



# **CONSOLIDATED ANNUAL FINANCIAL REPORT**

## **31 DECEMBER 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](http://www.italianwinebrands.it)**



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## **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.



## Letter to Shareholders

Dear Shareholders,

We closed a challenging 2018, which put our ability to the test to withstand an extraordinary increase in the cost of raw materials, due to the very low yield of the 2017 harvest, which went on sale in 2018.

In addition, we had to deal with the decrease in sales in the teleselling channel, which was also affected by the new European GDPR legislation.

As any good family man would, we did what had to be done: selectively cutting costs, optimising the organisation and processes and investing in customers and markets with greater potential.

This strategy allowed us to close the period with revenues of approximately €150 million, with a Restated EBITDA of €14.6 million and a net profit of €6.4 million, more or less in line with that of the previous year and double the net profit of 2016.

Despite the extraordinary situations mentioned above, we can offer you a dividend of €0.40 per share, unchanged from last year and corresponding to a return of about 3.7%.

We think it is a positive result, considering the premise. But we want more.

As a businessman and partner, I ask myself every day: what course is this Group following, where is the reference market going, what is happening out there, how determined are our people in achieving results?

In summary, I can tell you that:

- The wine market is becoming increasingly international and our share of exports has risen from 71.9% in 2016 to 75.1% in 2017, reaching 77.4% in 2018. So we are becoming more and more a Group with international sales and less and less dependent on the domestic market.
- In 2018, our wholesale channel recorded growth well above the market average of 11.8%, with its own brands growing strongly.
- In the distance selling channel, growth of online sales in 2018 was more than 40%, totalling approximately €12 million. We are therefore the leader in Italy in this sector and as a result of this growth, most of the marketing resources of the direct sales channel have been channelled to the digital channel, with a more comprehensive offering for our customers.
- In 2018 we introduced the first artisanal beer brand (Optima Craft), for the direct sales channel, and a second one will follow in 2019 (Break Free), designed for a younger target.



- The communication and offering of the food brand Terre dei Gigli have been revamped, with a focus on organic products.
- The production of organic wines has been expanded to address the greater sensitivity of consumers to issues of health and sustainability.

Our vision is very clear: we want to be everywhere where our customers buy their products, with our own brand, to offer a moment of happiness and a special emotion.

We reach consumers all over Europe directly through direct marketing, or through supermarkets and restaurants through our wholesale division: we are the only Italian group that can boast a true multi-channel approach. We are aware of this and we want to enhance this value.

What can you expect from us in the future?

We will invest in international distribution, both in the direct and wholesale channels, and we will never stop innovating our products, improving quality, communication and brands. Because we believe that only a happy customer can make a company thrive.

Outside there is still a universe of new customers to win over and we want them!

As you know, your company is a real public company, with an exceptional free float, equal to about 80% of the share capital, divided between leading domestic and international financial operators and several hundreds of private shareholders.

Good performance on the stock market at the beginning of 2018 was followed by fears overshadowing financial markets during the rest of the year, completely unrelated to the positive fundamentals of our company, resulting in a constant, albeit limited, decrease in IWB's capitalisation.

The results achieved by the people who work tirelessly at IWB, for what they have been able to do in these years of profound change and for what - I am sure - they will be able to do in the future, deserve being valued even more than expressed today by the market.

All my closest aides and I are convinced that we still have a huge potential to tap and I hope that you will join and support us on this journey.

For Italian Wine Brands S.p.A.

Alessandro Mutinelli

Chairman



## Directors' Report on Operations

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

#### 1.1. The medium/long-term strategic vision and the company's value system

We are one of the largest private Italian wine groups, the first to be listed on the Milan Stock Exchange. We produce quality wines from the most renowned Italian wine-growing areas and distribute them around the world through our various sales channels. We cover all the needs of retail, direct sales and Horeca channel customers with our own brands.

#### The medium/long-term strategic vision

*"Everywhere one of our bottles, with our own brand, to offer a moment of happiness and a special emotion."*

We create distinctive brands that our customers love and our entire team, at every level, is committed to this, i.e., the creation and positioning of unique products for their quality and style, made to measure for our customers. We are Italian Wine Brands and our name is a promise we want to keep.

#### *What we do*

We analyse the needs of our customers, try to anticipate trends, and create and develop brands that meet and go beyond the expectations of our target segments.

In the world of wine there is no global brand, because there is no global customer. In the various market segments, we focus our efforts on the brands with the highest development potential, investing the resources necessary for their long-term commercial success.

We listen to our customers, whether private consumers or large organizations and adopt a CRM strategy to stay in touch with them.

We are proud of our origins and traditions, but we are always ready to support our customers, both in terms of product portfolio and services.

We develop all our distribution channels, so that one of our bottles of wine or products is present where consumers are. We focus our efforts on the channels with the highest development potential, using technology wherever possible.



### *Who we do it for*

We are committed to our current and prospective customers.

Each brand has a target group and a market positioning.

We want to have a direct relationship with our customers, developing a long-term relationship. Every person involved in the relationship with customers must pass on the company's values.

### *How we excel*

Our products must have an intrinsic and perceived quality superior to that of its competitors, presenting themselves in an exclusive, distinctive, elegant way, according to the finest principles of Italian style.

Our products speak for ourselves: for this reason, nothing should be left to chance and the pursuit of excellence should be a priority at all levels. We are uncompromising and we pursue a long-term policy, where quality is rewarded.

Innovation must be an integral part of our identity, because only new ideas guarantee growth in volume and margins.

Innovation must also involve processes to make them efficient and provide a cost advantage over competition.

To be competitive on a global scale, we seek to increase volumes that allow us to absorb distribution costs. For this reason, too, we believe that an unceasing process of internal and external growth is necessary if the opportunities arise.

We believe in a set of values, which are the bedrock of our corporate culture, ethical foundations and reputation.

### **The company's value system**

The following is the manifesto of our Group's values: it is what we believe is right, what we identify ourselves in and what we are committed to observing and disseminating in practice. This makes IWB a special organization, which we are proud to belong to, ensuring us a prosperous future.



### *Customers at the centre*

The customer is our employer and we work to make him happy. Only an extraordinarily satisfied customer will not change supplier and will be our best testimonial. At the company everyone works to understand customer needs and to provide products and services that go beyond their expectations.

### *Excellent quality*

We put all our passion and professionalism into the continuous improvement of the quality of our products and services, whose excellence is the cornerstone of the reputation of our brands.

### *Integrity and consistency*

We maintain high levels of ethical standards, respecting people and rules. We speak well of the company and our employees, we are consistent and we are committed to doing what we promise, knowing that only facts matter. We take great care to ensure that our reputation is never tarnished by behaviour that is not in accordance with our values.

### *People*

The team wins and we are all involved in building and supporting it. We seek inclusion, we share objectives, and we learn to listen to different opinions before making a decision. We create a positive working environment built on mutual support, so that working is a pleasure and an opportunity for growth.

### *Innovation and entrepreneurial spirit*

We never tire of looking ahead and innovating products and processes. We act together in an entrepreneurial spirit to achieve and exceed objectives, we anticipate problems and take charge of solutions, and we are responsible for company resources and their conservation. We operate and are structured into a lean organisation, to be fast and effective in our actions. Let us never lose sight of our priorities and focus on them.

#### **1.2.1 Reference market in which the company operates**

IWB's business is mainly with foreign customers (about 77%) and only a residual part with domestic customers (about 23%).

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



As regards distribution channels, the IWB Group stands out for the uniqueness of having an internal "wholesale" business division, aimed at selling products to operators in the industry, such as large-scale distribution chains, state monopolies and traditional trade, and a "distance selling" business division, aimed at the direct sale of products to private consumers through the web, direct mailing and teleselling.

The two business units mentioned above are synergistic and not overlapping and can use both the production cellars owned by the Group, located in Diano d'Alba (CN) and Torricella (TA) respectively, as well as the bottling lines owned by the Group, located in Diano d'Alba (CN).

Taking advantage of its presence on international markets and various sales channels, in 2018 the IWB Group reached 60 million bottles sold.

### 1.2.2 Company characteristics

These consolidated financial statements are the fourth prepared by the Italian Wine Brands Group (hereinafter also referred to as "IWB" or "the Group").



From a corporate point of view, IWB S.p.A. carries out management and coordination activities for the Group companies, Giordano Vini S.p.A. and Provinco Italia S.p.A., which is 100%-owned.

### 1.2.3 Consolidated situation

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

The Group's consolidated financial statements at 31 December 2018 show the following results, expressed in millions of euros:

	31/12/2018 RESTATED (1)	31/12/2017 RESTATED	Change in %
<b>REVENUE FROM SALES</b>	<b>149.86</b>	<b>149.74</b>	<b>0.08%</b>
<i>of which Italy</i>	33.82	37.30	-9.33%
<i>of which Foreign Markets</i>	116.04	112.44	3.20%
<b>EBITDA</b>	<b>14.60</b>	<b>16.03</b>	<b>-8.91%</b>
<b>NET PROFIT/(LOSS) FOR THE PERIOD</b>	<b>7.24</b>	<b>8.13</b>	<b>-11.00%</b>
<b>NET FINANCIAL DEBT</b>	<b>3.37</b>	<b>2.31</b>	<b>45.97%</b>

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," and the charges considered to be of a non-recurring nature set out in the tables below.

<sup>1</sup> The restated accounting data at 31/12/2018 (EBITDA and Profit/(Loss) for the Period) are shown gross of non-recurring costs, totalling €1.18 million. Non-recurring costs relate to: (i) charges for the restructuring of the logistics business unit (€0.50 million for redundancy incentives, €0.21 million for taxes, legal, notary and tax expenses), (ii) charges for the acquisition of Pro.Di.Ve. Srl (€0.12 million), and (iii) other non-recurring charges (€0.09 million). In addition, the restated accounting data for EBITDA and Profit/(Loss) for the period do not take into account the cost of the stock grant plan for management for having achieved in full the target profit for 2018 (€0.26 million).

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



## Reclassified statement of financial position

(€thousand)

	31.12.2018	31.12.2017	31.12.2016
Other intangible assets	31,624	30,431	29,895
Goodwill	55,455	55,008	55,008
Property, plant and equipment	14,736	14,232	15,526
Non-current financial assets	2	2	2
<b>Total fixed assets</b>	<b>101,817</b>	<b>99,673</b>	<b>100,432</b>
Inventory	18,997	20,211	17,712
Net trade receivables	20,785	22,220	23,981
Trade payables	(44,522)	(46,801)	(43,889)
Other assets (liabilities)	1,000	(90)	412
<b>Net working capital</b>	<b>(3,740)</b>	<b>(4,460)</b>	<b>(1,784)</b>
Payables per employee benefits	(656)	(815)	(1,007)
Net deferred and prepaid taxes assets (liabilities)	(8,696)	(8,784)	(9,016)
Other provisions	(1,071)	(1,684)	(1,996)
<b>NET INVESTED CAPITAL</b>	<b>87,654</b>	<b>83,930</b>	<b>86,630</b>
<b>Shareholders' equity</b>	<b>84,282</b>	<b>81,624</b>	<b>76,162</b>
Profit (loss) for the period	6,350	6,733	4,340
Share capital	880	710	707
Other reserves	77,052	74,181	71,115
<b>Net financial debt</b>	<b>3,372</b>	<b>2,306</b>	<b>10,467</b>
<b>TOTAL SOURCES</b>	<b>87,654</b>	<b>83,930</b>	<b>86,630</b>

## Reclassified income statement

(€thousand)

	Restated 31.12.2018	Restated 31.12.2017	Restated 31.12.2016
Revenue from sales	149,863	149,736	145,937
Change in inventories	(1,162)	2,402	825
Other income	1,486	1,278	1,901
<b>Total revenue</b>	<b>150,187</b>	<b>153,416</b>	<b>148,664</b>
Purchase costs	(86,082)	(83,219)	(78,527)
Costs for services	(41,515)	(45,700)	(46,503)
Personnel costs	(7,627)	(8,147)	(11,821)
Other operating costs	(362)	(319)	(496)
<b>Total operating costs</b>	<b>(135,586)</b>	<b>(137,385)</b>	<b>(137,347)</b>
<b>EBITDA</b>	<b>14,601</b>	<b>16,031</b>	<b>11,317</b>
Write-downs	(1,466)	(1,470)	(1,028)
Depreciation and amortization	(2,044)	(1,773)	(1,965)
<b>Operating result from core business</b>	<b>11,091</b>	<b>12,788</b>	<b>8,324</b>
Non-recurring expenses	(1,179)	(1,873)	(2,207)
Net release (accruals) of provisions for risks and charges	(36)	(118)	(66)
<b>Operating profit/(loss)</b>	<b>9,876</b>	<b>10,797</b>	<b>6,052</b>
Net financial income/(expenses)	(1,135)	(1,565)	(1,630)
<b>EBT</b>	<b>8,741</b>	<b>9,232</b>	<b>4,421</b>
Taxes	(2,391)	(2,498)	(1,246)
<b>Net profit/(loss)</b>	<b>6,350</b>	<b>6,734</b>	<b>3,175</b>
Tax effect of non-recurring charges	329	479	693
<b>Net profit before non-recurring charges and related tax effect</b>	<b>7,236</b>	<b>8,128</b>	<b>4,689</b>



The reconciliation of the restated results at 31 December 2018 with the financial statements data is shown below:

### Reclassified income statement

(€thousand)

	Reported 31.12.2018	Management 1	adjustments 2	Restated 31.12.2018
Revenue from sales	149,863			149,863
Change in inventories	(1,162)			(1,162)
Other income	1,486			1,486
<b>Total revenue</b>	<b>150,187</b>			<b>150,187</b>
Purchase costs	(86,082)			(86,082)
Costs for services	(42,034)	394	125	(41,515)
Personnel costs	(8,287)	530	130	(7,627)
Other operating costs	(362)			(362)
<b>Total operating costs</b>	<b>(136,765)</b>	<b>924</b>	<b>255</b>	<b>(135,586)</b>
<b>EBITDA</b>	<b>13,422</b>	<b>924</b>	<b>255</b>	<b>14,601</b>
Write-downs	(1,466)			(1,466)
Depreciation and amortization	(2,044)			(2,044)
<b>Operating result from core business</b>	<b>9,912</b>	<b>924</b>	<b>255</b>	<b>11,091</b>
Non-recurring expenses	0	(924)	(255)	(1,179)
Net release (accruals) of provisions for risks and charges	(36)			(36)
<b>Operating profit/(loss)</b>	<b>9,876</b>	<b>0</b>		<b>9,876</b>
Net financial income/(expenses)	(1,135)			(1,135)
<b>EBT</b>	<b>8,741</b>	<b>0</b>		<b>8,741</b>
Taxes	(2,391)			(2,391)
<b>Net profit/(loss)</b>	<b>6,350</b>	<b>0</b>		<b>6,350</b>
Tax effect of non-recurring charges				329
<b>Net profit before non-recurring items and related tax effect</b>				<b>7,236</b>

### Summary of Management Adjustments

(1) (i) Charges for the restructuring of the logistics business unit (€0.50 million for redundancy incentives, €0.21 million for taxes, legal, notary and tax expenses), (ii) charges for the acquisition of Pro.Di.Ve. Srl (€0.12 million), and (iii) other non-recurring charges (€0.09 million);

(2) Charges relating to the stock grant plan for management for having achieved in full the target profit for 2018 (€0.26 million).

#### 1.2.4 Financial and equity position of the Parent Company

The financial statements of IWB S.p.A. at 31 December 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 €6.57 million (€4.37 million in 2017);
- Net liquidity of €18.54 million (€13.86 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)	31.12.2018	31.12.2017
Other intangible assets	61	64
Non-current financial assets	54,256	54,256
<b>Total fixed assets</b>	<b>54,317</b>	<b>54,320</b>
Net trade receivables	831	246
Trade payables	(164)	(245)
Other assets (liabilities)	3,697	6,210
<b>Net working capital</b>	<b>4,364</b>	<b>6,211</b>
Net deferred and prepaid taxes assets (liabilities)	39	-
Other provisions	-	-
<b>NET INVESTED CAPITAL</b>	<b>58,720</b>	<b>60,531</b>
<b>Shareholders' equity</b>	<b>77,260</b>	<b>74,386</b>
Profit (loss) for the period	6,565	4,365
Share capital	880	710
Other reserves	69,815	69,311
<b>Net financial debt</b>	<b>(18,540)</b>	<b>(13,855)</b>
<b>TOTAL SOURCES</b>	<b>58,720</b>	<b>60,531</b>

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.
- 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.



## Reclassified income statement

(€thousand)

	31.12.2018	31.12.2017
Revenue from sales	13	-
Other income	263	96
<b>Total revenue</b>	<b>276</b>	<b>96</b>
Purchase costs	(2)	-
Costs for services	(834)	(691)
Other operating costs	(90)	(86)
<b>Total operating costs</b>	<b>(926)</b>	<b>(777)</b>
<b>EBITDA</b>	<b>(650)</b>	<b>(681)</b>
Write-downs	-	-
Depreciation and amortization	(30)	-
<b>Operating result from core business</b>	<b>(680)</b>	<b>(681)</b>
Non-recurring expenses	-	-
Net release (accruals) of provisions for risks and charges	-	-
<b>Operating profit/(loss)</b>	<b>(680)</b>	<b>(681)</b>
Net financial income/(expenses)	207	145
Dividends from subsidiaries	6,786	4,716
<b>EBT</b>	<b>6,313</b>	<b>4,180</b>
Taxes	252	184
<b>Net profit/(loss)</b>	<b>6,565</b>	<b>4,364</b>

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

- Dividends refer entirely to the subsidiary Provinco Italia S.p.A., which resolved them during the first half of the year and settled them during the second half;
- Financial income refers to the interest income matured on the loan granted to the subsidiary Giordano Vini S.p.A.

### 1.2.5 Net financial debt

In order to define the consolidated Net Financial debt, 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 (€ thousand):



	31/12/18	31/12/17	31/12/16
A. Cash	110	79	32
B. Other liquid assets	39,091	30,601	27,590
C. Securities held for trading	-	-	-
<b>D. Liquidity (A) + (B) + (C)</b>	<b>39,201</b>	<b>30,680</b>	<b>27,622</b>
E. Current financial receivables	286	-	-
E.2 Derivative financial instruments	-	-	-
F. Current bank payables	1,833	4,500	1,875
G. Current part of non-current debt	16,549	3,748	4,091
H. Other current financial payables	23	44	2
<b>I. Current financial debt (F) + (G) + (H)</b>	<b>18,405</b>	<b>8,292</b>	<b>5,968</b>
<b>J. Net current financial debt (I) - (E) - (D)</b>	<b>(21,082)</b>	<b>(22,388)</b>	<b>(21,654)</b>
K. Non-current financial assets	-	-	-
L. Other non-current financial receivables	-	-	-
M. Non-current bank payables	24,454	24,694	32,122
N. Bonds issued	-	-	-
O. Other non-current payables	-	-	-
<b>P. Non-current financial debt (M) + (N) + (O)</b>	<b>24,454</b>	<b>24,694</b>	<b>32,122</b>
<b>Q. Net non-current financial debt (P) - (K) - (L)</b>	<b>24,454</b>	<b>24,694</b>	<b>32,122</b>
<b>Net financial position (J) + (Q)</b>	<b>3,372</b>	<b>2,306</b>	<b>10,468</b>

### 1.3 Group Performance

#### Revenue from sales

In 2018, the Group's business volume grew slightly, allowing it to record overall growth in revenues from sales of 0.1% compared to 2017, in a market scenario that was substantially stable in terms of value and slightly down in terms of quantities consumed.

Also in 2018, the trend in sales was characterised by the Group's consolidation on international markets (+3.4% compared to 2017, compounded annual growth rate - CAGR - of +5.2%) and by a progressive and constant weakening of the presence on the Italian market (-9.3% compared to 2017, CAGR 16/18 of -9.2%).

Revenues from sales on foreign markets reached 77.4% of the total in 2018, in progressive and constant growth compared to previous years (75.1% in 2017 and 71.9% in 2016).

The table below shows the trend in IWB Group's revenues over the last three years, broken down by geographical area.



<i>€thousand</i>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Δ %17/18</b>	<b>Cagr 16/18</b>
<b>Revenue from sales - Italy</b>	<b>33,819</b>	<b>37,303</b>	<b>41,005</b>	<b>(9.34%)</b>	<b>(9.18%)</b>
<b>Revenue from sales - Foreign Markets</b>	<b>115,346</b>	<b>111,560</b>	<b>104,323</b>	<b>3.39%</b>	<b>5.15%</b>
Germany	34,179	34,358	33,731	(0.52%)	0.66%
Switzerland	26,842	26,570	25,701	1.03%	2.20%
Austria	15,399	15,621	15,328	(1.42%)	0.23%
England	13,863	9,691	7,517	43.04%	35.80%
Denmark	5,149	6,352	5,584	(18.94%)	(3.97%)
France	6,050	6,203	6,030	(2.46%)	0.17%
Belgium	3,104	2,993	2,249	3.69%	17.47%
USA	2,533	2,009	1,714	26.07%	21.55%
Netherlands	481	1,007	639	(52.27%)	(13.24%)
Sweden	1,231	987	786	24.67%	25.10%
Canada	591	928	780	(36.27%)	(12.94%)
China	937	707	562	32.58%	29.16%
Other countries	4,988	4,134	3,702	20.63%	16.08%
<b>Other revenues</b>	<b>698</b>	<b>873</b>	<b>609</b>	<b>(20.05%)</b>	<b>7.06%</b>
<b>Total revenues from sales</b>	<b>149,863</b>	<b>149,736</b>	<b>145,937</b>	<b>0.08%</b>	<b>1.34%</b>

The Group distributes its products through two separate channels.

The "wholesale" channel is targeted mainly at the sale of products to operators in the sector, such as large-scale distribution chains, state monopolies and traditional trade, while the "distance selling" channel is for direct sales of products to private consumers via the Web, direct mailing and teleselling.

The following table shows the breakdown of revenues from sales in the two different sales channels over the last three years.

<i>€thousand</i>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Δ %17/18</b>	<b>Cagr 16/18</b>
Revenues from distance selling division	72,003	79,840	84,998	(9.82%)	(7.96%)
Revenues from wholesale division	77,162	69,023	60,330	11.79%	13.09%
Other revenues	698	873	609	(20.05%)	7.06%
<b>Total revenues from sales</b>	<b>149,863</b>	<b>149,736</b>	<b>145,937</b>	<b>0.08%</b>	<b>1.34%</b>

In 2018, the wholesale distribution channel became the Group's main source of revenues, accounting for 51.5% of total revenues from sales (46.1% in 2017, 41.3% in 2016).

Growth was constant and solid over the 2016-2018 period with a compounded annual growth rate (CAGR) of 13.1% and in the reporting period (+11.8 over 2017).



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

<i>€thousand</i>	31.12.2018	31.12.2017	31.12.2016	Δ%17/18	Cagr 16/18
<b>Revenues from wholesale - Italy</b>	<b>2,455</b>	-	-	<b>N/A</b>	<b>N/A</b>
<b>Revenues wholesale - Foreign Markets</b>	<b>74,707</b>	<b>69,023</b>	<b>60,330</b>	<b>8.23%</b>	<b>11.28%</b>
Switzerland	23,404	22,595	21,593	3.58%	4.11%
Austria	13,080	13,011	13,153	0.54%	(0.27%)
Germany	9,780	9,488	8,868	3.08%	5.01%
Denmark	5,149	6,352	5,584	(18.94%)	(3.97%)
England	9,704	5,103	1,074	90.17%	200.61%
Belgium	2,736	2,479	1,749	10.35%	25.09%
USA	2,533	1,992	1,555	27.15%	27.62%
Sweden	1,231	985	763	24.89%	27.02%
Canada	591	928	781	(36.27%)	(12.99%)
China	937	703	562	33.26%	29.16%
France	537	657	695	(18.26%)	(12.09%)
Netherlands	39	596	254	(93.54%)	(61.08%)
Other countries	4,988	4,134	3,701	20.63%	16.08%
<b>Total revenue Wholesale div.</b>	<b>77,162</b>	<b>69,023</b>	<b>60,330</b>	<b>11.79%</b>	<b>13.09%</b>

The excellent results of growth in value and volume in this division, achieved in a substantially stable European wine consumer market, were obtained thanks to the study of new products, marketing initiatives, portfolio expansion and the acquisition of new accounts.

As regards the individual markets, it is worth noting the brilliant performances recorded in the Swiss and German markets, resulting both from the acquisition of new customers and from long-standing customers, thanks also to significant commercial synergy between the Group's companies.

The Group seized the opportunity to resume wholesale activities on the UK market during 2018 through the listing and sale of its products to two important global accounts. Though not particularly marginal, the UK market is considered by the Group to be particularly strategic because it provides good brand visibility on an international scale.

The Scandinavian markets, Sweden and Denmark in particular, were the other growing geographical areas. In Sweden, new references were successfully launched and new contracts were closed that have had a positive impact during the second half of the year. Denmark, the only market to record a slight decrease, remains the Group's main Scandinavian market, with the best business customers already in its portfolio.

As regards the United States, an area considered highly strategic for the Group and in constant growth over the three-year period, the Group is at an advanced stage of negotiations with an important national distribution chain for the first listings.



In Asia, where the commercial structure, though marginal, is still limited, the Group is progressively and constantly growing.

The creation in 2017 of an internal sales organisation dedicated to the commercial development of new accounts in Italy has yielded fruit. In fact, 2018 was the year in which the IWB Group joined the large-scale distribution chain in Italy and the results were immediately remarkable, with approximately €2.5 million in sales.

In 2018, distance selling accounted for 48.0% of Group revenues (53.3% in 2017 and 58.2% in 2016), progressively reducing its weight as a distribution channel within the Group.

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

<i>€thousand</i>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Δ%17/18</b>	<b>Cagr 16/18</b>
<b>Revenues from distance selling - Italy</b>	<b>31,364</b>	<b>37,303</b>	<b>41,005</b>	<b>(15.92%)</b>	<b>(12.54%)</b>
<b>Revenues from distance selling - Foreign Markets</b>	<b>40,639</b>	<b>42,537</b>	<b>43,992</b>	<b>(4.46%)</b>	<b>(3.89%)</b>
Germany	24,399	24,874	24,863	(1.91%)	(0.94%)
France	5,513	5,545	5,335	(0.58%)	1.66%
England	4,159	4,589	6,443	(9.36%)	(19.66%)
Switzerland	3,439	3,975	4,108	(13.48%)	(8.50%)
Austria	2,319	2,611	2,175	(11.17%)	3.25%
Belgium	368	514	501	(28.43%)	(14.31%)
Netherlands	442	411	384	7.54%	7.25%
Other countries	0	19	183	(100.00%)	(100.00%)
<b>Total revenue distance selling div.</b>	<b>72,003</b>	<b>79,840</b>	<b>84,997</b>	<b>(9.82%)</b>	<b>(7.96%)</b>

The general decrease in distance selling revenues in all the countries where the Group operates is due almost entirely to the negative trend in sales through the "teleselling" telephone sales channel.

Over the last few years, this type of sale has been significantly affected by various adverse factors that have penalised specialist operators. These factors include, for example:

- the use of particularly aggressive sales techniques by telephone companies, utilities, insurance companies and satellite TV companies, which have drastically reduced customers' propensity to listen;
- the introduction of mobile phone applications that allow the identification and silencing of commercial calls and have significantly reduced the "contactability" rate of potential customers;
- the introduction, as from May 2018, of the restrictive privacy policies imposed by the GDPR ("General Data Protection Regulation").



With reference to the latter aspect, the company Giordano Vini S.p.A., a legal entity of the IWB Group that deals mainly with sales on the distance selling channel, has adopted strict internal control procedures on the subject and has introduced the figure of the Data Protection Officer in its organisation in order to fully comply with the provisions of the regulation. At the same time, from early 2017, the subsidiary significantly reduced its activities in the specific sector.

The table below provides details of the Group's sales revenues in Italy and abroad, broken down into sales through the Direct Mailing, Teleselling and Digital/Web channels.

*Valori in migliaia di euro*

	31.12.2018	31.12.2017	31.12.2016	Δ % 17/18	Cagr 16/18
<b>Ricavi distance selling Italia</b>	<b>31.364</b>	<b>37.303</b>	<b>41.005</b>	<b>(15,92%)</b>	<b>(12,54%)</b>
Direct Mailing	14.829	16.323	18.054	(9,15%)	(9,37%)
Teleselling	12.671	17.810	20.551	(28,85%)	(21,48%)
Digital / WEB	3.864	3.170	2.400	21,89%	26,89%
<i>% Direct Mailing sul totale Italia</i>	<i>47,3%</i>	<i>43,8%</i>	<i>44,0%</i>		
<i>% Teleselling sul totale Italia</i>	<i>40,4%</i>	<i>47,7%</i>	<i>50,1%</i>		
<i>% Digital / WEB sul totale Italia</i>	<i>12,3%</i>	<i>8,5%</i>	<i>5,9%</i>		
<b>Ricavi distance selling Estero</b>	<b>40.639</b>	<b>42.537</b>	<b>43.992</b>	<b>(4,46%)</b>	<b>(3,89%)</b>
Direct Mailing	23.829	25.724	26.462	(7,37%)	(5,11%)
Teleselling	8.725	11.461	12.541	(23,87%)	(16,59%)
Digital / WEB	8.085	5.352	4.989	51,07%	27,30%
<i>% Direct Mailing sul totale Estero</i>	<i>58,6%</i>	<i>60,5%</i>	<i>60,2%</i>		
<i>% Teleselling sul totale Estero</i>	<i>21,5%</i>	<i>26,9%</i>	<i>28,5%</i>		
<i>% Digital / WEB sul totale Estero</i>	<i>19,9%</i>	<i>12,6%</i>	<i>11,3%</i>		
<b>Totale ricavi div. Distance selling</b>	<b>72.003</b>	<b>79.840</b>	<b>84.997</b>	<b>(9,82%)</b>	<b>(7,96%)</b>

*Nota: dati estratti da sistema gestionale extracontabile, non rettificati secondo i criteri IFRS*

The analysis of the above table shows:

- The decrease in sales in the teleselling channel had a particularly negative impact on the Italian market, where the Group has historically had a high concentration of telephone sales on the total (over 50% of the total in 2016 and now just over 40% in 2018);
- Foreign markets show greater penetration of the digital/web channel compared to Italy, as well as higher growth rates, with sales almost doubling in the two years;
- The Group confirms its position as the leading Italian digital player on the European wine market, with notable growth in both structural terms and remuneration.

With regard to the development of distance selling activities in the near future, the Group continued to strengthen its digital presence on the European market, with the launch of the Svinando brand in all the countries where it operates and the creation of a marketplace dedicated to the world of Italian artisanal beer. In addition, new markets such as Spain and Denmark will soon be entering the market.



These actions will make it possible to offset the expected further reduction in sales in the teleselling channel over the next two years.

### **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 in the next three years.

<i>Restated €thousand</i>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Δ % 17/18</b>	<b>Cagr 16/18</b>
<b>Total revenues</b>	<b>150,187</b>	<b>153,416</b>	<b>148,664</b>	<b>(2.10%)</b>	<b>0.51%</b>
Purchase costs	(86,082)	(83,219)	(78,527)	3.44%	4.70%
<i>% of total revenues</i>	<i>-57.32%</i>	<i>-54.24%</i>	<i>-52.82%</i>		
Costs for services	(41,515)	(45,700)	(46,503)	(9.16%)	(5.52%)
<i>% of total revenues</i>	<i>-27.64%</i>	<i>-29.79%</i>	<i>-31.28%</i>		
Personnel	(7,627)	(8,147)	(11,821)	(6.38%)	(19.68%)
<i>% of total revenues</i>	<i>-5.08%</i>	<i>-5.31%</i>	<i>-7.95%</i>		
Other operating costs	(362)	(319)	(496)	13.48%	(14.57%)
<i>% of total revenues</i>	<i>-0.24%</i>	<i>-0.21%</i>	<i>-0.33%</i>		
<b>Restated EBITDA</b>	<b>14,601</b>	<b>16,031</b>	<b>11,317</b>	<b>(8.92%)</b>	<b>13.59%</b>
<i>% of total revenues</i>	<i>9.72%</i>	<i>10.45%</i>	<i>7.61%</i>		

(\*) Restated EBITDA to take into account the effects of non-recurring charges

The above table shows first of all that in 2018 the incidence of Purchase Costs on total revenues increased by over 3% YOY (from 54.24% to 57.32%).

The increase in the percentage on turnover of the costs for purchases described above is the combined effect of the drastic increase in the cost of grapes, musts and wine, which, as a whole, account for 75% of the costs for purchases, as mentioned several times.

This increase, which occurred from the end of 2017, had a significant compressing effect on the Group's margins, only partially offset by the usual actions taken by management to maximise profitability such as:

- i) the constant commercial development of proprietary brands within the wholesale division, which have continued to show growing customer satisfaction, allowing both a growth in revenues from sales and a growth in the unit margin per sale; this is an aspect of fundamental importance for the stability of volumes and margins in future years. Own brand sales exceeded approximately 90% of total revenues in 2018;
- ii) the implementation of a commercial policy in the distance selling division aimed at reducing business volumes with smaller margins;



- 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.

After leaving behind the 2017 harvest, according to official data of the Association of Italian Oenologists (Assoenologi), production in 2018 stood at about 52.5 million hectolitres, up 23.5% YOY. The most productive regions were the Veneto (9.7 million hectolitres) and Apulia (8.1 million hectolitres).

This trend has significantly eased pressure on the purchase prices of grapes, wines and musts and is positively reflected in the Group's margins since the early months of 2019.

Service costs continued the downward trend already recorded in 2017. In particular, they decreased significantly in 2018 both in absolute terms (-€4.2 million) from €45.7 million at 31 December 2017 to €41.5 million at the end of 2018, and as a percentage of total revenues (from 29.79% to 27.64%).

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

*Restated €thousand*

	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Services from third parties	12,161	14,861	17,552
Transport	11,255	11,668	11,601
Postage expenses	4,007	4,316	5,054
Fees and rents	1,634	1,746	1,766
Professional	1,422	1,281	1,632
Advertising costs	4	7	670
Utilities	846	500	610
Remuneration of Directors and Statutory Auditors	877	652	851
Maintenance	272	283	235
Costs for outsourcing	6,626	6,713	4,418
Commissions	243	825	1,165
Other costs for services	2,687	3,058	2,274
Non-recurring expenses	(519)	(210)	(1,325)
<b>Total</b>	<b>41,515</b>	<b>45,700</b>	<b>46,503</b>

An analysis of the individual items in the table shows that in 2018:

- 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) the reduction in rent, linked to the renegotiation of the lease contract for the logistics centre located in Cherasco (CN).

The decrease in costs for services mentioned above is to be considered together with the further reduction in Personnel Costs both in absolute terms (€0.5 million) and in terms of percentage on Total Revenues, which fell from 5.31% to 5.08%.

The curbing of service and personnel costs has made it possible to almost completely preserve the Group's operating profitability from the aforementioned increase in the cost of raw materials. In particular, Restated EBITDA in 2018 amounted to €14.6 million (9.72% of Total Revenues) and was only slightly lower than the previous year (€16.0 million) and significantly higher than in 2016 (€11.3 million).

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.

<i>Restated €thousand</i>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Δ % 17/18</b>	<b>Cagr 16/18</b>
<b>Restated EBITDA</b>	<b>14,601</b>	<b>16,031</b>	<b>11,317</b>	<b>(8.92%)</b>	<b>13.59%</b>
Write-downs <i>% of total revenues</i>	(1,466) -0.98%	(1,470) -0.96%	(1,028) -0.69%	(0.27%)	19.42%
Depreciation and amortization <i>% of total revenues</i>	(2,044) -1.36%	(1,773) -1.16%	(1,965) -1.32%	15.28%	1.99%
Non-recurring expenses <i>% of total revenues</i>	(1,179) -0.79%	(1,873) -1.22%	(2,207) -1.48%	(37.05%)	(26.91%)
Release (Provisions) for risks and charge <i>% of total revenues</i>	(36) -0.02%	(118) -0.08%	(66) -0.04%	(69.49%)	(26.15%)
<b>Operating profit/(loss)</b> <i>% of total revenues</i>	<b>9,876</b> 6.58%	<b>10,797</b> 7.04%	<b>6,051</b> 4.07%	<b>(8.53%)</b>	<b>27.75%</b>

The above table shows that the income statement of the Italian Wine Brands Group was structurally characterised by a limited impact of non-monetary items (write-downs, amortisation/depreciation, etc.), which, as a whole, accounted for approximately 2.34% of Total Revenue. The Operating Result for the period benefited significantly both in absolute terms and in terms of margin on revenues.

Non-recurring charges, which amounted to €1.18 million in 2018, were significantly lower than in both 2017 (€1.9 million) and 2016 (€2.20 million). They are attributable to:

- Charges for the restructuring of the logistics business unit, €0.50 million for redundancy incentives, €0.22 million for taxes, legal, notary and tax expenses;
- charges for the acquisition of Pro.Di.Ve. Srl (€0.12 million);



- other non-recurring charges (€0.09 million);
- costs arising from the Stock Grant Plan 2017-2019 (€0.26 million) approved by the Shareholders' Meeting on 5 December 2017. In this regard, following the full achievement of the economic and financial targets for the year 2017, pursuant to the above plan, 21,278 ordinary shares of Italian Wine Brands S.p.A., accounting 15% of the total shares covered by the three-year incentive, will be assigned free of charge to the eligible managers. These shares are already entirely owned by the company at the reporting date and the average purchase value was €12.0 per share.

### **Investments in Capital Assets, Net Working Capital and Financial Position.**

During 2018, the Group made investments in capital assets totalling €4.0 million, broken down as follows:

- the purchase of an automated packaging plant at the Cherasco logistics centre (€1.8 million);
- purchase of industrial equipment for the Torricella winery (€0.7 million);
- purchase and development of software and purchase of other intangible assets (€1.0 million);
- Goodwill relating to the purchase of 100% of the shareholding in Pro.Di.Ve. (Svinando Wine Club) (€0.5 million).

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 was substantially stable, going from -€4.5 million at 31 December 2017 to -€3.8 million at 31 December 2018.

In 2018, the Group distributed a dividend per share of €0.40 with a total cash outlay of €2.5 million (€1.1 million in 2017). Also in 2018, the Group continued its share buy-back plan, approved by the Shareholders' Meeting on 13 April 2018, which generated a cash outlay of €1.6 million during the year (€0.4 million in 2017).

The above trends maintained the already very low levels of Net Financial Debt, which rose from €10.5 million at 31 December 2016 to €2.3 million at 31 December 2017 and now €3.4 million at the end of 2018.



The table below provides a summary of the changes over the three-year period in Net Invested Capital, Shareholders' Equity and Net Financial Debt.

€thousand

	31.12.2018	31.12.2017	31.12.2016
<b>Net fixed assets</b>	<b>91,394</b>	<b>88,390</b>	<b>88,413</b>
Intangible fixed assets	78,385	76,657	75,887
Property, plant and equipment	14,736	14,232	15,529
Provisions for risks and other provision:	(1,071)	(1,684)	(1,996)
Employee severance indemnities	(656)	(815)	(1,007)
<b>Net working capital</b>	<b>(3,740)</b>	<b>(4,460)</b>	<b>(1,784)</b>
Trade receivables	20,785	22,220	23,981
Trade payables	(44,522)	(46,801)	(43,889)
Inventory	18,997	20,211	17,712
Other assets/(liabilities)	1,000	(90)	412
<b>Net Invested Capital</b>	<b>87,654</b>	<b>83,930</b>	<b>86,629</b>
<b>Shareholders' equity</b>	<b>84,282</b>	<b>81,624</b>	<b>76,162</b>
<b>Net financial debt</b>	<b>3,372</b>	<b>2,306</b>	<b>10,467</b>
<b>Total Sources</b>	<b>87,654</b>	<b>83,930</b>	<b>86,629</b>

## 2. Significant events during the period

Please refer to paragraph 1.3 for further details

## 3. Outlook

In 2019, the main lines of action will be:

1. The implementation of marketing policies aimed at enhancing the brands in the portfolio and the inclusion of new brands and products with high added and perceived value;
2. The pursuit of growth in foreign markets with particular attention to maintaining the profitability achieved on European markets within and outside the eurozone;
3. Further improvement of margins in the distance selling/E-commerce division;



4. Control of fixed commercial and industrial costs and overheads, while continuing to maintain the levels of quality and effectiveness of the business;
5. The targeted acquisition of companies in the wine sector.

#### **4. Code of Ethics and Organisational Model**

The Code of Ethics, which Giordano Vini S.p.A. adopted in 2010, is an ideal alliance that the Company clearly establishes with its Human Resources and with its main external partners, and is a fundamental tool of the Compliance Programme.

The entrepreneurial objectives of Giordano Vini S.p.A. are pursued without ever losing sight of respect, responsibility, transparency, sobriety and continuous innovation.

These are points of reference that have always allowed us to ensure the centrality of customers to whom we always offer maximum satisfaction.

Giordano Vini S.p.A has adopted a Compliance Programme 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**

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. During the period, the company Electa was appointed as a consultant, qualifying it as a related-party transaction of minor materiality pursuant to Article 3, paragraph 1, letter c) of Consob Regulation No. 17221/2010, since the total value to be paid to Electa is higher than the threshold of €100,000 set forth in Article 9.1 of the RPT Procedure for the identification of "transactions of minor amount" and lower than the parameters contained in Article 10.2 of the RPT Procedure for the identification of "transactions of major materiality."

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**

Giordano Vini S.p.A. refers 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 method of carrying out the work activity was considered in the analysis of the risks without specific risk situations being identified. The subject is always under control in the periodic updates of these documents.

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

During 2018, constant health monitoring activities were carried out, as required by current legislation.

During the period, 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 31 December 2018, at 31 December 2017 and at 31 December 2016 is shown below for the Group companies:

	At 31 December 31.12.2018	Average no. 31.12.2018	At 31 December 31.12.2017	Average no. 31.12.2017
Executives	5	6	5	5
Middle managers	8	9	8	8
Office workers	125	130	131	153
Workers	17	26	17	20
<b>Total</b>	<b>155</b>	<b>170</b>	<b>161</b>	<b>186</b>

## 7. Treasury shares

At 31 December 2018, the Parent Company held 154,072 ordinary shares, representing 2.08% of the ordinary share capital in circulation.



## Consolidated Statement of Financial Position

<i>Amounts in EUR</i>	Notes	31.12.2018	31.12.2017
<b>Non-current assets</b>			
Intangible fixed assets	5	31,623,880	30,430,899
Goodwill	6	55,454,960	55,008,001
Land, property, plant and equipment	7	14,735,733	14,231,545
Equity investments	8	2,496	2,198
Other non-current assets	9	786,647	787,828
Deferred tax assets	10	1,457,007	1,515,061
<b>Total non-current assets</b>		<b>104,060,723</b>	<b>101,975,532</b>
<b>Current assets</b>			
Inventory	11	18,996,721	20,210,919
Trade receivables	12	20,785,333	22,220,430
Other current assets	13	1,529,861	2,107,127
Current tax assets	14	3,010,655	1,959,074
Current financial assets		286,113	0
Cash and cash equivalents	15	39,200,858	30,680,393
<b>Total current assets</b>		<b>83,809,541</b>	<b>77,177,943</b>
Non-current assets held for sale		-	-
<b>Total assets</b>		<b>187,870,264</b>	<b>179,153,475</b>
<b>Shareholders' equity</b>			
Share capital		879,854	709,878
Reserves		65,744,306	67,288,195
Reserve for defined benefit plans		(28,916)	(23,839)
Reserve for stock grants		254,698	251,192
Profit (loss) carried forward		11,081,679	6,665,751
Net profit (loss) for the period		6,350,453	6,733,439
<b>Total Shareholders' Equity of parent company shareholders</b>		<b>84,282,074</b>	<b>81,624,616</b>
Shareholders' equity of NCIs		-	-
<b>Total Shareholders' Equity</b>	16	<b>84,282,074</b>	<b>81,624,616</b>
<b>Non-current liabilities</b>			
Financial payables	17	24,454,258	24,670,333
Provision for other employee benefits	18	656,412	814,729
Provisions for future risks and charges	19	1,070,569	1,550,757
Deferred tax liabilities	10	10,153,008	10,298,530
Other non-current liabilities	21	-	-
<b>Total non-current liabilities</b>		<b>36,334,247</b>	<b>37,334,349</b>
<b>Current liabilities</b>			
Financial payables	17	18,404,583	8,315,592
Trade payables	20	44,521,994	46,801,344
Other current liabilities	21	2,152,725	2,175,110
Current tax liabilities	22	2,174,641	2,768,922
Provisions for future risks and charges	19	-	133,541
Derivatives		-	-
<b>Total current liabilities</b>		<b>67,253,943</b>	<b>60,194,509</b>
Liabilities directly related to assets held for sale		-	-
<b>Total shareholders' equity and liabilities</b>		<b>187,870,264</b>	<b>179,153,475</b>



## Comprehensive consolidated income statement

<i>Amounts in EUR</i>	Notes	31.12.2018	31.12.2017
Revenue from sales	23	149,862,766	149,735,829
Change in inventories	11	(1,161,820)	2,402,154
Other income	23	1,486,547	1,277,593
<b>Total revenue</b>		<b>150,187,493</b>	<b>153,415,576</b>
Purchase costs	24	(86,081,716)	(83,219,342)
Costs for services	25	(42,034,002)	(45,909,648)
Personnel costs	26	(8,287,412)	(9,809,913)
Other operating costs	27	(362,468)	(319,407)
<b>Operating costs</b>		<b>(136,765,598)</b>	<b>(139,258,310)</b>
<b>EBITDA</b>		<b>13,421,895</b>	<b>14,157,266</b>
Depreciation and amortization	5-7	(2,044,291)	(1,773,318)
Provision for risks	19	(36,000)	(117,762)
Write-ups / (Write-downs)	28	(1,465,174)	(1,470,248)
<b>Operating profit/(loss)</b>		<b>9,876,430</b>	<b>10,795,938</b>
Finance revenue		76,473	185,092
Borrowing costs		(1,211,868)	(1,749,945)
<b>Net financial income/(expenses)</b>	29	<b>(1,135,395)</b>	<b>(1,564,853)</b>
<b>EBT</b>		<b>8,741,035</b>	<b>9,231,084</b>
Taxes	30	(2,390,582)	(2,497,645)
(Loss) Profit from discontinued operations		-	-
<b>Profit (loss) (A)</b>		<b>6,350,453</b>	<b>6,733,439</b>
<b>Attributable to:</b>			
(Profit)/Loss of NCIs		-	-
<b>Group profit (loss)</b>		<b>6,350,453</b>	<b>6,733,439</b>
<b>Other Profit/(Loss) of comprehensive income statement:</b>			
<b>Other items of the comprehensive income statement for the period to be subsequently released to profit or loss</b>			
		-	-
<b>Other items of the comprehensive income statement for the period not to be subsequently released to profit or loss</b>			
Actuarial gains/(losses) on defined benefit plans	18	3,758	5,785
Tax effect of Other profit/(loss)		-	-
<b>Total other profit/(loss), net of tax effect (B)</b>		<b>3,758</b>	<b>5,785</b>
<b>Total comprehensive profit/(loss) (A) + (B)</b>		<b>6,354,211</b>	<b>6,739,224</b>



## 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
<b>Balance at 1 January 2017</b>	<b>707,083</b>	<b>67,564,205</b>	<b>0</b>	<b>0</b>	<b>(31,798)</b>	<b>7,922,910</b>	<b>76,162,400</b>
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
<b>Total comprehensive profit/(loss)</b>					5,785	6,733,439	<b>6,739,224</b>
<b>Balance at 31 December 2017</b>	<b>709,878</b>	<b>67,159,147</b>	<b>251,191</b>	<b>0</b>	<b>(26,013)</b>	<b>13,530,413</b>	<b>81,624,616</b>
Capital increase	169,976						169,976
Purchase of own shares		(1,585,211)					(1,585,211)
Dividends						(2,545,578)	(2,545,578)
Stock grant		251,191	3,507				254,698
Reclassifications		(80,821)			(6,661)	96,844	9,362
<b>Total comprehensive profit/(loss)</b>					3,758	6,350,453	<b>6,354,211</b>
<b>Balance at 31 December 2018</b>	<b>879,854</b>	<b>65,744,306</b>	<b>254,698</b>	<b>0</b>	<b>(28,916)</b>	<b>17,432,132</b>	<b>84,282,074</b>



## Consolidated statement of cash flows

Amounts in EUR

	31.12.2018	31.12.2017
Profit (loss) before taxes	8,741,035	9,231,084
Adjustments for:		
- non-monetary items - stock grant		
- allocations to the provision for bad debts net of utilizations	1,465,174	1,470,248
- non-monetary items - provisions / (releases)	36,000	117,762
- non-monetary items - amortisation/depreciation	2,044,291	1,773,318
<b>Adjusted profit (loss) for the period before taxes</b>	<b>12,286,500</b>	<b>12,592,412</b>
<b>Cash flow generated by operations</b>		
Income tax paid	(1,645,862)	770,892
Other financial (income)/expenses without cash flow (financial amortisation)	198,666	53,276
Total	<b>(1,447,196)</b>	<b>824,168</b>
<b>Changes in working capital</b>		
Change in receivables from customers	(29,315)	289,992
Change in trade payables	(2,430,824)	2,912,139
Change in inventories	1,347,086	(2,516,997)
Change in other receivables and other payables	(1,784,255)	(2,992,708)
Other changes	(57,017)	18,560
Change in post-employment benefits and other provisions	(807,343)	(615,481)
Change in other provisions and deferred taxes	(87,468)	(5,999)
Total	<b>(3,849,135)</b>	<b>(2,910,494)</b>
<b>Cash flow from operations (1)</b>	<b>6,990,168</b>	<b>10,506,086</b>
<b>Capital expenditure:</b>		
- Tangible	(1,873,005)	(399,464)
- Intangible	(1,710,623)	(614,461)
- Net cash flow from business combination (*):	(461,827)	-
- Financial	258	-
<b>Cash flow from investment activities (2)</b>	<b>(4,045,197)</b>	<b>(1,013,925)</b>
<b>Financial assets</b>		
Short-term borrowings (cash)	10,000,000	3,000,240
Short-term borrowings (cash) (paid)	(3,000,000)	(975,000)
Collections / (repayments) Senior loan	(1,625,000)	(9,161,734)
Collections / (repayments) other financial payables	3,898,000	2,040,045
Change in other financial assets	(286,113)	-
Change in other financial liabilities	285,360	(60,416)
Purchase of own shares	(1,585,211)	(405,058)
Dividends paid	(2,545,578)	(1,125,936)
Monetary capital increases	169,976	2,797
Change in reserve for stock grants	254,698	251,191
Change in valuation reserve	-	-
Other changes in Shareholders' equity	9,361	-
<b>Cash flow from financing activities (3)</b>	<b>5,575,494</b>	<b>(6,433,871)</b>
<b>Cash flow from continuing operations</b>	<b>8,520,465</b>	<b>3,058,290</b>
<b>Change in cash and cash equivalents (1+2+3)</b>	<b>8,520,465</b>	<b>3,058,290</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>30,680,393</b>	<b>27,622,103</b>
<b>Cash and cash equivalents at end of period</b>	<b>39,200,858</b>	<b>30,680,393</b>

(\*) 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 CONSOLIDATED ANNUAL FINANCIAL REPORT

### **Introduction**

This Financial Report at 31 December 2018 has been prepared in accordance with the AIM Regulation and in compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved 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").

### **Balance sheet schedules**

This Financial Report at 31 December 2018 consists of the statement of financial position, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the notes, and is accompanied by the directors' report on operations.

The format adopted for the Statement of Financial Position distinguishes between current and non-current assets and liabilities.

The Group opted to present the items of profit or loss for the year in a single statement of comprehensive income, which includes the result for the period and, by homogeneous categories, income and expenses which, in accordance with IFRS, are posted directly to shareholders' equity. The income statement format adopted provides for the classification of costs by nature.

The statement of changes in shareholders' equity includes, in addition to total profits/losses for the period, the amounts of transactions with equity holders and changes in reserves during the period.

The statement of cash flows analyses the cash flows deriving from the operating activities using the indirect method, whereby the profit (loss) for the period is adjusted for the effects of non-monetary transactions, any deferrals or provisions relating to previous or future operating receipts or payments and the revenue or cost items connected with cash flows deriving from investing or financing activities.



## 1 Consolidation area

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 financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is acquired until such time as control ceases to exist. 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 in Euro	Parent company	Percentage held	Percentage directly held
IWB S.p.A.	Italy	879,854	-	Parent Company	
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 General principles of preparation

The consolidated financial statements were prepared on a going concern basis, with the presentation currency being the Euro, and the amounts shown are rounded to the nearest whole number, including, unless otherwise indicated, the amounts shown in the notes.

The general principle adopted in the preparation of these consolidated financial statements is that of cost, with the exception of derivative financial instruments measured at fair value.

The most significant accounting principles adopted in the preparation of these consolidated financial statements are as follows:

### Business combinations

Business combinations are recorded based on the acquisition method. The cost of an acquisition is calculated as the sum of the amount paid, valued at fair value as at the acquisition date, and the amount of any non-controlling interest held in the acquired asset.



For each business combination, the purchaser must assess any non-controlling interest held in the acquired property at fair value, or proportionate to the non-controlling interests held in the net identifiable assets of the acquired property. Acquisition costs are stated and classified under administrative expenses

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at fair value at the acquisition date; exceptions to this are deferred tax assets and liabilities, assets and liabilities for employee benefits, liabilities or equity instruments relating to share-based payments of the acquired company or share-based payments issued in place of contracts of the acquired company, and assets (or groups of assets and liabilities) held for sale, which are instead measured according to their reference standard.

Any potential consideration must be recorded by the purchaser at fair value at the date of acquisition and classified according to IAS 32.

Goodwill is initially measured at cost, which is the excess of the sum of the consideration transferred in the business combination, the value of shareholders' equity attributable to non-controlling interests and the fair value of any investment previously held in the acquiree over the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and liabilities assumed at the acquisition date exceeds the sum of the consideration transferred, the value of the shareholders' equity pertaining to non-controlling interests and the fair value of any investment previously held in the acquiree, this excess is immediately recognised in profit or loss as income from the transaction concluded.

The portions of shareholders' equity pertaining to non-controlling interests at the acquisition date can be measured at fair value or at the pro-rata value of the net assets recognised for the acquiree. The choice of valuation method is made on a transaction-by-transaction basis.

Any contingent consideration provided for in the business combination contract is measured at fair value at the acquisition date and included in the value of the consideration transferred in the business combination for the purpose of determining goodwill. Any subsequent changes in this fair value, which may be qualified as adjustments arising during the measurement period, are retrospectively included in goodwill. Changes in fair value that qualify as adjustments arising during the measurement period are those resulting from additional information on facts and circumstances that existed at the acquisition date, obtained during the measurement period (which may not exceed one year from the business combination).

In the case of business combinations carried out in stages, the equity investment previously held in the acquiree is revalued at fair value at the date of acquisition of control and any resulting profit or loss is recognised in the income statement. Any amounts deriving from the equity investment previously held and recognised in Other comprehensive income are restated in profit or loss as if the equity investment had been sold.

If the initial amounts of a business combination are incomplete at the reporting date of the financial statements in which the business combination took place, provisional amounts of the items for which recognition cannot be completed are reported in the consolidated financial statements. These provisional amounts are adjusted during the measurement



period to take into account new information obtained about facts and circumstances existing at the acquisition date that, if known, would have affected the amount of the assets and liabilities recognised at that date.

Transactions in which the parent company acquires or sells further non-controlling interests without changing the control exercised over the subsidiary are transactions with shareholders and therefore the relative effects must be recognised in shareholders' equity: there will be no adjustments to goodwill and no gains or losses recognised in the income statement.

Ancillary charges relating to business combinations are recognised in profit or loss in the period in which they are incurred.

### ***Intangible assets with indefinite useful life***

#### ***Goodwill***

Goodwill is recognised as an asset with an indefinite useful life and is not amortised, but tested for impairment annually, or more frequently if there is an indication that specific events or changed circumstances may have caused an impairment loss. Impairment losses are immediately recognised in profit or loss statement and are not subsequently reversed. After the initial recognition, goodwill is valued at cost, net of any accumulated impairment losses.

In order to test for impairment, goodwill acquired in a business combination is allocated, at the acquisition date, to the individual cash-generating units or groups of cash-generating units that should benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Each unit or group of units to which goodwill is allocated represents the lowest level at which goodwill is monitored for internal management purposes.

Any loss in value is identified by comparing the carrying amount of the cash generating unit with its realisable value. If the realisable value of the cash-generating unit is lower than the carrying amount attributed, the related impairment loss is recognised. This impairment loss is not reversed if the reasons for it no longer exist.

If goodwill has been allocated to a cash-generating unit and the entity disposes of the assets of this unit, the goodwill associated with the disposed asset must be included in the carrying amount of the asset when the gain or loss resulting from the disposal is determined. The goodwill associated with the disposed asset must be determined on the basis of the relative values of the disposed asset and of the portion of the cash-generating unit that is retained.

#### ***Trademark***

With effect from 1 January 2014, the Directors of Giordano Vini S.p.A., also with the support of an independent expert, attributed an indefinite useful life to the trademark acquired as part of a merger transaction. As part of the business combination carried out in 2015, with regard to Provinco Italia S.p.A., part of the purchase price was allocated to the trademarks owned by Provinco, attributing an indefinite useful life to them as well.



### ***Intangible assets with finite useful life***

Intangible assets with finite useful life are valued at purchase or production cost net of amortisation and accumulated impairment losses. Depreciation is commensurate with the expected useful life of the asset and begins when the asset is available for use. The useful life is reviewed annually and any changes are made prospectively.

Whenever there are reasons to do so, intangible assets with a finite useful life are tested for impairment.

### ***Other intangible assets***

Other intangible assets are recognised in the statement of financial position only if it is probable that the use of the asset will generate future economic benefits and if the cost of the asset can be measured reliably. Once these conditions are met, intangible assets are recorded at purchase cost, which corresponds to the price paid plus accessory charges.

The gross carrying amount of other intangible assets with a finite useful life is systematically allocated over the years in which they are used, by means of constant amortisation charges, in relation to their estimated useful life. Amortisation begins when the asset is available for use and is proportionate, for the first reporting period, to the period of actual use. The amortisation rates used are determined on the basis of the useful life of the related assets.

The useful life values used to prepare these consolidated financial statements are as follows:

<b>CATEGORY</b>	<b>USEFUL LIFE</b>
Concessions, licences, trademarks and similar rights	10 years
Industrial patent and use of intellectual property	3 years
Project for adjustment of management control	3 years
Teleselling Development Cost	lease agreement
Leased intangible assets	financial lease contract.

### ***Intangible assets under financial lease***

Assets held under finance leases, whereby all the risks and rewards of ownership are substantially transferred to the entity are recognised as assets at their fair value or, if lower, the present value of the minimum future lease payments. The related liability to the lessor is recognised as a financial payable. The assets are amortised applying the criteria and rates indicated above.

Leases where the lessor substantially retains all the risks and benefits of ownership, are treated as operating leases. Operating lease costs are recognised on a straight-line basis in profit or loss over the term of the lease contract.

### ***Land, property, plant and equipment***

Tangible assets are composed of:

- industrial land and buildings
- plant and machinery



- industrial and commercial equipment
- other goods

These are recorded at purchase or production cost, including directly attributable ancillary charges necessary for putting the asset into operation for its intended use.

The cost is reduced by depreciation, with the exception of land, which is not depreciated because it has an indefinite useful life, and any losses in value.

Depreciation is calculated on a straight-line basis using percentages that reflect the economic and technical deterioration of the asset and is calculated from the moment in which the asset is available for use.

Significant parts of property, plant and equipment with different useful life are accounted for separately and depreciated over their useful life.

The useful life of assets and residual values are reviewed annually at the time of closing the financial statements. The useful life values used to prepare these consolidated financial statements are as follows:

<b>CATEGORY</b>	<b>USEFUL LIFE</b>
Land	Indefinite
Buildings	18-50 years
Plant and equipment:	
- Means of transport for interiors	10-12 years
- Generic plant	8-18 years
- Machinery	6-15 years
- Vats and tanks	4-20 years
Industrial and commercial equipment:	
- Cars	5-8 years
- Equipment	8-12 years
- Electronic machines	4-8 years
- Ordinary office machines and furniture	15 years
- Goods on loan for use	4 years

Routine maintenance and repair costs are recognised directly in profit or loss in the period in which they are incurred.

Profits and losses arising from the sale or disposal of property, plant and equipment are determined as the difference between the sale proceeds and the net carrying amount of the asset and are recognised in profit or loss for the period.

Leasehold improvements with the characteristics of fixed assets are capitalised in the category of the asset to which they refer and are depreciated over their useful life or, if shorter, over the duration of the lease agreement.

Financial charges, incurred for investments in assets which normally require a certain period of time to be ready for use or sale (qualifying asset pursuant to IAS 23 - Borrowing Costs), are capitalised and amortised over the useful life of the class of assets to which they refer.

All other financial charges are recognised in profit or loss in the period in which they are incurred.



### ***Impairment of assets***

At least once a year it is checked whether the assets and/or the cash generating units ("CGUs") to which the assets are attributable may have suffered an impairment loss. If there is such evidence, the realisable value of the assets/CGUs is estimated. Goodwill and other intangible assets with an indefinite useful life are tested for impairment annually or more frequently, whenever there is an indication that the asset may be impaired.

Realisable value is defined as the higher of its fair value less costs to sell and value in use. The value in use is defined on the basis of the discounting back of the future cash flows expected from the use of the asset, gross of taxes, applying a discount rate that reflects current market changes in the time value of money and the risks of the asset.

If it is not possible to estimate the realisable value of the individual fixed asset, the recoverable value of the cash-generating unit (CGU) to which the fixed asset belongs is determined.

If the realisable value of an asset (or cash-generating unit) is lower than its carrying amount, the carrying amount is reduced to its recoverable amount and the loss is recognised in profit or loss. Subsequently, if an impairment loss on assets other than goodwill ceases to exist or decreases, the carrying amount of the asset (or cash-generating unit) is increased to the new estimate of its realisable value (which, however, may not exceed the net carrying amount that the asset would have had if the impairment loss had never been recognised). This reversal is immediately recognised in profit or loss.

### ***Equity investments***

Investments in subsidiaries not included in the scope of consolidation are stated at cost, adjusted for impairment. The positive difference resulting from the acquisition between the acquisition cost and the portion of the shareholders' equity at replacement cost of the investee company pertaining to the period is therefore included in the carrying amount of the investment. If there is evidence that these investments have suffered a loss in value, this is recorded in the income statement as a write-down. In the event that any share of the losses of the investee exceeds the carrying amount of the investment, and the entity has an obligation to account for them, the value of the investment is written off and the share of any further losses is recognised as a provision under liabilities. If, subsequently, the loss in value no longer exists or is reduced, a reversal of the impairment loss within the limits of cost is recognised in profit or loss.

Associates are all companies over which the Group is able to exercise significant influence as defined by IAS 28 - Investments in Associates and Joint Ventures. Such influence is normally presumed to exist when the Group holds a percentage of voting rights between 20% and 50%, or when - even with a lower percentage of voting rights - it has the power to participate in the determination of financial and management policies by virtue of particular legal ties such as, for example, participation in shareholders' agreements together with other forms of significant exercise of governance rights.



Joint arrangements are agreements under which two or more parties have joint control on the basis of a contract. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Such agreements may give rise to joint ventures or joint operations.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures differ from joint operations, which are arrangements that give the parties to the arrangement which have joint control over the initiative, rights over the individual assets and obligations for the individual liabilities relating to the arrangement. In the case of joint operations, it is mandatory to recognise the assets and liabilities, costs and revenues of the arrangement in accordance with the relevant accounting standards. The Group has no joint operation arrangements in place.

### ***Financial instruments***

Financial instruments are included in the balance sheet items described below. Investments and other non-current financial assets include investments in subsidiaries and other non-current financial assets. Current financial assets include trade receivables and cash and cash equivalents. In particular, cash and cash equivalents include bank deposits. Financial liabilities refer to financial payables, including payables for advances on orders, assignment of receivables, as well as other financial liabilities (which include the negative fair value of derivative financial instruments), trade payables and other payables.

### ***Non-current financial assets***

Non-current financial assets other than equity investments, as well as financial liabilities, are accounted for in accordance with IFRS 9. Loans and receivables not held for trading and assets held with the intention of keeping them in the portfolio until maturity are valued at amortised cost, using the effective interest method. When financial assets do not have a fixed maturity, they are valued at purchase cost. Evaluations are regularly carried out to verify whether there is objective evidence that a financial asset may have been impaired. If there is objective evidence, the impairment loss shall be recognised as an expense in the income statement for the period. With the exception of derivative financial instruments, financial liabilities are stated at amortised cost using the effective interest method.

### ***Trade receivables and payables***

Trade receivables are initially recorded at amortised cost, which coincides with the adjusted nominal value, in order to adjust it to the presumed realisable value, by recording a provision for bad debts. This provision for bad debts is commensurate with both the size of the risks relating to specific receivables and the size of the general risk of non-collection impending on all the receivables, prudentially estimated based on past experience and the degree of known financial equilibrium of all debtors.



Trade and other payables are recorded at their nominal value, which is considered representative of the settlement value. Receivables and payables in foreign currencies are aligned with the exchange rates prevailing on the reporting date and gains or losses deriving from conversion are entered in profit or loss.

Receivables assigned as a result of factoring transactions are eliminated from the balance sheet if the risks and rewards of ownership have been substantially transferred to the assignee, thus constituting a non-recourse assignment. The portion of disposal costs that is certain to be included in the quantum amount is recognized as a financial liability.

Collections received on behalf of the factoring company and not yet transferred, generated by the contractual terms and conditions that provide for the periodic and predetermined transfer, are stated under financial liabilities.

### ***Cash and cash equivalents***

The item relating to cash and cash equivalents includes cash, bank current accounts, postal current accounts, deposits repayable on demand and other short-term highly liquid financial investments that are readily convertible into cash and are subject to an insignificant risk of change in value.

### ***Financial payables***

Financial liabilities include financial payables, including payables for deferred price parts relating to the assignment of non-recourse receivables, as well as other financial liabilities.

Financial liabilities, other than derivative financial instruments, are initially recorded at market value (fair value) less transaction costs; they are subsequently valued at amortised cost, i.e., at their initial value, net of principal repayments already made, adjusted (upwards or downwards) on the basis of the amortisation (using the effective interest method) of any differences between the initial value and the value at maturity.

### ***Inventory***

Inventory is recorded at the lower of purchase or production cost and realisable value, represented by the amount that the entity expects to obtain from their sale in the normal course of business. The cost configuration adopted is the weighted average cost. Purchase costs include prices paid to suppliers increased by ancillary costs incurred up to entry into the warehouse, net of discounts and rebates. Production costs include both direct costs of materials and labour and reasonably attributable indirect production costs. In the allocation of production overheads, the normal production capacity of the plants is taken into account for the allocation of the cost of the products.

Provisions are made for the value of inventory determined in this way to take into account inventory considered obsolete or slow-moving.

Inventory also includes production cost relating to returns expected in future periods in connection with deliveries already made, estimated based on the sales value less the average mark-up applied.



### ***Assets and liabilities held for sale***

Assets and liabilities held for sale and discontinued operations are classified as such if their carrying amount will be recovered principally through sale rather than through continuing use. These conditions are considered to have been met when the sale or discontinuance of the group of assets being disposed of is considered highly probable and the assets and liabilities are immediately available for sale in the conditions in which they are located.

When an entity is involved in a disposal plan that results in a loss of control of an investee, all assets and liabilities of that investee are classified as held for sale when the above conditions are met, even if, after disposal, the entity continues to hold a non-controlling interest in the subsidiary.

Assets held for sale are valued at the lower of their net carrying amount and fair value net of selling costs.

### ***Employee benefits***

Bonuses paid under defined-contribution plans are recognised in profit or loss for the portion accrued during the year.

Until 31 December 2006, the provision for employee severance indemnities (TFR) was considered a defined benefit plan. The rules governing this fund were amended by Law 296 of 27 December 2006 ("2007 Finance Act") and subsequent Decrees and Regulations issued in early 2007. In light of these changes, and in particular with reference to companies with at least 50 employees, this scheme is now to be considered a defined benefit plan solely for the amounts accrued before 1 January 2007 (and not yet paid at the reporting date), while for the amounts accrued after that date it is similar to a defined contribution plan.

Defined-benefit pension plans, which also include severance indemnities due to employees pursuant to Article 2120 of the Italian Civil Code, are based on the working life of the employees and the remuneration received by the employee during a predetermined period of service. In particular, the liability representing the benefit due to employees under defined benefit plans is recorded in the financial statements at its actuarial value.

The recognition of defined benefit plans requires the actuarial estimation of the amount of benefits accrued by employees in exchange for service rendered in the current and prior periods and the discounting back of such benefits in order to determine the present value of the entity's commitments. The present value of the commitments is determined by an independent actuary using the projected unit credit method. This method considers each period of service provided by employees at the company as an additional unit under law: actuarial liability must therefore be quantified only on the basis of the seniority accrued at the valuation date; therefore, total liability is normally re-proportioned based on the ratio between the years of service accrued at the valuation date of reference and the total seniority achieved at the time envisaged for the payment of the benefit. In addition, the above method provides to consider future salary increases, for whatever reason (inflation, career, contract renewals, etc.), until the time of termination of employment.



The cost of defined-benefit plans accrued during the year and recorded in profit or loss as part of personnel expenses is equal to the sum of the average current value of the rights accrued by the employees present for the work performed during the period, and the annual interest accrued on the present value of the commitments of the entity at the beginning of the period, calculated using the discount rate of future disbursements adopted for the estimate of the liability at the end of the previous period. The annual discount rate adopted for the calculations is assumed to be equal to the market rate at the end of the period for zero coupon bonds with a maturity equal to the average residual duration of the liability.

The amount of actuarial losses and gains deriving from changes in the estimates made is charged to profit or loss.

It should be noted that the valuation of the employee severance indemnity in accordance with IAS 19 concerned only Giordano Vini S.p.A., whose financial statements were prepared in accordance with IAS/IFRS and did not have an impact on Provinco Italia S.p.A.; the effect on this company is estimated to be insignificant.

#### ***Salary benefits in the form of equity participation***

The Group also remunerates its top management through stock grant plans. In such cases, the theoretical benefit attributed to the parties concerned is debited to profit or loss in the years covered by the plan, with a balancing entry in the shareholders' equity reserve. This benefit is quantified by measuring the fair value of the assigned instrument at the assignment date using financial valuation techniques, including any market conditions and adjusting the number of rights that are expected to be assigned at each reporting date.

#### ***Provisions for future risks and charges***

These are provisions arising from current obligations (legal or implicit) and relating to a past event, for the fulfilment of which it is probable that an outlay of resources will be necessary, the amount of which can be reliably estimated. If the expected use of resources goes beyond the next financial year, the obligation is recorded at its present value determined by discounting the expected future cash flows discounted at a rate that also takes into account the cost of money and the risk of the liability.

Provisions are reviewed at each balance sheet date and, if necessary, adjusted to reflect the best current estimate; any changes in estimate are reflected in profit or loss for the period in which the change occurred.

Risks for which the occurrence of a liability is only possible are mentioned in the notes without making any provision.

#### ***Revenue from sales***

Revenues are recognised to the extent that it is probable that economic benefits will flow to the entity and the amount can be measured reliably. Revenues are recognised net of discounts, allowances and returns.



Revenues from the distance selling division are recognised when the carrier delivers them to the customer. Revenues from the sale of wine, food products and gadgets are recognised as a single item.

The distance selling division accepts, for commercial reasons, returns from customers for distance selling under the terms of sale. In relation to this practice, the amounts invoiced at the time of shipment of the goods are adjusted by the amounts for which, even on the basis of historical experience, it can reasonably be expected that at the reporting date not all the significant risks and rewards of ownership of the goods have been transferred. The returns thus determined are stated in profit or loss as a reduction in revenues.

#### ***Interest income***

Interest income is recorded in profit or loss on an accruals basis according to the effective rate of return method. These mainly refer to bank current accounts.

#### ***Public funds***

Public grants are recorded when there is a reasonable certainty that they can be received (this moment coincides with the formal resolution of the public bodies granting them) and all the requirements of the conditions for obtaining them have been met.

Revenues from public grants are recognised in profit or loss based on the costs for which they were granted.

#### ***Dividends***

The distribution of dividends to shareholders, if resolved, generates a debt at the time of approval by the Shareholders' Meeting.

#### ***Cost recognition***

Selling and marketing expenses are recognised in profit or loss at the time they are incurred or the service is rendered.

Costs for promotional campaigns, mailings or other means are charged at the time of shipment of the material.

Non-capitalisable research and development costs, consisting solely of personnel costs, are expensed in the period in which they are incurred.

#### ***Interest charges***

Interest expense is recognised on an accruals basis, based on the amount financed and the effective interest rate applicable.

#### ***Taxes***

Taxes for the period represent the sum of current and deferred taxes.

Current taxes are based on the taxable income for the period. Taxable income differs from the result reported in profit or loss in that it excludes positive and negative components that will be taxable or deductible in other years and also excludes items that will never be taxable



or deductible. Current tax liabilities are calculated using the rates in force at the reporting date, or if known, those that will be in force at the time the asset is realised or the liability is extinguished.

Deferred tax assets and liabilities are the taxes that are expected to be paid or recovered on temporary differences between the carrying amount of assets and liabilities in the balance sheet and the corresponding tax value used in the calculation of taxable income, accounted for using the full liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, while deferred tax assets are recognised to the extent that it is probable that there will be taxable results in the future that will allow the use of deductible temporary differences. These assets and liabilities are not recognised if the temporary differences arise from goodwill or the from initial recognition (not in business combination transactions) of other assets or liabilities in transactions that have no influence on either the accounting result or the taxable result. The tax benefit deriving from the carry-forward of tax losses is recognised when and to the extent that it is considered probable that future taxable income will be available against which these losses can be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will exist to permit the recovery of all or part of those assets.

Deferred taxes are calculated based on the tax rate that is expected to be in force when the asset is realised or the liability is settled.

Deferred taxes are charged directly to profit or loss, with the exception of those relating to items recognised directly in equity, in which case the related deferred taxes are also charged to equity.

#### ***Fair value estimation***

The fair value of financial instruments listed on an active market is determined on the basis of market prices at the reporting date. The reference market price for financial assets held is the current sale price (purchase price for financial liabilities).

The fair value of financial instruments that are not traded on an active market is determined using various valuation techniques and assumptions based on market conditions at the reporting date. For medium and long-term liabilities, the prices of similar listed financial instruments are compared; for the other categories of financial instruments, the cash flows are discounted.

The fair value of IRSs is determined by discounting the estimated cash flows deriving from them at the reporting date. For loans, it is assumed that the nominal value, net of any adjustments made to take into account their collectability, approximates the fair value. The fair value of financial liabilities for disclosure purposes is determined by discounting the cash flows from the contract at an interest rate that approximates the market rate at which the entity is financed.



### **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 following levels can be distinguished:

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 31 December 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 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.



### **Credit risk**

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

The receivables recorded 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. These covenants have been 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 Annual Financial Report 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).

#### 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 31 December 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.



With reference to the options and exemptions provided for by IFRS 16, the Group will make the following choices:

- IFRS 16 is not generally applied to intangible assets, short-term contracts (i.e., contracts with a duration of less than 12 months) and contracts with a low unit value;
- rights of use and financial liabilities relating to lease contracts are classified under specific items in the statement of financial position;
- any service component included in the lease payments is generally excluded from the scope of IFRS 16;
- contracts with similar characteristics are valued using a single discount rate;
- leases previously measured as finance leases in accordance with IAS 17 retain their previously recognised amounts.

The main impacts on the Group's consolidated financial statements, which are still being assessed and refined, can be summarised as follows:

- Statement of Financial Position: higher non-current assets due to the recording of the "right to use the leased asset" as a contra-entry to higher financial liabilities; consequently, the recording of a lease debt of approximately €11,604 thousand is expected at the time of the transition.
- Separate income statement: different nature, qualification and classification of expenses, with the recording of the "Amortisation of the right of use of the asset" and "Interest financial charges," instead of the "Costs for use of non-company assets - operating lease instalments," as per IAS 17, with a consequent positive impact on EBITDA of approximately €1,288 thousand a year on a like-for-like basis. Moreover, the combination of straight-line amortisation of the "right to use the asset" and the effective interest rate method applied to lease payables, compared to IAS 17, leads to higher total expenses in profit or loss in the first years of the lease contract and decreasing total expenses in recent years.
- Statement of cash flows: lease payments for the principal portion of debt repayment will be reclassified from "cash flow from operating activities" to "cash flow from financing activities."

The impacts are based on the results of the analyses at the date of preparation of these financial statements and may change as the implementation process is still ongoing. The impacts during the transition are not indicative of future developments, as the choices of capital allocation could change with consequent economic and financial effects on recognition in the financial statements.

- **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*

INTANGIBLE FIXED ASSETS						
Net carrying amount						
Net carrying amount	01/01/2018	increases	decreases	amortisation	reclassifications	31/12/2018
Trademarks and patents	29,832	14	-	(9)	(50)	29,787
Software	35	432	-	(116)	566	917
Other intangible assets	564	3,210	(1,945)	(544)	(365)	920
<b>Net carrying amount intangible as</b>	<b>30,431</b>	<b>3,656</b>	<b>(1,945)</b>	<b>(669)</b>	<b>151</b>	<b>31,624</b>

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 Consolidated Annual Financial Report 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 2018 mainly relate to the development of the following computerisation processes concerning the company Giordano Vini S.p.A.:

- Computerisation of the accounts payable cycle procedure and preparation for electronic invoicing for a total value of €450 thousand (project started in 2017 and completed in the first few 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 €53 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)

	<b>31.12.2017</b>
Intangible fixed assets	151,310
Property, plant and equipment	6,523
Non-current financial assets	555
<b>Total non-current assets</b>	<b>158,388</b>
Inventory	75,871
Net trade receivables	763
Other current assets	76,902
Cash and cash equivalents	188,173
<b>Total current assets</b>	<b>341,709</b>
<b>TOTAL ASSETS</b>	<b>500,097</b>
Share capital	18,486
Other reserves	193,353
Profit (loss) for the period	(8,797)
<b>Shareholders' equity</b>	<b>203,042</b>
Payables per employee benefits	3,055
<b>Total non-current liabilities</b>	<b>3,055</b>
Trade payables	151,474
Financial payables	115,890
Other current liabilities	26,636
<b>Total current liabilities</b>	<b>294,000</b>
<b>TOTAL LIABILITIES</b>	<b>500,097</b>
Total consideration paid in cash:	650,000
Shareholders' equity	203,042
<b>Goodwill</b>	<b>446,958</b>

At 31 December 2018, goodwill and intangible assets with indefinite useful life were tested for impairment, which consists in estimating the realisable value of the CGUs and comparing them with the net carrying amount of the related assets, including goodwill.



The value in use corresponds to the present value of the future cash flows that are expected to be associated with the CGUs, identified as being congruent with the legal entities, Giordano Vini S.p.A. and Provinco Italia S.p.A., using a rate that reflects the specific risks of the individual CGUs at the valuation date.

The key assumptions used by management are the estimate of future increases in sales, operating cash flows, the growth rate of terminal values and the weighted average cost of capital (discount rate).

#### CGU Provinco

The expected result flows are those provided for in the 2018-2022 Plan, which has been acknowledged by the competent bodies of the Group. The hypothetical flow deriving from the disposal of the CGUs at the end of the explicit period (assumed to be equal to the present value of the perpetual annuity of the flow generated in the last year of the forecast) was also considered.

The discounting rate, defined as the average cost of capital net of taxes, applied to prospective cash flows, and the growth factors used, is 5.6%.

#### CGU Giordano Vini

In order to periodically check for impairment, goodwill and the registered trademark have been allocated to the cash generating unit (CGU), represented by the entity Giordano Vini.

At 31 December 2018, the realisable amount of the cash-generating unit was tested for impairment in order to determine whether there had been any impairment losses, by comparing the carrying amount of the unit (including goodwill, intangible assets with finite useful life and other net operating assets) with its value in use, or the present value of expected future cash flows that are expected to arise from its continued use and disposal at the end of its useful life.

The value in use was determined by discounting the cash flows in line with the economic and financial forecasts prepared by the Group. In order to determine the value in use of the CGU, the discounted cash flows of the 3 years of explicit projection, added to a terminal value, are considered in order to determine which the criterion of discounting the perpetual annuity has been used.

This plan was drawn up both by reflecting the company's past experience and by appropriately assessing the current economic scenario of reference. The assumptions made in the cash flow forecast for the explicit projection period were made on prudential assumptions.

The discounting rate applied to projected cash flows is 5.65% post tax and is calculated taking into account: the sector in which the company operates, the structure of debt when fully operational and the current economic situation.



For cash flows relating to financial years subsequent to the explicit projection period, a growth rate of 0.5% has been assumed.

In accordance with the requirements of IAS 36, a sensitivity analysis was carried out to verify whether a reasonably possible change in a basic assumption on which Management based its determination of the realisable value of the CGU could cause the carrying amount of the CGU to exceed its recoverable amount.

At 31 December 2018, there were no impairment losses on either CGU, between the carrying amount and the related value in use (determined using the Discounted Cash Flow method).

## **7 Land, property, plant and equipment**

The change in tangible fixed assets is shown below:



€thousand

PROPERTY, PLANT AND EQUIPMENT						
Gross value						
Historical cost	01/01/2018	increases	divestments	re-classifications	other changes	31/12/2018
Land and buildings	12,695	8	-	-	(9)	12,694
Plant and machinery	14,241	1,732	(6)	-	4	15,971
Equipment	614	81	-	-	17	712
Other property, plant and equipment	4,743	55	(141)	-	(9)	4,647
Assets under construction and advances	-	-	-	-	3	3
<b>Total historical cost</b>	<b>32,293</b>	<b>1,875</b>	<b>(147)</b>	<b>-</b>	<b>6</b>	<b>34,027</b>

PROPERTY, PLANT AND EQUIPMENT						
Accumulated depreciation						
Accumulated depreciation	01/01/2018	amortisation	divestments	re-classifications	other changes	31/12/2018
Land and buildings	(3,051)	(240)	-	-	-	(3,291)
Plant and machinery	(11,000)	(596)	6	-	-	(11,591)
Equipment	(504)	(34)	-	-	-	(538)
Other property, plant and equipment	(3,506)	(500)	134	-	-	(3,872)
Assets under construction and advances	-	-	-	-	-	-
<b>Total accumulated depreciation</b>	<b>(18,062)</b>	<b>(1,370)</b>	<b>140</b>	<b>-</b>	<b>-</b>	<b>(19,291)</b>

Net carrying amount	01/01/2018	increases	divestments	amortisation	Other changes	31/12/2018
Land and buildings	9,645	8	-	(240)	(9)	9,404
Plant and machinery	3,241	1,732	-	(596)	4	4,380
Equipment	110	81	-	(34)	17	174
Other property, plant and equipment	1,237	55	(7)	(500)	(9)	776
Assets under construction and advances	-	-	-	-	3	3
<b>Total net carrying amount</b>	<b>14,232</b>	<b>1,875</b>	<b>(7)</b>	<b>(1,370)</b>	<b>6</b>	<b>14,736</b>

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 company Giordano Vini S.p.A., are detailed as follows:

*Amounts in EUR*

	Country	Amount at 31 December 2018	Amount at 31 December 2017
<b>Other companies</b>			
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	-
<b>Total</b>		<b>2,496</b>	<b>2,198</b>

## 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
<b>Total deferred tax assets</b>			<b>1,515</b>

#### Description

Business combinations / Goodwill	8,586	27.90%	2,395
Tangible and intangible fixed assets	28,330	27.90%	7,904
<b>Total provision for deferred taxes</b>			<b>10,299</b>

### Amounts at 31 December 2018

€thousand

Description	Tax base	Tax rate	Balance
Tangible and intangible fixed assets	1,053	27.90%	294
Provision for risks and charges	855	24.00%	205
Provisions for returns and inventory write-downs	836	27.90%	233
Non-deductible interest expense	1,060	24.00%	254
Provision for bad debts	1,321	24.00%	317
Remuneration of directors	260	24.00%	62
Exchange rate adjustment	3	24.00%	1
Provisions for pensions	182	27.90%	51
<b>Total deferred tax assets</b>			<b>1,457</b>

#### Description

Business combinations / Goodwill	8,586	27.90%	2,395
Tangible and intangible fixed assets	27,804	27.90%	7,757
<b>Total provision for deferred taxes</b>			<b>10,153</b>

## 11 Inventory

The composition is shown below:



€thousand

	31.12.2018	31.12.2017
Raw materials and consumables	1,911	1,695
Semi-finished products	11,971	14,162
Finished products	5,102	4,213
Advances	13	141
<b>Total</b>	<b>18,997</b>	<b>20,211</b>

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 an provisions for bad debts of €807 thousand, the changes of which in the period are shown below:

€thousand

<b>Provision at 1 January 2018</b>	<b>673</b>
Provisions	206
Amounts used	(72)
<b>Provision at end of period</b>	<b>807</b>

## 12 Trade receivables

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

€thousand

	31.12.2018	31.12.2017
Trade receivables	23,636	24,948
Provision for writedown	(2,851)	(2,728)
<b>Total</b>	<b>20,785</b>	<b>22,220</b>

During the period, the provision for bad debts changed as follows:



€thousand

	31.12.2018	31.12.2017
<b>Initial amount</b>	<b>2,728</b>	<b>2,405</b>
Provisions	1,465	1428
Amounts used	(1,343)	(1,105)
<b>Provision at end of period</b>	<b>2,851</b>	<b>2,728</b>

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 31 December 2018 and 31 December 2017 are detailed in the following table:

€thousand

	31.12.2018	31.12.2017
Receivables from distributors for cash on delivery	166	393
Security deposits	356	356
Others	550	218
Advances to suppliers	322	916
Accruals and prepayments	135	224
<b>Total</b>	<b>1,530</b>	<b>2,107</b>

### 14 Current tax assets

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



€thousand

	31.12.2018	31.12.2017
VAT receivables	2,227	1,872
IRAP receivables	431	75
IRES receivables	327	-
Others	26	12
<b>Total</b>	<b>3,011</b>	<b>1,959</b>

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 31 December 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 31 December 2018 and 31 December 2017 is provided in the table below:



€thousand

	31.12.2018	31.12.2017
Bank deposits	38,241	30,146
Postal deposits	850	192
Cheques	83	263
Cash	26	79
<b>Total</b>	<b>39,201</b>	<b>30,680</b>

## 16 Shareholders' equity

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

*Amounts in EUR*

	31.12.2018	31.12.2017
Share capital	879,854	709,878
Legal reserve	141,976	141,417
Share premium reserve	64,565,446	65,049,505
Reserve for actuarial gains on defined benefit plans	(28,916)	(26,013)
Reserve for stock grants	254,698	251,191
Reserve for the purchase of treasury shares	(1,852,090)	(518,064)
Other reserves	2,888,974	2,486,289
Prior profits/(losses)	11,081,679	6,796,974
Profit/(loss) of the period	6,350,453	6,733,439
<b>Total reserves</b>	<b>83,402,221</b>	<b>80,914,738</b>
<b>Total Group shareholders' equity</b>	<b>84,282,074</b>	<b>81,624,616</b>
Shareholders' equity of NCIs	-	-
<b>Total shareholders' equity</b>	<b>84,282,074</b>	<b>81,624,616</b>

### 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 period 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 company Giordano Vini S.p.A. 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 31 December 2018, the Parent Company held 154,072 ordinary shares, representing 2.08% 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:

<i>Amounts in EUR</i>	<b>31 December 2018</b>	
	Profit/(loss) for the period	Shareholder s' equity
<b>Shareholders' equity IWB SpA - ITA GAAP standards</b>	<b>6,464,956</b>	<b>74,349,870</b>
Differences in accounting standards	100,033	2,909,566
<b>Shareholders' equity IWB SpA - IFRS standards</b>	<b>6,564,989</b>	<b>77,259,436</b>
<b>Elimination of carrying amount of consolidated equity investments:</b>		
Carrying amount of consolidated equity investments	-	(54,255,982)
Pro-quota share of consolidated equity investments net of consolidation differences	6,613,027	61,339,474
Dividends from subsidiaries	(6,786,181)	-
Consolidation adjustments for transactions between consolidated companies	(41,382)	(60,854)
<b>Application of the financial method to assets held under financial leases</b>		
Group shareholders' equity and profit/(loss) for the period	<b>6,350,453</b>	<b>84,282,074</b>
Non-controlling interest	-	-
<b>Consolidated shareholders' equity and profit/(loss)</b>	<b>6,350,453</b>	<b>84,282,074</b>

## **17 Financial payables**

The situation at 31 December 2018 is as follows:



<i>€thousand</i>				31.12.2018
	Short term	Medium/long term (within 5 years)	Long term (over 5 years)	Total
Pool financing - Senior	4,875	13,869	5,352	24,096
Short-term unsecured loans	11,500	-	-	11,500
GV revolving loans	-	-	3,000	3,000
Other loans in addition to e.g. unsecured loans	1,075	2,233	-	3,308
IWB mortgage	600	-	-	600
Financial accrued expenses and charges to be settled	259	-	-	259
<b>Total banks</b>	<b>18,309</b>	<b>16,102</b>	<b>8,352</b>	<b>42,763</b>
Payables to factoring companies	96	-	-	96
<b>Total other lenders</b>	<b>96</b>	<b>-</b>	<b>-</b>	<b>96</b>
<b>Total</b>	<b>18,405</b>	<b>16,102</b>	<b>8,352</b>	<b>42,859</b>

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

<i>€thousand</i>				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 loans in addition to e.g. unsecured loans	397	1,300	-	1,697
IWB mortgage	300	900	-	1,200
Financial accrued expenses and charges to be settled	24	-	-	24
<b>Total banks</b>	<b>8,272</b>	<b>15,388</b>	<b>9,282</b>	<b>32,942</b>
Payables to factoring companies	44	-	-	44
<b>Total other lenders</b>	<b>44</b>	<b>-</b>	<b>-</b>	<b>44</b>
<b>Total</b>	<b>8,316</b>	<b>15,388</b>	<b>9,282</b>	<b>32,986</b>

The table below shows the changes in financial liabilities



€thousand

	31.12.2017	Disbursements / Other changes	Refunds / Other changes	Fair value adjustment	Operating costs/expenses	31.12.2018
Pool financing - Senior	25,521	-	(1,625)	200	-	24,096
Short-term unsecured loans	4,500	10,000	(3,000)	-	-	11,500
GV revolving loans	-	7,000	(4,000)	-	-	3,000
Other loans in addition to e.g. unsecured loans	1,697	2,133	(518)	5	(9)	3,308
IWB mortgage	1,200	-	(600)	-	-	600
Accrued interest expense GV	24	259	(24)	-	-	259
<b>Total banks</b>	<b>32,942</b>	<b>19,392</b>	<b>(9,767)</b>	<b>205</b>	<b>(9)</b>	<b>42,763</b>
Payables to factoring companies	44	96	(44)	-	-	96
<b>Total other lenders</b>	<b>44</b>	<b>96</b>	<b>(44)</b>	<b>-</b>	<b>-</b>	<b>96</b>
<b>Total</b>	<b>32,986</b>	<b>19,488</b>	<b>(9,811)</b>	<b>205</b>	<b>(9)</b>	<b>42,859</b>

The bank debt at 31 December 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 31/12/2018 was equal to €600 thousand.
- Medium/long-term loan granted to Giordano Vini S.p.A. for a total of €35 million paid out on 19 July 2017 and expiring on 30 June 2024, divided as follows:
  - Amortizing" tranche totalling €28 million with repayment in increasing six-monthly instalments of principal in arrears and a rate, adjusted as from 1 July 2018 following compliance with the "Margin Variation" contract clause, equal to 6-month Euribor plus 1.60%. At 31 December 2018, the residual debt valued using the amortised cost method amounted to €24 million. This debt still includes the instalment due on 31 December 2018 as the disbursing Body collected the instalment on 15 January 2019 for technical reasons not attributable to the subsidiary.
  - Revolving tranche of a total of €7 million with interest rate, adjusted from 1 July 2018 following compliance with the "Margin Variation" contract clause, equal to Euribor at 1, 3 or 6 months depending on the relative period of use plus 1.15% used in this way:
    - €3 million paid out on 23 April 2018 with a duration of 6 months, renewed on 23 October 2018 for an additional 6 months and expiring on 23 April 2019;
    - €4 million reimbursed on 28 August 2018 and subsequently no longer required further disbursement.

The medium/long-term loan provides for financial covenants based on the trend of certain parameters at Group level. These covenants have been largely met.



The loan also includes a clause to reduce or increase the spread on the Euribor (the so-called "Margin Variation") given by the result of the ratio of net financial debt to annual EBITDA. This ratio was less than 1.0x at 31 December 2017 so as to activate the 0.35% spread reduction clause, as specified in detail above.

At 31 December 2018, the "Margin Variation" was also lower than 1.0x, confirming the same interest rate conditions for the following 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 at a rate of 1.25%. The maturity of the loan is fixed at the maturity of each quarter.
- Medium-term loan of €2 million granted to the subsidiary Giordano Vini S.p.A. on 20 February 2017, with repayment in quarterly instalments and extinction on 20 February 2022 at a rate equal to the 3-month Euribor increased by a spread of 2.10%. The residual debt at 31 December 2018 valued using the amortised cost method amounts to €1.3 million.
- Short-term loan of €5 million granted by Deutsche Bank S.p.A. to the subsidiary Provinco Italia S.p.A. on 2 February 2018 and expiring on 31 January 2019 with a rate equal to the 3-month Euribor plus a spread of 0.40%.
- Short-term loan of €5 million granted by Intesa San Paolo S.p.A. to the subsidiary Provinco Italia S.p.A. on 2 July 2018 and expiring on 30 June 2019 with an interest rate equal to the 3-month Euribor plus a spread of 0.75%.
- Medium-term loan of €2 million granted to the subsidiary Provinco Italia S.p.A. disbursed on 27 December 2018 repayable in quarterly instalments and extinguished on 27 December 2021, at a rate equal to the 3-month Euribor plus a spread of 1.75%.

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.

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 reporting date 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 31 December 2018 are shown below:

<i>€thousand</i>	<b>2018</b>	<b>2017</b>
<b>Provision at 1 January</b>	<b>815</b>	<b>1,007</b>
Provisions	27	15
Increases from business combinations	-	-
Advances paid during the period	(6)	-
Benefits paid out in period	(174)	(210)
Actuarial (gains)/losses	(4)	5
Borrowing costs	(2)	(2)
<b>Provision at end of period</b>	<b>656</b>	<b>815</b>

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:

<b>Actuarial assumptions</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Discount rate	1.61%	1.48%
Inflation rate	1.50%	1.50%
Average Annual Percentage of Staff Exit	8.17%	8.13%

## 19 Provisions for risks and charges

During the period, the item changed as follows:

*€thousand*

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

*€thousand*

	<b>Non-current</b>	<b>Current</b>	<b>Total</b>
<b>Provision at 1 January 2018</b>	<b>1,551</b>	<b>134</b>	<b>1,685</b>
Provisions	-	36	36
Amounts used	(480)	(170)	(650)
<b>Provision at 31 December 2018</b>	<b>1,071</b>	<b>0</b>	<b>1,071</b>

Non-current liabilities mainly include:

- provisions made at Giordano Vini S.p.A. for legal disputes with suppliers for €855 thousand;
- a provision of €182 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.

## 20 Trade payables



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

*€thousand*

	<b>31.12.2018</b>	<b>31.12.2017</b>
Suppliers - Italy	43,521	45,935
Suppliers - Foreign Markets	1,001	866
	<b>44,522</b>	<b>46,801</b>

## **21 Other liabilities**

Other liabilities are made up as follows:

*€thousand*

	<b>31.12.2018</b>	<b>31.12.2017</b>
Employees	707	770
Social security institutions	433	383
Directors	6	8
Accruals and deferred income	316	370
Others	692	644
<b>Total current</b>	<b>2,153</b>	<b>2,175</b>

Payables to employees mainly include wages and salaries for December 2018 paid in January 2019 and deferred compensation for vacation and public holidays accrued but not yet taken.

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

## **22 Current tax liabilities**

These are made up as follows:

*€thousand*

	<b>31.12.2018</b>	<b>31.12.2017</b>
VAT	1,211	805
IRES	-	1,110
IRPEF withholding tax	310	317
IRAP	-	331
Excise duties	467	159
Other taxes	187	47
<b>Total</b>	<b>2,175</b>	<b>2,769</b>



“Other taxes” include the value of €181 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 31 December 2018, compared with those of the two previous periods, are detailed below:

<i>€thousand</i>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Δ %17/18</b>	<b>Cagr 16/18</b>
<b>Revenue from sales - Italy</b>	<b>33,819</b>	<b>37,303</b>	<b>41,005</b>	<b>(9.34%)</b>	<b>(9.18%)</b>
<b>Revenue from sales - Foreign Markets</b>	<b>115,346</b>	<b>111,560</b>	<b>104,323</b>	<b>3.39%</b>	<b>5.15%</b>
Germany	34,179	34,358	33,731	(0.52%)	0.66%
Switzerland	26,842	26,570	25,701	1.03%	2.20%
Austria	15,399	15,621	15,328	(1.42%)	0.23%
England	13,863	9,691	7,517	43.04%	35.80%
Denmark	5,149	6,352	5,584	(18.94%)	(3.97%)
France	6,050	6,203	6,030	(2.46%)	0.17%
Belgium	3,104	2,993	2,249	3.69%	17.47%
USA	2,533	2,009	1,714	26.07%	21.55%
Netherlands	481	1,007	639	(52.27%)	(13.24%)
Sweden	1,231	987	786	24.67%	25.10%
Canada	591	928	780	(36.27%)	(12.94%)
China	937	707	562	32.58%	29.16%
Other countries	4,988	4,134	3,702	20.63%	16.08%
<b>Other revenues</b>	<b>698</b>	<b>873</b>	<b>609</b>	<b>(20.05%)</b>	<b>7.06%</b>
<b>Total revenues from sales</b>	<b>149,863</b>	<b>149,736</b>	<b>145,937</b>	<b>0.08%</b>	<b>1.34%</b>

## 24 Purchase costs

Purchase costs include €37.0 million (€44.5 million at 31/12/17) for Giordano Vini S.p.A., €0.5 million for Pro.Di.Ve. S.r.l. and €48.6 million (€38.7 million at 31/12/17) for the subsidiary Provinco Italia S.p.A.

## 25 Costs for services

The costs for services at 31 December 2018, compared with those of the previous year, are detailed below:



*Restated €thousand*

	<b>31.12.2018</b>	<b>31.12.2017</b>
Services from third parties	12,161	14,861
Transport	11,255	11,668
Postage expenses	4,007	4,316
Fees and rents	1,634	1,746
Professional	1,422	1,281
Advertising costs	4	7
Utilities	846	500
Remuneration of Directors and Statutory Auditors	877	652
Maintenance	272	283
Costs for outsourcing	6,626	6,713
Commissions	243	825
Other costs for services	2,687	3,058
Non-recurring expenses	(519)	(210)
<b>Total</b>	<b>41,515</b>	<b>45,700</b>

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

*€thousand*

	<b>31.12.2018</b>	<b>31.12.2017</b>
Directors	791	572
Auditors	80	80
Independent Auditors	30	68
<b>Total</b>	<b>901</b>	<b>720</b>

## **26 Personnel costs**

Personnel costs at 31 December 2018, compared with those of the previous year, are detailed below:

*€thousand*

	<b>31.12.2018</b>	<b>31.12.2017</b>
Wages and salaries	5,784	7,127
Social security charges	1,815	1,912
Termination benefits	358	391
Stock grant	255	251
Administration cost	63	122
Other costs	11	7
<b>Total</b>	<b>8,287</b>	<b>9,810</b>



The following table shows the number of employees:

	<b>At 31 December</b>	<b>Average no.</b>	<b>At 31 December</b>	<b>Average no.</b>
	<b>31.12.2018</b>	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2017</b>
Executives	5	6	5	5
Middle managers	8	9	8	8
Office workers	125	130	131	153
Workers	17	26	17	20
<b>Total</b>	<b>155</b>	<b>170</b>	<b>161</b>	<b>186</b>

## **27 Other operating costs**

The item "other operating costs" amounts to €362 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 €319 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*

	<b>31.12.2018</b>	<b>31.12.2017</b>
On current accounts	20	26
Exchange rate gain/(loss)	55	134
Others	2	25
<b>Total</b>	<b>76</b>	<b>185</b>



€thousand

	31.12.2018	31.12.2017
Loans	(752)	(1,062)
Bank current accounts	(16)	(1)
Financial instruments	-	-
Bank fees and charges	(248)	(314)
Exchange rate gain/(loss)	(100)	(238)
Others	(97)	(135)
<b>Total</b>	<b>(1,212)</b>	<b>(1,750)</b>

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

The taxes at 31 December 2018, compared with those of the previous year, are detailed below:

€thousand

	31.12.2018	31.12.2017
IRES	(2,227)	(2,272)
IRAP	(129)	(452)
Taxes for prior periods	(183)	-
<b>Total current taxes</b>	<b>(2,539)</b>	<b>(2,724)</b>
Prepaid taxes	3	80
Deferred taxes	146	146
<b>Total deferred taxes</b>	<b>148</b>	<b>226</b>
<b>Total</b>	<b>(2,391)</b>	<b>(2,498)</b>

### 31 Related-party transactions

The transactions between Giordano Vini S.p.A. and Provinco Italia S.p.A. for the period ended 31 December 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.

### 33. Grants received

During the period, the subsidiary Giordano Vini S.p.A. received grants pursuant to Article 1, paragraph 125, of Law 124/2017 amounting to €33,394.

The following table shows the data relating to the lenders, their amounts and a brief description of the reasons for the benefit.

<i>Amounts in EUR</i>		
Paying entity	Grant received	Reason
AGEA - through ATI Bacco International	33,394	OCM grant for exports to Swiss market
<b>Total</b>	<b>33,394</b>	

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For the Board of Directors  
The Chief Executive Officer  
Alessandro Mutinelli