2%	(21.4)	-1.2%	(21.4)	-1.2%	(21.4)	-1.2%	(0.02)	(0.02)
fees from acquisition/disposals of business or companies	(2.6)	-0.1%	(2.6)	-0.1%	(2.6)	-0.1%	(2.6)	-0.1%	-	-
other adjustments of operating income (expenses)	(30.7)	-1.7%	(30.7)	-1.7%	(30.7)	-1.7%	(30.7)	-1.7%	(0.03)	(0.03)
income (expenses) related					19.4	1.1%	19.4	1.1%	0.02	0.02
remeasurement of put option and earn out					1.4	0.1%	1.4	0.1%	-	-
adjustments to financial income (expenses)							55.1	3.1%	0.05	0.05
tax adjustments										
total adjustments	(90.1)	-5.1%	(90.1)	-5.1%	(69.3)	-3.9%	(14.2)	-0.8%	(0.01)	(0.01)
alternative performance measure adjusted	399.9	22.6%	321.9	18.2%	278.9	15.7%	202.1	11.4%	0.18	0.17

for the year ending 31 December 2020	basic	diluted
Group net profit adjusted	€ million 202.1	202.1
outstanding shares	n. 1,133,816,568	1,156,253,726
earnings per share adjusted	€ 0.18	0.17

for the year ending 31 December	reported	2020 adjustments	adjusted
€ million			
profit before tax before minorities	209.6	(69.3)	278.9
total taxation	(22.7)	55.1	(77.9)
tax benefit from Italian Legislative Decree n.104/2020		29.9	
tax adjustments		2.2	
tax effect on operating and financial adjustments		23.0	
net profit for the period	186.9	(14.2)	201.1
tax rate (nominal and adjusted)	-10.8%	-	-27.9%
deferred taxes on goodwill and brands		(13.1)	(13.1)
cash tax rate			-23.2%

for the year ending 31 December 2020	Free cash flow
	€ million
alternative performance measure reported	168.6
accruals and other changes from operating activities	(90.1)
goodwill, brand and sold business impairment	45.7
non-recurring taxes paid	(34.9)
adjustments to financial income (expenses)	1.4
net cash flow from non-recurring investments	(15.2)
total adjustments	(93.1)
alternative performance measure adjusted (recurring free cash flow)	261.7

for the year ending 31 December 2019	EBITDA		EBIT		profit before taxes		Group net profit		basic earnings per share	diluted earnings per share
	€ million	% on sales	€ million	% on sales	€ million	% on sales	€ million	% on sales	€	€
alternative performance indicator reported	458.1	24.9%	386.3	21.0%	354.6	19.2%	308.4	16.7%	0.27	0.26
gains (losses) from disposals of tangible and intangible fixed assets	2.2	0.1%	2.2	0.1%	2.2	0.1%	2.2	0.1%	-	-
devaluation of tangible assets, goodwill, trademarks and business disposed	(6.6)	-0.4%	(6.6)	-0.4%	(6.6)	-0.4%	(6.6)	-0.4%	(0.01)	(0.01)
fees from acquisition/disposals of business or companies	(1.3)	-0.1%	(1.3)	-0.1%	(1.3)	-0.1%	(1.3)	-0.1%	-	-
restructuring and reorganisation costs	(10.2)	-0.6%	(10.2)	-0.6%	(10.2)	-0.6%	(10.2)	-0.6%	(0.01)	(0.01)
other adjustments of operating income (expenses)	(5.8)	-0.3%	(5.8)	-0.3%	(5.8)	-0.3%	(5.8)	-0.3%	-	-
adjustments to financial income (expenses)					5.8	0.3%	5.8	0.3%	0.01	-
fiscal effects of Patent Box							25.4	1.4%	0.02	0.02
other fiscal adjustments							31.4	1.7%	0.03	0.03
total adjustments	(21.7)	-1.2%	(21.7)	-1.2%	(15.8)	-0.9%	41.0	2.2%	0.01	0.01
alternative performance indicator-adjusted	479.8	26.0%	408.0	22.1%	370.4	20.1%	267.4	14.5%	0.23	0.23

for the year ending 31 December 2019	basic		diluted
Group net profit-adjusted	€ million		267.4
outstanding shares	n.		1,144,315,926
earnings per share-adjusted	€		0.23

for the year ending 31 December 2019	2019		
€ million	reported	adjustments	adjusted
profit before tax before minorities	354.6	(15.8)	370.4
total taxation	(46.2)	56.8	(103.1)
<i>Patent Box</i>		25.4	
<i>tax adjustments</i>		26.0	
<i>tax effect on operating and financial adjustments</i>		5.4	
net profit for the period	308.4	41.0	267.4
tax rate (nominal and adjusted)	-13.0%	-	-27.8%
deferred taxes on goodwill and trademarks		(15.8)	(15.8)
cash tax rate			-23.5%

for the year ending 31 December 2019	Free cash flow	
	€ million	
alternative performance measure reported	258.5	
accruals and other changes from operating activities	(29.1)	
non-recurring taxes paid	35.8	
adjustments to financial income (expenses)	5.8	
net cash flow from non-recurring investments	(21.3)	
total adjustments	(8.8)	
alternative performance measure-adjusted (recurring free cash flow)	267.3	

Investor information

The global economy

The Covid-19 pandemic has caused havoc on the global economy since the first quarter of the year, resulting in a generalized marked decline coinciding with the lockdown in the spring and winter seasons. It was only during the summer season that economic activities partially recovered thanks to the easing of restrictions in many countries worldwide.

Despite the positive news about vaccine development in the last quarter of the year, the economic outlook is still subject to uncertainty about the course of the pandemic, with infection rates still high at the end of 2020 and beginning of 2021 across all countries, and as regards to the possible repercussions on the behaviour of households and firms¹⁹.

Despite the extreme complexity of quantification, the impact of Covid-19 on world growth is expected to be very significant. The latest estimates released in October by the International Monetary Fund (IMF) point to a fall in world GDP of -4.4% in 2020. Despite a positive third quarter, the contraction will also be very pronounced in advanced economies given the more extensive and stringent measures put in place to contain the pandemic. Nevertheless, a general recovery is expected to lead to a +5.2% increase in global GDP in 2021²⁰.

Regarding the Group's largest market, the United States, its GDP is expected to decline by -4.3% in 2020 (with a strong improvement as compared with the -8.0% estimate published in the April release by the IMF) and grow by +3.1% in 2021. The US Presidential elections held in November led to the victory of the Democrats, followed by months of uncertainty given that a proportion of Republicans did not, at first, recognize the electoral results as being legitimate. A number of fiscal stimulus packages were approved in order to support the disposable income during the year.

With reference to Italy, the Group's second largest market, the spread of the virus has significantly impacted the country's economic activity since the end of February, pausing only during the summer season thanks to the easing of restrictions as well as the effects of monetary and fiscal measures to stimulate demand. The GDP estimates released by the IMF for 2020 point to a very strong overall decline of -10.6%, which is not expected to be fully recovered in the years to come (+5.2% in 2021 and +2.6% in 2022).

With reference to the Group's other key markets, in Europe, GDP in Germany is expected to drop by -6.0% in 2020, with a recovery estimated to be equal to 4.2% in 2021. In France, one of the countries most impacted by the pandemic in continental Europe, GDP growth for 2020 is expected to decrease by -9.8%, with a partial recovery in 2021 (+6.0%). The United Kingdom signed the final trade deal with the European Union at the end of the year and GDP for that country is expected to decline by -9.8% in 2020, with a partial recovery in 2021 (+5.9%). Elsewhere, Australia, the leading market for the Group in the Asia-Pacific area, is expected to register a downturn of -4.2% in 2020. The main emerging markets for the Group, such as Russia and Brazil, are expected to see a downturn in their economic activity estimated at -4.1% and -5.8% in 2020, while China, the first country impacted by the pandemic, is likely to post slight growth in 2020 (+1.9%), well below its historical GDP growth rate (above 6% in the past two years)².

Besides the pandemic, the evolution of trade wars among the major global economies, with higher tariffs on certain import products, remain among the short-to-medium-term risks to be monitored as well.

Spirits sector

The Covid-19 pandemic has severely impacted sectors such as dining, catering, entertainment and hospitality services. Given its natural exposure to consumption in the on-premise channel, mainly represented by bars and restaurants, the spirits sector has been greatly affected as well. In many areas of the world, and in particular Europe, governments have introduced strong restrictions aimed at containing and slowing down the spread of the different waves of the virus by limiting social contacts and moments of conviviality, leading to a significant drop in on-premise activities throughout the year, notably in the spring and winter seasons. The Global Travel Retail channel was severely affected as well, given the widespread reduction in travel.

While the on-premise channel has suffered significantly due to the lockdown and social distancing measures, home consumption has proved to be much more resilient, showing growth in many markets during the pandemic period, particularly in countries such as the United States, Germany, the United Kingdom, and Australia that are over-indexed to the off-premise channel. Compared with the financial crisis in 2008, the shift from on-premise to

¹⁹ Bank of Italy.

²⁰ International Monetary Fund.

off-premise during the pandemic period is as being more a consequence of regulations as opposed to being driven by a lack of disposable income. This being the case, the favourable sell-out trends in the off-premise channel across many markets during the lockdowns show that the main target consumers for premium spirits (who benefit from substantially unchanged budgets, as their disposable income has not been affected by the Covid-19 crisis) have continued to opt for the same, or even higher premium, products that they typically consumed in on-premise venues when shopping for home consumption. New at-home consumption moments have emerged, as well as new socialization concepts, such as virtual aperitifs. These trends are also supported by the development of digital technology, coupled with increased brand-building investments and a focus on digital initiatives by brand owners that are aimed at re-creating the out-of-home consumption experience and engaging with at-home consumption. Nevertheless, uncertainty remains as regards to the timing of the consumption recovery in the on-premise channel, as well as the likelihood of a large number of on-premise accounts not being able to reopen due to liquidity crises.

Another relevant phenomenon seen during the spring lockdowns and further confirmed throughout the year is the boom in the e-commerce channel and in online sales in general. Before the virus outbreak, the development of the e-commerce channel was already seen as being an important emerging trend, particularly in China, the United States and the United Kingdom, although mostly for the wine category (in particular sparkling wine and champagne). Since the pandemic, this channel has gained additional traction among consumers, especially as compared with more traditional channels, and has now become relevant also for the spirits sector. Several spirits players have collaborated directly with existing e-commerce operators or have developed their own e-commerce platforms.

Financial markets

The financial markets have seen strong turbulence and volatility during the year. Equity prices were initially pushed downwards heavily and then saw a strong global rally that led to wide swings in government bond yields, against a backdrop of reduced liquidity, increased risk aversion and high volatility. The fiscal stimulus announced by many governments, as well as the positive development of the vaccine against the Covid-19, led to a positive last quarter of the year across most of the global equity markets²¹.

During 2020, the FTSE MIB and FTSE Italia All-Share indices declined by -5.4% and -5.6% respectively. In Europe, the MSCI Europe registered a negative performance of -7.3%, while in the United States, the S&P 500 index grew by +16.3% overall, after a decline of -4.0% during the first half of the year. The difference is partly explained by the overperformance of technology stocks throughout the year, these stocks being overrepresented in the S&P 500 when compared to the European indexes, as well as a more resilient view of the US economy.

Regarding exchange rate fluctuation in 2020, almost all the main currencies of the Group depreciated against the Euro, including the US dollar (-1.9%), Canadian dollar (-2.9%), the Jamaican dollar (-8.2%), the Australian dollar (-2.7%) and the British pound (-1.3%).

Performance of the Campari stock

In the economic, industry and financial market environment described above, the Campari stock price performance was strongly impacted throughout the year, starting from the last week of February and recovering to pre-pandemic levels in September.

During 2020, the Campari stock price grew overall by +14.7% (after a strong decline during the first half of the year) in absolute terms, with total shareholder return (TSR) up +15.7%. The Campari stock price outperformed the FTSE MIB by +20.2%, the STOXX Europe 600 Food&Beverage index by +22.3% and the MSCI Europe sector index by +22.0%²² in the period from 1 January to 31 December 2020.

The minimum and maximum closing prices of €5.535 and €9.850 (all-time high since the initial public offering (IPO) in 2020) were recorded on 17 March 2020 and 11 November 2020 respectively. An average of 2.6 million Campari shares were traded daily in 2020, with an average daily value of €20.4 million. At 31 December 2020, Campari's market capitalisation was €10.8 billion with a closing share price of €9.34.

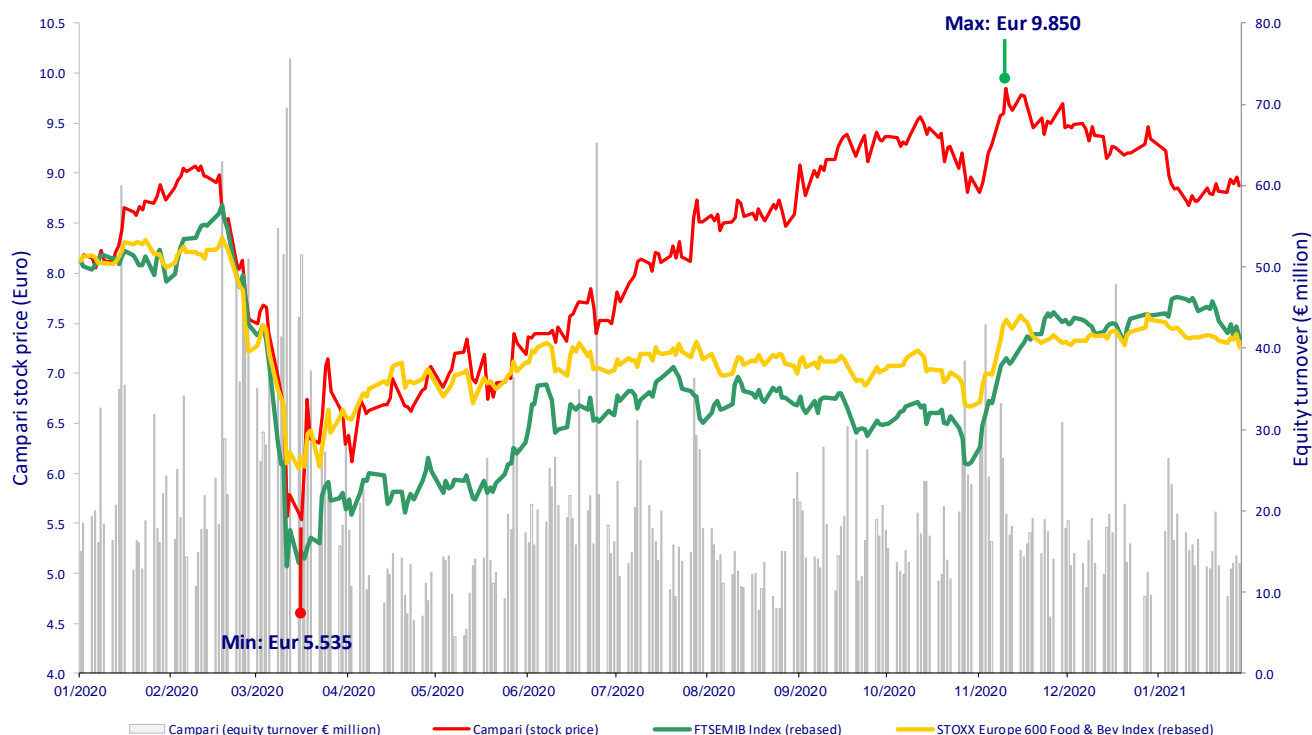
From the date of the IPO until 31 December 2020, the Campari stock price was, in absolute terms, 12.1 times higher, or up 1,105.2% (an average of 13.6% per year), with total shareholder return (TSR)²³ 15.9 times higher, or 1,487.0% (an average of 15.2% per year), outperforming most of its industry peers.

²¹ Bank of Italy

²² Bloomberg

²³ Dividend reinvested

Performance of the Campari stock and the main benchmark indices from 1 January 2020 to 31 January 2021



Note: The figures have been adjusted to reflect the changes in share capital in 2005, 2009 and 2017; The STOXX Europe 600 Food & Beverage Price Index is a capitalisation-weighted index which includes European companies operating in the food and beverage industry.

Davide Campari-Milano N.V. stock

Shares²⁴²⁵

At 31 December 2020, the total share capital of Davide Campari-Milano N.V. (including Special Voting Shares) was equal to €18,273,183.

The total share capital consisted of 1,161,600,000 ordinary shares with a nominal value of €0.01 each, for a total monetary amount of €11,616,000, and 665,718,342 Special Voting Shares A with a nominal value of €0.01 each, for a total monetary amount of €6,657,183.

Dividend

The Board of Directors voted to propose to the Shareholders' Meeting a dividend of € 0.055 per share for the year 2020, gross of withholding taxes, in line with the previous year.

The dividend will be paid on 21 April 2021 (with an ex-date for coupon n. 1 of 19 April 2021 in accordance with the Italian Stock Exchange calendar, and a record date of 20 April 2021). The Board of Directors resolved to convene the Ordinary Shareholders' Meeting on 8 April 2021 to approve, inter alia, the financial statements for the year ended 31 December 2020, the sustainability report and the remuneration report.

²⁴ Refer to the 'Governance' section for additional information on the composition of the share capital and details of major shareholders.

²⁵ In the context of the Redomiciliation to the Netherlands, an Extraordinary shareholders' meeting convened on 18 September 2020 approved the reduction of the nominal value of each ordinary share from €0.05 to €0.01, as envisaged in the explanatory report of the Extraordinary shareholders' meeting held on 27 March 2020 approving the transfer of the legal office.

Information on the Campari stock and valuation indicators

The tables below show the performance of the Campari stock and the main valuation indicators used by Campari in the last five years.

Year	Minimum price	Maximum price	Average price	Price on 31 December	Change in Campari stock	Change in FTSE MIB	Relative performance of Campari ⁽¹⁾	Average daily trading volume	Average daily trading value	Stock market capitalisation at 31 December
	€	€	€	€	%	%	%	millions of shares	€ million	€ million
2020	5.54	9.85	8.25	9.34	+14.74%	-5.42%	+20.16%	2.6	21.0	10,849
2019	7.37	9.22	8.40	8.14	+10.22%	+28.28%	-18.06%	2.3	19.7	9,455
2018	5.75	7.79	6.82	7.39	+14.60%	-16.10%	+30.70%	2.3	15.4	8,578
2017	4.61	6.88	5.83	6.45	+38.8%	+13.6%	+25.1%	2.2	13.2	7,487
2016	3.47	5.05	4.38	4.65	+16.1%	-10.2%	+26.3%	2.8	12.0	5,396

⁽¹⁾ Compared with the FTSE MIB.

The table below provides information on the dividends paid on Campari stock in the last five years.

Year	Number of shares at 31 December, not adjusted	Number of shares at 31 December, adjusted ⁽¹⁾	Number of shares with dividend rights ⁽²⁾	Gross dividend per share (€) ⁽³⁾	Total dividend (€ million) ⁽⁴⁾
2020	1,161,600,000	1,161,600,000	1,119,406,193	0.055	61.6
2019	1,161,600,000	1,161,600,000	1,143,148,584	0.055	62.9
2018	1,161,600,000	1,161,600,000	1,145,854,255	0.050	57.3
2017	1,161,600,000	1,161,600,000	1,150,205,686	0.050	57.5
2016	580,800,000	1,161,600,000	1,158,752,164	0.045	52.1

⁽¹⁾ Share information prior to the dates on which changes were made to the amount of share capital has been adjusted to take into account the new composition of share capital as set out below:

- two-for-one share split effective on 8 May 2017;

⁽²⁾ Excluding own shares held by Davide Campari-Milano N.V. (at the ex-coupon date).

⁽³⁾ Dividend relating to the year. Proposed dividend for the 2020 financial year.

⁽⁴⁾ For 2020, for information purposes, the total dividend calculated on the basis of the proposed dividend and the shares outstanding at 31 December 2020 is to be recalculated on the basis of the total number of shares outstanding as at the dividend ex-date of 19 April 2021.

The table below provides information on the main valuation indicators for Campari stock in the last five years.

Year	Basic earnings per share ⁽¹⁾	Price/shareholders' equity per share	Price/net profit per share ⁽¹⁾	Dividend/net profit per share ^{(1) (2)}	Dividend/price per share ⁽²⁾
2020	0.17	5.43	56.4	32.8%	0.6%
2019	0.27	3.95	30.7	20.4%	0.7%
2018	0.26	3.97	28.9	19.3%	0.7%
2017	0.31	3.85	21.0	16.1%	0.8%
2016	0.14	2.84	32.4	31.4%	1.0%

⁽¹⁾ Net profit (not adjusted for non-recurring components).

⁽²⁾ Dividend relating to the year. Proposed dividend for the 2020 financial year.

Investor relations

In compliance with both applicable Italian and Dutch laws, Davide Campari-Milano N.V. (as a Dutch company listed on the Italian Stock Exchange) transmits any regulated information through the transmission system 1Info SDIR, managed by Computershare S.p.A., as well as files such information through 'Loket AFM' to the AFM (Authority for the Financial Markets), which makes it available on its website's relevant register at www.afm.nl.

The Company communicates and interacts regularly with the financial markets through analyst calls, investor meetings, roadshows and investor conferences, which are also attended by representatives of its top management. With regard to activities aimed at equity analysts and institutional investors, in 2020, the Company continued to interact with the financial community through numerous meetings. Since the outbreak of the Covid-19 pandemic in Italy, investor relations activities have continued without disruption and have actively leveraging digital platforms with investors based in all the main global financial centres.

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Governance

Overview of Campari Group's business

Campari Group is a major player in the global premium spirits industry, with a portfolio of over 50 premium and super premium brands, marketed and distributed in over 190 markets around the world, with leading positions in Europe and the Americas. The brand portfolio of the Group is well diversified, covering a wide range of spirits categories including Aperitif, Vodka, Liqueurs, Bitters, Whisky (including American whisky, Canadian whisky and Scotch whisky), Tequila, Rum, Gin and Cognac. The Group also has a presence in the champagne category as well as in the non-alcoholic aperitif segment. The Group categorises its brands by three main clusters (global priorities, regional priorities and local priorities) based on the geographic scale, business priority and growth potential of the brands. The rest of portfolio category relates mainly to agency brands and other own non-strategic brands of the Group.

The Group has a wide geographic exposure, with distribution of its brands in over 190 markets across the globe. It has direct distribution networks in twenty-one markets, including the Americas (the United States, Jamaica, Brazil, Canada, Argentina, Mexico and Peru), Europe (Italy, France, Spain, Germany, Russia, Switzerland, Austria, Belgium, Luxembourg, the United Kingdom and Ukraine), Africa (South Africa) and Asia Pacific (Australia and China). France became a direct market for the Group in February 2020. These direct markets (France being excluded for 2020, as it became a direct market since February 2020) generated approximately 87% of the Group's net sales for the financial year ended 31 December 2020.

The company's management believes that the Group's performance demonstrates the strength of its core brands, reflecting a consistent commitment to brand building initiatives and portfolio enhancement. Moreover, the Group benefits from its ability to leverage its extended distribution network, in which the Group has increasingly invested in recent years, in both developed and emerging economies, as well as its strengthened business infrastructure.

Campari Group's goal is to create and share long-term value with stakeholders. On the one side, the economic value generated and distributed provides an indication on how wealth is created, on the other there are plenty of intangible resources and initiatives that contribute to the value creation processes. In this regards, community engagement and involvement with the local territory are of fundamental importance.

The Campari Group traces its roots back to 1860 when Gaspare Campari developed the red, bittersweet aperitif that bears his name. From the opening of Café Campari in Milan in 1867 through the 1920s, the Campari Group expanded its product offerings to include a broad range of spirits and other drinks. During the 1920s, however, Gaspare's son, Davide Campari, narrowed his focus to offer only two products: Campari and Campari Cordial. In 1932, he added Campari Soda, the first 'ready-to-drink' single serving alcoholic aperitif, marketed in modernistic bottles designed by the renowned artist Fortunato Depero.

For the next several decades, the Campari Group concentrated on its three flagship products and continued its international expansion, which had begun in the 1920s. By the 1960s, the Group's products were being distributed in approximately 80 countries, and by the 1980s, the Group had manufacturing facilities in Italy, France and Brazil. In the early 1990s, the beverage industry went through a significant consolidation process with a series of mergers and acquisitions, and global groups with wide-ranging portfolios emerged. The Campari Group chose to expand through carefully selected acquisitions designed to enhance its brand portfolio and global reach. Since 1995, the Group has grown substantially, primarily through a combination of organic growth and selective acquisitions of brands and businesses.

The Group has completed over 30 acquisitions spreading over various geographies and categories since 1995. In terms of acquisition value and strategic importance, the three main acquisitions were Skyy Spirits, LLC (2001), Wild Turkey (2009) and Société des Produits Marnier Lapostolle S.A. (2016).

These various transactions enabled the Group to add further critical mass across its markets, particularly the key US market, which became the Group's largest market as a result of the Skyy Spirits, LLC, Wild Turkey and Société des Produits Marnier Lapostolle S.A. transactions. Moreover, these acquisitions helped to enhance the Group's exposure to the premium on-trade channel as well as the Global Travel Retail channel.

In the first half of 2020, the Group completed the acquisitions of its French distributor Baron Philippe de Rothschild France Distribution S.A.S., specializing in the distribution of a diversified portfolio of international premium spirits (including selected Campari Group's products), wine and champagne brands in France, and Champagne Lallier S.a.r.l.. In June 2020, the Group also completed the acquisition of a 49% interest in Tannico S.p.A., the market leader in online sales of wines and premium spirits in Italy.

While the Group remains an active player in industry consolidation, in recent years it has also started to gradually streamline its business through disposals of non-core assets, in line with its strategy of focusing on its core high-margin spirits business.

The Group's history confirms the Group growing strategy that still today combines 50% organic growth with 50% external growth.

Over the past decade, the Group has gone through a significant transformational process. In an increasingly challenging economic environment, other than being very active in acquisitions and continuing to invest in brand building and portfolio enhancement, the Group has made significant investments in strengthening its distribution capabilities as well as global infrastructures, including supply chains and IT systems.

The Group has significantly expanded its production capabilities, including distilling, bottling and warehousing across the key geographies. It has also invested quite significantly in the ageing of liquid in order to fuel long-term future growth.

The Group currently aims to continue achieving profitable growth with strong cash generation, and to be a leading player in the global spirits industry by combining its passion for brand building with entrepreneurial drive and functional efficiency. Overall, management believes that the Group is strongly positioned for future growth, leveraging on the expansion of the international footprint of its enhanced brand portfolio and on external growth through acquisitions.

Management believes that the following are the Group's key strengths.

- **Enhanced brand portfolio with growth potential**

The Group has a strongly diversified brand portfolio with more than 50 premium brands covering the key categories, including Aperitifs, Vodka, Liqueurs, Bitters, Whisky (including American whisky, Canadian whisky and Scotch whisky), Tequila, Rum, Gin and Cognac. Among these brands, the Group has identified six Global Priority Brands (Aperol, Campari, SKYY, Wild Turkey, Grand Marnier, Jamaican rum portfolio, including Appleton Estate and Wray & Nephew Overproof). These high-margin brands currently enjoy strong market positioning in their core markets where they have, to a certain extent, further penetration opportunities, and have the strength and potential to be developed internationally, continuously expanding their footprints across markets to a larger extent than already done. Therefore, management believes that they offer the strongest potential upside in terms of sales growth and mix improvement. Moreover, the Group manages a pool of regional priority brands, which currently have still limited scale but which management believes have expansion potential within their regions. In addition, the Group has a portfolio of local priority brands that offer growth upside mainly through further penetration of their domestic markets.

- **Increased global reach**

The Group has invested significantly in recent years in strengthening its distribution capabilities. Currently, it has direct distribution networks in more than twenty markets. Establishing direct markets allows the Group to increase its focus on own brands in a given market from a marketing as well as a commercial standpoint, improve working capital management and achieve financial benefits whenever the critical mass reached by the Group in a given market makes a direct investment by the Group in that market financially attractive. Management believes that the distribution network the Group has today broadly covers the Group's direct market targets and the Group is now well positioned to leverage these strengthened platforms to accelerate its growth.

- **Brand building and marketing capabilities**

Management considers the Group's brands as its key assets. The Group has a strong history of long-term brand building and development. The Group strives to grow and maintain its market share by positioning and building its brands clearly and consistently across all their markets. Today, its brands are well positioned to further benefit from continuing trends towards premium spirits. The Group's focus in the coming years will be on the increasingly important premium end of the market and the Group will continue to invest to support its growth objectives and its long-term prospects through best-in-class marketing and innovation initiatives. With the rise of new technologies, the Group has increased its use of diverse media to build and communicate its marketing message and create awareness of the Group's various brands in diverse markets. The Group is developing its strategies with an increasing focus on the on-premise distribution channel, deemed to be the key to brand-building, and on new communications tools, especially the digital media channel, which is considered strategic thanks to its interactive, customisable and measurable properties.

- **Strengthened business infrastructure**

The Group undertook an intensive investment cycle aimed at significantly strengthening its global infrastructure. The Group has made significant investments to revamp and expand its production facilities in the recent years.

Currently, the Group has a state-of-the-art and fully integrated supply chain across the globe, which allows the Group to react more quickly to market demand and run innovation in a more timely and flexible manner. Moreover, the Group has made significant investments in standardizing and upgrading its IT system in order to create a common platform for business intelligence. The Group has rolled out a common SAP system globally, which allows the Group to more efficiently manage its business with higher level of operating coordination and deeper visibility. Going forward, management expects the Group's capital expenditure to be primarily driven by maintenance investments, aiming to maintain its plants and systems with up-to-date standards and technology to continue to operate in an efficient manner. In addition, with the objective of standardizing, automating and digitalizing the financial administrative processes at global level, the Group has created a Global Business Services (GBS) organization, which provides financial services to all Group legal entities with a standard accounting model and system. Such initiatives have been implemented while also leveraging the outsourcing of some standard IT and back office functions to third-party providers, which has enabled the progressive refocusing of the Group's central functions on value-added activities, while ensuring high quality and efficient levels of everyday services to continue to be provided to the business. Particularly, it increases effectiveness and efficiency and decreases overall application maintenance costs through synergies and economies of scale.

- **Increased business scale**

The Group generated short of €1.8 billion in revenues in 2020, almost doubling its revenues as compared with ten years ago. This result has been achieved via a combination of organic growth, through the expansion of the Group's existing brands, as well as through acquisitions. Over the years, the Group has gradually reduced the weight of third-party brands in its portfolio, accounting for approximately 5.8% of the Group's net sales in 2020, while focusing more and more on its own brands. This has enabled the Group to progressively increase its critical mass in several individual markets where the Group has established its own routes-to-market in line with its strategy. While benefitting from an increased scale at a global level, the Group remains committed to pursuing a growth strategy that gives it the opportunity to build and maintain a leading position in all the markets where it has a direct presence. The Group now has a scalable business model, which can be leveraged across the whole organization. In 2020, the net sales achieved in direct markets accounted for approximately 87% of the Group's net sales (France being excluded for 2020, as it became a direct market since February 2020).

- **Strong cash flow generation**

The Group has a strong track record of cash flow generation. In recent years, the Group has concluded a series of investments (route-to-market, supply chain, IT, investments in ageing liquid after the Group's expansion to brown spirits), aimed at fuelling future business growth. With the completion of this significant investment cycle and its continuing commitment to efficient operating working capital management, management believes that the Group has significant opportunities for further expanding its solid cash flow generation. The strong cash flow generation, achieved as a result of sustained operating performance, positive return on investments and efficient working capital management, has enabled the Group to quickly deleverage after acquisitions, whilst maintaining a disciplined approach to financial management and remaining focused on a conservative leverage profile.

- **Solid track record in acquisitions**

The Group has been very active in the industry consolidation process with a solid track record of acquisitions. Since 1995, the Group has completed a total of over 30 acquisitions, which significantly strengthened the Group's brand offerings and extended its geographic reach. The Group has a strong history of developing and further expanding the acquired brands via efficient marketing tools and leveraging its enhanced route-to-market. With the transfer of the registered office to the Netherlands, the Group aims to enhance its increased voting mechanism in favour of long-term shareholders and, therefore, the adoption of a more flexible capital structure that can further support the Group in pursuing growth opportunities also via major acquisitions.

- **Business agility**

The Group has maintained the capability of promptly adapting its business to meet changing circumstances despite its increased business scale, both with respect to its acquisition strategy and its strategic brand building activities. The recent completion of the Tannico transaction and investment in the e-commerce channel, together with the acquisitions of Champagne Lallier S.a.r.l. and RFD (now Campari France Distribution S.A.S.), and the Group's prompt refocusing of its strategic brand building investments on digital media to continue fuelling sustained brand momentum in unprecedented times, demonstrate the agility of the Campari Group in mastering new challenges whilst confirming its long-term objectives in terms of business growth and development commitments, even in the challenging conditions resulting from the Covid-19 emergency.

Strategy

The Group's growth strategy aims to combine organic growth through strong brand building, via marketing, innovation and development of the existing brand portfolio, with strategic acquisitions, as further detailed above. Premium spirits are the Group's core business and where it focuses its acquisition efforts. The Group's strategy is driven by the objective of reaching or enhancing critical mass in key geographic markets.

• Organic growth

The Group continues to generate growth for its core brand portfolio through the development of existing brands and/or the introduction of new products to brand line extensions. Key Group objectives are to:

- drive faster growth of the Global Priorities (Aperol, Campari, SKYY, Wild Turkey, Grand Marnier and Jamaican rum portfolio), and incubate Regional Priorities through best-in-class marketing, innovation and brand building;
- generate steady growth in key Local Priorities through periodic renewal;
- leverage rigorous cost discipline to reinvest savings in strategic brand building; and
- develop the Group's presence in high-potential markets.

• External growth

The Group's acquisition strategy is driven by the objective of reaching or enhancing its critical mass in key geographic markets. The Group focuses its acquisition efforts on premium spirits brands.

Key Group objectives are to:

- seek acquisitions in markets where the Group controls its distribution;
- acquire local brands with strong brand equity to build new distribution platforms;
- identify specialty brands with strong brand equity and a unique market position and hence strong pricing power; and
- maintain financial discipline.

The Group remains committed to pursuing potential acquisitions of brands and/or businesses in accordance with the Group's philosophy of realistically evaluating the contribution capacity of the target business to the Group's overall profitability and adhering to a disciplined valuation of the target business.

In addition to acquiring businesses that have reached a meaningful scale on a stand-alone basis in given markets, thus giving the Group the critical mass on which to build new distribution capabilities, the Group also remains committed to achieving potential synergies from acquiring brands and/or businesses in markets where the Group has already established a strong presence.

A-Business overview by geographic regions

The Group segments its business for financial reporting purposes in terms of geographic regions as follows: Americas, Southern Europe, Middle East & Africa (SEMEA), North, Central & Eastern Europe (NCEE) and Asia Pacific.

The table below summarizes the Group's net sales by geographic region in absolute terms and as a percentage of Group's net sales for the financial years ended 31 December 2020 and 31 December 2019.

	for the years ending 31 December			
	2020		2019	
	€ million	%	€ million	%
Americas	773.9	43.7%	821.5	44.6%
Southern Europe, Middle East and Africa	463.6	26.2%	498.7	27.1%
North, Central and Eastern Europe	403.7	22.8%	393.8	21.4%
Asia-Pacific	130.8	7.4%	128.5	7.0%
Total	1,772.0	100.0%	1,842.5	100.0%

An overview of Campari Group's presence and business composition by key markets is provided below. For a detailed description of the Group's performance in 2020 by key markets, see paragraph 'Sales performance'.

Americas

Americas represented the largest geographical region for the Group's business, accounting for 43.7% of Group's net sales in 2020. Key markets in the Americas include the United States, Jamaica, Canada, Brazil, and Mexico.

United States

The United States represented the Group's largest market. The US spirits market is the world's largest profit pool for spirits and a key priority in terms of expansion for the Group. The Group established its platform in the United States with the acquisition of SKYY Spirits, LLC in 2001, which gave the Group access to the US spirits market through SKYY Vodka. The SKYY brand was further strengthened in the following years through the introduction of line extensions, including a new product line of naturally flavoured vodkas, SKYY Infusions. Over the years,

the Group has significantly diversified its portfolio in terms of brands and categories in the US market through acquisitions of brands with strong positions in the US market. In particular, the Group added Wild Turkey (Bourbon), Appleton Estate (Rum) and Grand Marnier (Liqueur). In addition, the Group successfully developed Espolón (Tequila), allowing the acquired brand to reach the attractive US market. Moreover, over the last few years, as a result of a rediscovery of classic cocktails and with consumers starting to embrace bitter flavours, Italian spirits like Campari, Aperol, Cynar, Frangelico as well as Averna started to have greater attraction from local consumers.

Jamaica

As a result of the acquisition of J. Wray & Nephew Ltd. (formerly Lascelles de Mercado Co. Ltd.) in 2012, the Group increased significantly its exposure to Jamaica. The Group has a strong leadership position in this market in particular for its Jamaican rums portfolio, Campari and Magnum Tonic. Since the acquisition, the Group has undertaken a series of reorganization processes in this market aimed at strengthening the focus of the local organization on the core spirits and wine business. Contemporaneously, with the objective of streamlining the business, the Group started a process to gradually exit from non-core businesses. In particular, the Group divested the Federated Pharmaceutical division and Agri-Chemicals Division in 2015. The Group also manages agricultural operations in Jamaica, where it grows and harvests sugar cane from which it extracts sugar sold to third parties in the region as well as molasses for the production of rum. In recent years, that business has been very negatively affected by the global decline in sugar price and reduced demand in the local market, further penalized by the Covid-19 pandemic. As a consequence, in July 2020, the Group launched a restructuring programme for the agricultural business in order to preserve the business continuity of the core spirits business in Jamaica.

Canada

Net sales in this market were mainly driven by positive business organic performance thanks to the contribution of Aperol, Espolón and Campari. The Group's key brands in this market include Forty Creek whisky, Appleton Estate, Grand Marnier, Aperol, SKYY Vodka and Campari.

Brazil

In Brazil, the Group manages and distinguishes its business by reference to two different portfolios: its premium spirits portfolio (including mainly Campari, SKYY and Aperol) and local portfolio (including Dreher and other local brands). In the past years, the focus of the Group has progressively shifted to high-margin premium brands in Brazil.

Mexico

The key brands in the market include SKYY ready-to-drink, Appleton Estate, Aperol, SKYY Vodka and Grand Marnier.

Other countries

Key markets include Argentina and Peru. In Argentina, the key Group brands include Cinzano, Campari, SKYY and Aperol.

In Peru, the key Group brands include Riccadonna, Aperol, Appleton Estate, SKYY and Cinzano Sparkling wines.

Southern Europe, Middle East and Africa ('SEMEA')

SEMEA accounted for 26.2% of Group's net sales in 2020. Key markets in the SEMEA region include Italy, France, Global Travel Retail and Spain.

Italy

Over the years, the Group has largely diversified its geographic exposure and reduced the weight of the Italian market, also due to some non-core business disposals in the market. The Group enjoys an unrivalled position in the aperitif market in Italy, a key and growing category, with the Group's top-selling brands in terms of net sales being Aperol, Campari Soda, Campari and Crodino. After many years of successful development of Aperol in Italy, Aperol is today the largest spirits brand in Italy. The Campari brand is also developing very positively in this market. Recently, the Group also relaunched the Crodino brand with a new uniquely crafted packaging to further strengthen the premium positioning of the brand.

France

The key brands in the market include Riccadonna, Aperol, Campari, Grand Marnier and The Glen Grant as well as the recently acquired Trois Rivières and La Mauny French rums. France is a strategically important market for the Group where it has focused its acquisition efforts recently. Starting from February 2020, after the acquisition

of the French distributor Baron Philippe de Rothschild France Distribution S.A.S., France became a direct market for the Group.

Global Travel Retail

Global Travel Retail is a key channel for the Group to build brand visibility. The Group's key brands in this channel include Aperol, Campari, The GlenGrant, Grand Marnier, SKYY, Wild Turkey, Appleton Estate and Bulldog.

Other countries

Key markets include Spain, South Africa and Nigeria. Spain became a direct market of the Group in April 2014. The key brands in this market include Aperol, Campari, Bulldog, Frangelico and Cinzano Vermouth.

South Africa became a direct market of the Group in January 2017. The key brands in this market include Bisquit&Debouché cognac, SKYY, Bulldog, The GlenGrant and Espolòn.

Nigeria is a third-party market for the Group. The market has been volatile in recent years due to socioeconomic conditions in the country. The key brands in the market include Campari, American Honey, SKYY and Espolòn.

North, Central and Eastern Europe ('NCEE')

NCEE accounted for 22.8% of the Group's net sales in 2020. Key markets include Germany, Russia, the United Kingdom, Switzerland, Austria and Belgium.

Germany

The Group's key brands in this market include Aperol, Campari, Ouzo 12, Cinzano sparkling wines, Averna and SKYY. Thanks to the Group's continuous commitment to long-term brand building, the business has seen very positive development and momentum in this market.

Russia

The Group's core brands in this market were sparkling wines (Cinzano and Mondoro) and vermouth (Cinzano). Over the past years, by leveraging its sparkling wines portfolio, the Group has gradually built its premium spirits brands such as Aperol, Espolòn, Campari and Wild Turkey in this market. In particular Aperol has developed very positively in the market, becoming the Group's second largest brand in Russia. The Group has witnessed a high level of volatility in its results performance in the past years as a consequence of the economic and political uncertainties in the country.

United Kingdom

The Group started its direct distribution in the United Kingdom in January 2015. The Group's key brands in this market include Aperol, Wray & Nephew Overproof, Campari, Appleton Estate and Bulldog.

Other countries

Key markets include Switzerland, Austria, Belgium. Aperitifs are the Group's key focus in these markets.

Asia Pacific

The Asia Pacific is the smallest region within the Group and it represented 7.4% of the Group's net sales in 2020. Australia is the Group's biggest market in this region. Other key markets include China and Japan.

Australia

The key Group's brands in this market include Wild Turkey ready-to-drink, Wild Turkey bourbon, Aperol, American Honey, Riccadonna and SKYY. It is the second largest market by value for the Group's Wild Turkey portfolio. In recent years, market conditions have been quite challenging, with increasing price competition.

Other countries

Key markets include China and Japan.

The Group's business in China has grown positively in the past years, from a small base. In particular, SKYY Vodka has grown very quickly over the years, becoming the Group's core brand and key growth engine in the market. The other key brands in the market include Cinzano, X-Rated, Aperol, Campari, Wild Turkey and Grand Marnier, which are continuing their positive development.

Japan is a third-party market for the Group. In recent years the Group had a volatile performance in this market due to route-to-market changes. The key brands in the market include Wild Turkey bourbon, SKYY ready-to-drink, SKYY vodka and Grand Marnier. In February 2020 the Group entered into an agreement with a local partner to create a joint venture in Japan, aiming to further develop the brand portfolio in the Japanese market.

B-Business overview by brands

The Campari Group's portfolio comprises over 50 brands across a wide range of categories, including Aperitif, Vodka, Liqueurs, Bitters, Whisky (including American whisky, Canadian whisky, Scotch whisky), Tequila, Rum, Gin and Cognac. The Group also has a presence in the champagne category as well as in the non-alcoholic aperitif segment. They span across all major consumption occasions, including aperitif, dinner, after dinner and night. The Group categorizes its brands into three main clusters (global priorities, regional priorities and local priorities) based on the geographic scale, business priority and growth potential of the brands. The rest of portfolio category includes agency brands and other own non-strategic brands of the Group.

The table below summarizes the Group's net sales by brand categories for the financial year ended 31 December 2020.

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

An overview of Campari Group's history, market positioning and growth strategy by key brands is provided below. For a detailed description of the Group's performance by key brands in 2020, see paragraph 'Sales performance'.

Global priorities

Aperol

Aperol is renowned as 'the perfect aperitif', launched in Padova, North-eastern Italy, in 1919. It was acquired by Campari Group in 2003 through the acquisition of Barbero 1891 S.p.A.. With net sales of €333.3 million in 2020. Aperol is today the Group's largest brand by value, accounting for 18.8% of the Group's net sales in 2020. Thanks to its easy taste and versatile consumption occasions as well as the continuous marketing support behind it, Aperol has grown by over ten times since its acquisition, developing positively both in Italy and in international markets. The Group has developed and implemented a three-stage development model for Aperol in order to build sustained growth. It includes the following phases: building on-premise recognition and appreciation via consumer activation, largely leveraging experiential marketing as well as digital media; de-seasonalizing into winter to build consumption frequency beyond the summer; extension to new usage occasions. Based on the different development stages of the markets for the brand, the Group has divided the markets into core established (including Italy, Germany, Austria Switzerland), high potential markets (including mainly the United States, Canada, Russia, the United Kingdom, France, Spain and Australia) and seeding markets which include the rest of the markets (for example, Scandinavian markets, Czech Republic, Poland, Argentina, Brazil, Chile and China). Italy today is still the largest market for the brand, accounting for approximately one third of its sales. Aperol has grown significantly in Italy over the years, becoming the number one Italian spirits brand (source: IWSR 2019). Beyond Italy, the Group has successfully expanded Aperol in many international markets, which accounted for approximately two thirds of the brand sales in 2020.

Campari

Campari is the signature brand of the Group. With a history which began in 1860, the brand is the base for many famous classic cocktails around the world such as the Negroni. With net sales of €170.5 million in 2020, Campari accounted for 9.6% of the Group's net sales in 2020.

The brand has a well-diversified geographic exposure. Italy, the biggest market for the brand, accounted for approximately 30% of the brand's net sales in 2020. Key international markets for the Campari brand include the United States, Germany, Jamaica, Brazil, Nigeria and Switzerland.

In recent years, consumers have been increasingly embracing bitters and showing growing interest in classic cocktails across the globe. Because it is easy to mix and a key ingredient for many classic cocktails including the Negroni and Americano, Campari is leveraging this positive trend for further expansion. Moreover, the aperitif culture is spreading internationally, which presents a further growth opportunity for Campari, benefiting also from the positive expansion of Aperol.

SKYY

Started in San Francisco in 1992, SKYY was acquired by the Group in 2001. SKYY Vodka revolutionized the spirits industry with its proprietary state-of-the-art quadruple distillation and innovative triple-filtration process. With its exceptional smoothness, SKYY is among the leading domestic premium vodka in the United States. The United States has been the biggest market for SKYY. In recent years, the Vodka category has been increasingly competitive in the US market, particularly for flavours. Nevertheless, the Group continues to invest behind the

SKYY brand in order to sustain the brand equity and its market share. One example of this was the launch of a new integrated marketing campaign 'Proudly American' to keep the brand premium and relevant to millennial consumers.

At the same time, SKYY has expanded into many international markets which now represent key growth drivers for the brand. Key markets outside of the United States include Germany, China, South Africa, Argentina, Canada, Brazil and Italy.

Wild Turkey portfolio

Wild Turkey was acquired by the Group in 2009. The Wild Turkey portfolio includes Wild Turkey bourbon and American Honey. The United States is the biggest market for Wild Turkey Bourbon and American Honey, accounting for almost 80% of net sales in 2020. In the United States, the bourbon category and more generally brown spirits are currently experiencing positive trends with returning consumer interests.

A key focus area of the Group to further develop the Wild Turkey portfolio is to premiumise the offering through a packaging upgrade and the introduction of more premium extensions and limited editions. Over the years, the Group has successfully introduced premium extensions such as Wild Turkey Longbranch, Russell's Reserve and the Master's Keep. The partnership with Matthew McConaughey, the brand's creative director, also aims to improve the brand image.

The Master Distiller of Wild Turkey, Jimmy Russell, is one of the great legends of bourbon and is considered 'The Master Distiller's Master Distiller' by his industry peers. He has been with the distillery for over 60 years, the longest tenure of any master distiller in the industry. His son, Eddie Russell, has followed his father footsteps to continue the legend of the master distiller of the Wild Turkey distillery.

Grand Marnier

Created in 1880, Grand Marnier is one of the world's most recognized and storied spirits brands with a rich history and strong presence in premium on-trade outlets. It is made from the unique combination of French cognacs and orange essence. It was acquired by Campari Group in 2016. The United States is the biggest market for the brand, accounting for approximately 80% of net sales in 2020. The other key markets for the brand include Canada, France, Italy, Germany, Netherlands and Mexico. Since its acquisition, the Group has relaunched the brand through the introduction of a new packaging and a new marketing campaign emphasizing the heritage and quality of the brand as well as redefining the drinking strategy of the brand by focusing on mixology, classic cocktails and long drinks. At the same time, the Group discontinued some low-margin and mainstream line extensions in the brand's portfolio including flavours and discounted editions in Europe. The latter had some negative impact on the brand performance in short-term but is considered to be beneficial for the brand's long-term image building.

The Group also launched a selection of high-end expression of Grand Marnier, for example, Grand Marnier Cuvée du Centenaire and Grand Marnier Cuvée Louis Alexandre, aiming to further premiumise the offerings.

Jamaican rum

The Jamaican rum portfolio was acquired by the Group in 2012. It includes mainly Appleton Estate and Wray&Nephew Overproof. The rum category continues to innovate and increase its premium positioning through the launch of more high-end propositions. Wray&Nephew Overproof is a high-proof white rum, continuing to develop its reputation as a mixologist's favourite due to the depth of its flavour, versatility and quality. The brand has grown positively in recent years both in its domestic market and in international markets, such as the United States, the United Kingdom and Canada. Jamaica is the biggest market for Wray&Nephew Overproof.

Appleton Estate is a premium rum brand and currently, Canada is its the biggest market, followed by the United States, Jamaica and Mexico. The Group continues to develop the brand in both its core markets and other international markets such as New Zealand, the United Kingdom, Peru, Italy, Australia and Germany. Recently, the Group re-designed the Appleton Estate premium range with a new brand visual identity to further elevate Appleton Estate's visual impact, cementing its position as a premium preference for rum connoisseurs.

Regional priorities

Espolòn

Acquired by the Group in 2008, Espolòn has been re-launched as a super-premium tequila brand, handcrafted with 100% blue agave and has successfully expanded into the US market. The core market for Espolòn is the United States, where the brand has been among the fastest growing brands in the market with strong momentum. Moreover, it is continuing to expand to other international markets, such as Australia, Russia, Italy, Canada and Mexico.

Italian bitters and liqueurs (Frangelico, Averna, Braulio, Cynar)

This portfolio includes Frangelico, Averna, Braulio and Cynar.

Frangelico is a specialty brand, acquired by the Group in 2010. It is a very distinctive brand with a hazelnut taste. It is produced in the Piedmont region of northern Italy and its origins date back more than 300 years. The key markets for Frangelico are the United States, Germany, Australia, Spain and Canada.

Averna and Braulio were acquired by the Group in June 2014 within the acquisition of Fratelli Averna S.p.A.. Averna is made with 100% natural ingredients with a secret recipe unchanged for 150 years. It is among the leading bitter brands in Italy and in some central European countries such as Germany, Switzerland and Austria. It has a premium price positioning. Braulio is produced on the basis of an ancient traditional secret recipe, which has remained unchanged since 1875. It envisages the infusion of roots and alpine herbs that are aged in oak barrels for two years. It is a very popular bitter brand in the Alps region in Italy and it is currently expanding throughout the rest of the country.

Cynar is an artichoke based bittersweet liqueur known for its versatility and distinctive flavour; its taste is enriched with an infusion of 13 herbs and plants. Created by Angelo Dalle Molle, a Venetian entrepreneur and philanthropist, Cynar was launched in Italy in 1952. It was acquired by the Group in 1995. The key markets for the brand include Italy, Switzerland, the United States, Brazil, Germany and Argentina.

With consumers increasingly embracing the bitter taste, the Group's management believes this portfolio can be further developed, leveraging the Group's strengthened distribution capabilities.

The GlenGrant

The GlenGrant is a single malt Scotch whisky brand, dating back to 1840. It was acquired by the Group in 2006. The brand has reached a quite diversified geographic exposure across the years. Today the key markets for the brand are Italy, France, Germany, Global Travel Retail, the United States, Australia and South Africa.

In recent years, the Group decided to increase its long-term strategic focus on higher margin and longer aged premium expressions of the brand.

Forty Creek Whisky

Forty Creek Whisky was acquired by the Group in June 2014. It is a high-end, handcrafted Canadian whisky brand. Currently approximately 90% of the brand's net sales is generated in Canada and 10% in the United States. It has developed positively in the Canadian market with increased national reach over the years.

At a global level, the United States is the biggest market for the Canadian whisky category and hence represents the biggest expansion opportunity for Forty Creek Whisky outside its domestic market in the long term.

Cinzano

Acquired by the Group in 1999, the Cinzano portfolio includes sparkling wines and vermouth.

The key markets for Cinzano sparkling wines are Germany, Italy, Russia, China and Switzerland. The key markets for Cinzano Vermouth are Russia, Argentina and Czech Republic, followed by Australia and Spain.

Mondoro and Riccadonna sparkling wines

Mondoro is a premium sparkling wine brand. It was first launched in the North American market in 1989 and is sold in 35 countries around the world. Riccadonna is a range of dry and sweet sparkling wines, founded in 1921. The key markets for Mondoro and Riccadonna are Russia, France, Peru, Australia and Chile.

Local priorities

Campari Soda

Campari Soda is a single-serve alcoholic aperitif. It was created in 1932 and is considered the first pre-mixed drink in the world. Italy is its core market.

Crodino

Crodino is a single-serve non-alcoholic aperitif, produced since 1964. It was acquired by the Group in 1995. The core market for the brand is Italy. Over the years the brand has gradually expanded to some international markets and the Group is expecting to further expand the brand both domestically and internationally leveraging the positive trend of low-alcohol/no-alcoholic drinks.

Wild Turkey ready-to-drink

This is almost exclusively sold in Australia.

Rest of portfolio

This portfolio includes agency brands and other own non-strategic brands of the Group. In recent years, the Group has gradually streamlined this part of the portfolio via disposals.

With the aim of increasingly focusing on its own brands, the Group has continuously reduced the weight of agency brands over the years. Today the Group continues to distribute a selected portfolio of premium agency brands. The key agency brands distributed by the Group in 2020 included Jägermeister in Italy, Beam Suntory portfolio in France and the William Grant&Sons portfolio in Germany.

C-Business overview by marketing and brand building

The Group considers its brand portfolio to be its strategic asset. One of the main pillars of the Group's mission is to build and develop its brands. Intangible assets are a key component of the market value of spirits products, reflecting the power of brands built up over many years. Advertising and promotional investments build and protect the value of the brands in the long term. The Group has an ongoing commitment to investments in marketing designed to strengthen the recognition and reputation of iconic and distinctive brands in the key markets, as well as launching and developing them in new high-potential geographical regions. Brand image is a critical factor in a consumer's choice of spirits products. Consumers are willing to pay higher prices for brands they like and trust, and the strength of these brands allows companies to build a premium positioning, improve price mix and therefore generate higher returns in the mid- to long-term.

The Group strives to grow and maintain its market share by positioning and building its brands clearly and consistently across all their markets and distribution channels. The Group's main marketing objective is to devise a clear, distinctive and enduring strategy to build, increase the visibility of and develop each of the Group's products as a premium, dynamic and contemporary brand across diverse international markets, usage occasions and consumer audiences. As shown by a number of key Group's brands, like Aperol, Campari, Wild Turkey, Grand Marnier and Appleton Estate (in existence, respectively, since 1919, 1860, 1855, 1880 and 1749), when properly developed, the Group believes that the brand life can exist indefinitely. The Campari Group invested €309.8 million in advertising and promotion in 2020 corresponding to 17.5% of Group's net sales in 2020.

In marketing its international brands, the Group first develops a central strategy that globally reflects its group identity and strategic guidelines and then customizes an approach for each brand that it views as appropriate to the local market in terms of target audience, consumer preferences and advertising regulations. This central strategy is developed by the Group's global strategic marketing team, and internationally by local markets. Local markets are also responsible for the marketing of local brands in their respective markets. The global strategic marketing team is also responsible for product innovation, which includes the development and the launch of new products and line extensions or the re-launch of existing products. As noted below, growth in the spirit industry is becoming increasingly dependent on innovation, which, like advertising and promotion investments, is critical in driving price and volume. Spirits consumers are increasingly attracted by new products and line extensions and are likely to pay a higher price for their distinctiveness in terms of premium positioning, quality and consumption usage.

The Group promotes its products using all major forms of advertising allowed under the applicable rules, with an increasing focus on high profile advertising, mainly aimed at brand building, rather than promotion, and at brand launches as well as consumer engagement. It uses different media to build and communicate its marketing message and create the awareness of the Group's various brands in diverse markets. While traditional media (including TV, press, bill-boards and sponsorship) still play an important role in activating, building and strengthening the image of its brands, the Group has increased its focus on the digital media channel which is seen as strategic thanks to its interactive, customizable and measurable properties. Channel wise, the on-premise distribution channel is considered strategic and key in the Group's brand building and activation, with a great emphasis on experiential marketing.

Additionally, more efforts have been put into category management, customer relationship management, and more sophisticated interaction with a new generation of young adult consumers in an effort to recruit consumers and enhance the impact of the Group's marketing investment.

The 'brand house' is another important brand building tool that the Group has been investing in in recent years. For example, in November 2019, the Group reopened the iconic Camparino bar, the birthplace of the Milanese aperitif, which had been renovated to preserve and emphasize its historical heritage and art nouveau style. In November 2020 the same model of initiative was expanded in the heart of Venice (Campo Santo Stefano), where a space was acquired to become the first directly managed Aperol Flagship, later in 2021, after the renovation and marketing activities are completed.

Since the outbreak of the Covid-19 pandemic, the marketing activities of the Group have been reshaped with a strong focus on digital activations. Brand-activation activities aimed at consumers and commercial partners in the on-premise and Global Travel Retail channels were suspended or postponed given the restrictive measures.

For a summary of the Group's recent main marketing initiatives, please refer to the paragraph 'Main brand-building activities'.

Innovation

Product innovation includes the development of new products, the launch of limited editions, line extensions of existing brands, and/or the re-launch of existing products. Innovation has become increasingly important for brand building, attracting new consumers, driving sales growth and sales mix improvement in the spirits sector. Spirits consumers are increasingly attracted by new products and, based on experience, are likely to pay a higher price for distinctiveness. Some recent examples include the launch of Wild Turkey Master's Keep Bottled in Bond, a 17-year-old Kentucky straight bourbon whiskey with the bottled-in-bond label, a certification that guarantees a strict production process and ensures incomparable flavour and consistency; the introduction of new packaging for Appleton Estate emphasizing the brand's premium characteristics and the launch of Kingston 62, a new range of aged rum, in the Jamaican market; and the launch of Grand Marnier Cuvée du Centenaire to celebrate the first century of the House of Marnier Lapostolle.

The strengthened distribution networks allow the Group to quickly identify emerging consumption trends in individual markets and react quickly in terms of product development as a result of its enhanced global supply chain.

Development and expansion of acquired brands

The Group has a strong track record for re-launching and developing acquired brands outside their domestic markets through further expanding the global footprint of these brands and leveraging the Group's enhanced distribution capabilities. Some examples are given below.

After the acquisition of SKYY Vodka, the Group relaunched the brand with the introduction of new packaging as well as the launch of SKYY infusions through innovations. Over the years, the Group also managed to diversify the brand's geographic exposure by introducing it into numerous international markets.

The expansion of the Aperol brand was very successful as net sales of the brand have increased by more than ten times since its acquisition in 2004 as a result of significant growth in its domestic market as well as a strong expansion in a large and increasing number of international markets. Aperol is today the largest spirits brand in Italy. In addition, the aperitif's success has also been significant in markets outside Italy. Aperol has become a leading drink in Germany, Austria, Switzerland and Belgium also as a result of successful marketing activations, and it is experiencing very positive growth in many other European and international markets, such as the United States, Russia, France, the United Kingdom, Australia and Spain.

Moreover, following the acquisition of Espolòn in 2008, the Group re-launched the brand in the United States in the following year with new packaging, including creative labels. Espolòn is now one of the fastest growing tequila brands in the US market and is developing very positively in some other international markets, such as Australia, Russia, Italy and Canada.

The Group also re-launched and premiumised the Wild Turkey range following the 2009 acquisition, which included the re-packaging of the Wild Turkey bourbon brands, the introduction of new marketing campaigns, the reformulation of the liquid for recipe for certain products within the Wild Turkey range and the launch of Wild Turkey limited editions; the expansion of American Honey liquor in the United States, plus its successful introduction in some international markets; and the renewed line up of Wild Turkey 'ready-to-drink' in Australia, innovated with new and more premium offerings.

As regards the Jamaican rum portfolio acquired in 2012, Wray&Nephew overproof is developing positively across its domestic and international markets, leveraging the Group's strong distribution capabilities. In terms of Appleton Estate, the Group has continued to premiumise the offerings with the introduction of new packaging for the premium range as well as releases of limited editions.

Lastly, after the acquisition of Grand Marnier, the Group relaunched the brand with the introduction of new packaging, new marketing campaign emphasizing the superior quality of the brand as well as the launch of more premium variant Cuvée.

D-Business overview by organisational structure

The organizational structure of the Group ensures the separation of roles and responsibilities between marketing and sales organizations (the regional business units), responsible for sales and marketing activities, *vis-à-vis* the global supply chain (GSC) organization, responsible for coordinating all supply chain activities, including procurement, planning, logistics, manufacturing & engineering, quality, health & safety and innovation.

Regional business units

The Group is broadly organized into four regional business units: Americas; Southern Europe, Middle East and Africa; North, Central and Eastern Europe; and Asia Pacific. The regional business units are responsible for the marketing and sales activities of the Group's own brand portfolio, as well as any agency brands under distribution in their individual region.

The Group's organization by business units largely reflects the structure of the Group's distribution network, which is organized by region so that the Group may best serve the local markets in which it is present. The Group's strategy provides for the Group to establish its own distribution network in each country or direct market only if the Group achieves critical mass there. Otherwise, the Group distributes through third parties.

Distribution network

The Group sells its products to a large and diverse customer base located across 190 countries. In markets where the Group has local sales organizations (so-called direct markets), the Group sells to retailers and wholesalers through its internal sales organization. In markets where the Group does not have its own local sales organizations (so-called third-party markets), the Group works with carefully selected local third-party distributors and importers to ensure high-quality distribution and brand development in these markets.

As at the date of this Annual Report, the Group has direct distribution networks in 21 markets, including 7 in the Americas (the United States, Jamaica, Canada, Brazil, Mexico, Argentina and Peru), 4 in SEMEA (Italy, France, Spain and South Africa), 8 in NCEE (Germany, Russia, Switzerland, Austria, Belgium, Luxembourg, the United Kingdom and Ukraine), and 2 in Asia Pacific (Australia and China). These subsidiaries manage the Group's own brands and distribute a number of other leading brands under distribution agreements.

In addition, the Group has established a regional office in Singapore, which is now also the head office for the Asia Pacific region. It is responsible for all the marketing and coordination activities for countries in the region, in order to ensure a more comprehensive oversight of these markets and to support the growth of the Group's brands in the Asian markets.

In line with the Group growing strategy some distribution changes took place to empower the Group presence in the Asian Pacific market starting from 2021. In particular some agreement has been closed during the first months of 2021 enabling Campari Group to manage directly the local market in South Korea and China.

Global supply chain

The Campari Group's Global Supply Chain (GSC) operates an end-to-end supply solution covering the functions of Safety, Procurement, Manufacturing&Engineering, Planning, Logistics&Customer Service, Quality and Environment, Research & Development (R&D) as well as oversight of external co-packing operations.

The GSC strategy is to provide a superior quality customer centric supply chain solution that is globally leveraged and cost competitive.

Externally the role of GSC is to provide products to consumers of the right quality and in compliance with all regulatory requirements and to ensure the right level of customer service. Internally the role is to continue to ensure levels of efficiency in the Group's manufacturing, procurement and logistics operations with the aim of keeping costs below inflation and supporting the margin accretion.

In addition, the role of GSC is to control Demand Planning (DP) to provide the most accurate future demand forecast with the objective of minimizing inventory while still providing the highest levels of customer service.

The structure of GSC allows for the focus of design of GSC solutions to be owned and delivered by central functions and the execution of the design to be managed locally in regions. This structure ensures a more consistent approach, reduced IT complexity and spend, 'design once and execute many' adoption of initiatives and, ultimately, a more efficient and effective GSC.

Head of the Regional Supply Chain

In the Americas, Europe and Asia-Pacific ('APAC') regions the Group has created a regional supply chain ('SC') lead whose job is to coordinate the execution of both the global strategy and, more specifically, to meet customer needs in the countries within each region. The regional lead has a team made up of both country SC leads and regional functional leads, working within a matrix organization to deliver regional requirements. Ultimately the regional SC lead has the power of decision to ensure local needs are delivered, while at the same time delivering global programmes adding value and reducing costs.

Procurement

The Group's Procurement department manages two globally lead categories, Direct Categories (including materials and ingredients) and Indirect Categories (including media, marketing, consultancy, Travel and Entertainment ('T&E'), logistics and capital expenditure). The Group's Procurement department also operates at country level in the three regions of Americas, Europe and APAC.

The development of a central category leadership is providing longer-term sourcing strategies in key components such as glass and agave, digital media and marketing spend, ultimately creating higher value for the Group and

lower costs.

Key responsibilities of the Procurement department are to implement a structured approach on the management of the supplier relationships to contribute more effectively to innovation, value creation, sustainability and business continuity.

Global Logistics

The Campari Group has invested in a new Global Head of Logistics recognizing the importance of this area and its impact to cost of goods sold (COGS). This new role performs two distinct activities:

1. It sets in place the Group's strategic approach on logistics in relation to developing global partnerships with third-parties logistics providers for primary and secondary transportation as well as warehousing and distribution platforms to support the Group's route to market network.
2. It provides governance for the regional and local execution ensuring robust and consistent contracts are in place and that appropriate efficiencies are built into new initiatives.

The initial distribution (primary flow) of finished products from the manufacturing plant to in-market companies is managed under global service agreements through strategic partnerships delivering more cost effective and improved transportation network. With regard to the delivery of finished goods orders to the Group's third-party distributor markets, in most cases, the products are sold on Ex-works or FOB (Free On Board) incoterms at the point of supply, with the distributor arranging their own pickup and preferred transportation. This is also the main commercial arrangement for the Group's Global Travel Retail customers. Warehouse and distribution operations are managed either internally, through local plant operations, or through carefully selected third party logistics service providers. For secondary transportation (delivery from in-market companies to customer), this is all managed locally and outsourced to preferred carriers. Exceptions exist in some markets, for example in the United States where it is common practice in the industry for US distributors to arrange the transport and pickup from the suppliers' warehouse. Group logistics works with the Product Supply Chain ('PSC') regional and local logistics teams to ensure that cost, quality, business continuity and service are delivering value to the Group's commercial success.

Manufacturing & Engineering

The Campari Group has over fifty brands in its portfolios covering a wide range of categories. Each has a specific production process with cycles ranging from a few hours to many years in the case of aged spirits such as whiskies and rum.

Over the past few years, the Group has completed a series of investment projects aimed at renovating, expanding and in-sourcing production capacity to meet the expected future demand of its products. Today, the Group has an integrated manufacturing solution, including distilleries, processing and bottling facilities, maturation sites, warehouses and distribution centres.

Significant investment has taken place recently in the Group's Italian plants to accommodate the growth of key brands such as Aperol as well as to take the bottling activity of Crodino back into the Group operations on the expiry of a temporary outsourcing agreement put in place with a third party manufacturer when the brand's original plant was disposed of. In addition, the Group has made substantial investments in Mexican Tequila distilling capacity as well as further investments in Jamaica to modernize and upgrade distilling capability. The objective of these investments is to improve the capacity and productivity of local plants as well as comply with local regulations and satisfy new environmental requirements.

Continuous investments are taking place in order to keep equipment updated with new technology as well as changing safety and quality requirements with the ultimate objective of continuously increasing the productivity overall as well as streamlining processes with the use of minimum resources and low impact on the environment. A growing use of digital platforms is envisaged to further support cost reduction and build capability.

The Group currently operates in 22 production sites, of which 20 are owned, including distilleries and bottling plants as well as agriculture operations, in 11 different countries (4 in Italy, 5 in France which include 2 in Martinique, 3 in Jamaica, and 1 in each of Greece, Scotland, Canada, the United States, Argentina, Brazil and Mexico, Australia). The leased production facilities derive from the recently acquired Ancho Reyes and Montelobos business in Mexico.

Global Engineering

The Global Engineering department is mainly responsible for leading relevant industrial projects; coordinating the Group's industrial capital expenditure defining methods and contributing to approval and execution; setting and managing maintenance standards, systems, tools and processes for ensuring their application in the plants; defining strategy for relevant machinery and leading major negotiations with suppliers; identifying non-economic key performance indicators in plants and defining relevant methods; leading functional community sharing and promoting best practices.

The Group is committed to ensuring the quality and consumer safety of its products, occupational health and

safety in the workplace, protection of the environment and compliancy with all relevant laws and regulations in connection with the Group's products and manufacturing processes.

Global Safety

To promote the importance of its Safety function, the Group has moved leadership of Safety from the combined function of Quality, Health, Safety and Environment and has created two large regional roles for Europe and Americas.

Global Quality and Environment

The Campari Global Quality and Environmental function performs two distinct roles:

1. Leadership of the standards required to make products right first time in every location (internally and externally) by meeting all applicable Food Safety and Quality standards and checks their consistency through rigorous inspection controls, as well as the monitoring and actioning of consumer complaint data. This also includes chemical, microbiological and sensory analysis in both central and regional laboratories.
2. Leadership of the corporate environmental strategy. This covers the Group's ambitions to reduce the consumptions of energy, water and waste, as well as meeting the Group's local regulatory environmental requirements. An IT system monitors and provides indicators on all aspects of environmental performance across all sites.

Research & Development ('R&D')

The newly created R&D function provides control and validation over product formulas, new manufacturing processes and provides leadership on product and process innovation. It also is the key holder for proprietary formulations.

Inventory

Since some whisky (bourbon, Scotch, Canadian), cognac, tequila and rum varieties are aged for different periods of time, the Group maintains substantial inventories of maturing liquids in warehouse facilities. Production of maturing inventory is generally scheduled to meet future demand. Production schedules and barrel inventory are also adjusted to bring inventories in line with estimated future demand. Based on the positive expectations of future demand for its aged products such as Wild Turkey bourbon, Appleton Estate rum, The GlenGrant scotch whisky, Espolòn tequila, Grand Marnier liqueur and Bisquit&Debouché cognac, the Group has made substantial investment in ageing liquids over the past few years.

Risk management and Internal Control System

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

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

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

Campari Group operates at three levels of internal control:

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

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

The Control and Risks Committee, External Auditors and Board of Directors monitor the effectiveness of the Campari Group's internal control and risk management system.

In 2020, Campari Group's risk management and internal control system operated as designed.

i. Risk Appetite

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

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

With regard to overall performance in 2020, the Group's net sales totalled €1,772.0 million, with an overall decrease of -3.8% as compared to 2019. The organic growth component showed a negative trend with a contribution of -4.1%, essentially attributable to the effect of the Covid-19 pandemic.

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

ii. Main risks for Campari Group

Strategic risks

Risks relating to dependency on the sale of key products and the seasonality of certain Campari Group products (S)

A significant proportion of the Campari Group's sales are focused on certain key brands, such as Aperol, Campari, SKYY Vodka, Wild Turkey, Grand Marnier and the Jamaican rum portfolio including Appleton Estate and Wray&Nephew Overproof. In 2020, 55.6% of the Group's consolidated net sales came from these brands. Accordingly, any factor adversely affecting the sale of these key products individually or collectively could have a material adverse effect on the Campari Group's results from operations.

In addition, sales of certain Campari Group products are affected by seasonal factors due to different consumption patterns or consumer habits. In particular, aperitif consumption tends to be concentrated in the hottest months of the year (May to September), whereas sales of other products, such as sparkling wines and spirits, are concentrated in the last quarter (September to December). Seasonal consumption cycles in the markets in which the Campari Group operates may have an impact on its financial results and operations. Although Campari Group has a global presence, the majority of its revenue is in the northern hemisphere. This is particularly true in the summer months, when unseasonably cool or wet weather can affect sales volumes.

Mitigation actions put in place by Campari Group to mitigate those risks include investments in products' success and growth to increase brands value and the Group's diversified portfolio of products and brands

Risks relating to the Campari Group's dependence on consumer preferences and habits and propensity to spend (S)

An important success factor in the beverage industry is the ability to interpret consumer preferences and tastes particularly those of young people and to continually adapt sales strategies to anticipate market trends and developments using its media and marketing tools.

Preferences and tastes can change in unpredictable ways due to a variety of factors, such as changes in demographics, consumer health and wellness, concerns about obesity or alcohol consumption, product attributes and ingredients, weather, negative publicity resulting from regulatory action or litigation against the Campari Group or comparable companies or a downturn in economic conditions that may reduce disposable income and make consumers less likely to buy drinks. Changes in lifestyle and everyday behavioural patterns can occur also as a result of global pandemics and subsequent restrictions including safety measures enacted by governments such as social distancing and lockdown, changes in travel, vacation or leisure activity patterns. Consumers may also begin to prefer the products of competitors or may reduce their demand for products in the spirits and wine categories in general.

In order to mitigate these risks, Campari Group leverages a diversified portfolio of brands to ensure coverage of consumer occasions, trends and prices and constantly monitors consumer trends at market and brand level. Nevertheless, if the Group's ability to understand and anticipate consumer tastes and expectations and to manage its own brands were to cease or decline significantly, this could significantly affect its activities and operating results. Moreover, the unfavourable economic situation in certain markets may dampen the confidence of consumers, making them less likely to buy drinks.

The outbreak of a new strain of the coronavirus (Covid-19) has disrupted and is expected to continue to disrupt financial markets and the operations of businesses worldwide. On 11 March 2020, the World Health Organization declared Covid-19 a pandemic after more and more countries across the globe reported infections. The rapid spread of Covid-19 has resulted in a rapid deterioration of the socio-economic and financial situation globally, with a consequential negative impact on all markets in which the Campari Group operates. Furthermore, in order to contain the spread of Covid-19, governments of the various countries concerned have introduced progressively more restrictive measures to limit the movement of, and contact among, people (including social distancing, quarantine, 'shelter in place', lockdown or similar orders and travel restrictions) and suspended productive activities in sectors defined as non-critical, allowing only essential activities and production to continue. Such measures restricting social contact have had, and continue to have, an adverse effect on global trade and supply chains and more specifically with respect to the spirits business, a significant adverse effect on consumption levels given the sector's natural exposure to consumption in the on-premise distribution channel mainly represented by

bars and restaurants. Furthermore, the significant reduction in air travel resulting from travel restrictions has had, and continues to have, an adverse effect on the Group's retail travel sales.

Despite Campari Group's flexibility and capability of adapting to changing conditions (e.g. re-forecasting, capability to focus on online rather than on traditional sales, flexibility in cash flow management), the Group is unable to predict the ultimate impact from Covid-19 on the results of its operations, financial condition, business and/or prospects. Although lockdown restrictions are temporary in nature and are gradually being eased across many countries as a result of a gradual improvement in the health crisis, restrictive measures may nonetheless continue for an extended period of time and intensify depending on developments in the pandemic, including new waves of the Covid-19 outbreak, and on vaccine administration and effectiveness. Further management time and resources may need to be spent on matters related to Covid-19, distracting from implementation of the Campari Group's long-term strategy. In addition, the new protocols, work practices and safety measures that the Campari Group has been required to adopt in its plants and distilleries may be costly and may affect production levels. The Campari Group's suppliers, customers, distributors and other contractual counterparties may be restricted or prevented from conducting business activities for indefinite or intermittent periods of time, including as a result of safety concerns, shutdowns, slowdowns, illness of such parties' workforce and other actions and restrictions requested or mandated by governmental authorities.

Uncertainty remains as regards the extent and timing of the economic recovery to pre-Covid-19 levels in when the restrictive measures are gradually lifted across different markets. For example, many on-premise outlets will not be re-opening, and although a considerable number of outlets have expanded their outdoor spaces to give customers a greater sense of safety, many people are still cautious and are avoiding public places. Social distancing is also reducing the number of clients that can be served.

Each of these factors is likely to continue to have a negative impact on consumer demand and consumption, as well as on the Group's capability to continue to implement brand building strategies targeting the on-premise channel and will consequently have an adverse effect on the Group's results of its operations, financial condition, business and/or prospects.

Any of the foregoing could limit consumption of the Group's products or the Group's capacity to meet demand for its products and consequently have a material adverse effect on the Group's results from its operations, financial condition, business and/or prospects. While the Campari Group is continuing to monitor and assess the evolution of the pandemic and its effects on the macroeconomic scenario, on the markets in which it operates, on the behavioural patterns of its consumer base and on the Campari Group's financial position and results of its operations, significant uncertainty remains about the length and extent of the restrictions in the markets in which Campari Group operates. The future impact of the Covid-19 pandemic on the Campari Group's results from operations, financial condition, business and/or prospects, which may be material and adverse, will depend on ongoing developments in the pandemic, including the success of containment measures and other actions taken by governments around the world, the possibility of further waves leading to the re-imposition of severe lockdown measures as well as the overall condition and outlook of the global economy.

The Covid-19 pandemic may also exacerbate other risks, including, but not limited to, the Group's competitiveness, demand for the Group's products, shifting consumer preferences, exchange-rate fluctuations, and credit market conditions affecting the availability of capital and financial resources.

Risks relating to adverse macroeconomic and business conditions and instability in the countries in which the Group operates (S)

Global economic conditions and conditions specific to developed markets, including Italy, other major European countries, the United States and Australia as well as the emerging markets in which the Campari Group does business (including in eastern Europe, Asia, Latin America and Africa) could substantially affect its sales and profitability.

Operating in emerging markets makes the Group vulnerable to various risks inherent in international business, including exposure to an often unstable local political and economic environment which may impact the ability of the Group to trade locally and the ability of the Group's counterparts to meet their financial obligations, exchange-rate fluctuations (and related hedging issues), export and import quotas, and limits or curbs on investment, advertising or repatriation of dividends. Each of these risks could have a negative impact on the Group's activities in the relevant emerging markets and consequently on the Group's financial results, assets and liabilities and cash flows. Consequently, the Group constantly monitors developments in the global geopolitical environment that could require a review of the corporate strategies put in place and/or the introduction of measures to safeguard its competitive positioning and performance.

Global economic activity went through a sharp economic downturn following the 2007-2008 global financial crisis. The disruption to global financial markets created increasingly difficult conditions in recent years, including decreased liquidity and availability of credit and greater market volatility, which continue to affect the functioning of financial markets, the global economy and international trade. The international macroeconomic situation continues to be characterised by uncertainty, due in part to the progressive heightening of tensions in international trade between the United States and China, the slowdown of economic growth recorded in the Eurozone, China's

slowing economy, the increase in the volatility of international equity markets in a context of increased risk aversion among investors, and the volatility that has characterised the European corporate bonds markets, which have been negatively affected by the global macroeconomic scenario.

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

Risks relating to acquisitions (S)

The Campari Group expects that the ongoing consolidation within the spirits business will continue and it will therefore continue to evaluate potential acquisitions. The pursuit of these opportunities, and, if such pursuit is successful, the subsequent integration of the businesses acquired, places significant demands on the time and attention of the Campari Group's senior management and may involve considerable financial and other costs (for example, in the identification and investigation of potential acquisitions, the negotiation of agreements and the challenges associated with integration, particularly where the accounting and management systems differ materially from those used elsewhere within the Group). In addition, the Campari Group may from time to time incur additional indebtedness to finance acquisitions. The Campari Group may therefore be exposed to risks in relation to acquisitions that may have an adverse effect on the Campari Group's financial condition and results from its operations.

Despite Campari Group having implemented a diversified investment strategy, with integration plans being implemented and monitored, the Group's growth prospects may suffer if the Group is unable to implement its acquisition strategy and/or realise the full intended benefits of synergies if, for example, the Group encounters unexpected difficulties when integrating businesses acquired. Employees and customers of acquired businesses may sever their relationships with those businesses during or after completion of the transaction. In addition, if the Campari Group makes an acquisition in a market outside of those in which the Group currently has a presence, the Group will have to address an unfamiliar regulatory and competitive environment and may not be able to do so successfully, which might adversely affect the Campari Group's operations in that market.

Risks relating to the disruptions or termination of the Campari Group's arrangements with the Group's third party manufacturers or distributors (S)

The production and distribution of the Campari portfolio is carried out, to a large extent, directly by the Campari Group. However, the Campari Group relies upon third parties (including key customers in specific geographies) to distribute, and in some cases also produce, a number of its own brands in a number of markets under licensing arrangements. Outside of the Campari Group's twenty-one direct markets, including seven in the Americas (the United States, Jamaica, Brazil, Canada, Argentina, Mexico and Peru), eleven in Europe (Italy, France, Spain, Germany, Russia, Switzerland, Austria, Belgium, Luxembourg, the United Kingdom and Ukraine), one in Africa (South Africa) and two in Asia Pacific (Australia and China), the Group generally depends upon third parties to distribute its products.

In 2020, 13% of the Group's consolidated net sales came from distribution under license of own products outside its direct distribution network. The vast majority of the Group's own products were manufactured by the Group and the remainder were manufactured by third parties under license. Furthermore, the Campari Group distributes third-party brands under license agreements in certain markets. In 2020, 5.8% of the Campari Group's consolidated net sales came from distribution by the Campari Group under license of third-party products. Although licenses are with several third parties, avoiding concentration on few licenses/third parties, the use of or reliance on third parties for these critical functions entails risks, including the risk of termination of licences and of delays or disruptions in production and distribution. Furthermore, the Group has less control over the quality of products manufactured by third parties. In addition, in certain cases, there may be no suitable replacements for the Campari Group's third-party manufacturers. A disruption or termination of the Campari Group's present arrangements with these third parties without having suitable alternative arrangements in place could have a material adverse effect on the Group's business, prospects, results from its operations and/or financial condition.

Risks relating to a decline in the social acceptability of Campari Group's products or governmental policies against alcoholic beverages (S)

The Campari Group's ability to market and sell its alcoholic beverage products depends heavily on both society's attitudes toward drinking and governmental policies that flow from those attitudes. In recent years, increased social and political attention has been directed at the alcoholic beverage industry. Recently, this attention has focused largely on public health concerns related to alcohol abuse, including drinking and driving, underage

drinking, and health consequences from the misuse of alcoholic beverages. Although Campari Group has a global presence, alcohol critics in Europe and the United States increasingly seek governmental measures to make alcoholic beverages more expensive including through tax increases for certain product categories, restrict their availability, and make it more difficult to advertise and promote, including as a result of laws and regulations aimed at restricting advertising. If the social acceptability of alcoholic beverages were to decline significantly, sales of the Campari Group's products could materially decrease. The Campari Group's sales would also suffer if governments ban or restrict advertising or promotional activities, limit hours or places of sale, or take other actions designed to discourage alcohol consumption.

Consequently, the Group constantly monitors regulatory changes, consumer trends at market level and promotes responsible drinking initiatives.

Risks relating to market competition and the consolidation of participants in the beverages industry (S)

The Group is part of the alcoholic and non-alcoholic beverage sector, where there is a high level of competition and a huge number of operators. The main competitors are large international groups involved in the current wave of mergers and acquisitions that are operating aggressive competitive strategies at a global level. The Group's competitive position vis-à-vis these major global players, which often have greater financial resources and benefit from a more highly diversified portfolio of brands and geographic locations, means that its exposure to market competition risks is particularly significant.

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

The Group constantly monitors the industry dynamics of mergers and acquisitions and the initiatives taken by *competitors*, constantly invests in its products' success and growth to increase the brands value and expand customers.

Risks related to the relationship of the United Kingdom with the European Union (S)

The United Kingdom's membership of the European Union ended on 31 January 2020 (Brexit) in accordance with the agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (the Withdrawal Agreement). Under the terms of the Withdrawal Agreement, a transition period commenced which lasted until 31 December 2020. In December 2020, the United Kingdom and the European Union reached an agreement on the future relationship between them.

The United Kingdom is a high potential market for the Campari Group. The Group has a direct distribution network in the United Kingdom and operates in the country through local offices, plants and distilleries. In 2020, approximately 2.8% of the Group's net sales were generated in the United Kingdom. Any material adverse effect of Brexit on global or regional economic or market conditions could lead to changes in consumer spending in the United Kingdom, exchange-rate volatility, or restrictions in the movement of people and goods, all of which could adversely affect the Group's business, the results from its operations and financial condition. Moreover, the United Kingdom could experiment, post-Brexit, with changes to laws and regulations in areas such as intellectual property rights, employment, the environment, supply chain logistics, data protection, and health and safety, each of which could have an adverse effect on the Campari Group's operations in the United Kingdom. The potential implications of Brexit cannot be fully understood until any future tariffs, taxes and other free-trade agreements and regulations have been established by the United Kingdom. As such, no assurance can be given that such matters relating to Brexit would not adversely affect the ability of the Campari Group to satisfy its obligations under the Notes and/or the market value and/or the liquidity of the Notes in the secondary market.

However, political developments will be continuously monitored to anticipate and minimize any vulnerabilities in all the main functions affected, and to adopt prudent measures to mitigate the risks, where possible.

Environmental risk (S)

Production activities and the implementation of the Group's strategies are subject to the effects of natural events. Environmental changes, some of which could have a significant impact, could interfere with local supply chains

and harm some customers. These events are generally unpredictable and may affect the seasonality of sales, just as natural disasters (such as hurricanes) may damage products and disrupt production at some plants. The Group monitors environmental risks, has emergency plans in place and continuously develops plans to deal with such crises. The Group counts compliance with regulations and with local and international standards among its priorities, together with business continuity assessment, back-up scenarios and global insurance policies.

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

While the Campari Group reports its financial results in euros, the Group's portfolio of brands generates sales and costs throughout the world in a variety of currencies. Around 62% of the Group's consolidated net sales in 2020 came from outside the Eurozone. With the Group's international operations outside the Eurozone growing, a significant fluctuation in exchange rates, principally caused by macroeconomic or political instability or, in the specific case of the United Kingdom, by uncertainty about Brexit, could have a negative impact on the Group's activities and operating results.

However, the existence of permanent Group establishments in countries such as the United States, the United Kingdom, Australia, Jamaica, Brazil, Canada, Russia and Argentina allows this risk to be partially hedged, given that both costs and revenues are broadly denominated in the same currency. Therefore, exposure to foreign-exchange transactions generated by sales and purchases in currencies other than the Group's Euro functional currency represented a moderate proportion of consolidated sales and profitability in 2020, hence the use of hedging measures was very limited.

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

Operational risks

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

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

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

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

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

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

Risk related to climate change (O)

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

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

increasing the use of renewable electricity in all European production sites (for more information refer paragraph 'Non-financial disclosure' of the governance section).

Risk relating to disruption in information technology systems (O)

The Group depends on its information technology and data processing systems to operate its business, and a significant malfunction or disruption in the operation of its systems, human error, interruption of power supply, or a security breach that compromises the confidential and sensitive information stored in those systems, could disrupt the Group's business and adversely impact the Group's ability to compete. The major risks associated with cyber-security include reputational damage caused by breaches/ theft of sensitive data, the malfunctioning or disruption of IT systems, the unavailability of online services due to a malware attack and the increased cost of resolving these problems. Cyber-security risks have a global impact for Campari Group, due to both the strong interconnectedness within the Group and the ever-increasing pervasiveness of technology (and the internet) on the performance of activities. The Group has implemented awareness campaigns to heighten employee awareness of cyber risks (C-Level fraud, Phishing, Social Engineering). Employees take part in annual e-training sessions and take monthly tests to improve their knowledge of the main cyber threats.

The Covid-19 pandemic has triggered extensive use of remote working arrangements that have been implemented, where feasible, across all regions. Wherever possible, smart-working policies have been recommended for office-based employees, given that the safety and wellbeing of Camparistas is a top priority. Campari Group had put in place a smart working policy prior to the Covid-19 pandemic and is engaged in major projects that leverage online digital technologies and expand on smart working in the Group's offices. Therefore, new protocols, training programmes, work practices and safety measures have been introduced and reinforced during 2020 by the Group to prevent malware attacks. More flexible working methods are being promoted as they can bring benefits for both Camparistas and the Group, encouraging a better work-life balance and increasing employees' responsibilities in pursuing the Group's objectives and results. Notwithstanding the procedure introduced, in November 2020 Campari Group was the victim of a targeted ransomware attack following unauthorized access to its network. For additional information on this topic, please refer to the paragraph 'Significant events of the year'.

Compliance risks

Tax risks and changes in fiscal regulations (C)

Distilled spirits and wines are subject to import duties or excise taxes in many countries where the Group operates. Many jurisdictions are considering excise tax increases. An increase in import duties or excise taxes could adversely affect profit margins or sales revenue by reducing overall consumption or encouraging consumers to switch to lower-taxed categories of alcoholic beverages. Furthermore, tax-related changes in any of the markets in which the Group operates, such as the effect of Brexit on trade between Europe and the United Kingdom or changes in import duties in the United States on alcoholic products originating from the European Union, could result in a rise in the Group's effective tax rate or lead to uncertain and/or unexpected tax exposure for the Group that could increase the Group's overall business costs.

The Group regularly reviews its business strategy and tax policy in light of legislative and regulatory changes and assesses the likelihood of any negative results of potential tax inspections to determine the adequacy of its tax provisions.

Risk of failure to comply with laws and regulations (C)

As the Group is exposed and subject to numerous different regulations, there is a risk that failure to comply with laws and regulations, and with Group policies, could harm its reputation and/or result in potentially substantial fines. To mitigate this risk, the Group has drawn up a Code of Ethics and laid down Business Conduct Guidelines. It also provides its employees with regular training on its global policies.

Internal assurance activities are continuously monitored and assessed with local management to improve the internal control system. Present in many regions across the world, the Group has also adopted a specific policy on human rights intended to mitigate any legislative shortcomings existing locally in that regard.

The Group has also implemented a global training programme on antitrust compliance, aimed at mitigating the risk of any breach of antitrust laws.

Through the Group Privacy and Data Protection (GPDP) department, the Campari Group is managing a project to align with the new European regulations on personal data protection (the 'GDPR' or 'Regulation'). In accordance with the new Regulation, a Data Protection Officer (DPO) has been appointed and an organizational model has been defined for the protection of personal data and to identify roles and responsibilities. As part of the project work, numerous training and awareness activities have also been carried out. At the same time, Campari Group has drawn up a series of policies to manage GDPR requirements and has also introduced a tool to manage and track the main activities required under GDPR to effectively demonstrate compliance with this Regulation.

Risks relating to legislation on the beverage industry and the application of import duties (C)

Activities relating to the alcoholic beverages and soft drinks industry, production, distribution, export, import, sales and marketing, are governed by complex national and international legislation, often drafted with somewhat restrictive aims. This necessitates monitoring of the economic risks arising from the increasing tension in global trade and the application by the United States of duties on alcoholic products from the European Union. Moreover, the requirement to make the legislation governing the health of consumers, particularly young people, ever more stringent could, in the future, lead to the adoption of new laws and regulations aimed at discouraging or reducing the consumption of alcoholic drinks. Such measures could include restrictions on advertising or tax increases for certain product categories. Campari Group is committed to constantly publicizing messages and models of behaviour associated with responsible consumption and serving of alcoholic drinks through its communication channels and constantly monitors any changes in the legislation applicable to the beverage industry. Any further tightening of regulations in the main countries in which the Group operates could lead to a fall in demand for its products.

Risk related to non-compliance with environmental regulations and policy (C)

Due to Campari Group's global presence, its operations are subject to environmental regulations imposed by national, state and local agencies, including, in certain cases, regulations that impose liability without regard to fault. These regulations can result in costs or liability, including fines and/or environmental remediation obligations, which might adversely affect Campari Group's operations. The environmental regulatory climate in the markets in which the Campari Group operates is becoming stricter, with a greater emphasis on enforcement.

The responsible use of resources and reduction of the environmental impact of the Group's production activities are, of course, practices that guide the Group's activities with the aim of pursuing sustainable development.

Campari Group has adopted an environmental policy aimed at reducing the environmental impacts that may be caused by the Group's activities. This policy, which is regularly reviewed to keep it in line with the nature and size of the Group and its corporate objectives, applies to all company locations and divisions and is also shared with suppliers, funders and employees. The Group's industrial management has also set up a structure dedicated to safety, quality controls on environmental pollution, waste and water disposal. The objective of this structure is to continuously monitor and update the Group's business activities based on the legislation in force in the individual countries in which it operates.

While the Campari Group has implemented those initiatives, there can be no assurance that it will not incur substantial environmental liability and/or costs or that applicable environmental laws and regulations will not change or become more stringent in the future. Any increase in environmental compliance costs, and other related costs and fines could have an adverse effect on the Campari Group's business, prospects, financial condition and/or results from its operations.

Risks relating to product compliance and safety (C)

If any of the Campari Group's products are defective or found to contain contaminants, the Campari Group may be subject to product recalls or other liabilities. Campari takes precautions to ensure that its beverage products are free from contaminants and that its packaging materials are free of defects by conducting extensive quality controls and having a worldwide quality team. In the event that contamination or a defect does occur in the future despite all precautions, this could lead to business interruptions, product recalls or liability, each of which could have an adverse effect on the Campari Group's business, reputation, prospects, financial condition and/or results from its operations.

Although Campari has drawn up guidelines to be implemented if quality is accidentally compromised, such as in the event of any withdraw or recall of products from the market, and maintains insurance policies against certain product liability risks, if contamination or a defect occurs, any amounts that Campari recovers may not be sufficient to offset any damage it may sustain, which could adversely impact its business, results from its operations and/or financial condition.

Non-Financial Disclosure

This section addresses the requirements of the Dutch Civil Code, and of the Dutch Decree on Non-Financial Information (Besluit bekendmaking niet-financiële informatie), which is a transposition of Directive 2014/95/EU 'Disclosure of non-financial and diversity information' into Dutch law.

Global Sustainability Strategy

In 2020 the Campari Group has formalized its sustainability commitments into a roadmap, an agreed framework to focus investment and drive performance towards specific priorities within each area and that reflect the company's values and culture.

Our people-Inclusion, Equity&Diversity, learning and development, rewarding and engaging

- **Inclusion, Equity&Diversity:** a new strategy to foster inclusion, equity and diversity in the workplace with intentional commitment, supported by an internal multi-functional governance at all organizational levels. Monitoring the Group's progress through an internally developed Campari Group Inclusion, Equity&Diversity Index, based on people survey-based and GRI Standard based Key Performance Indicators (KPIs), allowing the development of action plans in the field of Culture (focusing on education) and Power Acts (focusing on concrete initiatives).
- **Learning Culture:** introduce a new paradigm around personal and organizational development, based on pervasive growth mindset, a greatly enhanced learning offer, and a brand-new digital ecosystem to enable anytime/anywhere learning experiences through the Learning Distillery, a one-stop-shop for all Camparistas.
- **Feedback Culture:** foster a new company-wide 360° feedback practice, serving as a boost for both leadership development and individual engagement and growth. Complementing our sound talent management process, it aims at adding an extra layer of frequency, education, involvement, and purpose, powered by an agile tech platform.
- Rewarding and engaging through an **Employee Stock Ownership Plan** for all Camparistas.

Responsible practices-Education and involvement with regard to responsible drinking

- The Campari Group's **Global Strategy on Responsible Drinking** has been formalized in 2020, identifying internal and external initiatives to be implemented within the next two years.
- Educational **sessions on responsible drinking for 100% of Camparistas**, especially for new hires.
- Ad hoc and continuous **training for the global marketing** community with a deep dive on digital communication.
- **Responsible serving project** for bartenders to be leveraged at global level.
- **Digital brands' campaigns** on responsible drinking.

Environment

Energy and GHG emissions

- **Reduce greenhouse gas (GHG) emissions** from direct operations²⁶ **by 20% in 2025, by 30% in 2030** and from the total Supply Chain **by 25% in 2030**, using 2019 as a baseline.
- **100% renewable electricity** for European production sites **by 2025**.

²⁶ Scope 1 and 2

Water

- **Reduce water usage (L/L) by 20% in 2025 and by 25% in 2030**, using 2019 as a baseline.
- **Return 100% of wastewater** from our operations to the environment **safely**.



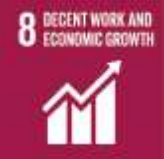
Waste

- **Zero waste** to landfill **by 2025**.

Community involvement-Exporting best practices across key markets

- Strong commitment to **work, education and culture** will continue to be key for Campari Group.
- Best local practices will be **exported** in other geographies around the world.
- **Continuous involvement in the world of art**, by sponsoring major events and further developing iconic brand houses and the Campari Gallery.
- **Strong support to business partners** through activations and events, reflecting a commitment to playing a major role in the comeback of the on-premise channel.

Through the conduct of its business, Campari Group contributes to the achievement of 11 of the 17 Sustainable Development Goals (SDGs)²⁷ established under the UN 2030 Sustainable Development Agenda, which promotes the active participation of all stakeholders (i.e.: private sector, public sector, institutions and local communities). In particular, the objectives shown in the table below were linked to the sustainability issues that constituted the starting point for carrying out the materiality analysis:

Objectives	Campari Group topics ²⁸	Campari Group commitments
	Remuneration policies Relationships and initiatives for the community Activities of the Foundations	Exporting best practices across key markets <ul style="list-style-type: none"> • Strong commitment to work, education and culture will continue to be key for Campari Group • Best local practices will be exported in other geographies around the world
	Employee training and development Relationships and initiatives for the community Activities of the Foundations	Learning and development, rewarding and engaging <ul style="list-style-type: none"> • A new paradigm around personal and organizational development, based on pervasive growth mindset, a greatly enhanced learning offer, and a brand-new digital ecosystem to enable anytime/anywhere learning experiences: the Learning Distillery, a one-stop-shop for all Camparistas
	Value generated and distributed to stakeholders Economic sustainability Job creation Diversity, equal opportunities and inclusion Training and employee development Human rights Recruitment, turnover and pension policies Talent attraction Remuneration policies Industrial relations Work-life balance Employee satisfaction Health and safety	<ul style="list-style-type: none"> • A new company-wide 360° feedback practice, serving as a boost for both leadership development and individual engagement and growth. Complementing our sound talent management process, it aims at adding an extra layer of frequency, education, involvement, and purpose, powered by an agile tech platform • Employee Stock Ownership Plan for all Camparistas Education and involvement on responsible drinking <ul style="list-style-type: none"> • Educational sessions on responsible drinking for 100% of Camparistas, especially for new hires • Ad hoc and continuous training for the global marketing community with a deep dive on digital communication • Responsible serving project for bartenders to be leveraged at global level

²⁷ www.un.org/sustainabledevelopment/sustainable-development-goals/

²⁸ The material issues for the Group are highlighted in bold as reported in the materiality matrix.

	Health and safety Emissions Waste Water	
	Water	<p>Energy and GHG emissions</p> <ul style="list-style-type: none"> • Reduce greenhouse gas (GHG) emissions from direct operations (Scope 1 and 2) by 20% in 2025, by 30% in 2030 and for the total Supply Chain by 25% in 2030 • 100% renewable electricity for European production sites by 2025 <p>Water</p> <ul style="list-style-type: none"> • Reduce water usage (L/L) by 20% in 2025 and by 25% in 2030 • Return 100% of wastewater from our operations to the environment safely <p>Waste</p> <ul style="list-style-type: none"> • Zero waste to landfill by 2025
	Energy Renewable energy	
	Emissions Energy Water Waste Materials Supply chain transparency and traceability Product quality Food safety	
	Emissions Energy Suppliers-Qualification and evaluation with respect to environmental criteria	
	Diversity, equal opportunities and inclusion Remuneration policies Human rights	<p>Diversity</p> <ul style="list-style-type: none"> • A new strategy to foster inclusion, equity and diversity in the workplace with intentional commitment, supported by an internal multi-functional governance at all organizational levels. Monitoring the Group's progress through an internally developed Campari Group Inclusion, Equity&Diversity Index, based on people survey-based and GRI Standard based Key Performance Indicators (KPIs), allowing the development of action plans in the field of Culture (focusing on education) and Power Acts (focusing on concrete initiatives)
	Diversity, equal opportunities and inclusion Remuneration policies Human rights Indirect economic impact on communities Initiatives for the community Activities of the Foundations	
	Business relations with responsible and transparent partners Relations with institutions Projects and initiatives on sustainability	<p>Exporting best practices across key markets</p> <ul style="list-style-type: none"> • Continuous involvement in the world of art, by sponsoring major events and further developing iconic brand houses and the Campari Gallery; • Strong support for business partners through activations and events, reflecting a commitment to playing a major role in the comeback of the on-premise channel.

Note on methodology

The Non-Financial Statement aim is to provide our stakeholders with non-financial information, illustrating Campari Group's sustainability strategy and main initiatives in 2020. This disclosure contains non-financial information about environmental, social and employment matters, as well as respect for human rights, anti-corruption and bribery issues, to the extent necessary to ensure understanding of the Group's business, performance, results and impact.

This non-financial disclosure is an extract from the Campari Group's Sustainability report and highlights the most relevant information of the year and the Group's more general approach to sustainability. The complete Campari Group disclosure on non-financial information is available in the Sustainability report. The Group's strategies, policies, main impacts, risks and the related management approach for each of these issues are also described based on the principle of materiality.

The Dutch Statutory Auditor verifies the disclosure of this document according to legal requirements, while EY Italy verifies, through a limited assurance engagement, the Sustainability Report's compliance with the GRI Standards, the global standards for sustainability reporting. The Sustainability Report is submitted for limited assurance, in accordance with International Standard on Assurance Engagements (ISAE) 3000 Revised, by the independent auditing firm EY S.p.A..

This disclosure was prepared in accordance with the Dutch Civil Code, and with the Dutch Decree on non-financial information (Besluit bekendmaking niet-financiële informatie), which transposes Directive 2014/95/EU on the 'Disclosure of non-financial and diversity information' into Dutch law.

The table below shows the internal references to the chapter(s) or paragraph(s) of this Annual Report where the relevant aspects of the Dutch Decree are discussed in particular to ensure transparent and structured communication with our stakeholders.

Dutch Decree aspects	Internal reference-Chapter/paragraph
Business model	The value chain of our products; Overview of Campari Group's business included in Governance.
Policies and due diligence	Sustainability policies and governance; Corporate Governance.
Principal risks and their management	Risk management and Internal Control System included in Governance.
Thematic aspects	
<i>Environmental matters</i>	Management of resources and environmental impact; Global Supply Chain medium-long term environmental targets; Energy efficiency and decarbonization; Water management; Waste management; Spills, Certifications; Logistics and sustainable distribution.
<i>Social matters</i>	The Foundations; Stronger Together - Campari Group and the Covid-19 pandemic; Creating value for stakeholders; Quality and food safety of brands; Responsible communications; Responsible serving; Responsible consumption: communications and promotional initiatives; Campari Gallery; Cinzano Archive; Campari and the cinema; Negroni Week.
<i>Employee matters</i>	Stronger Together - Campari Group and the Covid-19 pandemic; Campari Group and Camparistas: #StrongerTogether; Ever more, a continuous dialogue; Other tools for dialogue and engagement - Channels and initiatives; Inclusion, Equity and Diversity in the workplace; Human resources: learning and professional development; Remuneration system; Industrial relations; Camparistas' involvement with the environment, well-being and social activities; Health and safety in the workplace.
<i>Respect for human rights</i>	Sustainability policies and governance; Code of Ethics, Business Conduct Guidelines, Sustainability compliance; Employees and Human Rights Policy
<i>Fight against bribery and corruption</i>	Sustainability policies and governance; Whistleblowing; Model 231; Code of Ethics; Business Conduct Guidelines
<i>Supply Chain</i>	Sustainability policies and governance; Responsible sourcing; Sustainability compliance; Business continuity and enhanced supplier collaboration; Growing agave in partnerships with local farmers.

The materiality analysis established in 2017, on the basis of a comprehensive benchmarking comparison with competitors in the sector and of the results of a sustainability questionnaire distributed to the Group's entire management, has been further refined. In 2018, bartenders were included among the categories of stakeholders that are most relevant to the Group. In 2019, adjustments were made in the wake of a focus group conducted under the aegis of the Campari Group Sustainability Committee. And lastly in 2020, the priorities were reconsidered in a year when the entire world population was affected by the Covid-19 pandemic, resulting in a strong impact also on the global economy.

Campari Group's Non-Financial Disclosure was prepared in accordance with the GRI Sustainability Reporting Standards, the sustainability reporting framework set by the Global Reporting Initiative ('GRI'), establishing the most advanced standard for sustainability reporting most widely used worldwide. The document complies with the In Accordance-core option of the GRI²⁹, ensuring that at least one indicator for each material issue is disclosed. As in previous years, in addition to the key performance indicators established in the GRI Sustainability Reporting Standards and the sustainability aspects covered by the statutory reporting requirements, Campari Group also reports certain additional qualitative and quantitative indicators that are particularly relevant for a multinational company operating in the spirits sector (e.g.: responsible marketing and serving, and communication practices), in accordance with the materiality principle.

²⁹ For more information refer to GRI Content Index contained in the 2020 Sustainability report

With regard to the financial data, the scope of the reporting corresponds to that of Campari Group's consolidated financial statements.

With regard to the non-financial information, the scope of the reporting encompasses the data of all Campari Group companies consolidated on a line-by-line basis for the period from 1 January 2020 to 31 December 2020 (2020 fiscal year); it thus excludes the information related to two companies: (i) Licorera Ancho Reyes y CIA S.A.P.I. de C.V., and (ii) Casa Montelobos S.A.P.I. de C.V.. This is because the scope of the acquisition, which occurred at the end of 2019, includes the brands, the company's intellectual property and related inventories, not the production and bottling facilities that are leased to third parties, whilst agave, the main raw material to produce mezcal, is sourced through third party agreements with major local growers to secure constant supply. Champagne Lallier S.a.r.l. is also excluded, whose signing was announced on 5 May 2020 and whose production, close to 700,000 bottles in 2019, is not seen as impactful and therefore material for the purposes of this report. Furthermore, given that it is a distribution company and does not therefore have production facilities, environmental data relating to the company Campari France Distribution S.A.S., formerly Baron Philippe de Rothschild France Distribution S.A.S., are also excluded from the reporting perimeter. Similarly, Tannico S.p.A., the leading e-commerce platform for wines and premium spirits in Italy, in which Campari Group today holds a 49% interest, is not included in the scope of consolidation.

Any data relating to previous years are reported for comparative purposes to allow performance to be assessed on a multi-annual basis.



Data collection and monitoring is managed through the Group's sustainability platform (Enablon) and this page shows the scope of reporting. The scope of reporting also includes all the information related to headcounts (in the chapter 'Our people') and some environmental KPIs (in the chapter 'The environment') of the French company Rhumantilles S.A.S., whose acquisition was announced on 5 September 2019; the company, which is based in Martinique (France), will be integrated within Enablon from 2021.

With regard to 'The environment' chapter, the environmental data, including those relating to energy consumption and emissions, do not include consumption in offices (except for the headquarters based in Sesto San Giovanni-Milan).

Enablon was initially adopted by the Quality, Health, Safety and Environment function in 2016, and then extended to all business units involved in sustainability reporting, notably Marketing, Legal, Human Resources and Public Affairs, in 2017. Data collection is undertaken locally and double-checked at country and regional levels. Additional sample checks are carried out by the Group's heads of functions and by Internal Audit to ensure maximum data consistency. The adoption of the platform enables us to monitor our performance more effectively and to establish internal targets for overall improvement in the medium to long term.

Campari Group's Sustainability reports are available on the Group's website at: www.camparigroup.com, in the 'Sustainability' section.

Campari Group's identity

About us

Campari Group, a leading company in the global branded spirits industry, was founded in Milan in 1860, when Gaspare Campari created the world-famous red aperitif.

With a portfolio of more than 50 premium and super premium brands owned, marketed and distributed in over 190 countries worldwide and, with leadership positions in Europe and the Americas, Campari Group is now the sixth largest branded spirits³⁰ group in the world and employs approximately 4,000 people.

With a corporate domicile in the Netherlands and headquartered in Sesto San Giovanni (Milan), Italy, on 31 December 2020, the Group owned 22 manufacturing plants and had a proprietary distribution network in 21 countries. The shares of the parent company, Davide Campari-Milano N.V. (Reuters CPRI.MI - Bloomberg CPR IM), have been listed on the Italian Stock Exchange since 2001.

Our world

The defining aspects of Campari Group's culture and the constituent elements of its identity are: Essence, Mission, Values and Behaviors.

• Essence

The Group essence, 'Toasting Life Together', shows the fundamental role that our people play in ensuring the success of the business. For this reason, Campari Group's people ('Camparistas') are offered the opportunity to continuously develop the skills they already have while also acquiring new ones. 'Toasting Life Together' also celebrates the positive role that our brands and drinks play in enhancing sociable occasions, encouraging people to get to know each other, and celebrating life in a positive and responsible way.

• Mission

'The smallest big company in the spirits industry building iconic brands and superior financial returns together with inspired and passionate Camparistas'.

• Values

- ❖ Passion-Passion is a defining trait of our way of thinking and acting within Campari Group. We are passionate about our sector, our work and our brands. We work as a team and always give our utmost to ensure that our consumers have positive experiences with our brands day after day.
- ❖ Integrity-We recruit, develop and reward people who work transparently. For us, integrity means living responsibly as part of the organisation and treating all our stakeholders with the utmost respect; it also, and most importantly, means ensuring that fairness, honesty and consistency underpin our way of doing business and guide the professional life of all Camparistas.
- ❖ Pragmatism-In all functions, and at all levels, we encourage and reward a pragmatic attitude towards resolving problems and tackling challenges. We eschew bureaucracy and firmly believe in a practical approach. Simplicity underpins our actions. Our unique structure allows us to take agile and customer-focused decisions, while benefiting from synergies and the sharing of know-how across the whole Group.
- ❖ Together-'Together' is our team philosophy. It is the common thread that connects the nature of what we do with how we do it; it involves the joint efforts of Camparistas (including customers and consumers) around the world, working passionately on every brand and every cocktail that is served. Together we tear down silos, break down every cultural, organisational and geographical barrier, and all move in the same direction to achieve our common goal.

• Our Behaviors

- ❖ Be humble and hungry-'Humble and Hungry' means continuously putting ourselves to the test, stepping out of our comfort zone, being open to change, fixing our mistakes and learning from them, and continuing to do the things we do but striving to do even more, and to do it better.
- ❖ Respect others and the planet-Campari Group has always supported responsible and sustainable behavior, which it considers to be of paramount importance for the Group's growth. Sustainability, which runs through all our business activities, is part of our DNA. The path we have followed over the last few years has allowed us to achieve a greater level of maturity and awareness of the fundamental role that the business world can, and must, play in society.

³⁰ Source: Impact's top 100 Premium Spirits Brands Worldwide by Company, March 2019.

- ❖ Keep it simple and do more with less-We eschew bureaucracy and firmly believe in a practical approach. Simplicity underpins our actions. Our unique structure allows us to take agile and customer-focused decisions, while benefiting from synergies and the sharing of know-how across the whole Group.
- ❖ Embrace the challenge and drive the change-We are a Group that evolves and changes rapidly, and which operates in a volatile and highly dynamic competitive environment. Against this backdrop, each day brings new challenges and opportunities for us. To contribute to the Group's success in the context in which we operate, each Camparista must embrace the challenges that arise and drive change. Staying within the safety of our comfort zone and defending the *status quo* is not a viable option.
- ❖ Build more value together-We need to tear down silos and all move in the same direction, better synchronising our capabilities and strengths, in order to accelerate growth and optimise costs. The only way to unlock the potential of our organization is to adopt a more synchronized approach to the way we do business and focus on our priorities. All Camparistas can play a key role in creating our iconic brands and generating better financial results, by consistently acting in accord with our Values and Behaviors, and overcoming every obstacle.

Campari Group: a history of entrepreneurship

The Group made its first acquisition in 1995, marking the start of a strategy that still today combines 50% organic growth with 50% external growth. Since then, each brand that has joined the Group has brought with it a unique history and identity.

- over 30 acquisitions since 1995 for a total value of over €3.2 billion;
- over 10 disposals since 2013 and divestment amounting to around €500 million since 2016.



Campari Group worldwide

Since 2004, Campari Group, headquartered in Sesto San Giovanni (Milan), has been developing a proprietary direct distribution network, which has grown in 16 years from 5 to 21 markets worldwide and represents over 90% of total sales. The Group brought the bottling activities in the core markets of the US and Australia in-house sector and, since 2004, has been increasing the number of production sites around the world from 8 to 22 at 31 December 2020: Italy (4), Greece, Scotland, Jamaica (3), France (5), Australia, Mexico (3), United States, Canada, Argentina, and Brazil.

The distribution subsidiaries in 2004 were in Italy, Germany, United States, Brazil and Switzerland.

The expansion since 2004 has encompassed Austria, China, Argentina, Mexico, Ukraine, Belgium, Luxembourg, Australia, Russia, Jamaica, the UK, Spain, Canada, Peru and South Africa.



For more information on the Company's sociogram, please refer to the Campari Group consolidated financial statements at 31 December 2020.

The Foundations

• Fondazione Campari

Fondazione Campari was founded in 1957 by Guido Campari and Angiola Maria Barbizzoli Migliavacca. Recognized as a charitable trust by the Presidential Decree of 10 July 1957, it began its activities towards the end of that year. The first donation was made on 8 November 1957.

Fondazione Campari is a private law foundation subject to the rules of the Italian Civil Code. Pursuant to its Statute, the purpose of the Foundation is to pursue social solidarity projects and, in particular, to promote assistance, training, education and charity in favour of all deserving individuals. This purpose may be pursued in Italy and/or abroad and mainly benefits employees and former employees of Davide Campari-Milano N.V., of the companies or entities that control it or are controlled by it ('Campari Group'), of their families and of all those who have contributed to the success of the 'Campari' name. Fondazione Campari may also pursue social solidarity purposes and, in particular, assistance, training, education and charity in favour of persons other than Campari Group employees.

Despite the complexities of the year 2020, Fondazione Campari did not stop its philanthropic support work, continuing to be close to Campari's members and their families all over the world; in particular, the Foundation supported two major macro-projects: the Liceo Malpighi school in Bologna with a wide-ranging series of initiatives, and the Associazione Cometa educational institution.

In particular, for the year 2020 Fondazione Campari provided philanthropic aid amounting to a total of €303,918.00.

As regards Camparistas, 66 requests out of 69 were accepted, for a total value of €228,918.00, broken down as follows.

Type	Economic value (€)
Mortgage subsidies	€102,000.00
Scholarships and awards	€63,500.00
Nursery/kindergarten fees	€19,500.00
One-off applications-Italy	€17,800.00
One-off applications-abroad (Mexico and South Africa)	€26,118.00
Total	€228,918.00

• J. Wray&Nephew Foundation

J. Wray&Nephew Foundation (JWNF) works mainly to promote social inclusion, culture and education in Jamaica, developing interventions for the benefit of the local community with the support of Camparista volunteers. Together, Camparistas and communities are working to realise the Foundation's mandate of '*Transforming lives and communities for a better Jamaica*'.

In 2020, JWNF carried out fifteen targeted interventions under its three main pillars of education, social inclusion and cultural expression, for a total value of JMD50,894.91 (€293,039.75), directly impacting 61,661 persons. The main programmes and projects developed within each area are shown below.

- ❖ Education
 - JWN Foundation's Scholarship Awards Programme 2020
 - *Back 2 School Support*
 - *Read Across Jamaica Day 2020*
 - *Skills Training*
- ❖ Social inclusion
 - *International Women's Day Activation*
 - *Social Fair-JWN & Ministry of National Security - St. Elizabeth Community Outreach*
 - *Meal Subsidy Programme for Online Learning in Schools*
 - *Council of Voluntary Social Services (CVSS)*
 - *195 Trees for 195 Years*
 - *Delivering the Spirit of Christmas - The Social Distancing Edition*
- ❖ Culture
 - *195th Anniversary Mural on Henley Road, Kingston*

• Campari Foundation Mexico

Fundación Campari was created in Mexico in 2016 with the aim of supporting education and health and combating poverty, especially in the Arandas region, where Campari Mexico's production facility is located. The two main projects promoted by Fundación Campari México are the 'School Kits' program and the 'Espolón School', an educational programme for distillery employees. The Mexican distillery was recognised as a study centre by local institutions and has consequently been granted authorisation for external teachers to teach officially recognised lessons there. Lastly, the Fundación promotes various projects in support of the local community.

Sustainability for the Group

As its business grows, Campari Group constantly comes across new opportunities to generate positive economic, social and environmental impacts. A culture of ethics permeates the entire company, ensuring that every business is managed with probity and integrity.

Campari Group's approach to sustainability identifies the following four areas through which the Group's commitment to creating value in each business area is structured:

- our people;
- responsible practices
- the environment;
- community involvement.

During the year, the Group reconsidered its sustainability priorities, defining a short-to-medium-term roadmap to which all major global functions contributed, and this was validated at the end of the year by the top management. The roadmap led to key actions being defined in the three areas of sustainability considered to be the most relevant at this time for a company of the spirits sector: our people, responsible drinking and the environment. In the area of *people*, particular attention was paid to the themes of inclusion, equity and diversity, an ethical and moral imperative for a multinational company in which positive and productive interaction, cooperation and synergy between people, cultures and experiences drives business growth, value creation and organizational performance. Based on these considerations, the Group drew up its Inclusion, Equity&Diversity strategy, which determines the approach and provides a framework for everyone within the company to be empowered and encouraged to contribute to our journey and support a culture of inclusion. Regarding the *responsible drinking* area, a global strategy with internal and external short and medium-term initiatives has been established, with the aim of raising awareness and educating the company's key stakeholders, starting with Camparistas, bartenders and consumers, about correct and responsible consumption of the Campari Group's products and alcoholic beverages in general. Finally, in the *environment* area, particular importance has been given to *energy*, *water* and *waste*, for which reduction and efficiency targets have been set for 2025 and 2030, which will be made possible through the implementation of specific global projects. For more details of the Group's commitments in relation to these three areas of focus, please refer to the following chapters.

Stronger Together-Campari Group and the Covid-19 pandemic

Right from the early stages of the pandemic, the Campari Group's priority has been to protect the health and safety of its employees. The Group has adapted its way of working, set up dedicated teams to closely monitor the situation and to proactively adopt all the necessary health and safety measures, as well as to guarantee business continuity. Where possible, the Group has adopted smart working and introduced new work and safety protocols in plants and distilleries.

At the same time, in order to continue to build and strengthen the team spirit and sense of belonging of Campari Group's employees, or Camparistas, as they are known, a wide range of communication and internal engagement activities have been promoted on internal channels, thus creating a virtual 'piazza' (forum) where employees have been able to share, experience and live the culture of 'togetherness'.

With the outbreak of the first wave of the emergency in Italy, Campari Group wanted to make its own contribution to the healthcare system in Lombardy: first with a donation to the public healthcare institution ASST Fatebenefratelli Sacco, then, by donating alcohol for the production of hand sanitizer which was then distributed to a number of hospitals in Lombardy and to a small town near Bergamo, Ambivere, which was among the areas mostly impacted by the pandemic. The overall donation was approximately 45 thousand bottles. A major effort was also made to support the hospitality sector to help face the Covid-19 emergency, with the donation of US\$1 million to the non-profit organisation Another Round Another Rally, launching the campaign 'Shaken Not Broken' which started in the US and was picked up by other countries where the Group operates. Numerous activities have also been undertaken to support other local communities in countries such as Jamaica, Canada, Brazil, Argentina, Australia, France and Belgium.

In the second wave of the pandemic, Campari Group relaunched the 'Shaken Not Broken' campaign in the US with an additional donation of US\$100,000 to drinks industry non-profit organisation Another Round, Another Rally and in UK, inviting British companies to devolve part of their unused budgets for corporate parties to the relief fund set up for struggling hospitality workers and which offers financial assistance, mental health and well-being support, as well as grants for education and training. With the relaunch of the 'Shaken Not Broken' campaign the Group also donated US\$50,000 to Canada's Bartenders Benevolent Fund.

Regular updates on the Group's initiatives in the fight against Covid-19 can be found on the official website: [Stronger Together | Campari Group](#)

Sustainability policies and governance

As it continues to split up its business structure into divisions and expand its geographical and market reach, Campari Group has had to formalise its key principles in documents that constitute the pillars of our sustainable way of doing business.

The values and lines of conduct that inspire the activities of each Camparista and the entire Group are set out in the Code of Ethics, the latest version of which was approved by the Board of Directors of the Parent Company on 8 May 2018. The Code reaffirms the principles of fairness, loyalty and professional integrity that form the basis of the work and behavior of those operating in the Group, both in terms of internal relations and in terms of relations with third parties (the Code of Ethics is available at www.camparigroup.com).

To ensure compliance with the Code of Ethics and its correct interpretation pursuant to Legislative Decree 231/2001, a Supervisory Body was established, appointed by the Board of Directors, with autonomous operational and control powers. Any violations or conduct not consistent with the Code may be reported anonymously to the Supervisory Body through Campari Safe Line, the whistleblowing channel available to Camparistas and external stakeholders, accessible through different channels (telephone, e-mail, mail, fax or online platform) and is available in several languages.

In addition to the Code of Ethics, the Business Conduct Guidelines also aim to ensure the utmost integrity in professional life. The principles set out in the document, which is available to all Camparistas and can be viewed on the Group's internal portal, concern the following five potentially sensitive areas:

- gifts and entertainment;
- use of social media;
- confidential information;
- responsible drinking;
- mutual respect.

Specifically with regard to anti-corruption and bribery, in 2018 the Group conducted a corruption risk analysis involving 26 foreign companies. The objective of the analysis was to map the regulations applicable at local level and to further examine the companies' internal control systems for processes potentially at risk of corruption, including: management of relations with third parties (public and private), management of gifts and entertainment

expenses, lobbying activities and human resources management. Following this analysis, certain specific areas for intervention were identified. The Group has therefore established a multi-year process to strengthen its compliance management system, particularly in the areas of anti-corruption, anti-trust, data privacy and conflicts of interest.

In Italy, in particular, pursuant to Legislative Decree 231 of 2001, the 231 Model, which governs specific control systems, was approved by the Board of Directors. The Model is aimed at preventing the crimes covered by the aforementioned decree and in particular to prevent crimes against the public administration, corporate and financial crimes and crimes committed in violation of workplace health and safety regulations.

The Company has appointed a single supervisory body to verify the effectiveness of the Model and to update it. The main tools for mitigating corruption risk are the Code of Ethics, the Business Conduct Guidelines and ongoing training of Camparistas to keep them regularly updated on the Group's policies. In particular, relations with public and private entities are regulated in the Code of Ethics as follows:

- it is absolutely forbidden to promise or offer public officials, employees or other representatives of the public administration payments or other benefits in order to promote or favour the Group's interests;
- it is absolutely forbidden to promise or offer employees or other representatives of institutions, political parties, trade unions and associations payments or other benefits in order to promote or favour the Group's interests;
- in all cases, it is forbidden to accept gifts or favours, the value of which, taking into account the circumstances under which they were offered, could have even a slight impact on the selection of supplier or counterparty, or on the terms and conditions of a contract.

The adoption of Model 231 as well as subsequent additions or amendments are communicated to all employees, including members of the Board of Directors and the Board of Statutory Auditors, with the link from which the text of Model 231 can be downloaded clearly displayed on the Company's website. An information set is made available to new employees, including, among other documents, the Code of Ethics, Model 231 and the Italian national collective labour agreements (*contratti collettivi nazionali di lavoro-CCNL*). The Model is also communicated to the Group's business partners through the Code of Ethics and the Supplier Code. This information set is intended to provide the knowledge that is deemed to be of primary importance for the company. The content and delivery of training activities aimed at raising awareness of the regulations contained in the Decree are tailored to the different roles of employees and the level of risk in the area in which they work, and also take into account whether or not they act as representatives of the company. Violations of the Code of Ethics may result in termination of the relationship of trust between the Group and the Recipients, with the consequences for the employment/collaboration relationship specified in current legislation and collective agreements. In 2020, there were no reports of corruption incidents.

Since 2013, Campari Group has had a Quality, Health, Safety&Environment (QHSE) policy that governs and protects the environment, health and safety of its employees and consumers as well as the quality and food safety of products. This policy, which is regularly reviewed to keep it in line with the nature and size of the Group and its corporate objectives, applies to all company locations and divisions. These are responsible for amending the policy to align with the specific characteristics of quality, health, safety, environment and sustainability of the location concerned. The policy is also shared with all suppliers, funders and employees, and is published on Campari Group's website³¹.

In 2017, in accordance with the provisions of the Decree on Non-Financial Information, a policy on human rights and personnel management was drafted and signed by the Group Officers. The issue of respect for human rights is deeply rooted in our organisation, and, in line with the principles already expressed in the Code of Ethics, by drafting a specific policy, the Group defined its position with respect to issues related to human rights, working conditions, training and to the employees' well-being and formalised its commitment to playing an active role in the protection of human rights within its sphere of influence. The Employees'&Human Rights Policy, which applies to all Group members, was communicated to all Camparistas, in multiple languages, using the main internal communication tools and made public in the Governance and Sustainability sections of the Group's website³². Campari Group checks for the compliance of all its operating units with its human rights commitments by monitoring and analysing its grievance mechanisms as appropriate. In 2020, there were no reports of human rights violations. The Group also commits to a continuous focus on ensuring the effectiveness of its whistleblowing procedures for reporting any illegal behavior and/or irregularities through the Campari Safe Line. The principles and provisions of the Code of Ethics and the Employees and Human Rights Policy also apply to the Group's suppliers. Campari Group also supports the United Nations Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. The Group ensures legal compliance with national legislation on human rights in the countries in which it operates. In the

³¹ www.camparigroup.com/en/sustainability/qhse-quality-health-safety-and-environment/qhse-policy

³² www.camparigroup.com/en/governance, www.camparigroup.com/en/sustainability

event of any divergence between the content of our policies and national regulations, the Group always apply the most stringent requirements. The risk of failure to comply with laws and regulations, including our internal policies, is continuously monitored for all Group's legal entities and organizational activities in all its geographical regions.

The Supplier Code, implemented globally in 2013 and revised in subsequent years, summarizes the principles and founding values that underlie every business relationship. By signing this document, each supplier of materials and components for production gives its assurance that its operations comply with the ethical requirements of Campari Group, helping to establish transparent, lasting and profitable relationships. The Group will continue to extend the range of suppliers to which the Supplier Code applies, including non-product-related suppliers.

In 2020, the Board of Directors prepared and adopted a diversity policy in accordance with best practice provision 2.1.5 of the Dutch Corporate Governance Code, establishing the company's commitment, setting objectives, and putting in place monitoring and reporting procedures in order to guarantee that the differences in skills and backgrounds of the Board's members reflect the diverse nature of the environment in which the Company and its stakeholders operate, thus improving the Company's effectiveness through diversity of approach and thought.

A new Policy on the *Use of Electronic Communications and Information Systems* has been issued, demonstrating the Company commitment to promoting the correct use of IT and electronic communication systems in order to protect its IT assets and, in general, all its stakeholders; the Privacy Policy applying to the processing of employees' personal data was also updated.

Finally, a renewed Internal Policy on Responsible Alcohol Consumption consistent with the Group's responsible commitments and practices was released and shared internally. The policy is aimed at all Camparistas and those who work with the Campari Group to promote its brands (e.g. agents and Brand Ambassadors) to ensure that every employee always promotes responsible and measured consumption of alcoholic beverages, both in and out of the workplace, by encouraging and practicing responsible behaviors and lifestyles. Proper training will be provided to all Camparistas in 2021.

Creating value for stakeholders

Campari Group's goal is to create and share long-term value with stakeholders. Firstly, the economic value generated and distributed provides an indication of how wealth is created, on the other there are plenty of intangible resources and initiatives that derive from the Campari Group's Global Sustainability roadmap³³ and contribute to the value creation processes. In this regard, community engagement and involvement with the local territory are of fundamental importance, as described in the above and subsequent chapters.

• Economic value generated and distributed³⁴: (€ million)

- Economic value generated by Campari Group:
Revenues from sales: +€1,772.0 million;
Financial income collected (interest income): +€6.2 million;
- Economic value distributed by Campari Group:
 - Operating costs:
 - cost of sales: -€746.1 million (of which -€74.9 million for personnel costs);
 - Advertising and promotional costs: -€309.8 million (of which -€3.0 million for personnel costs);
 - Overheads: -€394.2 million (of which -€234.2 million for personnel costs);
 - The previous costs include total personnel costs of +€312.1 million, taxes other than income taxes of -€13.2 million, and donations and gifts of -€3.4 million;
 - dividends distributed: -€62.9 million;
 - financial expenses paid (interest expenses paid)³⁵: -€30.1 million;
 - direct taxes paid: -€119.7 million

During 2020, the economic value generated by the Group was +€1,778.3 billion, while the economic value distributed during the year was +€1,662.8 billion.

³³ For more information on the Global Sustainability roadmap, refer to the paragraph 'Sustainability for the Group'.

³⁴ The values are taken from the Group's Income Statement, classified by function. With regard to financial charges and income, dividends, and direct taxes, the cash principle rather than the accruals principle was applied.

³⁵ Starting from 2019 the financial charges include the notional interest payables for leases, following the application of IFRS 16-'Leases'.

Also considering the amortization of €78.0 million, and the write-downs of fixed assets, provisions net of utilizations: €11.5 million, the value retained, given by the difference between the economic value generated and the economic value distributed, was equal to +€204.9 million.

Our stakeholders

The following categories of stakeholders have been identified in the course of conducting business, with which the Group maintains an ongoing dialogue.

Stakeholder	Engagement and channels of dialogue	Key issues
Consumers	Market research and customer satisfaction; tests and focus groups; social media; company websites; events.	Product quality and safety; transparency of information; responsible communication.
Bartenders	Campari Academy courses; Campari Academy Truck; Campari Barman Competition; events; sustainability questionnaire.	Professional, high-quality and responsible serving.
Local communities	Corporate volunteering; Negroni Week; charity activities for NGOs; Covid-19-related supporting initiatives; visits to Galleria Campari; contributions to external shows and exhibitions.	Investments and aid for the community; social and environmental impacts generated; job creation.
Press	Press releases and PR material; websites; preparation and coordination of interviews with senior management; events.	Timely and transparent communication, information/statements on the relevance of sustainability issues and their impact on the company's strategy, targets and activities prepared, involvement of top management in business sustainability related issues.
Camparistas	Biennial survey on internal morale (Great Place to Work 2018); internal and external training courses; performance appraisal; internal communication tools (press review, intranet, mailing); 'Yammer' internal social network; internal events for Camparistas (such as guided tastings, lunch in the Galleria, product tastings); business meetings; management committees.	Business climate; career development and growth; remuneration and incentives; training; work/life balance; corporate welfare; equal opportunities; health and safety at work; internal communication.
Suppliers, distributors and commercial partners	Supplier Code; Sedex; co-product development; innovation projects; business meetings; third-party verification; validation and certification of documents and reports.	A solid and transparent negotiating relationship that is subject to continuous checks; contractual terms and conditions; order planning; compliance with Campari Group policies.
Competitors	Participation in sector association conferences.	Protection of sector interests; promotion of responsible consumer behaviors and models.
Shareholders, investors and analysts	Shareholders' meeting; management reports, press releases and investor presentations; analyst calls, investor meetings, road shows and investor conferences; dedicated email address investor.relations@campari.com.	Dividends, stock performance; investor relations; capital base.
Trade associations	Regular meetings; preparation and sharing of projects and best practices; participation in meetings and activities of associations.	Protection of sector interests; promotion of responsible consumer behaviors and models.
Trade unions	Collective and supplemental bargaining; meetings with company union representatives; conferences.	Ongoing dialogue and fulfilment of obligations arising from collective bargaining with the trade union associations.
Institutions	Participation in national and international conferences on issues facing the industry.	Transparent communication; compliance with laws and sound business management.
Schools and universities	Development of projects in partnership; graduate programmes; company testimonials at educational institutions; guided tours for students at Galleria Campari; company testimonials.	Partnerships and projects; financing.

The value chain of our products



Materiality analysis

Materiality analysis is a useful exercise for identifying and prioritising the most important topics for the Company that enable the organisation to create value for itself and for the society in which it operates.

The process of creating the materiality matrix is described below.

The main changes with respect to the materiality matrix validated in 2019, concern the inclusion of the theme 'Job rotation' in the broader theme 'Training and employees development'; the elimination of the theme 'Indirect economic impact on communities' because it was assessed as non-material; the inclusion of the two material themes 'Voluntary consumer information about the technical characteristics of the product' and 'Voluntary consumers information about safe consumption' under the broader reference 'Transparency to consumers'.

We confirm the particular importance of those issues most directly related to the product, from 'Quality' and 'Food safety' to 'Responsible drinking', given the sector in which the Group operates. It is also important to emphasize the growing importance of issues related to the development, growth and satisfaction of employees, further demonstrating the value that we attribute to the people behind Campari Group, who are fundamental to developing our brands and achieving our objectives. In particular, during the year the Group launched a global 'Inclusion&Diversity' project, the first actions will be implemented from 2021. With regard to the Environment, priority has been given to 'Energy', 'Water' and 'Waste', in relation to which specific projects and efficiency targets have been defined. 'Economic sustainability', a key issue for any sound business, proved to be even more important in this year with the pandemic having caused serious economic impacts on companies around the world. Moreover, 'Data privacy and cyber-security', already a top priority for us, became an issue on which the company had to focus extensively following the malware attack at the end of the year.

Finally, it is important to highlight that all the issues resulting from the materiality assessment are being taken into account by the Group not only in terms of disclosure of the information reported in the Sustainability Report, but also, more operationally, through specific projects, some of which are already under way.

i. Our people

As the first and foremost ambassadors for Campari Group, our staff, our 'Camparistas', embody our corporate values and are essential to the Group's growth. This is why, as a mean to reward Group employees globally, team spirit and dedication of all Camparistas and incentive their active participation in the Company growth, an Employee Stock Ownership Plan ('ESOP') will be rolled out in 2021. This is a breakthrough reward and engagement program to allow Camparistas to become company shareholders, awarding their culturally strong sense of belonging. All permanent employees of Campari and its subsidiaries who have a minimum seniority at the Company or any other company of the Group, with the exception of employees appointed as members of the Board of Directors, will be enrolled with an initial grant of free shares equal to one month of gross base salary by 1 July 2021 and the opportunity to voluntarily contribute with Company matching shares after 3 years of vesting³⁶.

At 31 December 2020, the total workforce consisted of 3,793³⁷ people, of whom 3,651 had a permanent contract. Company population by region, gender and professional category:

Region and gender	2018				2019				2020				
	Permanent		Temporary		Permanent		Temporary		Permanent		Temporary		Total
	Full-time	Part-time	Full-time	Total	Full-time	Part-time	Full-time	Total	Full-time	Part-time	Full-time	Part-time	
Asia-Pacific	200	5	13	218	216	8	9	233	214	10	11	2	237
Women	81	5	3	89	84	8	3	95	84	10	6	1	101
Men	119	-	10	129	132	-	6	138	130	-	5	1	136
Europe, Middle East and Africa	1,385	51	35	1,471	1,519	48	73	1,640	1,693	64	65	2	1,824
Women	522	43	20	585	567	43	22	632	667	47	24	1	739
Men	863	8	15	886	952	5	51	1,008	1,026	17	41	1	1,085
North America	1,511	2	102	1,615	1,497	6	59	1,562	1,327	4	60	0	1,391
Women	534	1	37	572	539	2	32	573	506	1	22	-	529
Men	977	1	65	1,043	958	4	27	989	821	3	38	-	862
South America	376	-	1	377	352	-	1	353	339	0	2	0	341
Women	120	-	-	120	124	-	-	124	120	-	1	-	121
Men	256	-	1	257	228	-	1	229	219	-	1	-	220
Total	3,472	58	151	3,681	3,584	62	142	3,788	3,573	78	138	4	3,793

Campari Group and Camparistas: #StrongerTogether

In 2020, even more than in the past, the ongoing dialogue between Campari Group and Camparistas all over the world was reinforced, responding to the increased physical distance imposed by the global pandemic. While taking all the necessary actions to ensure the safety of all its employees, the Group intensified its efforts to keep Camparistas informed and connected.

Several internal communications and engagement initiatives were developed and launched globally around the concept of *Stronger Together*. Leveraging its internal communications channels, such as Yammer (the corporate

³⁶ In the context of an employee stock ownership program, the vesting period is defined as the amount of time an employee must work for a company in order to reach full ownership of the shares of the company stock.

³⁷ In 2020 the Group also employed 30 interns, to be added to the total workforce, but excluded from the scope of this Report, as required by the GRI Sustainability Reporting Standards.

social network), where, a virtual 'piazza' (forum) was created, Camparistas could keep on sharing and living the culture of 'togetherness'.

Aimed at reassuring and guiding on the strategic priorities at a time of uncertainty and disruption, the plan included regular updates through the voice of the CEO on how the Group was responding to the health emergency around the world, sharing a message of empathy and closeness to Camparistas. Added to this, content, such as cocktail building tutorials, yoga classes, reading suggestions, and calls to Camparistas to connect and share their hidden talents, was published to engage the community and promote a friendly team spirit.

Ever more continuous dialogue

Not only were internal communication efforts and executive involvement reinforced, but a two-way dialogue, fundamental to check in with Camparistas and respond to their needs, was promoted. Covid-19 led to major shifts in the workplace, which could lead to critical gaps in the employee experience, with serious implications for people well-being.

In 2020 more than ever, it was critical to connect with Camparistas' feeling and concerns on their contingent situation and upcoming future, so that more effective measures could be taken to support them.

One of the major shifts driven by the global pandemic was the need to transition to remote working and working from home wherever possible to guarantee employees' and stakeholders' health and safety. Although the Group had implemented global smart working policies in the recent past, Camparistas were not used to working as part of such an extensive remote workforce. Several training initiatives and information material were deployed to deep-dive in specific areas, such as how to manage teams and projects using remote, smart working practices, and much more.

In addition to the above, the Group promoted the Covid-19 Pulse Survey in May 2020, sent to every Camparista working from home. The participation in the initiative was remarkable and its results were highly encouraging for Campari Group's efforts proving the worth of the direction taken by the Company.

Covid-19 Pulse Survey results³⁸:

Workforce support:		
Clarity of expectations while working remotely	Mutual support among team members	Access to information for health & well-being benefits
86%	92%	89%
Managers support: ³⁹		
How much people manager felt they had what they needed		
84%		
The outcome above indicates the percentage of favourable responses ('Agree' or 'Strongly Agree')		
Clarity and effectiveness of communication:		
Clarity of the Company's actions in communications	Communications' clarity on what Camparistas need to do in response to COVID-19	Communications from Campari Group has conveyed the Company's support and closeness to its people, making me feel part of a community
85%	94%	95%
The outcomes above indicate the percentage of favourable responses ('Very Clear' or 'Extremely Clear')		The outcome above indicates the percentage of favourable responses ('I Agree' or 'I Strongly Agree')
Leadership & tone at the Top:		
Confidence in Senior Leadership to make the right decisions	Senior Leadership's consideration of Camparistas' safety and well-being	
86%	94%	
The outcomes above indicate the percentage of favourable responses ('Very Confident' or 'Extremely Confident'; 'Moderately Considerate' or 'Extremely Considerate')		

2020 was also the year of the biennial Global Camparista Survey-the worldwide engagement survey since 2008-now in its 7th edition.

The survey was conducted by Campari Group for the third time in a row in partnership with the Great Place to Work® Institute, the global authority on workplace culture that has undertaken pioneering research on best workplaces for over 30 years. The Great Place to Work® Trust Index® Survey is based on a proven methodology, identifying the element of 'Trust' as the core of any successful workplace culture. It measures a wide variety of aspects across all demographic groups within the company, providing actionable insights, sound external benchmarks and enabling the Group to be a great place to work for all.

³⁸ Based on 2,040 responses of employees working from home.

³⁹ Based on 654 people managers' responses.

Camparista Survey Distribution:

- 3,411 Invitations
- 3,196 Responses
- 94% Response rate
- Period: October 2020
- Online questionnaire

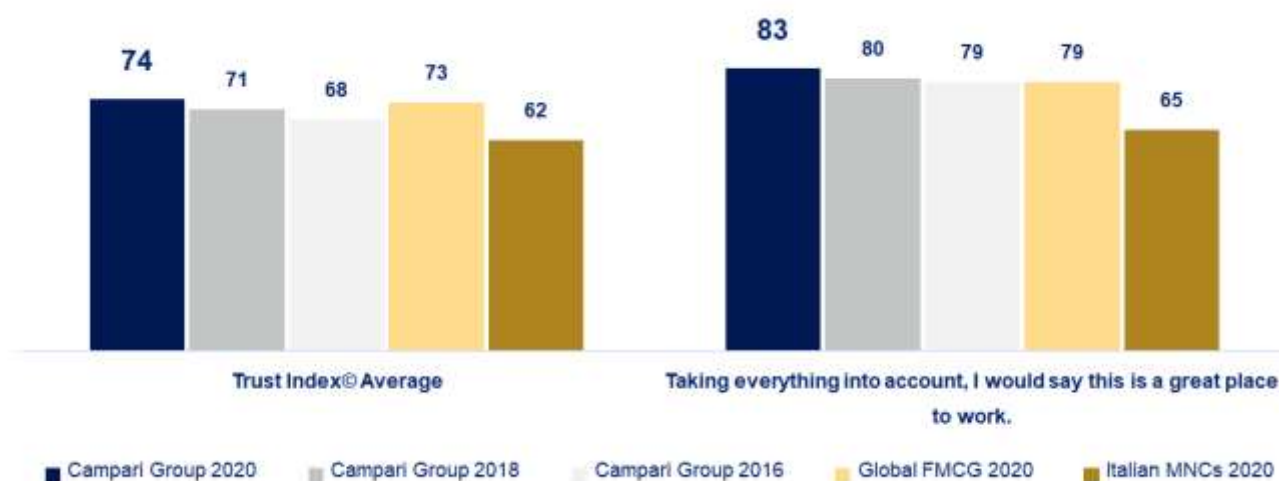
The Global Camparista Survey involved all Camparistas with a permanent contract who joined the company before July 2020, be they office or field-based staff or plant and distillery workers.

The Response Rate of 94% was, in itself, a declaration of Camparistas' passion and engagement, but the results also showed an important advancement across all areas for improvement identified.

Overall satisfaction: *Taking everything into account, I would say this is a great place to work* -83% (+3pts as compared with 2018)

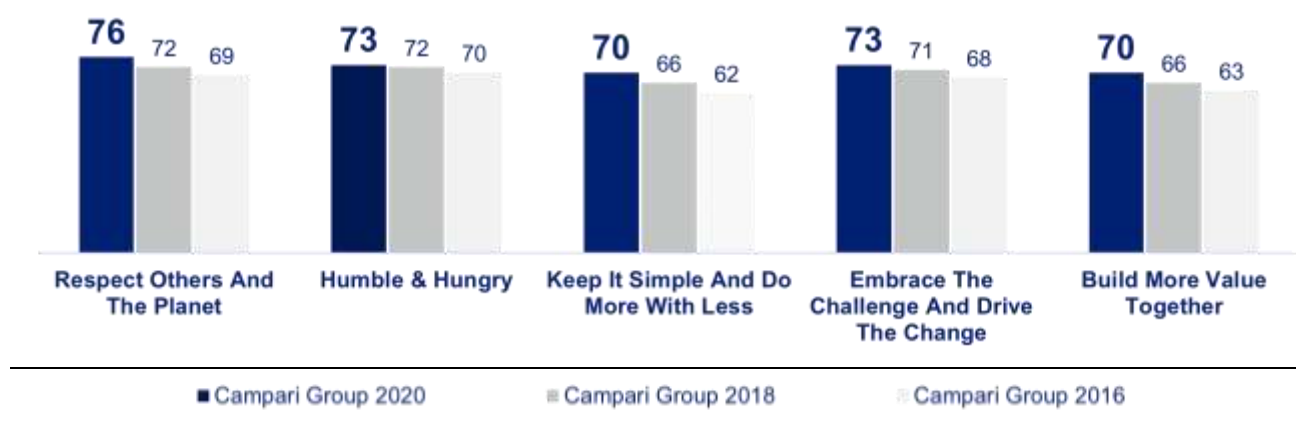
Trust Index©: 74% (+3pts vs. 2018)

Campari Group's 2020 results against benchmarks:



We have seen steady growth across the five GPtW Dimensions since the first Camparista Survey in partnership with Great Place to Work®. The investments made in each area are paying out and the trend demonstrates the Group's ability to work on its weaknesses.

The 5 Campari Group Behaviors Indices - evolution since 2016:



In its bid to distil and reinforce its corporate Culture, Campari Group had liaised with Great Place to Work® to introduce five indices-one for each company Behavior-for survey monitoring and to keep track of the Culture activation and its concrete impact in the workplace.

All the Behaviors Indices have improved along the years. The most relevant improvements as compared with the latest 2018 Survey were seen on the 'Respect Others and the Planet' and 'Build More Value Together' Behaviors, demonstrating once again a strong appreciation of the Company's reaction to the global pandemic.

Other tools for dialogue and engagement-Channels and initiatives

Within the framework of an integrated internal communication ecosystem, meant to promote the culture of sharing by improving communication between departments and geographic areas, some channels have been particularly successful in contributing to enhanced dialogue with the company and among Camparistas.

Yammer, the corporate social network, has proved to be a useful daily tool for internal communication, collecting information, developing team building, sharing best practices and celebrating the work and achievements of Camparistas around the world.

2020 also saw some milestones in the consolidation of Campari TV, an internal TV channel aimed at spreading the company's culture, values and strategy, as well as at supporting change management within transformational projects among Camparistas around the world. Campari TV content is also taken up in an internal editorial plan conveyed through Yammer and the internal digital signage circuit in use in the various offices.

Finally, in order to increase the Camparistas' involvement in corporate life, a number of engagement initiatives were introduced. One particularly significant example of this was the '*Build More Value Together Award*', which saw Camparistas based in all the Group's countries nominate extraordinary examples of both Brand Building initiatives and Cultural role-modelling across teams and departments. The hundreds of nominations received passed through a screening process and ultimately the Group Lead Team selected the winners for each category, and all the finalists received their award publicly, a video of their endeavours being showcased.

Inclusion, Equity and Diversity in the workplace

In 2020 Campari Group started a journey to develop a new Global Inclusion, Equity and Diversity (IED) strategy. At Campari Group, we aim at a true meritocracy where individual talents can flourish to their full potential. This can be only enabled by Inclusion, Equity and Diversity, fundamental to our Culture and strongly connected and inspired by our Values. The Group's goal is in fact to continue to nurture a corporate culture in which its people, bonded by the company's Values, feel welcome, trusted and encouraged to bring their whole self to work so they can truly feel that they belong.

The Campari Group Inclusion, Equity & Diversity strategy sets out the approach and provides a framework for ensuring that everyone within our company working with Camparistas, Business Partners and the Communities is empowered and encouraged to contribute to this journey and support a culture of inclusion.

The Group's commitment is based on three areas of impact:

For Camparistas:

To promote a fair and equal employment lifecycle where everyone has all the opportunities to progress and feels as if they have always belonged.

For Business Partners:

To leverage our diversity to foster creativity and innovation to better interpret consumer's needs and boost business potential.

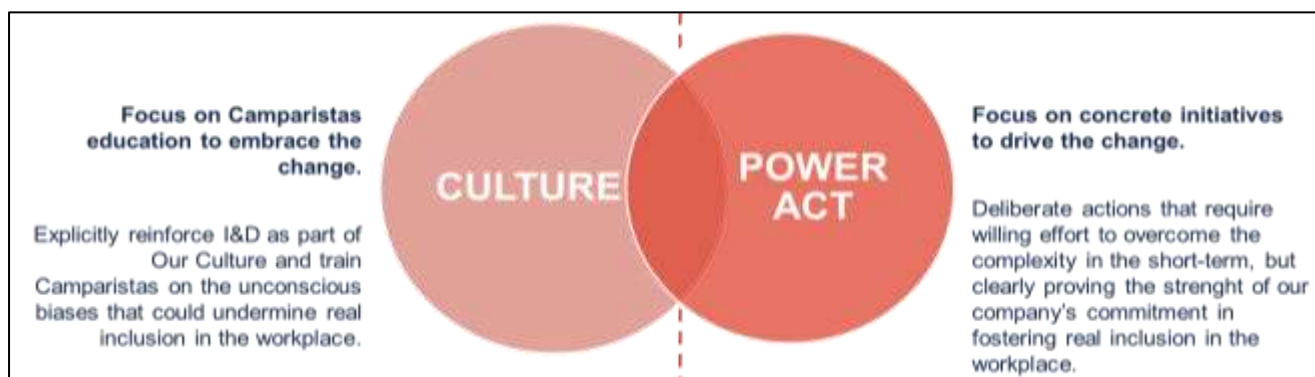
For Communities:

To embrace and support equity by promoting education, culture and social inclusion.

Specifically with regard to Camparistas, the approach to action in this area is about looking at the whole Camparista work-lifecycle, consisting of its main journeys (i.e. Attract, Recruit, Engage and Develop) and underlying fundamental touchpoints, identifying the barriers to success and defining concrete initiatives to break them down.



The Group's approach to action to proactively manage inclusion, equity and diversity is based on two main aspects: *Culture* and *Power Acts*.



Initiatives within the **Culture Activation** space firmly position inclusion, equity and diversity as an integral part of Campari Group's Culture, which is the maximum expression of the Group's identity as a company and as member of the communities in which it operates.

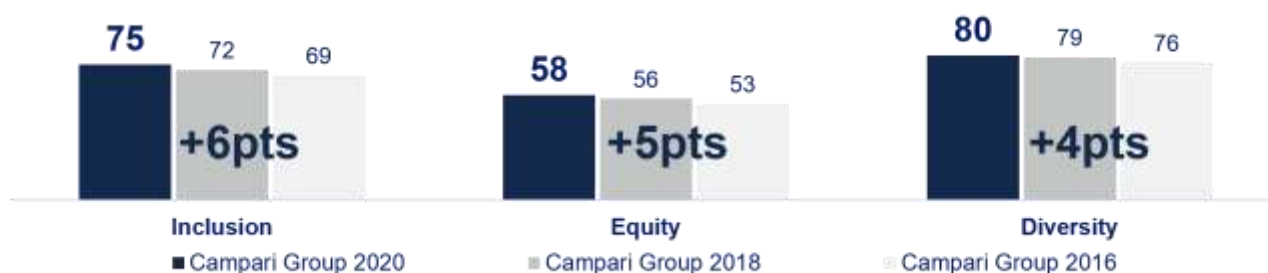
Initiatives within the **Power Act** space encourage momentum in the right direction, rewarding efforts to overcome the complexity in the short-term and fostering change through reiteration and continuous practice. Power Act initiatives are poised to become the new norm in the relevant area of impact.

Within this framework-while the Group will keep deploying new global initiatives-freedom is provided to each local organization within the Group to identify, design and introduce measures based on their most urgent needs and priorities. An essential enabler for this flexibility, to be interpreted within a common agenda, is to share the same approach, the same language and the same discipline for the purposes of measurement. To this end, the Group will be embarking on an extensive education programme in 2021 in order to align the whole organization to a common vision, and has identified its bespoke Global Inclusion, Equity&Diversity Index, to allow a shared measurement method.

Campari Group Inclusion, Equity&Diversity Index provides actionable insights, both at Group and Country level, enabling concrete and precise measurement to prioritize interventions and initiatives at all levels and to monitor the effect over time. The Index is based on two sets of indicators:



Campari Group Global Inclusion, Equity&Diversity Index 2020-survey-based results:



Regarding the GRI-based KPIs, the internal Inclusion, Equity&Diversity Index will consider workforce representations based on different elements of diversity as per GRI Sustainability Reporting Standards, with a specific focus on the gender pay gap.

Lastly, the Group put in place an internal multifunctional Inclusion, Equity&Diversity governance structure at all organizational levels (local, regional, functional and global), and a multicultural and cross-country **Global Inclusion, Equity&Diversity Advisory Team** to actively support the Group in its company-wide efforts in this space, membership of the Team being on a rotational basis.

Campari Group nationalities⁴⁰:

	2018	2019	2020
Nationalities	63	62	62

Permanent Camparistas by region and gender:

2020				
Region	Men	Women	Total	% women
Asia-Pacific	130	94	224	42%
Europe, Middle East and Africa	1,043	714	1,757	41%
North America	824	507	1,331	38%
South America	219	120	339	35%
Total	2,216	1,435	3,651	39%

With the exception of the corporate population working in the Product Supply Chain area (which includes production facilities), female Camparistas represented 45% of the total workforce.

Percentage of female Camparistas out of the total workforce-trend

	2018	2019	2020
Female Camparistas (%)	37%	37.5%	39%

There was a gradual increase in the number of women in the overall workforce as compared with previous years.

Permanent Camparistas by professional position and gender:

2020				
Professional grade	Men	Women	Total	% women
Senior management and above	180	65	245	27%
Management	211	133	344	39%
Senior professional	350	293	643	46%
Professional	490	389	879	44%
Specialist/generic staff	343	401	744	54%
Blue collar	642	154	796	19%
Total	2,216	1,435	3,651	39%

New Camparistas hired, by region and gender:

2020				
Region	Men	Women	Total	% women
Asia-Pacific	18	14	32	44%
Europe, Middle East and Africa	79	64	143	45%
North America	73	45	118	38%
South America	7	8	15	53%
Total	177	131	308	43%

Percentage of new Camparistas hired out of the total workforce by region and gender:

2020				
Region	Men	Women	Total	
Asia-Pacific	14%	15%	14%	
Europe, Middle East and Africa	8%	9%	8%	
North America	9%	9%	9%	
South America	3%	7%	4%	
Total	8%	9%	8%	

Percentage of new Camparistas hired by gender-trend:

	2018	2019	2020
Men (%)	60%	58%	57%
Women (%)	40%	42%	43%

⁴⁰ The number for the Group's nationalities does not include the US and Canada, for which due to local regulations, figures cannot be traced

Turnover by region and gender:

Region	2020		Total	% women
	Men	Women		
Asia-Pacific	18	7	25	28%
Europe, Middle East and Africa	95	62	157	39%
North America	221	76	297	26%
South America	14	11	25	44%
Total	348	156	504	31%

The higher number of leavings in North America is mainly due to the business decision to divest the Group's sugar operations in Jamaica. Employees have thus exited the business as their skills were related to sugar production and could not be absorbed within the larger company. The Group, however, has provided resources and support to the exiting employees to include provision of outplacement services (counselling, transition start up kits) and offered scholarships to all exiting employees children for the next five years. An external partnership for the disposal of the sugar farmlands will ensure most of the exited employees to be re-hired externally.

Turnover rate compared to the total workforce by region and gender:

Region	2020		Total
	Men	Women	
Asia-Pacific	14%	7%	11%
Europe, Middle East and Africa	9%	9%	9%
North America	27%	15%	22%
South America	6%	9%	7%
Total	16%	11%	14%

Voluntary turnover⁴¹-trend:

	2018	2019	2020
Voluntary turnover (%)	6.3%	5.9%	4%

The low level of voluntary turnover in 2020, 4%, is confirmation of the Group's genuine commitment to building an excellent work environment that Camparistas are not inclined to leave.

New Camparistas hired by region and age bracket:

Region	2020			Total
	< 30	30-50	> 50	
Asia-Pacific	4	24	4	32
Europe, Middle East and Africa	39	98	6	143
North America	32	78	8	118
South America	4	11	-	15
Total	79	211	18	308

Percentage of new Camparistas hired out of the total permanent workforce by region and age bracket:

Region	2020			Total
	< 30	30-50	> 50	
Asia-Pacific	22%	13%	15%	14%
Europe, Middle East and Africa	17%	9%	2%	8%
North America	19%	8%	3%	9%
South America	9%	5%	-	4%
Total	17%	8%	3%	8%

Turnover of personnel by region and age bracket:

Region	2020			Total
	< 30	30-50	> 50	
Asia-Pacific	1	21	3	25
Europe, Middle East and Africa	19	89	49	157
North America	38	171	88	297
South America	5	18	2	25
Total	63	299	142	504

⁴¹ Voluntary turnover means leaving the company through voluntary resignation.

Turnover rate compared to the total permanent workforce by region and age bracket:

Region	2020			Total
	< 30	30-50	> 50	
Asia-Pacific	6%	12%	12%	11%
Europe, Middle East and Africa	9%	8%	12%	9%
North America	22%	18%	38%	22%
South America	12%	7%	4%	7%
Total	14%	12%	20%	14%

Permanent Camparistas by professional position and age bracket:

Professional grade	2020			Total
	< 30	30-50	> 50	
Senior management and above	-	169	76	245
Management	4	278	62	344
Senior professional	33	528	82	643
Professional	141	610	128	879
Specialist/generic staff	148	469	127	744
Blue collar	129	438	229	796
Total	455	2,492	704	3,651

Although not Group policy, the Company tends to favour the hiring of managers who live in the countries in which it operates.

Learning and professional development in the workplace

Campari Group believes in developing the skills of its People as a means of responding to business needs, building profitable brands and guaranteeing excellent financial results.

In Campari Group, people development is strongly connected with the organizational growth. Growing individually is a lever for growing as an organization and it means supporting performance and developing people's potential. Learning is the pillar for sustaining individual development and is considered to be a key competitive advantage for the business.

In 2020, Campari Group completed its Corporate Learning Experience re-design. The new ecosystem is built on a new technology, a reshaped content offer and an agile governance and operating model. The implementation of a new Learning Management System (LMS) offers the opportunity to make the learning experience more open and scalable with access to multiple digital resources. It is tied to a unified framework with a direct access to Camparistas' personal learning plan and historical data. Implementation of the LMS makes it possible to integrate the Learning and Talent Management Processes.

The reshaped content offer has been thought out to give all Camparistas the opportunity to access Learning Activities and to offer them relevant solutions for their specific needs. It is built on agility and digitalization and on concrete off-the-shelf, tailor-made and blended content that integrates existing programmes and breaks down functional ties. The new Learning Management System, the Learning Distillery, makes Camparistas accountable for their own development. Its objective underlying the strategy is to make learning a personal daily habit and a common management practice with a direct impact on performance and engagement. Camparistas have a direct access to learning resources when and about what they need, minimizing the time lag between learning and the use of what they have learnt. The Learning Distillery in Campari Group is an ecosystem that provides managers with an additional lever for managing performance and developing teams and individuals.

In the past few years, the Company has invested in developing a Global Capabilities Development ('GCD') architecture. Designed to align the training and learning strategy with business needs, the architecture ties in directly with a global Talent Management process, as it provides all Camparistas with support in achieving their individual development goals. From the point of view of a Camparista, one of the main outcomes of the annual Talent Management process is the drafting of the Individual Development Plan ('IDP'), which brings together the Global Capabilities Development architecture and the Talent Management model. Managers, together with Human Resources, are called on to support continuous development, building concrete and sustainable pathways with each Camparista. By providing a diverse series of learning activities, Campari Group thus accelerates the professional growth of its people, making them responsible for their own development. Campari Group's global Talent Management process is the foundation of all people development initiatives, including a thorough succession planning reflection by the management teams every year at all company levels (local, regional, corporate), strongly supported by a dedicated digital platform. Whenever an internal successor is ready to take on any vacant position, Campari Group prioritizes the internal candidate. In case there is no successor identified, jobs are posted both externally and internally through a dedicated Internal Career Site, where any Camparista can apply.

The Global Capabilities Development architecture is based on a development model, 70% of which consists of on-the-job learning experiences, 20% of social learning and 10% of traditional training opportunities. This approach is geared towards a continuous search for new skills fuelled by internal and external contributions.

The entire ecosystem is designed to cover 4 main areas:

- functional excellence: to develop people's technical skills and support functional development;
- leadership development: to spread the culture, behaviour, values and leadership skills of Campari Group;
- cross-functional education: to increase people's organizational understanding, creating a common language over departments and reducing silos; and,
- compliance training: to build sound knowledge of regulations.

Digital environments transversely support the development of content and contribute to providing an increasingly fascinating experience based on real training needs.

Training hours by region, gender and professional category:

	2020				
	Asia-Pacific	Europe, Middle East and Africa	North America	South America	Total
Men (hours)	2,611	31,293.5	10,436.8	3,268.25	47,609.55
Women (hours)	2,136	19,935.25	6,367.75	1,745.5	30,184.5
Management (hours)	855	17,353	2,593.5	1,265.75	22,068.25
Men (hours)	514	10,255.5	1,820	909.25	13,498.75
Women (hours)	341	7,098.5	773.5	356.5	8,569.5
Non-management (hours)	3,892	33,874.75	14,211.05	3,748	55,725.8
Men (hours)	2,097	21,038	8,616.8	2,359	34,110.8
Women (hours)	1,795	12,836.75	5,594.25	1,389	21,615
Total Hours	4,747	51,228.75	16,804.55	5,013.75	77,794.05

Average hours of annual training per employee-trend:

	2018	2019	2020
Average hours of annual training per employee (man hours)	20.49	25.20	20.51
Men (hours)	20.2	26.22	20.67
Women (hours)	20.97	23.53	20.26
Management (hours)	33.82	42.49	37.28
Non-Management (hours)	18.21	22.18	17.41

The Group's global training programmes are aimed at developing functional skills to support organizational change. Classified as Functional, Cross-Functional and Leadership Development, these programmes are characterized by being geographically scalable, thus making it possible to formalize and to share processes and work methods among different functions.

Functional Programmes (Academy) aim to develop functional competencies supporting organizational change. They are focused on sustaining company transformation with a cocktail of activities to promote functional awareness, technical skills and a business partnership approach and a cross functional culture.

- Marketing Academy
- Finance Academy
- Commercial Academy
- Supply Chain Academy
- HR Functional Initiatives

The Leadership Development programmes support Camparistas in developing core competencies (i.e.: teamworking, leadership, communication, problem solving, self/people development, execution excellence, strategic thinking) to prepare them for a transition to key roles within the Group.

They are divided into:

- General Management Academy (GM Academy)
- Lead to Succeed (LTS)
- Lead4Change
- Campari Way of People Management (CWoPM)
- Campari Way of Individual Contributing (CWoIC)

Cross-Functional Education:

- Finance for Non-Finance Academy
- Supply Chain E-Learning
- 10 Marketing Capabilities Masterclasses
- Brands in Cask
- Campari Academy Virtual Masterclasses
- Our Signature Mix

Compliance Training:

- General Data Protection Regulation (GDPR)-The GDPR e-learning programme goes through the European Regulation 679/2016 on how companies must handle personal data.
- Code of Ethics-Code of Ethics provides Camparistas with guidance on data privacy, antitrust, conflict of interest and anti-corruption measure. It includes technical content as a reference for the legal community and it provides examples of 'Dos and Don'ts'.

This year, with working from home due to the pandemic, part of learning offer has been digitalized. Many Academies have been redesigned to meet the new working conditions and a new module was added to the Campari Way of People Management: Leading a Distributed Team from Home.

The possibility of using digital channels as a training medium has been consolidated over the years and will be leveraged to keep training on track throughout this wave of the pandemic. The aim is to make Camparistas personally accountable for their own development and to give them the possibility of growing professionally every day, making learning a personal daily habit.

Investments in training:

€ million	2018	2019	2020
Trainings	3.3	3.7	3.2

Training costs per employee: €843.66

Remuneration system

The remuneration policy for directors, general managers and other managers with strategic responsibilities is determined by the Company's Board of Directors on proposal by the Remuneration and Appointments Committee, following consultation with the Board of Statutory Auditors.

The objectives pursued in drawing up a remuneration policy is to set adequate remuneration for top management and encourage their loyalty, through the use of four different instruments:

- a fixed salary;
- an annual variable performance-based bonus;
- a medium-term incentive;
- the assignment of stock options as an incentive for management to achieve long-term results.

Breaking down remuneration in this way ensures a balance between the employees' interests and the short and long-term outlook for the Company. The two medium and long-term schemes apply to all managerial remuneration throughout the Group.

To ensure that the remuneration system for all Camparistas is based on the criteria of fairness and transparency, Campari Group uses the internationally recognized IPE (International Position Evaluation) methodology. This is an objective and structured process based on predefined 'clusters' that allows for job evaluation analysis and verification of the Group's competitiveness in relation to its main competitors and to the remuneration criteria adopted in each region. This analysis has once again shown that Campari Group tends to pay a higher salary than the local minimum wage in the countries where it operates, as shown in the table below for the key countries for the Group in terms of number of employees.

Ratio between the standard salary (Annual Gross Base Salary) of newly hired employees and the local minimum wage broken down by country and gender:

Countries	2018		2019		2020	
	Men (%)	Women (%)	Men (%)	Women (%)	Men (%)	Women (%)
Argentina	229.85%	289.77%	217.87%	302.23%	306.56%	357.57%
Australia	129.45%	129.45%	125.67%	125.67%	126.28%	126.28%
Brazil	170.32%	262.85%	162.02%	130.5%	105.26%	105.26%
Canada	100%	100%	100%	100%	100%	100%
France	-	-	-	-	104.39%	104.39%
Germany	240%	240%	232.26%	232.26%	215.2%	215.2%
Italy	108.81%	109.8%	102.73%	108.13%	118.59%	119.63%
Jamaica	196.02%	196.02%	196.02%	196.02%	196.02%	196.02%
Mexico	213.14%	213.14%	192.57%	192.57%	166.89%	166.89%
Russia	256.1%	256.1%	259.92%	239.6%	418.55%	412.17%
United Kingdom	200.47%	195.31%	163.04%	163.04%	158.08%	158.08%
United States	129.07%	129.07%	121.6%	121.6%	127.93%	129.47%

The percentage ratio between the average remuneration of female Camparistas with a permanent contract⁴² as compared to men (gender pay gap), with a breakdown by country and professional classification, is given below. To provide a more meaningful analysis, we cover the principal countries in which the Group operates and the professional categories ranging from management to blue collar workers, excluding executives and senior management; this therefore covers 91% of the entire population of Camparistas.

Percentage ratio between the average total remuneration of female employees and the average total remuneration of male employees, by country and professional classification:

Countries	2020				
	Management	Senior professional	Professional	Specialist/General Staff	Blue collar
Argentina	87.7%	81%	106.9%	103.2%	-
Australia	94.2%	107.1%	87%	93.9%	90.2%
Brazil	100.1%	101.2%	93.5%	94.4%	119.1%
Canada	102.8%	93.7%	110.8%	92.9%	87.6%
France	84.5%	86.3%	91%	101.3%	95.8%
Germany	87.1%	88.5%	108.7%	97.9%	-
Italy	95.1%	91.6%	88.5%	104.1%	94.1%
Jamaica	103%	105.2%	102.1%	112.4%	93.0%
Mexico	176.5%	100.1%	100.9%	99.0%	93.4%
Russia	81.6%	89.4%	103.1%	95.2%	-
United Kingdom	101.4%	87.1%	104.2%	55.8%	48.9%
United States	100.2%	102%	107.3	114.3%	93.9%

Any differences in the average figure may result from a greater number of men or women at a particular site or from the recruitment of new Camparistas during the reference year for the analysis.

Camparistas' involvement with the environment, well-being and social activities

Campari Group's activities to improve Camparistas' well-being and their work-life balance continue. Programmes are continually introduced at the Group's offices and facilities to encourage a healthier lifestyle, including the provision of fitness areas, the distribution of educational material on good eating habits and the provision of fresh fruit and healthy snacks and drinks.

Industrial relations

Campari Group recognises the importance of continuing to develop solid, trust-based relations with its social partners, given their important role in improving competitiveness and employment as part of the company's clear commitment to social responsibility. Union relations are therefore important and strategic in a highly competitive context which is characterised by mergers, acquisitions and exceptional events that go beyond regular business.

The Group's companies maintain constant and ongoing relations with trade unions, and this represents more than mere respect of agreements made locally or nationally, but is a serious, real and objective dialogue to guarantee respect for roles and people, without ever losing sight of the corporate goal of efficiency.

Again with a view to constructive relations with the unions, the Group played an absolutely key role in the delegation involved in the negotiations which took place throughout 2020 to renew the Italian national collective labour contract (CCNL), thus avoiding social tensions in a period which was already problematic owing to the pandemic.

In addition to the content of the Italian national labour contract and the interconfederal contracts, Camparistas in Italy are also subject to the content of the so-called supplementary second level contract which was last renewed on 18 May 2018. Currently, there are 4 collectively negotiated national labour contracts in force: the Food Industry Contract (for almost all employees), the Services Sector Contract applicable to the Camparistas of Campari

⁴² Remuneration: GABS (Gross Annual Base Salary) + bonus (i.e.: short-term incentives, sales incentives, local bonuses) + recurring allowances + overtime.

Gross annual base salary (GABS): fixed minimum amount paid to an employee for the performance of his/her duties, excluding any additional compensation.

International S.r.l., the public sector contract (tourism sector) connected to the recent acquisition of the Camparino bar and, as for Executives, the agreement for Executives of goods and services producers.

In 2020 around 20% of all Camparisti in Italy were members of trade unions.

In 2020, owing to the pandemic, agreements were signed between the parties on a temporary remodulation of factory work to facilitate less intensive use of the workplace by making judicious and moderate use of the social safety nets envisaged for the Covid-19 emergency.

Initiatives and procedures were agreed between the parties to guarantee workers' health and to prevent and contain the spread of the Covid-19 virus in the workplace, with the aim of combining business continuity with adequate health and safety conditions at work and in operating methods.

In November, due to the malware attack that led to the suspension of IT systems, the parties agreed on how to manage operations, adopting in a balanced and concerted way appropriate social stabilisers and flexibility for the provision of those activities that were temporarily suspended, as well as agreements among the parties to manage temporary slowdowns in operations, albeit within the context of smart working adopted owing to the pandemic.

Throughout 2020, the parties (the company and workers' representatives) maintained constant and ongoing dialogue, thus successfully preserving the existing excellent union relations, ensuring, through respect for the parties' roles and agreement on suitable solutions, workers' safety and business efficiency. In 2020 there was no unrest or hours or days lost in strikes.

Health and safety in the workplace

Campari Group considers the health, integrity and well-being of its employees, contractors, visitors and the communities in which it operates to be primary and fundamental elements in conducting and developing its activities. Continuous attention is paid to training and raising awareness among Camparistas on health and safety issues and to ensuring safe working conditions, both in the offices and in plants.

- **Pandemic response**

In response to the health threat posed by SARS-CoV2, Campari Group took steps to protect the health and safety of Camparistas, visitors and contractors both in offices and plants. Comprehensive safety plans were implemented to ensure that offices reopened in a safe manner. To protect individuals working within plants, Campari Group implemented comprehensive safety countermeasures to minimize the risk of Covid-19 transmission, e.g. pre-entry health screenings in place at all sites; increased sanitization of facilities; re-design of common use areas (canteens, changing rooms); physical distancing and face covering usage; assessment of plant and office heating, ventilation and air conditioning systems; implementation of procedures for the prompt management of symptomatic people and identification of close contacts, etc. To ensure thorough execution of these countermeasures, all plants were audited on two occasions with all sites achieving full implementation of the audited items. Also, in response to the serious threat posed by Covid-19 the company restructured all management short-term incentives and created an incentive entirely focused on Covid-19 safety actions at manufacturing facilities.

- **Accidents**

Compared to the previous year, there were reductions in the total number of accidents involving Camparistas (-19%) and contractors (-10%) in 2020. This result is thanks to an intense multi-year global risk mitigation programme that had been launched in 2018, based on technical and behavioral elements and an extensive awareness campaign. With regard to technical elements, 2020 saw a continuation of activities aimed at reassessing structural risks and providing specific training for work at height and in confined spaces, already implemented and delivered in the company's European facilities in the last two years. Specific audits have been conducted in our manufacturing facility in Mexico and work-at-height training has been completed in Canada and Mexico. Similar audits scheduled for Argentina, Brazil and Canada have been postponed due to the travel restrictions and are planned for completion in 2021. Concerning behavioral elements, mention should be made of the Safety Leadership Plan training programme and the Behavioral Observation Walkaround launched in 2020. Finally, additional tools to promote involvement and communication were developed for inclusion in the global awareness campaign #WeToastTo #Safety.

Behavioral Observation Walkaround (BOW)

In 2020, Campari Group launched the Behavioral Observation Walkaround (BOW) across all plants. The BOW is the first leading indicator tracked by Campari at the global level and is designed to raise safety awareness and culture in our manufacturing sites. The BOW is a health and safety inspection and observation programme that is driven by plant leadership. The programme is focused on raising safety awareness, identifying safe behaviors and fostering communication between hourly employees and senior management. This program has led to increased and improved communication between senior plant leader and employees. BOW outputs are recorded and used as leading indicators and as opportunities for continuous improvement.

Safety Leadership Programme

The global programme, aimed at improving the safety culture and behavior, is one of the main tools that the Group has used to move forward along its *Health, Safety & Environment Journey* towards proactive excellence: reducing accidents and creating a working environment that is generative, positive and focused on personal well-being.

The programme, launched in 2018 and developed with a partner dedicated exclusively to the development of a culture of excellence in health and safety, saw some 20 workshops on safety leadership being held in 2019, involving over 300 Camparistas, managers and informal leaders, at all of the Group's production units. In the second phase, specific training courses for trainers were carried out to ensure the continuous replicability of the programme.

In 2020, implementation of the Safety Leadership Programme was affected by Covid-19, however site-specific activities (i.e. Safety Area Leader) were initiated in Canale and Aubevoye. Safety Leadership Programme trainings courses will continue virtually in 2021 until it is safe to resume group training sessions.

#WeToastTo #Safety

The global communication campaign was launched in 2018 to mark the World Day for Health and Safety at Work. In 2020 communication activities continued with the publication of additional video clips on 'take care of yourself and others. Every day! Everywhere!', with specific messages related to safety awareness to prevent and reduce risk at home, due to the Covid pandemic scenario that put all of us in smart working. Campari operations in Jamaica launched their safety communication campaign, 'Safe you, Safe me'.

- HSE Programme standardization and best practice sharing**

In 2020, Campari held its first Global Safety Community call involving members of Health, Safety and Environment (HSE), Maintenance, Operations and Engineering across the group to share the SHE (Safety, Health and Environment) Strategy used during the Crodino line expansion at the Novi Ligure facility. This project involved the installation of tanks, bottling and packaging machinery and took place over 22 weeks. More than 70 external partners and contractors were utilized in the projects and zero accidents occurred.

Employee injuries	2018	2019	2020
Total accidents involving Camparistas (number)	136	103	83
Frequency index for Camparistas ⁴³	20.41	16.03	13.06
Accidents involving male Camparistas (number)	84	58	49
Accidents involving female Camparistas (number)	33	27	23
Injuries without absence from work for Camparistas (number)	103	85	62
Injuries with absence from work for Camparistas (number)	33	18	21
Lost days due to accidents for Camparistas (number)	1,009	907	424
Severity index for Camparistas ⁴⁴	0.15	0.14	0.07
Occupational diseases involving Camparistas (number)	2	2	0
Mortality at work for Camparistas (number)	0	0	0

Frequency and severity indexes for Camparistas by region:

	Europe			North America			South America			Asia-Pacific		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
Frequency index for Camparistas	25.84	10.42	6.28	21.20	21.25	17.47	6.89	4.56	8.28	35.18	29.83	33.94
Severity index for Camparistas	0.10	0.15	0.12	0.26	0.10	0.04	0.03	0.005	0.2	0.01	0.51	0.005

Accidents involving contractors	2018	2019	2020
Total accidents involving contractors (number)	52	39	35
Contractor accident frequency rate	41.98	27.20	26.23
Lost days due to accidents for contractors (number)	57	311	170
Contractor accident severity rate	0.046	0.22	0.13
Mortality at work for contractors (number)	0	0	0

⁴³ The frequency index for any category is calculated applying the following formula: (Total injuries x 1,000,000)/worked hours

⁴⁴ The severity index for any category is calculated applying the following formula: (Lost days due to accidents x 1,000)/worked hours

Accidents involving suppliers and visitors	2018	2019	2020
Total supplier-related accidents (number)	2	5	7
Total visitor-related accidents (number)	3	3	0

There were 9 accidents involving journeys to or from work, 3 of which was related to contractors. Awareness raising initiatives focusing on safe driving practices continued, with the dissemination of a specific manual developed as part of the global Safe Driving programme.

In 2020 there were no high-consequence work-related injuries⁴⁵, the number of lost days due to accidents decreased and no occupational diseases were reported.

Near misses

The attention of each Camparista is increasingly being focused on proactivity, prevention and mitigation of potential risks. The company continues to focus on near misses to improve its reporting system regarding unsafe situations with new activities to be implemented in 2021.

Near misses	2018	2019	2020
Health near-misses for Camparistas (number)	12	3	1
Safety near-misses for Camparistas (number)	121	82	64
Health near-misses for contractors (number)	1	2	0
Safety near-misses for contractors (number)	10	33	15
Health near-misses for suppliers (number)	0	0	0
Safety near-misses for suppliers (number)	1	3	3
Health near-misses for visitors (number)	0	0	0
Safety near-misses for visitors (number)	1	0	1

Health, Safety&Environment committees

All the Group's production units have company-worker committees that represent all workers on health and safety issues and 75% of workers on environmental issues. The dialogue between the parties is always open and constructive.

Certifications

The performance of Health and Safety Certification rate (%), as bottles produced in production units certified according to international standards for health and safety, was slightly impacted by the pandemic in 2020 but it remained in line with the previous years.

Health and Safety certifications	2018	2019	2020
Bottles produced in production units certified in accordance with international occupational health and safety standards (BS OHSAS18001/ISO45001) (%)	62%	62%	54%

ii. Responsible practices

Responsible sourcing

The Group's focus on ensuring and developing good business practices applies to its suppliers and distributors as well as its own activities and business units. Campari Group is increasingly committed to making responsible sourcing an integral part of its processes.

• Sustainability compliance

Campari Group continues to drive sustainability compliance through the implementation of the Supplier Code and Sedex (Supplier Ethical Data Exchange) in all geographies. Responsible and transparent sourcing from commercial partners with similar values is, in fact, prerequisite for ensuring high-quality and safe products that create value in local economies.

Since 2012, Campari Group has adopted the Supplier Code, a document setting out the ethical values and principles that underlie the Group's activities and which its suppliers and their employees undertake to sign, adhere to and ensure compliance with throughout their respective supply chains.

The ethical values contained in the Code are as follows:

- Integrity, loyalty and honesty;
- Objectiveness and immediate communication of real or potential conflicts of interest;
- Confidentiality;
- Transparency and completeness of information;

⁴⁵ High-consequence work-related injuries are work-related injuries that results in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months (source: GRI 403 Occupational health and safety 2018).

- Rejection and condemnation of any type of discrimination;
- Ban on forced or child labour;
- Health and safety in the workplace;
- Compliance with environmental law and ecological standards;
- Prevention and reduction of environmental pollution;
- Ban on unfair competition;
- Compliance with Campari Group's Code of Ethics and its Quality, Health, Safety&Environment Policy.

Campari Group's membership of Sedex is further confirmation of the Group's commitment to managing its supply chain more responsibly and transparently. Sedex is the largest shared platform in the world through which member users report and share their commercial practices in the following four key areas: labour law; health and safety; environment; business ethics.

With the aim of reducing its environmental impact along the supply chain, Campari Group-all other commercial parameters being equal (e.g.: competitiveness, quality and availability of materials)-continues to look for local sourcing options.

Campari Group developed and implemented a global sourcing approach for sanitizers, masks and other Personal Protective Equipment (PPE) materials to ensure business continuity in our plants and offices in accordance with local Covid-19 regulations, balancing availability with an increasingly strong local supply base.

• **Business continuity and enhanced supplier collaboration**

The unprecedented challenges of Covid-19 created a strong driver for enhanced collaboration across the supply base in general and led to a strengthening of strategic partnerships. The priorities in 2020 shifted to securing supply and maintaining the economic sustainability of our supply base.

With enhanced supplier collaboration, Campari Group was able to support suppliers in mitigating the impacts of Covid-19 in a highly volatile environment.

Below are some examples of the efforts undertaken by Campari Group during 2020:

- supporting suppliers by giving them more visibility of volume needs in the short-term and mid-term, enabling suppliers to take targeted action to make adjustments to the normal operation of their manufacturing units;
- continuing to purchase goods and services, and continuing to honour commitments;
- in specific cases, additional local suppliers were activated, either within the Campari network or by suppliers activating their own business continuity plans with their suppliers.

In the second quarter of 2020, Campari Group launched its first Supplier Reverse Factoring Programme in cooperation with an external banking provider. The pilot programme kicked off by involving a first wave of strategic partners based in Italy with the aim of allowing participating suppliers to receive early payments on their invoices. Additional benefits such as an improved cash forecasting accuracy and access to lower cost funding, made the Campari Reverse factoring pilot scheme a success, leading to the start of a second wave in September 2020 and consideration of a potential geographical expansion of the programme given that it ensures working capital optimization for both parties, impacting DSO (Days Sales Outstanding) for suppliers and an increase in DPO (Days Payable Outstanding) on Campari Group side.

• **Growing agave in partnerships with local farmers**

Since 2019, Campari Group has engaged local Farmers in a co-investment model to grow agave in its lands of origin.

The model enables farmers to grow agave with long-term predictability of commercial conditions and volume requirements and fosters continuous improvement of field operations. This testifies to Campari Group's increasing commitment to supporting local agricultural businesses and communities while developing long term relationship with selected partners.

Quality and food safety of brands

Campari Group ensures the quality and food safety of its brands by meeting all applicable Food Safety and Quality standards and checks their consistency through rigorous inspection controls.

Maintaining the trust of Campari Group's Consumers and Customers is the main goal behind establishing proactive and preventive processes that mitigate risks across our operational activities, from raw materials and packaging material supply to finished products reaching consumers.

In order to meet the above commitment Campari Group's Quality Programme is based on the following principles:

- standardization of quality and food safety management programmes across the business;
- robust audit compliance programmes for suppliers and manufacturing operations;
- introduction of meaningful and actionable metrics, such as Right First Time (RFT) for internal operations;
- continuous improvement programmes, such as Supplier Quality Assurance and Global Traceability.

• **Certifications**

Campari Group Food Safety External Certification journey started with its own manufacturing sites in 2013 and has been extended to all Campari's third-party manufacturing sites. The Group's progress is being tracked through the Food Safety Certification rate (%), bottles produced in production units certified in accordance with international standards for food safety (ISO22000/BRC/IFS/FSSC22000). The full 2020 performance rate was 84.4%.

• **Complaints**

Consumers' and customers' experience is measured in complaints per million (CPM), i.e. the number of complaints received per million bottles produced. The Group tracks its performance daily and acts immediately on any claim by taking the appropriate actions to avoid reoccurrences. Performance in 2020 was impacted by the pandemic and the CPM index was 1.001.

Complaints ⁴⁶	2018	2019	2020
CPM (complaints received per million bottles produced)	0.776	0.587	1.001

No withdrawals or recalls from the market were recorded in 2020.

As was the case in the previous year, there were no fines or disputes relating to Food Safety in 2020.

Global Strategy on Responsible Drinking

During the year a new Global Strategy on Responsible Drinking has been formalized, setting a position and short-mid-term commitments from which to derive internal and external initiatives in the responsible drinking area, which is of paramount importance. Education will be the primary focus on which the strategy will be articulated, involving all Camparistas through virtual sessions on responsible drinking, being them the first ambassadors in promoting a responsible style of consumption of alcoholic beverages. Specific training on responsible drinking will be also part of the induction process for new Camparistas hired. Following the Campari Group's commitment to the responsible sale and marketing of its products, a specific training of the global marketing community will be delivered, with a deep dive in digital communication thus ensuring that the Group's online presence and web communication through digital platforms would be based on a common path of main responsible standards which are at the core of the external communication of the Group's brands. On top of these activities, a distinct project on responsible serving for bartenders will be deployed globally. The goal with this project is to educate and sensitize bartenders, one of the most important stakeholders' category for the Group, on principles of responsibility as well as quality of products and service, underlying the importance of quality over quantity and the role of bartenders as representatives and chaperons of a proper drinking etiquette. With regard to the external communication, the Group commits to promote digital brands' campaigns on responsible drinking, thus reaching a greater audience of final consumers.

Responsible communications

Marketing and communications are an important tool through which Campari Group conveys messages and models of behavior that are always attentive to responsible consumption of its products. Since 2010, the Group has had a voluntary Commercial Communications Code to ensure its communications comply with standards of legality, decency, honesty and fair business practices. Every year, the Group monitors the adoption and resulting signing of the Code by all members of the marketing, sales and PR teams, as well as by the external agencies with which it collaborates. In 2020, all members' of the Group's teams and external agencies had signed the Commercial Communications Code. Furthermore, the marketing teams of all the Group companies took part in regular activities and meetings during the year to review the principles laid down in the Code.

The Code pays particular attention to the promotion of proper consumption practices, ensuring that they are always focused on moderation and sociability. In broad terms, the Code stipulates that Campari Group's commercial communications

- must always:

- promote responsible drinking, including the use of visible and legible responsible drinking messages;

⁴⁶ The perimeter for the purpose of calculating the CPM index includes the bottles produced either at the Group's own factories or by its co-packers.

- must never:

- promote the abuse or uncontrolled consumption of alcoholic drinks;
- be aimed at or refer to minors, including indirectly;
- make the alcoholic content the main information;
- associate the driving of vehicles or other potentially dangerous activities with the consumption of alcoholic drinks;
- lead the public to believe that the consumption of alcoholic drinks enhances mental clarity or physical and sexual prowess;
- lead the public to believe that alcoholic drinks may have therapeutic properties;
- be aimed at, or refer to, pregnant women.

In order to include all forms of communication, specific guidelines for digital marketing were formalised within the Code as early as 2012; these require, among other things, the inclusion of the Age Affirmation Process on all websites for Campari Group's alcoholic products; this is with the aim of restricting access by those under the legal age for the consumption of alcoholic beverages. The guidelines also establish regular monitoring of comments by social media users, making provision for the removal of any content that does not comply with the Code.

In line with the provisions of the Code, ATL (above the line) and BTL (below the line)⁴⁷ communications and the social profiles of our brands have carried messages about responsible consumption (RDMs-Responsible Drinking Messages). This excludes communication channels relating to the Group's non-alcoholic products (i.e.: Crodino, Crodino Twist, Crodino Spritz):

	2018			2019			2020		
	ATL	BTL	Social profiles	ATL	BTL	Social profiles	ATL	BTL	Social profiles
Existence of an RDM (%)	100%	99%	99%	100%	99%	100%	100%	100%	100%

To further increase its effectiveness, the Code established an internal Evaluation Committee made up of representatives of Group Strategic Marketing, Corporate Communications, Corporate Legal and Public Affairs&Sustainability. The Committee's activities are aimed at monitoring the compliance of above-the-line communications with the guidelines in the Code. With regard to marketing and commercial communication activities, including advertising, promotion and sponsorship, no cases of non-compliance occurred that involved legal actions. In 2020, Campari Group also continued to voluntarily include pregnancy logos or equivalent messages on the packaging or labels for alcoholic drinks brands, with the aim of discouraging their consumption by pregnant women.

During 2020, Campari Group began a process aimed at promoting a digital labelling solution to help consumers in their purchasing decisions. To respond to consumers' detailed expectations and their rapid shift to digital information sources, the Group voluntarily took part in the development of the 'Duty Free Label' pilot project led by the European Travel Retail Confederation (ETRC) to create a digital platform on which to inform consumers of label content for European duty free products, one of Campari Group's main sales channels. From 2021, the information on the Group's products that are sold in European airports will therefore be accessible to consumers in a range of languages and they will be able to scan bar codes using their smartphones or physical scanners to access full, accurate and transparent information.

During 2021, Campari Group will continue to work to create a digital labelling solution to help consumers within their purchasing decisions, thus taking up the opportunities and potential offered by digitalisation.

Responsible serving

Campari Academy is Campari Group's training school of excellence, founded in 2012 in Sesto San Giovanni (Milan) to offer sector professionals and connoisseurs a high-quality and varied programme about the world of bartending and bar management. Excellence in drink translates into a broader experience that requires not only a quality product, but also an equally excellent service. Campari Group has therefore drawn up the Responsible Serving Guidelines, a document offering bartenders six essential recommendations for responsible serving of alcoholic drinks. The guidelines are shared with participants on all training courses at our Academies and with bartenders who take part in our events, so that they can communicate the message of responsible drinking directly to the end consumer.

⁴⁷ Above-the-Line ('ATL'): large-scale advertising via various media (television, radio, cinema, posters, press, web and social media). Below-the-Line ('BTL'): communications aimed at certain individuals in specific points of sale or consumption (direct marketing, promotions, events).

Most of the events planned for the year did not take place due to repeated lock-down periods imposed by different governments around the world in order to limit the risk of Covid-19 infection. Nevertheless, the Responsible Serving Guidelines were shared with bartenders who worked for the Group in all the events held during 2020.

In 2020, since the very first wave period of the pandemic, Campari Academy moved several of its activities online, first of all through the 'Reopening Guide', a useful tool for bartenders and bar owners to reorganize their activities and environments in line with the new health legislation enacted to reduce the risk of Covid-19 infection, and through digital masterclasses on brands and new trends, online meetings with the Wild Turkey Family (a constantly growing community of bartenders united by the love for a bold, genuine and true bourbon), private masterclasses for point of sales (PoS) and companies. In addition, the zero-waste trend-avoiding waste and using raw materials while producing as little waste as possible-was a particular focus of several training activities.

Responsible consumption: communications and promotional initiatives

Campari Group continues to promote a culture of quality and responsibility, including through communications projects and actions carried out independently or in collaboration with the main trade associations. These initiatives are aimed at educating consumers in the informed use of our products.

The Group is currently a member of 43 trade associations and social aspect organisations in 21 countries, and its managers play a key role in some of these. One of the bodies of which Campari Group is also member of SpiritsEurope, the European association of alcoholic beverage producers, which represents 31 national associations of 24 countries and 8 main players in the spirits sector, and APISWA (Asia Pacific International Spirits and Wine Alliance), the regional association that represents the ten largest companies in the wines and spirits sector in Asia and Oceania. Working with the key trade associations and major industry leaders, and thus addressing a wider audience, Campari Group helps to promote and disseminate responsible behavior and lifestyles. In 2020 too, initiatives and projects relating to the responsible consumption of alcoholic products and sustainability were carried out in the various markets in which the Group operates.

Marketing and product innovation

The brand portfolio represents a strategic asset for Campari Group. One of the main pillars of its mission is to build and develop brands. The Group has an ongoing commitment to investing in marketing designed to strengthen the recognition and reputation of iconic and distinctive brands in the key markets, as well as launching and developing them in new high-potential geographical regions.

iii. The environment

Management of resources and environmental impact

The responsible use of resources and reduction of the environmental impact of our production activities are, of course, practices that guide the Group's activities with the aim of pursuing sustainable development.

• Global supply chain medium-long term environmental targets

We have set ourselves challenging targets to be reached by 2025 and are committed to measuring and reporting our performance in a transparent way. Our targets are aligned with the UN Sustainable Development Goals to protect the planet.

Our goals cover energy, water and waste and represent the way we measure, monitor and improve our environmental efforts, focusing on impact, within our own operations.

- Energy and GHG emissions

- ❖ Reduce Green House Gases (GHG) emissions from direct operations⁴⁸ by 20% in 2025, by 30% in 2030, and from the total Supply Chain by 25% in 2030, using 2019 as a baseline.
- ❖ 100% renewable electricity for European production sites by 2025.

- Water

- ❖ Reduce water usage (L/L) by 20% in 2025 and by 25% in 2030, using 2019 as a baseline.
- ❖ Return 100% of wastewater from our operations to the environment safely.

- Waste

- ❖ Zero waste to landfill by 2025

⁴⁸ Scopes 1 and 2

The key environmental information for the Group's production units and headquarters is shown below.

- **Energy efficiency and decarbonization**

In 2020, Campari Group launched a global project to develop energy saving programmes. We use sustainable integrated solutions to improve our energy consumption, reduce costs, move to renewable energy sources and decarbonize our production activities. A series of innovative mid and long-term improvement interventions have been put in place to support the above programme across all our production plants.

As part of the global project, on-site energy audits were performed at the most energy-intensive Campari production sites, including the distilleries located in Arandas (Mexico) and Lawrenceburg (Kentucky, USA). The project will continue in 2021, covering the Jamaican distilleries.

The outcome of the energy audits - including energy recovery and decarbonization solutions, process and equipment interventions, efficiency improvement investments - will be extended to all Campari production sites. In this way, we are creating a shared and integrated energy efficiency and decarbonization path for our operations.

One of the key environmental targets set by Campari Global Supply Chain is the use of 100% renewable electricity at our European production sites by 2025. As first step, the renewable origin of all the electricity being purchased and used by Italian production plants and headquarters in Sesto San Giovanni has been certified through the attainment of a Guarantee of Origin. This activity has already enabled us to meet 76% of the related Global Environmental target in 2020.

The Group's energy efficiency programme included the installation of a multi-column distillation system in the rum distillery located in New Yarmouth (Jamaica).

Differing from many of the existing columns in Jamaica, which use direct steam injection, the newly implemented multi-column system uses indirect heating through reboilers. The main benefits are a reduction in the fuel used and the recovery of the condensate, resulting in a less water consumption.

The termination of the sugar manufacturing activities in Jamaica and the improved efficiency in the distillation processes at the Campari production sites in the Americas region, resulted in a total reduction of the Group's energy consumption of -3% as compared with 2019.

The energy source switch to natural gas at the distilleries in Jamaica and in the US in 2019, led to a total elimination of wood combustion in 2020 and a further important reduction in the consumption of oil-based fuels (-47%), both in favour of natural gas usage (+33%).

In 2020 the energy consumption per liter manufactured was reduced to 2.57 MJ, an overall -4.4% compared with the previous year (2.69 MJ).

Energy consumption	2018	2019	2020
Total energy consumption (GJ)	2,276,813	1,636,878	1,584,580
Performance of energy consumption (MJ/L manufactured)	3.92	2.69	2.57

Consumption of energy by renewable/non-renewable sources	2018	2019	2020
Consumption of energy from renewable sources (GJ)	705,250	229,740	281,440
Consumption of energy from non-renewable sources (GJ)	1,571,563	1,407,139	1,303,140

Consumption of energy by source	2018	2019	2020
Consumption of electricity drawn from the grid (GJ)	178,251	154,051	157,361
Total heating consumption (GJ)	3,253	2,031	2,123
Total cooling consumption (GJ)	0	0	0
Total steam consumption (GJ)	0	0	0
Petroleum distillate fuels (GJ)	678,712	565,495	295,838
Purchased natural gas (GJ)	496,736	593,660	887,570
Fuels from natural gas processing and oil refining (GJ)	4,641	4,796	4,543
Purchased wood (GJ)	210,963	87,216	0
Energy produced from renewable sources (GJ)	704,258	229,629	238,145

• Emissions

As in the previous years, the Group continued to decrease the Greenhouse Gas (GHG) emissions released during its production activities, with a significant reduction in both scope 1⁴⁹ (-6%) and scope 2⁵⁰ (-33%) emissions compared to 2019.

The switch from wood and hydrocarbons to natural gas in Kentucky and Jamaica, combined with the reduction of the use of oil-based fuels for sugar processing in Jamaica, brought about a considerable reduction in carbon dioxide-equivalent atmospheric emissions.

As an important contribution to the reduction of scope 2 emissions, the renewable origin of all the electricity being purchased and used by the Italian production plants and the headquarters in Sesto San Giovanni (Milan-Italy) was certified through the attainment of a Guarantee of Origin.

With regard to methodology, as in 2019, we applied the conversion factors provided for under the GHG Protocol⁵¹.

GHG emissions, scopes 1 and 2	2018	2019	2020
GHG emissions, scope 1 (t of CO ₂ e.)	78,659	76,765	71,979
GHG emissions, scope 2 (t of CO ₂ e.)	22,514	19,900	13,289
GHG emissions, scope 1 and 2 (t of CO₂ e.)	101,173	96,665	85,268

GHG emissions by type	2018	2019	2020
Combustion in thermal plants (t of CO ₂ e.)	78,310	75,385	70,843
Refrigerants (t of CO ₂ e.)	349	1,380	1,136
Purchased electricity (t of CO ₂ e.)	22,514	19,900	13,289

• Water management

Water is a precious and shared natural resource, increasingly a point of interest for many stakeholders and an essential component in our production processes.

Despite the fact of our production sites are not located in geographical areas exposed to an extremely high-water risk, as confirmed by the Aqueduct Water Risk Atlas (World Resources Institute)⁵², we recognize the importance of water and we are committed to preventing and reducing use of this primary resource through a proper and more sustainable water management programme.

In 2020, the Group created a Water Assessment Model aimed at analysing and identifying, throughout the main production processes in our factories, the key information related to water withdrawal and consumption areas, recycled and reused water, water discharge types and destinations, and water treatment methods and analysis. The goal is to optimize water use, reduce costs and improve the Group's environmental impact in terms of water usage. An application of this model will be undertaken in 2021, starting with the most water-intensive Campari production sites.

For all our production sites, we continue to guarantee the safe return to the environment of 100% of our wastewater from operations. We achieve this through efficient water treatment plants in order to minimize our impact on shared water reserves.

As an example of its commitment, Campari Group is the first rum producer in Jamaica to make a commitment to invest over US\$25 million in the implementation of a wastewater treatment plant for its rum distillery in New Yarmouth. The outcome of this process is to ensure the safe return of the treated wastewater to the environment and the full recover and rescue of solid residues as animal feed and natural fertilizer.

The significant reduction in the Group's water consumption (-15%), compared to the previous year, is mainly due to non-recurring factors, such as the termination of the sugar manufacturing activities in Jamaica and to the local water efficiency activities implemented by the Group's production sites. Consequently, the volume of water used per liter manufactured decreased to 18 liters.

Water withdrawal	2018	2019	2020
Total volume of water withdrawn (m³)	13,168,625	13,007,137	11,073,051
Performance of water use (L/L manufactured)	22.7	21.4	18.0

⁴⁹ Scope 1: greenhouse gas emissions from owned or controlled sources.

⁵⁰ Scope 2: greenhouse gas emissions from purchased or acquired electricity, steam, heat and cooling.

⁵¹ The Greenhouse Gas (GHG) Protocol, developed by the World Resources Institute (WRI) and the World Business Council on Sustainable Development (WBCSD), establishes the global standard for measuring greenhouse gas emissions.

⁵² www.wri.org/resources/maps/aqueduct-water-risk-atlas

Water withdrawal by source	2018	2019	2020
Surface water-rivers (m³)	7,418,367	6,689,587	4,184,933
Groundwater (m³)	4,695,098	5,551,922	6,207,046
Rainwater (m³)	0	3,640	2,756
Municipal water supply (m³)	953,487	760,619	678,196

Water discharges and intensity	2018	2019	2020
Total volume of water discharged (m³)	5,841,677	5,564,158	3,873,770
Performance of water discharged (L/L manufactured)	10.9	9.1	6.3

Water discharges by destination	2018	2019	2020
Wastewater discharged in bodies of surface water (m³)	1,292,026	350,727	956,432
Wastewater discharged into groundwater (m³)	3,861,768	4,420,019	2,169,852
Wastewater discharged into consortium plants (m³)	244,740	249,872	237,640
Wastewater discharged into municipal or other facilities (m³)	310,065	424,469	341,640
Wastewater reused by/sent to another organisation (m³)	133,079	119,071	168,391

Campari Group is highly committed to the safe return of 100% of wastewater from its operations to the environment. In order to fulfil its commitment, a robust chemical, physical and biological testing programme has been put in place across all its manufacturing locations.

Analysis of water and treatment	2018	2019	2020
Volume of physically treated water (m³)	48,157	43,040	36,879
Volume of chemically treated water (m³)	67,233	82,144	82,047
Volume of biologically treated water (m³)	275,252	315,242	244,263
Volume of chemically/biologically treated water (m³)	6,696	5,589	6,816
Volume of chemically/physically treated water (m³)	53,666	29,876	28,851

• Waste management

Campari Group is committed to reduce total waste from its production sites, through different local initiatives aimed at optimizing the use and disposal of materials, improving efficiency, increasing recycling, recovery and reuse processes. To reach this goal, the company is moving from a linear to circular approach by improving the supply of raw materials and packaging products, maximizing the use of materials and reducing or eliminating them, where possible.

The Group aims to achieve zero waste to landfill across our production sites by 2025. In order to accomplish the target, a series of activities to increase recycling and recovering of materials used will be implemented.

Regarding organic waste, production sites aim to increase the recovery and reuse rate of by-products generated in our production cycle, by using them as animal feed, biomass or compost.

The percentage of hazardous waste produced during manufacturing activities is very low. Despite this, the Group seeks to prevent and eliminate any environmental impact through the application of appropriate and specific treatment processes to its hazardous waste.

In 2020, the Group experienced a significant reduction in total waste produced, mainly due to the termination of the cane harvesting and sugar processing activities in Jamaica.

The ratio of hazardous waste produced remained extremely low (0.31%) and decreased by -32,6% compared to the previous year.

As a result of the above initiatives the amount of waste produced per liter manufactured was 0,08 kg and decreased by -20% compared to 2019.

Hazardous and non-hazardous waste	2018	2019	2020
Hazardous waste produced (t)	261	281	143
Non-hazardous waste produced (t)	105,165	61,358	46,656
Hazardous waste produced (%)	0.25	0.46	0.31

Waste produced and intensity	2018	2019	2020
Total waste produced (t)	105,426	61,639	46,829
Performance of waste produced (kg/L manufactured)	0.18	0.10	0.08

Destination of waste produced	2018	2019	2020
Internal reuse (t)	0	0	0
External reuse (t)	13,220	8,934 ⁵³	10,150
Recovery, including energy recovery (t)	4,844	5,110	8,953
Composting (t)	5,561	4,773	4,352
Incineration (t)	31	20	4
Landfill (t)	7,928	8,159	11,108
On-site storage (t)	51	82	67
Fertilisation in agriculture (t)	25,320	10,546	8,149
Recycling (t)	2,223	2,001	1,944
Other destinations (t)	474	5,860	1,417

• Spills

The total number of environmental spills was the same as the previous year. All issues were treated accordingly, eliminating the impact on the environment.

Total spills	2018	2019	2020
Total spills (number)	25	13	13

Spills by destination	2018	2019	2020
Ground spills (number)	10	2	8
Surface water spills (number)	5	3	2
Groundwater spills (number)	2	0	0
Industrial consortium wastewater spills (number)	0	1	0
Spills in municipal water supplies or other utilities (number)	2	1	0
Air spills (number)	6	6	3

• Certifications

The performance of Environmental Certification rate (%), as bottles produced in production units certified according to international standards for environment, was slightly impacted by the pandemic in 2020 but it remained in line with the previous years.

Environmental certifications	2018	2019	2020
Bottles produced in production units certified in accordance with international environmental standards (ISO14001/EMAS/ISO50001) (%)	73%	72%	67%

Logistics and sustainable distribution

Defining a sustainable freight transport system in which all the operators involved operate in a responsible manner clearly has a significant environmental impact. Campari Group thus continued in 2020 to develop the sustainable distribution innovations already started in 2016, especially in Europe. Over the years, the two main actions undertaken as part of the redefinition of the logistics network have related to intermodal transport and sustainable pallet management.

In 2020, due to the two waves of the pandemic (the first in February/March, the second in September/October) and the malware attack in early November, there was an increase in the percentage use of road travel as compared to previous years; the increased use of road travel was necessary to make up for the delays accumulated in order to minimize the negative impact on the level of service to the end customer.

• Europe-Intermodal transport

Intermodal transport represents a significant opportunity in freight transport thanks to the use of multiple integrated modes of transport. In 2020, intermodal journeys accounted for 56% of journeys in Europe.

	2018			2019			2020		
	Total journeys	Road travel	Intermodal travel	Total journeys	Road travel	Intermodal travel	Total journeys	Road travel	Intermodal travel
Total	3,110	1,375	1,735	3,246	1,245	2,001	4,473	1,898	2,575
%		44%	56%		38%	62%		42%	58%

⁵³ The figure includes the amount of 8,827.4 tons related to the by-product of the fermentation process coming from the WTD plant reused locally by third parties in agriculture.

In Italy too, the Group continues to choose road/rail and road/ship intermodal transport wherever possible, as an alternative solution to road freight transport, keeping performance in line with that of last year. In fact, of the 3,575 freight transfers, more than 13% were carried out on an intermodal basis.

• Europe-Sustainable pallet management

In 2020, the Group continued its collaboration with the supplier PAKi, a company operating in the pallet handling sector. Thanks to its extensive network, PAKi deals with picking up pallets at the unloading points and transferring them to the nearest depot, whether its own or that of another client, and simultaneously delivering the same type of pallet to our loading points from its nearest collection points. This mechanism enables us to significantly reduce the number of kilometres travelled across Europe. In 2020, the number of pallets managed using the 'PAKi recovery and reused method' remained essentially in line with previous years.

PAKi method	2018	2019	2020
Exports-Germany, Austria, Belgium, the Netherlands and Switzerland	61,123	51,804	80,322
Italy	91,393	93,761	76,746
Greece	5,610	5,610	7,854
France	0	2,445	3,035
Total	160,126	153,620	167,957

• Italy-Eco-mobility

With regard to road transport in Italy, Campari Group has continued its partnership with the operator Berger Logistik, a particularly innovative company in the world of sustainable mobility and road transport. The Austrian company has, in fact, a particular fleet consisting of vehicles complying with the EU Euro 6 regulations on harmful exhaust gases that are built with lightened steel, making it possible to optimize the product load by transporting two more pallets than could normally be moved using a standard vehicle (additional payload of 7.4%). During the year, 1,212 extra pallets were loaded using Berger *ecotrail* lightweight semi-trailer vehicles, thus avoiding the need for the movement of 40 vehicles which would have occurred if a *standard* transporter had been used.

LNG (Liquefied Natural Gas)-2020 saw the consolidation in Italy of LNG transport, which was extended to medium distances (>500 km) thanks to the development of new partnerships and optimization of the distribution network. LNG, which is mainly made of methane obtained through the use of a number of cooling and condensation processes, is liquefied, reducing its volume 400 times from its original state and enabling a greater quantity of energy to be stored.

In 2020, LNG accounted for 6% of 3,575 total travel. Consequently, the transfers carried out by Davide Campari-Milano using various transport means that have a low environmental impact (LNG and intermodal transport) accounted for 19.3% of total transfers in Italy (+1.7% as compared with 2019).

In environmental terms, the use of LNG instead of a Euro 5 diesel vehicle and road-rail transports have allowed us to cut emissions of CO₂ and PM_x particulates by the following amounts.

- 24,376.7 kg of CO₂ not emitted;
- 27.99 kg of PM_x not emitted.

iv. Community involvement

In 2020 too, culture was a key element of the Campari Group's DNA. The 'Campari' name has always been associated with the world of art, design and cinema.

The promotion of culture and its dissemination also means focusing on people's education and well-being. Work, education and culture will continue to be key areas on which the Group has decided will concentrate its efforts, identifying local best practices to be exported in other geographies across the world. The Group is, indeed, sensitive to the needs of the communities in the countries in which it has a significant presence.

The principal community involvement projects that it has undertaken are described below.

Campari Gallery

The Campari Gallery museum was opened in 2010 on the 150th anniversary of the brand. It is an interactive and multimedia space, dedicated to the relationship between the Campari and Campari Soda brand and their communication through art and design. The Gallery exhibits a selection from the Historical Archives, made of over 4,000 sketches on paper, photographs, original Belle Époque posters, posters and advertising graphics from the 1920s to the 1990s by artists such as Marcello Dudovich, Leonetto Cappiello, Marcello Nizzoli, Fortunato Depero, Bruno Munari, Guido Crepax and Ugo Nespolo; *caroselli* (advertising short films dated 1950s-1970s) and commercials by directors such as Federico Fellini, Singh Tarsem, Paolo Sorrentino, Stefano Sollima, Matteo Garrone; objects signed by designers such as Matteo Thun, Dodo Arslan, Markus Benesch and Matteo Ragni.

The Campari Gallery tells-in a tangible way, starting with advertising material - the story of the brands, of entrepreneurship, of a territory and society, with a particular focus on the world of creativity art and the city of Milan.

Following its core values and mission, the Gallery responded to the unexpected closure in March 2020, due to the global health situation, by continuing to share and enhance its historical and artistic heritage through a vast offer of online activities in order to narrate its contents, and preserve and diffuse its heritage.

- **Promotion of the cultural heritage: Campari Gallery online activities**

The Gallery remained closed from March 2020 until December 2020, nonetheless it was made accessible through a system of free online guided tours, led by the Gallery Team. Visitor numbers, in 2020, were around 3,000.

- Online Guided Tours-Free online guided tours were offered using a 3D high resolution tool reproducing the museum's spaces and contents and were presented live by the Campari Gallery team members in 75 minute-tours.
- Art Journal-A series of free multidisciplinary online publications focusing on different aspects of the history of Campari. So far, 6 numbers have been released on, with the following themes: Architecture; Street Art; Restoration; Campari Seltz; Campari Soda; Negroni Cocktail.
- Digital Pills-In March 2020, through its social media channels, the Gallery started an ongoing story telling activity focusing in depth on the materials in the Historical Archive and aimed at sharing the history of the company and its heritage with the community, despite the museum being closed.

- **Activities in partnership with other Institutions**

In 2020, Campari Gallery participated in online events as part of national and local initiatives promoted at national level and by the City of Milan. These included: *Archivissima*, *Museo City* and *The Corporate Culture Week*. For these initiatives Campari Gallery promoted its heritage by offering virtual guided tours and creating two dedicated podcasts on the history of the brand and the company. Campari Gallery also collaborated with the Corriere della Sera Foundation (one of Milan's most important cultural institutions) to promote a series of online art lectures, and with Scuola Holden (a school of storytelling, communication and performing arts founded in 1994 in Turin, where it is still based). The Gallery Team supported and trained 16 students in developing a project for this year's Corporate Storytelling workshop.

Cinzano Archive

The *Archivio Cinzano* (Cinzano Archive) preserves over 260 years of history of a brand which has managed to intertwine its company development with the change in customs and traditions in our country. The collection is made up of more than 20,000 items, including family documents, posters designed by the most important artists of the past century (e.g. Adolf Hohenstein, Leonetto Cappiello, Raymond Savignac), vintage bottles & labels, diplomas, advertising objects and mixology tools from the beginning of the 19th century to today.

Since 2017 the Cinzano Archive has been able to bring the brand heritage to life through a series of activations (exhibitions and panel discussions) in close collaboration with the local business units around the world.

In 2020, in line with the digitalization of the Company:

- the Cinzano Digital Archive was launched, a user-friendly tool aimed not only at preserving all the brand precious materials collected through years but also to inspire the markets for their present initiatives;
- the brand started an ongoing storytelling activity through Cinzano's global social media channels to celebrate Cinzano's heritage and honour its legacy;
- a 45-minute e-learning session dedicated to the Archive was offered to all Camparistas.

Campari and the cinema

- **Venice Film Festival and Campari Lab**

A strong bond has been established between Campari and cinema and is renewed each year. Italy's best known aperitif brand long chose cinematographic art as its cultural and communicative universe of reference, and Campari celebrated it again through multiple initiatives as the Main Sponsor of the 77th edition of the Mostra Internazionale d'Arte Cinematografica della Biennale di Venezia (Venice International Film Festival), the most important international festival for the promotion of cinema in all its forms.

For the 11 days of the festival, Campari was a point of reference for celebrities, influencers, directors and new talents, through a wide range of activities. Furthermore, together with the Artistic Department of the International Film Festival, Campari continued to recognise, through the second edition of the official 'Campari Passion for

Film' award, the extraordinary contribution of the professional figures who, together with the director, transform each film into a small work of art.

At its second edition, Campari LAB is an educational film laboratory created in collaboration with Rome's Experimental Film Centre (Centro Sperimentale di Cinematografia), with the aim of showcasing new talents on the Italian film scene across all of the professions that give life to the world of film and promoting experimentation with new visual languages and innovative storytelling methods. Campari LAB is a cultural incubator within which 30 new talents from all the professions underlying the world of cinema-i.e.: production, direction, screenplay, photography, set design, and editing-are discovered and trained. It is the first branded content laboratory of the Experimental Centre aimed at the creation of short films inspired by the core values of the Campari brand. The result of this collaboration in 2020 was 'Beyond Passion', an anthological series developed in 5 self-contained short films, all united by the common thread of Red Passion, that irresistible impulse within each of us that transforms passion into extraordinary creation.

Negroni Week

For the 8th consecutive year, Campari Group, along with Imbibe Magazine, promoted Negroni Week, an international charity initiative which celebrates the over 100 years of Negroni Cocktail. The aim of this one-week initiative, which has been taking place internationally since 2015, is to raise funds for charities and non-governmental organisations (NGOs). With the pandemic's global spread resulting in bar and restaurant closures and with countries implementing different sets of rules for reopening, Negroni Week shifted its focus, supporting the industry that has made such a difference to this initiative over the years and that raised almost US\$3 million in over 70 countries.

Therefore, charitable efforts for Negroni Week 2020 concentrated on raising funds to support the industry directly, with donations going to hospitality charities via the Negroni Week website. Donations were encouraged throughout the entire month of September through engaging digital initiatives in collaboration with some international renown bartenders. In 2020, Negroni Week events and happenings all lived digitally, enabling Negroni cocktail lovers to support the cause safely by enjoying a Negroni at home and engaging in a number of unique online activities. Partnering solely with organisations providing assistance and support to hospitality workers, Negroni Week 2020 reached out directly to Negroni lovers, for the first time, to call for donations in order to serve those who have for so long enabled memorable moments of enjoyment in their favourite bars.

Negroni Week 2020 raised US\$292,150 for hospitality workers affected by Covid-19.

Corporate Governance

Special Voting Mechanism

In the context of the transfer of Davide Campari-Milano N.V.'s (the 'Company' and, together with its subsidiaries, the 'Group') registered office from Italy to the Netherlands, with simultaneous transformation into a *naamloze vennootschap* (N.V.) on 4 July 2020 ('Redomiciliation'), to foster the involvement of a stable base of long-term (loyal) shareholders, the Company's articles of association ('Articles of Association') were amended to adopt a mechanism based on the assignment to loyal shareholders of special voting shares, to which multiple voting rights are attached, in addition to the one granted by ordinary shares (the 'Special Voting Mechanism') (a brief description of the control enhancing mechanism currently in force is available on the Company's website at the following link <https://www.camparigroup.com/en/page/loyalty-shares>).

In a nutshell, the Special Voting Mechanism entails the possibility of assigning to loyal long-term shareholders: (i) two voting rights for each Campari ordinary share held for an uninterrupted period of two years, through the assignment of a special voting share A ('Special Voting Share A')⁵⁴; (ii) five voting rights for each ordinary share held for an uninterrupted period of five years, through the assignment of a special voting share B ('Special Voting Share B')⁵⁵; and (iii) ten voting rights for each ordinary share held for an uninterrupted period of ten years ('Special Voting Share C')⁵⁶. The features of the Special Voting Shares (A, B, C) are described in the Articles of Association as well as in the terms and conditions for Special Voting Shares ('SVS Terms'). The Special Voting Shares are not tradable on a regulated market.

Furthermore, the Company's extraordinary General Meeting held on 18 September 2020 authorised the Company's board of directors ('Board of Directors') to implement Article 13.11 of the Articles of Association for the purposes of providing holders of Special Voting Shares C with the right to exchange one Special Voting Share C, together with the corresponding ordinary share, for one special ordinary share giving right to twenty votes (the 'Special Ordinary Share'). For a Special Voting Share C and the corresponding ordinary share to qualify for conversion into a Special Ordinary Share giving twenty votes, a Campari shareholder must hold a Special Voting Share C during the designated conversion period.

There will be two windows where holders of Special Voting Shares C may apply for conversion of such shares, together with the corresponding qualifying ordinary shares C, into Special Ordinary Shares: (i) the first conversion period will start on 1 November 2028 and end on 30 November 2028; and (ii) the second conversion period will start on 1 November 2030 and end on 30 November 2030.

The second conversion period will allow all ordinary shares as of 30 November 2020 to qualify for conversion into Special Ordinary Shares. Indeed, all shareholders who opted to become eligible for Special Voting Shares before 30 November 2020 may qualify for holding Special Voting Shares C and therefore for being entitled to such conversion into Special Ordinary Shares during the second conversion period. The Special Ordinary Shares have equal economic and administrative rights as the existing ordinary shares and will not be listed on a regulated market. The Special Ordinary Shares Terms approved by the Company set forth the features of the Special Ordinary Shares.

Major Shareholders

Based on the information included in the Company's shareholder register, the regulatory filings with the AFM and the other sources available to the Company, the shareholders holding shares in excess of three percent of voting rights of the Company, as of 31 December 2020, are the following.

Shareholders	Ordinary Shares ⁽¹⁾	% of Ordinary Shares	Special Voting Shares A ⁽²⁾	Ordinary Shares and Special Voting Shares A	% of Ordinary Shares and Special Voting Shares A
Lagfin S.C.A., Société en Commandite par Actions	625,482,132	53.8%	592,416,000	1,217,898,132	66.6%
Cedar Rock Capital ⁽³⁾	66,571,521	5.7%	57,960,038	124,531,559	6.8%
Other shareholders	427,352,540	36.8%	1,752,304	429,104,844	23.5%
Treasury shares ⁽⁴⁾	42,193,807	3.6%	13,590,000	55,783,807	3.1%
Total	1,161,600,000	100.0%	665,718,342	1,827,318,342	100.0%

⁽¹⁾ Ordinary shares are listed, freely transferable and each of them confers the right to cast one vote.

⁽²⁾ Special Voting Shares do not confer economic rights, are not listed and are not transferable.

⁽³⁾ Relevant disclosures available on: <https://www.afm.nl/en/professionals/doelgroepen/effectenuitgevende-ondernemingen/meldingen/substantieel>

⁽⁴⁾ Includes Special Voting Shares A transferred to the Company upon the sale of Qualifying Ordinary Shares by the selling shareholder in accordance with clause 11.5 of the SVS Terms.

⁵⁴ Each Special Voting Share A carries one additional vote.

⁵⁵ Each Special Voting Share B carries four additional vote.

⁵⁶ Each Special Voting Share C carries nine additional vote.

The Company is controlled by Lagfin S.C.A., Société en Commandite par Actions with 66.6% of voting rights as of 31 December 2020. The Company's Chairman Luca Garavoglia indirectly controls Lagfin S.C.A., Société en Commandite par Actions, and is thus the controlling shareholder of the Company.

Corporate Governance Report

1. Issuer Profile

Following the transfer of Davide Campari-Milano N.V.'s (the 'Company' and, together with its subsidiaries, the 'Group') registered office from Italy to the Netherlands, with simultaneous transformation into a *naamloze vennootschap* (N.V.) on 4 July 2020 ('Redomiciliation'), the Company is a public limited liability company incorporated under the laws of the Netherlands.

Campari's shares are listed on the *Mercato Telematico Azionario* organised and managed by Borsa Italiana S.p.A. (the 'Italian Stock Exchange').

As regards its corporate governance, after the Redomiciliation Campari ceased to apply the Italian Corporate Governance Code of Listed Companies (*Codice di Autodisciplina delle Società Quotate*), while it started to comply with the Dutch Corporate Governance Code (the 'DCGC') which contains principles and best practice provisions that regulate relations *inter alia* between the Board of Directors and the shareholders, including the general meeting of the Company (the 'General Meeting'), for listed companies. Such principles may be regarded as reflecting the general views on good corporate governance and create a set of standards governing the conduct of the listed companies' corporate bodies.

In this report the Company addresses its overall corporate governance structure. The Company discloses and intends to disclose any departure from the principles and the best practice provisions of the DCGC in this and in its future annual reports.

The Company has elected the Netherlands as its home Member State pursuant to Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004, as subsequently amended and restated.

2. Board of Directors

Appointment of Directors and Composition of the Board of Directors

Upon Redomiciliation the Company has adopted a one-tier governance structure. This structure does not foresee a board of statutory auditors and, therefore, the Company's board of statutory auditors (in place until the consummation of the Redomiciliation) ceased to hold office as from 4 July 2020 and no board of statutory auditors was then re-appointed.

As provided for in Articles 14 and 15 of the Articles of Association, the Company has a board of directors consisting of at least three and at most fifteen directors ('Board of Directors'), comprising both executive directors having responsibility for the day-to-day management of the Company ('Executive Directors') and non-executive directors not having such day-to-day responsibility ('Non-Executive Directors', and together with the Executive Directors, the 'Directors'). The total number of Directors, as well as the number of Executive Directors and Non-Executive Directors, is determined by the Board of Directors.

Directors are appointed by the General Meeting. The Board of Directors nominates a candidate for each vacant seat. A nomination by the Board of Directors is binding. However, the General Meeting may deprive the nomination of its binding character by a resolution passed with an absolute majority of the votes cast. If the binding nomination is not deprived of its binding character, the person nominated will be deemed appointed. If the nomination is deprived of its binding character, the Board of Directors is allowed to make a new binding nomination. Pursuant to the Articles of Association and the DCGC, the term of office of Directors may not exceed a maximum period of four years.

The Board of Directors currently consists of ten members. All of them, except for Fabio Facchini, were appointed by the General Meeting held on 16 April 2019 and they will remain in office for a three-year period expiring at the closure of the annual General Meeting to be held in 2022.

After a binding nomination of the Board of Directors, Fabio Facchini was appointed by the General Meeting on 18 September 2020 as Non-Executive Director for the period expiring at the closure of the annual General Meeting to be held in 2022. Fabio Facchini is considered independent within the meaning of the DCGC and, as pointed out in the agenda and explanatory notes of the extraordinary General Meeting of 18 September 2020, the Board of Directors highlighted that Fabio Facchini's audit and general management expertise will provide a valuable contribution to the Board of Directors.

The Company's Board of Directors is composed of the following members:

Luca Garavoglia (Chairman, Non-Executive Director)

Luca Garavoglia was born in Milan, Italy in 1969. He holds a degree in Business from Bocconi University in Milan. Since 1994, he is the Chairman of the Board of Directors of Davide Campari-Milano N.V. Since he took such office, Campari Group has experienced a material expansion through a combination of organic growth and selective acquisitions of brands and businesses over various geographies and categories, thus becoming the six-largest player worldwide in the global spirits industry, trading in over 190 nations around the world with leading positions in Europe and the Americas (creating a portfolio of over 50 premium and super premium brands). Moreover, during his tenure, significant corporate transactions have been successfully pursued, such as, among others, the IPO of Davide Campari-Milano S.p.A. at the Italian Stock Exchange in 2001, the issuance of several Eurobonds and the completion of the Redomiciliation.

Robert Kunze-Concewitz (Executive Director and Chief Executive Officer)

Robert Kunze-Concewitz, an Austrian citizen, was born in Istanbul, Turkey in 1967. After graduating from Hamilton College (USA), he earned an MBA from Manchester Business School. Bob joined Procter & Gamble as FP&A analyst, position that he covered for two years. He then continued his career in the marketing department occupying various positions of increasing responsibility within an international realm. Following numerous assignments in strategic planning and business ownership he became Group Marketing Director in the Global Prestige Products division. He joined the Group as Group Marketing Director in October 2005 developing and implementing new marketing strategies for the Group's international brands. In May 2007, he was appointed Chief Executive Officer.

Paolo Marchesini (Executive Director and Chief Financial Officer)

Paolo Marchesini was born in Milan, Italy in 1967. He holds a degree in Economics and Business Administration from Bocconi University in Milan. He joined a private consultancy firm in 1991. Since 1993, he is a Professional Chartered Accountant and a Registered Accounting Auditor of the Italian Ministry of Economy and Finance. Paolo joined the Group in 1997 occupying various positions in the Finance division. In 2000 he was appointed Chief Financial Officer. In 2001, he joined the Board of Directors of Davide Campari-Milano S.p.A. and was appointed Managing Director in 2004. During his 21-year tenure as Group CFO, he led the IPO of Davide Campari-Milano S.p.A. on the Italian Stock Exchange in 2001, developed an effective relationship with the investors' community and managed several deals supporting the Group's expansion through external growth.

Fabio Di Fede (Executive Director, Group General Counsel and Business Development Officer)

Fabio Di Fede was born in France in 1972. After completing a Master in International Business Law at the University of Aix-Marseille, he graduated from the Master of Commerce Program of the University of Sydney. He began his career at Ernst & Young in Monaco and then joined Gruppo Campari in 1999 as International Legal Counsel to become Business Development Manager in 2003. He then joined Campari International in 2008 to take the Market Development Director role, quickly rising to the position of Deputy Managing Director the following year. In March 2011, Fabio was appointed Managing Director International. After serving as CEO of a family office based in Monaco, Fabio joined the Société des Produits Marnier-Lapostolle in May 2016 as Managing Director. Starting from 1 January 2018, Fabio Di Fede holds the position of General Counsel and Business Development Officer and also the position of secretary of the Board of Directors.

Alessandra Garavoglia (Non-Executive Director)

Alessandra Garavoglia was born in Rome, Italy in 1960. She holds a degree in Modern Foreign Languages from 'Università degli Studi' in Milan.

Eugenio Barcellona (Non-Executive Director)

Eugenio Barcellona was born in Catania, Italy in 1969. He graduated in law from the University of Catania in 1993 and subsequently he specialised in corporate law at the Catholic University of the Sacred Heart (*Università Cattolica del Sacro Cuore*) of Milan writing his first monograph. From 1994 to 1995 he was Visiting Scholar at Harvard Law School in Cambridge, MA, and in 2001 at the Law School of the Albert-Ludwigs-Universität, in Freiburg, Germany. In 1996 he joined Grande Stevens Law Firm in Turin, Italy, where he became equity partner in 2000. In 2011 he joined the partnership of Pedersoli Studio Legale, where he is practicing corporate and commercial law and litigation still today. Since 2005, he is Associate Professor of Corporate Law at the University of Eastern Piedmont. Eugenio Barcellona is author of several articles and books in corporate and financial law relating in particular to governance issues, agency problems and gatekeepers institution.

Annalisa Elia Loustau (Non-Executive Director)

Annalisa Elia Loustau was born in 1966. She has a degree in Law from La Sapienza University in Rome. She started her career at Procter & Gamble in 1989, first in Rome and Paris, and then at the international headquarters in Geneva until 2001. She was in charge of worldwide marketing for Pampers, the largest brand of Procter & Gamble group. Afterwards, she joined L'Oréal headquarters as General Manager of several cosmetic brands. In 2004, she joined the Cartier executive committee as Worldwide General Manager. From 2008 to January 2021 she sat on the executive committee of Printemps Group as Omnichannel Chief Marketing Officer, with a focus on digital transformation and client experience.

Catherine Gérardin-Vautrin (Non-Executive Director)

Catherine Gérardin-Vautrin was born in Versailles, France, in 1959. She holds a master's degree in English and French Law (Sorbonne/Paris - King's College/London) and is also graduated at HEC business school in France. She started her career at Louis Vuitton Malletier, where she was head of global store image and then director of men's and women's ready-to-wear.

From 2011 to 2014, she was the CEO of Cerruti where she implemented a significant repositioning of the brand. Before, she was the CEO of Emilio Pucci. From February 2017 to September 2018 she was the CEO of Paule Ka, a Parisian fashion house of women's ready to wear. She is now a recognised manager in the fashion industry.

Michel Klersy (Non-Executive Director)

Michel Klersy is a Non-Executive Director of Davide Campari-Milano N.V. since 2019. He has more than 30 years of experience in consumer goods companies including Mars Inc, Coty and PepsiCo. During his 22 years at Mars he has been Sales and Marketing Director, General Manager in three business units and Regional President Europe. After leaving Mars, he joined Coty where he was Regional President Europe for the cosmetic company. Since 2017, he is also Senior Advisor for Bain & Co.

Fabio Facchini (Non-Executive Director)

Fabio Facchini was born in Rimini, Italy in 1955. He is a chartered accountant since 1979 and is enrolled in the Register of the Legal Auditors since its inception, in 1995. From 1988 to 2015 he has been a partner at PricewaterhouseCoopers, where he held internal senior positions, having been member *inter alia* of the Executive Committee and in charge of the Milan office. He has been in charge of the audit of various listed Italian companies and of Italian subsidiaries of large international groups. From 2008 to 2017 he has been contract professor at the Catholic University of the Sacred Heart (*Università Cattolica del Sacro Cuore*) of Milan and in 2015 at the Pavia University also.

After the Redomiciliation in order to grant continuity to the Company's business organisation and operations, the Board of Directors granted substantially the same powers to Robert Kunze-Concewitz, Paolo Marchesini and Fabio Di Fede as were granted to them before the Redomiciliation.

The table below lists the names of the members of the Board of Directors in office as of 31 December 2020, as well as other relevant information on the Directors.

Competences

The Board of Directors is entrusted with the management of the Company. Each Director owes a duty to the Company to properly perform the duties assigned to each Director and to act in the Company's corporate interest. Under Dutch law and the DCGC, the Company's corporate interest extends to the interests of all its stakeholders, including its shareholders, creditors and employees.

In accordance with the DCGC, the Board of Directors focuses on long-term value creation for the Company and its affiliated enterprise and takes into account the stakeholders' interests that are relevant in this context.

The Executive Directors are responsible for the Company's day-to-day management, which includes, among other things, formulating its strategies and policies and setting and achieving its objectives. The Non-Executive Directors do not have day-to-day responsibility and are charged with the supervision of the Executive Directors, the general course of affairs of the Company and the Group.

The responsibility for the management of the Company is vested collectively in the Board of Directors.

Board Regulations

The Board of Directors approved the 'By-Laws of the Board' on 28 July 2020. The By-Laws of the Board are complementary to the provisions regulating the Board of Directors and its members as contained in relevant laws and regulations and the Articles of Association. The By-Laws of the Board describe the duties, tasks, composition, procedures and decision-making of the Board of Directors.

The meetings of the Board of Directors are in principle called by the chairman of the Board of Directors (the 'Chairman'). Save in urgent cases to be determined by the Chairman, the agenda for a meeting must be sent to all Directors at least seven calendar days before that meeting. Board of Directors' meetings are generally held at

the offices of the Company in Italy but may also take place elsewhere. No meetings of the Board of Directors or meetings of a committee take place in the Netherlands. In addition, meetings of the Board of Directors may be held by conference call, video conference or by any other means of communication, provided all participants can communicate with each other simultaneously. A Director may be represented at Board of Directors' meetings by another Director holding a proxy in writing. Board of Directors' meetings are presided over by the Chairman or, in his absence, the CEO. The Directors endeavour to achieve that resolutions are, as much as possible, adopted unanimously. Each Director has the right to cast one vote. Where unanimity cannot be reached, all resolutions of the Board of Directors are adopted by an absolute majority of the votes cast. The Board of Directors has not designated types of resolutions which are subject to deviating requirements. At a meeting, the Board of Directors may only pass resolutions if the majority of the Directors then in office are present or represented.

Indemnification of Directors

Pursuant to Article 24 of the Articles of Association, to the extent permitted by applicable laws, the Company will indemnify and hold harmless each Director, both former members and members currently in office ('Indemnified Person'), against any and all liabilities, claims, judgments, fines and penalties ('Claims') incurred by the same as a result of any expected, pending or completed action, investigation or other proceeding, whether civil, criminal or administrative ('Legal Action'), of or initiated by any party other than the Company itself or a group company (*groepsmaatschappij*) thereof, in relation to any acts or omissions in or related to his capacity as an Indemnified Person.

Notwithstanding the above, no indemnification shall be made in respect of Claims in so far as they relate to the gaining in fact of personal profits, advantages or remuneration to which the Director was not legally entitled, or if the Indemnified Person has been adjudged to be liable for wilful misconduct (*opzet*) or intentional recklessness (*bewuste roekeloosheid*).

The Company has in place an adequate insurance covering the above claims against Directors currently in office and former Directors (D&O insurance).

Also in case of a Legal Action against the Indemnified Person by the Company itself or its group companies (*groepsmaatschappijen*), the Company will settle or reimburse to the Indemnified Person his reasonable attorneys' fees and litigation costs, but only upon receipt of a written undertaking by that Indemnified Person that he will repay such fees and costs if a competent court in an irrevocable judgment has resolved the Legal Action in favour of the Company or the relevant group company (*groepsmaatschappij*) rather than the Indemnified Person.

Conflict of Interest: Directors' Interests and Related Party Transactions Policy

Pursuant to Article 21 of the Articles of Association, a Director having a conflict of interests or an interest which may have the appearance or such a conflict of interests, must declare the nature and extent of that interest to the other Directors.

A Director may not participate in deliberating or decision-making within the Board of Directors, if with respect to the matter concerned, he or she has a direct or indirect personal interest that conflicts with the interests of the Company and the business connected with it. During the year under review, no conflict of interests matters occurred with respect to the Company and its Directors.

Following the Redomiciliation, the Company is no longer subject to the CONSOB Regulation No. 17221/2010 on related party transactions and, for this purpose, the Board of Directors approved a new related party transaction policy in line with the Dutch corporate law framework. Pursuant to the related party transaction policy of the Company, the decision making process of a related party transaction is structured as follows:

- all related party transactions that fall within the scope of Sections 2:167 up to and including 2:170 of the Dutch Civil Code are submitted to the Control and Risks Committee. The Control and Risks Committee will consider all relevant facts and circumstances of the transaction (including without limitation the commercial reasonableness of the terms, the benefit and perceived benefit to the Company, opportunity costs of alternate transactions, the materiality and nature of the related party's direct or indirect interest, and the actual or apparent conflict of interest of the related party);
- following its review, the Control and Risks Committee will submit for approval of the Board of the Directors only transactions which are "material" pursuant to Section 2:167 of the Dutch Civil Code;
- the Board of Directors will examine and eventually approve these "material" transactions only with the favourable vote of the majority of the Non-Executive Directors (who do not have a conflict of interest) and give appropriate disclosure of such approval through a press release.

There have been no such related party transactions as referred to above in 2020.

In accordance with the applicable provisions of the Dutch Civil Code, the following are excluded from the scope of the policy: (i) transactions between subsidiaries or the Company and a subsidiary; (ii) transactions concerning the remuneration of members of the Board of Directors pursuant to Section 135 of the Dutch Civil Code, and (iii) transactions offered to all shareholders on the same terms with due observance of the equal treatment of shareholders.

Committees

The Company has established two internal committees within its Board of Directors: (i) a Control and Risks Committee, which operates as an audit committee pursuant to Dutch law and the DCGC, and (ii) a Remuneration and Appointment Committee, in line with what was in force before the Redomiciliation.

On 28 July 2020, the Board of Directors approved the 'Terms of Reference' for both internal committees. The composition of the committees is determined by the Board of Directors and remained unchanged after the Redomiciliation (*i.e.* Eugenio Barcellona, Annalisa Elia Loustau and Catherine Gérardin-Vautrin), except for Fabio Facchini who was appointed as a new member of the Control and Risks Committee on 18 September 2020 following his appointment as Non-Executive Director.

The Board of Directors remains collectively responsible for the decisions taken by the committees. Each committee may only exercise such powers as are explicitly attributed to it by the Board of Directors and may never exercise powers beyond those exercisable by the Board of Directors as a whole.

In accordance with best practice provision 2.3.5 of the DCGC, the Non-Executive Directors have been regularly informed by each committee of their deliberations and findings and these were taken into account when drafting this report.

3. Control and Risks Committee

Functions

The Control and Risks Committee carries out the following functions pursuant to the DCGC and the Terms of Reference of the Control and Risks Committee:

- monitoring the financial-accounting process and the efficiency of the internal management system, the internal audit system and the risk management system with respect to financial reporting;
- monitoring the statutory audit of the annual accounts, and process of such audit;
- reviewing and monitoring the independence of the external auditor and adopting procedures relating to the selection of the external auditor and other services provided by the external auditor to the Group;
- undertaking preparatory work for the Board of Directors' decision-making regarding the supervision of the integrity and quality of the Company's financial reporting and the effectiveness of the Company's internal risk management and control systems. Among other things, it focuses on monitoring the Board of Directors with regard to (i) relations with, and compliance with recommendations and following up of comments by, the internal and external auditors, (ii) the funding of the Company, (iii) the application of information and communication technology by the Company, including risks relating to cybersecurity, and (iv) the company's tax policy.

Composition

The Control and Risks Committee currently consists of Eugenio Barcellona (chairman), Annalisa Elia Loustau, Catherine Gérardin-Vautrin and Fabio Facchini (who is an expert in accounting and auditing matters, including competence in the preparation and auditing of the financial statements), as required by best practice provision 2.1.4 of the DCGC. All members of the Control and Risks Committee, except for Eugenio Barcellona, are independent within the meaning of the DCGC.

Upon invitation of the committee, Chief Financial Officer, Paolo Marchesini, and the external auditor attended certain committee meetings when deemed appropriate due to the matters discussed.

The number of meetings of the Control and Risks Committee and the main items discussed or reviewed during these meetings have been set out in the report of the Non-Executive Directors below.

4. Remuneration and Appointment Committee

Functions

The Remuneration and Appointment Committee carries out the following functions pursuant to DCGC and the Terms of Reference of the Remuneration and Appointment Committee:

- making proposals to the Board of Directors about the remuneration policy for the Executive Directors and Non-Executive Directors, to be submitted to the General Meeting;
- making proposals about the remuneration of the Executive Directors, including, among others, the performance targets of the variable elements and the assignment of stock options in accordance with the stock option plan;
- monitoring the adequacy of the remuneration policy and preparing the remuneration report;
- making recommendations on the composition of the Board of Directors considering the expertise and background of its members;
- making proposals for re-appointments;
- making proposals on the maximum number of directorships each Director can hold;
- upon request by the Board of Directors, analysing and preparing a report on potential conflicts of interest for Directors deriving from having accepted positions on corporate bodies of other listed and/or unlisted companies.

Moreover, the Remuneration and Appointment Committee carries out consultative and advisory functions for the Board of Directors, as regards particularly the nomination and remuneration of managers with strategic responsibilities of the Company and the Group, in particular by:

- expressing its prior opinion on proposed new appointments and/or changes to the Group's senior appointments that the Executive Director(s) intend(s) to submit to the Board of Directors;
- making proposals to the Board of Directors for determining the general policy regarding the remuneration of managers with strategic responsibilities;
- regularly assessing the adequacy, overall consistency and practical application of the general policy for the remuneration of managers with strategic responsibilities, obtaining information provided by the Executive Directors and/or by the Company's offices.

When performing its duties, the Remuneration and Appointment Committee takes the Company's Diversity Policy into consideration.

As explained under section 'Compliance with the DCGC', the Board of Directors has resolved that the Remuneration and Appointment Committee will not carry out the following functions:

- drawing up the selection criteria and appointment procedures for Directors;
- periodic assessment of the size and composition of the Board of Directors;
- drawing up a plan for the succession of Directors;
- proposals for the nomination and re-nomination of Executive and Non-Executive Directors to be appointed by the General Meeting; and
- periodic assessment of the performance of individual Directors and reporting on this to the Board of Directors.

Composition

The Remuneration and Appointment Committee currently consists of Eugenio Barcellona (chairman), Annalisa Elia Loustau and Catherine Gérardin-Vautrin. All members of the Remuneration and Appointment Committee, except for Eugenio Barcellona, are independent within the meaning of the DCGC.

Several non-members of the Committee attended certain Committee's meetings, upon invitation by the latter, to discuss specific items on the agenda.

The number of meetings of the Remuneration and Appointment Committee and the main items discussed or reviewed during these meetings have been set out in the report of the Non-Executive Directors below.

5. Internal Control over Financial Reporting

The Company has a system of administrative and accounting procedures in place that ensure a high degree of reliability in the system of internal control over financial reporting.

The Company has adopted the processes necessary to align its own financial information control system with international best practice ensuring the reliability, accuracy and timeliness of its financial information.

For the specific purpose of guaranteeing a steady and efficient flow of financial and operational information between the Company and the subsidiaries, the Group has a shared information system with verified and standardised access, supplemented by formalised operational guidelines.

Consolidated reporting is thus covered by a Group 'accounting plan', by specific tools issued by the Company to the subsidiaries to produce accounting information for the purposes of consolidation, updated at least annually, and by a process for closing the financial statements, which sets out deadlines and methods for annual and interim closures of the accounts. For further details, please refer to paragraph 'Risk management and Internal Control System' of this governance section.

The Company is responsible, through the administrative department that deals with the consolidation process, for implementing and circulating the above documentation to Group companies.

The Company's approach to assess, monitor and continuously update the internal control system for financial information focuses on the areas of greatest risk and/or importance and on risks of a significant error (including due to fraud) in the components of the financial statements and the related information documents.

6. Internal Audit Function

The Company has a separate department for the internal audit function and the Board of Directors appoints the Head of Internal Audit. The Head of Internal Audit does not have any operating responsibilities and reports to the Chairman, rather than to any managers working in operational areas, including administration and finance. The Chairman can ensure a more timely and accurate check of the activities carried out by the Head of Internal Audit than the Board of Directors, without compromising the autonomy and the independence of the Board of Directors. The internal audit function:

- conducts checks to ensure the efficiency and suitability of the internal control and risk management system following the audit plan in compliance with applicable international standards;
- has direct access to all information needed to carry out his duties;
- provides regular updates on his activities to the Control and Risks Committee and the Board of Directors;
- performs investigations on specific events upon request of the Board of Directors or Executive Directors;
- checks any reports of breaches of the Code of Ethics and the Organisational, Management and Control Model, pursuant to Legislative Decree 231 of 8 June 2001, received in the e-mail inbox organismo231@campari.com

- or the 'Campari Safe Line' whistleblowing service, submitting them for assessment by the Control and Risks Committee;
- checks, based on the audit plan, the reliability of the IT systems used in the financial reporting systems; and
- oversees sustainability issues.

7. Supervisory Body and Organisational Model pursuant to Legislative Decree 231 of 8 June 2001

In addition to the Non-Executive Directors charged with the supervision of the Executive Directors, the Company also has a supervisory body (*Organismo di Vigilanza*) adopted according to the 'Organisation, Management and Control Model' (the 'Model') pursuant to the Italian Legislative Decree 231 of 8 June 2001.

Such corporate body is responsible for monitoring that the Company acts in compliance with the Model and for proposing amendments required under Italian law. The Model is designed to prevent the offences specified in the Italian Legislative Decree 231 of 8 June 2001, with a focus on offences against the public administration, corporate and financial offences and breaches of health & safety regulations at work.

The members of the supervisory body (*Organismo di Vigilanza*), i.e., Fabio Facchini (chairman), Enrico Colombo and Piera Tula, have not changed upon completion of the Redomiciliation.

8. General Meetings

The main powers of the General Meeting relate to:

- the appointment, suspension and dismissal of Directors;
- the approval of the remuneration policy of the Board of Directors;
- the adoption of the annual financial statements and declaration of dividends on shares;
- the release from liability of the members of the Board of Directors;
- the issuance of shares or rights to shares, restriction or exclusion of pre-emptive rights of shareholders and repurchase or cancellation of shares;
- amendments to the Articles of Association; and
- resolutions of the Board of Directors that would entail a significant change to the identity or character of the Company or its business.

Pursuant to Article 30 and subsequent of the Articles of Association, every year, no later than the end of June, a General Meeting shall be held. The agenda of such annual General Meeting shall include the following subjects:

- discussion of the report of the Board of Directors;
- discussion and adoption of the annual accounts;
- dividend proposal (if applicable);
- appointment of Directors (if applicable);
- appointment of an external auditor (if applicable);
- other subjects presented for discussion or voting by the Board of Directors and announced with due observance of the provisions of the Articles of Association, as for instance: (i) release of Directors from liability; (ii) discussion of the policy on reserves and dividends; (iii) designation of the Board of Directors as the body authorised to issue shares; and/or (iv) authorisation of the Board of Directors to make the Company acquire own shares.

Other General Meetings may be held whenever the Board of Directors deems such to be necessary.

Calling of General Meetings

Notice of General Meetings is given by the Board of Directors with due observance of the statutory notice period of 42 days and stating, *inter alia*:

- the items to be discussed;
 - the venue and time of the meeting;
 - the requirements for admittance to the meeting as applicable;
 - the address of the Company's website,
- and any other information as may be required by law.

Further communications which must be made to the General Meeting pursuant to the law or the Articles of Association can be made by including such communications either in the notice, or in a document which is deposited at the Company's office for inspection, provided a reference thereto is made in the notice itself.

Notice of General Meetings will be given in accordance with the requirements of Dutch law and the rules and regulations applicable to the Company pursuant to the listing of its shares. The Board of Directors may determine that shareholders and other persons entitled to attend the General Meeting will be given notice of meetings exclusively by announcement on the website of the Company or through other means of electronic public announcement.

Shareholders and other persons entitled to attend the General Meeting, who, alone or jointly, meet the requirements set forth in Section 2:114a subsection 2 of the Dutch Civil Code, will have the right to request the Board of Directors to place items on the agenda, provided the reasons for the request must be stated therein and

the request must be received by the Chairman or the Chief Executive Officer in writing at least 60 days before the date of the General Meeting.

Furthermore, shareholders solely or jointly representing at least ten percent of the issued share capital may request the Board of Directors, in writing, to call a General Meeting, stating the matters to be dealt with. If the Board of Directors fails to call a meeting, then such shareholders may, on their application, be authorised by the court in preliminary relief proceedings (*voorzieningenrechter van de rechtbank*) to convene a General Meeting. Such application may be rejected if the court is not satisfied that the applicants have previously requested the Board of Directors in writing, stating the exact subjects to be discussed, to convene a General Meeting.

Venue

General Meetings may be held in Amsterdam or Haarlemmermeer (including Schiphol Airport).

Chairman

The General Meetings are chaired by the Chairman. However, the Board of Directors may also appoint another person to chair the General Meeting. The chairman of the meeting has all the powers he or she may deem necessary to ensure the proper functioning of the General Meeting.

Rights at General Meeting and Admittance

Each shareholder and each other person entitled to attend the General Meeting is authorised to attend, to speak at, and to the extent applicable, to exercise voting rights in the General Meeting. They may be represented by a proxy holder authorised in writing.

For each General Meeting, a statutory record date will be applied in order to determine in which persons voting rights are vested and which persons are entitled to attend the General Meeting. The record date is the 28th day before the relevant General Meeting. The manner by which persons entitled to attend the General Meeting can register and exercise their rights are set out in the notice convening the meeting.

A person entitled to attend the General Meeting or his proxy may only be admitted to the meeting if he or she has notified the Company of his intention to attend the meeting in writing at the address and by the date specified in the notice of meeting. The proxy is also required to produce written evidence of his mandate.

The Board of Directors is authorised to determine that the voting rights and the right to attend the General Meeting can be exercised by using an electronic means of communication. If so decided, it will be required that each person entitled to attend the General Meeting, or his proxy holder, can be identified through the electronic means of communication, follow the discussions in the meeting and, to the extent applicable, exercise the voting right. The Company is authorised to apply such verification procedures as it reasonably deems necessary to establish the identity of the persons entitled to attend the General Meeting and, where applicable, the identity and authority of representatives. The Board of Directors may also determine that the electronic means of communication used must allow each person entitled to attend the General Meeting or his proxy holder to participate in the discussions. The Board of Directors may determine further conditions to the use of electronic means of communication, provided such conditions are reasonable and necessary for the identification of persons entitled to attend the General Meeting and the reliability and safety of the communication. Such further conditions will be set out in the notice of the meeting. The foregoing does, however, not restrict the authority of the chairman of the meeting to take such action as he or she deems fit in the interest of the meeting being conducted in an orderly fashion. Any non or malfunctioning of the means of electronic communication used is at the risk of the persons entitled to attend the General Meeting using the same.

The company secretary arranges for the keeping of an attendance list in respect of each General Meeting. The Directors have the right to attend the General Meeting in person and to address the meeting. They have the right to give advice in the meeting. Also, the external auditor of the Company is authorised to attend and address the General Meetings. The chairman of the meeting decides upon the admittance to the meeting of other persons. The official language of the General Meetings is English.

Voting Rights and Adoption of Resolutions

Each Ordinary Share confers the right to cast one vote. Each Special Voting Share A confers the right to cast one vote, each Special Voting Share B confers the right to cast four votes and each Special Voting Share C confers the right to cast nine votes. Each Special Ordinary Share confers the right to cast twenty votes. Please see the paragraph 'Shareholding Structure' included in this governance section for further information on the Company's capital structure, the types of shares (i.e., ordinary shares and special voting shares), and related rights and obligations.

At the General Meeting, all resolutions will be adopted by an absolute majority of the votes validly cast, except in those cases in which the law or the Articles of Association require a greater majority. Blank and invalid votes will be regarded as not having been cast.

Meetings of Classes of Shares

Meetings of holders of Ordinary Shares, Special Ordinary Shares, Special Voting Shares A, Special Voting Shares B, or Special Voting Shares C ('Class Meetings') are held whenever the Board of Directors calls such meetings. Except as otherwise provided in the Articles of Association, all resolutions of a Class Meeting will be adopted by an absolute majority of the votes cast on shares of the relevant class, without a quorum being required.

Minutes

Minutes are kept of the proceedings at the General Meeting by, or under supervision of, the company secretary, which is adopted by the chairman of the meeting and the secretary and is signed by them as evidence thereof. The minutes of the General Meeting are made available, on request, to the shareholders no later than three months after the end of the meeting, after which the shareholders have the opportunity to react to the minutes in the following three months. During 2020, the annual General Meeting was held on 27 March 2020 and on 18 September 2020 an extraordinary General Meeting was held. Minutes of these meetings are available on the Company's website.

9. Code of Ethics

In 2004, the Company adopted a code of ethics (the 'Code of Ethics') explicitly setting out the principles, the mission and values according to which the Group's directors, employees and permanent associates operate. In October 2020 the Board of Directors approved a new version of the Code of Ethics which entered into force in 2021.

The Group observes the principles of propriety, loyalty, honesty, impartiality and aversion to conflicts of interest in carrying out its business and those of confidentiality, transparency and completeness in managing corporate information. The Company monitors the effectiveness of and the compliance with the Code of Ethics.

The Internal Audit function investigates violations of the Code of Ethics by periodical or *ad hoc* audits. Periodical reporting is provided to the Chairman, the Executive Directors and the Control and Risks Committee.

In line with best practice provision 2.6.1 of the DCGC, the Group has a whistleblowing system, available to employees, customers and suppliers, *i.e.*, the Group's stakeholders, to report any breaches of the Code of Ethics or irregularities in the application of internal procedures. This dedicated information channel is confidential and maintains the anonymity of the individuals making the report. The procedure for reporting actual or suspected irregularities within the Group has been published on the company's homepage.

10. Diversity Policy

The Board of Directors adopted a diversity policy for the Board of Directors (the 'Diversity Policy') on 28 July 2020. The Company believes that diversity in the composition of the Board of Directors is an important mean of promoting debate, balanced decision-making and independent actions of the Board of Directors. The Remuneration and Appointment Committee reviews the Diversity Policy, monitors its effectiveness and makes proposals or suggestions when new members of the Board of Directors are appointed.

The Diversity Policy gives weight to the following diversity factors in the composition of the Board of Directors: age, gender, expertise, professional background, nationality and independence. The Board of Directors and the Remuneration and Appointment Committee consider such factors when evaluating nominees for election to the Board of Directors. These factors were also taken into account when Fabio Facchini was proposed for appointment by the General Meeting in September 2020.

The Company has achieved the following concrete targets: (i) at least 30% of the seats of the Board of Directors are occupied by women and at least 30% by men and (ii) at least 30% of the Non-Executive Directors are women and at least 30% of the Non-Executive Directors are men.

11. Inside Information and Insider Dealing

Following the Redomiciliation-being a Dutch N.V. whose shares are listed on an Italian regulated market-the Company's market abuse procedures were amended accordingly. In particular, the Board of Directors approved a revised version of (i) the Procedure for Processing and Managing Material and Inside Information and (ii) the Internal Dealing Policy.

The Procedure for Processing and Managing Material and Inside Information defines the methods, timescales and responsibilities for assessing the confidentiality of information, the conditions under which it may be disclosed to the public and those relating to any delay in disclosing said information. The Relevant Managers (as defined in the Internal Dealing Procedure) may not conclude, directly or indirectly, on their own account or on behalf of third parties, Transactions (as defined in the Internal Dealing Procedure) within the 30 calendar days prior the announcement of an interim financial report (including quarterly reports) or a year-end financial report.

The Company also maintains a so called insider list which includes all persons who, in the exercise of their employment, profession or duty, have access to inside information.

12. Relations with Shareholders and Investors

Following the Redomiciliation and in compliance with the DCGC, the Board of Directors approved the 'Policy on contacts with shareholders, including bilateral ones' on 28 July 2020 with the aim of maintaining an open and constructive dialogue with its shareholders and potential shareholders.

The Company communicates regularly with investors, shareholders and financial market operators in general, in order to provide complete, accurate and timely information on its operations, while complying with the applicable confidentiality requirements for certain types of information. Conversations with shareholders primarily take place during investor roadshows, investor conferences, company visits as well as in General Meetings but may also be held on a bilateral basis in case of one-to-one meetings.

The initiative to enter into a conversation with a shareholder is generally taken by the Company, specifically by the Investor Relations department, the function responsible for managing relations with shareholders and investors, or with the involvement of the CEO and CFO whenever appropriate.

The Company adheres to all legal obligations relating to confidentiality, disclosure of inside information and equal treatment of shareholders and only discusses publicly known information in one-on-one meetings.

The Company is committed to providing high quality and timely information to all shareholders in accordance with applicable law. Information will be made available on the Company's website: <https://www.camparigroup.com/en/page/investors>.

13. Compliance with the DCGC

The Company endorses the principles and best practice provisions of the DCGC, except for the following best practice provisions which are explained below:

Best practice provision 2.2.5 of the DCGC (Duties of the selection and appointment committee)

Pursuant to best practice provision 2.2.5 of the DCGC, the Remuneration and Appointment Committee should, among others, (i) draw up the selection criteria and appointment procedures for Directors, (ii) periodically assess the size and composition of the Board of Directors and make a proposal for a composition profile of the Non-Executive Directors and (iii) draw up a plan for the succession of Directors.

After consultation with the Remuneration and Appointment Committee, the Board of Directors concluded that a succession plan for Executive Directors is unable to ensure, in the reality of corporate life, the timely replacement of Executive Directors who stand down from their positions on or before the completion of their mandate, when the composition of the Company's shareholder structure is also taken into consideration.

It was decided that such documents can easily become abstract statements of principles, perhaps produced with the help of expensive consultants, and often containing obvious recommendations for requirements of ability, professionalism and integrity that persons performing these roles should necessarily possess, or unhelpful, complicated procedures for the selection of ideal candidates.

The Board of Directors took this decision at its meeting on 12 March 2013 and, thereafter, when approving subsequent reports, believing it to be preferable, from the point of view of good corporate governance, for the Company not to incur expenses for activities that are of no clear benefit.

In addition, the Remuneration and Appointment Committee will not periodically assess the size and composition of the Board of Directors and its committees.

Best practice provisions 2.2.6 and 2.2.7 of the DCGC (Board evaluation)

Pursuant to best practice provisions 2.2.6 and 2.2.7 of the DCGC, Non-Executive Directors should evaluate their own functioning and the functioning of the Executive Directors.

The Board of Directors held the view that the actual application of such assessments does not provide any significant benefits. It appears somewhat unlikely that those carrying out a self-assessment would give a negative opinion about the functioning of their own board, nor would they push for an opportunity to introduce new professional profiles without implicitly admitting that the current Directors did not possess the qualities needed to carry out their duties.

Equally, the Board of Directors does not plan to entrust this assessment to a consultancy company, since this would certainly not satisfy the need for third-party independent judgement but would generate a cost for the Company.

The Board of Directors took this decision at its meeting on 12 March 2013 and, thereafter, when approving subsequent reports, believing it to be preferable, from the point of view of good corporate governance, for the Company not to incur expenses for activities that are of no clear benefit.

Best practice provisions 2.1.7 and 2.1.8 of the DCGC (Independent Directors)

Pursuant to best practice provisions 2.1.7 and 2.1.8 of the DCGC, at most one Non-Executive Director does not have to meet the independence criteria as set out in the DCGC. In addition, for each shareholder, or group of affiliated shareholders, who directly or indirectly holds more than ten percent of the shares in the Company, there

is at most one Non-Executive Director who may be affiliated with or representing such shareholder. In total, the majority of the Non-Executive Directors should be independent.

The Non-Executive Directors have determined that four of the seven Non-Executive Directors qualify as independent in accordance with the DCGC. In particular:

- Luca Garavoglia and Alessandra Garavoglia do not qualify as independent, as they directly or indirectly hold 100% of the Company's controlling shareholder, Lagfin S.C.A., Société en Commandite par Actions ('Lagfin'), which in turn, as of 31 December 2020, holds 53.8% of the Company's shares and 66.6% of the voting rights. It is believed, however, that the involvement of both Luca Garavoglia and Alessandra Garavoglia proves the commitment of the entire Garavoglia family to participate in the Company with spirit of homogeneity and compactness, in order to ensure continuity of control over the Company;
- Eugenio Barcellona does not qualify as independent as he has been a member of the Board of Directors since 2007. It is believed, however, that Eugenio Barcellona's deep knowledge of the Company as well as his overall knowledge of laws and regulations make him a most valuable Non-Executive Director.

Principle 2.3.2 of the DCGC (Establishment of committees)

Pursuant to best practice provision 2.3.2 of the DCGC, if the Board of Directors has more than four Non-Executive Directors, it shall appoint from among its members an audit committee, a remuneration committee and a selection and appointment committee.

The Company has combined the roles of the remuneration committee and the selection and appointment committee in one committee, the Remuneration and Appointment Committee. The Company feels that there would be no benefits for the Company, given its size and its simple organisational structure, in splitting the Remuneration and Appointment Committee as prescribed under the DCGC.

Principle 2.3.6 of the DCGC (Vice-chairman of the Board of Directors)

Pursuant to Article 18.1 of the Company's Articles of Association the Board of Directors may designate one or more other Directors as vice-chairmen of the Board of Directors. However, so far, the Company feels that there would be no benefits for the Company, given its size and its simple organisational structure, in such an appointment.

Principle 3.1.2 of DCGC (Remuneration policy)

No performance criteria are applied to stock options that the Company typically grant but, since the stock options, depending on the plans, vest five or seven years after they are granted and all stock options may be exercised in the two years following the vesting of the right, the Company believes that the stock options are long-term in character.

14. Disclosures pursuant to Decree Article 10 EU-Directive on Takeovers

In accordance with the Dutch Decree Article 10 Takeover Director (*Besluit artikel 10 overnamerichtlijn*, the 'Decree'), the Company makes the following disclosures:

- a. for information on the Company's capital structure, the types of shares (i.e., ordinary shares and special voting shares), and related rights and obligations, and the issued share capital, please see the paragraph 'Major shareholders' of this governance section.

To summarise, the rights attached to ordinary shares and special ordinary shares comprise pre-emptive rights upon the issue of ordinary shares (with the understanding that holders of special ordinary shares will be entitled to the issue of special ordinary shares in lieu of ordinary shares), the right to attend General Meetings and to speak and vote at such meetings and to resolve on the distribution of such amount of the Company's profit as remains after allocation to the reserves and the payment of a dividend of 1% of the amount paid on the special voting shares in accordance with the Articles of Association. For information on the rights attached to the special voting shares reference is made to the Articles of Association and the SVS Terms, which can both be found on the Company's website.

As of 31 December 2020, the issued share capital of the Company consisted of 1,161,600,000 ordinary shares, representing approximately 63.57 percent of the aggregate issued share capital, and 665,718,342 special voting shares, representing approximately 36.43 percent of the aggregate issued share capital.

- b. The Company has imposed no limitations on the transfer of ordinary shares. Article 13 of the Articles of Association and the SVS Terms provide for transfer restrictions for special voting shares.
- c. For information on participations in the Company's capital for which a disclosure obligation exists under Sections 5:34, 5:35 and 5:43 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), please see the paragraph 'Major shareholders' of this governance section. There you will find a list of shareholders who are known to the Company to have holdings of three percent or more at the stated date.
- d. No special control rights or other rights accrue to shares in the capital of the Company other than the right of holders of ordinary shares to receive special voting shares if and when the terms and conditions as set out in Article 13.7 of the Articles of Association and the SVS terms are met.

- e. A mechanism for verifying compliance with a scheme allowing employees to subscribe for or to acquire shares in the capital of the Company or a subsidiary if the employees do not arrange for such verification directly is not applicable to the Company.
- f. No restrictions apply to voting rights attached to shares in the capital of the Company, nor are there any deadlines for exercising voting rights. The Articles of Association allow the Company to cooperate in the issuance of registered depository receipts for ordinary shares, but only pursuant to a resolution to that effect of the Board of Directors. The Company is not aware of any depository receipts having been issued for shares in its capital.
- g. The Company is not aware of the existence of any agreements with shareholders which may result in restrictions on the transfer of shares or limitation of voting rights, except for the circumstance that, pursuant to Lagfin's Articles of Association, Lagfin's main corporate purpose is the holding and maintenance of a controlling stake in the Company.
- h. The rules governing the appointment and dismissal of members of the Board of Directors are stated in the Articles of Association of the Company. Directors are appointed by the General Meeting. The Board of Directors nominates a candidate for each vacant seat. A nomination by the Board of Directors will be binding as described above in the section 'Board of Directors'. At a General Meeting, votes in respect of the appointment of a Director can only be cast for candidates named in the agenda of the meeting or explanatory notes thereto. The term of office of Directors may not exceed a maximum period of four years at a time. A Director who ceases office due to the expiry of his office is immediately eligible for reappointment. Each Director may be suspended or removed by the General Meeting at any time. A resolution of the General Meeting to suspend or remove a Director other than pursuant to a proposal by the Board of Directors requires an absolute majority of the votes cast. An Executive Director may also be suspended by the Board of Directors. A suspension by the Board of Directors may at any time be discontinued by the General Meeting. Any suspension may be extended one or more times but may not last longer than three months in the aggregate. If, at the end of that period, no decision has been taken on termination of the suspension or on removal, the suspension will end.
Pursuant to Article 40 of the Articles of Association, the General Meeting may pass a resolution to amend the Articles of Association with an absolute majority of the votes cast, but only on a proposal of the Board of Directors. Any such proposal must be stated in the notice of the General Meeting. In the event of a proposal to the General Meeting to amend the Articles of Association, a copy of such proposal containing the verbatim text of the proposed amendment will be deposited at the Company's office, for inspection by shareholders and other persons entitled to attend the General Meeting, until the end of the meeting. Furthermore, a copy of the proposal will be made available free of charge to shareholders and other persons entitled to attend the General Meeting from the day it was deposited until the day of the meeting.
- i. The general powers of the Board of Directors are stated in Article 17 of the Articles of Association and on 6 July 2020 each Executive Directors was granted a power of attorney to represent and act on behalf of the Company. According to Article 6.1 of the Articles of Association, the Board of Directors will be the competent corporate body to issue shares for a period of five years with effect from 27 November 2020. The Board of Directors is also authorised to limit or exclude pre-emptive rights of shareholders when issuing ordinary shares or granting rights to subscribe for ordinary shares, for the same term. After the five year term, shares may be issued pursuant to a resolution of the General Meeting unless the Board of Directors is designated to do so by the General Meeting. Such designation can be made each time for a maximum period of five years and can be extended each time for a maximum period of five years. A designation must determine the number of shares of each class concerned which may be issued pursuant to a resolution of the Board of Directors. A resolution of the General Meeting to designate the Board of Directors as the body of the Company authorised to issue Shares can only be withdrawn at the proposal of the Board of Directors. The body of the Company resolving to issue Shares must determine the issue price and the other conditions of issuance in the resolution to issue. After the five year term, pre-emptive rights may be restricted or excluded by a resolution of the General Meeting. However, with respect to an issue of Ordinary Shares pursuant to a resolution of the Board of Directors, the pre-emptive rights can be restricted or excluded pursuant to a resolution of the Board of Directors if and insofar as the Board of Directors is designated to do so by the General Meeting.
Pursuant to Article 9 of Articles of Association, the Company is entitled to acquire fully paid-up shares in its capital with due observance of the relevant statutory provisions. Acquisition of the Company's own shares for valuable consideration is permitted only if the General Meeting has authorised the Board of Directors to do so. Such authorisation will be valid for a period not exceeding eighteen months. The General Meeting must determine in the authorisation the number of shares which may be acquired, the manner in which they may be acquired and the limits within which the price must be set. The Board of Directors may, without authorisation by the General Meeting, acquire its own shares for the purpose of transferring such shares to employees of the Company or of a group company (*groepsmaatschappij*) under a scheme applicable to such employees, provided such shares are listed on a stock exchange.

- j. The Company is not a party to any significant agreements which will take effect, will be altered or will be terminated upon a change of control of the Company as a result of a public offer within the meaning of Section 5:70 of the Dutch Financial Supervision Act, provided that certain of the loan agreements entered into by the Company contain clauses that, as is customary for financing agreements of similar type, may require early repayment or termination in the event of a change of control of the Company.
- k. The Company did not enter into any agreement with a Director or employee of the Company providing for a payment upon the termination of employment as a result of a public offer within the meaning of Article 5:70 of the Dutch Financial Supervision Act.

Report of the Non-Executive Directors

Below is provided the report of the Non-Executive Directors of the Company for the financial year 2020, as referred to in best practice provision 5.1.5 of the DCGC.

Supervision by the Non-Executive Directors

The Non-Executive Directors are in charge of supervising the policies implemented by the Executive Directors and the general affairs of the Company and its affiliated enterprise, including the deployment of the strategy of the Company regarding long-term value creation.

With a view of maintaining supervision on the Company, the Non-Executive Directors regularly discussed strategic matters with the Executive Directors during meetings of the Board of Directors, such as the annual, half yearly and quarterly financial reports, (potential) acquisitions and disposals, financing transactions, yearly budget and long-term business plans.

Furthermore, the Non-Executive Directors have examined and monitored each and all stages of the Redomiciliation process and taken all relevant decisions. Also, the Non-Executive Directors have examined and monitored the issuance of the unrated seven-year Eurobond targeted at institutional investors and listed on the Luxembourg stock exchange.

Committees

The Board of Directors has allocated certain specific responsibilities to the Control and Risks Committee and the Remuneration and Appointment Committee. In doing so, the Non-Executive Directors have also focused on the effectiveness of the Company's internal risk management and control systems, the integrity and quality of the financial reporting and the risks associated. Further details on how these Committees have carried out their duties are set forth in the sections 'Control and Risks Committee' and 'Remuneration and Appointment Committee'. The Non-Executive Directors have been regularly informed by each committee of the results and recommendations of these meetings in accordance with best practice provision 2.3.5 of the DCGC, and the conclusions of those committees were taken into account when drafting this report of the Non-Executive Directors.

• **Control and Risks Committee**

During 2020, the Control and Risks Committee:

- assessed and expressed opinions on corporate risks brought to its attention by the Internal Audit function;
- examined the Audit Plan drawn up by the Head of Internal Audit;
- met the external auditor to verify the financial audit activities carried out ensuring a regular flow of information among the Internal Audit function, the Control and Risks Committee and external auditor;
- as to sustainability matters, assessed Campari Group's sustainability strategy examining the non-financial report as well as the report concerning the quality, health, safety, and environmental aspects of all Group's production plants;
- examined the auditing activities carried out by the internal audit functions of J.Wray&Nephew Ltd. and Campari America LLC;
- examined the Quality Assurance Review relating to the Internal Audit function;
- analysed aspects relating to compliance with privacy legislation and issues relating to data security (including issues due to malware attack) and met the Data Protection Officer;
- examined the progress made in implementing the Internal Audit recommendations;
- examined the Control and Risks Committee Terms of Reference.

The Non-Executive Directors have also examined the half year report prepared by the Control and Risks Committee then approved by the Board of Directors.

During 2020, nine meetings of the Control and Risks Committee took place with the attendance details provided in the Table below.

• **Remuneration and Appointment Committee**

The main activities carried out by the Remuneration and Appointment Committee during the 2020 were as follows:

- evaluation and approval of the proposal regarding the stock option report as well as remuneration report;
- examination of the corporate governance report pursuant to applicable law;
- approval of certain amendments to the current stock options regulation;
- determination of the variable remuneration for the Executive Directors as per the applicable STI 2019 targets;
- determination of the STI 2020 targets for the Executive Directors;
- approval of the proposal to grant stock options in favour of specific beneficiaries;
- evaluation of a preliminary proposal of employee stock ownership plan (reserved to non-directors employees);
- evaluation of the adoption of a possible general LMI scheme;
- examination of a special grant to Group employees.

During 2020, five meetings of the Remuneration and Appointment Committee took place with the attendance details provide in the Table below.

The Non-Executive Directors also examined the yearly report prepared by the Remuneration and Appointment Committee then approved by the Board of Directors. The Non-Executive Directors were able to review and evaluate the performance of the Remuneration and Appointment Committee. There is no need to amend the size or composition of the Remuneration and Appointment Committee.

The chairman of the Remuneration and Appointment Committee reports once a year to the Board of Directors on activities carried out, when the annual financial statements are approved. It considers that this frequency is preferable to providing an update at the first appropriate meeting, except in cases of particular importance and/or urgency.

Internal Audit Function

The Company has a separate department for the internal audit function and the Board of Directors appoints the Head of Internal Audit.

The main activities carried out by the Internal Audit function during 2020 were as follows:

- audit on Campari Perù SCA;
- audit on the America Business Process Outsourcing process;
- audit on Campari Benelux S.A.;
- audit on Campari Mexico S.A. de C.V.;
- audit on the credit area of Campari Australia Pty Ltd.;
- audit on Campari Mexico S.A. de C.V. (sustainability);
- audit on sustainability at J. Wray&Nephew Ltd.;
- audit on the sustainability at Novi Ligure and Canale plants;
- audit on Campari Australia Pty Ltd. (On-going Auditing);
- audit on Campari Beijing Trading;
- audit on Campari Glen Grant Ltd. (commercial and credit Area).

Independence of the Non-Executive Directors

Each Non-Executive Director owes a duty to the Company to properly perform the duties assigned to each Director and to act in the Company's corporate interest. Under Dutch law, the Company's corporate interest extends to the interests of all its stakeholders, including its shareholders, creditors and employees.

Pursuant to best practice provisions 2.1.7 and 2.1.8 of the DCGC, at most one Non-Executive Director does not have to meet the independence criteria as set out in the DCGC. In addition, for each shareholder, or group of affiliated shareholders, who directly or indirectly hold more than ten percent of the shares in the Company, there is at most one Non-Executive Director who may be affiliated with or representing such shareholder. In total, the majority of the Non-Executive Directors should be independent.

The Non-Executive Directors have determined that four of the seven Non-Executive Directors qualify as independent in accordance with the DCGC. Please see the paragraph 'Compliance with the DCGC' of this governance section for further information.

Composition of the Board of Directors and the committees on 31 December 2020

Board of Directors								Control and Risks Committee		Remuneration and Appointment Committee	
Member and principal position	Nationality	Date of first appointment	In office since	In office until the end of the annual General Meeting in	Gender	Independent according to DCGC	% attendance at meetings	Member	Attendance % at meetings	Member	Attendance % at meetings
Luca Garavoglia (Chairman and Non-Executive Director)	Italian	19 September 1994	16 April 2019	2022	M		100				
Robert Kunze-Concewitz (Executive Director)	Austrian	23 July 2007	16 April 2019	2022	M		100				
Paolo Marchesini (Executive Director)	Italian	10 May 2004	16 April 2019	2022	M		100				
Fabio Di Fede (Executive Director)	Italian	16 April 2019	16 April 2019	2022	M		100				
Eugenio Barcellona (Non-Executive Director)	Italian	24 April 2007	16 April 2019	2022	M		90	X	90	X	100
Annalisa Elia Loustau (Non-Executive Director)	Italian	29 April 2016	16 April 2019	2022	F	X	100	X	100	X	100
Fabio Facchini (Non-Executive Director)	Italian	8 September 2020	8 September 2020	2022	M	X	100	X	100		
Alessandra Garavoglia (Non-Executive Director)	Italian	16 April 2019	16 April 2019	2022	F		100				
Catherine Gérardin-Vautrin (Non-Executive Director)	French	29 April 2016	16 April 2019	2022	F	X	90	X	100	X	100
Michel Klersy (Non-Executive Director)	French	16 April 2019	16 April 2019	2022	M	X	100				
Number of meetings held							Board of Directors: 11	Control and Risks Committee: 9		Remuneration and Appointment Committee: 5	

Statement and Responsibilities in respect to the annual report

Statement by the Board of Directors

Based on the assessment performed, the Board of Directors believes that, as of 31 December 2020, the Group's and the Company's internal control over financial reporting is considered effective and that:

- the Risk management and Internal Control System paragraph provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
- the internal risk management and control systems are designed to provide reasonable assurance that the financial reporting does not contain any material inaccuracies (please refer to paragraph 'Risk management and Internal Control System' of the governance section);
- based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis (please refer to note 3-'Accounting information and policies' of both consolidated and Company only financial statements at 31 December 2020); and
- the management report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the report (please refer to paragraph 'Full year 2020 conclusion and outlook' of the management report).

25 February 2021

Luca Garavoglia
Chairman

Robert Kunze-Concewitz
Executive Director and Chief Executive Officer

Responsibilities in respect of the annual report

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

In accordance with Section 5:25c, paragraph 2 of the Dutch Financial Supervision Act, the Board of Directors states that, to the best of its knowledge:

- the financial statements as included in this report, provide a true and fair view of the assets, liabilities, financial position and profit or loss for the year of the Company and its subsidiaries;
- the management report provides a true and a fair view of the position at the balance sheet date and developments during the year of the Company and its subsidiaries, together with a description of the principal risks and uncertainties that the Company and the Group face.

25 February 2021

Board of Directors:

Luca Garavoglia
Chairman

Robert Kunze-Concewitz
Executive Director and Chief Executive Officer

Paolo Marchesini
Executive Director and Chief Financial Officer

Fabio Di Fede
Executive Director and Group General Counsel and Business Development Officer

Alessandra Garavoglia
Non-Executive Director

Eugenio Barcellona
Non-Executive Director

Annalisa Elia Loustau
Non-Executive Director

Catherine Gérardin-Vautrin
Non-Executive Director

Michel Klersy
Non-Executive Director

Fabio Facchini
Non-Executive Director

Remuneration report

Introduction

The Company's remuneration structure aspires to support Campari's stated mission, vision and strategy while motivating, retaining and attracting world-class talent. It aims to reinforce and support the Group key strategic drivers in both the short and long term, the achievement of which will support sustainable, long-term value creation for all stakeholders.

As described below, the Company's long-term incentives-providing for five or seven years vesting-form a substantial part of total remuneration and maintaining meaningful levels of share ownership encourages the Executive Directors to act as stewards and ambassadors of the Company.

2020 was impacted by the Covid-19 outbreak and the measures restricting social contacts, which have had, and continue to have, an adverse effect in general on global trade. The spirits business was highly exposed to such measures, given the sector's natural exposure to global travel retail and to consumption in the on premise distribution channel, mainly represented by bars and restaurants, which had a significant adverse effect on consumption levels. Notwithstanding the challenging circumstances, the agility and resilience of Campari brands and business model have preserved final business results and the Group's ability to deliver on its commitments and continue long-term growth.

Taken all together, the 2020 result on the key financial indicators as well as the achievement against individual targets was, in most of the cases, below the targets as set for the Board of Directors. As a direct consequence, the Company short-term incentive pay out for 2020 was below the bonus base amount as well.

The remuneration report provided below summarises the guidelines and the principles followed by the Company in order to define and implement the remuneration policy applicable to the Executive Directors and the Non-Executive Directors of the Company. In addition, the remuneration report provides the remuneration paid to these individuals for the year ended 31 December 2020.

Remuneration policy

Following completion of the Redomiciliation of the Company from Italy to the Netherlands with transformation into a Dutch N.V., its General Meeting adopted the remuneration policy for the Executive Directors and the Non-Executive Directors on 18 September 2020 (the 'Remuneration Policy'). The objective of the Remuneration Policy for the Executive Directors is to attract, reward and retain the necessary leadership talent in order to support the execution of the Company's strategic objectives, whilst for the Non-Executive Directors the Remuneration Policy aims at rewarding them appropriately for their work based on market competitive fee levels. In line with Articles 2:135(1) and 2:135a(2) of the Dutch Civil Code, the Remuneration Policy will be submitted to the General Meeting in case of any amendments and at least every four years.

The Remuneration Policy did not introduce significant changes with respect to the previously approved remuneration policy that applied to the Company (and the members of the Board of Directors continue to be entitled to a compensation which is substantially equivalent from an economic perspective), except that:

- the Remuneration Policy has been aligned with the new legal status of the Company and the Dutch governance framework following the Redomiciliation;
- in light of the provisions of Directive (EU) 2017/828 ('SRDII' or 'Shareholders Rights Directive II') as well as the resulting implementation in Article 2:135a of the Dutch Civil Code, additional information is provided concerning the consistency of the Remuneration Policy with long-term sustainability objectives and with the criteria adopted for this purpose; and
- the procedural and substantive conditions under which the Company may exceptionally derogate from its Remuneration Policy are defined.

The form and amount of compensation received by the Board of Directors for the year ended 31 December 2020 was determined in accordance with the Remuneration Policy. The authority to establish remuneration is vested in the Board of Directors, with due observance of the Remuneration Policy, whereby the Executive Directors may not participate in the deliberations and decision-making with respect to the remuneration of the Executive Directors. The Remuneration and Appointment Committee of the Board of Directors oversees the Remuneration

Policy and prepares decisions for the Board of Directors with respect to the Remuneration Policy and the application thereof in individual situations.

Composition Board of Directors

On 16 April 2019, the General Meeting appointed the members of the Board of Directors for the three year period 2019-2021, except for Mr Fabio Facchini who was appointed as Non-Executive Director by the General Meeting on 18 September 2020 for the period ending at the closure of the annual General Meeting held in 2022. No other changes occurred in the composition of the Board of Directors in 2020.

2020 highlights

Although 2020 was characterized by the effects of Covid-19 and the Group full year performance has been ultimately impacted by this very challenging and volatile year, the resilience of its organization and the actions timely taken by the Group have preserved the final 2020 results.

The following highlights some of the key achievements during the year:

- redomiciliation of the legal seat to the Netherlands;
- expansion of the Group's distribution in France and set-up of a joint venture in Japan;
- restructuring of the sugar operations in Jamaica;
- acquisition of a majority stake, equal to 80%, in Champagne Lallier S.a.r.l.;
- acquisition of a minority stake, equal to 49%, in Tannico S.p.A.;
- successful placement of a €550 million bond on the Euro market.

Shareholder vote

This remuneration report is prepared in line with the new requirements stemming from the implementation of the Shareholder Rights Directive II in Dutch law. This report will be submitted to the annual General Meeting in 2021 for an advisory vote.

Remuneration for Board of Directors

Remuneration principles

Executive Directors

In line with the fundamental objective of achieving the most effective reconciliation of 'profitability' and 'sustainability' in the long term, the Company adopts an Executive Directors' remuneration policy aimed at supporting managerial growth strategies oriented towards the long term: this is considered of fundamental importance in the Company's reference market (the global premium spirits market), where the strength of the brands, built through long-term brand building strategies consistently and patiently deployed over time, is the primary source of the achievement of a long-term competitive advantage.

The Remuneration Policy aims not only at the adequate remuneration of the Executive Directors, but also at their adequate retention, as it is considered, in principle, an important value that is consistent with the fundamental objective of maximum sustainable profitability in the long term, i.e. the promotion of successful management cycles.

Although the Company reviews remuneration policies of comparable size and economic performance as a useful tool to understand its competitive position on the job offer market and attract high level human capital, the Company pursues its remuneration policies independently and such policies are not benchmarked against a group of peers.

The basic components of the remuneration applicable to the Executive Directors consist of (i) base salary, (ii) short-term incentive, and (iii) long-term incentive.

Over the last 5 years the average relative proportion of the Executive Directors' remuneration components is as follows:

- Base salary: ~41%;
- Short-term incentive: ~35%;
- Long term-incentive: ~24%.

Fixed component

Base salary

The base salary compensates for the individual's experience, skills, duties, responsibilities and the contribution of the individual within the Company. The base salary of each Executive Director is a fixed compensation.

Each year, the Remuneration and Appointment Committee reviews the base salaries and decides whether circumstances justify adjustments. In considering base salary increases, the Remuneration and Appointment Committee uses as reference the nature and responsibility of the role and the progressive increase of the Executive Directors duties along with the Company growth, individual and business performance, as well as the prospective ability of Executive Directors to create value and contribute to the long-term objectives of the Company. Over the last 5 years, the compound annual growth rate of the Executive Directors' base salary is about 2.5%⁵⁷, such increase reflects a *trait d'union* between reward of Executive Directors and the increased performance of the Group. In the next 5 years the Company aims at maintaining the same *trait d'union* between the remuneration and the business performance of the Group.

All Executive Directors are beneficiaries of a D&O (directors and officers' liability) insurance policy at market conditions for this type of coverage. The insurance policy covers losses resulting from claims made against the Directors for wrongful acts committed in their respective functions and for which they have been recognised accountable.

Executive Directors are also entitled to other benefits such as car benefit; ticket restaurant; supplementary pension funds, and medical, life and accident insurance.

⁵⁷ The average increase is defined with reference to Executive Directors who have been in office for at least the last 5 years.

Variable components

Short-term incentive

The short-term incentive (**STI**) aims to ensure that the Executive Directors are well incentivised to achieve the Group performance targets in the shorter-term.

At the beginning of each year, the Remuneration and Appointment Committee proposes to the Board of Directors target ranges for the Executive Directors, based on the Group business plan. At the end of the year, the Remuneration and Appointment Committee reviews the Group performance against the target ranges, based on the Company's financial records, as audited by the external auditor.

Executive Directors are eligible for the short-term incentive only if at least 90% of the targets are achieved. The minimum short-term incentive payout, in such case, is equal to 70% of base targets, with the maximum incentive payout capped at 180% of base target (if 120% or more of the targets are achieved). If 100% of the targets are achieved, the STI payout is equal to the bonus base amount set by the Board of Directors on the basis of a proposal from the Remuneration and Appointment Committee.

The Remuneration and Appointment Committee each year selects and proposes to the Board of Directors the financial performance measures and determines their relative weights. To support the Company's strategic objective growth in an organic and sustainable way and to focus on profitable growth segments, such performance measures are typically: profit (target A, usually weighing 40%); marginality (target B, usually weighing 40%); and operating working capital (target C, usually weighing 20%).

- **Target A** identifies Campari Group's consolidated Ebit target. The achievement of the target is verified comparing the actual Ebit (at constant perimeter and exchange rates and normalized to exclude non-recurring items) with the Ebit target.
- **Target B** identifies Campari Group's margin target (*i.e.*, the *ratio* of the consolidated Ebit to the consolidated net sales) adjusted to account for advertising and promotion investment.
- **Target C** identifies the weight in percentage of the net operating working capital on Campari Group's consolidated net sales.

Targets are structured in a way that they cannot be achieved through short-term management choices that in the long term are likely: to compromise brand strength (such as cutting and/or reducing advertising investment) or to compromise cash generation capacity (such as non-physiological growth in operating working capital). Accordingly, the short-term incentive contributes to the Company's strategy, the long-term interests of the Company and its sustainability.

The short-term incentive of the Executive Directors is based on financial performance measures only and, therefore, without directly taking into account specific qualitative performance objectives that are non-financial and/or related to corporate social responsibility. This choice is based on the consideration that socially responsible conduct, which the Company is inspired by with the utmost commitment and rigour, should in any case be reflected, in the long term, in the financial results of the Company and the Group.

If the short-term incentive targets are met, the short-term incentive is paid the year following the relevant performance period, once the predetermined performance objectives are verified.

Long-term incentive

The long-term incentive aims to provide incentives for the Executive Directors to achieve growth results in the medium and long term and align their interests with the pursuit of the priority objective of sustainable creation of value for shareholders.

The long-term incentive is granted to the Executive Directors through the participation to the stock option plans approved by the General Meeting for a large number of beneficiaries, usually every two years, under the same conditions. As a five or seven year vesting scheme applies, there is a clear link with the long-term interests of the Company⁵⁸.

The assignment of stock options is governed by the 'Regulation for the assignment of stock options' approved by

⁵⁸ As of the date hereof the Shareholders' Meeting has approved four stock option plans, still on going, in favour of the Executive Directors; the stock option plan 2014 provides for a 7-year vesting period, while the 2016, 2018, and 2020 stock option plans provide for a 5-year vesting period. With respect to the stock option plan 2014, beneficiaries may anticipate the exercise of the stock options: (i) during the sixth year, with a 20% reduction of the options granted; and (ii) during the seventh year, with a 10% reduction of the options granted. For further information please refer to Section *Share-based remuneration*.

the Remuneration and Appointment Committee, based on a mandate from the Board of Directors dated 13 May 2014, as subsequently modified and amended. Such regulation (which is available on the website www.camparigroup.com) sets out the general terms and principles underlying the assignment of stock options.

For each specific stock option plan, the General Meeting determines:

- (i) the maximum number of options that may be assigned to the Executive Directors and the other categories of beneficiaries;
- (ii) the vesting period;
- (iii) the start and end date of the period during which the options may be exercised; and
- (iv) the time frame during which the competent bodies may actually assign the options.

On the proposal of the Remuneration and Appointment Committee, the Board of Directors determines the number of options to be assigned to each Executive Director, in compliance with the limits established by the General Meeting. In any case, the maximum number of options that can be awarded to each Executive Director may not exceed an amount such that the total stock value (considered as the product between the number of options awarded and the strike price) exceeds the double of the aggregate amount of (i) the base salary and (ii) the last short-term incentive received, multiplied by the number of years for vesting of the plan.

The right to exercise stock options vests, depending on the plans, five or seven years after they are granted (five years with reference to plans approved starting from the financial year 2016).

In case of plans with a duration of seven years, this period may be brought forward to five or six years with a 20% or 10% reduction in the number of options granted, respectively.

All stock options may be exercised in the two years following the vesting of the right, without prejudice to the right of the Company to introduce blocking periods in which exercise is not permitted, should particular circumstances so require.

By their nature, stock options acquire a value only in the event of an increase in the price of the Company's shares and are therefore directly related to the creation of value for shareholders. Given their nature, it is difficult to make reliable assessments of their economic impact in relation to base salary and short-term incentive. However, experience with past stock option exercises indicates that in the past 5 years the annual base salary had a ratio of about 1 to 0.58 compared to the annual long-term incentives.

No performance criteria are applied to stock options that the Company typically grant but, since the stock options, depending on the plans, vest five or seven years after they are granted and all stock options may be exercised in the two years following the vesting of the right, the Company believes that the stock options are long-term in character.

Last mile incentive

The Remuneration Policy provides that Chief Executive Officers who have provided the Company with extraordinary value during a long-standing managerial period of at least 10 years are eligible for an additional last mile incentive should certain additional financial and operational objectives over the last years of their term be achieved.

The performance period is set from three to five years and the purpose of the last mile incentive is to boost the Chief Executive Officers' ambition in their potential last years of their long-term mandate. The Company believes that it may also enhance the Chief Executive Officers' long-term focus since the beginning of their mandate and attract, motivate and retain Chief Executive Officers with a long-term vision.

The last mile incentive is related to certain financial and non-financial targets, whose choice and weight depend on the business plan of the Group. The Remuneration and Appointment Committee selects and proposes to the Board of Directors the appropriate performance targets, both quantitative (such as EBITDA, total revenue or sales revenue) and qualitative (such as development of new markets, retention of top managers).

At the end of the performance period, the Remuneration and Appointment Committee verifies which targets on each of the performance measures have been achieved. The actual last mile incentive amount is subsequently determined by the Board of Directors on the proposal of the Remuneration and Appointment Committee.

The maximum value of the last mile incentive is set at a maximum of 15 times the annual remuneration (inclusive

of base salary and variable incentives⁵⁹) of the relevant Chief Executive Officer, paid out in either cash or Campari shares as soon as reasonably practical after the end of the relevant term. If delivered in shares, the number of shares will be calculated by the market value on the date of grant up to the maximum allowable under this Remuneration Policy.

The Board of Directors, on the proposal of the Remuneration and Appointment Committee, may grant the last mile incentive also to other Executive Directors who have served the Company with extraordinary long-term performance, subject to the same terms and conditions described above.

Following the adoption of the Remuneration Policy, the Remuneration and Appointment Committee has met several times in order to (i) discuss the potential structure of a general last mile incentive scheme encompassing targets for the next 3, 4 and 5 year period, and (ii) evaluate potential “appropriate performance targets” (as per the Remuneration Policy), which as of the date hereof have not been determined yet. The Remuneration and Appointment Committee envisages to add targets for each further year on a yearly basis starting from next year.

Scenario analysis

On an annual basis, the Non-Executive Directors, upon proposal of the Remuneration and Appointment Committee, examine the relationship between the performance criteria chosen and the possible outcomes for the Executive Directors’ variable remuneration (scenario analysis).

As at the date of this Report, the Non-Executive Directors believe the Remuneration Policy has proven effective in terms of establishing a correlation between the Group’s strategic goals and the selected performance criteria. The main key performance criteria related to the payout curve of the variable remuneration (such as: (i) the consolidated operating profit target; (ii) the ratio between the consolidated operating income and consolidated net sales, adjusted for advertising expenses; or (iii) the operating net working capital as a percentage of consolidated net sales), have supported both the Group’s business strategy and value creation for shareholders and other stakeholders.

Non-Executive Directors

The remuneration of the Non-Executive Directors consists of a fixed annual component in cash, equal to €50,000.

Non-Executive Directors who are also a member of a Committee receive an additional remuneration. The chair and each other member of the Remuneration Committee receive an additional amount of €12,500 and the chair and each other member of the Audit Committee receive an additional amount of €25,000.

The Non-Executive Directors do not receive any performance-related compensation or shares. Non-Executive Directors who hold shares in the Company have a long-term investment perspective and adhere to the Company’s internal dealing policy.

All Non-Executive Directors are beneficiaries of the same D&O (directors and officers’ liability) insurance policy of the Executive Directors.

2020 remuneration

The actual remuneration of the Board of Directors over the financial year ended 31 December 2020 has been determined by the Board of Directors and is reflected in the tables below.

⁵⁹ The variable components of the Executive Directors’ compensation include: (i) short term incentive (such as STI); and (ii) long term incentive (such as stock options).

Executive Directors

Remuneration of Executive Directors during the year shown by each pay component (in €)⁶⁰.

Director, Position, Year		Base salary			Variable remuneration		Tot remuneration	Base salary	Tot. var. rem.
		Wages	Fees	Others benefits ⁶¹	Short-term incentive ⁶²	Long-term incentive ⁶³			
Robert Kunze-Concewitz Chief Executive Officer and Executive Director	2020	322,305	770,000	32,670	369,600	871,045	2,365,620	1,124,975	1,240,645
	2019	322,185	763,750	32,564	1,046,011	590,669	2,755,179	1,118,499	1,636,680
Paolo Marchesini Chief Financial Officer and Executive Director	2020	124,709	590,000	19,984	277,200	722,808	1,734,701	734,693	1,000,008
	2019	128,158	583,750	20,184	784,508	421,400	1,938,000	732,092	1,205,908
Fabio Di Fede General Counsel and Business Development Officer and Executive Director	2020	483,943	50,000	47,575	200,200	549,782	1,331,500	581,518	749,982
	2019	481,180	37,500	43,112	523,005	210,812	1,295,609	561,792	733,817

To determine the Executive Directors' short-term (annual) performance remuneration in respect of the 2020 year (paid in 2021), the Remuneration and Appointment Committee selected and proposed to the Board of Directors the following metrics as performed by the Executive Directors in 2020 for payment in 2021.

Target	Weight	Bandwidth payout level				Actual performance	Payout	Weighted payout
		Minimum payout	On-target payout	Maximum payout	Payout gate			
Profit (EBIT)	40%	70%	100%	180%	90%	75.4%	0.0%	0.0%
Marginality (EBIT margin)	40%	70%	100%	180%	90%	84.7%	0.0%	0.0%
Operating working capital	20%	70%	100%	180%	90%	113.5%	154%	30.8%
Total payout level	100%	30.8% of on-target level						

Based on the criteria approved by the Board of Directors, the three targets have a weight of: 40% Profit (EBIT), 40% Marginality (EBIT margin), and 20% Operating working capital.

Since the base amounts of the STI 2020 were set to the following extent: (i) €1,200,000 for the Chief Executive Officer Robert Kunze-Concewitz; (ii) €900,000 for the Chief Financial Officer Paolo Marchesini; and (iii) €650,000 for the Group General Counsel and Business Development Officer Fabio Di Fede, the STI bonuses accrued by the Executive Directors amount, respectively, to €369,600 in favour of Robert Kunze-Concewitz, €277,200 in favour of Paolo Marchesini, and €200,200 in favour of Fabio Di Fede.

Remuneration of a former Executive Director

In 2020, Stefano Saccardi, who was an Executive Director of the Company until 2019, received the final and third instalment equal to €70,000 pursuant to the three year non-compete undertakings agreed upon his resignation.

⁶⁰ All remuneration was borne by the Company.

⁶¹ 'Others benefits' includes: car benefit; ticket restaurant; supplementary pension funds, and medical, life and accident insurance;

⁶² In line with market practice, and starting this year, the indicated short-term incentive amount is based on the targets achieved with reference to the last financial year ended; the STI 2020 will be paid in 2021.

⁶³ The long-term incentive component is measured with the fair value of the outstanding stock options accruing in fiscal year 2020 under IFRS.

Non-Executive Directors

Remuneration of Non-Executive Directors during the year shown (in €)

Director, Position	Fixed remuneration 2020	Committee remuneration 2020	Total remuneration 2020 ⁶⁴	Total remuneration 2019
Luca Garavoglia <i>Non-Executive Director and Chairman</i>	50,000	N/A	50,000	893,750
Alessandra Garavoglia <i>Non-Executive Director</i>	50,000	N/A	50,000	37,500
Catherine Gerardin <i>Non-Executive Director and Member of the Control and Risks Committee and the Remuneration and Appointment Committee</i>	50,000	37,500	87,500	71,875
Eugenio Barcellona <i>Non-Executive Director and Member of the Control and Risks Committee and the Remuneration and Appointment Committee</i>	50,000	37,500	87,500	81,250
Michel Klersy <i>Non-Executive Director</i>	50,000	N/A	50,000	37,500
Fabio Facchini ⁶⁵ <i>Non-Executive Director and Member of the Control and Risks Committee and the Remuneration and Appointment Committee</i>	14,580	7,290	21,870	N.A.
Annalisa Elia Loustau <i>Non-Executive Director and Member of the Control and Risks Committee and the Remuneration and Appointment Committee</i>	50,000	37,500	87,500	72.757

⁶⁴ All remuneration was borne by the Company.

⁶⁵ Fabio Facchini was appointed as Non-Executive Director on 18 September 2020.

Share-based remuneration

The Company has a number of stock option plans in place. The purpose of these plans is to offer beneficiaries holding key positions in the Group the opportunity of owning shares in the Company, thereby aligning their interests with those of other shareholders and fostering loyalty, in the context of the strategic goals to be achieved.

On 27 March 2020, the General Meeting approved a stock option plan for a total maximum number of options equal to the ratio between €81 million and the exercise price (i.e. the value equal to the arithmetic mean of the official stock exchange price during the month prior to assignment). Of this total number of options, in particular, a maximum number of options resulting from the ratio between €21.3 million and the exercise price was allocated to the members of the Board of Directors (or other beneficiaries for whom an individual disclosure is required). The options are exercisable in the two-year period following the end of the fifth year after the date of assignment.

Similar stock option plans were adopted by the General Meeting on 16 April 2019, 23 April 2018, 28 April 2017, 29 April 2016 and 30 April 2014 over the respective financial years. The options under the 2019 and 2017 stock option plans are contrary to the stock options plans in 2020, 2018, 2016 and 2014-not assigned to any members of the Board of Directors but granted to individual beneficiaries.

The total maximum number of options available under the 2018 stock option plan is equal to the ratio between €73.8 million and the exercise price. Of this total number of options, in particular, a maximum number of options resulting from the ratio between €10.8 million and the exercise price is allocated for the members of the Board of Directors (or other beneficiaries for whom an individual disclosure is required). With respect to the 2016 stock option plan, the total maximum number of options available is equal to the ratio between €65.35 million and the strike price. Of this total number of options, in particular, a maximum number of options resulting from the ratio between €12.35 million and the strike price was allocated to the members of the Board of Directors (or other beneficiaries for whom an individual disclosure is required). Lastly, the total maximum number of options available under the 2014 stock option plan is equal to the ratio between €80.85 million and the strike price. Of this total number of options, in particular, a maximum number of options resulting from the ratio between €10.85 million and the strike price is allocated for the members of the Board of Directors (or other beneficiaries for whom an individual disclosure is required).

The options under each of the stock option plans are exercisable in the two-year period following the end of the fifth year after the date of such assignment, except for the options under the 2014 stock option plan which may be exercised at the end of the seventh year following the assignment date, although beneficiaries also have the right to exercise their options early (in full or in part) at the end of either the fifth year or the sixth year following the assignment, with the application of a reduction of 20% or 10% respectively to the total number of options assigned.

Finally, each of the stock option plans does not prescribe any holding period by which Executive Directors are bound.

The following table gives an overview of the outstanding stock options provided to Executive Directors:

Director, Position	Main conditions of share option plans						Information regarding 2020					
							Opening balance	During the year		Closing balance		
	Plan	Performance period ⁶⁶	Award date	Vesting start date	End exercise period	Exercise price	Share options on 1 January 2020	Share options awarded	Share options vested	Share options subject to performance condition	Share options awarded and unvested	Unexercised share options
Robert Kunze-Concewitz ⁶⁷ Chief Executive Officer and Executive Director	2014 Plan	N.A.	07-01-2014	07-02-2019	07-01-2023	€3.14	1,146,496	0	0	N.A.	0	1,146,496
	2014 Plan	N.A.	07-01-2014	07-02-2019	07-01-2023	€3.14	143,312	0	0	N.A.	0	143,312
	2014 Plan	N.A.	07-01-2014	07-02-2019	07-01-2023	€3.14	143,312	0	0	N.A.	0	143,312
	2016 Plan	N.A.	05-11-2016	05-12-2021	05-11-2023	€4.28	1,166,860	0	0	N.A.	1,166,860	0
	2018 Plan	N.A.	05-09-2018	05-10-2023	05-09-2025	€6.25	960,000	0	0	N.A.	960,000	0
	2020 Plan	N.A.	04-08-2020	04-08-2025	04-07-2027	€6.41	0	1,092,043	0	N.A.	1,092,043	0
Paolo Marchesini Chief Financial Officer and Executive Director	2014 Plan	N.A.	07-01-2014	07-02-2019	07-01-2023	€3.14	764,331	0	0	N.A.	0	764,331
	2014 Plan	N.A.	07-01-2014	07-02-2019	07-01-2023	€3.14	95,541	0	0	N.A.	0	95,541
	2014 Plan	N.A.	07-01-2014	07-02-2019	07-01-2023	€3.14	95,541	0	0	N.A.	0	95,541
	2016 Plan	N.A.	05-11-2016	05-12-2021	05-11-2023	€4.28	816,802	0	0	N.A.	816,802	0
	2018 Plan	N.A.	05-09-2018	05-10-2023	05-09-2025	€6.25	720,000	0	0	N.A.	720,000	0
	2020 Plan	N.A.	04-08-2020	04-08-2025	04-07-2027	€6.41	0	1,092,043	0	N.A.	1,092,043	0
Fabio Di Fede ⁶⁸ General Counsel and Business Development Officer and Executive Director	2017 Plan	N.A.	08-04-2017	08-04-2022	08-03-2024	€6.19	161,551	0	0	N.A.	161,551	0
	2018 Plan	N.A.	05-09-2018	05-10-2023	05-09-2025	€6.25	720,000	0	0	N.A.	720,000	0
	2020 Plan	N.A.	04-08-2020	04-08-2025	04-07-2027	€6.41	0	1,092,043	0	N.A.	1,092,043	0

⁶⁶ The stock options vest over time and no performance criteria apply.

⁶⁷ With respect to the stock option plan 2014, beneficiaries may anticipate the stock option exercise: (i) during the sixth year, with a 20% reduction of the options granted; and (ii) during the seventh year, with a 10% reduction of the options granted.

⁶⁸ On 8 April 2017, certain stock options were assigned to Fabio Di Fede who, at the time, was an employee of a Company's subsidiary. Fabio Di Fede was appointed director of the Company by the General Meeting on 16 April 2019.

Any use of the right to reclaim

The short-term cash incentive and long-term incentive of the Executive Directors are subject to the *malus* and *claw back* provisions laid down in Article 2:135(6) and (8) of the Dutch Civil Code. These provisions were not invoked in 2020.

Derogations and deviations from the remuneration policy and from the procedure for its implementation

For the Board of Directors' 2020 remuneration, the Company did not deviate from the procedure for the implementation of the Remuneration Policy nor were any derogations applied.

Comparative information on the change of remuneration and Company performance

The following table shows a comparison of the total remuneration of Executive Directors and Non-Executive Directors over the last five years.

Executive Directors

Executive Directors

	2016	2017	2018	2019	2020	CAGR 2016/2020
	Company performance ⁶⁹					
Net sales (€/mio)	1,726.5	1,753.4	1,711.7	1,842.5	1,772	0.65%
EBIT-adjusted (€/mio)	352.5	380.5	378.8	408	321,9	-2.25%
EPS adj basic (€) ⁷⁰	0.16	0.20	0.22	0.23	0.18	2.73%
Average indicators	0.38%					
	Executive Director's remuneration					
Robert Kunze-Concewitz Chief Executive Officer and Executive Director	2,579,641	2,502,304	2,855,731	2,755,179	2,365,620	-2.1%
Paolo Marchesini Chief Financial Officer and Executive Director	1,818,164	1,738,590	1,999,670	1,938,000	1,734,701	-1.2%
Fabio Di Fede General Counsel and Business Development Officer and Executive Director	N.A.	N.A.	N.A.	1.295.609	1.331.500	N.A.

Non-Executive Directors

	2016	2017	2018	2019	2020
Luca Garavoglia Non-Executive Director and Chairman	1,045,000	1,045,000	1,045,000	893,750	50,000
Alessandra Garavoglia Non-Executive Director	N.A.	N.A.	N.A.	37,500	50,000
Catherine Gerardin Non-Executive Director and Member of the Control and Risks Committee and the Remuneration and Appointment Committee	16,667	25,000	25,000	71,875	87,500
Eugenio Barcellona Non-Executive Director and Member of the Control and Risks Committee and the Remuneration and Appointment Committee	62,500	62,500	62,500	81,250	87,500
Michel Klersy Non-Executive Director	N.A.	N.A.	N.A.	37,500	50,000

⁶⁹ Please note that: (i) fiscal years are the basis for the compensation of the subsequent year; (ii) net sales shown for 31 December 2017 have been restated following application of the new accounting standard IFRS 15-'Revenue from contracts with customers'; (iii) Net sales as of 31 December 2016 have not been restated according to accounting standard IFRS 15-'Revenue from contracts with customers' since it was not applicable for year ending 31 December 2016; and (iv) 2016 EPS and dividend data have been restated to take into account the two-for-one share split effective on 8 May 2017.

⁷⁰ 'EPS adj basic' means: Basic earnings per share adjusted.

Fabio Facchini ⁷¹ Non-Executive Director and Member of the Control and Risks Committee and the Remuneration and Appointment Committee	N.A.	N.A.	N.A.	N.A.	21,870
Annalisa Elia Loustau Non-Executive Director and Member of the Control and Risks Committee and the Remuneration and Appointment Committee	16,667	25,000	25,000	72,757	87,500

Internal pay ratio

In line with Article 2:135b(3) of the Dutch Civil Code and Best Practice Provision 3.4.1 of the Dutch Corporate Governance Code, the internal pay ratio is an important input for determining the Remuneration Policy for the Board of Directors. In the absence of prescribed methodologies in the Dutch Civil Code and the Dutch Corporate Governance Code, for the financial year 2020 we chose to calculate the internal pay ratio as the total Chief Executive Officer compensation (i.e. including base salary and variable remuneration) divided by the average employee compensation of all employees of the Company. For 2020, the internal pay ratio is in line with the Company's acceptable bandwidths.

Average remuneration on a full-time equivalent basis of employees⁷²

	2016	2017	2018	2019	2020
Employees of the Company	74,649	76,652	85,767	90,845	96,620

Internal pay ratio Chief Executive Officer⁷³

	2016	2017	2018	2019	2020
Robert Kunze-Concewitz Chief Executive Officer and Executive Director	32.94	28.34	48.75	34.63	55.59 (⁷⁴)

Information on shareholder vote

As the obligation to submit the remuneration report for the Board of Directors to the General Meeting for an advisory vote did not apply in previous years, the Company cannot explain how any such previous advisory vote has been taken into account for the 2020 remuneration of the Board of Directors and the preparation of this remuneration report. However, the Company intends to provide such an explanation going forward.

⁷¹ Fabio Facchini was appointed as Non-Executive Director on 18 September 2020.

⁷² The Company's employees average remuneration is calculated taking into account all the remuneration components, such as: base salary, and where applicable: (i) short-term incentive, (ii) mid-term incentive; and (iii) long-term incentive (valued at the actual between the strike price (€6.41) and the Company's share price at 31 December 2020 (€9.34)), multiplied by the outstanding stock options.

⁷³ The internal pay ratio is the result of the division between: (i) the CEO total remuneration, and (ii) the average remuneration on a full-time equivalent basis of employees. For the purpose of comparing on a like-for-like basis the two remunerations, the CEO's long-term remuneration component has been valued at the actual between: the strike price (€6.41) and the Company's share price at 31 December 2020 (€9.34), multiplied by the outstanding stock options.

⁷⁴ Pay ratio increased from 30.20 in 2019, to 55.59 in 2020, as a result of the stock options grant by the Board of Directors to the Company's CEO on 8 April 2020, as per the stock option plan approved by the Shareholders' Meeting on 27 March 2020.

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Consolidated primary statements

Consolidated statement of profit or loss⁽¹⁾

	Notes	for the years ending 31 December	
		2020 € million	2019 € million
Sales		2,246.9	2,311.3
Excise duties		(474.9)	(468.8)
Net sales	6 ii	1,772.0	1,842.5
Cost of sales	6 iii	(746.1)	(721.3)
Gross profit		1,025.9	1,121.2
Advertising and promotional costs		(309.8)	(319.9)
Contribution margin		716.1	801.3
Selling, general and administrative expenses	6 iv	(394.2)	(393.3)
Other operating expenses	6 iv	(97.3)	(33.8)
Other operating income	6 iv	7.2	12.1
Operating result		231.8	386.3
Financial expenses	6 vii	(25.7)	(41.3)
Financial income	6 vii	6.3	9.5
Share of profit (loss) of associates and joint ventures	6 ix	(2.8)	0.1
Profit before taxation		209.6	354.6
Taxation	6 x	(22.7)	(46.2)
Profit for the period		186.9	308.4
Profit attributable to:			
Owners of the parent		187.9	308.4
Non-controlling interests		(1.0)	-
Basic earnings per share (€)	10 iv	0.17	0.27
Diluted earnings per share (€)	10 iv	0.16	0.26

⁽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'.

Consolidated statement of other comprehensive income

	Notes	for the years ending 31 December	
		2020 € million	For the year ending 2019 ⁽¹⁾ € million
Profit for the period (A)		186.9	308.4
B1) Items that may be subsequently reclassified to the statement of profit or loss			
<u>Cash flow hedge:</u>			
Gains (losses) on cash flow hedge	10 iii	3.8	(7.3)
Related Income tax effect	6 x	(0.9)	1.8
Total cash flow hedge		2.9	(5.5)
<u>Foreign currency translation:</u>			
Exchange differences on translation of foreign operations	10 iii	(234.6)	29.7
Total foreign currency translation		(234.6)	29.7
Total: items that may be subsequently reclassified to the statement of profit or loss (B1)		(231.8)	24.2
B2) Items that may not be subsequently reclassified to the statement of profit or loss			
<u>Remeasurements of defined benefit plans:</u>			
Gains/(losses) on remeasurement of defined benefit plans	10 iii	0.2	(3.1)
Related Income tax effect	6 x	(0.1)	1.0
Total remeasurements of defined benefit plans		0.2	(2.1)
Total: items that may not be subsequently reclassified to the statement of profit or loss (B2)		0.2	(2.1)
Other comprehensive income (expenses) (B=B1+B2)		(231.6)	22.1
Total other comprehensive income (A+B)		(44.7)	330.4
Attributable to:			
Owners of the parent		(43.3)	330.5
Non-controlling interests		(1.4)	-

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

Consolidated statement of financial position

(before appropriation of results)

		at 31 December	
	Notes	2020 € million	2019 ⁽⁴⁾ € million
ASSETS			
Non-current assets			
Property, plant and equipment	7 ii	485.7	508.3
Right of use assets	7 iii	71.5	80.5
Biological assets	7 iv	5.5	3.9
Investment properties		-	1.1
Goodwill	7 v	1,356.6	1,387.8
Brands	7 v	954.5	1,035.6
Intangible assets with a finite life	7 v	44.7	44.8
Investments in associates and joint ventures	6 ix	26.1	0.5
Deferred tax assets	6 x	44.5	38.3
Other non-current assets	7 vi	5.7	8.2
Other non-current financial assets	9 iii	7.1	14.7
Total non-current assets		3,001.9	3,123.5
Current assets			
Inventories	8 iii	655.1	615.9
Biological assets	8 iii	1.6	0.9
Trade receivables	8 i	281.8	316.8
Other current financial assets	9 ii	1.2	8.3
Cash and cash equivalents	9 i	548.1	704.4
Income tax receivables	6 x	17.4	18.7
Other current assets	7 vii	45.0	44.7
Assets held for sale	7 viii	3.3	5.3
Total current assets		1,553.6	1,714.9
Total assets		4,555.5	4,838.5
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Issued capital and reserves attributable to owners of the parent	10 iii	1,996.6	2,386.6
Non-controlling interests	10 iii	1.8	1.9
Total shareholders' equity		1,998.4	2,388.5
Non-current liabilities			
Bonds	9 v	894.7	349.4
Loans due to banks	9 v	320.0	249.3
Other non-current financial liabilities	9 v	169.3	210.9
Post-employment benefit obligations	11 vii	33.4	33.4
Provisions for risks and charges	11 ii	41.6	52.4
Deferred tax liabilities	6 x	337.0	386.1
Other non-current liabilities	7 ix	7.3	16.2
Total non-current liabilities		1,803.4	1,297.6
Current liabilities			
Bonds	9 vi	-	580.0
Loans due to banks	9 vi	244.3	31.0
Other current financial liabilities	9 vi	31.9	84.3
Trade payables	8 ii	321.2	241.1
Income tax payables	6 x	16.1	75.1
Other current liabilities	7 x	140.3	141.0
Total current liabilities		753.7	1,152.4
Total liabilities		2,557.2	2,450.0
Total liabilities and shareholders' equity		4,555.5	4,838.5

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

Consolidated statements of cash flows

	Notes	for the years ending	
		2020 € million	2019 ⁽¹⁾ € million
Operating profit		231.8	386.3
Effects from hyperinflation accounting standard adoption		2.4	4.5
Depreciation and amortisation	6 vi	78.0	71.8
Gain or loss on sale of fixed assets	6 iv	0.6	(2.5)
Impairment of tangible fixed assets, goodwill, trademark and sold business	6 iv	45.6	6.6
Utilizations of provisions	11 ii	(1.5)	(15.7)
Change in payables to employees		(8.6)	(10.0)
Change in net operating working capital		43.4	(29.6)
Income taxes refund (paid)		(119.7)	(45.3)
Other non-cash items		0.1	(3.2)
Cash flow generated from (used in) operating activities		272.2	363.0
Purchase of tangible and intangible fixed assets	7 ii- iv- v	(84.7)	(92.0)
Disposal of tangible and intangible assets	7 ii- iv	4.9	9.6
Acquisition of companies or business divisions	7 i	(95.4)	(86.5)
Cash and cash equivalents at acquired companies ⁽²⁾	7 i	3.3	6.0
Proceeds from sale of investment property		-	200.0
Put options and earn-out payments	9 v-9 vi	(85.1)	(69.2)
Interests received	6 vii	6.2	9.0
Decrease (increase) in short-term deposits and investments		-	27.4
Other changes		(1.8)	(0.1)
Cash flow generated from (used in) investing activities		(252.4)	4.3
Proceeds from issue of bonds, notes and debentures	9 vii	545.0	149.3
Repayments of bonds, notes and debentures	9 vii	(580.9)	(219.1)
Proceeds from non-current borrowings	9 vii	195.1	248.7
Repayment of non-current borrowings	9 vii	(13.2)	(300.0)
Net change in short-term financial payables and bank loans	9 vii	80.7	19.8
Payment of lease liabilities	9 iv	(14.6)	(13.0)
Interest on leases	9 iv	(3.2)	(3.4)
Interests paid	9 vii	(26.8)	(27.7)
Other inflows (outflows) of cash	9 vii	12.3	(23.2)
Purchase and sale of own shares	10 iii	(271.2)	(47.3)
Dividend paid to equity holders of the Parent	10 iii	(62.9)	(57.3)
Cash flow generated from (used in) financing activities		(139.7)	(273.2)
Other differences including exchange rate differences		(36.4)	(3.6)
Net change in cash and cash equivalents: increase (decrease)		(156.4)	90.5
Cash and cash equivalents at the beginning of period		704.4	613.9
Cash and cash equivalents at end of period		548.1	704.4

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

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

Consolidated statement of changes in shareholders' equity

	Notes	Issued capital € million	Retained earnings and other reserves € million	Cash flow hedge reserve € million	Currency translation differences € million	Remeasurement of defined benefit plans € million	Equity attributable to owners of the parent € million	Non-controlling interests € million	Total € million
at 31 December 2019 restated⁽¹⁾		58.1	2,418.1	(15.2)	(72.4)	(2.0)	2,386.5	1.9	2,388.5
Dividends to owners of the parent	10 iii	-	(62.9)	-	-	-	(62.9)	-	(62.9)
Increase (decrease) through treasury share transactions	10 iii	-	(271.2)	-	-	-	(271.2)	-	(271.2)
Increase (decrease) through share-based payment transactions	10 iii	-	6.1	-	-	-	6.1	-	6.1
Changes in ownership interests	10 iii	-	(22.2)	-	-	-	(22.2)	1.2	(21.0)
Increase (decrease) through other changes	10 iii	(39.8)	43.2	-	(234.2)	-	(230.8)	(0.4)	(231.1)
Profit (loss)	10 iii	-	187.9	-	-	-	187.9	(1.0)	186.9
Other comprehensive income (expense)	10 iii	-	-	2.8	-	0.2	3.0	-	3.0
Total other comprehensive income		-	187.9	2.8	-	0.2	190.9	(1.0)	189.9
at 31 December 2020		18.3	2,299.0	(12.4)	(306.6)	(1.8)	1,996.6	1.8	1,998.4

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

		Issued capital € million	Retained earnings and other reserves € million	Cash flow hedge reserve € million	Currency translation differences € million	Remeasurement of defined benefit plans € million	Equity attributable to owners of the parent € million	Non-controlling interests € million	Total € million
at 31 December 2018		58.1	2,228.2	(9.7)	(113.9)	0.1	2,162.8	-	2,162.8
Dividends to owners of the parent		-	(57.3)	-	-	-	(57.3)	-	(57.3)
Increase (decrease) through treasury share transactions		-	(49.2)	-	-	-	(49.2)	-	(49.2)
Increase (decrease) through share-based payment transactions		-	7.9	-	-	-	7.9	-	7.9
Changes in ownership interests		-	(19.2)	-	-	-	(19.2)	1.9	(17.3)
Increase (decrease) through other changes		-	(0.6)	-	41.5	-	41.0	-	41.0
Profit (loss)		-	308.3	-	-	-	308.3	-	308.3
Other comprehensive income (expense)		-	-	(5.5)	-	(2.1)	(7.6)	-	(7.6)
Total other comprehensive income		-	308.3	(5.5)	-	(2.1)	300.6	-	300.6
at 31 December 2019 restated⁽¹⁾		58.1	2,418.1	(15.2)	(72.4)	(2.0)	2,386.5	1.9	2,388.5

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

Notes to the consolidated financial statements

1. General Information

Davide Campari-Milano N.V.⁷⁵ is a company listed on the Italian Stock Exchange, with its official seat in Amsterdam, in the Netherlands, and its corporate address at Via Franco Sacchetti 20, 20099 Sesto San Giovanni, Milan, Italy.

For purposes of its business operations in Italy, the Company has established a secondary seat with a permanent representative office, within the meaning of article 2508 of the Italian Civil Code.

The Company is entered in both the Dutch Companies' Register under the number 78502934 and the Milan Monza Brianza Lodi Chamber of commerce under the number 06672120158.

At 31 December 2020, 66.6% of the total voting rights (equating to 53.8% of the share capital) of the Company was held by Lagfin S.C.A., Société en Commandite par Actions, headquartered in Luxembourg.

Founded in 1860, Campari is the sixth-largest player in the branded spirits industry, with an extensive and varied product portfolio. Its internationally recognized brands include Aperol, Appleton Estate, Campari, Grand Marnier, SKYY Vodka and Wild Turkey.

Campari Group operates in around 190 countries and has prime positions in Europe and the Americas. It has 21 production plants and its own distribution network in 20 countries and employs around 4,000 people.

The draft consolidated financial statements of Campari Group for the year ending 31 December 2020 were approved on 18 February 2021 by the Board of Directors of the Parent Company. On 25 February 2021, the Board of Directors approved the consolidated financial statements of Campari Group for the year ending 31 December 2020 and authorised it for issue.

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

2. Significant events of the year

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

3. Accounting information and policies

The consolidated financial statements at 31 December 2020 were prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code and the International Financial Reporting Standards issued by the International Accounting Standards Board ('IASB') and ratified by the European Union ('IFRS-EU'). These include all the international accounting standards ('IAS') and interpretations of the International Financial Reporting Interpretations Committee ('IFRIC'), formerly the Standing Interpretations Committee ('SIC').

The financial statements were prepared based on the going concern principle, on the cost basis and taking any value adjustments into account where appropriate, this is with the exception of statement of financial position items, such as financial instruments and biological assets, that, under the IFRS, must be recognised at fair value and except in cases in which the IFRS allow a different valuation criterion to be used. The carrying amount of assets and liabilities subject to fair value hedging transactions, which would otherwise be recorded at cost, has been adjusted to take account of the changes in fair value attributable to the risk being hedged.

Unless otherwise indicated, the figures reported in these notes are expressed in millions of Euro.

i. Principles of consolidation

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

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

⁷⁵ For more information, please refer to the paragraph 'Significant events of the year' included in the management report section.

ii. Form and content

In accordance with the format selected by the Group, the statement of profit or loss has been classified by function, and the statement of financial position is based on a distinction between current and non-current assets and liabilities.

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

Transactions or events that may generate income and expenses that are not relevant for assessing performance, such as gains/losses on the sale of fixed assets, restructuring and reorganisation costs, financial expenses and any other non-recurring income/expenses, are described in the notes. This presentation complies with the requirements and guidelines of the European Securities and Markets Authority ('ESMA') set out in ESMA/2015/1415.

In 2020, the Group did not carry out any atypical and/or unusual transactions that, due to their materiality or size, type of counterparties to the transaction, or method for determining the price and timing of the event (proximity to the close of the period), could give rise to concerns over the accuracy or completeness of the information in the financial statements, conflicts of interest, the safeguarding of company assets or the protection of minority shareholders.

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

iii. Use of estimates

Preparation of the financial statements and the related notes in accordance with IFRS requires the management to make estimates and assumptions that have an impact on the value of revenues, particularly with regard to deferred costs and incentives, costs, assets and liabilities in the statement of financial position, and on disclosures relating to contingent assets and liabilities at the reporting date.

If, in the future, these estimates and assumptions, which are based on the best valuations currently available, differ from the actual circumstances, they will be amended accordingly at the time that circumstances change.

In particular, estimates are used to identify provisions for risks with respect to receivables, obsolete inventory, asset impairment, employee benefits, taxes, restructuring provisions, as well as to determine the term and incremental interest rate for lease transactions. Detailed methodology followed is explained in the relevant note. The estimates and assumptions are reviewed regularly, and the impact of any change is reflected in the statement of profit or loss.

Goodwill and intangible assets with an indefinite useful life are subject to annual impairment tests to check for any losses in value. The calculation is based on expected cash flows from the cash-generating units to which the goodwill is attributed and on a number of other judgemental elements and critical assumptions explained in the relevant note. Growth rate assumptions are applied to the years beyond the plan horizon, as well as for discounting purposes. The initial valuation is revised if a significant event occurs or if there is a change in the characteristics that affects the valuation and if these changes are under the Group's control.

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

Outbreak of Covid-19

The global outbreak of the coronavirus (Covid-19) and its consequences for health, lifestyles, social relations and economic activities are now a cause for great alarm about the future impact of the pandemic on the global economic system.

The virus, which was recorded for the first time in China at the beginning of the year, has spread to the rest of the world. On 11 March 2020, the World Health Organization (WHO) declared the Covid-19 virus to be a pandemic after more and more countries reported infections.

The health crisis hit Italy on 21 February 2020 and, since then, it has rapidly spread into other countries in Europe and the Americas in an aggressive manner, particularly in the United States. In order to contain the spread, the governments of the various countries concerned have introduced progressively more restrictive measures to limit the movements of, and contacts among, people and suspended productive activities in sectors defined as non-critical, allowing only essential activities and production to continue. This has included, among others, the beverage sector, logistics services and freight transport.

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

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

With regard to Campari Group, the company's priority is, and will continue to be, to guarantee the safety of its employees ('Camparistas') and the continuity of its business. The Group adopted promptly and responsibly all the conduct and safety measures specified by the authorities in its various markets by introducing new protocols, work practices and safety measures. In terms of production facilities, during the crisis all the Group's plants and distilleries were kept operational while complying rigorously with the emergency health provisions in force to protect the health of Camparistas and their families. The Group's aim has been to continue to meet client demand and maintain the stocks necessary to tackle the crisis, while at the same time ensuring business continuity.

While there have been no issues for business continuity, since March 2020 the pandemic has clearly been having a negative impact on the spirits business across all markets, given the sector's natural exposure to the on-premise distribution channels, and in particular the closures of bars and restaurants. Owing to travel bans, the Global Travel Retail channel has also been greatly affected. With regard to the off-premise distribution channel, although the sale of spirits was not affected by restrictions, retailers have been impacted, with intensity varying from market to market, by changes in customer behaviour patterns, as well as by the liquidity crisis.

As a result of the uncertainty associated with the unprecedented nature of Covid-19, in preparing these year-end consolidated financial statements, the Group carefully evaluated and considered the impact of the outbreak on its 2020 year-end figures and has provided an update of the relevant Group specific disclosures since the last annual reporting date.

A critical review was undertaken, and a focused analysis performed to identify, and consequently managed, the principal risks and uncertainties to which the Group is exposed.

In particular, all significant assumptions and estimates underlying preparation of the following items were the subject of in-depth analysis in order to address the uncertainties linked to the unpredictability of the potential impact of the outbreak: impairment of non-financial assets, fair value measurement of financial instruments, expected credit loss assessment, deferred tax assets and tax reliefs, revenue recognition, reverse factoring agreements, lease agreements, provisions and onerous contracts. The analysis conducted did not highlight any critical situations that cannot be addressed in the ordinary course of the business.

Where the re-assessment exercise has led to particular conclusions, specific additional information is provided in the notes, while no particular explanations are provided where the outbreak has not had any specific impact on Group's financial performance, financial position and cash flows.

The Group continues to be very sound, in terms of its financial and equity profiles, and has not been exposed to any going-concern issues thanks to the agility and resilience of its organization and following actions taken:

- by complying promptly and responsibly with all the containment measures imposed by the authorities in all the countries in which it operates, the Group has been able to safeguard its employees; furthermore, there has been no disruption of supplies from Group suppliers, nor in logistics and freight transport activities;

- by keeping its production facilities open with the necessary safeguards throughout the crisis, maintaining stock levels and meeting client demand, the Group has been able to ensure its business continuity;
- by adapting very quickly to working from home, learning how to react very quickly to abrupt changes in markets and reinvented the Group business models accordingly, namely accelerating the transition in marketing and sales from the 'offline' to the 'online';
- by re-directing the available resources to activities appropriate to the new environment, such as strengthening and accelerating its IT support activities, and monitoring supplies and customer performance;
- by taking rapid action to mitigate costs and preserve its liquidity (no covenants on existing debt and a strong financial structure boosted by liquidity and available credit lines), while remaining focused on its long-term growth strategy;
- by accelerating its digital transformation and e-commerce programmes to further strengthen its digital capabilities across the entire organization.

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

iv. Basis of consolidation

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

- on 19 November 2020, Campari Group completed the acquisition of 100% Terrazza Aperol S.r.l., which was included in the consolidation perimeter from the acquisition date;
- on 29 June 2020, Campari Group completed the acquisition of a 49% interest in Tannico S.p.A., which was classified as an associate company from the acquisition date;
- on 10 June 2020, Campari Group completed the acquisition of an 80% interest, in the share capital of Champagne Lallier S.a.r.l. and other group companies (Les Gloriettes Scev, Les Rives des Marne S.a.r.l. and Sci Athena). The companies were included in the consolidation perimeter from the acquisition date;
- on 20 May 2020 Rhumantilles S.A.S. was merged within Marnier-Lapostolle Bisquit SASU, with the aim of optimising and streamlining the Group's structure. For statutory and tax purposes, the effective date of the merger was 1 January 2020;
- on 28 February 2020, Campari Group completed the acquisition of 100% of the French distributor Baron Philippe de Rothschild France Distribution S.A.S., which was included in the consolidation perimeter from the acquisition date;
- on 14 February 2020, the Group signed an agreement to create CT Spirits Japan Ltd., a joint venture in Japan, with a local partner experienced in the food&beverage sector. The Group holds a 40% interest in the joint venture and has a call option on the remaining 60% of the share capital, which can be exercised from 2023. The entity was classified as a joint venture from the agreement date and deconsolidated the previous Japanese subsidiary;
- during the first half of 2020, the processes of liquidating Campari Distribution Ireland Ltd. was completed. The entity was therefore excluded from the consolidation perimeter.

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

Name, activity	Registered office	Share capital at 31 December 2020 Currency	Amount	Direct	% owned by the Company Indirect	Direct shareholder
Company						
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			
Fully consolidated companies						
Italy						
Campari International S.r.l. , trading company	Via Franco Sacchetti 20, Sesto San Giovanni	€	700,000	100.00		
Campari Services S.r.l. in liquidazione , services company ⁽¹⁾	Via Franco Sacchetti 20, Sesto San Giovanni	€	160,000	100.00		
Camparino S.r.l. , trading company	Piazza Duomo 21, Milan, Italy	€	48,880	100.00		
Terrazza Aperol S.r.l. , trading company	Sestiere San Marco 2775, Venice, Italy	€	20,000	100.00		
Europe and Africa						
Campari Austria GmbH , trading company	Naglergasse 1/Top 13,1010 Wien, Austria	€	500,000		100.00	DI.CI.E. Holding B.V.
Campari Benelux S.A. , finance and trading company	Avenue de la Météorologie, 10, Bruxelles, Bruxelles	€	1,000,000	61.00	39.00	Glen Grant Ltd. 39%
Campari Deutschland GmbH , trading company	Adelgundenstr. Munich, 80538 Germany	€	5,200,000		100.00	DI.CI.E. Holding B.V.
Campari España S.L. , holding and trading company	Calle de la Marina 16-18, planta 28, Barcellona, Spain	€	3,272,600	100.00		
Campari RUS OOO , trading company	115088, Moscow, 2nd Yuzhnoportovy proezd, 14/22, Russia	RUB	2,010,000,000		100.00	DI.CI.E. Holding B.V.
Campari Schweiz A.G. , trading company	Lindenstrasse 8, Baar, Switzerland	CHF	500,000		100.00	DI.CI.E. Holding B.V.
Campari Ukraine LLC , trading company	8, Illinska Street, 5 Floor, block 8 and 9, Kiev, Ukraina	UAH	87,396,209		100.00	DI.CI.E Holding B.V. 99%, Campari RUS OOO 1%
DI.CI.E. Holding B.V. , holding company	Luna Arena, Herikerbergweg 114, Zuidoost, Amsterdam, the Netherlands	€	15,015,000	100.00		
Glen Grant Ltd. , manufacturing and trading company	Glen Grant Distillery, Rothes, Morayshire, AB38 7BN, United Kingdom	GBP	24,949,000	100.00		
Kaloyiannis-Koutsikos Distilleries S.A. , manufacturing and trading company	6 & E Street, A' Industrial Area, Volos, Greece	€	6,811,220		100.00	DI.CI.E. Holding B.V.
Société des Produits Marnier Lapostolle S.A. , holding and manufacturing company	32 rue de Monceau, 75008 Paris, France	€	27,157,500	91.64 ⁽²⁾		Davide Campari 91.64% Minority Shareholders 8.36%
Société Civile Immobilière Du VAL , property company	32 rue de Monceau, 75008 Paris, France	€	16,769,392		91.64 ⁽²⁾	Marnier-Lapostolle Bisquit SASU 100%
Marnier-Lapostolle Bisquit SASU , manufacturing and trading company	32 rue de Monceau, 75008 Paris, France	€	112,759,856		91.64 ⁽²⁾	Société des Produits Marnier Lapostolle S.A. 100%
Campari France Distribution S.A.S. , trading company	14 rue Montalivet, 75008 Paris	€	1,200,000		91.64 ⁽²⁾	Marnier-Lapostolle Bisquit SASU 100%
Bellonnie&Bourdillon S.A.S. , manufacturing and trading company	Zone de Génipa, 97224, Ducos, Martinique	€	5,100,000		88.46	Marnier-Lapostolle Bisquit SASU 96.53% minority shareholders 3.47%
Distilleries de Sainte Luce S.A.S. , agricultural production company	Zone de Génipa, 97224, Ducos, Martinique	€	2,000,000		88.46	Bellonnie et Bourdillon S.A.S. 99.99% minority shareholders 0.01%
SCEA Trois Rivières , agricultural service company	Zone de Génipa, 97224, Ducos, Martinique	€	5,920		88.46	Bellonnie et Bourdillon S.A.S. 25% Distilleries de Sainte Luce S.A.S 75%
Champagne Lallier S.a.r.l. , manufacturing company	4 Place de la Libération, 51160, AY, France	€	3,575,420		73.31	Marnier-Lapostolle Bisquit SASU 80% minority shareholders 20%
Scev des Gloriettes , property company	4 Place de la Libération, 51160, AY	€	34,301		73.31	Marnier-Lapostolle Bisquit SASU 80% minority shareholders 20%
Les Rives Marne S.A.S. , trading company	4 Place de la Libération, 51160, AY, France	€	100,000		73.31	Champagne Lallier S.a.r.l. 100%
Sci Athena , property company	4 Place de la Libération, 51160, AY, France	€	1,000		73.31	Champagne Lallier S.a.r.l. 99.9%
Campari South Africa Pty Ltd. , trading company	12 th Floor, Cliffe Dekker Hofmeyr 11 Buitengracht street, Cape Town, Sud Africa	ZAR	490,247,750		100.00	Les Rives Marne Sas 0.1% DI.CI.E. Holding B.V.

Name, activity	Registered office	Share capital at 31 December 2020 Currency	Amount	Direct	% owned by the Company Indirect	Direct shareholder
Americas						
Campari America, LLC , manufacturing and trading company	1114 Avenue of the Americas, 19th Floor New York, United States	USD	566,321,274	100.00		
Campari Argentina S.A. , manufacturing and trading company	Olga Cossettini, 243 Piso 3, Puerto Madeo, CABA, Argentina	ARS	1,179,365,930 ⁽³⁾		100.00	DI.CI.E. Holding B.V. 98.81% Campari do Brasil Ltda. 1.19%
Campari do Brasil Ltda. , manufacturing and trading company	Alameda Rio Negro 585, Edifício Demini, Conjunto 62, Alphaville-Barueri-SP, Brasil	BRL	239,778,071	99.999	0.001	Campari Schweiz AG 0.001%
Campari Mexico S.A. de C.V. , trading company	Avenida Americas 1500 Piso G-A Colonia Country Club, Guadalajara, Jalisco, Mexico	MXN	1,670,184,642		100.00	DI.CI.E. Holding B.V.
Campari Mexico Corporativo S.A. de C.V. , services company	Avenida Americas 1500 Piso G-A Colonia Country Club, Guadalajara, Jalisco, Mexico	MXN	5,050,000		100.00	Campari Mexico, S.A. de C.V. 99% Campari America, LLC 1%
Campari Mexico Destiladora S.A. de C.V. , manufacturing company	Camino Real a Atotonilco No. 1081, La Trinidad, San Ignacio Cerro Gordo, Jalisco, Z.C. 47195, Mexico	MXN	5,050,000		100.00	Campari Mexico, S.A. de C.V. 99% Campari America, LLC 1%
Licorera Ancho Reyes y cia, S.A.P.I. de C.V. , manufacturing and trading company	Paseo de los Tamarindos No. 90 Edificio Arcos Bosques Torre II-Piso 5C Col. Bosques de las Lomas, 05120, Mexico	MXN	177,888,738		51.00	DI.CI.E. Holding B.V.
Casa Montelobos, S.A.P.I. de C.V. , manufacturing and trading company	Paseo de los Tamarindos No. 90 Edificio Arcos Bosques Torre II-Piso 5C Col. Bosques de las Lomas, 05120, Mexico	MXN	144,823,850		51.00	DI.CI.E. Holding B.V.
Campari Peru SAC , trading company	Av. Jorge Basadre No.607, oficina 702, distrito de San Isidro, Lima, Peru	PEN	34,733,589 ⁽⁴⁾		100.00	Campari España S.L. 99.92%, Campari do Brasil Ltda. 0.08%
Forty Creek Distillery Ltd. , manufacturing and trading company	297 South Service Road West, Grimsby, Canada	CAD	105,500,100 ⁽⁴⁾		100.00	DI.CI.E. Holding B.V.
J. Wray&Nephew Ltd. , manufacturing and trading company	23 Dominica Drive, Kingstone 5, Jamaica	JMD	750,000		100.00	Campari España S.L.
Asia						
Campari (Beijing) Trading Co. Ltd. , trading company	Building 1, Level 5, Room 66, 16 Chaowai Avenue, Chaoyang District, Beijing, China	CNY	104,200,430		100.00	DI.CI.E. Holding B.V.
Campari Australia Pty Ltd. , manufacturing and trading company	Level 21, 141 Walker Street North Sydney, Australia	AUD	56,500,000		100.00	DI.CI.E. Holding B.V.
Campari India Private Ltd. , services company	CoWrks, Ground Floor and First Floor, Worldmark 1, Asset Area 11 Aerocity, Hospitality District, Indira Gandhi International Airport, NH-8, India New Delhi- 110037, INDIA	INR	120,810,330		100.00	Di.Ci.E. Holding BV 99%; Campari Australia Pty Ltd 1%
Campari New Zealand Ltd. , trading company	C/o KPMG 18, Viaduct Harbour Av., Maritime Square, Auckland New Zealand	NZD	10,000		100.00	Campari Australia Pty Ltd.
Campari Singapore Pte Ltd. , trading company	152 Beach Road, #24-06, 1Gateway East, 189721 Singapore	SGD	100,000		100.00	DI.CI.E Holding B.V.
Investments accounted for using the equity method						
Name, activity	Registered office	Share capital at 31 December 2020 Currency	Amount	% owned by the company Direct	Indirect	Direct shareholder
Trans Beverages Company Limited , trading company	Nr 1702,c-dong (GL Metrocity Munjung SK V1) 642-3 Munjung-dong, Songpa-gu, Seoul, Korea	KWD	2,000,000,000		40.00	Glen Grant Ltd.
CT Spirits Japan Ltd. , trading company	2-26-5 Jingumae Shibuya-ku, Tokyo 150-0001, Japan	JPY	100,000,000		40.00	Di.Ci.E. Holding BV
Tannico e Wineplatform S.p.A. , trading company	Via Chiossetto, n. 1 – Milan, Italy	€	11,533	49.00		

⁽¹⁾ Company in liquidation. Values as for last approved financial statements at 31 December 2019.

⁽²⁾ This figure does not include the portion of capital with right of usufruct, equal to 1.65%, whose bare ownership is held by shareholders of Société des Produits Marnier Lapostolle S.A. who hold 8.36% of the capital, which is covered by agreements for repurchases to be made by 2021.

⁽³⁾ The share capital does not include effects related to the hyperinflation accounting standard.

⁽⁴⁾ Includes the capital contribution.

v. Definition of control

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

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

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

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

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

vi. Subsidiaries

All subsidiaries are consolidated on a line-by-line basis.

Under this method, all assets and liabilities, and expenses and revenues for consolidated companies, are fully reflected in the consolidated financial statements. The carrying amount of the equity investments is derecognised against the corresponding portion of the shareholders' equity of the subsidiaries. Individual assets and liabilities are assigned the value attributed to them on the date control was acquired.

Any positive difference is recorded under the asset item 'Goodwill', and any negative amount is taken to the statement of profit or loss.

Non-controlling interests in shareholders' equity and profit are reported under the appropriate items in the financial statements.

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

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

vii. Associates and joint ventures

An associate is a company over which the Group exercises significant influence. Significant influence means the power to contribute to determining a subsidiary's financial and management policies, without having control or joint control over it.

A joint venture exists where there is a joint-control agreement under which the parties, that hold joint control, have a right to the net assets covered by the agreement. Joint control is the contractually agreed sharing of control under an agreement, which solely exists when decisions on relevant activities require unanimous consensus from all the parties sharing control.

The factors considered to determine significant influence or joint control are similar to those necessary to determine control over subsidiaries.

These companies are initially recognized at cost plus acquisition related costs and subsequently reported in the consolidated financial statements using the equity method from the date on which significant influence or joint control begins and ending when that influence or control ceases.

If there is a significant loss of influence or of joint control, the holding and/or investment is recognised at fair value with the difference between fair value and the carrying amount being recorded in the statement of profit or loss.

Any committed payments to increment the ownership interest in an associate or a joint venture, in the form of put and/or call option or a combination of the two, cannot be estimated and recorded as financial liability at the time

of the transaction since the guidance valid for financial Instruments does not apply to interests in associates and joint ventures that are accounted for using the equity method. These written agreement for put and/or call options are considered as derivative agreements and represented in the Group accounts as financial instruments measured at fair value with impact in the statement of profit or loss. At that time of the expiring of the call and/or the put options, the derivatives will be replaced by an increased value of the investment to be recorded against the cash out for the derivative settlement.

Contingent or committed payments in the form of incentive plan granted to personnel of the associate of joint venture are recorded as incremental cost of the investment once achievement of the performance condition becomes probable based on the fair value of the replacement award as of the acquisition date.

If the Group's interest in any losses of associates exceeds the carrying amount of the equity investment in the financial statements, the value of the equity investment is derecognised, and the Group's portion of further losses is not reported, unless, and to the extent to which, the Group has a legal or implicit obligation to cover such losses. The Group assesses the existence of any impairment indicators on an annual basis by comparing the value of the investment measured at equity with the recoverable value; any impairment value is allocated to the investment as a whole with an offsetting entry in the statement of profit or loss.

viii. Transactions derecognised during the consolidation process

When preparing the consolidated financial statements, unrealised gains and losses resulting from intra-group transactions are derecognised, as are the entries giving rise to payables and receivables, and costs and revenues between the companies included in the basis of consolidation.

Unrealised gains and losses generated on transactions with associated companies or joint ventures are derecognised to the extent of the Group's percentage interest in those companies.

Dividends collected from consolidated companies are derecognised.

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

Figures expressed in currencies other than the accounting currency (Euro) are converted as follows:

- statement of profit or loss items are converted at the average exchange rate for the period, while statement of financial position items are converted at period-end exchange rates; exchange rate differences resulting from the application of differing criteria for conversion to the Euro of statement of profit or loss and statement of financial position items are recorded under the currency translation reserve under shareholders' equity until the investment in question is sold;
- any conversion differences between the value of initial shareholders' equity, as converted at end-of-period exchange rates, and the value of shareholders' equity for the previous year converted at current exchange rates are also recorded under the currency translation reserve.

When preparing the consolidated statement of cash flows, average exchange rates were used to convert the cash flows of subsidiaries outside the Eurozone.

The exchange rates used for conversion transactions are shown below.

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

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

x. Hyperinflation

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

The restatement procedures used by the Group are as follows:

- a) selection of a general price index;
- b) segregation of cash and non-cash items;
- c) restatement of non-cash items;
- d) restatement of the statement of profit or loss;
- e) calculation of monetary profit or loss;
- g) restatement of adjusted balance-sheet and income-statement values.

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

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

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

The indices used to remeasure the values at 31 December 2020 are shown in the table below. Specifically, the national Consumer Price Index ('nationwide CPI') of Argentina was used.

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

xi. Reclassification of comparative figures at 31 December 2019

Reclassifications for enhanced disclosures

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

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

€ million		For the year ending 31 December 2019	
old description	stated figures	reclassifications	enhanced stated figures new descriptions
			2,311.3 Sales
			(468.8) Excise duties
Net sales	1,842.5	-	1,842.5 Net sales
Cost of goods sold	(721.3)		(721.3) Cost of sales
Gross profit	1,121.2	-	1,121.2 Gross profit
Advertising and promotional costs	(319.9)		(319.9) Advertising and promotional costs
Contribution margin	801.3	-	801.3 Contribution margin
Overheads	(415.0)	21.7	(393.3) Selling, general and administrative expenses
		(33.8)	(33.8) Other operating expenses
		12.1	12.1 Other operating income
Operating result	386.3	-	386.3 Operating result
Financial income (expenses)	(31.8)	(9.5)	(41.3) Financial expenses
		9.5	9.5 Financial income
Share of net profit of associates and joint ventures	0.1		0.1 Share of profit (loss) of associates and joint ventures
Profit before tax	354.6	-	354.6 Profit before taxation
Income tax expense	(46.2)		(46.2) Taxation
Profit for the period	308.4	-	308.4 Profit for the period
Profit attributable to:			Profit attributable to:
Parent Company shareholders	308.4		308.4 Owners of the parent
Non-controlling interests	-		- Non-controlling interests

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

€ million		For the year ending 31 December 2019	
old description	stated figures	enhanced stated figures	new descriptions
Profit for the period (A)	308.4	308.4	Profit for the period (A)
B1) Items that may be subsequently reclassified to profit or loss			B1) Items that may be subsequently reclassified to the statement of profit or loss
Cash flow hedge:			Cash flow hedge:
Profit (loss) for the period	3.6		Profit (loss) for the period
Profit (losses) classified to other comprehensive income	(10.9)		Profit (losses) classified to other comprehensive income
Net gains (losses) from cash flow hedge	(7.3)	(7.3)	Gains (losses) on cash flow hedge
Tax effect	1.8	1.8	Related Income tax effect
Total cash flow hedge	(5.5)	(5.5)	Total cash flow hedge
Conversion difference:			Foreign currency translation:
Profit (loss) for the period	-		
Profit (losses) classified to other comprehensive income	29.7	29.7	Exchange differences on translation of foreign operations
Total conversion difference	29.7	29.7	Total foreign currency translation
Total: items that may be subsequently reclassified to profit or loss (B1)	24.2	24.2	Total: items that may be subsequently reclassified to the statement of profit or loss (B1)
B2) Items that may not be subsequently reclassified to profit or loss			B2) Items that may not be subsequently reclassified to the statement of profit or loss
Remeasurements of post-employment benefit obligations:			Remeasurements of defined benefit plans:
Profit(loss) for the period	(3.1)	(3.1)	Gains/(losses) on remeasurement of defined benefit plans
Tax effect	1.0	1.0	Related Income tax effect
Total remeasurements of post-employment benefit obligations	(2.1)	1.0	Total remeasurements of defined benefit plans
Total: items that may not be subsequently reclassified to profit or loss (B2)	(2.1)	(2.1)	Total: items that may not be subsequently reclassified to the statement of profit or loss (B2)
Other comprehensive income (expenses) (B=B1+B2)	22.1	22.1	Other comprehensive income (expenses) (B=B1+B2)
Total comprehensive income (A+B)	330.5	330.5	Total other comprehensive income (A+B)
Attributable to:			Attributable to:
Parent Company shareholders	330.5	330.5	Owners of the parent
Non-controlling interests	-	-	Non-controlling interests

⁽¹⁾ No reclassifications have been performed, the changes regard only the description of the items.

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

€ million		At 31 December 2019	
old description	stated figures	reclassifications	enhanced stated figures
ASSETS			ASSETS
Non-current assets			Non-current assets
Net tangible fixed assets	496.4	-	496.4
Right of use assets	80.5	-	80.5
Biological assets	3.9	-	3.9
Investment properties	1.1	-	1.1
Goodwill and brands	2,431.8	(1,041.3)	1,390.5
		1,041.3	1,041.3
Intangible assets with a finite life	49.3	-	49.3
Investments in associates and joint ventures	0.5	-	0.5
Deferred tax assets	37.5	-	37.5
Other non-current assets	22.8	(14.7)	8.2
	-	14.7	14.7
Total non-current assets	3,123.8	-	3,123.8
Current assets			Current assets
Inventories	617.7	-	617.7
Biological assets	0.9	-	0.9
Trade receivables	316.9	-	316.9
Short-term financial receivables	8.3	-	8.3
Cash and cash equivalents	704.4	-	704.4
Income tax receivables	18.7	-	18.7
Other receivables	44.7	-	44.7
Assets held for sale	5.3	-	5.3
Total current assets	1,716.9	-	1,716.9
Total assets	4,840.7	-	4,840.7
LIABILITIES AND SHAREHOLDERS' EQUITY			LIABILITIES AND SHAREHOLDERS' EQUITY
Shareholders' equity			Shareholders' equity
Capital and reserves attributable to Parent Company	2,389.7	-	2,389.7
Non-controlling interests	1.9	-	1.9
Total shareholders' equity	2,391.6	-	2,391.6
Non-current liabilities			Non-current liabilities
Bonds	349.4	-	349.4
Other non-current liabilities	476.4	(227.1)	249.3
	-	210.9	210.9
Post-employment benefit obligations	33.4	-	33.4
Provisions for risks and charges	51.4	-	51.4
Deferred tax liabilities	386.1	-	386.1
	-	16.2	16.2
Total non-current liabilities	1,296.7	-	1,296.7
Current liabilities			Current liabilities
Bonds	580.0	-	580.0
Payables to banks	31.0	-	31.0
Other financial liabilities	84.3	-	84.3
Trade payables	240.7	-	240.7
Income tax payables	75.1	-	75.1
Other current liabilities	141.5	-	141.5
Total current liabilities	1,152.5	-	1,152.5
Total liabilities	2,449.1	-	2,449.1
Total liabilities and shareholders' equity	4,840.7	-	4,840.7

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

€ million		For the year ending 31 December 2019	
old description	stated figures	enhanced stated figures	new description
Operating profit	386.3	386.3	Operating profit
Effects from hyperinflation accounting standard adoption	4.5	4.5	Effects from hyperinflation accounting standard adoption
Depreciation and amortisation	71.8	71.8	Depreciation and amortisation
Gains and losses on sales of fixed assets	(2.5)	(2.5)	Gain or loss on sale of fixed assets
Impairment of tangible fixed assets, goodwill, trademark and sold business	6.6	6.6	Impairment of tangible fixed assets, goodwill, trademark and sold business
Utilizations of provisions	(15.7)	(15.7)	Utilizations of provisions
Change in long-term payables to employees	(10.0)	(10.0)	Change in payables to employees
Change in net operating working capital	(29.6)	(29.6)	Change in net operating working capital
Income taxes refund (paid)	(45.3)	(45.3)	Income taxes refund (paid)
Other non-cash items	(3.2)	(3.2)	Other non-cash items
Cash flow generated from (used in) operating activities	363.0	363.0	Cash flow generated from (used in) operating activities
Purchase of tangible and intangible fixed assets	(92.0)	(92.0)	Purchase of tangible and intangible fixed assets
Disposal of tangible and intangible assets	9.6	9.6	Disposal of tangible and intangible assets
Acquisition and sale of companies or business divisions	(86.5)	(86.5)	Acquisition of companies or business divisions
Cash and cash equivalents at acquired companies ⁽¹⁾	6.0	6.0	Cash and cash equivalents at acquired companies ⁽¹⁾
Disposal of non-strategic assets	200.0	200.0	Proceeds from sale of investment property
Put options and earn-out payments	(69.2)	(69.2)	Put options and earn-out payments
Interests received	9.0	9.0	Interests received
Net changes in securities	27.4	27.4	Decrease (increase) in short-term deposits and investments
Other changes	(0.1)	(0.1)	Other changes
Cash flow generated from (used in) investing activities	4.3	4.3	Cash flow generated from (used in) investing activities
Bond issued by Parent Company	149.3	149.3	Proceeds from issue of bonds, notes and debentures
Other medium-long term financing	248.7	248.7	Proceeds from non-current borrowings
Bond repayment	(219.1)	(219.1)	Repayments of bonds, notes and debentures
Payment of lease liabilities	(13.0)	(13.0)	Payment of lease liabilities
Other repayments of other medium- and long-term d	(300.0)	(300.0)	Repayment of non-current borrowings
Net change in short-term financial payables and bank loans	19.8	19.8	Net change in short-term financial payables and bank loans
Interests paid	(27.7)	(27.7)	Interests paid
Interest on leases	(3.4)	(3.4)	Interest on leases
Change in other financial payables and receivables	(23.2)	(23.2)	Other inflows (outflows) of cash
Purchase and sale of own shares	(47.3)	(47.3)	Purchase and sale of own shares
Dividend paid by the Parent Company	(57.3)	(57.3)	Dividend paid by to equity holders of the Parent
Cash flow generated from (used in) financing activities	(273.2)	(273.2)	Cash flow generated from (used in) financing activities
Other differences including exchange rate differences	(3.6)	(3.6)	Other differences including exchange rate differences
Net change in cash and cash equivalents: increase (decrease)	90.5	90.5	Net change in cash and cash equivalents: increase (decrease)
Cash and cash equivalents at the beginning of period	613.9	613.9	Cash and cash equivalents at the beginning of period
Cash and cash equivalents at end of period	704.4	704.4	Cash and cash equivalents at end of period

⁽¹⁾ No reclassifications have been performed, the changes regard only the description of the items.

Reclassified figures (for enhanced disclosure) of the Consolidated statement of changes in shareholders' equity

31 December 2019 € million		Attributable to Parent Company shareholders							Non-controlling Interests	
old description	Share capital	Legal Reserve	Retained earnings	Other reserves					Total	
new description	Issued capital				Retained earnings and other reserves	Cash flow hedge reserve	Currency translation differences	Remeasurement of defined benefit plans	Equity attributable to owners of the parent	Non-controlling Interests
stated figures	58.1	11.6	2,377.0	(57.0)	-	-	-	-	2,389.7	1.9
reclassifications	-	(11.6)	(2,377.0)	57.0	2,242.0	15.2	72.4	2.0	-	-
enhanced stated figures	58.1	-	-	-	2,242.0	15.2	72.4	2.0	2,389.7	1.9

Reclassifications for purchase price allocation

On 1 October 2019 Campari Group completed the acquisition of Rhumantilles S.A.S. ('Rhumantilles') and on 20 November 2019 completed the acquisition of the controlling stakes in the capital of Licorera Ancho Reyes y Cia S.A.P.I. de C.V. ('Ancho Reyes') and Casa Montelobos S.A.P.I. de C.V. ('Montelobos').

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

table. The updated allocation did not have a significant impact on the statement of profit or loss and cash flow statement for 2019.

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

Group statement of financial position	At 31 December 2019		
	stated figures	reclassifications for purchase price allocation	reclassified figures
€ million			
fixed assets	3,063.5	(1.0)	3,062.4
other non-current assets and (liabilities)	(441.4)	(0.2)	(441.6)
operating working capital	694.8	(2.5)	692.3
other current assets and (liabilities)	(147.9)	0.7	(147.2)
total invested capital	3,169.0	(3.1)	3,165.9
Group shareholders' equity	2,389.7	(3.1)	2,386.6
non-controlling interests	1.9	-	1.9
net financial debt	777.4	-	777.4
total financing sources	3,169.0	(3.1)	3,165.9

Reclassifications for purchase price allocation of the operating working capital

Operating working capital	At 31 December 2019		
	stated figures	reclassifications for purchase price allocation	reclassified figures
€ million			
Trade receivables	316.9	(0.1)	316.8
Total inventories, of which:	618.6	(1.9)	616.7
- maturing inventory	364.7	9.7	374.4
- biological assets	0.9	-	0.9
- other inventory	253.0	(11.6)	241.5
Trade payables	(240.7)	(0.5)	(241.2)
Operating working capital	694.8	(2.5)	692.3
Sales in the previous 12 months rolling	1,842.5		1,842.5
Working capital as % of sales in the previous 12 months	37.7		37.6

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

€ million	At 31 December 2019		
	enhanced stated figures	reclassifications for purchase price allocation	reclassified figures
ASSETS			
Non-current assets			
Property, plant and equipment	496.4	11.9	508.3
Right of use assets	80.5	-	80.5
Biological assets	3.9	-	3.9
Investment properties	1.1	-	1.1
Goodwill	1,390.5	(2.7)	1,387.8
Brands	1,041.3	(5.7)	1,035.6
Intangible assets with a finite life	49.3	(4.5)	44.8
Investments in associates and joint ventures	0.5	-	0.5
Deferred tax assets	37.5	0.7	38.3
Other non-current assets	8.2	-	8.2
Other non-current financial assets	14.7	-	14.7
Total non-current assets	3,123.8	(0.3)	3,123.5
Current assets			
Inventories	617.7	(1.9)	615.9
Biological assets	0.9	-	0.9
Trade receivables	316.9	(0.1)	316.8
Other current financial assets	8.3	-	8.3
Cash and cash equivalents	704.4	-	704.4
Income tax receivables	18.7	-	18.7
Other current assets	44.7	-	44.7
Assets held for sale	5.3	-	5.3
Total current assets	1,716.9	(2.0)	1,714.9
Total assets	4,840.7	(2.3)	4,838.5
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Issued capital and reserves attributable to owners of the parent	2,389.7	(3.1)	2,386.6
Non-controlling interests	1.9	-	1.9
Total shareholders' equity	2,391.6	(3.1)	2,388.5
Non-current liabilities			
Bonds	349.4	-	349.4
Loans due to banks	249.3	-	249.3
Other non-current financial liabilities	210.9	-	210.9
Post-employment benefit obligations	33.4	-	33.4
Provisions for risks and charges	51.4	1.0	52.4
Deferred tax liabilities	386.1	-	386.1
Other non-current liabilities	16.2	-	16.2
Total non-current liabilities	1,296.7	1.0	1,297.6
Current liabilities			
Bonds	580.0	-	580.0
Loans due to banks	31.0	-	31.0
Other current financial liabilities	84.3	-	84.3
Trade payables	240.7	0.5	241.1
Income tax payables	75.1	-	75.1
Other current liabilities	141.5	(0.6)	141.0
Total current liabilities	1,152.5	(0.1)	1,152.4
Total liabilities	2,449.1	0.9	2,450.0
Total liabilities and shareholders' equity	4,840.7	(2.3)	4,838.5

Reclassifications for purchase price allocation of the consolidated statement of changes in shareholders' equity

	Issued capital	Retained earnings and other reserves	Cash flow hedge reserve	Currency translation differences	Remeasurement of defined benefit plans	Equity attributable to owners of the parent	Non-controlling interests	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
At 31 December 2018	58.1	2,228.2	(9.7)	(113.9)	0.1	2,162.8	-	2,162.8
Dividends to owners of the parent	-	(57.3)	-	-	-	(57.3)	-	(57.3)
Increase (decrease) through treasury share transactions	-	(49.2)	-	-	-	(49.2)	-	(49.2)
Increase (decrease) through share-based payment transactions	-	7.9	-	-	-	7.9	-	7.9
Changes in ownership interests stated	-	(16.1)	-	-	-	(16.1)	1.9	(14.2)
Change in allocation	-	(3.1)	-	-	-	(3.1)	-	(3.1)
Changes in ownership interests restated	-	(19.2)	-	-	-	(19.2)	-	(17.3)
Increase (decrease) through other changes	-	(0.6)	-	41.5	-	41.0	-	41.0
Profit (loss)	-	308.3	-	-	-	308.3	-	308.3
Other comprehensive income (expense)	-	-	(5.5)	-	(2.1)	(7.6)	-	(7.6)
Total other comprehensive income	-	308.3	(5.5)	-	(2.1)	300.6	-	300.6
At 31 December 2019	58.1	2,418.1	(15.2)	(72.4)	(2.0)	2,386.6	1.9	2,388.5
reclassified figures	58.1	2,418.1	(15.2)	(72.4)	(2.0)	2,386.6	1.9	2,388.5

4. Significant accounting policies

i. Intangible assets

Intangible assets include all assets without any physical form that are identifiable, controlled by the company and capable of producing future economic benefits, as well as goodwill when purchased for a consideration.

Intangible assets acquired are recorded under assets, when it is likely that the use of the assets will generate future economic benefits, and when the cost can be reliably determined.

If acquired separately, these assets are reported at acquisition cost including all allocable ancillary costs on the acquisition date.

Intangible assets acquired through business combinations are reported separately from goodwill at fair value, where this can reliably be measured, on the acquisition date.

Subsequently, intangible assets are recorded at cost net of accumulated amortisation and any impairment losses. Assets produced internally, are not capitalised and are reported in the statement of income statement for the financial year in which they are incurred; there are no significant development costs to be considered.

Intangible assets with a finite life are amortised on a straight-line basis in relation to their remaining useful life, taking into account losses due to a reduction in the cumulative value.

The period of amortisation of intangible assets with a finite life is reviewed at least at the end of every financial year in order to ascertain any changes in their useful life, which, if identified, will be treated as changes in estimates.

The costs of innovation projects and studies are recorded in income statement in full in the year in which they are incurred.

Costs relating to industrial patents, concessions, licences and other intangible fixed assets are recorded on the assets side of the statement of financial position only if they are able to produce future economic benefits for the company. These costs are amortised based on the period of use, if this can be determined, or according to the contract term.

Software licences represent the cost of purchasing licences and, if incurred, external consultancy fees; there are normally no cost associated with internal personnel costs necessary for development. These costs are recorded in the year in which the internal or external costs are incurred for training personnel and other related costs.

Cloud computing arrangements under which the Group contracts to pay a fee in exchange for a right to access the supplier's application software for a specified term and where the cloud infrastructure is managed and controlled by the supplier, insofar as access to the software is on an 'as needed' basis over the internet or via a dedicated line and, the contract does not convey to the Group any rights over tangible assets, are managed as a service contract with the related costs expensed as they are incurred. Any prepayment giving a right to a future service is recognised as a prepaid asset. Detailed analysis is undertaken to determine whether the implementation costs for software hosted under cloud arrangements can be capitalised.

Goodwill and brands which result from acquisitions and qualify as intangible assets with an indefinite life are not amortised. The possibility of recovering their carrying amount is ascertained at least one a year, and in any case when events occur that lead to the assumption of a reduction in value based on the criteria specified in the section entitled 'Impairment'.

For goodwill, a test is performed on the smallest cash-generating unit to which the goodwill relates. On the basis of this, management directly or indirectly assesses the return on investment including goodwill. See also the paragraph on 'Business combinations' below.

Goodwill write-downs can no longer be written back in future years. When control of a previously acquired company is transferred, the gain or loss on the sale takes into account the corresponding residual value of the previously recorded goodwill.

ii. Business combinations

Business combinations are recorded by applying the acquisition method.

The Group verifies firstly whether a business combination falls within the definition of a Business according to the IFRS guidance. In particular, the Group deems an undertaking to be a business only if it is an integrated set of activities and assets that includes at least an input and a substantive process which together contribute to the ability to create an output. A business can therefore exist even without the inclusion of all the inputs and processes necessary to create an output. This definition makes it possible to identify the acquisition of a business rather than just a group of assets. The Group undertakes this assessment for each business combination.

The cost of an acquisition is determined by the sum of the payments transferred as part of a business combination, measured at fair value, on the acquisition date and at the value of the portion of shareholders' equity relating to non-controlling interests, measured at fair value or as a pro-rata share of the net assets recognised for the acquired entity. The designated methodology for each acquisition is specified when the values deriving from the allocation process are shown.

In the case of business combinations made in stages, the interest previously held by the Group in the acquired business is revalued at fair value on the date control is acquired, and any resulting gains or losses are recognised in the statement of profit or loss.

Conditional payments are measured at fair value on the acquisition date and are included among the transferred payments for the purposes of calculating goodwill. Subsequent changes to the fair value of the conditional payment, i.e. where the amount and future disbursement are dependent on future events that are classified as a financial instrument, are reported on the statement of profit or loss or separately in equity under the other components of comprehensive income. The designated methodology for each acquisition is specified when the values deriving from the allocation process are shown. Conditional payments that do not represent financial instruments regulated by IFRS 9 'Financial instruments', are valued on the basis of the specific applicable IFRS/IAS. Conditional payments that are classified as equity instruments are not revalued; they are therefore recorded under equity when settled.

Ancillary costs relating to the transaction are recognised in the statement of profit or loss at the time they are incurred. Any changes in fair value occurring once more information becomes available during the measurement period (12 months from the date of acquisition) are included retrospectively in goodwill.

Goodwill acquired in business combinations is initially measured at cost, as the excess of the sum of payments transferred as part of a business combination, the value of the portion of shareholders' equity relating to non-controlling interests and the fair value of any interest previously held in the acquired business over the Group's portion of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. If the value of the net assets acquired and liabilities assumed on the acquisition date exceeds the sum of the transferred payments, the value of the non-controlling interests' portion of shareholders' equity and the fair value of any interest previously held in the acquired business, this excess value is recorded in the Statement of profit or loss as income from the transaction.

After initial recognition, goodwill is measured at cost, less cumulative impairment.

To establish whether impairment has occurred, the goodwill acquired in a business combination is allocated from the acquisition date to the individual cash-generating units or to the groups of cash-generating units likely to benefit from merger synergies, regardless of whether other assets or liabilities from the acquisition are assigned to these units or groups of units.

When the goodwill is part of a cash-generating unit (or group of cash-generating units) and some of the internal assets of the unit are sold, the goodwill associated with the assets sold is included in the carrying amount of the assets in order to establish the gain or loss generated by the sale.

Goodwill sold in this way is measured according to the value of the assets sold and the value of the remaining portion of the unit.

iii. Recognition of non-controlling interests

Non-controlling interests relate to the portion of a subsidiary's shareholders' equity that is not directly or indirectly attributable to the Group.

Non-controlling interests are determined by calculating the goodwill using one of the following methods:

- based on the subsidiary's proportionate share of net assets, determined according to the rules set out by the accounting standard for business acquisitions;
- in proportion to the price paid.

The choice of method for determining non-controlling interests is made on a case-by-case basis for each business combination.

If there are cross-mechanisms which give the Group the right to acquire the non-controlling interests (call option agreement) or rights to sell the same to the Group (put option agreement) or a combination of both (put and call option agreements), an analysis is made as to whether the risks and benefits connected with the share of legal ownership of the business to which the non-controlling interests pertain are broadly attributable to the latter or to the Group. These rights to purchase or sell the non-controlling interests may be set at a fixed price, a variable price or a fair value, and may be exercisable on a fixed date or at any time in the future. Each of these variables is examined to determine the effects on the presentation of the accounts.

If the non-controlling interests have an effective involvement in the conduct of the business, those interest must continue to be represented in addition to the Group's shareholders' equity and, at the same time, the financial liability relating to the put and/or call option agreements must be recorded.

At the close of each year, the effects of agreements with non-controlling interests are shown as follows:

- an allocation is made of the portion of net shareholders' equity that would have been recognised under non-controlling interests, including the related operating result, as well as the changes to the consolidated statement of profit or loss and the dividends paid during the year;

- non-controlling interests recognised at the time of initial acquisition (a) are shown as if they were eliminated on that date and deducted from the financial liabilities for put and/or call options;
- financial liabilities associated with put and/or call option agreements are shown at fair value (b) as changes in the Group's shareholders' equity, without the need for measurement based on amortised cost;
- the difference between (a) and (b) is recorded under the Group's shareholders' equity.

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

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

iv. Property, plant and equipment

Property, plant and equipment are recorded at acquisition or production cost, gross of capital grants (if received) and directly charged expenses, and are not revalued.

Subsequently, tangible fixed assets are recorded at cost net of accumulated depreciation and any impairment losses.

Any costs incurred after purchase are only capitalised if they increase the future financial benefits generated by using the asset.

The replacement costs of identifiable components of complex assets are allocated to assets on the statement of financial position and depreciated over their useful life. The residual value recorded for the component being replaced is allocated to the statement of profit or loss; other costs are charged to profit or loss when the expense is incurred.

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

All other financial expenses are posted to the statement of profit or loss when incurred.

Ordinary maintenance and repair expenses are expensed in profit or loss in the period in which they are incurred. If there are current obligations for dismantling or removing assets and cleaning up the related sites, the carrying amount of the assets includes the estimated costs (discounted to present value) to be incurred when the structures are abandoned, which are posted as an offsetting entry to a specific provision.

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

Depreciation is applied using the straight-line method, based on each asset's estimated useful life as established in accordance with the company's plans for use of such assets, taking into account wear and tear and technological obsolescence, and the likely estimated realisable value net of disposal costs.

When the tangible asset consists of several significant components with different useful lives, depreciation is applied to each component individually.

The amount to be depreciated is represented by the carrying amount, less the estimated residual value, at the end of its useful life, if this value is significant and can reasonably be determined.

Land, even if acquired in conjunction with a building, is not depreciated, and nor are available-for-sale tangible assets, which are reported at the lower of their carrying amount and fair value less cost to sell. Barrels are depreciated based on the useful life, which can vary depending on the maturing work in progress for the liquid. For lease-hold-improvements, the period of depreciation is the shorter between the economic life of the asset and the contract duration of the underlying lease agreement.

The rates are as follows:

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

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

A tangible asset is derecognised from the statement of financial position at the time of sale or when there are no future economic benefits associated with its use or disposal.

Any profits or losses are included in the statement of profit or loss in the year of this derecognition.

v. Grants

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

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

Capital grants are recorded when there is a reasonable certainty that all the requirements necessary for access to such grants have been met and that the grant will be disbursed.

This generally occurs when the decree acknowledging the grant is issued.

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

vi. Impairment

The Group ascertains, at least once a year, whether there are indicators of potential impairment of intangible and tangible assets. If the Group finds that such indications exist, it estimates the recoverable value of the relevant asset.

Moreover, intangible assets with an indefinite useful life or not yet available for use, and goodwill are subjected to impairment tests every year, or more frequently if, there is any indication that the asset may be impaired.

The ability to recover the assets is ascertained by comparing the carrying amount to the related recoverable value, which is represented by the greater of the fair value less cost to sell, and the value in use.

In the absence of a binding sale agreement, the fair value is estimated on the basis of recent transaction values in an active market, or based on the best information available to determine the amount that could be obtained from selling the asset.

The value in use is determined by discounting expected cash flows resulting from the use of the asset, and if significant and reasonably determinable, the cash flows resulting from its sale at the end of its useful life.

Cash flows are determined on the basis of reasonable, documentable assumptions representing the best estimate of the future economic conditions that will occur during the remaining useful life of the asset, with greater weight given to external information.

The discount rate applied takes into account the implicit risk of the business segment.

When it is not possible to determine the recoverable value of an individual asset, the Group estimates the recoverable value of the unit generating the financial flows to which the asset belongs.

Impairment is recorded if the recoverable value of an asset is lower than its carrying amount.

This loss is posted to the statement of profit or loss. If, in a future period, a loss on assets, other than goodwill, does not materialise or is reduced, the carrying amount of the asset or cash-generating unit is increased to reflect the new estimate of recoverable value, which may not exceed the value that would have been calculated if no impairment had been recorded. The recovery of impairment is posted to the income statement. In this case, the recovery in value is first allocated to the revaluation reserve.

vii. Investment property

Property and buildings held to generate rental income (investment property) are valued at cost less accumulated depreciation and impairment losses.

The depreciation rate for buildings is that used for the relevant fixed asset category.

Investment property is derecognised from the statement of financial position when sold or when it becomes permanently unusable and no future economic benefits are expected from its disposal.

viii. Leases

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

Rights of use are valued at cost, net of accumulated amortisation and impairment losses, and adjusted after each remeasurement of the lease liabilities. The value assigned to the rights of use corresponds to the amount of the lease liabilities recognised, plus initial direct costs incurred, lease payments settled on the start date of the agreement or previously, and restoration costs, net of any lease incentives received. Restoration costs, which may be recognised in rare cases, normally relate to offices, for which there could be a contractual requirement to restore them to their original state at the end of the lease agreement. The Group estimates the fair value of the restoration obligation based on the agreement with the lessor or by using expert valuations by third parties. The value of the liability, discounted to present value, as determined above, increases the right of use of the underlying

asset, and a dedicated provision is created as a contra-entry. Unless the Group is reasonably certain that it will obtain ownership of the leased asset at the end of the lease term, the rights of use are amortised on a straight-line basis over its estimated useful life or the term of the agreement, whichever is the shorter.

The financial liability for leases is recognised on the start date of the agreement at a total value equal to the present value of the lease payments to be made during the term of the agreement, discounted to present value using incremental borrowing rates (IBR) when the implicit interest rate in the lease agreement cannot easily be determined. Variable lease payments which are not linked to an index or rate continue to be charged to the statement of profit or loss as costs for the period.

After the start date, the amount recorded for the liabilities relating to lease contracts increases to reflect the accrual of interest and reduces to reflect the payments made. Each lease payment is divided into a repayment of the capital portion of the liability and a financial cost. The financial cost is charged to the statement of profit or loss over the term of the agreement to reflect a constant interest rate on the remaining debt portion of the liability for each period.

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

The management is required to make estimates and assumptions that might influence the valuation of the right of use and the financial liability for leases, including determination of:

- whether arrangements is or contains a lease by applying the lease definition;
- terms of the agreement;
- interest rate used for discounting future lease payments to current value.

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

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

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

ix. Financial instruments

Financial instruments held by the Group are categorised as follows.

i). Financial assets

Financial assets include investments, short-term securities and financial receivables, which in turn include the positive fair value of financial derivatives, trade and other receivables and cash and cash equivalents.

Specifically, cash and cash equivalents include cash, bank deposits and highly liquid securities that are readily convertible into cash and are subject to an insignificant risk of a change in value. Deposits and securities included in this category mature in less than three months based on the conditions existing on the date of the acquisition of the asset.

Current securities include short-term securities or marketable securities that represent a temporary investment of cash and do not meet the requirements for classification as cash and cash equivalents.

Financial assets represented by debt securities are classified and valued in the statement of financial position based on the business model that the Group has adopted to manage these financial assets, and based on the financial flows associated with each financial asset.

Financial assets also include investments in companies that are not held for trading. These assets are strategic investments, and the Group has decided to recognise changes in the related fair values through profit or loss (FVTPL).

Financial assets are classified and measured on the basis of a business model developed by the Group. The business model has been defined at a level that reflects the way in which groups of financial assets are managed

to achieve a particular business objective. The model's measurement process requires an assessment based in part on quantitative and qualitative factors relating to, for example, the way in which the performance of the financial assets in question is communicated to management with strategic responsibilities and the way in which the risks connected with these financial assets are managed.

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

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

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

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

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

Impairment of a financial asset

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

The Group applies the simplified method for trade receivables, which considers the probabilities of defaults over the financial instrument's life (lifetime expected credit losses). In making impairment assessments, the Group considers its historical credit loss experience, adjusted for forward-looking factors specific to the nature of the Group's receivables and economic environment. If any such evidence exists, an impairment loss is recognized under selling, general and administrative expenses. More specifically, non-performing receivables are analytically analysed based on the debtor's creditworthiness and ability to pay the sums due, as well as the degree of effective coverage provided by any collateral and personal guarantees in existence.

With regard to trade receivables, two approaches are applied to estimate impairment, based on the specific characteristics of the individual countries in which the Group operates and its constant growth at a global level: one is a matrix-based model and the other applies the probability of default (PD) obtained from external sources specialising in the country in which each subsidiary is located. The provision matrix, including the overall actual result of the year, is reported in the relevant disclosure notes.

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

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

ii).Financial liabilities

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

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

iii).Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired or,
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and

either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

iv). Financial derivatives and hedging transactions

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

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

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

- i. fair value hedge: if a financial derivative is designated as a hedge against exposure to changes in the fair value of an asset or liability attributable to a particular risk that could have an impact in the statement of profit or loss, the gains or losses resulting from subsequent measurements of the fair value of the hedging instrument are reported in the statement of profit or loss. The gain or loss on the hedged item, which is attributable to the hedged risk, is reported as a portion of the carrying amount of this item and as an offsetting entry in the statement of profit or loss;
- ii. cash flow hedge: if a financial instrument is designated as a hedge of exposure to fluctuations in the future cash flow of an asset or liability recorded in the financial statements, or of a transaction that is considered to be highly probable and that could have an impact on the statement of profit or loss, the effective portion of the gains or losses on the financial instrument is recognised in the statement of other comprehensive income. Cumulative gains or losses are reversed from shareholders' equity and recorded in the statement of profit or loss in the same period in which the transaction being hedged has an impact on the statement of profit or loss. The gain or loss associated with a hedge or the portion of a hedge that has become ineffective is posted to the statement of profit or loss when the ineffectiveness is reported.

If a hedge instrument or hedge relationship is closed out, but the transaction being hedged has not been carried out, the cumulative gains and losses, which, until that time had been posted to shareholders' equity, are recognised in the income statement at the time when the related transaction is carried out.

If the transaction being hedged is no longer considered likely to take place, the pending unrealised profits or losses in shareholders' equity are recorded in the statement of profit or loss.

If hedge accounting cannot be applied, any gains or losses resulting from measuring the financial derivative at its present value are posted to the statement of profit or loss.

A highly probable intra-group transaction qualifies as a hedged item in a cash flow hedge of exchange rate risk, provided that the transaction is denominated in a currency other than the functional currency of the company entering into the transaction and that the financial statements are exposed to exchange rate risk.

In addition, if the hedge of a forecast intra-group transaction qualifies for hedge accounting, any gain or loss that is recognised directly in the statement of other comprehensive income must be reclassified in the statement of profit or loss in the same period in which the currency risk of the hedged transaction affects the consolidated statement of profit or loss.

x. Own shares

Own shares (both ordinary and special voting) are reported as a reduction in shareholders' equity.

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

xi. Inventories

Inventories of raw materials and semi-finished and finished products are valued at the lower of purchase or production cost, determined using the weighted average method, and market value.

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

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

xii. Biological assets

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

For the time up to harvest, the developing agricultural product is shown under 'Biological inventories' and valued on the basis of the production costs incurred up to the reporting date; this is considered an effective approximation of the related fair value if there is no active market with quoted prices from which an alternative reference value may be determined.

At harvest, the agricultural products are moved to 'Raw materials inventories' and are measured at their fair value net of estimated point-of-sale costs. Any difference compared with the previous valuation is charged to the Group's statement of profit or loss.

xiii. Assets held for sale

Assets held for sale include assets (or disposal groups) whose carrying amount will be recovered primarily from their sale rather than their ongoing use, and whose sale is highly probable in the short term (within one year) and in the assets' current condition.

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

xiv. Employee Benefits

Post-employment benefits

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

The procedures for providing these benefits vary depending to the legal, fiscal and economic conditions in each country in which the Group operates.

Group companies provide post-employment benefits through defined contribution and/or defined benefit plans.

i. Defined benefit plans

The Group's obligations and the annual cost reported in the statement of profit or loss are determined by independent actuaries using the projected unit credit method.

The net cumulative value of actuarial gains and losses is recorded directly in the statement of other comprehensive income and is not subsequently recognised in the statement of profit or loss.

The costs associated with an increase in the present value of the obligation, as the time for payment of the benefits draws nearer, are included under financial expenses. Service costs are posted to the statement of profit or loss. The liability recognised represents the present value of the defined benefit obligation, less the present value of plan assets. If an amendment to the plan changes the benefits accruing from past service, the costs arising from past service are recognised in the statement of profit or loss at the time the change to the plan is made. The same treatment is applied if there is a change to the plan that reduces the number of employees or that amends the terms and conditions of the plan (the treatment is the same, regardless of whether the final result is a profit or a loss).

ii. Defined contribution plans

Since the Group fulfils its obligations by paying contributions to a separate entity (a fund), with no further obligations, the company records its contributions to the fund in respect of employees' service, without making any actuarial calculation.

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

Compensation plans in the form of stock options

The Group pays additional benefits in the form of stock option plans to employees, directors and individuals who regularly carry out work for one or more Group companies.

Pursuant to IFRS 2-‘Share-Based Payment’, the total fair value of the stock options on the grant date is to be reported as a cost in the statement of profit or loss, with an increase in the respective shareholders’ equity reserve, in the period beginning at the time of allocation and ending on the date on which the employees, directors and individuals who regularly carry out work for one or more Group companies become fully entitled to receive the stock options.

Changes in the present value after the grant date have no effect on the initial valuation, while in the event of changes to the terms and conditions of the plan, any additional costs are recorded for each change that determines an increase in the present value of the recognised option. The cost is recognised as a portion, for each period in which the vesting conditions have been met, while in the event of cancellation of an option, the cost recorded until that date is released to the statement of profit or loss.

The fair value of stock options is represented by the value of the option calculated by applying the Black-Scholes model, which takes into account the terms and conditions for exercising the option, the current share price, the expected volatility and the risk-free rate, as well as the non-vesting conditions.

The stock options are recorded at fair value with an offsetting entry in the stock option reserve.

The dilutive effect of options not yet exercised is included in the calculation of diluted earnings per share.

xv. Provision for risks and charges and contingent assets

The provision for risks and charges are recognised when:

- there is a current legal or implicit obligation resulting from a past event;
- it is likely that the fulfilment of the obligation will require some form of payment;
- the amount of the obligation can be reliably estimated.

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

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

Provisions are periodically updated to reflect changes in estimates of cost, timescales and discount rates. Revisions to estimates of provisions are booked to the same statement of profit or loss item that contains the accrual or, if the liability relates to tangible assets (e.g. dismantling and restoration), these revisions are reported as an offsetting entry to the related asset.

When the Group expects that all or part of the provisions will be repaid by third parties, the payment is recorded under assets only if it is virtually certain, and the accrual and related repayment are posted to the statement of profit or loss.

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

xvi. Restructuring provisions

The Group reports restructuring provisions only if there is an implicit restructuring obligation and a detailed formal restructuring programme that has led to the reasonable expectation by the third parties concerned that the company will carry out the restructuring, either because it has already started the process or because it has already communicated the main aspects of the restructuring to the third parties concerned.

xvii. Revenues from sales and services

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

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

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

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

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

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

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

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

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

The Group incurs consumption taxes all over the world. In most of the jurisdictions, excise duties are a production tax that becomes payable when the product is removed from the tied estate and is not directly correlated with the sales value. Excise duties are generally not included as a separate item on external invoices; increases in excise duty are not always passed on to the customer and where a customer fails to pay for product received the Group cannot reclaim an excise duty refund. The Group therefore recognises excise duty, unless it regards itself as an agent of the regulatory authorities, as a cost to the Group. Net sales are presented net of excise duties where the Group acts as an agent.

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

Costs are recognised in the statement of profit or loss when they relate to goods and services consumed during the period.

Personnel costs include stock option plans (in keeping with their largely remunerative nature) allocated to employees, directors and individuals who regularly carry out work for one or more Group companies.

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

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

xix. Financial income and expenses

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

xx. Taxation

Current income taxes are calculated on estimated taxable income, and the related payable is recorded under 'Tax payable'.

Current tax payables and receivables are recognised in the amount to be paid to/received from tax authorities by applying the tax rates and regulations in force or effectively approved on the reporting date. In preparing the above estimates, detailed assessment was also given to uncertainties regarding the tax treatment of transactions carried out by the Company that could give rise to disputes with the tax authorities.

Current taxes relating to items posted directly to shareholders' equity are included in shareholders' equity.

Other non-income taxes, such as property and capital taxes, are included in operating expenses.

Deferred tax assets and liabilities are calculated on all temporary differences between the asset and liability values recorded in the financial statements and the corresponding values recognised for tax purposes using the liability method.

Provisions for deferred taxes that could be incurred from the transfer of undistributed profit from subsidiaries have been made only where there is a genuine intention to transfer that profit.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss or
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are determined on the basis of the tax rates projected to be applicable under the respective laws of the countries in which the Group operates, in those periods when the temporary differences are generated or derecognised.

Current and deferred tax assets and liabilities are offset when these relate to income taxes levied by the same tax authority and a legal right of set-off exists, provided that realisation of the asset and settlement of the liability take place simultaneously.

The balance of any set-off is posted to deferred tax assets if positive and deferred tax liabilities if negative.

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

Revenues and costs related to foreign currency transactions are reported at the exchange rate applying on the date on which the transaction is carried out.

Monetary assets and liabilities in foreign currencies are initially translated into Euro at the exchange rate in effect on the transaction date and subsequently converted into Euro at the exchange rate applying on the reporting date, with the difference in value being posted to the statement of profit or loss.

Non-monetary assets and liabilities arising from the payment/collection of a foreign currency advance are initially recognised at the exchange rate in effect on the transaction date and are not subsequently modified to take account of any change in the exchange rate in effect on the reporting date.

xxii. Earnings per share

Basic earnings per share are calculated by dividing the Group's net result by the weighted average number of shares outstanding during the period, excluding any own shares held.

For the purposes of calculating the diluted earnings (loss) per share, the weighted average of outstanding shares is adjusted in line with the assumption that all potential shares with a diluting effect will be converted.

5. Change in accounting standards

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

Amendment of the definition of a Business under IFRS 3-‘Business Combinations’

The IASB published an amendment to the ‘Definition of a Business’ given in IFRS 3, with the objective of helping companies to decide whether a transaction is an acquisition of a business or of a group of assets that does not meet the definition of a business within the meaning of IFRS 3. The amendment was considered in the preparation of Group's consolidated financial statements.

Amendment of IAS 1 and IAS 8 Definition of Material

The IASB published an amendment to the 'Definition of Material' given in IAS 1 and IAS 8 with the aim of clarifying the definition in order to help companies to assess whether information should be included in the financial statements.

Information is deemed to be 'material' if omitting, misstating or obscuring it could influence the decisions of the primary users of financial statements. The amendment was considered in preparation of Group's consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 on 'Interest Rate Benchmark Reform'

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

Amendment of IFRS 16-'Leases' to encompass Covid-19-Related Rent Concessions (issued on 28 May 2020).

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

Amendment of 'References to the Conceptual Framework in IFRS Standards'

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

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

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

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

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

iii. Accounting standards, amendments and interpretations not yet endorsed

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

Amendments to IFRS 3-'Business Combinations' (issued on 14 May 2020)

The reference to the Conceptual Framework for Financial Reporting has been updated without changing the accounting requirements for business combinations. The first application scheduled for 1 January 2022.

Amendments to IAS 16-'Property, Plant and Equipment' on Proceeds before Intended Use (issued on 14 May 2020)

The amendments prohibit a company from deducting, from the cost of an item of property, plant and equipment, amounts received from selling items produced while bringing that asset to the location and into the condition necessary for it to be capable of operating in the manner intended by management. Instead, the company must recognize the proceeds from selling such items, and the cost of producing them, in profit or loss. The first application is scheduled for 1 January 2022.

Amendments to IAS 37-‘Provisions, Contingent Liabilities and Contingent Assets’ on Onerous Contracts-Cost of Fulfilling a Contract (issued on 14 May 2020)

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

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

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

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

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

The first application is scheduled for 1 January 2023.

IFRS 17-‘Insurance Contracts’ (issued on 18 May 2017).

This sets out the requirements for a company which reports information about insurance contracts it issues and reinsurance contracts it holds. Including the amendments issued on 25 June 2020, aimed at helping companies to implement the standard and making it easier for them to explain their financial performance, the principle has initial recognition scheduled for 1 January 2023. Once it is effective, the principle will replace IFRS 4-‘Insurance contracts’.

This accounting standard does not apply to the Group.

6. Results for the period

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

i. Seasonal factors

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

ii. Net sales and Operating segment

Consolidated net sales, which almost entirely relate to the sale of spirits, totalled €1,772.0 million, compared with €1,842.5 million achieved during the previous year. For a more detailed analysis of net sales, please refer to the information in the 'Sales performance' paragraph of the management report.

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

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

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

The level of profitability analysed is the result from recurring activities, equal to the operating result before adjustments to operating income and expenses (for a definition of alternative performance indicators, please refer to the 'Definitions and reconciliation of the Alternative Performance Measures to GAAP measures' paragraph of the management report).

In addition, the profitability of each region reflects the profit generated by the Group through sales to third parties in that region, thereby cancelling out the effects of inter-company margins.

For the year ending 2020	Americas	Southern Europe, Middle East and Africa	Northern, Central and Eastern Europe	Asia-Pacific	Total allocated	Non-allocated items and adjustments	Consolidated
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales to third-parties	773.9	463.6	403.7	130.8	1,772.0	-	1,772.0
Net sales between segments	51.1	329.1	17.4	-	397.7	(200.7)	-
Total net sales	825.0	792.8	421.1	130.8	2,169.7	(200.7)	1,772.0
Segment result	117.4	(13.9)	116.9	11.3	231.8	-	231.8
Operating result	-	-	-	-	-	-	231.8
Financial income (expenses)	-	-	-	-	-	(19.4)	(19.4)
Share of profit (loss) of associates and joint ventures	-	-	-	-	-	(2.8)	(2.8)
Taxation	-	-	-	-	-	(22.7)	(22.7)
Profit for the period	-	-	-	-	-	-	186.9
Non-controlling interests	-	-	-	-	-	(1.0)	(1.0)
Group profit for the period	-	-	-	-	-	-	187.9
Goodwill	684.4	403.1	247.0	22.0			1,356.6

For the year ending 2019	Americas	Southern Europe, Middle East and Africa	Northern, Central and Eastern Europe	Asia-Pacific	Total allocated	Non-allocated items and adjustments	Consolidated
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales to third parties	821.5	498.7	393.8	128.5	1,842.5	-	1,842.5
Net sales between segments	47.4	322.1	17.8	-	387.3	(387.3)	-
Total net sales	868.9	820.8	411.5	128.5	2,229.8	(387.3)	1,842.5
Segment result	165.7	73.7	132.4	14.5	386.3	-	386.3
Operating result	-	-	-	-	-	-	386.3
Financial income (expenses)	-	-	-	-	-	(31.8)	(31.8)
Share of net profit (loss) of associates and joint venture	-	-	-	-	-	0.1	0.1
Taxation	-	-	-	-	-	(46.2)	(46.2)
Group profit for the period	-	-	-	-	-	-	308.3
Goodwill	726.9	376.3	263.8	23.5	1,390.5	-	1,390.5

iii. Cost of sales

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

	For the years ending 31 December	
	2020 € million	2019 € million
Materials and manufacturing costs	656.7	635.7
Distribution costs	89.4	85.6
Total cost of sales	746.1	721.3
Breakdown by type		
Raw materials and finished goods acquired from third parties	478.2	465.8
Inventory write-downs	8.7	5.4
Personnel costs	74.9	73.3
Depreciation/amortisation	43.7	40.2
Utilities	11.9	12.5
External production and maintenance costs	34.1	37.6
Variable transport costs	63.9	62.6
Other costs	30.6	23.8
Total cost of sales	746.1	721.3

The cost of sales amounted to €746.1 million in 2020, up by €24.8 million compared with the previous year, despite a decrease in sales. As a percentage of net sales, the cost of sales increased from 39.1% in 2019 to 42.1% in 2020, mainly due to the unfavourable production mix driven by the underperformance of sales in high margin aperitifs brands in core market and by the outperformance of low margin Espolòn characterized by the high price of agave. The impact on the change in the cost of sales is commented upon in the paragraph 'statement of profit or loss' in the management report, to which reference is made). For an analysis of the components, please see also the breakdown of personnel costs in notes 6 v-'Personnel costs' and 6 vi-'Depreciation and amortisation' of these Campari Group consolidated financial statements.

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

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

	For the years ending 31 December	
	2020 € million	2019 € million
Personnel costs	234.2	230.0
Services, maintenance and insurance	66.5	59.0
Travel, business trip, training and meetings	24.6	38.3
Depreciation/amortisation	31.6	29.3
Charges for use of third-party assets	3.8	3.1
Utilities	1.3	1.7
Agents and other variable sales costs	6.2	13.2
Other	25.9	18.8
Total selling, general and administrative expenses	394.2	393.3
Other operating expenses	97.3	33.8
Other operating income	(7.2)	(12.1)
Total other operating (income) and expenses	90.1	21.7
Breakdown of other operating (income) and expenses by nature⁽¹⁾		
Impairment loss on goodwill and brands	35.4	-
Impairment loss on tangible assets	10.3	6.6
Acquisition fees	1.8	-
Consultancies	13.8	12.2
Expenses for restructuring	19.8	8.4
Accruals for staff restructuring	1.6	1.8
Accrual (release) for future expenses	0.9	(4.4)
Penalty for the termination of distribution relationship	3.0	0.3
Gain on sale of assets	(0.1)	(2.2)
Fiscal penalties	-	0.3
Other income	-	(7.1)
Other expenses	3.8	5.8
Total other operating income and expenses	90.1	21.7

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

In 2020 the total selling, general and administrative expenses amounted to €484.3 million, showing an increase of €69.3 million compared to the last year figures. The decrease of travelling and entertainments expenses was completely offset by the increase of other operating net expenses which were related to a number of events characterizing the year 2020 (refer to paragraph 'Significant events of the year'). As a result of the negative impact of Covid-19 on the brands' performance, impairment losses totalling €35.4 million were recognized for Bulldog (€16.0 million⁷⁶), The GlenGrant (€15.5 million) and Rhum Agricole (€3.9 million) brands (for further details of the brand impairment loss, please see note 7 v-'Intangible assets' of this Campari Group consolidated financial statements). With regards to the remaining items, the programme launched to restructure the sugar cane business in Jamaica totalling €13.5 million (included in the item 'Expenses for restructuring'), was mainly attributable to tangible asset write-off. While the malware attack suffered in November 2020 did not have any critical impact in terms of business continuity, the actions put in place to resolve the situation led to the deployment of significant defensive measures implemented to protect the Group's IT estate and, therefore, personal and business data stored therein. Finally, in response to the pandemic emergency, the Campari Group made donations to several institutions aimed at supporting local communities and initiatives across all geographies. The costs incurred for these activities, in addition to fees recognized in connection with the transfer of the Company's registered office to the Netherlands (€9.9 million, included in the item 'Consultancies'), as well as transaction fees in relation to recent acquisitions and route-to-market changes, on top of the management of special projects and legal disputes, led to additional cost of €31.3 million.

v. Personnel costs

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

	For the years ending 31 December	
	2020 € million	2019 € million
Salaries and wages	248.4	230.2
Social security contributions	50.5	48.7
Cost of defined contribution plans	9.4	9.3
Cost of defined benefit plans	-	0.2
Other costs relating to mid/long-term benefits	(7.0)	11.0
Cost of share-based payments	10.7	6.9
Total personnel costs	312.1	306.2
of which:		
Included in cost of sales	74.9	73.3
Included in selling, general and administrative expenses	234.2	230.0
Included in advertising and promotional expenses	3.0	2.8
Total personnel costs	312.1	306.2

⁷⁶ Value determined based on average exchange rate for the period 1 January-31 December 2020, equivalent to €15.8 million at the closing exchange rate at 31 December 2020.

Personnel costs are equal to €312.1 million at 31 December 2020 (€306.2 million at 31 December 2019). Their allocation to the cost of sales and selling, general and administrative expenses have been analysed in the preceding two notes.

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

vi. Depreciation and amortisation

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

	For the years ending 31 December	
	2020 € million	2019 € million
- Property, plant and equipment	38.3	34.8
- Right of use assets	2.4	2.2
- Intangible assets	3.0	3.2
Depreciation and amortization included in cost of sales	43.7	40.2
- Property, plant and equipment	7.8	8.0
- Right of use assets	12.0	10.4
- Intangible assets	11.8	10.9
Depreciation and amortization included in selling, general and administrative expenses	31.6	29.3
- Property, plant and equipment	1.5	1.1
- Right of use assets	1.1	1.1
Depreciation and amortization included in advertising and promotional expenses	2.6	2.2
- Property, plant and equipment ⁽¹⁾	47.6	44.0
- Right of use assets	15.5	13.7
- Intangible assets	14.9	14.1
Total depreciation and amortization in the statement of profit or loss	78.0	71.8
Total depreciation and amortization	78.0	71.8

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

vii. Financial income and expenses

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

	For the years ending 31 December	
	2020 € million	2019 € million
Interest expenses on bonds	(22.8)	(34.0)
Interests expenses on leases	(3.2)	(3.4)
Interest expenses on loans	(9.3)	(3.4)
Total interest expenses	(35.4)	(40.7)
Bank and term deposit interests	6.2	9.0
Other income	0.1	0.5
Total financial income	6.3	9.5
Net interest on defined benefit plans	(0.2)	(0.5)
Bank expenses	(4.8)	(3.2)
Other charges and exchange rate differences	(4.7)	1.9
Total financial expenses	(9.7)	(1.7)
Net financial income (expenses) before amortising from put option liabilities and change in estimate, financial adjustments and hyperinflation effects	(38.7)	(33.0)
Amortising from put option liabilities and change in estimate	18.7	(1.1)
Liability management	1.4	-
Financial income on tax assessment	-	5.3
Other	-	0.5
Financial income (expenses) adjustments	1.4	5.8
Hyperinflation effects	(0.7)	(3.6)
Net financial income (expenses)	(19.2)	(31.8)

Net financial income (expenses), which included the effects of exchange rate differences and hyperinflation, reported a total net cost of €19.2 million, down on the net cost of €31.8 million recognized in 2019. This decrease of €12.6 million is mainly attributable to a negative variation due to exchange rate differences (€4.1 million loss in 2020 compared with €2.8 million gain in 2019, both included under 'Other expenses and exchange rate differences' line) and an overall positive effect of lower average interest rates obtained as a result of a careful debt management approach during the year. At 31 December 2020, a financial income for put options and earn-out of €18.7 million was recorded, mainly related to a reassessment of the estimated liability as regards the projected brand performance-linked settlement cash-out for the Bulldog earn-out, which generated a revenue resulting from the decrease in liability of €19.4 million. The estimate was performed in conjunction with the

impairment test on intangible assets to ensure homogeneity and coherence in the assessment. In addition, other minor non-cash effects of the discounting to present value of payables for future commitments, relating to earn-out and residual shareholdings in acquired businesses, have been also included.

Positive adjustments to financial income (expenses) of €1.4 million were recorded in connection with the liability management concerning the term loan concluded in July 2019, which was subject to minor amendments carried out to benefit from better financial terms and conditions.

The impact of applying the methodology of reporting in hyperinflationary economies had an impact of €0.7 million in 2020 (€3.6 million in 2019).

Net financial income (expenses) before amortizing from put option liabilities and change in estimate, financial adjustments and hyperinflation effects was €38.9 million, up from €33.0 million in 2019. The effect of the higher average net debt in 2020 compared to 2019 was mitigated by a lower average cost of net borrowing (which excludes the effects of exchange rate differences and adjustments for financial components) corresponding to 3.5%, comparing to 4.1% in 2019. The decrease is mainly attributable to the reduced average coupon on existing gross debt, thanks to the liability management carried out, and was partly offset by the negative carry effect on interest generated by cash and cash equivalents compared with interest on existing medium and long-term debt.

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

	For the years ending 31 December	
	2020 € million	2019 € million
Financial expenses to bondholders	(20.2)	(29.8)
Net changes in fair value and other amortized cost components	(1.3)	(1.9)
Cash flow hedge reserve reported in the statement of profit or loss during the year	(1.4)	(2.3)
Net interest payable on bonds and private placements	(22.8)	(34.0)
Financial income (charges) adjustments	-	(1.3)
Total expenses for bonds	(22.8)	(35.3)

viii. Leases components

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

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

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

The overall increase in all lease components was mainly attributable to the business acquired during the year, the impact of which was noted from its initial consolidation in the Group.

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

At 31 December 2020, a loss arisen from associated companies and joint ventures measured applying the equity method for an amount of €2.8 million.

The change in the investment value of associated and joint ventures is shown in the table below.

€ million	Investment in associates and joint venture
At 31 December 2019	0.5
Share of profit (loss)	(2.8)
Additions	25.6
Exchange rate and other movements	2.8
At 31 December 2020	26.1

At 31 December 2020, the Group held 40% of the shares in Trans Beverages Co. Ltd, a joint venture in South Korea, following the signing of an agreement in March 2018 with local partner BNC F&B Co. Ltd. For more information about this transaction please refer to paragraph 'Subsequent events'.

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

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

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

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

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

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

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

Company name	Country of business	% of ownership interest	Nature of relationship	Measurement method	Currency	Carrying amount € million
Trans Beverages Co. Ltd.	South Korea	40.0%	Joint venture	Equity method	KRW	1.4
CT Spirits Japan Ltd.	Japan	40.0%	Joint venture	Equity method	JPY	-
Tannico e Wineplatform S.p.A.	Italy	49.0%	Associated company	Equity method	EUR	24.7
Total investments in associates and joint venture						26.1

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

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

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

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

x. Taxation

Income taxes are calculated based on the existing regulations, applying the tax rates in force in each country and taking into account the average tax rate expected for the full year.

Deferred tax assets and liabilities are calculated each year based on the rates enacted at the time when the temporary differences are expected to be reversed; appropriate adjustments are made if the rate has changed from previous years, provided that the relevant law has already been enacted on the date on which the financial report is drawn up.

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

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

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

	For the years ending 31 December	
	2020 € million	2019 € million
- current taxes for the year	(62.4)	(111.0)
- current taxes relating to previous years	0.9	19.5
- deferred taxes	34.4	(13.0)
- accruals and release for tax risks	4.4	58.2
Taxes recorded in the statement of profit or loss	(22.7)	(46.2)
Taxes recorded in the statement of other comprehensive income	(1.0)	2.8

The 2020 taxation is impacted by the deferred taxes remeasurement on certain goodwill and brands relevant for tax purposes pursuant to article 110 (paras. 8-8bis) of the Italian Law Decree no. 104 enacted on August 14, 2020, converted into Law on October 13, 2020, as subsequently amended by Budget Law no. 178 enacted on December 30, 2020.

According to the mentioned article, this benefit is granted to Italian companies and is allowing the step-up of brand and goodwill fiscal values to their corresponding book values, as stated in the Company's separate accounts. Some rules were followed to identify the items eligible to be included in the new tax regime. Among these, the existence of such brands and goodwill in both 31 December 2019 and 2020 accounts is one of the most relevant. The Company's Board of Directors, held on 17 December 2020, resolved to adhere to the aforementioned tax rule for eligible intangible assets booked in the Company's separate accounts, resulting in a one-off benefit of €29.9 million to the 2020 taxation related to the above mentioned remeasurement of deferred taxation, net of the 3% substitutive tax to be paid in order to access the fiscal benefit.

While the one-off impact is recognized in 2020 accounts, the recurring tax savings expected, originated from a deductible notional amortisation of the new stepped-up value of brands and goodwill assets valid for fiscal purposes only, will start from fiscal year 2021, generating its cash tax savings effects starting from fiscal year 2022 onwards.

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

Reconciliation of tax expenses

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

The theoretical rate used is the rate in force on the reporting date, based on legal provisions, taking into account the IRES rate of 24.0% applied to the Parent Company.

For the purposes of clarity, IRAP, which is applicable to Italian companies, has not been taken into account since, this tax rate is calculated on a tax base other than pre-tax profit, it would have had distortive effects.

Tax base differences are included under the permanent differences item.

	For the years ending 31 December	
	2020 € million	2019 € million
Group profit before tax	209.6	354.6
Applicable tax rate in Italy (IRES)	-24%	-24%
Theoretical Group taxes at current tax rate in Italy	(50.3)	(85.1)
Difference in tax rate of Group companies	0.9	(16.2)
Permanent differences	(6.1)	(3.4)
Tax incentives	0.8	29.1
Tax benefit from Italian Legislative Decree n.104/2020	29.9	-
Net releases to tax provision	4.4	58.2
Tax on future dividend distributions	-	(21.8)
Taxes relating to previous financial years	(3.4)	(3.3)
Other consolidation differences	3.4	(0.9)
IRAP	(2.3)	(2.9)
Actual tax charge	(22.7)	(46.2)
Actual tax rate	-10.8%	-13.0%

In 2020, there were tax adjustments of €55.1 million (€56.8 million in 2019). These adjustments included the one-off benefit of €29.9 million related to the remeasurement of deferred taxes as a result of the step-up of certain brand and goodwill fiscal values to their corresponding values, as stated in the Company's separate accounts as indicated above. The other tax adjustments for 2020 financial year included the tax burden relating to the operating and financial adjustments (for further details, see paragraph 'Definitions and reconciliation of the Alternative Performance Measures to GAAP measures') for an overall impact of €23.0 million, in addition to adjustments related to the revision of the estimates of the risks associated with uncertainties in relation to the tax treatment related to transactions performed and the remeasurement of deferred tax linked to the distribution of estimated earning reserves to certain Group companies for a total amount of €2.2 million.

Breakdown of deferred taxes by type

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

	At 31 December		
	2020 € million	Of which perimeter effect ⁽¹⁾ € million	2019 post reclassification ⁽¹⁾ € million
Deferred tax assets	44.5	3.1	38.3
Deferred tax liabilities	(337.0)	(1.8)	(386.1)
Net deferred tax	(292.5)	1.3	(347.8)

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

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

	Statement of financial position		Statement of profit or loss		Statements of other comprehensive income	
	At 31 December		For the years ending 31 December			
	2020	2019 post reclassification ⁽¹⁾	2020	2019	2020	2019
	€ million	€ million	€ million	€ million	€ million	€ million
Deferred expenses	1.4	1.2	0.2	(0.4)	-	-
Taxed provisions	39.2	38.3	5.5	(2.4)	(0.1)	0.6
Tax losses carried forward	11.6	15.5	(2.1)	(2.7)	-	-
Reclassification to deferred tax liabilities	(42.1)	(45.4)	-	-	-	-
Leases	9.8	8.3	-	(1.2)	-	-
Exchange rate effect	-	-	-	-	(5.7)	(0.5)
Other	24.7	20.4	4.5	1.9	(0.9)	1.8
Deferred tax assets	44.5	38.3	8.1	(4.8)	(6.6)	1.9
Accelerated depreciation	(43.2)	(38.6)	(2.5)	35.8	-	-
Gains subject to deferred taxation	(0.1)	(0.3)	0.2	-	-	-
Goodwill and brands deductible at local level	(182.9)	(249.4)	(13.1)	(15.8)	-	-
Tax rate changes	-	-	-	-	-	-
Goodwill and brands not deductible at local level	(113.6)	(113.1)	14.3	(1.6)	-	-
Taxes payable on undistributed profits	(20.2)	(22.7)	2.6	(21.7)	-	-
Leases	(9.7)	(8.8)	0.5	1.4	-	-
Reclassification of deferred tax assets	42.1	45.4	-	-	-	-
Exchange rate effect	-	-	-	-	26.2	(2.4)
Other	(9.4)	1.4	24.3	(2.9)	-	-
Deferred tax liabilities	(337.0)	(386.1)	26.3	(4.8)	26.2	(2.4)
Total	(292.5)	(347.8)	34.4	(9.7)	19.5	(0.5)

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

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

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

Taxes payable on undistributed profits were recognised over the course of the year, taking into account the tax burden arising from the distribution profit reserves estimated by the Group, pertaining to certain subsidiaries. Dividend payments are scheduled over a medium and long-term horizon, taking into account the Parent Company's financial requirements and business needs.

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

	At 31 December 2020	Of which perimeter effect ⁽¹⁾	At 31 December 2019
	€ million	€ million	€ million
Income taxes	16.2	0.2	18.1
Receivables from ultimate shareholders for tax consolidation	1.2	-	0.6
Income tax receivables	17.4	0.2	18.7
Taxes payable	7.5	0.3	69.9
Due to controlling shareholder for tax consolidation	8.6	-	5.1
Income tax payables	16.1	0.3	75.1

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

Income tax receivables and payables are all due within 12 months. The corporate income tax payable is shown net of advance payments and taxes deducted at source.

The decrease in tax payables compared to 31 December 2019 is mainly attributable to payments due in 2020 in connection with the sale of Villa Les Cèdres, completed in 2019 (for further information about this transaction, please refer to the Campari Group's 2019 annual report).

7. Operating assets and liabilities

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

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

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

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

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

Interests in associates

Acquisition of a 49% interest in Tannico

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

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

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

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

Business combinations

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

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

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

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

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

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

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

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

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

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

Definitive purchase price allocation

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

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

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

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

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

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

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

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

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

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

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

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

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

The interests acquired on 10 June 2020 and consolidated by the Group from 30 June 2020 (since there were no significant changes in the net assets acquired between the two dates) equates to 100% of the company following the assumption of control on the closing date and due to the simultaneous conclusion of mutual purchase/sale agreements, taking the form of put and call options with previous owners for the stake currently in their possession (20% of the company). These agreements gave rise to a financial liability being recorded in the Group's financial statements. However, the purchase deeds stipulate that non-controlling interests would continue to exist until the aforementioned financial liability is liquidated. Given the nature of these interests, it was deemed appropriate to value them at the price paid by the Group, in proportion to the residual stake they own. The financial liability for the put and call options, measured at fair value, was therefore not considered to be one of the components of the purchase price to be allocated to the net assets of the acquired business, and has been recognised as a direct reduction of Group shareholders' equity.

The scope of the transaction includes a number of identified key assets represented by both inputs and processes, namely stock inventory, account receivables, skilled and organised workforce, tangible and intangible assets, brands, real estate assets (including owned and operated vineyards) and production facilities.

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

Provisional purchase price allocation

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

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

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

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

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

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

Business combinations completed in the previous year

As set out in detail in the 'Significant events during the year' section of the Group's consolidated financial statements at 31 December 2019, the Campari Group completed the acquisition of Rhumantilles S.A.S. ('Rhumantilles') on 1 October 2019 and of the controlling stakes in the capital of Licorera Ancho Reyes y Cia S.A.P.I. de C.V. ('Ancho Reyes') and Casa Montelobos S.A.P.I. de C.V. ('Montelobos'), headquartered in Mexico, on 20 November 2019. In making these acquisition, Campari Group's intention is to further increase its exposure to the strategic US on-premise channel and to add significantly to its critical mass in France.

The impact of the finalised allocation of the acquisition values for Trois Rivières and La Mauny French rums and Ancho Reyes and Montelobos spirits is summarised below. Changes to the provisional net asset values recognized at 31 December 2019 are shown separately. The allocation did not have any monetary impact. The updated final fair values shown are the result of the recognition and reworking of further information in relation to facts and circumstances existing at the closing date. This analysis was carried out with the assistance of independent experts. The following combined information relates to both acquisitions, which are not considered to be material on an individual basis but are related to spirits.

The combined enterprise value of the two deals was €112.5 million (including the net financial debt acquired and the post-closing price adjustments).

The changes to the values included in the Group's consolidated figures at 31 December 2019 are shown separately in note 3 xi-'Reclassification of comparative figures at 31 December 2019' of this Campari Group consolidated financial statements. Where not expressed in Euros, the values were converted at the exchange rate on the closing date of the transaction.

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

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

The Group has revised the final allocation for brands fair values to take into account the profitability of the business on the closing date. The final total value allocated to the acquired brands is €13.1 million. The allocation value does not reflect the post-acquisition development initiatives that the Group intends, to undertake based on its strategic plans, to extract as much value as possible from these brands and to undertake innovative initiatives designed to exploit the potential of key international markets.

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

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

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

ii. Property, plant and equipment

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

Changes in this item are shown in the table below.

	Land and buildings € million	Plant and machinery € million	Other € million	Total € million
Carrying amount at the beginning of the period	382.8	363.8	194.8	941.3
Accumulated amortization at the beginning of the period	(115.5)	(240.8)	(88.6)	(445.0)
At 31 December 2019	267.2	123.0	106.2	496.4
Change resulting from provisional allocation of acquisition value	7.4	3.0	1.6	11.9
Balance at 31 December 2019 post-reclassifications⁽¹⁾	274.6	126.0	107.7	508.3
Perimeter effect for acquisitions	6.8	1.1	0.6	8.6
Perimeter effect for sale or reorganization of business	-	-	(0.2)	(0.2)
Reclassification as assets held for sale	0.3	-	-	0.3
Additions	11.5	28.4	26.6	66.6
Disposals	(0.1)	-	(6.6)	(6.8)
Depreciation	(11.8)	(18.0)	(16.0)	(45.8)
Impairment	(3.3)	(2.2)	(1.5)	(7.1)
Exchange rate differences and other changes	(19.6)	(7.9)	(10.7)	(38.3)
At 31 December 2020	258.4	127.3	99.9	485.7
Carrying amount at the end of the period	379.3	368.0	192.2	939.5
Accumulated amortization at the end of the period	(121.4)	(240.7)	(92.2)	(454.3)

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

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

Capital expenditure for the period, totalling €66.6 million, was mainly related to the purchase of barrels for maturing bourbon, rum and whisky for €19.3 million as well as the investments for the renovation of brand houses and visitor centres. In addition, in the period some improvements were made to strengthen the Group's production capacity and efficiency. Disposals, amounting to €6.8 million, mainly related to the sale of barrels no longer suitable for use in the maturing process.

iii. Right of use assets

The changes in assets underlying the right of use are indicated in the table below.

	Land and buildings € million	Plant and machinery € million	Other € million	Total € million
Carrying amount at the beginning of the period	73.2	7.4	14.9	95.5
Accumulated amortization at the beginning of the period	(8.4)	(1.0)	(5.7)	(15.0)
At 31 December 2019	64.7	6.5	9.3	80.5
Perimeter effect for acquisitions	3.9	-	0.9	4.8
Perimeter effect for sale or reorganization of business	(0.5)	-	-	(0.5)
Additions	4.3	1.5	2.0	7.8
Depreciation	(9.0)	(1.3)	(5.2)	(15.5)
Impairment	(1.1)	-	-	(1.1)
Exchange rate differences and other changes	(4.4)	(0.5)	0.5	(4.4)
At 31 December 2020	57.9	6.2	7.4	71.5
Carrying amount at the end of the period	75.6	8.4	18.7	102.7
Accumulated amortization at the end of the period	(17.6)	(2.3)	(11.3)	(31.2)

The change in the basis of consolidation relates to the right of use assets arising from the acquisition of Campari France Distribution S.A.S.

Increases for the year were mainly related to offices and automobiles. The impairment of right of use assets was related only to planned changes in route to market managed in the normal course of business.

There are no restrictions or covenants on the right of use assets indicated above.

iv. Biological assets

Changes in this item are shown in the table below.

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

The addition of €3.9 million, was related mainly to agave plantations in Mexico (€3.0 million) and sugar cane plantations in Martinique (€0.9 million).

All residual biological assets at 31 December 2020 were recognised on a cost basis, net of depreciation and impairment.

No guarantees were given to third-parties in relation to these fixed assets.

v. Intangible assets

- Goodwill and brands

Changes during the period are shown in the table below.

	Goodwill € million	Brands with an indefinite life € million	Brands with a finite life € million	Total € million
Carrying amount at the beginning of the period	1,393.6	1,028.5	36.5	2,458.6
Opening impairment	(3.1)	0.0	(23.7)	(26.8)
For the year ending 31 December 2019	1,390.5	1,028.5	12.9	2,431.8
Change resulting from provisional allocation of acquisition value	(2.7)	(5.7)	-	(8.4)
For the year ending 31 December 2019 post-reclassifications⁽¹⁾	1,387.8	1,022.7	12.9	2,423.4
Perimeter effect for acquisition	58.9	1.0	-	59.9
Impairment loss	-	(35.4)	-	(35.4)
Depreciation	-	-	(2.1)	(2.1)
Exchange rate differences	(90.2)	(43.7)	(0.9)	(134.7)
For the year ending 31 December 2020	1,356.6	944.6	9.9	2,311.1
Carrying amount at the end of the period	1,359.5	980.0	31.6	2,371.0
Closing impairment	(2.8)	(35.4)	(21.7)	(59.9)

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

Intangible assets with an indefinite life are represented by goodwill and brands, both associated with acquisitions. The Group expects to obtain positive cash flow from these assets for an indefinite period of time. Goodwill and brands with an indefinite life are not amortised but are subject to impairment tests at least once a year.

An impairment loss of €35.4 million has been recognised during the year, attributable to the following brands: Bulldog (€16.0 million), The GlenGrant (€15.5 million) and Rhum Agricole brands (€3.9 million). For more information regarding impairment loss please refer to the following paragraph 'Impairment test on goodwill and brands'.

Brands with a finite life included the value of the X-Rated Fusion Liqueur which, in previous years, had suffered impairment losses. In 2015, its useful life was reviewed and determined as a total period of ten years from 2016.

The change in the basis of consolidation comprises increases totalling €59.9 million attributable to the identification of amounts for goodwill (€58.9 million) and brands (€1.0 million) related to the acquisition of Campari France Distribution S.A.S. and Champagne Lallier S.a.r.l. (for further details, see note 7 i-'Acquisition and sale of businesses and purchase of non-controlling interests').

Negative exchange rate differences, totalling €134.7 million, arose when the amounts for brands and goodwill, which were recorded in local currency, were adjusted to year-end exchange rates, and due specifically to the depreciation of the US and Canadian dollars.

- Intangible assets with a finite life

Changes in this item are shown in the table below.

	Software € million	Other € million	Total € million
Carrying amount at the beginning of the period	101.8	23.7	125.5
Accumulated amortisation at the beginning of the period	(66.3)	(10.0)	(76.3)
At 31 December 2019	35.6	13.7	49.3
Change resulting from provisional allocation of acquisition value	-	(4.5)	(4.5)
At 31 December 2019 post-reclassifications⁽¹⁾	35.6	9.2	44.8
Perimeter effect for acquisitions	0.1	0.2	0.3
Perimeter effect for sale or reorganisation of business	(0.6)	-	(0.6)
Additions	10.5	4.3	14.9
Amortisation	(12.0)	(0.8)	(12.8)
Exchange rate differences and other changes	(2.1)	0.2	(1.9)
At 31 December 2020	31.5	13.2	44.7
Carrying amount at the end of the period	107.0	23.2	130.2
Accumulated amortization at the end of the period	(75.5)	(10.0)	(85.5)

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

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

- Impairment test on goodwill and brands

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

The global Covid-19 outbreak has posed significant challenges to business activities and introduced a high degree of uncertainty on the economic and financial system. As such, in accordance with the IAS 36 (paragraphs 9 and 12) and as well as recommended by ESMA (European Securities and Market Authority), the Company should carefully and fairly (neither over optimistic nor pessimistic) evaluate the impact of the Covid-19 to assess if it has triggered the impairment of assets.

With respect to the spirits industry, the Covid-19 generated a significant adverse effect on the consumption levels in 2020, given the sector's natural exposure to consumption in the on-premise channel, due to the lockdowns and the restrictive measures to contain the virus spread in general. Global Travel Retail was also heavily affected due to the significant reduction in travels. On the contrary, the off-premise channel has generally demonstrated more resilience as consumers have increased their at-home consumption.

In this volatile environment, beyond the annual impairment test, the Group performed an interim test as of 30 June 2020 to assess if Covid-19 had triggered any impairment losses for the Group's goodwill and brands.

However, as noted by ESMA, the interim impairment test cannot replace the required annual test, also considering the Pandemic's persisting impact on the global economy and businesses. Currently, many countries across the globe are still going through the pandemic with the continuing adoption of restrictive measures. The positive development of the vaccine towards the end of the year has helped restore the market confidence. However, the timing and the depth of the vaccine roll out remain uncertain.

In line with the previous years, the Group considered the business plan, including 2021 budget and 2022-2025 strategic plans (drafted by the Group's companies in 2020 and approved by the Board of Directors of Davide Campari-Milano N.V.) as the base of the annual impairment test. Whilst such plan best depicts the future economic developments of the Group, further analyses have been developed, in this highly volatile year generated by Covid-19, to estimate the impact on recoverable amounts of a significant drop in net sales and operating profit as compared to the business plan. In this regard, the Group very conservatively introduced three stress tests to further stretch the impairment test, in line with the interim impairment test as of 30 June 2020. Consistently with a very prudent and conservative approach, the three stress tests were considered to assess only the downward risk via assuming -5%, -10%, -15% reduction in net sales and operating profit over the entire test period for all brands and markets. Each test was performed on a stand-alone basis. It should be noted that the stress tests were performed in addition to the recurrent sensitivity analyses, which were carried out based on the assumption of a percentage point increase in the discount rate and a percentage point reduction in the terminal growth rate.

Procedure of intangible assets impairment test

For the purpose of verifying the recoverable value of intangible assets with indefinite life (i.e. impairment test), goodwill values were tested at aggregate level based on the values allocated to the four cash-generating units (CGUs), namely, Americas CGU, SEMEA CGU, NCEE CGU and APAC CGU. This structure reflects the lowest level at which goodwill is monitored by the Group and is considered appropriate, given the synergies and efficiencies obtained at regional level. This is in line with the geographical segment reporting structure adopted by the Group, based on its current organisational structure. For brands, the values were tested individually or by combinations of brands acquired.

The approval of the impairment test results by the Board of Directors of Davide Campari-Milano N.V. takes place separately and before the financial reports (consolidated and Company only) are approved. In line with the previous years, the approval of the annual assessment of the recoverability of the Group's intangible assets was conducted before the fiscal year end. As a consequence, the book value of goodwill and brands (i.e. the amount at which an asset is recognized in the balance sheet) was determined as of 30 September 2020, i.e. the latest available actual figures. The results of such test were valid as of 31 December 2020, given that no events or impairment indicators have arisen that could result in a material reduction of the assets value or recoverable amounts in the fourth quarter of 2020.

With regards to currencies, it should be noted that the projections were determined based on the exchange rates to Euros assumed unchanged to the ones used for drafting 2021 budget. Although IAS 36 requires that exchange rates are assumed flat to the current fiscal year over the time horizon, the fluctuations of 2021 budgeted currencies are estimated to not have a meaningful impact on future cash flows.

Impairment test of goodwill

The allocation of goodwill for each CGU is based on the previous allocation values, adjusted to take into account the exchange rate effects and other variations such as perimeter change.

The carrying amounts of the CGUs were determined by allocating, in addition to goodwill, the brand values allocated based on the profitability achieved by the brand in each CGU, as well as the fixed assets and working capital, which were mainly allocated on the basis of the relevant sales achieved in each CGU.

The recoverable amounts of the CGUs were determined based on a 'value in use' methodology, under which the asset value is measured by discounting the estimated future cash flows generated by the continued use of such asset. Expected cash flows, which were based on the Group's cash flow estimates, were discounted using a post-tax discount rate, reflecting both the time value of money and a further adjustment to include the market risk and the specific risks for the company. The IAS 36 states that, for calculating the 'value in use', pre-tax discount rate and future cash flows should be used. In the impairment test performed, it has been verified that the use of a post-tax approach provides consistent results with the ones which would have been obtained by adopting a pre-tax approach.

Forecasts of cash flows relating to the Group were taken from 2021 budget and the strategic plans for the period 2022-2025 and approved by the Board of Directors of Davide Campari Milano N.V..

In addition, the five-year cash flow plan was extrapolated on a ten-year basis. The use of a ten-year forecast period was justified by the extension of the life cycle of the brands in the reference market, as well as the length of the maturing process of certain brands in some CGUs. Assumptions of future cash flows were made based on conservative approach in terms of both growth rates and operating margin trends expected. In addition, projections were based on reasonableness, prudence and consistency with respect to the allocation of future selling, general and administrative expenses, trends in capital investment, conditions of financial equilibrium and the main macroeconomic variables. Cash flow projections relate to current operating conditions and therefore do not include cash flows connected with any one-off and non-recurring operations. The main assumptions used in calculating the value in use of the CGUs are the long-term growth rate and discount rate.

Terminal value was determined using the perpetuity growth method of discounting. Specifically, a conservative perpetual growth rate was used that corresponds to the estimated inflation rates of the consumer price for the period 2021-2025 for the Group's key markets (source: IMF, October 2020 release), assumed to be 2.3% for the Americas CGU, 1.0% for the SEMEA CGU, 1.5% for the NCEE CGU and 1.9% for the APAC CGU or 1.8% for the Group overall.

The value in use of the CGUs was calculated by discounting the estimated value of future cash flows, including the terminal value, which it is assumed will derive from the continuing use of the assets, at a discount rate (net of taxes and adjusted for risk) that reflects the average weighted cost of capital. Specifically, the discount rate used was the Weighted Average Cost of Capital (WACC), which depends on the risk associated with the estimate of cash flows. The WACC was determined on the basis of observable indicators and market parameters, the current value of money, and the specific risks connected with the business of the relevant CGU. It should be noted that the calculation of WACC has resulted in line with a set of spirits industry comparable peers. The discount rates used in 2020 impairment test for the four CGUs, are as follows: 6.0% for the Americas CGU 7.8% for the SEMEA CGU, 8.1% for the NCEE CGU and 6.3% for the APAC CGU, or 7.1% for the Group overall.

To take into account the current market volatility and uncertainty over the future economic prospects, stress tests and sensitivity analysis were carried out to assess the recoverability of goodwill value, as described above. Based on the methodology as described above, the impairment test for goodwill as of 31 December 2020 confirmed the full recoverability, including sensitivity and stress scenarios, of all the CGUs, therefore not highlighting any goodwill impairment loss.

Values of goodwill as of 31 December 2020

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

CGU	For the years ending 31 December	
	2020 € million	2019 ⁽¹⁾ € million
Americas	684.4	726.9
Southern Europe, Middle East and Africa	403.1	376.3
Northern, Central and Eastern Europe	247.0	263.8
Asia-Pacific	22.0	23.5
Total	1,356.6	1,390.5

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

Changes in goodwill values at 31 December 2020 compared with 31 December 2019 are mainly due to negative exchange rate effects of €(91.3) million, which were re-allocated proportionally to the individual CGUs, and positive perimeter change (including purchase price allocation adjustments) equal to €56.2 million.

Impairment test on brands

Impairment test was performed on brands individually, using the value in use criterion. The recoverable value of the brand was calculated using the multi-period excess earnings method (MEEM).

The MEEM is an earnings-based valuation method. The theoretical premise of the MEEM is that the value of a brand is equal to the current value of the residual cash flows attributable to the asset analysed. According to this method, the relevant earnings attributable to the intangible assets are calculated using the income that the company would record after having deducted the earnings attributable to all the other assets (contributory asset charge), i.e. deducting from the company's results the remuneration for using other assets that contribute to the generation of such results.

Estimates of income flows generated by individual brands, net of contributory asset charge, and of the terminal value, discounted to present value using an appropriate discount rate, were used to calculate the recoverable value of brands.

Forecasts of income flows come from the 2021 budget and the strategic plans prepared by the Group's subsidiaries in 2020 for the period 2022-2025. Regarding the Group's planning and forecasting activity, in 2020 the strategic plan drafting process was adapted to the exceptional circumstances with the aim to implement a more flexible and condensed approach to better suit the business requirements. In addition, the five-year plan of income flows was extrapolated on a ten-year basis, with growth rates gradually normalizing towards the level of the perpetuity growth rate. The use of a ten-year period was justified by the extension of the life cycle of the brands in the industry in which the Group operates and takes into account the length of the maturing process of certain brands. In the case of The Glen Grant single malt Scotch whisky, a 15-year time horizon was adopted in line with previous years. The use of a fifteen-year Time Horizon is justified by the long-term effect of the brand ageing strategy, a commonly implemented market practice for the premium spirits players. Given the nature of the ageing strategy in the Scotch whisky segment, the benefit of this strategic is expected to increasingly manifest over the years in a much longer time horizon compared with the 10-year period covered by the impairment test model for other brands.

For the purposes of determining the terminal value of each brand, a perpetual growth rate of between 1.8% to 2.3%, in line with the inflation estimates, was used. The discount rates used for the individual brands tested varied from 6.7% to 8.1% and took into account a specific risk premium for the brand in question.

Brands with an immaterial value individually and in aggregate are not subject to impairment test.

Same as goodwill, to take into account market volatility and uncertainty over future economic prospects, sensitivity analysis and stress test were performed to assess the recoverability of the brand values. Based on the methodology as described above, the impairment test as of 31 December 2020 has indicated impairment losses of €15.5 million relating to The Glen Grant brand and €3.9 ⁷⁷million relating to the Rhum Agricole brands. The Glen Grant brand is heavily affected by the Covid-19 given its relevant exposure to the Global Travel Retail, the channel mostly hit by the Pandemic due to the travelling ban, whose recovery time currently remains highly uncertain. The impairment loss under the current assessment reflects the high uncertainty of the business

⁷⁷Reflecting the brand value derived from the final Purchase Price Allocation ('PPA'), where the brand value was reduced by €0.8 million vs. the brand value derived from the provisional PPA as of 30 September 2020.

recovery in this area. While regards to the Rhum Agricole brands, the shortfall is mainly due to the increased raw material costs and unfavourable sales mix due to the Covid-19, hitting in particular the on-premise channel and delaying the brand activation in the international markets as well. These effects are not expected to positively reverse in the short term.

The Bulldog brand, which suffered of an impairment loss as of 30 June 2020 test, has broadly confirmed its reduced brand value with the year-end impairment test (loss of €15.8 million as of 31 December 2020⁷⁸). Considering the size of the headroom and that no fundamental changes with regards to the brand's future business performance have happened compared with the June 2020 impairment test, the Group considered reasonable to not reverse, at year end, any of the impairment loss recorded in the second quarter of 2020 for this brand.

Regarding the stress test, besides The Glen Grant and Rhum Agricole brands, the stress test indicated that the Bulldog brand would incur an impairment loss in the range of €1.5 million to €4.9 million under the three stress tests.

Regarding the sensitivity analyses, besides The Glen Grant and Rhum Agricole brands, an impairment loss may arise for the Bulldog brand for ca. €7.0 million when the WACC was increased by 100 bps and the long-term growth rate was decreased by 100 bps.

Considering the potential impairment loss arising from the sensitivity analysis and the stress tests, the Group will closely monitor the future development of the Bulldog brand and carefully assess the recoverability of the brand values.

IAS 36 defines recoverable amount as the higher of an asset's or cash generating unit's fair value less cost of disposals and its value in use. In measuring the recoverable amount of the brand values, the Group considers the 'value in use' determined for The Glen Grant and Rhum Agricole brands to be a proxy of their fair value less cost of disposals, for the following reasons: (i) the value in use is measured by using a valuation methodology (MEEM) which is widely accepted in practice for determining the brands' fair value, for example in a purchase price allocation following an acquisition and (ii) the Group business plans for these three brands can be considered market participant as there is no indication that a different player would have taken a different business strategy on such brands.

A commonly accepted alternative method of measuring 'fair value less costs of disposal' is based on transaction multiples. This however requires the identification of a representative sample of comparable transactions which are not consistently available across the different types of assets. As benchmarks are typically available for measuring business values as a whole, as opposed to a brand only, such methodology would not be suitable for these purposes.

Values of brand as of 31 December 2020

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

	For the years ending 31 December	
	2020 € million	2019 ⁽²⁾ € million
Grand Marnier	300.7	300.7
Wild Turkey	148.8	162.5
Frangelico	54.0	54.0
Jamaican Rum Portfolio	89.0	104.4
The Glen Grant and Old Smuggler	88.8	104.3
Forty Creek	66.5	71.2
Cabo Wabo	57.9	63.2
Averna and Brulio	65.5	65.5
X-Rated Fusion Liqueur ⁽¹⁾	9.9	12.9
Riccadonna	11.3	11.3
Bulldog	34.3	53.0
Other	27.9	38.3
Total	954.5	1,041.4

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

⁽²⁾ Pre-reclassification figures which do not include the changes resulting from provisional allocation of acquisition value.

Changes in brand values at 31 December 2020 compared with 31 December 2019 are mainly due to the impairment losses of Bulldog brand (€15.6 million, corresponding to €16.0 million at average exchange rate for the period 1 January-31 December 2020), The Glen Grant brand (€15.4 million) and Rhum Agricole brands (€3.9

⁷⁸ Value determined based on the closing exchange rate at 31 December 2020, equivalent to €16.0 million at average exchange rate for the period 1 January-31 December 2020.

million⁷⁹), as well as negative exchange rate effects of €(44.8) million and other changes (including perimeter change and purchase price allocation adjustments) for an amount of €(4.7) million.

vi. Other non-current assets

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

	At 31 December		
	2020	of which perimeter effect ⁽¹⁾	2019
	€ million	€ million	€ million
Equity investment in other companies	0.6	-	0.6
Security deposits	1.3	0.2	1.1
Other non-current receivables from main shareholders	1.8	-	2.2
Other non-current receivables	2.1	-	4.2
Other non-current assets	5.7	0.2	8.2

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

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

Additional receivables totalling €1.8 million and due from the controlling shareholder Lagfin S.C.A., Société en Commandite par Actions, were recorded for the tax consolidation periods from 2007 to 2011; a refund of €0.4 million was received in this regard for the year 2009.

Please see note 11 viii-‘Related parties’ for details of the relationships with the controlling shareholder Lagfin S.C.A., Société en Commandite par Actions.

vii. Other current assets

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

	Balance at 31 December 2020	of which perimeter effect	Balance at 31 December 2019
	€ million	€ million	post-reclassification ⁽¹⁾ € million
Advances to suppliers	2.6	-	0.4
Advances and other receivables from suppliers	1.3	-	1.1
Other receivables from tax authorities	22.6	2.9	20.4
Receivables from Parent Company for tax consolidation	1.2	-	0.8
Receivables from agents and miscellaneous customers	1.4	0.1	1.0
Prepaid expenses	6.9	0.6	9.7
Other receivables from Associates	0.0	-	0.8
Other	9.0	-	10.6
Other current assets	45.0	3.7	44.7

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

⁽²⁾ The change includes an overall marginal impact of €(0.6) million, related to the deconsolidation of the Japanese Group's commercial company operating in the Japanese market following recent changes in the local distribution structure.

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

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

30 December 2020	Other receivables ⁽¹⁾	Provision for bad debt
	€ million	€ million
Not overdue	20.6	-
Overdue	18.2	(0.7)
Less than 30 days	-	-
30-90 days	3.0	(0.1)
Within 1 year	14.9	(0.4)
Within 5 years	0.2	(0.2)
Due after 5 years	0.0	-
Total receivables broken down by maturity	38.8	(0.7)
Amount impaired	(0.7)	
Total	38.0	

⁽¹⁾ The item does not include prepaid expenses.

⁷⁹ Reflecting the brand value deriving from the final Purchase Price Allocation (‘PPA’), where the brand value was reduced by €0.8 million vs. the brand value deriving from the provisional PPA as of 30 September 2020.

31 December 2019	Other receivables ⁽¹⁾ € million	Provision for bad debt € million
Not overdue	28.7	
Overdue	7.0	(0.7)
Less than 30 days	-	-
30-90 days	4.0	-
Within 1 year	3.0	(0.7)
Within 5 years	-	-
Due after 5 years	-	-
Total receivables broken down by maturity	35.7	(0.7)
Amount impaired	(0.7)	
Total	35.0	

⁽¹⁾ The item does not include prepaid expenses.

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

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

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

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

viii. Assets held for sales

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

At 31 December 2020, this item included:

- property in France;
- production assets located in Brazil, including the ceased Sorocaba facility.

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

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

ix. Other non-current liabilities

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

x. Other current liabilities

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

	Balance at 31 December 2020 € million	of which perimeter effect € million	Balance at 31 December 2019 post-reclassification € million
Payables to staff	61.6	4.5	57.4
Payables to agents	2.9	-	2.7
Deferred income	6.5	0.8	5.2
Amounts due to controlling shareholder for Group VAT	0.5	-	2.5
VAT	16.5	(0.2)	24.1
Tax on alcohol production	36.2	-	38.6
Withholding and miscellaneous taxes	7.3	0.5	6.4
Other	8.7	(3.1)	4.0
Other current liabilities	140.3	2.5	141.0

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

⁽²⁾ The change includes an overall marginal impact of €(3.7) million, related to the deconsolidation of the Japanese Group's commercial company operating in the Japanese market following recent changes in the local distribution structure.

Other current liabilities totalling €14.3 million refer mainly to payables to staff for an amount of €61.6 million and to tax on alcohol production for €36.2 million.

Payables for capital grants and deferred income relating to these grants are detailed in the next section.

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

31 December 2020	Other payables to third parties € million
On demand	77.2
Due within 1 year	63.0
Due in 3 to 5 years	0.1
Total	140.3

31 December 2019	Other payables to third parties € million
On demand	50.6
Due within 1 year	90.3
Due in 3 to 5 years	0.1
Total	141.0

8. Operating working capital

This section explains the Group's operating working capital composition broken down into the various items that are managed to generate the Group performances.

The coronavirus outbreak while had a significant impact on net sales, did not trigger any significant changes with clients' contracts. An in-depth analysis has been conducted to accurately review the expected credit losses on receivables and to reassess the likelihood of the Group collecting the considerations to which it is entitled.

Significant judgements were used in determining whether an anticipated partial payment indicated that there was an implicit price concession to be accounted for or there is an impairment loss. The reassessment did not indicate any change in the actual business model to manage financial instruments and highlighted an increase in risk that did not have a significant impact on the annual figures in which it is reflected.

To facilitate the management of liquidity during this volatile year, the Group entered into reverse factoring agreements with a limited number of trusted suppliers. A detailed analysis was conducted to define the proper representation of these agreements within the consolidated figures: the trade payables under reverse factoring agreements continued to be classified as a component of the Group's operating working capital with not separate disclosure as primary line items of the Group financial statements in consideration of the immateriality of the exposure.

The coronavirus outbreak has not generated the need to include dedicated and additional adjustments to be reflected in the net realizable value of inventories nor to change the production cost allocation linked to inefficiencies.

i. Trade receivables

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

	At 31 December		
	2020 € million	of which perimeter effect ⁽²⁾ € million	2019 post-reclassifications ⁽¹⁾ € million
Trade receivables from external costumers	274.9	38.8	309.6
Trade receivables from associate	4.0	-	-
Receivables in respect of contributions to promotional costs	2.9	-	7.2
Trade receivables	281.8	38.8	316.8

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

⁽²⁾ The change includes an overall marginal impact of €(0.9) million, relating to the deconsolidation of the Japanese Group's commercial company operating in the Japanese market following recent changes in the local distribution structure.

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

The table below shows receivables broken down by maturity.

In light of the analysis performed on estimated expected future losses (using the expected credit loss method), no receivables were considered as not yet due and not written down.

At 31 December 2020	Trade receivables ⁽¹⁾ € million	Provision for expected future losses and bad debt € million
Not overdue	192.8	(0.8)
Overdue	95.3	(7.3)
Less than 30 days	54.5	-
30-90 days	16.1	(2.3)
Within 1 year	15.1	(1.3)
Within 5 years	8.1	(2.3)
Due after 5 years	1.5	(1.4)
Total receivables broken down by maturity	288.2	(8.1)
Amount impaired	(8.1)	-
Total	280.1	

⁽¹⁾ This item does not include prepaid expenses.

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

⁽¹⁾ This item does not include prepaid expenses.

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

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

The provision for expected future losses and bad debt includes the impairment of specific receivables in order to reflect the estimated realisable value in accounts and an estimate for expected credit losses on receivables and stood at €8.1 million at 31 December 2020. Utilisations for the year were due to the settlement of lawsuits outstanding from previous years.

The table below set out the information in relation to the credit risk exposure on the Group's trade receivables using a provision matrix:

	Trade receivables days past due					
	Current	<30 days	30-90 days	< 1 year	< 5 years	Total
At 31 December 2020	€ million	€ million	€ million	€ million	€ million	€ million
Credit loss rate	0.52%	0.13%	0.30%	0.58%	1.26%	2.8%
Estimated total gross carrying amount at default	194.6	54.5	16.1	15.1	9.6	289.9
Provision for expected credit losses	(1.5)	(0.4)	(0.9)	(1.7)	(3.7)	(8.1)

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

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

ii. Trade payables

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

	At 31 December		
	2020 € million	of which perimeter effect ⁽²⁾ € million	2019 post-reclassifications ⁽¹⁾ € million
Trade payables to external suppliers	321.2	44.6	241.2
Trade payables	321.2	44.6	241.2

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

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

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

The maturities of trade payables is shown below.

At 31 December 2020	Trade payables € million
On demand	10.5
Due within 1 year	310.7
Due in 3 to 5 years	-
Total	321.2

At 31 December 2019	Trade payables ⁽¹⁾ € million
On demand	4.7
Due within 1 year	236.5
Due after 1 year	-
Total	241.2

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

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

iii. Inventories and biological assets

The breaks down of this item is as follows.

	At 31 December		
	2020 € million	of which perimeter effect ⁽²⁾ € million	2019 post-reclassifications ⁽¹⁾ € million
Raw materials, supplies and consumables	50.4	0.5	53.6
Work in progress	94.6	11.0	71.6
Maturing inventory	368.1	(10.8)	374.4
Finished products and goods for resale	142.0	35.0	116.3
Inventories	655.1	35.6	615.9
Current biological assets	1.6	-	0.9
Total	656.8	35.6	616.7

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

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

Stocks totalled €656.8 million at 31 December 2020, up by €40.1 million on 31 December 2019. This change is essentially attributable to several factors, as summarised below:

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

Current biological assets at 31 December 2019 totalled €1.6 million, corresponding to the fair value of the sugar cane and agave harvests that had not yet ripened. This fair value estimate is based on the production costs incurred minus any impairment, calculated on the basis of the estimated revenues from the sale of the harvest less the costs of cultivation, harvesting and transportation to the point of sale. No guarantees given to third parties in relation to these inventories. Agricultural produce in Martinique benefits from public grants for an amount of €0.5 million (not significant in 2019 given Rhumantilles' inclusion in the scope of consolidation).

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

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

9. Net financial debt

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

The pandemic is clearly having negative impacts on the business and this triggers the needs of in-depth analysis on the potential consequential impact on the Group's financial performance. In conducting this assessment, certain characteristics specific to the Group's situation have been taken into consideration. As far as financial assets are concerned, the fact that the Group's assets are not exposed to concentration being spread across a large number of high standing financial counterparts granted that no specific risks were faced. With regard to financial liabilities, the temporary increase in the Group's indebtedness ratios didn't raise any constraints, also given the lack of covenants on existing debt. Moreover, the Group's financial structure has been boosted by the availability of significant credit lines. No renegotiation of interest rates or other terms of existing agreements (derivatives included) have been requested if not required by the Group in the normal course of its business, and the fact that the Group's loan profile is mainly at the fixed interest rates minimized the exposure to market risks. In terms of lease and rental agreements, there have been no significant lease agreements, including sub-leases, generating financial receivables for the Group. During the year, there were no significant contract amendments directly linked to the outbreak and no significant rental concessions have been agreed with lessors exclusively for Covid-19. The lease amendment referred in particular to buildings linked to planned changes in the route to market strategy and were managed in compliance with the normal recurring transactions they represent.

To facilitate the management of liquidity during this volatile year, the Group entered into reverse factoring agreements with a limited number of trusted suppliers. A detailed analysis was conducted to define the proper representation of these agreements within the consolidated figures: the trade payables under reverse factoring agreements continue to be classified as a component of Group's operating working capital without their separate disclosure as primary line items in the Group's financial statements in consideration of the immateriality of the exposure.

A separate analysis has been performed with reference to put option and earn-out agreements valued at fair value and where the basis of estimate is linked to brand performances; the analysis was performed in conjunction with the impairment test on intangible assets, to ensure homogeneity and coherence in the assessment.

i. Cash and cash equivalents

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

	At 31 December		
	2020 € million	Of which perimeter effect ⁽¹⁾ € million	2019 € million
Bank current accounts and cash	297.6	(95.9)	505.5
Term deposit maturing within 3 months	250.5	-	199.0
Cash and cash equivalents	548.1	(95.9)	704.4

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

Cash and cash equivalents item consists of current accounts, other sight deposits and those that can be withdrawn within a maximum period of three months from the reporting date, which are held at leading banks and pay variable market-based rates depending on the currency and period concerned.

Cash and cash equivalents also include securities that are readily convertible into cash, consisting of short-term, highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk in a change in value. During this volatile year, the Group implemented several actions to monitor and manage cash in order to satisfy all financial needs. Notwithstanding the impact of pandemic on the business, the Group was able to meet all existing financial commitments, including dividend payments and the completion of a business acquisition. For a better understanding of the liquidity management reference to cash flows information and net financial position (note 9 vii-'Reconciliation with net financial debt and cash flow statement') is made.

ii. Other current financial assets

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

	At 31 December	
	2020 € million	2019 € million
Valuation at fair value of forward contracts	0.2	0.2
Lease receivables	-	2.3
Other financial assets	1.0	5.8
Other current financial assets	1.2	8.3

At 31 December 2020, other current financial assets amounting to €1.2 million were primarily related to the interest-bearing receivables from Terra Moretti S.r.l., associated with the sale completed previous year of Sella&Mosca S.p.A. and Teruzzi&Puthod S.r.l.. Changes during the year reflect the extension of the agreement with the counterpart and the long-term portion of receivables associated with this transaction has been represented below in note 9 iii-‘Non-current financial assets’.

iii. Non-current financial assets

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

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

At 31 December 2020, term deposits of €4.0 million were intended for the acquisition of the remaining shareholdings in J.Wray&Nephew Ltd., for which the Group has an equal financial liability for put options and earn-out.

Changes during the year are related to the collection of a cash investment by the Parent Company in an investment fund valued at mark-to-market, totalling €5.2 million.

The financial receivables relate mainly to €3.1 million in assets arising from the interest-bearing receivables from Terra Moretti S.r.l., associated with the sale of Sella&Mosca S.p.A. and Teruzzi&Puthod S.r.l.. The short-term portion of this interest-bearing receivable has been classified under current financial assets.

iv. Lease components

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

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

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

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

The IBRs applied in 2020 and 2019 were as follows.

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

For the year ending 31 December 2019			
Currency	Within 5 years	From 5 to 10 years	Over 10 years
EUR	1.7%	2.1%	2.7%
USD	3.9%	4.0%	4.1%
GBP	2.8%	2.9%	3.0%

The amounts recognised in the cash flow were as follows.

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

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

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

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

v. Non-current financial debt

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

	At 31 December		
	2020	Of which perimeter effect ⁽¹⁾	2019
	€ million	€ million	€ million
Bond issued in 2017	200.0	-	200.0
Bond issued in 2019	149.5	-	149.4
Bond issued in 2020	545.2	-	-
Total non-current bonds	894.7	-	349.4
Loans due to banks	320.0	-	249.3
Lease payables	69.5	4.4	82.1
Liabilities for put option and earn-out payments	99.8	4.3	128.8
Non-current financial liabilities	489.3	8.8	460.2

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

- Bonds

At 31 December 2020, the Bonds item included the following issues placed by the Parent Company:

- bond issued in 2017 by the Parent Company, maturing on 5 April 2022, with a nominal value of €50 million. The bond pays a fixed annual coupon of 1.768%;
- bond issued in 2017 by the Parent Company, maturing on 5 April 2024, with a nominal value of €150 million. The bond pays a fixed annual coupon of 2.165%.
- bond issued in 2019 by the Parent Company, maturing on 30 April 2024, with a nominal value of €150 million. The bond pays a fixed annual coupon of 1.655%.
- bond issued on 6 October 2020 by the Parent Company, maturing on 6 October 2027, with a nominal value of €550 million. The issue price was 99.76% and the bond pays a fixed annual coupon of 1.25% with the effective gross yield to maturity at 1.37%.

The changes recorded in 2020 relating to the effects of the amortised cost of the above long-term portion of bonds were negative at €0.3 million.

- Loans due to banks

This item includes euro-denominated loans entered with leading banks as follow:

- term loan subscribed in 2019 for a nominal amount of €250 million, interest rate of 3-month Euribor plus a 1.126% spread, inclusive of the related interest rate swap, maturing on 31 July 2024 and recently amended to benefit from better financial terms and conditions. The loan was accompanied by a revolving credit facility for the same amount and maturity, at an interest rate of 3-month Euribor plus a 0.75% spread, as well as drawdown fees. The revolving credit facility was not used at 31 December 2020.
- loan subscribed on 27 May 2020 for a nominal amount of €95 million, amortising with a final maturity on 30 June 2022 at an interest rate of 0.75% and up-front fees of 0.20%, of which €57.0 million were reclassified as a short-term liability;
- loan subscribed on 25 June 2020 for a nominal amount of €50 million, amortising with a final maturity on 25 June 2023 at an interest rate of 3-month Euribor no floor plus a 1.227% spread and up-front fees of 0.35%, of which at 31 December 2020 €8.3 million have been repaid and €16.7 million were reclassified as short-term liability.

- Leases

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

- Liabilities for put options and earn-out

At 31 December 2020, the long-term portion of the item 'Liabilities for put options and earn-out payments' included:

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

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

vi. Current financial debt

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

	At 31 December		
	2020	Of which perimeter effect	2019
	€ million	€ million ⁽¹⁾	€ million
Short-term portion of Parent Company bond (Eurobond) issued in 2015 ⁽¹⁾	-	-	580.0
Accrued interest on bonds	6.3	-	8.7
Loans due to banks	244.3	20.8	30.96
Lease payables	13.9	(0.1)	15.4
Liabilities for put option and earn-out payments	3.5	-	54.0
Liabilities on hedging contracts	0.1	-	0.2
Current liabilities for hedge derivatives, not reported using hedge accounting procedures	-	-	1.5
Other financial liabilities	8.1	1.1	4.4
Current financial liabilities	276.2	21.8	695.2

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

The main financial liabilities are as follows:

- Bonds

At 31 December 2019, this item included the 2015 Eurobond, which was reported for a residual nominal amount of €580.9 million, due on 30 September 2020. The bond paid a fixed annual coupon of 2.75% and the issue price was 99.715% of par, corresponding to a gross return of 2.807%. The debt was repaid on-time by its original expiration date.

The changes recorded in 2020 relating to the effects of the amortised cost of the above short-term portion of bonds were negative at €1.0 million

- Loans due to banks

At 31 December 2020, the loans due to banks increased by €213.3 million due to the subscription of new short-term loans and credit facilities with the aim of further strengthening the Group's financial structure and achieving greater flexibility to promptly respond to the current volatile macroeconomic context.

- Leases

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

- Liabilities for put options and earn-out payments

At 31 December 2020, liabilities for put options can be broken down as follows:

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

The variation in this item compared to 31 December 2019 was mainly related to the following:

- €19.4 million in relation to the Bulldog earn-out review of the projected settlement cash out, where the basis for the estimate is linked to the expected future performance of the brand: the analysis has been performed in conjunction with the impairment test on intangible assets to ensure consistency in the assessment (refer also to note 6 iv- 'Selling, general and administrative expenses and Other operating income and expenses');
- €85.1 million in relation to the payment made during the year to purchase a number of the remaining shares held by previous shareholders in Société des Produits Marnier Lapostolle S.A. based on the agreements in place. The change also includes the reclassification of the related current portion from the non-current portion to satisfy the aforementioned agreements.

vii. Reconciliation with net financial debt and cash flow statement

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

	At 31 December	
	2020 € million	2019 € million
Cash and cash equivalents	548.1	704.4
Cash (A)	548.1	704.4
Other current financial assets	1.2	8.3
Current financial receivables (B)	1.2	8.3
Loans due to banks current	(244.3)	(31.0)
Current portion of lease payables	(13.9)	(15.4)
Current portion of bonds	-	(580.0)
Other current financial payables	(14.5)	(14.9)
Current portion of payables for put option and earn-out	(3.5)	(54.0)
Current financial payables (C)	(276.2)	(695.2)
Net current financial debt (A+B+C)	273.1	17.5
Loans due to banks non-current ⁽²⁾	(320.0)	(249.3)
Non-current portion of lease payables	(69.5)	(82.1)
Non-current portion of bonds	(894.7)	(349.4)
Non-current portion of payables for put option and earn-out	(99.8)	(128.8)
Non-current financial debt (D)	(1,383.9)	(809.6)
Net debt (A+B+C+D)⁽¹⁾	(1,110.8)	(792.1)
Reconciliation with the Group's net financial debt as shown in the		
Directors' report:		
Term deposits	4.0	9.8
Non-current financial receivables	3.1	4.8
Group net financial debt	(1,103.8)	(777.4)

⁽¹⁾ In accordance with ESMA guidelines.

⁽²⁾ Including related derivatives.

Reconciliation with the cash flow statement

A reconciliation of the changes in financial liabilities used in financing activities indicated in the cash flow statement and the balances shown on the financial statements is provided below.

<i>Cash Flow generated (absorbed) from financial liabilities</i>	bonds		payables for interest	borrowings ⁽¹⁾		leases		other financial net debt	
€ million	Current	non current	Current	current	non current	current	non current	current	non current
At 31 December 2019	(580.0)	(349.4)	(8.7)	(31.0)	(249.3)	(13.1)	(77.3)	(6.6)	14.7
Notional liabilities addition	-	-	-	-	-	-	(8.5)	-	-
Interest accrued	-	-	(24.4)	-	-	-	(3.2)	-	-
New financing ⁽²⁾	-	(545.0)	-	(92.1)	(195.1)	-	-	(7.1)	(5.2)
Repayment ⁽²⁾	580.9	-	26.8	24.6	-	-	17.8	-	-
Perimeter effect for acquisitions	-	-	-	(20.8)	-	0.1	(4.4)	(0.9)	-
Exchange rate effects	-	-	-	2.7	-	0.9	4.2	(0.1)	(1.1)
Reclassification	-	-	-	(116.6)	118.6	(2.2)	2.2	(2.0)	-
Other movements	(1.0)	(0.3)	-	(6.3)	1.0	0.1	(0.5)	3.5	(1.4)
At 31 December 2020	-	(894.7)	(6.3)	(239.4)	(410.0)	(14.2)	(69.6)	(13.2)	6.9

⁽¹⁾ Included related derivatives.

⁽²⁾ Included in cash flow statement.

viii. Financial instruments-disclosures

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

At 31 December 2020 € million	Measurement at amortised cost	Measurement at fair value through profit and loss	Measurement at fair value with changes recognized in the statement of comprehensive income
Cash and cash equivalents	548.1	-	-
Trade receivables	281.8	-	-
Current financial receivables	0.0	1.0	-
Other non-current financial assets	4.1	3.0	-
Other non-current assets	-	0.6	-
Lease receivables	-	-	-
Loans due to banks ⁽¹⁾	(560.8)	-	-
Lease payables	(83.3)	-	-
Bonds	(894.7)	-	-
Accrued interest on bonds	(6.3)	-	-
Other financial liabilities	(8.1)	-	-
Liabilities for put option and earn-out payments ⁽²⁾	(53.9)	(49.4)	-
Trade payables	(321.2)	-	-
Current assets for hedge derivatives, not in hedge accounting	-	-	-
Current liabilities for hedge derivatives, not in hedge accounting	-	-	-
Current assets for hedging derivatives	-	-	0.2
Non-current liabilities for hedging derivatives ⁽³⁾	-	-	(3.5)
Current liabilities for hedging derivatives	-	-	(0.1)
Total	(1,094.3)	(44.8)	(3.4)

⁽¹⁾ Excluding derivative on loan due to bank.

⁽²⁾ Liabilities linked to some business combination may be elected to have the fair value variation accounted for against the Group equity.

⁽³⁾ Derivative on loan due to bank.

31 December 2019 € million	Measurement at amortised cost	Measurement at fair value through profit and loss	Measurement at fair value with changes recognized in the statement of other comprehensive income
Cash and cash equivalents	704.4	-	-
Trade receivables	316.9	-	-
Current financial receivables	8.1	-	-
Other non-current financial assets	4.6	5.2	-
Other non-current assets	-	0.6	-
Lease receivables	4.8	-	-
Loans due to banks	(280.2)	-	-
Lease payables	(97.5)	-	-
Bonds	(929.4)	-	-
Accrued interest on bonds	(8.7)	-	-
Other financial liabilities	(4.4)	-	-
Liabilities for put option and earn-out payments	(138.6)	(44.2)	-
Trade payables	(240.7)	-	-
Current assets for hedging derivatives	-	-	0.2
Current liabilities for hedging derivatives	-	-	(0.2)
Non-current liabilities for hedging derivatives, not in hedge accounting	-	(1.5)	-
Total	(660.7)	(39.9)	0.0

Hedging activities and derivatives

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

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

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

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

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

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

Foreign exchange forward contracts(highly probable forecast sales and purchases)	At 31 December 2020			At 31 December 2019		
	Notional amount hedged items	Average forward rate		Notional amount hedged items	Average forward rate	
€ million						
US Dollar	10.0	1.20		26.5	1.10	
Swiss franc	0.9	1.08		2.7	1.09	
Australian Dollar	2.7	1.31		4.2	1.46	
Canadian Dollar	-	-		0.6	1.33	
Russian Ruble	-	-		2.5	71.84	
Total	13,6			36,6		

Foreign exchange forward contracts (highly probable forecast sales and purchases)	At 31 December 2020			At 31 December 2019		
	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)
€ million						
Foreign exchange forward contracts (highly probable forecast sales and purchases)	13.6	0.1	0.1	36.6	-	0.2

- Interest rate swap contracts

	At 31 December 2020			At 31 December 2019		
	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)
€ million						
Interest rate swap	250.0	(3.5)	(3.0)	-	-	-

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

- Put/call agreements

	At 31 December 2020			At 31 December 2019		
	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)
€ million						
Put/call agreements	42.4	-	-	-	-	-

10.Risk management and capital structure

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

i. Nature and extent of the risks arising from financial instruments

The Group's main financial instruments include current accounts, short-term deposits, short and long-term bank loans, finance leases and bonds. The purpose of these is to finance the Group's operating activities.

In addition, the Group has trade receivables and payables resulting from its operations.

The main financial risks to which the Group is exposed are market (currency and interest rate risk), credit and liquidity risk. These risks are described below, together with an explanation of how they are managed.

To cover these risks, the Group makes use of derivatives, primarily interest rate swaps, cross currency swaps and forward contracts, to hedge interest rate and exchange rate risks.

- Credit risk

In certain markets in which the Group operates, sales are concentrated in a limited number of key customers: therefore, a possible change in the priorities or deterioration of the financial conditions of these customers could have significant adverse effects on the Group's business and outlook. Furthermore, if these key customers view the contractual terms and conditions as no longer acceptable, they may ask for them to be renegotiated, resulting in less favourable terms and conditions for the Company. Examples of mitigation measures: monitoring of customers at market level, strategy and innovation development at corporate and market level; multi-country investment strategy.

With regard to trade transactions, the Group works with medium-sized and large customers (large-scale retailers, domestic and international distributors) on which credit checks are performed in advance.

Each company carries out an assessment and control procedure for its customer portfolio, which includes constantly monitoring amounts received. In the event of excessive or repeated delays, supplies are suspended. Historically, losses on receivables represent a very low percentage of revenues and outstanding annual receivables, and significant hedging and/or insurance is put in place where there is uncertainty about cash collection.

Financial transactions are carried out with leading domestic and international institutions, whose ratings are monitored, in order to minimise counterparty insolvency risk.

The maximum risk associated with commercial and financial transactions at the reporting date is equivalent to the net carrying amount of these assets, also taking the risk of expected credit loss estimated by the Group using the business model identified into account.

In the context of high uncertainty caused by Covid-19, qualitative and quantitative analysis of trade receivables was performed. It was confirmed that the off-trade channel was not significantly affected by the Covid-19 outbreak and did not experience any material business disruptions while the on-trade channel was partially impacted in terms of sales due to the lockdown measures imposed by the local governments in different ways in the various geographies. At the year end, in the first wave all past-due credit on account of the pandemic had been collected with no evidence of any significant deterioration in the credit quality of customers.

- Liquidity risk

The Group's ability to generate substantial cash flow through its operations allows it to minimise liquidity risk. This risk is defined as the difficulty to raise funds to cover the payment of the Group's financial obligations.

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

At 31 December 2020	Within 1 year € million	Due in 1 to 2 years € million	Due in 3 to 5 years € million	Due after 5 years € million	Total € million
Bonds	13.5	63.5	337.8	562.0	976.8
Loans due to banks	254.6	67.2	263.5	-	585.2
Leases	16.2	25.9	26.3	24.3	92.7
Payables for put option and earn-out	3.5	50.6	49.4	-	103.6
Other financial liabilities	3.3	-	-	-	3.3
Total financial liabilities	291.0	207.2	677.1	586.3	1,761.6

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

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

The change in the overall structure of financial liabilities over the various deadlines reported above and which lead the Group to a safe and structured long-term exposure profile, was achieved thanks to careful liability management operations (refer to paragraph 'Group financial review' in the management report).

- Interest rate risk

The table below provides a breakdown of the Group's main financial liabilities, together with the effective interest rates and maturities. As regards the effective interest rate of hedged liabilities, the rate reported includes the effect of the hedging itself. Furthermore, the values of hedged liabilities are shown here net of the value of the related derivative, whether this is an asset or liability.

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

				At 31 December	
	Nominal interest rate	Effective interest rate ⁽¹⁾	Maturity	2020 € million	2019 € million
Loans due to banks non-current	Fixed rate 0.908%+variable rate ⁽²⁾⁽³⁾	1.352%	2024	564.3	280.2
Parent Company bond issues					
- issued in 2015 (Eurobond)	fixed rate 2.75%	3.068%	2020	-	580.0
- issued in 2017	fixed rate 1.768%	1.888%	2022	50.0	50.0
- issued in 2017	fixed rate 2.165%	2.251%	2024	150.0	150.0
- issued in 2019	fixed rate 1.655%	1.712%	2024	149.5	149.4
- issued in 2020	fixed rate 1.250%	1.370%	2027	545.2	-
Leases	Interest borrowing rate	interest borrowing rate	2019-2026	83.8	97.5

⁽¹⁾ Calculated on any difference between the initial amount of the liability and the maturity amount.

⁽²⁾ The figure shown relates to the applied rate and maturity of the loans payables to banks by Davide Campari Milano S.p.A., which is responsible for nearly all market funding.

⁽³⁾ Inclusive of the interest rate swap on the term loan subscribed in 2019.

The Group is exposed to the risk of fluctuating interest rates in respect of its financial assets, payables to banks and lease agreements.

The Parent Company's 2015, 2017, 2019 and 2020 bond issues pay interest at a fixed rate. Overall, at 31 December 2020, 88% of the Group's total financial debt was fixed-rate debt.

Sensitivity analysis

The table below shows the effects a possible change in interest rates on the Group's statement of profit or loss, if all other variables remain constant. A negative value in the table indicates a potential net reduction in profit and equity, while a positive value indicates a potential net increase in these items. The assumptions used with regard to a potential change in rates are based on an analysis of the trend on the reporting date.

The table illustrates the full-year effects on the income statement in the event of a change in rates, calculated for the Group's variable-rate financial assets and liabilities.

As regards the fixed-rate financial liabilities hedged by interest rate swaps, the change in the hedging instrument offsets the change in the underlying liability, with practically no effect on the income statement.

Net of tax, the effects are as follows.

	statement of profit or loss		
	increase/decrease in interest rates in basis point	increase in interest rates € million	decrease in interest rates € million
At 31 December 2020			
Euro	+/- 5 basis point	(0.7)	0.7
Dollar	+30/-10 basis point	0.8	(0.4)
Other currencies		1.1	(1.5)
Total effect		1.3	(1.2)
At 31 December 2019			
Euro	+/- 5 basis point	(0.5)	0.5
Dollar	+30/-10 basis point	0.7	(0.3)
Other currencies		0.8	(1.1)
Total effect		1.0	(0.9)

- Exchange rate risk

The Group develops its business activities on a global scale, and sales in non-euro markets are progressively increasing. However, the establishment of Group companies in countries including the United States, Brazil, Australia, Argentina, Russia and Switzerland allows exchange rate risk to be partly hedged, given that both costs and income are denominated in the same currency.

Therefore, exposure to foreign exchange transactions generated by sales and purchases in currencies other than the Group's functional currencies represented an insignificant proportion of consolidated sales in 2020. For these transactions, the Group's policy is to mitigate risk by using forward sales or purchases.

Sensitivity analysis

An analysis was performed on effects of a possible change in the exchange rates against the Euro the statement of profit or loss, keeping all the other variables constant.

This analysis does not include the effect on the consolidated financial statements of translating the financial statements of subsidiaries denominated in a foreign currency following a possible change in exchange rates.

The assumptions adopted regarding a potential change in rates are based on an analysis of forecasts provided by financial information agencies on the reporting date.

The types of transaction included in this analysis are sales and purchases in any currency other than the Group's functional currency.

The effects on shareholders' equity are determined by changes in the fair value of forward contracts on future transactions, which are used as cash flow hedges.

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

- 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 in obtaining high-quality quantity of raw materials in sufficient quantities. However, we cannot exclude that the Group could face challenges in obtaining supplies of raw materials. The Group is in the process of implementing measures aimed at limiting the risk of raw material price fluctuations including co-investments agricultural production agreements with local producers, the benefits of which can be seen over the medium term as they are related to natural growing processes.

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

ii. 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.

At 31 December 2020, this multiple was 2.8 times, compared to 1.6 times at 31 December 2019, based on consistent calculation criteria. The increase is the combined effect of the significant cash outlay incurred by the Campari Group as a result of the transactions completed in 2020 and the temporary negative impact of Covid-19 on EBITDA-adjusted, as set out in the management report, to which reference is made.

iii. Shareholder's equity

The Group manages its capital structure and makes changes to it on the basis of the prevailing economic conditions and the specific risks of the underlying asset. To maintain or change its capital structure, the Group may adjust the dividends paid to shareholders and/or issue new shares. For information on the composition of

and changes in shareholders' equity during the periods under review, see the statement of changes in shareholders' equity.

- Issued capital and capital structure

At 31 December 2020, the share capital of Davide Campari-Milano N.V. was €11,616,000.00, fully paid-up, comprising 1,161,600,000 ordinary shares with a nominal value of €0.01 each

The changes in the capital structure during the year and the movements in ordinary and special voting shares is reported below.

	n. of shares			nominal values €		
	common shares	special voting shares A	total issued capital	common Shares	special voting shares A	total issued capital
Shares at 31 December 2019	1.161.600.000		1.161.600.000	58.080.000		58.080.000
Capital reduction of common shares to non-distributable reserve				(46.464.000)		(46.464.000)
Special voting shares A allocation at the Redomiciliation date		665.718.342	665.718.342		6.657.183	6.657.183
Issued capital at 31 December 2020	1.161.600.000	665.718.342	1.827.318.342	11.616.000	6.657.183	18.273.183

⁽¹⁾ Special Voting Shares A with a nominal value of €0.01 each.

On 27 November 2020, Davide Campari-Milano N.V. announced that the capital reduction in the form of a decrease in the nominal value of each ordinary share from €0.05 to €0.01 (and the consequent reduction of the nominal value of Campari's special voting shares), approved by the extraordinary general meeting held on 18 September 2020, had taken effect by way of a notarial deed amending Campari's Articles of Association executed on 27 November after the issuance by the Court of Amsterdam of a declaration stating that no creditors had objected to the capital reduction, pursuant to article 2:100(3) of the Dutch Civil Code. As a result of the capital reduction, Campari's ordinary share capital is now equal to €11,616,000.00. The capital reduction has no effect on the number of ordinary shares composing the share capital that will remain unchanged and be equal to 1,161,600,000 ordinary shares, each with a nominal value of €0.01. The total amount of the decrease of the ordinary share capital (equal to €46,464,000.00) has been allocated to Campari's non-distributable reserves. For further information on the capital reduction, please refer to the paragraph 'Significant events of the year' as well as the Governance section.

- Outstanding shares, own shares rights associated to the shares

During the year, the Group carried out a share buyback programme pursuant to article 5 of Regulation (EU) 596/2014, in accordance with a resolution approved by the Shareholders' Meeting, authorizing the purchase of own shares to serve, inter alia, the existing stock option plans for the Group's management which were resolved by the Shareholders' Meeting itself and the Shareholders' Meetings of the previous years. The broker responsible for implementing the programme acted in compliance with the statutory limits and the shareholders' resolutions. The transactions carried out under the programme are regularly communicated to the competent authorities pursuant to applicable legislation.

The table below shows the reconciliation between the number of outstanding shares at 31 December 2020 and the previous year.

	No. of shares			Nominal value		
	ordinary shares	special voting shares A	total	ordinary shares	special voting shares A ⁽¹⁾	total
Outstanding shares at 31 December 2019	1,147,895,800	-	1,147,895,800	57,394,790	-	57,394,790
Capital reduction of ordinary shares to non-distributable reserve	-	-	-	(46,464,000)	-	(46,464,000)
Capital reduction of own shares	-	-	-	548,168	-	548,168
Special voting shares A allocation at the Redomiciliation date	-	665,718,342	665,718,342	-	6,657,183	6,657,183
Ordinary shares repurchased under share repurchase program	(36,281,893)	-	(36,281,893)	(362,819)	-	(362,819)
Special voting shares A allocation	-	(13,590,000)	(13,590,000)	-	(135,900)	(135,900)
Ordinary shares assigned under incentive plans	7,792,286	-	7,792,286	77,923	-	77,923
Outstanding shares at 31 December 2020	1,119,406,193	652,128,342	1,771,534,535	11,194,062	6,521,283	17,715,345
Total own shares held	42,193,807	13,590,000	55,783,807	421,938	135,900	557,838
Own shares as a % total respective shares	3.63%	2.04%	3.05%			

⁽¹⁾ Special Voting Shares A with a nominal value of €0.01 each.

	No. of shares		Nominal value	
	for the years ending 31 December		for the years ending 31 December	
	2019	2018	2019	2018
			€	€
Outstanding shares at the beginning of the year	1,146,618,042	1,152,546,887	57,330,902	57,627,344
Ordinary shares repurchased under share repurchase program	(9,036,356)	(10,007,486)	(451,818)	(500,374)
Ordinary shares assigned under incentive plans	10,314,114	4,078,641	515,706	203,932
Outstanding shares at the end of the year	1,147,895,800	1,146,618,042	57,394,790	57,330,902
Total own shares held	13,704,200	14,981,958	685,210	749,098
Own shares as a % of share capital	1.18%	1.29%		

Between 1 January and 31 December 2020, the Company purchased 36,281,893 own shares, at an average price of €8.09, for a total amount of €293.6 million (including 7.7 million shares for an amount of €64.7 million bought back in the context of the Redomiciliation process at a withdrawal price of €8.376 per share). During the same period the Company sold 7,792,286 own shares for an outlay of €22.4 million, after the exercise of stock options.

- Key shareholdings

In the context of the Redomiciliation, to foster the involvement of a stable base of long-term (loyal) shareholders, the Company's Articles of Association were amended to adopt a mechanism based on the assignment to loyal shareholders of special voting shares, to which multiple voting rights are attached, in addition to the one granted by ordinary shares (the 'Special Voting Mechanism'). For more information about special voting mechanism refer to paragraph 'Special Voting Mechanism' of the governance section.

- Dividends paid and proposed

The table below shows the dividends approved and paid during the year and in the previous years.

	approved and paid during the years	
	2020	2019
	€	€
Dividend per share	0.055	0.050
	€ million	€ million
Total amount	62.9	57.3
of which, to owners of the Parent	62.9	57.3
of which, to non-controlling interests	-	-

The dividends submitted for the approval of the General Meeting of Shareholders called to approve the financial statements for the year ending 31 December 2020 is €61.6 million, calculated on the basis of shares outstanding at 31 December 2020 and to be recalculated based on the total number of outstanding shares as of the coupon detachment date. For information purposes, on the basis of own shares held at 31 December 2020 no. 42,193,807, the shares outstanding at the same date amounted to 1,119,406,193. The proposed dividend for the period is €0.055 per share, unchanged compared to the previous financial year.

For information on the dividend payments in the last five year, refer to the following 'Other reserves' note.

- Other reserves and retained earnings attributable to Group shareholders

	Other reserves and retained earnings								
€ million	Cash flow hedge reserve	Currency translation differences	Hyperinflation effect reserve	Remeasurement of defined benefit plans	Treasury shares-common shares	Treasury shares-special voting shares	Stock option reserve	Other reserves	Retained earnings
31 December 2019 ⁽¹⁾	(15.2)	(95.5)	23.1	(2.0)	(263.4)	-	32.6	11.6	2,637.3
-Cost of stock options for the period	-	-	-	-	-	-	9.2	-	-
-Stock option exercised	-	-	-	-	-	-	(6.1)	-	6.1
-Losses (profits) reclassified in the income statement	-	-	-	-	-	-	-	-	-
-Tax effect recognised in the income statement	-	-	-	-	-	-	-	-	-
-Profits (losses) allocated to shareholders' equity	3.8	-	-	0.2	-	-	-	-	-
-Tax effect recognised in shareholder's equity	(0.9)	-	-	(0.1)	-	-	-	-	-
-Translation difference	-	(239.8)	-	-	-	-	(0.1)	-	-
-Effects from hyperinflation accounting standard adoption	-	-	5.7	-	-	-	-	-	-
-Purchase of treasury shares	-	-	-	-	(293.6)	0.1	-	-	(0.1)
-Sale of treasury shares	-	-	-	-	22.4	-	-	-	-
-Share capital reduction	-	-	-	-	-	-	-	39.8	-
-Changes in ownership interests	-	-	-	-	-	-	-	-	(22.2)
-Dividends	-	-	-	-	-	-	-	-	(62.9)
-Net result of the period	-	-	-	-	-	-	-	-	187.9
-Other variations	-	-	-	-	-	-	-	-	0.3
31 December 2020	(12.4)	(335.4)	28.9	(1.8)	(534.6)	0.1	35.6	51.4	2,746.4

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

The stock option reserve contains the provisions made as an offsetting entry for the cost reported in the income statement for stock options allocated. The provision is determined based on the fair value of the options established using the Black-Scholes model.

The cash flow hedge reserve contains amounts (net of the related tax effect) pertaining to changes resulting from fair value adjustments of financial derivatives recorded using the cash flow hedging methodology.

The translation reserve contains exchange-rate differences related to the translation of financial statements of subsidiaries reported in a currency other than the euro, while the hyperinflation reserve includes the impact of measuring the related effects in Argentina.

The remeasurement reserve for actuarial effects relating to defined benefit plans includes the effects of changes to the actuarial assumptions used to calculate the net obligations for defined benefit plans.

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

Changes in ownership interests are related to the recognition of effect deriving from the movement in non-controlling interests having an effective involvement in the conduct of the business and where their interest must continue to be represented in addition to the Group's shareholders' equity and, at the same time, the financial liability relating to the put and/or call option agreements must be recorded. Any subsequent remeasurements of the fair value of the financial liability relating to the put and/or call option agreements are treated as transactions with minority shareholders and recognised as Group's shareholders' equity up to the date of their liquidation. The reclassification of non-controlling interests values and put option and earn out remeasurements to Group reserves is as follows.

For the year ended 31 December 2020	reclassification of initial non-controlling interest value € million	net result of the period € million	exchange rate of the period € million	put and/or call option re-measurement € million	total reclassification to Group equity € million
Ancho Reyes and Montelobos		(0.8)	(0.4)	(20.1)	(21.2)
Champagne Lallier	5.3	-	-	(6.3)	(1.0)
Changes in ownership interests	5.3	(0.8)	(0.4)	(26.3)	(22.2)

For the year ended 31 December 2019	reclassification of initial non-controlling interest value € million	reclassifications for purchase price allocation € million	net result of the period € million	exchange rate of the period € million	put and/or call option re-measurement € million	total reclassification to Group equity restated ⁽¹⁾ € million
Ancho Reyes and Montelobos	7.7	(3.1)	-	-	(23.9)	(19.2)
Changes in ownership interests	7.7	(3.1)	-	-	(23.9)	(19.2)

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

In terms of the distribution of dividends during the last five years, the utilisation of the retained earnings reserve was as follow.

		approved and paid during the years				
		2020	2019	2018	2017	2016
dividend per share	€	0.055	0.050	0.050	0.045	0.045
total amount	€ thousand	62,873	57,293	57,510	52,144	52,133
		2020	2019	2018	2017	2016
retained earnings reserve	€ thousand	62,873	57,293	57,510	52,144	52,133
other reserve		-	-	-	-	-

- Other comprehensive income

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

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

- Shareholders' equity attributable to non-controlling interests

The changes during the year are reflected below.

€ million	At 31 December 2019	perimeter effect for acquisitions	reclassification	net result	exchange rate and other movements	At 31 December 2020
Bellonnie et Bourdillon ⁽¹⁾	1.9	-	-	(0.2)	-	1.8
Ancho Reyes and Montelobos	-	-	1.2	(0.8)	(0.4)	-
Champagne Lallier	-	5.3	(5.3)	-	-	-
Non-controlling interests	1.9	5.3	(4.1)	(1.0)	(0.4)	1.8

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

	At 31 December 2018	perimeter effect for acquisition	reclassifications for purchase price allocation	reclassification	net result	exchange rate and other movements	At 31 December 2019 restated ⁽¹⁾
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Rhumantilles	-	1.9	-	-	-	-	1.9
Ancho Reyes and Montelobos	-	7.7	(3.1)	(4.6)	-	-	-
Non-controlling interests	-	9.6	(3.1)	(4.6)	-	-	1.9

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

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

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

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

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

Group % of non-controlling interest For the year ending 31 December 2019	total non-controlling interests € million	Bellonnie et Bourdillon € million	Ancho Reyes and Montelobos € million	Champagne Lallier € million
Net sales	4.5	4.5	-	-
Profit (loss) for the period	(0.2)	(0.2)	-	-
Profit (loss) for the period attributable to non-controlling interest	-	-	-	-
Current assets	49.6	38.8	10.7	-
Non-current assets	93.9	53.3	7.0	-
Current Liabilities	40.1	33.9	6.5	-
Non-current Liabilities	9.2	4.9	1.7	-
Equity	94.2	53.3	9.5	-
Equity assets attributable to non-controlling interest	21.9	1.9	4.6	-

- Transactions with non-controlling interests

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

iv. Basic and diluted earnings per share

Basic earnings per share are determined as the ratio of the Group's portion of net profits for the year to the weighted average number of ordinary shares outstanding during the year. The Group's treasury shares are excluded from this calculation.

Diluted earnings per share are determined taking the potential effect resulting from options allocated to beneficiaries of dilutive stock option plans into account in the calculation of the number of outstanding shares. Basic and diluted earnings per share are calculated as shown in the table below.

For the years ending 31 December			
		2020 € million	2019 € million
Net profit attributable to ordinary shareholders	€ million	187.9	308.4
Weighted average of ordinary share outstanding	number	1,133,816,568	1,144,315,926
Basic earnings per share	€	0.17	0.27
Net profit attributable to ordinary shares outstanding net of dilution	€ million	187.9	308.4
Weighted average of ordinary shares outstanding	number	1,133,816,568	1,144,315,926
Weighted average of shares from the potential exercise of stock options with dilutive effect	number	22,437,158.5	25,539,095.9
Weighted average of ordinary shares outstanding net of dilution	number	1,156,253,726	1,169,855,022
Diluted earnings per share	€	0.16	0.26

11. Other disclosures

This section includes additional financial information that is either required by the relevant accounting standards or that management considers to be material for shareholders.

The coronavirus outbreak has not generated a need to include additional provisions nor any estimate of onerous contracts to be reflected in the Group's accounts, nor has there been any change in fair value measurement hierarchies during 2020.

i. Stock option plan

The Parent Company Davide Campari-Milano N.V., has a number of incentive plans in place; these take the form of stock option plans, governed in accordance with the shareholders' resolution, pursuant to applicable law, and implemented by means of a specific regulation ('Stock Option Regulations').

The purpose of the plan is to offer beneficiaries who occupy key positions at the Group the opportunity to own shares in Davide Campari-Milano N.V., thereby aligning their interests with those of other shareholders and fostering loyalty, in the context of the strategic goals to be achieved.

The recipients are employees, directors and/or individuals who regularly work for one or more Group companies, who have been identified by the Board of Directors of Davide Campari-Milano N.V., and who, on the approval date of the plan and until the date that the options are exercised, have worked as employees and/or directors and/or in any other capacity at one or more Group companies without interruption. The plan regulations do not provide for loans or other incentives for share subscriptions.

The Board of Directors of Davide Campari-Milano N.V. has the right to draft regulations, select beneficiaries, and determine the share quantities and values for the execution of the stock option plans.

The Shareholders' meeting of 27 March 2020 approved a new stock option plan, established the maximum number of shares that may be granted and authorized the Board of Directors of the Company to identify, within the limits laid down at the Shareholders' meeting, the beneficiaries and the number of options that may be granted to each.

Options were therefore granted on 8 April 2020 to individual beneficiaries, giving them the right to exercise them within two years of the end of the fifth year from the grant date.

The total number of options granted in 2020 for the purchase of further shares was 12,474,917 with an average grant price of €6.41, equivalent to the weighted average market price in the month preceding the day on which the options were granted.

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

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

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

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

The average remaining life of outstanding options at 31 December 2020 was 3.0 years (3.1 years at 31 December 2019).

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

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

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

The fair value of stock options is represented by the value of the option calculated by applying the Black-Scholes model, which takes into account the conditions for exercising the option, as well as the current share price, expected volatility, risk-free rate and the non-vesting conditions for the plans.

Volatility was estimated with the help of data supplied by a market information provider together with a leading bank, and corresponds to the estimate of volatility recorded in the period covered by the plan.

The following assumptions were used for the fair value measurement of options issued in 2020 and 2019.

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

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

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

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

ii. Provisions for risks, future charges and contingent assets

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

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

	Tax provision € million	Restructuring provisions € million	Agent severance fund € million	Other € million	Total € million
At 31 December 2019	22.6	10.4	1.4	17.1	51.4
Perimeter effect for acquisition	0.5	-	-	0.7	1.2
Accruals	-	9.4	0.2	3.9	13.5
Utilizations	-	(3.9)	(0.2)	(0.1)	(4.2)
Releases	(4.5)	(8.6)	(0.1)	(1.8)	(14.9)
Exchange rate differences and other changes	(0.6)	(0.6)	-	(4.2)	(5.4)
At 31 December 2020	18.1	6.7	1.3	15.6	41.6
Of which:					
- due within 12 months		6.7		2.1	8.8
- due after 12 months	18.1	(0.0)	1.3	13.5	32.8

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

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

administrative expenses and Other operating income and expenses'), a recognition of restructuring provision was determined equal to €6.7 million, based on the actual outcome of the consultation process.

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

Contingent liability

The information reported below concerns contingent liabilities arising from outstanding disputes, for which, the Group did not deem it necessary to set aside provisions on the date of this report.

Various disputes are outstanding with the Brazilian tax authorities; however, the Group believes it is unlikely to lose the cases, based on the information available at the date of this report. The disputes were as follows:

- on the date of this report, a dispute amounting to BRL7.5 million (€1.2 million at the exchange rate on 31 December 2020) including the related penalties corresponding to production tax (IPI) remains ongoing. The tax authorities contested the correct classification of products sold by Campari do Brasil Ltda.. Based on the assessments conducted by external legal consultants, the Group believes that the outcome of the dispute will be in favour of the Company. It is therefore deemed unnecessary at present to create a specific provision.
- Another outstanding dispute relates to a tax inspection report concerning the payment of ICMS (tax on the consumption of goods and services) with respect to sales made by Campari do Brasil Ltda. to four customers in 2000, 2005, 2007 and 2008. The amount specified, including penalties, totalled BRL46.5 million (€7.3 million at the exchange rate on 31 December 2020) plus interest. The dispute is ongoing before the administrative court and is not expected to be settled in the near future. Based on the assessments conducted by external legal consultants, which have appealed the findings of the local tax authorities, the Group believes that the outcome of the dispute will be in favour of the Company. It is therefore deemed unnecessary at present to create a specific provision.

Contingent assets:

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

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

iii. Fair value information on assets and liabilities

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

	carrying amount At 31 December		fair value At 31 December	
	2020 € million	2019 € million	2020 € million	2019 € million
Cash and cash equivalents	548.1	704.4	548.1	704.4
Assets for forex hedge derivatives	0.2	0.2	0.2	0.2
Other short-term financial receivables	1.0	8.1	1.0	8.1
Other non-current financial assets	7.1	9.8	7.1	9.8
Non-current lease receivables	-	4.8	-	4.8
Financial assets	556.4	727.4	556.4	727.4
Loans due to banks ⁽¹⁾	560.8	280.2	560.8	280.2
Lease payables	83.3	97.5	83.3	97.5
Bond (Eurobond) issued in 2015	-	580.0	-	593.2
Bonds issued in 2017	200.0	200.0	209.9	209.3
Bonds issued in 2019	149.5	149.4	155.2	155.2
Bonds issued in 2020	545.2	-	571.5	-
Accrued interest on bonds	6.3	8.7	6.3	8.7
Non-current liabilities for hedging derivatives ⁽²⁾	3.5	-	-	-
Other financial liabilities	8.1	4.4	8.1	4.4
Current liabilities for derivatives on foreign exchange transactions	0.1	0.2	0.1	0.2
Liabilities for hedging derivatives, not reported using hedge accounting procedures	0.0	1.5	0.0	1.5
Liabilities for put option and earn-out payments	103.3	182.8	103.3	182.8
Financial liabilities	1,660.1	1,504.8	1,698.6	1,533.1

⁽¹⁾ Excluding related derivative.

⁽²⁾ Derivative on loans due to banks.

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

a) Financial instruments

Fair value of financial instruments:

- for financial assets and liabilities that are liquid or nearing maturity, it is assumed that the carrying amount equates to fair value; this assumption also applies to term deposits, securities that can be readily converted to cash, and variable-rate financial instruments;
- for the measurement of hedging instruments at fair value, the Group used valuation models based on market parameters;
- the fair value of non-current financial payables was obtained by discounting all future cash flows to present value under the conditions in effect at the end of the year.

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

The most commonly applied measurement methods include forward pricing and swap models, which use present value calculations.

The models incorporate various inputs, including the credit rating of the counterparty, market volatility, spot and forward exchange rates and current and forward interest rates.

An analyses of financial instruments measured at fair value based on three different valuation levels is provided in the table below.

At 31 December 2020	Level 1 € million	Level 2 € million	Level 3 € million
Assets valued at fair value			
Current financial receivables	1.0		
Other non-current financial assets	3.0		
Other non-current assets	0.6		
Futures currency contracts		0.2	
Liabilities valued at fair value			
Liabilities for put option and earn-out payments		49.4	
Forward currency contracts		0.1	
At 31 December 2019	Level 1 € million	Level 2 € million	Level 3 € million
Assets valued at fair value			
Other non-current assets	5.8	0.2	-
Liabilities valued at fair value			
Liabilities for put option and earn-out payments	-	44.2	-
Forward currency and interest rate contracts	-	0.2	-
Hedging derivatives not in hedge accounting	-	1.5	-

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

The level 2 valuation used for financial instruments measured at fair value is based on parameters such as exchange rates and interest rates, which are quoted on active markets or are observable on official yield curves. No assets or liabilities were values resulting from the application of level 3 method at 31 December 2020.

Financial derivatives

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

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

- Fair value hedging derivatives

At 31 December 2020, the Group has contracts for hedging payables and receivables in foreign currency in place that meet the requirements to be defined as hedging instruments based on IAS 39 guidance.

At 31 December 2020, certain Group subsidiaries held forward contracts on receivables and payables in currencies other than the Euro in their financial statements.

These contracts were negotiated to match maturities with incoming and outgoing cash flows resulting from sales and purchases in individual currencies.

The valuation of these contracts at the reporting date gave rise to the reporting of assets of €0.2 million and liabilities of €0.1 million.

Gains and losses on the hedged and hedging instruments used in all the Group's fair value hedges, corresponding to the above-mentioned contracts, are summarised below.

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

- Derivatives used for cash flow hedging

The Group uses the following contracts to hedge its cash flows:

- interest rate swaps hedging the risk of interest rate fluctuations on future transactions relating to the stipulation of financial loans. In 2020, the derivative was recognized with an initial negative impact in the income statement for €3.8 million compensated by the gain resulting from the remeasurement of the hedge items, for €5.2 million, leading to a net gain of €1.4 million represented as financial adjustment commented in note 6 vii- 'Financial income and expenses'. The fair value variation of the hedging instruments during the year generated as additional components, a gain of €0.8 million recorded in income statement and other comprehensive income movements of €0.4 million;
- hedging of future sales and purchases in currencies other than the Euro and interest rates on future transactions;
- hedging of future sales and purchases in currencies other than the Euro and interest rates on future transactions.

The table below shows when the aforementioned hedged cash flows are expected to be received, as at 31 December 2020. These cash flows only concern interest and have not been discounted.

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

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

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

	Gross amount € million	Tax effect € million	Net amount € million
Reserve at 31 December 2019	(20.0)	4.8	(15.2)
Booked to the statement of profit or loss during the period	4.4	(1.0)	3.4
Recognized in equity during the period	(0.6)	0.1	(0.5)
Reserve at 31 December 2020	(16.2)	3.9	(12.3)
	Gross amount € million	Tax effect € million	Net amount € million
Reserve at 31 December 2019	(12.7)	3.0	(9.7)
Booked to the statement of profit or loss during the period	3.6	(0.9)	2.7
Recognized in equity during the period	(10.9)	2.6	(8.3)
Reserve at 31 December 2019	(20.0)	4.8	(15.2)

- **Hedging derivatives not reported using hedge accounting**

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

b) Non-financial instruments

Fair value of non-financial instruments:

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

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

The tables below detail the hierarchy of financial and non-financial instruments measured at fair value, based on the valuation methods used:

- Level 1: the valuation methods use prices quoted on an active market for the assets and liabilities subject to valuation;
- Level 2: the valuation methods take into account inputs other than the quoted market prices in Level 1, but only those that are observable on the market, either directly or indirectly;
- Level 3: the methods used take into account inputs that are not based on observable market data.

In 2020, no changes were made in the valuation methods applied.

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

At 31 December 2020	Level 1 € million	Level 2 € million	Level 3 € million
Assets measured at fair value			
Biological assets	-	1.6	-
At 31 December 2019	Level 1 € million	Level 2 € million	Level 3 € million
Assets measured at fair value			
Investment properties	-	1.1	-
Biological assets	-	0.9	-

iv. Commitments and risks

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

- Existing contractual commitments for the purchase of goods or services

These commitments totalled €281.8 million (€292.7 million at 31 December 2019), of which an amount of €176.7 million falls due by 31 December 2021.

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

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

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

- Other guarantees

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

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

The following table indicates amounts owed by the Group in future periods broken down by maturities related to contractual commitments for the use of third-party assets that are not recorded using lease accounting.

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

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.

	for the years ending 31 December	
	2020 € million	2019 € million
Within 1 year	9.2	7.2
1-5 years	1.2	7.4
After 5 years	1.2	1.2
Total	11.6	15.7

v. Research and innovation costs

The Group's research and development activities related solely to ordinary production and commercial activities, namely ordinary product quality control and packaging studies in various markets.

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

vi. Grants

Operating grants received indirectly by the Group from public institutions for promotional spending on the sparkling wines category totalled €2.9 million in 2020 (€2.1 million in 2019).

Operating grants in support of industrial investments in Martinique recognized in the income statement are equal to €0.3 million (€0.1 million in 2019). Operating grants in support of sugar cane plantations in Martinique were €0.2 million (not significant during 2019 given the inclusion of Rhumantilles in the consolidation scope at the end of the year).

vii. Defined benefit and contribution plans

Group companies provide post-employment benefits to staff, both directly and by contributing to external funds. The procedures for providing these benefits vary depending on the legal, tax and economic conditions in each country in which the Group operates. The benefits are provided through defined contribution and/or defined benefit plans.

For defined contribution plans, Group companies pay contributions to publicly or privately administered pension funds, based on either legal or contractual obligations, or on a voluntary basis. The companies fulfil all their obligations by paying these contributions. At the end of the financial year, any liabilities for contributions to be paid are included in 'Other current liabilities'; the cost for the period is recognised in the income statement.

Defined benefit plans may be unfunded, or fully or partially funded by contributions paid by the company, and occasionally by its employees, to a company or fund which is legally separate from the company and which pays out benefits to employees. As regards the Group's Italian subsidiaries, the defined benefit plans consist of the employee indemnity liability (TFR), to which its employees are entitled by law. Following the reform of the supplementary pension scheme in 2007, for companies employing at least 50 people, TFR contributions accrued up to 31 December 2006 are considered to be 'defined benefit plans', while contributions accruing from 1 January 2007, which have been allocated to a fund held at the INPS (Italian social security agency) or to supplementary pension funds, are considered to be 'defined contribution plans'. The portion of the TFR considered as a defined benefit plan consists of an unfunded plan that does not, therefore, hold any dedicated assets. The other unfunded

defined benefit plans relate to Marnier Lapostolle Bisquit SASU and Campari France Distribution SAS. Campari Deutschland GmbH and Campari Schweiz A.G. have some funded defined benefit plans in place for employees and/or former employees. These plans have dedicated assets. The liability for medical insurance in place at 31 December 2020 relates to J. Wray&Nephew Ltd. and offers access to health care provided that employees stay with the company until pensionable age and have completed a minimum period of service. The cost of these benefits is spread over the employee's service period using a calculation methodology similar to that used for defined benefit plans.

The liability relating to the Group's defined benefit plans, calculated on an actuarial basis using the projected unit credit method, is reported in the statement of financial position, net of the fair value of any dedicated assets.

In cases where the fair value of dedicated assets exceeds the value of the post-employment benefit obligation, and where the Group has the right to reimbursement or the right to reduce its future contributions to the plan, the surplus is reported as a non-current asset.

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

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

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

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

€ million	liabilities	assets
Liabilities (assets) at 31 December 2018	39.2	(3.7)
Amounts included in the income statement:		
- current service costs	0.2	-
- net interest	0.5	(0.1)
- gains/(losses) on regulations implemented	0.1	-
Total	0.8	(0.1)
Amounts included in the statement of other comprehensive income:		
- gain/(losses) resulting from changes in actuarial assumptions	3.1	-
- exchange rate differences	0.1	-
Total	3.2	(0.1)
Other changes:		
- benefits paid	(1.3)	0.2
- benefits transferred	(0.8)	(0.2)
Total	(2.1)	(0.1)
Liabilities (assets) at 31 December 2019	41.1	(3.9)

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

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

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

Current value of obligations € million	unfunded obligations		funded obligations		
	pension plans	other liabilities	gross value of pension plans	fair value of assets	net values
Liabilities (assets) at 31 December 2018	30.7	3.9	4.6	(3.7)	0.9
Amounts included in the income statement:					
- current service costs	0.1	-	0.1	-	0.1
- net interest	0.5	-	0.1	(0.1)	-
- gains/(losses) on regulations implemented	-	0.1	-	-	-
Total	0.6	0.1	0.1	(0.1)	0.1
Amounts included in the statement of other comprehensive income:					
- gain/(losses) resulting from changes in actuarial assumptions	2.3	-	0.8	-	0.7
- exchange rate differences	-	-	0.1	-	-
Total	2.3	-	0.9	(0.1)	0.8
Other changes:					
- benefits paid	(1.7)	0.5	(0.2)	0.2	-
- benefits transferred	(0.2)	(0.8)	0.2	(0.2)	-
Total	(1.9)	(0.2)	0.1	(0.1)	-
Liabilities (assets) at 31 December 2019	31.7	3.7	5.6	(3.9)	1.7

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

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

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

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

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

A quantitative sensitivity analysis of the significant assumptions used at 31 December 2020 is provided below. Specifically, it shows the effects on the final net obligation arising from a positive or negative percentage change in the key assumptions used.

	Unfunded pension plans			Funded pension plans			Other plans		
	Change in the assumptions	Impact of positive change	Impact of negative change	Change in the assumptions	Impact of positive change	Impact of negative change	Change in the assumptions	Impact of positive change	Impact of negative change
2020									
Discount rate	+/-0.25%/+/-0.5%	-9.60%/-2.51%	+3.04%/+10.97%	+/-0.25%/+/-0.50%	-2.32%/-10.93%	+2.41%/+13.05%	+/- 0.5%	-4.40%	4.80%
Future salary increases				+/-0.50%	2.15%	-2.00%			
Future pension increases				+/- 0.25%	2.27%	-2.19%			
Future inflation rate	+/- 0.5%	2.52%/4.37%	-2.43%/-4.10%						
Growth rate of future medical costs							+/- 0.5%	4.80%	-4.40%
2019									
Discount rate	+/- 0.5%	-3.70%/-4.11%	3.96%/4.44%	+/-0.5%-1%	-11.4%/-9.11%	13.7%/19.8%	+/- 0.5%	-7.00%	2.00%
Future salary increases				+/-0.50%	2.30%	-2.10%			
Future pension increases				+/-0.25%					
Future inflation rate	+/- 0.5%	2.4%/1.63%	-2.3%/-1.58%		2.36%	-2.28%			
Growth rate of future medical costs							+/- 0.5%	7.00%	-2.00%

The sensitivity analysis shown above is based on a method involving extrapolation of the impact on the net obligation for defined benefit plans of reasonable changes to the key assumptions made at the end of the financial year.

The methodology and the assumptions made in preparing the sensitivity analysis remain unchanged from the previous year.

Given that pension liabilities have been adjusted on the basis of the consumer prices index, the pension plan is exposed to the inflation rate of the various countries in question, to interest rate risks and to changes in the future salary and pension increases. Given that the assets servicing the plans mainly relate to investments in bonds, the Group is also exposed to market risk in the related sectors.

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

€ million	31 December 2020	Unfunded pension plans	Funded pension plans	Other plans
Within 12 months	2.4	1.8	0.5	0.1
From 1 to 5 years	8.6	6.4	1.8	0.4
From 5 to 10 years	24.1	18.8	4.1	1.2
Total	35.1	26.9	6.4	1.7
Average plan duration (years)	12	12	15	10

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

viii. Related parties

At 31 December 2020 Davide Campari-Milano N.V. was controlled by Lagfin S.C.A., Société en Commandite par Actions. Davide Campari-Milano N.V. and its Italian subsidiaries have adopted the national tax consolidation scheme for 2019 to 2021. At 31 December 2020, the income tax receivables and payables of the individual Italian companies were recorded from or to, respectively, Lagfin S.C.A., Société en Commandite par Actions. Furthermore, Lagfin S.C.A., Société en Commandite par Actions, Davide Campari-Milano N.V. and some of its Italian subsidiaries, have joined the Group-wide VAT scheme. At 31 December 2020, the Company and its Italian subsidiaries had a receivable position from Lagfin S.C.A., Société en Commandite par Actions €0.7 million for VAT. All tax receivables and payables are non-interest-bearing.

Transactions with related parties form part of ordinary operations and are carried out under market conditions (i.e. conditions that would apply between two independent parties) or using criteria that allow for the recovery of costs incurred and a return on invested capital.

All transactions with related parties were carried out in the Group's interest.

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

	receivables for tax consolidation € million	payables for tax consolidation € million	receivables (payables) for Group VAT € million	other non-current tax receivables € million
At 31 December 2020				
Lagfin S.C.A., Société en Commandite par Actions	1.2	(8.6)	0.7	1.8
Total	1.2	(8.6)	0.7	1.8

	receivables for tax consolidation € million	payables for tax consolidation € million	receivables (payables) for Group VAT € million	other non-current tax receivables € million
At 31 December 2019				
Lagfin S.C.A., Société en Commandite par Actions	0.6	(5.1)	(1.7)	2.2
Total	0.6	(5.1)	(1.7)	2.2

	other income and expenses € million
For the year ending 31 December 2020	
Lagfin S.C.A., Société en Commandite par Actions	0.1
Total	0.1

	other income and expenses € million
For the year ending 31 December 2019	
Lagfin S.C.A., Société en Commandite par Actions	0.1
Total	0.1

ix. Remuneration paid to the Parent Company's board of directors was as follows

The remuneration paid to the Parent Company's board of directors was as follows.

	For the years ending 31 December	
	2020 € million	2019 € million
Short-term fix and variable remuneration	3.7	6.6
Stock options	2.1	1.2
Total	5.9	7.8

On the date of this report, a payable of €1.2 million to directors was recognised in the Group's accounts (at 31 December 2019 amounted to €1.8 million). For more information about the remuneration paid, please refer to paragraph 4-'Remuneration and Appointment Committee'.

x. Employees

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

Business segment	For the years ending 31 December	
	2020	2019
Production	1,236	1,373
Sales and distribution	1,705	1,499
General	843	829
Total	3,784	3,701
Category	2020	2019
Managers	257	236
Office staff	2,583	2,452
Manual workers	944	1,013
Total	3,784	3,701
Region	2020	2019
Italy	874	839
Abroad	2,910	2,861
Total	3,784	3,701

At 31 December 2020, the average number of employees (excluding employees of joint arrangements, associates and unconsolidated subsidiaries) was 3,784, of which 874 were base in Italy and 2,910 around the world, mostly in the Americas. No Group employees are based in the Netherlands.

12. Subsequent events

Acquisitions and commercial agreements

Route-to-market development in Asia Pacific region

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

Termination of the agreement to distribute the portfolio of William Grants&Sons brands in Germany

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

Corporate actions

Employee Share Ownership Plan

The Board of Directors of Davide Campari-Milano N.V. will submit to the Annual General Meeting dated 8 April 2021 ('AGM') the proposal to implement an Employee Share Ownership Plan ('ESOP') to reward Group employees globally and incentive their active participation in the Company growth. Participation in the ESOP will be available to all permanent employees of Campari and its subsidiaries who have a minimum seniority at the Company or any other company of the Group, with the exception of employees appointed as members of the Board of Directors.

The employees will be offered the opportunity to enter into the ESOP, electing for amounts to be deducted from their salary. Contribution amounts will be made through monthly payroll deductions, which are transferred to a plan administrator. The contribution rate will be elected by the employee and it will correspond to 1% or 3% or 5% of the yearly gross salary.

These contributions will be used to purchase ordinary Davide Campari-Milano N.V. shares (the 'Purchased Shares') at fair market value by the plan administrator.

After a three-year vesting period, Purchased Shares will be entitled to receive a free award of matching shares ('Matching Ratio') as follows: 1 Matching Share for every 4 Purchased Shares or 1 Matching Share for every 2 Purchased Shares depending on (i) the contribution rate chosen by the employee and/or (ii) her/his participation in Campari Group existing long term incentive plans (stock option plans). If an employee withdraws or sells its Purchased Shares or leaves employment during the vesting period (other than as 'good leaver'), she/he will forfeit the right to receive Matching Shares. A detailed Information Memorandum on this ESOP will be approved by the AGM. In the context of the ESOP, moreover, the Board of Directors has approved an information memorandum to be submitted to the Shareholders' meeting which introduces an Extra-Mile Bonus Plan setting out the free right for the Group's employees to receive una tantum a number of Company's shares, subject to continued employment with Campari Group for a three year vesting period. The purpose of the Plan, to be assigned during 2021, is to reward the Group's employees for their active participation in the Group's performance.

Other significant events impacting the Group results

Covid-19 pandemic emergency

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

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Davide Campari-Milano N.V.-Company only financial statements at 31 December 2020

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Company only primary statements

Statement of profit or loss

	Notes ⁽¹⁾	for the years ending 31 December	
		2020 €	2019 €
Sales		671,828,000	756,323,058
Excise duties		(69,340,775)	(85,132,883)
Net sales	6 i	602,487,225	671,190,174
Cost of sales	6 ii	(228,033,094)	(246,961,327)
Gross profit		374,454,132	424,228,847
Advertising and promotional costs	6 iii	(64,412,690)	(67,800,682)
Contribution margin		310,041,442	356,428,165
Selling, general and administrative expenses	6 v	(134,797,820)	(121,776,947)
Other operating expenses	6 v	(115,508,517)	(14,374,399)
Other operating income	6 v	1,302,102	842,592
Operating result		61,037,208	221,119,411
Financial expenses	6 viii	(37,977,354)	(99,966,337)
Financial income	6 viii	2,625,179	2,770,386
Dividends	6 viii	62,175,500	13,457,257
Share of profit (loss) of associates	7 iv	(696,061)	-
Profit before taxation		87,164,471	137,380,718
Taxation	6 x	(3,872,059)	(27,188,428)
Profit for the period		83,292,412	110,192,290

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

Statement of other comprehensive income

	Notes ⁽¹⁾	for the years ending 31 December	
		2020 €	2019 €
Profit for the period (A)		83,292,412	110,192,290
B1) Items that may be subsequently reclassified to the statement of profit or loss			
<u>Cash flow hedge:</u>			
Gains (losses) on cash flow hedge	10 ii	3,927,313	(7,488,462)
Related Income tax effect	6 x	(943,569)	1,797,382
Total cash flow hedge		2,983,744	(5,691,080)
Total: items that may be subsequently reclassified to the statement of profit or loss (B1)		2,983,744	(5,691,080)
B2) Items that may not be subsequently reclassified to the statement of profit or loss			
<u>Remeasurements of defined benefit plans:</u>			
Gains/(losses) on remeasurement of defined benefit plans	11 v	206,090	(490,994)
Related Income tax effect	6 x	(49,462)	117,839
Total remeasurements of defined benefit plans		156,629	(373,156)
Total: items that may not be subsequently reclassified to the statement of profit or loss (B2)		156,629	(373,156)
Other comprehensive income (expenses) (B=B1+B2)		3,140,373	(6,064,235)
Total other comprehensive income (A+B)		86,432,785	104,128,055

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

Statement of financial position (before appropriation of results)

		at 31 December	
	Notes ⁽¹⁾	2020 €	2019 €
ASSETS			
Non-current assets			
Property, plant and equipment	7 i	102,669,579	94,260,193
Right of use assets	7 ii	4,399,531	4,785,009
Investment properties		-	1,296,894
Goodwill	7 iii	355,304,126	355,304,126
Brands	7 iii	223,770,482	239,379,253
Intangible assets with a definite life	7 iii	25,129,219	27,994,954
Investments in subsidiaries and associates	7 iv	1,885,208,092	1,981,417,873
Other non-current assets	7 v	3,473,099	5,802,682
Other non-current financial assets	9 iii	3,000,000	5,229,020
Total non-current assets		2,602,954,128	2,715,470,002
Current assets			
Inventories	8 iii	92,839,910	79,297,533
Trade receivables	8 i	90,100,481	106,284,701
Other current financial assets	9 ii	114,010,606	146,328,115
Cash and cash equivalents	9 i	69,683,258	256,971,273
Other current assets	7 vi	13,056,221	11,355,537
Assets held for sale	7 x	-	1,022,246
Total current assets		379,690,476	601,259,405
Total assets		2,982,644,604	3,316,729,407
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	10 ii	11,616,000	58,080,000
Capital reserves	10 ii	6,657,183	-
Treasury shares	10 ii	(557,838)	(685,210)
Cash flow reserve	10 ii	(12,294,477)	(15,278,220)
Retained earnings and other reserves	10 ii	1,033,688,083	1,208,457,428
Profit for the period	10 ii	83,292,412	110,192,290
Total shareholders' equity		1,122,401,363	1,360,766,288
Non-current liabilities			
Bonds	9 v	894,682,250	349,372,764
Loans due to banks	9 v	310,947,672	248,810,352
Other non-current financial liabilities	9 v	55,165,893	107,240,757
Post-employment benefit obligations	11 v	4,193,296	5,039,403
Provisions for risks and charges	11 ii	2,669,692	3,818,293
Deferred tax liabilities	6 x	12,433,406	42,439,857
Other non-current liabilities	7 vii	1,049,620	5,717,781
Total non-current liabilities		1,281,141,831	762,439,206
Current liabilities			
Bonds	9 vi	-	579,982,087
Loans due to banks	9 vi	213,740,909	44,508
Other current financial liabilities	9 vi	215,390,942	482,916,263
Trade payables	8 ii	112,737,983	93,181,254
Income tax payables	6 x	9,566,324	5,100,207
Other current liabilities	7 viii	27,665,254	32,299,593
Total current liabilities		579,101,411	1,193,523,912
Total liabilities		1,860,243,241	1,955,963,119
Total liabilities and shareholders' equity		2,982,644,604	3,316,729,407

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

Statement of cash flow

	Notes ⁽¹⁾	at 31 December	
		2020 €	2019 €
Operating profit		61,037,208	221,119,411
Depreciation and amortisation	6 vii	18,577,014	17,312,973
Gain or loss on sale of fixed assets		(10,501)	4,182
Impairment of tangible fixed assets, goodwill, trademark and sold business		17,330,548	6,202
Utilizations of provisions		(1,148,601)	(21,433)
Change in payables to employees		(4,770,627)	(2,749,201)
Change in trade receivables	8	16,184,220	(1,991,605)
Change in inventory	8	(13,542,377)	(2,966,514)
Change in trade payables	8	19,556,728	17,726,960
Income taxes refund (paid)		(31,054,283)	(16,453,742)
Net write-down in subsidiaries	6 v	77,162,826	4,079,835
Change other taxes		(3,263,632)	3,314,276
Change other assets and liabilities		1,412,192	4,261,262
Other non-cash items		(2,017,260)	2,437,908
Cash flow generated from (used in) operating activities		155,453,456	241,080,513
Purchase of tangible and intangible fixed assets	7 i-iii	(22,150,840)	(16,219,312)
Disposal of tangible and intangible assets		(1,530,059)	96,956
Change in investments in subsidiaries	7 iv	47,805,715	42,658,512
Acquisition of companies or business divisions	7 iv	(23,824,662)	-
Put options and earn out payments	9 v-vi	(83,693,323)	(67,566,517)
Interests received	6 viii	604,664	264,440
Decrease (increase) in short-term deposits and investments		-	27,414,508
Dividends received	6 viii	62,175,500	13,457,257
Cash flow generated from (used in) investing activities		(20,613,005)	105,845
Proceeds from issue of bonds, notes and debentures	9 v	545,017,695	149,280,099
Repayments of bonds, notes and debentures	9 vi	(580,942,000)	(219,057,000)
Proceeds from non-current borrowings		195,000,000	248,705,238
Repayment of non-current borrowings		(8,333,333)	(300,000,000)
Net change in short-term financial payables and bank loans		90,000,000	149,508
Payment of lease liabilities	9 iv	(1,579,303)	(1,521,019)
Interests paid		(27,737,027)	(36,735,624)
Interest on leases	6 ix- 9 iv	(97,720)	(108,112)
Net change in financial debt with related parties	6 ix- 9 iv	(205,360,995)	62,616,863
Other inflows (outflows) of cash	6 ix- 9 iv	5,932,773	(23,007,144)
Purchase and sale of own shares	10 ii	(271,155,384)	(47,295,712)
Dividend paid to equity holders of the Parent	10 ii	(62,873,172)	(57,292,713)
Cash flow generated from (used in) financing activities		(322,128,466)	(224,265,616)
Other differences		-	4,597,040
Net change in cash and cash equivalents: increase (decrease)		(187,288,016)	21,517,783
Cash and cash equivalents at the beginning of period	9 i	256,971,273	235,453,491
Cash and cash equivalents at end of period	9 i	69,683,258	256,971,273

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

Statement of changes in shareholders' equity

	Notes	Share capital €	Capital reserves €	Treasury shares €	Cash flow reserve €	Retained earnings and Other reserves €	Profit for the period €	Total €
at 31 December 2019 restated⁽¹⁾		58,080,000	-	(685,210)	(15,278,221)	1,208,457,428	110,192,290	1,360,766,288
Allocation of prior year result		-	-	-	-	110,192,290	(110,192,290)	-
Dividend payout to Parent Company shareholders	10 ii	-	-	-	-	(62,873,172)	-	(62,873,172)
Increase (decrease) through treasury share transactions	10 ii	-	-	127,372	-	(271,282,756)	-	(271,155,384)
Increase (decrease) through share-based payment transactions	10 ii	-	-	-	-	9,230,845	-	9,230,845
Increase (decrease) through other changes	10 ii	(46,464,000)	6,657,183	-	-	39,806,817	-	-
Total comprehensive income (expense)		-	-	-	2,983,744	156,629	83,292,412	86,432,785
Total comprehensive income		-	-	-	2,983,744	156,629	83,292,412	86,432,785
at 31 December 2020		11,616,000	6,657,183	(557,838)	(12,294,477)	1,033,688,082	83,292,412	1,122,401,363

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

	Share capital €	Capital reserves €	Treasury shares €	Cash flow reserve €	Retained earnings and Other reserves €	Profit for the period €	Total €
at 31 December 2018	58,080,000	-	(749,098)	(9,587,141)	1,107,913,649	199,589,919	1,355,247,329
Allocation of prior year result	-	-	-	-	199,589,919	(199,589,919)	-
Dividend payout to Parent Company shareholders	-	-	-	-	(57,292,713)	-	(57,292,713)
Increase (decrease) through treasury share transactions	-	-	63,888	-	(40,342,831)	-	(40,278,943)
Increase (decrease) through share- based payment transactions	-	-	-	-	(1,037,439)	-	(1,037,439)
Increase (decrease) through other changes	-	-	-	-	-	-	-
Profit (loss)	-	-	-	-	-	-	-
Total comprehensive income (expense)	-	-	-	(5,691,080)	(373,156)	110,192,290	104,128,055
Total comprehensive income	-	-	-	(5,691,080)	(373,156)	110,192,290	104,128,055
at 31 December 2019⁽¹⁾	58,080,000	-	(685,210)	(15,278,221)	1,208,457,428	110,192,290	1,360,766,288

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

Notes to the Company only financial statements

1. General information

Davide Campari-Milano N.V.⁸⁰ is a company listed on the Italian Stock Exchange, with its official seat in Amsterdam, in the Netherlands, and its corporate address at Via Franco Sacchetti 20, 20099 Sesto San Giovanni, Milan, Italy.

For purposes of its business operations in Italy, the Company has established a secondary seat with a permanent representative office within the meaning set forth in article 2508 of the Italian Civil Code.

The Company is entered in both the Dutch Companies' Register under the number 78502934 and the Milan Monza Brianza Lodi Chamber of Commerce under the number 06672120158.

At 31 December 2020, 66.6% of the total voting rights (equating to 53.8% of the share capital) of the Company was held by Lagfin S.C.A., Société en Commandite par Actions, headquartered in Luxembourg.

Davide Campari-Milano N.V. is the Parent Company of Campari Group. It trades directly on the Italian market and, through its subsidiaries, on the international alcoholic and non-alcoholic beverages markets.

The Group operates in around 190 countries with prime positions in Europe and the Americas. It has 22 production plants around the world, its own distribution network in 21 countries, and employs around 4,000 people.

For ease of reference, all the figures in the notes of this Company only financial statement are expressed in thousands of Euro, whereas the original data is recorded and consolidated by the Group in Euro. 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 Euro. The use of values expressed in thousands of Euro may therefore result in apparent discrepancies in both absolute values and data expressed as a percentage. However, all values in the financial statements are expressed in Euro.

As the Parent Company of Campari Group, Davide Campari-Milano N.V. has also drawn up the consolidated financial statements of Campari Group at 31 December 2020.

The draft financial statements of Davide Campari-Milano N.V. for the year ending 31 December 2020 were approved on 18 February 2021 by the Board of Directors. On 25 February 2021, the Board of Directors approved the separate financial statements of Davide Campari-Milano N.V. for the year ending 31 December 2020 and authorised it for issue.

The Board of Directors reserves the right to amend the results, up to the date of the General Meeting of Shareholders, should any significant events occur that require changes to be made.

2. Significant events of the year

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

3. Accounting information and policies

i. Accounting principles

The annual financial statements of Davide Campari-Milano N.V. (represented by the 'Company financial statements'), for the years ending 31 December 2020, were prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code and 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 (International Accounting Standards-'IAS') and interpretations of the International Financial Reporting Interpretations Committee ('IFRIC'), formerly the Standing Interpretations Committee ('SIC').

No exceptions to the application of the international accounting standards were made in the preparation of these Company only financial statements.

The financial statements were prepared based on the going concern principle, the cost basis, taking any value adjustments into account, where appropriate, except for statement of financial position items, such as financial instruments, that, in accordance with the IFRS, must be recognised at fair value and except in cases where the IFRS allow a different valuation criterion to be used. The carrying amount of assets and liabilities subject to fair value hedging transactions, which would otherwise be recorded at cost, has been adjusted to take account of changes in fair value attributable to the risk being hedged.

⁸⁰ For more information please refer to note 2-'Significant events of the year' of this Company only consolidated financial statements.

ii. Form and content

In line with the financial statements structure chosen by the Group, that is also adopted for the annual financial statements of the Company itself, the income statement 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 results 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 these Notes.

This presentation complies with the requirements and guidelines of the European Securities and Markets Authority ('ESMA') set out in ESMA/2015/1415.

In 2020, the Company did not carry out any atypical and/or unusual transactions which, due to their materiality or size, type of counterparties to the transaction, or method for determining the price and timing of the event (proximity to year end), could give rise to concerns over the accuracy or completeness of the information in the financial statements, conflicts of interest, or the safeguarding of company assets.

The cash flow statement was prepared using the indirect method.

iii. Reclassification of comparative figures at 31 December 2019

Reclassifications for enhanced disclosures

To enhance compliance with the European transparency directive and future ESEF requirements, certain reclassifications summarised in the following primary statement tables, have been applied. The new structure is an enhanced representation of the information required under IFRS to help those reading annual financial statements to gain a better understanding of the Group's economic, financial and capital position. It should be noted that the reclassifications do not imply changes in the disclosures provided in the Company only financial statements at 31 December 2019, which remain fully comprehensive and complete.

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

€		For the year ending 31 December 2019		
old description	stated figures	reclassifications	enhanced stated figures	new description
	-		756,323,057.64	Sales
			(85,132,883.23)	Excise duties
Net sales	671,190,174	-	671,190,174.41	Net sales
Cost of goods sold	(246,961,327)	-	(246,961,327.38)	Cost of sales
Gross profit	424,228,847	-	424,228,847.03	Gross profit
Advertising and promotional costs	(67,800,682)	-	(67,800,682.04)	Advertising and promotional costs
Contribution margin	356,428,165	-	356,428,164.99	Contribution margin
Overheads	(135,308,754)	13.5	(121,776,947.46)	Selling, general and administrative expenses
		(14.4)	(14,374,398.81)	Other operating expenses
		0.8	842,592.05	Other operating income
Operating result	221,119,411	-	221,119,410.77	Operating result
Financial income (expenses)	(97,195,950)	(0.7)	(97,893,465.36)	Financial expenses
		0.7	697,515.17	Financial income
Dividends	13,457,257	-	13,457,257.47	Dividends
Profit before tax	137,380,718	-	137,380,718.05	Profit before taxation
Income tax expense	(27,188,428)	-	(27,188,427.60)	Taxation
Profit for the period	110,192,290	-	110,192,290.45	Profit for the period

Reclassified figures (for enhanced disclosure) on Consolidated statement of other comprehensive income⁽¹⁾

€		For the year ending 31 December 2019	
old description	stated figures	enhanced stated figures	new description
Profit for the period (A)	110.2	110.2	Profit for the period (A)
B1) Items that may be subsequently reclassified to profit or loss	-	-	B1) Items that may be subsequently reclassified to the statement of profit or loss
Cash flow hedge:	-	-	Cash flow hedge:
(Profit) losses classified to other profit and loss	3.6	-	(Profit) losses classified to other profit and loss
Profit (loss) for the period to net equity	(11.1)	-	Profit (loss) for the period to net equity
Net gains (losses) from cash flow hedge	(7.5)	(7.5)	Gains (losses) on cash flow hedge
Tax effect	1.8	1.8	Related Income tax effect
Total cash flow hedge	(5.7)	(5.7)	Total cash flow hedge
Total: items that may be subsequently reclassified to profit or loss (B1)	(5.7)	(5.7)	Total: items that may be subsequently reclassified to the statement of profit or loss (B1)
Profit(loss) for the period	(0.5)	(0.5)	Gains/(losses) on remeasurement of defined benefit plans
Tax effect	0.1	0.1	Related Income tax effect
Remeasurements of post-employment benefit obligations	(0.4)	(0.4)	Total remeasurements of defined benefit plans
Total: items that may not be subsequently reclassified to profit or loss (B2)	(0.4)	(0.4)	Total: items that may not be subsequently reclassified to the statement of profit or loss (B2)
Other comprehensive income (expenses) (B=B1+B2)	(6.1)	(6.1)	Other comprehensive income (expenses) (B=B1+B2)
Total comprehensive income (A+B)	104.1	104.1	Total comprehensive income (A+B)

⁽¹⁾ No reclassifications have been performed, the changes regard only the description of the items.

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

€	At 31 December 2019			
old description	stated figures	reclassifications	enhanced stated figures	new description
ASSETS			ASSETS	
Non-current assets			Non-current assets	
Net tangible fixed assets	94,260,193	-	94,260,193	Property, plant and equipment
Right of use assets	4,785,009	-	4,785,009	Right of use assets
Biological assets	-	-	-	Biological assets
Investment properties	1,296,894	-	1,296,894	Investment properties
Goodwill and brands	594,683,378	(239,379,253)	355,304,126	Goodwill
		239,379,253	239,379,253	Brands
Intangible assets with a finite life	27,994,954	-	27,994,954	Intangible assets with a finite life
Investments in subsidiaries	1,981,417,873	-	1,981,417,873	Investments in subsidiaries and associates
Other non-current assets	11,031,702	(5,229,020)	5,802,682	Other non-current assets
		5,229,020	5,229,020	Other non-current financial assets
Total non-current assets	2,715,470,002	-	2,715,470,002	Total non-current assets
Current assets			14,670,448 Current assets	
Inventories	79,297,533	-	79,297,533	Inventories
Current biological assets	-	-	-	Biological assets
Trade receivables	106,284,701	-	106,284,701	Trade receivables
Short-term financial receivables	146,328,115	-	146,328,115	Other current financial assets
Cash and cash equivalents	256,971,273	-	256,971,273	Cash and cash equivalents
Other receivables	11,355,537	-	11,355,537	Other current asset
Assets held for sale	1,022,246	-	1,022,246	Assets held for sale
Total current assets	601,259,405	-	601,259,405	Total current assets
Total assets	3,316,729,407	-	3,316,729,407	Total assets
LIABILITIES AND SHAREHOLDERS' EQUITY			LIABILITIES AND SHAREHOLDERS' EQUITY	
Share capital	58,080,000	-	58,080,000	Share capital
Reserves	1,302,686,288	(1,302,686,288)	-	-
		(685,210)	(685,210)	Treasury shares
		(15,278,221)	(15,278,221)	Cash flow reserve
		1,208,457,428	1,208,457,428	Retained earnings and other reserves
		110,192,290	110,192,290	Profit for the period
Total shareholders' equity	1,360,766,288		1,360,766,288	Total shareholders' equity
Non-current liabilities			Non-current liabilities	
Bonds	349,372,764	-	349,372,764	Bonds
Other non-current liabilities	361,768,890	(112,958,538)	248,810,352	Loans due to banks
		107,240,757	107,240,757	Other non-current financial liabilities
Post-employment benefit obligations	5,039,403	-	5,039,403	Post-employment benefit obligations
Provisions for risks and charges	3,818,293	-	3,818,293	Provisions for risks and charges
Deferred tax liabilities	42,439,857	-	42,439,857	Deferred tax liabilities
		5,717,781	5,717,781	Other non-current liabilities
Total non-current liabilities	762,439,206	-	762,439,206	Total non-current liabilities
Current liabilities			Current liabilities	
Bonds	579,982,087	-	579,982,087	Bonds
Payables to banks	44,508	-	44,508	Loans due to banks
Other financial liabilities	482,916,263	-	482,916,263	Other current financial liabilities
Trade payables	93,181,254	-	93,181,254	Trade payables
Income tax payables	5,100,207	-	5,100,207	Income tax payables
Other current liabilities	32,299,593	-	32,299,593	Other current liabilities
Total current liabilities	1,193,523,912	-	1,193,523,912	Total current liabilities
Total liabilities	1,955,963,119	-	1,955,963,119	Total liabilities
Total liabilities and shareholders' equity	3,316,729,407	-	3,316,729,407	Total liabilities and shareholders' equity

Reclassified figures (for enhanced disclosure) on cash flows⁽¹⁾

€		For the year ending 31 December 2019	
old description	stated figures	enhanced stated figures	new description
Operating profit	221,119,411	221,119,411	Operating profit
Depreciation and amortisation	17,312,973	17,312,973	Depreciation and amortisation
Gains on sales of fixed assets	4,182	4,182	Gain or loss on sale of fixed assets
Write-down of tangible fixed assets, goodwill, trademark and business	6,202	6,202	Impairment of tangible fixed assets, goodwill, trademark and sold business
Utilizations of provisions	(21,433)	(21,433)	Utilizations of provisions
Change in long-term payables to employees	(2,749,201)	(2,749,201)	Change in payables to employees
Changes in net operating working capital	7,768,841	7,768,841	Change in net operating working capital
Other non-cash items	10,013,446	10,013,446	Other non-cash items
Income taxes paid	(16,453,742)	(16,453,742)	Income taxes refund (paid)
Net write-down in subsidiaries	4,079,835	4,079,835	Net write-down in subsidiaries
Cash flow generated from (used in) operating activities	241,080,513	241,080,513	Cash flow generated from (used in) operating activities
Purchase of tangible and intangible fixed assets	(16,219,312)	(16,219,312)	Purchase of tangible and intangible fixed assets
Disposal of assets	96,956	96,956	Disposal of tangible and intangible assets
Change in investments in subsidiaries	42,658,512	42,658,512	Change in investments in subsidiaries
Net changes in securities	27,414,508	27,414,508	Decrease (increase) in short-term deposits and investments
Put option and earn out payment	(67,566,517)	(67,566,517)	Put options and earn out payments
Interest income collected	264,440	264,440	Interests received
Dividends received	13,457,257	13,457,257	Dividends received
Cash flow generated from (used in) investing activities	105,845	105,845	Cash flow generated from (used in) investing activities
Eurobond issue (repayment)	149,280,099	149,280,099	Proceeds from issue of bonds, notes and debentures
Other medium-long term financing	248,705,238	248,705,238	Proceeds from non-current borrowings
Bond repayment	(219,057,000)	(219,057,000)	Repayments of bonds, notes and debentures
Payment of lease liabilities	(1,521,019)	(1,521,019)	Payment of lease liabilities
Payment of other medium-long liabilities	(300,000,000)	(300,000,000)	Repayment of non-current borrowings
Net change in short-term financial payables and bank loans	149,508	149,508	Net change in short-term financial payables and bank loans
Interests paid	(36,735,624)	(36,735,624)	Interests paid
Interest on leases	(108,112)	(108,112)	Interest on leases
Change in other financial payables and receivables	39,609,719	39,609,719	Interests paid
Purchase and sale of own shares	(47,295,712)	(47,295,712)	Purchase and sale of own shares
Dividend paid by the Parent Company	(57,292,713)	(57,292,713)	Dividend paid to equity holders of the Parent
Cash flow generated from (used in) financing activities	(224,265,616)	(224,265,616)	Cash flow generated from (used in) financing activities
Other differences	4,597,040	4,597,040	Other differences
Net change in cash and cash equivalents: increase (decrease)	21,517,783	21,517,783	Net change in cash and cash equivalents: increase (decrease)
Cash and cash equivalents at the beginning of period	235,453,491	235,453,491	Cash and cash equivalents at the beginning of period
Cash and cash equivalents at end of period	256,971,273	256,971,273	Cash and cash equivalents at end of period

⁽¹⁾ No reclassifications have been performed, the changes regard only the description of the items.

Reclassified figures (for enhanced disclosure) on Consolidated statement of changes in shareholders' equity

old description	Share capital	Own shares at nominal value	Legal reserve	Other reserves	Retained earnings				Total
31 December 2019 €									
new description	Treasury shares					Retained earnings and Other reserves	Cash flow hedge reserve	Profit for the period	Total
31 December 2019 €									
stated figures	58,080,000	(685,210)	11,616,000	265,512,735	1,026,242,763	-	-	-	1,360,766,288
reclassifications	-	-	11,616,000	265,512,735	1,026,242,763	(1,208,457,428)	15,278,221	(110,192,290)	-
enhanced stated figures	58,080,000	(685,210)	-	-	-	1,208,457,428	(15,278,221)	110,192,290	1,360,766,288

4. Significant accounting policies

i. Use of estimates

Preparation of the financial statements and the related notes in accordance with IFRS requires the management to make estimates and assumptions that have an impact on the value of revenues, costs, assets and liabilities in the statement of financial position and on disclosures concerning contingent assets and liabilities at the reporting date.

If, in the future, these estimates and assumptions, which are based on the best valuation currently available, differ from the actual circumstances, they will be amended accordingly at the time the circumstances change.

In particular, estimates are used to identify provisions for risks with respect to receivables, obsolete inventory, asset impairment, employee benefits, taxes, restructuring provisions, as well as to determine the term and incremental interest rate for lease transactions. Detailed methodology followed is explained in the relevant note. The estimates and assumptions are reviewed regularly, and the impact of any change is reflected in the statement of profit or loss.

Goodwill and intangible assets with an indefinite useful life are subject to annual impairment tests to check for any losses in value. The calculation is based on expected cash flows from the cash-generating units to which the goodwill is attributed and on a number of other judgemental elements and critical assumptions explained in the relevant note.

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

The incremental borrowing rates set by the Company for leasing agreements evaluations, are revised on a recurring basis and applied to all agreements with similar characteristics; these are considered to be a single portfolio of agreements. The rates are determined using the average effective debt rate of the Company, appropriately adjusted as required by the new accounting rules, to simulate a theoretical interest rate consistent with the agreements being valued. The most important element considered in adjusting the rate is the different durations of the lease agreements. Explicit interest rates in lease agreements are rare.

Outbreak of Covid-19

The global outbreak of the coronavirus (Covid-19) and its consequences for health, lifestyles, social relations and economic activities are now a cause for great alarm about the future impact of the pandemic on the global economic system.

The virus, which was recorded for the first time in China at the beginning of the year, has spread to the rest of the world. On 11 March 2020, the World Health Organization (WHO) declared the Covid-19 virus to be a pandemic after more and more countries reported infections. In order to contain the spread, the governments of the various countries concerned have introduced progressively more restrictive measures to limit the movements of, and contacts among people and suspended productive activities in sectors defined as non-critical, allowing only essential activities and production to continue.

The year was characterized by a high level of quarterly volatility in connection with the measures to combat the coronavirus. Although lockdown restrictions are temporary in nature and are gradually being eased as a result of a progressive improvement in the health crisis, restrictive measures may nonetheless continue over an extended period of time and intensify depending on how the pandemic develops, including any new waves of the Covid-19 outbreak, and the progression of the vaccine roll-out and its effectiveness. Uncertainty remains as regards the time needed for a full recovery and the economic and social consequences of the crisis despite support from the Italian government and the EU.

Upon the breakout of the epidemic, the financial markets reacted negatively, recording very high levels of volatility. At the same time, local governments, albeit in differing ways, have launched fiscal and monetary responses to support the recovery of businesses and households, thus in part restoring the confidence of the financial markets. With particular reference to the European Union, members are currently in discussions to find measures aimed at supporting EU Members States currently facing an unprecedented crisis.

With regard to the Company, the priority is, and will continue to be, to guarantee the safety of its employees ('Camparistas') and the continuity of its business. The Company adopted promptly and responsibly all the conduct and safety measures specified by the Italian authorities by introducing new protocols, work practices and safety measures. In terms of production facilities, during the crisis all Italian plants and distilleries were kept operational while complying rigorously with the emergency health provisions in force to protect the health of Camparistas and their families. The Company's aim has been to continue to meet client demand and maintain the stocks necessary to tackle the crisis, while at the same time ensuring business continuity.

While there have been no issues for business continuity, since March 2020, the pandemic has clearly been having a negative impact on the spirits business across all markets, given the sector's natural exposure to the on-premise distribution channels, and in particular the closures of bars and restaurants, which are relevant especially on the Italian market.

As a result of the uncertainty associated with the unprecedented nature of the Covid-19, in preparing these year-end financial statements, the Company carefully evaluated and considered the impact of the outbreak on its 2020 year-end figures and provided an update of the relevant specific disclosures since the last annual reporting date. A critical review was undertaken, and a focused analysis performed to identify, and consequently managed the principal risks and uncertainties to which the Company is exposed.

In particular, all significant assumptions and estimates underlying the preparation of the following topics were the subject of in-depth analysis in order to address the uncertainties linked to the unpredictability of the potential impact of the outbreak: impairment of non-financial assets, fair value measurement of financial instruments, expected credit loss assessment, deferred tax assets and tax reliefs, revenue recognition, reverse factoring agreements, lease agreements, provisions and onerous contracts. The analysis conducted did not highlight any critical situations that cannot be addressed in the ordinary course of the business.

Where the re-assessment exercise has led to different conclusions, specific additional information is provided in the notes, while no particular explanations are provided where the outbreak has not had any specific impact on Company's financial performance, financial position and cash flows.

The Company, as well as Campari Group continues to be very sound, in terms of its financial and equity profiles, and has not been exposed to any going-concern issues thanks to the agility and resilience of its organization and following actions taken:

- by complying promptly and responsibly with all the containment measures imposed by the authorities, the Company has been able to safeguard its employees; furthermore, there has been no disruption of supplies, nor in logistics and freight transport activities;
- by keeping its production facilities open with the necessary safeguards throughout the crisis, maintaining stock levels and meeting client demand, the Company has been able to ensure its business continuity;
- by adapting very quickly to working from home, learning how to react very quickly to abrupt changes in markets and reinvented the current way of working accordingly, namely accelerating the transition in marketing and sales from the 'offline' to the 'online';
- by re-directing the available resources to activities appropriate to the new environment, such as strengthening and accelerating its IT support activities, and monitoring supplies and customer performance;
- by taking rapid action to mitigate costs and preserve its liquidity (no covenants on existing debt and a strong financial structure boosted by liquidity and available credit lines), while remaining focused on its long-term growth strategy;
- by accelerating its digital transformation and e-commerce programmes to further strengthen its digital capabilities across the entire organization.

ii. Associates and joint ventures

An associate is a company over which the Company exercises significant influence. Significant influence means the power to contribute to determining a subsidiary's financial and management policies, without having control or joint control over it.

A joint venture exists where there is a joint-control agreement under which the parties that hold joint control have rights to the net assets covered by the agreement. Joint control is the contractually agreed sharing of control under an agreement, which solely exists when decisions on relevant activities require unanimous consensus from all the parties sharing control.

The factors considered to determine significant influence or joint control are similar to those necessary to determine control over subsidiaries.

These companies are initially recognized at cost plus acquisition related costs and subsequently reported in the Company financial statements using the equity method from the date on which significant influence or joint control begins and ending when that influence or control ceases.

Any committed payments to increment the ownership interest in an associate or a joint venture, in the form of put and/or call option or a combination of the two, cannot be estimated and recorded as financial liability at the time of the transaction since the guidance valid for financial Instruments does not apply to interests in associates and joint ventures that are accounted for using the equity method. These written agreements for put and/or call options are considered as derivative agreements and booked in the Group accounts as financial instruments measured at fair value with impact in the income statements. At that time of the expiring of the call and/or the put options, the derivatives will be replaced by an increased value of the investment to be recorded against the cash out for the derivative settlement.

Contingent or committed payments in the form of incentive plan granted to personnel of the associate of joint venture are recorded as incremental cost of the investment once achievement of the performance condition becomes probable based on the fair value of the replacement award as of the acquisition date.

In relation to the recognition of contingent consideration, judgement is exercised in developing and consistently applying an accounting policy that results in information that is relevant and reliable in each particular circumstance. The following approaches have developed in relation to the recognition of contingent consideration: (i) recognition of the contingent consideration only when payments are made; or (ii) inclusion of a best estimate of the contingent consideration in the initial determination of the cost of the investment. Under both approaches, the recognition of the contingent consideration when actually paid or changes from initial measurement are recognised either in profit or loss, or as an increase or decrease to the cost of the investment in the associated or joint venture.

If there is a significant loss of influence or of joint control, the holding and/or investment is recognized at fair value, with the difference between fair value and the carrying amount being recorded in the income statement.

If the Company'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 Company's portion of further losses is not reported, unless, and to the extent to which, the Company has a legal or implicit obligation to cover such losses.

The Company assesses the existence of any impairment indicators on an annual basis by comparing the value of the investment measured at equity with the recoverable value; any impairment value is allocated to the investment as a whole, with an offsetting entry in the income statement.

iii. Investments in subsidiaries

Investments in subsidiaries are recorded at cost and adjusted for any loss in value; acquisition related costs are immediately expensed.

In relation to the recognition of contingent consideration, judgement is exercised in developing an accounting policy that results in information that is relevant and reliable in each particular circumstance; the accounting policy deemed appropriate is then applied consistently to the developments of the same transaction. The following approaches have developed in relation to the recognition of contingent consideration: (i) recognition of the contingent consideration only when payments are made; or (ii) inclusion of a best estimate of the contingent consideration in the initial determination of the cost of the investment. Under both approaches, the recognition of the contingent consideration when actually paid or changes from initial measurement are recognised either in profit or loss, or as an increase or decrease to the cost of the investment in the subsidiary.

The positive difference arising at the time of the acquisition between the acquisition cost and the current value of the Company's stake is included in the carrying amount of the investment; any impairment of this positive difference is not reinstated in subsequent periods, even if the reasons for the impairment no longer apply.

If the Company's portion of the subsidiary's losses exceeds the carrying amount of the investment, the carrying amount is derecognised and the portion of any further losses is posted to liabilities as a specific reserve reflecting the extent to which the Company is required to fulfil legal or implicit obligations with respect to the subsidiary or, at least, to cover its losses.

Investments in subsidiaries are subject to impairment tests on an annual basis, or more frequently if necessary.

If the tests show evidence of impairment, the loss in value must be recorded as an impairment in the income statement.

Dividends received are recognised in the income statement when the right to receive payment is established, in cash or in kind, only if they arise from the distribution of profits subsequent to the acquisition of the investee company.

iv. 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 if 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 allowable ancillary costs on the acquisition date. Intangible assets acquired are reported separately from goodwill at fair value, where this can reliably be measured, on the acquisition date.

Subsequently, intangible assets are recorded at cost net of accumulated amortisation and any impairment losses. Assets produced internally, are not capitalised and are reported in the statement of profit or loss for the financial year in which they are incurred; there are no significant development costs to be considered.

Intangible assets with a finite life are amortised on a straight-line basis in relation to their remaining useful life, taking into account losses due to a reduction in the cumulative value.

The period of amortisation of intangible assets with a finite life is reviewed at the end of every financial year, at the very least, in order to ascertain any changes in their useful life, which, if identified, will be treated as changes in accounting estimates.

The costs of innovation projects and studies are recorded in the statement of profit or loss in full in the year in which they are incurred.

Costs relating to industrial patents, concessions, licenses 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 defined, or according to the contract term.

Software licenses represent the cost of purchasing licenses and, if incurred, external consultancy fees; there are normally no costs associated with internal personnel costs necessary for development. These costs are recorded in the year in which the internal or external costs are incurred for training personnel and other related costs.

Cloud computing arrangements under which the Company contracts to pay a fee in exchange for a right to receive access to the supplier's application software for a specified term and where the cloud infrastructure is managed and controlled by the supplier, the accesses to the software is on an 'as needed' basis over the internet or via a dedicated line and, the contract does not convey to the Company any rights over tangible assets, are managed as a service contract with the related costs expensed as incurred. Any prepayment giving a right to future service is recognised as a prepaid asset. Detailed analysis is undertaken to determine whether the implementation costs for software hosted under cloud arrangements can be capitalised.

Goodwill and brands which result from acquisitions and qualify as intangible assets with an indefinite life are not amortised. The possibility of recovering their carrying amount is ascertained at least once a year, and, in any case, when events occur leading to the assumption of a reduction in value applying the criteria indicated in the section on 'Impairment'.

For goodwill, a test is performed on the smallest cash-generating unit to which the goodwill relates. On the basis of this, management directly or indirectly assesses the return on investment including goodwill. Goodwill write-downs can no longer be written back in future years. When control of a previously acquired company is transferred, the gain or loss on the sale takes into account the corresponding residual value of the previously recorded goodwill.

i. Property, plant and equipment

Property, plant and equipment are recorded at acquisition or production cost, gross of any capital grants 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 in the statement of financial position and depreciated over their useful life. The residual value recorded for the component being replaced is allocated to the income Statement; other costs are charged to profit 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 income statement when incurred.

Ordinary maintenance and repair expenses are expensed in profit or loss in the period in which they are incurred. If there are current obligations for dismantling or removing assets and cleaning up the related sites, the carrying amount of the assets includes the estimated costs (discounted to present value) to be incurred when the structures are abandoned, which are posted as an offsetting entry to a specific provision.

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

Depreciation is applied using the straight-line method, based on each asset's estimated useful life as established in accordance with the Company's plans for the use of those assets, taking into account wear and tear and technological obsolescence and the likely estimated realisable value net of cost to sell.

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 be reasonably determined.

Land, even if acquired in conjunction with a building, is not depreciated, and nor are held-for-sale tangible assets, which are reported at the lower of their carrying amount and fair value less cost to sell. For lease-hold-improvements the period of depreciation is the shorter between the economic life of the asset and the contract duration of the underlying lease agreement.

The rates are as follows:

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

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

A tangible asset is derecognised from the statement of financial position at the time of sale or when there are no future economic benefits associated with its use or disposal.

Any profits or losses are included in the income statement in the year of this derecognition.

ii. Grants

The Company recognises unconditional public grants, in the income statement for the period when the grant is received.

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

Capital grants are recorded when there is a reasonable certainty that all the requirements necessary for access to such grants have been met and that the grant will be disbursed.

This generally occurs when the decree acknowledging the benefit is issued.

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

iii. Impairment

The Company ascertains, at least annually, whether there are indications of a potential loss in value of intangible and tangible assets. If the Company finds that such indications exist, it estimates the recoverable value of the relevant asset.

Moreover, intangible assets with an indefinite useful life, or not yet available for use, and goodwill undergo impairment tests every year, or more frequently if there is an indication that the asset may be impaired.

The ability to recover the assets is ascertained by comparing the carrying amount to the related recoverable value, which is represented by the greater of the fair value less cost to sell and the value in use.

In the absence of a binding sale agreement, the fair value is estimated on the basis of recent transaction values in an active market, or based on the best information available to determine the amount that could be obtained from selling the asset.

The value in use is determined by discounting expected cash flows resulting from the use of the asset, and if significant and reasonably determinable, the cash flows resulting from its sale at the end of its useful life.

Cash flows are determined on the basis of reasonable, documentable assumptions representing the best estimate of the future economic conditions that will occur during the remaining useful life of the asset, with greater weight given to external information.

The discount rate applied takes into account the implicit risk of the business segment.

When it is not possible to determine the recoverable value of an individual asset, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.

Impairment is recorded if the recoverable value of an asset is lower than its carrying amount. This loss is posted to the statement of profit or loss.

If, in a future period, a loss on assets, other than goodwill, does not materialise or is reduced, the carrying amount of the asset or cash-generating unit is increased to reflect the new estimate of recoverable value, which may not exceed the value that would have been calculated if no impairment had been recorded.

iv. Investment property

Property and buildings held to generate rental income (investment property) are valued at cost less accumulated depreciation and impairment losses.

The depreciation rate for buildings is that used for the relevant fixed asset category.

Investment property is derecognised from the statement of financial position when sold or when it becomes permanently unusable and no future economic benefits are expected from its disposal.

v. Leases

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

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

The financial liability for leases is recognised on the start date of the agreement at a total value equal to the present value of the lease payments to be made during the term of the agreement, discounted to present value using incremental borrowing rates (IBR) when the implicit interest rate in the lease agreement cannot be easily determined. Variable lease payments which are not linked to an index or rate continue to be charged to the statement of profit or loss as costs for the period.

After the start date, the amount recorded for the liabilities relating to lease contracts increases to reflect the accrual of interest and reduces to reflect the payments made. Each lease payment is divided into a repayment of the capital portion of the liability and a financial cost. The financial cost is charged to the income statement over the term of the agreement to reflect a constant interest rate on the remaining debt portion of the liability for each period.

The management is required to make estimates and assumptions that might influence the valuation of the right of use and the financial liability for leases, including the determination of:

- whether arrangements is or contains a lease by applying the lease definition;
- terms of the agreement;
- interest rate used for discounting future lease payments to current value.

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

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

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

vi. Financial instruments

Financial instruments held by the Company are categorised as follows.

i). Financial assets

Financial assets include investments, short-term securities and financial receivables, which in turn include the positive fair value of financial derivatives, trade and other receivables and cash and cash equivalents.

Specifically, cash and cash equivalents include cash, bank deposits and highly liquid securities that are readily convertible into cash and are subject to an insignificant risk of a change in value. Deposits and securities included in this category mature in less than three months based on the conditions existing on the date of 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 measured 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 cash flows associated with each financial asset.

Financial assets also include investments in companies that are not held for trading. These assets are strategic investments, and the Company has decided to recognise changes in the related fair values through profit or loss (FVTPL).

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

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

Impairment of a financial asset

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

Regarding trade receivables, the Company uses the business model applied at Group level, following the simplified method, which considers the probabilities of defaults over the financial instrument's life (lifetime expected credit loss). In making impairment assessments, the Group considers its historical credit loss experience, adjusted for forward-looking factors specific to the nature of the Group's receivables and economic environment. If any such evidence exists, an impairment loss is recognized under selling, general and administrative expenses.

More specifically, non-performing receivables are 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.

The Group has defined a matrix-based approaches for the Company for estimating impairment losses, in view of its current situation. A financial asset is considered to be impaired when internal or external information indicates that it is unlikely that the Group will receive the full contractual amount.

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

ii). Financial liabilities

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

Financial liabilities are classified and measured at amortised cost, except for financial liabilities that are initially measured at fair value, for example financial liabilities relating to earn-out and financial liabilities for put options linked to acquisition and derivative instruments.

iii). Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

iv). Financial derivatives and hedging transactions

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

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

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

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

-cash flow hedge: if a financial instrument is designated as a hedge of exposure to fluctuations in the future cash flow of an asset or liability recorded in the financial statements, or of a transaction that is considered to be highly probable and that could have an impact on the income statement, the effective portion of the gains or losses on the financial instrument is recognised in the statement of comprehensive income. Cumulative gains or losses are reversed from shareholders' equity and recorded in the income statement in the same period in which the transaction being hedged has an impact on the income statement. The gain or loss associated with a hedge or the portion of a hedge that has become ineffective is posted to the income statement when the ineffectiveness is reported.

If a hedge instrument or hedge relationship is closed out, but the transaction being hedged has not been carried out, the cumulative gains and losses, which, until that time had been posted to shareholders' equity, are recognised in the income statement at the time that the related transaction is carried out.

If the transaction being hedged is no longer considered likely to take place, the pending unrealised profits or losses in shareholders' equity are recorded in the income statement.

If hedge accounting cannot be applied, any gains or losses resulting from measuring the financial derivative at its present value are posted to the income statement.

A highly probable intra-group transaction qualifies as a hedged item in a cash flow hedge of exchange-rate risk, provided that the transaction is denominated in a currency other than the functional currency of the company entering into the transaction and that the financial statements are exposed to exchange-rate risk.

In addition, if the hedge of a forecast intra-group transaction qualifies for hedge accounting, any gain or loss that is recognised directly in the statement of comprehensive income must be reclassified in the income statement in the same period in which the currency risk of the hedged transaction affects the income statement.

vii. Own shares

Own shares (both ordinary and special voting) are reported as a reduction to shareholders' equity.

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

viii. Inventories

Inventories of raw materials and semi-finished and finished products are valued at the lower of purchase or production cost, determined using the weighted average method, and market value.

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

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

ix. Non-current assets held for sale

Non-current assets held for sale include fixed assets (or asset disposal groups) whose carrying amount will be recovered primarily from their sale rather than their ongoing use, and whose sale is highly probable in the short term (within one year) and in the assets' current condition.

Non-current assets held for sale are valued at the lower of their net carrying amount and fair value less costs to sell, and are not amortised.

x. Employee benefits

Post-employment benefit plans

The Company provides post-employment benefits through defined contribution and/or defined benefit plans.

i. Defined benefit plans.

The Company's obligation and annual cost reported in the income statement are determined by independent actuaries using the projected unit credit method.

The net cumulative value of actuarial gains and losses is recorded directly in the statement of comprehensive income and is not subsequently recognised in the income statement.

The costs associated with an increase in the present value of the obligation, as the time of payment of the benefits draws nearer, are included under financial expenses. Service costs are posted to the income statement. The liability recognised represents the present value of the defined benefit obligation, less the present value of plan assets. If an amendment to the plan changes the benefits accruing from past service, the costs arising from past service are recognised in the income statement at the time the change to the plan is made. The same treatment

is applied if there is a change to the plan that reduces the number of employees or that amends the terms and conditions of the plan (the treatment is the same regardless of whether the final result is a profit or a loss).

ii. **Defined contribution plans.**

Since the Company fulfils its obligations by paying contributions to a separate entity (a fund), with no further obligations, it records its contributions to the fund in respect of employees' service, without making any actuarial calculation.

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

Compensation plans in the form of stock options

The Company pays additional benefits in the form of stock option plans to employees, directors and individuals who regularly carry out work for the Company or one or more Group companies.

Pursuant to IFRS 2-'Share-Based Payment', the total fair value of the stock options on the grant date is to be reported as a cost in the income statement, with an increase in the respective shareholders' equity reserve, in the period beginning at the time of allocation and ending on the date on which the employees, directors and individuals who regularly carry out work for the Company become fully entitled to receive the stock options.

Changes in the present value after the grant date have no effect on the initial valuation, while in the event of changes to the terms and conditions of the plan, any additional costs are recorded for each change that results in an increase in the present value of the recognised option. The cost is recognised as a portion for each period in which the vesting conditions have been met, while in the event of the cancellation of an option, the cost recorded until that date is released to the income statement.

The fair value of stock options is represented by the value of the option calculated by applying the Black-Scholes model, which takes into account the conditions for exercising the option, the current share price, expected volatility and the risk-free rate, as well as the non-vesting conditions.

The stock options are recorded at fair value with a contra-entry in the 'Stock option reserve'.

xi. Provision for risks and charges and contingent assets

The provision for risks and charges are recognised when:

- there is a current legal or implicit obligation resulting from a past event;
- it is likely that the fulfilment of the obligation will require some form of payment;
- the amount of the obligation can be reliably estimated.

Provisions are recorded at a value representing the best estimate of the amount the Company would reasonably 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 provision is discounted to present value. The change in the related provision over time is allocated to the income statement under financial income (expenses).

Provisions are periodically updated to reflect changes in estimates of cost, timescales and discount rates. Revisions to estimates of provisions are booked to the same income statement item that contains the provision or, if the liability relates to tangible assets (e.g. dismantling and restoration), these revisions are reported as an offsetting entry to the related asset.

When the Company expects that all or part of the provisions will be repaid by third-parties, the payment is recorded under assets only if it is virtually certain, and the provision and related repayment are posted to the income statement.

The Company does not record purely contingent assets but 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.

xii. Restructuring provisions

The Company reports restructuring provisions only if there is an implicit restructuring obligation and a detailed formal restructuring program that has led to the reasonable expectation of the third-parties concerned that the Company will carry out the restructuring, either because it has already started the process or because it has already communicated the main aspects of the restructuring to the third-parties concerned.

xiii. Revenues from sales and services

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

This occurs when the goods are delivered to the customer, who has full discretion over the sales channel and price of the products themselves, and there is no unfulfilled obligation that could affect acceptance by the customer. Delivery takes place when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and the customer has accepted the products in

accordance with the sales contract, the terms and conditions of acceptance have expired or the Company has objective evidence that all criteria for acceptance have been met. The Company's revenues include sales of spirits on the market.

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

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

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

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

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

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

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

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

xiv. Recognition of costs and expenses in the income statement

Costs are recognised in the income statement when they relate to goods and services consumed during the period.

Personnel costs include stock option plans (in keeping with their largely remunerative nature) allocated to employees, directors and individuals who regularly carry out work for the Company.

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

xv. Financial income and expenses

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

xvi. Taxation

Current income taxes are calculated on estimated taxable income, and the related payable is recorded under 'Tax payable'.

Current tax payables and receivables are recognised in the amount to be paid to/received from tax authorities by applying the tax rates and regulations in force or effectively approved on the reporting date. In preparing the above estimates, detailed assessment was also given to uncertainties regarding the tax treatment of transactions carried out by the Company that could give rise to disputes with the tax authorities.

Current taxes relating to items posted directly to shareholders' equity are included in shareholders' equity.

Other non-income taxes, such as property and capital taxes, are included in operating expenses.

Deferred tax assets and liabilities are calculated on all temporary differences between the asset and liability values recorded in the financial statements and the corresponding values recognised for tax purposes using the liability method.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit

will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss or
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are determined on the basis of tax rates that are expected to apply in those periods when the temporary differences are generated or eliminated.

Current and deferred tax assets and liabilities are offset when 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 to deferred tax liabilities if negative.

The Company has also opted for the national tax consolidation procedure, governed by Article 117 *et seq* of the Italian Consolidated Law on Income Tax (TUIR). The decision to adopt this procedure is reflected in the accounting entries.

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

Revenues and costs related to foreign-currency transactions are reported at the exchange rate applying on the date on which the transaction is carried out.

Monetary assets and liabilities in foreign currencies are initially translated into Euro at the exchange rate in effect on the transaction date and subsequently converted into Euro at the exchange rate applying on the reporting date, with the difference in value being posted to the income statement.

Non-monetary assets and liabilities arising from the payment/collection of a foreign currency advance are initially recognised at the exchange rate in effect on the transaction date and are not subsequently modified to take account of any change in the exchange rate in effect on the reporting date.

5. Changes in accounting standards

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

Amendment to IAS 1 and IAS 8 Definition of Material

The IASB published the amendments Definition of Material to IAS 1 and IAS 8 to clarify the definition of 'material' in order to help companies to assess whether information should be included in the financial statements.

Information is deemed 'material' if omitting, misstating or obscuring it could influence the decisions of the primary users of financial statements. The amendment was considered in the preparation of Company's financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 on 'Interest Rate Benchmark Reform'

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

Amendment to IFRS 16-'Leases' to encompass Covid-19-Related Rent Concessions (issued on 28 May 2020)

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

Amendment to 'References to the Conceptual Framework in IFRS Standards'

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

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

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

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

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

iii. Accounting standards, amendments and interpretations not yet endorsed

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

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

Amendments to IAS 37-'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts-Cost of Fulfilling a Contract (issued on 14 May 2020)

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

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

- IFRS 1-'First-time Adoption of International Financial Reporting Standards'. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS.
- IFRS 9-'Financial Instruments'. The amendment clarifies the fees that an entity includes when 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 because of how lease incentives are illustrated in that example.

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

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

The first application is scheduled for 1 January 2023.

6. Results for the period

This section explains the results and performance for the period ended 31 December 2020. Breakdowns are provided for operating costs, other income and expenses, finance income and expenses and taxation. For taxation, balance sheet disclosures are also provided in this section.

i. Net sales

Net sales are broken down by nature and counterpart in the table below.

	For the years ending 31 Decembers	
	2020 € thousand	2019 € thousand
Sale of goods	304,844	368,191
Sales to associates	297,644	302,999
Total net sales	602,487	671,190

In 2020, net sales totalled €602,487 thousand, showing a decrease of 10.2% on the previous year. This included sales of €304,844 thousand to Italian customers, which decreased by 17.2% compared with the previous year. Sales to Group companies that primarily conduct their businesses in the international markets amounted to €297,644 thousand, showing a decline of 1,8% on the previous year.

The overall performance deeply reflected the consequences of the obligation to shut down on-premise venues following the outbreak of the Covid-19 pandemic. Over the course of the year, the performance of aperitifs remained negative due to its key exposure to the on-premise channel (estimated to represent approximately 70% of the Italian market's overall pre-Covid-19 sales); this was in particular affected by the measures taken following the outbreak of the pandemic, in an economic context suffering from a period of significant tension.

The sales by main geographies are shown in the table below.

	For the years ending 31 Decembers	
	2020 € thousand	2019 € thousand
Italy	320,165	425,466
Germany	78,472	72,578
United States	38,275	40,240
France	31,117	75
Russian Federation	25,760	24,204
Austria	20,306	21,864
United Kingdom	19,699	13,272
Belgium	15,002	13,783
Switzerland	14,593	14,018
Australia	10,677	11,403
Other	28,422	34,288
Total net sales	602,487	671,190

Please refer to the note 11 vi-‘Related parties’ for further information about sales to Group companies.

Furthermore, for further information about market and brand performance, refer to paragraph ‘Sales performances’ in the management report.

ii. Cost of sales

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

	For the years ending 31 December	
	2020 € thousand	2019 € thousand
Materials and manufacturing costs	202,976	221,818
Distribution costs	25,058	25,143
Total cost of sales	228,033	246,961
Raw materials and finished goods acquired from third parties	167,084	187,047
Inventory write-downs	745	1,074
Personnel costs	18,981	18,846
Depreciation/amortisation	6,140	5,789
Utilities	3,062	2,932
External production and maintenance costs	8,558	7,874
Variable transport costs	18,463	18,802
Other costs	5,001	4,596
Total cost of sales	228,033	246,961

The cost of sales amounted to €228,033 thousand in 2020 and showed a decrease of €18,928 thousand compared with the previous year. As a percentage of net sales, the cost of sales stood at 37.8% in 2020, which was slightly up on 2019 when it stood at 36.8%.

iii. Advertising and promotional costs

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

	For the years ending 31 December	
	2020 € thousand	2019 € thousand
Merchandising and promotional costs	18,166	16,508
Advertising spaces	19,409	23,241
Media production	11,693	10,914
Sponsorships, testimonial, influencers and events	5,460	11,601
Research and innovation	9,654	6,089
Trade allowance for promotional purposes	(1,098)	(2,962)
Depreciation/amortization	138	168
Personnel costs	329	448
Other advertising and promotional costs	662	1,795
total advertising and promotional costs	64,413	67,801

Advertising and promotional costs, which totalled €64,413 thousand in 2020, decreased by €3,388 thousand compared with the previous year's figure.

The Company's research and innovation activities mainly related to ordinary production and commercial activities, with a particular focus on market research and packaging studies. In 2020, research and innovation costs totalled €9,654 thousand. Research and innovation costs are recognised in the statement of profit or loss during the year in which they are incurred.

iv. Research and innovation costs and public grants

Operating grants received indirectly by the Company from public institutions for promotional spending on the sparkling wines category totalled €1,925 thousand in 2020 (€2,069 thousand in 2019).

v. Selling, general and administrative expenses and Other operating income (expenses)

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

	For the years ending 31 December	
	2020 € thousand	2019 € thousand
Agents and other variable sales costs	5,381	6,826
Depreciation/amortisation	12,299	11,356
Personnel costs	60,708	61,947
Travel, business trip, training and meetings	7,598	10,882
Utilities	560	717
Services, maintenance and insurance	42,038	37,888
Expenses for use of third party assets	2,411	2,178
Other	3,803	(10,017)
Total selling, general and administrative expenses	134,798	121,777
Other operating expenses	(115,509)	(14,374)
Other operating income	1,302	843
Total other operating income and expenses	114,206	13,532
Breakdown of other operating (income) and expenses by nature⁽¹⁾		
Impairment loss on brands	15,453	
Impairment loss on investments	77,066	4,400
Capital gains on sales of equity interests	-	(320)
Impairment of tangible assets	1,831	-
Consultancies	11,818	-
Covid-19 donations	1,360	-
Acquisition costs	5,139	266
Accrual (release) for future expenses	-	-
Accruals for staff restructuring	2,598	8,305
Capital losses on sale of assets	-	11
Capital gains on sale of intangible assets	-	(7)
Other expenses	144	877
Other income	(1,204)	
Total other operating income and expenses	114,206	13,532

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

In 2020, selling, general and administrative expenses and other operating income (expenses) came to €249,004 thousand and increased compared to the previous year by €113,695 thousand. The increase was mainly due to the impairment losses recognized on investments and brands as well as consultancy services also dedicated to the enhancement of IT infrastructure. The impairment loss on investments, amounted to €77,066 thousand, was the consequence of the decision to align the investment values of some subsidiaries to the greater value between the related fair values and net asset carrying amounts. (refer also to note 7 iv-'Investments in subsidiaries and associates and share of profit (loss) of associates').

Furthermore, the Company recognised an impairment loss on The GlenGrant brand of €15,453 thousand. For further information please refer to note 7 iii-'Intangible assets-Impairment test on goodwill and brands' of this

Company only financial statements. In addition, €11,818 thousand was spent on consultancy services related to several projects, mainly attributable to the transfer of the registered office in the Netherlands (€5,756 thousand) and to other significant events associated with the business acquisition completed during 2020 and the costs sustained to resolve the situation generated by the malware-attack suffered by Campari Group in November 2020, which led to the deployment of significant defensive measures implemented to protect the Group's IT estate and, therefore, personal and business data stored therein. Finally, in response to the pandemic, the Company proactively supported the local community through donation of cash and alcohol for the production of sanitisers to be used by healthcare workers for the sum of €1,360 thousand. For further information, refer also to paragraph 'Significant events of the year'.

vi. Personnel costs

The breakdown of this item is as follows.

	For the years ending 31 December	
	2020 € thousand	2019 € thousand
Salaries and wages	52,973	50,062
Social security contributions	18,973	17,753
Cost of defined contribution plans	4,859	4,364
Cost of defined benefit plans	49	3
Other costs relating to mid/long-term benefits	(1,762)	5,352
Cost of share-based payments	5,105	3,707
Total personnel costs	80,017	81,241
of which:		
Included in cost of sales	18,981	18,846
Included in selling, general and administrative expenses	60,708	61,947
Included in advertising and promotional expenses ⁽¹⁾	329	447
Total	80,017	81,241

⁽¹⁾ Includes personnel costs relating to the management of brand houses.

Personnel costs in 2020 were stable compared to the figure recorded in 2019. In relation to the business infrastructure in the context of Covid-19, no structural downsizing was undertaken and the containment of variable and discretionary costs was the main driver, achieved by implementing freezes on recruitment and a reduction of employee bonuses. Costs in 2020 reflected a review of incentive estimates linked to targets including also the reversal of medium term incentives accrued in previous years, that unfortunately were not achieved in 2020 due to the pandemic.

vii. Depreciation and amortisation

Depreciation and amortisation recognised in the statement of profit or loss by function, are shown below.

	For the years ending 31 December	
	2020 € thousand	2019 € thousand
- Property, plant and equipment	5,349	5,164
- Intangible assets	156	156
- Right of use assets	635	469
Depreciation and amortization included in cost of sales	6,140	5,789
- Property, plant and equipment	2,599	2,997
- Intangible assets	8,775	7,351
- Right of use assets	925	1,008
Depreciation and amortization included in selling, general and administrative expenses	12,299	11,356
- Property, plant and equipment	49	79
- Intangible assets	-	-
- Right of use assets	89	89
Depreciation and amortization included in advertising and promotional expenses	138	168
- Property, plant and equipment	7,996	8,240
- Intangible assets	8,931	7,506
- Right of use assets	1,649	1,566
Total depreciation and amortization in the statement of profit or loss	18,577	17,313

Depreciation and amortisation totalled €18,577 thousand, up by €1,264 thousand compared to the same period of 2019.

viii. Financial income and expenses

The table below shows the changes in the items relating to financial income and expenses between the years under comparison.

	For the years ending 31 December	
	2020 € thousand	2019 € thousand
Interest expenses on bonds	(22,837)	(34,006)
Interest expenses on loans due to banks	(10,523)	(3,887)
Interest expenses on leases	(98)	(108)
Interest expenses on defined benefit plans	(26)	(73)
Bank charges	(170)	(99)
Exchange rate differences	(4,068)	(659)
Total financial expenses	(37,723)	(38,833)
Bank term deposit interest	605	264
Other income	17	433
Total financial income	621	698
Amortising from put option liabilities and change in estimate	(1,587)	(54,740)
Interest received from related parties	2,004	2,073
Interest paid to related parties	(38)	(5,099)
Total interest received (paid) from/to related parties	1,966	(3,026)
Dividends received from related parties	62,176	13,457
Total dividends from related parties	62,176	13,457
Adjustments to financial income (expenses)	1,370	(1,294)
Adjustments to financial income (expenses)	1,370	(1,294)
Net financial income (expenses)	26,823	(83,739)

In 2020, net financial income was €26,823 thousand, while the previous year the figure reported for net financial expenses was €83,739 thousand. This change was mainly attributable to the change in put option liabilities: in 2020 the change in the review of the original estimate was limited to €1,587 thousand while in 2019 it accounted for €54,740 thousand; this was mainly related to the liquidation of liabilities, net of the related tax effect, arising from the payment of the price supplement to all shareholders of Société des Produits Marnier-Lapostolle S.A..

Dividends of €62,176 thousand were received in 2020 (€13,457 thousand in 2019) and interest income of €1,966 thousand was collected from related parties. For further details, see note 11 vi-‘Related Parties’ of this Company only financial statements.

The adjustments to financial income came to €1,370 thousand (compared to financial expenses of €1,294 thousand in 2019) and were fully related to a liability management transaction for the bank term loan taken out in July 2019, to which minor amendments were made to benefit from improved financial terms and conditions.

Financial income and expenses arising from bond emissions and the related hedging instruments are shown below.

	For the years ending 31 December	
	2020 € thousand	2019 € thousand
Financial expenses to bondholders	(20,183)	(29,822)
Net changes in fair value and other amortized cost components	(1,252)	(1,891)
Cash flow hedge reserve reported in the statement of profit or loss during the year	(1,402)	(2,293)
Net interest expenses on bonds	(22,837)	(34,006)
other financial expenses	-	(1,294)
Net interest payable on bonds	-	(1,294)
Total expenses for bonds	(22,837)	(35,300)

The other financial expenses included last year the effect of the liability management affecting bond items completed in 2019.

For more detailed information about financial management and related changes, see note 10 i-‘Nature and extent of risks arising from financial instruments’ of this Company only financial statements.

ix. Leases components

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

	For the years ending 31 December	
	2020 € thousand	2019 € thousand
Interest of lease	98	108
Depreciation and amortization on right-of-use underlying assets	1,649	1,566
Variable lease payment not included in measurement of lease liability	1,810	1,935
Expense related to leases with low value	654	711
Other	825	301

The Company continued to include variable leases in the statement of profit or loss; they mainly referred to information technology equipment and warehouses for storing products.

x. Taxation

Taxes are calculated based on the applicable regulations at the rates in force, which, in 2020, were 24.0% for IRES (corporate income tax) and 5.57% for IRAP (regional production tax).

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

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

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	
	2020 € thousand	2019 € thousand
- current taxes for the year and previous years	(34,822)	(24,162)
- deferred tax expenses of the year	30,950	(3,041)
- accrual or release for fiscal risk	-	14
Taxes recorded in the statement of profit or loss	(3,872)	(27,188)
Taxes recorded in the statement of comprehensive income	(993)	1,915

	At 31 December	
	2020 € thousand	2019 € thousand
Deferred tax assets	-	-
Deferred tax liabilities	(12,433)	(42,440)
Net deferred tax	(12,433)	(42,440)

In 2020, current taxes of €34,822 thousand included €1,438 thousand relating to previous years. Deferred taxes benefit totalled €30,950 thousand in 2020.

Taxation in 2020 is impacted by the deferred taxes remeasurement on certain goodwill and brands relevant for tax purposes pursuant to article 110 (paras. 8 - 8bis) of the Italian Law Decree no. 104 enacted on August 14, 2020, converted into Law on October 13, 2020, as subsequently amended by Budget Law no. 178 enacted on December 30, 2020.

According to the article indicated above, this benefit is granted to Italian companies and is allowing the step-up of brand and goodwill fiscal values to their corresponding book values, as stated in the Company's separate accounts. Some rules were followed to identify the eligible items to be included in the new tax regime. Among these, the existence of such brands and goodwill in both 31 December 2019 and 2020 accounts is one of the most relevant.

The formal application of the tax benefit will be completed in 2021 as required by law. The Company's Board of Directors, held on 17 December 2020, resolved to adhere to the aforementioned tax rule for eligible intangible assets booked in the Company's separate accounts, resulting in a one-off benefit of €29.9 million to the taxation in 2020 related to the above mentioned remeasurement of deferred taxation, net of the 3% substitutive tax to be paid in order to be eligible for the fiscal benefit.

While the one-off impact is recognised in 2020 accounts, the recurring tax savings expected, thanks to a deductible notional amortisation of the new stepped-up value of brands and goodwill assets valid for fiscal purposes only, will start from fiscal year 2021, generating its cash tax savings effects starting from fiscal year 2022 onwards.

The 2020 taxation did not include any benefit arising from the Patent Box tax scheme expired in 2019 after 5 years. The year 2019 was the last of the five years granted for the one-off tax relief based on the agreements signed with the Italian tax authorities (€25,419 thousand in 2019).

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, taking into account the rates for both IRES and IRAP taxes, which have different tax bases.

Tax base differences are included under permanent differences.

	For the years ending 31 December	
	2020 € thousand	2019 € thousand
Profit before tax	87,164	137,381
Applicable tax rate	29.57%	29.57%
Theoretical taxes at current tax rate	25,775	40,623
Tax incentives	-	(27,463)
Tax benefit from Italian Legislative Decree n.104/2020	(29,885)	-
Permanent differences	4,240	10,922
Taxes relating to previous financial years	1,432	249
Item with different theoretical tax rate	2,309	2,857
Actual tax charge	3,872	27,188
Actual tax rate	4.4%	19.8%

Pre-tax profit represents the basis on which tax is calculated, in accordance with current tax regulations. While in 2019 the tax incentive was mainly attributable to the benefit generated by the Patent Box Regime, the tax incentive in 2020 received by the benefit granted on certain brands and goodwill, as explained above. Permanent differences mainly concern the tax effect of dividends received from subsidiaries and the write down of investments in subsidiaries. Lastly, taxes at rates other than the nominal rate are due to the difference in the taxable bases of IRAP and IRES taxes.

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 At 31 December		Statement of profit or loss For the years ending 31 December		Statement of Comprehensive Income For the years ending 31 December	
	2020 € thousand	2019 € thousand	2020 € thousand	2019 € thousand	2020 € thousand	2019 € thousand
Deferred expenses	223	562	(339)	8	-	-
Taxed funds	1,261	1,419	(158)	(298)	-	-
Past losses	-	-	-	-	-	-
Unrealized exchange losses	-	-	-	-	-	-
Other	8,103	7,775	1,293	533	(965)	1,820
Reclassified in reduction of deferred tax liabilities	(9,587)	(9,756)	-	-	-	-
Deferred tax assets	-	-	796	243	(965)	1,820
Accelerated depreciation	(82)	(87)	5	4	-	-
Gains subject to deferred taxation	(119)	(214)	95	96	-	-
Goodwill and brands deducted locally	(17,860)	(33,439)	15,579	(2,640)	-	-
Goodwill and brands non deducted locally	-	(14,797)	14,797	-	-	-
Cash flow hedging	(1)	(22)	-	-	21	(22)
Unrealized exchange profit	(1,288)	(1,102)	(187)	(629)	-	-
Other	(2,670)	(2,535)	(135)	(115)	-	-
Reclassification of deferred tax assets	9,587	9,756	-	-	-	-
Deferred tax liabilities	(12,433)	(42,440)	30,154	(3,284)	21	(22)
Total	(12,433)	(42,440)	30,950	(3,041)	(944)	1,797

Deferred tax assets arise from temporary differences and mainly relate to costs that are deductible on the basis of certain tax measures, to the creation of taxed provisions (such as the provision for inventory impairment, provisions for risks, provision for expected future losses on receivables), to directors' remuneration and, lastly, to unrealised exchange-rate losses.

Temporary differences that entail the reporting of deferred tax liabilities relate mainly to the amortisation of brands, the deferral of gains made in previous years, accelerated depreciation and amortisation and, lastly, unrealised exchange-rate gains.

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

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

	At 31 December	
	2020 € thousand	2019 € thousand
Income taxes	-	-
Receivables from ultimate shareholders for tax consolidation	-	-
Income tax receivables	-	-
Taxes payable	950	389
Payable to controlling shareholder for tax consolidation	8,616	4,711
Total income tax payables	9,566	5,100

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.

At 31 December 2020, the company's tax payables came to €9,566 thousand due to higher taxable income for both IRES and IRAP purposes compared with the previous year arising from the permanent differences mentioned above and the end of the Patent Box tax benefit regime for the brands.

There were no income tax receivables at 31 December 2020.

7. Operating assets and liabilities

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

For associates and joint ventures statement of profit or loss disclosures are also provided in this section.

i. Property, plant and equipment

The coronavirus outbreak had no significant impact on the Company's operations: in terms of production facilities, all production plants remained operational and complied strictly with the emergency provisions in force to protect the health of workers and their families. There was no interruption in supply from suppliers nor issues with logistics and freight transport activities. The pandemic has had a negative impact on the business, with a consequent need to reshape production planning at factories, which has been managed as part of the normal course of the business. Consequently, the outbreak has not triggered a need to perform a dedicated impairment test out of the normal course of business for the production facilities. The overall recoverability of tangible assets values was included in the impairment test performed on goodwill and brands (see note 7 iii- 'Intangible assets' of this Company only financial statements for additional information).

Changes in this item are shown in the table below.

	Land and buildings € thousand	Plant and machinery € thousand	Other € thousand	Total € thousand
Carrying amount at the beginning of the period	119,028	126,833	23,258	269,119
Accumulated depreciation at the beginning of the period	(50,377)	(106,320)	(18,162)	(174,858)
At 31 December 2019	68,651	20,514	5,096	94,260
Investments	1,011	13,954	1,012	15,976
Depreciation	(3,307)	(3,803)	(886)	(7,996)
Reclassifications	495	10	(74)	431
At 31 December 2020	66,850	30,673	5,147	102,670
Carrying amount at the end of the period	120,533	140,313	24,192	285,039
Accumulated depreciation at the end of the period	(53,684)	(109,640)	(19,045)	(182,369)

Land and buildings

This item included the land occupied by the Novi Ligure facility, the buildings essential for carrying out the business i.e. the building that accommodates the Company's headquarters, and the Canale and Alghero production units. This item also includes the water system, plumbing works and electricity units.

Increases during the year, totalling €1,011 thousand, related to restructuring works at some production facilities.

Plant and machinery

The item included plants, machinery and tanks for the production units, as well as the facilities attached to the Company's headquarters.

Increases during the year, totalling €13,954 thousand, were due to investments in new plants for the production lines at the Novi Ligure and Canale facilities.

Other

This item included various devices, including laboratory equipment and other assets, such as furniture, office equipment, electronic machines, minor equipment, cars and goods vehicles.

Increases during the year, totalling €1,012 thousand, are attributable to various projects mainly associated with maintenance.

ii. Right of use assets

Assets underlying the right of use recognised in the statement of financial position and their related changes are shown in the following table.

Right of use for:	Land and buildings € thousand	Plant and machinery € thousand	Other € thousand	Total € thousand
At 31 December 2019	96	2,620	2,069	4,785
Additions	-	1,264	-	1,264
Depreciation	(9)	(731)	(909)	(1,649)
At 31 December 2020	87	3,152	1,160	4,400
Carrying amount at the end of the period	105	4,481	3,474	8,060
Accumulated amortization at the end of the period	(18)	(1,329)	(2,313)	(3,660)

iii. Intangible assets

- Goodwill and Brands

At 31 December 2020, goodwill and brands came to €355,304 thousand and €223,770 thousand respectively.

Changes in goodwill and brands during the period were as follows.

	Goodwill € thousand	Brands € thousand
At 31 December 2019	355,304	239,379
Amortization	-	(155)
Impairment loss	-	(15,453)
At 31 December 2020	355,304	223,770

The impairment loss of €15,453 thousand, recognised during the year, was attributable to Glen Grant brand. To this end, reference should be made to the note 7 iii- 'Intangible assets-Impairment test on goodwill and brands'.

Intangible assets with an indefinite life are represented by goodwill and brands, from which the Company expects to obtain a positive contribution in terms of cash flow for an indefinite period of time.

The breakdown of the brands is as follows.

	At 31 December	
	2020 € thousand	2019
Brands with indefinite useful life		
The GlenGrant and Old Smuggler	88,810	104,263
Averna and Braulio	65,487	65,487
Frangelico	53,972	53,972
Riccadonna-Mondoro, of which:	12,328	12,328
<i>Riccadonna</i>	11,300	11,300
<i>Mondoro</i>	1,028	1,028
Cynar	1,626	1,626
Cinzano	772	772
Total brands with indefinite useful life	222,994	238,447
Brands with definite useful life		
X-Rated Fusion Liqueur	777	932
At 31 December	223,770	239,379

Goodwill and brands with an indefinite life are not amortised but are instead subject to impairment tests which are carried out annually or more frequently, if events or changes in circumstances indicate a possible loss. At 31 December 2020, the impairment tests carried out on both brands and goodwill reported in the financial statements led to an impairment on The Glen Grant brand of €15,453 thousand.

Brands with a finite life include the X-Rated Fusion Liqueur brands. In 2015, its useful life was reviewed and determined as a total of ten years from 2016. Amortisation for 2020 totalled €155 thousand.

- Intangible assets with a finite life

Changes in this item are shown in the table below.

	Software € thousand	Other € thousand	Total € thousand
Carrying amount at the beginning of the period	57,079	11,227	68,306
Accumulated amortization at the beginning of the period	(33,885)	(6,426)	(40,311)
At 31 December 2019	23,194	4,801	27,995
Investments	6,175	-	6,175
Disposal	(321)	-	(321)
Amortisation	(8,057)	(719)	(8,776)
Reclassification	57	-	57
At 31 December 2020	21,047	4,082	25,129
Carrying amount at the end of the period	62,990	11,227	74,216
Accumulated amortization at the end of the period	(41,943)	(7,144)	(49,087)

Intangible assets with a finite life are amortised according to their remaining useful life.

Net investment in information technology, totalling €6,175 thousand, related to the completion of major projects to integrate company information technology systems with the new global platform. The systems of all Group companies will also be migrated to the new platform in the coming years. These investments were not only for operational purposes, but also related to business intelligence and business process management.

- Impairment test on goodwill and brands

With reference to the impairment tests on the intangible assets of Davide Campari-Milano N.V., aggregate goodwill was measured using the fair value criterion less the cost of sales. This methodology applies parameters associated with the valuation assigned to comparable businesses acquired, in an active market, in terms of type of business acquired and transaction structure. These are implicit parameters or multiples derived from the ratio between the acquisition price and specific economic and financial values relating to those companies. The fair value method was used to determine the recoverable amount of goodwill, using the EV/EBITDA (enterprise value/earnings before interest, taxes, depreciation, and amortisation) multiple, associated with a sample of transactions comparable to the acquisition. The use of this multiple is considered particularly effective as it avoids distortions caused by different tax regulations and financial structures; it is less sensitive to distortions caused by variations in extraordinary profit and facilitates comparison at international level.

In 2020, the business performance of Davide Campari-Milano N.V. was negatively affected by the Covid-19. Net sales were down 10.2% compared with last year and profitability even to a larger extent. Nevertheless, given the substantial recoverable amount, the impairment test, based on the methodology set out above revealed that the value of goodwill was fully recoverable at 31 December 2020 with sizable headroom.

In addition, in view of the current market volatility and uncertainty as to the future economic outlook, a sensitivity analysis was carried out on the recoverable value of the Company's goodwill, assuming a reduction of up to 20% of the financial value to which the multiple is applied. The sensitivity analysis referred to above confirmed that goodwill is fully recoverable. The impairment test of the Company's goodwill at 31 December 2020 confirmed the value of €355,304 thousand shown in the previous note.

In addition, the Company tests the recoverability of the value of brands with an indefinite life using the methodology described in note 7 v-'Impairment test on goodwill and brands' of Campari Group consolidated financial statements at 31 December 2020, to which full reference is made. As at 31 December 2020, the overall value of brands owned by Davide Campari-Milano N.V. amounted to €223,770 thousand, down by €15,608 thousand compared with the last year's note, reflecting the impairment loss (€15,453 thousand) registered by The Glen Grant brand, heavily affected by the pandemic given its relevant exposure to the Global Travel Retail, as well as the amortisation of brands with limited useful life.

iv. Investments in subsidiaries and associates and share of profit (loss) of associates

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

€ thousand	At 31 December 2019	Stock option increase	Increases	Decreases	At 31 December 2020
Campari America, LLC	504,632	1,428	-	-	506,060
Campari Benelux S.A.	124,348	57	-	(43,398)	81,007
Campari do Brasil Ltda.	127,942	128	-	(56,000)	72,070
Campari España S.L.	328,953	398	-	-	329,352
Campari International S.r.l.	1,099	170	-	-	1,269
Campari Services S.r.l. in liquidazione	497	-	-	(497)	-
DI.CI.E. Holding B.V.	42,884	1,287	-	-	44,171
Glen Grant Ltd.	177,357	423	-	(16,000)	161,781
Société des Produits Marnier Lapostolle S.A.	490,039	137	-	(11,913)	478,264
SPML - Commitment to purchase residual shares	175,071	-	-	-	175,071
Camparino S.r.l.	8,594	-	3,500	(4,800)	7,294
Terrazza Aperol S.r.l.	-	-	4,240	(100)	4,140
Investments in subsidiaries	1,981,417	4,029	7,740	(132,708)	1,860,480
Tannico e Wineplatform S.p.A.	-	-	25,425	(696)	24,729
Investments in associates	-	-	25,425	(696)	24,729
Total investments	1,981,417	4,029	33,165	(133,404)	1,885,208

The changes in investments in subsidiaries during the year relate to the following events:

Decreases

- During 2020, several investments in subsidiaries were subject to the recognition of impairment losses mainly due to the change in the macro-economic context occurred during the year leading the decision to align the investment values of some subsidiaries to the greater value between the related fair values and net asset carrying amounts. An overall amount of €77,066 thousand was recognized in the statement of profit or loss and related to Campari do Brasil Ltda for an amount of €56,000 thousand, Glen Grant Ltd. for an amount of €16,000 thousand, Camparino S.r.l. for an amount of €4,800 thousand and Terrazza Aperol S.r.l. for amount of €100 thousand. The key assumptions for the value in use applied for Campari do Brasil Ltda were a weighted average discount rate of 8.8% and a long term growth rate of 3.2%. The cash flows were based on a ten year projection with a terminal value, similar as disclosed under goodwill impairment. In December 2020, Campari Services S.r.l. liquidation process led to a refund of capital of €331 thousand represented as decrease in the investment. The residual value totalling €166 thousand was written-down in the statement of profit or loss and compensated by the release of €500 thousand of the provision for risks and charges accrued in previous year;
- In November 2020, Campari Benelux S.A. made a payment to the Company of €45,760 thousand, of which €2,362 thousand was for dividends and €43,398 thousand as a refund of the capital originally paid;
- In September 2020, Société des Produits Marnier Lapostolle S.A. paid an extraordinary dividend of €11,913 thousand to former shareholders in addition to the amount of €59,814 thousand paid to the Company. This amount reduced the committed liability assumed by the Company to be settled in favour of former shareholders with the corresponding amount deducted from the value of the investment.

Increases

- In November 2020, the Company secured a space in Venice (Campo Santo Stefano). The consideration paid for acquiring Terrazza Aperol S.r.l., hosting the leasing agreement for the location in the heart of Venice, was €4,240 thousand including related acquisition costs;
- In December 2020, the Company made a capital contribution of €3,500 thousand to Camparino S.r.l. through the waiver of debt owed by the latter; the same amount was part of the impairment loss recorded during the year on the investment;
- Other changes in the value of shareholdings arose from the capitalisation of the value of investments in units in stock option plans granted to directors and employees of subsidiaries.

The changes in investments in associates during the year of €25,425 thousand were related to the transaction undertaken for the acquisition of 49% interests in Tannico S.p.A..(refer to the paragraph 'Significant events of the year') and composed as follows:

- the total consideration paid for the 49% interest was €23,825 thousand including related acquisition costs. Under the investment agreement, the Company will have the option of increasing its interest to 100% from 2025 onwards, subject to certain conditions: based on the nature of the agreement no liability is to be included in the Company's accounts as of 31 December 2020 (refer to note 11 iv-'Commitments and risks' of this Company only financial statements);
- a committed liability arising from the agreement and linked to the associates personnel compensation scheme for €1,600 thousand at 31 December 2020 is included in the Company account under the liabilities for put options and earn-out line item: the fair value of this committed liability is measured on an annual basis and reflected as an increase in the investment with no impact on the statement of profit or loss.

Finally, the application of the equity method valuation at year end has led to the recognition of an investment decrease of €696 thousand recognized in the statement of profit or loss as share of loss of associates. In relation to the acquisition of interests in Tannico, any commitment to increase the ownership in the associate, in the form of put and/or call option, is booked as derivative financial instruments measured at fair value with impact in the Campari Group statement of profit or loss. At 31 December 2020 the fair value was negligible (refer also to note 9 viii-‘Financial instruments-disclosures’ for additional information).

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

Name	Head office	Currency	Share value in local currency	Equity value € thousand	Profit (loss) of the year € thousand	Investment percentage	Carrying amount € thousand
Campari Beijing Trading Co. Ltd.	Beijing	CNY	104,200,430	(1,136)	(2,837)	-	100.00
Campari America, LLC	New York	USD	566,321,274	1,265,961	62,410	100.00	-
Campari Argentina S.A. ⁽¹⁾	Buenos Aires	ARS	5,197,695,304	16,227	(3,434)	-	100.00
Campari Australia Pty Ltd.	Sydney	AUD	56,500,000	66,770	4,042	-	100.00
Campari Austria GmbH	Vienna	EUR	500,000	1,544	835	-	100.00
Campari Benelux S.A.	Brussels	EUR	1,000,000	128,375	1,080	61.00	39.00
Campari Deutschland GmbH	Munich	EUR	5,200,000	13,246	6,959	-	100.00
Campari do Brasil Ltda.	Alphaville-Barueri-SP	BRL	239,778,071	47,127	(4,381)	99.999	0.001
Campari España S.L.	Barcelona	EUR	3,272,600	341,848	3,638	100.00	-
Campari India Pte Ltd. ⁽²⁾	New Delhi	INR	120,810,330	0	458	-	-
Campari International S.r.l.	Sesto San Giovanni	EUR	700,000	5,773	1,456	100.00	-
Campari Services S.r.l. in liquidazione ⁽⁴⁾	Sesto San Giovanni	EUR	160,000	70	(1,848)	100.00	-
Campari Mexico S.A. de C.V.	Guadalajara	MXN	1,670,184,642	65,174	(8,755)	-	100.00
Campari New Zealand Ltd.	Auckland	NZD	10,000	1,554	294	-	100.00
Campari Peru SAC	Lima	PEN	34,733,589	10,993	1,752	-	100.00
Campari RUS OOO	Moscow	RUB	2,010,000,000	29,221	4,251	-	100.00
Campari Schweiz A.G.	Baar	CHF	500,000	1,973	1,235	-	100.00
Campari Singapore Pte Ltd.	Singapore	SGD	100,000	(760)	(1,345)	-	100.00
Campari South Africa Pty Ltd.	Cape Town	ZAR	490,247,750	27,355	297	-	100.00
Campari Ukraine LLC	Kiev	UAH	87,396,209	4,975	13	-	100.00
DI.CI.E. Holding B.V.	Amsterdam	EUR	15,015,000	303,261	(39,375)	100.00	-
Forty Creek Distillery Ltd.	Grimsby	CAD	105,500,100	41,236	4,483	-	100.00
Glen Grant Ltd.	Roths	GBP	24,949,000	162,346	(17,550)	100.00	-
J. Wray&Nephew Ltd.	Kingston	JMD	750,000	160,054	4,797	-	100.00
Kaloyannies-Koutsikos Distilleries S.A.	Volos	EUR	6,811,220	23,361	7,192	-	100.00
Société Civile Immobilière DU VAL	Paris	EUR	16,769,392	16,609	78	-	91.64 ⁽³⁾
Société des Produits Marnier Lapostolle S.A. 's'	Paris	EUR	27,157,500	184,226	721	91.64 ⁽³⁾	-
Marnier-Lapostolle Bisquit SASU	Paris	EUR	112,759,856	248,562	16,175	-	91.64 ⁽³⁾
Camparino S.r.l.	Milano	EUR	48,880	3,065	(1,954)	100.00	-
Campari Mexico Corporativo, S.A. de C.V.	Guadalajara	MXN	5,050,000	436	69	-	100.00
Campari Mexico Destiladora, S.A. de C.V.	San Ignacio Cerro Gordo	MXN	5,050,000	302	55	-	100.00
Bellonnie et Bourdillon Successeurs S.A.S.	Ducos Martinique	EUR	5,100,000	18,366	(442)	-	88.46
Distilleries Agricoles De Sainte Luce S.A.S.	Ducos Martinique	EUR	2,000,000	966	(944)	-	88.46
SCEA Trois Rivières	Ducos Martinique	EUR	5,920	1,505	170	-	88.46
Casa Montelobos, S.A.P.I. de C.V.	Mexico City	MXN	144,823,850	2,870	(1,169)	-	51.00
Licorera Ancho Reyes y cia, S.A.P.I. de C.V.	Mexico City	MXN	177,888,738	1,057	(521)	-	51.00
Campari France Distribution S.A.S.	Paris	EUR	1,200,000	16,586	3,396	-	91.64 ⁽³⁾
Champagne Lallier S.a.r.l.	Ay	EUR	3,575,420	7,113	15	-	73.31
Sci Athena	Ay	EUR	1,000	(111)	(193)	-	73.31
Scev Des Gloriettes	Ay	EUR	34,301	67	41	-	73.31
Les Rives de Marne S.a.r.l.	Ay	EUR	100,000	265	(74)	-	73.31
Terrazza Aperol S.r.l.	Venice	EUR	20,000	(73)	(98)	100.00	-
Total investments in subsidiaries							1,860,480

(1) The share capital shown does not include the effects of applying accounting principles relating to hyperinflation.

(2) The statement of financial position ends on 31 March.

(3) This figure does not include the portion of capital with right of usufruct, equal to 1.65%, whose bare ownership is held by shareholders of Société des Produits Marnier Lapostolle S.A. who hold 8.36% of the capital, which is covered by agreements for repurchases to be made by 2021.

(4) Company in liquidation. Values as of last approved financial statements at 31 December 2019.

Any excess of the carrying value of the investment to the related net equity value is not considered representative of impairment losses. In-deep analysis based on cash generation of the subsidiary has been carried out to assess the investment recoverability, considering also the related expected profitability. The evaluation performed was consistent with the impairment test on goodwill and brands.

v. Other non-current assets

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

	At 31 December	
	2020 € thousand	2019 € thousand
Equity investment in other companies	72	92
Other non-current receivables from related parties	1,825	2,241
Other non-current tax receivables	1,427	3,321
other assets	149	149
Total other non-current assets	3,473	5,803

Non-current assets included tax receivables of €1,427 thousand, which mainly referred to the right to a refund of the additional income tax paid in previous years due to the non-deductibility of the IRAP tax, in relation to employee costs, for which the Company has submitted the relevant applications for a refund.

The change compared to the previous year was related to the receipt of refunds for the period between 2004 and 2006.

vi. Other current assets

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

	At 31 December	
	2020 € thousand	2019 € thousand
Advances to suppliers	2,202	338
Prepaid expenses	3,220	3,920
Receivable for Group to Parent Company	1,192	-
Receivables from related parties	4,800	5,847
Other receivables from tax authorities	-	132
Other	1,643	1,119
Other assets	13,056	11,356

All receivables are due within 12 months and their carrying amount is considered to be close to their fair value.

For further details on receivables from related parties, please refer to note 11 vi-‘Related parties’ of this Company only financial statements.

The table below reflects a breakdown of receivables (the full other current asset balance excluding prepaid expenses) by maturity.

At 31 December 2020	Other receivables ⁽¹⁾ € thousand	of which related parties € thousand	Provision for bad debts € thousand
Not overdue	9,836	5,992	-
Overdue	193	-	(193)
Within 1 year	193	-	(193)
Total receivables broken down by maturity	10,029	5,992	(193)
Amount impaired	(193)	-	-
Total	9,836	5,992	-

⁽¹⁾ The item does not include prepaid expenses.

At 31 December 2019	Other receivables ⁽¹⁾ € thousand	of which related parties € thousand	Provision for bad debts € million
Not overdue	7,192	5,420	(193)
Overdue	437	427	-
Within 1 year	437	427	-
Total receivables broken down by maturity	7,628	5,847	(193)
Amount impaired	(193)	-	-
Total	7,436	5,847	-

⁽¹⁾ The item does not include prepaid expenses.

The following table shows the changes in the bad debt provision on other receivables in the period.

€ thousand	Bad debt provision Other receivables
At 31 December 2019	193
Accruals	-
Utilizations	-
Releases	-
At 31 December 2020	193

vii. Other non-current liabilities

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

	At 31 December	
	2020 € thousand	2019 € thousand
Employee benefit	509	5,177
Other	541	541
Other non-current liabilities	1,050	5,718

The changes during the year to other non-financial liabilities are mainly related to medium- to long-term liabilities relating to incentive-based plans accrued on behalf of employees, which at 31 December 2020 stood at €509 thousand. The long-term liability connected to medium and long-term employee incentive reflected the review of

the incentive estimates linked to targets, which unfortunately were not achieved during 2020 as a result of the pandemic.

viii. Other current liabilities

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

	At 31 December	
	2020	2019
	€ thousand	€ thousand
Payables to staff	20,358	20,563
Payables to agents	1,242	1,228
Deferred income	579	673
Value added tax	46	-
Tax on alcohol production	1,760	2,644
Withholding and miscellaneous taxes	1,990	1,588
Other current liabilities to related parties	331	1,107
Payables for Group VAT	-	2,465
Other	1,359	2,032
Other current liabilities	27,665	32,300

As at 31 December 2020, there was no payable for Group VAT to be paid to the controlling shareholder Lagfin S.C.A., Société Anonyme par Actions. For further details on payables to related parties, see note 11 vi-‘Related parties’.

The following table shows a breakdown of payables by due date.

At 31 December 2020	On demand	Within 1 year	Total
	€ thousand	€ thousand	€ thousand
Other payables	7,037	20,628	27,665
<i>of which related parties</i>	-	331	331
Total	7,037	20,628	27,665

At 31 December 2019	On demand	Within 1 year	Total
	€ thousand	€ thousand	€ thousand
Other payables	1	32,298	32,300
<i>of which related parties</i>	-	3,572	3,572
Total	1	32,298	32,300

ix. Capital grants

Capital grants mainly relate to the funds received for investments in production plants at Novi Figure.

The following table provides details of changes in deferred income relating to capital grants.

	Deferred Income
	€ thousand
At 31 December 2019	664
Amounts posted to the statement of profit or loss	(86)
Other changes	-
At 31 December 2020	578

	Deferred income
	€ thousand
At 31 December 2018	730
Amounts posted to the statement of profit or loss	(106)
Other changes	40
At 31 December 2019	664

x. Assets held for sale

At 31 December 2020, assets held for sale have been totally impaired, for an amount equal to €1,022 thousand. The item was related to a residual portion of the Termoli site.

8. Operating working capital

This section breaks down the Company's operating working capital into the various items that are managed to generate the Company's performances.

While the coronavirus outbreak had a significant impact on net sales, it did not trigger any significant changes in customer contracts. An in-depth analysis has been conducted to accurately review the expected credit losses on receivables and to reassess the likelihood of the Company collecting the considerations to which it is entitled.

Significant judgements were used in determining whether an anticipated partial payment indicated that there was an implicit price concession to be accounted for or there is an impairment loss. The reassessment did not indicate

any change in the actual business model to manage financial instruments and highlighted an increase in risk that did not have a significant impact on the annual figures in which it is reflected.

To facilitate the management of liquidity during this volatile year, the Company entered into reverse factoring agreements with a limited number of trusted suppliers. A detailed analysis was conducted to define the proper representation of these agreements within the Company figures: the trade payables under reverse factoring agreements continued to be classified as a component of the operating working capital without their separate disclosure as primary line items in the Company's financial statements given the immateriality of the exposure.

The coronavirus outbreak has not generated the need to include dedicated and additional adjustments to be reflected in the net realisable value of inventories nor to change the production cost allocation linked to inefficiencies.

i. Trade receivables

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

	At 31 December	
	2020 € thousand	2019 € thousand
Trade receivables from third parties	13,329	19,399
Trade receivables from related parties	75,908	84,666
Receivables in respect of contributions to promotional costs	864	2,219
Trade receivables	90,100	106,285

All receivables are due within 12 months and their carrying amount is considered to be close to their fair value.

At 31 December 2020 the trade receivables item is reported net of the related impairment provision for expected future losses, which reflects the effective collection risk.

For further details on receivables from related parties, please refer to note 11 vi-‘Related parties’.

The table below reflects receivables broken down by maturity.

At 31 December 2020	Trade receivables ⁽¹⁾ € thousand	of which related parties € thousand	Provision for expected future losses € thousand
Not overdue	80,738	75,071	90
Overdue	11,228	837	(2,551)
Less than 30 days	5,410	-	-
30-90 days	1,818	-	-
Within 1 year	1,186	824	-
Within 5 years	1,313	13	(1,051)
Due after 5 years	1,500	-	(1,500)
Total receivables broken down by maturity	91,966	75,908	(2,462)
Amount impaired	(2,462)		
Total	89,505	75,908	

⁽¹⁾ The item does not include prepaid expenses.

At 31 December 2019	Trade receivables ⁽¹⁾ € thousand	of which related parties € thousand	Provision for expected future losses € million
Not overdue	77,869	75,767	134
Overdue	30,588	8,900	(2,666)
Less than 30 days	20,076	1,675	-
30-90 days	3,429	1,190	(426)
Within 1 year	3,903	3,903	(366)
Within 5 years	3,182	2,132	(1,875)
Due after 5 years	-	-	-
Total receivables broken down by maturity	108,458	84,666	(2,532)
Amount impaired	(2,532)		
Total	105,925	84,666	

⁽¹⁾ The item does not include prepaid expenses.

The following table shows the changes in impairment provision for expected future losses on receivables in the period.

€ thousand	Bad debt provision expected credit loss Trade receivables
At 31 December 2019	2,532
Accruals	127
Utilizations	(198)
Releases	-
At 31 December 2020	2,462

The provision for expected future losses includes the impairment of specific receivables in order to reflect the estimated realisable value in the accounts and an estimate for expected credit losses on receivables, and stood at €2,462 thousand at 31 December 2020. Utilisations are mainly due to the settlement of lawsuits outstanding from previous years.

The table below sets out the information in relation to the credit risk exposure on the Company's trade receivables using a provision matrix:

At 31 December 2020 ⁽¹⁾	Current € thousand	<30 days € thousand	30-90 days € thousand	< 1 year € thousand	< 5 years € thousand	Total € thousand
Credit loss rate	0.7%	0.6%	0.2%	1.1%	12.7%	15.3%
Estimated total gross carrying amount at default	5,667	5,410	1,818	362	2,801	16,058
Provision for expected credit losses	(109)	(104)	(35)	(176)	(2,038)	(2,462)

⁽¹⁾ The table does not include receivables to related parties and prepaid expenses.

At 31 December 2019 ⁽¹⁾	Current € thousand	<30 days € thousand	30-90 days € thousand	< 1 year € thousand	< 5 years € thousand	Total € thousand
Credit loss rate	0.1%	0.9%	0.1%	1.5%	7.9%	10.6%
Estimated total gross carrying amount at default	2,103	18,401	2,238	-	1,050	23,792
Provision for expected credit losses	(26)	(226)	(27)	(366)	(1,888)	(2,532)

⁽¹⁾ The table does not include receivables to related parties and prepaid expenses.

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

ii. Trade payables

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

	At 31 December	
	2020 € thousand	2019 € thousand
Trade payables to third parties	97,052	83,276
Trade payables to related parties	15,686	9,905
Trade payables	112,738	93,181

The above payables are all due within 12 months. For further details on payables to related parties, see note 11 vi-'Related parties' of this Company only financial statements.

At 31 December 2020	On demand € thousand	Within 1 year € thousand	Total € thousand
Trade payables	2,157	110,581	112,738
of which related parties	-	15,686	15,686
Total	2,157	110,581	112,738

At 31 December 2019	On demand € thousand	Within 1 year € thousand	Total € thousand
Trade payables	12,078	81,103	93,181
of which related parties	-	9,905	9,905
Total	12,080	115,562	123,016

The payment terms applied to suppliers are generally 60 days from the end of the month of invoice.

The increase in the 2020 balance at year end compared to the previous year is mainly attributable to phasing effects. During 2020, the Company launched its first supplier reverse factoring programme in cooperation with an external banking provider. The pilot programme kicked off involving a first wave of strategic partners based in Italy with the aim to allow participating suppliers to receive early payments on their invoices. Given the nature of the programme and the substance of the transaction, the trade payable included in the programme continued to be classed as a trade payable and the programme generated an increase in payables of approximately €7,000 thousand at 31 December 2020.

iii. Inventories

The breakdown of inventories is as follows:

	At 31 December	
	2020 € thousand	2019 € thousand
Raw materials, supplies and consumables	16,020	13,532
Maintenance materials	1,109	1,076
Work in progress	35,248	33,198
Finished goods	40,462	31,492
Inventories	92,840	79,298

At 31 December 2020, the total value of inventories had increased by €13,542 thousand, due to the impact of the pandemic on consumption. The level of inventory was however considered to be at an acceptable level for ordinary management.

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

	€ thousand
At 31 December 2019	1,247
Accruals	745
Utilisation	(848)
At 31 December 2020	1,144

9. Net financial debt

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

The pandemic has clearly had a negative impact on the business and this has resulted in the need for an in-depth analysis of the potential consequential impact on financial performance. As part of this assessment, certain characteristics specific to the Company's situation have been taken under consideration. As far as financial assets are concerned, the fact that the Company is not exposed to concentration since assets are spread over a different number of high standing financial counterparts, granted that no specific risks were faced. With regard to financial liabilities, there were no specific issues to be addressed since there are no covenants on existing debt and the Company's financial structure has been boosted by significant available credit lines; no renegotiation of interest rate or other terms of existing agreements (derivatives included), that would not be needed by the Company in the normal course of its business, have been requested and the fact that the Company's loan profile is mainly at fixed interest rate granted the not direct exposure to market risks. In terms of lease and rental agreements, there have been no significant contract amendments directly linked to the outbreak and no significant rental concessions have been agreed with lessors exclusively for Covid-19.

To facilitate the management of liquidity during this volatile year, the Company entered into reverse factoring agreements with a limited number of trusted suppliers. A detailed analysis was conducted to define the proper representation of these agreements within the Company's figures: the trade payables under reverse factoring agreements continued to be classified as a component of operating working capital without their separate disclosure as primary line items in the financial statements given the immateriality of the exposure.

A separate analysis has been performed with reference to put option and earn out agreements valued at fair value and where the basis of the estimate is associated with brand performance; the analysis was performed in conjunction with the impairment test on intangible assets, to ensure the homogeneity and coherence in the assessment.

i. Cash and cash equivalents

The table below provides a reconciliation of this item with the cash and cash equivalents shown on the statement of cash flow.

	At 31 December	
	2020 € thousand	2019 € thousand
Bank current accounts and cash	69,683	256,971
Cash and cash equivalents	69,683	256,971

At 31 December 2020, cash and cash equivalents totalled €69,683 thousand, showing a decrease compared to the previous year's figure of €187,288 thousand, due to the impact of the pandemic on the business and main events occurred during the year as mentioned in paragraph 'Net financial debt' of the management report. During this volatile year, the Company implemented a range of actions to monitor and manage cash in order to satisfy all

financial needs. Notwithstanding the impact of the pandemic on the business, the Company was able to meet all existing financial commitments, including dividend payments and the completion of business acquisition. For further details on the liquidity management, consult the cash flow information and net financial position (note 9 vii- 'Reconciliation with net financial debt and with the cash-flow statement').

ii. Other current financial assets

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

	At 31 December	
	2020	2019
	€ thousand	€ thousand
Financial receivables from related parties	112,897	140,747
Valuation at fair value of forward contracts	109	94
Other financial assets	1,005	5,487
Other current financial assets	114,011	146,328

At 31 December 2020, financial receivables from related parties, totalling €112,897 thousand, were mainly associated with short-term loans for the cash pooling system granted by Davide Campari-Milano N.V. to various Group companies, including: DI.CI.E. Holding B.V. (€60,360 thousand), Campari España S.L. (€28,556 thousand) and Bellonnie et Bourdillon S.A.S. (€9,654 thousand). These financial assets were determined at interest rates in line with market conditions. For further details, see note 11 vi- 'Related Parties'.

Other financial assets included a financial receivable of €1,005 thousand from Terra Moretti S.r.l. for payments due in 2021 connected with the sale of Sella&Mosca S.p.A. and Teruzzi&Puthod S.r.l. completed in previous years. The long-term portion of receivables associated with the same transaction is reflected below in note 9 iii- 'Other non-current financial assets'.

iii. Other non-current financial assets

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

	At 31 December	
	2020	2019
	€ thousand	€ thousand
Financial receivables	3,000	-
Term deposit	-	5,229
Non-current financial assets	3,000	5,229

Non-current financial assets included a financial receivable of €3,000 thousand associated with the sale of Sella&Mosca S.p.A. and Teruzzi&Puthod S.r.l. which, following renegotiation with the counterpart, have been rescheduled to be collected on a gradual basis from next year until 2023. The short-term portion of this interest-bearing receivable has been reclassified under current financial assets.

The term deposit reported at 31 December 2019 for an amount of €5,229 thousand was repaid during 2020 for €5,100 thousand, resulting in a financial loss of €129 thousand.

iv. Lease components

Changes in lease liabilities are provided in the following table.

Lease payables	At 31 December 2019	Addition	Payments	interest expenses	Reclassification	At 31 December 2020
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Within 12 months	(1,485)	-	-	-	150	(1,335)
Over 12 months	(3,345)	(1,264)	1,677	(98)	(150)	(3,179)
Total lease payables	(4,830)	(1,264)	1,677	(98)	-	(4,514)

The main average IBR in 2020 and 2019 were as follows.

For the year ending 31 December 2020 - Currency	Within 5 years	From 5 to 10 years	Over 10 years
EUR	1.0%	1.2%	1.3%
For the year ending 31 December 2019 - Currency	Within 5 years	From 5 to 10 years	Over 10 years
EUR	1.7%	2.1%	2.7%

The amounts recognised in the cash flow were as follows.

	For the years ending 31 December	
	2020	2019
€ thousand		
Total cash outflow for leases	1,579	1,629

The table below reflects the breakdown of the lease liabilities by asset class.

€ thousand	Within 12 months	Over 12 months	Total
Machinery	(612)	(2,528)	(3,140)
Vehicles	(636)	(560)	(1,196)
IT equipment	(90)	-	(90)
Buildings	(8)	(81)	(89)
Land	-	-	-
Other	-	-	-
Total financial liabilities for leases at 31 December 2020	(1,346)	(3,169)	(4,514)

€ thousand	Within 12 months	Over 12 months	Total
Machinery	(400)	(1,972)	(2,372)
Vehicles	(901)	(1,193)	(2,094)
IT equipment	(177)	(90)	(267)
Buildings	(8)	(89)	(97)
Land	-	-	-
Other	-	-	-
Total financial liabilities for leases at 31 December 2019	(1,485)	(3,345)	(4,830)

v. Non-current financial debt

The breakdown of bonds and other non-current liabilities is shown in the table below.

	At 31 December	
	2020 € thousand	2019 € thousand
Bonds issued in 2017	200,000	200,000
Bonds issued in 2019	149,514	149,373
Bonds issued in 2020	545,169	-
Total bonds	894,682	349,373
Loans due to banks	310,948	248,810
Lease payables	3,179	3,345
Liabilities for put option and earn-out payments	51,987	103,896
Non-current financial liabilities	366,114	356,051

- Bonds

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

- bond issued in 2017 by the Parent Company, maturing on 5 April 2022, with a nominal value of €50,000 thousand. The bond pays a fixed annual coupon of 1.768%;
- bond issued in 2017 by the Parent Company, maturing on 5 April 2024, with a nominal value of €150,000 thousand. The bond pays a fixed annual coupon of 2.165%;
- bond issued in 2019 by the Parent Company, maturing on 30 April 2024, with a nominal value of €150,000 thousand. The bond pays a fixed annual coupon of 1.655%;
- bond issued on 6 October 2020 by the Parent Company, maturing on 6 October 2027, with a nominal value of €550,000 thousand. The issue price was 99.76% and the bond pays a fixed annual coupon of 1.25% with the effective gross yield to maturity at 1.37%.

The changes recorded in 2020 relating to the effects of the amortised cost of the above bonds were negative at €1,252 thousand.

- Liabilities and loans due to banks

This item includes euro-denominated loans entered into with leading banks. The interest is mainly calculated at floating market rates.

- Term loan subscribed in 2019 with a nominal amount of €250,000 thousand with an interest rate of 3-month Euribor plus a 1.126% spread, inclusive of the related interest rate swap, maturing on 31 July 2024 and recently amended to benefit from better financial terms and conditions. The loan was accompanied by a revolving credit facility for the same amount and maturity, at the 3-month Euribor interest rate plus a 0.75% spread, as well as drawdown fees. The revolving credit facility remained unused at 31 December 2020;
- loan subscribed on 27 May 2020 for a nominal amount of €95,000 thousand, amortising with a final maturity on 30 June 2022 at an interest rate of 0.75% and up-front fees of 0.20%, of which €57,000 thousand were reclassified as short-term liability;
- loan subscribed on 25 June 2020 for a nominal amount of €50,000 thousand, amortising with a final maturity on 25 June 2023 at the 3-month Euribor interest rate with no floor plus a 1.227% spread and up-front fees of 0.35%. During 2020, €25,000 thousand were reclassified as a short-term liability, of which €8,333 thousand have been repaid.

- Leases

This item includes a financial liability of €3,179 thousand reflecting the obligation to make lease payments.

- Liabilities for put options and earn out

At 31 December 2020, this item related to a payable of €50,387 thousand, arising from the agreements signed with the former controlling shareholders of Société des Produits Marnier Lapostolle S.A., for the purchase of all remaining shares held by them by the end of 2023. This final balance also includes a commitment of €4,230 thousand arising from the sale of the Villa Les Cèdres in 2019. The change in the year was mainly related to the payment corresponding to the purchase of a number of the remaining shares held by previous shareholders in Société des Produits Marnier Lapostolle S.A. pursuant to the agreement in place, and the recognition of the effect of non-cash amortised costs. This amount is net of the current portion reported as a current financial liability accordingly.

vi. Current financial debt

The breakdown of Current financial debt is shown in the table below.

	At 31 December	
	2020 € thousand	2019 € thousand
Current portion of bond (Eurobond) issued in 2015	-	579,982
Accrued interest on bonds	6,342	8,749
Loans due to banks	213,741	45
Lease payables	1,335	1,485
Liabilities for put option and earn-out payments	-	28,597
Financial liabilities on hedging contracts	35	116
Current liabilities for hedge derivatives, not reported using hedge accounting procedures	1	1,457
Financial liabilities with related parties	207,296	440,507
Other financial liabilities	382	2,004
Current financial liabilities	429,132	1,062,943

- Bonds

At 31 December 2019, this item included the 2015 Eurobond, which was reported for a residual nominal amount of €580,942 thousand, due on 30 September 2020. The bond paid a fixed annual coupon of 2.75% and the nominal issue price was 99.715%, corresponding to a gross return of 2.807%. The amount was repaid on-time by its original expiration date.

- Liabilities and loans due to banks

At 31 December 2020 the liabilities and loans due to banks increased by €213,696 thousand following the subscription of new short-term loans and credit facilities with the aim of further strengthening the Company's financial structure and achieving greater flexibility to respond to the current macroeconomic volatility in a timely manner.

- Leases

This item totalled €1,335 thousand, including the financial liability involving the obligation to make lease payments.

- Liabilities for put options and earn out

At 31 December 2019 this item was fully related to the part of the liability arising from the agreements signed with the former controlling shareholders of Société des Produits Marnier Lapostolle S.A.. At 31 December 2020 the full amount due in 2021 was fully repaid and the residual long-term portion due after 2021 has been recognised as non-current financial debt in note 9 v- 'Non-current financial debt' above.

- Financial liabilities with related parties

At 31 December 2020, the item totalled €207,296 thousand, resulting from the management of cash pooling by the Company in respect of other Group companies.

vii. Reconciliation with net financial debt and with the cash-flow statement

A reconciliation with the Company's net financial debt is shown in the table below.

	At 31 December	
	2020 € thousand	2019 € thousand
Cash and cash equivalents	69,683	256,971
Cash (A)	69,683	256,971
Other current financial receivables	114,011	146,328
Current financial receivables (B)	114,011	146,328
Loans due to banks current	(213,741)	(45)
Current portion of lease payables	(1,335)	(1,485)
Current portion of bonds	-	(579,982)
Other current financial payables	(214,056)	(452,834)
Current portion of liabilities for put option and earn-out payments	-	(28,597)
Current financial payables (C)	(429,132)	(1,062,943)
Net current financial position (A+B+C)	(245,438)	(659,643)
Loans due to banks non-current ⁽¹⁾	(307,483)	(248,810)
Non-current portion of lease payables	(3,179)	(3,345)
Non-current portion of bonds	(898,147)	(349,373)
Other non-current financial payables	-	-
Non-current portion of liabilities for put option and earn-out payments	(51,987)	(103,896)
Non-current financial debt (D)	(1,260,796)	(705,424)
Net debt (A+B+C+D) ⁽²⁾	(1,506,234)	(1,365,067)
Reconciliation with the financial position, as shown in the Directors' report:		
Term deposits	-	5,229
Non-current financial receivables	3,000	-
Net financial position	(1,503,234)	(1,359,838)

⁽¹⁾ Including the related derivatives.

⁽²⁾ In accordance with ESMA guidelines.

For the purpose of completeness, the changes in current and non-current financial payables during 2020 are shown below.

€ thousand		At 31 December 2019	notional liabilities addition ⁽¹⁾	interest accrual	new financing ⁽¹⁾	repayments ⁽¹⁾	reclassification	other movement	At 31 December 2020
Bonds	current	(579,982)	-	-	-	580,942	-	(960)	-
	non-current	(349,373)	-	-	(545,018)	-	-	(292)	(894,682)
Payables for interest	current	(8,749)	-	(25,530)	-	27,737	-	-	(6,342)
Non-current borrowings	current	(45)	-	-	(90,000)	8,333	(132,000)	(30)	(213,741)
	non-current	(248,810)	-	-	(195,000)	-	132,000	863	(310,948)
Lease components	current	(1,485)	-	-	-	-	150	-	(1,335)
	non-current	(3,345)	(1,264)	(98)	-	1,677	(150)	-	(3,179)
Financial net debt with related parties	current	140,747	-	-	-	(27,850)	-	-	112,897
	non-current	(440,507)	-	-	-	233,211	-	-	(207,296)
Other financial net debt	current	2,003	-	-	-	(704)	(3,000)	2,397	697
	non-current	5,229	-	-	-	(5,229)	3,000	-	3,000

⁽¹⁾ Included in cash flow statement.

viii. Financial instruments-disclosures

The value of individual categories of financial assets and liabilities held by the Company at 31 December 2020 and 31 December 2019 is reflected below.

At 31 December 2020	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
€ thousand			
Cash and cash equivalents	69,683	-	-
Trade receivables	90,100	-	-
Current financial receivables	112,897	1,005	-
Other non-current financial assets	-	3,000	-
Other non-current assets	-	72	-
Loans due to banks ⁽¹⁾	(521,224)	-	-
Lease payables	(4,514)	-	-
Bonds	(894,682)	-	-
Accrued interest on bonds	(6,342)	-	-
Other financial liabilities	(382)	-	-
Liabilities for put option and earn-out payments ⁽³⁾	(50,387)	(1,600) ⁽²⁾	-
Other financial liabilities with related parties	(207,296)	-	-
Trade payables	(112,738)	-	-
Non-current assets for hedge derivatives, not in hedge accounting	-	2	-
Current assets for hedging derivatives	-	-	109
Non-current liabilities for hedging derivatives ⁽²⁾	-	-	(3,465)
Current liabilities for hedging derivatives	-	-	(35)
Non-current liabilities for hedging derivatives, not reported using hedge accounting procedures	-	-	(1)
Total	(1,524,885)	2,479	(3,391)

⁽¹⁾ Excluding related derivative.

⁽²⁾ Derivative on loan due to bank.

⁽³⁾ Liabilities linked to some investments may be elected to have the fair value variation accounted for against the cost of the investment in the associate of subsidiary.

At 31 December 2019	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
€ thousand			
Cash and cash equivalents	256,971	-	-
Trade receivables	106,285	-	-
Current financial receivables	146,234	-	-
Other non-current financial assets	-	5,229	-
Other non-current assets	-	92	-
Loans due to banks	(248,810)	-	-
Lease payables	(4,830)	-	-
Bonds	(929,355)	-	-
Accrued interest on bonds	(8,749)	-	-
Other financial liabilities	(2,049)	-	-
Liabilities for put option and earn-out payments	(132,493)	-	-
Other financial liabilities with related parties	(440,507)	-	-
Trade payables	(93,181)	-	-
Current assets for hedging derivatives	-	-	94
Current liabilities for hedging derivatives	-	-	(116)
Non-current liabilities for hedging derivatives, not reported using hedge accounting procedures	-	-	(1,457)
Total	(1,350,485)	5,321	(1,479)

Hedging activities and derivatives

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

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

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

In relation to the acquisition of interests in Tannico, any commitment to increment the ownership in the associate, in the form of put and/or call option, is booked as derivative financial instruments measured at fair value with impact in the Campari Group statement of profit or loss. At 31 December 2020 the fair value was negligible. At the time of the expiring of the call and/or the put options during 2025 and in case of satisfaction of some conditions stated in the agreement between parties, the derivatives will be replaced by an increased value of the investment to be recorded against the estimated cash out for €42,427 thousand at 31 December 2020.

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

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

Foreign exchange forward contracts (highly probable forecast sales and purchases)	At 31 December 2020		At 31 December 2019	
€ thousand	Notional amount hedged items	Average forward rate	Notional amount hedged items	Average forward rate
US Dollar	4,990	1.20	11,573	1.12
Swiss franc	926	1.08	2,741	1.09
Australian Dollar	909	1.65	2,156	1.62
Russian Ruble	-	-	2,505	71.84
Total	6,824		18,976	

	At 31 December 2020			At 31 December 2019		
€ thousand	Notional amount hedged items	Carrying amounts hedging instruments	Change in fair value gain (losses)	Notional amount hedged items	Carrying amounts hedging instruments	Change in fair value gain (losses)
Foreign exchange forward contracts (highly probable forecast sales and purchases)	6,824	72	26	18,976	(22)	104

- Interest rate swap contracts

	At 31 December 2020			At 31 December 2019		
€ thousand	Notional amount hedged items	Carrying amounts hedging instruments	Change in fair value gain (losses)	Notional amount hedged items	Carrying amounts hedging instruments	Change in fair value gain (losses)
Interest rate swap	250,000	(3,465)	(3,048)	-	-	-

- Put/call agreements

€ thousand	At 31 December 2020			At 31 December 2019		
	Notional amount hedged items	Carrying amounts hedging instruments	Change in fair value gain (losses)	Notional amount hedged items	Carrying amounts hedging instruments	Change in fair value gain (losses)
Put/call agreements	42,427	-	-	-	-	-

10. Risk management and capital structure

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

i. Nature and extent of the risks arising from financial instruments

The Company's main financial instruments include current accounts, short-term deposits, short and long-term bank loans, leases and bonds.

The purpose of these is to finance the Company's operating activities.

In addition, the Company has trade receivables and payables resulting from its operations.

The main financial risks to which the Company is exposed are market (currency and interest rate), credit and liquidity risks.

The following is a description of these risks and of how they are managed.

To cover some of these risks, the Company makes use of derivatives, primarily interest-rate swaps, cross-currency swaps and forward contracts, to hedge interest-rate and exchange-rate risks.

- Credit risk

Davide Campari-Milano N.V. directly undertakes commercial transactions on the Italian market, and in foreign markets through its Group companies. The composition of receivables from Italian customers varies widely in terms of the different market channels, their size and commercial nature. The market consists of a high number of customers from around Italy, with a balance between mass retail and purchasing consortia and traditional retail, with a significant presence in the ho.re.ca (hotels/restaurants/café) sector.

The Company has a very broad product portfolio, consisting of both Campari Group's products and products distributed under license. There are no market concentration risks, as the Company sells internationally both within the Group and to third-parties.

The Company has a credit management function exclusively dedicated to monitoring the progress of receivables, chasing up payments and managing the exposure of individual customers in a targeted and timely manner using internal risk monitoring procedures.

Non-performing receivables are pursued regularly with legal support with a view to continuously updating progress on individual cases. This is then reflected in the provision for doubtful receivables.

Trade receivables from third-parties, for which there is an impairment, are classified as doubtful; these have mainly been past due for more than one year and are the subject of legal proceedings.

The other trade receivables correspond to Group companies. Receivables from customers are mainly denominated in Euros. The maximum amount of risk on the reporting date is equal to the net value of trade receivables, also taking into account the expected credit loss risk estimated by the company on the basis of the business model identified.

In the context of high uncertainty caused by Covid-19, a qualitative and quantitative analysis of trade receivables was performed. It was confirmed that the off-trade channel was not significantly affected by the Covid-19 outbreak and did not experience any material business disruptions while the on-trade channel was impacted in terms of sales due to the lockdown measures imposed by the government. It should be noted that at the year end all past-due credit of the first wave of the pandemic had been collected with no evidence of any significant deterioration in the credit quality of customers.

- Liquidity risk

The Company's ability to generate substantial cash flow through its operations reduces its liquidity risk, which is defined as the difficulty to raise funds to meet financial obligations.

The Company manages financial flows with the Italian subsidiaries through a centralised cash management department, with transactions settled at market rates (refer to note 11 vi-'Related parties').

Detailed information on financial payables and liabilities at 31 December 2020 is provided below, compared against the previous year. The tables below summarise financial liabilities at 31 December 2020 and 2019 by maturity based on contractual repayment obligations, including non-discounted interest.

At 31 December 2020	Within 1 year € thousand	Due in 1 to 2 years € thousand	Due in 2 to 5 years € thousand	Due after 5 years € thousand	Total € thousand
Payables and loans due to banks	219,282	58,065	263,490	-	540,837
Bonds	13,489	63,489	332,085	562,031	971,094
Financial payables to related parties	207,296	-	-	-	207,296
Leases	1,419	1,691	1,623	27	4,761
Payables for put option and earn-out	-	50,628	1,600	-	52,228
Other derivatives	35	-	-	-	35
Total financial liabilities	441,521	173,874	598,798	562,058	1,776,251

At 31 December 2019	Within 1 year € thousand	Due in 1 to 2 years € thousand	Due in 2 to 5 years € thousand	Due after 5 years € thousand	Total € thousand
Loans due to banks	5,750	3,701	259,225	-	268,676
Bonds	603,532	6,614	368,074	-	978,220
Financial payables to related parties	440,507	-	-	-	440,507
Leases	1,569	1,181	2,302	27	5,078
Payables for put option and earn-out	30,073	102,361	-	-	132,434
Other derivatives	1,574	-	-	-	1,574
Total financial liabilities	1,083,004	113,857	629,600	27	1,826,489

Payables to banks for current accounts and lines of credit reflect the negative balance of cash management. The Company has also granted loans to subsidiaries, with interest charged at market rates.

The change in the overall structure of financial liabilities over the various deadlines reported above, that provided the Company with a safe and structured long-term exposure profile, was achieved thanks to careful liability management planning (refer to paragraph 'Group financial review' in the management report).

- Market 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 and sugar) could negatively affect the value of assets, liabilities or expected cash flows. The Company monitors market trends for the most crucial raw materials, which historically have not been subject to unexpected or significant fluctuations.

- Price risk

The price of raw materials depends on a wide variety of factors, which are difficult to forecast and are largely beyond the Company's control. Although, historically, the Company has not encountered any particular difficulties in purchasing high-quality raw materials in sufficient quantities, we cannot rule out the possibility that the emergence of any tensions in this area could lead to difficulties in obtaining supplies, causing costs to rise, which would have a negative impact on the Company's financial results.

- Interest-rate risk

The Company has bonds that pay interest at a fixed rate, issued directly under an agreement. The Company is therefore exposed to fair-value risk.

Other financial liabilities, however, for the large part taken out at variable rates, account for only a modest proportion of total debt. For this reason, the Company is only partially exposed to the risk of interest-rate fluctuations. The portion of debt at fixed rates was 84% of total financial payables at 31 December 2020.

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

				At 31 December	
	Nominal interest rate	Effective interest rate ⁽¹⁾	Maturity	2020 € thousand	2019 € thousand
Payables and loans due to banks	fixed rate 0.908%+variable rate ⁽²⁾	1.35%	2024	524,689	248,855
Bond issues:					
- issued in 2015 (Eurobond)	fixed rate 2.750%	3.07%	2020	-	579,982
- issued in 2017	fixed rate 1.768%	1.89%	2022	50,000	50,000
- issued in 2017	fixed rate 2.165%	2.25%	2024	150,000	150,000
- issued in 2019	fixed rate 1.655%	1.71%	2024	149,514	149,373
- issued in 2020	fixed rate 1.250%	1.37%	2027	545,169	-
Leases	interest borrowing rate	interest borrowing rate	2019-2026	4,514	4,830

⁽¹⁾Calculated on any difference between the initial amount of the liability and the maturity amount.

⁽²⁾Inclusive of the interest rate swap on the term loan subscribed in 2019.

- Exchange-rate risk

The Company has hedging instruments in place to minimise exchange-rate risk, with a view to avoiding a situation where unexpected variations in exchange rates occur on purchases and sales transactions.

Analysis was performed on the statement of profit or loss effects of a possible change in the exchange rates against the Euro, keeping all the other variables constant. The types of transaction included in this analysis are sales and purchases in a currency other than the Company'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.

Sensitivity analysis

The following table reflects the effects of a potential change in interest rates on the statement of profit or loss, should all the Company's other variables remain constant.

A negative value in the table indicates a potential net reduction in profit and equity, while a positive value indicates a potential net increase in these items.

The assumptions used in terms of a potential change in rates are based on an analysis of the trends on the reporting date.

The table illustrates the full-year effects on the statement of profit or loss in the event of a change in rates, calculated for the Company's variable-rate financial assets and liabilities. The impact on the statement of profit or loss is shown net of taxes.

31 December 2020	Statement of profit or loss (€ thousand)		Statement of profit or loss (€ thousand)	
	Increase in exchange rates	Decrease in exchange rates	Increase in interest rates	Decrease in interest rates
Euro	-	-	(701)	701
Dollar	724	(11)	-	-
Other Currency	27	(156)	-	-
Total Effect	751	(166)	(701)	701
31 December 2019				
Euro	-	-	(526)	526
Dollar	378	(336)	-	-
Other Currency	117	(590)	-	-
Total Effect	495	(926)	(526)	526

ii. Shareholders' equity

The Company manages its capital structure and makes any corresponding changes based on economic conditions and the specific risks of the underlying asset.

To maintain or change its capital structure, the Company may adjust the dividends paid to shareholders and/or issue new shares. It should be noted that risk-capital management is carried out at Group level. Please refer to the relevant notes to Campari Group consolidated financial statements.

For information on the composition and changes in shareholders' equity during the comparison periods, please refer to the statement of changes in shareholder's equity.

- Share capital

At 31 December 2020, the share capital of Davide Campari-Milano N.V. was €11,616,000.00, fully paid-up, comprising 1,161,600,000 ordinary shares with a nominal value of €0.01 each.

The changes in the capital structure during the year and the movements in ordinary and special voting shares A is reflected below.

	n. of shares			nominal values €		
	common shares	special voting shares A	total issued capital	common Shares	special voting shares A ⁽¹⁾	total issued capital
Shares at 31 December 2019	1.161.600.000		1.161.600.000	58.080.000		58.080.000
Capital reduction of common shares to non-distributable reserve				(46.464.000)		(46.464.000)
Special voting shares A allocation at the Redomiciliation date		665.718.342	665.718.342		6.657.183	6.657.183
Issued capital at 31 December 2020	1.161.600.000	665.718.342	1.827.318.342	11.616.000	6.657.183	18.273.183

⁽¹⁾ Special Voting Shares A with a nominal value of €0.01 each.

On 27 November 2020, Davide Campari-Milano N.V. announced that the capital reduction in form of a decrease in the nominal value of each ordinary share from €0.05 to €0.01 (and the consequent reduction of the nominal value of Campari's special voting shares), approved by the extraordinary general meeting held on September 18th, 2020, had taken effect by way of a notarial deed amending Campari's articles of association executed on 27 November after the issuance by the Court of Amsterdam of a declaration stating that no creditors have objected to the capital reduction, pursuant to article 2:100(3) of the Dutch Civil Code. As a result of the capital reduction, Campari's ordinary share capital is now equal to €11,616,000.00. The capital reduction has no effect on the number of ordinary shares composing the share capital that will remain unchanged and be equal to 1,161,600,000 ordinary shares, each having a nominal value of €0.01. The total amount of the decrease of the ordinary share capital (equal to €46,464,000.00) has been allocated to Campari's non-distributable reserves.

For further information on the capital reduction, please refer to both paragraph 'Significant events of the year' and Governance section.

- Outstanding shares and own shares

During the year the Group carried out a share buyback programme pursuant to article 5 of Regulation (EU) 596/2014, in accordance with a resolution approved by the Shareholders' Meeting, authorizing the purchase of own shares to serve, inter alia, the existing stock option plans for the Group's management which were resolved by the Shareholders' Meeting itself and the Shareholders' Meetings of the previous years. The broker responsible for implementing the programme acted in compliance with the statutory limits and the shareholders' resolutions. The transactions carried out under the programme are regularly communicated to the competent authorities pursuant to applicable legislation.

The table below shows the reconciliation between the number of outstanding shares at 31 December 2020 and the previous year.

	No. of shares			Nominal value		
	ordinary shares	special voting shares A	Total	ordinary shares	special voting shares A ⁽¹⁾	Total
Outstanding shares at 31 December 2019	1,147,895,800	-	1,147,895,800	57,394,790	-	57,394,790
Capital reduction of ordinary shares to non-distributable reserve	-	-	-	(46,464,000)	-	(46,464,000)
Capital reduction of own shares	-	-	-	548,168	-	548,168
Special voting shares A allocation at the Redomiciliation date	-	665,718,342	665,718,342	-	6,657,183	6,657,183
Ordinary shares repurchased under share repurchase program	(36,281,893)	-	(36,281,893)	(362,819)	-	(362,819)
Special voting shares A allocation	-	(13,590,000)	(13,590,000)	-	(135,900)	(135,900)
Ordinary shares assigned under incentive plans	7,792,286	-	7,792,286	77,923	-	77,923
Outstanding shares at 31 December 2020	1,119,406,193	652,128,342	1,771,534,535	11,194,062	6,521,283	17,715,345
Total own shares held	42,193,807	13,590,000	55,783,807	421,938	135,900	557,838
Own shares as a % total respective shares	3.63%	2.04%	3.05%			

⁽¹⁾ Special Voting Shares A with a nominal value of €0.01 each.

	No. of shares		Nominal value	
	for the years ending 31 December		for the years ending 31 December	
	2019	2018	2019 €	2018 €
Outstanding shares at the beginning of the year	1,146,618,042	1,152,546,887	57,330,902	57,627,344
Ordinary shares repurchased under share repurchase program	(9,036,356)	(10,007,486)	(451,818)	(500,374)
Ordinary shares assigned under incentive plans	10,314,114	4,078,641	515,706	203,932
Outstanding shares at the end of the year	1,147,895,800	1,146,618,042	57,394,790	57,330,902
Total own shares held	13,704,200	14,981,958	685,210	749,098
Own shares as a % of share capital	1.18%	1.29%		

Between 1 January and 31 December 2020, the Company purchased 36,281,893 own shares, at an average price of €8.09, for a total amount of €293.583 thousand (including 7.7 million shares for an amount of €64.733 thousand bought back in the context of the Redomiciliation process at a withdrawal price of €8.376 per share). Considering the spot price per share at 31 December 2020 of €9.34 a theoretical gain of €45.289 thousand on these purchases has been included in Group equity. During the same period the Company sold 7,792,286 own shares for an outlay of €22.428 million, after the exercise of stock options. At 31 December 2020, the Company held 42,193,807 own shares, equivalent to 3.63% of the share capital.

- Dividends paid and proposed

The dividends approved and paid in 2020 and in previous years are as follows.

	2020 €	2019 €	2018 €
Dividend per share	0.055	0.050	0.050
	€ thousand	€ thousand	€ thousand
Total amount	62,873	57,293	57,510
of which, to owners of the Parent	62,873	57,293	57,510
of which, to non-controlling interests	-	-	-

The dividends submitted for the approval of the General Meeting of Shareholders called to approve the financial statements for the year ending 31 December 2020 came to €61,567 thousand. This amount is calculated on the basis of outstanding shares at 31 December 2020 and will be recalculated based on the total number of shares outstanding as of the coupon detachment date. For the purpose of information, on the basis of own shares held at 31 December 2020 13,704,200, the shares outstanding at the same date amounted to 1,147,895,800. The proposed dividend for the period was €0.055 per share, which remained the same as the previous financial year. For information on the dividend payments in the last five year, refer to the following 'Other reserves' note.

- Other reserves

Legal reserves for Dutch legislation		Treasury shares		Retained earnings and Other reserves					
€ thousand	cash flow hedge reserve	common shares nominal value	special voting shares	common shares purchases/sa le	stock option reserve	remeasurement of defined benefit plans	other reserves	retained earnings	total
31.12.19 stated	(15,278)	(685)	-	(263,440)	32,583	(828)	292,407	1,147,736	1,192,494
reclassification required by Dutch							(280,791)	280,791	-
31.12.2019 reclassified for the	(15,278)	(685)	-	(263,440)	32,583	(828)	11,616	1,428,527	1,192,494
Cost of stock options for the period	-	-	-	-	5,105	-	-	-	5,105
Stock option - controlled companies	-	-	-	-	4,126	-	-	-	4,126
Stock option exercised	-	-	-	-	(6,133)	-	-	6,133	-
Losses (profits) reclassified in the	4,435	-	-	-	-	-	-	-	4,435
Tax effect recognised in the income	-	-	-	-	-	-	-	-	-
Profits (losses) allocated to	(508)	-	-	-	-	206	-	-	(302)
Tax effect recognised in	(944)	-	-	-	-	(49)	-	-	(993)
Purchase of treasury shares	-	(363)	(136)	(293,220)	-	-	-	136	(293,583)
Sale of treasury shares	-	78	-	22,350	-	-	-	-	22,428
Share capital reduction	-	548	-	-	-	-	39,807	(548)	39,807
Dividends	-	-	-	-	-	-	-	(62,873)	(62,873)
Allocation of prior year result	-	-	-	-	-	-	-	110,192	110,192
31.12.2020	(12,294)	(422)	(136)	(534,311)	35,680	(671)	51,423	1,481,567	1,020,836

As at 31 December 2020, pursuant to Dutch law, certain limitations exist relating to the distribution of shareholders' equity in addition to the issued capital of € 18,273 thousand composed by €11,616 thousand of common share capital and €6,657 thousand special voting shares A. Such limitations related to unrealized net losses connected to cash flow hedges through 'other comprehensive income' financial instruments of € 12,294 thousand, which reduced the distributable amount since this reserve was negative.

In addition, non-distributable reserves totalling €51,423 thousand are existing and referred for €11,616 thousand to previous Italian legal requirements and for €39,807 thousand to the share capital reduction resolved by the Company's extraordinary general meeting of 18 September 2020. As pointed out in the paragraph 'Significant events of the year', the capital reduction was aimed at minimizing the impact of the issuance of special voting shares on the Company's reserves and the Company's articles of association permit the issue of such shares without requiring the shareholders so entitled to pay for the nominal value of the special voting shares but rather through the use of the Company's available reserves. The Company Board of Director is authorized to credit or debit the non-distributable reserve at the expense or in favour of the Company's issued capital reserves; consequently special voting shares are issued at the expense of the non-distributable reserve instead of an actual payment for the shares concerned.

- Stock option reserve

Accruals made to the stock option reserve during the year in respect of share-based payments totalled €9,231 thousand, of which €4,126 thousand was posted against to the related investment for the allocation of stock options to directors and employees of subsidiaries.

Moreover, options exercised during the year by beneficiaries at Davide Campari-Milano N.V. and its subsidiaries totalled €6,133 thousand (€3,046 thousand and €3,087 thousand respectively).

For full information regarding stock option plans, see note 11 i-'Stock option plan'.

- Cash-flow hedge reserve

The cash-flow hedge reserve contains amounts (net of the related tax effect) pertaining to changes resulting from fair value adjustments of financial derivatives recorded using the cash-flow hedging methodology.

- Remeasurement reserve for actuarial effects relating to defined benefit plans

The reserve includes the effects of changes to the actuarial assumptions used to calculate net obligations for defined benefits.

- Retained earnings

Following the resolution of the General Meeting of Shareholders of 27 March 2020, the profit for the year to 31 December 2019, amounting to €110,192 thousand, was allocated as follows:

- €62,873 thousand to dividends;
- €47,319 thousand to retained earnings.

In terms of the distribution of dividends during the last five years, the utilisation of the retained earnings reserve was as follows.

		approved and paid during the years				
		2020	2019	2018	2017	2016
Dividend per share	€	0.055	0.050	0.050	0.045	0.045
Total amount	€ thousand	62,873	57,293	57,510	52,144	52,133
		2020	2019	2018	2017	2016
retained earnings reserve	€ thousand	62,873	57,293	57,510	52,144	52,133
other reserve		-	-	-	-	-

As highlighted in paragraph 6 x-‘Taxation’, the Company confirmed the decision to access the special fiscal regime, enacted under Law Decree no. 104 dated August 14, 2020, to step-up the tax basis of some eligible brands and goodwill. The step-up is impacting the tax value only without implying any change in the reported net book values of brands and goodwill. However, to be in compliance with the tax rules mentioned above, a special regime of tax suspension has been imposed on the Company retained earnings reserve for an amount equal to € 492,781 thousand. This amount was embedded as movements in the year in the Retained earnings category above and corresponded to the stepped-up value of brands and goodwill net of substitute tax.

- Other comprehensive income

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

		For the years ending 31 December	
		2020 €	2019 €
Cash flow hedge:			
(Profit) losses classified to other profit and loss		4,435,457	3,587,853
Profit (loss) for the period to net equity		(508,144)	(11,076,315)
Related Income tax effect		(943,569)	1,797,382
Total cash flow hedge		2,983,744	(5,691,080)
Remeasurements of defined benefit plans:			
Gains/(losses) on remeasurement of defined benefit plans		206,090	(490,994)
Related Income tax effect		(49,462)	117,839
Total remeasurements of defined benefit plans		156,629	(373,156)

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

The table below shows a reconciliation between the result for the period and shareholders' equity for Campari Group with the same items of the Parent Company Davide Campari-Milano N.V..

	31 December 2020		31 December 2019 post-reclassifications ⁽¹⁾	
	Shareholders' equity € thousand	Profit € thousand	Shareholders' equity € thousand	Profit € thousand
Figures from the annual financial statements of Davide Campari-Milano N.V.	1,122,401	83,292	1,360,766	110,192
- Difference between carrying value and pro-rata value of shareholders' equity of equity investments	902,204		1,045,357	
- Pro-rata results of subsidiaries		225,681		283,330
- Elimination of intra-group dividends	-	(112,219)	-	(85,808)
- Elimination of intra-group profits and capital gains	(27,991)	(8,862)	(19,572)	645
Figures from the consolidated financial statements (figures attributable to the Group)	1,996,614	187,893	2,386,551	308,367
Shareholders' equity and net profit attributable to non-controlling interests	1,763	(1,013)	1,929	(10)
Total equity and net profit	1,998,378	186,880	2,388,479	308,357

⁽¹⁾ For information on the reclassifications of comparative figures, refer to note 3 xi-Reclassification of comparative figures at 31 December 2019' of Campari Group consolidated financial statements at 31 December 2020.

11. Other disclosures

This section includes additional financial information that is either required by the relevant accounting standards or that management considers to be material for shareholders.

The coronavirus outbreak has not resulted in the need to include additional provisions nor any estimate of onerous contracts to be reflected in the Company's accounts, nor has there been any change in fair value measurement hierarchies during 2020.

i. Stock option plan

The Company has a number of incentive plans in place; these take the form of stock option plans, governed in accordance with the shareholders' resolution, pursuant to applicable law, and implemented by means of a specific regulation ('Stock Option Regulations').

The purpose of the plan is to offer beneficiaries occupying key positions at the Group the opportunity of owning shares in Davide Campari-Milano N.V., thereby aligning their interests with those of other shareholders and fostering loyalty, in the context of the strategic goals to be achieved.

The recipients are employees, directors and/or individuals who regularly work for one or more Group companies, who have been identified by the Board of Directors of Davide Campari-Milano N.V., and who, on the plan approval date and until the date that the options are exercised, have worked as employees and/or directors and/or in any other capacity at one or more Group companies on a continuous basis. The plan regulations do not provide for loans or other incentives for share subscriptions.

The Board of Directors of Davide Campari-Milano N.V. has the right to draft regulations, select beneficiaries, and determine the share quantities and values for the execution of the stock option plans.

The Shareholders' meeting of 27 March 2020 approved a new stock option plan, established the maximum number of shares that may be granted and authorised the Board of Directors of the Company to identify, within the limits laid down at the Shareholders' meeting, the beneficiaries and the number of options that may be granted to each.

Options were therefore granted on 8 April 2020 to individual beneficiaries, giving them the right to exercise them within two years of the end of the fifth year from the date on which they were granted.

The total number of options granted in 2020 for the purchase of further shares was 12,474,917 with an average grant price of €6.41, equivalent to the weighted average market price in the month preceding the day on which the options were granted.

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

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

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

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

The average residual life of the options existing at 31 December 2020 was 3.0 years in total, while for those held by the Company this was 1.9 years (2.3 years and 3.1 years respectively at 31 December 2019).

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

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

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

The fair value of stock options is represented by the value of the option calculated by applying the Black-Scholes model, which takes into account the conditions for exercising the option, as well as the current share price, expected volatility and the risk-free rate, in addition to the non-vesting conditions for the plans.

Volatility was estimated with the help of data supplied by the supplier of market information together with a leading bank, and corresponds to the estimated volatility recorded in the period covered by the Plan.

The following assumptions were used for the fair value measurement of options issued in 2020 and 2019:

	2020	2019
Expected dividends (€)	0.055	0.050
Expected volatility (%)	37.9%	22.8%
Historic volatility (%)	37.9%	22.8%
Market interest rate	-0.08%	0.20%
Expected option life (years)	7.00	7.00
Exercise price (€)	6.41	8.85

Davide Campari-Milano N.V has a number of own shares that can be used to service stock option plans. The following table shows changes in the number of own shares held during the periods considered.

	No. of ordinary shares held in treasury for the years ending 31 December		Purchase price (€ thousand) for the years ending 31 December	
	2020	2019	2020	2019
Balance at 1 January	13,704,200	14,981,958	108,712	99,311
Purchases	36,281,893	9,036,356	293,583	75,285
Disposals	(7,792,286)	(10,314,114)	(59,847)	(65,884)
Final balance	42,193,807	13,704,200	342,448	108,712
% of share capital	3.63%	1.18%		

In relation to the sales of own shares in the year, shown in the above table at the original purchase cost (€59,847 thousand), carried out at a market price totalling €22,428 thousand, the Company recorded a negative difference of €37,419 thousand, which was recorded under shareholders' equity and partly offset by the use of €6,133 thousand from the stock option reserve.

ii. Provisions for risks and future charges

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

	Tax provision € thousand	Restructuring provisions € thousand	Agent severance fund € thousand	Other € thousand	Total € thousand
At 31 December 2019	50	1,417	1,351	1,000	3,818
Accruals	-	-	179	-	179
Utilizations	-	(491)	(162)	-	(653)
Releases	-	(98)	(77)	(500)	(675)
31 December 2020	50	828	1,292	500	2,670
<i>of which estimated outlay:</i>					
- due within 12 months		828	-	500	1,328
- due after 12 months	50	-	1,292	-	1,342

Regarding other provisions for risks a release of €500 thousand was made related to the provision made the previous year to cover the expected loss from the subsidiary Campari Services S.r.l., that was undergoing liquidation process. A total of €500 thousand recognised already in 2019 for an ongoing legal dispute, remained set aside.

iii. Fair value information on assets and liabilities

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

	carrying amount		fair value	
	31 December 2020 € thousand	31 December 2019 € thousand	31 December 2020 € thousand	31 December 2019 € thousand
Cash and cash equivalents	69,683	256,971	69,683	256,971
Current assets for forex derivatives	109	94	109	94
Current financial assets	1,005	5,487	1,005	5,487
Other financial current receivables from related parties	112,897	140,747	112,897	140,747
Other non-current financial assets	3,000	5,229	3,000	5,229
Financial assets	186,694	408,528	186,694	408,528
Payables to bank	521,224	248,810	521,224	248,810
Bond (Eurobond) issued in 2015		579,982		593,235
Bond 2017-2022	50,000	50,000	50,545	51,465
Bond 2017-2024	150,000	150,000	159,354	157,802
Bond 2019-2024	149,514	149,373	157,871	155,200
Bond 2020-2027	545,169		571,503	
Accrued interest on bonds	6,342	8,749	6,342	8,749
Non-current liabilities for hedging derivatives	3,465	-	3,465	-
Liabilities for hedge derivatives, not reported using hedge accounting procedures	1	1,457	1	1,457
Financial liabilities on forex derivatives	35	116	35	116
Leases	4,514	4,830	4,514	4,830
Other financial liabilities	382	2,049	382	2,049
Other financial liabilities in respect of related parties	207,296	440,507	207,296	440,507
Put option and earn-out liabilities	51,987	132,493	51,987	132,493
Financial liabilities	1,689,928	1,768,367	1,734,518	1,796,714
Net financial assets (liabilities)	(1,503,234)	(1,359,838)	(1,547,824)	(1,388,186)

The models currently used by Davide Campari-Milano N.V. to measure the fair value of a) financial and b) non-financial instruments are described below.

a) Financial instruments**Fair value of financial instruments**

The method used for determining fair value is 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, valuation models based on market parameters are used;
- the fair value of non-current financial payables was obtained by discounting all future cash flows to present value under the conditions in effect at the end of the year.

Derivatives, valued using techniques based on market data, are mainly interest-rate swaps and forward sales/purchases of foreign currencies to hedge both the fair value of the underlying instruments and cash flows. The most commonly applied valuation methods include forward pricing and swap models, which use present value calculations.

The models incorporate various inputs, including the credit rating of the counterparty, market volatility, spot and forward exchange rates and current and forward interest rates.

An analysis of financial instruments measured at fair value based on three different valuation levels is provided in the table below.

At 31 December 2020	Level 1 € thousand	Level 2 € thousand	Level 3 € thousand
Assets valued at fair value	-	-	-
Non-current assets for hedge derivatives, not in hedge accounting	-	2	-
Futures currency and interest rate contracts	-	-	-
Current Financial Receivable	-	1,005	-
Non-Current Financial Receivable	-	3,000	-
Liabilities valued at fair value	-	-	-
Forward currency contracts	-	-	-
Hedging derivatives not reported using hedge accounting procedures	-	-	-

At 31 December 2019	Level 1 € thousand	Level 2 € thousand	Level 3 € thousand
Assets valued at fair value	-	-	-
Futures currency and interest rate contracts	-	94	-
Non-Current Financial Receivable	5,229	-	-
Liabilities valued at fair value	-	-	-
Forward currency and interest rate contracts	-	116	-
Hedging derivatives not reported using hedge accounting procedures	-	1,457	-

In 2020, no reclassifications were made between the levels indicated above in the fair value hierarchies. The level 1 valuation for the financial assets in question was calculated using a methodology based on the net asset value (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 reflected in official yield curves.

No assets or liabilities were values resulting from the application of level 3 method at 31 December 2020.

Financial derivatives

A summary of financial derivatives, broken down by hedging strategy, implemented by Davide Campari-Milano N.V. at 31 December 2019 is shown below.

Over the course of the year the financial markets have reacted negatively and in a very volatile way, since the outbreak of the pandemic. All governments, albeit in differing ways, have launched fiscal and monetary initiatives to support businesses and households, as well as measures designed to restore the confidence of the financial markets. As regards the Company, the exposure on financial derivative agreements has not been critical enough to be addressed outside the normal course of business thanks to the very contained values of outstanding transactions.

- **Fair-value hedging derivatives**

At 31 December 2020, the Company had contracts for hedging payables and receivables in foreign currency in place that meet the requirements to be recognised as hedging instruments based on the relevant accounting standards.

Specifically, it recognised forward contracts on receivables and payables in currencies other than the Euro recorded in its financial statements at 31 December.

These contracts were negotiated to match maturities with incoming and outgoing cash flows resulting from sales and purchases in individual currencies.

The valuation of these contracts at the reporting date resulted in the reporting of assets of €107 thousand and liabilities of €35 thousand.

Below is a summary of the gains and losses on hedging instruments and on hedged instruments with regard to all fair-value hedges, corresponding to the above-mentioned contracts.

	At 31 December 2020 € thousand	At 31 December 2019 € thousand
Gains on hedging instruments	27	104
Total gains (losses) on hedging instruments	26	104
Gains on hedged items	18	108
Losses on hedged items	(115)	(97)
Total gains (losses) on hedged items	(97)	11

- **Derivatives used for cash-flow hedging**

The Company 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 clauses of financial loans. In 2020, the derivative was recognized with an initial negative impact in the statement of profit or loss for €3,815 thousand compensated by the gain resulting from the remeasurement of the hedge items, for €5,185 thousand, leading to a net gain of €1,370 thousand represented as financial adjustment commented in note 6 viii- 'Financial income and expenses'. The fair value variation of the hedging instruments during the year generated as additional components, a gain of €766 thousand recognised in the statement of profit or loss and other comprehensive income movements of €417 thousand;
- Hedging of future sales and purchases in currency and interest rates on future transactions.

These cash flows only relate to interest and have not been discounted to present value.

The following table shows when the hedged cash flows indicated above are expected to be received, as at 31 December 2020.

At 31 December 2020	Within one year € thousand	1-5 years € thousand	Total € thousand
Cash outflows	(22)	(417)	(438)
Cash inflows	23	-	23
Net cash flows	1	(417)	(415)

At 31 December 2019	Within one year € thousand	1-5 years € thousand	Total € thousand
Cash outflows	(19)	-	(19)
Cash inflows	112	-	112
Net cash flows	93	-	93

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

	Gross amount € thousand	Tax effect € thousand	Net amount € thousand
Reserve at 31 December 2019	(20,103)	4,825	(15,278)
Booked to the statement of profit or loss during the period	4,435	(1,065)	3,371
Recognized in equity during the period	(508)	121	(387)
Reserve at 31 December 2020	(16,176)	3,881	(12,294)

- **Hedging derivatives not reported using hedge accounting**

Hedging derivatives not reported using hedge accounting are recognised under financial liabilities. These instruments mainly related to hedges of future purchases in currencies other than the Euro for a negligible fair value of €1 thousand (€1,457 thousand at 31 December 2019).

b) Non-financial instruments

Fair value of non-financial instruments:

Investment property is valued at cost, which is considered a reliable approximation of its fair value. At 31 December 2020, there were no real estate assets.

The tables below detail the hierarchy of financial and non-financial instruments measured at fair value, based on the valuation methods used:

- Level 1: the valuation methods use prices quoted on an active market for the assets and liabilities subject to valuation;
- Level 2: the valuation methods take into account inputs other than the quoted market prices in level 1, but only those that are observable on the market, either directly or indirectly;
- Level 3: the methods used take into account inputs that are not based on observable market data.

At 31 December 2020	Level 1 € thousand	Level 2 € thousand	Level 3 € thousand
Land & buildings non business	-	-	-
At 31 December 2019	Level 1 € thousand	Level 2 € thousand	Level 3 € thousand
Land & buildings non business	-	1,297	-

In 2020, there were no changes in the valuation methods and no reclassifications between the above-mentioned levels in the fair value hierarchies.

iv. Commitments and risks

Existing contractual commitments for the purchase of goods or services, property, plant and equipment

The Company's other commitments for purchases of goods or services are shown below.

At 31 December 2020 € thousand	Purchase of assets	Purchase of raw materials, semi- finished products and finished products	Logistic costs	Advertising and promotional costs	Packaging, habillage	Information system services	Administration services	Other	Total
Within 1 year	12,484	15,867	707	6,228	8,329	8,821	14,885	489	67,812
1-5 years	7,264	29,242	-	-	-	14,947	32,507	-	83,960
After 5 years	-	-	-	-	-	-	14,707	-	14,707
Total commitments	19,748	45,109	707	6,228	8,329	23,768	62,099	489	166,478

At 31 December 2019 € thousand	Purchase of assets	Purchase of raw materials, semi- finished products and finished products	Logistic costs	Advertising and promotional costs	Packaging, habillage	Information system services	Administrative services	Other	Total
Within 1 year	2,573	16,691	2,172	9,620	10,257	12,099	17,138	146	70,696
1-5 years	-	36,910	1,500	1,226	-	21,498	34,955	982	97,071
After 5 years	-	-	-	-	-	-	12,915	278	13,194
Total commitments	2,573	53,601	3,672	10,846	10,257	33,597	65,009	1,406	180,961

Commitments in relation to raw materials mainly relate to purchases of wine and grapes for Cinzano sparkling wines.

Guarantees provided

Guarantees provided by the Company can be broken down as follows.

	At 31 December 2020 € thousand	31 December 2019 € thousand
Guarantees issued to third parties	54,648	48,348
Guarantees issued to third parties in the interest of Group companies	136,284	126,338
Total guarantees issued to third parties	190,932	174,686
Other guarantees	3,805	1,174
Total guarantees given	194,738	175,860

Guarantees mainly consist of sureties granted to customs or tax authorities for excise duties liabilities or tax stamp liabilities to the benefit of both Group companies and the Company itself. The Company also grants sureties to third parties on behalf of Group companies for credit lines or commercial and financial agreements.

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

The following table shows amounts owed by the Company in future periods, broken down by maturity, in relation to the main contractual commitments for the use of third-party assets that are not recorded using lease accounting. As at 31 December 2020, contractual commitments for the use of third-party assets that are not recorded using lease accounting mainly related to information technology equipment and warehouses for storing products.

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

	At 31 December 2020 € thousand	2019 € thousand
Within 1 year	3,289	2,946
1-5 years	-	-
Total	3,289	2,946

Contractual commitments for the use of third-party assets increased by €343 thousand this year, mainly in relation to information technology equipment.

No off-balance sheet agreements, including between affiliates were concluded during the year that could generate exposures or benefits for the Company, where knowledge of same would be useful for assessing the Company's financial position or operating results.

v. Defined benefit plans

The employee liability indemnity (TFR), which relates to the Company's employees, pursuant to Article 2120 of the Italian Civil Code, falls under the scope of defined benefit plans.

TRF contributions accrued up to 31 December 2006 remain with the company; for contributions accruing from 1 January 2007, employees have the choice of allocating them to a complementary pension scheme, or to keep them with the company, which will transfer the contributions to a fund held at the INPS (the Italian social security agency).

Therefore, TFR contributions accrued from 1 January 2007 are classified as defined contribution plans.

As the Company usually pays contributions through a separate fund, without further obligations, it recognises its contributions to the fund in the year to which they relate, in respect of employees' service, without performing any actuarial calculation. Since the contributions in question have already been paid by the Company at the reporting date, no liability is recorded in the statement of financial position.

Nonetheless, TFR contributions accrued up to 31 December 2006 will continue to be classified as defined benefit plans, with the actuarial valuation criteria remaining unchanged in order to reflect the current value of the benefits payable on the amounts accrued at 31 December 2006 when employees leave the Company.

The tables below summarise the components of the net cost of benefits reported in the statement of profit or loss and in the statement of comprehensive income in 2020 and 2019.

€ thousand	Liabilities
Liabilities (assets) at 31 December 2019	5,039
Amounts included in the statement of profit or loss:	
- current service costs	49
- net interest	26
Total	75
Amounts included in the statement of comprehensive income:	
- gain/(losses) resulting from changes in actuarial assumptions	(206)
Total	(206)
Other changes:	
- benefits paid	(736)
- benefits transferred	21
Total	(715)
Liabilities (assets) at 31 December 2020	4,193

€ thousand	Liabilities
Liabilities (assets) at 31 December 2018	4,700
Amounts included in the statement of profit or loss:	
- current service costs	3
- net interest	73
Total	77
Amounts included in the statement of comprehensive income:	
- gain/(losses) resulting from changes in actuarial assumptions	491
Total	491
Other changes:	
- benefits paid	(381)
- merger	-
- benefits transferred	153
Total	(228)
Liabilities (assets) at 31 December 2019	5,039

The main assumptions used in determining the obligations resulting from TFR are indicated below.

	2020	2019
Discount rate	0.33%	1.00%
Rate of employee turnover	3.83%	3.00%
Future inflation rate	0.50%	1.00%

Quantitative sensitivity analysis of the significant assumptions used at 31 December 2020 is shown below.

	Change in the assumptions	Impact of positive change	Impact of negative change
Discount rate	discount rate +\ - 0.5%	-3.88%	4.17%
Rate of employee turnover	turnover +\ - 0.5%	-0.40%	0.43%
Future inflation rate	inflation rate +\ - 0.5%	2.52%	-2.43%

The sensitivity analysis shown above is based on a method involving the extrapolation of the impact on the obligation 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.

Because pension liabilities have been adjusted on the basis of the consumer price index, the pension plan is exposed to the inflation rate, to interest-rate risks and to changes in the rate of employee turnover. Since there are no assets that support the plans, the Company is not exposed to market risk in the sectors in which the plan is invested.

The table below reflects the expected payments in future years.

	At 31 December 2020 € thousand	At 31 December 2019 € thousand
Within 12 months	159	218
From 1 to 5 years	609	824
From 5 to 10 years	705	932
Total	1,472	1,973
Average plan duration (years)	8	8

Cash flows expected for future payments into the plan are not likely to have a significant effect on the Company's statement of financial position or statement of profit or loss.

vi. 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.

In addition, transactions with related parties include the agreement with the controlling shareholder, Lagfin S.C.A., Société en Commandite par Actions, relating to the option, exercised jointly with the 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 2019 to 2021. At 31 December 2020, income tax payables due to Lagfin S.C.A., Société en Commandite par Actions were €8,616 thousand.

The Company has also joined, along with the controlling shareholder Lagfin S.C.A., Société en Commandite par Actions, the Group VAT scheme pursuant to article 73, para. 3, of Presidential Decree (DPR) 633/72. At 31 December 2020, there was no payable for Group VAT to be paid to the controlling shareholder Lagfin S.C.A., Société en Commandite par Actions.

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.

For further details on the relationships with Group companies, see below.

At 31 December 2020 € thousand	Trade receivables	Financial receivables	Receivables (payables) for tax consolidation	Other receivables	Other non- current assets	Trade payables	Financial payables	Receivables (payables) for Group VAT	Other current liabilities
Lagfin S.C.A., Société en Commandite par Actions	-	-	(8,616)	-	1,825	-	-	1,192	-
Campari Argentina S.A.	3,816	7	-	-	-	19	-	-	9
Campari Austria GmbH	1,187	-	-	55	-	11	5,968	-	-
Campari Australia Pty Ltd.	4,801	-	-	121	-	9	-	-	25
Campari Benelux S.A.	656	-	-	492	-	-	127,181	-	-
Campari do Brasil Ltda.	2,745	-	-	-	-	351,638	-	-	40
Forty Creek Distillery Ltd.	793	-	-	-	-	24	111	-	50
Campari Schweiz A.G.	2,400	-	-	171	-	31	-	-	-
Campari Beijing Trading Co. Ltd.	2,153	-	-	8	-	-	13	-	-
Campari Deutschland GmbH	13,285	-	-	189	-	-	36,340	-	17
Campari España S.L.	-	28,615	-	-	-	1,994	-	-	21
Société des Produits Marnier Lapostolle S.A.	18	-	-	-	-	-	9,964	-	46
Kaloyannies-Koutsikos Distilleries S.A.	360	-	-	1	-	48	-	-	-
Campari International S.r.l.	-	-	-	12	-	950	6,186	-	117
J. Wray&Nephew Ltd.	11,536	-	-	276	-	270	-	-	-
CT Spirits Japan Ltd	1,469	-	-	-	-	-	-	-	-
Campari Mexico S.A. de C.V.	190	71	-	23	-	340	-	-	-
Campari New Zealand Ltd.	267	-	-	-	-	-	-	-	-
Campari Peru SAC	403	-	-	333	-	423	-	-	-
Campari RUS OOO	9,062	-	-	114	-	-	-	-	()
Campari Singapore Pte Ltd.	2,359	-	-	930	-	-	-	-	-
Campari Ukraine LLC	3,189	-	-	-	-	1	-	-	-
Glen Grant Ltd.	3,050	7,053	-	580	-	10	()	-	-
Campari America, LLC	7,144	-	-	462	-	586	-	-	-
Campari South Africa Pty Ltd.	156	-	-	184	-	3,565	-	-	-
Campari India Pte Ltd.	158	-	-	-	-	-	-	-	-
DI.CI.E. Holding B.V.	110	60,479	-	-	-	-	-	-	-
Camparino Srl	1,125	475	-	-	-	7	-	-	6
Marnier Lapostolle-Bisquit SASU	3,434	41	-	-	-	(541)	21,533	-	-
Campari Mexico Corporativo S.A. de C.V.	1	-	-	-	-	-	-	-	-
Bellonnie et Bourdillon S.A.S.	27	9,669	-	-	-	17	-	-	-
Licorera Ancho Reyes Y Cia S.A.P.I. de C.V.	-	-	-	-	-	14	-	-	-
Casa Montelobos S.A.P.I. de C.V.	-	-	-	-	-	207	-	-	-
Société Distilleries Agricoles De Sainte Luce S.A.S.	7	-	-	-	-	-	-	-	-
Société Civile d'Exploitation Agricole Trois Rivières	7	-	-	-	-	-	-	-	-
Terrazza Aperol S.r.l.	-	200	-	-	-	-	-	-	-
Campari France Distribution S.A.S.	-	6,286	-	850	-	7,349	-	-	-
Total at 31 December 2020	75,908	112,897	(8,616)	4,800	1,825	15,686	207,296	1,192	331
Total at 31 December 2019	84,666	140,747	(4,711)	5,851	2,241	9,905	440,507	(2,465)	1,107

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

Financial transactions with related parties are represented as follows.

For the year ending 31 December 2020 € thousand	Net sales	Cost of sales	Advertising and promotional costs	Selling, general and administrative expenses	Other operating income (expenses)	Dividends	Financial income and expenses
Campari Argentina S.A.	1,579	20	-	1,734	-	-	-
Campari Austria GmbH	20,306	41	110	(665)	-	-	-
Campari Australia Pty Ltd.	10,677	45	12	737	-	-	-
Campari Benelux S.A.	15,002	3	-	41	-	2,362	(12)
Campari do Brasil Ltda.	616	(57)	-	3,088	(56,000)	-	-
Forty Creek Distillery Ltd.	2,617	22	94	371	-	-	-
Campari Schweiz A.G.	14,593	58	1	981	10	-	-
Campari Beijing Trading Co. Ltd.	2,541	21	-	(724)	-	-	-
Campari Deutschland GmbH	78,472	37	(2)	3,509	-	-	(2)
Campari España S.L.	2,597	3	7	(2,165)	-	-	237
Société des Produits Marnier Lapostolle S.A.	-	-	-	378	9	59,814	(16)
Kaloyannies-Koutsikos Distilleries S.A.	-	(103)	20	400	-	-	-
Campari International S.r.l.	16,580	310	102	(1,508)	-	-	(1)
Campari Services S.r.l. in liquidazione	-	-	-	(76)	(166)	-	2
J. Wray&Nephew Ltd.	1,576	(1,014)	-	5,696	-	-	-
CT Spirits Japan Ltd	198	1	-	33	(94)	-	-
Campari Mexico S.A. de C.V.	1,795	(1,799)	11	406	-	-	96
Campari New Zealand Ltd.	882	3	-	(99)	14	-	-
Campari Peru SAC	4,551	8	-	(1,090)	-	-	-
Campari RUS OOO	25,760	1	1	1,441	-	-	-
Campari Singapore Pte Ltd.	2,139	33	-	1,498	17	-	-
Campari Ukraine LLC	4,812	1	-	267	-	-	-
Glen Grant Ltd.	19,699	(16,714)	322	6,507	(15,988)	-	710
Campari America, LLC	38,275	(2,300)	(398)	8,772	13	-	-
Campari South Africa Pty Ltd.	290	129	-	(3,720)	-	-	-
Campari India Pte Ltd.	891	1	-	(747)	-	-	-
DI.CI.E. Holding B.V.	-	-	-	110	46	-	469
Marnier Lapostolle-Bisquit SASU	3	(3,251)	1,095	3,168	572	-	411
Campari Mexico Corporativo S.A. de C.V.	-	-	-	1	-	-	-
Bellonnie et Bourdillon S.A.S.	-	(178)	-	27	-	-	22
Société Distilleries Agricoles De Sainte Luce S.A.S.	-	-	-	7	-	-	-
Société Civile d'Exploitation Agricole Trois Rivières	-	-	-	7	-	-	-
Casa Montelobos S.A.P.I. de C.V.	-	(593)	-	-	-	-	-
Licorera Ancho Reyes Y Cia S.A.P.I. de C.V.	-	(173)	-	-	-	-	-
Campari France Distribution S.A.S.	31,114	28	7	(9,336)	-	-	29
Terrazza Aperol S.r.l.	-	-	-	-	(100)	-	-
Total at 31 December 2020	297,644	(25,419)	1,382	19,022	(76,467)	62,176	1,966
Total at 31 December 2019	302,999	(27,558)	1,899	28,513	(3,246)	13,457	(3,026)

vii. Remuneration owing to directors, general managers and auditors

Remuneration and salaries paid to the Company's Board of Directors was as follows.

	For the years ending	
	2020 € thousand	2019 € thousand
Short-term fix and variable remuneration	3,639	6,658
Defined contribution benefits	83	83
Stock options ⁽¹⁾	2,144	1,286
Total	5,866	8,027

⁽¹⁾ The value shown above also includes the liability relating to the cancellation of plans granted to outgoing directors.

At 31 December 2020, payables accrued in relation to directors amounted to €1,165 thousand (at 31 December 2019 amounted to €1,815 thousand).

For more information regarding the remuneration of directors please see paragraph 4 'Remuneration and Appointment Committee' of Corporate Governance section of this annual report.

viii. Employees

All of the Company's employees are based in Italy. The average number of staff in each category is shown below.

By category	2020	2019
Managers	157	146
White collar	516	479
Blue collar	128	121
Total	801	746

ix. Audit fees

As from the effective date of the Redomiciliation to Amsterdam, the Netherlands, Ernst&Young Accountants LLP succeed without any interruption to EY S.p.A. appointed as the external auditor by the Company's Shareholders' meeting of 19 December 2017 for the originally nine-year period 2019-2027.

The following table shows the 2020 amounts for external auditing activities and for non-audit-related services provided by companies from the Ernst&Young Accountants, LLP network.

Audit fees for Ernst&Young Accountants LLP amounted to €195 thousand. No other fees were performed by Ernst&Young Accountants, LLP.

€ thousand	For the years ending 31 December					
	2020			2019		
	Ernst & Young accountants LLP	Other EY Network firms	Total	EY S.p.A.	Other EY Network firms	Total
Audit fees	165	1,851	2,016	1,181	558	1,739
Other assurance services	30	510	540	60	-	60
Other non-audit services	-	27	27	-	42	42
Total	195	2,388	2,583	1,241	600	1,841

12. Subsequent events

Corporate actions

Employee Share Ownership Plan

The Board of Directors of Davide Campari-Milano N.V. has submitted to the Annual General Meeting dated 8 April 2021 ('AGM') the proposal to implement an Employee Share Ownership Plan ('ESOP') to reward Group employees globally and incentive their active participation in the Company growth. Participation in the ESOP will be available to all permanent employees of Campari and its subsidiaries who have a minimum seniority at the Company or any other company of the Group, with the exception of employees appointed as members of the Board of Directors.

The employees will be offered the opportunity to enter into the ESOP, electing for amounts to be deducted from their salary. Contribution amounts will be made through monthly payroll deductions, which are transferred to a plan administrator. The contribution rate will be elected by the employee and it will correspond to 1% or 3% or 5% of the yearly gross salary.

These contributions will be used to purchase ordinary Davide Campari-Milano N.V. shares (the 'Purchased Shares') at fair market value by the plan administrator.

After a three-year vesting period, Purchased Shares will be entitled to receive a free award of matching shares ('Matching Ratio') as follows: 1 Matching Share for every 4 Purchased Shares or 1 Matching Share for every 2 Purchased Shares depending on (i) the contribution rate chosen by the employee and/or (ii) her/his participation in Campari Group existing long term incentive plans (stock option plans). If an employee withdraws or sells its Purchased Shares or leaves employment during the vesting period (other than as 'good leaver'), she/he will forfeit the right to receive Matching Shares. A detailed Information Memorandum on this ESOP will be approved by the AGM. In the context of the ESOP, moreover, the Board of Directors has approved an information memorandum to be submitted to the Shareholders' meeting which introduces an Extra-Mile Bonus Plan setting out the free right for the Group's employees to receive una tantum a number of Company's shares, subject to continued employment with Campari Group for a three year vesting period. The purpose of the Plan, to be assigned during 2021, is to reward the Group's employees for their active participation in the Group's performance.

Other significant events impacting the Company's results

Covid-19 pandemic emergency

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

13. Proposal for the appropriation of profit

The appropriation of the profit will be determined in accordance with article 28 of the Articles of Association of Davide Campari-Milano N.V.

The total amount of the dividend distributed and, consequently, the residual amount of the profits carried forward, will vary according to the number of shares entitled, and these amounts will be defined when the dividend is actually paid on the basis of the shares outstanding at the coupon detachment date (therefore excluding the Company's own shares in portfolio at that date).

In view of the above, it is proposed to:

- approve the financial statements for the year ending 31 December 2020 and
- to allocate the profit for the year of €83,292,412 as follows:
 - (i) to distribute a dividend of €0.055 per ordinary share outstanding, except for own shares held by the Company at the coupon detachment date (for information purposes, based on the 42,193,807 own shares held on 31 December 2020, the total dividend is €61.6 million);
 - (ii) to carry forward the residual amount (for information purposes, amounting to €21.7 million on the basis of the outstanding shares mentioned above);
- to pay the above dividend per share starting from 21 April 2021, with detachment of coupon 1 of 19 April 2021 (in accordance with the Italian Stock Exchange calendar and a record date of 20 April 2021).

Sesto San Giovanni (MI), 25 February 2021

Chairman of the Board of Directors

Luca Garavoglia

Other information



Independent auditor's report

To: the shareholders of Davide Campari-Milano N.V.

Report on the audit of the 2020 financial statements included in the annual report

Our opinion

We have audited the financial statements for the year ended December 31, 2020 of Davide Campari-Milano N.V. based in Amsterdam.

The financial statements comprise the consolidated and company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Davide Campari-Milano N.V. as at December 31, 2020, and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of Davide Campari-Milano N.V. as at December 31, 2020 and of its result for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated statement of financial position as at December 31, 2020
- The following statements for 2020: the consolidated profit or loss, the consolidated statements of other comprehensive income, cash flows and changes in shareholder's equity
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The statement of financial position at December 31, 2020
- The following statements for 2020: the statements of profit or loss, other comprehensive income, cash flows and changes in shareholder's equity
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.

Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.



We are independent of Davide Campari-Milano N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the “Wet toezicht accountantsorganisaties” (Wta, Audit firms supervision act), the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten” (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Our understanding of the business

Davide Campari-Milano N.V. and its subsidiaries are a major group in the global branded spirits industry, with a portfolio of over 50 premium and super premium brands, marketed and distributed in over 190 markets around the world, with leading positions in Europe and the Americas. The group is structured in group entities and we tailored our group audit approach accordingly.

We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks, and to 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.

In 2020 and the beginning of 2021 we were forced to perform our procedures to a greater extent remotely due to the COVID-19 measures. This limits our observations and increases the risk of missing certain signals. In order to compensate for the limitations related to physical contact and direct observation, we intensified the contacts with the component teams and with the component team in Italy more specifically to ensure that we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€12 million (2019: €14 million)
Benchmark applied	Approximately 5% of Pre-tax income
Explanation	We have considered which was the most important financial statements measure to the users of the financial statements. In this respect, we concluded that for a profitable listed group the starting point is an earning -based measure, specifically the pre-tax income.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.



We agreed with the control and risks committee that misstatements in excess of €0.6 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Davide Campari-Milano N.V. is the parent of a group of entities. The financial information of this group is included in the consolidated financial statements of Davide Campari-Milano N.V. The company is organized along operating segments and has identified four reportable operating segments being

i) the Americas ii) Southern Europe, Middle East and Africa iii) Northern, Central and Eastern Europe and (iv) Asia-Pacific. In July 2020 the Group transferred its registered office from Italy to The Netherlands and simultaneously transformed the company from a Società per azioni (S.p.A) to a Naamloze Vennootschap (N.V.) governed by Dutch law. As a result of this transfer the audit mandate transferred from EY S.p.A. (Italy) and started as a first year audit by EY Accountants LLP (the Netherlands).

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on significant group entities. Group entities are considered significant components either because of their individual financial significance or because they are likely to include significant risks of material misstatement due to their specific nature or circumstances. All such significant group entities (comprising 23 entities) were included in the scope of our group audit and 17 components have been subject to risk-based analytics.

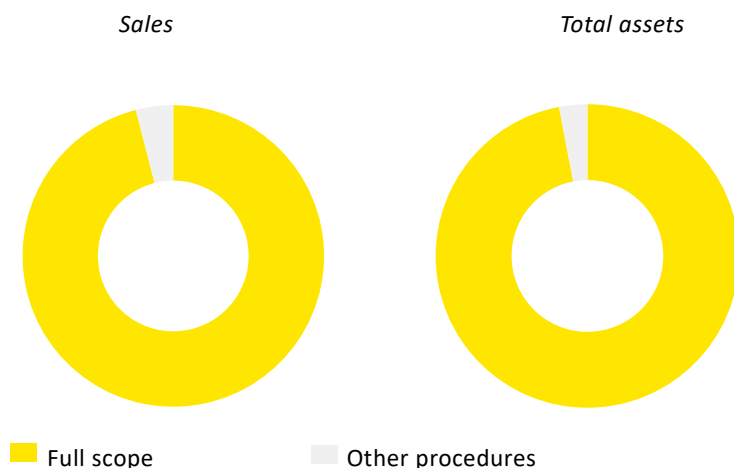
In establishing the overall approach to the audit, we determined the type of work that is needed to be done by us, as group auditors, or by component auditors from Ernst & Young Global member firms and operating under our instructions. The following matters are audited directly by the group audit team:

- The group audit team audited the group consolidation, financial statements and disclosures and the audit of the following key audit matters:
 - Valuation of goodwill and brands with indefinite useful life
 - Revenue Recognition, including adjustments for discounts and deferred incentives
- The group audit team was involved in assessing the potential impact of the cyber-attack on the company's financial statements and the audit thereof.
- The group audit team shared detailed instructions to all components' auditors for the entities in scope, including key risk areas and the group audit team reviewed their deliverables.

Because of the (international) travel restrictions and social distancing due to the COVID-19 pandemic, we needed to restrict or have been unable to visit management and/or component auditors. Due to these restrictions we intensified communication with significant component teams in terms of virtual sessions to ensure we obtained sufficient audit evidence to conclude on our audit.



In total these procedures represent 100% of the group's total assets and 100% of sales.



By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Teaming, use of specialists and internal audit

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a listed client in the consumer products industry.

We included specialists in the areas of actuarial services, climate and sustainability, IT audit, forensics, treasury and risk, valuation and business modelling and income tax.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements. Our audit response related to fraud risks

In order to identify and assess the risks of material misstatement of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the company's internal control.



We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance, human resources and regional directors) and the control and risk committee. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. Furthermore, as Davide Campari-Milano N.V. is a global company, operating in multiple jurisdictions, we considered the risk of bribery and corruption.

In our process of identifying fraud risks, we considered whether the Covid-19 pandemic gives rise to specific fraud risk factors resulting from a dilution in the effectiveness of controls as a result of the general disruption associated with remote working, illness and workforce reductions, supply chain failures and pressure to make emergency procurements, management overrides and workarounds becoming the norm, manual invoicing and manual payments, abuse of government schemes intended to support companies during the pandemic.

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in note 3 (iii) to the financial statements. We have also used data analysis to identify and address high-risk journal entries. Our audit procedures to address the assessed fraud risks did not result in a key audit matter.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we revaluated our assessment of fraud risk and its resulting impact on our audit procedures.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes, inspection of internal audit and compliance reports and performing substantive tests of details of classes of transactions, account balances or disclosures to the financial statements.

We also inspected lawyers' letters and correspondence with various authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Going concern

We performed the following procedures in order to identify and assess the risks relating to going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting. Management made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next 12 months.

We discussed and evaluated this assessment with management exercising professional judgment and maintaining professional skepticism, and specifically focusing on the process followed by management to make the assessment, management bias that could represent a risk, the impact of current events and conditions have on the company's



operations and forecasted cash flows, with a focus on whether the company will have sufficient liquidity to continue to meet its obligations as they fall due.

We consider, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report 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 auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

General audit procedures

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the control and risk committee. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill and brands with indefinite useful life

Note 4 i, Note 4 vi and Note 7 v in the annual report

Risk

Valuation of goodwill and brands with indefinite useful life are impacted by the same risk and procedures so we have combined them in one.

At December 31, 2020, the recorded amount of goodwill and brands with indefinite useful life was €1,356.6 million respectively €954.5 million. Financial statements disclosures related to the valuation of goodwill and brands with indefinite useful life are reported in the note 7 v "Intangible assets" which describes the composition of the value as at December 31, 2020 as well as the CGU allocation process and the methodology applied to assess the recoverable amount of assets, and in particular the valuation methodology and assumptions used, and the sensitivity analysis performed on the recoverable amount upon the modification of the main assumptions.

The processes and the methodologies for the evaluation and calculation of the recoverable amount of goodwill and brands is based on assumptions that imply management judgment, with particular reference to the expected cash flows, included in the 2021 budget and the strategic plan for 2022-2025.



Valuation of goodwill and brands with indefinite useful life

Note 4 i, Note 4 vi and Note 7 v in the annual report

	<p>These are prepared by the operating companies and approved by the board of directors of Davide Campari-Milano N.V. For the period beyond the five-year plans management has determined an appropriate long-term growth and discount rate to be applied to the cash flow forecasts. Additionally the five-year cash flow plan was extrapolated on a ten-year basis. The use of a ten-year forecast period was justified by the extension of the life cycle of the brands in the reference market, as well as the length of the maturing process of certain brands in some CGUs (Cash generating units).</p> <p>Considering the significance of the amount in the financial statements, the level of judgement in the assessment of the methodologies and assumptions adopted to determine the recoverable amount of goodwill and brands with indefinite useful life, we assessed this matter as a Key audit matter.</p>
Our audit approach	<p>Our audit procedures related to the key audit matter included, amongst others:</p> <ol style="list-style-type: none"> The analysis of the processes and key controls implemented by the company in connection to the valuation of goodwill and brands with indefinite useful life, as identified in the impairment test procedures approved by the board of directors The assessment of the CGU allocation process, the analysis of the adequacy of the allocation to each CGU of assets and liabilities The analysis of the independent expert report that supported the Group in the impairment test The assessment of the quality of the forecasts as compared to the historical accuracy of the previous forecasts The assessment of the criteria used in the determination of the long-term growth and the discount rates <p>Our procedures were performed with the support of our experts in valuation techniques, that assessed the methodologies applied, the mathematical accuracy of the calculation models, and we reperformed a sensitivity analysis on the key assumptions in order to identify the changes in assumptions that could have a significant impact on the determination of the recoverable amount.</p> <p>We further tested the additional stress tests performed to assess the impact COVID-19 had, or could potentially have on the group and our procedures above.</p> <p>Lastly, we assessed the adequacy of the disclosure provided in the explanatory notes to the consolidated financial statements.</p>
Key observations	<p>The assumptions relating to the impairment model are within acceptable ranges and we agree with management's conclusions. Furthermore, we concluded the disclosures in the consolidated financial statements being appropriate and adequate.</p>



Revenue Recognition, including adjustments for discounts and deferred incentives

Note 4 xvii and Note 6 ii in the annual report

Risk	<p>The Group recognizes revenues when the customer gains the control of goods according to the contract terms applicable to specific distribution channels.</p> <p>The revenue recognized is based the price provided in the agreement, net of discounts or estimated deferred incentives granted in line with industry practice.</p> <p>The estimate of discounts and deferred incentives due to customers in relation to sales for the year are recognized according to customer agreements and historical experience.</p> <p>Considering the high volume of sales transactions, through different distribution channels, the significance of the estimate of discounts and deferred incentives, and the complexity due to the number of variable agreement terms for different customers, we assessed this matter as a key audit matter.</p> <p>Financial statements disclosures related to revenue recognition, estimate of discounts and deferred incentives are reported in note 4 xvii “Significant accounting principles” in the paragraph related to Revenues from sales and services.</p>
Our audit approach	<p>The procedures designed to address the matter in our audit included, among others:</p> <ul style="list-style-type: none"> i) Analysis of processes and key controls implemented by the Group in connection with the estimate of discounts and deferred incentives ii) Test of key controls specifically related to the validation on contractual terms and information related to sales iii) Substantive testing on a sample of sales transactions, estimate of discounts and deferred incentives iv) Look-back analysis of prior year discount and deferred incentives estimate against actual results and analysis of variances v) Substantive testing on a sample of sales transactions recognized at year end considering the different distribution channels <p>We further considered the impact COVID-19 had on the company and our procedures above.</p> <p>Lastly, we assessed the adequacy, included in note 4 xvii and note 6 ii, of the disclosures in the explanatory notes to the consolidated financial statements.</p>
Key observations	<p>Based on the audit procedures performed, we did not identify any material misstatements in the revenue reported and conclude that the disclosures in the financial statements are adequate.</p>

Report on other information included in the annual report

In addition to the financial statements and our auditor’s report thereon, the annual report contains other information that consists of:

- Management report, including the remuneration report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements



- Contains the information as required by Part 9 of Book 2 and Sections 2:135b and 2:145 sub-section 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code, other information required by Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with Sections 2:135b and 2:145 sub-section 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the management board of Davide Campari-Milano N.V. on July 27, 2020 to perform the audit of its 2020 financial statements.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.



Description of responsibilities for the financial statements

Responsibilities of management and control and risks committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU - IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The control and risks committee is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Our audit approach section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Communication

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

In this respect we also submit an additional report to the control and risk committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the control and risk committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the control and risk committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, February 25, 2021

Ernst & Young Accountants LLP

signed by P.W.J. (Pieter) Laan

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Investor Relations

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