

DATED MAY 8, 2018

**DIRECTORS' EXPLANATORY
REPORT
ON THE CROSS-BORDER MERGER**

between

DAVIDE CAMPARI-MILANO SPA

and

SORFINN LIMITED

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1. Premise

- 1.1. This explanatory report (hereinafter, the **"Explanatory Report"**) relates to a proposed cross-border merger between **Sorfinn Limited**, a private company limited by shares incorporated under the laws of Ireland with company number 583571 and having its registered office at 70 Sir John Rogerson's Quay, Dublin 2, Ireland, fiscally resident in Italy and with tax domicile in Italy in Via Franco Sacchetti no. 20, 20099 Sesto San Giovanni (MI), Italian Tax code and registration number with the enterprises' registry of the Milan, Monza, Brianza, and Lodi Metropolitan Chamber of Commerce 09755850964 (hereinafter, the **"Absorbed Company"**), and **Davide Campari-Milano S.p.A.** a public limited company incorporated under the laws of Italy, having its registered office at Via Franco Sacchetti no. 20, 20099 Sesto San Giovanni (MI), Italy, Italian tax code and registration number with the enterprises' registry of the Milan, Monza, Brianza, and Lodi Metropolitan Chamber of Commerce 06672120158 (hereinafter, the **"Successor Company"**) and, together with the Absorbed Company, the **"Merging Companies"**), whereby the board of directors of the Successor Company and the board of directors of the Absorbed Company wish to propose a legal merger by absorption (the **"Merger"**) within the meaning of the European Communities (Cross-Border Mergers) Regulations 2008, S.I. No. 157/2008, as amended (the **"Irish Regulations"**), and the Italian Statute no. 108/2008 implementing in Italy the 2005/56/EC Directive, as amended (the **"Italian Regulations"**).
- 1.2. As a result of the Merger all of the assets and liabilities of the Absorbed Company (the **"Assets and Liabilities"**) as of the effective date of the Merger (the **"Effective Date"**) shall be acquired, by operation of law, by the Successor Company and the Absorbed Company shall cease to exist.

2. Legal and Economic Grounds of the Merger

- 2.1. The board of directors of the Absorbed Company and the board of directors of the Successor Company have prepared common draft terms of the Merger (hereinafter, the **"Merger Terms"**).
- 2.2. The Merger shall be effected pursuant to Directive 2005/56/EC of the European Parliament and the national laws implementing it including, in particular, the Irish Regulations and the provisions of the Italian Regulations and in accordance with the Merger Terms.
- 2.3. The Merger is being effected in the context of a corporate and business reorganization within the group of companies owned by the Successor Company (the **"Group"**) which is aimed at simplifying the ownership chain and corporate structure of the Group. The primary purpose of the Merger is to achieve better and more efficient organisation of the Group. More precisely:

The Merger primarily aims to improve efficiency of the involved organizations, also from an asset, economic, and financial perspective, as well as to achieve greater integration

of the operations of the two companies.

Considering that the Successor Company is sole shareholder of the Absorbed Company, the Merger simplifies the ownership chain and corporate structure of the Campari Group, achieving a more effective and efficient management through the reduction of decision levels and operating costs, as well as pursuing a better integration of the brand Frangelico, owned by the Absorbed Company, with the other brands owned by the Successor Company.

Thus, the expected effects of the Merger can be summarized as follows:

- (a) reduction of structural costs;
- (b) streamlining of cash flows; and
- (c) reduction of the corporate entities in the group.

2.4. Considering that the Successor Company is sole shareholder of the Absorbed Company:

- as the Merger shall be implemented as a merger by absorption of a wholly-owned subsidiary ("Merger by Absorption" as defined in Regulation 2 of the Irish Regulations), the Successor Company's shareholding in the Absorbed Company will be cancelled by operation of law and no shares will be issued to the Successor Company,
- as the Merger is a merger by absorption of a wholly-owned subsidiary ("Merger by Absorption" as defined in Regulation 2 of the Irish Regulations), it is not necessary to acquire the expert's report set out in Regulation 7 of the Irish Regulations,
- the approval of the shareholder of the Absorbed Company of the Merger Terms is not required pursuant to Regulation 11(1)(a) of the Irish Regulations as the Merger will be effected as a merger by absorption and the Absorbed Company will merge into its sole shareholder (merger by absorption of a wholly-owned subsidiary).

2.5. The Merger falls within the definition of a "Merger by Absorption" pursuant Regulation 2 to the Irish Regulations, and pursuant to Regulation 6 of the Irish Regulations, the board of directors of the Absorbed Company has prepared this Explanatory Report in order to provide the shareholders and (where applicable) creditors and employees of the Absorbed Company with information on the implications of the Merger, as well as the economic and legal grounds for the Merger.

2.6. The Merger Terms have been prepared on the basis of the financial positions of the Merging Companies as of December 31, 2017, consisting of the financial statements approved by a shareholders' meeting of the Absorbed Company held on April 4, 2018, and the financial statements as of December 31, 2017 duly approved by the

Shareholders' Meeting of the Successor Company held on April 23, 2018.

2.7. "Effective Date"

The civil legal effects of the Merger will be effective from December 1, 2018 or, in case at that date the merger contract shall not yet be filed with the Company Registrar of the Successor Company, the effective date shall be determined as follows: a) should the said filing occur between the 1st and 15th day of each month, then the merger's effective date shall be the 15th day of that month; b) should the said filing occur between the 16th and last day of each month, then the merger's effective date shall be the last day of that month.

On the other hand, for accounting and tax purposes the Merger will take effect from January 1 of the year in which the Merger shall become legally effective.

3. Implications of the Merger for Shareholders, Creditors and Employees

3.1 Implications of the Merger for the shareholders shall be as follows:

Since the Successor Company is the sole shareholder of the Absorbed Company, and the Merger is being effected as a merger by absorption of a wholly-owned subsidiary ("Merger by Absorption" as defined in Regulation 2 of the Irish Regulations), there ~~there~~ will be no share exchange.

As a direct result of the Merger, the Absorbed Company will cease to exist and the Successor Company will cease to be a shareholder of the Absorbed Company as at the Effective Date. The Successor Company's shareholding in the Absorbed Company shall be cancelled by operation of law.

3.2. Implications of the Merger for creditors shall be as follows:

As a result of the Merger, the activities of the Absorbed Company shall be acquired by the Successor Company and the creditors of the Absorbed Company will become the creditors of the Successor Company. Creditors may exercise their rights under Regulation 15 of the Irish Regulations.

3.3. Implications of the Merger for employees shall be as follows:

The Absorbed Company does not have any employees. The Merger is not envisaged to cause any legal, economic or social impact on such employees of the Successor Company as of the Effective Date.


As the Absorbed Company does not have any employees, Regulation 23 of the Irish Regulations shall not apply to the Merger. However, in compliance with article 8 of the Italian Regulations a report on the Terms of Merger will be sent to the Representatives of the employers of Davide Campari-Milano S.p.A. not later than thirty days prior to the

final approval of the Merger Terms by the board of directors of the Surviving Company. Article 19 of Italian Regulations does not apply to the Merger because the necessary conditions are not met.

This Explanatory Report is approved by the board of directors on 8 May 2018 and **SIGNED** for and on behalf of **SORFINN LIMITED** by



Maurizio Ferrazzi
Director



Claudio Viglino
Director

