DAVIDE CAMPARI-MILANO N.V.
HALF YEAR REPORT
AT 30 JUNE 2020

CAMPARI
GROUP

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Disclaimer
This document contains forward-looking statements relating to future events and future operating, economic and financial results of Campari Group. By their nature, forward-looking statements involve risk and uncertainty because they depend on the occurrence of future events and circumstances. Actual results may differ materially from those forecast for a variety of reasons, most of which are beyond the Group's control. 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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Key Highlights

This half year report at 30 June 2020 comprises the half year report on operations and the half year condensed consolidated financial statements.

	first half 2020	first half 2019	change	
	€ million	€ million	total %	organic change %
Net sales	**768.7**	**848.2**	**-9.4%**	**-11.3%**
Contribution margin	331.1	374.3	-11.5%	-14.7%
EBITDA	142.4	206.5	-31.1%	
EBITDA adjusted	**169.7**	**215.1**	**-21.1%**	**-24.7%**
EBIT	103.0	171.7	-40.0%	
EBIT adjusted	**130.4**	**180.3**	**-27.7%**	**-30.8%**
Profit before tax and non-controlling interests	101.0	153.7	-34.3%	
Net profit-Group and non-controlling interests	72.7	122.8	-40.7%	
Group net profit	73.0	122.8	-40.6%	
Adjusted Group net profit	**77.6**	**116.7**	**-33.5%**	
ROS % (EBIT/net sales)	13.4%	20.2%		
ROS (EBIT adjusted/net sales)	**17.0%**	**21.3%**		
ROI % (Operating income/fixed assets)	3.4%	5.7%		
ROI % (Operating income adjusted/fixed assets)	**4.2%**	**5.9%**		
Basic earnings per share (€)	0.06	0.11		
Diluted earnings per share (€)	0.06	0.10		
Basic earnings per share (€) adjusted	**0.07**	**0.10**		
Diluted earnings per share (€) adjusted	**0.07**	**0.10**		
Average number of employees	4,059	3,740		
Acquisition (sale) of companies or business division	122.3	-		
Free cash flow	(4.5)	81.2		
Adjusted free cash flow	65.0	86.2		
	30 June 2020 € million	31 December 2019[1] € million		
Net financial debt	1,061.5	777.4		
Shareholders' equity-Group and non-controlling interests	2,215.5	2,386.2		
Invested capital	3,277.0	3,163.6		

[1] 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. See note 2 ii-Reclassification of comparative figures at 31 December 2019, of the half year condensed consolidated financial statements at 30 June 2020.

Information on the figures presented

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

For information on the definition of the alternative performance measures, see the section 'Definitions and reconciliation of the Alternative Performance Measures' in the next part of this half year report.

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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]	General Counsel and Business Development Officer
Eugenio Barcellona[2]	Director and Member of the Control and Risks Committee and the Remuneration and Appointments Committee
Annalisa Elia Loustau[2]	Director and Member of the Control and Risks Committee and the Remuneration and Appointments Committee
Alessandra Garavoglia[2]	Director
Catherine Gérardin-Vautrin[2]	Director and Member of the Control and Risks Committee and the Remuneration and Appointments Committee
Michel Klersy[2]	Director

Independent auditors[4]

Ernst & Young Accountants LLP

[1] The Board of Directors was appointed by the Shareholders' meeting of 16 April 2019 for a three-year term 2019-2021.
The first Board of Directors' meeting of Davide Campari Milano N.V. (the 'Company' or 'Davide Campari') since the redomiciliation transaction took effect, held on 6 July 2020, confirmed Mr. Robert Kunze-Concewitz, Mr. Paolo Marchesini, Mr. Fabio Di Fede as, respectively, Chief Executive Officer, Chief Financial Officer and General Counsel and Business Development Officer, with substantially the same powers that they were granted before the redomiciliation, and appointed the members of the Board of Directors internal committees, the composition of which remained unchanged.

[2] Non-executive directors.

[3] Executive directors.

[4] The Shareholders' meeting of 27 March 2020 resolved that, as from the effective date of the redomiciliation, Ernst&Young Accountants LLP succeed, without any interruption, to EY S.p.A. in the mandate of independent external auditor. Taking into account that the redomiciliation became effective as of 4 July 2020, the Board of Directors' meeting held on 6 July 2020 approved EY S.p.A. to carry out the independent external audit on the half year condensed consolidated financial statements at 30 June 2020, which is not therefore reviewed by an auditor under the definition of Article 5:25d paragraph 4 Wft (Dutch Financial Reporting Supervision Act).

Campari Group half year report on operations at 30 June 2020

Updates on the coronavirus, Covid-19 outbreak

The coronavirus emergency is still ongoing worldwide, and many countries are going through the peak of the pandemic which is still rising in some areas of the globe, such as the US, where there seems to be a resurgence in those States that reopened early. Moreover, it is also accelerating in Brazil, which seems to have entered its hardest phase with a surge of contagion, South Africa, India and Pakistan. The situation in the European Union seems to be improving day by day, with countries progressively exiting from lockdown and reopening state borders.
Many countries have begun to put in place cautious and progressive plans for a gradual return to a 'new normal', still expected to differ materially from the pre-Covid 19 situation. Restrictions to curb the spread of the coronavirus were eased slightly in Italy from May, with certain other European countries doing likewise shortly thereafter. This includes the UK, although adopting a very cautious approach, inviting people to limit travel and to observe social distancing measures. However, the overall scenario still appears to be deeply uncertain as regards the possible future development of the pandemic, within a radically changed global environmental context.

With regard to the Campari Group organization, local offices have started to gradually reopen in some geographical areas, while strictly complying with safety measures set by local authorities and, wherever possible, with the smart-working policies being recommended for office-based employees, given that the safety and wellbeing of Camparistas is a top priority.
Meanwhile, Group plants have gradually returned to regular work shifts but with the extra safety measures already in place being maintained and enhanced to keep employees safe and healthy.

Governments and institutions across the world agree in saying that we are facing one of the most severe economic crises in a century. However, looking at Campari Group's current business, while the lockdown of the on-premise segment is significantly impacting markets that are historically exposed to this key channel (like Italy), encouraging trends can be observed across selected markets as the restrictive measures to contain the pandemic are gradually lifted. While the initial outcome looks favourable, a high level of uncertainty remains, as the economy may take a very long time to recover to pre-Covid-19 levels. Many on-premise outlets are not 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 very cautious and are avoiding public places, and social distancing is also reducing the number of clients that can be served. The off-premise channel has experienced a much more contained exposure. However, despite positive growth being achieved in this channel, with consumers of Campari Group brands starting to experiment and prepare their favourite cocktails at home, this favourable trend has not been able to compensate for the on-premise losses, particularly in those markets where consumers habitually consume spirits outside the home.

Based on analyses of sell-out statistics and consumer data, other changes in consumer habits have been detected during the Covid-19 outbreak. In particular, e-commerce as well as effective digital marketing and online brand-building investments, are becoming more significant and are spearheading a way forward for the future. In this regard, the acquisition of a 49% interest in Tannico (an online wines and premium spirits platform) confirms the willingness of the Group to follow the path of e-commerce and digital marketing, on top of a deep digital transformation across the entire organization.

Moreover, the completion of the Tannico transaction, together with the acquisitions of Champagne Lallier and the Group's distribution company in France (despite the unprecedented conditions in terms of working environment and overall uncertainty experienced in the first half of 2020) have confirmed the agility of the Campari Group in mastering new challenges whilst confirming its long-term objectives in terms of business growth and development commitments. They are also concrete evidence of the Group's seriousness and determination to engage in major projects that leverage online digital technologies and expand on smart working.

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 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 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.

The main marketing initiatives undertaken in the first half of 2020, focused on global and regional priority brands, are set out below. Sponsorship and events have been reshaped since the outbreak of the Covid-19 pandemic. Marketing activities have been mainly focused on digital activations while brand-activation activities aimed at consumers and commercial partners in the on-premise and Global Travel Retail channels were suspended or postponed during the outbreak.

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

Global priority brands

Aperol

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, following the outbreak of Covid-19, **Aperol digital experiences** were implemented across markets to entertain people with the positive and light-hearted mood of Aperol Spritz. In 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 addition, 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. For additional information, see note-Significant events during and after the end of the period, in the half year condensed consolidated financial statements at 30 June 2020.

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 a 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

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, which also attracts significant media coverage in Europe, Japan and the United States.

Wild Turkey
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.
In April 2020, the **Wild Turkey Longbranch** digital campaign was set in motion nationally in the United States.
Talk Turkey, the first series of advertainment on the brand of the same name and starring Matthew McConaughey, got underway in 2019 and continued throughout the first quarter of 2020.

SKYY
A digital and social campaign **We Are The Pride** was launched in United States in June 2020 in support of the LGBTQ+ Community. The campaign featured pop star Kim Petras and RuPaul's Drag Race talents like Violet Chachki and Heidi N Closet.
In February 2020, SKYY Vodka partnered with Mindshare in the United States to support LGBTQ+ journalism.

Jamaican rums
With reference to the Jamaican rums portfolio, the **Appleton Estate** brand was relaunched in Canada in February 2020 and in United States and Jamaica in May 2020. The new packaging design emphasizes 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.

Grand Marnier
In June 2020, Grand Marnier launched a **new global social media campaign** aimed at enabling consumer 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, brand ambassador of Grand Marnier.
In January 2020, the new **Cuvée du Centenaire,** 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 priority brands

Concerning the regional priority brands, the new packaging of **Bisquit&Dubouché** VS and VSOP was launched in Belgium, while **Espolòn** tequila received the Impact Hot Brand 2019 award for the fourth year in a row.

Group financial review

Information relevant to the Directors' report on the significant events that took place during and after the end of the period, may be found in the paragraph 'Significant events during and after the end of the period' of Campari Group's half year condensed consolidated financial statements at 30 June 2020.

During the first half of 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 2 ii-Reclassification of comparative figures at 31 December 2019 of the half year condensed consolidated financial statements at 30 June 2020 to which reference is made. These adjustments did not have a significant impact on the income statement or cash flow for the half year period ending 30 June 2020.

Sales performance

Overall performance

In the first half of 2020, the Group's net sales totalled €768.7 million, with an overall decrease of -9.4% compared to the first half of 2019. The organic growth component showed a negative trend with a contribution of -11.3%. The exchange rate component was slightly negative at -0.2%, while the perimeter effect was positive at +2.1%.

	first half 2020		first half 2019		total change	6 months change, of which				change % second quarter
	€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate[1]	organic
Americas	358.1	46.6%	384.6	45.3%	-26.5	-6.9%	-7.6%	0.6%	0.1%	-13.5%
Southern Europe, Middle East and Africa	182.6	23.8%	243.6	28.7%	-61.1	-25.1%	-32.8%	7.7%	-	-39.8%
North, Central and Eastern Europe	172.0	22.4%	165.5	19.5%	6.5	3.9%	5.9%	-2.0%	0.1%	5.4%
Asia-Pacific	55.9	7.3%	54.4	6.4%	1.6	2.9%	7.1%	-	-4.2%	10.1%
Total	**768.7**	**100.0%**	**848.2**	**100.0%**	**-79.5**	**-9.4%**	**-11.3%**	**2.1%**	**-0.2%**	**-15.9%**

[1] Includes the effects associated with hyperinflation in Argentina.

Organic change

Organic sales registered a decline of -11.3% in the first half of 2020. The full effect of the Covid-19 pandemic and the subsequent general restrictions to contain the spread of the virus across all markets was experienced in the second quarter (-15.9%), which worsened, as expected, after the initial effects in first quarter (-5.3%).

The organic performance recorded in the first half was therefore heavily affected by the lockdown measures implemented to fight the Covid-19 pandemic, combined with an unfavourable comparison base (+8.0% in first half 2019). In particular, the measures to combat the virus subsequently had a great impact on the on-premise skewed markets (a channel which represents approximately 40% of overall sales for the Group), partly mitigated by resilient growth in off-premise skewed markets although shipments were still below positive sell-out trends across many markets. Strong brand momentum continued, though heavily affected by market-specific channel skew and destocking initiatives implemented at wholesaler level.

After having impacted the Chinese market at the beginning of the year, the pandemic first hit the European region, and in particular the Italian market, whose key aperitifs segment is particularly exposed. Despite a very positive start to the year, progressively, almost all key markets were affected by the pandemic and subsequent lockdown during the second quarter of 2020. This occurred even in markets where the off-premise channel is structurally more relevant. During the last part of the second quarter, encouraging trends were observed across some markets where the restrictive measures to contain the pandemic have gradually been lifted. However, a high level of uncertainty remains given that the economies of multiple markets may take a very long time to recover to pre-Covid-19 levels.

The breakdown of on and off-premise channels for net sales in 2019 for the geographical areas covered by the Group is shown below.

		percentage on 2019 net sales of on-off premise channels			
		% on-premise		*% off-premise*	
Americas		35%		65%	
	of which United States		*30%*		*70%*
Southern Europe, Middle East and Africa		65%		35%	
	of which Italy		*70%*		*30%*
North, Central and Eastern Europe		30%		70%	
	of which Germany		*30%*		*70%*
Asia-Pacific		30%		70%	
	of which Australia		*15%*		*85%*
Group average		**40%**		**60%**	

With regard to brand performance, the overall picture shows an across-the-board decline in all three segments, with the global priority brands reporting -9.9%, the regional priority brands -11.5%, and the local priority brands -13.1%.

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

- **Geographical regions**

❖ The **Americas** region recorded a decline of -7.6% (-13.5% in the second quarter): the resilient performance of off-premise skewed Canada (+9.6%) was unable to offset the decline in the United States (-4.1%), Jamaica (-8.9%), Mexico (-48.3%) and the South American countries, particularly Brazil (-8.5%) and Argentina (-22.1%).

❖ The **Southern Europe, Middle East and Africa** region reported an organic decrease in sales of -32.8% (-39.8% in the second quarter), driven by the negative performance of its core market, Italy (-33.1%), the Global Travel Retail channel (-60.7%), Spain (-49.3%) and South Africa (-112.3%) whose decline was amplified by a route-to-market change.

❖ The **Northern, Central and Eastern Europe** region showed positive organic growth of +5.9% (+5.4% in the second quarter). Specifically, resilient growth in the region was sustained by Russia (+19.2%), the United Kingdom (+36.2%) and Germany (+3.4%).

❖ The **Asia-Pacific** region recorded a positive performance of +7.1% (+10.1% in the second quarter); this was driven by Australia, the region's core market, which increased by +18.7%, and China (+26.2%), which more than offset the negative decline in the rest of the region, especially Japan, which suffered from the destocking carried out ahead of route-to-market changes.

- **Brands**

❖ The Group's **global priority brands** registered an organic sales decrease of -9.9%. The positive contribution of the Jamaican rums portfolio was more than offset by the decline in both Aperol and Campari, mainly due the core Italian market impacted by on-premise closures since March and only partly mitigated by the gradual reopening in late June, with growth in off-premise-skewed markets entirely offset. Grand Marnier, SKYY and Wild Turkey declined overall due to destocking in the key US market.

❖ The **regional priority brands** recorded an organic decrease of -11.5%, largely due to a decrease in sales of the core brands such as Cinzano, GlenGrant, the bitters and Bulldog with the exception of Espolòn and Forty Creek, which registered resilient growth.

❖ The **local priority brands** decreased by -13.1%, as a result of the decline in sales of Campari Soda and Crodino, despite the positive performance of Wild Turkey ready-to-drink, Cabo Wabo, Ouzo 12 and the Brazilian brands.

Perimeter variation

The perimeter variation of +2.1% in the first half of 2020, compared with sales in the same period of 2019, is analysed in the table below.

breakdown of the perimeter effect	€ million	% on first half 2019
acquisitions (Rhumantilles, Ancho Reyes and Montelobos and Baron Philippe de Rothschild France Distribution S.A.S.[(1)])	21.9	2.6%
total acquisitions	**21.9**	**2.6%**
discontinued agency brands	(4.2)	-0.5%
total discontinued agency brands	**(4.2)**	**-0.5%**
total perimeter effect	**17.7**	**2.1%**

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

- **Business acquisitions**

In the first half of 2020, the perimeter variation due to business acquisitions was positive at +2.6%. It was mainly driven by the acquisition of Rhumantilles, 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, and by the acquisition of RFD, which contributed to the Group's results from 28 February 2020. With regard to the RFD acquisition, it should be noted that sales of products in the Campari Group portfolio contributed to changes in organic sales growth as they were previously 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. The acquisition of Champagne Lallier, completed on 10 June 2020, was included in the consolidation perimeter from 30 June 2020 since there was no significant sales contribution between the two dates.

- **Brands distributed**

The perimeter variation due to termination of the distribution of agency brands in the first half of 2020 amounted to -0.5% and related to non-core brands in Germany and Russia from 1 January 2020.

Exchange rate effects

The exchange rate effect in the first half of 2020 was negative at -0.2%, due to the devaluation of almost all Group's currencies against the Euro, with the exception of the US, Canadian Dollars and Swiss Franc. The exchange rate effect includes the impact of applying the IFRS guidance on managing hyperinflation in Argentina, including both the conversion to Euros at the spot exchange rate at the end of the period of all the income statement items expressed in Argentine Pesos and the new method for calculating organic growth for the Argentine market.

The table below shows the average exchange rates for the first half of 2020 and the spot rates at 30 June 2020 for the Group's most important currencies, together with the percentage change against the Euro, compared with the same period of 2019.

	average exchange rates		spot exchange rates	
	first half 2020 1 Euro	revaluation/(devaluation) vs. first half 2019 %	30 June 2020 1 Euro	revaluation/(devaluation) vs. 30 June 2019 %
US Dollar	1.101	2.6%	1.120	1.6%
Canadian Dollar	1.503	0.2%	1.532	-2.8%
Jamaican Dollars	153.453	-3.7%	156.607	-5.3%
Mexican peso	23.860	-9.2%	25.947	-15.9%
Brazilian Real	5.416	-19.9%	6.112	-28.8%
Argentine Peso[(1)]	78.786	-38.4%	78.786	-38.4%
Russia Roubles	76.687	-3.9%	79.630	-10.1%
Australian Dollar	1.678	-4.6%	1.634	-0.6%
Yuan Renminbi	7.747	-1.0%	7.922	-1.3%
Great Britain Pounds	0.874	-0.1%	0.912	-1.7%
Swiss Francs	1.064	6.2%	1.065	4.3%

(1) The average exchange rate of the Argentine Peso for both the first half of 2020 and the first half of 2019 was equal to the spot exchange rates at 30 June 2020 and 30 June 2019 respectively.

Sales by region

Sales for the first half of 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 -7.6% (-13.5% in the second quarter).

	% of Group total	first half 2020		first half 2019		total change	6 months change, of which				change % second quarter
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate[(1)]	organic
US	32.1%	246.9	68.9%	248.8	64.7%	-1.9	-0.8%	-4.1%	0.9%	2.5%	-8.6%
Jamaica	5.4%	41.3	11.5%	47.1	12.2%	-5.8	-12.3%	-8.9%	-	-3.4%	-10.7%
Canada	3.6%	28.0	7.8%	25.5	6.6%	2.5	10.0%	9.6%	0.1%	0.3%	9.8%
Brazil	1.6%	11.9	3.3%	16.3	4.2%	-4.3	-26.7%	-8.5%	-	-18.2%	-4.3%
Mexico	1.1%	8.6	2.4%	18.2	4.7%	-9.6	-52.8%	-48.3%	0.2%	-4.7%	-72.6%
Other countries of the region	2.8%	21.4	6.0%	28.8	7.5%	-7.4	-25.7%	-24.9%	0.2%	-1.0%	-42.8%
Americas	**46.6%**	**358.1**	**100.0%**	**384.6**	**100.0%**	**-26.5**	**-6.9%**	**-7.6%**	**0.6%**	**0.1%**	**-13.5%**

(1) Includes the effects associated with hyperinflation in Argentina. In order to mitigate the hyperinflation effect in Argentina, the organic change in this market includes the component attributable to volumes sold only while the price variation, which includes the hyperinflation, is included in the exchange rate effect.

The **United States**, the Group's largest market, with 32.1% of total sales, closed the first half of 2020 with an organic decrease of -4.1% (-8.6% in the second quarter), as a result of both a tough comparison base (+10.9% in first half 2019) as well as the effects of the Covid-19 restrictions impacting the on-premise channel (accounting for around 30% of the market net sales in 2019) that were introduced at the end of the first quarter and amplified in the second quarter. The US remains in a critical situation regarding the Covid-19 pandemic, with a slow and uncertain recovery of the economy. Key brands, such as Campari, Aperol, the Jamaican rum portfolio and Espolòn, registered positive growth but this was more than offset by the decline of Wild Turkey, SKYY and Grand Marnier which suffered from a destocking effect at wholesaler level. Despite this, brand momentum in the off-premise channel remains strong across the whole portfolio, with sell-out at +40.3% overall and strong double-digit growth in all core brands since lockdown[1], outperforming the local market by +13.0 percentage points, while destocking impacted shipments which are lagging behind more positive depletion and sell-out trends.

Jamaica recorded a decrease in sales of -8.9% (-10.7% in the second quarter), penalised in particular by closures in the on-premise channel and a sharp fall in tourist flows caused by the Covid-19 pandemic. The effect was exacerbated by an unfavourable comparison base with the first half of 2019 (+18.6%), despite good continued momentum in Wray&Nephew Overproof.

[1] Source: US Nielsen data xAOC+Total Liquor, representing c.34% of total US off-trade volume, from W/E 7 March 2020 till W/E 27 June 2020.

Canada, an off-premise skewed market, posted a positive performance of +9.6% in the period (+9.8% in the second quarter), due to the healthy contribution of Grand Marnier, Forty Creek, Appleton Estate and local brands.

Brazil, a largely on-premise market, recorded a negative performance of -8.5% (-4.3% in the second quarter). The fall in sales of Campari, Aperol and SKYY Vodka was only partially offset by sales of local brands. The country is one of those currently most affected by the pandemic and the already critical macroeconomic situation remains delicate and uncertain.

Mexico recorded an organic decline of -48.3% (-72.6% in the second quarter), mainly driven by SKYY ready-to-drink.

The **other countries** recorded a slight overall fall in sales of -24.9% (-42.8% in the second quarter). **Chile**'s positive performance was more than offset by the decrease in **Argentina** (-22.1%), a market that is still affected by an unstable economy, currently strained by the heavy impact of the pandemic, high inflation and a low propensity to spend. As a prudent measure to strip out the effects of inflation, 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 -32.8% (-39.8% in the second quarter).

	% of Group total	first half 2020		first half 2019		total change	6 months change, of which				change % second quarter
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate	organic
Italy	15.9%	122.3	67.0%	182.8	75.0%	-60.5	-33.1%	-33.1%	-	-	-39.3%
France	4.5%	34.5	18.9%	19.5	8.0%	15.0	76.6%	-0.6%	77.2%	-	25.1%
GTR[1]	0.6%	4.9	2.7%	13.7	5.6%	-8.9	-64.7%	-60.7%	-4.0%	0.1%	-93.2%
Other countries of the region	2.7%	20.9	11.4%	27.6	11.3%	-6.7	-24.2%	-40.0%	15.5%	0.2%	-64.5%
Southern Europe, Middle East and Africa	**23.8%**	**182.6**	**100.0%**	**243.6**	**100.0%**	**-61.1**	**-25.1%**	**-32.8%**	**7.7%**	**-**	**-39.8%**

[1] Global Travel Retail

Italy recorded an organic decrease in sales of -33.1% (-39.3% in the second quarter), despite the positive start of the year (double-digit growth in the first two months of 2020); this was due to the negative performance of aperitifs, a key segment in the Italian market that is particularly exposed to the on-premise channel and therefore susceptible to the measures taken following the outbreak of Covid-19 pandemic, including the full shutdown of that channel, which accounted for 70% of the market's net sales in 2019. The limitations on customer traffic in the off-premise channel, which remained in place until mid-June, also impacted the market performance. Measures are gradually easing, thanks to the containment of infections, with consumers gradually returning to bars with outdoor space. However, the Italy economy is still going through a period of strong tensions.

France was almost flat at -0.6% (+25.1% in the second quarter), helping to recover the first quarter destocking ahead of a route-to-market change, with solid growth in Aperol.

The **Global Travel Retail** channel recorded an organic decrease of -60.7% (-93.2% in the second quarter). The channel is the most heavily impacted by measures introduced following the outbreak of Covid-19 aimed at limiting to the maximum the movement of people through travel bans.

The **other countries in the region** reported an overall fall of -40.0% (-64.5% in the second quarter); this was mainly due to **South Africa**, after planned destocking ahead of some route-to-market changes, as well as the tough comparison base. **Spain** was very weak due to its skew towards the on-premise channel, negatively impacted by Covid-19, with a weak performance particularly for Campari, Aperol and Bulldog. **Nigeria**, thanks to Campari, recorded double-digit growth in a volatile environment with ongoing socio-economic instability.

- **Northern, Central and Eastern Europe**

The region recorded overall organic growth of +5.9% (+5.4% in the second quarter), spread across its core markets.

	% of Group total	first half 2020		first half 2019		total change	6 months change, of which				change % second quarter
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate	organic
Germany	10.1%	77.3	45.0%	77.0	46.5%	0.4	0.5%	3.4%	-2.9%	-	5.9%
Russia	2.0%	15.6	9.0%	14.5	8.7%	1.1	7.4%	19.2%	-7.5%	-4.3%	7.7%
United Kingdom	3.0%	23.1	13.4%	16.9	10.2%	6.1	36.1%	36.2%	-	-0.1%	35.1%
Other countries of the region	7.3%	56.1	32.6%	57.1	34.5%	-1.1	-1.8%	-3.2%	-0.1%	1.5%	-4.9%
North, Central and Eastern Europe	**22.4%**	**172.0**	**100.0%**	**165.5**	**100.0%**	**6.5**	**3.9%**	**5.9%**	**-2.0%**	**0.1%**	**5.4%**

Sales in **Germany** were up by +3.4% (+5.9% in the second quarter), driven by the resilient performance of the aperitif brands, Aperol and Campari, whose sell-out trends remained in double-digits growth, and Ouzo 12, Bulldog and GlenGrant. The high exposure of this market to the off-premise channel (accounting for approximately 70% of the market net sales in 2019) positively contributed to organic performance. In contrast, weak sales were registered for Averna, SKYY Vodka and Frangelico.

Russia recorded an increase of +19.2% in sales (+7.7% in the second quarter) thanks to Aperol and Mondoro.

Sales in the **United Kingdom** increased by +36.2% (+35.1% in the second quarter). Growth in the period was sustained by Aperol, Wray&Nephew Overproof, Campari and Magnum tonic. Strong growth in the off-trade channel as well as unparalleled growth in the e-commerce channel were the key drivers during the lockdown.

Performance in the **other countries in the region** was negative overall at -3.2% (-4.9% in the second quarter), although accompanied by the positive sales growth in **Austria** (Aperol and Campari), **Switzerland** (Aperol, Campari and Crodino) and **Benelux** (Aperol and Bulldog).

- **Asia-Pacific**

This region, which is broken down by core market in the table below, recorded organic growth of +7.1% (+10.1% in the second quarter).

	% of Group total	first half 2020		first half 2019		total change	6 months change, of which				change % second quarter
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange rate	organic
Australia	5.5%	42.6	76.2%	37.7	69.2%	5.0	13.2%	18.7%	-	-5.5%	19.2%
Other countries of the region	1.7%	13.3	23.8%	16.7	30.8%	-3.4	-20.5%	-19.2%	-	-1.4%	-8.7%
Asia-Pacific	**7.3%**	**55.9**	**100.0%**	**54.4**	**100.0%**	**1.6**	**2.9%**	**7.1%**	**-**	**-4.2%**	**10.1%**

In **Australia**, the region's largest market, organic growth in the period was positive at +18.7% (+19.2% in the second quarter), after a weak 2019 year end. Performance was weak in the early part of the year due to the bush fires in the country, while, in the last part of the period sustained sales were recorded particularly in the off-premise channel (accounting for approximately 85% of the market net sales in 2019). Sustained performance at double digit level was recorded for Wild Turkey ready-to-drink, Wild Turkey bourbon, American Honey, Campari and Espolòn.

Sales in the **other countries in the region** fell by -19.2% (-8.7% in the second quarter). This was mainly due to the negative performance of sales in **Japan**, as a result of the destocking carried out by the Group ahead of the change in the route-to-market structure in the region, as well as the negative performance of sales in the rest of Asia, with the exception of **China,** which was positive overall in the first half of 2020.

Sales by main brands at consolidated level

The following table summarises growth (split into its various components) in the Group's main brands in the first half of 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 reference to the half year 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 RFD, 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 RFD 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.

	percentage weight on Group sales	% change in the half year, of which				% change in the second quarter
		total	organic	perimeter	exchange rate	organic
Aperol	19.2%	-11.4%	-11.6%	-	0.1%	-17.6%
Campari	10.2%	-10.9%	-10.6%	-	-0.3%	-19.1%
Wild Turkey portfolio[(1)(2)]	8.5%	-6.3%	-7.7%	-	1.3%	-2.9%
SKYY[(1)]	7.6%	-15.0%	-16.5%	-	1.6%	-25.5%
Grand Marnier	7.5%	-7.7%	-9.7%	-	2.0%	-8.3%
Jamaican rums portfolio[(3)]	5.9%	3.4%	4.9%	-	-1.5%	6.0%
global priority brands	**58.8%**	**-9.3%**	**-9.9%**	**-**	**0.5%**	**-14.3%**
Espolòn	5.0%	5.5%	3.3%	-	2.2%	-0.4%
Bulldog	0.6%	-23.9%	-22.9%	-	-1.0%	-27.1%
GlenGrant	0.7%	-32.2%	-32.1%	-	-0.1%	-31.1%
Forty Creek	1.2%	14.4%	13.8%	-	0.6%	20.5%
Bitter and Italian liquors[(4)]	3.1%	-23.4%	-23.5%	-	-	-33.1%
Cinzano	2.5%	-19.0%	-17.5%	-	-1.4%	-26.7%
Bisquit&Debouché	-	-83.9%	-85.0%	-	1.1%	-93.5%
other[(5)]	3.0%	82.5%	-0.1%	84.2%	-1.6%	13.2%
regional priority brands	**16.2%**	**-3.0%**	**-11.5%**	**8.3%**	**0.2%**	**-14.5%**
Campari Soda	2.9%	-30.5%	-30.5%	-	-	-38.9%
Crodino	2.6%	-34.5%	-34.7%	-	0.2%	-46.8%
Wild Turkey portfolio ready-to-drink[(6)]	2.4%	17.8%	23.5%	-	-5.7%	31.4%
Dreher and Sagatiba	1.0%	-1.4%	22.4%	-	-23.9%	43.3%
Other[(7)]	2.4%	15.5%	11.5%	2.8%	1.2%	10.8%
local priority brands	**11.3%**	**-15.1%**	**-13.1%**	**0.4%**	**-2.4%**	**-17.3%**
rest of the portfolio	**13.7%**	**-11.5%**	**-15.5%**	5.6%	**-1.6%**	**-23.4%**
Total	**100.0%**	**-9.4%**	**-11.3%**	**2.1%**	**-0.2%**	**-15.9%**

(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, La Mauny, Ancho Reyes and Montelobos.
(6) Includes American Honey ready-to-drink.
(7) Includes Duquesne.

The Group's **global priority brands** (58.8% of sales) fell by -9.9% at organic level, with an overall decrease of -9.3%, an exchange rate effect of +0.5% and a neutral perimeter effect. The comments below relate to the organic performance of individual brands.

Aperol recorded a fall in sales of -11.6% during the period. The brand registered an accelerated decline (-17.6%) in the second quarter peak period driven by the double-digit decline in the core on-premise-skewed Italian market, which accounted for 35% of Aperol sales in 2019. Global Travel Retail channel also registered a strong decline due to limited traffic numbers since March as a result of the Covid-19 pandemic. Resilient growth, however, was recorded in Germany, the United Kingdom, the United States, France, Austria, Switzerland Russia and Belgium. Organic growth excluding Italy and Global Travel Retail channel would have been +4%.

Campari closed the period with a decline of -10.6%, mainly due to the impact of the virus on the core Italian market with key on-premise outlets being closed in the second quarter peak period, as well as Jamaica and Brazil. In contrast, positive results were registered in the United States, Germany, the United Kingdom, Austria and Nigeria.

The **Wild Turkey** portfolio, which includes American Honey, showed a reduction in sales of -7.7% in the period, against a tough comparison base (+11.4% in first half 2019) and destocking in the US during the first quarter ahead of new packaging, which has been postponed. Sales in the second quarter within the US are progressively improving thanks to the off-trade channel, with depletions and sell-out trends tracking ahead of shipments. Japan also declined due to the destocking carried out by the Group ahead of the planned change in the region's route-to-market structure. Australia, however, registered continued positive growth.

Grand Marnier recorded a decline of -9.7%, mainly due to the fall in sales in the core United States market, resulting from the brand's heavy on-premise skew and destocking at wholesaler level, despite positive off-premise sell-out trends. In Canada, its second-largest market by size, the brand achieved positive results.

SKYY closed the first half of 2020 with a fall of -16.5%, mainly due to the key United State market, with destocking at wholesaler level in the second quarter (-20.0%) with core vodka outperforming flavours. Core SKYY vodka depletions and sell-out trends moved to high-single digit territory. There was positive growth in China, but this was unable to offset declines across other key international markets.

The **Jamaican rums portfolio** (Appleton Estate and Wray&Nephew Overproof) recorded an organic growth of +4.9% in the period. Wray&Nephew Overproof achieved very positive results thanks to the good performances in the United States and the United Kingdom, boosted by Jamaica, the brand's key market. Sales of Appleton Estate

were negative (-4.0%), mainly due to Jamaica, which was not completely offset by the good performances in Canada and the United States.
The **regional priority brands** (16.2% of the Group's sales) posted an organic decline of -11.5%, with an overall decrease of -3.0%, an exchange rate effect of +0.2% and a perimeter effect of +8.3%. The comments below relate to the organic performance of individual brands.
Espolòn (+3.3%) recorded a positive performance in the United States despite a flatter second quarter due a tough comparison base from last year (+71.8%) and is lagging behind stronger depletion and sell-out trends.
Bulldog sales fell (-22.9%), due to very negative performances in the Global Travel Retail channel and in its core market Spain, which suffered from the on-premise skew as well as persistent strong category competition. The overall performance was partly mitigated by positive results in Germany and Belgium.
GlenGrant recorded a negative performance of -32.1% in the period. This was mainly due to the decline in the Global Travel Retail channel, which was particularly impacted by the effects of Covid-19, as well as sales in the United States, in France and in Italy. Enhanced focus on the gradual repositioning of the brand from high-volume and short-aged variants into premium higher-margin propositions continues.
Forty Creek recorded a positive performance of +13.8%, thanks to the results achieved in Canada.
Sales of **Italian bitters and liqueurs** (Cynar, Averna, Braulio and Frangelico) were negative overall (-23.5%) due to the declining trends in the main reference markets for each brand.
Cinzano sales fell by -17.5% overall. In the vermouth segment, the negative performance was mainly attributable to Argentina and Italy, together with the Eastern Europe markets, where the decline was due to unfavourable comparison base as well as brand repositioning as traditional vermouth. The brand reported growth in Russia and Australia. Performance in the sparkling wines segment was negative due to the weakness in Germany, Italy as well as China and Russia.
The **Bisquit&Debouché** brand, which had contributed to the Group's organic sales effect from February 2019, recorded an organic decline of -85.0%, mainly in South Africa, due to the planned destocking carried out ahead of some route-to-market changes.
In the **other brands**, the good performance recorded in Russia by Mondoro was offset by the decline in sales of Riccadonna during the period, mainly attributable to the French market being impacted by declining shipments decline due to destocking ahead of route-to-market changes.

The **local priority brands** (11.3% of the Group's portfolio) showed an organic sales decrease of -13.1%, with an overall variation of -15.1%, an exchange rate effect of -2.4% and a perimeter effect of +0.4%. 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 effects of the Covid-19 pandemic on the Italian key market, while the **Brazilian brands** (**Dreher** and **Sagatiba**), **Ouzo** and **Wild Turkey ready-to-drink** recorded a positive performance.

The **rest of the portfolio** (13.7% of the Group's sales) recorded a negative performance of -15.5%, due particularly to **SKYY ready-to-drink** in Mexico, partly mitigated by the very positive performance of **Aperol Spritz ready-to-drink**[2] in Italy.

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

Income statement

Key highlights

The income statement figures for the first half of 2020 suffered heavily from the effects of the outbreak of the Covid-19 pandemic, although the containment measures aimed at restricting people's movements and social contact were introduced progressively at global level and varied considerably between countries in both intensity and timescale. Even in countries that are slowly emerging from the lockdown with the gradual reopening of activities and the state borders, the economic situation is still compromised and is characterized by an expected long recovery period. Therefore, despite a markedly favourable start to the year in many geographical regions, the first half of 2020 includes the effects of a new economic reality, which was in no way foreseeable. The severe restrictions, including the suspension of productive activities defined as non-essential (which does not include beverages), have had a great impact on the end clients' propensity to consume, with consequent repercussions for the Group's business, particularly in on-premise skewed markets where the high-margin aperitif business was mostly affected in its peak period. Nonetheless the strong brand momentum continued as sell-out trends in the off-premise channel remained very healthy and above shipments across brands and regions due to destocking. While there are no issues with business continuity, the overall effect has resulted in a negative organic performance for all the profitability indicators monitored by the Group.

Specifically, net sales, gross margin, contribution margin and result from recurring activities (EBIT adjusted) showed an organic decline of -11.3%, -16.3%, -14.7% and -30.8% respectively. All the indicators therefore show a greater decrease than sales, with a resulting dilution in margins. This is attributable to the lower absorption of fixed costs due to the strong contraction in sales and a tough comparison base compared with the first half of 2019 (EBIT adjusted +10.6% in value in first half 2019). Cost analysis was carried out on discretionary spending with the aim of reducing or postponing costs associated with activities not deemed to be a priority, including some spending on marketing and projects not strictly connected with business continuity. Structure costs optimization strategies were implemented at Group level, particularly during the second quarter, namely freezing policies on hiring, as well as overall cost containment for variable costs and travel expenses, which saw a reduction following the lockdown due to the pandemic and an intensive use of smart-working practises in the Group's offices. Nonetheless, no structural downsizing actions were taken as regards the Group's infrastructure, confirming the long-term development strategy of the Group. Moreover, the available resources have been re-directed to activities useful in the new environment, such as the shift of investments from the on-premise channel into digital brand building and online brand activation initiatives as well as e-commerce, the strengthening of IT support activities, the monitoring of supplies and customer performances, the management of the financial structure to prevent liquidity issues, and a redefinition of ways of working by introducing new protocols, work practices and safety measures.

The perimeter variations relate to the acquisitions of Rhumantilles, Ancho Reyes and Montelobos, which were completed in the latter part of 2019 and the recent acquisition of RFD, which was finalised on 28 February 2020, net of the termination of some low-margin distribution agreements. The acquisition of Lallier was completed on 10 June 2020 and was included in the consolidation perimeter from 30 June 2020 onwards as the business contribution between the two dates was not meaningful.

With regard to the total changes in profitability indicators, the favourable exchange rate effect, driven by the strengthening of the US dollar, was partly offset by the depreciation of the currencies in the Group's main emerging markets, and more than offset the negative perimeter impact.

The table below shows the income statement[1] for the first half of 2020 and a breakdown of the total change by organic growth, external growth and exchange rate effects.

	first half 2020		first half 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]	**768.7**	**100.0**	**848.2**	**100.0**	**(79.5)**	**-9.4%**	**(95.7)**	**-11.3%**	**17.7**	**2.1%**	**(1.5)**	**-0.2%**
Cost of goods sold	(315.8)	(41.1)	(322.3)	(38.0)	6.6	-2.0%	10.0	-3.1%	(11.9)	3.7%	8.5	-2.6%
Gross profit	**452.9**	**58.9**	**525.8**	**62.0**	**(72.9)**	**-13.9%**	**(85.7)**	**-16.3%**	**5.8**	**1.1%**	**6.9**	**1.3%**
Advertising and promotional costs	(121.8)	(15.8)	(151.5)	(17.9)	29.7	-19.6%	30.6	-20.2%	(1.0)	0.6%	0.1	-0.1%
Contribution margin	**331.1**	**43.1**	**374.3**	**44.1**	**(43.2)**	**-11.5%**	**(55.1)**	**-14.7%**	**4.9**	**1.3%**	**7.1**	**1.9%**
Selling, general and administrative expenses	(200.7)	(26.1)	(194.0)	(22.9)	(6.7)	3.5%	(0.4)	0.2%	(8.2)	4.2%	1.9	-1.0%
Result from recurring activities (EBIT adjusted)	**130.4**	**17.0**	**180.3**	**21.3**	**(49.9)**	**-27.7%**	**(55.5)**	**-30.8%**	**(3.4)**	**-1.9%**	**8.9**	**4.9%**
Adjustments to operating income (expenses)	(27.4)	(3.6)	(8.6)	(1.0)	(18.8)	217.6%						
Operating result	**103.0**	**13.4**	**171.7**	**20.2**	**(68.7)**	**-40.0%**						
Financial income (expenses)	(19.2)	(2.5)	(15.1)	(1.8)	(4.0)	26.5%						
Adjustments to financial income (expenses)	1.6	0.2	-	-	1.6	-						
Put option, earn out income (expenses) and hyperinflation effect	15.7	2.0	(3.0)	(0.4)	18.7	-						
Profit (loss) related to associates and joint ventures	(0.2)	-	0.1	-	(0.3)	-						
Profit before taxation	**101.0**	**13.1**	**153.7**	**18.1**	**(52.7)**	**-34.3%**						
Taxation	(28.2)	(3.7)	(30.9)	(3.6)	2.6	-8.6%						
Net profit for the period	**72.7**	**9.5**	**122.8**	**14.5**	**(50.0)**	**-40.7%**						
Non-controlling interests	(0.2)	-	-	-	(0.2)	-						
Group net profit for the period	**73.0**	**9.5**	**122.8**	**14.5**	**(49.8)**	**-40.6%**						
Group net profit adjusted	**77.6**	**10.1**	**116.7**	**13.8**	**(39.1)**	**-33.5%**						
Total depreciation and amortisation	(39.4)	(5.1)	(34.8)	(4.1)	(4.6)	13.2%	(2.4)	6.8%	(2.7)	7.7%	0.5	-1.4%
EBITDA Adjusted	**169.7**	**22.1**	**215.1**	**25.4**	**(45.4)**	**-21.1%**	**(53.1)**	**-24.7%**	**(0.7)**	**-0.3%**	**8.5**	**3.9%**
EBITDA	**142.4**	**18.5**	**206.5**	**24.3**	**(64.1)**	**-31.1%**						

[1] For information on the definition of alternative performance measures, see the section 'Definitions and reconciliation of the Alternative Performance Measures' in the next part of this half year report.
[2] Sales after deduction of excise duties.

The decrease in profitability in the first half of 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 points[2]	Total	Organic
Cost of goods sold	(310)	(350)
Gross margin	**(310)**	**(350)**
Advertising and promotional costs	200	180
Contribution margin	**(110)**	**(170)**
Selling, general and administrative expenses	(320)	(300)
Result from recurring activities (EBIT adjusted)	**(430)**	**(470)**

[1] For information on the definition of alternative performance measures, see the section 'Definitions and reconciliation of the Alternative Performance Measures' in the next part of this half year report.
[2] There may be rounding effects given that the corresponding basis points have been rounded to the nearest ten.

Income statement in detail

The key income statement items are analysed below.

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

The **gross margin** for the period was €452.9 million, -13.9% on the same period in 2019. The organic component was -16.3%, which was higher than the organic decrease in sales (-11.3%), while the growth components attributable to the exchange rate effect and perimeter variation were marginally positive at +1.3% and +1.1% respectively. As a percentage of sales, the gross margin fell overall, from 62.0% in the first half of 2019 to 58.9% in the corresponding period in 2020, with a decrease in total and organic profitability of 310 and 350 basis points respectively. The organic contraction in margins was driven by an unfavourable product/market mix, which was affected by the weak performance of high-margin brands, such as aperitifs in Italy, the category's main market, in their peak season, as well as the lower contribution of some of the high-margin markets, particularly the United States, which was severely affected by the Covid-19 pandemic. The exchange rate effect of a 100 basis point accretion more than offset the perimeter effect having 60 basis point dilution.

Advertising and promotional costs were €121.8 million, down by -19.6% overall compared with the same period in 2019. As a percentage of sales, they decreased from 17.9% to 15.8% in the first half 2020, with an overall accretive effect on sales of 200 basis points. Marketing costs decreased by -20.2% organically in value terms. This was mainly due to cost containment measures and the postponement of some initiatives in the on-premise and Global Travel Retail channels, enabling investments to be redirected from the on-premise channel to digital brand building and online brand activation and e-commerce initiatives aimed at engaging consumers and industry professionals through social media and driving consumption through e-commerce platforms.

The **contribution margin** was €331.1 million, a decrease of -11.5% overall on the same period in 2019. As a percentage of sales, it was at 43.1%, an overall decrease of 110 basis points compared with the first half of 2019. The organic growth component fell by -14.7%, more than the decline in organic sales growth (-11.3%), generating a dilutive effect of 170 basis points. The impact of the perimeter variation was positive at +1.3%, with a dilutive effect on margins of 40 basis points; this was entirely offset by exchange rate variations with an accretive effect of 100 basis points (up by +1.9% on the same period in the previous year).

Selling, general and administrative expenses amounted to €200.7 million, up by +3.5% on the first half of 2019. Selling, general and administrative expenses as a percentage of sales amounted to 26.1%, compared with 22.9% in the same period of the previous year, with a resulting dilutive effect on margins of 320 basis points. Organic growth was almost flat at +0.2%, with a dilutive effect of 300 basis points on margins, as the lower absorption of fixed costs in a context of strong organic contraction in sales have been offset by a significant reduction in variable structure costs. Mitigation actions were mainly focused on containment of variable and discretionary costs, namely by freezing hiring policies and introducing a ban of travel expenses, while no structural downsizing actions were taken with regard to the business infrastructure, confirming the Group's long-term development strategy. Despite the impacts of the Covid-19 pandemic, the Group has confirmed the deployment of initiatives supporting the Group's long-term growth strategy previously planned and aimed at a continued strengthening of its route-to-market. Meanwhile, a cost analysis was carried out on discretionary spending with the aim of reducing or postponing costs associated with activities not deemed to be a priority and not strictly connected with business continuity. The structure costs optimization strategies started at Group level at the beginning of the second quarter led to an organic reduction in expenses of -7.5% in the second quarter of 2020 versus the same period of last year.

The **result from recurring activities (EBIT adjusted)** was €130.4 million in first half 2020, an overall decrease of -27.7% on the same period in 2019. Adjusted return on sales (ROS) was 17.0% (21.3% in the first half of 2019). The organic decline component was -30.8%, with a tough comparison base with the same period in 2019 (+10.6%). The decline was considerably stronger than that of organic sales (-11.3%), resulting in a dilutive effect of 470 basis points. The impact of perimeter variations on adjusted EBIT was -1.9%, and mainly due to the unfavourable impact of recent acquisitions. In particular, the first-time consolidation of the French distributor, together with sales having been impacted by destocking and Covid-19, had a disproportional effect due to the lower absorption primarily of fixed structure costs. On the other hand, the exchange rate effect was +4.9%, mainly due to the strengthening of the US dollar against the Euro.

Adjustments to operating income (expenses) showed a net charge of €27.4 million; this related mainly to the allocation of impairment loss on the Bulldog brand for an amount of €16.3 million[3] as a consequence of the negative impact of Covid-19 on brand performance over a long-term horizon, donations of €2.7 million made by the Group to support the pandemic emergency, as well as costs associated with reorganisation activities impacting some of the Group's central operations, which were started in previous periods and are still in progress.

The **operating result** for the first half of 2020 was €103.0 million, reflecting a decrease of -40.0% on the same period in 2019. The ROS, which measures the operating result as a percentage of net sales, amounted to 13.4% (20.2% in the first half of 2019).

Depreciation and amortisation totalled €39.4 million, up +13.2% on the same period in 2019, of which +6.8% was at organic level. The perimeter variation relating to recent acquisitions had a significant impact, accounting for +7.7%.

EBITDA adjusted was €169.7 million, a decrease of -21.1%, of which -24.7% was at organic level. The positive contribution of exchange rate effects of +3.9%, was completely offset by the organic and perimeter decrease of -0.3%.

EBITDA was €142.4 million, a decrease of -31.1% compared with the first half of 2019 (€206.5 million).

Net financial expenses totalled €19.2 million, increasing from the same period in 2019 (€15.1 million), due to the following factors:
- a higher negative component of €2.5 million relating to exchange rate differences;
- negative effects on the current valuations of financial assets held in the portfolio and measured at fair value, totalling €1.4 million, due to the volatility and instability of the financial markets caused by the Covid-19 pandemic.

[3] Value determined based on average exchange rate for the period 1 January-30 June 2020, equivalent to €15.6 million at the closing exchange rate at 30 June 2020.

Despite the fact that average level of debt at 30 June 2020, totalling €908.7 million was only slightly higher than the value reported at 30 June 2019, totalling €892.5 million, the average cost of debt for the first half of 2020 (excluding the component relating to exchange rate effects) was 3.9%, showing an increase compared with the reported 3.7% for the same period in 2019. The increase is broadly attributable to the persistent significant negative carry due to the interest paid on existing medium and long-term debt, which is down compared to the same period in 2019, exceeding the positive interest accrued on available liquidity.

Positive **adjustments to financial income (expenses)** of €1.6 million were recorded in the first half of 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 €15.7 million. It includes positive income of €16.8 million attributable to the non-cash effects of the remeasurement and discounting to present value of estimated liabilities for future commitments relating to earn out and minority shareholdings in acquired businesses. The decrease is almost entirely due to the revision of projected cash out from Bulldog earn out, the basis of estimate having been linked to the expected future brand performance: the revision was conducted in conjunction with an impairment test of intangible assets to ensure consistency. The item also includes expenses arising from the application of the hyperinflation management measures to the accounts for Argentina totalling €0.4 million in net expenses

The **profit (loss) related to associates and joint ventures** was a charge of €0.2 million, mainly related the joint venture in Japan.

Profit before taxation was €101.0 million, a decrease of -34.3%, as compared with the same period in 2019, equivalent to 13.1% (18.1% in the first half of 2019).

Taxation totalled €28.2 million. The reported tax rate in first half 2020 was 28.0%, compared with a reported tax rate of 20.1% in the same period of previous year. The main driver for the reduction was the difference in the impact of the operating and financial adjustments. The normalised tax rate, i.e. the ratio of normalised income taxation to the Group's profit before taxation, excluding adjustments to operating, financial and tax income and expenses for the period, was 29.7% in the first half of 2020, slightly above the rate of 28.1% recognised in the first half of 2019. The period ending 30 June 2020 includes tax adjustments totalling €4.5 million, reflecting the tax effects arising from the operating and financial adjustments as well as other, purely fiscal, adjustments. This amount compares with the figure of €14.7 million in the first half of 2019, which included a one-off benefit of €12.5 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. Lastly, excluding the impact of the non-cash component relating to the taxation effects of the amortisation of goodwill and brands, the 2020 half year tax rate for the cash components alone was 23.6%, only slightly above the rate of 23.2% estimated at 30 June 2019 on a consistent basis.
The slight increase in both normalized and cash tax rates compared to the same period in 2019 was mainly driven by a different geographical mix, which reflected the different impacts deriving from the pandemic throughout the different geographies during the first half of 2020.

Result relating to non-controlling interests for the period was marginal and corresponds to a loss of €0.2 million.

The **Group's net profit** was €73.0 million in first half 2020, a decrease of -40.6% compared with first half 2019, with a sales margin of 9.5%, lower compared with the 14.5% seen in the same period in 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 €77.6 million (€116.7 million in half year 2019).

Basic and diluted earnings per share, were both €0.06, and amounted to €0.07, once adjusted for the afore-mentioned components. Adjusted basic earnings per share and adjusted diluted earnings per share were down by -33.9% and -34.5% respectively compared with the first half of 2019.

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 periods under comparison.

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

	first half 2020				first half 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	358.1	46.6%	69.0	52.9%	384.6	45.3%	76.1	42.2%
Southern Europe, Middle East and Africa	182.6	23.8%	-1.8	-1.3%	243.6	28.7%	49.2	27.3%
Northern, Central and Eastern Europe	172.0	22.4%	57.4	44.0%	165.5	19.5%	49.1	27.2%
Asia-Pacific	55.9	7.3%	5.7	4.4%	54.4	6.4%	6.0	3.3%
Total	**768.7**	**100.0%**	**130.4**	**100.0%**	**848.2**	**100.0%**	**180.3**	**100.0%**

- **Americas**

The Americas region made the largest contribution to the Group in terms of both sales and the result from recurring activities, at 46.6% and 52.9% 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 half year 2020 are shown below.

	first half 2020		first half 2019		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**358.1**	**100.0**	**384.6**	**100.0**	**(26.5)**	**-6.9%**	**(29.3)**	**-7.6%**	**-**
Gross margin	**202.5**	**56.6**	**226.9**	**59.0**	**(24.4)**	**-10.7%**	**(32.9)**	**-14.5%**	**(440)**
Advertising and promotional costs	(57.2)	(16.0)	(77.1)	(20.0)	19.9	-25.8%	20.9	-27.1%	420
Selling, general and administrative expenses	(76.3)	(21.3)	(73.7)	(19.2)	(2.6)	3.5%	(2.7)	3.6%	(230)
Result from recurring activities	**69.0**	**19.3**	**76.1**	**19.8**	**(7.1)**	**-9.3%**	**(14.7)**	**-19.3%**	**(250)**

The result from recurring activities decreased by -9.3% overall and recorded a sales margin of 19.3%, with an overall decrease of 50 basis points compared with same period the previous year. Organic change was -19.3%, having a dilutive effect of 250 basis points on profitability. The main factors that affected these organic results were as follows:

- the **gross margin** decreased in value by -14.5% at organic level and, as this was lower than sales growth (-7.6%), resulted in a consequent dilution of profitability of 440 basis points. The decline in gross profitability was mainly driven by an unfavourable sales mix by brand (high-margin global priorities in the US) and channel, the negative impact of elevated agave prices and lower absorption of fixed production costs;
- **advertising and promotional costs** reported an organic decrease of -27.1%, mainly due to cost mitigation initiatives and phasing on key global and regional brands due to the Covid-19 outbreak, with a shift from offline to online investments. The more than proportional decrease in these costs, compared with organic sales growth, had an accretive effect of 420 basis points;
- **selling, general and administrative expenses** increased by +3.6% at organic level, higher than organic sales growth, which resulted in a deterioration in profitability of 230 basis points, due to a lower absorption of fixed costs given the top-line decline, 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 23.8% and, during the first half of 2020, ranked last in terms of profitability at -1.3%. This region has been heavily affected by the lockdown measures implemented to fight the Covid-19 pandemic with Italy, the core market of the region, being particularly exposed to the on-premise and high-margin aperitifs business. Italy, France, Spain, South Africa and Nigeria, together with the Global Travel Retail channel, are the key markets and together account for nearly all the sales in this region. The results for first half 2020 are shown below.

	first half 2020		first half 2019		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**182.6**	**100.0**	**243.6**	**100.0**	**(61.1)**	**-25.1%**	**(79.9)**	**-32.8%**	**-**
Gross margin	**112.7**	**61.8**	**165.2**	**67.8**	**(52.4)**	**-31.7%**	**(58.2)**	**-35.2%**	**(240)**
Advertising and promotional costs	(32.8)	(17.9)	(38.2)	(15.7)	5.4	-14.2%	5.7	-14.9%	(420)
Selling, general and administrative expenses	(81.7)	(44.8)	(77.8)	(31.9)	(3.9)	5.0%	3.0	-3.9%	(1,380)
Result from recurring activities	**(1.8)**	**(1.0)**	**49.2**	**20.2**	**(50.9)**	**-103.6%**	**(49.5)**	**-100.6%**	**(2,040)**

The result from recurring operations decreased by -103.6% overall and recorded a sales margin of -1.0%, with an overall decrease of 2,110 basis points compared with same period of the previous year, in particular for the Italian market, despite a very positive start to the year. Organic change was -100.6%, having a dilutive effect of 2,040 basis points on profitability. The main drivers that affected these organic results were as follows:

- the **gross margin** showed an organic decrease of -35.2%, equivalent to a 240 basis points dilution, due to an unfavourable sales mix driven by on-premise closure, the high-margin aperitifs category being particularly affected. Italy and the Global Travel Retail channel were the most impacted due to the travel restrictions imposed to contain the pandemic. An overall negative performance was also seen in on-premise-skewed markets, such as Spain;
- **advertising and promotional costs** were negative at -14.9% in comparison with the same period the previous year, decreasing less than sales growth, mainly due to a combination of decreased marketing initiatives in global priorities, following the decision to postpone or suspend some initiatives during the outbreak, and the shift from on-premise to online brand building investments in aperitifs to drive consumption momentum. The dilutive effect generated was 420 basis points;
- **selling, general and administrative expenses** diminished by -3.9% at organic level, though at a much lower rate that the top line, thus having a significant dilutive effect on profitability. This was due to lower fixed costs absorption, driven by the significant sales decline, despite the cost optimization initiatives implemented at Group level in the second quarter and aimed at overall cost containment, particularly of variable costs (including hiring freezes and a travel ban).

- **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 22.4% and 44.0% respectively. The high exposure of this geographical area to the off-premise channel positively contributed to containing the effects of the Covid-19 outbreak and supporting positive organic performance.

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 first half 2020 are shown below.

	first half 2020		first half 2019		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**172.0**	**100.0**	**165.5**	**100.0**	**6.5**	**3.9%**	**9.7**	**5.9%**	**-**
Gross margin	**111.6**	**64.9**	**108.5**	**65.5**	**3.2**	**2.9%**	**3.2**	**2.9%**	**(180)**
Advertising and promotional costs	(25.7)	(14.9)	(29.7)	(17.9)	4.1	-13.7%	4.0	-13.4%	330
Selling, general and administrative expenses	(28.6)	(16.6)	(29.6)	(17.9)	1.1	-3.7%	1.1	-3.7%	160
Result from recurring activities	**57.4**	**33.4**	**49.1**	**29.7**	**8.3**	**16.9%**	**8.3**	**16.8%**	**310**

The result from recurring activities rose by +16.9% overall and recorded a sales margin of 33.4%, an increase of 370 basis points compared with the same period the previous year. Organic growth was +16.8%, which generated an improvement in profitability of 310 basis points due to the following:

- the **gross margin** showed solid organic growth of +2.9%, although lower than sales growth. This led to a dilution of profitability of 180 basis points due to the unfavourable geographic mix (outperformance of Russia);
- **advertising and promotional costs** decreased by -13.4%, with measures to contain the spending or postpone costs associated with discretionary brand building investments and changes in mix. The improvement in profitability generated was 330 basis points;
- **selling, general and administrative expenses** showed a reduction of -3.7% due to cost containment initiatives namely relating to variable costs, with an accretive effect of 160 basis point 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 first half of 2020 were 7.3% and 4.4% respectively. The results for first half 2020 are shown below.

	first half 2020		first half 2019		total change		organic change		organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	basis points
Net sales	**55.9**	**100.0**	**54.4**	**100.0**	**1.6**	**2.9%**	**3.8**	**7.1%**	**-**
Gross margin	**26.0**	**46.5**	**25.3**	**46.6**	**0.7**	**2.7%**	**2.2**	**8.6%**	**60**
Advertising and promotional costs	(6.2)	(11.1)	(6.5)	(12.0)	0.3	-4.9%	0.0	-0.7%	90
Selling, general and administrative expenses	(14.1)	(25.3)	(12.8)	(23.6)	(1.3)	10.0%	(1.8)	14.3%	(160)
Result from recurring activities	**5.7**	**10.2**	**6.0**	**11.0**	**(0.3)**	**-4.8%**	**0.4**	**6.3%**	**(10)**

The result from recurring activities decreased by -4.8% overall and recorded a sales margin of 10.2%, showing a total decrease of 80 basis points. The organic variation was positive at +6.3%, with a corresponding dilution in profitability of 10 basis points, due to the following effects:

- the **gross margin** grew by +8.6% at organic level, resulting in an improvement in profitability of 60 basis points, thanks to the favourable sales mix within the region, driven by Australia;
- **advertising and promotional costs** were almost flat at organic level, due to a different phasing and mix of marketing investments, with a positive effect on profitability of 90 basis points;
- **selling, general and administrative expenses** increased by +14.3% and, growing more than proportionally to sales, had a dilutive effect on profitability of 160 basis points. The increase is mainly due to the tail end effect of the transfer of the regional offices from Sydney to Singapore, completed in the first half of 2020, in order to benefit from a more centrally located position with regards to the main Asian market.

Reclassified statement of cash flows

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

	first half 2020 € million	*of which recurring* *€ million*	first half 2019 € million	*of which recurring* *€ million*
EBITDA Adjusted	**169.7**	***169.7***	**215.1**	***215.1***
Goodwill, brand and sold business impairment	(16.3)			
Effects from hyperinflation accounting standard adoption	0.7	*0.7*	4.2	*4.2*
Accruals and other changes from operating activities	9.7	*4.5*	(27.2)	*(18.6)*
Income taxes paid	(80.0)	(22.8)	(9.1)	*(14.2)*
Cash flow from operating activities before changes in working capital	**83.8**	***152.2***	**183.1**	***186.6***
Changes in net operating working capital	(55.5)	*(55.4)*	(77.2)	*(77.2)*
Cash flow from operating activities	**28.4**	***96.8***	**105.8**	***109.4***
Net interests paid	(7.7)	*(7.7)*	(3.0)	*(3.0)*
Adjustments to financial income (expenses)	1.6	-	-	-
Capital expenditure	(26.9)	*(24.1)*	(21.6)	*(20.2)*
Free cash flow	**(4.5)**	***65.0***	**81.2**	***86.2***
(Acquisition) disposal of business	(122.3)		-	
Dividend paid out by the Company	(62.9)		(57.3)	
Other changes (net purchase of own shares included)	(95.7)		(13.2)	
Total cash flow used in other activities	**(280.8)**		**(70.5)**	
Exchange rate differences and other changes	(7.2)		(19.3)	
Change in net financial position due to operating activities	**(292.5)**		**(8.6)**	
Put option and earn out liability changes[(1)]	12.1		(0.8)	
Effect of IFRS 16-'Leases' first application[(2)]	-		(81.4)	
Increase in investments for lease right of use[(3)]	(3.7)		-	
Net cash flow of the period = change in net financial position	**(284.2)**		**(90.9)**	
Net financial position at the beginning of the period	**(777.4)**		**(846.3)**	
Net financial position at the end of the period	**(1,061.5)**		**(937.1)**	

(1) This item includes the full effects of the acquisitions of companies, businesses or strategic assets during the period, which impacted the Group's net financial debt and liquidity flows.
(2) This item, which is a non-cash item, was included purely to reconcile the change in financial debt relating to activities in the period with the overall change in net financial debt.
(3) For information on the value shown, please see note 6 iv-Lease components, of the half year condensed consolidated financial statements at 30 June 2020.

Highlights

In the first half of 2020, **net cash flow** reflected a cash flow absorption of €284.2 million, corresponding to an identical increase in net financial debt from 31 December 2019. This result was the combined effect of the impact of the Covid-19 outbreak on business performance in the first half of 2020 and the significant transactions and payment commitments completed by the Group over the same, which affected the overall result in term of liquidity absorption.
Despite the slowdown in business performance which, after non-recurring tax payments due in the period, generated a negative free cash flow in the first half of 2020 of €4.5 million, Campari Group confirmed all its payment commitments and continued to pursue its development objectives in line with its long-term strategy. The overall effect was a cash flow absorption of €280.8 million, mainly related to the following: €62.9 million for dividend payment, €96.0 million for purchase of own shares to serve stock option plans, €122.3 million for a combined investment for the acquisition of Baron Philippe de Rothschild France Distribution S.A.S., Champagne Lallier Sarl and Les Gloriettes Scev on top of the acquisition of interests in Tannico S.p.A.. The cash outflow for the liquidation of 7.7 million shares related to the management of the residual withdrawal shares resulting from the transfer of the official seat in the Netherlands, amounting to €64.7 million, which occurred on 7 July 2020 and hence is not included in the net debt position as of 30 June 2020.

Cash generation in terms of **recurring free cash flow** amounted to €65.0 million in the first half of 2020, showing a decrease compared to the figure of €86.2 million for the first half of 2019 in absolute terms, and a slight decrease in the cash conversion rate (recurring free cash flow as a % of adjusted EBITDA) of 38.3% in the first half of 2020 compared with 40.1% in the first half of 2019).

Analysis of the consolidated statement of cash flows

The following drivers contributed to the generation of free cash flow in the first half of 2020:
- the adjusted EBITDA decreased by €45.4 million compared with the same period in the previous year;
- a brand impairment loss of €16.3 million for Bulldog[4];

[4] Value determined based on average exchange rate for the period 1 January-30 June 2020, equivalent to €15.6 at the closing exchange rate at 30 June 2020.

- non-cash liabilities arising from the application of the accounting standard used to manage hyperinflationary effects in Argentina totalled €0.7 million;
- provisions net of utilisations of reserves and other non-cash changes, other miscellaneous operating changes, such as indirect taxation and excise duties, showed a positive effect of €9.7 million. Excluding the operating adjustments, mainly related to restructuring projects, the recurring component shows the generation of cash of €4.5 million and is related to a reduction in payments for indirect taxation and excise duties;
- the cash financial impact arising from tax payments made in the first half of 2020 amounted to €80.0 million; excluding the non-recurring tax relief (residual amount based on fiscal year 2019) obtained under the 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 came in at €22.8 million, showing an increase compared to the recurring tax cash out in the first half of 2019. The change in the actual recurring tax payments at 30 June 2020 mainly reflects a different phasing of payments scheduled in some jurisdictions and the very positive income results achieved by the Group in 2019 tax year, which served as the basis for the tax charge due in 2020. Some local fiscal jurisdictions have granted local companies a temporary rescheduling of tax payments in order to prevent any risk of liquidity constraints arising from the pandemic situation: Campari Group took advantage of such measures, which has enabled so far, the postponement of payments amounting to €2.5 million;
- the organic increase in working capital reflected a cash absorption of €55.5 million in the first half of 2020 (€77.2 million in the first half 2019);
- net interest paid of €7.7 million in the first half of 2020, or €6.1 million after €1.6 million profit related to non-recurring components linked to the liability management transaction on existing debt. Excluding the interest cost on lease totalling €1.7 million, interest paid net of interest received on the net financial position, was €6.0 million;
- net investment in capital expenditure amounted to €26.9 million, of which the recurring component was €24.1 million (almost in line with the first half of 2019), confirming the Group's commitment to continue preserving the long-term efficiency of plants, offices and infrastructure despite the difficult macroeconomic context.

Cash flow used in other activities was negative at €280.8 million, compared with a negative value of €70.5 million in the first half of 2019.
The increase reflects the effect of acquisitions of businesses, including Baron Philippe de Rothschild France Distribution S.A.S. and Champagne Lallier Sarl and Les Gloriettes Scev, and of interests in Tannico S.p.A., for a total amount of €122.3 million, completed in the first half of 2020 (as mentioned in note-Significant events during and after the end of the period, of the half year condensed consolidated financial statements). The total cash out on the close of these deals was €95.3 million, to which a total net financial debt of €26.9 million, deriving from the newly incorporated businesses, was added. For additional information, refer to the note-Breakdown of net financial debt, in the half year report on operations.
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 as compared with the €57.3 million in the first half of 2019) and purchase of own shares to service stock option plans, totalling €96.0 million (€7.1 million in the first half of 2019).

Exchange rate differences and **other changes** had a negative impact on cash flow of €7.2 million, reflecting the effect 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 financial debt for the period with the total net financial debt. Liabilities for put options and earn out, totalling €12.1 million, were mainly driven by the downward revision of the projected settlement cash out for the Bulldog earn out, the estimate being linked to the future performance of the brand, net of the new liabilities deriving from the Champagne Lallier acquisition.

Operating working capital

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

	30 June 2020	31 December 2019[1]	change of which:			
			total	organic	exchange rates and hyperinflation	perimeter[2]
	€ million	€ million	€ million	€ million	€ million	€ million
Trade receivables	282.2	316.8	(34.5)	(48.3)	(25.0)	38.8
Total inventories, of which:	695.9	619.5	76.4	59.2	(18.4)	35.6
- maturing inventory	*379.4*	*364.7*	*14.7*	*22.3*	*(7.6)*	-
- biological assets	*0.9*	*0.9*	-	*0.2*	*(0.1)*	-
- finished goods and other inventory	*315.6*	*253.9*	*61.7*	*36.7*	*(10.7)*	*35.6*
Trade payables	(233.8)	(242.1)	8.4	44.6	8.3	(44.6)
Operating working capital	**744.3**	**694.1**	**50.2**	**55.4**	**(35.1)**	**29.8**
Sales in the previous 12 months rolling	1,763.0	1,842.5				
Working capital as % of net sales rolling	42.2	37.7				

[1] For information on the reclassifications of comparative figures, refer to note 2 ii-Reclassification of comparative figures at 31 December, of the half year condensed consolidated financial statements at 30 June 2020.
[2] The change includes an overall marginal impact of €1.4 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 local distribution structure.

Operating working capital at 30 June 2020 was €744.3 million, showing an increase of €50.2 million compared with the restated figure at 31 December 2019. The organic performance reported growth of €55.5 million mainly driven by an increase in inventories due to the seasonality of the business and the effect of the outbreak for Covid-19. While the restrictive measures to contain the pandemic had a remarkable impact on the sales for the period, despite the reduced level of demand from the markets, the distilling and bottling activities at the Group's factories continued smoothly; this was also in anticipation of the gradual re-opening of trade activities after the lockdown. The exchange-rate effect was negative at €35.1 million, while the perimeter effect contributed to the overall increase in operating working capital of €29.8 million.

With regard to the organic change in working capital components, the organic change in inventories comprised a rise in stocks of finished products (€36.7 million) in preparation for the reopening particularly of the on-premise channel in the peak summer period, and an increase in maturing inventories (€22.3 million). It should be noted that, due to its nature, working capital represented by maturing inventory is similar to invested capital, and a growth trend in value is intentionally planned to support the long-term development strategy of the relevant brands.

With respect to trade payables and receivables, the organic decrease of the former, equal to €44.6 million, has been more than offset by the decrease in receivables from customers of €48.3 million.

The negative exchange rate component, totalling €35.1 million, was attributable to receivables from customers of €25.0 million and payables to supplier of €8.3 million. The exchange-rate effect on inventories was €18.4 million, of which €7.6 million was due to maturing inventory, which is concentrated in the Americas region (particularly the United States and Jamaica) and in the United Kingdom.

Lastly, the perimeter effect, totalling €29.8 million, it is largely attributable to the new French acquisitions of Campari France Distribution S.A.S. and Champagne Lallier Sarl (for additional information, please see the note-Significant events during and after the end of the period).

At 30 June 2020, operating working capital as a percentage of net sales in the last 12 months was 42.2%, with an overall increase in the percentage of sales of +4.5% compared to the previous year, driven by the combined effect of a reduced sales level, impacted by Covid-19, and the positive perimeter change, partly mitigated by a favourable exchange rate effect (which also includes the hyperinflationary effects in Argentina). With particular reference to the perimeter effect, given that the acquisitions of Campari France Distribution S.A.S. and Champagne Lallier Sarl occurred on 28 February and 19 June 2020 respectively, the balance sheet figures at 30 June 2020 include the working capital of the acquired companies, while the sales reported in the previous 12 months include the contribution of the brands acquired only for the period from the date on which the transactions were completed and the companies included in the Group consolidation area. If the sales figures were adjusted to take into account the twelve-month sales effect of the acquired companies, operating working capital would be reduced to 40.5% of consolidated net sales.

Breakdown of net financial debt

At 30 June 2020, consolidated net financial debt was €1,061.5 million, an increase of €284.1 million on the amount of €777.4 million reported at 31 December 2019.

The Group's financial structure remains very sound, despite the fact that cash generation in the period has been partly affected in part by some of the negative effects associated with the general macroeconomic environment as a result of the Covid-19 pandemic. Thanks to its extremely solid financial profile, which makes it possible to leverage the significant amount in available cash and cash equivalents totalling €787.1 million, combined with the available credit lines, totalling €1.200 million overall (only marginally drawn down at 30 June 2020), Campari Group is able to meet all existing financial commitments, namely both the repayment of the Eurobond issued in 2015 and expiring in September 2020 for a residual nominal amount of €581 million, and continuation of the share buyback programme of up to €350 million. Moreover, the overall existing debt is characterized by the absence of any financial covenants. With the aim of further strengthening the Group's financial structure, achieving greater flexibility and responding promptly to the current volatile macroeconomic context, the Group has entered into new uncommitted credit lines and bank loans, resulting in a variety of both short and medium to long-term payables to banks.
The consolidated net financial debt at 30 June 2020 factors the cash effects of payment commitments for a total amount of €219.0 million, which included the net cash outflow for the purchase of own shares to service stock option plans of €96.0 million, the dividend payment of €62.9 million realized in April 2020 and the payment of €60.1 million in taxes in accordance with the payment schedule under the tax regulations applying to the sale of Villa Les Cèdres, which was completed in 2019 (for more information about this transaction, please refer to the Campari Group 2019 consolidated annual report). In addition, during the first half of the year, and notwithstanding the pandemic situation, the Group confirmed its 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 Sarl and Les Gloriettes Scev in addition to the acquisition of interests in Tannico S.p.A., for an overall impact of €126.6 million, as shown in the table below.

	Tannico S.p.A. € million	Champagne Lallier Sarl 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)	(23.7)	(21.3)	(50.3)	(95.3)
net financial assets (debt) acquired	-	(22.6)	(4.3)	(26.9)
payables for put option and earn out	-	(4.3)	-	(4.3)
total acquisition net value	**(23.7)**	**(48.3)**	**(54.6)**	**(126.6)**
of which stated at 30 June 2020:				
net impact on cash and cash equivalent	*(23.7)*	*(17.5)*	*(49.8)*	*(90.9)*
net impact on net financial debt other than cash and cash equivalent	-	*(30.8)*	*(4.9)*	*(35.7)*

[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.

	30 June 2020 € million	31 December 2019 € million	change € million	*of which perimeter effect[2]* *€ million*
cash and cash equivalents	787.1	704.4	82.7	*0.4*
Bond	(580.6)	(580.0)	(0.6)	-
payables to banks[1]	(253.4)	(34.4)	(218.9)	*(20.8)*
lease payables	(16.3)	(15.4)	(0.9)	*0.1*
lease receivables	2.4	2.3	0.1	-
other financial receivables and payables	(14.3)	(5.4)	(8.9)	*(3.6)*
short-term net financial debt	**(75.0)**	**71.5**	**(146.5)**	***(23.9)***
Bonds	(349.4)	(349.4)	(0.1)	-
payables to banks	(409.9)	(249.3)	(160.6)	-
lease payables	(79.5)	(82.1)	2.6	*(4.4)*
lease receivables	3.6	4.8	(1.2)	-
other financial receivables and payables	9.4	9.8	(0.4)	*0.1*
medium-/long-term net financial debt	**(825.7)**	**(666.1)**	**(159.6)**	***(4.3)***
net financial debt relating to operating activities	**(900.7)**	**(594.6)**	**(306.1)**	***(28.2)***
liabilities for put option and earn out payments	(160.8)	(182.8)	21.9	*(4.3)*
net financial debt	**(1,061.5)**	**(777.4)**	**(284.1)**	***(32.6)***

[1] Including the related derivatives.
[2] The change includes an overall marginal impact of € 1.3 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.

In terms of maturities, the net financial debt at 30 June 2020 continues to show a higher portion of medium to long-term debt rather than short-term debt.

The short-term net financial position was €75.0 million and consisted mainly of cash and cash equivalents (€787.1 million), net of bonds expiring during the year (€580.6 million) and payables to banks (€253.4 million). The

increase in bank payables of €218.9 million was mainly driven by new term debt facilities and uncommitted credit lines.
The short-term financial position relating to figurative lease components was comprised of €16.3 million in payables and €2.4 million in receivables. Other financial payables and receivables mainly related to payables for interest normally accrued on existing bonds (for an amount of €13.4 million) net of other financial receivables related to the new acquired companies.

The medium/long-term items mainly consisted of bonds, accounting for €349.4 million, and bank payables, accounting for €409.9 million, and showed an increase of €160.6 million compared with 31 December 2019, driven by the subscription of new term debt facility agreements. Figurative payables and receivables relating to long-term leases, of €79.5 million and €3.6 million respectively, were also recorded. Lastly, medium to long-term net financial debt included other financial payables and receivables for a net amount of €9.4 million, relating to financial assets (€5.0 million) and restricted deposits for the future payment of earn out associated with past acquisitions (€3.3 million).

Separately, the Group's net financial debt shows a liability of €160.8 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 an amount of € 126.0 million), Montelobos, Ancho Reyes, J. Wray & Nephew Ltd. and the newly acquired Champagne Lallier, in addition to the earn out relating to the acquisition of Bulldog, for an estimated combined total amount of € 34.9 million.

The Group's debt management objectives are based on the achievement of an optimal level of financial solidity, while maintaining an appropriate level of liquidity that would enable it to make an economic return and, at the same time, gives it sufficient flexibility in terms of acquisition funding options. The Group monitors the changes in 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 30 June 2020, whereas the consolidated adjusted EBITDA is that of the last 12 months. At 30 June 2020, this multiple was 2.4 times, as compared with 1.6 times at 31 December 2019 and 2.0 times at 30 June 2019, based on consistent calculation criteria. The increase is the combined effect of the significant cash outlay incurred by Campari Group as a result of the transactions completed in the first half of 2020 and the negative impact of Covid-19 on EBITDA adjusted in the half year 2020, as set out above.

Reclassified statement of financial position

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

	30 June 2020	31 December 2019[1]	change	of which perimeter effect
	€ million	€ million	€ million	€ million
fixed assets	3,068.1	3,054.9	13.2	69.6
other non-current assets and (liabilities)	(429.4)	(437.6)	8.2	(0.6)
operating working capital	744.3	694.1	50.2	29.8
other current assets and (liabilities)	(106.0)	(147.8)	41.8	1.3
total invested capital	**3,277.0**	**3,163.6**	**113.4**	**100.1**
Group shareholders' equity	2,214.9	2,384.3	(169.4)	70.9
non-controlling interests	0.6	1.9	(1.3)	1.0
net financial debt	1,061.5	777.4	284.1	28.2
total financing sources	**3,277.0**	**3,163.6**	**113.4**	**100.1**

[1] For information on reclassifications of comparative figures, refer to note 2 ii-Reclassification of comparative figures at 31 December 2019 of the half year condensed consolidated financial statements at 30 June 2020.

Invested capital at 30 June 2020 was €3,277.0 million, €113.4 million higher than at 31 December 2019.

The most significant changes in invested capital relate to the effects resulting from the acquisition of interests in associated companies (Tannico S.p.A.) and business combinations (acquisitions of Baron Philippe de Rothschild France Distribution S.A.S. and Champagne Lallier Sarl) only marginally offset by the effect generated by deconsolidation of the Group's commercial company in Japan, following a change in the local distribution structure. The acquisition transactions, which were completed in the latter part of the period, led to an increase across all invested capital items due to the recognition of the following items, the values of which were determined on a provisional basis at 30 June 2020:
- fixed assets of €69.6 million, of which brand and goodwill accounted for €57.3 million and associates for €23.7 million;
- non-current liabilities (net of other non-current assets) of €-0.6 million;
- operating working capital of €29.8 million (for further details, refer to the note-Operating working capital to the half year report on operations);
- other current liabilities (net of other current assets) of €1.3 million;
- non-controlling interests of €1.0 million;
- net financial debt of €28.2 million.

For additional information in relation to the acquisition transactions, refer to the note-Significant events during and after the end of the period of the half year condensed consolidated financial statements at 30 June 2020.
The invested capital at 30 June 2020 was also significantly impacted by non-monetary foreign currency translation effects, resulting in an overall reduction of €82.6 million. The organic change is mainly attributable to a significant reduction in other current liabilities due to the tax payments made in the first half of the year, of which €60.1 million related to tax payments arising from the disposal of Villa Les Cèdres, completed in 2019, and paid in 2020 in accordance with the schedule laid down in the applicable tax regulation.

Regarding financing sources, the main changes relate to a decrease of €169.4 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 Parent Company. For additional information on the change in the net financial debt, totalling €284.1 million, please refer to the note-Breakdown of net financial debt in the half year report on operation.

As a result of the changes mentioned above, the Group's financial structure showed a net debt to shareholders' funds ratio of 47.9% at the end of the period, showing an increase as compared with the 32.6% recorded at 31 December 2019.

Half year 2020 conclusion and outlook

Campari Group's half year 2020 can certainly be considered an extraordinary period, marked by the unexpected and sad event of the Covid-19 pandemic. Italy, the Group's second largest market with its core aperitifs segment had a very positive start to the year, growing by double-digits, but underwent a dramatic slowdown due to the total closure of the on-premise channel starting from March. In a very short time range, the rest of the world has progressively started to confront the same challenges, including the United States, the Group's largest market, which is now facing an emergency. Restrictions to curb the spread of the coronavirus have been progressively eased in several countries starting from June 2020, although with a very cautious and gradual approach, and in any event, with strong recommendations to limit travel and to observe social distancing measures. However, the overall scenario still appears to be deeply uncertain about the possible future development of the pandemic and the extent and timing of economic recovery across different markets, within a radically changed global environmental context.

With most of its key markets being affected by Covid-19, the Group's business performance has been strongly impacted in the second quarter, the peak season for the high-margin and highly on-premise skewed aperitif business, whilst strong brand sell-out momentum in the off-premise continued across key markets, although shipments remained below positive consumption trends due to destocking.
Looking at the remainder of the year, in terms of organic performance, while the Covid-19 impact is expected to continue to affect, in particular, at the beginning of the third quarter, the negative impact could lessen with the gradual lifting of restrictive measures across the markets, based on the current visibility. Moreover, shipments are expected to progressively catch up with the positive sell-out trends once the destocking activities are completed at wholesaler level.

On a reported basis, the full year net results are expected to be impacted by incremental one-off costs for an overall estimated amount of approximately €25 million, in addition to the non-recurring costs registered in the half year, mainly related to business re-organization initiatives as well as transaction fees in connection with the recent acquisitions and the transfer of the Company registered office to the Netherlands.

While the Group will continue to undertake all the non-structural actions necessary to contain the effects of the pandemic on the business in the short-term, it remains focused on pursuing its long-term growth. As a highly agile organization it continues to take rapid actions to mitigate costs and preserve liquidity, while remaining focused on its long-term strategy. The Group is continuing to accelerate its digital transformation process across the entire organization. Moreover, the development of e-commerce programmes, set to become even more of a strategic channel going forward following the likely change in consumer behaviour due to Covid-19, will continue to accelerate, bolstered by leveraging the expertise of Tannico, where the Group has recently acquired a minority stake. Meanwhile, the Group continues to focus on its mergers and acquisitions (M&A) strategy, leveraging a very solid financial profile.

Looking forward, the Group remains confident about the long-term consumption trends and growth opportunities. It will continue to leverage the strength and resilience of its brands, business model and strategy, ensuring that it is strongly positioned and ready to accelerate its growth as soon as consumers are able to resume their customary habits in the on-premise segment.
As a committed and long-term brand builder, the Group will remain focused and highly engaged in the on-premise opportunity, thanks to its distinctive brand portfolio, being firmly convinced that the out-of-home social experience and conviviality will remain essential to consumers' lifestyles.

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

This half year report presents and comments on certain financial performance measures that are not defined in the IFRS (non-GAAP measures).
These measures, which are described below, are used to analyse the Group's business performance in the 'Key Highlights' and half year report on operations sections and comply with the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority in its communication ESMA/2015/1415.
The alternative performance measures listed below should be used to supplement the information required under IFRS to help readers of the half year report to gain a better understanding of the Group's economic, financial and capital position. They are applied to Group planning and reporting, and some of them 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. The organic changes are calculated by excluding both the impact of currency movement against the Euro (expressed at average exchange rates for the same period in the previous year) and the effects of business acquisitions and disposals as well as the signing or termination of distribution agreements. In order to mitigate the effect of hyperinflationary economies, the organic change for counties having to adopt the hyperinflationary methodology stated by 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 represented as exchange rate effect.
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 margin: calculated as the difference between net sales and the cost of goods sold (consisting of their materials, production and distribution costs components).

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

Adjustments to operating income (expenses): relate to certain transactions or events identified by the Group as adjustment components 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/loss before tax and Group's net result 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 goods sold (in terms of their materials, production and distribution), advertising and promotional costs, and overheads.

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

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

EBITDA adjusted: EBITDA as defined above, excluding the adjustments to operating income (expenses) referred to above.

Adjustments to financial income (expenses): certain transactions or events identified by the Group as components adjusting the net profit 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 to expected cash out settlement for put option and earn out, inclusive also of the non-cash effect arising from the related actualization.

Result before tax adjusted: the result for the period before tax, before the adjustments to operating income (expenses), to financial income (expenses) and before the put option earn out income (expenses) referred to above and the tax effect.

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 put option earn out income (expenses) described above;
- non-recurring positive/(negative) taxation effects.

Group's net result adjusted: the result for the period attributable to the Group before the adjustments to operating income (expenses), to financial income (expenses) and put option earn out income (expenses) referred to above, before the related tax 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 the adjustments to operating income (expenses), to financial income (expenses) and put option earn out income (expenses) referred to above, before the related tax effect and before other positive/negative tax adjustments for the period.

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

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

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

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

- **Reclassified statement of financial position**

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

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

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

Operating working capital: calculated as the algebraic sum of:

- inventories;
- trade receivables;
- payables to suppliers.

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

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

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

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

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

- **Reclassified statement of cash flows**

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

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

Recurring provisions and operating changes: these include provisions and operating changes, excluding the adjustments to 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 flow: cash flow that measures the Group's self-financing capacity calculated on the basis of cash flow from operations, net of interests, direct taxes paid, and cash flow used in investments, excluding income from the sale of fixed assets.

Debt/adjusted EBITDA ratio
The net debt/adjusted EBITDA 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 adjusted EBITDA 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: alternative performance measures**

In the first half of 2020, EBITDA, the result from recurring activities (EBIT), the Profit before tax, the Group net profit, basic and diluted EPS were adjusted to take account of the items shown in the table below.

first half 2020	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 measure reported	**142.4**	**18.5%**	**103.0**	**13.4%**	**101.0**	**13.1%**	**73.0**	**9.5%**	**0.06**	**0.06**
gains (losses) from disposals of tangible and intangible fixed assets	0.1	-	0.1	-	0.1	-	0.1	-	-	-
devaluation of tangible assets, goodwill, brands and business disposed	(16.3)	-2.1%	(16.3)	-2.1%	(16.3)	-2.1%	(16.3)	-2.1%	(0.01)	(0.01)
fees from acquisition/disposals of business or companies	(1.9)	-0.2%	(1.9)	-0.2%	(1.9)	-0.2%	(1.9)	-0.2%	-	-
restructuring and reorganisation costs	(2.0)	-0.3%	(2.0)	-0.3%	(2.0)	-0.3%	(2.0)	-0.3%	-	-
other adjustments of operating income (expenses)	(7.4)	-1.0%	(7.4)	-1.0%	(7.4)	-1.0%	(7.4)	-1.0%	(0.01)	(0.01)
income (expenses) related to put option and earn out	-	-	-	-	16.6	2.2%	16.6	2.2%	0.01	0.01
adjustments to financial income (expenses)	-	-	-	-	1.6	0.2%	1.6	0.2%	-	-
tax adjustments	-	-	-	-	-	-	4.5	0.6%	-	-
total adjustments	**(27.4)**	**-3.6%**	**(27.4)**	**-3.6%**	**(9.2)**	**-1.2%**	**(4.7)**	**-0.6%**	**(0.01)**	**(0.01)**
alternative performance measure adjusted	**169.7**	**22.1%**	**130.4**	**17.0%**	**110.1**	**14.3%**	**77.6**	**10.1%**	**0.07**	**0.07**

first half 2020 € million	reported	adjustments	adjusted
profit before tax	**101.0**	**(9.2)**	**110.1**
taxes, of which	(28.2)	4.5	(32.7)
Tax adjustments		*(1.1)*	
Tax effect on operating, financial and other adjustments		*5.6*	
non-controlling interests	(0.2)		(0.2)
group net profit	**73.0**	**(4.7)**	**77.6**
tax rate (nominal and adjusted)	**-28.0%**		**-29.7%**
deferred taxes on goodwill and brands		(6.7)	(6.7)
cash tax rate			**-23.6%**

30 June 2020	free cash flow
	€ million
alternative performance measure reported	**(4.5)**
provisions and other operating changes non-recurring	5.2
non-recurring taxes paid	(57.3)
adjustments to financial income (expenses)	1.6
net cash flow from non-recurring investments	(2.8)
total adjustments	(53.3)
alternative performance measure adjusted	**65.0**

first half 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 measure reported	**206.5**	**24.3%**	**171.7**	**20.2%**	**153.7**	**18.1%**	**122.8**	**14.5%**	**0.11**	**0.10**
other gains/(losses) from disposals of tangible and intangible fixed assets	1.1	0.1%	1.1	0.1%	1.1	0.1%	1.1	0.1%	-	-
impairment loss on fixed assets, goodwill, brands and sold business	(2.4)	-0.3%	(2.4)	-0.3%	(2.4)	-0.3%	(2.4)	-0.3%	-	-
fees for acquisition/disposals of business or companies	(0.1)	-	(0.1)	-	(0.1)	-	(0.1)	-	-	-
restructuring and reorganisation costs	(5.5)	-0.6%	(5.5)	-0.6%	(5.5)	-0.6%	(5.5)	-0.6%	-	-
other adjustments of operating income (expenses)	(1.8)	-0.2%	(1.8)	-0.2%	(1.8)	-0.2%	(1.8)	-0.2%	-	-
tax adjustments	-	-	-	-	-	-	14.7	1.7%	0.01	0.01
total adjustments	**(8.6)**	**-1.0%**	**(8.6)**	**-1.0%**	**(8.6)**	**-1.0%**	**6.1**	**0.7%**	**0.01**	**0.01**
alternative performance measure adjusted	**215.1**	**25.4%**	**180.3**	**21.3%**	**162.3**	**19.1%**	**116.7**	**13.8%**	**0.10**	**0.10**

first half 2019 **€ million**	**reported**	**adjustments**	**adjusted**
profit before tax	**153.7**	(8.6)	**162.3**
taxes, *of which*	(30.9)	14.7	(45.6)
Patent Box		*12.5*	
tax adjustments		*-*	
tax effect on operating and financial adjustments		*2.2*	
group net profit	**122.8**	6.2	**116.7**
tax rate (nominal and adjusted)	**-20.1%**		**-28.1%**
deferred taxes on goodwill and brands		(7.9)	(7.9)
cash tax rate			**-23.2%**

30 June 2019	**free cash flow**
	€ million
alternative performance measure reported	**81.2**
provisions and other operating changes non-recurring	(8.6)
non-recurring taxes paid	5.1
adjustments to financial income (expenses)	-
net cash flow from non-recurring investments	(1.4)
total adjustments	(5.0)
alternative performance measure adjusted	**86.2**

Investor information

The global economy
The Covid-19 pandemic has hit the global economy heavily since the beginning of the year. In response to the worsening growth outlook of the economy and the sharp increase in the volatility of the global financial market, which has gone beyond the peaks seen in 2008, the authorities of many countries have adopted particularly expansive measures to support household and business incomes, credit to the economy and liquidity on the markets[5].

Nonetheless, despite the extreme complexity of quantification, the impact of Covid-19 on world growth is expected to be very significant. Estimates by international institutions have been repeatedly and sharply revised downwards and those released in June by the International Monetary Fund (IMF) point to a fall in world GDP of 4.9% in 2020. The contraction would be more pronounced in advanced economies, where measures to contain the pandemic have so far been more extensive and stringent. However, in 2021, a general recovery is expected to lead to a 5.4% increase in global GDP[6].

Regarding the Group's largest market, the United States, its GDP is expected to decline by 8.0% in 2020 and grow by 4.5% in 2021. During the peak of the crisis, the unemployment rate reached almost 15% (vs. previous 4%, maintained for more than two years) and new applications for unemployment benefits have rapidly reached extraordinarily high levels, being some ten times higher than the previous peak, recorded during the 2008-09 global financial crisis.

With regard 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. The crisis has hit the production system at a time when there was already a slowdown in economic activity and a high level of public debt. Nevertheless, corporates, whose financial leverage has declined considerably over the last few years, and households, whose indebtedness levels are very low by international standards, are facing these difficult economic times with a far more balanced financial structure than that which existed during the sovereign debt crisis.

With reference to the Group's other key markets, in Europe the GDP in Germany and United Kingdom is expected to drop by -7.8% and -10.2% respectively, while a recovery is foreseen in 2021, estimated to be equal to 5.4% and 6.3% for those two countries. Australia, the leading group country in the Asia-Pacific area, is expected to register a downturn of-4.5% 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 -6.6% and -9.1% in 2020, while China, the first country impacted by the pandemic, is expected to register light growth in 2020 (+1.0%), particularly low if compared to its historical GDP growth rate (above 6%) in the past two years (source: IMF).

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

Spirits sector
The current global sanitary crisis has severely impacted sectors such as 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 too has been strongly impacted by Covid-19. In many markets, governments introduced strong restrictions aimed at containing and slowing down the spread of the virus through the limitation of social contacts and moments of conviviality, leading to an almost total closure of the on-premise channel across March and May. Currently, with the gradual lifting of the restrictions across markets, the on-premise channel has started to reopen, however, still with safe distance measures in place and hence continues to represent a degree of uncertainty.

While the on-premise channel has suffered significantly due to the lockdown and social distancing measures, home consumption has proved more resilient, showing growth in selected markets during the pandemic period, benefitting the off-premise channel, particularly in countries like the United States that are over-indexed in terms of this channel. If compared with the financial crisis in 2008, the shift from on to off-premise in the pandemic period is being driven more by regulations than income. This being the case, the favourable sell-out trends during the lockdown 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 premium products as they typically consume in on-premise venues, without showing any significant trade-

[5] Bank of Italy
[6] International Monetary Fund

down in their consumption preferences when shopping off-premise. New at-home consumption moments are emerging, as well as concepts, such as visual aperitifs, for continuing socialization; these trends are also thanks to the development and support of digital technology, coupled with increased brand building investments and a focus on digital initiatives by brand owners aimed at re-creating the same out-of-home consumer engagement and consumption experience for at-home consumption. Nevertheless, despite the gradual lifting of restrictive measures, uncertainty remains as regards the extent of recovery in consumption in this channel, as well as the possible shift of consumption back to the on-premise market as economies start to gradually reopen. Further uncertainty remains with regard to the likelihood of large number of on-premise accounts not being able to reopen and of liquidity crises being faced by some retailers, leading to destocking practices.

Another important phenomenon seen during the pandemic is the boom in the consumer e-commerce channel. Before the virus outbreak, the development of e-commerce was already considered to be an important emerging trend, particularly in China and the United Kingdom, mostly for the wine category (in particular sparkling wine and champagne). In recent months, this channel has gained additional traction among consumers compared with more traditional channels and has now become a relevant growth opportunity for the spirit category too. Several spirits players have also collaborated directly with existing e-commerce channels or have developed their own e-commerce applications.

Financial markets

There has been strong turbulence on the financial markets, which initially pushed equity prices downwards, but was followed by a strong global rally and led to large swings in government bond yields, in a context of reduced liquidity, increased risk aversion and high volatility[7].

During the first half of 2020, the FTSE MIB and FTSE Italia All-Share indices declined by -17.6% and -17.5% respectively. In Europe, the MSCI Europe registered a negative performance of -14.3%, while in the US, the S&P500 index declined by -4.0%.

Regarding exchange-rate fluctuation in the first semester of 2020, the US dollar continued to appreciate against the Euro (+2.6%). The other currencies that appreciated against the Euro included the Canadian dollar (+0.2%) and the Swiss Franc (+6.2%). Conversely, the currencies in the main emerging markets and some other key developed markets depreciated against the Euro, including the Brazilian real (-19.9%) and the Australian dollar (-4.6%).

Performance of the Campari stock

In the economic, industry and financial market environment described above, the Campari stock price performance has been strongly impacted starting from the last week of February, due to the Covid-19 outspread.

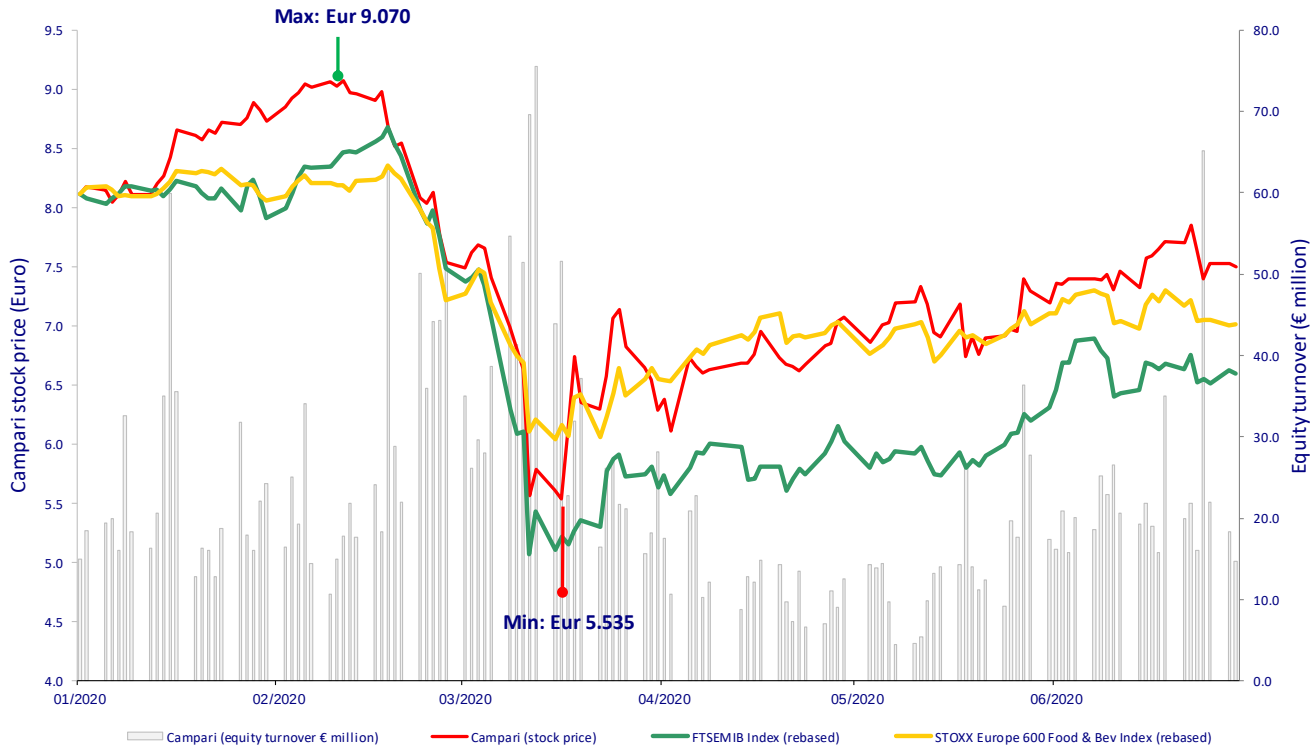
During the first half of 2020, the Campari stock price declined by -7.9% in absolute terms, with total shareholder return (TSR) down -7.1%. The Campari stock price outperformed the FTSE MIB by +9.7%, the STOXX Europe 600 Food&Beverage index by +5.4% and the MSCI Europe sector index by +6.4%[8] in the period from 1 January to 30 June 2020.

The minimum and maximum closing prices of €5.353 and €9.070 in the first half of 2020 were recorded on 17 March 2020 and 12 February 2020 respectively. An average of 3.1 million Campari shares were traded daily in the first semester of 2020, with an average daily value of €23.0 million. At 30 June 2020, Campari's market capitalisation was €8.7 billion.

From the date of the initial public offering (IPO) to 30 June 2020, the Campari stock price increased in absolute terms by 9.7 times, or 867.7% (an average of 12.7% per year), with total shareholder return (TSR)[9] up by 12.7 times, or 1,174.4% (an average of 14.3% per year), outperforming most of its industry peers.

[7] Bank of Italy
[8] Bloomberg
[9] Dividend reinvested

Performance of the Campari stock and the main benchmark indices from 1 January 2020 to 30 June 2020



N.B.:
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 stock

Shares

At 30 June 2020, the share capital of Davide Campari was €58,080,000[10], consisting of 1,161,600,000 shares with a nominal value of €0.05 each.

Shareholder base, voting rights and loyalty shares

On 28 January 2015, loyalty shares were introduced. The table below shows the updated position, at 30 June 2020, of the key shareholders in the special register recording entitlement to increased voting rights ('special register'). Specifically, it shows: (i) the shares that have obtained double voting rights after a qualifying period of 24 months from the registration date; (ii) the number of shares that are recorded on the special register but have not yet obtained double voting rights; and (iii) the number of shares that are not recorded on the special register. The table below shows the major shareholders at 30 June 2020[11].

	Registration date	Registration date	No. of registered shares	% of share capital	Voting rights	% voting rights
Lagfin S.C.A., Société en Commandite par Actions *of which:*			**594,116,000**	**51.15%**	**1,186,532,000**	**64.93%**
(i) shares with double voting rights		09/04/2015	*592,416,000*		*1,184,832,000*	
(iii) shares not recorded on the special register		09/04/2015	*1,700,000*		*1,700,000*	
Cedar Rock Capital Ltd, *of which (1):*			**78,268,185**	**6.74%**	**149,818,223**	**8.19%**
(i) shares with double voting rights		09/04/2015	*52,195,231*		*104,390,462*	
		07/04/2016	*4,422,568*		*8,845,136*	
		07/04/2017	*2,252,475*		*4,504,950*	
		09/04/2018	*12,679,764*		*25,359,528*	
(iii) shares not recorded on the special register			*6,718,147*		*6,718,147*	

(1) Consob was informed by Lagfin S.C.A., Société en Commandite par Actions and by Andrew Brown, Chief Executive and Portfolio Manager of Cedar Rock Capital Ltd., in accordance with Article 120 of the Consolidated Law on Finance (TUF).

The table below shows the updated position, at 30 June 2020, of outstanding shares and the number of voting rights that may be exercised at general meetings.

	No. of shares	% of share capital	Voting rights	% voting rights
Total, *of which:*	**1,161,600,000**	**100,00%**	**1,827,478,046**	**100,00%**
Ordinary shares with double voting rights(1)	*665,878,046*		*1,331,756,092*	
Ordinary shares(2)	*495,721,954*		*495,721,954*	

(1) Further to the transfer of the legal office to the Netherlands, ordinary shares with double voting rights have been substituted by Qualifying Ordinary Shares (ISIN code NL0015435991), with the assignment of a Special Voting Share A, to which one voting right is attached in addition to the one granted by ordinary shares.
(2) ISIN code NL0015435975.

In order to further strengthen the stability of the Campari Group and foster the development and the continuous involvement of a stable base of long-term (loyal) shareholders, as from the effective date of transfer of the legal office to the Netherlands (*i.e.* as from 4th July 2020), the Company adopted 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.
Shareholders of Campari who, as of the effective date of the transfer of the Company's official seat to the Netherlands were holders of the increased voting rights pursuant to article 127-quinquies of the TUF, have the right to continue to exercise two voting rights for each ordinary share held and, to this end, to receive special voting shares.

[10] In the context of the redomiciliation to the Netherlands, an Extraordinary shareholders' meeting is convened on 18 September 2020 to approve 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.
[11] Shareholders who have notified Consob and Davide Campari that they have shareholdings of over 3% as required under Article 117 of Consob Regulation 11971/99 on the requirement to disclose significant holdings.

For more detailed information on this subject, see on the Company's website:
https://www.camparigroup.com/en/page/investors/shareholder-centre.

Dividend

On 27 March 2020, the Shareholders' meeting approved the distribution of a dividend of €0.055 per share for 2019 (with an increase of +10.0% on the previous year).
The dividend was paid on 22 April 2020 (with an ex-coupon date for coupon no. 4 of 20 April 2020), in line with the Italian Stock Exchange calendar, and a record date of 21 April 2020.

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[2]	Average daily trading volume	Average daily trading value	Stock market capitalisation at 31 December
	€	€	€	€	%	%	%	millions of shares	€ million	€ million
2020[1]	5.54	9.07	7.50	7.50	-7.86%	-17.57%	+9.71%	3.1	23.5	8.712
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
2015	2.47	4.21	3.48	4.00	+55.0%	+12.7%	+42.4%	3.8	12.9	4,646

(1) Figures at 30 June 2020.
(2) 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)[3]
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
2015	580,800,000	1,161,600,000	1,158,508,124	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 (at the ex-coupon date).
(3) Total dividend distributed for the period excluding own shares (at the ex-coupon date).

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

Year	Basic earnings per share[1][2]	price/shareholders' equity per share	price/net profit per share[1]	dividend/net profit per share[1][2][3]	dividend/price per share[3]
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%
2015	0.15	2.66	26.5	29.7%	1.1%

(1) Net profit (not adjusted for non-recurring components).
(2) IAS/IFRS standards from 2005.
(3) Dividend relating to the 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, road shows and investor conferences, which are also attended by representatives of senior management. With regard to activities aimed at the analyst and institutional investor category, in 2020 the Company continued to communicate information through numerous meetings held either physically or virtually with investors based in the main global financial centres.
Starting from the end of February 2020, at the outbreak of the Covid-19 pandemic in Italy, investor relations activity continued without disruptions with the support of digital technology.

Other information

Transactions with related parties

It should be noted that transactions with related parties, including intra-group transactions, are not classified as atypical or unusual, as they are part of the normal business of Group companies. These transactions are carried out under market conditions, taking into account the characteristics of the goods and services provided.
The half year period ended 30 June 2020 was subject to the procedures for transactions with related parties approved by the Parent Company's Board of Directors on 11 November 2010, which came into force on 1 January 2011.

Corporate governance

Following the completion of the transfer of the official seat of Davide Campari-Milano S.p.A. to the Netherlands, with simultaneous transformation into a Naamloze Vennootschap (N.V.) governed by Dutch law, completed on 4 July 2020, some changes became effective.

The Board of Directors of the Company held on 6 July 2020 approved the new articles of association as well as the Dutch corporate governance code. The latter contains best practice principles for listed companies. The principles may be regarded as reflecting the general views on good corporate governance and create a set of standards governing the conduct of the respective corporate bodies of a listed company. The application of the Dutch corporate governance code is based on the so-called 'comply-or explain' principle. Accordingly, listed companies are required to disclose, in their annual board report, whether or not they are complying with the various best practice principles of the Dutch corporate governance code.

The composition of the board of directors of the Company has not changed upon completion of the Transaction: Luca Garavoglia (Chairman), Robert Kunze-Concewitz (Chief Executive Officer), Paolo Marchesini (Chief Financial Officer), Fabio Di Fede (Group General Counsel and Business Development Officer), Alessandra Garavoglia, Eugenio Barcellona, Annalisa Elia Loustau, Catherine Gérardin-Vautrin and Michel Klersy.
The Company has adopted a one-tier board, comprising of executive directors and non-executive directors: the former having responsibility for the day-to-day management of the Company, while the latter not having such day-to-day responsibility while being also entrusted with the supervision of executive directors.
The system of governance adopted by the Company does not foresee a board of statutory auditors and, therefore, the board of statutory auditors ceased to hold office and no new board of statutory auditors was appointed.
The Company established both a Control and Risks Committee, having control functions pursuant to Dutch applicable laws and regulations, and a Remuneration and Appointments Committee, in line with what was in force before the redomiciliation.
The Control and Risks Committee is now in charge, inter alia, of assisting the board of directors to carry out the internal control tasks assigned to the latter, of evaluating the correct use of the accounting principles, as well as their conformity for the purposes of drawing up the consolidated financial statements, as well as of monitoring the effectiveness of the audit and accounting processes, reporting periodically to the board of directors on the activities carried out, as well as on the adequacy of the internal control system.
The internal committees of Campari's board of directors (i.e., the Control and Risks Committee and the Remuneration and Appointments Committee) remained unchanged too. Both committees are composed of Eugenio Barcellona, Annalisa Elia Loustau and Catherine Gérardin-Vautrin.

The Supervisory Body (Organismo di Vigilanza), established according to the Organisation, Management and Control Model pursuant to the Italian discipline set forth in the Legislative Decree 231 of 8 June 2001 and responsible for monitoring compliance with the Model and proposing any changes that might be necessary following amendments to the relevant legislation has not changed. It is therefore composed by Enrico Colombo, Piera Tula and Chairman Fabio Facchini.

Campari Group
Half year condensed consolidated financial statements at 30 June 2020

Introduction and Contents

The half year condensed financial statements at 30 June 2020 were prepared in consolidated format in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union. These include all the international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standard Interpretations Committee (SIC).

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Report on review of half year condensed consolidated financial statements

To the Shareholders of
Davide Campari – Milano N.V.

Introduction

We have reviewed the accompanying half year condensed consolidated financial statements of Davide Campari – Milano N.V. and its subsidiaries (the "Campari Group") as at June 30, 2020, which comprise of the condensed consolidated statement of financial position as at 30 June 2020, the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended and the related notes, comprising a summary of the significant accounting policies and other explanatory information. Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of Campari Group as of June 30, 2020 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

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Emphasis of matter relating to Corona developments

The developments around the Corona (Covid-19) pandemic have a profound impact on people, society and on the economy. This impacts operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The impact may continue to evolve. The interim financial information and our review report thereon reflect the conditions at the time of preparation. The impact of the developments on Campari Group is disclosed in the half year report on operations and in the notes to the half year condensed consolidated financial statements. We draw attention to these disclosures. Our conclusion is not modified in respect of this matter.

Milan, July 28, 2020

EY S.p.A.

Signed by Alberto Romeo

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Responsibilities in respect of

the half year condensed consolidated financial statements at 30 June 2020

The Board of Directors is responsible for preparing the half year report, inclusive of the half year condensed consolidated financial statements and the half year report on operations at 30 June 2020, in accordance with the Dutch Financial Supervision Act and the applicable International Financial Reporting Standards (IFRS) for interim reporting, IAS 34-'Interim Financial Reporting'.

In accordance with Section 5:25d, paragraph 2 of the Dutch Financial Supervision Act, the Board of Directors states that, to the best of its knowledge, the half year condensed consolidated financial statements prepared in accordance with applicable accounting standards provide a true and fair view of the assets, liabilities, financial position and profit or losses of Davide Campari-Milano N.V. and its subsidiaries, and the undertakings included in the consolidation as a whole, and the half year report on operations at 30 June 2020 provides a fair review of the information required pursuant to Section 5:25d, paragraphs 8 and 9 of the Dutch Financial Supervision Act.

Sesto San Giovanni (Milan) – Italy, Tuesday 28 July 2020
The Board of Directors

Luca Garavoglia

Robert Kunze-Concewitz

Paolo Marchesini

Fabio Di Fede

Eugenio Barcellona

Annalisa Elia Loustau

Alessandra Garavoglia

Catherine Gérardin-Vautrin

Michel Klersy

Primary Statements

Condensed consolidated income statement

	Notes	first half 2020 € million	*of which: related parties € million*	first half 2019 € million	*of which: related parties € million*
Sales		**976.2**	**-**	**1,063.7**	**-**
Excise duties		(207.5)	-	(215.6)	-
Net sales	3 ii	**768.7**	**-**	**848.2**	**-**
Cost of goods sold	3 iii	(315.8)	-	(322.3)	-
Gross profit		**452.9**	**-**	**525.8**	**-**
Advertising and promotional costs		(121.8)	-	(151.5)	-
Contribution margin		**331.1**	**-**	**374.3**	**-**
Selling, general and administrative expenses	3 iv	(228.1)	-	(202.6)	-
Operating result		**103.0**	**-**	**171.7**	**-**
Financial income (expense)	3 vii	(1.8)	-	(18.1)	-
Of which adjustments to financial income (expenses)		1.6	-	-	-
Profit (loss) related to associates and joint ventures	3 ix	(0.2)	-	0.1	-
Profit before taxation		**101.0**	**-**	**153.7**	**-**
Taxation	3 x	(28.2)	-	(30.9)	-
Profit for the period		**72.7**	**-**	**122.8**	**-**
Attributable to:					-
Company shareholders		73.0	-	122.8	-
Non-controlling interests		(0.2)	-	-	-

Condensed consolidated statement of comprehensive income

	Notes	first half 2020 € million	first half 2019 € million
Profit for the period (A)		**72.7**	**122.8**
B1) Items that may be subsequently reclassified to income statement			
Cash flow hedge:		-	-
Profit (loss) for the period	7 ii	2.2	0.9
Profit (loss) classified to other comprehensive income	7 ii	(0.2)	(9.4)
Net gain (loss) from cash flow hedge		2.0	(8.5)
Tax effect	3 x	(0.6)	2.1
Total cash flow hedge		**1.4**	**(6.4)**
Conversion difference:			
Profit (loss) for the period		-	-
Hyperinflation effects	7 ii	2.8	
Profit (loss) classified to other comprehensive income	7 ii	(89.7)	13.4
Total conversion difference		**(86.9)**	**13.4**
Total: items that may be subsequently reclassified to income statement (B1)		**(85.4)**	**6.9**
B2) Items that may not be subsequently reclassified to income statement			
Remeasurements of post-employment benefit obligations:			
Profit(loss) for the period		-	-
Tax effect		-	-
Total remeasurements of post-employment benefit obligations		**-**	**-**
Total: items that may not be subsequently reclassified to profit or loss (B2)		**-**	**-**
Other comprehensive income (expenses) (B=B1+B2)		**(85.4)**	**6.9**
Total comprehensive income (A+B)		**(12.6)**	**129.7**
Attributable to:			
Company shareholders		(12.4)	129.7
Non-controlling interests		(0.2)	-

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Condensed consolidated statement of financial position

	Notes	30 June 2020 € million	*of which: related parties* *€ million*	31 December 2019[1] € million	*of which: related parties* *€ million*
ASSETS					
Non-current assets					
Property, plant and equipment	4 iii	487.3		496.4	
Right of use assets	4 iv	78.8		80.5	
Biological assets	4 vi	6.7		3.9	
Investment properties	4 v	1.3		1.1	
Goodwill and brands	4 ii	2,426.9		2,423.7	
Intangible assets with a finite life	4 ii	42.9		48.9	
Investments in associates and joint ventures	3 ix	24.2		0.5	
Deferred tax assets	3 x	54.6		40.8	
Other non-current assets	4 vii	7.8	*1.8*	8.2	*2.2*
Other non-current financial assets	6 iii	13.1		14.7	
Total non-current assets		**3,143.5**	***1.8***	**3,118.5**	***2.2***
Current assets					
Inventories	5 iii	695.0		618.6	
Biological assets	5 iii	0.9		0.9	
Trade receivables	5 i	282.2		316.8	
Other current financial assets	6 ii	9.4		8.3	
Cash and cash equivalents	6 i	787.1		704.4	
Income tax receivables	3 x	18.3	*1.6*	18.7	*0.6*
Other current assets		49.0		44.7	*0.8*
Total current assets		**1,842.0**	***1.6***	**1,712.4**	***1.5***
Assets held for sale	4 ix	4.6		5.3	
Total assets		**4,990.0**	***3.4***	**4,836.2**	***3.7***
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
- Share capital		58.1		58.1	
- Reserves		2,156.8		2,326.2	
Capital and reserves attributable to the Company	7 ii	2,214.9		2,384.3	
Non-controlling interests	7 ii	0.6		1.9	
Total shareholders' equity		**2,215.5**		**2,386.2**	
Non-current liabilities					
Bonds	6 v	349.4		349.4	
Other non-current financial liabilities	6 v	640.8		460.2	
Post-employment benefit obligations		34.6		33.4	
Provisions for risks and charges	8 i	46.5		52.4	
Deferred tax liabilities	3 x	388.5		384.5	
Other non-current liabilities	4 viii	22.2		16.2	
Total non-current liabilities		**1,482.0**		**1,296.1**	
Current liabilities					
Liabilities and loans due to banks	6 vi	253.4		34.4	
Bond	6 vi	580.6		580.0	
Other current financial liabilities	6 vi	47.0		80.8	
Trade payables	5 ii	233.8		242.1	
Income tax payables	3 x	31.5	*21.8*	75.1	*5.1*
Other current liabilities		146.4	*18.4*	141.5	*2.5*
Total current liabilities		**1,292.6**	***40.2***	**1,153.9**	***7.7***
Total liabilities		**2,774.6**	***40.2***	**2,450.0**	***7.7***
Total liabilities and shareholders' equity		**4,990.0**	***40.2***	**4,836.2**	***7.7***

[1] For information on reclassifications of comparative figures, refer to note 2 ii-Reclassification of comparative figures at 31 December 2019.

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Condensed consolidated statement of cash flows

	Notes	first half 2020 € million	first half 2019 € million
Operating profit		**103.0**	**171.7**
Effects from hyperinflation accounting standard adoption		0.7	4.2
Depreciation and amortization	3 vi	39.4	34.8
Gains and losses on sales of fixed assets	3 iv	(0.1)	(1.3)
Impairment of tangible fixed assets, goodwill, brand and sold business	3 iv	16.3	2.4
Utilizations of provisions	8 i	(1.8)	(3.4)
Change in long-term payables to employees		4.4	(14.3)
Change in net operating working capital		(55.4)	(77.2)
Income tax paid	3 x	(80.0)	(9.1)
Other non-cash items		1.9	(2.0)
Cash flow generated from (used in) operating activities		**28.4**	**105.8**
Purchase of tangible and intangible fixed assets	4 ii- iii- vi	(28.3)	(26.2)
Disposal of tangible and intangible assets		1.4	4.6
Acquisition and sale of companies or business divisions	4 i	(95.3)	-
Cash and cash equivalents at acquired companies[1]	4 i	4.4	-
Put options and earn out payments		(9.9)	(26.8)
Interests received	3 vii	3.5	4.9
Net changes in securities		-	27.4
Other changes		0.6	-
Cash flow generated from (used in) investing activities		**(123.6)**	**(16.0)**
Bond issued by the Company		199.0	150.0
Payment of lease liabilities	6 iv	(7.3)	(5.7)
Net change in short-term financial payables and bank loans	6 vii	159.3	0.1
Interests paid		(7.9)	(6.3)
Interest on leases		(1.7)	(1.7)
Change in other financial payables and receivables		4.9	(5.4)
Purchase and sale of own shares	7 ii	(96.0)	(7.1)
Dividend paid by the Company	7 ii	(62.9)	(57.3)
Cash flow generated from (used in) financing activities		**(187.4)**	**66.7**
Other differences including exchange rate differences		**(9.5)**	**(1.6)**
Net change in cash and cash equivalents: increase (decrease)		**82.7**	**154.9**
Cash and cash equivalents at the beginning of period	6 i	**704.4**	**613.9**
Cash and cash equivalents at end of period	6 i	**787.1**	**768.8**

[1] It should be noted that the cash acquired/sold in connection with business combination/disposal of the year, equal to €4.4 million, must be considered not inclusive of the financial liabilities acquired, equal to €31.3 million. For more information, see note 4 i-Acquisition and sale of businesses and purchase of non-controlling interests.

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Condensed consolidated statement of changes in equity

	Notes	Attributable to Company shareholders					Shareholders' equity	
		Share capital	Legal reserve	Retained earnings	Other reserves	Total	Non- controlling interests	Total
		€ million	€ million	€ million	€ million	€ million	€ million	€ million
31 December 2019		**58.1**	**11.6**	**2,377.1**	**(56.9)**	**2,389.7**	**1.9**	**2,391.6**
Dividend payout to Company shareholders	7 ii	-	-	(62.9)	-	(62.9)	-	(62.9)
Own shares acquired	7 ii	-	-	(105.7)	-	(105.7)	-	(105.7)
Own shares sold	7 ii	-	-	8.4	-	8.4	-	8.4
Stock options	7 ii	-	-	-	4.3	4.3	-	4.3
Stock options utilization	7 ii	-	-	2.5	(2.5)	-	-	-
Changes in ownership interests		-	-	(6.0)	-	(6.0)	(1.1)	(7.0)
Other changes		-	-	(0.5)	-	(0.5)	-	(0.5)
Profit for the period		-	-	73.0	-	73.0	(0.2)	72.7
Other comprehensive income (expense)		-	-	-	(85.4)	(85.4)	-	(85.4)
Total comprehensive income		-	-	73.0	(85.4)	(12.4)	(0.2)	(12.6)
30 June 2020		**58.1**	**11.6**	**2,285.7**	**(140.5)**	**2,214.9**	**0.6**	**2,215.5**

	Attributable to Company shareholders					Shareholders' equity	
	Share capital	Legal reserve	Retained earnings	Other reserves	Total	Non-controlling interests	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
31 December 2018	**58.1**	**11.6**	**2,183.1**	**(89.8)**	**2,162.8**	**-**	**2,162.8**
Dividend payout to Company shareholders	-	-	(57.3)	-	(57.3)	-	(57.3)
Own shares acquired	-	-	(30.9)	-	(30.9)	-	(30.9)
Own shares sold	-	-	23.0	-	23.0	-	23.0
Stock options	-	-	-	4.0	4.0	-	4.0
Stock options utilization	-	-	6.6	(6.6)	-	-	-
Hyperinflation effects	-	-	-	7.1	7.1	-	7.1
Profit for the period	-	-	122.7	-	122.7	-	122.7
Other comprehensive income (expense)	-	-	-	6.9	6.9	-	6.9
Total comprehensive income	-	-	122.7	6.9	129.7	-	129.7
30 June 2019	**58.1**	**11.6**	**2,247.1**	**(78.4)**	**2,238.3**	**-**	**2,238.3**

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Significant events during and after the end of the period

i. Significant events after the end of the period

Significant events

Transfer of the registered office in the Netherlands
On 4 July 2020, the transfer of the official seat of Davide Campari-Milano S.p.A. to the Netherlands, with its simultaneous conversion to a Naamloze Vennootschap (N.V.) governed by Dutch law, 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') and the new articles of association have come into effect.
As part of this operation, 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, for a substantially full amount, 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. This result confirmed the full compliance of the Group's commitment not to exceed the maximum cost cap €7/8 million deemed by the Company to be acceptable. This implied a negative price difference, to be recognized in the third quarter within the Group equity, for an amount of €3.4 million (well below the maximum acceptable amount set by Campari Group) based on the difference between the withdrawal price of €8.376 and the closing price upon 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 upon the transaction approval (22 June 2020).
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 enhancing 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 website (www.camparigroup.com).

Restructuring program in the Agri Business in Jamaica
The consistent global decline in the price of sugar, a reduction in demand in the local market as well as heightened competition coupled with high operational costs, have resulted in financial loss, for many years, for J. Wray & Nephew Limited on its agri-business. The losses deriving from the sugar business continue to persist, sadly exacerbated by the Codiv-19 scenario, and the situation has unfortunately become unsustainable. The Group has launched a restructuring program to preserve the business continuity of the spirits core business in Jamaica. The consultation process with the local trade unions started in July 2020 with a view to reaching the best possible outcome. In view of the scale of the restructuring program, which will ultimately result in the recognition of restructuring costs, to be determined based on the outcome of the consultation process, the Group is managing the initiative with the local authorities with great care and sensitivity for the local community.

Calling of the Extraordinary Shareholders' meeting on 18 September 2020
The Board of Directors proposed an Extraordinary Shareholders' meeting to be convened on 18 September 2020, to resolve on the following items on the agenda:
a) Capital reduction and amendment of the Company's articles of association. As announced on 18 February 2020, in order to limit the impact of the special voting shares on the capital reserves, the Board of Directors resolved to propose to the Extraordinary Shareholders' meeting a reduction of the nominal value of each ordinary share from €0.05 to €0.01. As a result of this transaction, which will entail a reduction of the ordinary share capital from the current €58,080,000 to €11,616,000, special voting shares A will have a nominal value equal to €0.01, special voting shares B will have a nominal value equal to €0.04 and special voting shares C will have a nominal value equal to €0.09. The reduction of the ordinary share capital will be carried out in accordance with Dutch law and it will entail the creditors' right of opposition pursuant to the terms provided by Dutch law.
b) Appointment of Fabio Facchini as non-executive director. The Board of Directors resolved to propose to the Extraordinary Shareholders' meeting the appointment of Fabio Facchini as additional non-executive director until the approval of the Company's financial statements by 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.

c) Approval of the remuneration policy. The Board of Directors, on proposal of the Remuneration and Appointment Committee, resolved to propose to the Extraordinary Shareholders' meeting the approval of the remuneration policy, as updated and amended in accordance with the new Dutch legal framework. The remuneration policy provides for the criteria for the remuneration of the executive directors and the non-executive directors.
d) Implementation of Article 13.11 of the Company's Articles of Association. In order to implement article 13.11 of the Company's Articles of Association, the Board of Directors resolved to propose to the Extraordinary Shareholders' meeting (i) to grant shareholders holding special voting shares C (which, jointly with the underlying Ordinary Share, grant 10 voting rights), with the right to convert such shares into a special class ordinary shares granting multiple votes, each of which granting 20 voting rights (Special Ordinary Shares) and (ii) to provide the possibility to exercise this right within two pre-determined conversion periods, the first of which shall run from 1 November to 30 November 2028 and the second of which shall run from 1 November to 30 November 2030. The second conversion period will allow shareholders having elected to receive special voting shares A not later than 30 November 2020 to benefit of the right to convert. The right to convert is in line with the Company's strategy to further strengthen the Group's stability and foster the development and the continuous involvement of a stable base of long-term shareholders, also with a view to implementing the Group's growth strategy through acquisitions and integrations of players in the global spirits sector. Further information will be provided in the explanatory notes on the items in the agenda of the Extraordinary Shareholders' meeting, as well as in the proposed amendments to the articles of associations and in the Special Ordinary Shares' terms and conditions which will be made available pursuant to the terms provided by law.

ii. Significant events during the period

Acquisitions and commercial agreements

Acquisition of a 49% interest in Tannico
On 29 June 2020, Campari Group completed the acquisition of 49% interest in Tannico S.p.A. ('Tannico') from its shareholders, including the leading ones (the CEO, Marco Magnocavallo, Programma 101 SICAF S.p.A. and Boox S.r.l, jointly the 'Sellers').
Campari Group acquired 39% of the share capital of Tannico and simultaneously subscribed to a reserved capital increase to achieve an aggregate holding of 49%.
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 B2B, offering targeted value-added services to professional operators in areas such as assortment and warehouse management, as well as tailored delivery solutions.
In 2019, Tannico achieved net sales of €20.6 million (under local 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 first quarter of 2020, partly due to the Covid-19 emergency, almost reaching break-even from a profitability standpoint. Since 2017, Tannico has expanded its footprint to more than 20 markets, including the USA, Germany, UK, and France.
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 Sarl and other group companies (jointly, the 'Company'), from the privately-owned French company Ficoma Sarl, the family holding company of Mr 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 million (under local GAAP), including primarily sales relating to Champagne of approximately 1 million bottles, of which close to 700,000 bottles of Lallier. At 31 December 2019, the book value of the inventories carried by the company amounted to approximately €21.0 million.
The consideration paid was €21.3 million (excluding the net financial debt at the closing date), which represents 80% of the Company's share capital and was financed from available resources.

Under the agreement, the remaining shareholding is subject to the customary reciprocal put and call options, which can be exercised from 2023. Mr. Francis Tribaut will continue in his role as managing director of Champagne Lallier.
The transaction encompasses the brands, related stocks, real estate assets (including owned and operated vineyards) and production facilities.
With this acquisition, which marks the entry of the first Italian player into the Champagne category, Campari Group has added to its portfolio a premium and historical champagne brand, Lallier, mainly being sold in selected on-trade outlets and bottle shops, further extending its range of premium offerings to this key channel for brand building. Moreover, Campari Group will build further critical mass in the strategic French market where the Group recently started to sell through its own in-market company.

Acquisition of 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 rhum 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 stake of 40% and has a call option on the remaining holding of 60% of the share capital, which can be exercised from 2023.

Other significant events

Financial debt management
On 14 April 2020, the Company entered into a term debt facility agreement for an amount up to of €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 original maturity date of 30 June 2021 and an option for extension to 31 December 2021.
The purpose of the Facility is 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 expiring in September 2020, for a residual nominal amount of €581 million.

Donations in response to the Covid-19 pandemic emergency
In response to the pandemic emergency, Campari Group participated in a series of initiatives aimed at supporting the local community and providing active help to deal with the emergency situation.
Among the various initiatives, in March 2020, the Company donated €1 million to fund a general intensive care operational unit for the Covid-19 coronavirus emergency at the public health institution ASST Fatebenefratelli Sacco in Milan, a reference point for the management of patients most seriously affected by Covid-19.
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 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 on 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 challenge #OneMoreRound, 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, collection service, product donations and marketing toolkits.
Lastly, Group companies operating in different markets launched a number of initiatives to support local communities: these mainly consisted of making donations of pure alcohol to various organizations that manufacture hand sanitizer.

Share buyback plan
With regard to the execution of the share buyback program, the Board of Directors decided, on 18 February 2020, to continue it for an increased amount of up to €350 million over the next twelve months. The increase of 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 price of the shares underlying the options and, as a result, contain the overall outlay required to service the incentive plans. The ordinary 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.

Annual financial statement approval and dividend distribution
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 Shareholders' meeting), was €62,873,172.12 and was paid on 22 April 2020 (with an ex-date for coupon n. 4 of 20 April 2020, and with a record date of 21 April 2020).

Purchase of own shares
Between 1 January and 30 June 2020, the Group purchased 15,114,789 own shares, at an average price of €6.91, for a total amount of €104.5 million, and sold 2,948,273 own shares for an outlay of €8.4 million, after the exercise of stock options. At 30 June 2020, the Company held 25,870,716 own shares, equivalent to 2.23% of the share capital.

Notes to the consolidated financial statements

1. General information

Davide Campari-Milano N.V.[12] 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 n. 78502934 and the Milan Monza Brianza Lodi under the n. 06672120158.
At 30 June 2020, 64.93% of the total voting rights (equating to 51.15% of the share capital) of Davide Campari 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 with leading positions in Europe and the Americas. It has 22 production plants and its own distribution network in 21 countries and employs around 4,000 people.

[12] Please refer to note-Significant events after the end of the period' for more information.

The publication of this half year report at 30 June 2020, which was subject to a limited audit[13], was authorised by the Board of Directors on 28 July 2020. The financial statements are presented in Euro, the reference currency for the Company and for many of its subsidiaries.

2. Accounting information and policies

These half year condensed consolidated financial statements 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 the provisions of International Accounting Standard ('IAS') 34-'Interim Financial Reporting'.
The accounting principles are the same applied in the preparation of the consolidated financial statements for the year ended 31 December 2019, to which reference is made, except for those principles relating to the identification of a business combination.
The condensed half year financial statements were prepared based on the going concern principle, on a cost basis and taking any value adjustments into account where appropriate, except for statement of financial position items, such as financial instruments, and biological assets, that, under the IFRS, must be recognized at fair value and except in cases where the IFRS allow a different valuation criterion to be used.
The condensed half year financial statements do not include all the information and notes required for annual consolidated financial statements, and, as such, should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019.
Like the annual report, the half year report contains a summary of significant events and transactions upfront, to provide a better picture of the Group's performance and of any changes to the Group's financial position during the interim period.
Unless otherwise indicated, the amounts shown in the following explanatory notes are expressed in millions of Euros.

i. Form and content

In accordance with the format selected by the Group, the income statement has been classified by function, and the statement of financial position based on the partitioning of 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 capital gains and losses on the sale of fixed assets, restructuring and reorganisation costs, financial expenses and any other non-recurring income and expenses, are described in the notes.
In the first half of 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 cash flow statement was prepared using the indirect method.
In relation to the financial statements, the income statement and statement of financial position contain columns providing information on any significant transactions with related parties.

ii. Reclassification of comparative figures at 31 December 2019

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 initial 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 income statement and cash flow statement for 2019.

[13] The Shareholders' meeting of 27 March 2020 resolved that, as from the effective date of the redomiciliation, Ernst & Young Accountants LLP succeed, without any interruption, to EY S.p.A. in the mandate of independent external auditor. Taking into account that the redomiciliation became effective as of 4 July 2020, the Board of Directors' meeting held on 6 July 2020 approved EY S.p.A. to carry out the independent external audit on the half year condensed consolidated financial statements at 30 June 2020, which is not therefore reviewed by an auditor under the definition of Article 5:25d paragraph 4 Wft (Dutch Financial Reporting Supervision Act).

Reclassifications on reclassified statement of financial position

Group statement of financial position € million	31 December 2019 stated figures	reclassifications	reclassified figures
fixed assets	3,063.5	(8.6)	3,054.9
other non-current assets and (liabilities)	(441.4)	3.8	(437.6)
operating working capital	694.8	(0.6)	694.1
other current assets and (liabilities)	(147.9)	-	(147.9)
total invested capital	**3,169.0**	**(5.4)**	**3,163.6**
Group shareholders' equity	2,389.7	(5.4)	2,384.3
non-controlling interests	1.9	-	1.9
net financial debt	777.4	-	777.4
total financing sources	**3,169.0**	**(5.4)**	**3,163.6**

Reclassifications on operating working capital

Operating working capital € million	31 December 2019 stated figures	reclassifications	reclassified figures
trade receivables	316.9	(0.1)	316.8
total inventories, of which:	618.6	0.9	619.5
- maturing inventory	*364.7*	-	*364.7*
- biological assets	*0.9*	-	*0.9*
- finished goods and other inventory	*253.0*	*0.9*	*253.9*
trade payables	(240.7)	(1.4)	(242.1)
operating working capital	**694.8**	**(0.6)**	**694.1**
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		37.7

Reclassifications of consolidated statement of financial position

	31 December 2019 stated figures € million	reclassifications	reclassified figures € million
ASSETS			
Non-current assets			
Property, plant and equipment	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	(8.1)	2,423.7
Intangible assets with a finite life	49.3	(0.4)	48.9
Investments in associates and joint ventures	0.5	-	0.5
Deferred tax assets	37.5	3.2	40.8
Other non-current assets	8.2	-	8.2
Other non-current financial assets	14.7	-	14.7
Total non-current assets	**3,123.8**	**(5.3)**	**3,118.5**
Current assets			
Inventories	617.7	0.9	618.6
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 asset	44.7	-	44.7
Total current assets	**1,711.6**	**0.8**	**1,712.4**
Assets held for sale	5.3	-	5.3
Total assets	**4,840.7**	**(4.5)**	**4,836.2**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Shareholders' equity			
- Share capital	58.1	-	58.1
- Reserves	2,331.6	(5.4)	2,326.2
Capital and reserves attributable to the Company	2,389.7	(5.4)	2,384.3
Non-controlling interests	1.9	-	1.9
Total shareholders' equity	**2,391.6**	**(5.4)**	**2,386.2**
Non-current liabilities			
Bonds	349.4	-	349.4
Other non-current financial liabilities	460.2	-	460.2
Post-employment benefit obligations	33.4	-	33.4
Provisions for risks and charges	51.4	1.0	52.4
Deferred tax liabilities	386.1	(1.5)	384.5
Other non-current liabilities	16.2	-	16.2
Total non-current liabilities	**1,296.7**	**(0.6)**	**1,296.1**
Current liabilities			
Liabilities and loan due to banks	34.4	-	34.4
Bonds	580.0	-	580.0
Other current financial liabilities	80.8	-	80.8
Trade payables	240.7	1.4	242.1
Income tax payables	75.1	-	75.1
Other current liabilities	141.5	-	141.5
Total current liabilities	**1,152.5**	**1.4**	**1,153.9**
Total liabilities	**2,449.1**	**0.9**	**2,450.0**
Total liabilities and shareholders' equity	**4,840.7**	**(4.5)**	**4,836.2**

iii. 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 period:

- on 29 June 2020, Campari Group completed the acquisition of 49% interests 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 Sarl and other group companies (Les Gloriettes Scev, Les Rives des Marne Sarl 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 in 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% involvement 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 at the agreement date;
- 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 30 June 2020.

Name, activity	Registered office	Share capital at 30 June 2020		% owned by the Company		
		Currency	Amount	Direct	Indirect	Direct shareholder
Company						
Davide Campari, holding, trading and manufacturing company	official seat: Amsterdam (Netherlands) corporate address: Via Franco Sacchetti 20, 20099 Sesto San Giovanni, Milan, Italy.	€	58,080,000			
Fully consolidated companies						
Italy						
Campari International S.r.l., trading company	Via Franco Sacchetti 20, Sesto San Giovanni	€	700,000	100.00		
Camparino S.r.l., trading company	Piazza Duomo 21, Milan, Italy	€	48,880	100.00		
Campari Services S.r.l. in liquidazione, services company[1]	Via Franco Sacchetti 20, Sesto San Giovanni, Italy	€	160,000	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 Méterologie, 10, Bruxelles, Bruxelles	€	1,000,000	61.00	39.00	Glen Grant Ltd. 39%
Campari Deutschland GmbH, trading company	Bajuwarenring 1, Oberhaching, 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	2nd Yuzhnoportoviy proezd 14/22, Moscow, 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, 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.S., holding and manufacturing company	32 rue de Monceau, 75008 Paris, France	€	27,157,500	81.56[2]		Davide Campari 81,56% Minority Shareholders 18,44%
Société Civile Immobilière Du VAL, property company	32 rue de Monceau, 75008 Paris, France	€	16,769,392		81.56	Marnier-Lapostolle Bisquit SASU 100%
Marnier-Lapostolle Bisquit SASU, manufacturing and trading company	32 rue de Monceau, 75008 Paris, France	€	22,759,856		81.56	Société des Produits Marnier Lapostolle S.A. 100%
Campari France Distribution S.A.S., trading company	14 rue Montalivet, 75008 Paris	€	1,200,000		81.56	Marnier-Lapostolle Bisquit SASU 100%

Name, activity	Registered office	Share capital at 30 June 2020		% owned by the Company		
		Currency	Amount	Direct	Indirect	Direct shareholder
Bellonnie&Bourdillon S.A.S., manufacturing and trading company	Zone de Génipa, 97224, Ducos, Martinique	€	5,100,000		78.73	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		78.72	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		78.72	Bellonnie et Bourdillon S.A.S. 25% Distilleries de Sainte Luce S.A.S 75%
Champagne Lallier Sarl, manufacturing company	4 Place de la Libération, 51160, AY, France	€	3,400,000		65.25	Marnier-Lapostolle Bisquit SASU 80% minority shareholders 20%
Scev des Gloriettes, property company	5 Rue des Gobarts, 51190 OGER, France	€	34,301		65.25	Marnier-Lapostolle Bisquit SASU 80% minority shareholders 20%
Les Rives Marne Sas, trading company	4 Place de la Libération, 51160, AY, France	€	100,000		65.25	Champagne Lallier Sarl 100%
Sci Athena, property company	4 Place de la Libération, 51160, AY, France	€	1,000		65.25	Champagne Lallier Sarl 99.9% Les Rives Marne Sas 0.1%
Campari South Africa Pty Ltd., trading company	12th Floor, Cliffe Deker Hofmeyr 11 Buitengracht street, Cape Town, Sud Africa	ZAR	490,247,750		100.00	DI.CI.E. Holding B.V.
Americas						
Campari America, LLC, manufacturing and trading company	1114 Avenue of the Americas, 19th Floor New York, United States	USD	566,321,274(3)	100.00		
Campari Argentina S.A., manufacturing and trading company	Olga Cossettini, 243 Piso 3, Puerto Madeo, CABA, Argentina	ARS	1,179,365,930(4)		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, Edificio 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	50,000		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	50,000		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(3)		100.00	Campari Espãna S.L. 99.92%, Campari do Brasil Ltda. 0.08%
Forty Creek Distillery Ltd., manufacturing and trading company	297 South Service Road West, Grimsby, Canada	CAD	105,500,100(3)		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 Espãna S.L.
Asia						
Campari (Beijing) Trading Co. Ltd., trading company	Room 66, Floor 5, Block 1, No.16, Chaoyangmenwai Street, Chaoyang District, Beijing, China	CNY	104,200,430		100.00	DI.CI.E. Holding B.V.
Campari Australia Pty Ltd., manufacturing and trading company	Level 10, Tower B, 207 Pacific Hwy, St Leonards, NSW, 2065, Australia	AUD	56,500,000		100.00	DI.CI.E. Holding B.V.

Name, activity	Registered office	Share capital at 30 June 2020		% owned by the Company		
		Currency	Amount	Direct	Indirect	Direct shareholder
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 equity method

Name, activity	Registered office	Share capital at 30 June 2020		% owned by the company		Direct shareholder
		Currency	Amount	Direct	Indirect	
Trans Beverages Company Limited, trading company	Nr 1702,c-dong (GL Metrocity Munjung SK V1) 642-3 Munjung-dong, Songpa-gu, Seoul, Korea	KWD	2,000,000,000		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	€	89,194	49.00		Davide Campari

(1) Company in liquidation
(2) This figure does not include the portion of capital with beneficial right, equal to 2.24%, whose bare ownership is held by shareholders of Société des Produits Marnier Lapostolle S.A. who hold 18,44% of the capital, which is covered by agreements for repurchases to be made by 2021.
(3) Includes the capital contribution.
(4) The share capital does not include effects related to the hyperinflation accounting standard.

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

Figures expressed in currencies other than the accounting currency (Euro) are converted as follows:

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

	30 June 2020		30 June 2019	
	average rate	end-of-period rate	average rate	end-of-period rate
US Dollar	1.101	1.120	1.130	1.138
Canadian Dollar	1.503	1.532	1.507	1.489
Jamaica Dollars	153.453	156.607	147.752	148.303
Argentine Peso(1)	78.786	78.786	48.568	48.568
Australian Dollar	1.678	1.634	1.600	1.624
Brazilian Real	5.416	6.112	4.340	4.351
Swiss Francs	1.064	1.065	1.129	1.111
Chile Pesos	895.750	918.720	763.141	773.850
Yuan Renminbi	7.747	7.922	7.667	7.819
Great Britain Pounds	0.874	0.912	0.874	0.897
India Rupees	81.675	84.624	79.117	78.524
Japanese Yen	119.212	120.660	124.302	122.600
South Korea Won	1,329.149	1,345.830	1,294.975	1,315.350
Mexican peso	23.860	25.947	21.654	21.820
New Zealand Dollars	1.760	1.748	1.681	1.696
Peruvian sol	3.763	3.953	3.755	3.745
Russian Rubles	76.687	79.630	73.725	71.598
Singapore Dollars	1.541	1.565	1.535	1.540
Ukraine Hryvnia	28.623	29.899	30.417	29.765
Rand	18.332	19.443	16.042	16.122

(1) The average exchange rate of the Argentine Peso for both the first half 2020 and 2019 was equal to the spot exchange rate at 30 June 2020 and 30 June 2019 respectively.

Hyperinflation

If a subsidiary operates in a hyperinflationary economy, the related economic and financial results are adjusted in accordance with the method established by 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 balance sheet 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 income statement;
e) calculation of monetary profit or loss;
g) restatement of adjusted balance-sheet and income-statement values.
The effect of restating non-cash items is recognized in the income statement as net financial income (expenses). The restated income statement is converted into Euro by applying the spot exchange rate at the end of the period instead of the average exchange rate for the period.

The indices used to remeasure the values at 30 June 2020 are shown in the table below. Specifically, the national Consumer Price Index ('nationwide CPI') was used.

	30 June 2020	30 June 2019
Consumer price index	322.15	225.28
	2020 conversion factor	2019 conversion factor
January	1.112	1.188
February	1.090	1.145
March	1.054	1.094
April	1.039	1.057
May	1.023	1.026
June	1.000	1.000

v. Use of estimates

The preparation of the financial statements and related notes in accordance with IFRS requires the management to make estimates and assumptions that have an impact on the value of revenues, 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, 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 for receivables, obsolete inventory, depreciation and amortization, asset impairment, employee benefits, taxes, restructuring provisions and the allocation of other provisions, as well as to determine the duration and incremental interest rate for leasing transactions.
The estimates and assumptions are reviewed regularly, and the impact of any change is reflected in the Income statement.
Goodwill and intangible assets with an indefinite useful life are subject to at least annual impairment tests to check for any losses in value.
The calculations are based on expected cash flows from the cash-generating units to which the goodwill is attributed, as inferred from multi-year budgets and plans. Growth rate assumptions are applied to the years beyond the plan horizon as well as for discounting.
The initial valuation is revised if a significant event occurs or if there is a change in the characteristics that affects the valuation and if these are under the Group's control.
The incremental borrowing rates used to evaluate leasing contracts are defined 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 new accounting rules, to simulate a theoretical interest rate consistent with the agreements being valued. The most important elements considered in adjusting the rate are the credit risk spread of each country observable on the market and the varying durations of the lease agreements. Explicit interest rates in lease agreements are rare.

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 now spread to the rest of the world. On 11 March 2020, the World Health Organization (WHO) declared the Covid-19 virus 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 the productive activities in sectors defined as non-critical, allowing only essential activities and production to continue. This included, among the others, the beverage sector, logistics services and freight transport. Although, as a result of a gradual improvement in the health crisis, lockdown restrictions are gradually being lifted across many countries,

the environment remains highly uncertain in terms of the timing of the post-Covid recovery and the overall consequences of the outbreak on the global economy. 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 an agreement on an EU Recovery Fund as well as the 2021-27 Multiannual Financial Framework, both 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 the business. The Group adopted promptly and responsibly all the conduct and safety measures specified by the authorities in its various markets by introducing new protocols, work practices and safety measures. In terms of production facilities, during the crisis all the Group's plants and distilleries were always 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 the Covid-19, in preparing these half year condensed consolidated financial statements, the Group carefully evaluated and considered the impact of the outbreak on its 2020 half year 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 has been performed to identify, and consequently manage the principal risks and uncertainties to which the Group is exposed.
In particular, all significant assumptions and estimates underlying the preparation of the following topics were subject to 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, lease agreements, provisions and onerous contracts. The analysis conducted has not highlighted 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 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 our suppliers, nor in our logistics and freight transport activities;
- by keeping its production facilities open with the necessary safeguards through the crisis, maintaining stock levels and meeting client demand, the Group has been able to ensure its business continuity;
- the available resources were re-directed to activities appropriate to the new environment, such as the strengthening of IT support activities, and monitoring supplies and customer performance;
- the Group took 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;
- the Group accelerated its digital transformation and e-commerce programs 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.

Accounting standards adopted

The accounting standards adopted by the Group are the same as those that were applied for the annual financial statements for the year ending 31 December 2019, with the exception of the new accounting standards, interpretations and amendments adopted that are reported below.

Business combinations

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.
For additional information about the business combinations rules followed by the Group, please see note 3-Summary of accounting principles of Campari Group consolidated financial statements at 31 December 2019.

vi. Changes in accounting standards

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 has published the amendment 'Definition of a Business' to 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 half year condensed consolidated financial statements.

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 Group's half year condensed 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 has had no impact on Group's half year condensed consolidated 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.

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

There are no accounting standards in this section.

Accounting standards, amendments and interpretations not yet endorsed

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.

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 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 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 IFRS 4-'Insurance Contracts' on deferral of IFRS-9 (issued on 25 June 2020)
The first application scheduled for 1 January 2022.

Amendment to IAS 1-'Presentation to Financial Statements': classification of liabilities as current and non-current (issued January 23, 2020) with its first application scheduled for 1 January 2022.

IFRS 17-'Insurance Contracts' (issued on 18 May 2017), with initial recognition scheduled for 1 January 2023.
This accounting standard does not apply to the Group.

3. Results for the period

This section explains the results and performance for the period ended 30 June 2020. Disclosures are provided for segmental information, operating costs, non-recurring or adjusting items, finance income and expenses, the Group's share of the results of associates and joint ventures and taxation. For associates, joint ventures and taxation, balance sheet disclosures are also provided in this section.

i. Seasonal factors

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

ii. Net sales and Operating segments

Consolidated net sales, which almost entirely relate to the sale of spirits, totalled €768.7 million, compared with €848.2 million achieved in the first half of the previous year.
The coronavirus outbreak, while it has a significant impact on net sales, has not triggered any significant modifications of contracts with clients, especially regarding variable considerations or price conditions.
For a more detailed analysis of net sales, please refer to the information given in the 'Sales performance' section of the half year report on operations.

The Group's operating businesses are determined on the basis of the operating segments, the results of which are regularly 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 those that reflect the Group's operating model and current way of working by business unit.
The geographical regions considered are: i) the Americas ii) Southern Europe, Middle East and Africa iii) Northern, Central and Eastern Europe and (iv) Asia-Pacific.

The level of profitability analysed is the result from recurring activities, equal to the operating result before adjustments to operating income and expenses (for a definition of alternative performance indicators, please see the 'Alternative performance indicators' section of the half year report on operations).
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 intercompany margins.

first half 2020	Americas € million	Southern Europe, Middle East and Africa € million	Northern, Central and Eastern Europe € million	Asia-Pacific € million	Total allocated € million	Non-allocated items and adjustments € million	Consolidated € million
Net sales to third-parties	358.1	182.6	172.0	55.9	768.7	-	768.7
Net sales between segments	23.3	169.0	8.4	-	200.7	(200.7)	-
Total net sales	**381.4**	**351.5**	**180.5**	**55.9**	**969.3**	**(200.7)**	**768.7**
Segment result	**65.3**	**(8.4)**	**40.8**	**5.2**	**103.0**	**-**	**103.0**
Operating result	-	-	-	-	-	-	103.0
Financial income (expenses)	-	-	-	-	-	(1.8)	(1.8)
Share of net profit (loss) of associates and joint ventures	-	-	-	-	-	(0.2)	(0.2)
Taxation	-	-	-	-	-	(28.2)	(28.2)
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**72.7**
Of which::							
Group profit for the period	-	-	-	-	-	-	73.0
Non-controlling interests	-	-	-	-	-	(0.2)	(0.2)
Goodwill	**709.9**	**427.6**	**259.2**	**23.1**	**1,419.8**	**-**	**1,419.8**

first half 2019	Americas € million	Southern € million	Northern, € million	Asia-Pacific € million	Total € million	Non-allocated € million	Consolidated € million
Net sales to third-parties	384.6	243.6	165.5	54.4	848.2	-	848.2
Net sales between segments	26.3	154.0	9.2	-	189.5	(189.5)	-
Total net sales	**410.9**	**397.6**	**174.7**	**54.4**	**1,037.6**	**(189.5)**	**848.2**
Segment result	**68.5**	**48.2**	**49.0**	**5.9**	**171.7**	**-**	**171.7**
Operating result	-	-	-	-	-	-	171.7
Financial income (expenses)	-	-	-	-	-	(18.1)	(18.1)
Share of net profit (loss) of associates and joint venture	-	-	-	-	-	0.1	0.1
Taxation	-	-	-	-	-	(30.9)	(30.9)
Group profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**122.8**

iii. Cost of goods sold

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

	first half 2020 € million	first half 2019 € million
Materials and manufacturing costs	274.6	281.8
Distribution costs	41.2	40.6
Total cost of goods sold	**315.8**	**322.3**
Breakdown by type		
Raw materials and finished goods acquired from third-parties	187.3	196.3
Inventory write-downs	0.3	1.0
Personnel costs	39.7	37.0
Depreciation/amortization	22.0	19.5
Utilities	5.8	6.3
External production and maintenance costs	17.6	19.8
Variable transport costs	27.7	28.8
Other costs	15.4	13.6
Total cost of goods sold	**315.8**	**322.3**

The decrease in the cost of goods sold is commented on in the half year report on operations, where the change in these costs as a percentage of sales is analysed. For an analysis of the components, please see also the breakdown of personnel costs in notes 3 v-Personnel costs and 3 vi-Depreciation and amortization.

iv. Selling, general and administrative expenses

A breakdown of the selling, general and administrative expenses is shown by nature in the table below.

	first half 2020 € million	first half 2019 € million
Personnel costs	122.3	115.6
Services, maintenance and insurance	29.9	25.7
Travel, business trip, training and meetings	13.3	19.5
Depreciation/amortization	16.1	14.2
Expenses for use of third-party assets	1.6	1.9
Utilities	0.8	0.7
Agents and other variable sales costs	3.6	6.1
Other operating expenses	13.2	10.2
Adjustment to selling, general and administrative expenses:	27.4	8.6
Impairment loss on intangible assets	16.3	-
Covid-19 donations	*2.7*	-
Acquisition fees	*1.9*	-
Consultancies	*2.5*	-
Expenses for staff restructuring	*1.0*	*5.2*
Accruals for staff restructuring	*0.9*	*0.1*
Penalty for the termination of distribution relationship	*0.1*	-
Gains on sale of assets	*(0.1)*	*(1.2)*
Write-down and other restructuring costs	-	*2.4*
Fiscal penalties	-	*0.2*
Losses on sale of assets	-	*0.1*
Other expenses	*2.1*	*1.9*
Total selling, general and administrative expenses	***228.1***	***202.6***

Total selling, general and administrative expenses amounted to €228.1 million in the first half of 2020, showing an increase compared to last year of €25.5 million. This increase is mainly attributable to the brand impairment loss of €16.3 million, and consultancy and legal fees for an amount of €1.9 million and related to the acquisitions concluded in the first half of 2020. For further details of the brand impairment loss, please see note 4 ii-Intangible assets. In addition, in response to the pandemic emergency, Campari Group donated €2.7 million to various institutions aimed at supporting local communities and initiatives across all geographies.

v. Personnel cost

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

	first half 2020 € million	first half 2019 € million
Salaries and wages	124.0	114.6
Social security contributions	26.3	25.1
Cost of defined contribution plans	4.8	4.5
Cost of defined benefit plans	0.1	0.2
Other costs relating to mid/long-term benefits	4.1	5.5
Cost of share-based payments	4.3	4.0
Total personnel costs	**163.5**	**154.0**
of which:		
Included in cost of goods sold	39.7	37.0
Included in selling, general and administrative expenses	122.3	115.6
Included in advertising and promotional expenses	1.6	1.3
Total	**163.5**	**154.0**

vi. Depreciation and amortization

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

	first half 2020 € million	first half 2019 € million
- Tangible fixed assets	18.7	16.9
- Right of use	1.1	1.0
- Intangible fixed assets	2.2	1.6
Depreciation and amortization included in cost of goods sold	**22.0**	**19.5**
- Tangible fixed assets	3.9	4.3
- Right of use	6.0	4.9
- Intangible fixed assets	6.3	5.0
Depreciation and amortization included in selling, general and administrative expenses	**16.1**	**14.2**
- Tangible fixed assets	0.7	0.5
- Right of use	0.5	0.5
Depreciation and amortization included in advertising and promotional expenses	**1.3**	**1.0**
- Tangible fixed assets[(1)]	23.3	21.7
- Right of use	7.6	6.5
- Intangible fixed assets	8.5	6.6
Total depreciation and amortization in the income statement	**39.4**	**34.8**
Total depreciation and amortization	**39.4**	**34.8**

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

vii. Financial income and expenses

	first half 2020 € million	first half 2019 € million
Net interest on bonds	(14.6)	(17.5)
Interest expenses on leases	(1.7)	(1.7)
Interest expenses to banks	(2.9)	(1.2)
Total interest expenses	**(19.1)**	**(20.3)**
Bank and term deposit interests	3.5	4.9
Other income	(0.1)	0.3
Total financial income	**3.4**	**5.3**
Bank expenses	(1.5)	(1.2)
Other expenses and exchange rate differences	(1.9)	1.0
Total financial expenses	**(3.4)**	**(0.2)**
Put option and earn out liabilities change in estimate	**16.2**	**(0.7)**
Liability management	1.6	-
Financial income (expenses) adjustments	**1.6**	**-**
Hyperinflation effects	**(0.4)**	**(2.3)**
Net financial income (expenses)	**(1.8)**	**(18.1)**

Net financial expenses, which include the effects of exchange-rate variations and hyperinflation, were €1.8 million. Interest on bond decreased compared with the first half of 2019 due to a lower average interest rate.
At 30 June 2020, a net financial income of €16.2 million was recorded in connection with put options and earn out. The impact was mainly attributable to reassessment of the 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 €16.6 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 €1.6 million were recorded in the first half of 2020; these are mainly related to 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.
Interest expenses on leases was €1.7 million, in line with the comparison period.
The impact of applying the methodology to measure the effects of hyperinflation in Argentina had a negative impact of €0.4 million in the half year under review.

viii. Lease components

Amounts recognized in the income statement are as follows.

€ million	first half 2020	first half 2019
Interest expenses on leases	1.7	1.7
Depreciation of right of use underlying assets	7.6	6.4
Variable lease payment not included in measurement of lease liability	3.4	3.0
Expense related to short terms leases	0.1	0.3
Expense related to leases with low value	1.2	1.6

ix. Profit (loss) related to associates and joint ventures

At 30 June 2020, the loss arising from associated companies and joint ventures measured applying the equity method was €(0.2) million.

	€ million
31 December 2019	**0.5**
Share of profit (loss)	(0.2)
Investments	23.7
Reclassification of previous Japan investment	0.2
30 June 2020	**24.2**

At 30 June 2020, the Group owned 40% of the shares in Trans Beverages Co. Ltd, a joint venture in South Korea, following the signing of an agreement in March 2018 with local partner BNC F&B Co. Ltd. The Group has a call option on the remaining shares, which represent 60% of the share capital, exercisable from 2021.
On 29 June 2020, Campari Group completed the acquisition of a 49% interest in Tannico S.p.A., with the possibility of increasing its interest to 100% from 2025, subject to certain conditions.
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 Campari owns 40% of the shares, with an option on the remaining shares which represent 60% of the share capital, exercisable from 2023.
For additional information, please see the note-Significant events during and after the end of the period.

The following table includes the development of the balance of investments in associates in the first half of 2020.

Name of entity	Country of business	% of ownership interest	Nature of relationship	Measurement method	Currency	Carrying amount
						€ million
Trans Beverages Co. Ltd	South Korea	40.0%	*Joint venture*	Equity method	KRW	0.7
CT Spirits Japan Ltd.	Japan	40.0%	*Joint venture*	Equity method	JPY	(0.2)
Tannico e Wineplatform S.p.A.	Italy	49.0%	*Associated company*	Equity method	EUR	23.7
Total investments in associates and joint venture						**24.2**

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

Highlights - Trans Beverages Co Ltd.	30 June 2020 € million	30 June 2020 South Korea Won million
Total assets	5.8	7,758.1
Total shareholders' equity	1.8	2,463.0
Revenues	3.4	4,533.3
Net income of the period	0.7	963.7

Highlights - CT Spirits Japan Ltd.	30 June 2020 € million	30 June 2020 Japanese Yen million
Total assets	4.3	522.4
Total shareholders' equity	(0.3)	(32.2)
Revenues	1.8	214.9
Net income of the period	(1.2)	(139.5)

Highlights – Tannico e Wineplatform S.p.A. [1]	31 December 2019 € million	31 December 2019 Euro million
Total assets	7.0	7.0
Total shareholders' equity	(1.0)	(1.0)
Revenues	20.6	20.6
Net income of the period	(1.6)	(1.6)

[1] The figures as at 31 December 2019 refer to the last available financial statements of the company officially approved by the Shareholders meeting according to local legislation.

x. Taxation

Income taxes were calculated based on the existing regulations, applying the tax rates enacted in each country and taking into account the average tax rate anticipated 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 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 pandemic issues, an analysis was specifically conducted to assess the potential impact of taxation on Group figures. For accounting purposes, 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. Dedicated 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 half year condensed consolidated financial statements.

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

	first half 2020 € million	first half 2019 € million
- current taxes for the year	(36.9)	(26.5)
- current taxes relating to previous years	(0.4)	-
- deferred tax expenses	9.1	(4.4)
Taxes recorded in the income statement	**(28.2)**	**(30.9)**
Taxes recorded in the statement of comprehensive income	**0.6**	**2.1**

The tax benefit arising from the Patent Box tax scheme expired in 2019 after 5 years. Income tax for the first half of 2020 did not, therefore, include any tax benefit relating to the Patent Box scheme (€12.5 million in the first half of 2019).

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

	30 June 2020 € million	31 December 2019[1] post reclassification € million
Deferred tax assets	54.6	40.8
Deferred tax liabilities	(388.5)	(384.5)
Net deferred tax	**(333.9)**	**(343.8)**

[1] For information on the reclassifications of comparative figures, refer to note 2 ii-Reclassification of comparative figures at 31 December 2019 in this document.

Income tax receivables and payables breaks down as follows.

	30 June 2020 € million	*perimeter effect [1]* *€ million*	31 December 2019 € million
Income taxes	16.7	*0.2*	18.1
Receivables from ultimate shareholders for tax consolidation	1.6	-	0.6
Income tax receivables	**18.3**	***0.2***	**18.7**
Taxes payable	9.7	*0.3*	69.9
Due to controlling shareholder for tax consolidation	21.8	-	5.1
Total income tax payables	**31.5**	***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, related 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 of 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 more information about this transaction, please refer to Campari Group 2019 consolidated annual report).

4. Operating assets and liabilities

This section describes the assets used to generate the Group performance and the liabilities incurred and also provides detailed disclosures on the recent acquisitions and disposals.

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

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

	Tannico S.p.A. € million	Champagne Lallier Sarl Les Gloriettes Scev € million	Baron Philippe de Rothschild France Distribution S.A.S. [1] € million	total € million
interests' acquisition in business or associates (including post-closing adjustments)	(23.7)	(21.3)	(50.3)	(95.4)
net financial assets (debt) acquired	-	(22.6)	(4,3)	(26.9)
payables for put option and earn out	-	(4.3)	-	(4.3)
total acquisition net value	**(23.7)**	**(48.3)**	**(54.6)**	**(126.6)**
of which stated at 30 June 2020:				
net impact on cash and cash equivalent	*(23.7)*	*(17.5)*	*(49.8)*	*(90.9)*
net impact on net financial debt other than cash and cash equivalent	-	*(30.8)*	*(4.9)*	*(35.7)*

[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 note-Significant events during the period, Campari Group completed the acquisition of a 49% interest in Tannico S.p.A. ('Tannico') on 29 June 2020.

Campari Group acquired 39% of the share capital of Tannico and simultaneously subscribed to a reserved capital increase to reach, in aggregate, a 49% shareholding. The overall consideration for the 49% interests was €23.5 million, plus €0.2 million in transaction costs (which form part of the carrying amount for the associate). Pursuant to the investment agreement, Campari Group will have the possibility of increasing its interest to 100% as from 2025, 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 30 June 2020.

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 30 June 2020 Tannico continued to be recognized under associates in the Group condensed consolidated statement of financial position since the requirements as regards control over the investee company are not satisfied.

Business combinations

On the date these half year condensed consolidated financial statements were approved, based on 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, the Group continued to carry out the provisional purchase price allocation, that will be finalised in a period not exceeding 12 months from the closing date of each transactions, in compliance with applicable accounting standards.

It should therefore be emphasized that, on the date that these half year condensed consolidated financial statements were approved, the allocation is provisional for all the acquisitions described below. Once further information about 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 expected to be generated by integrating these brands into the Group's commercial structure. The 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 'Significant events during and after the end of the period' section, Campari Group completed its 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 in the Group's accounts from 1 March 2020 since there were no significant changes in the net assets acquired between the 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 organized workforce, tangible and intangible assets, a relationship with various distribution channels and different commercial agreement models.

The incorporation of the distribution structure of CFD 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 above, it is 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.

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.

value at acquisition date	book values at acquisition date € million	provisional fair value at 30 June 2020 € million
ASSETS		
Non-current assets		
Property, plant and equipment	0.4	0.4
Right of use assets	4.8	4.8
Intangible assets with a finite life	1.1	0.1
Deferred tax assets	2.3	3.2
Other non-current assets	0.3	0.3
Total non-current assets	**8.9**	**8.8**
Current assets		
Inventories	16.9	.13.7
Trade receivables	36.2	36.2
Cash and cash equivalents	0.6	0.6
Income tax receivables	0.1	0.1
Other current assets	3.2	3.2
Total current assets	**56.9**	**53.6**
Total asset	**65.7**	**62.4**
LIABILITES		
Non-current liabilities		
Other non-current financial liabilities	4.8	4.8
Post-employment benefit obligations	1.9	1.9
Provisions for risks and charges	-	0.3
Deferred tax liabilities	1.5	1.5
Total non-current liabilities	**8.2**	**8.5**
Current liabilities		
Liabilities and loans due to banks	0.1	0.1
Trade payables	38.2	38.2
Other current liabilities	5.2	5.2
Total current liabilities	**43.5**	**43.5**
Total liabilities	**51.7**	**52.0**
NET EQUITY ACQUIRED	**14.0**	**10.4**
TOTAL LIABILITY AND EQUITY		**62.4**
a) Total cost, of which:		**50.3**
Price paid in cash, excluding ancillary costs		*60.0*
Price adjustments at closing		*(9.7)*
b) Net financial position acquired, of which:		**4.3**
- Cash, cash equivalent and financial assets		*(0.6)*
- Financial debt acquired		*4.9*
Enterprise value (a+b)		**54.6**
Purchase price to be allocated		**50.3**
Price paid in cash, excluding ancillary costs		60.0
Price adjustments at closing		(9.7)
Total values to be allocated		**50.3**
Allocation to:		
Net assets acquired		**10.4**
Goodwill generated by acquisition		**39.9**

Ancillary costs relating to external legal fees and due-diligence costs amounted to €0.2 million and were recognized in the Income statement under selling, general and administrative expenses for the period ending 30 June 2020.

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 at the date of acquisition	**39.9**	**39.9**
Provisional fair value published at 30 June 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

As mentioned in the 'Significant events during the period' section, 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 Sarl and other companies in its group (jointly referred to as 'the company').

The total consideration paid was €48.3 million (including the net financial debt acquired), and comprised 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. The options may be exercised from 2024 onwards;
- the net negative financial position acquired of €22.6 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 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 such interests, it was deemed appropriate to value them at the share net of assets attributed to the business acquired based on the aforementioned fair value allocations, excluding goodwill. The financial liability for 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 recognized 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 organized workforce, tangible and intangible assets, brands, real estate assets (including owned and operated vineyards) and production facilities.

Based on the above, it is 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.

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.

value at acquisition date	book values at acquisition date € million	provisional fair value at 30 June 2020 € million
ASSETS		
Non-current assets		
Property, plant and equipment	5.5	5.5
Biological assets	2.6	2.6
Brands	-	1.0
Intangible assets with a finite life	0.2	0.2
Other non-current financial assets	0.1	0.1
Total non-current assets	**8.5**	**9.4**
Current assets		
Inventories	22.1	22.1
Trade receivables	3.6	3.6
Cash and cash equivalents	3.8	3.8
Income tax receivables	0.1	0.1
Other current assets	1.1	1.1
Total current assets	**30.7**	**30.7**
Total asset	**39.2**	**40.2**
LIABILITES		
Non-current liabilities		
Deferred tax liabilities	-	0.2
Total non-current liabilities	**-**	**0.3**
Current liabilities		
Liabilities and loans due to banks	20.7	20.7
Other current financial liabilities	5.8	5.8
Trade payables	6.5	6.5
Other current liabilities	1.0	1.0
Total current liabilities	**34.1**	**34.1**
Total liabilities	**34.1**	**34.4**
NET EQUITY ACQUIRED	**5.1**	**5.8**
TOTAL LIABILITY AND EQUITY		**40.2**
a) Total cost, of which:		**25.6**
Price paid in cash, excluding ancillary costs		*20.9*
Price adjustments at closing		*0.4*
Liabilities for non-controlling interest purchase		*4.3*
b) Net financial position acquired, of which:		**22.6**
- Cash, cash equivalent and financial assets		*(3.9)*
- Financial debt acquired		*26.5*
Enterprise value (a+b)		**48.3**
Non-controlling interests		**1.0**
Purchase price to be allocated		**21.3**
Price paid in cash, excluding ancillary costs		20.9
Price adjustments at closing		0.4
Non-controlling interests		**1.0**
Total values to be allocated		**22.3**
Allocation to:		
Net assets acquired		**5.8**
Goodwill generated by acquisition		**16.5**

Ancillary costs relating to external legal fees and due-diligence costs amounted to €1.7 million and were classified in the Income statement under selling, general and administrative expenses for the period ending 30 June 2020. 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 distribution structure changes. 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 Sarl and Les Gloriettes Scev	goodwill € million	brands € million	total € million
Provisional fair value at the date of acquisition	**16.5**	**1.0**	**17.5**
Provisional fair value published at 30 June 2020	**16.5**	**1.0**	**17.5**

Business combinations completed in the previous year

As set out in detail in the 'Significant events during the period' section of the Group consolidated financial statements at 31 December 2019, 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 significant to its critical mass in France.

The impact of the updated provisional allocation of the acquisition values for Trois Rivières and La Mauny French rums and Ancho Reyes and Montelobos spirits is summarized below. Changes to the provisional net assets values recognized at 31 December 2019 are shown separately. The allocation did not have any monetary impact. The updated provisional values shown are the result of the recognition and reworking of further information about facts and circumstances existing at the closing date. The analysis was partly carried out with the assistance of

independent experts. The following combined information relates to both acquisitions, which are not considered to be material on an individual bases but are related to spirit products.

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 2 ii–Reclassification of comparative figures at 31 December 2019. Where not expressed in Euro, the values were converted at the exchange rate on the closing date of the transaction.

value at acquisition date	provisional fair value at 31 December 2019 € million	adjustment and reclass € million	provisional fair value at 30 June 2020 € million
ASSETS			
Non-current assets			
Property, plant and equipment	13.6	-	13.6
Right of use assets	1.4	-	1.4
Biological assets	1.4	-	1.4
Brands	18.8	(4.9)	13.9
Intangible assets with a finite life	4.5	(0.4)	4.1
Deferred tax assets	0.6	3.2	3.8
Other non-current assets	0.5	-	0.5
Total non-current assets	**40.8**	**(2.1)**	**38.7**
Current assets			
Inventories	21.2	0.9	22.1
Biological assets	0.1	-	0.1
Trade receivables	7.9	(0.1)	7.8
Cash and cash equivalents	6.0	-	6.0
Income tax receivables	0.7	-	0.7
Other current assets	3.2	-	3.3
Total current assets	**39.3**	**0.8**	**40.1**
Total asset	**80.1**	**(1.3)**	**78.8**
LIABILITES			
Non-current liabilities			
Non-current payables to banks	0.6	-	0.6
Other non-current financial liabilities	1.4	-	1.4
Provisions for risks and charges	1.5	1.0	2.4
Deferred tax liabilities	6.2	(1.5)	4.7
Total non-current liabilities	**9.8**	**(0.6)**	**9.2**
Current liabilities			
Liabilities and loans due to banks	6.8	-	6.8
Trade payables	10.6	1.5	12.0
Income tax payables	0.1	-	0.1
Other current liabilities	5.5	-	5.5
Total current liabilities	**22.9**	**1.5**	**24.4**
Total liabilities	**32.7**	**0.9**	**33.6**
NET EQUITY ACQUIRED	**47.4**	**(2.2)**	**45.2**
TOTAL LIABILITY AND EQUITY	**80.1**	**(1.3)**	**78.8**
a) Total cost, of which:	**110.3**	**(0.6)**	**109.8**
Price paid in cash, excluding ancillary costs	*86.5*	-	*86.5*
Price adjustments after closing	-	*(0.6)*	*(0.6)*
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**	**(4.8)**	**4.9**
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	-	(0.6)	(0.6)
Non-controlling interests	**9.7**	**(4.8)**	**4.9**
Total values to be allocated	**96.1**	**(5.3)**	**90.8**
Allocation to:			
Net assets acquired	**47.4**	**(2.2)**	**45.2**
Goodwill generated by acquisition	**48.7**	**(3.1)**	**45.6**

The Group has revised the provisional allocation for brands fair values to take into account the profitability of the business on the closing date. The new total value allocated to the acquired brands is €13.9 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[1] € million	total € million
Provisional fair value at the date of acquisition	**48.7**	**18.8**	**4.1**	**71.6**
Change resulting from provisional allocation of acquisition value	(3.1)	(4.9)	-	(8.0)
Provisional fair value at 30 June 2020	**45.6**	**13.9**	**4.1**	**63.6**
of which:				
Intangible assets generated by Rhumantilles acquisition	*25.3*	*8.6*	*-*	*33.9*
Intangible assets generated by Ancho Reyes and Montelobos acquisition	*20.3*	*5.3*	*4.1*	*29.7*

[1)]Intangible assets with a finite life refers to reacquired rights of products pertaining to the portfolio of brands acquired.

Intangible assets generated by spirit companies	goodwill € million	brands € million	intangible assets with a finite life[1] € million	total € million
Provisional fair value at the date of acquisition	**48.7**	**18.8**	**4.1**	**71.6**
Exchange rate	0.3	0.1	-	0.5
Provisional fair value published at 31 December 2019	**49.0**	**18.9**	**4.1**	**72.1**
Change resulting from provisional allocation of acquisition value	(3.1)	(4.9)	-	(8.0)
Exchange rate restated	(0.1)	(0.1)	-	(0.1)
Provisional fair value restated at 31 December 2019	**45.8**	**14.0**	**4.1**	**63.9**
of which:				
Intangible assets generated by Rhumantilles acquisition	*25.3*	*8.6*	*-*	*33.9*
Intangible assets generated by Ancho Reyes and Montelobos acquisition	*20.5*	*5.4*	*4.1*	*30.0*

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

ii. Intangible assets

- Goodwill and brands

	Goodwill € million	Brands with an indefinite life € million	Brands with a finite life € million	Total € million
Carrying amount at the beginning of the period	1,393.6	1,028.5	36.5	2,458.6
Opening impairment	(3.1)	-	(23.7)	(26.8)
31 December 2019	**1,390.5**	**1,028.5**	**12.9**	**2,431.8**
Change resulting from provisional allocation of acquisition value	(3.3)	(4.9)	-	(8.1)
Exchange rate restated	0.1	(0.1)	-	-
31 December 2019 post-reclassifications	**1,387.3**	**1,023.5**	**12.9**	**2,423.7**
Perimeter effect for acquisitions	56.4	1.0	-	57.3
Impairment loss	-	(16.3)	-	(16.3)
Amortization	-	-	(1.1)	(1.1)
Exchange rate differences	(23.9)	(12.9)	0.1	(36.8)
30 June 2020	**1,419.8**	**995.3**	**11.8**	**2,426.9**
Carrying amount at the end of the period	1,422.8	1,010.9	35.6	2,469.3
Closing impairment	(3.0)	(15.6)	(23.8)	(42.4)

Intangible assets with an indefinite life are represented by goodwill and brands, both deriving from acquisitions. The Group expects to obtain a positive cash flow from these assets for an indefinite period of time.

Brands with a finite life include the value of the X-Rated Fusion Liqueur brand.

The change in the basis of consolidation comprises increases totalling €57.3 million attributable to the identification of amounts for goodwill (€56.4 million) and brands (€1.0 million) related to the acquisition of Baron Philippe de Rothschild France Distribution S.A.S. and Champagne Lallier.

An impairment loss of €16.3 million (€15.6 million at closing exchange rate at 30 June 2020) was attributable to Bulldog brand. In this regard, reference should be made to the note 4 ii-Impairment test for goodwill and brands below.

Negative exchange-rate differences of €36.8 million arose, when the amounts for brands and goodwill, which were recorded in local currency, were adjusted to period-end exchange rates, notably in relation to the performance of the US and Canadian dollars.

- Intangible assets with a finite life

	Software € million	Other € million	Total € million
Carrying amount at the beginning of the period	101.8	23.7	125.6
Accumulated amortization at the beginning of the period	(66.3)	(10.0)	(76.3)
31 December 2019	**35.6**	**13.7**	**49.3**
Change resulting from provisional allocation of acquisition value	**-**	(0.4)	(0.4)
31 December 2019 post-reclassifications	**35.6**	**13.3**	**48.9**
Perimeter effect for acquisitions	0.1	0.2	0.3
Perimeter effect for sale or reorganisation of business	(0.7)	-	(0.7)
Additions	3.6	0.1	3.7
Amortisation	(6.4)	(1.0)	(7.4)
Exchange rate differences and other changes	(0.4)	(1.4)	(1.8)
30 June 2020	**31.8**	**11.2**	**42.9**
Carrying amount at the end of the period	104.3	21.8	126.1
Accumulated amortization at the end of the period	(72.5)	(10.6)	(83.1)

Investment in intangible assets with a finite life during the period, totalling €3.7 million, mainly related to projects to continuously upgrade and integrate the IT systems currently used by Group companies.

- Impairment test on goodwill and brands

Covid-19: trigger for performing the impairment test as of 30 June 2020
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 on the basis of a set of internal and external information to assess if it has triggered the impairment of assets.
Given the Group's relevant exposure to the on-premise distribution channel and Global Travel Retail, where consumption levels were largely hit by Covid-19 due to the lockdown and the social distancing measures as well as travel ban, and in general the economic, social and financial crisis generated by the health emergency, management reasonably considered the negative impact of the pandemic to the Group's business as a potential impairment trigger of intangible assets. In this context, the Group has conducted the impairment test as of 30 June in order to assess the Covid-19 impact on the recoverability of its goodwill and brand value.

Key changes compared with the annual impairment test
As the base of the impairment test, the Group has updated its business projection taking into consideration the Covid-19 impact.
Compared with the standard annual budget and strategic planning cycle implemented by the Company, embodied in a set of formal planning procedures which are normally developed across multiple steps from April to November of each year involving the entire organization, the new business projection was developed following a more simplified process, though enabling an in-depth business analysis across markets and brand portfolio. At this moment of time, this plan elaborated is considered to best represent the estimated business performance of the Group over the period 2020-2025 and it's considered the most probable and reasonable scenario ('Base scenario') backed by realistic and conservative assumptions the Group foresees according to its current visibility.
Determining the recoverable amount in the current uncertain environment requires a careful assessment of the cash-flow projections over a relevant horizon. Given the current uncertainties, it is recommended the consideration of multiple scenarios. The weighting of the different scenarios needs to be calibrated on the basis of reasonable, supportable and realistic estimates and assumptions, in order to avoid the risk of overly optimistic or pessimistic biases.
In this respect, to reflect the current circumstance, the Group has elaborated the above described business projection, which formed a reliable base of the Group impairment test. To take into consideration the high uncertainty and volatility generated by the Covid-19 pandemic and in line with ESMA recommendation, the Group has very conservatively introduced three stress scenarios to further stretch the impairment test. The three stress scenarios, considering only the downward risk via assuming -5%, -10%, -15% profit and losses reduction over the test period for all brands and markets, were tested individually with 100% probability in each stand-alone test, are considered very prudent and conservative.

Procedure of asset 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.
Upon the adoption of IFRS 16-'Leases', effective 1 January 2019, lessees must record a right of use asset and a lease liability in their statement of financial position for all lease contracts. Under IFRS 16, these right-of-use assets are subject to the impairment requirements of IAS 36. Therefore, Campari Group calculated the cash flows in compliance with IFRS 16, i.e. including the depreciation of the right of use assets and excluding the lease payments.
After having considered that the majority of the leased assets, in value terms, is represented by contracts likely to be renewed, and having evaluated the limited amount of total right of use assets if compared to total Fixed assets, when applying the accounting standard in the context of the impairment testing the Group, it is assumed that all the contracts will be automatically renewed in perpetuity.
Moreover, for what concerns the effects generated by the leases' renewals according to IFRS 16, for the purposes of the recoverable amount calculation an approach representative of the real cash outflows has been adopted. Particularly, since leases are assumed to be implicitly renewed over the time horizon of the impairment test, the impairment model includes an annual cash out equal to the lease payment as capital expenditure, rather than considering a figurative capex for the full amount of 'new' right of use asset in the year of renewal. Nevertheless, also with the latter approach, the impact was not meaningful, given the limited value of right of use assets.
For the purposes of achieving a consistent calculation of the book values of the CGU, the right of use assets has been included in the carrying amounts. It should be noted that the allocation methodology of the right of use assets to the individual CGU is similar to the methodology applied to other fixed assets, i.e. as a proportion of the brand sales identified in each CGU.
With regards to the discount rate (WACC), it should be noted that the effects generated by the adoption of IFRS16 have not been included; in particular, the cost of debt component has been calculated without considering the effects of the same rate deriving from the application of the principle. The long-term group indebtedness is not materially impacted by the application of IFRS 16.
With regards to currencies, it should be noted the projections are determined based on exchange rates to Euros broadly in line with to the ones used for 2020 estimate.

Impairment testing of goodwill
The allocation of goodwill for each CGU is based on the previous allocation values, adjusted to take into account the exchange rate effects and other variations such as perimeter change.
The carrying amounts of the CGUs were determined by allocating, in addition to goodwill, the brand values allocated based on of the profitability achieved by the brand in each CGU, as well as the fixed assets and working capital, which were mainly allocated on the basis of the relevant sales achieved in each CGU.
The recoverable amounts of the CGUs were determined based on a 'value in use' methodology, under which the asset value is measured by discounting the estimated future cash flows generated by the continued use of such asset. Expected cash flows, which were based on the Group's cash flow estimates, were discounted using a post-tax discount rate, reflecting both the time value of money and a further adjustment to include the market risk and the specific risks for the company. The IAS 36 states that, for calculating the 'value in use', pre-tax discount rate and future cash flows should be used. In the impairment test performed, it has been verified that the use of a post-tax approach provides consistent results with the ones which would have been obtained by adopting a pre-tax approach.
Forecasts of cash flows relating to the Group were taken from the business projection prepared by the Group in June 2020, taking into consideration the estimated Covid-19 impact, for the period 2020-2025.
In addition, the 2020-2025 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 overheads, trends in capital investment, conditions of financial equilibrium and the main macroeconomic variables. Cash flow projections relate to current operating conditions and therefore do not include cash flows connected with any one-off 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 average of consumer price for the period 2020-2024 (source: IMF, October 2019 release), assumed to be 2.4% for the Americas CGU, 1.3% for the SEMEA CGU, 1.9% for the NCEE CGU and 2.2% for the APAC CGU. The perpetual growth rate value does not exceed the long-term growth rate of the industry in which the Group operates, consistent with what is required by IAS 36.
During the Covid-19 pandemic, IMF released some update on the inflation estimates as well (April 2020, and then revised in June). However, these estimates incorporate significant impact and uncertainty from the Covid-19 effect

and cover very short time horizon (available only for the next two years) as well, hence not considered representative as the long-term growth rate of the Group (beyond 10 years).
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: 6.3% for the Americas CGU 7.4% for the SEMEA CGU, 8.6% for the NCEE CGU and 5.4% for the APAC CGU.
To take into account current market volatility and uncertainty over future economic prospects, sensitivity analysis was carried out to assess the recoverability of goodwill value. Specifically, sensitivity analysis of recoverable values of the individual CGUs was carried out based on the assumption of a percentage point increase in the discount rate and a percentage point reduction in the terminal growth rate.[14]
Moreover, to take into consideration the high uncertainty and volatility generated by the Covid-19 pandemic, the Group has also performed the impairment test under three stress scenarios.
Based on the methodology as described above, the impairment test for goodwill as of 30 June 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 30 June 2020
The values of goodwill at 30 June 2020 allocated by CGU are shown in the table below.

CGU	30 June 2020 € million	31 December 2019[(1)] € million
Americas	709.9	726.9
Southern Europe, Middle East and Africa	427.6	376.3
Northern, Central and Eastern Europe	259.2	263.8
Asia-Pacific	23.1	23.5
Total	**1,419.8**	**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 30 June 2020 compared with 31 December 2019 are mainly due to negative exchange rate effects of €24.5 million, which were re-allocated proportionally to the individual CGUs, and perimeter change (including purchase price allocation adjustments) equal to €53.2 million.

Impairment testing on brands
Impairment testing was performed on brands individually, using the value in use criterion. The recoverable value of the brand was calculated using the multi-period excess earnings method (MEEM).
The MEEM is an earnings-based valuation method. The theoretical premise of the MEEM is that the value of a brand is equal to the current value of the residual cash flows attributable to the asset analysed. According to this method, the relevant earnings attributable to the intangible assets are calculated using the income that the company would record after having deducted the earnings attributable to all the other assets (contributory asset charge), i.e. deducting from the company's results the remuneration for using other assets that contribute to the generation of such results.
Estimates of income flows generated by individual brands, net of contributory asset charge, and of the terminal value, discounted to present value using an appropriate discount rate, were used to calculate the recoverable value of brands.
Forecasts of income flows come from the business projection prepared by the Group in June 2020 for the period 2020-2025. In addition, this projection was extrapolated on a ten-year basis, assuming a growth rate no higher than the average long-term growth rate for the market in which the Group operates. The use of a ten-year period was justified by the extension of the life cycle of the brands in the industry in which the Group operates and takes into account the length of the maturing process of certain brands. In the case of GlenGrant single malt Scotch whisky, a 15-year time horizon was adopted in consideration of the particularly long ageing required by the production cycle. With particular reference to this brand, the Group has adopted a strategy of re-focusing on the super-premium and higher-margin expressions, with particularly long ageing profile. The benefit of such brand re-positioning is expected to manifest over a much longer time horizon compared with the 10-year period covered by the impairment test model for other brands.[15]
For the purposes of determining the terminal value of each brand, a perpetual growth rate of between 2.0% to 2.3%, that does not exceed the long-term growth estimates for the sector, was used. The discount rates used for

[14] An additional sensitivity analysis was carried out based on the assumption of five percentage points increase in the Group tax rate used to calculate post-tax cash flows. The sensitivity analysis described above confirmed that the values of the goodwill and brands are fully recoverable.
[15] It should be noted that, with the purposes of providing an illustrative consistency check with the other brands, the impairment test on a 10-year time horizon was carried out for GlenGrant as well with no evidences of impairment losses.

the individual brands tested varied from 7.0% to 8.2% and took into account a specific risk premium for the brand in question.
Brands with an immaterial value individually and in aggregate are not subject to impairment testing.
Same as goodwill, to take into account market volatility and uncertainty over future economic prospects, sensitivity analysis and test under stress scenarios were performed to assess the recoverability of the brand values. Based on the methodology as described above, the impairment test as of 30 June 2020 has indicated an impairment loss of €15.6 million[16] relating to the Bulldog brand. Bulldog, as a premium gin brand with strong exposure to the on-premise channel and global travel retail, has been particularly hit by the Covid-19 pandemic. The impairment loss under current assessment reflects the high uncertainty of the business recovery in these areas.
Under the sensitivity analyses, when the WACC was increased by 100 bps and the long-term growth rate was decreased by 100 bps, an impairment loss may arise for brand GlenGrant and Cabo Wabo for ca. €7.5 million and €1.7 million respectively. In the current Covid-19 context, these two brands are also negatively affected. GlenGrant was impacted given its relevant exposure to the Global Travel Retail channel while Cabo Wabo due to its exposure to the premium on-premise channel as well as the continued margin pressure caused by elevated agave purchase price.
To further confirm and assess the recoverability of the brand value of GlenGrant and Cabo Wabo, the Group has adopted a control methodology based on average industry transactions multiples. The control methodology confirms the full recoverability of the value of both brands.

Under the stress scenarios, the tests indicate that the brand GlenGrant would incur an impairment loss of €6.8 million under the worst stress scenario, i.e. when the Group's results would be reduced by 15% over the entire projection and forecast period compared with the base scenario, which the Group would consider an extremely unlikely scenario given the current visibility. However, it cannot be ruled out that these forecasts can be significantly revised at the end of the year.

Values of brand as of 30 June 2020
The values of brands at 30 June 2020 are shown in the table below.

	30 June 2020 € million	31 December 2019[(2)] € million
Grand Marnier	300.7	300.7
Wild Turkey	163.1	162.5
GlenGrant and Old Smuggler	104.3	104.3
Jamaican Rum Portfolio	99.3	104.4
Forty Creek	67.8	71.2
Averna and Braulio	65.5	65.5
Cabo Wabo	63.4	63.2
Frangelico	54.0	54.0
Bulldog	33.8	53.0
X-Rated Fusion Liqueur[(1)]	11.8	12.9
Riccadonna	11.3	11.3
Others	32.1	38.3
Total	**1,007.1**	**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 30 June 2020 compared with 31 December 2019 are mainly due to the impairment loss of Bulldog brand (€15.6 million, corresponding to €16.3 million at average exchange rate for the period 1 January-30 June 2020), negative exchange rate effects of €-13.6 million and other changes (including perimeter change) for an amount of €-5.0 million.

iii. Property, plant and equipment

The coronavirus outbreak has no a significant impact on operations: in terms of production facilities, all the Group's plants and distilleries have remained operational and complied rigorously with the emergency provisions in force to protect the health of workers and their families in each of the countries concerned. There has been no interruption of supply from Group 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 in the factories, which has been managed as part of in the normal course of business. Consequently, the outbreak has not triggered a need to perform a dedicated impairment test for the production facilities. The overall recoverability of tangible assets values was included in the impairment test performed at level of goodwill and brands (see note 4 ii-Intangible assets for additional information).

[16] Value determined based on the closing exchange rate at 30 June 2020, equivalent to €16.3 million at average exchange rate for the period 1 January-30 June 2020.

	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)
31 December 2019	**267.2**	**123.0**	**106.2**	**496.4**
Perimeter effect for acquisitions	4.2	1.1	0.6	6.0
Perimeter effect for disposals[(1)]	-	-	(0.2)	(0.2)
Reclassification as assets held for sale	0.2	-	-	0.2
Additions	2.5	3.8	17.2	23.6
Disposals	-	-	(2.7)	(2.7)
Depreciation	(5.9)	(8.9)	(7.8)	(22.7)
Exchange rate differences and other changes	(8.4)	(4.8)	(0.1)	(13.3)
30 June 2020	**259.9**	**114.2**	**113.2**	**487.3**
Carrying amount at the end of the period	382.7	355.5	206.9	945.0
Accumulated amortization at the end of the period	(122.8)	(241.3)	(93.7)	(457.7)

(1) The perimeter effect for disposals is related to the deconsolidation of the Japanese Group's company operating in the Japanese market following recent changes in the local distribution structure.

Capital expenditure for the period, totalling €23.6 million, was mainly related to the purchase of barrels for maturing bourbon, rum and whisky for €13.1 million. In addition, improvements were made out to strengthen the Group's production capacity. Disposals, amounting to €2.7 million, mainly related to the sale of barrels no longer suitable for use in the maturing process.

iv. Right of use assets

Changes in the assets underlying rights of use 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	73.2	7.4	14.9	95.5
Accumulated amortization at the beginning of the period	(8.4)	(1.0)	(5.7)	(15.0)
31 December 2019	**64.7**	**6.5**	**9.3**	**80.5**
Perimeter effect for acquisitions	3.9	-	0.9	4.8
Perimeter effect for disposals[(1)]	(0.5)	-	-	(0.5)
Additions	2.5	-	1.1	3.7
Disposals	-	(0.5)	-	(0.5)
Depreciation	(4.6)	(0.5)	(2.5)	(7.6)
Exchange rate differences and other changes	(1.0)	(0.2)	(0.3)	(1.5)
30 June 2020	**65.1**	**5.2**	**8.5**	**78.8**
Carrying amount at the end of the period	78.9	6.7	16.7	102.3
Accumulated amortization at the end of the period	(13.9)	(1.5)	(8.2)	(23.5)

(1) The perimeter effect for disposals is related to the deconsolidation of the Japanese Group's company operating in the Japanese market following recent changes in the local distribution structure.

There are no restrictions or covenants governing these above right of use assets.

v. Investment properties

At 30 June 2020, investment property totalling €1.3 million related to non-strategic proprietary buildings not closely associated with the Group. These buildings are recorded in the financial statements at their approximate fair value at the reporting date.

vi. Biological assets

	€ million
Carrying amount at the beginning of the period	7.3
Accumulated depreciation at the beginning of the period	(3.4)
31 December 2019	**3.9**
Perimeter effect for acquisitions	2.6
Additions	1.0
Depreciation	(0.6)
Exchange rate differences and other changes	(0.2)
30 June 2020	**6.7**
Carrying amount at the end of the period	10.6
Accumulated depreciation at the end of the period	(3.9)

Perimeter changes were attributable to the acquisition of Champagne Lallier. The addition of €1.0 million, related mainly to agave plantations in Mexico and sugar cane plantation in Martinique.
All residual biological assets at 30 June 2020 were recognized on a cost basis, net of depreciation and impairment. No guarantees were given to third-parties in relation to these fixed assets.

vii. Other non-current assets

	30 June 2020 € million	perimeter effect[1] € million	31 December 2019 € million
Equity investment in other companies	0.6	-	0.6
Security deposits	1.4	0.1	1.1
Other non-current receivables from ultimate shareholders	1.8	-	2.2
Other non-current tax receivables	4.0	-	4.2
Other non-current assets	**7.8**	**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 €4.0 million, included receivables from tax authorities payable to the Italian companies. 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 ultimate 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 8 iv-Related parties for details of the relationships with the ultimate shareholder Lagfin S.C.A., Société en Commandite par Actions.

viii. Other non-current liabilities

Other non-financial liabilities at 30 June 2020 mainly related to medium- to long-term liabilities relating to incentive-based plans accrued on behalf of employees, totalling €16.1 million. They also included costs for medical cover of €1.9 million and profit-sharing benefits for employees of €2.1 million.

ix. Assets held for sale

	31 December 2019 € million	Reclassification as assets held for sale of the period € million	Exchange rate effect € million	30 June 2020 € million
Assets				
Net tangible assets	5.3	(0.4)	(0.3)	4.6
Total asset classified as held for sale	**5.3**	**(0.4)**	**(0.3)**	**4.6**

At 30 June 2020, this item included a real estate asset relating to a residual portion of the Termoli site (Italy), properties in France and production assets located in Brazil, including the defunct Sorocaba facility.

x. Stock option plan

Please refer to note 42 of the Group consolidated financial statements for the year ended 31 December 2019 for full details of the Group's 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 by 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.
The following table shows the changes in stock option plans during the periods concerned.

	30 June 2020		31 December 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)	(491,237)	5.49	(1,311,080)	4.47
(Options exercised during the period)[1]	(2,948,275)	2.86	(10,314,112)	2.72
Options outstanding at the end of the period	58,324,772	4.67	49,289,367	4.13
of which exercisable at the end of the period	18,205,853	3.00	20,796,216	2.96

[1]The average market price on the exercise date was €8.52.

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, the 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.

	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

5. Operating working capital

This section explains the Group's operating working capital composition broken down into in the various items that are managed to generate the Group performances.

The coronavirus outbreak while had a significant impact on net sales, did not trigger any significant changes with clients' contracts. An in-depth analysis was conducted to accurately review the expected credit losses on receivables and to reassess the probability of the Group collecting the considerations to which it is entitled. Significant judgement was used in determining whether an anticipated partial payment indicates that there is 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 increased risk not impacting significantly the half year figures where it is reflected.

The coronavirus outbreak has not generated the need to include dedicated and additional adjustments to be reflected in the net realizable value of inventories.

i. Trade receivables

	30 June 2020 € million	*perimeter effect* [2] € million	31 December 2019 post-reclassification[1] € million
Trade receivables from external costumers	277.5	*38.8*	309.6
Trade receivables from associates and joint ventures	3.6	-	-
Receivables in respect of contributions to promotional costs	1.1	-	7.2
Trade receivables	**282.2**	***38.8***	**316.8**

[1] For information on reclassifications of comparative figures, refer to note 2 ii-Reclassification of comparative figures at 31 December 2019 in this document.
[2] The change includes an overall marginal impact of €(1.0) 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.

ii. Trade payables

	30 June 2020 € million	*perimeter effect*[2] *€ million*	31 December 2019 post-reclassification[1] € million
Trade payables to external suppliers	233.8	*44.6*	242.1
Trade payables	**233.8**	***44.6***	**242.1**

[1] For information on reclassifications of comparative figures, refer to note 2 ii-Reclassification of comparative figures at 31 December 2019 in this document.
[2] The change includes an overall marginal impact of €(0.2) 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.

iii. Inventories and current biological assets

	30 June 2020 € million	*perimeter effect* [2] € million	31 December 2019 post-reclassification[1] € million
Raw materials, supplies and consumables	60.7	*0.5*	54.3
Work in progress	83.4	*0.1*	82.4
Maturing inventory	379.4	-	364.7
Finished products and goods for resale	171.5	*35.0*	117.2
Inventories	**695.0**	***35.6***	**618.6**
Current biological assets	**0.9**	**-**	**0.9**
Total	**695.9**	***35.6***	**619.5**

[1] For information on reclassifications of comparative figures, refer to note 2 ii-Reclassification of comparative figures at 31 December 2019 in this document.
[2] The change includes an overall marginal impact of €(0.2) 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.

Inventories totalled €695.9 million at 30 June 2020, a total increase of €76.4 million on the amount at 31 December 2019. This increase is largely due to the factors summarized below:

- organic change in inventories reflecting a rise in stocks of finished products in preparation for the reopening, particularly of the on-premise channel, in the peak summer period and after the pandemic outbreak, and an increase in maturing inventories;
- an exchange rate effect on inventories was €18.4 million, of which €7.6 million were due on maturing inventory which is concentrated in the Americas region (particularly, the United States and Jamaica) and in the United Kingdom.

Current biological assets at 30 June 2020 totalled €0.9 million, being the value of the sugar cane and agave plantations that are growing. No guarantees were given to third-parties in relation to these inventories. Agricultural produce in Martinique benefits from public grants that were not significant in 2020.

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

	€ million
31 December 2019	**(14.3)**
Change resulting from provisional allocation of acquisition value	(0.2)
31 December 2019 post reclassification	**(14.6)**
Perimeter effect for acquisitions	(0.5)
Accruals/Release	(1.7)
Utilization	0.6
Exchange rate differences and other changes	0.6
30 June 2020	**(15.6)**

6. Net financial position

This section explains the composition of the Group's net financial position composition 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 financial performance. In conducting this assessment, certain characteristics specific to the Group situation were considered. As far as financial assets are concerned, the fact that the Group is not exposed to concentration since the assets are spread over a large number of high standing financial counterparts, granted no specific risks to be faced. With regard to financial liabilities, there were no specific topics to be addressed since there are no covenants on existing debt and the Group financial structure is boosted by significant available credit lines; no renegotiation of interest rate or other terms of existing agreements (derivatives included), not required by the Group in the normal course of business, have been managed and the fact that the Group loan profile is mainly at fixed interest rate granted the not direct exposure to market risks. In terms of lease and rental agreements, there were no significant contract modifications directly linked to the outbreak and no significant rental concessions have been agreed with lessors exclusively for Covid-19.
Separate analysis has been conducted 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

	30 June 2020 € million	*perimeter effect* [1] € million	31 December 2019 € million
Bank current accounts and cash	509.7	0.4	505.4
Term deposit maturing within 3 months	277.4	-	199.0
Cash and cash equivalents	**787.1**	**0.4**	**704.4**

[1] The change includes an overall marginal impact of €4.0 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 Cash and Cash Equivalents item comprises current accounts, other sight deposits and deposits that can be withdrawn within a maximum period of three months from the reporting date and, which are held with 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 for which there is an insignificant risk of a change in value.

ii. Other current financial assets

	30 June 2020 € million	31 December 2019 € million
Valuation at fair value of forward contracts	0.8	0.2
Financial asset for leases	2.4	-
Other financial assets	6.2	8.1
Short term financial receivables	**9.4**	**8.3**

Other financial assets amounting to €6.2 million were primarily related to the interest-bearing receivables from Terra Moretti S.r.l., resulting from the sale of Sella&Mosca S.p.A. and Teruzzi&Puthod S.r.l., reclassified to current assets at 31 December 2019.

iii. Other non-current financial assets

	30 June 2020 € million	perimeter effect € million	31 December 2019 € million
Term deposit	9.3	-	9.8
Financial receivables	3.7	0.1	4.8
Non-current financial assets	**13.1**	**0.1**	**14.7**

At 30 June 2020, deposits were mainly composed of €5.0 million for a cash investment by the Company in an investment fund, valued at mark-to-market, while the other €4.3 million are mainly related to deposits, that are intended for the acquisition of the remaining shareholdings of J.Wray&Nephew Ltd, for which the Group has an equal financial liability for put options and earn out.
The financial receivables relate mainly to €3.7 million in assets arising from leases.

iv. Lease components

Financial liabilities for leases:	31 December 2019 € million	addition € million	payments € million	interest expenses € million	reclassification € million	perimeter effect[1] € million	exchange rate differences and other changes € million	30 June 2020 € million
Within 12 months	15.4		(7.3)	-	9.8	(0.1)	(1.6)	16.3
Over 12 months	82.1	3.7		1.7	(9.8)	4.4	(2.6)	79.5
Financial liabilities for leases	**97.5**	**3.7**	**(7.3)**	**1.7**	**-**	**4.3**	**(4.1)**	**95.7**

[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.

Financial asset	31 December 2019 € million	addition € million	collection € million	interest income € million	reclassification € million	perimeter effect € million	exchange rate differences and other changes € million	30 June 2020 € million
Within 12 months	2.3	-	(1.0)	0.3	1.1	-	(0.3)	2.4
Over 12 months	4.8		-	-	(1.1)	-	(0.1)	3.6
Financial assets for leases	**7.1**	**-**	**(1.0)**	**0.3**	**-**	**-**	**(0.4)**	**6.0**

The amount recognized in the statement of cash flow related to lease agreements is as follow.

€ million	30 June 2020	30 June 2019
Total cash outflow for leases	7.3	7.4

v. Bonds and other non-current financial liabilities

	30 June 2020 € million	perimeter effect[1] € million	31 December 2019 € million
Bond issued in 2017	200.0	-	200.0
Bond issued in 2019	149.4	-	149.4
Total non-current bonds	**349.4**	**-**	**349.4**
Liabilities and loans due to banks	409.9	-	249.3
Leases	79.5	4.4	82.1
Liabilities for put options and earn out	151.4	4.3	128.8
Non-current financial liabilities	**640.8**	**8.7**	**460.2**

[1] The change in non-current financial liabilities includes an overall marginal impact of €0.4 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.

- <u>Bonds</u>

At 30 June 2020, the Bonds item included the following issues placed by the Company:
- bond issued in 2017, 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, maturing on 5 April 2024, with a nominal value of €150 million. The bond pays a fixed annual coupon of 2.165%;
- bond issued on 23 April 2019, maturing on 30 April 2024, with a nominal value of €150 million. The bond pays a fixed annual coupon of 1.655%;

The changes recorded in the first half of 2020 relating to the effects of the amortized cost of the above bonds were negative at €0.07 million.

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

This item includes euro-denominated loans entered with leading banks as follow:
- term loan subscribed in 2019 with a nominal amount of €250 million, interest rate of 3-month Euribor plus a 1.25% spread, 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 of the same amount and maturity, at an interest rate of 3-month Euribor plus a 0.75% spread, as well as drawdown fees. The revolving credit facility was not used at 30 June 2020.
- term debt facility agreement for an amount up to of €750 million subscribed on 14 April 2020 with a pool of leading international banks. The Facility consists of a bridge short-term loan with an interest rate of 3-month

Euribor plus a 0.65% spread, on top of utilization fees, with an original maturity date at 30 June 2021 and an extension option to 31 December 2021. At 30 June 2020 the term debt facility was only marginally used for €4.0 million.
- loan subscribed on 22 May 2020 for a nominal amount of €50 million, bullet and maturing on 22 November 2021 at an interest rate of 0,88%;
- loan subscribed on 27 May 2020 for a nominal amount of €95 million, amortizing with a final maturity on 30 June 2022 at an interest rate of 0,75% and up-front fees of 0,20%, of which €19.0 million maturing on 30 June 2021 were reclassified as short-term liability;
- loan subscribed on 25 June 2020 for a nominal amount of €50 million, amortizing 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 €16.7 million maturing on 30 June 2021 were reclassified as short-term liability.

- Leases

This item includes non-current financial liabilities arising from lease and rental agreements. For more information, see note 6 iv-Lease components.

- Liabilities for put options and earn out

The balance at 30 June 2020 represent the long-term portion of the item resulted from the agreements signed with some of the former shareholders of Société des Produits Marnier Lapostolle S.A. for the purchase of all the remaining shares held by them by 2023. The increase compared to 31 December 2019 was related the reclassification of the put option liability from long term to short term, based on the agreements with the remaining shareholders. In addition, the balance included the estimated payable for put option related to the Ancho Reyes and Montelobos (€22.5 million) and Champagne Lallier (€4.3 million) acquisition.

vi. Bond, liabilities and loans due to banks and other current financial liabilities

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

	30 June 2020 € million	perimeter effect € million[1]	31 December 2019 € million
Liabilities and loans due to banks	249.4	20.8	30.96
Other financial payables	4.0	-	3.5
Liabilities and loans due to banks	**253.4**	**20.8**	**34.4**
Short-term portion of Company bond (Eurobond) issued in 2015[2]	580.6	-	580.0
Accrued interest on bonds	13.3	-	8.7
Leases	16.3	(0.1)	15.4
Liabilities on hedging contracts	0.7	-	0.2
Current liabilities for hedge derivatives, not reported using hedge	-	-	1.5
Payables for put options and earn out	9.4	-	54.0
Other current financial liabilities	7.3	3.6	1.0
Bond and other current financial liabilities	**627.6**	**3.5**	**660.8**
Total current financial liabilities	**881.0**	**24.3**	**695.2**

[1] The change in other financial liabilities includes an overall marginal impact of €2.4 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.
[2] Includes the effects of applying amortized costs.

- Liabilities and loans due to banks

On 30 June 2020 the liabilities and loans due to banks recorded an increase of €218.4 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.

- Bond

At 30 June 2019, this item included the Eurobond 2015, which was reported with a residual nominal amount of €580.9 million, due on 30 September 2020. The bond pays a fixed annual coupon of 2.75% and the issue price was 99.715% of par, corresponding to a gross return of 2.807%. In order to guarantee the on-time repayment of the debt, a term debt facility agreement for an amount up to of €750.0 million was subscribed on 14 April 2020 with a pool of leading international banks.
The changes recorded in the first half of 2020 relating to the effects of the amortized cost of the above bond were negative at €0.6 million.

- Payable for put option and earn out

The variation of this item compared to 31 December 2019 was mainly related to the following:
- €16.6 million was related to Bulldog earn out revision of projected settlement cash out, where the basis of estimate is linked to the expected future brand performance: the analysis has been conducted in conjunction with the impairment test on intangible assets to ensure consistency in the assessment;
- €19.1 million was related to the liability for the purchase of all the remaining shares held by Société des

Produits Marnier Lapostolle S.A. reclassified partially as long-term liability based on the agreements in place;
- €8.5 million was related to the payment made during the first half of 2020 to purchase some of the remaining shares held by Société des Produits Marnier Lapostolle S.A..

At 30 June 2020 the short-term portion of these payables included payables for put option (€4.6 million) and earn out (€4.8 million).
The payable for put option breaks down as follows:
- €3.2 million for the purchase of the residual non-controlling shares in J.Wray & Nephew Ltd, which is secured by Group holdings of restricted cash and cash equivalents;
- €1.4 million for the option to purchase some shares still held by the former shareholders of Société des Produits Marnier Lapostolle S.A., that can be exercised over the next 12 months.

On the other hand, payables for earn out totalling €4.8 million are wholly related to the estimated payable tied to the Bulldog acquisition.

- Leases

This item included the financial liability reflecting the obligation to make lease payments. For more information, see note 6 iv-Lease components.

- Other financial liabilities

The increase of €6.3 million compared to 31 December 2019 is mainly related to the perimeter effect.

vii. Reconciliation with the net financial debt

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

	30 June 2020 € million	31 December 2019 € million
Cash and cash equivalents	787.1	704.4
Cash (A)	**787.1**	**704.4**
Other current financial receivables	9.4	8.3
Current financial receivables (B)	**9.4**	**8.3**
Current liabilities and loans due to banks	(253.4)	(34.4)
Current portion of lease payables	(16.3)	(15.4)
Current portion of bonds	(580.6)	(580.0)
Other current financial payables	(21.3)	(11.4)
Current portion of payables for put option and earn out	(9.4)	(54.0)
Current financial payables (C)	**(881.0)**	**(695.2)**
Net current financial debt (A+B+C)	**(84.4)**	**17.5**
Non-current bank payables	(409.9)	(249.3)
Non-current portion of lease payables	(79.5)	(82.1)
Non-current portion of bonds	(349.4)	(349.4)
Non-current portion of payables for put option and earn out	(151.4)	(128.8)
Non-current financial debt (D)	**(990.2)**	**(809.6)**
Net debt (A+B+C+D)[1]	**(1,074.6)**	**(792.1)**
Reconciliation with the Group's net financial debt as shown in the Directors' report:		
Term deposits	9.3	9.8
Non-current financial receivables	3.7	4.8
Group net financial debt	**(1,061.5)**	**(777.4)**

[1] In accordance with ESMA guidelines.

For all information on the items that make up the net financial debt, excluding liquidity, see note 6 iii-Other non-current financial assets and note 6 ii-Other current financial assets.

A reconciliation of the changes in financial liabilities used in financing activities provided in the cash flow statement and the balances shown on the financial statements is represented below.

Cash flow generated (absorbed) from financial liabilities € million	bonds		payables for matured interests	liability and loans due to banks		leasing assets and liabilities		liabilities for derivatives	
	current	non-current	current	current	non-current	current	non-current	current	non-current
31 December 2019	**(580.0)**	**(349.4)**	**(8.7)**	**(34.4)**	**(249.3)**	**(13.1)**	**(77.3)**	**(1.7)**	**-**
Additions of notional debt	-	-	-	-	-	-	(3.7)	-	-
Interests matured	-	-	(4.6)	-	-	-	(1.7)	-	-
New financing	-	-	-	(164.5)	(199.0)	-	-	-	-
Repayment	-	-	-	5.2	-	0.0	9.0	-	-
Perimeter variation	-	-	-	(20.8)	-	0.1	(4.4)	-	-
Exchange rate effects	-	-	-	3.4	-	0.4	0.7	-	-
Reclassifications	-	-	-	(35.7)	35.7	(1.5)	1.5	-	-
Other movements	(0.6)	-	-	(6.6)	2.7	0.1	0.1	1.4	-
30 June 2020	**(580.6)**	**(349.4)**	**(13.3)**	**(253.4)**	**(409.9)**	**(13.9)**	**(75.8)**	**(0.3)**	**-**

viii. Financial instruments-disclosures

Financial instruments valuation has been in general impacted by the coronavirus outbreak. An in-depth analysis has been conducted to ensure that items subject to fair value measurement would properly reflect the effects of the uncertainty affecting the current environment. Specific information was provided in note 6-Net financial position, to which reference is made.

The figures for the individual categories of financial assets and liabilities held by the Group at 30 June 2020 and 31 December 2019 are shown below.

30 June 2020 € million	Measurement at amortized cost	Measurement at fair value through income statement	Measurement at fair value with changes recognized in the statement of comprehensive income
Cash and cash equivalents	787.1	-	-
Trade receivables	282.2	-	-
Current financial receivables	6.2	-	-
Other non-current financial assets	4.4	5.0	-
Other non-current assets	-	0.6	-
Receivables for lease	6.0	-	-
Liabilities and loans due to banks	(663.2)	-	-
Payables for lease	(95.7)	-	-
Bonds	(930.1)	-	-
Accrued interest on bonds	(13.3)	-	-
Other financial liabilities	(7.3)	-	-
Put option and earn out liability	(129.2)	(31.7)	-
Trade payables	(233.8)	-	-
Current assets for hedge derivatives, not in hedge accounting	-	0.6	-
Current assets for hedging derivatives	-	-	0.2
Current liabilities for hedging derivatives	-	-	(0.7)
Total	**(986.6)**	**(25.4)**	**(0.5)**

31 December 2019 € million	Measurement at amortized cost	Measurement at fair value through income statement	Measurement at fair value with changes recognized in the statement of 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	-
Non-current receivables for lease	4.8	-	-
Payables to banks	(280.2)	-	-
lease payables	(97.5)	-	-
Bonds	(929.4)	-	-
Accrued interest on bonds	(8.7)	-	-
Other financial liabilities	(4.4)	-	-
Put option and earn out liability	(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 reported using hedge accounting procedures	-	(1.5)	-
Total	**(660.7)**	**(39.9)**	**-**

7. Risk management and capital structure

This section explains 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. Debt management

The Group's debt management objectives are based on the achievement of an optimal level of financial solidity, while maintaining an appropriate level of liquidity that makes it possible to generate an economic return while, at the same time, allowing sufficient flexibility in terms of acquisition funding options. The Group monitors the changes in its net debt/adjusted EBITDA ratio on an ongoing basis. For the purposes of ratio calculation, the net debt is the value of the Group's net financial position at 30 June 2020, whereas the consolidated adjusted EBITDA is that of the last 12 months. At 30 June 2020, this multiple was 2.4 times, as compared with 1.6 times at 31 December 2019 and 2.0 times at 30 June 2019, based on consistent calculation criteria.
The increase is the combined effect of the significant cash outlay incurred by Campari Group as a result of the transactions completed in the first half of 2020 and the negative impact of Covid-19 on EBITDA adjusted in the half year 2020, as described above.

ii. Shareholders' 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 the shareholders and/or issue new shares.

- Share capital

At 30 June 2020, the share capital of the Company was €58,080,000, fully paid-up, comprising 1,161,600,000 ordinary shares with a nominal value of €0.05 each.
In the context of the redomiciliation to the Netherlands, an Extraordinary shareholders' meeting is convened on 18 September 2020 to approve 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.

- Outstanding shares and own shares

The Group has set up a share buyback programme, within the meaning of article 5 of EU Regulation 596/2014, pursuant to a resolution passed by the Shareholders' meeting of the Company, which authorized the purchase and sale of own shares to service, *inter alia*, the existing stock option plan reserved for individuals other than directors of the Parent company. The broker responsible for implementing the programme is UBS Europe SE. Purchases are made in accordance with the statutory limits and with the shareholders' resolution. Transactions carried out under the programme are regularly communicated to the market, pursuant to the applicable legislation.

As reported in note-Significant events during and after the end of the period the Company has been required to support the cash outflow related to the liquidation of the residual withdrawal shares resulting from the transfer of the official seat in the Netherlands. 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, for a substantially full amount, 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. This result, confirmed the full compliance of the Group's commitment not to exceed the maximum cost cap deemed tolerable for the Company, quantified in €7/8 million: based on the share price upon the settlement date on 7 July 2020, such implicit cost (to be recognized in the third quarter 2020 within the Group equity) was confirmed to be €3.4 million, even lower than such limit.

The following table shows the reconciliation between the number of outstanding shares at 30 June 2020 and the figures for two prior years.
For information on the composition of and changes in shareholders' equity for the periods under review, see the statement of changes in shareholders' equity.

	No. of shares			Nominal value		
	30 June 2020	31 December 2019	31 December 2018	30 June 2020	31 December 2019 €	31 December 2018 €
Outstanding shares at the beginning of the period	1,147,895,800	1,146,618,042	1,152,546,887	57,394,790	57,330,902	57,627,344
Purchases for the stock option plan	(15,114,789)	(9,036,356)	(10,007,486)	(755,739)	(451,818)	(500,374)
Disposals	2,948,273	10,314,114	4,078,641	147,414	515,706	203,932
Outstanding shares at the end of the period	1,135,729,284	1,147,895,800	1,146,618,042	56,786,464	57,394,790	57,330,902
Total own shares held	25,870,716	13,704,200	14,981,958	1,293,536	685,210	749,098
Own shares as a % of share capital	2.23%	1.18%	1.29%	-	-	-

In the first half of 2020, 15,114,789 own shares were acquired at a purchase price of €104.5 million[17], equating to an average price per share of €6.91. A total of 2,948,273 shares were sold for a total of €8.4 million from the exercise of stock option rights.

- Dividends paid and proposed

The dividends approved and paid during the period and in the previous year, and the dividends proposed to the Shareholders' meeting convened to approve the financial statements for the year ended 31 December 2019 are shown below.

	Total amount		Dividend per share	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	€ million	€ million	€ million	€
Dividends approved and paid during the year on ordinary shares	62.9	57.3	0.055	0.050
Dividends proposed on ordinary shares(1)	-	63.1	-	0.055

(1) Calculated based on outstanding shares at 31 December 2019

- Other reserves

	Stock options	Cash flow hedging	Foreign currency translation reserves	Hyperinflation effect reserve	Remeasurement reserve for actuarial effects relating to defined benefit plans	Total
	€ million	€ million	€ million	€ million	€ million	€ million
31 December 2019	**32.6**	**(15.2)**	**(95.5)**	**23.1**	**(2.0)**	**(57.0)**
Cost of stock options for the period	4.3	-	-	-	-	4.3
Stock option exercised	(2.5)	-	-	-	-	(2.5)
Losses (profits) reclassified in the income statement	-	-	-	-	-	-
Profits (losses) allocated to shareholders' equity	-	2.1	-	-	-	2.1
Tax effect recognized in shareholder's equity	-	(0.6)	-	-	-	(0.6)
Translation difference	-	-	(89.7)	-	-	(89.7)
Effects from hyperinflation accounting standard adoption	-	-	-	2.8	-	2.8
30 June 2020	**34.4**	**(13.7)**	**(185.2)**	**25.9**	**(2.0)**	**(140.5)**

The stock option reserve contains the provision made as an offsetting entry for the cost reported in the income statement for stock options allocated. The provision is determined based on the fair value of the options established using the Black-Scholes model.
For information on the Group's stock option plans, see note 4 x-Stock option plan.
The hedging reserve contains amounts (net of the related tax effect) pertaining to changes resulting from fair value adjustments of financial derivatives recorded using the cash flow hedging methodology.
For further information, see note 8 ii- Assets and liabilities measured at fair value.
The translation reserve reflects all exchange-rate differences relating to the conversion of the accounts of subsidiaries denominated in currencies other than the Euro.
The hyperinflation impact is included in the currency translation reserve.
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 benefits.

- Shareholders' equity attributable to non-controlling interests

Below are changes occurring during the year.

	31 December 2019 post reclassification	perimeter effect for acquisitions	reclassification	net result	30 June 2020
	€ million	€ million	€ million	€ million	€ million
Rhumantilles	1.9	-	(1.3)	-	0.6
Ancho Reyes and Montelobos	-	-	0.2	(0.2)	-
Champagne Lallier	-	1.0	(1.0)		-
Non-controlling interests	**1.9**	**1.0**	**(2.1)**	**(0.2)**	**0.6**

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

The acquisition of Champagne Lallier left a portion of the risks and benefits of the businesses acquired with the seller. The share attributable to non-controlling interests, equal initially to €1.0 million, represents the value allocated to these rights. The existence of cross purchase/sale agreements involving put/call option mechanisms with the previous owners for the shares they currently hold (equal to 20% of the capital of the two companies acquired) made it necessary to record a financial liability related to the future purchase obligation (see note 6 v-Bonds and other non-current financial liabilities) and the simultaneous elimination of the amount recognized under

[17] The amount doesn't include the liability of €1,3 million to be paid in connection with the share buy back program.

non-controlling interests in favour of the Group's shareholders' equity. The amount of non-controlling interests at 30 June 2020 was reduced to €0.6 million, corresponding solely to the Rhumantilles acquisition.

8. Other financial information

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 contract to be reflected in Group accounts, nor has there been any change in the fair value measurement hierarchies during the first half of 2020.

i. Provisions for risks and charges and contingent assets

The coronavirus outbreak has not generated a need to reflect dedicated and additional provisions in the Group half year figures. Nor has there been any need to recognize 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 5 iii-Property, plant and equipment.

	Tax provision € million	Restructuring provisions € million	Agent severance fund € million	Other € million	Total € million
31 December 2019	**22.6**	**10.4**	**1.4**	**17.1**	**51.4**
Change resulting from provisional allocation of acquisition value	0.3	-	-	0.7	1.0
31 December 2019 post-reclassifications	**22.8**	**10.4**	**1.4**	**17.8**	**52.4**
Perimeter effect for acquisitions	0.3	-	-	0.0	0.3
Accruals	-	0.8	0.1	0.2	1.1
Utilizations	-	(1.7)	-	(0.1)	(1.8)
Releases	-	(0.5)	-	(0.7)	(1.2)
Exchange rate differences and other changes	(0.3)	(0.2)	-	(3.9)	(4.4)
30 June 2020	**22.8**	**8.8**	**1.4**	**13.5**	**46.5**
of which estimated outlay:					
- due within 12 months	-	6.8	0.1	1.7	8.6
- due after 12 months	22.8	2.0	1.3	11.8	37.9

No significant uses or releases were made in the first half of the year from the tax provision, which totalled €22.8 million at 30 June 2020.
In relation to changes in the restructuring provision compared with the 2019 annual financial statement, an amount of €1.7 million was drawn for payments made during the first half of 2020, while the additional accrual of €0.8 million was offset by the effect of the accrual release of €0.5 million and the exchange rate effect of €0.2 million.
Other provisions reflected recognition by the Company and subsidiaries of liabilities for various lawsuits, including a legal dispute totalling €10.0 million.

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 at 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:

- At the date of this report, a dispute amounting to BRL7.5 million (€1.2 million at the exchange rate on 30 June 2020) including related penalties corresponding to production tax (IPI) is still pending. 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 (€7.6 million at the exchange rate on 30 June 2020) plus interest. The dispute is pending before the administrative court and is not expected to be settled in the near future. Based on the assessments 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.
- In addition, in June 2016, the Company received a tax inspection notice relating to the years 2012 and 2013, alleging non-compliance with respect to the use of a tax benefit relating to sales of finished products manufactured in the Suape plant. The contested amount was BRL24.5 million (€4 million at the exchange rate at 30 June 2020), including the related penalties and, plus interest. The Company's lawyers prepared an appeal that shows compliance with all the requirements laid down in tax law. In the first half of 2020, the local administrative authority issued a final ruling in the Group's favour. There is, therefore, no further contingency liability in respect of these proceedings. From the next consolidated financial statements, this information will no longer be provided.

In July 2020 the Group launched a restructuring program in Jamaica for the agricultural sugar business in the wake of significant losses cumulated over the years and, sadly boosted by the Covid-19 scenario. The consultation process with the local authorities and trade unions has started with a view to achieving the best possible outcome for the local community. A restructuring provision covering the expected costs associated with this project will be included in Group figures as a result of this consultation process.

Contingent assets:
At 30 June 2020 there were contingent assets of about BRL66.5 million (€10.6 million at the exchange rate on 30 June 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.

The Group's income statement for 2019 included an amount totalling BRL54.5 million (€9 million at the average exchange rate for 2019 and including interest) 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). The difference with respect to the amount reported in the financial statements at December 2019 represents the contingent asset and 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 not yet been received. 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.

ii. Assets and liabilities measured at fair value

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

Fair value of financial instruments:
- for financial assets and liabilities that are liquid or nearing maturity, it is assumed that the carrying amount equates to fair value; this assumption also applies to term deposits, securities that can be readily converted to cash, and variable-rate financial instruments;
- for the valuation of hedging instruments at fair value, the Company used valuation models based on market parameters;
- the fair value of non-current financial payables was obtained by discounting all future cash flows to present value under the conditions in effect at the end of the period.

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

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.

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

The most commonly applied valuation methods include forward pricing and swap models, which use present value calculations.

The models incorporate various inputs, including the credit rating of the counterparty, market volatility, spot and forward exchange rates and current and forward interest rates.

The table below analyses financial instruments measured at fair value based on three different valuation levels.

30 June 2020	Level 1 € million	Level 2 € million	Level 3 € million
Assets valued at fair value			
Current financial receivables	-	-	-
Other non-current financial assets	5.0	0.6	-
Futures currency contracts	-	-	-
Hedging derivatives not in hedge accounting	-	0.6	-
Liabilities valued at fair value			
Put option and earn out payables	-	31.7	-
Interest rate swap on future transactions	-	-	-
Forward currency contracts	-	-	-
Hedging derivatives not in hedge accounting	-	-	-

31 December 2019	Level 1 € million	Level 2 € million	Level 3 € million
Assets valued at fair value			
Current financial receivables	-	-	-
Other non-current financial assets	5.8	-	-
Futures currency contracts	-	0.2	-
Hedging derivatives not reported using hedge accounting procedures	-	-	-
Liabilities valued at fair value			
Put option payables	-	44.2	-
Interest rate swap on future transactions	-	-	-
Forward currency contracts	-	0.2	-
Hedging derivatives not reported using hedge accounting procedures	-	1.5	-

The Level 1 valuation for the financial assets was derived using a methodology based on the NAV (Net Asset Value), which was obtained from specialized 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.

In the first half of 2020, no reclassifications were made between the two levels indicated above in the fair value hierarchies as the outbreak for Codiv19 has not have a disruptive impact.

Non-financial instruments

The table below analyses non-financial instruments measured at fair value.

30 June 2020	Level 1 € million	Level 2 € million	Level 3 € million
Assets valued at fair value			
Investment properties	-	1.3	-
Biological assets	-	0.9	-

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

In the first half of 2020, no reclassifications were made between the two levels indicated above in the fair value hierarchies as the outbreak for Codiv19 has not have a disruptive impact.

iii. Commitments and risks

For information regarding the other Group's commitments and risks, please see note 46-Commitments and risks to the Group consolidated financial statements for the year ended 31 December 2019.

Contractual commitments for the use of third-party assets out of scope for lease accounting.

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

	30 June 2020 € million	30 June 2019 € million
Within 1 year	3.5	3.2
1-5 years	0.3	0.5
After 5 years	-	-
Total	**3.7**	**3.7**

iv. Related parties

The Company is controlled by Lagfin S.C.A., Société en Commandite par Actions.
The Company and its Italian subsidiaries have adopted the national tax consolidation scheme governed by articles 117 et seq of the Consolidated Law on Income Tax (TUIR), for 2014-2019, which was extended at the start of the year to 2021.
The tax receivables and payables of the individual Italian companies are therefore recorded as receivables and payables to the Company's direct controlling shareholder, Lagfin S.C.A., Société en Commandite par Actions.

Moreover, Lagfin S.C.A., Société en Commandite par Actions, the Company and some of its Italian subsidiaries have joined the Group-wide VAT scheme, pursuant to article 73, paragraph 3, of Presidential Decree 633/72.
At 30 June 2020, the Company and its Italian subsidiaries owed Lagfin S.C.A., Société en Commandite par Actions, €18.4 million in VAT.
The receivables and payables arising from the tax consolidation procedure are non-interest-bearing.

Dealings with related parties form part of ordinary operations and are carried out under market conditions (i.e. conditions that would apply between two independent parties) or using criteria that allow for the recovery of costs incurred and a return on invested capital.
All transactions with related parties were carried out in the Group's interest.
The amounts for the various categories of transaction entered into with related parties are set out in the table below.

30 June 2020	Receivables for tax consolidation € million	Payables for tax consolidation € million	Receivables (payables) for Group VAT € million	Other non-current tax receivables € million
Lagfin S.C.A., Société en Commandite par Actions	1.6	(21.8)	(18.4)	1.8
Total	**1.6**	**(21.8)**	**(18.4)**	**1.8**
% on the related financial statements item	**8.6%**	**69.2%**	**18.9%**	**8.8%**

31 December 2019	Receivables for tax consolidation € million	Payables for tax consolidation € million	Receivables (payables) for Group VAT € million	Other non-current tax receivables € million
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**
% on the related financial statements item	**3.4%**	**6.8%**	**1.8%**	**9.8%**

No transactions having a significant impact on the income statement were carried out during the two periods under comparison.

Sesto San Giovanni (MI), Tuesday, 28 July 2020

Chairman of the Board of Directors

Luca Garavoglia

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