



Davide Campari-Milano S.p.A.

Financial statements as at December 31, 2019

**Independent auditor's report pursuant to article 14 of
Legislative Decree n. 39, dated 27 January 2010, and article
10 of EU Regulation n. 537/2014**

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014 (Translation from the original Italian text)

To the Shareholders of
Davide Campari-Milano S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Davide Campari-Milano S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of income, the statement of comprehensive income, statement of changes in equity and 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 financial statements give a true and fair view of the financial position of the Company 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 and with the regulations issued for implementing art. 9 of Legislative Decree n. 38, dated February 28, 2005.

Basis for 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 Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The financial statements of the Company for the year ended December 31, 2018, were audited by another auditor, who expressed an unmodified opinion on such financial statements on March 21, 2019.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

| Key Audit Matter | Audit Response |
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| <p>Valuation of Goodwill, Trademarks with indefinite useful life and Investments in subsidiaries</p> <p>As at December 31, 2019, goodwill and trademarks with indefinite useful life, included in the financial statement as “Goodwill and trademarks”, amounts to Euro 355,3 million and Euro 239,4 million, respectively. Investments in subsidiaries amount to Euro 2.028,2 million.</p> <p>The processes and the methodologies for the evaluation and calculation of the recoverable amount of goodwill and trademarks with indefinite useful life recorded by Davide Campari-Milano S.p.A. and by the other Subsidiaries of the Group, relevant also for the purpose of the valuation of the investments in subsidiaries, are based on assumptions that imply directors’ judgment, with particular reference to the expected cash flows from the cash generating units included in the 2020 budget and the strategic plan for the period 2021 - 2024, prepared by the Group's companies and approved by the Board of Directors of Davide Campari-Milano S.p.A., and from the period beyond the five-year plans, assuming long-term growth and discounting rates applied to future cash flow forecasts.</p> <p>Considering the significance of the amount in the financial statement, the level of judgement in the assessment of the methodologies and assumptions adopted to determine the recoverable amount of goodwill and trademarks with indefinite useful life, as well as the investments in subsidiaries, we assessed this matter as a key audit matter.</p> <p>Financial statements disclosures related to this matter are reported in the paragraph 18. “Goodwill and Trademarks”, in the paragraph 19. “Impairment” and in the paragraph 21. “Investments in subsidiaries” with describes the composition of the value in the financial statements as well as the methodologies and the assumptions used, and the sensitivity analyses performed on the recoverable amount upon the modification of the main assumptions.</p> | <p>Our audit procedures related to the key audit matter included, among others:</p> <ol style="list-style-type: none"> i. The analysis of the processes and key controls implemented by the Company in connection to the valuation of goodwill and trademarks with indefinite useful life, as identified in the impairment test procedure approved by the Board of Directors; ii. The assessment of the CGU allocation process, the analysis of the adequacy of the allocation to each CGU of assets and liabilities; iii. The analysis of the expert independent report that supported the Group in the impairment test; iv. The variance analysis between the value of the investing in subsidiaries and the corresponding part of equity as result of the consolidation report; v. The correlation of the analysis described in the previous paragraph with the work carried out on the assessment of the recoverability of the amounts of goodwill and trademarks with indefinite life held by the subsidiaries; vi. The assessment of the quality of the forecasts as compared to the historical accuracy of the previous forecasts; vii. The assessment of the criteria used in the determination of the long-term growth and the discount rates; <p>Our procedures were performed with the support of our experts in valuation techniques, that assessed the evaluation methodologies utilized, the mathematical accuracy of the calculation models, and performed a sensitivity analysis on the key assumptions in order to identify the change in assumptions that could have a significant impact on the valuation of the recoverable amount.</p> |

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| | Lastly, we assessed the adequacy of the disclosure provided in the explanatory notes to financial statements. |
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| Key Audit Matter | Audit Response |
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Revenue Recognition, including adjustments for discounts and deferred incentives

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| <p>The Company recognizes revenues when the customer gains the control of goods according to the contract terms applicable to specific distribution channels, based on the price provided in the agreement net of discounts or estimate deferred incentives granted in line with industry practice, which include an estimated component at the end of the year.</p> <p>The estimate of discounts and deferred incentives due to customers in relation to sales for the year, are recognized according to customer agreements and historical experience.</p> <p>Considering the high volume of sales transactions, through different distribution channels, the significance of the estimate of discounts and deferred incentives, and the complexity due to the number of variable terms for different customers, we assessed this matter as a key audit matter.</p> <p>Financial statements disclosures related to revenue recognition, estimate of discounts and deferred incentives are reported in the paragraph 3. "Summary of accounting principles", in the paragraph related to Revenues from sales and services.</p> | <p>Our audit procedures related to the key audit matter included, among others:</p> <ul style="list-style-type: none"> i) analysis of processes and key controls implemented by the Company in connection with the estimate of discounts and deferred incentives; ii) test of key controls specifically related to the validation on contractual terms and information related to sales; iii) substantive testing on a sample of sales transactions, estimate of discounts and deferred incentives; iv) comparison of prior year discount and deferred incentives estimate against actual results and analysis of variances; v) substantive testing on a sample of sales transactions recognized ad year end, considering the different distribution channels; vi) comparison of the estimates with the subsequent results; vii) analysis of credit notes issued after the year-end date. <p>Lastly, we assessed the adequacy of the disclosures in the explanatory notes to the financial statements regarding the recognition of revenues from sales and services.</p> |
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Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38, dated February 28, 2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not 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;
- we have 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 Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 consider this matter in forming 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 Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, 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.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Davide Campari-Milano S.p.A., in the general meeting held on December 19, 2017, engaged us to perform the audits of the financial statements for each of the years ending December 31, 2019 to December 31, 2027.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Davide Campari-Milano S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Davide Campari-Milano S.p.A. as at December 31, 2019, including their consistency with the related financial statements and their 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 and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Davide Campari-Milano S.p.A. as at December 31, 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Davide Campari-Milano S.p.A. as at December 31, 2019 and comply with the applicable laws and regulations.



With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, February 28, 2020

EY S.p.A.

Signed by: Alberto Romeo, Auditor

This report has been translated into the English language solely for the convenience of international readers.