



Davide Campari-Milano SpA

Independent auditor's report

in accordance with article 14 of Legislative Decree 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014

Separate financial statements as of 31 December 2017



Independent auditor's report

in accordance with article 14 of Legislative Decree 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014

To the shareholders of Davide Campari-Milano SpA

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Davide Campari-Milano SpA (the "Company"), which comprise the statement of financial position as of 31 December 2017, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as of 31 December 2017, and of the result of its operations and 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 to implement article 9 of Legislative Decree 38/05.

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 section Auditor's Responsibilities for the Audit of the Separate Financial Statements of this report. We are independent of the Company based on ethic and independence regulations and standards applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

PricewaterhouseCoopers SpA

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Key Audit Matter
How our audit addressed the key audit matter

Recoverability of goodwill and brands with indefinite useful life

Note 19 “Goodwill and brands ” and note 20 “Impairment”.

As of 31 December 2017 the goodwill and brands with indefinite useful life amounts to € 332.3 million and € 119 million, respectively.

Recoverability of the carrying amount of goodwill and brands was tested for impairment at year-end, in accordance with IAS36 – Impairment of Assets.

The recoverable amount of goodwill is based on its fair value, less disposal cost. The recoverable amount of brands is based on their value in use.

The fair value of the group of cash generating units – CGU, to which the goodwill is allocated, representing the Company business, is calculated as a multiple of the gross operating income generated by the group of CGU.

The value in use of individual brands is measured based on the estimate of future earnings attributable to the brands, net of the contribution assigned to other supporting assets - multi-period excess earnings method.

The fair value of the group of CGU to which goodwill is allocated is compared with its carrying amount, inclusive of brands and goodwill. The value in use of individual brands is compared with their carrying amount.

Recoverability of goodwill and brands with indefinite useful life represented a key matter in the audit of the separate financial statements, considering the magnitude of the carrying amount and the judgment used in determining the assumptions underlying the calculation of the recoverable amounts of goodwill and brands.

We have performed an understanding and evaluation of the internal controls over the key matter identified.

We have verified, with the support of PwC experts:

- the adequacy of the impairment testing process in accordance with the requirement of the accounting standard;
- the allocation of goodwill;
- the reasonableness of the assumptions used in determining the fair of the group of CGU to which goodwill is allocated and the value in use of brands, with specific reference to multiples of gross operating income, growth rates and discount rates, including benchmarking and comparison with historical trend;
- the accuracy of the amounts of assets and liabilities attributable to the group of CGU to which goodwill is allocated;
- the mathematical accuracy of the calculation model used.

We have assessed variances between projections used in previous years and actual results to evaluate the reliability and consistency with the market trend.

We have assessed the accuracy and completeness of the disclosure presented in the notes to the separate financial statements.



<i>Key Audit Matter</i>	<i>How our audit addressed the key audit matter</i>
<i>Revenue recognition</i> <i>Note 3 “ Summary of accounting principles”</i> Revenues recognition, considering the high volume of sales transactions, through different channels, with variable conditions for different customers, represented a key matter in the audit of the separate financial statements.	<p>We have performed, for the major revenues streams, an understanding, evaluating and validating of the relevant controls over revenue and receivables process.</p> <p>We have focused our procedures on existence, completeness, accuracy and proper period of sales transactions.</p> <p>We have tested, on a sample basis, the supporting documentation and the contractual terms of sales transactions.</p>

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation of separate 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 to implement article 9 of Legislative Decree 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company ability to continue as a going concern and, in preparing the separate financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the separate financial statements, management uses the going concern basis of accounting unless management intends either to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company financial reporting process.

Auditor’s Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ 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 the separate financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional scepticism throughout the audit.

Furthermore:

- we identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error; we design and perform audit procedures responsive to those risks; we obtain 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 obtain 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 internal control;
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we conclude on the appropriateness of management 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 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 separate 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 Company to cease to continue as a going concern;
- we evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate 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 also provide those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicate with them all relationships and other 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 determine those matters that are of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our report.



Additional Disclosures required by Article 10 of Regulation (EU) 537/2014

We were appointed by the shareholders of Davide Campari-Milano SpA at the general meeting held on 30 April 2010 to perform the audit of the Company consolidated and separate financial statements for the years ending 31 December 2010 through 31 December 2018.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree 39/10 and Article 123-bis, paragraph 4, of Legislative Decree 58/98

Management of Davide Campari-Milano SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Davide Campari-Milano SpA as of 31 December 2017, including their consistency with the relevant separate financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) 720B to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree 58/98, with the separate financial statements of the Company as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the separate financial statements of the Company as of 31 December 2017 and are prepared in compliance with the law.



With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree 39/10, issued on the basis of our knowledge and understanding of the Company obtained in the course of the audit, we have nothing to report.

Milan, 13 March 2018

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers