HALF-YEAR REPORT
30 JUNE 2018

ITALIAN WINE BRANDS S.P.A.
Registered office in Milan, Via Brera 16
joint-stock company with subscribed and paid-up share capital of €879,853.70

Tax Code Companies Reg. No. 08851780968
Registered in the Companies Register of MILAN
R.E.A. no. 2053323

www.italianwinebrands.it

Table of contents

Composition of Corporate Bodies

Board of Directors

Alessandro Mutinelli (Chief Executive Officer and Chairman)

Simone Strocchi (Deputy Chairman)

Pier Paolo Quaranta

Angela Oggionni

Massimiliano Mutinelli

Antonella Lillo (Independent Member)

Carlo Giordano (Independent Member)

Board of Statutory Auditors

David Reali (Chairman of the Board of Statutory Auditors)

Eugenio Romita (Statutory Auditor)

Debora Mazzaccherini (Statutory Auditor)

Independent Auditors

BDO Italia S.p.A.

Nomad

UBI Banca S.c.p.a.

Directors' Report on Operations

1. Analysis of the Company's situation, performance and operating results

1.1. Reference market in which the company operates

The IWB Group is one of the leading Italian players in the production and distribution of domestic wines, which stands out for the size of the reference markets in which it operates, the number of brands it has in its portfolio and the variety of distribution channels.

In terms of reference markets, IWB generates its turnover mainly and increasingly with foreign customers (77.5% in the first six months of 2018 compared with 74.0% in the first six months of 2017) and only a residual part with domestic customers (22.5% in the first six months of 2018 compared with 26.0% in the first six months of 2017).

Sales are made exclusively through a portfolio of proprietary and registered brands. In particular, the group operates under the various brands:

With fully centralised governance functions (finance, marketing and purchasing), the IWB Group is unique because it has two different distribution channels. The first is the "wholesale" channel for the sale of products to operators in the sector, such as large-scale distribution chains, state monopolies and traditional trade, and the other is the "distance selling" channel for direct sales of products in the portfolio to private consumers.

The two distribution channels also rely on a centralised production structure consisting of two cellars in Diano d'Alba (CN) and Torricella (TA) and two bottling lines owned by the Group and located in Diano d'Alba (CN).

From a corporate point of view, IWB S.p.A. carries out management activities for Group companies as well as management and coordination activities, directly holding controlling interests in the main Group companies: Giordano Vini S.p.A. and Provinco Italia S.p.A.

1.2.1 Consolidated situation

The main comments on the reclassified Balance Sheet and Income Statement presented at the end of this section are provided below.

The consolidated half-year report of the Group at 30 June 2018 shows the following results, expressed in millions of €:

	30/06/2018 ***RESTATED***	**30/06/2017** ***RESTATED***	**Change in %**
REVENUE FROM SALES	**69.94**	**68.99**	**1.38%**
of which Italy	*15.75*	*17.95*	*-12.27%*
of which Foreign Markets	*54.19*	*51.04*	*6.18%*
EBITDA	**6.12**	**6.30**	**-2.87%**
NET PROFIT/(LOSS) FOR THE PERIOD	**2.76**	**2.84**	**-2.82%**
NET FINANCIAL DEBT	**11.29**	**13.55**	**-16.68%** *improved*

The interim profitability index called by the directors "Restated EBITDA," compared to the "Net Profit" shown in the consolidated comprehensive income statement, is made up as follows:

Net income less "Taxes", "Net financial income and charges", “Write-ups/(Write-downs)" including the write-down of inventories and trade receivables, "Provisions for risks" and “Amortisation and Depreciation".

The reclassified consolidated balance sheet and income statement are shown below.

Reclassified statement of financial position

(€thousand)

	30/06/2018	31/12/2017	30/06/2017
Other intangible assets	31,392	30,431	30,035
Goodwill	55,455	55,008	55,008
Tangible fixed assets	15,238	14,232	14,777
Non-current financial assets	2	2	2
Total fixed assets	**102,087**	**99,673**	**99,822**
Inventory	20,069	20,211	18,621
Net trade receivables	16,359	22,220	18,031
Trade payables	(33,630)	(46,801)	(33,665)
Other assets (liabilities)	(2,588)	(90)	250
Net working capital	**210**	**(4,460)**	**3,237**
Payables per employee benefits	(851)	(815)	(999)
Net deferred and prepaid taxes assets (liabilities)	(8,810)	(8,784)	(8,969)
Other provisions	(1,061)	(1,684)	(1,982)
NET INVESTED CAPITAL	**91,575**	**83,930**	**91,109**
Shareholders' equity	**80,284**	**81,624**	**77,556**
Profit (loss) for the period	2,187	6,733	2,837
Share capital	880	710	707
Other reserves	77,217	74,181	74,012
Net financial debt	**11,291**	**2,306**	**13,553**
TOTAL SOURCES	**91,575**	**83,930**	**91,109**

Reclassified income statement

(€thousand)

	Restated 30/06/2018	Restated 30/06/2017	Restated 30/06/2016
Revenue from sales	69,940	68,989	64,586
Change in inventories	(315)	1,045	1,837
Other income	728	492	532
Total revenue	**70,353**	**70,526**	**66,955**
Purchase costs	(40,162)	(36,997)	(35,597)
Costs for services	(19,816)	(22,542)	(20,016)
Personnel costs	(4,132)	(4,524)	(7,173)
Other operating costs	(126)	(162)	(163)
Total operating costs	**(64,236)**	**(64,225)**	**(62,949)**
EBITDA	**6,117**	**6,301**	**4,006**
Write-downs	(801)	(663)	(646)
Depreciation and amortization	(932)	(885)	(1,024)
Operating result from core business	**4,384**	**4,753**	**2,336**
Non-recurring expenses	(789)	0	(1,062)
Net release (accruals) of provisions for risks and charges	0	(54)	(72)
Operating profit/(loss)	**3,595**	**4,699**	**1,202**
Net financial income/(expenses)	(594)	(758)	(900)
EBT	**3,001**	**3,941**	**302**
Taxes	(813)	(1,105)	155
Net profit/(loss)	**2,188**	**2,836**	**457**
Tax effect of non-recurring charges	220		333
Net profit before non-recurring charges and related tax effect	**2,757**	**2,836**	**1,258**

Reclassified income statement

(€thousand)

	Reported 30/06/2018	Management adjustments	Restated 30/06/2018
Revenue from sales	69,940		69,940
Change in inventories	(315)		(315)
Other income	728		728
Total revenue	**70,353**		**70,353**
Purchase costs	(40,162)		(40,162)
Costs for services	(20,142)	326	(19,816)
Personnel costs	(4,595)	463	(4,132)
Other operating costs	(126)		(126)
Total operating costs	**(65,025)**	**789**	**(64,236)**
EBITDA	**5,328**	**789**	**6,117**
Write-downs	(801)		(801)
Depreciation and amortization	(932)		(932)
Operating result from core business	**3,595**	**789**	**4,384**
Non-recurring expenses	0	(789)	(789)
Net release (accruals) of provisions for risks and charges	0		0
Operating profit/(loss)	**3,595**	**0**	**3,595**
Net financial income/(expenses)	(594)		(594)
EBT	**3,001**	**0**	**3,001**
Taxes	(813)		(813)
Net profit/(loss)	**2,188**	**0**	**2,188**
Tax effect of non-recurring charges			220
Net profit before non-recurring items and related tax effect			**2,757**

Summary of Management Adjustments:

- Costs for services equal to: €205 thousand for legal and notary fees and taxes related to the repurchase on 23 May 2018 and subsequent sale on 30 June 2018 of the logistics business unit by the subsidiary Giordano Vini S.p.A. and €121 thousand for fees for the purchase of the equity investment in the company Pro.Di.Ve. S.r.l.

- Personnel costs equal to: €463 thousand relating to charges of the collective redundancy procedure carried out by Giordano Vini S.p.A. and successfully concluded on 28 June 2018 with an incentive redundancy and on a voluntary basis of 27 employees of the logistics business unit, later transferred to third parties on 30 June 2018.

1.2.2 Financial and equity position of the Parent Company

The financial statements of IWB S.p.A. at 30 June 2018 set out herein do not represent the separate financial statements of IWB S.p.A., which have been prepared in compliance with the provisions contained in Article 2423 of the Italian Civil Code, interpreted and supplemented by the accounting standards issued by the OIC. The following accounting schedules refer to a situation prepared in accordance with the Group IFRS standards for the preparation of these consolidated financial statements, and show:

- A Net Profit for the period of €6.34 million (€4.52 million in 2017);
- Net liquidity of €12.12 million (€13.85 million in 2017)

Below is a summary of the parent company's balance sheet, financial position and income statement for 2018.

Reclassified statement of financial position

(€thousand)	30/06/2018	31/12/2017
Fixed assets	**54,331**	**54,320**
Equity investments	54,256	54,256
Financial receivables	0	0
Intangible fixed assets	75	64
Working capital	**11,005**	**6,211**
Receivables	11,181	6,874
Trade payables	(154)	(244)
Other assets (liabilities)	(22)	(419)
Net deferred and prepaid taxes assets (liabilities)		
Other provisions		
Net assets held for sale		
NET INVESTED CAPITAL	**65,336**	**60,531**
Shareholders' equity	**77,459**	**74,385**
Profit (loss) for the period	6,342	4,365
Share capital	880	710
Loans from shareholders		
Other reserves	70,237	69,310
Net financial debt	**(12,123)**	**(13,854)**
TOTAL SOURCES	**65,336**	**60,531**

In relation to the above balance sheet, it should be noted that:

- The equity investments in subsidiary companies consist of Giordano Vini S.p.A. for €32,823 thousand and Provinco Italia S.p.A. for €21,433 thousand. The item "Equity investments" takes into account the irrevocable waiver by Italian Wine Brands S.p.A. (in 2016), as sole shareholder of Giordano Vini S.p.A., of the receivable for shareholders' loans of €18,900 thousand, as the entire capital share of the interest-bearing loan granted in favour of Giordano Vini S.p.A. on 9 February 2015 with significant positive and simultaneous effects on shareholders' equity and financial debt.

- other reserves include a negative reserve of €498 thousand generated by the direct recognition in equity, in accordance with IAS 32, of the charges incurred by the parent company in relation to the aforementioned capital transactions net of the related deferred taxes that took place in 2016.

Reclassified income statement

(€thousand)

	30/06/2018	30/06/2017
Other income	51	48
Total revenue	**51**	**48**
Costs for services	(528)	(323)
Personnel costs		
Other operating costs	(37)	(55)
Total operating costs	**(565)**	**(378)**
EBITDA	**(514)**	**(330)**
Write-downs		
Depreciation and amortization	(8)	
Operating result from core business	**(522)**	**(330)**
Non-recurring expenses		
Net release (accruals) of provisions for risks and charges		
Operating profit/(loss)	**(522)**	**(330)**
Net financial income/(expenses)	98	61
Dividends from subsidiaries	6,786	4,716
EBT	**6,362**	**4,447**
Taxes	(20)	70
Net profit/(loss)	**6,342**	**4,517**

In relation to the situation described above in the income statement:

- dividends refer entirely to the subsidiary Provinco Italia S.p.A.;
- financial income refers to the interest income matured on the short-term loans granted to the subsidiary Giordano Vini S.p.A. during the financial year.

1.2.3 Net financial position

In order to define the consolidated net financial position, the provisions of CONSOB communication no. DEM/6064293 of 28 July 2006 were applied; it refers to the information provided in CESR Recommendation 05-054/b of 10 February 2005 "CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses:

	30/06/18	30/06/17	31/12/17
A. Cash	220	34	79
B. Other liquid assets	30,239	25,373	30,601
C. Securities held for trading	-	-	-
D. Liquidity (A) + (B) + (C)	**30,459**	**25,407**	**30,680**
E. Current financial receivables	-	-	-
E.2 Derivative financial instruments	-	-	-
F. Current bank payables	7,952	4,500	4,500
G. Current part of non-current debt	4,687	4,584	3,748
H. Other current financial payables	-	-	44
I. Current financial debt (F) + (G) + (H)	**12,639**	**9,084**	**8,292**
J. Net current financial debt (I) - (E) - (D)	**(17,820)**	**(16,323)**	**(22,388)**
K. Non-current financial assets	-	-	-
L. Other non-current financial receivables	-	-	-
M. Non-current bank payables	29,111	29,876	24,694
N. Bonds issued	-	-	-
O. Other non-current payables	-	-	-
P. Non-current financial debt (M) + (N) + (O)	**29,111**	**29,876**	**24,694**
Q. Net non-current financial debt (P) - (K) - (L)	**29,111**	**29,876**	**24,694**
Net financial position (J) + (Q)	**11,291**	**13,553**	**2,306**

1.3 Group Performance

Business volume - Revenues

During the first half of 2018, the Group's business volume increased, fuelling an overall year-on-year growth of 1.38% of revenues from sales and a compound annual growth rate (CAGR) of more than 4.0% in the 2016/2018 period, in a reference market and consumption scenario substantially stable both in terms of value and quantity over the last three years.

The contribution to growth was particularly made by international markets, where the Group recorded 77.5% of total revenues (74.0% in the first half of 2017, 72.0% in the first half of 2016). On the contrary, the Italian market recorded a progressive decrease, mainly due to the structural trend and a significant drop in wine consumption during meals that has characterised Italy for over 20 years.

The table below shows the breakdown of Group revenues by geographical area.

€thousand

	30/06/2018	30/06/2017	30/06/2016	Δ % 17/18	Cagr 16/18
Revenue from sales - Italy	**15,750**	**17,952**	**18,112**	**(12.27%)**	**(6.75%)**
Revenue from sales - Foreign Market	**53,840**	**50,638**	**45,674**	**6.32%**	**8.57%**
Germany	14,705	14,356	14,090	2.43%	2.16%
Switzerland	12,680	11,344	10,617	11.78%	9.29%
Austria	6,861	6,165	5,663	11.29%	10.07%
England	5,162	4,688	4,274	10.11%	9.90%
Denmark	3,212	2,675	2,001	20.08%	26.71%
France	2,694	2,755	2,456	(2.22%)	4.73%
Belgium	630	658	488	(4.28%)	13.59%
USA	653	2,012	1,944	(67.54%)	(42.05%)
Netherlands	360	189	169	90.30%	45.77%
Sweden	786	456	299	72.27%	61.99%
Canada	462	-	-	-	-
China	722	450	266	60.39%	64.61%
Other countries	4,913	4,890	3,407	0.48%	20.09%
Other revenues	**350**	**399**	**800**	**(12.28%)**	**(33.86%)**
Total revenues from sales	**69,940**	**68,989**	**64,586**	**1.38%**	**4.06%**

The Group realises its revenues from sales through two distribution channels; "wholesale" defines the sales of products to operators in the sector, such as large-scale distribution chains, state monopolies and traditional trade; "distance selling" defines direct sales of products to private consumers via the web, direct mailings and teleselling and other channels.

The following table shows a breakdown of revenues by business area.

€thousand

	30/06/2018	30/06/2017	30/06/2016	Δ % 17/18	Cagr 16/18
Revenues from wholesale division	35,204	30,404	25,316	15.79%	17.92%
Revenues from distance selling divis	34,386	38,186	38,470	(9.95%)	(5.46%)
Other revenues	350	399	800	(12.28%)	(33.86%)
Total revenues from sales	**69,940**	**68,989**	**64,586**	**1.38%**	**4.06%**

The Wholesale distribution channel became the Group's main source of revenues in the first half of 2018, accounting for 50.3% of total revenues from sales (44.1% in 2017, 39.2% in

2016). Growth was constant and solid over the 2016-2018 period with a compounded annual growth rate (CAGR) of 17.9%.

The following table shows revenues from sales of the wholesale channel, broken down by country:

€thousand

	30/06/2018	30/06/2017	30/06/2016	Δ % 17/18	Cagr 16/18
Revenues from wholesale division - Italy	**678**	**-**	**-**	**-**	**-**
Revenues from wholesale division	**34,526**	**30,404**	**25,316**	**13.56%**	**16.78%**
Foreign Markets					
Switzerland	10,926	9,245	8,625	18.19%	12.56%
Austria	5,743	4,913	4,687	16.90%	10.69%
Germany	3,080	2,781	2,233	10.75%	17.45%
Denmark	3,212	2,675	2,001	20.08%	26.71%
England	3,334	2,640	1,449	26.31%	51.69%
Belgium	445	381	258	16.71%	31.20%
USA	653	1,995	1,808	(67.27%)	(39.89%)
Sweden	786	434	299	81.00%	61.99%
Canada	462	-	-	-	-
China	722	450	266	60.57%	64.61%
France	87	-	-	-	-
Netherlands	163	-	-	-	-
Other countries	4,913	4,890	3,690	0.49%	15.40%
Total revenue Wholesale div.	**35,204**	**30,404**	**25,316**	**15.79%**	**17.92%**

The figures shown in the table above are very positive and testify to the solid growth achieved by the Group through this distribution channel. In Europe, the reference territory in which it operates, IWB was able to outperform the market in terms of growth rates (approximately equal to about 2-3% of the annual increase in values). These results have been achieved mainly through:

- an expansion of the own brand product portfolio, which today accounts for approximately 90% of the channel's sales and which makes the IWB Group's commercial offering attractive, recognised on the market and synonymous with quality;
- the acquisition of new accounts, essentially in each country in which the Group operates;
- an increase in the market share of sales from existing accounts thanks to excellent stock rotation parameters of its customers.

As far as the individual markets are concerned, we should point out the brilliant performances achieved in the Swiss market, which remains first in terms of size, resulting both from the acquisition of new customers and from long-standing customers.

The Scandinavian markets, Sweden and Denmark in particular, recorded excellent growth rates. In Sweden, new references were successfully launched, and new contracts were closed for the second half of the year. Denmark remains the Group's main Scandinavian market, with the best business customers already in its portfolio.

The Group has also increased sales on the German market by about 50% in two years thanks to the acquisition of new accounts, some of which operating in the digital sector.

In Asia, where the commercial structure, though marginal, is still limited, the Group substantially tripled its revenues in the three-year period under review.

For North America, a review of the organizational structure is underway, strategically designed to cover this market as effectively as possible. The decrease in revenues in the first half of 2018 is due entirely to the timing of two shipments scheduled for May/June 2018 and postponed during the second half of the year.

Since the beginning of 2018, the Group has been operating in Italy through its wholesale division, supplying both Italian organised distribution chains and an important German large-retail chain, already a primary customer of the Group in this business area, which has opened sales points in Italy.

In the first half of 2018, distance selling accounted for 49.2% of Group revenues (55.4% in the first half of 2017 and 59.6% in the first half of 2016), progressively reducing its weight as distribution channel within the Group.

The following table shows revenues from sales of the *distance selling* channel, broken down by country:

€thousand

	30/06/2018	30/06/2017	30/06/2016	Δ % 17/18	Cagr 16/18
Revenues from distance selling - Italy	**15,072**	**17,952**	**18,112**	**(16.04%)**	**(8.78%)**
Revenues from distance selling					
Foreign Markets	**19,314**	**20,234**	**20,358**	**(4.54%)**	**(2.60%)**
Germany	11,626	11,575	11,557	0.44%	0.30%
France	2,607	2,755	2,456	(5.36%)	3.03%
Switzerland	1,754	2,100	1,992	(16.49%)	(6.17%)
England	1,828	2,049	2,824	(10.80%)	(19.56%)
Austria	1,118	1,252	976	(10.69%)	7.05%
Belgium	185	277	230	(33.15%)	(10.24%)
Netherlands	196	189	169	4.14%	7.69%
Other countries	-	37	154	(100.00%)	(100.00%)
Total revenue distance selling div.	**34,386**	**38,186**	**38,470**	**(9.95%)**	**(5.46%)**

The decrease in revenues in this distribution channel is due to the negative performance of the Italian market and the repositioning on the UK market not sufficiently offset by the growth in core markets such as Germany, France and Austria.

The reduction in sales on the Italian market is mainly due to the strategic decision to reduce the commercial pressure on the customer database, in order to preserve its value in the medium and long term, with sales through the telephone channel (so-called "teleselling"); the reduction in teleselling volumes was only partially offset in Italy by the improvement in sales on the digital channel. In addition to this management choice, there was a negative trend in wine consumption volumes in Italy during the first half of 2018 (approximately -5% at an aggregate level).

As far as the UK market is concerned, the decrease in business volumes is due to the strategic decision to reposition sales in business segments that are not loss-making, with a consequent reduction in the acquisition of new customers.

The two-year trend in business volumes, on the other hand, shows stronger investments for growth in more profitable international markets such as Germany, France, Austria and Belgium.

As part of the overall decrease in distance selling sales, however, it is worth mentioning the very strong growth achieved through the digital channel (+33% compared to the previous year) and its increased weight on overall sales (16.7% compared to 11.1% in the previous year).

Analysis of operating margins

Below is a detailed breakdown of the cost components which, deducted from the item Total Revenues, contributed to the formation of the Restated EBITDA of the Italian Wine Brands Group.

Restated €thousand	**30/06/2018**	**30/06/2017**	**30/06/2016**	**Δ % 17/18**	**Cagr 16/18**
Total revenues	**70,353**	**70,526**	**66,955**	**(0.25%)**	**2.51%**
Purchase costs	(40,162)	(36,996)	(35,597)	8.56%	6.22%
% of total revenues	*-57.09%*	*-52.46%*	*-53.17%*		
Costs for services	(19,816)	(22,542)	(20,016)	(12.09%)	(0.50%)
% of total revenues	*-28.17%*	*-31.96%*	*-29.89%*		
Personnel	(4,132)	(4,524)	(7,173)	(8.65%)	(24.10%)
% of total revenues	*-5.87%*	*-6.41%*	*-10.71%*		
Other operating costs	(126)	(163)	(163)	(22.59%)	(12.08%)
% of total revenues	*-0.18%*	*-0.23%*	*-0.24%*		
Restated EBITDA	**6,117**	**6,301**	**4,006**	**(2.93%)**	**23.57%**
% of total revenues	*8.69%*	*8.93%*	*5.98%*		

The above table shows first of all that, during the first half of 2018, the incidence of Purchase Costs on sales increased significantly YOY (from 52.46% to 57.09%).

This result was caused by a harvest with a very scarce yield and a consequent significant reduction in Italian wine production, which went from 51.6 million hl in 2016 to 43.8 million hl in 2017 (source: *Istat*). This negative trend, which also involved other major European wine producing countries such as France and Spain, is due to adverse climate factors and to the scarcity of rain throughout Southern Europe. As a result of these reductions in production volumes, grape, must and bulk prices have increased by between 15% and 40% since September 2017.

The IWB Group has limited this negative impact through:

i) the constant commercial development of the Group's proprietary brands, which continued to show growing customer satisfaction; this is an element of crucial importance for maintaining volumes and margins in future years. In the first half of 2018, proprietary brand sales exceeded approximately 85% of total sales;

ii) the implementation of a commercial policy in the distance selling division aimed at reducing business volumes in unprofitable countries and channels such as Italy, England and Belgium;

iii) the completion of the production integration of the Group's operating companies through the centralisation of research, development and purchasing activities and the transfer of production with a higher added value to the Group's own cellars.

<u>Costs for services</u> decreased in the period both in absolute terms (-€2.7 million), from €22.5 million at 30 June 2017 to €19.8 million, and as a proportion of turnover (from 31.96% to 28.17%). This decline is due to:

i) a significant reduction in services from third parties, thanks to a general review of purchasing policies and a reduction in telephone sales activities managed by third parties in the distance selling division;

ii) a reduction in mailing costs, in particular due to the optimisation of the number of deliveries made and the renegotiation of mailing rates in Germany;

iii) continuous review of contracts for the supply of services at Group level.

Details are given below for the costs for services incurred by the Group in the first half of 2018, compared with the same items in 2017 and 2016.

Restated €thousand

	30/06/2018	30/06/2017	30/06/2016
Services from third parties	5,066	6,760	7,955
Transport	6,000	5,871	5,147
Postage expenses	1,962	2,816	2,269
Fees and rents	819	966	916
Consulting	930	288	861
Advertising costs	4	264	688
Utilities	276	351	265
Remuneration of Directors and S	407	337	423
Maintenance	89	146	120
Costs for outsourcing	2,702	3,117	493
Commissions	93	341	449
Other costs for services	1,794	1,285	886
Non-recurring expenses	(326)	-	(456)
Total	**19,816**	**22,542**	**20,016**

The downward trend in the cost of services described above should be read in conjunction with the reduction in Personnel Costs both in absolute terms (-€3.0 million with respect to 2016) and as a percentage of total revenue (-5 percentage points approximately). These results testify to the Group's ability to contain its basic operating costs.

The trends in revenues and costs described above made it possible to record a Restated EBITDA of €6.1 million (8.69% of Total Revenues) in the first half of 2018, substantially in line with that of the first six months of 2017 (€6.3 million), despite the significant increase in the cost of raw materials purchases.

Below is a breakdown of the cost items that from the EBITDA result in the formation of the Operating Income of the Italian Wine Brands Group.

Restated €thousand

	30/06/2018	30/06/2017	30/06/2016	Δ % 17/18	Cagr 16/18
Restated EBITDA	**6,117**	**6,301**	**4,006**	**(2.93%)**	**23.57%**
Write-downs	(801)	(663)	(646)	20.76%	11.35%
% of total revenues	*-1.14%*	*-0.94%*	*-0.96%*		
Depreciation and amortization	(932)	(885)	(1,024)	5.35%	(4.60%)
% of total revenues	*-1.33%*	*-1.25%*	*-1.53%*		
Non-recurring expenses	(789)	-	(1,062)	N/A	(13.83%)
% of total revenues	*-1.12%*	*0.00%*	*-1.59%*		
Release (Provisions) for risks an	-	(54)	(72)	(100.00%)	(100.00%)
% of total revenues	*0.00%*	*-0.08%*	*-0.11%*		
Operating profit/(loss)	**3,595**	**4,699**	**1,202**	**(23.50%)**	**72.94%**
% of total revenues	*5.12%*	*6.66%*	*1.80%*		

The above table shows that the income statement of the Italian Wine Brands Group was characterised in the first half of 2018 by a limited incidence of non-monetary items (write-downs, amortisation/depreciation, provisions), which accounted for approximately 2.5% of turnover.

Non-recurring charges, amounting to €0.79 million in the first half of the year, are attributable to:

- Costs for services equal to: €205 thousand for legal and notary fees and taxes related to the repurchase on 23 May 2018 and subsequent sale on 30 June 2018 of the logistics business unit by the subsidiary Giordano Vini S.p.A. and €121 thousand for fees for the purchase of the equity investment in the company Pro.Di.Ve. S.r.l.

- Personnel costs equal to: €463 thousand relating to charges of the collective redundancy procedure carried out by Giordano Vini S.p.A. and successfully concluded on 28 June 2018 with an incentive redundancy and on a voluntary basis of 27 employees of the logistics business unit, later transferred to third parties on 30 June 2018.

<u>Investments in Capital Assets, Net Working Capital and Financial Position.</u>

During the first half of the year, there were no particular investments in capital assets, with the exception of the purchase of an automatic packaging line ("Pick to light") at the Cherasco

(CN) logistics plant, which involved the outlay of €1.8 million and will allow significant cost savings in the near future.

The owned real estate complex located in Diano d'Alba and the two cellars located in Diano d'Alba and Torricella, as well as the bottling lines of Diano d'Alba are a feather in the cap of the Italian wine industry and are largely able to support, with adequate maintenance investments, the production levels planned for the near future.

Net Working Capital remained substantially unchanged in terms of receivables, inventories and suppliers compared to 30 June 2017.

The dynamics of i) limited volumes of investments in capital assets, ii) reduction in working capital and iii) substantial cash flows generated by operations allowed reducing Net Financial Debt, which went from €13.55 million at 30 June 2017 to €11.29 million at 30 June 2018.

This reduction had a positive effect on the Net Financial Charges recorded in the income statement in the first half of 2018, down to €0.59 million compared to €0.76 million in the first half of 2017.

2. Significant events after the end of the period

During the months of June, July and August 2018, near the harvest, there were signs of easing tensions on the purchase prices of grapes, musts and bulk wines.

With the exception of any unpredictable and particularly significant weather events that might occur between the date of approval of this half-year report and the completion of the harvest procedures and that could have a negative impact on the quality and quantity of the harvest, the current situation suggests that in the second half of 2018 and in the first half of 2019 the incidence of the cost of purchasing grapes, musts and wine in bulk on revenues will tend to normalise.

3. Business outlook

In the second half of 2018, the following will continue:

1) commercial actions aimed at increasing the Group's revenues;
2) the study of new products and development of new markets in the wholesale division;
3) further action to reduce the fixed cost base through targeted actions;

4) scouting and negotiation of further company acquisitions to be consolidated.

4. Organisational model

The Group has adopted a Compliance Programme ("231 Model") as required by Legislative Decree no. 231 of 8 June 2001.

This decree introduced the liability of companies for certain crimes committed in their interest or to their advantage by persons acting on their behalf or in their name, such as directors, executives, employees as well as persons in a consulting relationship when they act under the control or direction of persons employed by those companies.

5. Transactions with related parties

Any transactions carried out are part of the normal management of the company, within the scope of the typical activity of each interested party and are regulated at standard conditions. It should be noted that the parent company IWB has adopted and follows the relative Related Parties Procedure in compliance with the general provisions of the AIM Italia Issuers' Regulations.

6. Information relating to the environment, safety and personnel

HEALTH AND SAFETY

The operating companies of the Italian Wine Brands Group refer to the Risk Assessment Document required by law on workplace safety. First of all, the document provides for an analysis of the risks present in the company both in terms of work activities and settlement methods; then it identifies the measures taken to minimise risks, those still to be taken and those to maintain an adequate level of safety. Finally, the necessary timeframes for the implementation of the remaining measures are identified.

The manner in which the work is carried out is always under control and the related reporting documents are subject to periodic updates.

The Risk Assessment Documents, as well as the Emergency Plans and Maps with safety signs and exit routes are periodically updated.

A constant and detailed health monitoring activity has been carried out among all employees, collaborators and temporary workers.

During the first half of the year, awareness activities continued on environmental and safety issues with ad-hoc training initiatives, as well as on the accident prevention measures and first aid, providing specific training for fire-fighting and first-aid workers, in full compliance with the reference regulatory framework.

OHSAS 18001:2007 CERTIFICATION

(Occupational Health and Safety Assessment Series)

Starting in 2012, the companies of the Italian Wine Brands Group adopted an Occupational Health and Safety Management System in compliance with the international standard OHSAS 18001:2007 (Occupational Health and Safety Assessment Series).

OHSAS 18001:2007 certification is not a legal obligation but the voluntary choice of those who feel responsibility for their own safety and that of others and puts these principles into practice through the adoption of a Health and Safety Management System for Workers.

The primary objective of a safety management system is to prevent and minimise accidents and incidents by integrating safe work practices into all areas of an organisation.

Through this certification, the third-party accredited body SGS ITALIA S.p.A. has recognised that the companies of the Group have implemented a management system in line with the highest safety standards and have also pursued its objectives continuously, making significant improvements to safety conditions in the workplace.

As part of its management system, the Group has sanctioned its commitment through the "Quality and Safety Policy" as a tool by which the entire company’s mission is to offer an increasing number of customers in the world food and wine products of the finest Italian traditions, in the comfort of the exclusive service of the Group, considering the protection of workers’ health and safety as an integral part of its business.

FOOD QUALITY AND SAFETY MANAGEMENT

After having obtained ISO 9001 Certification about ten years ago, in March 2015 the Group companies attained IFS Food Certification (for the German market) and the BRC Food

Certification (for the United Kingdom) to constantly guarantee their customers who turn to large retailers a high level of production and safety of the supplied products, while improving existing processes, achieving better overall safety, an improvement in the relations with the Customer and greater competitiveness on the market.

GROUP WORKFORCE

The precise and average headcount by category at 30 June 2018 and at 30 June 2017 is shown below for the Group companies:

	At 30 June 30/06/2018	Average no. 30/06/2018	At 30 June 30/06/2017	Average no. 30/06/2017
Executives	5	6	5	5
Middle managers	8	9	10	9
Office workers	130	131	165	173
Workers	17	31	25	24
Total	**160**	**177**	**205**	**211**

The reduction shown is mainly due to redundancy procedures with incentives and on a voluntary basis carried out by the subsidiary Giordano Vini S.p.A. in the financial years 2017 and 2018.

7. Own shares

At 30 June 2018, the Parent Company held 120,622 ordinary shares, representing 1.63% of the ordinary share capital in circulation. Following the execution of the resolution passed by the Shareholders' Meeting on 5 December 2017, 685,000 own redeemable shares were cancelled, without any change in the value of the share capital.

Consolidated Statement of Financial Position

Amounts in EUR		30/06/2018	31/12/2017
Non-current assets			
Intangible fixed assets	**5**	31,392,149	30,430,899
Goodwill	**6**	55,454,960	55,008,001
Land, property, plant and equipment	**7**	15,238,463	14,231,545
Equity investments	**8**	2,496	2,198
Other non-current assets	**9**	787,028	787,828
Deferred tax assets	**10**	1,413,492	1,515,061
Total non-current assets		**104,288,588**	**101,975,532**
Current assets			
Inventory	**11**	20,068,698	20,210,919
Trade receivables	**12**	16,359,426	22,220,430
Other current assets	**13**	1,923,788	2,107,127
Current tax assets	**14**	2,507,730	1,959,074
Current financial assets		61,679	-
Cash and cash equivalents	**15**	30,459,350	30,680,393
Total current assets		**71,380,671**	**77,177,943**
Non-current assets held for sale		-	-
Total assets		**175,669,259**	**179,153,475**
Shareholders' equity			
Share capital		879,854	709,878
Reserves		66,168,144	67,288,195
Reserve for defined benefit plans		(33,204)	(23,839)
Reserve for stock grants		-	251,192
Profit (loss) carried forward		11,081,679	6,665,751
Net profit (loss) for the period		2,186,967	6,733,439
Total Shareholders' Equity of parent company shareholders		**80,283,440**	**81,624,616**
Shareholders' equity of NCIs		-	-
Total Shareholders' Equity	**16**	**80,283,440**	**81,624,616**
Non-current liabilities			
Financial payables	**17**	29,111,194	24,670,333
Provision for other employee benefits	**18**	850,941	814,729
Provisions for future risks and charges	**19**	1,061,020	1,550,757
Deferred tax liabilities	**10**	10,225,234	10,298,530
Other non-current liabilities	**21**	-	-
Total non-current liabilities		**41,248,389**	**37,334,349**
Current liabilities			
Financial payables	**17**	12,639,320	8,315,592
Trade payables	**20**	33,629,734	46,801,344
Other current liabilities	**21**	4,521,949	2,175,110
Current tax liabilities	**22**	3,346,427	2,768,922
Provisions for future risks and charges	**19**	-	133,541
Derivatives		-	-
Total current liabilities		**54,137,430**	**60,194,509**
Liabilities directly related to assets held for sale		-	-
Total shareholders' equity and liabilities		**175,669,259**	**179,153,475**

Comprehensive consolidated income statement

Amounts in EUR	Notes	30/06/2018	30/06/2017
Revenue from sales	**23**	69,939,659	68,988,693
Change in inventories	**11**	(315,154)	1,044,963
Other income	**23**	728,301	492,287
Total revenue		**70,352,806**	**70,525,943**
Purchase costs	**24**	(40,162,322)	(36,996,561)
Costs for services	**25**	(20,141,574)	(22,541,892)
Personnel costs	**26**	(4,595,190)	(4,523,771)
Other operating costs	**27**	(126,316)	(162,779)
Operating costs		**(65,025,402)**	**(64,225,003)**
EBITDA		**5,327,404**	**6,300,940**
Depreciation and amortization	**5-7**	(932,464)	(884,672)
Provision for risks	**19**	-	(53,848)
Write-ups / (Write-downs)	**28**	(801,294)	(663,317)
Operating profit/(loss)		**3,593,646**	**4,699,103**
Finance revenue		45,776	79,705
Borrowing costs		(639,850)	(837,322)
Net financial income/(expenses)	**29**	**(594,074)**	**(757,617)**
EBT		**2,999,572**	**3,941,486**
Taxes	**30**	(812,605)	(1,104,625)
(Loss) Profit from discontinued operations		-	-
Profit (loss) (A)		**2,186,967**	**2,836,861**
Attributable to:			
(Profit)/Loss of NCIs		-	-
Group profit (loss)		**2,186,967**	**2,836,861**
Other Profit/(Loss) of comprehensive income statement:			
Other items of the comprehensive income statement for the period to be subsequently released to profit or loss		-	-
Other items of the comprehensive income statement for the period not to be subsequently released to profit or loss			
Actuarial gains/(losses) on defined benefit plans	**18**	(530)	7,959
Tax effect of Other profit/(loss)		-	-
Total other profit/(loss), net of tax effect (B)		**(530)**	**7,959**
Total comprehensive profit/(loss) (A) + (B)		**2,186,437**	**2,844,820**

Statement of changes in consolidated shareholders' equity

Amounts in EUR

	Share capital	Capital reserves	Reserve for stock grants	Reserve from financial assets available for sale	Reserve for defined benefit plans	Retained earnings	Total
Balance at 1 January 2017	**707,083**	**67,564,205**	**0**	**0**	**(31,798)**	**7,922,910**	**76,162,400**
Capital increase	2,795						2,795
Purchase of own shares		(405,058)					(405,058)
Dividends						(1,125,936)	(1,125,936)
Stock grant			251,191				251,191
Total comprehensive profit/(loss)					5,785	6,733,439	**6,739,224**
Balance at 31 December 2017	**709,878**	**67,159,147**	**251,191**	**0**	**(26,013)**	**13,530,413**	**81,624,616**
Capital increase	169,975						169,975
Purchase of own shares		(1,161,373)					(1,161,373)
Dividends						(2,545,578)	(2,545,578)
Stock grant		251,191	(251,191)				0
Reclassifications		(80,821)			(6,661)	96,845	9,363
Total comprehensive profit/(loss)					(530)	2,186,967	**2,186,437**
Balance at 30 June 2018	**879,853**	**66,168,144**	**0**	**0**	**(33,204)**	**13,268,647**	**80,283,440**

Consolidated Statement of Cash Flows

Amounts in EUR

	30/06/2018	30/06/2017
Profit (loss) before taxes	2,999,572	3,941,486
Adjustments for:		
- allocations to the provision for bad debts net of utilization	801,294	663,317
- non-monetary items - provisions / (releases)	-	53,848
- non-monetary items - amortisation/depreciation	932,464	884,672
Adjusted profit (loss) for the period before taxes	**4,733,330**	**5,543,323**
Cash flow generated by operations		
Income tax paid	28,849	351,865
Other financial (income)/expenses without cash flow (finar	98,022	49,005
Total	**126,871**	**400,870**
Changes in working capital		
Change in receivables from customers	5,060,473	5,286,123
Change in trade payables	(13,323,084)	(10,224,314)
Change in inventories	254,863	(897,927)
Change in other receivables and other payables	1,768,638	(1,340,006)
Other changes	(36,770)	(11,015)
Change in post-employment benefits and other provisions	(590,651)	(67,825)
Change in other provisions and deferred taxes	28,272	3
Total	**(6,838,259)**	**(7,254,961)**
Cash flow from operations (1)	**(1,978,058)**	**(1,310,769)**
Capital expenditure:		
- Tangible	(1,932,860)	(93,812)
- Intangible	(809,940)	(181,002)
- Net cash flow from business combination (*):	(461,827)	-
- Financial	257	-
Cash flow from investment activities (2)	**(3,204,370)**	**(274,814)**
Financial assets		
Short-term borrowings (cash)	2,884,185	3,000,000
Short-term borrowings (cash) (paid)	(1,000,000)	-
Collections / (repayments) Senior loan	-	(3,823,000)
Collections / (repayments) other financial payables	6,595,577	1,640,000
Change in other financial assets	(61,679)	-
Change in other financial liabilities (interest accrued)	70,915	4,047
Purchase of own shares	(1,161,373)	(324,993)
Dividends paid	(2,545,578)	(1,125,905)
Monetary capital increases	169,975	-
Other changes in Shareholders' equity	9,363	-
Cash flow from financing activities (3)	**4,961,385**	**(629,851)**
Cash flow from continuing operations	**(221,043)**	**(2,215,434)**
Change in cash and cash equivalents (1+2+3)	**(221,043)**	**(2,215,434)**
Cash and cash equivalents at beginning of period	**30,680,393**	**27,622,103**
Cash and cash equivalents at end of period	**30,459,350**	**25,406,669**

(*) Effects of the acquisition of 100% of the investment in the company Pro.Di.Ve. Srl as detailed below:

(a) Total consideration paid in cash:	650,000
(b) Amount of cash and cash equivalents acquired	188,173
c) Net carrying amount of assets/liabilities acquired	203,042

FORM AND CONTENT
OF THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

Introduction

This Half-Year Financial Report at 30 June 2018 (hereinafter “Half-Year Report") has been prepared in accordance with AIM Rules.
These Condensed Half-Year Financial Statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and adopted by the European Union. The designation “IFRS” also includes all currently valid International Accounting Standards (“IAS”), as well as all interpretations of the International Accounting Reporting Interpretations Committee (“IFRIC”), formerly the Standing Interpretations Committee (“SIC”). These condensed half-year financial statements, drawn up in accordance with IAS 34 - Interim Financial Reporting, have been prepared using the same accounting standards as those used to prepare the consolidated financial statements at 31 December 2017, except for the new provisions and changes from 1 January 2018, as further described in paragraph 4.

The disclosures contained in these condensed half-year financial statements is not comparable to that in complete financial statements prepared in accordance with IAS 1, with particular reference to the lesser information provided on financial assets and liabilities.

1 Scope of consolidation

These consolidated financial statements include the financial statements at 30 June 2018 of the companies/entities included in the scope of consolidation (hereinafter "consolidated entities") prepared in accordance with the Group's IAS/IFRS accounting standards.
Subsidiaries are defined as all investees in which the Group simultaneously has an interest:
- decision-making power, i.e., the ability to direct the relevant activities of the investee, i.e., those activities that have a significant influence on the results of the investee;
- the right to variable results (positive or negative) from an investment in the consolidated entity;
- the ability to use its decision-making power to determine the amount of profit/loss arising from an investment in a consolidated entity.

The accounts of the subsidiaries are included in the consolidated financial statements starting from the date on which control is gained and up to the date on which said control ceases. Equity shares and shares in the profit and loss of non-controlling interests are presented in the consolidated balance sheet and income statement respectively.
The entities included in the scope of consolidation and the relative percentages of direct or indirect ownership by the Group are listed below:

Company	Country	Share capital €	Parent company	Percentage held	Percentage directly held
IWB S.p.A.	Italy	709,878	-	Parent	
Provinco Italia S.p.A.	Italy	132,857	IWB S.p.A.	100%	100%
Giordano Vini S.p.A.	Italy	14,622,511	IWB S.p.A.	100%	100%
Provinco Deutschland GmbH	Germany	25,000	Provinco Italia S.p.A.	100%	0%
Pro.Di.Ve. S.r.l.	Italy	18,486	Giordano Vini S.p.A.	100%	0%

2 Specific criteria for the recognition of interim results

Seasonality

The monthly economic and financial results show fluctuations that are due to the seasonal nature of the business:

1) A variable is given by the number of commercial campaigns of the Mail Channel, the outcome of which is also linked to the calendar of holidays in the various countries;
2) the result for the third quarter of the year, on the other hand, reflects in particular the commercial costs for the preparation of communication relating to the Christmas campaign and the financial outlays for the purchase of gadgets linked to the latter;
3) in the months of September and October most of the purchases linked to the harvest take place, therefore involving intense cash outflows and the highest peak in inventory value, to the detriment of net working capital;
4) a very substantial part of revenues and margins is generated in the last quarter of the year, in relation to the Christmas commercial campaign; moreover, the intense commercial effort may be affected by adverse weather conditions, typical of that period, which impact on the collection of postal orders and on the distribution of packages to customers.

Taxes

Taxes are calculated on the result for the period, based on the best estimate of the tax rate that is expected to be applied to the result for the entire year.

Costs

Costs incurred in a non-homogeneous or linear manner during the year are advanced and/or deferred to the end of the half-year only to the extent that their advance and/or deferment complies with the accounting standards for the preparation of the annual financial statements.

Use of estimates

The key assumptions regarding the future and other causes of uncertainty in making estimates at the reporting date that may cause significant adjustments to the carrying amounts of assets and liabilities within the next financial year are mainly linked to:

- processes for measuring losses in value of non-recurring assets, generally carried out in full only when preparing the annual financial statements, unless there are indications of impairment;
- the process of determining the provision for bad debts;
- the inventory valuation process.

3 Fair value measurement

In relation to financial instruments measured at fair value, the classification of these instruments based on the hierarchy of levels provided for by IFRS 13 is shown below, which reflects the significance of the inputs used in determining fair value. The levels are as follows:
Level 1 - unadjusted quotations recognised on an active market for the assets or liabilities being measured;
Level 2 - inputs other than the quoted prices mentioned in the previous point, which are observable on the market, either directly (as in the case of prices) or indirectly (i.e., derived from prices);
Level 3 – inputs that are not based on observable market data.

There are no assets or liabilities outstanding that are measured at fair value at 30 June 2018.

3.1 Financial risks

The Group is mainly exposed to financial risks, credit risk and liquidity risk.

Risks deriving from exchange rate fluctuations

The Group is subject to the market risk deriving from exchange rate fluctuations, as it operates in an international setting, with transactions carried out in different currencies. Exposure to risk arises both from the geographical distribution of the business and from the various countries in which purchases are made.

Risks deriving from changes in interest rates

Since financial debt is mainly regulated by variable interest rates, it follows that the Group is exposed to the risk of their fluctuation. The trend of interest rates is constantly monitored by the Company and depending on their changes it will be possible to evaluate the opportunity to adequately hedge the interest rate risk. The Group is currently not hedged, considering the insignificant impact on the income statement of interest rate changes.

Derivative financial instruments (for exchange rate hedging) in relation to which it is not possible to identify an active market, are recorded in the financial statements at fair value and are included in the items of financial assets and liabilities and other assets and liabilities. The relative fair value was determined using valuation methods based on market data, in particular by using specific pricing models recognised by the market. The breakdown of financial assets and liabilities by category is shown below:

Amounts in EUR

	IFRS 9 CATEGORIES				
Financial assets at 30 June 2018	Financial instruments at fair value held for trading	Assets held to maturity	Loans and receivables	Financial instruments available for sale	Carrying amount
Financial assets:					
Equity investments	-	-	-	2,496	**2,496**
Bonds	-	-	-	-	**-**
Other financial assets	-		787,028		**787,028**
Financial receivables (portion due after 12 months)	-	-	-	-	**-**
Receivables:					
Trade receivables from customers	-	-	16,359,426	-	**16,359,426**
Other current receivables/assets					
Sundry receivables and other assets	-	-	1,923,788	-	**1,923,788**
Current financial assets:					
Financial receivables (portion due within 12 months)	-	-	61,679	-	**61,679**
Designated hedging derivatives	-	-	-	-	**-**
Undesignated hedging derivatives	-	-	-	-	**-**
Cash and cash equivalents					
Bank and postal deposits	30,459,350	-	-	-	**30,459,350**
TOTAL FINANCIAL ASSETS	**30,459,350**	**-**	**19,131,921**	**2,496**	**49,593,767**

	IFRS 9 CATEGORIES				
Financial liabilities at 30 June 2018	Financial instruments at fair value held for trading	Liabilities at amortized cost			Carrying amount
Non-current financial payables and liabilities:					
Loans from banks	-	29,111,194	-	-	**29,111,194**
Payables to financial institutions for financial leases	-	-	-	-	**-**
Other financial liabilities	-	-	-	-	**-**
Current liabilities:					
Loans from Banks and other lenders	-	12,639,320	-	-	**12,639,320**
Payables to suppliers	-	33,629,734	-	-	**33,629,734**
Other financial liabilities	-	4,521,949	-	-	**4,521,949**
Other financial liabilities:					
Designated hedging derivatives	-	-	-	-	**-**
Undesignated hedging derivatives	-	-	-	-	**-**
TOTAL FINANCIAL LIABILITIES	**-**	**79,902,197**	**-**	**-**	**79,902,197**

Credit risk

Credit risk is the Group's exposure to potential losses that may result from the failure to meet obligations with counterparts.

Receivables recorded in the financial statements essentially comprise receivables from final consumers for whom the risk of nonrecovery is moderate and in any case of a minimum individual amount. The Company has instruments for the preventive control of the solvency of each customer, as well as instruments for monitoring and reminding of receivables through the analysis of collection flows, payment delays and other statistical parameters.

Liquidity risk

The Group finances its activities both through the cash flows generated by its operations and through the use of external sources of funding and is therefore exposed to liquidity risk, represented by the fact that its financial resources are not sufficient to meet its financial and commercial obligations in accordance with agreed terms and maturities. The Group's cash flows, borrowing requirements and liquidity are controlled by considering the maturity of financial assets (trade receivables and other financial assets) and the cash flows expected from the related transactions. The Group has both secured and unsecured credit lines, consisting of revocable short-term credit lines in the form of revolving loans, current account overdrafts and signature loans.

Default and covenant risk on debt

This risk arises from the presence in loan agreements of provisions that, if certain events were to occur, would entitle the counterparties to demand that the borrower repay immediately the loaned amounts, thereby generating liquidity risk.

In detail, following the full refinancing of the debt attributable to the subsidiary Giordano Vini S.p.A. in July 2017, financial covenants were defined based on the performance of certain parameters at Group level (net financial debt/EBITDA not exceeding 2.5x and net financial debt/Equity not exceeding 1.0x). These covenants have been largely met.

Operational and management risks

The Group neither manages nor owns vineyards and purchases the raw materials necessary for the production of wines (grapes, must and bulk wine) directly from third-party producers. The market trend of these raw materials, which are natural products, largely depends on the results of the harvests, which in turn are influenced, in quantitative and qualitative terms, by climatic, phytopathological or polluting factors. Although the Group has adopted a flexible purchasing system based on the purchase of raw materials from year to year in the main Italian wine-making regions according to harvest trends and has developed consolidated relationships with suppliers, it cannot be excluded that particularly poor harvests may lead to a significant increase in the prices of raw materials or make it more difficult to obtain grapes, musts and bulk wine in the quantities and qualities needed to sustain customer demand. Moreover, the Group's catalogue is mainly composed of DOC, DOCG and IGT wines and the negative trend in harvests could affect the Group's ability to continue to maintain a basket of products centred on wines with these characteristics. These circumstances could have a negative effect on the Group's economic and financial situation.

4 Accounting standards

4.1 Accounting standards adopted

The accounting standards adopted are the same as those used for the preparation of the consolidated financial statements at 31 December 2017, to which reference should be made for further details, with the exception of the following new standards or amendments to existing standards, which are applied from 1 January 2018:

- IFRS 15 - Revenues from contracts with customers: the impacts of applying this standard, which replaces the previous IAS 18. The adoption of the new standard has not caused any change in the opening situation at 1 January 2018.
- IFRS 9 – Financial instruments: IFRS 9 replaces the previous standard IAS 39 with regard to the classification and measurement of financial assets and liabilities, the write-down of financial assets and hedge accounting. The adoption of the new standard has not caused any change in the opening situation at 1 January 2018.
- Amendments to IFRS 2 - Share-based Payment and Classification and Measurement of Share-based Payment Transactions: there are no impacts on the Group Financial Statements due to the application of these amendments;
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration: there are no impacts on the Group financial statements due to the application of this interpretation;
- Amendments to IAS 40 Transfers of investment property: these amendments do not apply to the Group's financial statements;
- Improvements to IFRS - 2014-2016 cycle (issued by the IASB in December 2016): there are no impacts on the Group Financial Statements due to the application of these changes.

No changes were made to the accounting policies adopted by the Group compared to those applied at 31 December 2017 and the above additions and changes to the accounting standards did not require any adjustments or changes in the measurement and valuation of items compared to the previous period.

Revenue recognition

Revenues are recognised for an amount that reflects the amount to which the Group believes it is entitled in exchange for the transfer of goods and/or services to customers. The variable amounts that the Group believes it should pay to direct or indirect customers are recognised as a reduction in revenues.

Product sales

Revenues from product sales are recognised when the performance obligations towards customers are met. Performance obligations are met when control of the asset is transferred to the customer, i.e., generally when the asset is delivered to the customer.

Provision of services

Revenues from the provision of services are recognised when the service provided is completed.

Financial assets measured at fair value through other comprehensive income (FVOCI)

This category includes equity instruments for which the Group - at the time of initial recognition or at the time of transition - has exercised the irrevocable option to present the profits and losses deriving from fair value changes in shareholders' equity (FVOCI). These are classified as non-current assets under "Other financial assets at fair value through other comprehensive income".

These are initially recognised at fair value, including transaction costs directly attributable to the acquisition.

They are subsequently measured at fair value, and gains and losses arising from changes in fair value are recognised in a specific equity reserve. This reserve will not be reflected in profit or loss. In the event of disposal of the financial asset, the amount suspended at equity is reclassified to retained earnings.

Dividends deriving from these financial assets are recorded in profit or loss at the time when the right to collection arises.

Financial assets at fair value through profit or loss (FVPL)

This valuation category comprises:

- equity instruments for which the Group - at the time of initial recognition or at the time of transition - did not exercise an irrevocable option to present the profits and losses deriving from changes in fair value in shareholders' equity. These are classified as non-current assets under "Other financial assets at fair value through profit or loss";
- debt instruments for which the Group's business model for asset management provides for the sale of the instruments and the cash flows associated with the financial asset represent the payment of outstanding capital. These are classified as current assets under "Other financial assets at fair value through profit or loss";

• derivative instruments, with the exception of those designated as hedging instruments, classified under the item "derivative financial instruments".

These are initially recognised at fair value. Transaction costs directly attributable to the acquisition are recognised in profit or loss. They are subsequently measured at fair value, and gains and losses arising from changes in fair value are recognised in profit or loss.

Derivative financial instruments designated as hedging instruments

In line with the provisions of IFRS 9, derivative financial instruments are accounted for in accordance with the procedures established for hedge accounting only when:

• the items covered and the hedging instruments meet the eligibility requirements;

• at the beginning of the hedging relationship, there is a formal designation and documentation of the hedging relationship, the Group's risk management objectives and the strategy for hedging;

• the hedging relationship meets all of the following efficacy requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk is not dominant with respect to the changes associated with the hedged risk;
- the hedge ratio defined in the hedging relationship is met, including through rebalancing actions, and is consistent with the risk management strategy adopted by the Group.

These derivative instruments are measured at fair value.

Depending on the type of hedge, the following accounting treatments are applied:

• Fair value hedge - if a derivative financial instrument is designated as a hedge of exposure to changes in the fair value of an asset or liability attributable to a particular risk, the gain or loss from subsequent changes in the fair value of the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item, for the part attributable to the hedged risk, modifies the carrying amount of that asset or liability (basis adjustment) and is also recognised in profit or loss;

• Cash flow hedge - if a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows of a recognized asset or liability or a highly probable future transaction, the effective portion of the change in fair value of the hedging derivative is recognized directly in equity, while the ineffective portion is recognized immediately in profit or loss. Amounts that have been recognised directly in equity are reclassified to profit or loss in the year in which the hedged item has an effect on profit or loss.

If the hedge of a highly probable future transaction subsequently results in the recognition of a non-financial asset or liability, the amounts that are suspended in equity are included in the initial value of the non-financial asset or liability.

Write-down of receivables

For trade receivables, the Group applies a simplified approach, calculating the expected losses over the entire life of the receivables from the time of initial recognition. The Group uses a matrix based on historical experience and linked to the ageing of the receivables themselves, adjusted to take into account forecasting factors specific to certain creditors. For financial receivables, the calculation of the write-down is made with reference to the losses expected in the following 12 months. In the event of a significant increase in credit risk after the date of origin of the credit, the expected loss is calculated with reference to the entire life of the receivable. The Group assumes that the credit risk relating to a financial instrument is not significantly increased after initial recognition if it is determined that the financial instrument has a low credit risk at the reporting date. The Group assesses whether there has been a significant increase in credit risk when the customer's rating, assigned by independent market operators, records a change that highlights an increase in the probability of default. The Group considers that a financial asset is in default when internal or external information indicates that it is unlikely that the Group will receive the due contractual amount in full (e.g., when the receivables are legal).

Finally, for the purposes of this half-year report, income taxes are recognised based on the best estimate of the weighted average rate expected for the entire financial year, in line with the indications provided by IAS 34 for the preparation of interim financial statements.

Payables

In the event of a change in a financial liability that does not result in its cancellation, the gain or loss deriving from the change is calculated by discounting the change in contractual cash flows using the original effective interest rate and is immediately recognised in profit or loss.

4.2 International accounting standards and/or interpretations issued but not yet effective and/or not yet endorsed

As required by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the following are the new standards or interpretations already issued, but not yet effective or not yet approved by the European Union at 30 June 2018 and therefore not applicable.
None of these Standards or Interpretations have been adopted by the Group early.

- IFRS 16 – Leases

The new standard on leasing, which will replace the current IAS 17, provides for a single accounting model for the lessee based on which all leases must be recorded in the balance sheet. The concept of operational leasing disappears.

The lessee must recognise the leased asset in the balance sheet under "buildings, plant and equipment" and at the same time recognise financial liabilities equal to the present value of future payments.
The only exceptions allowed are short-term leases (with a duration of less than or equal to 12 months) and small asset leases (e.g., office furniture, PCs) for which the accounting treatment remains the same as that currently adopted for operating leases. If a lease contract includes the provision of a service, the latter may not be capitalised.

This standard, approved by the European Union, is applicable from 1 January 2019. The Group plans to apply the new standard from the date of entry into force.
The quantification of the impacts of the future application of the standard is still in the process of being determined.

- IFRIC 23 - Uncertainty over Income Tax Treatments

This interpretation provides guidance on how to reflect uncertainties about the tax treatment of a given phenomenon in the accounting of income taxes.
This interpretation, which is expected to take effect on 1 January 2019, has not yet been endorsed by the European Union. The impact of this interpretation on the Group's financial statements is currently being analysed.

- Amendments to IAS 28 - Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures.

These amendments clarified that, in the event that investments in associates and joint ventures are not valued using the equity method (IAS 28), they must be valued in accordance with the provisions of IFRS 9.
These amendments, which took effect on 1 January 2019, have not yet been approved by the European Union. No impact is expected on the Group's financial statements in the absence of investments in associates and joint ventures.

- Improvements to IFRS 2015-2017 cycle (issued by the IASB in December 2017)

The IASB has issued a series of amendments to 4 standards in force, which concern, in particular, the following aspects:

1. IFRS 3 - Business Combinations: obtaining control of a business that is classified as a joint operation must be accounted for as a phased business combination and the investment previously held must be remeasured at fair value at the date of acquisition.
2. IFRS 11 - Joint arrangements: if joint control is obtained over a business that is classified as a joint operation, the investment previously held must not be remeasured at fair value.
3. IAS 12 - Taxes: the accounting treatment of the tax effects of dividends on financial instruments classified as equity must follow that of the transactions or events that generated the distributable dividend.

4. IAS 23 - Borrowing Costs: if a specific loan relating to a qualifying asset is still outstanding at the time the asset is ready for use or sale, it becomes part of the general loan.

These amendments, which took effect on 1 January 2019, have not yet been approved by the European Union. Any impacts on the Group's financial statements are currently being analysed.

Notes

5 Intangible fixed assets

Intangible fixed assets refer almost entirely to the trademarks owned by the Group. The changes are shown below:

€thousand

	Trademarks and patents	Software	Others	Total
Amounts at 1 January 2017	**29,831**	**54**	**10**	**29,895**
Changes in period:				
- Acquisitions in the period	9	34	572	**615**
- Decreases / reclassifications	-	-	-	**-**
- Amortisation	(8)	(53)	(18)	**(79)**
Total changes	**1**	**(19)**	**554**	**536**
Amounts at 31 December 2017	**29,832**	**35**	**564**	**30,431**
Changes in period:				
- Changes in the scope of consolidation	0	146	5	151
- Reclassifications	(48)	(4)	52	0
- Acquisitions in the period	75	778	880	1,733
- Decreases / reclassifications	-	-	(777)	(777)
- Amortisation	(4)	(58)	(84)	(146)
Total changes	**23**	**862**	**76**	**961**
Amounts at 30 June 2018	**29,855**	**897**	**640**	**31,392**

The item “Trademarks and patents” indicated consists of the trademark Giordano Vini, consisting of the value resulting from the merger of Ferdinando Giordano S.p.A. into Giordano Vini S.p.A. (formerly Alpha S.r.l.) carried out in previous years. Also included are the

trademarks owned by Provinco Italia S.p.A., amounting to €8,586 thousand, valued at the time of allocation of the purchase price in accordance with IFRS 3.
These trademarks are identified as having an indefinite useful life and, consequently, are not amortised but tested for impairment annually, as is the case for goodwill. The carrying amount is unchanged from that of the financial statements at 31 December 2017, in line with that used for the purposes of goodwill, for which reference should be made to the next paragraph.
The increases in the first half of 2018 mainly relate to the development of the following computerisation processes concerning the company Giordano Vini S.p.A.:

- Computerization of the accounts payable cycle procedure for a total value of €450 thousand (project started in 2017 and completed in the first months of the current year);
- creation of the interface between the management system of the subsidiary Giordano Vini S.p.A. and the servers of the new packaging line acquired following the downgrading of the Logistics and Transport business unit for approximately €90 thousand;
- minor assets such as the restyling of the Terre dei Gigli website (€12 thousand), the creation of the new Optima brand website (€44 thousand), the creation of the platform for interfacing the IT systems of the subsidiary Giordano Vini S.p.A. with the Banca Sella service for the management of "Gestpay" collections (€64 thousand), the development of a new procedure for drawing up sales forecasts for the distance selling division (€41 thousand).

The increases in Other intangible fixed assets mainly concern Assets under construction and advances.

6 Goodwill

Total goodwill - equal to €55,455 thousand - derives from the following business combinations: Provinco Italia S.p.A. for €11,289 thousand; Giordano Vini S.p.A. for €43,719 thousand; Pro.Di.Ve. S.r.l. for €447 thousand, the latter at the beginning of 2018. The table below shows the Balance Sheet of the subsidiary Pro.Di.Ve. S.r.l. at 31/12/2017 and the calculation of the goodwill that emerged during the first consolidation phase.

Statement of Financial Position

(Amounts in EUR)

	31/12/2017
Intangible fixed assets	151,310
Tangible fixed assets	6,523
Non-current financial assets	555
Total non-current assets	**158,388**
Inventory	75,871
Net trade receivables	763
Other current assets	76,902
Cash and cash equivalents	188,173
Total current assets	**341,709**
TOTAL ASSETS	**500,097**
Share capital	18,486
Other reserves	193,353
Profit (loss) for the period	(8,797)
Shareholders' equity	**203,042**
Payables per employee benefits	3,055
Total non-current liabilities	**3,055**
Trade payables	151,474
Financial payables	115,890
Other current liabilities	26,636
Total current liabilities	**294,000**
TOTAL LIABILITIES	**500,097**
Total consideration paid in cash:	650,000
Shareholders' equity	203,042
Goodwill	**446,958**

In the absence of "impairment indicators", no interim impairment test has been carried out at 30 June 2018.
The impairment test carried out for the purposes of the 2017 financial statements did not reveal any impairment of the relevant CGUs.

7 Land, property, plant and equipment

The change in tangible fixed assets is shown below:

Amounts in EUR

	Land and buildings	Plant and equipment	Equipment	Other	Assets under construction and advances	Total
Historical cost at 1 January 2017	**12,665**	**14,330**	**605**	**4,559**	**3**	**32,162**
Changes in period:						
- Increases	30	166	9	205	58	**468**
- Divestments	-	(255)	-	(23)	(59)	**(337)**
Total changes	**30**	**(89)**	**9**	**182**	**(1)**	**131**
Total cost at 31 December 2017	**12,695**	**14,241**	**614**	**4,741**	**2**	**32,293**
Accumulated depreciation at 1 January 2017	**(2,805)**	**(10,500)**	**(471)**	**(2,860)**	**0**	**(16,635)**
Changes in period:						
- Amortisation	(246)	(750)	(33)	(665)	-	**(1,694)**
- Divestments	-	250	-	19	-	**269**
Total changes	**(246)**	**(500)**	**(33)**	**(646)**	**-**	**(1,425)**
Total accumulated depreciation at 31 December 2017	**(3,051)**	**(11,000)**	**(504)**	**(3,506)**	**-**	**(18,060)**
Amounts at 31 December 2017	**9,644**	**3,241**	**110**	**1,235**	**2**	**14,232**

Amounts in EUR

	Land and buildings	Plant and equipment	Equipment	Other	Assets under construction and advances	Total
Historical cost at 1 January 2018	**12,695**	**14,241**	**614**	**4,741**	**2**	**32,293**
Changes in period:						
- Increases	8	1,658	78	44	-	**1,788**
- Reclassifications						**-**
- Changes in the scope of consolidation	-	4	1	9	-	**14**
- Divestments	-	(3)	-	(50)	(2)	**(55)**
Total changes	**8**	**1,659**	**79**	**3**	**(2)**	**1,747**
Total historical cost at 30 June 2018	**12,703**	**15,900**	**693**	**4,744**	**-**	**34,040**
Accumulated depreciation at 1 January 2018	**(3,051)**	**(11,000)**	**(504)**	**(3,506)**	**-**	**(18,060)**
Changes in period:						
- Amortisation	(120)	(301)	(17)	(347)	-	**(785)**
- Reclassifications						**-**
- Changes in the scope of consolidation	-	(2)	(0)	(6)	-	**(8)**
- Divestments	-	3	-	49	-	**52**
Total changes	**(120)**	**(300)**	**(17)**	**(304)**	**-**	**(741)**
Total accumulated depreciation at 30 June 2018	**(3,171)**	**(11,300)**	**(521)**	**(3,810)**	**-**	**(18,802)**
Amounts at 30 June 2018	**9,532**	**4,600**	**172**	**934**	**-**	**15,238**

The most significant increase in the period relates to the purchase of the new "Pick to light" line (automated order preparation line) and related equipment following the transfer of the business unit by Geodis Logistics S.p.A. to the subsidiary Giordano Vini S.p.A.

8 Equity investments

Equity investments, entirely attributable to the Giordano Vini group, are detailed as follows:

Amounts in EUR

	Country	Amount at 30 June 2018	Amount at 31 December 2017
Other companies			
BCC of Alba and Roero	Italy	258	258
Consorzio Conai	Italy	670	665
Unione Italiana Vini Scarl	Italy	258	258
Consorzio Natura è Puglia	Italy	500	500
Consorzio Granda Energia	Italy	517	517
Banca Alpi Marittime C.C. Carrù Scpa	Italy	293	-
Total		**2,496**	**2,198**

9 Other non-current assets

This item includes €764 thousand for IRAP (regional business tax) receivable in relation to labour costs pursuant to Italian Decree Law No. 201 of 2011 and the remainder for the amount of security deposits.

10 Deferred Taxes

Deferred tax assets and liabilities arise from the following temporary differences:

Amounts at 31 December 2017

€thousand

Description	Tax base	Tax rate	Balance
Tangible and intangible fixed assets	631	27.90%	176
Provision for risks and charges	896	24.00%	215
Provisions for returns and inventory write-downs	814	27.90%	227
Non-deductible interest expense	1,058	24.00%	254
Non-capitalisable long-term charges for IFRS purposes	283	27.90%	79
Provision for bad debts	1,333	24.00%	320
Remuneration of directors	254	24.00%	61
Exchange rate adjustment	25	24.00%	6
Provisions for pensions	634	27.90%	177
Total deferred tax assets			**1,515**
Description			
Business combinations / Goodwill	8,586	27.90%	2,395
Tangible and intangible fixed assets	28,330	27.90%	7,904
Total provision for deferred taxes			**10,299**

Amounts at 30 June 2018

€thousand

Description	Tax base	Tax rate	Balance
Tangible and intangible fixed assets	645	27.90%	180
Provision for risks and charges	856	24.00%	205
Provisions for returns and inventory write-downs	673	27.90%	188
Non-deductible interest expense	1,058	24.00%	254
Non-capitalisable long-term charges for IFRS purposes	213	27.90%	60
Provision for bad debts	1,333	24.00%	320
Tax loss	308	24.00%	74
Intercompany transactions	72	27.90%	20
Provisions for pensions	400	27.90%	112
Total deferred tax assets			**1,413**

Description			
Business combinations / Goodwill	8,586	27.90%	2,395
Tangible and intangible fixed assets	28,064	27.90%	7,830
Total provision for deferred taxes			**10,225**

11 Inventory

The composition is shown below:

€thousand

	30/06/2018	31/12/2017
Raw materials and consumables	1,959	1,695
Semi-finished products	12,440	14,162
Finished products	5,431	4,213
Advances	239	141
Total	**20,069**	**20,211**

Individual items include:

- components for the production of bottles (glass, caps and labels), packaging, wine products (raw materials);
- food, bulk and bottled wine, liqueurs (semi-finished products);
- packaging and gadgets (finished products).

The change in raw material inventories mainly concerns bulk wine.

The carrying amount of the inventories is shown net of provisions for bad debts of €673 thousand, the changes of which in the period are shown below:

€thousand

Provision at 1 January 2018	**673**
Provisions	37
Amounts used	(37)
Provision at end of period	**673**

12 Trade receivables

Trade receivables at 30 June 2018 and 31 December 2017 are detailed below:

€thousand

	30/06/2018	31/12/2017
Trade receivables	19,282	24,948
Provision for writedown	(2,923)	(2,728)
Total	**16,359**	**22,220**

Changes in the provision for bad debts during the period were as follows:

€thousand

	30/06/2018	31/12/2017
Initial amount	**2,728**	**2,405**
Provisions	801	1428
Amounts used	(606)	(1,105)
Provision at end of period	**2,923**	**2,728**

Provisions were made based on the estimated realizable value of the receivables, also in light of the possible risks of total or partial non-recoverability thereof and according to economic and statistical criteria, in compliance with the principle of prudence. In addition, the provisions are deducted from the total of the item on a lump-sum and indistinct basis.

Specifically, the criterion adopted for the write-down of receivables relating to the Distance Selling Division is based on an analysis of the "stage of credit reminder"; the variables of this analysis is the reminder time after the receivable has become due and the percentage of reduction linked to each geographical area based on the statistical analysis of the probability of recovering the amount.

There are no receivables with a contractual duration of more than 5 years.

13 Other assets

Other assets at 30 June 2018 and 31 December 2017 are detailed in the following table:

€thousand	30/06/2018	31/12/2017
Receivables from distributors for cash	166	393
Security deposits	356	356
Other	930	1,134
Accruals and prepayments	472	224
Total	**1,924**	**2,107**

14 Current tax assets

Tax receivables at 30 June 2018 and 31 December 2017 are detailed in the following table:

€thousand	30/06/2018	31/12/2017
VAT receivables	2,508	1,872
IRAP receivables	-	75
Other	-	12
Total	**2,508**	**1,959**

With effect from the 2016 period, the Parent Company (together with its subsidiaries Giordano Vini S.p.A. and Provinco Italia S.p.A.) has opted for the three-year period 2016-2018 for the national IRES tax consolidation scheme, in which the Parent Company is the "Tax Consolidating Body" and the effects of which are also reported in the economic and financial results at 30 June 2018.

Participation in tax consolidation is governed by specific regulations that apply throughout the period of validity of the option.

The economic relations of tax consolidation are summarised below:

- for the years with positive taxable income, the subsidiaries pay to the consolidating company the higher tax it owes to tax authorities;
- consolidated companies with negative taxable income receive from the parent company a compensation corresponding to 100% of the tax savings realised at group level and recorded on an accrual basis. Compensation is paid only when it is actually used by the Parent Company, for itself and/or for other companies in the group;
- in the event that the Parent Company and its subsidiaries do not renew the option for national consolidation, or in the event that the requirements for continuing national consolidation are no longer met before the end of the three-year period of validity of the option, the tax losses carried forward resulting from the tax return are attributed to the consolidating company or entity.

15 Cash and cash equivalents

A breakdown of cash and cash equivalents at 30 June 2018 and 31 December 2017 is provided in the table below:

€thousand

	30/06/2018	**31/12/2017**
Bank deposits	28,440	30,146
Postal deposits	1,798	192
Cheques	195	263
Cash	26	79
Total	**30,459**	**30,680**

16 Shareholders' equity

The company's shareholders' equity is made up as follows:

Amounts in EUR

	30/06/2018	31/12/2017
Share capital	879,854	709,878
Legal reserve	-	-
Share premium reserve	64,565,446	65,049,505
Reserve for actuarial gains on defined benefit plan	(33,204)	(26,013)
Reserve for stock grants	-	251,191
Reserve for the purchase of treasury shares	(1,428,252)	(518,064)
Other reserves	3,030,950	2,627,706
Prior profits/(losses)	11,081,679	6,796,974
Profit/(loss) of the period	2,186,968	6,733,439
Total reserves	**79,403,587**	**80,914,738**
Total Group shareholders' equity	**80,283,441**	**81,624,616**
Shareholders' equity of NCIs	-	-
Total shareholders' equity	**80,283,441**	**81,624,616**

Share capital

The share capital of Italian Wine Brands is equal to €879,853.70 divided into 7,402,077 ordinary shares, all without indication of the nominal value, up by €169,975.30 compared to 31 December 2017 as a result of the maximum conversion of all warrants exercisable during the first half of 2018.

Following the execution of the resolution passed by the Shareholders' Meeting on 5 December 2017, 685,000 own redeemable shares were cancelled, without any change in the value of the share capital.

Reserves

The share premium reserve was generated as a result of listing that took place in 2015.

The reserve for defined-benefit plans is generated by the actuarial profits deriving from the valuation of the accrued termination benefits in accordance with IAS 19.

Other reserves include €3,112 thousand in the reserve for transactions "under common control" generated by the first consolidation of the Giordano Vini S.p.A. group during the first half of 2015, net of a negative reserve of €498 thousand generated by the direct recognition in equity, in accordance with IAS 32, of the expenses incurred by the parent company in relation to the aforementioned capital transactions net of the related deferred taxes.

At 30 June 2018, the Parent Company held 120,622 ordinary shares, representing 1.63% of the ordinary share capital in circulation.

The reconciliation schedule between the shareholders' equity and the result of the parent company and those of the consolidated companies is set out below:

Amounts in EUR	**30 June 2018**	
	Profit/(loss) for the period	Shareholders' equity
Shareholders' equity IWB SpA - ITA GAAP standards	**6,291,559**	**68,308,752**
Differences in accounting standards	50,876	2,807,816
Shareholders' equity IWB SpA - IFRS standards	**6,342,435**	**71,116,568**
Elimination of carrying amount of consolidated equity investments:		
Carrying amount of consolidated equity investments	-	(54,255,983)
Pro-quota share of consolidated equity investments net of consolidation differences	2,115,440	63,469,118
Dividends from subsidiaries	(6,786,181)	-
Consolidation adiustments for transactions between consolidated	515,273	(46,263)
Application of the financial method to assets held under financial leases		
Group shareholders' equity and profit/(loss) for the period	**2,186,967**	**80,283,440**
Non-controlling interest	-	-
Consolidated shareholders' equity and profit/(loss)	**2,186,967**	**80,283,440**

17 Financial payables

The situation at 30 June 2018 is as follows:

€thousand				**30/06/2018**
	Short term	**Medium/long term (within 5 years)**	**Long term (over 5 years)**	**Total**
Pool financing - Senior	4,687	13,615	7,321	25,623
Short-term unsecured loans	6,500	-	-	6,500
GV revolving loans	-	7,000	-	7,000
Other loans	417	1,176		1,593
IWB mortgage	900	-	-	900
Accrued interest expense GV	135	-	-	135
Total banks	**12,639**	**21,791**	**7,321**	**41,751**
Payables to factoring companies	-	-	-	-
Total other lenders	-	-	-	-
Total	**12,639**	**21,791**	**7,321**	**41,751**

The statement of group financial payables at 31 December 2017 is given below for comparison purposes:

€thousand				**31/12/2017**
	Short term	**Medium/long term (within 5 years)**	**Long term (over 5 years)**	**Total**
Pool financing - Senior	3,051	13,188	9,282	25,521
Short-term unsecured loans	4,500	-	-	4,500
Other unsecured loans	397	1,300	-	1,697
IWB mortgage	300	900	-	1,200
Financial accruals and deferrals	24	-	-	24
Total banks	**8,272**	**15,388**	**9,282**	**32,942**
Payables to factoring companies	44	-	-	44
Total other lenders	**44**	**-**	**-**	**44**
Total	**8,316**	**15,388**	**9,282**	**32,986**

The table below shows the changes in financial liabilities

€thousand

	31/12/2017	Disbursements / Other changes	Refunds / Other changes	Fair value adjustment	30/06/2018
Pool financing - Senior	25,521	-	-	102	25,623
Short-term unsecured loans	4,500	6,000	(4,000)	-	6,500
GV revolving loans	-	7,000	-	-	7,000
Other loans	1,697	95	(200)	1	1,593
IWB mortgage	1,200	-	(300)	-	900
Accrued interest expense GV	24	135	(24)	-	135
Total banks	**32,942**	**13,230**	**(4,524)**	**103**	**41,751**
Payables to factoring companies	44	-	(44)	-	-
Total other lenders	**44**	**-**	**(44)**	**-**	**-**
Total	**32,986**	**13,230**	**(4,568)**	**103**	**41,751**

The bank debt at 30 June 2018 consisted of the following loans:

- Loan of €1.5 million granted to the Parent Company with a duration of 36 months of which 6 months of pre-amortisation with half-yearly instalments, interest rate equal to the 6-month Euribor plus a spread of 1.95, Italian amortisation plan, issuance costs equal to 0.80%. The residual debt at 30/06/2018 was equal to €900 thousand.

- Medium/long-term loan granted to Giordano Vini S.p.A. for a total of €35 million, expiring on 30 June 2024, divided as follows:

    - "Amortizing" tranche with repayment in increasing six-monthly instalments of principal in arrears and a rate equal to 6-month Euribor plus 1.95%. At 30 June 2018, the residual debt valued using the amortised cost method amounted to €25.6 million. This debt still includes the instalment due on 30 June 2018 as the disbursing Body only withdrew the instalment on 16 July 2018 for technical reasons not attributable to the subsidiary. "Revolving" tranche granted to Giordano Vini S.p.A. for a total of €7 million with a rate equal to Euribor at 1, 3 or 6 months depending on the period of use increased by 1.50%, divided as follows:
        - €4 million disbursed on 26 February 2018 with a duration of 3 months, renewed for a further 3 months and expiring on 26 August 2018;
        - €3 million disbursed on 23 April 2018 with a duration of 6 months and expiring on 23 October 2018.

The medium/long-term loan provides for financial covenants based on the trend of certain parameters at Group level (net financial debt/annual EBITDA not exceeding 2.5x and net financial debt/Equity not exceeding 1.0x). These covenants have been largely met.

The same loan provides for a clause to reduce the spread on the Euribor (the so-called "margin ratchet") by 0.35% if the ratio of net financial debt to annual EBITDA is less than 1.0x. This ratio was actually reached on 31 December 2017 and the application of this reduction clause took effect from 1 July 2018. With all other conditions being equal, a further reduction in financial charges is therefore expected during the second half of the year.

- Short-term "hot money" loan granted to the subsidiary Giordano Vini S.p.A. with current account credit facility of €1.5 million, renewed quarterly. The maturity of the loan is fixed at the maturity of each quarter.

- Medium-term loan of €2 million granted to Giordano Vini S.p.A. on 20 February 2017, with repayment on 20 February 2022, the residual debt at 30 June 2018 valued using the amortised cost method amounts to €1.6 million.

- Short-term loan of €5 million granted by Deutsche Bank to the subsidiary Provinco Italia S.p.A. due on 31 January 2019.

Financial payables are recorded in the financial statements at the value resulting from application of the amortised cost, determined as the initial fair value of the liabilities net of the costs incurred to obtain the loans, increased by the cumulative amortisation of the difference between the initial value and the value at maturity, calculated using the effective interest rate.

In relation to the above loans, certain commitments have been issued to guarantee them, as illustrated in the section "guarantees given or received".

The aforesaid loan agreements contain similar clauses and practices for this type of transaction, such as, for example: (i) a financial covenant (calculation at the level of the Italian Wine Brands Group) based on the performance of certain financial parameters at the consolidated level of the group; (ii) disclosure obligations in relation to the occurrence of significant events for the Company, as well as corporate disclosure; (iii) commitments and obligations, usual for such loan transactions, such as, by way of example, limits on the assumption of financial debt and the sale of its assets, prohibition to distribute dividends or reserves where certain financial parameters are not met.

In order to guarantee the correct and timely fulfilment of the Company's obligations under the aforementioned medium-term loans, guarantees have been provided in line with market practices for this type of transaction issued by the parent company IWB.

18 Termination benefits

Defined contribution plans

In the case of defined contribution plans, the Company pays contributions to public or private insurance institutions on the basis of a legal or contractual obligation, or on a voluntary basis. By paying the contributions, the Group fulfils all its obligations.

Payables for contributions to be paid at the date of the financial statements are included in the item "Other current liabilities"; the cost pertaining to the period accrues on the basis of the service rendered by the employee and is recorded in the item "Personnel costs" in the area of belonging.

Defined benefit plans

Employee benefit plans, which can be classified as defined benefit plans, are represented by the termination benefits (TFR); the liability is instead determined on an actuarial basis using the "projected unit credit" method. Actuarial gains and losses determined in the calculation of these items are shown in a specific equity reserve. The changes in the liability for termination benefits at 30 June 2018 are shown below:

€thousand	**2018**	**2017**
Provision at 1 January	**815**	**1,007**
Provisions	13	15
Increases from business combinations	1	-
Advances paid during the period	(2)	-
Benefits paid out in period	(54)	(210)
Actuarial (gains)/losses	1	5
Employee termination indemnities relating to	78	-
Borrowing costs	(1)	(2)
Provision at end of period	**851**	**815**

The component "allocation of costs for employee benefits" and "contribution/benefits paid" are recorded in profit or loss under the item "Personnel costs" in the area to which they refer. The component "financial income/(expenses)" is recognised in profit or loss under "Financial income/(expenses)", while the component "actuarial income/(expenses)" is recognised under other comprehensive income and transferred to a Shareholders' equity reserve called "Reserve for defined benefit plans".

The main actuarial assumptions used are as follows:

Actuarial assumptions	**30/06/2018**	**31/12/2017**
Discount rate	1.54%	1.48%
Inflation rate	1.50%	1.50%
Average Annual Percentage of Staff Exit	8.28%	8.13%

19 Provisions for risks and charges

During the first half of the year, the item changed as follows:

€thousand

	Non-current	**Current**	**Total**
Provision at 1 January 2017	**1,936**	**60**	**1,996**
Provisions	118	136	254
Amounts used	(503)	(62)	(565)
Borrowing costs			
Provision at 31 December 2017	**1,551**	**134**	**1,685**

€thousand

	Non-current	**Current**	**Total**
Provision at 1 January 2018	**1,551**	**134**	**1,685**
Realignment of opening balance of previous periods			0
Provisions	-	-	-
Releases	(96)		(96)
Amounts used	(394)	(134)	(528)
Borrowing costs			
Provision at 30 June 2018	**1,061**	**0**	**1,061**

Non-current liabilities include:

- provisions made at Giordano Vini S.p.A. for legal disputes with suppliers for €855 thousand;
- a provision of €171 thousand relating to potential liabilities relating to the agents' termination benefit set aside by Provinco Italia S.p.A., determined taking into

account collective economic agreements and the maximum limit of Article 1751 of the Italian Civil Code;

- a provision for product risks of €32 thousand to cover potential losses arising from goods sold by the Company.

20 Trade payables

This item includes all trade payables with the following geographical distribution:

€thousand

	30/06/2018	31/12/2017
Suppliers - Italy	31,591	45,935
Suppliers - Foreign Markets	1,038	866
	32,629	**46,801**

21 Other liabilities

Other liabilities are made up as follows:

€thousand

	30/06/2018	31/12/2017
Employees	1,508	770
Social security institutions	593	383
Directors	85	8
Accruals and deferred income	368	370
Others	1,968	644
Total current	**4,522**	**2,175**

Payables to employees mainly include wages and salaries for June paid in July and deferred compensation for vacation and public holidays accrued but not yet taken. At 30 June, both the payables to personnel and the payables to social security institutions include the portion of the payable relating to the personnel involved in the collective redundancy procedure carried out by Giordano Vini S.p.A. This procedure was concluded on 28 June 2018 with the voluntary departure of 27 employees of the logistics business unit.

The item deferred income mainly consists of the portion pertaining to future years of grants for plants obtained in 2010 and 2011.

The item "Others" includes the residual debt to be paid relating to the return of the above business unit.

22 Current tax liabilities

These are made up as follows:

€thousand	30/06/2018	31/12/2017
VAT	937	805
IRES	1,461	1,110
IRPEF withholding tax	360	317
IRAP	256	331
Excise duties	143	159
Other taxes	189	47
Total	**3,346**	**2,769**

“Other taxes" include the value of €213 thousand relating to taxes paid in instalments (IRES and IRAP) following judicial settlement by the company Provinco Italia S.p.A.

23 Revenues from sales and other revenues

Revenues from sales and other revenues and income at 30 June 2018, compared with those of the two previous periods, are detailed below:

€thousand	30/06/2018	30/06/2017	30/06/2016	Δ % 17/18	Cagr 16/18
Revenue from sales - Italy	**15,750**	**17,952**	**18,112**	**(12.27%)**	**(6.75%)**
Revenue from sales - Foreign Market	**53,840**	**50,638**	**45,674**	**6.32%**	**8.57%**
Germany	14,705	14,356	14,090	2.43%	2.16%
Switzerland	12,680	11,344	10,617	11.78%	9.29%
Austria	6,861	6,165	5,663	11.29%	10.07%
England	5,162	4,688	4,274	10.11%	9.90%
Denmark	3,212	2,675	2,001	20.08%	26.71%
France	2,694	2,755	2,456	(2.22%)	4.73%
Belgium	630	658	488	(4.28%)	13.59%
USA	653	2,012	1,944	(67.54%)	(42.05%)
Netherlands	360	189	169	90.30%	45.77%
Sweden	786	456	299	72.27%	61.99%
Canada	462	-	-	-	-
China	722	450	266	60.39%	64.61%
Other countries	4,913	4,890	3,407	0.48%	20.09%
Other revenues	**350**	**399**	**800**	**(12.28%)**	**(33.86%)**
Total revenues from sales	**69,940**	**68,989**	**64,586**	**1.38%**	**4.06%**

24 Purchase costs

Purchase costs refer to Giordano Vini S.p.A. for €18.9 million (€20.0 million at 30 June 2017) and to the subsidiary Provinco Italia S.p.A. for €20.9 million (€16.9 million at 30 June 2017).

25 Costs for services

The costs for services at 30 June 2018, compared with those of the two previous periods, are detailed below:

Restated €thousand

	30/06/2018	30/06/2017	30/06/2016
Services from third parties	5,066	6,760	7,955
Transport	6,000	5,871	5,147
Postage expenses	1,962	2,816	2,269
Fees and rents	819	966	916
Consulting	930	288	861
Advertising costs	4	264	688
Utilities	276	351	265
Remuneration of Directors and S	407	337	423
Maintenance	89	146	120
Costs for outsourcing	2,702	3,117	493
Commissions	93	341	449
Other costs for services	1,794	1,285	886
Non-recurring expenses	(326)	-	(456)
Total	**19,816**	**22,542**	**20,016**

The compensation of directors, statutory auditors and independent auditors is detailed below:

€thousand

	30/06/2018	30/06/2017
Directors	364	295
Auditors	39	42
Independent Auditors	45	59
Total	**448**	**396**

26 Personnel costs

Personnel costs at 30 June 2018, compared with those of the first half of the previous year, are detailed below:

€thousand	30/06/2018	30/06/2017
Wages and salaries	3,323	3,249
Social security charges	1,005	996
Termination benefits	189	199
Administration cost	31	77
Other costs	47	3
Total	**4,595**	**4,524**

The following table shows the number of employees:

	At 30 June 30/06/2018	Average no. 30/06/2018	At 30 June 30/06/2017	Average no. 30/06/2017
Executives	5	6	5	5
Middle managers	8	9	10	9
Office workers	130	131	165	173
Workers	17	31	25	24
Total	**160**	**177**	**205**	**211**

The reduction shown is mainly due to redundancy procedures with incentives and on a voluntary basis carried out by the subsidiary Giordano Vini S.p.A. in the financial years 2017 and 2018.

27 Other operating costs

The item "other operating costs" amounts to €126 thousand and mainly includes: penalties, non-deductible VAT due to pro-rata and other minor amounts. The item in the comparative financial year shows a balance of €163 thousand.

28 Write-downs

The item relates entirely to the subsidiary Giordano Vini S.p.A. and to the write-down of trade receivables recorded in the period.

29 Financial income and expenses

Financial income and expenses are detailed in the following tables:

€thousand

	30/06/2018	30/06/2017
On current accounts	12	19
Exchange rate gain/(loss)	33	61
Others	1	-
Total	**46**	**80**

€thousand

	30/06/2018	30/06/2017
Loans	(429)	(577)
Bank current accounts	(3)	(1)
Financial instruments	-	-
Bank fees and charges	(128)	(123)
Exchange rate gain/(loss)	(38)	(89)
Others	(42)	(47)
Total	**(640)**	**(837)**

In detail, interest on loans includes:

- interest paid on medium/long-term loans;
- Interest expense on bank current accounts mainly relating to the use of the current account overdraft with the various banks;
- realised exchange differences and end-of-period adjustments relating to foreign currency items;
- bank commissions and charges, including those for sureties.

30 Taxes

Taxes at 30 June 2018, compared with those for the first half of the previous year, are detailed below:

€thousand	30/06/2018	30/06/2017
IRES	(997)	(1,038)
IRAP	(154)	(201)
Taxes for prior periods	0	0
(Losses)/revenues from tax consolida	299	88
Total current taxes	**(852)**	**(1,151)**
Prepaid taxes	(34)	(19)
Deferred taxes	73	65
Total deferred taxes	**39**	**46**
Total	**(813)**	**(1,105)**

31 Related-party transactions

The transactions between Giordano Vini S.p.A. and Provinco Italia S.p.A. for the six-month period ended 30 June 2018 were as follows:
(i) a commercial lease agreement entered into on 1 February 2012 between Provinco Italia S.p.A. and Provinco S.r.l. pursuant to which Provinco S.r.l. leased the property located in Rovereto (TN) - Via per Marco, 12/b to Provinco Italia S.p.A.; the lease is valid for six years (until 31 January 2018) with tacit renewal for the same period unless notice of termination is given 12 months before expiry; the agreed rent is equal to €60 thousand per year plus VAT.
The above relationships involve conditions at arm's length.

32. Atypical and unusual transactions

Pursuant to Consob communication no. DEM/6064293 of 28 July 2006, during the period the Group did not carry out atypical or unusual transactions, as defined by the communication itself, according to which atypical and/or unusual transactions are those that, due to their significance/relevance, the nature of the counterparties, the object of the transaction, the method of determining the transfer price and the timing of the event, may give rise to doubts regarding: the correctness/completeness of the information in the financial statements, the conflict of interest, the safeguard of the company's assets, the protection of non-controlling interests.