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, 2019

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.

VCPC/AMR/lsmt - RC061842019BD2053

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Viale Abruzzi, 94
20131 Milano

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, 2019, 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, 2019 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, 2019, 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, 2019 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, 2019 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, May 28, 2020

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

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ITALIAN WINE BRANDS

CONSOLIDATED ANNUAL FINANCIAL REPORT
31 DECEMBER 2019

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 2019 based on what we promised a year ago, with extremely positive results in terms of:

1. Growth in revenue: +5.1% with a brilliant increase in the wholesale segment: +13.6%;
2. EBITDA Adjusted growth: +23.9%;
3. Net profit growth: +26.9%;
4. The achievement of a net consolidated liquidity of €0.6 million at year-end (up €3.9 million at 31 December 2018).

In addition, we successfully completed the acquisition of the Swiss company Raphael Dal Bo AG in March 2020, which expanded the size and attractiveness of your group internationally.

In essence, a series of extremely positive and well-boding elements for the future of the IWB Group, which underline the solid fundamentals that we have built over the years. It has been a demanding job, which has led, in some sectors, to deep reorganization, to adapt the structure to today's market. Above all, we have redesigned the executive team, which is determined to look ahead to the future with enthusiasm and passion. Sharing the long-term vision and values that guide this group are the compass to which each of us looks in making decisions.

As regards the stock value, the trend is positive, although - please allow me to say - it is always difficult for me to understand the comparison with some transactions of unlisted companies, that are even smaller and less structured than IWB, which are valued much higher than ours. There are only two explanations: either our share price is too low, or the amounts paid by others are too high. Probably the truth lies in the middle and sooner or later our value will have to be up where it deserves.

I would then have all the elements to write a letter full of satisfaction for what has been achieved and use triumphant tones in highlighting the results. By nature, I would never do it anyway, but the truth is that I am writing this letter in the middle of the Coronavirus pandemic, which from China has reached Italy in a short time and is spreading, at the same speed to the rest of the world. The social and economic consequences will all have to be verified in the coming months.

I wrote this letter often using the singular first person "I". Now I want to stop and start using "we." By "we" I mean the entire management team and every single employee and collaborator at IWB.

"We" will not abandon the helm, we will not abandon the course we have set, we will not be discouraged. Probably, the storm that has hit the world will call for veering our ship, making a few short-term deviations, to avoid the most dangerous waves. But we will get out of the storm and go in the set direction with even more passion and determination.

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 (78.4%) and only the remaining part with domestic customers (21.2%).

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

Cantine del Borgo Reale
Giordano – Buon vino, buona vita.
Grande Alberone
Gomera – As it was + Wie es war
Ronco di Sassi
Old World – Italian wine
Calarojas – Tempranillo
Forte Elerone
Grandi Mori
Ripa di Sotto
San Zenone
Santi Nobile
Oroperla
Svinando
Poggio del Concone
Terre dei Gigli
Italian Art Café – Espresso club
Optimacraft – Birra artigianale italiana

With centralised 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 centralised production structure consisting of two cellars in Diano d'Alba (CN) and Torricella (TA) and two bottling lines owned by the Group and located in Diano d'Alba (CN).

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

1.2.1 Consolidated situation

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

The consolidated Annual Report of the Group at 31 December 2019 shows the following results, expressed in millions of €:

	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Revenue from sales	**157.494**	**149.863**	**149.736**	**145.937**
Change in inventories	1.329	(1.162)	2.402	825
Other income	1.220	1.486	1.278	1.901
Total revenue	160.043	150.187	153.416	148.664
Purchase costs	(92.547)	(86.082)	(83.219)	(78.526)
Costs for services	(41.486)	(41.515)	(45.700)	(46.503)
Personnel costs	(7.441)	(7.627)	(8.147)	(11.821)
Other operating costs	(482)	(362)	(319)	(496)
Total operating costs	**(141.956)**	**(135.586)**	**(137.385)**	**(137.327)**
EBITDA Adjusted	**18.087**	**14.601**	**16.031**	**11.317**
EBITDA	16.304	13.422	14.158	9.110
Adjusted net profit/(loss)	**9.185**	**7.236**	**8.128**	**4.689**
Net profit/(loss)	**7.899**	**6.350**	**6.734**	**3.175**
Net financial debt	**10.683**	**3.372**	**2.306**	**10.467**
of which net financial debt - third-party lenders	*(565)*	*3.372*	*2.306*	*10.467*
of which net financial debt - right-of-use liabilities	*11.248*	-	-	-

The interim profitability index called by the directors " EBITDA Adjusted," 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 charges and income and costs related to the medium/long-term management incentive plan.

Before examining the economic, capital and financial data for the period 2019, it should be noted that they are affected by the first application - as is mandatory for reporting periods on or after 1 January 2019 - of the international accounting standard IFRS 16, which establishes the criteria for the recognition, measurement, presentation and disclosure of lease/rental contracts and requires lessees to account for all lease/rental contracts using a single accounting model.

In this context, at the date of commencement of a lease, the lessee will recognise an asset (under fixed assets) representing the right to use the related asset during the contractual term, i.e., the so-called right of use, and at the same time a financial liability relating to the sum of the discounted lease payments. The lessee is required to recognise imputed interest expense on the lease liability and imputed depreciation on the right of use in profit or loss. On the other hand, compared to the previous accounting regime, lease/rental fees are not charged to profit or loss.

As is well known, the Group has, inter alia, a significant multi-year lease agreement in place for the Cherasco logistics plant, where all logistics activities (packaging, order preparation, storage, packaging, loading and unloading of goods) for the distance selling division are carried out, as well as other minor activities.

As shown in the statement of financial position, the first-time adoption of IFRS 16 at 31 December 2019 generated an amount of "Assets for rights of use" of €10,860 thousand and an amount of "Liabilities for rights of use" of €11,249 thousand.

The impact on the income statement for the period 2019 of the application of IFRS 16 is equal to:

(€thousand)	**IFRS 16**
EBITDA	**1,153**
EBIT	**(41)**
Net profit/(loss) for the period	**(388)**
Tax effect of application of IFRS 16	**108**

The reclassified consolidated statement of financial position and income statement are shown below.

Reclassified statement of financial position

(€thousand)

	31.12.2019	31.12.2018	31.12.2017
Other intangible assets	32,474	31,624	30,431
Goodwill	55,455	55,455	55,008
Plant, property and equipment	14,539	14,736	14,232
Right-of-use assets	10,860	-	-
Non-current financial assets	2	2	2
Total fixed assets	**113,330**	**101,817**	**99,673**
Inventory	20,334	18,997	20,211
Net trade receivables	23,605	20,785	22,220
Trade payables	(45,750)	(44,522)	(46,801)
Other assets (liabilities)	(1,731)	1,000	(90)
Net working capital	**(3,542)**	**(3,740)**	**(4,460)**
Payables per employee benefits	(651)	(656)	(815)
Net deferred and prepaid taxes assets (liabilities)	(8,252)	(8,696)	(8,784)
Other provisions	(994)	(1,071)	(1,684)
NET INVESTED CAPITAL	**99,891**	**87,654**	**83,930**
Shareholders' equity	**89,208**	**84,282**	**81,624**
Profit (loss) for the period	7,899	6,350	6,733
Share capital	880	880	710
Other reserves	80,429	77,052	74,181
Net financial debt	**(565)**	**3,372**	**2,306**
Right-of-use liabilities	**11,248**	**0**	**0**
TOTAL SOURCES	**99,891**	**87,654**	**83,930**

Reclassified income statement

(€thousand)

	Adjusted 31.12.2019	Adjusted 31.12.2018	Adjusted 31.12.2017
Revenue from sales	157.494	149.863	149.736
Change in inventories	1.329	(1.162)	2.402
Other income	1.220	1.486	1.278
Total revenue	**160.043**	**150.187**	**153.416**
Purchase costs	(92.547)	(86.082)	(83.219)
Costs for services	(41.486)	(41.515)	(45.700)
Personnel costs	(7.441)	(7.627)	(8.147)
Other operating costs	(482)	(362)	(319)
Total operating costs	**(141.956)**	**(135.586)**	**(137.385)**
EBITDA	**18.087**	**14.601**	**16.031**
Write-downs	(1.233)	(1.466)	(1.470)
Depreciation and amortization	(3.349)	(2.044)	(1.773)
Operating result from core business	**13.505**	**11.091**	**12.788**
Exceptional items	(1.783)	(1.179)	(1.873)
Net release (accruals) of provisions for risks and charges	-	(36)	(118)
Operating profit/(loss)	**11.722**	**9.876**	**10.797**
Net financial income/(expenses)	(1.223)	(1.135)	(1.565)
EBT	**10.499**	**8.741**	**9.232**
Taxes	(2.600)	(2.391)	(2.498)
Net profit/(loss)	**7.899**	**6.350**	**6.734**
Tax effect of exceptional items	497	329	479
Net profit before exceptional items and related tax effect	**9.185**	**7.236**	**8.128**

Reclassified income statement

(€thousand)

	Reported 31.12.2019	Management 1	adjustments 2	Adjusted 31.12.2019
Revenue from sales	157.494			157.494
Change in inventories	1.329			1.329
Other income	1.220			1.220
Total revenue	**160.043**			**160.043**
Purchase costs	(92.547)			(92.547)
Costs for services	(42.630)	181	963	(41.486)
Personnel costs	(7.654)		213	(7.441)
Other operating costs	(908)	426		(482)
Total operating costs	**(143.739)**	**607**	**1.176**	**(141.956)**
EBITDA	**16.304**	**607**	**1.176**	**18.087**
Write-downs	(1.233)			(1.233)
Depreciation and amortization	(3.349)			(3.349)
Operating result from core business	**11.722**	**607**	**1.176**	**13.505**
Exceptional Items	-	(607)	(1.176)	(1.783)
Net release (accruals) of provisions for risks and charges	-			-
Operating profit/(loss)	**11.722**	**0**		**11.722**
Net financial income/(expenses)	(1.223)			(1.223)
EBT	**10.499**	**0**		**10.499**
Taxes	(2.600)			(2.600)
Net profit/(loss)	**7.899**	**0**		**7.899**
Tax effect of exceptional items				497
Net profit before exceptional items and related tax effect				**9.185**

Summary of Management Adjustments

- Other operating costs equal to: €426 thousand relating to charges connected with the transaction with 43 former employees of the subsidiary Giordano Vini S.p.A. - who remained in the workforce until mid-2016 - as part of the change in the contract for telephone contact center services.

- Costs for services equal to: €135 thousand relating to pre-operating charges for the start of the relationship with the new telephone contact center service provider Comdata and €28 thousand for legal advice in the context of the settlement with former employees.

- Costs for services and personnel costs of €963 thousand and €213 thousand respectively relating to the full accrual and award of the third and final tranche of the Stock Grant Plan 2017-2019, representing 70% of the total value of the plan (15% awarded at the approval of the 2017 financial statements, 15% awarded at the approval of the 2018 financial statements) and in line with the achievement of mean profitability targets and control of the Net Financial Position during the period 2017-2019 (in particular, mean EBITDA Adjusted for the three-year period 2017-2019 equal to €15.5 million and NFP to EBITDA Adjusted ratio at 31 December 2019 lower than 1x).

1.2.2 Financial and equity position of the Parent Company

The financial statements of IWB S.p.A. at 31 December 2019 set out herein do not represent the separate financial statements of IWB S.p.A., which have been prepared in compliance with the provisions contained in Article 2423 of the Italian Civil Code, interpreted and supplemented by the accounting standards issued by the OIC. The following accounting schedules refer to a situation prepared in accordance with the Group IFRS standards for the preparation of these consolidated financial statements, and show:

- A Net Profit for the period of €6.39 million (€6.57 million at 31 December 2019);
- Net liquidity of €17.36 million (€18.54 million at 31 December 2018)

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

Reclassified statement of financial position

(€thousand)

	31.12.2019	31.12.2018	31.12.2017
Other intangible assets	194	61	64
Right-of-use assets	298	-	-
Plant, property and equipment	163	-	-
Non-current financial assets	54,256	54,256	54,256
Total fixed assets	**54,911**	**54,317**	**54,320**
Net trade receivables	1,267	831	246
Trade payables	(328)	(164)	(245)
Other assets (liabilities)	7,058	3,697	6,210
Net working capital	**7,997**	**4,364**	**6,211**
Net deferred and prepaid taxes assets (liabilities)	-	39	-
Other provisions	-	-	-
NET INVESTED CAPITAL	**62,908**	**58,720**	**60,531**
Shareholders' equity	**80,268**	**77,260**	**74,386**
Profit (loss) for the period	6,388	6,565	4,365
Share capital	880	880	710
Other reserves	73,000	69,815	69,311
Net financial debt	**(17,360)**	**(18,540)**	**(13,855)**
TOTAL SOURCES	**62,908**	**58,720**	**60,531**

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.
- 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)

	31.12.2019	31.12.2018	31.12.2017
Revenue from sales	200	13	-
Other income	39	263	96
Total revenue	**239**	**276**	**96**
Purchase costs	(5)	(2)	-
Costs for services	(1.224)	(834)	(691)
Personnel costs	(256)	-	-
Other operating costs	(88)	(90)	(86)
Total operating costs	**(1.573)**	**(926)**	**(777)**
EBITDA	**(1.334)**	**(650)**	**(681)**
Write-downs	-	-	-
Depreciation and amortization	(56)	(30)	-
Operating result from core business	**(1.390)**	**(680)**	**(681)**
Exceptional items	-	-	-
Net release (accruals) of provisions for risks and charges	-	-	-
Operating profit/(loss)	**(1.390)**	**(680)**	**(681)**
Net financial income/(expenses)	189	207	145
Dividends from subsidiaries	7.355	6.786	4.716
EBT	**6.154**	**6.313**	**4.180**
Taxes	234	252	184
Net profit/(loss)	**6.388**	**6.565**	**4.364**

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

- dividends refer entirely to the subsidiary Provinco Italia S.p.A.;
- financial income refers to interest income accrued on the loan granted to the subsidiary Giordano Vini S.p.A. (€238 thousand), while financial charges refer mainly to interest expense accrued on the loan received from the subsidiary Provinco Italia S.p.A. (€38 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:

	31.12.2019	31/12/18	31/12/17
A. Cash	720	110	79
B. Other liquid assets	31,933	39,091	30,601
C. Securities held for trading	-	-	-
D. Liquidity (A) + (B) + (C)	**32,653**	**39,201**	**30,680**
E. Current financial receivables	111	286	-
E.2 Derivative financial instruments	-	-	-
F. Current bank payables	3,561	1,833	4,500
G. Current part of non-current debt	4,996	16,549	3,748
H. Other current financial payables	14	23	44
I. Current financial debt (F) + (G) + (H)	**8,571**	**18,405**	**8,292**
J. Net current financial debt (I) - (E) - (D)	**(24,193)**	**(21,082)**	**(22,388)**
K. Non-current financial assets	-	-	-
L. Other non-current financial receivables	-	-	-
M. Non-current bank payables	24,967	24,454	24,694
N. Bonds issued	-	-	-
O. Other non-current payables	9,909	-	-
P. Non-current financial debt (M) + (N) + (O)	**34,876**	**24,454**	**24,694**
Q. Net non-current financial debt (P) - (K) - (L)	**34,876**	**24,454**	**24,694**
Net financial position (J) + (Q)	**10,683**	**3,372**	**2,306**
of which			
Current payables for the acquisition of rights of use	1,339	-	-
Non-current payables for the acquisition of rights of use	9,909	-	-
Net financial position without effect of IFRS 16	**(565)**	**3,372**	**2,306**

1.3 Group Performance

Business volume - Revenues

During 2019, the Group's Revenue from Sales reached €157.5 million, an increase of 5.1% compared to the previous period. The compound annual growth rate (i.e., "CAGR") in the two-year period 2017/2019 stands at 2.6%, higher than the reference market and with substantially stable wine consumption both in terms of value and quantity in the last three years in the European market.

As in recent years, in 2019 too the contribution to growth came in particular from foreign markets (+7.1% compared to 2018), where the Group now records about 80% of its business (78.8% in 2019 compared to 77.4% in 2018 and 74.9% in 2017). The Italian market recorded a slight decline in 2019 (-1.4%), a significant improvement on the figures recorded in recent years.

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

€thousand

	31.12.2019	31.12.2018	31.12.2017	Δ % 18/19	CAGR 17/19
Revenue from sales - Italy	**33,333**	**33,819**	**37,303**	**(1.44%)**	**(5.47%)**
Revenue from sales - Foreign Markets	**123,543**	**115,345**	**111,560**	**7.11%**	**5.23%**
Germany	35,298	34,179	34,358	3.28%	1.36%
Switzerland	27,572	26,842	26,570	2.72%	1.87%
England	17,262	13,863	9,691	24.52%	33.46%
Austria	14,589	15,399	15,621	(5.26%)	(3.36%)
Denmark	5,177	5,149	6,352	0.54%	(9.73%)
France	5,087	6,050	6,203	(15.93%)	(9.44%)
Belgium	4,039	3,104	2,993	30.15%	16.17%
USA	3,018	2,533	2,009	19.16%	22.56%
Sweden	1,324	1,231	987	7.63%	15.83%
Hungary	1,312	N/A	N/A	N/A	N/A
China	1,264	937	707	34.93%	33.75%
Poland	1,038	N/A	N/A	N/A	N/A
Ireland	1,008	N/A	N/A	N/A	N/A
Netherlands	960	481	1,007	99.66%	(2.38%)
Canada	617	591	928	4.32%	(18.46%)
Other countries	3,979	4,987	4,134	(20.21%)	(1.89%)
Other revenues	**617**	**698**	**873**	**(11.60%)**	**(15.93%)**
Total revenues from sales	**157,494**	**149,863**	**149,735**	**5.09%**	**2.56%**

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

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

€thousand

	31.12.2019	31.12.2018	31.12.2017	Δ % 18/19	CAGR 17/19
Revenues from wholesale division	87,654	77,162	69,023	13.60%	12.69%
Revenues from distance selling division	69,223	72,003	79,840	(3.86%)	(6.89%)
Other revenues	617	698	873	(11.60%)	(15.93%)
Total revenues from sales	**157,494**	**149,863**	**149,736**	**5.09%**	**2.56%**

Already from 2018, the *Wholesale* distribution channel became the Group's main source of revenues, thanks to the substantial growth rates recorded since 2015, the year the IWB group was established. Revenues grew 13.6% in 2019 compared to 2018 and accounted for 53.3% of IWB's total sales (50.3% in 2018, 44.1% in 2017).

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

€thousand

	31.12.2019	31.12.2018	31.12.2017	Δ % 18/19	CAGR 17/19
Revenues from wholesale division - Italy	**3,645**	**2,455**	**0**	**48.43%**	**N/A**
Revenues from wholesale division - Foreign Markets	**84,009**	**74,706**	**69,023**	**12.45%**	**10.32%**
Switzerland	24,279	23,403	22,595	3.74%	3.66%
England	13,206	9,704	5,103	36.09%	60.87%
Austria	12,346	13,080	13,011	(5.62%)	(2.59%)
Germany	11,123	9,780	9,488	13.74%	8.28%
Denmark	5,177	5,149	6,352	0.54%	(9.73%)
Belgium	3,674	2,736	2,479	34.28%	21.72%
USA	3,018	2,533	1,992	19.16%	23.09%
Sweden	1,324	1,231	985	7.59%	15.96%
Hungary	1,312	0	0	N/A	N/A
China	1,264	937	703	34.94%	34.11%
Poland	1,038	0	0	N/A	N/A
Ireland	1,008	0	0	N/A	N/A
Canada	617	591	928	4.32%	(18.46%)
Netherlands	542	39	596	1290.65%	(4.61%)
France	103	537	657	(80.82%)	(60.41%)
Other countries	3,978	4,987	4,134	(20.21%)	(1.89%)
Total revenue Wholesale div.	**87,654**	**77,162**	**69,023**	**13.60%**	**12.69%**

The figures shown in the table above are therefore very positive and testify to the strength of the Group's competitive positioning both in terms of the product/brand portfolio 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:

- 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, recognised on the market and synonymous with quality;
- an increase in the market share of sales from existing accounts thanks to excellent stock rotation parameters of its customers;
- 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 the Switzerland, which continues to be the cannel’s number-one country in terms of size. This growth is linked to the growing commercial success of the brands in the portfolio, in particular "Grande Alberone" and "Ronco di Sassi," and the acquisition of new customers, also in the Ho.Re.Ca sector.

England, at present the second most important reference market in terms of size for the channel, has recorded a very strong expansion of the business mainly connected to the remarkable success on the market of sparkling and semi-sparkling wines. In addition to the Oroperla brand, other brands (Aimone and Grande Alberone) have been included in distribution, which guarantee retailers excellent rotation parameters and margins.

Abundant production in Austria has led to a slight decline in products from Italy.

As regards Germany, a country historically only marginally controlled by the Group in sales to large retail chains and characterised by a very strong competitive pressure on prices imposed by discount chains, IWB has succeeded in including in the assortments of retailers more higher added value products that are giving satisfaction in terms of shelf rotation. A progressive and further strengthening of the group's commercial presence in this key country, the second largest importer of Italian wine in value, behind the USA, is therefore expected.

In Scandinavia, the Group continued its growth trend in Sweden, while in Denmark sales in 2019 were at the same level as in the same period of 2018.

In the United States, also during 2019, the group's growth continued in an interesting and linear manner. In particular, other importers and distributors have been identified in the market and we are working on closing new deals and promoting our products with the main national retail chains.

In Asia, the Group decided to invest directly by strengthening its commercial presence through a resident manager. Thanks to this approach, growth results were also recorded during 2019, which was not a particularly good year for wine sales, especially in China. The effects of the Coronavirus, however, stopped sales in early 2020.

Since the beginning of 2018, the Group has been operating in Italy through its wholesale division, supplying both Italian organised distribution chains and an important German large-retail chain, already a primary customer of the Group in this business area. In addition, new distribution agreements have been concluded with four other chains of significant size. The positive results in terms of growth recorded during 2019 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.

In the period 2019, the *distance selling* channel accounted for 44.0% of the Group's revenues (48.1% in 2018 and 53.3% in 2017), further reducing its weight as a distribution channel within the Group.

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

€thousand	31.12.2019	31.12.2018	31.12.2017	Δ % 18/19	CAGR 17/19
Revenues from distance selling - Italy	**29,688**	**31,364**	**37,303**	**(5.34%)**	**(10.79%)**
Revenues from distance selling - Foreign Markets	**39,535**	**40,639**	**42,537**	**(2.72%)**	**(3.59%)**
Germany	24,176	24,399	24,874	(0.91%)	(1.41%)
France	4,984	5,513	5,545	(9.60%)	(5.20%)
England	4,056	4,159	4,589	(2.48%)	(5.99%)
Switzerland	3,293	3,439	3,975	(4.24%)	(8.98%)
Austria	2,243	2,319	2,611	(3.26%)	(7.30%)
Belgium	366	368	514	(0.54%)	(15.63%)
Netherlands	417	442	411	(5.61%)	0.75%
Other countries	0	0	19	N/A	(100.00%)
Total revenue distance selling div.	**69,223**	**72,003**	**79,840**	**(3.86%)**	**(6.89%)**

For the distance selling channel, 2019 was a year of progressive business stabilisation. Against an overall reduction in sales of 3.9% compared to 2018 (-€2.8 million in absolute terms), for the first time in four years, the total number of orders recorded in the year (942,049) increased compared to the previous year (941,623).

The overall reduction in sales is to be attributed therefore solely to the decrease in the average receipt (from €89.43 in 2018 to €87.28 in 2019) in turn determined by the decrease in the teleselling channel (average receipt of about €110), the steady performance of the mailing channel (average receipt of about €90) and growth in the web channel (average receipt of about €75), as better shown in the table below.

€thousand

	31.12.2019	31.12.2018	31.12.2017	Δ % 18/19	CAGR 17/19
Revenues from distance selling - Italy	**29,688**	**31,364**	**37,303**	**(5.34%)**	**(10.79%)**
Direct Mailing	14,067	14,829	16,323	(5.14%)	(7.17%)
Teleselling	11,294	12,671	17,810	(10.87%)	(20.37%)
Digital / WEB	4,327	3,864	3,170	11.98%	16.83%
Direct Mailing % on total Italy	*47.4%*	*47.3%*	*43.8%*		
Teleselling % on total Italy	*38.0%*	*40.4%*	*47.7%*		
Digital / WEB % on total Italy	*14.6%*	*12.3%*	*8.5%*		
Revenues from distance selling - Foreign Markets	**39,535**	**40,639**	**42,537**	**(2.72%)**	**(3.59%)**
Direct Mailing	23,306	23,829	25,724	(2.19%)	(4.82%)
Teleselling	7,163	8,725	11,461	(17.90%)	(20.94%)
Digital / WEB	9,066	8,085	5,352	12.13%	30.15%
Direct Mailing % on total Foreign	*59.0%*	*58.6%*	*60.5%*		
Teleselling % on total Foreign	*18.1%*	*21.5%*	*26.9%*		
Digital / WEB % on total Foreign	*22.9%*	*19.9%*	*12.6%*		
Total revenue distance selling div.	**69,223**	**72,003**	**79,840**	**(3.86%)**	**(6.89%)**

The analysis of the above table shows:

- The decrease in sales in the teleselling channel had a particularly negative impact on the Italian market, where the Group has historically had a high concentration of telephone sales on the total (over 50% of the total in 2016 and now just over 40% in 2019); however, the rate of decline in this channel is slower than in the past;

- Foreign markets show greater penetration of the digital/web channel compared to Italy, as well as higher growth rates, with sales almost doubling in the two years;

- The Group confirms its position as the leading Italian digital player on the European wine market, with notable growth in both structural terms and remuneration.

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

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

Analysis of operating margins

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

Adjusted €thousand

	31.12.2019	31.12.2018	31.12.2017	Δ % 18/19	CAGR 17/19
Revenues from sales and other revenues	**158.714**	**151.349**	**151.014**	**4,87%**	**2,52%**
Raw materials consumed	(91.218)	(87.244)	(80.817)	4,56%	6,24%
% of total revenues	*-57,47%*	*-57,64%*	*-53,52%*		
Costs for services	(41.486) [1]	(41.515)	(45.700)	(0,07%)	(4,72%)
% of total revenues	*-26,14%*	*-27,43%*	*-30,26%*		
Personnel	(7.441)	(7.627)	(8.147)	(2,44%)	(4,43%)
% of total revenues	*-4,69%*	*-5,04%*	*-5,39%*		
Other operating costs	(482)	(362)	(319)	33,15%	22,92%
% of total revenues	*-0,30%*	*-0,24%*	*-0,21%*		
EBITDA Adjusted (*)	**18.087** [1]	**14.601**	**16.031**	**23,88%**	**6,22%**
% of total revenues	*11,40%*	*9,65%*	*10,62%*		

(*) EBITDA Adjusted to take into account the effects of exceptional items
[1] *Net of the IFRS 16 effect of €1,153 thousand*

The table above shows that, in 2019, the incidence of raw material consumption on revenues decreased compared to the same period of the previous year (from 57.64% to 57.47%).

This result is the fruit of two opposing trends: in a positive sense, it is generated by the generalised and well-known easing of the purchase prices of grapes, musts and bulk wines in the period 2019 following the abundant harvest of 2018; in a negative sense, it is generated by a "mix" effect of sales, increasingly shifted to the wholesale channel, structurally characterised by a greater incidence of raw material on sales compared to sales of the distance selling channel.

Costs for Services remained almost stable during the period in question at absolute values, reducing as a percentage on turnover (from 27.43% to 26.14%).

In general terms, this reduction in the percentage of costs for services on turnover is linked to a "mix" effect on sales, which is increasingly oriented towards the wholesale distribution channel, which is structurally characterised by a significantly lower percentage of costs for services on revenues compared to sales in the distance selling channel.

Again in the area of costs for services, the introduction of IFRS 16 generated a lower cost for "Leases and Rents" for a total of €1.15 million.

Details are given below for the costs for services incurred by the Group in 2019, compared with the same items in 2018 and 2017.

Adjusted €thousand

	31.12.2019	**31.12.2018**	**31.12.2017**
Services from third parties	11.892	12.161	14.861
Transport	11.871	11.255	11.668
Postage expenses	4.098	4.007	4.316
Fees and rents	447	1.634	1.746
Professional	1.285	1.422	1.281
Advertising costs	3	4	7
Utilities	844	846	500
Remuneration of Directors, Statutory Auditors and Supervisory Body	1.831	877	652
Maintenance	235	272	283
Costs for outsourcing	7.051	6.626	6.713
Commissions	121	243	825
Other costs for services	2.952	2.687	3.058
Exceptional items	(1.144)	(519)	(210)
Total	**41.486**	**41.515**	**45.700**

With specific regard to costs for services, the introduction of IFRS 16 generated a lower cost for "Leases and Rents" for a total of €1,153 million.

In addition, increase in remuneration for directors is due almost fully to the full accrual and award of the third and last tranche of the Stock Grant Plan 2017-2019, representing 70% of the total value of the plan (15% awarded at the approval of the 2017 financial statements, 15% awarded at the approval of the 2018 financial statements) and in line with the achievement of mean profitability targets and control of the Net Financial Position during the period 2017-2019 (in particular, mean EBITDA Adjusted for the three-year period 2017-2019 equal to €15.5 million and NFP to EBITDA Adjusted ratio lower than 1x).

The downward trend in the cost of services described above should be read in conjunction with the reduction in Personnel Costs both in absolute terms (-€0.2 million compared with 2018 and -€0.7 million compared with 2017) and as a percentage of total revenue. These results testify to the Group's ability to contain its basic operating costs.

The trends in revenues and costs described above made it possible to record a EBITDA Adjusted of €18.1 million (11.40% of Total Revenues) in 2019, slightly up compared to 2018 (€14.6 million). Without the effect of IFRS 16 mentioned above, EBITDA Adjusted would have been €16.9 million.

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

Adjusted €thousand	31.12.2019	31.12.2018	31.12.2017	Δ % 18/19	CAGR 17/19
EBITDA Adjusted	**18.087**	**14.601**	**16.031**	**23,88%**	**6,22%**
Write-downs	(1.233)	(1.466)	(1.470)	(15,89%)	(8,42%)
% of total revenues	*-0,78%*	*-0,97%*	*-0,97%*		
Depreciation and amortization	(3.349)	(2.044)	(1.773)	63,85%	37,44%
% of total revenues	*-2,11%*	*-1,35%*	*-1,17%*		
Exceptional items	(1.783)	(1.179)	(1.873)	51,23%	-
% of total revenues	*-1,12%*	*-0,78%*	*-1,24%*		
Release (Provisions) for risks and charges	-	(36)	(118)	-	(100,00%)
% of total revenues	*0,00%*	*-0,02%*	*-0,08%*		
Operating profit/(loss)	**11.722**	**9.876**	**10.797**	**18,69%**	**4,20%**
% of total revenues	*7,39%*	*6,53%*	*7,15%*		

The above table shows that the income statement of the Italian Wine Brands Group was characterised in 2019 by a limited incidence of non-monetary items (write-downs, amortisation/depreciation, provisions), which accounted for approximately 4.0% of turnover. The increase in the item "Depreciation and amortisation," which was affected by the introduction of the new accounting standard IFRS 16, had a negative effect at operating result level for a total of €1.2 million. Without the application of IFRS 16, the Group's Operating Profit would have been €11.9 million in 2019 (compared to €9.9 million in 2018).

Exceptional charges, amounting to €1.8 million, are attributable to:

- €0.6 million for Costs for services and Other Operating Costs related to the monetary contribution paid, as part of an overall agreement with Trade Unions, to 43 workers, up to mid-2016, of employees of Giordano Vini S.p.A., who lost their jobs as part of the change in the contract for contact center services mentioned in the previous paragraphs as already discussed during the Half-Year Report
- €1.2 million of Costs for services and Personnel Costs relating to the full accrual and award of the third tranche of the stock grant plan 2017-2019, described in detail in the preceding paragraphs.

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

During the period under review, there was capital expenditure for a total of about €2.8 million in tangible fixed assets (€1.0 million, mainly purchases of industrial cellar and bottling equipment and extraordinary maintenance) and intangible fixed assets (€1.8 million, mainly installation of new cellar ERP software, acquisition of addresses and customers and leasehold improvements).

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

Net Working Capital remained substantially unchanged in terms of receivables, other assets,inventories, suppliers and other liabilities compared to 31 December 2018.

In terms of asset management, during 2019 dividends were distributed for a total of €2.8 million and 101,161 Italian Wine Brands treasury shares were purchased for a total of €1.2 million at an average price of €12.00 per share.

The dynamics i) of limited volumes of capital expenditure, ii) reduction in net working capital and iii) substantial cash flows generated by operations, allowed going from a Net Financial Position of €3.4 million at 31 December 2018 to a positive consolidated cash position of €0.6 million, net of the effect of IFRS 16 accounting / financial liabilities for Rights of Use of €11.4 million.

2. Significant events after the end of the period

During the first few months of the current period, two important events for the Group took place: the acquisition of Raphael dal Bo AG, a company under Swiss law, and the outbreak of the coronavirus epidemic in Italy, first, and in Europe, namely the reference markets for the business of Italian Wine Brands.

- Acquisition of the company Raphael Dal Bo AG

First, on 2 March 2020, Provinco Italia S.p.A., a wholly-owned subsidiary of IWB, acquired 100% of the Swiss company Raphael Dal Bo AG, which controls Raphael Dal Bo S.r.l., based in Valdobbiadene (jointly "RDB").

The shares of RDB, 90% held by Mr. Raphael Dal Bo and 10% by Mr. Giuseppe Geronazzo, were acquired based on an Enterprise Value of a maximum of about CHF 13.4 million, equal to an EBITDA Adjusted valuation multiple substantially in line with what IWB currently trades on the market. In order to determine the price of the shares (Equity Value), the cash on hand at RDB at the closing date, equal to approximately CHF 1.0 million, was added to the aforementioned company value.

According to the contractual agreements, to date, Provinco Italia S.p.A. paid the sellers an amount of CHF 12.4 million, equal to approximately 86% of the total sale price agreed between the parties and Mr. Raphael Dal Bo purchased 210,289 own shares from IWB for a total of CHF 2.9 million, becoming a shareholder of the IWB Group with a 2.84% interest. The IWB shares purchased by Mr. Raphael Dal Bo are locked up for 36 months as of today's date and result in a strong loyalty and alignment of the new shareholder's interests with the market.

The remaining 14% of the total price, amounting to a maximum of CHF 2.0 million, will be paid by 31 March 2021 depending on whether RDB's 2020 results are confirmed. This amount will be paid against the concurrent commitment by Mr Raphael Dal Bo to purchase own shares in portfolio from IWB for an amount equal to 30% of the price received by the latter. These shares will also be locked up for 36 months from the date of purchase.

RDB boasts an important position in Switzerland in the organic sparkling and semi-sparkling wines sector with its own brands "Raphael Dal Bo," "La vita è bella" and “Raffaello." The company has a wide range of products characterized by a very high brand recognition and an excellent positioning in market segments with the highest added value ("affordable premium"). The products are distributed by an important international customer base, made up of both leading retail chains and major specialist store chains. In 2019, RDB generated consolidated sales of CHF 10.7 million (+10.4% compared to consolidated sales in 2018).

Following the acquisition, RDB’s economic and financial results will be fully consolidated with IWB’s; in particular, for 2019, the pro-forma aggregate revenues are estimated at approximately €168 million (unaudited aggregate figure).

As a result of this acquisition, Italian Wine Brands has established itself as one of the leading exporters on the Swiss market, the fourth largest market in the world for Italian wines with a total value of €350 million in 2019. (Source: I Numeri del Vino, based on UN Comtrade data, referring to bottled products, excluding bulk wine).

Among the immediate revenue synergies generated by the transaction, Raphael Dal Bo AG will certainly benefit from the distribution to its customers of new references for organic still wines, made in particular in Puglia and Piedmont, where IWB has its own cellars, while IWB will offer RDB organic products on international markets through its commercial network. As for cost synergies, opportunities for reducing raw material purchase prices will be explored through the higher purchase volumes achieved at group level.

- Coronavirus epidemic outbreak

The current coronavirus pandemic is undoubtedly of historic import and its impact on the entire world economy is impossible to estimate quantitatively, both in the short and medium-to-long term.

For a more detailed examination of the matter, see section 3. Outlook.

3. Outlook

The normal business management, which sees the management engaged every day in the virtuous development of the business and in the pursuit of the best performance, has been impacted in recent weeks by the aforementioned coronavirus pandemic.

As is well known, the IWB group supplies food products to retail chains and private customers (with home delivery services) and therefore, at the reporting date, it is not directly affected by the Government's lockdown measures in terms of business, distribution or production.

However, as it is not possible to predict how long this contingency situation will last, it cannot be excluded that the situation may deteriorate in the short term resulting in a total block or slowdown of activities involving the company's suppliers.

In these weeks of great tension, the Group's action has been aimed, in addition to fully preserving its corporate assets, consisting mainly of its customers and employees, at developing short-term solutions to deal with the emergency and to ensure business continuity.

4. Code of Ethics and Organisational 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 2019, 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 minimise risks, those still to be taken and those to maintain an adequate level of safety. Finally, the necessary timeframes for the implementation of the remaining measures are identified.

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

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

During 2019, constant health monitoring activities were carried out, as required by current legislation.

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

OHSAS 18001:2007 CERTIFICATION

(Occupational Health and Safety Assessment Series)

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

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

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

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

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

FOOD QUALITY AND SAFETY MANAGEMENT

After having obtained ISO 9001 Certification about ten years ago, in March 2015 the Group companies attained IFS Food Certification (for the German market) and the BRC Food Certification (for the United Kingdom) to constantly guarantee their customers who turn to large retailers a high level of production and safety of the supplied products, while improving existing processes, achieving better overall safety, an improvement in the relations with the Customer and greater competitiveness on the market.

GROUP WORKFORCE

The precise and average headcount by category at 31 December 2019, at 31 December 2018 and at 31 December 2017 is shown below for the Group companies:

	At 31 December 31.12.2019	Average no. 31.12.2019	At 31 December 31.12.2018	Average no. 31.12.2018	At 31 December 31.12.2017	Average no. 31.12.2017
Executives	6	8	5	6	5	5
Middle managers	10	10	8	9	8	8
Office workers	122	126	125	130	131	153
Workers	16	18	17	26	17	20
Total	**154**	**162**	**155**	**170**	**161**	**186**

7. Treasury shares

At 31 December 2019, the Parent Company held 233,955 ordinary shares, representing 3.16% of the ordinary share capital in circulation.

Consolidated Statement of Financial Position

Amounts in EUR	Notes	31.12.2019	31.12.2018
Non-current assets			
Intangible fixed assets	5	32,474,226	31,623,880
Goodwill	6	55,454,960	55,454,960
Land, property, plant and equipment	7	14,538,503	14,735,733
Right-of-use assets	7	10,860,401	-
Equity investments	8	2,496	2,496
Other non-current assets	9	505,944	786,647
Deferred tax assets	10	1,762,347	1,457,007
Total non-current assets		**115,598,877**	**104,060,723**
Current assets			
Inventory	11	20,333,956	18,996,721
Trade receivables	12	23,605,479	20,785,333
Other current assets	13	1,621,560	1,529,861
Current tax assets	14	1,015,930	3,010,655
Current financial assets		111,257	286,113
Cash and cash equivalents	15	32,653,347	39,200,858
Total current assets		**79,341,529**	**83,809,541**
Non-current assets held for sale		-	-
Total assets		**194,940,406**	**187,870,264**
Shareholders' equity			
Share capital		879,854	879,854
Reserves		64,829,575	65,744,306
Reserve for defined benefit plans		(61,213)	(28,916)
Reserve for stock grants		1,192,129	254,698
Profit (loss) carried forward		14,468,557	11,081,679
Net profit (loss) for the period		7,899,234	6,350,453
Total Shareholders' Equity of parent company shareholders		**89,208,136**	**84,282,074**
Shareholders' equity of NCIs		-	-
Total Shareholders' Equity	**16**	**89,208,136**	**84,282,074**
Non-current liabilities			
Financial payables	17	24,967,467	24,454,258
Right-of-use liabilities	17	9,909,388	-
Provision for other employee benefits	18	650,839	656,412
Provisions for future risks and charges	19	994,367	1,070,569
Deferred tax liabilities	10	10,014,441	10,153,008
Other non-current liabilities	21	-	-
Total non-current liabilities		**46,536,502**	**36,334,247**
Current liabilities			
Financial payables	17	7,232,059	18,404,583
Right-of-use liabilities	17	1,339,165	-
Trade payables	20	45,750,159	44,521,994
Other current liabilities	21	1,664,900	2,152,725
Current tax liabilities	22	3,209,485	2,174,641
Provisions for future risks and charges	19	-	-
Derivatives		-	-
Total current liabilities		**59,195,768**	**67,253,943**
Liabilities directly related to assets held for sale		-	-
Total shareholders' equity and liabilities		**194,940,406**	**187,870,264**

Comprehensive consolidated income statement

Amounts in EUR	Notes	31.12.2019	31.12.2018
Revenue from sales	23	157,493,814	149,862,766
Change in inventories	11	1,328,670	(1,161,820)
Other income	23	1,220,336	1,486,547
Total revenue		**160,042,820**	**150,187,493**
Purchase costs	24	(92,547,389)	(86,081,716)
Costs for services	25	(42,630,385)	(42,034,002)
Personnel costs	26	(7,653,502)	(8,287,412)
Other operating costs	27	(908,085)	(362,468)
Operating costs		**(143,739,361)**	**(136,765,598)**
EBITDA		**16,303,459**	**13,421,895**
Depreciation and amortization	5-7	(3,349,308)	(2,044,291)
Provision for risks	19	-	(36,000)
Write-ups / (Write-downs)	28	(1,231,853)	(1,465,174)
Operating profit/(loss)		**11,722,298**	**9,876,430**
Finance revenue		203,875	76,473
Borrowing costs		(1,427,079)	(1,211,868)
Net financial income/(expenses)	29	**(1,223,204)**	**(1,135,395)**
EBT		**10,499,094**	**8,741,035**
Taxes	30	(2,599,860)	(2,390,582)
(Loss) Profit from discontinued operations		-	-
Profit (loss) (A)		**7,899,234**	**6,350,453**
Attributable to:			
(Profit)/Loss of NCIs		-	-
Group profit (loss)		**7,899,234**	**6,350,453**
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	(32,297)	3,758
Tax effect of Other profit/(loss)		-	-
Total other profit/(loss), net of tax effect (B)		**(32,297)**	**3,758**
Total comprehensive profit/(loss) (A) + (B)		**7,866,937**	**6,354,211**

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 2018	**709,878**	**67,159,147**	**251,191**	**0**	**(26,013)**	**13,530,413**	**81,624,616**
Capital increase	169,976						169,976
Purchase of own shares		(1,585,211)					(1,585,211)
Dividends						(2,545,578)	(2,545,578)
Stock grant		251,191	3,507				254,698
Reclassifications		(80,821)			(6,661)	96,844	9,362
Total comprehensive profit/(loss)					3,758	6,350,453	**6,354,211**
Balance at 31 December 2018	**879,854**	**65,744,306**	**254,698**	**0**	**(28,916)**	**17,432,132**	**84,282,074**
Capital increase		-					0
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)	0
Reclassifications and other changes		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**

Consolidated statement of cash flows

Amounts in EUR

	31.12.2019	31.12.2018
Profit (loss) before taxes	10,499,094	8,741,035
Adjustments for:		
- non-monetary items - stock grant	-	
- allocations to the provision for bad debts net of utilizations	1,231,853	1,465,174
- non-monetary items - provisions / (releases)	-	36,000
- non-monetary items - amortisation/depreciation	3,349,308	2,044,291
Adjusted profit (loss) for the period before taxes	**15,080,255**	**12,286,500**
Cash flow generated by operations		
Income tax paid	3,029,569	(1,645,862)
Other financial (income)/expenses without cash flow (financial amortisation)	179,178	198,666
Total	**3,208,747**	**(1,447,196)**
Changes in working capital		
Change in receivables from customers	(4,051,999)	(29,315)
Change in trade payables	1,228,165	(2,430,824)
Change in inventories	(1,337,235)	1,347,086
Change in other receivables and other payables	(2,898,681)	(1,784,255)
Other changes	-	(57,017)
Change in post-employment benefits and other provisions	(114,072)	(807,343)
Change in other provisions and deferred taxes	(443,907)	(87,468)
Total	**(7,617,729)**	**(3,849,135)**
Cash flow from operations (1)	**10,671,273**	**6,990,168**
Capital expenditure:		
- Tangible	(1,049,325)	(1,873,005)
- Intangible	(1,759,009)	(1,710,623)
- Net cash flow from business combination (*):	-	(461,827)
- Financial	-	258
Cash flow from investment activities (2)	**(2,808,334)**	**(4,045,197)**
Financial assets		
Short-term borrowings	10,371,747	10,000,000
Short-term borrowings (paid)	(21,000,000)	(3,000,000)
Collections / (repayments) Senior loan	(4,875,000)	(1,625,000)
Collections / (repayments) other financial payables	4,318,000	3,898,000
Change in other financial assets	174,856	(286,113)
Change in other financial liabilities	(459,178)	285,360
Purchase of own shares	(1,220,964)	(1,585,211)
Dividends paid	(2,896,073)	(2,545,578)
Monetary capital increases	-	169,976
Other changes in Shareholders’ equity	(8)	9,361
Cash flow from financing activities (3)	**(14,410,450)**	**5,575,494**
Cash flow from continuing operations	**(6,547,511)**	**8,520,465**
Change in cash and cash equivalents (1+2+3)	**(6,547,511)**	**8,520,465**
Cash and cash equivalents at beginning of period	**39,200,858**	**30,680,393**
Cash and cash equivalents at end of period	**32,653,347**	**39,200,858**

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

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

FORM AND CONTENT
OF THE CONSOLIDATED FINANCIAL REPORT

Introduction

This Financial Report at 31 December 2019 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 2019 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 in Euro	Parent company	Percentage held	Percentage directly held
IWB S.p.A.	Italy	879,854	-	Parent Company	
Provinco Italia S.p.A.	Italy	132,857	IWB S.p.A.	100%	100%
Giordano Vini S.p.A.	Italy	14,622,511	IWB S.p.A.	100%	100%
Provinco Deutschland GmbH	Germany	25,000	Provinco Italia S.p.A.	100%	0%
Pro.Di.Ve. S.r.l.	Italy	18,486	Giordano Vini S.p.A.	100%	0%

2 General principles of preparation

The consolidated 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 recognised at fair value at the acquisition date; exceptions to this are deferred tax assets and liabilities, assets and liabilities for employee benefits, liabilities or equity instruments relating to share-based payments of the acquired company or share-based payments issued in place of contracts of the acquired company, and assets (or groups of assets and liabilities) held for sale, which are instead measured according to their reference standard.
Any potential consideration must be recorded by the purchaser at fair value at the date of acquisition and classified according to IAS 32.
Goodwill is initially measured at cost, which is the excess of the sum of the consideration transferred in the business combination, the value of shareholders' equity attributable to non-controlling interests and the fair value of any investment previously held in the acquiree over the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and liabilities assumed at the acquisition date exceeds the sum of the consideration transferred, the value of the shareholders' equity pertaining to non-controlling interests and the fair value of any investment previously held in the acquiree, this excess is immediately recognised in profit or loss as income from the transaction concluded.
The portions of shareholders' equity pertaining to non-controlling interests at the acquisition date can be measured at fair value or at the pro-rata value of the net assets recognised for the acquiree. The choice of valuation method is made on a transaction-by-transaction basis.
Any contingent consideration provided for in the business combination contract is measured at fair value at the acquisition date and included in the value of the consideration transferred in the business combination for the purpose of determining goodwill. Any subsequent changes in this fair value, which may be qualified as adjustments arising during the measurement period, are retrospectively included in goodwill. Changes in fair value that qualify as adjustments arising during the measurement period are those resulting from additional information on facts and circumstances that existed at the acquisition date, obtained during the measurement period (which may not exceed one year from the business combination).
In the case of business combinations carried out in stages, the equity investment previously held in the acquiree is revalued at fair value at the date of acquisition of control and any resulting profit or loss is recognised in the income statement. Any amounts deriving from the equity investment previously held and recognised in Other comprehensive income are restated in profit or loss as if the equity investment had been sold.
If the initial amounts of a business combination are incomplete at the reporting date of the financial statements in which the business combination took place, provisional amounts of the items for which recognition cannot be completed are reported in the consolidated financial statements. These provisional amounts are adjusted during the measurement period to take into account new information obtained about facts and circumstances existing at the

acquisition date that, if known, would have affected the amount of the assets and liabilities recognised at that date.
Transactions in which the parent company acquires or sells further bon-controlling interests without changing the control exercised over the subsidiary are transactions with shareholders and therefore the relative effects must be recognised in shareholders' equity: there will be no adjustments to goodwill and no gains or losses recognised in the income statement.
Ancillary charges relating to business combinations are recognised in profit or loss in the period in which they are incurred.

Intangible assets with indefinite useful life

Goodwill

Goodwill is recognised as an asset with an indefinite useful life and is not amortised, but tested for impairment annually, or more frequently if there is an indication that specific events or changed circumstances may have caused an impairment loss. Impairment losses are immediately recognised in profit or loss statement and are not subsequently reversed. After the initial recognition, goodwill is valued at cost, net of any accumulated impairment losses.
In order to test for impairment, goodwill acquired in a business combination is allocated, at the acquisition date, to the individual cash-generating units or groups of cash-generating units that should benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.
Each unit or group of units to which goodwill is allocated represents the lowest level at which goodwill is monitored for internal management purposes.
Any loss in value is identified by comparing the carrying amount of the cash generating unit with its realisable value. If the realisable value of the cash-generating unit is lower than the carrying amount attributed, the related impairment loss is recognised. This impairment loss is not reversed if the reasons for it no longer exist.
If goodwill has been allocated to a cash-generating unit and the entity disposes of 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 amortisation and accumulated impairment losses. Depreciation is commensurate with the expected useful life of the asset and begins when the asset is available for use. The useful life is reviewed annually and any changes are made prospectively.

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

Other intangible assets

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

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

The useful life values used 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

As a result of the entry into force on 1 January 2019 of the new IFRS 16, 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 amortised 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 recognised directly in profit or loss in the period in which they are incurred.

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

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

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

Impairment of assets

At least once a year it is checked whether the assets and/or the cash generating units ("CGUs") to which the assets are attributable may have suffered an impairment loss. If there is such evidence, the realisable value of the assets/CGUs is estimated. Goodwill and other intangible assets with an indefinite useful life are tested for impairment annually or more frequently, whenever there is an indication that the asset may be impaired.
Realisable value is defined as the higher of its fair value less costs to sell and value in use. The value in use is defined on the basis of the discounting back of the future cash flows expected from the use of the asset, gross of taxes, applying a discount rate that reflects current market changes in the time value of money and the risks of the asset.
If it is not possible to estimate the realisable value of the individual fixed asset, the recoverable value of the cash-generating unit (CGU) to which the fixed asset belongs is determined.
If the realisable value of an asset (or cash-generating unit) is lower than its carrying amount, the carrying amount is reduced to its recoverable amount and the loss is recognised in profit or loss. Subsequently, if an impairment loss on assets other than goodwill ceases to exist or decreases, the carrying amount of the asset (or cash-generating unit) is increased to the new estimate of its realisable value (which, however, may not exceed the net carrying amount that the asset would have had if the impairment loss had never been recognised). This reversal is immediately recognised in profit or loss.

Equity investments

Investments in subsidiaries not included in the scope of consolidation are stated at cost, adjusted for impairment. The positive difference resulting from the acquisition between the acquisition cost and the portion of the shareholders' equity at replacement cost of the investee company pertaining to the period is therefore included in the carrying amount of the investment. If there is evidence that these investments have suffered a loss in value, this is recorded in the income statement as a write-down. In the event that any share of the losses of the investee exceeds the carrying amount of the investment, and the entity has an obligation to account for them, the value of the investment is written off and the share of any further losses is recognised as a provision under liabilities. If, subsequently, the loss in value no longer exists or is reduced, a reversal of the impairment loss within the limits of cost is recognised in profit or loss.
Associates are all companies over which the Group is able to exercise significant influence as defined by IAS 28 - Investments in Associates and Joint Ventures. Such influence is normally presumed to exist when the Group holds a percentage of voting rights between 20% and 50%,

or when - even with a lower percentage of voting rights - it has the power to participate in the determination of financial and management policies by virtue of particular legal ties such as, for example, participation in shareholders' agreements together with other forms of significant exercise of governance rights.
Joint arrangements are agreements under which two or more parties have joint control on the basis of a contract. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Such agreements may give rise to joint ventures or joint operations.
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement Joint ventures differ from joint operations, which are arrangements that give the parties to the arrangement which have joint control over the initiative, rights over the individual assets and obligations for the individual liabilities relating to the arrangement. In the case of joint operations, it is mandatory to recognise the assets and liabilities, costs and revenues of the arrangement in accordance with the relevant accounting standards. The Group has no joint operation arrangements in place.

Financial instruments

Financial instruments are included in the 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 amortised cost, using the effective interest method. When financial assets do not have a fixed maturity, they are valued at purchase cost. Evaluations are regularly carried out to verify whether there is objective evidence that a financial asset may have been impaired. If there is objective evidence, the impairment loss shall be recognised as an expense in the income statement for the period. With the exception of derivative financial instruments, financial liabilities are stated at amortised cost using the effective interest method.

Trade receivables and payables

Trade receivables are initially recorded at amortised cost, which coincides with the adjusted nominal value, in order to adjust it to the presumed realisable value, by recording a provision for bad debts. This provision for bad debts is commensurate with both the size of the risks

relating to specific receivables and the size of the general risk of non-collection impending on all the receivables, prudentially estimated based on past experience and the degree of known financial equilibrium of all debtors.
Trade and other payables are recorded at their nominal value, which is considered representative of the settlement value. Receivables and payables in foreign currencies are aligned with the exchange rates prevailing on the reporting date and gains or losses deriving from conversion are entered in profit or loss.
Receivables assigned as a result of factoring transactions are eliminated from the 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 amortised cost, i.e., at their initial value, net of principal repayments already made, adjusted (upwards or downwards) on the basis of the amortisation (using the effective interest method) of any differences between the initial value and the value at maturity.

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

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

Assets and liabilities held for sale

Assets and liabilities held for sale and discontinued operations are classified as such if their carrying amount will be recovered principally through sale rather than through continuing use. These conditions are considered to have been met when the sale or discontinuance of the group of assets being disposed of is considered highly probable and the assets and liabilities are immediately available for sale in the conditions in which they are located.
When an entity is involved in a disposal plan that results in a loss of control of an investee, all assets and liabilities of that investee are classified as held for sale when the above conditions are met, even if, after disposal, the entity continues to hold a non-controlling interest in the subsidiary.
Assets held for sale are valued at the lower of their net carrying amount and fair value net of selling costs.

Employee benefits

Bonuses paid under defined-contribution plans are recognised in profit or loss for the portion accrued during the year.
Until 31 December 2006, the provision for employee severance indemnities (TFR) was considered a defined benefit plan. The rules governing this fund were amended by Law 296 of 27 December 2006 ("2007 Finance Act") and subsequent Decrees and Regulations issued in early 2007. In light of these changes, and in particular with reference to companies with at least 50 employees, this scheme is now to be considered a defined benefit plan solely for the amounts accrued before 1 January 2007 (and not yet paid at the reporting date), while for the amounts accrued after that date it is similar to a defined contribution plan.
Defined-benefit pension plans, which also include severance indemnities due to employees pursuant to Article 2120 of the Italian Civil Code, are based on the working life of the employees and the remuneration received by the employee during a predetermined period of service. In particular, the liability representing the benefit due to employees under defined benefit plans is recorded in the financial statements at its actuarial value.
The recognition of defined benefit plans requires the actuarial estimation of the amount of benefits accrued by employees in exchange for service rendered in the current and prior periods and the discounting back of such benefits in order to determine the present value of the entity's commitments. The present value of the commitments is determined by an independent actuary using the projected unit credit method. This method considers each period of service provided by employees at the company as an additional unit under law: actuarial liability must therefore be quantified only on the basis of the seniority accrued at the valuation date; therefore, total liability is normally re-proportioned based on the ratio between the years of service accrued at the valuation date of reference and the total seniority

achieved at the time envisaged for the payment of the benefit. In addition, the above method provides to consider future salary increases, for whatever reason (inflation, career, contract renewals, etc.), until the time of termination of employment.
The cost of defined-benefit plans accrued during the year and recorded in profit or loss as part of personnel expenses is equal to the sum of the average current value of the rights accrued by the employees present for the work performed during the period, and the annual interest accrued on the present value of the commitments of the entity at the beginning of the period, calculated using the discount rate of future disbursements adopted for the estimate of the liability at the end of the previous period. The annual discount rate adopted for the calculations is assumed to be equal to the market rate at the end of the period for zero coupon bonds with a maturity equal to the average residual duration of the liability.
The amount of actuarial losses and gains deriving from changes in the estimates made is charged to profit or loss.
It should be noted that the valuation of the employee severance indemnity in accordance with IAS 19 concerned only Giordano Vini S.p.A., whose financial statements were prepared in accordance with IAS/IFRS and did not have an impact on Provinco Italia S.p.A.; the effect on this company is estimated to be insignificant.

Salary benefits in the form of equity participation

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

Provisions for future risks and charges

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

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

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

Interest income

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

Public funds

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

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

Dividends

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

Cost recognition

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

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

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

Interest charges

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

Taxes

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

Current taxes are based on the taxable income for the period. Taxable income differs from the result reported in profit or loss in that it excludes positive and negative components that will be taxable or deductible in other years and also excludes items that will never be taxable or deductible. Current tax liabilities are calculated using the rates in force at the reporting date, or if known, those that will be in force at the time the asset is realised or the liability is extinguished.

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

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

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

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

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

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

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

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

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

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

This valuation category comprises:

• equity instruments for which the Group - at the time of initial recognition or at the time of transition - did not exercise an irrevocable option to present the profits and losses deriving from changes in fair value in shareholders' equity. These are classified as non-current assets under "Other financial assets at fair value through profit or loss";

• debt instruments for which the Group's business model for asset management provides for the sale of the instruments and the cash flows associated with the financial asset represent the payment of outstanding capital. These are classified as current assets under "Other financial assets at fair value through profit or loss";

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

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

Derivative financial instruments designated as hedging instruments

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

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

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

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

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

These derivative instruments are measured at fair value.

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

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

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

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

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 int account their collectability, approximates the fair value. The fair value of financial liabilities for disclosure purposes is determined by discounting the cash flows from the contract at an interest rate that approximates the market rate at which the entity is financed.

3 Fair value measurement

In relation to financial instruments measured at fair value, the classification of these instruments based on the hierarchy of levels provided for by IFRS 13 is shown below, which reflects the significance of the inputs used in determining fair value. The following levels can be distinguished:

Level 1 - unadjusted quotations recognised on an active market for the assets or liabilities being measured;

Level 2 - inputs other than the quoted prices mentioned in the previous point, which are observable on the market, either directly (as in the case of prices) or indirectly (i.e., derived from prices);
Level 3 – inputs that are not based on observable market data.

There are no assets or liabilities outstanding that are measured at fair value at 31 December 2019.

3.1 Financial risks

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

Risks deriving from exchange rate fluctuations

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

Risks deriving from changes in interest rates

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

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

Credit risk

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

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

Liquidity risk

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

Default and covenant risk on debt

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

In detail, following the full refinancing of the debt attributable to the subsidiary Giordano Vini S.p.A. in July 2017, financial covenants were defined based on the performance of certain parameters at Group level. These covenants have been met.

Operational and management risks

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

4 Accounting standards

4.1 Accounting standards adopted

The accounting standards adopted are the same as those used for the preparation of the Annual Financial Report at 31 December 2018 except for the following new standards or amendments to existing standards, details of which are provided in the paragraphs below.

Leases (IAS 17 until 31 December 2018)

Assets held under finance leases, through which all the risks and benefits associated with ownership are substantially transferred to the Group are recorded as tangible fixed assets at their fair value or, if lower, at the present value of the minimum payments due for the lease, in exchange for the related debt. The cost of the fee is broken down into its components of financial expense, recorded in profit or loss, and of repayment of principal, recorded as a reduction of the financial payable.

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

Leases - Rights of use (IFRS 16 from 1 January 2019)

At the date on which the assets covered by the lease contract are available for use by the Group, the 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 amortised 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.

The present value of financial liabilities under leases includes the following payments:

- fixed payments;
- variable payments based on an index or a rate;
- price to exercise a redemption option, if the exercise of the option is considered reasonably certain;
- payment of penalties to terminate the contract, if the exercise of the option to terminate the contract is considered reasonably certain;
- optional payments after the non-cancellable period, if the extension of the contract beyond the non-cancellable period is considered reasonably certain.

Future payments are discounted using the incremental borrowing rate. This rate is the free risk rate of the country in which the contract is negotiated and based on the term of the contract. It is then adjusted according to the Group's credit spread and the local credit spread.

Rights of use are valued at cost, which is composed of the following elements:

- initial amount of financial liability;
- payments made before the start of the contract net of lease incentives received;

- direct accessory charges;
- estimated costs for dismantling or restoration.
- The lease payments associated with the following types of lease contracts are recorded in profit or loss on a straight-line basis for the term of the respective contracts:
- contracts with a term of less than 12 months for all asset classes;
- contracts for which the underlying asset is a low-value asset, i.e., the unit value of the underlying assets does not exceed €8 thousand when new;
- contracts for which the payment for the right to use the underlying asset varies according to changes in facts or circumstances (not related to sales performance), not foreseeable at the start date.

Low-value contracts mainly relate to the following categories of goods:

- computers, phones and tablets;
- office and multifunction printers;
- other electronic devices.

Product sales

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

Retrospective discounts are applied to sales of products based on the achievement of targets set in commercial agreements. Revenues from sales are recognised net of these discounts, estimated on the basis of historical experience using the expected value method and for amounts that are not expected to be reversed.

Sales do not include a financial component, as the average payment terms applied to customers are standard commercial terms for the reference country.

Provision of services

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

Financial income and charges

Financial income and charges are recognised on an accrual basis.

Public funds

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

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

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.

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

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

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

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

Receivables

Receivables are initially recognised at fair value, normally represented by the agreed consideration or the present value of the amount that will be collected. They are subsequently valued at amortised cost, reduced in the event of impairment. Amortised cost is calculated using the effective interest rate method, which is equivalent to the discount rate which, when applied to future cash flows, makes the present carrying amount of these flows equal to the initial fair value.

Receivables in currencies other than the functional currency of the individual entities are adjusted to period-end exchange rates with a balancing entry in profit or loss. Receivables are eliminated when the right to receive cash flows is extinguished, when substantially all the risks and benefits associated with holding the receivable have been transferred or when the receivable is considered definitively irrecoverable after all the necessary recovery procedures have been completed. At the same time as the receivable is written off, the relevant provision is also reversed if the receivable had previously been written down.

Write-down of receivables

For trade receivables, the Company applies a simplified approach, calculating the expected losses over the entire life of the receivables from the time of initial recognition. The company uses a matrix based on historical experience and linked to the ageing of the receivables themselves, adjusted to take into account forecasting factors specific to certain creditors.

For financial receivables, the calculation of the write-down is made with reference to the losses expected in the following 12 months. This calculation is based on a matrix including customer ratings provided by independent market participants. In the event of a significant increase in credit risk after the date of origin of the credit, the expected loss is calculated with reference to the entire life of the receivable. The Company assumes that the credit risk relating to a financial instrument is not significantly increased after initial recognition if it is determined that the financial instrument has a low credit risk at the reporting date.

The Company assesses whether there has been a significant increase in credit risk when the customer's rating, assigned by independent market operators, records a change that highlights an increase in the probability of default.

The Company considers that a financial asset is in default when internal or external information indicates that it is unlikely that the Company will receive the due contractual amount in full (e.g., when the receivables are legal).

Payables

Payables are initially recognised at fair value, normally represented by the agreed consideration or the present value of the amount that will be paid. They are then valued at amortised cost. Amortised cost is calculated using the effective interest rate method, which is equivalent to the discount rate which, when applied to future cash flows, makes the present carrying amount of these flows equal to the initial fair value. Payables in currencies other than the functional currency of the individual entities are adjusted to year-end exchange rates with a balancing entry in profit or loss.

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.

Derivatives

In accordance with IFRS9, derivatives can be accounted for in accordance with the hedge accounting method only when, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, it is presumed that the hedge is highly effective, the effectiveness can be reliably measured and the hedge itself is highly effective during the various accounting periods for which it is designated.

All derivatives are measured at fair value.

If a derivative is designated as a hedge of exposure to variability of future cash flows of an asset or of a liability recognised in the financial statements or of a highly probable forecasted transaction that could affect profit or loss, the effective portion of gains or losses on the derivative is recognised in equity. The cumulative gain or loss is reversed from equity and recorded in the profit or loss in the same period in which the related economic effect of the hedged transaction is recognised. The gain or loss associated with a hedge (or part of a hedge) that has become ineffective is recognised in profit or loss immediately. If a hedging instrument or a hedging relationship is closed, but the hedged transaction is not yet realised, the cumulative gains and losses recognised in equity are recognised in profit or loss in correlation with the recognition of the economic effects of the hedged transaction. If the hedged transaction is no longer considered probable, the gains or losses not yet realised and suspended in equity are immediately recognised in profit or loss.
Derivatives that cannot be accounted for using the hedge accounting method are initially recognised at cost, and adjusted to fair value at subsequent closing dates. Changes in fair value are recorded in profit or loss.

Accounting standards and interpretations endorsed and effective from 1 January 2019

In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," the IFRS standards in force from 1 January 2019 are indicated below:

- IFRS 16 – Leases

The impacts deriving from the first-time adoption of this standard, which replaces the previous IAS 17, are described in note "Impacts deriving from the adoption of IFRS 16 - Leases";

- IFRIC 23 - Uncertainty over Income Tax Treatments

This interpretation clarifies the criteria to be applied for the recognition and measurement of current and deferred/prepaid taxes in the event of uncertainty about the tax treatment, i.e., situations where there is no certainty that a certain treatment will be accepted by tax authorities (e.g., deductibility of certain costs or exemption of certain income), but also uncertainty about the determination of taxable income, the tax base of assets and liabilities, tax losses and rates to be applied.
The accounting treatment depends on whether the tax authorities accept the tax treatment or not. If it is not likely to be accepted by the tax authority, uncertainty is measured by recognition of an additional tax liability or by application of a higher tax rate.
There are no impacts on the Group Financial Statements

- Amendments to IFRS 9 - Financial instruments: prepayment features with negative compensation and amendments to financial liabilities

These amendments concern the following topics:

- financial assets (financial receivables and debt securities) which, in the presence of certain characteristics, can be measured at amortised cost, whereas previously they had to be measured at fair value through profit or loss;
- accounting treatment of financial liabilities in the presence of changes that do not lead to derecognition: in such situations, a gain or loss must be recognised in profit or loss calculated as the difference between the contractual cash flows of the original liability and the modified cash flows, both discounted at the original effective interest rate.
- The amendment relating to the financial assets is not applicable to the Group; the amendment relating to the accounting treatment of financial liabilities is applicable to the Group and has no impact as the Group already applies this accounting treatment.

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

These amendments clarified that the provisions of IFRS 9, including those relating to impairment, also apply to financial instruments representing long-term interests in an associate or joint venture, which, in substance, are part of the net investment in the associate or joint venture (so-called long-term interest).

There is no impact on the Group's financial statements as a result of the amendment made to the standard in force.

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

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

- IFRS 3 - Business Combinations: obtaining control of a business that is classified as a joint operation must be accounted for as a phased business combination and the investment previously held must be remeasured at fair value at the date of acquisition of control;
- IFRS 11 - Joint arrangements: if joint control is obtained over a business that is classified as a joint operation, the investment previously held must not be remeasured at fair value;
- IAS 12 - Taxes: the accounting treatment of the tax effects of dividends on financial instruments classified as equity must follow that of the transactions or events that generated the distributable dividend;
- IAS 23 - Borrowing Costs: if a specific loan relating to a qualifying asset is still outstanding at the time the asset is ready for use or sale, it becomes part of the general loan.

There is no impact on the Group as a result of the changes made to the standards in force.

• Amendments to IAS 19 "Employee Benefits"

Such changes require that:

- the cost of the current service and net interest for the period following a change and/or reduction in the plan are determined using updated assumptions;
- any reductions in a plan's surplus are recognised in profit or loss, even if the surplus was not recognised in profit or loss as a result of the asset ceiling.

There is no impact on the Group as a result of the changes made.

International accounting standards and/or interpretations issued but not yet effective in 2019

As required by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the following are the new standards or interpretations already issued, but not yet effective or not yet approved by the European Union at 31 December 2019 and therefore not applicable, and the expected impacts on the consolidated financial statements.
None of these Standards or Interpretations have been adopted by the Group early.

- Amendments to IFRS 3 "Business Combinations"

These amendments introduced a new definition of business, according to which an acquisition to qualify as a business combination must include inputs and processes that contribute substantially to obtaining an output. The definition of output è modified in a restrictive sense, and it is specified that cost savings and other economic benefits are to be excluded as outputs. This change will result in that more acquisitions will qualify as asset acquisition instead of business acquisition.
These amendments, which took effect on 1 January 2020, have not yet been endorsed by the European Union. No impact is expected on the Group's financial statements.

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

These amendments, in addition to clarifying the concept of materiality of transactions, focus on the definition of a consistent and single concept of materiality across the various accounting standards and incorporate the guidelines included in IAS 1 on non-material information.
These amendments, endorsed by the European Union, will take effect on 1 January 2020. No impact is expected on the Group's financial statements. The impact on disclosures is currently being assessed.

- Amendments to IFRS 9, IAS 39 and IFRS 7: Reference interest rate reform (IBOR reform)

These changes concern the impact on the financial statements of replacing the current benchmark interest rates with alternative interest rates: in the presence of hedging relationships impacted by the uncertainty of the reform of the benchmark rates, these changes make it possible not to make the assessments required by IFRS 9 in the presence of changes in rates. These amendments, endorsed by the European Union, will take effect on 1 January 2020. The impact on the Group's Financial Statements is under evaluation with regard to the interest rate component of cross-currency interest rate swaps.

Impacts deriving from the adoption of IFRS 16 -Leases

Following the application of the standard, the company accounted, at the transition date (1 January 2019), for the leases previously classified as operating:

- a financial liability equal to the present value of the remaining future payments at the transition date, discounted using for each contract the incremental borrowing rate applicable at the transition date.
- a right of use equal to the value of the financial liability at the transition date, net of any accrued income and prepaid expenses relating to the lease and recorded in the statement of financial position at the transition date.

The following table shows the impacts of the adoption of IFRS 16 at the transition date:

(€thousand)	
NON-CURRENT ASSETS	
Plant, property and equipment	
- Right-of-use assets	12,054.5
Total	**12,054.5**
CURRENT ASSETS	-
TOTAL	**12,054.5**
NON-CURRENT LIABILITIES	
Right-of-use liabilities	11,207.7
CURRENT LIABILITIES	
Right-of-use liabilities	846.8
TOTAL	**12,054.5**

The company has chosen to apply the standard retrospectively, recognising the cumulative effect of applying the standard in shareholders' equity at 1 January 2019 (modified retrospective method). Comparative figures for 2018 have not been restated.

With reference to the transition rules, the Company has availed itself of a practical expedient available in the event of the choice of the modified retrospective transition method, i.e., the classification of contracts that expire within 12 months of the transition date as short-term leases. For these contracts, lease payments will be recorded in profit or loss on a straight-line basis;

The transition to IFRS 16 introduces some elements of professional judgement and the use of assumptions and estimates in relation to the lease term and the definition of the incremental borrowing rate.

IFRS 16 Leases - accounting policies adopted since 1 January 2019

The following are the changes to the accounting policies adopted by the Group compared to those applied at 31 December 2018 as a result of the entry into force on 1 January 2019 of the new IFRS 16.

At the date on which the assets covered by the lease contract are available for use by the Group, the 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 amortised 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.

The present value of financial liabilities under leases includes the following payments:

- Fixed payments
- Variable payments based on an index or a rate
- Price to exercise a redemption option, if the exercise of the option is considered reasonably certain
- Payment of penalties to terminate the contract, if the exercise of the option to terminate the contract is considered reasonably certain
- Optional payments after the non-cancellable period, if the extension of the contract beyond the non-cancellable period is considered reasonably certain.

Future payments are discounted using the incremental borrowing rate. This rate is the free risk rate of the country in which the contract is negotiated and based on the term of the contract. It is then adjusted according to the Group's credit spread and the local credit spread.

Rights of use are valued at cost, which is composed of the following elements:

- Initial amount of financial liability
- Payments made before the start of the contract net of lease incentives received;
- Direct accessory charges
- Estimated costs for dismantling or restoration.

The lease payments associated with the following types of lease contracts are recorded in profit or loss on a straight-line basis for the term of the respective contracts:

- Contracts with a term of less than 12 months for all asset classes;
- Contracts for which the underlying asset is a low-value asset, i.e., the unit value of the underlying assets does not exceed €5 thousand when new;
- Contracts for which the payment for the right to use the underlying asset varies according to changes in facts or circumstances (not related to sales performance), not foreseeable at the start date.

Low-value contracts mainly relate to the following categories of goods:

- Computers, phones and tablets;
- Office and multifunction printers;
- Other electronic devices.

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	**01/01/2019**	**increases**	**decreases**	**amortisation**	**Reclassifications**	**31/12/2019**
Trademarks and patents	29,787	17	-	(9)	-	29,796
Software	917	516	(8)	(457)	-	968
Other intangible assets	920	1,157	-	(444)	(5)	1,628
Intangible assets under construction and advances	-	1,686	(1,608)	-	5	82
Net carrying amount intangible assets	**31,624**	**3,376**	**(1,616)**	**(909)**	**0**	**32,474**

The item “Trademarks and patents” indicated consists of the trademark Giordano Vini, consisting of the value resulting from the merger of Ferdinando Giordano S.p.A. into Giordano Vini S.p.A. (formerly Alpha S.r.l.) carried out in previous years. Also included are the trademarks owned by Provinco Italia S.p.A., amounting to €8,586 thousand, valued at the time of allocation of the purchase price in accordance with IFRS 3.
These trademarks are identified as having an indefinite useful life and, consequently, are not amortised but tested for impairment annually, as is the case for goodwill. The carrying amount is unchanged from that of the Consolidated Annual Financial Report at 31 December 2018, in line with that used for the purposes of goodwill, for which reference should be made to the next paragraph.

The increases in 2019 mainly relate to the development of the following computerisation processes concerning the company Giordano Vini S.p.A.:

- Computerisation of the accounts payable cycle procedure and preparation for electronic invoicing (project started in 2017 and completed in the first few months of the current year);
- Website restyling activities;
- Configuration of the IT network of the new offices in Milan
- Revision of the applications for the solvency check and reminder of overdue receivables (VAD)
- Improvements to courier interfacing and package valorisation programmes.

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

6 Goodwill

Total goodwill - equal to €55,455 thousand - derives from the following business combinations: Provinco Italia S.p.A. for €11,289 thousand; Giordano Vini S.p.A. for €43,719 thousand; Pro.Di.Ve. S.r.l. for €447 thousand, the latter at the beginning of 2018.

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

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

A particular analysis by the Governance Bodies of the subsidiaries was dedicated to the possible effects on the business of the company following the Covid-19 (SARS-CoV-2). As is well known, the subsidiaries of Italian Wine Brands sell their products all over Europe, which in these days is heavily hit by the Coronavirus.

In particular, sensitivity assumptions have been made in relation to the effects of the spread of Covid-19 based on first estimates. These assumptions, by their nature, contain elements of uncertainty and are subject to changes, even significant, due to the continuous changes in the scenario and the reference context, which could lead to an alteration, even significant, of normal market dynamics and, more in general, of business operating conditions.

The negative impact, at the moment expected in the sensitivity analysis at EBITDA level during 2020, is expected to be reabsorbed in the following years. Should the crisis continue, the respective Governance Bodies will take action to implement further sensitivity analyses.

7 Land, property, plant and equipment

The change in tangible fixed assets is shown below:

€thousand

PROPERTY, PLANT AND EQUIPMENT Gross value					
Historical cost	**01/01/2019**	**increases**	**divestments**	**reclassifications/ other changes**	**31/12/2019**
Land and buildings	12,694	332	-	-	13,026
Plant and equipment	15,971	343	(40)	-	16,274
Equipment	712	14	(3)	-	723
Other plant, property and equipment	4,647	199	(26)	-	4,820
Assets under construction and advances	3	323	(162)	-	164
Right-of-use assets	-	12,382	(327)	-	12,055
Total historical cost	**34,027**	**13,593**	**(557)**	**0**	**47,062**

PROPERTY, PLANT AND EQUIPMENT Accumulated depreciation					
Accumulated depreciation	**01/01/2019**	**depreciation**	**divestments**	**other changes**	**31/12/2019**
Land and buildings	(3,291)	(251)	-	-	(3,542)
Plant and equipment	(11,591)	(645)	40	-	(12,196)
Equipment	(538)	(33)	3	-	(568)
Other plant, property and equipment	(3,872)	(318)	26	-	(4,163)
Assets under construction and advances	-	-	-	-	-
Right-of-use assets	-	(1,199)	5	-	(1,194)
Total accumulated depreciation	**(19,291)**	**(2,446)**	**73**	**0**	**(21,663)**

PROPERTY, PLANT AND EQUIPMENT Net value					
Net carrying amount	**01/01/2019**	**increases**	**divestments**	**depreciation**	**31/12/2019**
Land and buildings	9,404	332	-	(251)	9,485
Plant and equipment	4,380	343	-	(645)	4,077
Equipment	174	14	-	(33)	155
Other plant, property and equipment	776	199	-	(318)	657
Assets under construction and advances	3	323	(162)	-	164
Right-of-use assets	-	12,382	(322)	(1,199)	10,860
Total net carrying amount	**14,736**	**13,593**	**(484)**	**(2,446)**	**25,399**

The most significant increase from the point of view of the actual acquisitions concerns the item Assets under construction and advances to which the costs for the setting-up of the new offices in Milan have been charged.
As already mentioned in the report, on 1 January 2019, the accounting standard IFRS 16 came into force, which provided for the recording in the accounts of lease contracts 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 itself. The aforementioned "Right of use" is subsequently amortised on a straight-line basis over the shorter period between the useful life of the asset and the term of the contract, while the liability is gradually reduced at the time of payment of the individual instalments. 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 amortised on a monthly basis on a straight-line basis over the shorter of the asset's useful life and the term of the contract.
The amount of the assets for Rights of Use recorded under fixed assets refers to the lease contracts for the properties located in Cherasco, Milan and Rovereto.

8 Equity investments

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

Amounts in EUR

	Country	31.12.2019	31.12.2018
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 €462 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 2018

€thousand

Description	**Tax base**	**Tax rate**	**Balance**
Tangible and intangible fixed assets	1,053	27.90%	294
Provision for risks and charges	855	24.00%	205
Provisions for returns and inventory write-downs	836	27.90%	233
Non-deductible interest expense	1,060	24.00%	254
Provision for bad debts	1,321	24.00%	317
Remuneration of directors	260	24.00%	62
Exchange rate adjustment	3	24.00%	0.80424
Provisions for pensions	182	27.90%	50.778
Total deferred tax assets			**1,457**
Description			
Business combinations / Goodwill	8,586	27.90%	2,395
Tangible and intangible fixed assets	27,804	27.90%	7,757
Total provision for deferred taxes			**10,153**

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	6,163	27.90%	1,719
Tangible and intangible fixed assets	29,732	27.90%	8,295
Exchange rate adjustment	35	24.00%	8
Total provision for deferred taxes			**10,014**

1 Inventory

The composition is shown below:

€thousand

	31.12.2019	31.12.2018
Raw materials and consumables	2,827	1,911
Semi-finished products	12,903	11,971
Finished products	4,582	5,102
Advances	22	13
Total	**20,334**	**18,997**

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 growth in components for the production of bottles (+€551 thousand).
The change in semi-finished products mainly concerns bulk wine (+€870 thousand).
The change in finished products is mainly due to the reduction in packaging.

The carrying amount of the inventories is shown net of an provisions for bad debts of €989 thousand, the changes of which in the period are shown below:

€thousand

Provision at 1 January 2019	**807**
Provisions	284
Amounts used	(102)
Provision at end of period	**989**

12 Trade receivables

Trade receivables at 31 December 2019 and 31 December 2018 are detailed below:

€thousand

	31.12.2019	31.12.2018
Trade receivables	26,580	23,636
Provision for writedown	(2,975)	(2,851)
Total	**23,605**	**20,785**

During the period 2019, the provision for bad debts changed as follows:

€thousand

	31.12.2019	31.12.2018
Initial amount	**2,851**	**2,728**
Provisions	1,232	1,465
Amounts used	(1,108)	(1,343)
Provision at end of period	**2,975**	**2,851**

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 2019 and 31 December 2018 are detailed in the following table:

€thousand

	31.12.2019	31.12.2018
Receivables from distributors for cash on delivery	164	166
Security deposits	362	356
Others	612	550
Advances to suppliers	337	322
Accruals and prepayments	146	135
Total	**1,622**	**1,530**

14 Current tax assets

Tax receivables at 31 December 2019 and 31 December 2018 are detailed in the following table:

€thousand	31.12.2019	31.12.2018
VAT receivables	912	2,227
IRAP receivables	70	431
IRES receivables	-	327
Others	34	26
Total	**1,016**	**3,011**

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 2019.

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

The economic relations of tax consolidation are summarised below:

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

15 Cash and cash equivalents

A breakdown of cash and cash equivalents at 31 December 2019 and 31 December 2018 is provided in the table below:

€thousand

	31.12.2019	31.12.2018
Bank deposits	30,554	38,241
Postal deposits	1,379	850
Cheques	677	83
Cash	43	26
Total	**32,653**	**39,201**

16 Shareholders' equity

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

Amounts in EUR

	31.12.2019	31.12.2018
Share capital	879,854	879,854
Legal reserve	175,971	141,976
Share premium reserve	64,565,446	64,565,446
Reserve for actuarial gains on defined benefit plans	(61,213)	(28,916)
Reserve for stock grants	1,192,129	254,698
Reserve for the purchase of treasury shares	(2,800,816)	(1,852,090)
Other reserves	2,888,974	2,888,974
Prior profits/(losses)	14,468,557	11,081,679
Profit/(loss) of the period	7,899,234	6,350,453
Total reserves	**88,328,282**	**83,402,221**
Total Group shareholders' equity	**89,208,136**	**84,282,074**
Shareholders' equity of NCIs	-	-
Total shareholders' equity	**89,208,136**	**84,282,074**

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 2018.

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 2019, the Parent Company held 233,955 ordinary shares, representing 3.16% of the ordinary share capital in circulation.

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

Amounts in EUR	**31 December 2019**	
	Profit/(loss) for the period	Shareholders' equity
Shareholders' equity IWB SpA - ITA GAAP standards	**6,825,552**	**77,297,123**
Differences in accounting standards	(437,490)	2,969,584
Shareholders' equity IWB SpA - IFRS standards	**6,388,062**	**80,266,707**
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	8,987,893	63,304,607
Dividends from subsidiaries	(7,355,390)	-
Consolidation adjustments for transactions between consolidated companies	(121,331)	(107,196)
Application of the financial method to assets held under financial leases		
Group shareholders' equity and profit/(loss) for the period	**7,899,234**	**89,208,136**
Non-controlling interest	-	-
Consolidated shareholders' equity and profit/(loss)	**7,899,234**	**89,208,136**

17 Financial payables

The situation at 31 December 2019 is as follows:

€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**	**0**	**32,173**
Payables to factoring companies	26	-	-	26
Total other lenders	**26**	-	-	**26**
Total	**7,232**	**24,967**	**0**	**32,199**

The statement of Group financial payables at 31 December 2018 is given below for comparison purposes:

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

The table below shows the changes in financial liabilities

€thousand

	31.12.2018	Disbursements / Other changes	Refunds / Other changes	Fair value adjustment	Operating costs/expenses	31.12.2019
Pool financing - Senior	24,096	-	(4,875)	175	-	19,396
Short-term unsecured loans	11,500	11,000	(21,000)	-	-	1,500
GV revolving loans	3,000	6,000	-	-	-	9,000
Other loans in addition to e.g. unsecured loans	3,308	-	(1,082)	2	-	2,228
IWB mortgage	600	-	(600)	-	-	-
Accrued interest expense GV	259	49	(259)	-	-	49
Total banks	**42,763**	**17,049**	**(27,816)**	**177**	**0**	**32,173**
Payables to factoring companies	96	165	(235)	-	-	26
Total other lenders	**96**	**165**	**(235)**	**-**	**-**	**26**
Total	**42,859**	**17,214**	**(28,051)**	**177**	**0**	**32,199**

The bank debt at 31 December 2019 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 2019, the residual debt valued using the amortised cost method amounted to €19.4 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 2020;
        - €4 million disbursed on 10 May 2019 with a duration of 6 months and subsequently renewed until the next maturity date of 11 May 2020.

  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 Position 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 2019, 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 2019 valued using the amortised cost method amounts to €897 million.

- 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 extinguished on 27 December 2021, at a rate equal to the 3-month Euribor plus a spread of 1.75%.

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

In relation to the above loans, certain commitments have been issued to guarantee them.

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

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

“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.

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 2019 are shown below:

€thousand	**2019**	**2018**
Provision at 1 January	**656**	**815**
Provisions	41	27
Advances paid during the period	(12)	(6)
Benefits paid out in period	(65)	(174)
Actuarial (gains)/losses	32	(4)
Borrowing costs	(1)	(2)
Provision at end of period	**651**	**656**

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

The main actuarial assumptions used are as follows:

Actuarial assumptions	**31.12.2019**	**31.12.2018**
Discount rate	0.85%	1.61%
Inflation rate	1.50%	1.50%
Average Annual Percentage of Staff Exit	9.10%	8.17%

19 Provisions for risks and charges

During the period, the item changed as follows:

€thousand

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

€thousand

	Non-current	Current	Total
Provision at 1 January 2019	**1,071**	**-**	**1,071**
Provisions	-		-
Amounts used	(77)		(77)
Provision at 31 December 2018	**994**	**0**	**994**

Non-current liabilities mainly include:

- provisions made at Giordano Vini S.p.A. for legal disputes with suppliers for €826 thousand;
- a provision of €136 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

	31.12.2019	31.12.2018
Suppliers - Italy	44,754	43,521
Suppliers - Foreign Markets	996	1,001
	45,750	**44,522**

21 Other liabilities

Other liabilities are made up as follows:

€thousand

	31.12.2019	31.12.2018
Employees	784	707
Social security institutions	470	433
Directors	11	6
Accruals and deferred income	313	315
Others	87	692
Total current	**1,665**	**2,153**

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

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

22 Current tax liabilities

These are made up as follows:

€thousand

	31.12.2019	31.12.2018
VAT	1,319	1,211
IRES	879	-
IRPEF withholding tax	412	310
IRAP	-	-
Excise duties	473	467
Other taxes	126	187
Total	**3,209**	**2,175**

“Other taxes" include the value of €115 thousand relating to taxes paid in instalments (IRES and IRAP) following judicial settlement by the company Provinco Italia S.p.A.

23 Revenues from sales and other revenues

Revenues from sales and other revenues and income at 31 December 2019, compared with those of the two previous periods, are detailed below:

€thousand

	31.12.2019	31.12.2018	31.12.2017	Δ % 18/19	CAGR 17/19
Revenue from sales - Italy	**33,333**	**33,819**	**37,303**	**(1.44%)**	**(5.47%)**
Revenue from sales - Foreign Markets	**123,543**	**115,345**	**111,560**	**7.11%**	**5.23%**
Germany	35,298	34,179	34,358	3.28%	1.36%
Switzerland	27,572	26,842	26,570	2.72%	1.87%
England	17,262	13,863	9,691	24.52%	33.46%
Austria	14,589	15,399	15,621	(5.26%)	(3.36%)
Denmark	5,177	5,149	6,352	0.54%	(9.73%)
France	5,087	6,050	6,203	(15.93%)	(9.44%)
Belgium	4,039	3,104	2,993	30.15%	16.17%
USA	3,018	2,533	2,009	19.16%	22.56%
Sweden	1,324	1,231	987	7.63%	15.83%
Hungary	1,312	N/A	N/A	N/A	N/A
China	1,264	937	707	34.93%	33.75%
Poland	1,038	N/A	N/A	N/A	N/A
Ireland	1,008	N/A	N/A	N/A	N/A
Netherlands	960	481	1,007	99.66%	(2.38%)
Canada	617	591	928	4.32%	(18.46%)
Other countries	3,979	4,987	4,134	(20.21%)	(1.89%)
Other revenues	**617**	**698**	**873**	**(11.60%)**	**(15.93%)**
Total revenues from sales	**157,494**	**149,863**	**149,735**	**5.09%**	**2.56%**

24 Purchase costs

Purchase costs include €36.9 million (€37.0 million at 31/12/2018) for Giordano Vini S.p.A., €0.45 million for Pro.Di.Ve. S.r.l. (€0.55 million at 31/12/2018) and €55.2 million (€48.6 million at 31/12/18) for the subsidiary Provinco Italia S.p.A.

25 Costs for services

The costs for services at 31 December 2019, compared with those of the previous year, are detailed below:

Restated €thousand

	31.12.2019	31.12.2018	31.12.2017
Services from third parties	11,892	12,161	14,861
Transport	11,871	11,255	11,668
Postage expenses	4,098	4,007	4,316
Fees and rents	447	1,634	1,746
Professional	1,285	1,422	1,281
Advertising costs	3	4	7
Utilities	844	846	500
Remuneration of Directors, Statutory Auditors and Supervisory Body	1,831	877	652
Maintenance	235	272	283
Costs for outsourcing	7,051	6,626	6,713
Commissions	121	243	825
Other costs for services	2,952	2,687	3,058
Total	**42,630**	**42,034**	**22,542**

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

€thousand

	31.12.2019	31.12.2018
Directors	1,742	791
Auditors	83	80
SB	6	6
Total	**1,831**	**877**

In the period 2019, fees for the Independent Auditors amounted to €88 thousand (€85 thousand at 31 December 2018).

26 Personnel costs

Personnel costs at 31 December 2019, compared with those of the previous year, are detailed below:

€thousand

	31.12.2019	31.12.2018
Wages and salaries	5,508	5,785
Social security charges	1,707	1,815
Termination benefits	329	358
Stock grant	-	255
Administration cost	100	63
Other costs	9	11
Total	**7,654**	**8,287**

The following table shows the number of employees:

	At 31 Decembe	Average no.	At 31 Decembe	Average no.
	31.12.2019	31.12.2019	31.12.2018	31.12.2018
Executives	6	8	5	6
Middle managers	10	10	8	9
Office workers	122	126	125	130
Workers	16	18	17	26
Total	**154**	**162**	**155**	**170**

27 Other operating costs

The item “Other operating costs" amounted to €908 thousand and mainly includes: charges for transactions with former employees (equal to €426 thousand), non-deductible taxes and duties, non-deductible VAT as a result of the pro-rata payment, and non-recurring liabilities. The item in the comparative financial year shows a balance of €362 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

	31.12.2019	31.12.2018
On current accounts	15	20
Exchange rate gain/(loss)	148	55
Others	40	1
Total	**204**	**76**

€thousand

	31.12.2019	31.12.2018
Loans	(627)	(752)
Right-of-use liabilities	(347)	-
Bank current accounts	(20)	(16)
Financial instruments	-	-
Bank fees and charges	(248)	(247)
Exchange rate gain/(loss)	(88)	(100)
Others	(97)	(97)
Total	**(1,427)**	**(1,212)**

In detail, interest on loans includes:

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

30 Taxes

The taxes at 31 December 2019, compared with those of the previous year, are detailed below:

€thousand

	31.12.2019	31.12.2018
IRES	(2,685)	(2,227)
IRAP	(141)	(129)
Taxes for prior periods	37	(183)
Total current taxes	**(2,789)**	**(2,539)**
Prepaid taxes	50	3
Deferred taxes	139	145
Total deferred taxes	**189**	**148**
Total	**(2,600)**	**(2,391)**

31 Related-party transactions

At 31 December 2019 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.

33. Grants received

During 2019, the subsidiary Giordano Vini S.p.A. received grants of €20,195.

The following table summarises the grants received in the periods 2018 and 2019: the data relating to the paying entities, their amount and a brief description of the reasons for the benefit.

Amounts in EUR

Paying entity	Grant received	Reason
AGEA - through ATI Bacco International	33,394	OCM grant 2018 for exports to Swiss market
AGEA - through ATI DOP in the world	20,195	OCM 2019 contribution and exports to non-EU markets
Total	**53,589**	

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For the Board of Directors
The Chief Executive Officer
Alessandro Mutinelli