



Italian Wine Brands S.p.A.

Independent auditor's report
pursuant to article 14 of Legislative Decree n. 39

Consolidated Financial Statements as at December 31, 2020

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39

To the shareholder of Italian Wine Brands S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Italian Wine Brands Group (the "Group"), which comprise the statement of financial position as at December 31, 2020, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of this report. We are independent of Italian Wine Brands S.p.A. in accordance with ethical requirements and standards applicable in Italy that are relevant to the audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and, within the limits of the law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the parent Italian Wine Brands S.p.A. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identified and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of non detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluated the appropriateness of accounting principles used and the reasonableness of accounting estimates and related disclosures made by management;
- concluded on the appropriateness of management's use of the going concern and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions in a manner that achieves fair presentation;
- obtained sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicate with those charged with governance, identified at the appropriate level as required by the ISA Italia, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/10.

The directors of Italian Wine Brands S.p.A. are responsible for the preparation of the report on operations of the Group as at December 31, 2020, including its consistency with the consolidated financial statements and the compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations, with the consolidated financial statements of Group Italian Wine Brands as at December 31, 2020 and on its compliance with the applicable laws and regulations, and in order to assess whether its contain material misstatements.

In our opinion, the report on operations is consistent with the consolidated financial statements of Group Italian Wine Brands as at December 31, 2020 and is compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, March 31, 2021

BDO Italia S.p.A.
Signed by Vincenzo Capaccio
Partner

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CONSOLIDATED ANNUAL FINANCIAL REPORT

31 DECEMBER 2020

ITALIAN WINE BRANDS S.P.A.

Registered office in Milan, Viale Abruzzi, 94
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

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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 (Director with delegated powers)

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.p.A.



Letter to Shareholders

Dear Shareholders,

We closed the period 2020 with extremely positive results in terms of:

1. Growth in revenue: €204.3 million (+29.7% YOY, +22.1% CAGR)
2. EBITDA growth: €25.6 million (+41.6% YOY)
3. Net profit growth: €15.6 million (+70.2% YOY)
4. The achievement of a net consolidated liquidity of €1.4 million at year-end (up €0.9 million at 31 December 2019)
5. IWB's stock price at 31/12/2020: €20.80 (+63.1%)

Every single company in our group recorded a positive result and contributed to these performances. Even the last company acquired by our Group, the Swiss Raphael dal Bo AG, registered a solid growth benefiting from the commercial and operational integration with the group.

In terms of consolidated revenue, your company has climbed the ranking of Italian private wineries, ranking third at the end of 2020, compared to the seventh of the previous year.

The market

The focus on "wholesale" channels (i.e., the sales of products to operators in the sector, such as largescale distribution chains, state monopolies and traditional trade) and "distance selling" (direct sales to private consumers with home delivery) combined with reduced exposure to the "Ho.Re.Ca." have allowed Italian Wine Brands not to be affected by the effect of the Covid-19 pandemic but rather to take full advantage of its leadership position in Europe in the *online sector*, where the group operates mainly with proprietary platforms (Giordano Vini and Svinando).

Therefore, your company has once again recorded growth rates that are higher than the overall ones of the wine market. The export of Italian wine in fact recorded a decline of 4.6% in 2020 (Vitality-Nomisma data) while the first estimates on domestic consumption indicate a reduction in spending volumes of about 15%.

Sales on international markets reached 80.3% of the total, establishing Italian Wine Brands as a global operator and a reference point for the Italian wine market.

The brands

Our brands, their reputations and their market diffusion are IWB's core business.



Grande Alberone®, Ronco di Sassi®, Oroperla®, Raphael dal Bo®, Poggio del Concone®, Giordano®, Elettra® are increasingly appreciated by international consumers and contribute significantly to the income growth of the group.

Digitalization

It is a term that has become commonly used in this *lock-down* period, but for us it was long before: we were able to increase our *online* sales because we were ready, with systems prepared for the digital transition. We continue to invest, to keep up and offer our customers products of absolute excellence, at the maximum possible convenience.

The team

The results recorded this year are the fruit of the work of a fantastic team, compact around the common vision of bringing a bottle with a company brand everywhere, to make customers happy. Talented, willing people who are encouraged to continuously improve in a favorable environment.

The title

From the 1st January 2020 to today, the date on which the draft budget is approved by the Board of Directors, the share price has grown 179.4%. In the same period we distributed dividends for a total of € 0.50, in two solutions, one in June 2020 and one in January 2021. A satisfaction for our long-term shareholders, with a market capitalization that rose from just over €50 million at the time of quotation at approximately €180 million today.

Our vision

We have embarked on a path of growth, volumes, turnover, margins and cash generation. We want to continue to grow, organically and with targeted acquisitions, guided by our vision of bringing our wine and our *brands* everywhere, to make customers happy. It will not be a walk in the park, but we have talented and motivated people to achieve our goal. Italian Wine Brands will be more and more synonymous with Italian wine in the world, with its *brands*, its distribution and its innovation.

A great challenge we are ready to face.

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. Reference market in which the company operates

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

In terms of its target markets, IWB's business is predominantly and increasingly achieved with foreign customers (80.3%) and only the remaining part with domestic customers.

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



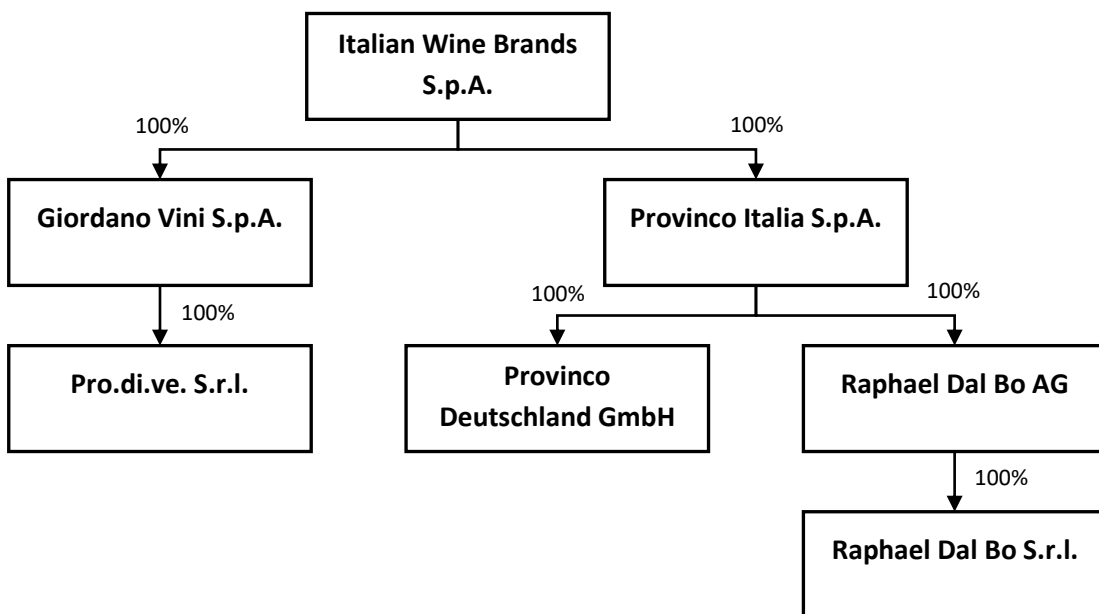
With centralized governance functions (*finance & IT*, marketing, production and quality, and purchasing), the IWB Group is unique because it has two different sales and distribution channels.



The first is the "*wholesale*" channel for the sale of products to operators in the sector, such as large-scale distribution chains, state monopolies and *traditional trade*, and the other is the "*distance selling*" channel for direct sales of products in the portfolio to private consumers.

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

From a corporate point of view, IWB S.p.A. carries out management activities for Group companies as well as management and coordination activities, directly holding controlling interests in the main Group companies: Giordano Vini S.p.A. and Provinco Italia S.p.A. The corporate organization chart of the Italian Wine Brands group is provided below, also following the aforementioned acquisition of Raphael Dal Bo AG and its subsidiaries.





1.2.1 Consolidated situation

The following is a summary of the annual consolidated economic and financial results obtained by the Italian Wine Brands group in the period between 2016 and 2020 with data expressed in thousands of Euro:

	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Revenue from sales	204.311	157.494	149.863	149.736	145.937
Change in inventories	4.780	1.329	(1.162)	2.402	825
Other income	1.538	1.220	1.486	1.278	1.901
Total revenue	210.629	160.043	150.187	153.416	148.664
Purchase costs	(123.650)	(92.547)	(86.082)	(83.219)	(78.526)
Costs for services	(52.159)	(41.486)	(41.515)	(45.700)	(46.503)
Personnel costs	(8.125)	(7.441)	(7.627)	(8.147)	(11.821)
Other operating costs	(1.091)	(482)	(362)	(319)	(496)
Total operating costs	(185.025)	(141.956)	(135.586)	(137.385)	(137.327)
EBITDA Adjusted	25.604	18.087	14.601	16.031	11.317
EBITDA	23.604	16.304	13.422	14.158	9.110
Adjusted net profit/(loss)	15.634	9.185	7.236	8.128	4.689
Net profit/(loss)	14.192	7.899	6.350	6.734	3.175
Net financial debt	10.332	10.683	3.372	2.306	10.467
<i>of which net financial debt - third-party lenders</i>	<i>(1.437)</i>	<i>(565)</i>	<i>3.372</i>	<i>2.306</i>	<i>10.467</i>
<i>of which net financial debt - deferred price acquisition of Raphael Dal Bo AG</i>	<i>1.861</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>of which net financial debt - right-of-use liabilities</i>	<i>9.908</i>	<i>11.248</i>	<i>-</i>	<i>-</i>	<i>-</i>



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

Reclassified statement of financial position

(€thousand)	31.12.2020	31.12.2019	31.12.2018
Other intangible assets	34.005	32.474	31.624
Goodwill	68.309	55.455	55.455
Plant, property and equipment	15.104	14.539	14.736
Right-of-use assets	9.637	10.860	-
Non-current financial assets	2	2	2
Total fixed assets	127.057	113.330	101.817
Inventory	25.490	20.334	18.997
Net trade receivables	30.567	23.605	20.785
Trade payables	(56.809)	(45.750)	(44.522)
Other assets (liabilities)	(2.541)	(1.731)	1.000
Net working capital	(3.293)	(3.542)	(3.740)
Payables per employee benefits	(621)	(651)	(656)
Net deferred and prepaid taxes assets (liabilities)	(8.028)	(8.252)	(8.696)
Other provisions	(261)	(994)	(1.071)
NET INVESTED CAPITAL	114.854	99.891	87.654
Shareholders' equity	104.521	89.208	84.282
Profit (loss) for the period	14.193	7.899	6.350
Share capital	880	880	880
Other reserves	89.448	80.429	77.052
Net financial debt	(1.437)	(565)	3.372
Deferred price acquisition of Raphael Dal Bo AG	1.861	-	-
Right-of-use liabilities	9.908	11.248	-
TOTAL SOURCES	114.854	99.891	87.654



Reclassified income statement

(€thousand)

	Adjusted 31.12.2020	Adjusted 31.12.2019	Adjusted 31.12.2018
Revenue from sales	204.311	157.494	149.863
Change in inventories	4.780	1.329	(1.162)
Other income	1.538	1.220	1.486
Total revenue	210.629	160.043	150.187
Purchase costs	(123.650)	(92.547)	(86.082)
Costs for services	(52.159)	(41.486)	(41.515)
Personnel costs	(8.125)	(7.441)	(7.627)
Other operating costs	(1.091)	(482)	(362)
Total operating costs	(185.025)	(141.956)	(135.586)
EBITDA	25.604	18.087	14.601
Write-downs	(1.427)	(1.233)	(1.466)
Depreciation and amortization	(3.960)	(3.349)	(2.044)
Operating result from core business	20.217	13.505	11.091
Exceptional items	(2.000)	(1.783)	(1.179)
Net release (accruals) of provisions for risks and charges	-	-	(36)
Operating profit/(loss)	18.217	11.722	9.876
Net financial income/(expenses)	(1.186)	(1.223)	(1.135)
EBT	17.031	10.499	8.741
Taxes	(2.839)	(2.600)	(2.391)
Net profit/(loss)	14.192	7.899	6.350
Tax effect of exceptional items	558	497	329
Net profit before exceptional items and related tax effect	15.634	9.185	7.236

Reclassified income statement

(€thousand)

	Reported 31.12.2020	Management 1	adjustments 2	Adjusted 31.12.2020
Revenue from sales	204.311			204.311
Change in inventories	4.780			4.780
Other income	1.538			1.538
Total revenue	210.629			210.629
Purchase costs	(123.650)			(123.650)
Costs for services	(53.325)	57	1.109	(52.159)
Personnel costs	(8.685)	186	374	(8.125)
Other operating costs	(1.365)	274		(1.091)
Total operating costs	(187.025)	517	1.483	(185.025)
EBITDA	23.604	517	1.483	25.604
Write-downs	(1.427)			(1.427)
Depreciation and amortization	(3.960)			(3.960)
Operating result from core business	18.217	517	1.483	20.217
Exceptional items	-	(517)	(1.483)	(2.000)
Net release (accruals) of provisions for risks and charges	-			-
Operating profit/(loss)	18.217	0	0	18.217
Net financial income/(expenses)	(1.186)			(1.186)
EBT	17.031	0	0	17.031
Taxes	(2.839)			(2.839)
Net profit/(loss)	14.192	0	0	14.192
Tax effect of exceptional items				558
Net profit before exceptional items and related tax effect				15.634



Summary of Management Adjustments

1. Costs for Services: €57 thousand related to legal advice for the acquisition of Raphael Dal Bo AG from Provinco Italia S.p.A.
2. Costs for Personnel: €186 thousand related to a settlement with a manager employed by the subsidiary Giordano Vini until 31 March 2020
3. Cost for Other expenses: €274 thousand related to the closing of a creditor position linked to an advertising barter dating back to 2016
4. Costs for Services and personnel: respectively €1,109 thousand and €374 thousand related to the accrual and allocation of the first tranche of the 2020-2022 Stock Grant Plan, representing 18,75% of the total value of the plan itself and in line with the achievement of the mean profitability targets and control of the net financial position during the period 2020-2022. In particular, the mean EBITDA Adjusted target for the first year is Eur 19.0m and the NFP to EBITDA Adjusted target ratio at 31 December 2020 is less than 2.0x

The interim profitability index called by the directors "Adjusted 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," also after deducting exceptional items and income and costs related to the medium/long-term management incentive plan.

1.2.2 Financial and equity position of the Parent Company

The financial statements of IWB S.p.A. at 31 December 2020 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 €7.80 million (€6.39 million at 31 December 2019);
- Net liquidity of €14.98 million (€9.36 million at 31 December 2019)

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



Reclassified statement of financial position

(€thousand)	31.12.2020	31.12.2019	31.12.2018
Other intangible assets	224	194	61
Right-of-use assets	238	298	-
Plant, property and equipment	143	163	-
Investments in subsidiaries	54.256	54.256	54.256
Non-current financial assets	4.100	4.100	4.100
Total fixed assets	58.961	59.011	58.417
Current financial assets	11.000	8.000	8.500
Net trade receivables	112	1.267	831
Trade payables	(121)	(328)	(164)
Other assets (liabilities)	4.354	2.958	(403)
Net working capital	4.345	3.897	264
Payables per employee benefits	(24)	-	-
Net deferred and prepaid taxes assets (liabilities)	-	-	39
Other provisions	-	-	-
NET INVESTED CAPITAL	74.283	70.908	67.220
Shareholders' equity	89.264	80.268	77.260
Profit (loss) for the period	7.799	6.388	6.565
Share capital	880	880	880
Other reserves	80.585	73.000	69.815
Net financial debt	(14.982)	(9.360)	(10.040)
TOTAL SOURCES	74.283	70.908	67.220

In relation to the above statement of financial position, 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.
- current and non-current financial assets are represented by receivables / loans from subsidiaries
- 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)	31.12.2020	31.12.2019	31.12.2018
Revenue from sales	800	200	13
Other income	57	39	263
Total revenue	857	239	276
Purchase costs	(1)	(5)	(2)
Costs for services	(1.465)	(1.224)	(834)
Personnel costs	(796)	(256)	-
Other operating costs	(462)	(88)	(90)
Total operating costs	(2.725)	(1.573)	(926)
EBITDA	(1.868)	(1.334)	(650)
Write-downs	-	-	-
Depreciation and amortization	(162)	(56)	(30)
Operating result from core business	(2.030)	(1.390)	(680)
Exceptional items	-	-	-
Net release (accruals) of provisions for risks and charges	-	-	-
Operating profit/(loss)	(2.030)	(1.390)	(680)
Net financial income/(expenses)	182	189	207
Dividends from subsidiaries	9.152	7.355	6.786
EBT	7.303	6.154	6.313
Taxes	496	234	252
Net profit/(loss)	7.799	6.388	6.565

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

- dividends refer entirely to the subsidiary Provinco Italia S.p.A.;
- personnel costs include €164 thousand in fees relating to the assignment of stock grants relating to the 2020-2022 plan;
- financial income refers to interest income accrued on the loan granted to the subsidiary Giordano Vini S.p.A. (equal to €173 thousand) and interest income accrued on current accounts and liquidity deposit accounts (€19 thousand); financial charges are mainly represented by notional interest expense linked to IFRS 16 (€9 thousand).

1.2.3 Consolidated net financial position

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



	31.12.2020	31.12.2019	31.12.2018
A. Cash	340	720	110
B. Other liquid assets	33.062	31.933	39.091
C. Securities held for trading	-	-	-
D. Liquidity (A) + (B) + (C)	33.402	32.653	39.201
E. Current financial receivables	57	111	286
E.2 Derivative financial instruments	-	-	-
F. Current bank payables	4.565	3.561	1.833
G. Current part of non-current debt	3.650	4.996	16.549
H. Other current financial payables	2.949	14	23
I. Current financial debt (F) + (G) + (H)	11.164	8.571	18.405
J. Net current financial debt (I) - (E) - (D)	(22.295)	(24.193)	(21.082)
K. Non-current financial assets	-	-	-
L. Other non-current financial receivables	-	-	-
M. Non-current bank payables	23.807	24.967	24.454
N. Bonds issued	-	-	-
O. Other non-current payables	8.821	9.909	-
P. Non-current financial debt (M) + (N) + (O)	32.628	34.876	24.454
Q. Net non-current financial debt (P) - (K) - (L)	32.628	34.876	24.454
Net financial position (J) + (Q)	10.333	10.683	3.372
<i>of which</i>			
<i>Deferred price acquisition of Raphael Dal Bo AG</i>	1.861	-	-
<i>Current payables for the acquisition of rights of use</i>	1.088	1.339	-
<i>Non-current payables for the acquisition of rights of use</i>	8.821	9.909	-
Net financial position without effect of IFRS 16 and Deferred price acquisition of Raphael Dal Bo AG	(1.437)	(565)	3.372

1.3 Group Performance

Business volume - Revenues

During 2020, the Group's Revenue from Sales reached €204.3 million, an increase of 29.7% compared to the previous period. The compound annual growth rate (i.e., "CAGR") in the two-year period 2018/2020 stands at 16.8%, higher than the reference market and nonetheless the decreasing wine consumption in both values and quantities in the European market following the Covid-19 pandemic emergency.

As in recent years, also in 2020 the contribution to growth came in particular from foreign markets (+32.8% compared to 2019), where the Group now records more than 80% of its



business (78.8% in 2019 compared to 77.4% in 2018 and 74.9% in 2017). After years of re positioning, also the Italian market recorded a great increase in 2020 (+18.6%).

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

€thousand

	31.12.2020	31.12.2019	31.12.2018	Δ % 19/20	CAGR 18/20
Revenue from sales - Italy	39.539	33.333	33.819	18,62%	8,13%
Revenue from sales - Foreign Markets	164.080	123.543	115.345	32,81%	19,27%
Switzerland	48.814	27.572	26.842	77,04%	34,85%
Germany	41.961	35.298	34.179	18,88%	10,80%
England	24.254	17.262	13.863	40,51%	32,27%
Austria	18.493	14.589	15.399	26,76%	9,59%
Belgium	6.641	4.039	3.104	64,40%	46,28%
France	5.760	5.087	6.050	13,23%	(2,43%)
Denmark	5.020	5.177	5.149	(3,02%)	(1,26%)
Netherlands	1.709	960	481	78,02%	88,53%
Sweden	1.586	1.324	1.231	19,78%	13,54%
USA	1.561	3.018	2.533	(48,29%)	(21,50%)
Hungary	1.544	1.312	N/A	17,68%	N/A
Ireland	1.516	1.008	N/A	50,49%	N/A
Poland	1.086	1.038	N/A	4,65%	N/A
China	882	1.264	937	(30,23%)	(2,98%)
Canada	877	617	591	42,11%	21,76%
Other countries	2.378	3.979	4.987	(40,25%)	(30,95%)
Other revenues	692	617	698	12,20%	(0,41%)
Total revenues from sales	204.311	157.494	149.863	29,73%	16,76%

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

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

€thousand

	31.12.2020	31.12.2019	31.12.2018	Δ % 19/20	CAGR 18/20
Revenues from wholesale division	119.629	87.654	77.162	36,48%	24,51%
Revenues from distance selling division	83.990	69.223	72.003	21,33%	8,00%
Other revenues	692	617	698	12,20%	(0,41%)
Total revenues from sales	204.311	157.494	149.863	29,73%	16,76%

The **Wholesale** division has experienced a very strong development over the last 5 years. In particular, sales almost doubled between 2016 and 2020, going from €60.1 million in 2016 to



€119.6 million in 2020. In 2020, revenues increased by 36.5% compared to 2019 and now represent 58.6% of IWB's overall sales (55.7% in 2019, 51.5% in 2018).

The growth in 2020 is attributable for €20.0 million to organic development (in particular linked to the growth of the group's proprietary brands) and for the remaining €11.9 million to the acquisition of the Swiss company Raphael Dal Bo AG, one of the main producers of *organic sparkling wines* with product *sourcing* in Italy and distribution under its own brand in the Swiss and Belgian markets.

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

€thousand

	31.12.2020	31.12.2019	31.12.2018	Δ % 19/20	CAGR 18/20
Revenues from wholesale division - Italy	5.524	3.645	2.455	51,56%	49,98%
Revenues from wholesale division - Foreign Markets	114.106	84.009	74.706	35,83%	23,59%
Switzerland	45.117	24.279	23.403	85,82%	38,85%
Austria	15.856	12.346	13.080	28,44%	10,10%
Germany	14.833	11.123	9.780	33,35%	23,16%
England	14.703	13.206	9.704	11,34%	23,09%
Belgium	5.997	3.674	2.736	63,25%	48,05%
Denmark	5.020	5.177	5.149	(3,02%)	(1,26%)
Sweden	1.586	1.324	1.231	19,78%	13,52%
USA	1.561	3.018	2.533	(48,29%)	(21,50%)
Hungary	1.544	1.312	0	17,68%	N/A
Ireland	1.516	1.008	0	50,49%	N/A
Netherlands	1.093	542	39	101,57%	429,45%
Poland	1.086	1.038	0	4,65%	N/A
China	882	1.264	937	(30,23%)	(2,97%)
Canada	877	617	591	42,11%	21,76%
France	165	103	537	60,39%	(44,54%)
Other countries	2.269	3.979	4.987	(42,99%)	(32,55%)
Total revenue Wholesale division	119.629	87.654	77.163	36,48%	24,51%

The figures shown in the table above are very positive and testify the strength of the Group's competitive positioning both in terms of the product/brand and the customer portfolio. The reference territory in which it operates and its positioning has allowed IWB to outperform the reference market for Italian wine in terms of growth rates (approximately equal to about 2-3% of the annual increase in values).

These results have been achieved mainly through:

1. a renewal, expansion, extension and enhancement of the own brand product portfolio, which today accounts for over 90% of the channel's sales and which makes the IWB Group's commercial offering attractive, recognized on the market and synonymous with quality;



2. an increase in the market share of sales from existing *accounts* thanks to excellent stock rotation parameters of its customers;
3. the acquisition of new *accounts*, essentially in each country in which the Group operates.

As regards the individual markets, we should point out the brilliant performances achieved in Switzerland (+85.8% YOY), which continues to be the Group's number-one country in terms of revenues. This growth is linked to:

- the growing commercial success of the brands in the portfolio, in particular "Grande Alberone" and "Ronco di Sassi,"
- the introduction of new branded products such as Poggio del Concone®, Durante® and Elettra®;
- the acquisition of new customers;
- the already mentioned acquisition of Rafael Dal BO AG.

Austria has returned to represent the Group's second market thanks, also in this case, to the listing of branded products on existing customers.

As already explained in the previous years, over the last 3 years the IWB group has significantly strengthened its presence in the German market, historically controlled only marginally by the group due to the very strong competitive prices imposed by *discount* chains. Following this strengthening action, characterized by the inclusion of the group's *branded* products in the retailers' assortments, sales volumes in Germany have increased by more than 50% over the last two years.

England, in 2020, the fourth market in terms of size, marked a consolidation of the business of branded still wines (Aimone® and Grande Alberone®), which have guaranteed retailers excellent turnover and profitability.

Belgium represented an important outlet market in 2020 for IWB. Sales grew by 63.3% during the year thanks to new listings and the success of the *brands* already marketed.

In Scandinavia, the Group continued its growth *trend* in Sweden, while in Denmark sales fell slightly due to the decrease in duty free activities commonly carried out on the ferries connecting this country, Norway and Sweden due to the Covid-19 pandemic.

The United States and Asia sales were generally affected by the negative global distribution situation. In these areas imports of food products from abroad have drastically decreased.

In the other smaller countries (Hungary, Ireland, Poland and the Netherlands) the growth was sustained. The development of these markets was mainly due to distribution agreements that have been signed with important international *retail* chains.



Since the beginning of 2018, the Group has been operating in Italy through its wholesale division, supplying both Italian organized distribution chains and an important German large-retail chain, already a primary customer of the Group in this business area. In addition, new distribution agreements have been concluded with four other chains of significant size. The positive results in terms of growth recorded during 2020 are proving that this important strategic choice made by the group is right, while maintaining the utmost attention to foreign markets, where the possibilities of growth and margins are greater.

The ***distance selling*** channel, after a few years of contraction in sales volumes, recorded a strong rebound in 2020 thanks to the expansion strategy on digital channels applied decisively over the last three years.

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

<i>€thousand</i>	31.12.2020	31.12.2019	31.12.2018	Δ % 19/20	CAGR 18/20
Revenues from distance selling - Italy	34.016	29.688	31.364	14,58%	4,14%
Revenues from distance selling - Foreign Markets	49.974	39.535	40.639	26,40%	10,89%
Germany	27.128	24.176	24.399	12,21%	5,44%
England	9.550	4.056	4.159	135,47%	51,53%
France	5.594	4.984	5.513	12,25%	0,73%
Switzerland	3.697	3.293	3.439	12,26%	3,68%
Austria	2.637	2.243	2.319	17,53%	6,63%
Belgium	644	366	368	75,98%	32,30%
Netherlands	615	417	442	47,41%	17,96%
Other countries	109	0	0	N/A	N/A
Total revenue distance selling div.	83.990	69.223	72.003	21,33%	8,00%

In 2020 the *distance selling* channel recorded a growth in revenues of +21.3% compared to 2019, achieved in particular thanks to the development of the web/internet channel which came to represent 27.8% of total sales of the division.

This solid performance is the result of a strategy embraced by the Group in 2017. The objective is to gradually shift orders from the traditional Teleselling channel to the Internet/Web platform. To achieve its goal, the Group is:

- investing in digital transformation
- developing digital communication
- constantly improving the quality of its products
- optimizing logistics
- acquiring and developing multi brand platforms in Italy and abroad (www.svinando.com)



The above mentioned actions made it possible to fully grasp the generalized development of online sales during the current year as well as to progressively and significantly improve the *redemption* and *conversion* parameters of the entire customer database which are now in line with those of the main online operators in the wine sector.

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

<i>€ thousand</i>	31.12.2020	31.12.2019	31.12.2018	Δ % 19/20	CAGR 18/20
Revenues from distance selling - Italy	34.016	29.688	31.364	14,58%	4,14%
Direct Mailing	16.107	14.067	14.829	14,51%	4,22%
Teleselling	9.816	11.294	12.671	(13,09%)	(11,98%)
Digital / WEB	8.092	4.327	3.864	87,01%	44,71%
<i>Direct Mailing % on total Italy</i>	<i>47,4%</i>	<i>47,4%</i>	<i>47,3%</i>		
<i>Teleselling % on total Italy</i>	<i>28,9%</i>	<i>38,0%</i>	<i>40,4%</i>		
<i>Digital / WEB % on total Italy</i>	<i>23,8%</i>	<i>14,6%</i>	<i>12,3%</i>		
Revenues from distance selling - Foreign Markets	49.974	39.535	40.639	26,40%	10,89%
Direct Mailing	27.068	23.306	23.829	16,14%	6,58%
Teleselling	7.686	7.163	8.725	7,30%	(6,14%)
Digital / WEB	15.220	9.066	8.085	67,88%	37,21%
<i>Direct Mailing % on total Foreign</i>	<i>54,2%</i>	<i>59,0%</i>	<i>58,6%</i>		
<i>Teleselling % on total Foreign</i>	<i>15,4%</i>	<i>18,1%</i>	<i>21,5%</i>		
<i>Digital / WEB % on total Foreign</i>	<i>30,5%</i>	<i>22,9%</i>	<i>19,9%</i>		
Total revenue distance selling div.	83.990	69.223	72.003	21,33%	8,00%

The analysis of the above table shows:

- The Web/Internet channel in Italy has grown more than proportionally compared to foreign countries, in line with the increase in online sales penetration recorded in our country in the pandemic phase;
- Foreign markets show greater penetration of the digital/web channel compared to Italy, as well as higher growth rates, with growth rates significantly higher than the ones registered in the domestic market;
- 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 (i) the launch of the Svinando brand in Germany and the UK (ii) the enrichment of the assortments with the inclusion in the catalog of over 1,500 national and international wines, the introduction of *spirits*, craft beers and *specialty foods*.



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 EBITDA Adjusted of the Italian Wine Brands Group.

<i>Adjusted €thousand</i>	31.12.2020	31.12.2019	31.12.2018	Δ % 19/20	CAGR 18/20
Revenues from sales and other revenues	205.849	158.714	151.349	29,70%	16,62%
Raw materials consumed	(118.870)	(91.218)	(87.244)	30,31%	16,73%
<i>% of total revenues</i>	<i>-57,75%</i>	<i>-57,47%</i>	<i>-57,64%</i>		
Costs for services	(52.159)	(41.486)	(41.515)	25,73%	12,09%
<i>% of total revenues</i>	<i>-25,34%</i>	<i>-26,14%</i>	<i>-27,43%</i>		
Personnel	(8.125)	(7.441)	(7.627)	9,19%	3,21%
<i>% of total revenues</i>	<i>-3,95%</i>	<i>-4,69%</i>	<i>-5,04%</i>		
Other operating costs	(1.091)	(482)	(362)	126,35%	73,60%
<i>% of total revenues</i>	<i>-0,53%</i>	<i>-0,30%</i>	<i>-0,24%</i>		
EBITDA Adjusted (*)	25.604	18.087	14.601	41,56%	32,42%
<i>% of total revenues</i>	<i>12,44%</i>	<i>11,40%</i>	<i>9,65%</i>		

(*) EBITDA Adjusted to take into account the effects of exceptional items

The table above shows that, in 2020, the incidence of raw material consumption on revenues is stable compared to the same period of the previous year (from 57.47% to 57.75%).

This result is the fruit of two opposing trends: In a positive sense, there was a generalized reduction in the incidence of raw material consumption in both business divisions, *wholesale* and *distance selling*, thanks in particular to the growing appreciation of proprietary *brands*; in a negative sense, the shifting to the *wholesale* channel, structurally characterized by a greater incidence of raw materials on sales compared to sales by the *distance selling* channel.

Costs for Services, equal to €52.2 million in 2020, grew to absolute values of €10.7 million compared to 2019 but further reduced their incidence on sales revenues (from 27.43% in 2018, to 26.14% in 2019 down to 25.34% in 2020).

Details are given below for the costs for services incurred by the Group in 2020, compared with the same items in 2019 and 2018.



Adjusted €thousand

	31.12.2020	31.12.2019	31.12.2018
Services from third parties	10.227	8.441	8.951
Duties on sales	8.374	3.451	3.210
Transport	14.935	11.871	11.255
Postage expenses	4.007	4.098	4.007
Fees and rents	717	447	1.634
Professional	1.443	1.285	1.422
Advertising costs	3	3	4
Utilities	824	844	846
Remuneration of Directors, Statutory Auditors and Supervisory Body	1.946	1.831	877
Maintenance	370	235	272
Costs for outsourcing	7.407	7.051	6.626
Commissions	141	121	243
Other costs for services	2.931	2.952	2.687
Exceptional items	(1.166)	(1.144)	(519)
Total	52.159	41.486	41.515

The increase in costs for services in 2020 compared to 2019 is entirely attributable to the increase in the group's business volume.

The further reduction in the incidence of costs for services on sales revenues, which went down from 27.4% in 2018, to 26.1% in 2019 and down to 25.3% in 2020, is linked (i) to the "mix" of sales, increasingly oriented towards the *wholesale* distribution channel, structurally characterized by a significantly lower incidence of costs for services on revenues compared to sales made on the *distance selling* channel, and (ii) the increasing efficiency of the *distance selling* division.

All cost items in this area remained substantially stable compared to previous periods except for:

- "Services from third parties", which include the costs for moving goods between warehouses and the costs costs for duties and excise duties, linked to export taxation in some European countries including Switzerland and the United Kingdom, areas in which the group's sales have recorded considerable increases.
- "Transport", almost entirely related to the cost of home deliveries to private customers
- "Costs for outsourcing", which include the costs of logistical processing of packages for private customers



These cost items increased in line with the turnover trend of both the *wholesale* channel and the *distance selling* channel.

Personnel costs recorded a slight increase in absolute values during the year (from €7.4 million to €8.1 million). This increase is due to an expansion of the *wholesale* commercial area and the entry into the group of Raphael Dal Bo AG.

This slight increase in absolute values was accompanied by a progressive and considerable reduction in terms of the percentage incidence of this cost item on sales revenues (from 5.0% in 2018, to 4.7% in 2019 and down to 4,0% in 2020).

The dynamics of revenues and costs described above made it possible to obtain in the 2020 financial year an Adjusted Gross Operating Margin of €25.6 million, a progressive and constant growth in the last three years both in absolute values and as a percentage of sales revenues (from 9.7% in 2018, to 11.4% in 2019 up to 12.4% in 2020).

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>Adjusted €thousand</i>	31.12.2020	31.12.2019	31.12.2018	Δ % 19/20	CAGR 18/20
EBITDA Adjusted	25.604	18.087	14.601	41,56%	32,42%
Write-downs	(1.427)	(1.233)	(1.466)	15,73%	(1,34%)
<i>% of total revenues</i>	<i>-0,69%</i>	<i>-0,78%</i>	<i>-0,97%</i>		
Depreciation and amortization	(3.960)	(3.349)	(2.044)	18,24%	39,19%
<i>% of total revenues</i>	<i>-1,92%</i>	<i>-2,11%</i>	<i>-1,35%</i>		
Exceptional items	(2.000)	(1.783)	(1.179)	12,17%	30,24%
<i>% of total revenues</i>	<i>-0,97%</i>	<i>-1,12%</i>	<i>-0,78%</i>		
Release (Provisions) for risks and charges	-	-	(36)		
<i>% of total revenues</i>	<i>0,00%</i>	<i>0,00%</i>	<i>-0,02%</i>		
Operating profit/(loss)	18.217	11.722	9.876	55,41%	35,82%
<i>% of total revenues</i>	<i>8,85%</i>	<i>7,39%</i>	<i>6,53%</i>		

The above table shows that the income statement of the Italian Wine Brands Group was characterized in 2020 by a limited incidence of non-monetary items (write-downs, amortization/depreciation, provisions), which accounted for approximately 4.0% of turnover.

Exceptional items, amounting to €2.0 million (€1.8 million in 2019), are attributable to:

- €0.5 million, already mentioned in the Half-Year-Report, related to the closing of a creditor position linked to an advertising barter dating back to 2016 (€274 thousand), a settlement with a manager employed by the subsidiary Giordano Vini (€186



thousand), and legal advice for the acquisition of Raphael Dal Bo AG by Provinco Italia S.p.A. (€57 thousand)

- €1.5 million of Costs for services and Personnel relating to the full accrual and award of the first tranche of the stock grant plan 2020-2022, described in detail in the paragraph 1.2.1.

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

During the year under review there were investments in Fixed Capital equal to a total of €4.8 million divided between tangible assets (€1.7 million, mainly purchases of industrial equipment for the cellar and bottling and extraordinary maintenance) and intangible assets (€3.1 million, mainly acquisitions of addresses and customers for €2.3 million, software development for Euro 0.4 million and improvements on third party assets for Euro 0.4 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.

It should be noted that on 2 March 2020, the Group's consolidation perimeter was expanded following the acquisition of 100% of the shares of the Swiss company Raphael Dal Bo AG and its 100% subsidiary Raphael Dal Bo S.r.l. di Valdobbiate (jointly "RDB"), by Provinco Italia S.p.A.

According to the contractual agreements, at the closing of the transaction, Provinco Italia S.p.A. paid an amount of CHF 12.4 million, equal to approximately 86% of the total sale price agreed between the parties. Mr. Raphael Dal Bo purchased from IWB no. 210,289 treasury shares held by the parent Italian Wine Brands for a total of CHF 2.9 million, becoming a shareholder of the group with a 2.84% stake. The IWB shares purchased by Mr. Raphael Dal Bo are subject to a *lock up period* of 36 months from today and determine a strong loyalty and alignment of interests of the new shareholder with the market.

In 2020 RDB achieved consolidated sales for a total of CHF 12.8 million (+ 20.0% compared to consolidated sales in 2019).

Net Working Capital at 31 December 2020 is stable compared to 31 December 2019 as a result of:

- The trade receivables, inventory and trade payables components show an increase following the growth in turnover
- The net current tax position is characterized by the presence of the "patent Box" IRES credit (€1.8 million)



In terms of asset management, during 2020 dividends were distributed for a total of €740 thousand, 113,939 Italian Wine Brands treasury shares were purchased for a total of €1.7 million at an average price of €15.00 per share and 210,289 Italian Wine Brands treasury shares were sold to Mr. Raphael Dal Bo for a total of €2.7 million at an average price of €12.77 per share.

The dynamics (i) of limited volumes of capital expenditure, (ii) of stabilization of net working capital and (iii) of substantial cash flows generated by operations, allowed the improvement of the consolidated active cash position despite the investment for the acquisition of RDB, the distribution of the dividend and the purchase of own shares. In particular, the consolidated cash position increased from Euro 0.6 million at 31 December 2019 to Euro 1.4 million at 31 December 2020; both figures do not consider the effect of the accounting of IFRS 16 / financial liabilities for rights of use equal to Euro 11.2 million at 31 December 2019 and Euro 9.9 million at 31 December 2020 and the payable relating to the deferred price component linked to the acquisition of Raphael Dal Bo AG (€1,861 thousand) at 31 December 2020.

“With reference to the Covid-19 (SARS-CoV-2) effects on the business of the group companies, during year 2020 the group adopted necessary actions to ensure continuity of business operations (i.e. re-organization of business spaces in order to guarantee sufficient distance among people, activation of remote working for white collars, set up of separated teams for production and transport activities).

As reported by financials results, there have been no relevant negative effects about group performance, thanks to the presence on markets and sales channels not so impacted by Covid-19 (mainly e-commerce and retail operators). The management team constantly monitors the development of the situation to be ready to act promptly in order to defend corporate assets and to ensure the full continuity of all of the business activities.

2. Significant events after the end of the period

During the first months of 2021, no particular significant events are to be noted.

It should be noted that the subsidiary Raphael Dal Bo AG, thanks to a particularly positive business trend in 2020, has reached and exceeded the expected level of Ebitda (increase of over 10% compared to 2019) from purchase agreement for the recognition of the residual portion equal to 15% of the Enterprise Value agreed upon at the time of acquisition. On 12 March 2021 Italian Wine Brands therefore paid the sellers an amount equal to CHF 2.01 million (€1.86 million), corresponding to 15% of the Enterprise Value of the transaction, equal to a total of CHF 13.40 million.



3. Outlook

During the first months of 2021, the group's activities continued in a very positive way for both the *wholesale* and *distance selling* business divisions and in all the geographical areas in which the Group operates.

Possible opportunities for expansion of the Group's business through the acquisition of other Italian companies operating internationally in the wine sector are also at an advanced stage of study.

4. Code of Ethics and Organizational Model

The subsidiaries Giordano Vini S.p.A. and Provinco Italia S.p.A. have adopted the Code of Ethics, which is an ideal alliance that the company forms - with clarity - with its own Human Resources and with the main external partners, and is the main instrument of the Compliance Programme.

The entrepreneurial objectives of the subsidiaries 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.

The subsidiaries Giordano Vini S.p.A. and Provinco Italia S.p.A. have 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 2020, the company Electa was appointed as a consultant, whose total value was below 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

The subsidiary Giordano Vini S.p.A. - which owns industrial buildings for production purposes - has implemented the Risk Assessment Document required by the law on safety at work.

Said 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 minimize 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 2020, 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 firefighting 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 minimize accidents and incidents by integrating safe work practices into all areas of an organization.

Through this certification, the third-party accredited body SGS ITALIA S.p.A. has recognized 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 2020, at 31 December 2019 and at 31 December 2018 is shown below for the Group companies:

	At 31 December 31.12.2020	Average no. 31.12.2020	At 31 December 31.12.2019	Average no. 31.12.2019	At 31 December 31.12.2018	Average no. 31.12.2018
Executives	6	7	6	8	5	6
Middle managers	14	12	10	10	8	9
Office workers	121	122	122	126	125	130
Workers	20	19	16	18	17	26
Total	161	160	154	162	155	170

7. Treasury shares

At 31 December 2020, the Parent Company held 38,304 ordinary shares, representing 0.52% of the ordinary share capital in circulation.



Consolidated Statement of Financial Position

<i>Amounts in EUR</i>	Notes	31.12.2020	31.12.2019
Non-current assets			
Intangible fixed assets	5	34.004.563	32.474.226
Goodwill	6	68.308.732	55.454.960
Land, property, plant and equipment	7	15.104.117	14.538.503
Right-of-use assets	7	9.636.543	10.860.401
Equity investments	8	2.496	2.496
Other non-current assets	9	223.504	505.944
Deferred tax assets	10	1.846.158	1.762.347
Total non-current assets		129.126.113	115.598.877
Current assets			
Inventory	11	25.490.065	20.333.956
Trade receivables	12	30.566.837	23.605.479
Other current assets	13	1.402.285	1.621.560
Current tax assets	14	2.096.047	1.015.930
Current financial assets		57.426	111.257
Cash and cash equivalents	15	33.401.735	32.653.347
Total current assets		93.014.395	79.341.529
Non-current assets held for sale		-	-
Total assets		222.140.508	194.940.406
Shareholders' equity			
Share capital		879.854	879.854
Reserves		67.027.888	64.829.575
Reserve for defined benefit plans		(66.778)	(61.213)
Reserve for stock grants		739.278	1.192.129
Profit (loss) carried forward		21.747.715	14.468.557
Net profit (loss) for the period		14.192.552	7.899.234
Total Shareholders' Equity of parent company shareholders		104.520.509	89.208.136
Shareholders' equity of NCIs		-	-
Total Shareholders' Equity	16	104.520.509	89.208.136
Non-current liabilities			
Financial payables	17	23.806.909	24.967.467
Right-of-use liabilities	17	8.821.241	9.909.388
Provision for other employee benefits	18	621.328	650.839
Provisions for future risks and charges	19	260.141	994.367
Deferred tax liabilities	10	9.874.128	10.014.441
Other non-current liabilities	21	-	-
Total non-current liabilities		43.383.747	46.536.502
Current liabilities			
Financial payables	17	10.076.307	7.232.059
Right-of-use liabilities	17	1.088.147	1.339.165
Trade payables	20	56.808.562	45.750.159
Other current liabilities	21	4.166.831	1.664.900
Current tax liabilities	22	2.096.405	3.209.485
Provisions for future risks and charges	19	-	-
Derivatives		-	-
Total current liabilities		74.236.252	59.195.768
Liabilities directly related to assets held for sale		-	-
Total shareholders' equity and liabilities		222.140.508	194.940.406



Comprehensive consolidated income statement

<i>Amounts in EUR</i>	Notes	31.12.2020	31.12.2019
Revenue from sales	23	204.311.431	157.493.814
Change in inventories	11	4.779.602	1.328.670
Other income	23	1.537.890	1.220.336
Total revenue		210.628.923	160.042.820
Purchase costs	24	(123.650.253)	(92.547.389)
Costs for services	25	(53.325.328)	(42.630.385)
Personnel costs	26	(8.685.129)	(7.653.502)
Other operating costs	27	(1.365.143)	(908.085)
Operating costs		(187.025.853)	(143.739.361)
EBITDA		23.603.070	16.303.459
Depreciation and amortization	5-7	(3.959.744)	(3.349.308)
Provision for risks	19	-	-
Write-ups / (Write-downs)	28	(1.425.778)	(1.231.853)
Operating profit/(loss)		18.217.548	11.722.298
Finance revenue		215.643	203.875
Borrowing costs		(1.401.691)	(1.427.079)
Net financial income/(expenses)	29	(1.186.048)	(1.223.204)
EBT		17.031.500	10.499.094
Taxes	30	(2.838.948)	(2.599.860)
(Loss) Profit from discontinued operations		-	-
Profit (loss) (A)		14.192.552	7.899.234
Attributable to:			
(Profit)/Loss of NCIs		-	-
Group profit (loss)		14.192.552	7.899.234
Other Profit/(Loss) of comprehensive income statement:			
Other items of the comprehensive income statement for the period to be subsequently released to profit or loss			
		-	-
Other items of the comprehensive income statement for the period not to be subsequently released to profit or loss			
Actuarial gains/(losses) on defined benefit plans	18	(5.565)	(32.297)
Tax effect of Other profit/(loss)		-	-
Total other profit/(loss), net of tax effect (B)		(5.565)	(32.297)
Total comprehensive profit/(loss) (A) + (B)		14.186.987	7.866.937



Statement of changes in consolidated shareholders' equity

Amounts in EUR

	Share capital	Capital reserves	Reserve for stock grants	Reserve from financial assets available for sale	Reserve for defined benefit plans	Retained earnings	Total
Balance at 1 January 2019	879.854	65.744.306	254.698	0	(28.916)	17.432.132	84.282.074
Capital increase							-
Purchase of own shares		(1.220.964)					(1.220.964)
Dividends						(2.896.073)	(2.896.073)
Stock grant		238.739	937.431				1.176.170
Legal reserve		33.995				(33.995)	-
Reclassifications		33.499				(33.507)	(8)
Total comprehensive profit/(loss)					(32.297)	7.899.234	7.866.937
Balance at 31 December 2019	879.854	64.829.575	1.192.129	0	(61.213)	22.367.791	89.208.136
Capital increase		-					-
Purchase of own shares		(1.701.455)					(1.701.455)
Sale of own shares		2.685.391					2.685.391
Dividends						(739.809)	(739.809)
Stock grant		1.234.311	(452.851)				781.460
Legal reserve							-
Reclassifications and other changes		(19.934)				119.733	99.799
Total comprehensive profit/(loss)					(5.565)	14.192.552	14.186.987
Balance at 31 December 2020	879.854	67.027.888	739.278	0	(66.778)	35.940.267	104.520.509



Consolidated statement of cash flows

Amounts in EUR

	31.12.2020	31.12.2019
Profit (loss) before taxes	17.031.500	10.499.094
Adjustments for:		
- non-monetary items - stock grant	-	-
- allocations to the provision for bad debts net of utilizations	1.425.778	1.231.853
- non-monetary items - provisions / (releases)	-	-
- non-monetary items - a mortisation/depreciation	3.959.744	3.349.308
Adjusted profit (loss) for the period before taxes	22.417.022	15.080.255
Cash flow generated by operations		
Income tax paid	(5.032.145)	3.029.569
Other financial (income)/expenses without cash flow (financial amortisation)	156.109	179.178
Total	(4.876.036)	3.208.747
Changes in working capital		
Change in receivables from customers	(7.520.849)	(4.051.999)
Change in trade payables	10.538.491	1.228.165
Change in inventories	(4.486.377)	(1.337.235)
Change in other receivables and other payables	804.101	(2.898.681)
Other changes	(59.549)	-
Change in post-employment benefits and other provisions	(758.172)	(114.072)
Change in other provisions and deferred taxes	(224.124)	(443.907)
Total	(1.706.480)	(7.617.729)
Cash flow from operations (1)	15.834.506	10.671.273
Capital expenditure:		
- Tangible	(1.736.476)	(1.049.325)
- Intangible	(3.064.227)	(1.759.009)
- Net cash flow from business combination (*):	(11.641.919)	-
- Financial	-	-
Cash flow from investment activities (2)	(16.442.622)	(2.808.334)
Financial assets		
Short-term borrowings	17.816.780	10.371.747
Short-term borrowings (paid)	(15.000.000)	(21.000.000)
Collections / (repayments) Senior loan	(3.250.000)	(4.875.000)
Collections / (repayments) other financial payables	(1.073.667)	4.318.000
Change in other financial assets	53.831	174.856
Change in other financial liabilities	1.695.303	(459.178)
Purchase of own shares	(1.701.455)	(1.220.964)
Sale of own shares	2.685.391	-
Dividends paid	(739.809)	(2.896.073)
Monetary capital increases	-	-
Change in reserve for stock grants	781.460	1.176.170
Other changes in Shareholders' equity	88.670	(8)
Cash flow from financing activities (3)	1.356.504	(14.410.450)
Cash flow from continuing operations	748.388	(6.547.511)
Change in cash and cash equivalents (1+2+3)	748.388	(6.547.511)
Cash and cash equivalents at beginning of period	32.653.347	39.200.858
Cash and cash equivalents at end of period	33.401.735	32.653.347

(*) Effects of the acquisition of 100% of the investment in the company RDB AG as detailed below:

(a) Total consideration paid in cash:	11.938.432
(b) Amount of cash and cash equivalents acquired	(296.512)



FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL REPORT

Introduction

This Financial Report at 31 December 2020 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").

Statement of financial position schedules

This Financial Report at 31 December 2020 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 statement of financial position and income statement respectively.

The entities included in the scope of consolidation and the relative percentages of direct or indirect ownership by the Group are listed below:

Company	Country	Share Capital		Parent company	Percentage held	Percentage directly held
		Currency	Value			
IWB S.p.A.	Italia	EUR	879.854	-	Capogruppo	-
Provinco Italia S.p.A.	Italia	EUR	132.857	IWB S.p.A.	100%	100%
Giordano Vini S.p.A.	Italia	EUR	14.622.511	IWB S.p.A.	100%	100%
Provinco Deutschland GmbH	Germania	EUR	25.000	Provinco Italia S.p.A.	100%	-
Pro.Di.Ve. S.r.l.	Italia	EUR	18.486	Giordano Vini S.p.A.	100%	-
Raphael Dal Bo AG	Svizzera	CHF	100.000	Provinco Italia S.p.A.	100%	-
Raphael Dal Bo S.r.l.	Italia	EUR	10.000	Raphael Dal Bo AG	100%	-

2 General principles of preparation

The consolidated Annual Financial Report was 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 this consolidated Annual Financial Report 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 accounted for using 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 expensed and classified as administrative expenses.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognized 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 recognized 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 recognized 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 recognized in the income statement. Any amounts deriving from the equity investment previously held and recognized 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 recognized 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 recognized in shareholders' equity: there will be no adjustments to goodwill and no gains or losses recognized in the income statement.

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

Intangible assets with indefinite useful life

Goodwill

Goodwill is recognized as an asset with an indefinite useful life and is not amortized, 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 recognized 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 realizable value. If the realizable value of the cash-generating unit is lower than the carrying amount attributed, the related impairment loss is recognized. 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 part of the assets of that unit, the goodwill associated with the disposed asset shall be included in the carrying amount of the asset when determining the gain or loss on disposal. The goodwill associated with the discontinued asset must be determined on the basis of the relative values of the discontinued asset and the portion of the cash-generating unit 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 amortization 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 recognized 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 amortization charges, in relation to their estimated useful life. Amortization begins when the asset is available for



use and is proportionate, for the first reporting period, to the period of actual use. The amortization rates used are determined on the basis of the useful life of the related assets. The useful life values used for the purposes of preparing this Consolidated Annual Financial Report are as follows:

CATEGORY	USEFUL LIFE
Concessions, licenses, trademarks and similar rights	10 years
Industrial patent and use of intellectual property	3 years
Project for adjustment of management control	3 years
Software and other intangible assets	3-4 years

Right-of-use assets

Lease contracts are recorded as rights of use under non-current assets with a balancing entry in a financial liability. The cost of the fee is broken down into its components of financial expense, recorded in profit or loss over the term of the contract, and repayment of principal, recorded as a reduction of the financial liability. The right of use is amortized on a monthly basis on a straight-line basis over the shorter of the asset's useful life and the term of the contract.

Rights of use and financial liabilities are initially measured at the present value of future payments discounted using the incremental borrowing rate.

For a more detailed discussion of the subject see paragraph 4.1.

Land, property, plant and equipment

Tangible assets are composed of:

- industrial land and buildings
- plant and equipment
- industrial and commercial equipment
- other assets

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 for the purposes of preparing this Consolidated Annual Financial Report are as follows:

CATEGORY	USEFUL LIFE
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 recognized 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 recognized in profit or loss for the period.

Leasehold improvements with the characteristics of fixed assets are capitalized 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 capitalized and amortized over the useful life of the class of assets to which they refer.

All other financial charges are recognized 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 realizable 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.

Realizable 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 realizable 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 realizable 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 recognized 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 realizable value (which, however, may not exceed the net carrying amount that the asset would have had if the impairment loss had never been recognized). This reversal is immediately recognized 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 recognized 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 recognized 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 recognize 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 statement of financial position 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 amortized 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 recognized as an expense in the income statement for the period. With the exception of derivative financial instruments, financial liabilities are stated at amortized cost using the effective interest method.



Trade receivables and payables

Trade receivables are initially recorded at amortized cost, which coincides with the adjusted nominal value, in order to adjust it to the presumed realizable 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 statement of financial position 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 amortized cost, i.e., at their initial value, net of principal repayments already made, adjusted (upwards or downwards) on the basis of the amortization (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 realizable 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 labor 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 recognized 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 reporting 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 recognized to the extent that it is probable that economic benefits will flow to the entity and the amount can be measured reliably. Revenues are recognized net of discounts, allowances and returns.

Revenues from the *distance selling* division are recognized when the carrier delivers them to the customer. Revenues from the sale of wine, food products and gadgets are recognized 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 grants

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

Interest charges

Interest expense is recognized 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 realized 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 statement of financial position and the corresponding tax value used in the calculation of taxable income, accounted for using the full liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are recognized 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 recognized 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 recognized 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 realized or the liability is settled.

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

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

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 recognized 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 2020.

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 recognized 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 centered 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 Annual Financial Report at 31 December 2019 except for the following new standards or amendments to existing standards, details of which are provided in the paragraphs below.

Accounting standards and interpretations endorsed and effective from 1 January 2020

In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," the IFRS standards in force from 1 January 2020 are indicated below:

Amendments to IFRS 3 "Business combinations"

These changes introduced a new business definition, as the current one is too complex with the result that too many transactions qualify as business combinations.

There are no impacts on the Consolidated Group Financial Statements due to the application of these changes.

Amendments to IAS 1 "Presentation of Financial Statements" and to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"



These amendments, in addition to clarifying the concept of materiality, focus on the definition of a consistent and unique concept of materiality among the various accounting standards and incorporate the guidelines included in IAS 1 on intangible information.

There are no impacts on the Consolidated Group Financial Statements due to the application of these changes.

Amendments to IFRS 9, IAS 39 and IFRS 7: Reform of the reference interest rate (IBOR reform)

These changes concern the impacts on financial statements deriving from the replacement of the current reference interest rates ("benchmark") with alternative interest rates: in the presence of hedging relationships impacted by the uncertainty of the reform of the reference rates, these changes make it possible not to carry out the valuations required by IFRS 9 in the presence of interest rate changes.

There are no impacts on the Consolidated Group Financial Statements due to the application of these changes.

Amendments to IFRS 16 Leases - fee reductions related to Covid-19

These amendments introduce an optional accounting treatment for tenants in the presence of reductions in permanent rent (rent holidays) or temporary rents linked to Covid-19.

Tenants can choose to account for rent reductions occurring up to 30 June 2021 as variable lease payments recognized directly in the income statement for the period in which the reduction applies, or treat them as a modification of the lease agreement with the consequent obligation to remeasure the lease payable based on the revised consideration using a revised discount rate.

There are no impacts on the Consolidated Group Financial Statements due to the application of these changes.

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

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 2020 and therefore not applicable. They are not expected to have an impact on the Group's financial statements at the date of application.

Amendments to IAS 1 - Presentation of financial statements - Classification of liabilities as current or non-current



The amendments clarify the principles that must be applied for the classification of liabilities as current or non-current.

These changes, which will become effective on January 1, 2022, have not yet been approved by the European Union.

Amendments to IAS 16 - Property, plant and equipment – Revenues before the intended use

These amendments prohibit deducting from the cost of property, plant and equipment amounts received from the sale of products while the asset is being prepared for its intended use. Revenues from the sale of the products, and the related production cost must be recognized in the income statement.

These changes, which will become effective on January 1, 2022, have not yet been approved by the European Union.

Amendments to IAS 37 - Provisions, contingent liabilities and contingent assets - Onerous contracts - Costs to fulfil a contract

These changes specify the costs to be taken into consideration when evaluating costly contracts.

These changes, which will become effective on January 1, 2022, have not yet been approved by the European Union.

Annual Improvements (2018 - 2020 cycle) issued in May 2020

These are limited amendments to some standards (IFRS 1 First adoption of IFRS, IFRS 9 Financial instruments, IAS 41 Agriculture and illustrative examples of IFRS 16 Leases) which clarify the wording or correct omissions or conflicts between the requirements of the IFRS principles.

These changes, which will become effective on January 1, 2022, have not yet been approved by the European Union.



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	01/01/2020	increases	decreases	amortisation	Reclassifications	31/12/2020
Trademarks and patents	29.795	24	-	(10)	-	29.810
Software	968	141	-	(591)	256	774
Other intangible assets	1.629	77	-	(933)	2.257	3.030
Intangible assets under construction and advances	82	2.822	-	-	(2.514)	391
Net carrying amount intangible assets	32.474	3.064	0	(1.534)	0	34.005

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 amortized 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 2019, in line with that used for the purposes of goodwill, for which reference should be made to the next paragraph.

The increases in 2020 mainly relate to the development of the following computerisation processes concerning the company Giordano Vini S.p.A.:

- Implementation of websites and start-up of operations in new countries (Spain and Germany through the Svinando platform);
- Development of the customer base through targeted acquisition through successful marketing campaigns ("CPA");
- revision of the applications for credit check and reminder of overdue receivables (VAD);



- improvements to the programs for interfacing with couriers and package valorization

6 Goodwill

Total goodwill - equal to €68,309 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; Raphael Dal Bo AG for €12,854 thousand, the latter in March 2020.

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 Raphael Dal Bo AG, 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).



7 Land, property, plant and equipment

The change in tangible fixed assets is shown below:

€thousand

PROPERTY, PLANT AND EQUIPMENT						
Gross value						
Historical cost	01/01/2020	increases	divestments	reclassifications/ other changes	increases from business combinations	31/12/2020
Land and buildings	13.026	-	-	-	-	13.026
Plant and equipment	16.274	510	(82)	83	51	16.836
Equipment	723	11	-	-	-	734
Other plant, property and equipment	4.820	60	(25)	78	557	5.491
Assets under construction and advances	164	1.277	(123)	(161)	-	1.157
Right-of-use assets	12.055	-	-	-	-	12.055
Total historical cost	47.062	1.858	(231)	-	608	49.298

PROPERTY, PLANT AND EQUIPMENT						
Accumulated depreciation						
Accumulated depreciation	01/01/2020	depreciation	divestments	other changes		31/12/2020
Land and buildings	(3.542)	(255)	-	-	-	(3.796)
Plant and equipment	(12.196)	(632)	81	-	(50)	(12.797)
Equipment	(568)	(30)	-	-	-	(597)
Other plant, property and equipment	(4.163)	(284)	21	-	(522)	(4.948)
Assets under construction and advances	-	-	-	-	-	-
Right-of-use assets	(1.194)	(1.224)	-	-	-	(2.418)
Total accumulated depreciation	(21.663)	(2.424)	102	-	(572)	(24.557)

PROPERTY, PLANT AND EQUIPMENT						
Net value						
Net carrying amount	01/01/2020	increases	divestments	depreciation	Other changes	31/12/2020
Land and buildings	9.484	-	-	(255)	-	9.230
Plant and equipment	4.078	510	(1)	(632)	84	4.039
Equipment	155	11	-	(30)	-	136
Other plant, property and equipment	657	60	(4)	(284)	113	542
Assets under construction and advances	164	1.277	(123)	-	(161)	1.157
Right-of-use assets	10.860	-	-	(1.224)	-	9.637
Total net carrying amount	25.399	1.858	(128)	(2.424)	36	24.741

The most significant increase from the point of view of the actual acquisitions concerns the items:



- Plant and equipment – main investments: monobloc additions to the bottling line (€160 thousand), tangential filter (€125 thousand), depalletizer (€105 thousand), barriques (€70 thousand);
- Assets under construction and advances - investments related to plant and machinery for the cellar (pipeline for the transfer of wines, revision of the filtration system) and bottling (packaging and packaging systems).

The increases from business combinations refer to the direct acquisitions of Raphael Dal Bo AG and the indirect acquisitions of Raphael Dal Bo S.r.l. (100% controlled by the previous one) by Provinco Italia S.p.A.

8 Equity investments

Equity investments, almost entirely attributable to the company Giordano Vini S.p.A., are detailed as follows:

Amounts in EUR

	Country	31.12.2020	31.12.2019
Other companies			
BCC of Alba and Roero	Italy	258	258
Consorzio Conai	Italy	670	670
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	293
Total		2.496	2.496

9 Other non-current assets

This item includes €178 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 2020

€thousand

Description	Tax base	Tax rate	Balance
Tangible and intangible fixed assets	853	27,90%	238
Provision for risks and charges	131	24,00%	31
Provisions for returns and inventory write-downs	1.461	27,90%	408
Non-deductible interest expense	1.060	24,00%	254
Non-capitalisable long-term charges for IFRS purposes	140	27,90%	39
Provision for bad debts	2.307	24,00%	554
Remuneration of directors	1.001	24,00%	240
Exchange rate adjustment		24,00%	0
Provisions for pensions	136	27,90%	38
Others	183	24,00%	44
Total deferred tax assets			1.846

Description

Business combinations / Goodwill	5.639	27,90%	1.573
Tangible and intangible fixed assets	29.703	27,90%	8.286
Exchange rate adjustment	24	24,00%	6
Others	38	24,00%	9
Total provision for deferred taxes			9.874

Amounts at 31 December 2019

€thousand

Description	Tax base	Tax rate	Balance
Tangible and intangible fixed assets	771	27,90%	215
Provision for risks and charges	856	24,00%	205
Provisions for returns and inventory write-downs	1.075	27,90%	300
Non-deductible interest expense	1.060	24,00%	254
Non-capitalisable long-term charges for IFRS purposes	140	27,90%	39
Provision for bad debts	2.404	24,00%	577
Remuneration of directors	370	24,00%	89
Provisions for pensions	182	26,28%	48
Other IRAP - Trentino Region	30	2,68%	1
Others	142	24,00%	34
Total deferred tax assets			1.762

Description

Business combinations / Goodwill	6.161	27,90%	1.719
Tangible and intangible fixed assets	29.703	27,90%	8.287
Exchange rate adjustment	35	24,00%	8
Total provision for deferred taxes			10.014



11 Inventory

The composition is shown below:

<i>€thousand</i>	31.12.2020	31.12.2019
Raw materials and consumables	2.010	2.827
Semi-finished products	16.144	12.903
Finished products	7.316	4.582
Advances	20	22
Total	25.490	20.334

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 materials is mainly due to the reduction in components for the production of bottles (-€460 thousand) and the reduction in packaging (-€315 thousand).

The change in semi-finished products concerns at substantially equal extent bulk wine (+€1.7 million) and bottled wine (+€1.4 million).

The change in finished products is mainly due to the increase in packaging.

The figure as at 31 December 2020 includes €591 thousand relating to the warehouse of Raphael Dal Bo AG and Raphael Dal Bo S.r.l. (this amount is net of €276 thousand relating to the bad debt provision pertaining to Raphael Dal Bo AG).

The carrying amount of the inventories is shown net of a provisions for bad debts of €1,736 thousand, the changes of which in the period are shown below:



€thousand

Provision at 1 January 2020	989
Provisions	749
Increases from business combinations	276
Amounts used	(278)
Provision at end of period	1.736

12 Trade receivables

Trade receivables at 31 December 2020 and 31 December 2019 are detailed below:

€thousand

	31.12.2020	31.12.2019
Trade receivables	33.057	26.580
Provision for writedown	(2.490)	(2.975)
Total	30.567	23.605

During 2020, the provision for bad debts changed as follows:

€thousand

	31.12.2020	31.12.2019
Initial amount	2.975	2.851
Provisions	1.409	1.232
Increases from business combinations	48	-
Amounts used	(1.943)	(1.108)
Provision at end of period	2.490	2.975

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 2020 and 31 December 2019 are detailed in the following table:

<i>€thousand</i>	31.12.2020	31.12.2019
Receivables from distributors for cash on delivery	158	164
Security deposits	384	362
Others	362	612
Advances to suppliers	46	337
Accruals and prepayments	452	146
Total	1.402	1.622

14 Current tax assets

Tax receivables at 31 December 2020 and 31 December 2019 are detailed in the following table:

<i>€thousand</i>	31.12.2020	31.12.2019
VAT receivables	2.095	912
IRAP receivables	-	70
IRES receivables	-	-
Others	1	34
Total	2.096	1.016

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 national IRES tax consolidation scheme, the effects of which are also reported in the economic and financial results at 31 December 2020.



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 summarized 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 realized 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 2020 and 31 December 2019 is provided in the table below:

<i>€thousand</i>	31.12.2020	31.12.2019
Bank deposits	30.495	30.554
Postal deposits	2.567	1.379
Cheques	283	677
Cash	57	43
Total	33.402	32.653



16 Shareholders' equity

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

<i>Amounts in EUR</i>		
	31.12.2020	31.12.2019
Share capital	879.854	879.854
Legal reserve	175.971	175.971
Reserve for application of IAS		
Share premium reserve	64.565.446	64.565.446
Reserve for actuarial gains on defined benefit plans	(66.778)	(61.213)
Reserve for stock grants	739.278	1.192.129
Reserve for translate	(19.934)	-
Reserve for the purchase of treasury shares	(582.570)	(2.800.816)
Other reserves	2.888.974	2.888.974
Prior profits/(losses)	21.747.715	14.468.557
Profit/(loss) of the period	14.192.552	7.899.234
Total reserves	103.640.655	88.328.282
Total Group shareholders' equity	104.520.509	89.208.136
Shareholders' equity of NCIs	-	-
Total shareholders' equity	104.520.509	89.208.136

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, unchanged compared to 31 December 2019.

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/(losses) 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 2020, the Parent Company held 38,304 ordinary shares, representing 0.52% 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>	31 December 2020	
	Profit/(loss) for the period	Shareholders' equity
Shareholders' equity IWB SpA - ITA GAAP standards	7.525.116	86.300.677
Differences in accounting standards	273.892	2.963.497
Shareholders' equity IWB SpA - IFRS standards	7.799.008	89.264.174
Elimination of carrying amount of consolidated equity investments:		
Carrying amount of consolidated equity investments	-	(54.255.982)
Pro-quota share of consolidated equity investments net of consolidation differences	15.786.882	69.659.273
Dividends from subsidiaries	(9.271.662)	-
Consolidation adjustments for transactions between consolidated companies	(121.677)	(146.956)
Application of the financial method to assets held under financial leases		
Group shareholders' equity and profit/(loss) for the period	14.192.552	104.520.509
Non-controlling interest	-	-
Consolidated shareholders' equity and profit/(loss)	14.192.552	104.520.509



17 Financial payables

The situation at 31 December 2020 is as follows:

<i>€thousand</i>				31.12.2020
	Short term	Medium/long term (within 5 years)	Long term (over 5 years)	Total
Pool financing - Senior	3.250	13.050	-	16.300
Short-term unsecured loans	1.500	-	-	1.500
GV revolving loans	2.000	7.000	-	9.000
Other loans in addition to e.g. unsecured loans	1.400	3.757	-	5.157
Financial accrued expenses and charges to be settled	65	-	-	65
Total banks	8.215	23.807	-	32.022
Payables to factoring companies	-	-	-	-
Deferred price acquisition of Raphael Dal Bo AG	1.861	-	-	1.861
Total other lenders	1.861	-	-	1.861
Total	10.076	23.807	-	33.883

The statement of Group financial payables at 31 December 2019 is given below for comparison purposes:



€ thousand

31.12.2019

	Short term	Medium/long term (within 5 years)	Long term (over 5 years)	Total
Pool financing - Senior	3.250	16.146	-	19.396
Short-term unsecured loans	1.500	-	-	1.500
GV revolving loans	2.000	7.000	-	9.000
Other loans in addition to e.g. unsecured loans	407	1.821	-	2.228
IWB mortgage	-	-	-	-
Financial accrued expenses and charges to be settled	49	-	-	49
Total banks	7.206	24.967	-	32.173
Payables to factoring companies	26	-	-	26
Total other lenders	26	-	-	26
Total	7.232	24.967	-	32.199

The table below shows the changes in financial liabilities

€ thousand

	31.12.2019	Disbursements / Other changes	Refunds / Other changes	Fair value adjustment	Operating costs/expenses	31.12.2020
Pool financing - Senior	19.396	-	(3.250)	154	-	16.300
Short-term unsecured loans	1.500	-	-	-	-	1.500
GV revolving loans	9.000	15.000	(15.000)	-	-	9.000
Other loans in addition to e.g. unsecured loans	2.228	4.000	(1.074)	3	-	5.157
Accrued interest expense GV	49	65	(49)	-	-	65
Total banks	32.173	19.065	(19.373)	157	-	32.022
Payables to factoring companies	26	56	(82)	-	-	-
Deferred price acquisition of Raphael Dal Bo AG	-	1.861	-	-	-	1.861
Total other lenders	26	1.917	(82)	-	-	1.861
Total	32.199	20.982	(19.454)	157	-	33.883

The bank debt at 31 December 2020 consisted of the following loans:

- 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 2020, the residual debt valued using the amortized cost method amounted to €16.3 million.
 - 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 disbursed on 23 April 2018 with a duration of 6 months and gradually renewed until the next maturity date of 12 February 2021;
- €4 million disbursed on 10 May 2019 with a duration of 6 months and subsequently renewed until the next maturity date of 11 May 2021.

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 2020, 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 by Banca d'Alba to the subsidiary Giordano Vini S.p.A. with current account credit facility of €1.5 million, renewed quarterly at a rate of 0.80%. 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 by Intesa Sanpaolo, 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 2020 valued using the amortized cost method amounts to €499 thousand.
- "Import" short-term loan granted to the subsidiary Giordano Vini S.p.A. from Banca d'Alba for an amount of € 1.0 million with extinction on March 31, 2021 and a rate of 0.80%.
- Short-term "Revolving" loan granted on 6 May 2019 to the subsidiary Giordano Vini S.p.A. by Crédit Agricole for an amount of €2.0 million with quarterly maturity and a rate equal to the 3-month Euribor plus a spread of 0.60%.
- 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 to be extinguished on 27 December 2021, at a rate equal to the 3-month Euribor plus a spread of 1.75%. The residual debt at 31 December 2020 amounts to €658 thousand.
- Medium-term loan of €3 million granted to the subsidiary Provinco Italia S.p.A. disbursed on 30 November 2020 repayable in quarterly instalments and to be extinguished on 30 November 2023, at a rate equal to the 3-month Euribor plus a spread of 2.00%.



Financial payables are recorded in the financial statements at the value resulting from application of the amortized cost, determined as the initial *fair value* of the liabilities net of the costs incurred to obtain the loans, increased by the cumulative amortization 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.

"Liabilities for rights of use" refer to the entry into force from 1 January 2019 of IFRS 16, which requires the recording of lease contracts in the accounts, indicating under non-current assets the amount corresponding to the "Right of use" as a balancing entry to a liability calculated as the present value of future cash disbursements relating to the contract.

At 31 December 2020, among other financial payables, there is the deferred price component linked to the acquisition of Raphael Dal Bo AG (Euro 1,861 thousand)

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 2020 are shown below:

<i>€thousand</i>	2020	2019
Provision at 1 January	651	656
Provisions	42	41
Advances paid during the period	-	(12)
Benefits paid out in period	(76)	(65)
Actuarial (gains)/losses	6	32
Borrowing costs	(1)	(1)
Provision at end of period	621	651

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 recognized in profit or loss under "Financial income/(expenses)", while the component "actuarial income/(expenses)" is recognized under *other comprehensive income* and transferred to a Shareholders' equity reserve called "Reserve for defined benefit plans".

The main actuarial assumptions used are as follows:

Actuarial assumptions	31.12.2020	31.12.2019
Discount rate	-0,10%	0,85%
Inflation rate	1,20%	1,50%
Average Annual Percentage of Staff Exit	8,62%	9,10%



19 Provisions for risks and charges

During the period, the item changed as follows:

€thousand

	Non-current	Current	Total
Provision at 1 January 2019	1.071	-	1.071
Provisions	-	-	-
Amounts used	(77)	-	(77)
Provision at 31 December 2019	994	-	994

€thousand

	Non-current	Current	Total
Provision at 1 January 2020	994	-	994
Provisions	-	-	-
Amounts used	(734)	-	(734)
Provision at 31 December 2020	260	-	260

Non-current liabilities mainly include:

- €826 thousand referring to provisions for risks made by the subsidiary Giordano Vini S.p.A. in relation to a legal dispute pending with a supplier, dating back to 2012. This provision was used in 2020 for €724 thousand following the reaching of a final settlement agreement with the counterpart in November 2020;
- a provision of €132 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

	31.12.2020	31.12.2019
Suppliers - Italy	55.289	44.754
Suppliers - Foreign Markets	1.520	996
	56.809	45.750

21 Other liabilities

Other liabilities are made up as follows:

€thousand

	31.12.2020	31.12.2019
Employees	1.131	784
Social security institutions	522	470
Directors	639	11
Accruals and deferred income	441	313
Others	1.434	87
Total current	4.167	1.665

Payables to employees mainly include wages and salaries for December 2020 paid in January 2021 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.



The item Others includes the payable relating to the settlement agreement, including legal fees, referred to in paragraph 19. Provision for risks and charges.

22 Current tax liabilities

These are made up as follows:

<i>€thousand</i>	31.12.2020	31.12.2019
VAT	1.619	1.319
IRES	(1.095)	879
IRPEF withholding tax	327	412
IRAP	398	-
Excise duties	486	473
Other taxes	361	126
Total	2.096	3.209

The item "IRES" includes €1.8 million relating to "Patent Box" tax credits.

23 Revenues from sales and other revenues

Revenues from sales and other revenues and income at 31 December 2020, compared with those of the two previous periods, are detailed below:



€thousand

	31.12.2020	31.12.2019	31.12.2018	Δ % 19/20	CAGR 18/20
Revenue from sales - Italy	39.539	33.333	33.819	18,62%	8,13%
Revenue from sales - Foreign Markets	164.080	123.543	115.345	32,81%	19,27%
Switzerland	48.814	27.572	26.842	77,04%	34,85%
Germany	41.961	35.298	34.179	18,88%	10,80%
England	24.254	17.262	13.863	40,51%	32,27%
Austria	18.493	14.589	15.399	26,76%	9,59%
Belgium	6.641	4.039	3.104	64,40%	46,28%
France	5.760	5.087	6.050	13,23%	(2,43%)
Denmark	5.020	5.177	5.149	(3,02%)	(1,26%)
Netherlands	1.709	960	481	78,02%	88,53%
Sweden	1.586	1.324	1.231	19,78%	13,54%
USA	1.561	3.018	2.533	(48,29%)	(21,50%)
Hungary	1.544	1.312	N/A	17,68%	N/A
Ireland	1.516	1.008	N/A	50,49%	N/A
Poland	1.086	1.038	N/A	4,65%	N/A
China	882	1.264	937	(30,23%)	(2,98%)
Canada	877	617	591	42,11%	21,76%
Other countries	2.378	3.979	4.987	(40,25%)	(30,95%)
Other revenues	692	617	698	12,20%	(0,41%)
Total revenues from sales	204.311	157.494	149.863	29,73%	16,76%

24 Purchase costs

Purchase costs include €50.6 million (€36.9 million at 31/12/2019) for Giordano Vini S.p.A., €1.25 million for Pro.Di.Ve. S.r.l. (€0.45 million at 31/12/2019), €66.3 million (€55.2 million at 31/12/18) for Provinco Italia S.p.A., €4.8 million for Raphael Dal Bo AG and €0.74 million for Raphael Dal Bo S.r.l.

25 Costs for services

The costs for services at 31 December 2020, compared with those of the previous year, are detailed below:



€thousand

	31.12.2020	31.12.2019
Services from third parties	10.227	8.441
Excise duties	8.374	3.451
Transport	14.935	11.871
Postage expenses	4.007	4.098
Fees and rents	717	447
Professional	1.443	1.285
Advertising costs	3	3
Utilities	824	844
Remuneration of Directors, Statutory Auditors and Supervisory Body	1.946	1.831
Maintenance	370	235
Costs for outsourcing	7.407	7.051
Commissions	141	121
Other costs for services	2.931	2.952
Total	53.325	42.630

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

€thousand

	31.12.2020	31.12.2019
Directors	1.871	1.742
Auditors	69	83
SB	6	6
Total	1.946	1.831

In the period 2020, fees for the Independent Auditors amounted to €70 thousand (€88 thousand at 31 December 2019).

26 Personnel costs

Personnel costs at 31 December 2020, compared with those of the previous year, are detailed below:



€thousand

	31.12.2020	31.12.2019
Wages and salaries	6.041	5.295
Social security charges	1.798	1.707
Termination benefits	331	329
Stock grant	374	213
Administration cost	116	100
Other costs	24	9
Total	8.685	7.654

The following table shows the number of employees:

	At 31 December 31.12.2020	Average no. 31.12.2020	At 31 December 31.12.2019	Average no. 31.12.2019
Executives	6	7	6	8
Middle managers	14	12	10	10
Office workers	121	122	122	126
Workers	20	19	16	18
Total	161	160	154	162

27 Other operating costs

The item "Other operating costs" amounts to €1,365 thousand and mainly includes: contingent liabilities of €274 thousand relating to the closure of a credit position linked to an advertising barter contract dating back to 2016, non-deductible taxes for approximately €325 thousand, share Non-deductible VAT due to the pro-rata effect of approximately €97 thousand. The item in the comparative financial year shows a balance of €908 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

	31.12.2020	31.12.2019
On current accounts	20	15
Exchange rate gain/(loss)	156	148
Others	39	40
Total	216	204

€thousand

	31.12.2020	31.12.2019
Loans	(568)	(627)
Right-of-use liabilities	(309)	(347)
Bank current accounts	(4)	(20)
Financial instruments	-	-
Bank fees and charges	(290)	(248)
Exchange rate gain/(loss)	(172)	(88)
Others	(58)	(97)
Total	(1.401)	(1.427)

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;
- realized 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 2020, compared with those of the previous year, are detailed below:



€thousand

	31.12.2020	31.12.2019
IRES	(2.590)	(2.685)
IRAP	(469)	(141)
Taxes for prior periods	(4)	37
Total current taxes	(3.063)	(2.789)
Prepaid taxes	84	50
Deferred taxes	140	139
Total deferred taxes	224	189
Total	(2.839)	(2.600)

31 Related-party transactions

At 31 December 2010 there was:

- (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 relationship is regulated at 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.

For the Board of Directors
The Chief Executive Officer
Alessandro Mutinelli