



**DAVIDE CAMPARI-MILANO S.p.A.**  
**ANNUAL REPORT**  
**AT 31 DECEMBER 2016**



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### Disclaimer

*This document contains forward-looking statements relating to future events and the operating, economic and financial results of Gruppo Campari. These statements contain an element of risk and uncertainty since, by their very nature, they depend on future events and developments. Actual results may vary significantly from those forecast for a number of reasons, most of which are beyond the Group's control.*

*The official text is the Italian version of the document. Any discrepancies or differences arisen in the translation are not binding and have no legal effect. In case of any dispute on the content of the document, the Italian original shall always prevail.*



## Highlights

	31 December 2016 € million	31 December 2015 € million	change	
			total %	at constant exchange rates %
<b>Net sales</b>	<b>1,726.5</b>	<b>1,656.8</b>	<b>4.2%</b>	<b>7.5%</b>
Contribution margin	676.0	630.8	7.2%	9.8%
EBITDA adjusted(1)	405.3	380.1	6.6%	8.8%
<b>EBITDA</b>	<b>372.1</b>	<b>357.1</b>	<b>4.2%</b>	<b>6.3%</b>
EBIT adjusted(1)	352.5	332.7	6.0%	7.9%
<b>EBIT</b>	<b>319.4</b>	<b>309.8</b>	<b>3.1%</b>	<b>5.1%</b>
Profit before tax	236.7	249.4	-5.1%	-
Net profit - Group and non-controlling interests	166.3	176.0	-5.5%	<b>-2.8%</b>
<b>Group net profit</b>	<b>166.3</b>	<b>175.4</b>	<b>-5.2%</b>	-
<b>Ajusted Group net profit(1)</b>	<b>198.6</b>	<b>185.6</b>	<b>7.0%</b>	
Free cash flow	243.2	200.0		
<b>EBIT margin (EBIT/net sales)</b>	<b>18.5%</b>	<b>18.7%</b>		
<b>ROI % (Operating income / fixed assets)</b>	<b>10.1%</b>	<b>12.9%</b>		
Basic and diluted earning per share (€)	0.29	0.30		
Basic and diluted earning per share (€) adjusted(1)	0.34	0.32		
Average number of employees	4,172	4,194		
	31 December 2016 € million	31 December 2015 € million		
Acquisition and sale of companies or business division	429.9	(22.9)		
Net debt	1,199.5	825.8		
Shareholders' equity - Group and non-controlling interests	1,900.0	1,745.8		
Fixed assets	3,147.8	2,393.6		
Other assets and liabilities	(48.3)	178.1		

<sup>(1)</sup> For information on the definition of alternative performance indicators, see the next section of this report on operations in the section 'Alternative performance indicators'.

### Information on the figures presented

For ease of reference, all figures in this annual report, in both the report on operations and the consolidated financial statements, are expressed in millions of Euro to one decimal place, whereas the original data is recorded and consolidated by the Group in thousands of Euro. Similarly, all percentages that relate to changes between two periods, rather than figures shown as a percentage of sales or other indicators, are always calculated on the basis of the original data in thousands of Euro. The use of values expressed in millions of Euro may therefore result in apparent discrepancies in both absolute values and percentage changes. For information on the definition of alternative performance indicators, see the next section of this annual report.



## Corporate officers

Marco P. Perelli-Cippo                      Honorary Director

### Board of Directors<sup>(1)</sup>

Luca Garavoglia	Chairman
Robert Kunze-Concewitz	Managing Director and Chief Executive Officer
Paolo Marchesini	Managing Director and Chief Financial Officer
Stefano Saccardi	Managing Director and General Counsel and Business Development Officer
Eugenio Barcellona	Director and member of the Control and Risks Committee and the Remuneration and Appointments Committee <sup>(4)</sup>
Giovanni Cavallini	Director <sup>(5)</sup>
Camilla Cionini-Visani	Director and member of the Control and Risks Committee and the Remuneration and Appointments Committee <sup>(4)(5)</sup>
Karen Guerra	Director <sup>(5)(6)</sup>
Thomas Ingelfinger	Director and member of the Control and Risks Committee and the Remuneration and Appointments Committee <sup>(4)(5)</sup>
Annalisa Elia Loustau	Director <sup>(5)</sup>
Catherine Vautrin-Gérardin	Director <sup>(5)</sup>

### Board of Statutory Auditors<sup>(2)</sup>

Pellegrino Libroia	Chairman
Enrico Colombo	Statutory Auditor
Chiara Lazzarini	Statutory Auditor
Giovanni Bandera	Alternate Auditor
Graziano Gallo	Alternate Auditor
Piera Tula	Alternate Auditor

### Independent auditors<sup>(3)</sup>

PricewaterhouseCoopers S.p.A.

<sup>(1)</sup> The 11 members of the Board of Directors were appointed on 29 April 2016 by the shareholders' meeting and will remain in office for the three-year period 2016-2018. At the same shareholders' meeting, Luca Garavoglia was appointed Chairman and granted powers in accordance with the law and the Company's articles of association.

At a meeting held on the same date, the Board of Directors gave Managing Directors Robert Kunze-Concewitz, Paolo Marchesini and Stefano Saccardi the following powers for three years, until approval of the 2018 financial statements:

- individual signature: powers of ordinary representation and management, within the value or time limits established for each type of function;
- joint signature: powers of representation and management for specific types of function, within the value or time limits deemed to fall outside ordinary activities.

<sup>(2)</sup> The Board of Statutory Auditors was appointed on 29 April 2016 by the shareholders' meeting for the three-year period 2016-2018.

<sup>(3)</sup> On 30 April 2010, the shareholders' meeting appointed PricewaterhouseCoopers S.p.A. as its independent auditors for the nine-year period 2010-2018.

<sup>(4)</sup> The Control and Risks Committee and the Remuneration and Appointments Committee were appointed by the Board of Directors on 29 April 2016 for the three-year period 2016-2018.

<sup>(5)</sup> Independent director.

<sup>(6)</sup> Appointed by resolution of the Board of Directors on 29 April 2016.





## Report on operations

### Significant events during the period

#### Acquisitions and sales of companies, brands and distribution rights

##### Acquisition of Société des Produits Marnier Lapostolle S.A. ('SPML') and exclusive distribution of the Grand Marnier spirits portfolio at global level

On 15 March 2016, the Group announced that it had reached an agreement with the members of the family that is the controlling shareholder of Société des Produits Marnier Lapostolle S.A. ('SPML').

The company has its registered office in Paris and is the parent company of the Marnier Lapostolle Group. At the acquisition announcement date, the company was listed on Euronext (Paris) with market capitalisation of € 427 million.

Agreements signed with members of the family that is the controlling shareholder of SPML called for the immediate acquisition of initial shares and the option of acquiring all the remaining shares held by them by 2021.

Subsequently, on 18 May 2016, Davide Campari-Milano S.p.A. launched a friendly public purchase offer for the remaining shares of SPML with the intention of acquiring a total controlling interest in the company. This offer was promoted on the regulated French equity market according to applicable local regulations on the subject, and was completed on 21 June 2016.

Since, in conjunction with some shareholders of the Marnier Lapostolle family, Davide Campari-Milano S.p.A. had exceeded the 95% threshold of share capital and voting rights in SPML, the Company exercised its option to purchase the remaining shares ('squeeze-out') on 14 July 2016, the date the shares were withdrawn from the Euronext Paris regulated market.

At 31 December 2016, Davide Campari-Milano S.p.A. held, in its own name and together with other shareholders in the Marnier Lapostolle family (including commitments to purchase the remaining shares of the family by 2021), shares totalling 100% of SPML's share capital.

The whole transaction, which is described in more detail in the following sections, was financed by Gruppo Campari out of available cash.

In relation to the global distribution of its Grand Marnier spirits portfolio, the Group has started this activity from 1 July 2016.

#### The business

Founded in 1827, SPML is one of the main spirits-producing companies in France, and the owner of the iconic, premium brand, Grand Marnier, the product of a precise and exclusive blend of distilled essence of bitter orange and fine Cognac. Grand Marnier, one of the most famous and well-recognised brands in the spirits industry, has a 150-year history and a strong presence in the premium on-trade channel. As a key ingredient of many classic cocktails, Grand Marnier enjoys premium positioning, and is also described as a 'must have' in the premium cocktails product range, due to its excellent quality and international recognition.

The Grand Marnier spirits portfolio is SPML's core business and accounted for around 85% of consolidated sales of finished products in 2015. The portfolio includes Grand Marnier Cordon Rouge, Cherry Marnier, Louis Alexandre, Cuvée du Centenaire, Cuvée du Cent Cinquanteaire and Quintessence.

Around 92% of SPML's consolidated sales are achieved outside France. Its main markets are the US (approx. 60%), Germany, Canada and France. SPML products are currently distributed in over 150 countries.

The main production operations are located in the Cognac area of France, while bottling and packaging operations are located in Normandy.

In the fiscal year ended 31 December 2015, SPML generated consolidated sales of € 151.7<sup>1</sup> million, of which sales of finished products amounted to € 129.5 million, and consolidated EBITDA of € 30.5 million<sup>2</sup>. It should be noted that SPML's EBITDA does not include profits made by distributors. Pro forma EBITDA, which includes the estimated impact of the global distribution agreement, but excludes any potential synergies, was € 47.4 million in 2015.

<sup>1</sup> Source: SPML press release 'COMMUNIQUE FINANCIER SUR LES COMPTES ANNUELS 2015' (FINANCIAL PRESS RELEASE ON THE 2015 ANNUAL FINANCIAL STATEMENTS), published on 15 March 2016.

<sup>2</sup> Source: SPML press release 'COMMUNIQUE FINANCIER SUR LES COMPTES ANNUELS 2015' (CORRECTED FINANCIAL PRESS RELEASE ON THE 2015 ANNUAL FINANCIAL STATEMENTS), published on 5 April 2016.

### Structure of the operation

Under the agreements signed with the members of the family that is the controlling shareholder, Gruppo Campari will acquire control structured as follows:

- on 15 March 2016, acquisition of the initial shares, equating to 17.19% in full ownership, 1.06% in bare ownership and 1.54% with right of usufruct over SPML's capital, with block transactions with some of the members of the family that is the controlling shareholder;
- an agreement to allow the deferred acquisition at a pre-set price, by 2021, of all the remaining shares held by members of the family that is the controlling shareholder, equating to 26.6% in full ownership and 2.24% in bare ownership;
- the launch of a public purchase offer on the French regulated equity market under the applicable French legislation on the subject, for the remaining shares of SPML, with a view to acquiring full control of the company;
- in the event of a favourable outcome for the public purchase offer and a Group investment in SPML of more than 95% (including shares covered by deferred purchase agreements), the purchase of the remaining free float and the withdrawal of SPML from listing.

The structure of the transaction provided for an agreement with family shareholders whereby, if as a result of the public purchase offer the Group holds less than 50.01% of shares and voting rights of SPML, pursuant to mutual commitments to purchase and sell their shares by 2021, the shareholders will waive their double voting rights in such a way as to allow the Group to acquire a controlling interest in SPML.

At 31 December 2016, the Group held:

- in its own name, shares equal to 71.16% of the share capital of SPML in full ownership and 2.24% of the share capital with right of usufruct, corresponding to 58.40% of the voting rights at SPML's ordinary shareholders' meetings and 55.23% of the voting rights at SPML's extraordinary shareholders' meetings;
- in conjunction with certain shareholders of the Marnier Lapostolle family, 100% of both the share capital and the voting rights at the ordinary and extraordinary shareholders' meetings of SPML.

### Cost of the transaction

The public purchase offer was launched at a price of € 8.050<sup>3</sup> per share in cash (which incorporates a premium of 60.4%<sup>4</sup> over the price per share at the time the transaction was announced), plus an earn-out related to the potential sale of a property in Saint Jean Cap Ferrat owned by SPML.

A maximum amount of € 80 million of the net proceeds from the sale of the property will be retained by the Group, while any excess, net of taxes and selling costs, will be distributed to all selling shareholders (including those who have subscribed to the public purchase offer). Through the issue, by the Parent company, of non-equity securities ('Financial Security'), to be distributed, under certain conditions, to those who shall have transferred to the Group shares of SPML, in the amount of one Financial Security per every SPML share transferred.

Excluding the effects of the sale of the property and the related earn-out, the total implied equity value of 100% of SPML is € 683<sup>5</sup> million, while the implied enterprise value is € 650 million, taking account of the SPML Group's positive net financial position of € 32.5 million<sup>6</sup>. The implied multiple calculated on the basis of this enterprise value and pro-forma EBITDA (equal to € 47.4 million in 2015) is 13.7 times.

### Impact on the Group's figures at 31 December 2016

At 31 December 2016, the transaction described above had the following effects on the Group's statement of financial position and income statement:

- The consideration paid totalled € 489.8 million, which generated a corresponding reduction in the Group's financial resources; the price components are as follows:
  - the block acquisition of shares in March 2016, involving an outlay of € 125.5 million;
  - the purchase of shares through the launch of a friendly public purchase offer for SPML involving an outlay of € 347.2 million;
  - the acquisition of shares after the completion of the squeeze-out process, involving an outlay of € 17.1 million.
- In addition, a financial payable of € 193.1 million was recorded for the shares not yet held by the Group, resulting in a total acquisition cost of € 682.9 million (without taking account of net financial resources acquired totalling € 32.5 million).

<sup>3</sup> With dividend balance for 2015.

<sup>4</sup> Based on an SPML share price of € 5,020 at 11 March 2016.

<sup>5</sup> Based on the 85,000 outstanding shares.

<sup>6</sup> The SPML group's positive net financial position on the acquisition date, presented in the half-year financial statements to 30 June 2016, was € 35 million, which was later adjusted as a result of the process of provisionally allocating acquisition amounts.

- As described above, on 31 December 2016, the Group held 71.16% of SPML's share capital in its own name and 2.24% of the capital with right of usufruct; In light of the fact that it also holds 100% of the share capital in conjunction with certain shareholders of the Marnier Lapostolle family, the Group has consolidated 100% of the Marnier Lapostolle Group. As the acquisition was finalised on 29 June 2016, the Group's operating results for 2016 only include six months of the contribution from the acquired business, as described and commented on in the sections covering the Group's operating and financial results in this annual financial report, to which reference is made. It should be noted that all ancillary acquisition costs incurred for transaction-related legal and financial consulting were included in the Group's income statement at 31 December 2016.

At 31 December 2016, the statement of financial position of the Marnier Lapostolle group was incorporated, taking account of the best estimate of the fair value of the assets and liabilities acquired.

For more information on the impact of the acquisition on the Group's financial position, please see the 'Business combinations' section in this annual financial report.

As the distribution agreement came into effect on 1 July 2016, the related impact is reported in the Group's operating figures at 31 December 2016 as external growth for the period.

### **Sale of non-core businesses**

The following transactions that were carried out during the year are consistent with Gruppo Campari's objective to exit completely from the still wines business, in line with its strategy to rationalise non-strategic, low-margin activities and increase its focus on the core business of spirits.

#### *Sale of non-core businesses – Italy*

On 30 March 2016, the Group closed the sale to a group of local entrepreneurs, of a non-strategic business belonging to Casoni Fabbricazione Liquori S.p.A., a company wholly owned by Fratelli Averna S.p.A., that produces private-label alcoholic beverages and carries out bottling activities on behalf of third parties. The company had become part of the Group in 2014, following the acquisition of Gruppo Averna. The closing of the transaction called for a price adjustment concerning the net financial position at 30 March 2016, which was determined during the third quarter of 2016.

On 16 December 2016, the Group completed its exit from the Italian still wines business with the sale of Italian wine companies Sella&Mosca S.p.A. and Teruzzi&Puthod S.r.l. to Terra Moretti Distribuzione S.r.l., controlled by Terra Moretti Sp.A., N.U.O. Capital and Simest S.p.A.. The business sold includes the Sella&Mosca and Teruzzi&Puthod brands, as well as vineyards, wine-making and production equipment, the storeroom and real estate. The total consideration for the transaction, on a cash- and debt-free basis, was € 62.0 million. The amount comprised a cash payment of € 57.0 million at the closing of the deal on 16 December 2016 and a four-year deferred payment, secured by an interest-bearing charge over the equity interests held in Teruzzi&Puthod S.r.l.. The resulting financial receivable of € 5.0 million was recorded under Other non-current non-financial assets. The sale generated a not significant capital gain, which is shown under Adjustments to operating income (charges).

#### *Sale of non-core businesses – Lapostolle Chilean wines*

On 24 December 2016, the Group signed an agreement to sell Lapostolle Wines in Chile, which had become part of the Campari perimeter on the acquisition of Grand Marnier. The deal was closed on 31 January 2017.

Payment for the transaction, which corresponded to a historical multiple of 16.3 times EBITDA, was € 30.0 million, and included net financial debt of € 23.3 million. The business sold includes Chilean wines, the Lapostolle Pisco spirit brand and other brands, as well as the respective vineyards, wine-making and production equipment, the storeroom, real estate, and the 'Lapostolle' Residence hotel business in Chile.

In the fiscal year ended 31 December 2015, Marnier Chile S.A. recorded net sales of € 13.6 million (CLP 9,843.2 million) and EBITDA of € 1.8 million (CLP 1,336.6 million).

The sale will not have any significant impact on the Group's financial results.

## Innovation and new product launches

### New flavours of SKYY Vodka and SKYY Infusions

In April 2016, a new limited edition bottle of SKYY Vodka which glows when exposed to ultraviolet light, 'Starry SKYY', was launched. This limited edition was commercialized in Italy, Switzerland, South Africa, Nigeria, Guam, China, the Philippines, South Korea, Chile, Peru and the Global Travel Retail channel.

In July 2016, the packaging for SKYY Vodka was changed in Brazil; its launch accompanies the new 'Free the New' campaign. Meanwhile, in the US market a new flavour of SKYY Infusions, Barlett Pear, was introduced, following the two new flavours of SKYY Infusions, Honeycrisp Apple and Tropical Mango, launched in the US in February 2016.

### Bourbon Whiskey

In the first half of 2016, the Group continued with the redesign of the packaging of Wild Turkey products for all markets, including Wild Turkey 101 and Wild Turkey Rye.

In June 2016, the company launched Wild Turkey Decades, a new limited edition of super premium Wild Turkey based on a mix of rare Wild Turkey bourbons aged for 10-20 years. The product was launched in Australia and Japan, and will be introduced in the United States in 2017.

In August 2016, the actor Oscar winner, in 2014, Matthew McConaughey signed a global agreement as creative director of an advertising campaign directed by and featuring him, on Wild Turkey brand. The media campaign was launched in September 2016.

In February 2017, after the date of this report, the 'Whiskey Barons Collection' – a project created in honour of two brands of bourbon, Bond&Lillard and Old Ripy, from the pre-Prohibition period – was unveiled in the US. These high-quality bourbons, which are produced in the oldest distillery in Kentucky, reflect the authenticity of the product and the original packaging.

### Forty Creek whisky

In July 2016, the tenth limited edition of Forty Creek whisky was launched in the US and Canada. A rare whisky, deep amber in colour with rich aromas of apricot and orange, Forty Creek Founder's Reserve exhibits flavours of exotic spices.

### Espolòn Tequila

In July 2016, Espolòn tequila was relaunched on the Mexican market with a new range of premium tequilas that include the new Espolòn Reposado products, aged in Chardonnay and bourbon barrels.

### Cinzano vermouth

In the third quarter of 2016, events to promote the product in 'vermouterias', bars specialising in this category of product, were held in the Argentine and Spanish markets.

### Other brands

In March 2016, Baron Samedi, a new premium spicy rum containing 100% natural ingredients, including vanilla, cocoa, cinnamon and Haitian vetiver, a herb that adds earthy and woody notes to the rum, was launched in the US, Canada and Australia. Specially blended to be paired with cola or ginger beer, it may also be enjoyed on its own.

In 2016, the Group continued with its redesign of the GlenGrant packaging for the 10-year-old single malt range. A new product, aged for 12 years, was also launched, exclusively for the Global Travel Retail channel.

### Campari Calendar (R)evolution

In October 2016, the Group launched the new global initiative 'Campari Calendar (R)evolution' with the aim of promoting a new way of providing information on the brand. The aim of 'Campari Red Diaries' is to convey the concept that 'each cocktail tells a story', by celebrating cocktails as an art form, and the experiences that inspire bartenders to create them. The lead story, entitled 'Killer in Red', was written and directed by Paolo Sorrentino, and featured the actor Clive Owen.

## Other significant events

### Purchase of own shares

From 1 January to 31 December 2016, the Group bought 2,326,135 own shares at an average price of € 8.14, and sold 2,705,237 own shares after stock option exercises.

At 31 December 2016, the Parent Company held 1,342,344 own shares, equivalent to 0.23% of the share capital.

### Financial debt management

In September 2016, the Group reviewed the composition of its financial debt in order to reduce the overall borrowing cost and improve its financial flexibility.

In this regard, the Group repaid the following ahead of schedule:

- the bond issued by the Parent Company, with a remaining nominal value of USD 200 million, which was placed on the US institutional market in 2003, with maturity in July 2018 and a fixed annual coupon of 4.63%;
- a private placement issued by the subsidiary Campari America with a remaining nominal value of USD 110 million, which was placed on the US institutional market in 2009, with maturity in June 2019 and a semi-annual coupon at an annual rate of 7.99%.

At the same time, the Group paid bondholders the contractually required make-whole amount of USD 31.6 million (€ 29.1 million at the average exchange rate for the year 2016), which is included in the Group's financial charges at 31 December 2016.

Early repayments, above mentioned, were funded out of a € 300.0 million bullet loan maturing in three years at a rate of 3-month Euribor plus 0.75%, made available by Banco Popolare, Intesa Sanpaolo and Unicredit.

In conjunction with the term loan, a new revolving credit facility was granted in the amount of € 200.0 million, maturing in three years, replacing the facility stipulated on 25 February 2015. At 31 December 2016, € 50.0 million of the line had been used.

It should be noted that, due to the above mentioned early termination of the financial agreement, the negative pledges and covenants, that limited the Group financial flexibility, have been eliminated.

## Group operating and financial results

### Sales performance

#### Overall performance

Group net sales were € 1,726.5 million in 2016, an overall increase of +4.2% on 2015; the components of organic growth of +4.7% and a perimeter effect of +2.8% were partially offset by negative exchange rate fluctuations (-3.3%). In the fourth quarter, the organic component was +3.2%.

The following table shows these effects on the various geographical regions.

	2016		2015		total change € million	12 months change, of which				change % fourth quarter	
	€ million	%	€ million	%		total	organic	perimeter	exchange rate	total	organic
Americas	726.3	42.1%	701.6	42.3%	24.8	3.5%	2.9%	6.7%	-6.1%	9.9%	2.3%
Southern Europe, Middle East and Africa	532.8	30.9%	525.3	31.7%	7.5	1.4%	2.6%	-1.2%	-0.0%	-0.1%	-0.2%
North, Central and Eastern Europe	343.9	19.9%	313.9	18.9%	30.0	9.6%	11.9%	1.1%	-3.4%	7.9%	8.6%
Asia-Pacific	123.5	7.2%	116.0	7.0%	7.4	6.4%	6.0%	1.5%	-1.1%	11.7%	6.7%
<b>Total</b>	<b>1,726.5</b>	<b>100.0%</b>	<b>1,656.8</b>	<b>100.0%</b>	<b>69.7</b>	<b>4.2%</b>	<b>4.7%</b>	<b>2.8%</b>	<b>-3.3%</b>	<b>6.6%</b>	<b>3.2%</b>

#### Organic change

Organic sales growth was +4.7% for the year, thanks to an excellent performance in all four quarters. Specifically, after highly satisfactory growth recorded in the first three quarters (+7.2%, +3.4% and +6.1% respectively), the fourth quarter also confirmed overall growth of +3.2%.

Over the twelve months, all four geographical regions recorded growth. Specifically, the major high-margin developed markets showed a positive trend. All the Group's high-margin global priority brands and nearly all regional priority brands closed the year with extremely positive results. These results therefore led to a continuous improvement in the sales mix in terms of products and markets, in line with the Group's growth strategy.

The main trends by individual geographical region are shown below.

- The **Americas** ended the period with organic growth of +2.9% (+2.3% in the fourth quarter); growth in their primary market, the US (+2.1% in the year, -4.2% in the fourth quarter) has been mitigated by a rebalancing of stocks, in view of the changes at distribution level, in place in this market. That was entirely due to the re-absorption of sales in the last part of the year after the early sales in the first two quarters. This performance therefore led to an unfavourable comparison with the fourth quarter of the previous year. Argentina, Canada and Mexico ended the period on a positive note, offsetting the negative performance of Brazil deriving from its continuing weak macroeconomic situation. In Jamaica, the negative performance was entirely due to the contraction in the non-core sugar business recorded in the first part of the year. This contraction was almost entirely offset in the second half of the year by the excellent results achieved by the core brands.
- The **Southern Europe, Middle East and Africa** region reported overall organic growth of +2.6%, with the fourth quarter broadly stable in the region (-0.2%). Italy, its main market, ended the year in line with the previous year (+0.3%), after picking up slightly in the last quarter (+0.7%). This growth has more than offset the contraction in the wine business that has been sold by the Group at year-end. Among the other countries in the region, France and the duty-free channel reported double-digit growth. In addition, performance remained positive in Spain and the other European markets. These results offset the negative trend in Nigeria, attributable to weak macroeconomic conditions in the country, and in South Africa, due to de-stocking ahead of the change to the local distribution structure.
- The **Northern, Central and Eastern Europe** region recorded double-digit organic growth of +11.9% in the year (+8.6% in the fourth quarter), reflecting a positive performance in all the area's markets, in particular Germany, the UK and other northern and eastern European markets. Russia also showed sustained growth during the year, mainly as a result of a highly favourable basis of comparison.
- The **Asia-Pacific** region recorded growth of +6.0% in the twelve months (+6.7% in the fourth quarter), due to growth in Australia, the most important market in the region, and in the region's other markets.

The main trends by brand are shown below.

- The **Group's global priority brands** posted organic growth of +6.3%, and were broadly stable in the fourth quarter (+0.7%). Looking at aperitifs, Campari grew steadily in its main markets, despite the contraction in Brazil and Nigeria, and Aperol continued to post double-digit growth, due to a positive performance in all its markets; SKYY closed the year with a slight decrease, which was entirely attributable to the negative performance of SKYY Infusions, while core brand SKYY Vodka was broadly stable. The Wild Turkey portfolio increased slightly, mainly due to good results in the US, the

brand's main market. Growth in the Jamaican rums portfolio during the period was mainly driven by Jamaica's positive performance, but also by its appeal in international markets such as the UK and Germany, while the US remained broadly stable.

- **Regional priority brands** registered growth of +9.3% over the twelve months, due in part to a highly positive fourth quarter (+8.4%). Growth was spread across virtually all the main brands, especially Frangelico, Averna, Braulio, Espolòn and GlenGrant, which all reported double-digit growth, and Cinzano.
- **Local priority brands** confirmed the negative trend noted in the rest of the year, which was partly offset in the fourth quarter (+1.1%). Overall, the local brands ended the twelve months with a contraction of -1.2%, mainly due to single-serve aperitifs in Italy, although they recovered well in the fourth quarter, and the Brazilian brands.

### Perimeter effect

The positive perimeter effect of +2.8% was due to the combined impact of business acquisitions, non-core disposals and the termination of distribution contracts.

Looking specifically at sales of businesses, it should be noted that the Group sold a number of non-core businesses in Jamaica in 2015. Furthermore, on 30 March 2016, Casoni Fabbricazione Liquori S.p.A., which joined the Group as part of the acquisition of Averna, was sold; the company produces private-label alcoholic beverages and carries out bottling activities on behalf of third parties.

Regarding the termination of distribution contracts, 2016 reflected the effects of the Group's exit in 2015 from the distribution of general merchandise products in Jamaica and the distribution of agency wines in Italy.

With regard to business acquisitions, the acquisition of SPML, the owner of the Grand Marnier brand, which was concluded on 29 June 2016, affected the change in the perimeter at sales level from 1 July 2016.

Sales for the Grand Marnier business totalled € 81.5 million.

The impact of these factors on sales in the period is analysed in the table below.

Breakdown of the perimeter effect	€ million	% change on 2015
<b>Acquisitions and sales of business</b>		
Acquisitions	81,5	+4,9%
Disposal	-22,3	-1,3%
<b>Totale acquisition and sales</b>	<b>59,1</b>	<b>3,6%</b>
<b>Distribution contracts</b>		
New agency brands distributed	2,9	0,2%
Discontinued agency brands	-15,9	-1,0%
<b>Total distribution contracts</b>	<b>-13,0</b>	<b>-0,8%</b>
<b>Total perimeter effect</b>	<b>46,1</b>	<b>2,8%</b>

### Exchange rate effects

The negative exchange rate effect in the twelve months was -3.3% (-2.4% in the fourth quarter) and related to the depreciation of many currencies against the Euro; only the US Dollar was broadly stable compared with 2015. In particular, the currencies with the greatest impact on the decline in net sales were the Argentine Peso, UK Sterling and the Mexican Peso, which depreciated by -37.2%, -11.4% and -14.8% respectively.

The table below shows the average exchange rates for 2016 and spot rates at 31 December 2016 for the Group's most important currencies, together with the percentage change against the Euro, compared with the corresponding average exchange rates and spot rates in 2015.

	average exchange rates		spot exchange rates	
	2016	change compared with 2015	31 December 2016	change compared with 31 December 2015
	: 1 Euro	%	: 1 Euro	%
US Dollar (USD)	1.107	0.3%	1.054	3.3%
Canadian Dollar (CAD)	1.467	-3.3%	1.419	6.5%
Jamaican Dollar (JMD)	138.379	-6.2%	134.906	-3.2%
Mexican Peso (MXN)	20.660	-14.8%	21.772	-13.1%
Brazilian Real (BRL)	3.861	-4.4%	3.431	25.7%
Argentine Peso (ARS)	16.333	-37.2%	16.749	-15.8%
Russian Ruble (RUB)	74.226	-8.4%	64.300	25.5%
Australian Dollar (AUD)	1.489	-0.8%	1.460	2.1%
Chinese Yuan (CNY)	7.350	-5.1%	7.320	-3.5%
Pound Sterling (GBP)	0.819	-11.4%	0.856	-14.3%
Swiss Franc (CHF)	1.090	-2.1%	1.074	0.9%

## Sales by region

Sales for 2016 are analysed by geographical region and key market below. Unless otherwise stated, the comments mainly relate to the organic component of the change in each market.

### • Americas

The region, broken down below into its main markets, recorded overall organic growth of +2.9%.

	% of Group total	2016		2015		total change		12 months change, of which			change % fourth quarter	
		€ million	%	€ million	%	€ million	total	organic	perimeter	exchange	total	organic
US	24.8%	427.6	58.9%	365.3	52.1%	62.3	17.0%	2.1%	14.7%	0.3%	16.8%	-4.2%
Jamaica	4.6%	79.1	10.9%	97.2	13.9%	-18.1	-18.6%	-2.1%	-11.1%	-5.4%	22.4%	29.7%
Brazil	3.3%	57.0	7.8%	68.8	9.8%	-11.9	-17.2%	-12.7%	-0.7%	-3.8%	-7.9%	-14.3%
Argentina	2.6%	45.4	6.3%	51.0	7.3%	-5.6	-10.9%	42.3%	-0.4%	-52.7%	-11.5%	37.2%
Canada	3.1%	54.0	7.4%	48.9	7.0%	5.1	10.5%	4.8%	9.1%	-3.5%	29.1%	6.9%
Other countries	3.7%	63.2	8.7%	70.4	10.0%	-7.1	-10.1%	-0.8%	0.9%	-10.2%	-12.3%	-7.3%
<b>Americas</b>	<b>42.1%</b>	<b>726.3</b>	<b>100.0%</b>	<b>701.6</b>	<b>100.0%</b>	<b>24.8</b>	<b>3.5%</b>	<b>2.9%</b>	<b>6.7%</b>	<b>-6.1%</b>	<b>9.9%</b>	<b>2.3%</b>

The **United States**, the Group's main market in terms of sales, representing 24.8% of total sales and 58.9% of the region's sales, closed 2016 with organic growth of +2.1% and a contraction recorded in the fourth quarter(-4.2%). It was entirely due to the re-balance of the stocks in view of the distribution changes in place in this market.

Wild Turkey recorded a good performance for the year, despite a contraction in the last quarter.

SKYY vodka showed a slight contraction over the year. Its performance, which was adversely affected by a negative fourth quarter, was mainly attributable to SKYY Infusions, whose weak sales suffered from the fierce competition within the flavoured vodka category, affecting both depletion and consumption levels and hence leading to a decrease in shipments. Aperitifs and Italian specialities continued to show solid growth, especially Aperol, but also Campari, Averna and Cynar, supported by good consumption and depletion levels.

The Espolòn brand maintained its excellent performance with double-digit growth in 2016, confirming the excellent results recorded since the start of the year.

It should be noted that the significant perimeter effect in the US (+14.7%) was entirely related to the acquisition of SPML, whose products, and especially Grand Marnier, were included in the Group's portfolio from 1 July 2016.

Organic sales in **Jamaica** declined by -2.1%, due entirely to the contraction in the non-core sugar business. Excluding this distortive effect, sales attributable to the spirits core business were +12.9% higher than in the previous year, as also confirmed by a very strong performance in the fourth quarter (+29.7%). In particular, global priority brands grew by +23.3% due to Campari and Jamaican rums (in particular Wray & Nephew Overproof).

**Brazil** closed 2016 with an organic reduction in sales of -12.7%. The political and economic crisis that affected the country throughout the year had an impact on the final result, generating this double-digit contraction. Moreover, it should be highlighted that the fourth-quarter contraction (-14.3%) was significantly affected by the highly unfavourable comparison with the fourth quarter of the previous year, which had benefited from early sales ahead of an expected increase in local excise duties. Against this backdrop, there was a sharp drop in sales in the first half of the year, especially for the global brands Campari and SKYY; this was partially offset by a solid third-quarter performance, which also benefited from a recovery in sales after a first half that had been penalised by the above-mentioned early sales. In the last quarter, however, the negative trend in the first half of the year was confirmed, as all global brands except Aperol recorded a contraction. Aperol closed the year with an excellent performance, driven by volume growth that doubled during the year. Turning to local priority brands, Dreher, after nine months of positive performance, closed the year with a decrease (-2.7%) due to the last quarter's negative results. Sagatiba confirmed a negative trend, as did Admix Whiskies.

With a difficult political and economic environment, marked by high inflation and an overall increase in rates for local public services, and contraction on private consumption, **Argentina** nevertheless closed the year with organic growth of +42.3% (+37.2% in the fourth quarter). The excellent performance of the high-margin global priority brands, especially Campari, SKYY and Aperol, due to solid volume growth and a positive price component that counterbalanced local inflation. The significant negative exchange rate effect (-52.7%) has led to an overall decrease of -10.9% in sales for the twelve months.

Sales in **Canada** grew by +4.8% in 2016, due partly to a solid fourth quarter (+6.9%). Growth was driven by Campari, Aperol, Wild Turkey, Carolans and, especially, Forty Creek. The Campari and Aperol markets continued to grow, confirming the positive trend seen in 2015 and in the first few months of 2016. Simultaneously, the Jamaican rum portfolio has been affected by the transition to the new product range and the introduction of the new packaging.

Lastly, **Mexico** performed well, with growth of +17.0%, driven by the performance of SKYY ready-to-drink.



### • Southern Europe, Middle East and Africa

The region, which is broken down by main market in the table below, posted overall organic growth of +2.6%, with a slight fall in the fourth quarter (-0.2%).

	% of Group total	2016		2015		total change € million	12 months change, of which			change % fourth quarter		
		€ million	%	€ million	%		total	organic	perimeter	exchange rate	total	organic
Italy	23.6%	407.1	76.4%	416.3	79.2%	-9.2	-2.2%	0.3%	-2.5%	0.0%	-1.6%	0.7%
Other countries of the region (*)	7.3%	125.7	23.6%	109.0	20.8%	16.7	15.3%	11.6%	3.8%	-0.1%	6.1%	-4.5%
<b>Southern Europe, Middle East and Africa</b>	<b>30.9%</b>	<b>532.8</b>	<b>100.0%</b>	<b>525.3</b>	<b>100.0%</b>	<b>7.5</b>	<b>1.4%</b>	<b>2.6%</b>	<b>-1.2%</b>	<b>-0.0%</b>	<b>-0.1%</b>	<b>-0.2%</b>

(\*) includes the duty-free channel.

In **Italy**, overall organic growth was +0.3%, with fourth-quarter growth of +0.7%.

Global priority brands again put in a highly positive performance, and grew by +6.1% in the full year (+4.6% in the fourth quarter). Of particular significance was the growth of Campari and Aperol, which was also reflected in positive sell-out figures. Regional priority brands reported growth of +5.4% (with a slight decrease in performance of -1.7% in the fourth quarter), driven by Averna and Braulio. The positive performance of these categories offset the decline in the segment of single-serve aperitifs Crodino and Campari Soda over the year. It should be noted that, in the fourth quarter, both these brands reversed the trend seen in previous periods, and resumed growth. In addition, it is noted that the positive performance of the Italian market allowed to mitigate the weakness of the still wine business, which was subsequently sold by the Group.

The **other countries in the region** recorded full-year organic growth of +11.6% due to the positive performance of many markets, including not only France, which confirmed double-digit growth rates, but also Spain and Greece, and the duty-free channel. In the fourth quarter, contrary to the trend, performance was negative (-4.5%), mainly due to stock reduction ahead of the change in the distribution flow in South Africa, where the Group has started its own distribution structure, and to the negative trend in Nigeria, where macroeconomic conditions remain extremely unfavourable.

In France, double-digit growth (+54.1%) continues to be driven by Aperol, Campari, GlenGrant and Riccadonna.

In Spain, Aperol recorded a positive performance, which was also reflected in positive sell-out figures. In Greece, Aperol and Campari posted double-digit growth, while in the duty-free channel, the positive performance was driven by Aperol, Campari, GlenGrant and the Averna and Braulio bitters.

### • Northern, Central and Eastern Europe

This region reported overall organic growth of +11.9% for the twelve months and 8.6% in the fourth quarter, broken down as follows in the main markets.

	% of Group total	2016		2015		total change € million	12 months change, of which			change % fourth quarter		
		€ million	%	€ million	%		total	organic	perimeter	exchange rate	total	organic
Germany	10.2%	176.1	51.2%	165.4	52.7%	10.7	6.4%	6.0%	0.5%	-0.0%	7.8%	5.1%
Russia	2.2%	37.5	10.9%	30.9	9.8%	6.6	21.3%	27.7%	4.3%	-10.7%	16.6%	16.7%
Other countries of the region	7.6%	130.4	37.9%	117.6	37.5%	12.8	10.9%	16.1%	1.1%	-6.3%	3.2%	8.9%
<b>North, Central and Eastern Europe</b>	<b>19.9%</b>	<b>343.9</b>	<b>100.0%</b>	<b>313.9</b>	<b>100.0%</b>	<b>30.0</b>	<b>9.6%</b>	<b>11.9%</b>	<b>1.1%</b>	<b>-3.4%</b>	<b>7.9%</b>	<b>8.6%</b>

In **Germany**, 2016 closed with organic growth of +6.0% (+5.1% in the fourth quarter), driven by global brands Aperol, Campari and SKYY Vodka, regional brands Frangelico and Averna and local brand Ouzo 12. Overall growth was partially offset by a fall in Cinzano sparkling wines and vermouth.

In **Russia**, the market closed the year with organic growth of +27.7%; the positive trend seen in the first half of the year continued in the fourth quarter, which reported growth of +16.7%. Cinzano and Mondoro posted growth, as did Aperol and Campari.

However, it should be noted that the comparison basis in 2015 was particularly favourable, given the severe crisis that hit the market in that year. Moreover, although consumption showed some signs of improvement, the macroeconomic environment in Russia is still generally difficult, with the credit risk in distributor relationships remaining high, against which the Group has adopted particularly strict preventive measure.

The **region's other countries** grew by +16.1% in the twelve months (+8.9% in the fourth quarter), due especially to double-digit growth in the UK, where Aperol and Campari are growing continuously, and both Jamaican rums and Wild Turkey are

achieving good results. In addition, the good performance of Austria, the Czech Republic and many countries in northern and eastern Europe continued, due in particular to Aperol's strong performance.

#### • Asia-Pacific

The table below shows the region, broken down into Australia and the other countries, with details of the changes in 2016. The region ended the year with overall organic growth of +6.0% and growth of +6.7% in the fourth quarter, confirming the positive trend seen in the first half of the year.

	% of Group total	2016		2015		total change € million	12 months change, of which				change % fourth quarter	
		€ million	%	€ million	%		total	organic	perimeter	exchange rate	total	organic
Australia	5.0%	86.0	69.6%	80.7	69.5%	5.3	6.6%	7.2%	0.3%	-0.9%	7.1%	3.0%
Other countries of the region	2.2%	37.5	30.4%	35.4	30.5%	2.1	6.0%	3.2%	4.3%	-1.5%	21.8%	14.9%
<b>Asia-Pacific</b>	<b>7.2%</b>	<b>123.5</b>	<b>100.0%</b>	<b>116.0</b>	<b>100.0%</b>	<b>7.4</b>	<b>6.4%</b>	<b>6.0%</b>	<b>1.5%</b>	<b>-1.1%</b>	<b>11.7%</b>	<b>6.7%</b>

In **Australia**, organic growth was +7.2% (+3.0% in the fourth quarter), driven by the good performance of Wild Turkey ready-to-drink, Aperol, Campari, SKYY ready-to-drink, Espolòn and GlenGrant, which are all growing continuously at rates above the averages of their competitors, and increasing their market share. Baron Samedi, the new spicy rum launched in 2016, also contributed to this positive growth. In addition, a non-recurring peak of the local co-packing activities also contributed to the positive performance achieved during the year.

In **other countries**, sales increased by 3.2% in the year, due to the positive performance of New Zealand and the rest of Asia, which was partly offset by the contraction in sales in China and Japan. The region reported an excellent performance in the fourth quarter (+14.9%), due to positive growth in all markets except Japan, where the decrease in sales is entirely attributable to Campari, while in China the overall slowdown in the economy continued. In New Zealand, the positive results are mainly attributable to Riccadonna, Aperol, the Jamaican rums, Wild Turkey and GlenGrant.

#### Sales by major brands at consolidated level

The following table summarises growth in the main brands in the twelve months of the year, broken down into the categories identified by the Group based on the priorities (global, regional, local and other) assigned to them. The table below shows organic growth, including that for the fourth quarter.

	Percentage of Group sales	change in percentage sales, of which				change % fourth quarter
		total	organic	perimeter	exchange rate	
Campari	9.9%	1.4%	8.6%	-	-7.2%	9.7%
SKYY(1)	10.5%	-2.8%	-1.4%	-	-1.4%	-8.4%
Aperol	11.7%	17.2%	18.5%	-	-1.3%	16.0%
Wild Turkey portfolio(1)(2)	7.5%	0.6%	1.0%	-	-0.3%	-9.3%
Jamaican rums portfolio(3)	5.1%	-3.3%	2.0%	-	-5.3%	-4.4%
<b>global priority brands (excluding Grand Marnier)</b>	<b>44.6%</b>	<b>3.3%</b>	<b>6.3%</b>	<b>-</b>	<b>-3.0%</b>	<b>0.7%</b>
Grand Marnier	4.3%	-	-	-	-	-
<b>global priority brands</b>	<b>48.9%</b>	<b>13.2%</b>	<b>6.3%</b>	<b>9.9%</b>	<b>-3.0%</b>	<b>0.7%</b>
Cinzano	4.5%	-8.3%	2.2%	-	-10.5%	1.4%
Frangelico	1.6%	3.4%	4.6%	-	-1.2%	9.0%
Averna and Braulio	1.8%	18.4%	18.7%	-	-0.2%	7.9%
Forty Creek	1.2%	-1.4%	1.0%	-	-2.4%	3.6%
Espolòn	1.6%	37.6%	38.6%	-	-1.0%	27.4%
other	5.9%	6.4%	9.8%	-	-3.4%	13.3%
<b>regional priority brands</b>	<b>16.7%</b>	<b>4.4%</b>	<b>9.3%</b>	<b>-</b>	<b>-4.8%</b>	<b>8.4%</b>
Campari Soda	3.5%	-2.4%	-2.4%	-	-0.0%	5.3%
Crodino	3.5%	-3.4%	-3.3%	-	-0.1%	5.0%
Wild Turkey ready-to-drink	2.1%	-0.0%	0.8%	-	-0.8%	-8.1%
Brazilian brands Dreher and Sagatiba	1.7%	-7.2%	-3.0%	-	-4.2%	-8.2%
other	1.8%	5.3%	5.5%	-	-0.2%	9.8%
<b>local priority brands</b>	<b>12.7%</b>	<b>-2.0%</b>	<b>-1.2%</b>	<b>-</b>	<b>-0.8%</b>	<b>1.1%</b>
<b>rest of the portfolio</b>	<b>21.8%</b>	<b>-8.8%</b>	<b>2.1%</b>	<b>-6.7%</b>	<b>-4.2%</b>	<b>4.4%</b>
<b>total</b>	<b>100.0%</b>	<b>4.2%</b>	<b>4.7%</b>	<b>2.8%</b>	<b>-3.3%</b>	<b>3.2%</b>

(1) excludes ready-to-drink

(2) includes American Honey

(3) Includes Appleton, J.Wray and Wray&Nephew Overproof rum

The **Group's global priority brands**, which account for almost half of the Group's sales, recorded organic sales growth of +6.3%, with a broadly stable fourth quarter (+0.7%), while exchange rate changes had a minor negative effect in the twelve months (-3.0%). The acquisition of SPML entailed the incorporation of Grand Marnier into the Group's global brands, and its distribution from 1 July 2016 generated sales of € 73.8 million, accounting for 9.9% of the global priority brand sales (€ 81.5 million including sales of minor brands).

**Campari** closed the year with highly satisfactory organic growth of +8.6%; this result was achieved through growth in all quarters and excellent fourth-quarter growth of +9.7%. This result may be considered to be particularly satisfactory in light of the contraction in the Brazilian and Nigerian markets. Various markets performed well during the period, including Italy, Germany, Argentina, France, Jamaica, the US and the UK, which made up for the slowdown in Brazil and Nigeria. This organic growth was partly offset by a large negative exchange rate effect (-7.2%), most of which was recorded in Argentina.

**SKYY** reversed the trend of the previous months, closing the year with a contraction of -1.4%; this resulted from a negative fourth quarter (-8.4%) that was penalised by the early sales recorded in the first nine months of the year in the US. Meanwhile, the positive trend continued in the international markets. In addition, performance was hampered by the Infusions range, resulting from the weakness of the category in the US, and by the stock reduction in South Africa ahead of the change in the distribution process.

**Aperol**, which continued its excellent organic growth (+18.5% in the year and +16.0% in the fourth quarter), was still the Group's top brand in terms of net sales in 2016. The positive results were due to the healthy performances of its core markets – most notably, Italy and Germany – but also generally across all markets where the brand is currently being developed, especially France, the US, Brazil, the UK, Spain, Austria, Switzerland, Australia, Chile, Russia, Greece, Scandinavian countries and the duty free channel.

The **Wild Turkey** portfolio, which includes American Honey, reported growth of +1.0% in the year, due to its positive performance in the US, the UK and Canada. The fourth quarter, as mentioned in the previous section, was affected by a contraction in the US (-9.3%), as well as in Japan and Australia, the brand's main markets. In particular, in the US, the shipment performance of the brand (+13.4% for the whole year) was impacted by the postponement of the lunch of Master's Keep Decades from 2016 to beginning 2017. In addition, the consumption of the brand grows in a sustained way and at a significantly higher rate than the shipment.

It should be noted that the performance described does not include the Wild Turkey ready-to-drink portfolio which, given that it is an exclusively domestic business in the Australian market, is classified under local priority brands.

The **Jamaican rums portfolio** (Appleton Estate, J. Wray and Wray & Nephew Overproof) reported overall organic growth of +2.0% in the year, while it contracted by -4.4% in the fourth quarter. In particular, it should be noted that the delays in the US, in Canada and in the duty free channel are mainly due to the transition to the new range of products and to the introduction of the new packaging.

The **regional priority brands** (16.7% of Group sales) posted growth of +9.3% during the twelve months (+8.4% in the fourth quarter), due to many of the main brands, particularly Averna, Braulio, Espolòn and GlenGrant, but also Cinzano and the other sparkling wines.

**Frangelico** reported growth of +4.6% in the twelve months, due to the results achieved in Germany and the UK, and a good fourth quarter (+9.0%), which saw a recovery in its main market, the US.

**Averna and Braulio** (+18.7% in the twelve months, +7.9% in the fourth quarter) recorded positive results in their main markets, Italy and Germany, but also in many other markets, including the US and the duty free channel.

**Espolòn** (+38.6% in the twelve months, +27.4% in the fourth quarter) continued to report excellent double-digit growth in the US, as well as highly encouraging results in the various international markets in which the brand is currently being developed, including Australia, Canada, Italy, the UK and Spain.

**Cinzano** reported growth of +2.2% in the twelve months, due to a good fourth quarter (+1.4%). This performance was the result of a solid performance by Cinzano vermouth (+13.4% in the twelve months), partly offset by a contraction in Cinzano sparkling wines (-6.4%).

Specifically, it should be noted that sales of Cinzano vermouth recovered in Russia during the period – partly due to the favourable basis of comparison – and sales of Cinzano vermouth rose in Argentina, making up for the losses caused by the decline in sales of both Cinzano vermouth and sparkling wines in Germany due to the fierce competition in the category.

**Forty Creek** closed positively (+1.0% in the twelve months, and +3.6% in the fourth quarter). Despite the good performance in its main market of Canada, this result was partially offset by a fall in US sales; however, the American market recovered in the last quarter.

**GlenGrant** posted excellent growth (+11.1%), due to good progress in the brand's key markets such as France, Germany, Australia, the duty-free channel and Japan.

The **other brands** in the category recorded good results in the year, due to the positive performance of all their main markets. In particular, Cynar (+1.8%) recorded a strong performance led by Italy and US. Carolans (-1.2%) recorded a growth

in Canada, Portugal, Russia and Mexico, although it suffers from a weakness in the other markets. Riccadonna and Mondoro (+25.6%) benefited of a positive performance in their main markets, France and Russia.

**Local priority brands** (12.7% of the Group's portfolio) contracted by -1.2% during the year. However, the positive performance in the second half of the year (+1.1% in the fourth quarter) was not enough to make up for the decline in the first half.

With specific reference to the main brands, Campari Soda and Crodino recorded a negative organic performance in the twelve months, although both brands made a good recovery in the last quarter. Ouzo 12 closed the year with positive results in Germany.

The **rest of the portfolio**, which represents about one-fifth of the Group's sales (including agency brands, which account for around 8% of Group sales), reported modest organic growth (+2.1%) compared with the previous year. The good performance in this category of SKYY ready-to-drink in Mexico and Australia and the agency brands in Germany and Argentina should be noted. Conversely, negative performances were recorded by Coruba in New Zealand and by Zedda Piras in Italy.

## Income statements

### Preliminary remarks

The income statement for the full-year 2016, compared with 2015, shows a positive performance overall by all of the main operating profitability indicators in terms of both organic and total changes.

At consolidated level, sales grew overall across all geographical regions. All the Group's global priority brands and nearly all the regional priority brands continued the growth seen in the previous quarters of the year.

Overall, sales grew by +4.2% compared with the previous year, essentially attributable to the combination of positive effects arising from organic growth of +4.7% and perimeter changes of +2.8%, which were partly offset by negative exchange rate variations of -3.3%.

At operating performance level, owing to improvements in the sales mix in terms of products and markets, in line with the Group's growth strategy, the gross margin increased by +7.4% (+5.8% at organic level), the contribution margin by +7.2% (+5.8% at organic level) and the result from recurring activities by +6.0% (+3.6% at organic level).

The Group's profit before tax and net profit decreased by -4.8% and -5.2% respectively, due to adjustments to operating and financial income and charges; these comprised ancillary costs relating to the acquisition of SPML, contractual charges for the early repayment of some loans and Group restructuring costs. Before deduction of these costs and the related tax effects, the Group's profit before tax and net profit would have been € 294.5 million (an increase of +8.7%) and € 198.6 million (an increase of +7.0%) respectively.

In addition, it should be noted that external growth, due to the acquisition of Grand Marnier, which was concluded on 29 June 2016 and, therefore, only consolidated from the second half of the year, net of non-strategic sales and the termination of low-margin distribution agreements, had a significant positive impact on the results, in terms of profitability, equating to 80 basis points on gross profit and 30 basis points on the result from recurring activities.

### Income statement

	31 December 2016		31 December 2015		total change		of which organic		of which external		of which due to exchange rates	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
<b>Net sales</b>	<b>1,726.5</b>	<b>100.0</b>	<b>1,656.8</b>	<b>100.0</b>	<b>69.7</b>	<b>4.2%</b>	<b>78.3</b>	<b>4.7%</b>	<b>46.2</b>	<b>2.8%</b>	<b>(54.8)</b>	<b>-3.3%</b>
Cost of goods sold	(741.9)	(43.0)	(739.8)	(44.6)	(2.2)	0.3%	(25.0)	3.4%	(6.5)	0.9%	29.3	-4.0%
<b>Gross profit</b>	<b>984.6</b>	<b>57.0</b>	<b>917.1</b>	<b>55.4</b>	<b>67.5</b>	<b>7.4%</b>	<b>53.3</b>	<b>5.8%</b>	<b>39.7</b>	<b>4.3%</b>	<b>(25.4)</b>	<b>-2.8%</b>
Advertising and promotional costs	(308.6)	(17.9)	(286.3)	(17.3)	(22.3)	7.8%	(16.7)	5.8%	(14.4)	5.0%	8.7	-3.0%
<b>Contribution margin</b>	<b>676.0</b>	<b>39.2</b>	<b>630.8</b>	<b>38.1</b>	<b>45.2</b>	<b>7.2%</b>	<b>36.6</b>	<b>5.8%</b>	<b>25.3</b>	<b>4.0%</b>	<b>(16.7)</b>	<b>-2.7%</b>
Overheads	(323.5)	(18.7)	(298.0)	(18.0)	(25.4)	8.5%	(24.8)	8.3%	(10.9)	3.7%	10.2	-3.4%
<b>Result from recurring activities</b>	<b>352.5</b>	<b>20.4</b>	<b>332.7</b>	<b>20.1</b>	<b>19.8</b>	<b>6.0%</b>	<b>11.9</b>	<b>3.6%</b>	<b>14.4</b>	<b>4.3%</b>	<b>(6.5)</b>	<b>-1.9%</b>
Adjustments to operating income (charges)(1)	(33.2)	(1.9)	(22.9)	(1.4)	(10.2)	0.0%	-	-	-	-	-	-
<b>Operating result(1)</b>	<b>319.4</b>	<b>18.5</b>	<b>309.8</b>	<b>18.7</b>	<b>9.6</b>	<b>3.1%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial income (charges)	(58.6)	(3.4)	(60.9)	(3.7)	2.3	-3.8%	-	-	-	-	-	-
Adjustments to financial income (charges)(1)	(24.6)	(1.4)	0.9	0.1	(25.5)		-	-	-	-	-	-
Put option income (charges)	0.6	0.0	(0.4)	(0.0)	0.9	0.0%	-	-	-	-	-	-
<b>Profit before tax and non-controlling interests interest</b>	<b>236.7</b>	<b>13.7</b>	<b>249.4</b>	<b>15.1</b>	<b>(12.6)</b>	<b>-5.1%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Taxes	(70.5)	(4.1)	(73.4)	(4.4)	2.9	-4.0%	-	-	-	-	-	-
<b>Net profit</b>	<b>166.3</b>	<b>9.6</b>	<b>176.0</b>	<b>10.6</b>	<b>(9.7)</b>	<b>-5.5%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Non-controlling interests	(0.0)	(0.0)	(0.6)	(0.0)	0.6	-99.4%	-	-	-	-	-	-
<b>Group net profit</b>	<b>166.3</b>	<b>9.6</b>	<b>175.4</b>	<b>10.6</b>	<b>(9.2)</b>	<b>-5.2%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Group profit before tax adjusted (1)</b>	<b>294.5</b>	<b>17.1</b>	<b>270.9</b>	<b>16.3</b>	<b>23.7</b>	<b>8.7%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>Group net profit adjusted(1)</b>	<b>198.6</b>	<b>11.5</b>	<b>185.6</b>	<b>11.2</b>	<b>13.0</b>	<b>7.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
Total depreciation and amortisation	(52.7)	(3.1)	(47.4)	(2.9)	(5.4)	11.3%	(4.8)	10.2%	(2.2)	4.5%	1.6	-3.4%
<b>Adjusted EBITDA(1)</b>	<b>405.3</b>	<b>23.5</b>	<b>380.1</b>	<b>22.9</b>	<b>25.2</b>	<b>6.6%</b>	<b>16.7</b>	<b>4.4%</b>	<b>16.6</b>	<b>4.4%</b>	<b>(8.1)</b>	<b>-2.1%</b>
<b>EBITDA</b>	<b>372.1</b>	<b>21.6</b>	<b>357.1</b>	<b>21.6</b>	<b>15.0</b>	<b>4.2%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(1) For information on the definition of alternative performance indicators, see the next section of this report on operations in the section 'Alternative performance indicators'.

The resulting changes in the Group's profitability, calculated in basis points, are as follows; for more detailed comments on the changes in profitability in the individual geographical regions, please refer to the following section 'Profitability by business area'.

Dilution in basis point(*)	Total	Organic
Cost of goods sold after distribution costs	170	60
<b>Gross margin</b>	<b>170</b>	<b>60</b>
Advertising and promotional costs	(60)	(20)
<b>Contribution margin</b>	<b>110</b>	<b>40</b>
Overheads	(70)	(60)
<b>Result from recurring activities</b>	<b>30</b>	<b>(20)</b>

(\*) There may be rounding effects given that the basis points corresponding to the dilution have been rounded to the nearest ten.

**Net sales** for the year totalled € 1,726.5 million, an increase of +4.2% compared with 2015. The organic growth component had a positive impact of +4.7%, although this was offset by a negative exchange rate effect of -3.3%. The overall external growth figure of 2.8% was essentially due to the acquisition of SPML, net of non-strategic sales and the termination of low-margin distribution agreements. For more details on these effects and on sales by region and brand, please refer to the section above.

**Gross profit** was € 984.6 million, up +7.4% compared with 2015.

As a percentage of sales, it rose from 55.4% in 2015 to 57.0% in 2016, with an increase in profitability of 170 basis points (60 basis points at organic level). This result was obtained due to a favourable product/market sales mix, caused by the excellent performance of the high-margin global priority brands and of the regional priority brands, which more than offset the dilution arising from the growth in low-margin countries, such as Argentina and Russia. The improvement in organic profitability was partly offset by the negative impact of the non-core sugar business in Jamaica. The acquisition of SPML and resulting incorporation of Grand Marnier into the Group's global brands from the second half of 2016, had an impact of +4.9% on gross profit. In addition, it should be noted that external growth, due to the acquisition of Grand Marnier, net of non-strategic sales and the termination of low-margin distribution agreements, had a significant positive impact of 80 basis points on gross profit in 2016.

**Advertising and promotional costs** were 17.9% of sales, a slight increase on the previous year's figure of 17.3%. Organic costs rose by +5.8%, generating dilution of 20 basis points. The overall impact of external growth equated to +5.0%, with a dilutive effect of 40 basis points.

The **contribution margin** for the period was € 676.0 million, an increase of +7.2% compared with last year, due to a combination of positive effects attributable to organic growth of +5.8% and a perimeter effect of +4.0%, which partially offset the negative exchange rate effect of -2.7%. Consequently, profitability as a percentage of sales increased by 110 basis points in total, of which 40 basis points were at organic level and 40 basis points reflected external growth.

**Overheads** increased in the period by +8.5%, due to organic growth of +8.3% and external growth of +3.7%. The negative exchange rate effects led to a decrease of -3.4%. In the two years under comparison, overheads as a percentage of sales increased slightly overall from 18.0% in 2015 to 18.7% in 2016, with a total dilutive effect of 70 basis points. The organic increase resulted from the strengthening of the Group's distribution structures in some markets, including:

- the United States, where an investment programme was launched to upgrade the sales structure for the on-premise channel, a strategic distribution segment for the entire premium spirits portfolio, but also for the newly-acquired Grand Marnier brand,
- and South Africa, where the Group created a new sales organisation in the last quarter.

Moreover, the increase in overheads was also due to the effect of inflation in some emerging markets such as Argentina.

The **result from recurring activities** was € 352.5 million, an increase of +6.0% compared with last year. As a percentage of sales it was 20.4%, an improvement of 30 basis points compared with 20.1% last year. At organic level, profitability was broadly in line with the previous year, but incorporated a slight fall of 20 basis points due to the recovery in advertising investment and in the sales structures in the second half of the year. The main factors that affected the organic results were:

- an improvement in gross profit, which led to a 60-basis-point increase in profitability at organic level;
  - as a percentage of sales, a slight increase in advertising and promotional costs, generating dilution of 20 basis points;
  - an increase in overheads, which grew at a faster rate than organic sales, diluting organic profitability by 60 basis points.
- The impact of the perimeter changes on the result from recurring activities was +4.3%, which generated a 30-basis-point improvement, attributable to the following events:
- the acquisition of SPML, the impact of which (+6.5%) only affected the perimeter change from 1 July 2016;
  - sales of non-core businesses and businesses with lower profit margins than the Group's average, and the termination of general merchandise distribution agreements in Jamaica and agency wine distribution agreements in Italy, with a total impact of -0.5%.

With particular reference to SPML, it should be noted that the business made a contribution of € 81.5 million to sales and € 16.1 million to the adjusted result from recurring activities in the period.

**Adjustments to operating income and charges** showed a net charge of -€ 33.2 million. The acquisition of SPML incurred ancillary costs of € 8.8 million. The Group recorded additional income and charges relating to the sale of non-core businesses and restructuring for a total net amount of € 24.4 million.

In 2015, the net balance amounted to a charge of € 22.9 million arising mainly from impairment of the X-rated brands and of businesses sold, as well as the restructuring costs of various Group companies, net of capital gains realised on asset sales.

The **operating result** for 2016 was € 319.4 million, an overall increase of +3.1% compared with the previous year. The result for 2016 was significantly affected by the operating adjustments mentioned above. The return on sales, i.e. the operating result expressed as a percentage of net sales, was 18.5% (18.7% in 2015), a decrease on the previous year (equivalent to a 20-basis-point fall).

**Depreciation and amortisation** for the period totalled € 52.7 million, an increase of € 5.4 million compared with 2015. The organic increase was due to the effect of recognising amortisation on the income statement for the X-Rated brand, for which the useful life had been amended from 2016. The perimeter effect was due to the consolidation of SPML.

**Adjusted EBITDA** amounted to € 405.3 million, an increase of +6.6% (+4.4% at organic level) compared with the same period of the previous year.

**EBITDA** was € 372.1 million, an increase of +4.2%.

**Net financial charges** stood at € 83.2 million, representing an increase of € 23.2 million on the € 60.0 million recorded in 2015, mainly due to the adjustments to financial income and charges in the period.

**Adjustments to financial income and charges** of € 24.6 million include the financial effects of the following events that occurred in 2016:

- the early repayment, on 22 September 2016, of private placement loans issued by Campari America in 2009 and of the bond issued by the Parent Company in 2003 (please see the section 'Significant events during the period' for more details), which incurred contractual charges of € 29.1 million (known as 'make-whole' charges, corresponding to the current value of future coupons, calculated based on the spread between the contractually agreed interest rate and the US Treasury yield applicable for the same maturity),
- the acquisition of SPML (completed on 29 June 2016), which generated financial charges of € 0.6 million,
- the sale of financial assets arising from the closure of pension plans in Jamaica that were classified as 'available for sale' at 31 December 2015, which generated income of € 5.1 million.

Average net debt in 2016 (€1,130.0 million) marked an improvement on the figure in 2015 (€ 950.5 million). The average cost of debt, excluding the effects of exchange rate differences and the adjustments to financial income and charges discussed above, was 5.6%, a decrease on the average cost for 2015, when the figure was 6.6%, due to the early repayment of the financial loan.

Lastly, it should be noted that the acquisition of SPML was financed entirely from the Group's available cash, totalling € 489.8 million (of which € 125.5 million was paid on 15 March 2016, € 347.2 million on 29 June 2016 and € 17.1 million in July 2016, in connection with the squeeze-out transactions), with a resulting effect on the Group's financial position at 31 December 2016.

There were no **portions of profit relating to non-controlling interests** in 2016 (€ 0.5 million in the previous year).

The **Group's profit before tax** was € 236.7 million, a decrease of -4.8% compared with 2015. Net profit as a percentage of sales was 13.7% (15.0% in 2015). Net profit excluding adjustments to operating and financial income and charges for the period (€ 33.2 million and € 24.6 million respectively), was € 294.5 million, an increase of +8.7% compared with net profit for 2015, which was also adjusted in the same manner. It should be noted that the adjustments to operating and financial income and charges generated a positive tax effect of € 25.5 million.

**Income taxes** for the period were € 70.5 million, a decrease on the figure of € 73.4 million for 2015. This item also includes deferred taxes of € 28.0 million in 2016 (unchanged on 2015), which were reported for the purposes of cancelling out the effect of the tax-deductibility of amortisation on goodwill and brands, permitted under local legislation. The total tax rate, i.e. including deferred taxes, increased from 29.4% in 2015 to 29.8% in 2016, mainly due to adjustments to operating income

and charges. Excluding the effect of deferred taxes, the tax effects of the income adjustment components and the other tax adjustments, the normalised tax rate increased from 21.1% in 2015 to 23.1% in 2016, mainly due to the geographical mix.

The **Group's net profit** was € 166.3 million in 2016, a decrease of -5.2% compared with 2015. Net profit as a percentage of sales was 9.6% (10.6% in 2015). Net profit excluding adjustments to operating and financial income and charges (€ 57.8 million), the related tax effects and other positive tax adjustments (€ 25.5 million) came to € 198.6 million, up +7.0% on the corresponding profit for 2015, which had also been adjusted accordingly.

**Basic and diluted earnings per share**, of € 0.29, came to € 0.34 once adjusted for these components, up +6.3% compared with the 2015 figure, which had also been adjusted in the same manner.

## Profitability by business area

In 2016, the four geographical regions: Americas; Southern Europe, Middle East and Africa; Northern, Central and Eastern Europe; and Asia-Pacific contributed 43.2%, 25.9%, 26.3% and 4.5% respectively, before adjustments to operating income and charges, which was in line with 2015.

The percentage of sales and the operating result of each segment in the two periods under comparison is shown below.

	2016				2015			
	Net sales	% of total	Result from recurring activities	% of total	Net sales	% of total	Result from recurring activities	% of total
	€ million	%	€ million	%	€ million	%	€ million	%
Americas	726.3	42.1%	152.4	43.2%	701.6	42.3%	135.4	40.7%
Southern Europe, Middle East and Africa	532.8	30.9%	91.5	25.9%	525.3	31.7%	99.5	29.9%
Northern, Central and Eastern Europe	343.9	19.9%	92.7	26.3%	313.9	18.9%	81.6	24.5%
Asia-Pacific	123.5	7.2%	15.9	4.5%	116.0	7.0%	16.1	4.9%
<b>Total</b>	<b>1,726.5</b>	<b>100.0%</b>	<b>352.5</b>	<b>100.0%</b>	<b>1,656.8</b>	<b>100.0%</b>	<b>332.7</b>	<b>100.0%</b>

At organic level, the Group's operating result as a percentage of sales benefited from a negative effect of 30 basis points, due to the following factors.

- The **gross margin** increased overall, by a total of 60 basis points at organic level, due to a favourable market and product mix recorded in all the Group's regions except Asia-Pacific, where a peak in bottling activity in 2016, which was considered unrepeatable, diluted profitability.
- **Advertising and promotional costs** as a percentage of sales were broadly in line with 2015, generating a slight dilution in profitability of 20 basis points.
- Group **overheads** increased by 60 basis points at organic level; the main contributors to dilution were the Americas, Southern Europe, Middle East and Africa, and Asia-Pacific, due to the strengthening of the Group's distribution structures.

The income statements for each geographical region are shown in the following sections, with a breakdown of the organic change and the related dilution of profitability.

### • Americas

The Americas region comprises the direct markets of the US, Jamaica, Brazil, Argentina, Mexico and Canada, which together represent around 90% of the region's sales. In 2016, this region makes the largest contribution to the Group in terms of both sales and the result from recurring activities, at 42.1% and 43.2% respectively.

The results for the year were as follows.

	2016		2015		Total change		Organic change		Organic accretion/dilution of profitability Basis points
	€ million	%	€ million	%	€ million	%	€ million	%	
<b>Net sales</b>	<b>726.3</b>	<b>100.0</b>	<b>701.6</b>	<b>100.0</b>	<b>24.7</b>	<b>3.5%</b>	<b>20.1</b>	<b>2.9%</b>	
<b>Gross margin</b>	<b>412.3</b>	<b>56.8</b>	<b>377.0</b>	<b>53.7</b>	<b>35.3</b>	<b>9.4%</b>	<b>13.5</b>	<b>3.6%</b>	<b>40</b>
Advertising and promotional costs	(136.8)	(18.8)	(124.0)	(17.7)	(12.8)	10.3%	(8.7)	7.0%	(70)
Overheads	(123.1)	(16.9)	(117.6)	(16.8)	(5.5)	4.7%	(8.6)	7.3%	(70)
<b>Result from recurring activities</b>	<b>152.4</b>	<b>21.0</b>	<b>135.4</b>	<b>19.3</b>	<b>17.0</b>	<b>12.5%</b>	<b>(3.9)</b>	<b>-2.9%</b>	<b>(110)</b>

Overall, the region saw an increase in both sales (+3.5%) and the result from recurring activities (+12.5%).



As already shown in the section on sales, this region showed an exchange rate effect, which generated a decrease of -6.1% in sales, while the significant perimeter effect of +6.7% was due to the integration of the Grand Marnier brand from 1 July 2016. The negative exchange rate effect reduced the result from recurring activities by -2.2%, a phenomenon that was partly due to the high inflation in some South American countries, which has a greater impact on sales than profitability as these markets have a lower profit margin than the Group's average. It should be noted that the Group's production activity in these markets is managed in their own local structures.

Excluding both the exchange rate and the perimeter effects, organic sales growth in the region was +2.9%, while the result from recurring activities decreased by -2.9%, generating profitability dilution of 110 basis points.

This was due to various contrasting factors, which are analysed below.

At **gross margin** level, the region saw an organic increase of +3.6%, which was partly penalised by the negative impact of the non-core sugar business in Jamaica.

As a percentage of sales, profitability increased by 40 basis points. This was due, on the one hand, to a favourable product and market mix, with good growth in the US, a highly profitable market, during the year. This positive mix, to which the contraction deriving from low-margin markets and businesses such as Brazil contributed, more than offset the dilution deriving from growth in countries with lower profitability than the Group average, such as Argentina.

**Advertising and promotional costs** were slightly higher, at organic level, as a percentage of sales than in 2015, generating a dilution in profitability of 70 basis points.

Any changes in this item are due to the timing of various investments during the periods under comparison, which will subsequently be reabsorbed (such as the Wild Turkey advertising campaign).

**Overheads** increased by +7.3% at organic level, generating a dilution of 70 basis points, due mainly to the upgrading of the on-premise distribution capabilities ahead of the integration of Grand Marnier, and the effect of inflation in the emerging markets.

#### • Southern Europe, Middle East and Africa

The Southern Europe, Middle East and Africa region, which includes the direct markets Italy and Spain, as well as markets served by third-party distributors, was the Group's second-largest region in terms of sales and profitability in 2016, with a contribution of 30.9% and 31.7% respectively.

The results for the year were as follows.

	2016		2015		Total change		Organic change		Organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	Basis points
Net sales	532.8	100.0	525.3	100.0	7.5	1.4%	13.9	2.6%	
Gross margin	313.7	58.9	304.6	58.0	9.1	3.0%	10.7	3.5%	50
Advertising and promotional costs	(99.0)	(18.6)	(95.4)	(18.2)	(3.6)	3.8%	(0.8)	0.8%	30
Overheads	(123.3)	(23.1)	(109.7)	(20.9)	(13.6)	12.4%	(6.9)	6.3%	(80)
Result from recurring activities	91.5	17.2	99.5	18.9	(8.0)	-8.1%	3.0	3.0%	10

Sales increased by +1.4% overall, while the result from recurring activities decreased by -8.1%.

Excluding both the exchange rate and the perimeter effect, the region recorded organic growth of +2.6% in sales and +3.0% in the result from recurring activities, which created a slight increase in profitability of 10 basis points.

This was due to various contrasting factors, which are analysed below.

In terms of the **gross margin**, the results showed an organic increase of +3.5%, increasing profitability by 50 basis points. This was due to a favourable product and market mix, with healthy growth in many global and regional priority brands in Italy, a highly profitable market, as well as in France, Spain, South Africa and the duty free channel.

**Advertising and promotional costs** increased as a percentage of sales compared with 2015, leading to an increase of 30 basis points in organic profitability.

With regard to Italy, investments were made in Aperol in various high-potential markets and in the new advertising campaigns of Averna and Campari Soda.

**Overheads** rose by +6.3%, in absolute terms, at organic level, generating a dilution in profitability of 80 basis points. The increase is due to the strengthening of the Group's distribution structure in the region's markets, such as South Africa. The increase of +12.4% in overheads, at organic level, includes the effect of the first consolidation of SPML which, by virtue of the concentration of administrative structures in the relevant region, led to a disproportional increase in overheads.

The perimeter effect in the region, which was mainly due to SPML, had a positive effect of +2.8% on sales and a negative effect of -13.5% on the result from recurring activities .

- **Northern, Central and Eastern Europe**

The Northern, Central and Eastern Europe region, which includes the direct markets of Germany, Austria, Switzerland, Benelux, the UK, Russia and Ukraine, as well as areas served by third-party distributors, contributed 19.9% to the Group's sales and 26.3% to the result from recurring activities.

The results for the year were as follows.

	2016		2015		Total change		Organic change		Organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	Basis points
<b>Net sales</b>	<b>343.9</b>	<b>100.0</b>	<b>313.9</b>	<b>100.0</b>	<b>30.1</b>	<b>9.6%</b>	<b>37.3</b>	<b>11.9%</b>	
<b>Gross margin</b>	<b>198.5</b>	<b>57.7</b>	<b>177.8</b>	<b>56.6</b>	<b>20.7</b>	<b>11.6%</b>	<b>26.2</b>	<b>14.7%</b>	<b>140</b>
Advertising and promotional costs	(52.5)	(15.3)	(46.8)	(14.9)	(5.7)	12.3%	(7.0)	14.9%	(40)
Overheads	(53.2)	(15.5)	(49.4)	(15.7)	(3.8)	7.8%	(6.4)	12.9%	(10)
<b>Result from recurring activities</b>	<b>92.7</b>	<b>27.0</b>	<b>81.6</b>	<b>26.0</b>	<b>11.1</b>	<b>13.6%</b>	<b>12.8</b>	<b>15.7%</b>	<b>90</b>

Overall, sales in the region increased by +9.6%, while the result from recurring activities rose by +13.6%.

Excluding the negative exchange rate effects and the positive perimeter effects, sales increased by +11.9% at organic level, and the result from recurring activities by +15.7%, creating an improvement of 90 basis points. This healthy performance was due to the following factors.

At **gross margin** level, profitability increased by 140 basis points, due to the effects of the favourable geographical and product (aperitifs) mix. Specifically, as a percentage of sales, the gross margin benefited from the good performance of both the German market and other markets such as the UK.

**Advertising and promotional costs** for the period increased as a percentage of sales due to the investments made in these markets, especially Aperol in high-potential markets, which generated an organic dilution of 40 basis points.

**Overheads** increased by +12.9% at organic level, especially due to the effect of the comparison basis in markets such as the UK, where the new sales structure was completed in the second half of 2015. This generated a slight dilution in profitability of 10 basis points.

- **Asia-Pacific**

The Asia-Pacific region, which includes the direct markets of Australia, New Zealand and China, as well as areas served by third-party distributors, made a contribution of 7.2% to the Group's sales and 7.0% to the result from recurring activities.

The results for the year were as follows.

	2016		2015		Total change		Organic change		Organic accretion/dilution of profitability
	€ million	%	€ million	%	€ million	%	€ million	%	Basis points
<b>Net sales</b>	<b>123.5</b>	<b>100.0</b>	<b>116.0</b>	<b>100.0</b>	<b>7.4</b>	<b>6.4%</b>	<b>6.9</b>	<b>6.0%</b>	
<b>Gross margin</b>	<b>60.0</b>	<b>48.6</b>	<b>57.6</b>	<b>49.7</b>	<b>2.4</b>	<b>4.2%</b>	<b>2.9</b>	<b>5.1%</b>	<b>(40)</b>
Advertising and promotional costs	(20.2)	(16.4)	(20.1)	(17.3)	(0.2)	0.9%	(0.1)	0.7%	90
Overheads	(23.9)	(19.3)	(21.4)	(18.5)	(2.4)	11.4%	(2.8)	13.1%	(120)
<b>Result from recurring activities</b>	<b>15.9</b>	<b>12.9</b>	<b>16.1</b>	<b>13.9</b>	<b>(0.2)</b>	<b>-1.3%</b>	<b>(0.0)</b>	<b>-0.0%</b>	<b>(80)</b>

The region recorded an overall increase of +6.4% in sales, while the result from recurring activities decreased by -1.3%.

Excluding the negative exchange rate effects and the positive perimeter effects, the organic increase was +6.0%, while the result from recurring activities was in line with that of 2015. The most significant effects overall were the following.

The **gross margin** grew by +5.1% at organic level, generating a dilution of 40 basis points; the peak in bottling activities, a less profitable business, carried out in Australia in 2016, and considered not repeatable, contributed to this dilution.

As an organic percentage of sales, **advertising and promotional costs** were not as high as in 2015, generating an increase of 90 basis points.

**Overheads** increased by +13.1% at organic level, mainly due to the strengthening of the structure in Australia and the Asian markets. The increase in these costs led to a dilution in the region's profitability of 120 basis points.

## Reclassified statement of cash flows

The table below shows a simplified and reclassified version of the statement of cash flows in the financial statements. The main reclassification was the exclusion of cash flows relating to changes in short-term and long-term debt, and in investments in marketable securities. The total cash flow generated (or used) in the period thus corresponds to the change in net financial position.

	2016 € million	2015 € million	change € million
<b>EBITDA</b>	<b>372.1</b>	<b>357.1</b>	<b>15.0</b>
Goodwill, trademark and sold business impairment	-	16.2	(16.2)
Other adjustment to operating profit	22.6	(14.8)	37.4
Changes in tax payables and receivables and other non financial receivables and payables	17.3	10.4	7.0
Taxes paid	(46.6)	(54.0)	7.4
<b>Cash flow from operating activities before changes in working capital</b>	<b>365.5</b>	<b>314.9</b>	<b>50.5</b>
Changes in net operating working capital	29.9	(9.6)	39.6
<b>Cash flow from operating activities</b>	<b>395.4</b>	<b>305.3</b>	<b>90.1</b>
Net interests paid	(96.2)	(56.3)	(39.9)
Cash flow used for investment	(56.1)	(49.1)	(7.0)
<b>Free cash flow</b>	<b>243.2</b>	<b>200.0</b>	<b>43.2</b>
(Acquisition) and sale of companies or business division(2)	(429.9)	22.9	(452.8)
Financial position of acquired and sold companies(2)	33.9	-	33.9
Sale and purchase of brands and rights, and payment of put option and earn-outs	(0.3)	(0.3)	(0.0)
Dividend paid out by the Parent Company	(52.1)	(45.7)	(6.4)
Other changes	(7.2)	(16.6)	9.4
<b>Total cash flow used in other activities</b>	<b>(455.6)</b>	<b>(39.7)</b>	<b>(416.0)</b>
<b>Exchange rate differences and other changes</b>	<b>26.5</b>	<b>(7.6)</b>	<b>34.1</b>
<b>Change in net financial position due to operating activities</b>	<b>(186.0)</b>	<b>152.7</b>	<b>(338.7)</b>
Payable for the exercise of put options and earn out payments(1)	0.4	(0.0)	0.4
Payable generated in the period for deferred purchases of SPML shares(2)	(193.1)	-	(193.1)
Receivables arising from business disposals	5.0	-	5.0
<b>Net cash flow of the period = change in net financial position</b>	<b>(373.7)</b>	<b>152.7</b>	<b>(526.3)</b>
<b>Net financial position at the beginning of the period</b>	<b>(825.8)</b>	<b>(978.5)</b>	<b>152.7</b>
<b>Net financial position at the end of the period</b>	<b>(1,199.5)</b>	<b>(825.8)</b>	<b>(373.7)</b>

(1) This item, which is a non-cash item, was included in order to reconcile the change in the net financial position due to operating activities with the overall change in the net financial position.

(2) These items include the full effects of the acquisitions and sales of companies or businesses during the period which impacted the Group's net financial position and liquidity flows, as detailed below.

	SPML Group € million	Non-core business of Casoni Fabbricazione Liquori S.p.A. € million	business non core still wines € milioni	total € milioni
Receipt/(payment) on closing date of transaction	(472.7)	3.0	57.0	(412.7)
Receipt/(payment) after the closing date of transaction	(17.1)	-	-	(17.1)
<b>Total consideration received/(paid) at 31 December 2016</b>	<b>(489.8)</b>	<b>3.0</b>	<b>57.0</b>	<b>(429.9)</b>
Payables for deferred purchases of shares	(193.1)	-	0.0	(193.1)
Financial receivables	-	-	5.0	5.0
<b>Total price of acquisitions/sales of companies</b>	<b>(682.9)</b>	<b>3.0</b>	<b>62.0</b>	<b>(618.0)</b>
<b>Net cash/(debt) of acquired/sold companies</b>	<b>32.5</b>	<b>1.5</b>	<b>(0.1)</b>	<b>33.9</b>
<b>Net asset value of acquisitions/sales</b>	<b>(650.4)</b>	<b>4.4</b>	<b>61.9</b>	<b>(584.1)</b>

In 2016, **net cash flow** reflected the use of cash of € 373.7 million, mainly related to the acquisition of SPML; this compared with negative cash flow of € 152.7 million in 2015.

More specifically, **free cash flow** of € 243.2 million was generated in 2016; cash flow from operating activities was € 395.4 million, which was partly used to pay net financial interest of € 96.2 million and make net investments of € 56.1 million. A comparison of free cash flow for the year with the figure in 2015 (€ 200.0 million) shows some contrasting factors that boosted cash generation by € 43.2 million:

- EBITDA increased by € 15.0 million, compared with 2015;
- brand impairment of € 16.2 million in the previous year had a negative impact in cash generation terms;
- other adjustments to operating profit led to a positive effect of € 37.4 million, compared with 2015, mainly due to higher provisions, net of the use of provisions totalling € 25.6 million, changes in the fair value of financial instruments (loans and derivative hedging agreements) totalling € 10.6 million and other changes for € 1.2 million;
- changes in non-financial assets and liabilities, which increased cash generation by € 7.0 million compared with 2015, related to the settlement of non-financial and non-trade payables and receivables, such as indirect taxation and excise duties;
- income taxes paid in the year decreased by € 7.4 million, generating a positive effect on free cash flow;
- working capital showed an organic increase of € 29.9 million which, compared with the decrease of € 9.6 million in 2015, increased free cash flow for the period by € 39.6 million (see the section 'Operating working capital' below for more details on this item);

- net interest paid rose by € 40.0 million compared with 2015; this was due to a combination of both the average increase in net debt related to the acquisition of SPML and the early repayment of some private placements and bonds which involved the payment of charges totalling € 29.1 million (known as 'make-whole' charges), resulting in a negative impact on free cash flow;
- investment spending was slightly higher than the previous year's figure by € 7.0 million and related mainly to the maintenance of existing fixed assets.

**Cash flow used in other activities** was € 455.7 million, compared with € 39.7 million in 2015, generating a greater cash requirement of € 416.0 million.

The acquisition of SPML generated a total cash requirement of € 457.3 million (of which € 489.8 million was paid by 31 December 2016 and € 32.5 million represented the Group's net cash at the date of acquisition), which was offset by the € 61.3 million generated by the sale of non-core businesses. For more information about these transactions, please see the section on 'Significant events during the period'.

The other businesses also generated a cash requirement due to the dividend of € 52.1 million paid by the Parent Company. The 'other changes' item mainly includes payments for the purchase of own shares, net of sales for the exercise of stock options. The net cash outflow in 2016 was € 8.1 million, compared with € 29.0 million in 2015.

**Exchange rate differences** and **other changes** had a positive impact of € 26.5 million on net cash flow in 2016, and reflect the effect of positive exchange rate differences of € 2.6 million on operating working capital. The remaining part of the change, (negative at € 29.1 million) was due to the recording of certain non-cash items under that item, which were included for the purpose of reconciling the change in cash flows with the change in net financial position, such as accrued interest on medium-/long-term loans that had not yet been paid, as well as non-cash changes associated with the sales and acquisitions of businesses.

The change in **financial payables relating to the exercise of put options and earn-out payments**, shown here purely for the purposes of reconciling the financial position for the year with the total net financial position, was not significantly different from 2015; the decrease due to payments made in the period, of € 0.3 million, was offset by an increase in debt due to exchange rate differences in the period.

The following items were recorded separately:

- a financial payable of € 193.1 million for future commitments with the previous majority shareholders to purchase and sell the remaining shares of SPML;
- a receivable of € 5.0 million for deferred payments relating to the sale of the wines business.

To conclude, net cash flow of € 373.7 million had been absorbed at 31 December 2016, corresponding to the increase in Group financial debt compared with 31 December 2015.

## Investments

Net investment in 2016 was € 56.1 million and includes acquisitions of property totalling € 64.2 million, net of sales of € 7.9 million and the change of receivable and payable arising from fixed assets investments.

Investment relates to the following categories:

- € 54.0 million spent on tangible assets;
- € 0.7 million spent on biological assets;
- € 9.5 million spent on intangible assets with a finite life.

With regard to tangible assets, the following projects were carried out during the year:

- in Jamaica, € 4.9 million was spent on environmental recovery and water treatment activities, € 0.6 million on the refurbishment of premises and the securing of production facilities, and € 1.8 million on new palleting equipment;
- in the US, € 2.5 million was spent on enlarging the warehouses for storing barrels of maturing inventory at the Lawrenceburg plant;
- in Argentina, € 0.9 million was spent on setting up the herb infusion equipment;
- in Italy, € 3.0 million was invested in activities to bring the bottling of soft drinks in-house;
- improvements were made to the efficiency and production capacity of the Group's facilities in Italy (€ 5.9 million), North America (€ 2.9 million), Australia (€ 1.1 million), South America (€ 1.3 million) and other European sites (€ 6.5 million);
- barrels were purchased for the maturing inventory of bourbon whiskies and rums, totalling € 16.1 million;
- other interventions which are not significant individually but together amount to € 6.5 million, were incurred for recurring maintenance work at the Group's sites.

Investments in biological assets totalling € 0.7 million were made in vineyards, mainly by Sella & Mosca S.p.A., before the business was sold.

Lastly, investment during the year in intangible assets with a finite life, totalling € 9.5 million, mainly related to projects relating to the ongoing upgrade and integration of the IT systems currently in use by the Group.

## Breakdown of net debt

At 31 December 2016, the consolidated net financial position was negative at € 1,199.5 million, an increase of € 373.3 million on the amount of € 825.8 million reported at 31 December 2015.

The table below shows how the debt structure changed during the two periods under review.

	31 December 2016	31 December 2015	change	of which perimeter effect for acquisition	of which perimeter effect for disposals
	€ million	€ million	€ million	€ million	€ million
Cash and cash equivalents	354.1	844.3	(490.3)	46.6	(1.0)
Payables to banks	(106.9)	(29.3)	(77.7)	(19.8)	0.5
Lease payables	(0.0)	(0.1)	0.0	(0.0)	0.1
Private placement and bond	(0.0)	(441.6)	441.6	-	-
Other financial receivables and payables	(5.7)	50.1	(55.8)	0.9	-
<b>Short-term net financial position</b>	<b>241.4</b>	<b>423.4</b>	<b>(182.0)</b>	<b>27.6</b>	<b>(0.5)</b>
Payables to banks	(302.3)	(4.4)	(297.9)	-	0.6
Real estate lease payables	(2.2)	(2.0)	(0.2)	(0.9)	1.2
Private placement and bonds(*)	(994.6)	(1,266.5)	271.9	-	-
Other financial receivables and payables	55.3	28.2	27.1	5.8	0.0
<b>Medium-/long-term net financial position</b>	<b>(1,243.7)</b>	<b>(1,244.7)</b>	<b>0.9</b>	<b>4.9</b>	<b>1.8</b>
<b>Debt relating to operating activities</b>	<b>(1,002.3)</b>	<b>(821.2)</b>	<b>(181.1)</b>	<b>32.5</b>	<b>1.4</b>
Liabilities for put option, earn-out payments and SPML purchase commitment	(197.2)	(4.6)	(192.6)	(193.1)	-
<b>Net financial position</b>	<b>(1,199.5)</b>	<b>(825.8)</b>	<b>(373.7)</b>	<b>(160.6)</b>	<b>1.4</b>

(\*) Including the relevant derivatives.

The increase in the Group's net debt at 31 December 2016 was mainly due to the acquisition of SPML. The transaction was carried out in various phases, which entailed a cash outlay of € 489.8 million, broken down as follows:

- an initial payment of € 125.5 million in March 2016 to purchase the first block of SPML shares;
- payment of € 347.2 million in June 2016, via a public purchase offer, to acquire the majority of the Marnier Lapostolle Group's shares;
- payment of € 17.1 million in July 2016 to complete the squeeze-out transactions.

In addition, the payable to purchase the remaining shares by the Group is recorded under 'Payables for the exercise of put options, earn-out payments and commitments to purchase SPML shares', in an amount of € 193.1 million.

Lastly, it should be noted that the incorporation of SPML had a positive impact on the Group's net financial position of € 32.5 million, corresponding to the positive net financial position of SPML on the acquisition date.

The effect of fluctuating exchange rates in the two years under comparison did not have a significant impact on the overall net financial position.

In terms of structure, at 31 December 2016, the net financial position continued to comprise a larger medium-/long-term debt component compared with the short-term portion.

The short-term final net cash position was € 241.4 million, a decrease of € 182.0 million compared with 31 December 2015, mainly due to the payment for the SPML shares, as commented on above.

This position breaks down as follows:

- cash and cash equivalents of € 354.1 million;
- payables to banks totalling € 106.9 million;
- short-term net financial assets totalling € 5.7 million, mainly comprising financial assets of € 5.9 million, net of interest of € 7.5 million accrued on existing loans during the period and payables of € 5.4 million relating to exchange rate hedging agreements.

Cash and cash equivalents changed substantially due to the repayment of maturing loans, resulting in a corresponding change in the opposite direction in current payables relating to private placements and bond loans:

- the Eurobond loan issued by the Parent Company in 2009, in a nominal amount of € 350.0 million (which matured in October 2016);

- the second tranche of the private placement issued by Campari America in 2009, totalling USD 100 million (which matured in June 2016).

The medium-/long-term component, totalling € 1,243.7 million, comprises existing bonds of € 994.6 million and bank payables of € 302.3 million. It should be noted that, although the total change compared with the period under comparison is not significant (€ 0.9 million), the various components of debt have changed substantially, as described below.

In September 2016, after reviewing the composition of their financial payables, the Group made early repayment of the remaining tranches of the Parent Company bond issue (placed in 2003 and maturing in 2018) for an amount of USD 200 million, and the private placement issued by Campari America LLC (placed in 2009 and maturing in 2019) for an amount of USD 110 million. At the same time, taking advantage of the favourable economic conditions, the Group subscribed to a bullet loan of € 300 million with a three-year maturity, which is classified under non-current bank payables. The above-mentioned transactions reduced the 'private placement and bonds' item by € 271.9 million and increased bank payables by € 297.9 million.

The other non-recurring financial receivables and payables item, amounting to € 55.3 million, mainly included cash investments by the Parent Company.

Separately, the Group's net debt included a financial payable of € 197.2 million, an increase of € 192.6 million compared with 31 December 2015, mainly due to the acquisition of SPML, as commented on above. The item also included € 4.1 million relating to earn-out payments on Sagatiba and the remaining debt for the purchase of non-controlling interests in respect of the Jamaican acquisition, which were broadly unchanged compared with the previous year.

The Group's debt management objectives are based on its ability to ensure that it retains an optimal level of financial soundness, while maintaining an appropriate level of liquidity that enables it to make an economic return and access external sources of funding. The Group monitors changes to its net debt/EBITDA ratio on an ongoing basis. Net debt is the Group's net financial position calculated at average exchange rates for the previous 12 months; EBITDA is the Group's operating result before depreciation, amortisation and non-controlling interests, pro-rated to take account of acquisitions and disposals in the past 12 months. At 31 December 2016, this multiple was 2.9 times (2.2 times at 31 December 2015).

## Reclassified statement of financial position

The Group's summary balance sheet is shown in the table below in reclassified format, to highlight the structure of invested capital and financing sources.

	31 December 2016	31 December 2015	change
	€ million	€ million	€ million
Fixed assets	3,147.8	2,393.6	754.2
Other non-current assets and liabilities	(552.0)	(313.0)	(238.9)
Operating working capital	586.6	576.9	9.7
Other current assets and liabilities	(82.9)	(85.9)	2.9
<b>Total invested capital</b>	<b>3,099.5</b>	<b>2,571.6</b>	<b>527.9</b>
Shareholders' equity	1,900.0	1,745.8	154.2
Net financial position	1,199.5	825.8	373.7
<b>Total financing sources</b>	<b>3,099.5</b>	<b>2,571.6</b>	<b>527.9</b>

Invested capital at 31 December 2016 was € 3,099.5 million, € 527.9 million higher than at 31 December 2015.

This change was mainly due to the acquisition of SPML, which was first consolidated at 29 June 2016, resulting in an increase in all the invested capital items, with the recognition, albeit provisional, of the following entries:

- fixed assets of € 750.7 million;
- non-current liabilities (net of other non-current assets) of € 187.3 million;
- operating working capital of € 77.2 million;
- other current liabilities (net of other non-current assets) of € 42.4 million.

For more details on the figures recorded in relation to the acquisition, please see note 6 – 'Business combinations' of the consolidated financial statements.

Regarding financing sources, the change in shareholders' equity was mainly due to profit for the period, the dividend paid by the Parent Company, and translation differences on assets held in currencies other than euro. For details of the changes in the net financial position, totalling € 373.7 million, please see the preceding note – 'Breakdown of net debt', where these are addressed in detail.

Please see the section below entitled 'Operating working capital' for further details of changes in net working capital.

As a result of the significant changes mentioned above, the Group's financial structure showed a ratio of debt to own funds at the end of the period of 63.1%, a sharp increase on the figure of 47.3% registered at 31 December 2015.

### Operating working capital

The breakdown of the total change in operating working capital at 31 December 2015 is as follows.

	31 December 2016	31 December 2015	change of which:						
			total	organic	exchange rates	external, of which			
	€ million	€ million	€ million	€ million	€ million	total	acquisition	reclassification to assets held for sale	disposal
						€ million	€ million	€ million	€ million
Trade receivables	306.4	295.9	10.5	(10.4)	7.8	13.1	24.1	(3.9)	(7.2)
Inventories, of which									
- maturing inventory	293.7	269.8	23.9	(3.7)	(5.5)	33.0	33.0	-	-
- other inventory	249.3	228.4	20.9	17.7	0.8	2.4	35.2	(19.0)	(13.8)
Total inventories	543.0	498.2	44.8	14.0	(4.7)	35.4	68.3	(19.0)	(13.8)
Trade payables	(262.8)	(217.2)	(45.6)	(33.6)	(0.5)	(11.5)	(15.2)	1.3	2.4
<b>Operating working capital</b>	<b>586.6</b>	<b>576.9</b>	<b>9.7</b>	<b>(29.9)</b>	<b>2.6</b>	<b>37.0</b>	<b>77.2</b>	<b>(21.6)</b>	<b>(18.6)</b>
Sales in the previous 12 months rolling	1,726.5	1,656.8							
Working capital as % of sales in the previous 12 months	34.0	34.8							

At 31 December 2016, operating working capital totalled € 586.6 million, a decrease of € 9.7 million compared with the figure at 31 December 2015.

The exchange rate effect in 2016 led to an increase in operating working capital of € 2.6 million, while the organic decrease of € 29.9 million was more than offset by the contribution of external growth. € 37.0 million of the increase in working capital was due to external growth, attributable to the following events:

- the acquisition of SPML generated an increase of € 77.2 million;
- the sale of the non-core business of Italian still wines generated an overall decrease of € 18.6 million;
- the sale of the non-core business of Lapostolle Chilean wines led to a decrease of € 21.6 million, following the classification of all the assets of the sold business under the item 'Assets held for sale' at 31 December 2016.

The organic change in working capital comprised a decrease of € 10.4 million, due to changes in receivables, and an increase of € 14.0 million, due to higher inventories; these changes were partially offset by an increase in trade payables of € 33.6 million.

The increase in inventories of € 14.0 million was essentially due to growth in the Group's stocks of finished goods and other merchandise totalling € 17.7 million. Stocks of maturing inventory remained largely unchanged on an organic basis (down by € 3.7 million), but since inventories were located in the Americas and Scotland, the exchange rate effect of € 5.5 million resulted in a decrease in the overall amount of these stocks.

At 31 December 2016, operating working capital amounted to 34.0% of net sales in the previous 12 months, a decrease compared with the figure at 31 December 2015.

However, since the acquisition of SPML took place in June 2016, the statement of financial position figures at 31 December 2016 include the working capital of the acquired companies, while the sales reported for the previous 12 months include sales from the acquired brands for the second half of 2016 only. If the statement of financial position and income statement figures were adjusted to take account of the consolidation of both the acquired (SPML) and sold companies (business wine in Italy), operating working capital would be reduced to 33.0% of net sales.

## Investor information

### The international economy

Global economic conditions improved throughout the year during 2016. However, there are still some areas of uncertainty surrounding both the economic policies of the United States and potential macroeconomic turbulence in emerging economies.

Focussing on the economic performance of Gruppo Campari's key markets, the recovery of the Italian economy continued at a moderate pace over the course of 2016. The strengthening of GDP was mainly supported by domestic demand, driven by household consumption, which is benefiting from the increase in disposable income and labour market conditions. Moreover, this was supplemented by the upturn in investments, which picked up in the second half of the year. In particular, business confidence indicators remained high and the outlook for investment spending has improved, in part due to better access to credit. Labour market conditions are improving, shown by the rising employment rate during the year and more stable contractual forms. The economic recovery is gradually boosting the pace and quality of lending. Lending to the non-financial private sector increased during the year, and corporate lending also rose towards the end of the year. This trend was accompanied by a decline in the flow of non-performing loans as a percentage of total financing, which was the lowest since 2008. Foreign trade adversely affected GDP growth, due to the more pronounced increase in imports compared with exports. In the fourth quarter of 2016, GDP grew by +0.2% on the previous quarter. Italian GDP closed the year 2016 with growth of +0.9% (source: Eurostat).

With all things considered, the Italian economic recovery is expected to consolidate, boosted by domestic demand, in turn driven by household consumption and the gradual strengthening of foreign demand, as well as monetary expansion and credit normalisation. Investment is expected to benefit from the government's incentive measures and make a positive contribution to growth. This scenario is contingent on the Governing Council of the ECB maintaining expansionary monetary policy.

Any risks to growth are mainly denoted by the international situation and circumstance, in particular, by any protectionist pressures that may arise, along with potential turbulence in the emerging economies associated with US monetary policy. Uncertainty surrounding the negotiations about the UK's relationship with the EU could also adversely affect the forecast scenario (source: Bank of Italy).

Regarding the Eurozone, cyclical growth continued at a moderate pace, supported by domestic demand, which continued to be the main driver of recovery, especially due to the strengthening of household spending. Foreign trade has, however, dampened growth. Inflation-related risks eased during the year: by the end of the year inflation stood at positive values, starting to reflect the expansionary monetary conditions. In December, the ECB Governing Council confirmed its expansionary stance, and extended the Eurosystem's securities purchase program until the end of 2017, until inflation returns to levels consistent with price stability.

GDP in all major Eurozone countries accelerated in the first half of the year. Economic activity in Germany continues to expand, rising by +0.4% in the fourth quarter, supported by investment spending in the construction sector. Economic activity in France benefited from the recovery in household consumption, showing a +0.4% increase in GDP in the last quarter of 2016.

The Eurozone economy continued to grow during the year, achieving an increase of +0.5% in the fourth quarter. This moderate growth, which is gradually consolidating, could be affected by the uncertainty surrounding the global economy, especially geopolitical tensions (source: Eurostat).

In the UK, GDP improved in the second half of the year, recording growth of +0.6% in the last quarter when comparing to the previous period. This performance was better than expected, helping to ease fears of a sharp slowdown following the Brexit referendum. Over the medium term, however, uncertainty over the economic repercussions caused by the UK's desired exit from the European Union remains high.

Looking towards the United States, economic activity continued with an acceleration in the third quarter, with growth of +3.5%, driven by the contribution of net exports and the solid expansion of private consumption. In December, in light of further improvements in the labour market, the Fed raised the federal funds rates. Economic activity is estimated to have recorded another solid performance in the last quarter of 2016.

Lastly, after sustained growth in the first half of 2016, the Asia-Pacific region's growth estimates for 2016 stand at +5.4%, which is broadly stable compared with the previous year (source: IMF). The short-term prospects remain favourable, driven



by accommodative policies and the easing of financial conditions intended to support domestic demand. The main risks to growth relate to a potential fall in global growth.

The economic environment for the highest potential emerging markets remains weak. The recession continued to be severe in Brazil, in part due to uncertainty about the political situation, but has eased in Russia, due partly to higher oil production. In China, the stimulus measures implemented by the government and the central bank counteracted the slowdown in economic activity, which increased by +6.7% during the summer.

Overall, according to the IMF's latest estimates, GDP is likely to have increased by +3.1% in 2016. The prospects for global growth have improved for 2017 and now stand at +3.4%.

### Financial markets

At the start of the year, share prices fell to two-year lows, due to downgraded global demand expectations and increased risk aversion. This trend eased in mid-February on the back of more reassuring growth expectations for advanced countries and the continuation of highly expansionary monetary policy in the main advanced economies. The UK referendum at the end of the first half of the year triggered turbulence in the financial markets, causing a sharp increase in volatility and a pronounced fall in share prices, primarily securities in the sectors most exposed to economic slowdown, particularly the Eurozone banking sector. Share prices recovered in the rest of the year, benefiting from expectations of fiscal expansion in some advanced countries. The MSCI Europe decreased by -0.2% during the year, while the S&P500 in the US closed +9.5% up.

With regard to the Italian financial markets, after a period of improvement, in part due to the ECB's further loosening of monetary policy, the Brexit referendum triggered a sharp decrease in share prices and an increase in expected volatility. In the second half of the year, share prices rose due to various factors, such as government measures to boost liquidity and the capitalisation of the banking sector, and the fall in the risk premium required by investors, accompanied by a modest improvement in corporate earnings expectations. In 2016, the FTSE MIB and FTSE Italia All Shares indices recorded changes of -10.2% and -9.9% respectively.

In the bond markets, sovereign debt yields in advanced economies were initially affected, albeit to a fairly limited extent, by tensions due to the highly expansionary stance of the central banks. In the United States, government bond yields, despite decreasing initially given the expectations of a more gradual rise in official rates, actually increased in the second half of the year, partly due to greater uncertainty surrounding the presidential elections.

Regarding the Eurozone, after a decline recorded at the start of the year, risk premiums for government bonds rose in the second half of the year, in tandem with growth in US dollar-based interest rates, partly due to the Eurosystem's securities purchase program. Corporate bond risk premiums, which had started rising after the UK referendum, fell overall in September.

Lastly, looking at the Italian market, risk premiums for Italian government bonds, despite improving in the first half of the year thanks to the corporate bond purchase programme and the refinancing operations launched by the Eurosystem, remained broadly unchanged in the second half of the year.

Looking across to exchange rates, the Euro, after a phase of depreciation that started at the end of March, rose against the dollar in the second half of the year. Overall, the US Dollar remained broadly stable against the Euro in 2016. Most of Gruppo Campari's reference currencies depreciated against the Euro during 2016. The Argentine Peso recorded an average exchange rate devaluation of -37.2% in 2016 following the reintroduction of the free exchange rate between the US Dollar and the Peso on 17 December 2015. Other currencies which depreciated against the Euro included the Brazilian Real, which decreased by -4.4%, the Russian Rouble (-8.4%), the Jamaican Dollar (-6.2%), the Swiss Franc (-2.1%) and the Mexican Peso (-14.8%). Following the referendum on 23 June, Sterling underwent a spot exchange rate devaluation of -5.9% against the Euro. Its depreciation over the year was -11.4%.

### Spirits sector

In 2016, the Stoxx Europe 600 Food&Beverage index decreased by -5.4%, underperforming the MSCI Europe market index by -5.2%.

In 2016, most of the leading companies in the spirits sector posted positive performances. Towards the end of 2016, and particularly after the US elections, the spirits sector, and the consumer sector in general, was affected by portfolio rotation

towards high-yield securities as a result of improved expectations of the growth and inflation prospects of the major advanced economies.

In general, the sector continues to show positive growth in demand, driven by continuous growth in demand for premium products characterised by their authenticity, origin and craftsmanship, as well as high-end product innovation. Demand for premium products is seen in both the developed countries, where consumers are interested in trying new high-quality products, and emerging markets, where the growing middle class is choosing products to confirm their social status.

In the US market, the largest market in terms of size and revenue, brown spirits continue to lead growth both in volume and value. Specifically, the categories showing the strongest growth include American whiskey, due to a rediscovery phenomenon that includes also Canadian and Scotch whiskeys. Other growing categories include tequila and aged rums, characterised by a premiumisation trend driven by increased demand for tasting products. Cognac, which has shown signs of recovery in China and continues to grow globally, is registering sustained growth rates in the US, due to the growing demand for premium products. Bitter aperitifs also showed strong growth, driven by a re-emergence of interest in classic cocktails. Moreover, growth in the vodka category of the US market is mainly driven by demand for craft products, as described above, and is still under significant price pressure due to fierce competition in the market. In other developed markets, such as the UK and continental Europe, consumption of brown spirits has continued to grow, albeit in a more mature environment than in North America. Emerging markets in Asia, Africa and Latin America are witnessing growing demand for premium products, which has been generated by ongoing improvements in the socio-economic conditions of the local population. With particular reference to the Chinese market, after a period of significantly reduced consumption of imported premium products (mainly cognac and Scotch whisky), due to the introduction of austerity measures at the end of 2012, the market is experiencing a period of stabilisation.

Emerging trends also include the development of craft spirits<sup>7</sup>. This phenomenon, which originated in the US beer market, is currently also developing in the spirits market, especially in the premium segment. Craft spirits are also expanding in other mature markets and emerging markets for the whisky, vodka and gin categories. The major sector players have reacted to this trend by stepping up the creation of limited and craft editions, fuelling the trend for premium products. Another significant trend is the growing demand for classic and craft cocktails, along with the emergence of speakeasy-style bars, inspired by the Prohibition era.

Medium to long-term expectations regarding the performance of sector companies remain positive. Spirits stocks continue to benefit from better growth expectations than other consumer goods sectors; this is also reflected in valuations, which are at a premium to market indices. In addition, expectations regarding future M&As in the spirits industry remain positive, in line with past figures.

### Campari stock price performance<sup>8</sup>

Reviewing the economic, industry and financial market environments as detailed above, the Campari stock price benefited in 2016 from the announcement in March of positive results for all the main performance indicators in 2015, and subsequently, the positive results of the first quarter of 2016. The stock was positively influenced by the acquisition of Société des Produits Marnier Lapostolle S.A. ('SPML'), announced on 15 March 2016 and completed on 29 June 2016. A more detailed description of the transaction can be found in the 'Significant events during the period' section.

Towards the end of the first half, stock performance was slightly affected by volatility and the fall in equities prices, mainly due to uncertainty about the macroeconomic situation after the Brexit referendum, but recovered subsequently thanks to the positive results of the first half of 2016. Other factors that influenced the Campari stock include the liability management operations concluded in September. During the rest of the year, the stock benefited from the results of the first nine months of 2016, which were in line with expectations. These results showed solid organic sales growth, and at the end of the year, included the sales of businesses with lower margins and non-core businesses, such as Sella&Mosca, Teruzzi&Puthod and Lapostolle Chilean wines, aimed at streamlining non-core activities and increasing the Company's focus on the spirits core business.

In 2016, the Campari stock price rose by +16.1% in absolute terms, with a total shareholder return (TSR) of +17.4%. The Campari stock price outperformed the FTSE MIB by +26.3%. The stock outperformed the STOXX Europe 600 Food&Beverage index by +21.5% in the period from 1 January to 31 December 2016, and outperformed the MSCI Europe sector index by +16.3% in the same period. The Campari stock recorded one of the best performances in the year compared with its sector peers.

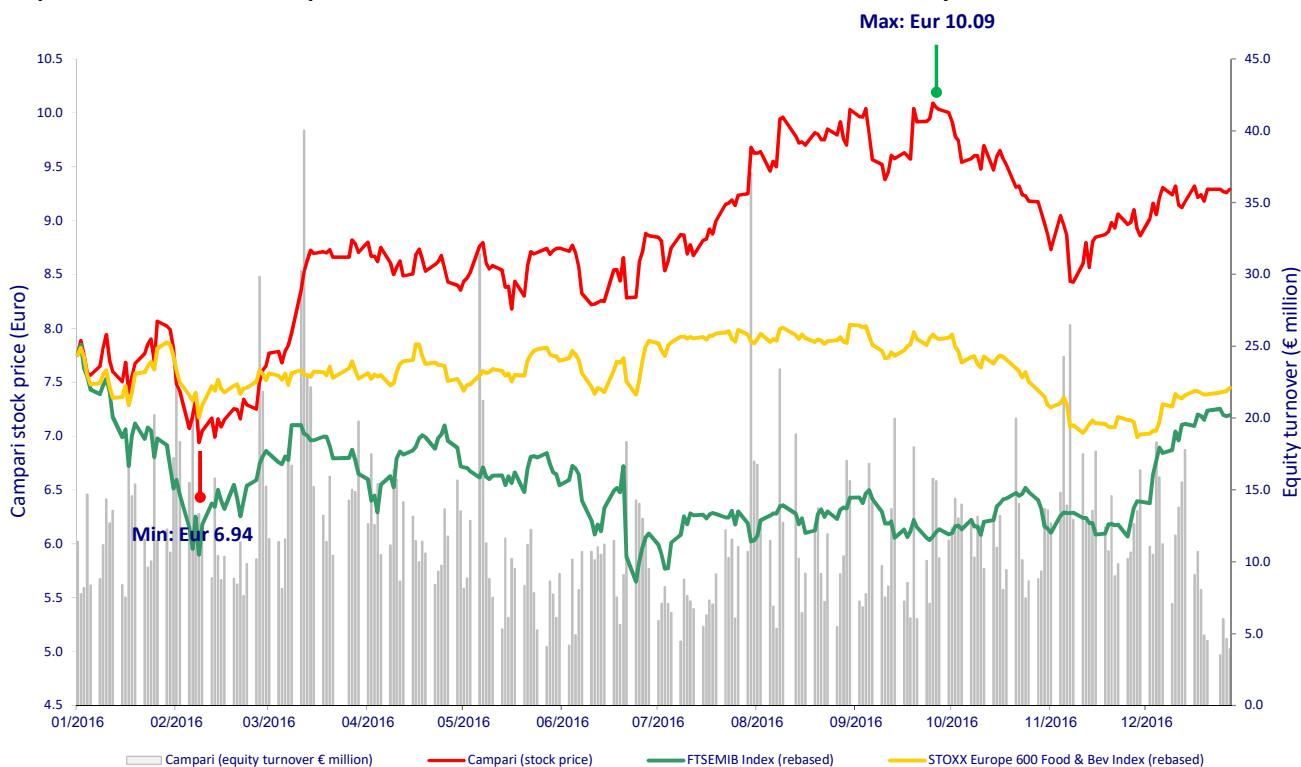
<sup>7</sup> The definition of craft spirits is not precisely regulated in the sector, but the leading institutions and associations, including the American Distilling Institute, agree that craft spirits are products that are distilled and bottled on-site by independent distilleries whose production process reflects the distiller's vision and craftsmanship and which produce fewer than 315,451 cases a year. 'Independent distillery' is understood to mean a distillery in which other non-craft distilleries own an interest of less than 25%.

<sup>8</sup> The values per share are exposed before the stock split proposal approved by the Board of Directors on February 28, 2017.

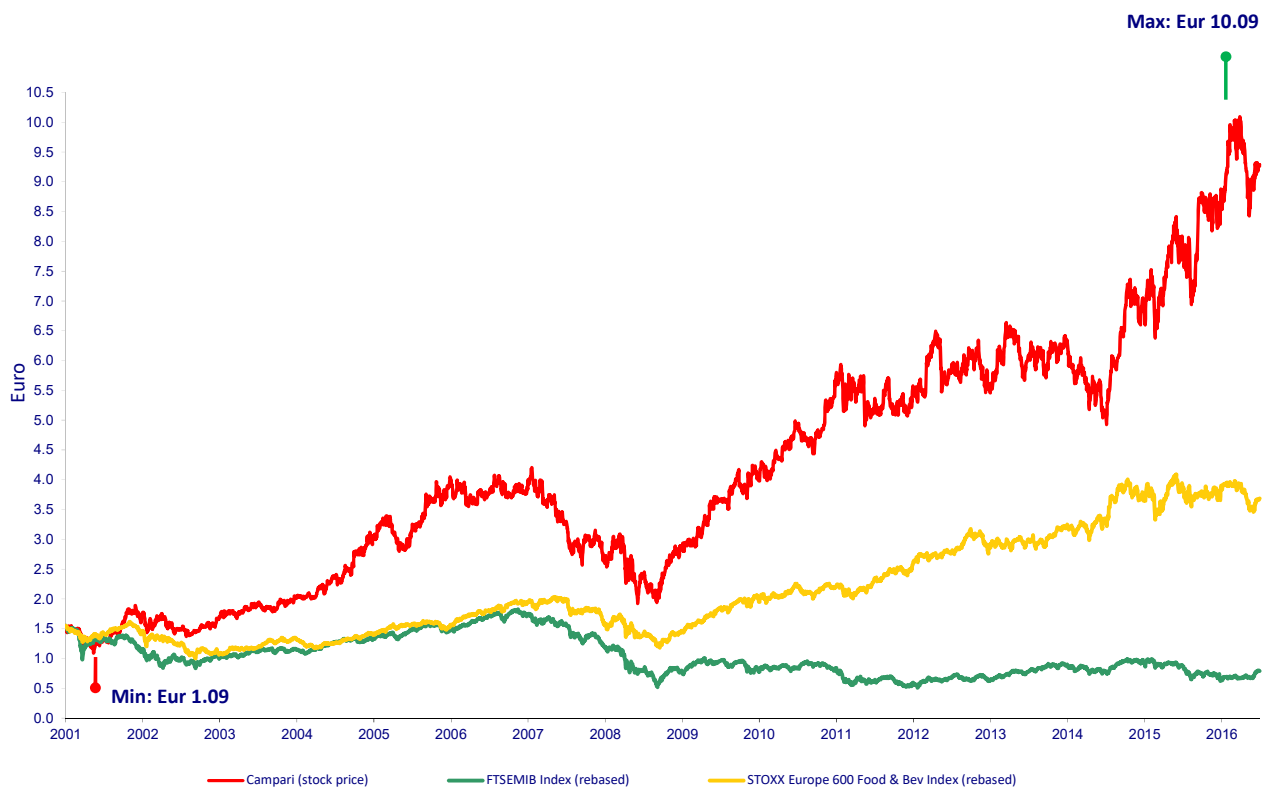
The minimum and maximum closing prices during the year of € 6.94 and € 10.09 were recorded on 11 February 2016 and 28 September 2016 respectively. This was the highest price achieved by the stock since the IPO in 2001. An average of 1.4 million Campari shares were traded daily on the market managed by Borsa Italiana S.p.A. in 2016, with an average daily value of € 12.0 million. At 31 December 2016, Campari’s market capitalisation was € 5.4 billion.

From the date of the initial public offering (IPO) to 31 December 2016, the Campari stock price has increased in absolute terms by +499.4% (an average of +12.3% per year), with total shareholder return (TSR) up +573.0% (an average of +13.1% per year). The Campari stock outperformed the FTSE MIB by +548.2%. The stock outperformed the STOXX Europe 600 Food&Beverage index by +361.4% in the period from the IPO to 31 December 2016, and outperformed the MSCI Europe sector index by +501.0% in the same period.

**The performance of the Campari stock and the main benchmark indices from 1 January 2016 to 31 December 2016**



## The performance of the Campari stock and the main benchmark indices from listing (2001) to 31 December 2016



### Notes:

Figures up to 2009 have been adjusted to reflect the changes in share capital in 2005 and 2009.

The STOXX Europe 600 Food & Beverage Price Index is a capitalisation-weighted index which includes European companies operating in the food and beverage industry.

## Campari stock

### Shares

As of 31 December 2016, share capital of Davide Campari-Milano S.p.A. is € 58,080,000.00, represented by 580,800,000 shares with a nominal value of € 0.10 each.

### Stock split proposal

The Board of Directors have voted to propose to the Shareholders' meeting, convened on an ordinary and extraordinary session on April 28<sup>th</sup>, 2017, a stock split, according to which the 580,800,000 shares, with a nominal value of € 0.10 each, which currently make up the Group's share capital, will be split via the issue of two new shares with nominal value of € 0.05 each for each existing share. The new shares would qualify from January 1<sup>st</sup>, 2016, and the current fully paid up share capital of € 58,080,000 (which will remain unchanged) would be subsequently divided into 1,161,600,000 shares.

It should be noted that the stock split is expected to be implemented by mid May 2017. The stock split implementation will halve the current value of the share price and, at the same time, doubles the number of shares

### Dividend

The Board of Directors has voted to propose to the Shareholders' meeting a full year dividend of € 0.045 for the fiscal year 2016 for each share resulting from the proposed stock split (in line with 2015 on a rectified basis). In case the stock split is not implemented, the proposed dividend would be € 0.09 per share (in line with 2015 on an unrectified basis). The cash dividend will be payable on May 24<sup>th</sup>, 2017 (the detachment date of the coupon n. 1, in the event that the stock split is implemented, will be May 22<sup>nd</sup>, 2017 pursuant to the Borsa Italiana calendar, with a record date May 23<sup>rd</sup>, 2017). The Board of Directors has therefore agreed to convene the Annual Shareholders Meeting on April 28<sup>th</sup>, 2017 to approve the company's accounts for the fiscal year ending 31 December 2016

**Shareholder base<sup>9</sup>**

The table below shows the major shareholders at 31 December 2016.

Shareholder <sup>(1)</sup>	Number of ordinary shares	% of share capital
Alicros S.p.A.	296,208,000	51.00%
Cedar Rock Capital <sup>(2)</sup>	61,899,027	10.66%

<sup>(1)</sup> Shareholders who have notified Consob and Davide Campari-Milano S.p.A. that they have interests of over 3% (pursuant to article 117 of Consob Regulation 11971/99 on notification of significant investments).

<sup>(2)</sup> Andrew Brown, Chief Investment Officer of Cedar Rock Capital Ltd., informed Consob in accordance with article 120 of Legislative Decree 58/1998 (TUF).

**Loyalty shares<sup>10</sup>**

On 28 January 2015, the extraordinary shareholders' meeting of Davide Campari-Milano S.p.A. approved a proposal to introduce loyalty shares. On 7 April 2016, pursuant to article 143-*quater*, paragraph 5, of Consob Regulation 11971/99, the following list of shareholders with an interest of over 3% in the share capital of Davide Campari-Milano S.p.A. were entered in the special register on 9 April 2015 for entitlement to increased voting rights (loyalty shares).

Declarer	Date of registration on the list of shareholders with increased voting rights	Holding for which increased voting rights were requested	Total investment
Alicros S.p.A.	9 April 2015	296,208,000 shares (51.000% of share capital)	296,208,000 shares (51.000% of share capital)
Cedar Rock Capital	9 April 2015	51,807,320 shares (8.920% of share capital)	61,899,027 shares (10.658% of share capital)

The new Article 6 of the articles of association and the related Regulation on the special list for double voting rights, approved by the Board of Directors, define the terms and conditions for registration on the list and for requesting removal from it.

For more detailed information on this subject, see the report prepared by the Board of Directors, and the Regulation on the special list for double voting rights, which is published on the Company's website ([www.camparigroup.com/it/governance/loyalty-shares](http://www.camparigroup.com/it/governance/loyalty-shares)).

<sup>9</sup> The values per share are exposed before the stock split proposal approved by the Board of Directors on February 28, 2017.

<sup>10</sup> The values per share are exposed before the stock split proposal approved by the Board of Directors on February 28, 2017.

### Information on the Campari stock and valuation indicators

The following tables show the performance of the Campari stock and the main valuation indicators used by Gruppo Campari since the IPO both in the event that the stock split is not implemented and in the event that the stock split is approved by the Shareholders Meeting, as explained above.

#### In the event that the stock split approved by the Board of Directors on 28 February 2017 is not implemented

Year	Minimum price	Maximum price	Average price	Price at 31 December	Change in the Campari stock	Change in FTSE MIB	Average daily trading volume	Average daily trading value	Stock market capitalization at 31 December
	€	€	€	€	%	%	millions of shares	€ million	€ million
2016	6.94	10.09	8.75	9.29	+16.1%	-10.2%	1.4	12.0	5,396
2015	4.93	8.42	6.95	8.00	+55.0%	+12.7%	1.9	12.9	4,646
2014	5.04	6.42	5.89	5.16	-15.1%	+0.2%	1.4	8.0	2,997
2013	5.46	6.64	6.00	6.08	+4.8%	+16.6%	1.3	7.9	3,531
2012	5.08	6.50	5.55	5.80	+12.7%	+7.8%	1.7	9.6	3,369
2011	4.44	5.94	5.17	5.15	+5.6%	-25.2%	2.0	10.6	2,988
2010	3.51	4.99	4.15	4.87	+33.5%	-13.2%	1.9	7.6	2,828
2009	1.94	3.71	2.82	3.65	+52.1%	+19.5%	1.6	4.5	2,118
2008	1.93	3.30	2.78	2.40	-26.8%	-49.5%	1.3	3.7	1,394
2007	3.25	4.21	3.77	3.28	-12.8%	-7.0%	1.5	5.8	1,904
2006	3.14	4.05	3.66	3.76	+20.5%	+16.0%	1.2	4.4	2,183
2005	2.24	3.39	2.86	3.12	+32.0%	+15.5%	1.0	2.8	1,812
2004	1.79	2.39	2.02	2.37	+22.9%	+14.9%	0.9	1.7	1,374
2003	1.37	1.93	1.65	1.93	+28.2%	+14.4%	0.8	1.3	1,118
2002	1.27	1.89	1.58	1.50	+13.8%	-27.3%	1.1	1.7	871
2001 <sup>(1)</sup>	1.09	1.55	1.36	1.32	-14.9%	-14.1%	1.4	2.1	767

#### In the event that the stock split approved by the Board of Directors on 28 February 2017 is implemented

Year	Minimum price	Maximum price	Average price	Price at 31 December	Change in the Campari stock	Change in FTSE MIB	Average daily trading volume	Average daily trading value	Stock market capitalization at 31 December
	€	€	€	€	%	%	millions of shares	€ million	€ million
2016	3.47	5.05	4.38	4.65	+16.1%	-10.2%	2.8	12.0	5,396
2015	2.47	4.21	3.48	4.00	+55.0%	+12.7%	3.8	12.9	4,646
2014	2.52	3.21	2.95	2.58	-15.1%	+0.2%	2.8	8.0	2,997
2013	2.73	3.32	3.00	3.04	+4.8%	+16.6%	2.6	7.9	3,531
2012	2.54	3.25	2.78	2.90	+12.7%	+7.8%	3.4	9.6	3,369
2011	2.22	2.97	2.59	2.58	+5.6%	-25.2%	4.0	10.6	2,988
2010	1.76	2.50	2.08	2.44	+33.5%	-13.2%	3.8	7.6	2,828
2009	0.97	1.86	1.41	1.83	+52.1%	+19.5%	3.2	4.5	2,118
2008	0.97	1.65	1.39	1.20	-26.8%	-49.5%	2.6	3.7	1,394
2007	1.63	2.11	1.89	1.64	-12.8%	-7.0%	3.0	5.8	1,904
2006	1.57	2.03	1.83	1.88	+20.5%	+16.0%	2.4	4.4	2,183
2005	1.12	1.70	1.43	1.56	+32.0%	+15.5%	2.0	2.8	1,812
2004	0.90	1.20	1.01	1.19	+22.9%	+14.9%	1.8	1.7	1,374
2003	0.69	0.97	0.83	0.97	+28.2%	+14.4%	1.6	1.3	1,118
2002	0.64	0.95	0.79	0.75	+13.8%	-27.3%	2.2	1.7	871
2001 <sup>(1)</sup>	0.55	0.78	0.68	0.66	-14.9%	-14.1%	2.8	2.1	767

#### Notes:

<sup>1)</sup> Listing on the Italian Stock exchange (MTA) took place on 6 July 2001. Average daily volume and average daily trading value excluding first week of trading.

The table below shows information on dividends paid on the Campari stock since the IPO.

**In the event that the stock split approved by the Board of Directors on 28 February 2017 is not implemented**

Year	Number of shares authorised and issued at 31 December	Number of adjusted shares at 31 December <sup>(1)</sup>	Number of shares with dividend rights <sup>(2)</sup>	Gross dividend per share (€) <sup>(3)</sup>	Total dividend (€ million) <sup>(4)</sup>
2016	580,800,000	580,800,000	578,927,239	0.090	52.1
2015	580,800,000	580,800,000	579,254,062	0.090	52.1
2014	580,800,000	580,800,000	571,250,000	0.080	45.7
2013	580,800,000	580,800,000	576,009,862	0.080	46.1
2012	580,800,000	580,800,000	569,257,224	0.070	39.8
2011	580,800,000	580,800,000	578,636,980	0.070	40.5
2010	580,800,000	580,800,000	576,672,284	0.060	34.6
2009	290,400,000	580,800,000	576,380,506	0.060	34.6
2008	290,400,000	580,800,000	576,380,506	0.055	31.7
2007	290,400,000	580,800,000	578,711,092	0.055	31.8
2006	290,400,000	580,800,000	580,798,906	0.050	29.0
2005	290,400,000	580,800,000	562,712,026	0.050	28.1
2004	29,040,000	580,800,000	562,096,180	0.050	28.1
2003	29,040,000	580,800,000	560,800,000	0.044	24.7
2002	29,040,000	580,800,000	560,800,000	0.044	24.7
2001	29,040,000	580,800,000	560,800,000	0.044	24.7

**In the event that the stock split approved by the Board of Directors on 28 February 2017 is implemented**

Year	Number of shares authorised and issued at 31 December	Number of adjusted shares at 31 December <sup>(5)</sup>	Number of shares with dividend rights <sup>(2)</sup>	Gross dividend per share (€) <sup>(3)</sup>	Total dividend (€ million) <sup>(4)</sup>
2016	580,800,000	1,161,600,000	1,157,854,478	0.045	52.1
2015	580,800,000	1,161,600,000	1,158,508,124	0.045	52.1
2014	580,800,000	1,161,600,000	1,142,500,000	0.040	45.7
2013	580,800,000	1,161,600,000	1,152,019,724	0.040	46.1
2012	580,800,000	1,161,600,000	1,138,514,448	0.035	39.8
2011	580,800,000	1,161,600,000	1,157,273,960	0.035	40.5
2010	580,800,000	1,161,600,000	1,153,344,568	0.030	34.6
2009	290,400,000	1,161,600,000	1,152,761,012	0.030	34.6
2008	290,400,000	1,161,600,000	1,152,761,012	0.028	31.7
2007	290,400,000	1,161,600,000	1,157,422,184	0.028	31.8
2006	290,400,000	1,161,600,000	1,161,597,812	0.025	29.0
2005	290,400,000	1,161,600,000	1,125,424,052	0.025	28.1
2004	29,040,000	1,161,600,000	1,121,600,000	0.025	28.1
2003	29,040,000	1,161,600,000	1,121,600,000	0.022	24.7
2002	29,040,000	1,161,600,000	1,121,600,000	0.022	24.7
2001	29,040,000	1,161,600,000	1,158,508,124	0.022	24.7

**Notes:**

<sup>1)</sup> Stock information prior to the dates on which changes were made to the amount of share capital has been adjusted to take into account the new composition of share capital as described below:

- Ten-for-one share split effective as at 9 May 2005;
- Bonus share issue via the issue of 290,400,000 new shares with a nominal value of € 0.10 each to be provided free of charge to shareholders in the ratio of one new share for each share held, which came into effect on 10 May 2010.

<sup>2)</sup> Excluding own shares held by Davide Campari-Milano S.p.A. For 2016, the number of shares as of the Board of Directors meeting on 28 February 2017 is to be recalculated on the basis of the total number of shares outstanding as of the dividend ex-date.

<sup>3)</sup> For 2016, the dividend proposed by the Board of Directors will be submitted for the approval of the shareholders' meeting on 28 April 2017.

<sup>4)</sup> For 2016, the total dividend was calculated on the basis of shares outstanding as of the Board of Directors meeting on 28 February 2017; this figure is to be recalculated based on the total number of shares outstanding as of the dividend ex-date.

<sup>5)</sup> Stock information prior to the dates on which changes were made to the amount of share capital has been adjusted to take into account the new composition of share capital as described below:

- Ten-for-one share split effective as at 9 May 2005;
- Bonus share issue via the issue of 290,400,000 new shares with a nominal value of € 0.10 each to be provided free of charge to shareholders in the ratio of one new share for each share held, which came into effect on 10 May 2010.
- One to two stock split approved by the Board of Directors on 28 February 2017, and to be submitted for the approval by the shareholders' meeting on 28 April 2017.

The table below shows information on the main valuation indicators for the Campari stock since the IPO.

**In the event that the stock split approved by the Board of Directors on 28 February 2017 is not implemented**

Year	earnings per share <sup>(1)</sup>	price/ shareholders' equity	price/ net profit	dividend/ net profit <sup>(2)</sup>	dividend/ price per share <sup>(2)</sup>
2016	0.29	2.84	32.4	31.3%	1.0%
2015	0.30	2.66	26.5	29.7%	1.1%
2014	0.22	1.90	23.2	35.4%	1.6%
2013	0.26	2.53	23.6	30.8%	1.3%
2012	0.27	2.35	21.4	25.4%	1.2%
2011	0.27	2.19	18.7	25.4%	1.4%
2010	0.27	2.26	18.0	22.1%	1.2%
2009	0.24	2.02	15.3	25.2%	1.6%
2008	0.22	1.46	11.0	25.1%	2.3%
2007	0.22	2.17	15.2	25.4%	1.7%
2006	0.21	2.74	18.3	24.8%	1.3%
2005	0.21	2.61	14.9	23.8%	1.6%
2004	0.17	2.20	13.7	29.0%	2.1%
2003	0.14	2.04	14.0	35.6%	2.3%
2002	0.15	1.82	10.1	30.9%	2.9%
2001	0.11	1.78	12.1	38.9%	3.3%

**In the event that the stock split approved by the Board of Directors on 28 February 2017 is implemented**

Year	earnings per share <sup>(1)</sup>	price/ shareholders' equity	price/ net profit	dividend/ net profit <sup>(2)</sup>	dividend/ price per share <sup>(2)</sup>
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2009	0.12	2.02	15.3	25.2%	1.6%
2008	0.11	1.46	11.0	25.1%	2.3%
2007	0.11	2.17	15.2	25.4%	1.7%
2006	0.11	2.74	18.3	24.8%	1.3%
2005	0.11	2.61	14.9	23.8%	1.6%
2004	0.09	2.20	13.7	29.0%	2.1%
2003	0.07	2.04	14.0	35.6%	2.3%
2002	0.08	1.82	10.1	30.9%	2.9%
2001	0.06	1.78	12.1	38.9%	3.3%

**Notes:**

<sup>1)</sup> Up to 2004, Italian Accounting Standards; from 2005 IAS/IFRS.

<sup>2)</sup> For 2016, the dividend proposed by the Board of Directors will be submitted for the approval of the shareholders' meeting on 28 April 2017.



## Investor relations

The Company communicates regularly with investors, shareholders and financial market operators in general, in order to provide complete, accurate and timely information on its operations, while complying with the relevant confidentiality requirements for certain types of information.

Information is disseminated via the publication of documents such as management reports, press releases and investor presentations.

These documents are made available by the dissemination circuit eMarket SDIR and the storage system eMarket STORAGE, managed by Spafid Connect S.p.A., via publication on the website [www.emarketstorage.com](http://www.emarketstorage.com).

As a result of using this publication platform, the Company is able to make all information promptly available on its website ([www.camparigroup.com](http://www.camparigroup.com)), in the easily-accessible 'Investor' and 'Governance' sections. Information about the Company that is of interest to shareholders and equity and debt investors is also available in these sections to enable them to exercise their rights in an informed manner.

The Company communicates and interacts regularly with the financial markets via analyst calls, investor meetings, roadshows and investor conferences, which are also attended by representatives of senior management. With reference to activities aimed at the analyst and institutional investor category, in 2016 the Company continued to communicate information through numerous meetings organised in Milan and at the main stock exchanges in Europe and outside Europe, including in the US, Canada and Asia.

The Investor Relations department, headed by Chiara Garavini, is responsible for managing relations with shareholders and investors, and has been operational since the Company's listing in 2011.

Information of interest to shareholders and investors is available on the website, and may also be requested by sending an email to the dedicated email address [investor.relations@campari.com](mailto:investor.relations@campari.com).

## Gruppo Campari and corporate social responsibility

### *Sustainable Campari*

#### I. Note on methodology

'Sustainable Campari 2016' is Gruppo Campari's fourth annual report on social, environmental and economic sustainability. In 2014, with the aim of increasing visibility about its commitment to sustainability, the Group decided to publish a separate document, 'Sustainable Campari', to accompany the Report on operations. The report will be used as a basis for future non-financial declarations, as defined in Legislative Decree 254 of 30 December 2016 (implementing EU Directive 2014/95), whose dispositions must be applied with reference to non-financial declarations relating to financial years starting on 1 January 2017.

The information reported herein relates to the period from 1 January 2016 to 31 December 2016 and, since the acquisition of Société des Produits Marnier Lapostolle S.A. was completed during the year, the related sustainability figures have not been included. Moreover, the sale of the Italian wineries in 2016 led to their exclusion from the scope of reporting; this also applies for the comparison figures for 2015. The GRI G4 guidelines, developed by the Global Sustainability Standards Board, are used to measure and communicate the Group's social, environmental and economic impact.

This year, it was decided, for the first time, to structure the booklet in two parts. The first introductory section aims to communicate all the aspects that comprise Gruppo Campari's identity and the elements that make us unique, while the second part is the detailed report itself and an analysis of the activities that comprise the 'Sustainable Campari' path. To ensure that the Group is represented as fully and accurately as possible, all the corporate functions are involved in the data collection and reporting activities. In continuation of the procedure launched in 2015, the accuracy of the information on Quality, Health, Safety and the Environment (QHSE) is ensured thanks to the adoption of the Enablon data collection platform, which can be extended to other areas in the future.

Gruppo Campari's sustainability reports can be downloaded in Italian and English from the website: [www.camparigroup.com](http://www.camparigroup.com)

#### II. Gruppo Campari's identity

##### a) Our guidelines

Our mission and values, which are set out in the Code of Ethics, inspire and guide all of Gruppo Campari's activities.

##### Our mission: who we want to be

- Unique
  - Be big enough to win, small enough to act quickly & decisively
  - Be passionate entrepreneurs
  - Explore the 'road less travelled'
  - Build solid and long-term brands
  - Build unique brands
- Fast-growing
  - Consistently grow faster than the industry
- Highly profitable
  - Aim to be in the top three players of the industry in terms of profitability and cash generation
- Fun
  - Enjoy what we do
  - Build brands which are an extension of our own lifestyles
  - Work in an energising & rewarding work environment
  - Have a 'can do' attitude
  - Show team spirit
- *Lifestyle brands*
  - Build distinctive and ownable brand equities
  - Build 'aspirational' brands
  - Build brands with a story to tell

##### Our values: what we believe in

- Passion

Passion is a defining trait of our beliefs and actions. We are passionate about our industry, our jobs and building our Brands. We are passionate team players and will go the extra mile to ensure that our customers and consumers have very positive experiences with our Brands, every day.

- **Performance orientation**  
We firmly believe in performance-driven actions and rewards. There are goals and objectives to be met every day at individual, team, business unit and Group level. Our focus on performance orientated action enables us to meet these goals and continuously create value for all our key stakeholders.
- **Integrity**  
We recruit, develop and reward employees who work with the utmost integrity and transparency. Integrity means being a responsible corporate citizen and treating all of our stakeholders correctly and with respect. Most importantly, it means ensuring that fairness, honesty and consistency are the hallmarks of our business transactions and the guiding light for our employees' professional lives.
- **Pragmatism**  
We encourage and reward pragmatic problem-solving in all functions at all levels. We eschew bureaucracy and strongly believe in a practical approach to problem solving. Simplicity is at the heart of our actions and our unique structure enables us to take decisions as close to the customer and consumer as possible whilst benefiting from synergies and know-how throughout the group.

#### The Code of Ethics

The Code of Ethics is the document via which Gruppo Campari describes the system of regulations that allows it to carry out its role responsibly, while also clarifying its commitments to its internal and external stakeholders.

The Code, which was approved in 2004 and subsequently revised in 2009, 2012 and 2015, comprises 17 articles containing the commitments of the corporate bodies, management and permanent employees of the Group's companies.

Any breaches to the Code or behaviour that is not consistent with it may be reported anonymously by any Camparista to the Parent Company's supervisory body via Campari Safe Line. Such reports are then assessed by the internal audit function which, where appropriate, will notify the senior management of the company in which the breach occurred so that the appropriate measures can be adopted.

#### The Business Conduct Guidelines

The Business Conduct Guidelines are also based on the defining values and principles of the culture of Gruppo Campari. These guidelines constitute an operating tool designed for Camparistas to explain the appropriate behaviour to be adopted on any occasion. The manual contains five sections relating to five potentially sensitive areas:

- giving or receiving gifts and/or invitations;
- use of social media;
- handling confidential information;
- responsible consumption of alcoholic drinks;
- mutual respect in the workplace.

#### **b) Our history**

In 1860, Gaspare Campari invented in Milan the red drink with a medium alcoholic content, which still today represents the symbol *par excellence* of the Campari aperitif. In 1882, his son Davide took the reins of the company, inaugurating the first large plant in Sesto San Giovanni.

Thanks to a strategy that was strongly oriented towards internationalisation, Campari soon became a well-known brand throughout the world, and had expanded its distribution to 80 countries by the 1960s.

Its strong link to the world of art and culture helps strengthen the company's image in Italy and abroad: from the advertising posters commissioned from artists of the era such as Cappiello, Nizzoli, Dudovich, to the Campari Soda 'inverted cone' bottle designed in 1932 by Fortunato Depero, which became a design icon and symbol of Italian style. Campari's history has been recounted over the years by the most important Italian and international contemporary artists, via the playbills of Ugo Nespolo, the sketches of American Milton Glaser (inventor of the 'I Love New York' logo), the commercials of Federico Fellini, who for the first time agreed to direct a promotional short film for television and, recently, the short by Paolo Sorrentino.

In a fast-growing and rapidly-changing global beverage market, Campari has chosen, since 1995, to implement a careful acquisitions policy, a fundamental factor in the Group's internationalisation process. The first acquisition related to the Italian activities of Dutch company BolsWessanen, owner of brands such as Crodino, Cynar, Lemonsoda, Oransoda, Biancosarti and Crodo mineral waters. Since then, the Group has expanded its product portfolio exponentially, having made 25 acquisitions totalling around € 3 billion.

A combination of organic growth and external acquisitions has enabled Gruppo Campari to cover a variety of sectors and geographical markets, while at the same time maintaining a solid presence in the key markets through the development of global and local brands.

#### **c) Geographical presence**

Gruppo Campari is the sixth-largest premium branded spirits group in the world, with a portfolio of over 50 own brands, which are marketed and distributed in over 190 countries in the world. Headquartered in Sesto San Giovanni (Milan), Gruppo Campari has, since 2004, developed its own distribution network in 20 markets. The distribution subsidiaries, which are mainly located in Europe and the Americas, account for over 90% of turnover.

The number of production facilities has also increased since 2004. There are currently 18 in total (ten more than 12 years ago): Argentina (1), Australia (1), Brazil (2), Canada (1), France (2), Jamaica (3), Greece (1), Italy (4), Mexico (1), Scotland (1), United States (1).

#### **d) Growth strategy**

Gruppo Campari's success is also largely due to the company's efficient amalgamation of two sound development drivers into its growth strategy: organic growth and external acquisitions (M&A). On the one hand, the Group has successfully expanded its business, focusing on the quality of its products, and increasing sales and production (organic growth), while on the other, it has rapidly increased its market share in key areas via the acquisition of local and speciality brands with strong equity.

#### **e) Our brands**

Thanks to its product portfolio containing over 50 premium and super premium brands, Gruppo Campari is one of the biggest global players in the spirits segment. Its brands relate to various product categories: aperitifs, liqueurs, distillates, sparkling wines, ready-to-drink products and soft drinks.

Six of these brands are internationally recognised and, for this reason, are defined as global priorities: Aperol, Appleton Estate, Campari, SKYY, Wild Turkey and the latest brand, Grand Marnier, which was acquired in 2016, and which, after integration, made the United States the Group's largest market, representing over 25% of sales.

The other brands represent the Group's regional and local priorities.

#### **f) Organisational structure and governance model**

As at 31 December 2016, the Group comprised 35 companies that are directly or indirectly controlled by the Parent Company Davide Campari-Milano S.p.A. and is characterised by its continuing growth and development.

In this regard, Gruppo Campari announced the acquisition of Société des Produits Marnier Lapostolle S.A. ('SPML') in March 2016, adding a new premium product, Grand Marnier, one of the best-known brands at international level, to its brand portfolio.

Another strategic operation in 2016 was the Group's exit from the Italian still wines business with the sale of Tenute Sella & Mosca S.p.A. and Teruzzi & Puthod S.r.l., confirming its decision to focus on its core business of premium spirits. For the same reason, it also sold the Lapostolle Chilean wines range.

Davide Campari-Milano S.p.A. is a company listed on the Italian stock market, regulated by Borsa Italiana S.p.A., since 2001. It has a traditional governance system in place, which includes Shareholders' Meetings, a Board of Directors and a control body, the Board of Auditors. The financial audit is assigned to the auditing firm, PricewaterhouseCoopers S.p.A.

The Board of Directors is vested with wide-ranging powers to define Company and Group strategy, establish corporate governance and manage internal control procedures. Its functions include defining the type and level of risk that is compatible with the strategic objectives, including in its evaluation all the risks that could be significant in terms of sustainability in the medium- to long-term period of business operations.

In accordance with the provisions of the articles of association and the Code of Conduct for Listed Companies, the Board of Directors has set up, within the board, a Control and Risks Committee and a Remuneration and Appointments Committee. Davide Campari-Milano S.p.A. and the Italian subsidiaries also have an organisational model pursuant to Legislative Decree 231/2001, which stipulates the appointment of a supervisory body.

The Control and Risks Committee, which comprises three non-executive directors, of whom the majority are independent, plays a consultative and advisory role to the Board of Directors on issues relating to internal control and the identification of the main corporate risks. In March 2016, the tasks of the Board of Directors included the monitoring of sustainability issues associated with the conduct of the company's business in compliance with the changes to the Code of Conduct for Listed Companies introduced in July 2015.

The Remuneration and Appointments Committee, which is also composed of three non-executive directors, of whom two are independent, expresses opinions and formulates proposals to the Board of Directors relating, in particular, to remuneration policies and incentive-based plans for executive directors.

The Board of Directors, which comprises three Statutory Auditors and three Alternate Auditors, is responsible for monitoring compliance with the law, the articles of association and the principles of correct administration and, specifically, that the internal control system and the organisational, administrative and accounting procedures are appropriate and function properly.

Lastly, the supervisory body, which is composed of members of the Board of Auditors, is responsible for verifying the efficacy of the organisational, management and control models approved by Davide Campari-Milano S.p.A. and the Italian subsidiaries. Specifically, the supervisory body is responsible for verifying the procedures in place to prevent the following offences relating to sustainability: offences committed in breach of occupational health and safety regulations, environmental offences, human rights violations.

#### g) Risk management

Since 2012, Gruppo Campari's Internal Audit function has been carefully identifying and monitoring potential and actual risks using a global plan that involves all the business units.

In 2016, Gruppo Campari repeated the Control Risk Self Assessment ('CRSA'), an innovative, alternative solution to traditional auditing techniques, first adopted in 2012, which was this year carried out with the assistance of an external consultancy firm, Protiviti, a leader in the provision of risk consulting and internal audit services. This tool is based on the self-assessment and direct involvement of operational management and/or other operators responsible for risk assessment, assisted in the process by the internal auditors. It should be noted that, in 2016, Africa was included in the geographical scope of interest. Since January 2017, Gruppo Campari has been directly marketing its own products in South Africa via one of its 'in market companies'.

Two additional risk areas to which the Group could be exposed have been included in the 2016 self assessment:

- Environmental risk. This relates to events or conditions that are not generally foreseeable and/or that are seasonal, which could negatively impact business continuity. To mitigate this risk, Gruppo Campari has, over the years, adopted emergency programmes and plans implementing appropriate safety, prevention, protection and control measures. These include, in particular, compliance with international and local standards, business continuity plans, back-up scenarios and global insurance policies.
- Non-compliance with laws and regulations. Reputation and trust are becoming increasingly important in ensuring business continuity over time. Compliance with the many legislative and regulatory systems is a key factor that makes a significant contribution to the building of a company's reputation. The main tools that mitigate this risk are the adoption of the Code of Ethics and the business conduct guidelines, along with the continuous training of employees to ensure that they are periodically kept up-to-date on the Group's policies.

We continue to focus our attention on ensuring the effectiveness of the whistleblowing procedures for reporting any illegal behaviour and/or irregularities via the Campari Safe Line; this channel of communication is available for Camparistas and external stakeholders to report any violations or suspected violations of the Code of Ethics and the Group's business conduct guidelines. Lastly, in 2016, the Quality, Health, Safety and Environment (QHSE) functions jointly carried out audit work with Internal Audit in order to synchronise and maximise verification and control activities.

Further details are available in the Risk Management section of this Report.

#### h) Foundations

##### Campari Foundation (not-for-profit organisation)

The Campari Foundation was created in 1957 with the aim of pursuing social solidarity projects mainly for current and former employees of Davide Campari-Milano S.p.A. and its subsidiaries in Italy and abroad, their families, and all those who have contributed to the recognition of the Campari name.

Specifically, the Campari Foundation's activities include assistance, education and charity initiatives.

In 2016, 103 out of 104 applications, totalling € 252,560, were approved and break down as follows:

Type	Applications approved	Financial value [€]
Scholarships and awards	49	€ 69,000.00
Nursery/kindergarten fees	26	€ 28,500.00
Mortgage subsidies	10	€ 78,000.00
One-off applications - Italy	18	€ 77,060.00
TOTAL	103	€ 252,560.00

One of the countries that the Campari Foundation has prioritised for investment in recent years is Argentina. It has funded two main projects in this country: 'Becas abanderados argentinos' and 'High School'. The aim of 'Becas abanderados argentinos', which involved 12 state schools in the Exaltación de la Cruz district, where the Capilla del Señor production facility is located, is to select a student to go to the Universidad del San Andres and arrange for their university fees (€ 17,000) to be fully paid by the Foundation. In addition, a workshop for potential candidates, their families and the school authorities was organised at our production facility to promote the programme.

In the 'High School' programme, 20 employees at the Capilla del Señor facility attended interactive online courses held by specialist teachers, who personally assessed students' progress based on monthly exams. The course will last until the end of August 2018.

#### Campari Foundation Mexico

Fundación Campari was created in Mexico in mid-2016 with the objectives of supporting education and health and combating poverty, especially in the Arandas region, where the production facility is located. The Foundation's first initiative was to provide the children of Campari Mexico employees with scholar kits, with the aim of encouraging continuing education and the development of future talents in the region.

#### J. Wray & Nephew Foundation

In 2016, 122 students, including 91 children of Camparistas, were awarded scholarships under the JWN Foundation's Scholarship Awards Programme, totalling JMD 10 million.

As is the case each year, the Jamaican Foundation hosted a Christmas party for 600 children from local schools and also held a similar party for the first time in the elementary school, Appleton Basic School, in St. Elizabeth.

Lastly, JWNF donated JMD 2 million to the National School Feeding Programme, promoted by the Ministry of Education, to support healthy and correct eating habits.

### **III. Sustainable Campari**

Each business is set in a social context of internal and external relationships.

Gruppo Campari's focus on its employees and commitment to sharing its values with them is also reflected in the increasingly sensitive way in which it interacts with the external environment via the creation of shared value.

The strong link between the company's competitiveness and the well-being of the community is clear. Companies cannot be successful without the infrastructure and services on which they rely, and the local talent. At the same time, the presence of companies that can provide employment, purchase goods and services, and use resources in the most efficient way, while safeguarding the environment, is necessary to create a social and economic framework and develop the region.

These considerations inspired the creation of 'Sustainable Campari', an initiative launched in 2011 that is divided into five strategic areas. Objectives and concrete actions are defined for each area to guide the business strategy responsibly in the short- and medium-term, which can ensure the success and continuity of the business over time. Reconciling the activities of a business and society means responding to both the Group's needs and social requirements.

In 2016, with the aim of managing the corporate sustainability process in a more structured way, Gruppo Campari created a new dedicated internal CSR unit to promote and develop sustainability within the Group.

#### **a) Gruppo Campari in numbers**

- **6th-largest** company in the world in the premium spirits segment
- Over **50** brands
- Present in over **190** countries
- **18** production facilities
- **936,190,000** bottles produced
- Over **4,000** Camparistas in the world
- Turnover: € **1,726.5** million, split by Region:
  - Americas € 726.3 million
  - Southern Europe, Middle East and Africa € 532.8 million
  - Northern, Central and Eastern Europe € 343.9 million
- Asia-Pacific € **123.5** million
- Contribution margin € **984.6** million
- EBITDA € **372.1** million
- Group net profit € **166.3** million

#### **b) The value chain in our products**

Gruppo Campari manages its value chain responsibly, and aims to promote sustainable growth with a focus on the long term. Over the years, the Group has created a model that strikes a balance between economic benefits and social benefits by defining a production chain that is increasingly sustainable in all its main phases.

#### **c) Our stakeholders**

For a company, being socially responsible means, first and foremost, carrying out its business while considering the external effects generated in the socio-environmental context in which it operates and the interests of all the parties with which it

comes into contact. These represent the company's stakeholders, i.e. the individuals, groups or organisations that influence or are influenced by the company and its activities. The sequential model of the value chain must however be set in the broader context of the value system, which comprises a number of different players that work together to jointly create value.

#### d) 5 key areas

'Sustainable Campari' is made up of five key areas:

- our people;
- responsible marketing and practices;
- Quality, Health, Safety and Environment;
- *responsible sourcing & distribution*;
- commitment to communities.

As confirmation of our growing responsiveness to a value chain that is becoming increasingly sustainable, the Group now also devotes particular attention to the area of logistics. Sustainable logistics, via specific technologies, actions and procedures enables us to reduce our environmental impact without compromising quality of service.

#### Our people

As the first and most direct ambassadors of Gruppo Campari, Camparistas, who embody our corporate values, are essential resources for ensuring the Group's growth.

At 31 December 2016, the Group's total headcount was 4,022, including 3,648 permanent employees.

#### Campari and Camparistas: a continuous dialogue

In the firm belief that a company's success is increasingly linked to its ability to understand and respond to the expectations of the people who belong to it, since 2008, Gruppo Campari has carried out every two years an internal survey for analysing the organizational climate within the Group.

In 2016, Gruppo Campari redoubled its efforts and decided to adopt a new methodology for its fifth internal study, which it carried out in conjunction with the Great Place to Work Institute (GPTW) to ensure complete impartiality and respect for privacy.

Unlike in previous years, thanks to its co-operation with GPTW, it was possible to compare the results obtained with those of other companies that are considered particularly virtuous, and include new questions focusing particularly on diversity issues, which were not included in previous versions.

Global Internal Survey	2014	2016
Participation rate	80%	93%
Period	November	October
Benchmark	Internal	Internal and external
Scale and assessment methods	From 1 to 7 - calculation of average score	From 1 to 5 - % of positive responses (values 4 and 5)*
Number of questions	78	58 standard+15 specific

\*Using the GPTW Institute's Trust Index Assessment methodology

Further details are available in the 'Our People' section of the 'Sustainable Campari 2016' report.

The positive figures revealed by the survey are confirmed by the low voluntary turnover rate (under 7%), a decrease on 2015.

Voluntary turnover: trend.

Year	2014	2015	2016
Voluntary turnover [%]	6.60%	6.88%	6.62%

#### Diversity and inclusion in the workplace

The Group espouses multi-ethnicity in all its sites. Conscious of the value of diversity as a growth driver, Gruppo Campari continues to attract and value people of different ages, cultures, genders and origins in all its business units.

## Nationalities in Gruppo Campari:

Year	2014	2015	2016
Nationality	50	60	65

## Permanent Camparistas by region and gender.

Region	Women	Men	Total	% women
Asia-Pacific	74	126	200	37%
Europe, Middle East and Africa	453	746	1,199	38%
Global Functions	75	105	180	42%
North America	550	1,075	1,625	34%
South America	123	321	444	28%
Total	1,275	2,373	3,648	35%

Women as a percentage of total headcount: *trend*.

Year	2014	2015	2016
Women Camparistas [%]	33%	34%	35%

Excluding those in the product supply chain (which includes the production facilities), the Group's women Camparistas represent 44% of the total work force.

The distribution of women in executive and managerial positions is also in line with last year. Moreover, the tables below show the gradual increase in the number of women in the headcount, as proof of the Group's commitment to gender equality.

## New hires 2016 by gender.

Region	Women	Men	Total	% women
Asia-Pacific	17	24	41	41%
Europe, Middle East and Africa	70	103	173	40%
Global Functions	15	23	38	39%
North America	93	120	213	44%
South America	26	31	57	46%
Total	221	301	522	42%

Percentages of new hires by gender: *trend*.

Year	2015	2016
Men [%]	61%	58%
Women [%]	39%	42%

## Permanent Camparistas by region and age band.

Region	Under 30		30-50		Over 50		Total
Asia-Pacific	31	16%	150	75%	19	10%	200
Europe, Middle East and Africa	117	10%	802	67%	280	23%	1,199
Global Functions	13	7%	129	72%	38	21%	180
North America	259	16%	1,038	64%	328	20%	1,625
South America	67	15%	302	68%	75	17%	444
Total	487	13%	2,421	66%	740	20%	3,648

Although it is not Group policy, the table below shows how the company promotes the hiring of managers who live in the countries in which it operates.



Senior managers who are part of the local communities in the main countries.

Countries	Total managers	Managers from the local area	%
Argentina	7	7	100%
Australia	8	6	75%
Austria	1	1	100%
Belgium	1	1	100%
Brazil	7	6	86%
Canada	4	2	50%
China	1	1	100%
Germany	5	3	60%
Italy	81	66	81%
Jamaica	18	16	89%
Mexico	3	2	67%
Russia	5	4	80%
South Africa	1	1	100%
Spain	3	0	0%
United Kingdom	7	1	14%
United States	31	18	58%
Ukraine	1	1	100%
Total	184	136	73%

The responses to the five questions on diversity in the GPTW questionnaire by Camparistas throughout the world confirm that the Group practises diversity in its broadest sense.

Question	Score
'Are people treated fairly regardless of their age?'	89% of Camparistas responded positively
'Are people treated fairly regardless of their race or ethnicity?'	88% of Camparistas responded positively
'Are people treated fairly regardless of their sex?'	82% of Camparistas responded positively
'Are people treated fairly regardless of their sexual orientation?'	87% of Camparistas responded positively
'Am I treated as a full member of the company, regardless of my position?'	76% of Camparistas responded positively

Some diversity initiatives in the countries in which the Group is present.

- *Australia*

Every year, Campari Australia is required to complete the Workplace Gender Equality Report, as stipulated by the government agency, Workplace Gender Equality. The questionnaire contains a series of questions addressed to the 164 Camparistas aimed at verifying actual compliance with gender equality at the workplace via the guarantee of equal opportunities, bonuses and incentives for all Camparistas regardless of gender. One of the key figures in the report was that in 2016, 64.7% of Camparistas who were promoted were women. In addition, Campari Australia took part in the Women in Drinks Function initiative, promoted by the industry's Drinks Association, of which Campari is a member and plays a key role on the board, aimed at making the traditionally male-dominated beverage segment increasingly diversified and inclusive.

- *Brazil*

The EducaCampari initiative, launched in 2009, continued during the year; its aim is to offer financial assistance for the purchase of school materials, provide transport to school, and organise educational courses for the children of Camparistas, especially employees on low income. In 2016, 113 children benefited from grants awarded by the company.

- *United States*

In addition to sponsoring the Gay Pride events in New York, New Jersey and Los Angeles, Campari US, via its SKYY Vodka brand, works with the NGO, Freedom for All, to support equality for all people regardless of their sexual orientation. SKYY Vodka is also the official brand partner of the TV series, Transparent, winner of the Golden Globe 2015, which tells of the transgender world, and promotes respect for all diversities and the culture of gender equality.

As confirmation of the company's commitment to the promotion of social integration, Campari America took part in a recruitment event for retired soldiers, which offered war veterans the opportunity to access the world of work.

- *Italy*

Campari Italia has signed an agreement with Jobmetoo, a professional company specialising in the selection and integration of vulnerable people into the workplace. Jobmetoo's mission is to help people with disabilities find a job that suits their capabilities, and put candidates and companies in contact with each other.

#### Human capital: training and professional development

In 2016, Gruppo Campari invested over € 2.7 million in training: 20% more than the previous year. More investment is also being spent on internal resources for training Camparistas.

In 2016, Gruppo Campari made a commitment to implement an innovative, strategic resource management system by adopting an interactive digital platform, SAP SuccessFactors; the intention was to further support Camparistas throughout the world in their career development and professional growth using a unique global approach. Thanks to SAP

SuccessFactors, in 2017, all employees and managers will be able to assess their own performance, update their documents in real time and share individual growth plans with their managers using the Global Individual Performance Review, a tool already used in the past to contribute to continuous performance improvement and greater corporate efficiency. This commitment will help Human Resources to adopt more consistent, Group-wide management practices across all the sites, while at the same time giving employees more autonomy in their career development path within the company.

#### *The main global training programmes provided by Gruppo Campari*

Courses that continue from previous years:

- *Campari Way of People Management*

Management development programme for Camparistas.

- *Campari Lead to Succeed*

Since the introduction in 2014 of this programme designed to train the future managerial class, 80 people have taken part, starting from its first version, including 13 in 2016.

- *Finance Academy*

In 2016, 46 people attended the Finance Academy training programme, bringing the total for its three versions to 64 employees.

- *Marketing Academy*

Gruppo Campari's oldest academy has been completely redeveloped and is ready to be relaunched in 2017. The programme is designed for Camparistas employed in the marketing segment, and aims to establish and promulgate uniform wording and approaches across the marketing teams of the whole Group.

New programmes:

- *Campari Way of Coaching*

The Way of Coaching programme, which was launched with the aim of developing key talents in the company and disseminating the skills, expertise and experience necessary for success, has been completed by a total of 49 managers and executives.

- *Finance for Non Finance*

A new course, Finance for Non Finance, created as a branch of the wider financial training programme, is being developed for 2017. Its aim is to disseminate financial skills to Camparistas who work in other corporate functions. It will consist of one e-learning module for all participants and one module of class lessons for managers.

- *Commercial Academy*

This programme was launched in 2016, based on Australian best practice, for the continuous training of all the sales teams via a Campari Way of Selling. This consists of a demand-driven approach that puts customers, shoppers and consumers at the heart of sales policies, in order to improve return on investment, creating sustainable long-term partnerships. In the last quarter of 2016, the new American sales force for the on-trade channel (HoReCa) was fully trained in this new approach. In 2017, a global module will be introduced for account managers, and from 2018, a pilot programme for senior management so that they will be equipped to tackle future challenges in executive positions. The aim is to train and develop people internally, offering them high-level training and thus achieve a competitive advantage.

- *Product Knowledge Training*

The first two fully-automated modules (Campari and Wild Turkey) of the training course, aimed at disseminating knowledge of our global priority brands throughout the Group's entire sales force, were successfully launched during the year. Three more modules (Aperol, SKYY Vodka and Appleton Estate) will be launched in early 2017. The programme will also be made available to all Camparistas via the Campus e-learning platform.

#### Remuneration system

The remuneration policy for directors, general managers and other managers with strategic responsibilities is determined by the Company's Board of Directors on the proposal of the Remuneration and Appointments Committee, after consultation with the Board of Statutory Auditors. The aims of the remuneration policy for executive directors are to determine the appropriate remuneration for senior managers and to foster their loyalty, using three different mechanisms:

- fixed salary;
- annual variable performance-based pay;
- the award of stock options as an incentive for management to achieve long-term results.

Breaking down remuneration in this way ensures a balance between the short- and long-term interests and prospects of the Company. For this reason, Gruppo Campari has been committed, for some years, to extending the long-term variable element to all managers' remuneration. To this end, in 2016, the Group developed a new medium-term incentive-based programme with three-year profit targets. The two medium- and long-term programmes will cover all Gruppo Campari management throughout the world.

To ensure that the entire remuneration system for all employees is based on the criteria of honesty, fairness and transparency, Gruppo Campari uses the internationally-recognised methodology, IPE (Individual Position Evaluation). This objective and structured process can be used to analyse 'job evaluations', based on predefined clusters, and to check the Group's competitiveness against other competitors and in relation to the remuneration criteria adopted in each region. This analysis shows that Gruppo Campari mainly pays a higher salary than the local minimum salary in the countries in which it is present.

We show below the ratio of the average remuneration for male and female permanent employees, broken down by country and professional grade. To present a more meaningful analysis, we consider the main countries in which the Group is present and the professional categories ranging from management to manual workers, excluding executives and senior management; this therefore covers 87% of the entire population of Camparistas.

Ratio of average remuneration of male and female Camparistas, by country and professional grade:

Countries	Management	Senior Professional	Professional	Specialist/Generic Staff	Blue Collar
Argentina	83%	93.5%	91.4%	103.2%	97.5%
Australia	94.9%	112.2%	106.4%	79.6%	-
Brazil	98.5%	94.6%	88.6%	94.1%	-
Canada	66.7%	96.3%	99.8%	103.9%	86.5%
Germany	88.5%	100.3%	89.8%	91.9%	-
Italy	90.5%	94.2%	86.8%	105%	94.3%
Jamaica	121.2%	112.2%	88.4%	89.8%	167%
Russia	96.2%	114.1%	99%	98.9%	-
United States	107.9%	96.5%	107%	103.6%	97.3%

It should be noted that salaries for men and women are broadly equal. Any disparities in the average figure may stem from the higher number of men or women at a particular site, or the hiring of new Camparistas on a basic salary, determined according to their experience.

#### Camparistas' involvement in the environment, well-being and social activities

The activities promoted by Gruppo Campari to enhance the work/life balance are continuing. The Group recognises the need to provide flexible, temporary or permanent working arrangements, based on differing requirements. Moreover, programmes aimed at providing healthier lifestyles are continuously being introduced in the Group's offices and plants. These include the provision of fitness areas for Camparistas, the dissemination of educational materials on healthy eating and good eating habits, and the development of partnerships with local companies to supply wholesome snacks, fresh fruit and healthy drinks.

In this regard, the Great Place to Work questionnaire paid particular attention to the issue of improving the well-being of Camparistas in all our sites.

Question	Score
'This is a physically safe place to work?'	89% of Camparistas responded positively
'Our facilities contribute to a good working environment'	78% of Camparistas responded positively
'I am able to take time off from work when I think it is necessary'	76% of Camparistas responded positively
'This is a friendly place to work'	79% of Camparistas responded positively

#### *Main projects developed:*

- **Eco Campari.** Created in 2012 in Brazil, this project was extended to all the Group's business units in 2013, helping to raise awareness among Camparistas of the importance of environmental sustainability by adopting small, simple daily actions, which, taken together, make a difference. In 2015, for example, Campari Austria GmbH developed various green practices in line with the philosophy of Eco Campari. These included promoting corporate car sharing (e.g. Zipcar, Poolcar), using 100% renewable energy in offices, using bicycle couriers in the urban area of Vienna, streamlining the logistics of product packaging activities, and managing waste via separate waste collection.
- **Family Day** Some of the Group's units organise activities involving Camparistas' families. These include:
  - *Employee Family Day Picnic - San Francisco*  
This is a time of training and raising awareness about ecological issues for children of the Camparistas who work at the Lawrenceburg distillery in Kentucky.
  - *Take Your Children to Work Day - San Francisco*  
This programme, which was developed in 2015, aims to introduce children to the world of work by allowing them to carry out concrete tasks under the supervision of their parents.
  - *Happy Campari Day 2016 - Brazil*  
Following on from the success of the last event, 53 children of Camparistas attended Happy Day Campari, where they had the opportunity of spending a special day in the company of their parents, learning about their working environment.

- Quality of the working environment and promotion of a healthy lifestyle
  - *United States*
    - *Campari Health Squad*: the Group continued with its activities to promote specific initiatives for the well-being and health of Camparistas, carried out by a team of volunteers.
    - *Walktober*: employees, organised in teams, were provided with a step-counting device, and challenged themselves in a walking competition during the whole of October.
    - Other activities include a periodic review of work stations to ensure an optimal ergonomic configuration, and the offer of flu vaccinations for employees.
  - *Mexico*

During the year, Campari Mexico S.A. de C.V. sought to increase the involvement and motivation of Camparistas at the Guadalajara plant by creating new communal areas (e.g. Campari bar, games zone, reading and relaxation room, restaurant and more modern offices, and an auditorium for seminars and internal training activities). In the new Campari Bar, for example, various initiatives were promoted (i.e. *Become a Brand Ambassador*, *Happy Hour* and *Social Friday*) designed to strengthen the integration of Camparistas belonging to different corporate functions, brand knowledge and team spirit within the company. Campari Mexico S.A. de C.V. also came to an agreement with a local sports club to offer Camparistas the opportunity to take part in a six-week fitness and weight control programme, free of charge, under the supervision of a qualified nutritional trainer. Lastly, a home-to-work shuttle service has been organised for Camparistas.
  - *Jamaica*
    - *Health and nutritional education*. Emails and flyers are sent to Camparistas each week with information about health and well-being to raise awareness of good practices that can be adopted and to share knowledge about the most common illnesses. In addition, presentations to Camparistas by qualified nutritionists, as well as emails, flyers and posters are useful tools for promoting healthy eating. Lastly, 'canteen talks' during lunch breaks were organised at the staff restaurant to discuss particular issues associated with physical and mental health and healthy eating.
    - *Physical activity*. Periodic aerobics and yoga lessons are planned, and a weight-loss competition for Camparistas has been launched.
  - *Australia*
    - *Employee Assistance Program (EAP)*. A programme has been launched to enable Camparistas and their families to have free, confidential access to a consultancy service for advice on finance and other matters, and to obtain nutritional advice from a qualified dietician.
    - *Workplace Health and Safety Metrics*. In 2016, Campari Australia Pty. Ltd. appointed a coordinator to ensure adherence to current health and safety standards and to implement improvements. The programme pays particular attention to the environmental impact of the Derrimut production plant, specifically around energy and water consumption, waste management and recycling.
    - *Fitness Allowance*. Employees receive an benefit of AUD 600 per annum to pay for their gym registration, lessons or sporting equipment.
  - *Italy*

At the Sesto San Giovanni site, Camparistas may use a gym and attend fitness courses in the early mornings, lunch breaks and evenings after work. In addition, more and more Camparistas are taking advantage of the opportunity to work at home. Teleworking is a useful tool to enable Camparistas to efficiently manage their work/life balance according to their specific needs.

### Responsible marketing and practices

Quality of drinking has a dual meaning for the Group: to create products of excellence combined with a convivial and moderate style of consumption. For this reason, Gruppo Campari is committed to publicising messages and models of behaviour associated with the responsible consumption of alcoholic drinks via its communication channels.

### Responsible communications

The Commercial Communications Code, which was created in 2010, aims to ensure that all the Group's companies require their marketing teams to adhere to standards of legality, decency, honesty and fair business practices. Compliance with these voluntary rules applies to all the Group's commercial communications. Moreover, with regard to above-the-line communication (ATL),<sup>11</sup> it should be noted that there is an internal assessment committee ('Committee') composed of representatives from the Group Strategic Marketing, Corporate Communications, Corporate Legal and Public Affairs & CSR departments.

*In broad terms, the Code stipulates that Gruppo Campari's commercial communication*

**- must always:**

1. promote responsible drinking including through the use of visible and legible messages;

**- must never:**

1. promote the abuse or uncontrolled consumption of alcoholic drinks;
2. be aimed at or refer to minors, including indirectly;
3. make the alcoholic content the main information;
4. associate the driving of vehicles or other potentially dangerous activities with the consumption of alcoholic drinks;
5. lead the public to believe that the consumption of alcoholic drinks enhances mental lucidity or physical and sexual prowess;
6. lead the public to believe that alcoholic drinks may have therapeutic properties;
7. be aimed at or refer to pregnant women.

*Specific digital marketing guidelines also require the Age Affirmation Process to be included on all the websites of Campari products, with the aim of restricting access to those who are over the legal age for the consumption of alcohol; they also require the user comments to be checked regularly and any that do not comply with the Code to be removed.*

Gruppo Campari requires all Camparistas in the marketing, sales and public relations departments around the world to subscribe to the Code of Commercial Communications. In 2016, 100% of the members of the marketing, sales and public relations teams, including new Camparistas hired in these departments, had signed the code. In addition, all external agencies with whom the Group worked during the year were requested and agreed to subscribe to the Code.

Activities associated with the Code and the updating of Camparistas' knowledge and skills relating to responsible communication were launched in the countries in which the Group is present with its own distribution network. Campari do Brasil Ltda., for example, in partnership with specialist external companies, has developed a guide (Manual of Conduct in Social Media) for Camparistas, encouraging them to adopt correct behaviour on social media and motivating them to publish the hash tag #BEBACOMMODERAÇÃO (#DRINKRESPONSIBLY) in every post associated with the consumption of alcohol. All Camparistas (around 300) have received a copy of the manual and have been trained on its contents.

The Group's attention therefore also extends to new technology. For this reason, apart from updating the Code in 2012 with specific content relating to digital marketing, the Group has also developed Global Digital Guidelines and disseminated them throughout the whole Group; from 2015, guidelines were also developed for social media, aimed at regulating Gruppo Campari's online presence and digital activities.

Today, all ATL, BTL and social media communication contains messages about responsible drinking (Responsible Drinking Message, or 'RDM').

#### Existence of an RDM in ATL-trend communication

Year	2014	2015	2016
RDM percentage [%]	99%	100%	100%

#### Existence of an RDM in BTL-trend communication

Year	2014	2015	2016
RDM percentage [%]	97%	100%	100%

#### Existence of an RDM on the Group's social media and individual brand-trend

Year	2014	2015	2016
RDM percentage [%]	95%	98%	100%

<sup>11</sup>Above-the-Line ('ATL'): large-scale advertising via various media (television, radio, cinema, posters, press, web and social media).

Below-the-Line: ('BTL'): communication aimed at certain individuals in specific sales or consumption localities (direct marketing, promotions, events).

Responsible serving

In 2012, the headquarters at Sesto San Giovanni opened its doors to the Campari Academy, which was formerly located in Munich. Sector professionals or connoisseurs may take lessons held by international bartenders, cultural and lifestyle experts and trendsetters, at Villa Campari. In December 2016, the Campari Academy, Spain, was inaugurated with the aim of disseminating similar initiatives.

‘Drink well and with quality’ also means ‘provide a responsible service’. For this reason, the Group has defined Responsible Serving Guidelines, which are conveyed by the bartenders who work with us. The purpose of the document is to map out guidelines used to educate the students of Campari Academy in the responsible serving of alcoholic drinks. The bartenders involved at all our events promoted the six guidelines on which they were trained.

## Responsible Serving Guidelines

1. *Be aware of the legal drinking age in the country you are serving. Just asking the client's age is often seen as "not doing enough". Always ask for identification if the client looks under legal drinking age, with at least 2/3 years as "buffer".*
2. *Prevent undue offences, annoyance, disturbance, noise or any kind of inconvenience to people who live or work in areas close to your premises. Discuss with staff about improvements that can be made to enhance preventive measures for any problem that may arise.*
3. *Recognize the early symptoms of excessive alcohol consumption and discuss with your manager and/or colleagues when it's advisable not to serve any more drinks to customers showing impaired speech, lack of balance and/or coordination etc.*
4. *Always maintain responsible behaviour: do not drink alcohol when working over the counter. Always respect alcohol consumption guidelines.*
5. *Do not promote, advertise or conduct your operations in a way that could encourage the excessive consumption of alcohol or that discourages a responsible attitude towards consumption.*
6. *Encourage soft, relaxed, social and responsible drinking in a friendly and chilled atmosphere. Therefore keep good standards of cleanliness, be friendly with your customers and always promote food with drinks.*

Responsible consumption: communications and promotions initiatives

In addition to ensuring compliance with the business guidelines and legislation in force in each country, Gruppo Campari also continued, in 2016, to voluntarily include the ‘pregnancy logo’ or equivalent messages on all the labels and packaging of their alcoholic products to discourage the consumption of alcoholic drinks by pregnant women. As proof of the Group’s commitment, Campari has adopted the role of promoter of a culture of quality and responsibility, and in 2016 implemented specific initiatives in various markets, many of which were organised in conjunction with the trade associations to which it belongs. Dialogue, involvement and cooperation with trade associations and institutions are real strengths that help the Group carry out projects and communication initiatives targeted at a wider audience, with the aim of educating consumers on the informed use of our products. Gruppo Campari is today a member of 21 trade associations and social aspect organisations in 18 out of the 20 countries in which it has its own distribution network, and the Group’s managers play a key role in some of them. In Europe, Gruppo Campari is also a member of SpiritsEurope, which represents 31 national associations in 24 countries and the eight main players in the spirits sector. In carrying out projects and collaborating with the largest national and international trade associations, Gruppo Campari is clearly able to be more forceful in disseminating correct models of the responsible consumption of alcoholic drinks.

- *Responsible Drinking Action - Brazil*  
 From June to August, customers buying a bottle of SKYY Vodka in any of 52 Carrefour supermarkets in São Paulo and Rio de Janeiro received a free voucher for a taxi ride; the aim was to make them aware that they should not get behind the wheel if they think they have exceeded the legal limit for driving. Thanks to new packaging created for the purpose, greater visibility in supermarkets and specific communication about the event via the various channels (flyers, local newspapers, Facebook and Radio Carrefour), Campari do Brasil Ltda was able to publicise the message about responsible drinking on a large scale, reaching over 500,000 people.
- *I am Legal - Jamaica*  
 Gruppo Campari continues to support the programme promoted by the Jamaica Alcohol Beverage Association (JABA) aimed at countering the consumption of alcoholic drinks by minors. Thanks to this initiative and scrupulous checking, J Wray & Nephew Ltd. ensure that their products are only served to people who can prove they have reached the legal drinking age at all the national shows and events promoted by the Group.
- *Drink Right - Jamaica*  
 This campaign was carried out as a public-private partnership between the Jamaican government, the main national trade associations and the largest industry players. The objective was to reduce the irresponsible consumption of alcoholic drinks and by minors via the dissemination of specific messages related to the responsible drinking of our products (e.g. 'Must be 18 and older to drink' and 'Please drink responsibly'). J. Wray & Nephew Ltd. has consequently undertaken to strengthen and expand its marketing codes on correct and responsible commercial communications. With this aim in mind, on 16 September 2016, J. Wray & Nephew Ltd. developed a targeted campaign (Enjoy Responsibly Day) on social media, involving all its brands, and posted images and messages to promote responsible drinking.
- *#Beremeglio [#Drinkbetter] - Italy*  
 Project launched in 2015 by Federvini in conjunction with FIPE (the Italian federation of catering and entertainment establishments) in Padua; the pilot phase was successfully completed during 2016. #Beremeglio focuses on quality rather than quantity, and aims to educate bartenders and sector operators on how to correctly serve alcoholic drinks. In 2016, Gruppo Campari helped to disseminate and make known the culture of drinking well with the Campari Academy tour. As part of the #Beremeglio initiative, the Campari Academy Truck visited 24 Italian cities, providing itinerant training courses in each of these on the art of drinking mixed drinks and drinking well.
- *Project 'Avtotrezvost' - Russia*  
 In 2014, 'Avtotrezvost' ('Road Safety'), a training module on drinking and driving for driving school students was launched. The project has three objectives: instil responsible behaviour in future drivers; condemn drunkenness; and develop greater interaction between the partners promoting the initiative (Ministry of Health, Moscow Automobile and Road Construction State Technical University (MADI), Driving Schools Association, and the MOST Creative Club and Alcoholic Beverage Committee, of which Campari Rus is a member). Over 7,000 learners in 31 driving schools in the country have already received the training, which comprises a theory part and an interactive part. As part of the initiative, an app was created in 2016 which, with the use of virtual reality visors, changes the screen of a smartphone, simulating a driver's state of alcoholic drunkenness. During these sessions, students receive information about the effects of alcohol, the legal consequences of driving while drunk, statistics on road accidents connected with the abuse of alcoholic drinks, and ways to prevent them.
- *Smart Selling - Belgium*  
 An initiative by Vinum & Spiritus Association Belgium (of which Campari Benelux S.A. is a member) in partnership with two of the largest retail sales chains, Carrefour and White Nights, led to the publication of booklets in three languages (Dutch, English and French), which have been distributed to employees in the shops to support them in the responsible selling of alcoholic beverages, with a particular focus and attention on alcohol abuse by young people.
- *Enjoy in Moderation - Germany*  
 Campari Deutschland GmbH, in conjunction with the other leading producers and distributors of alcoholic drinks under the umbrella of the Federal Association of the German Spirits Industry and Importers (BSI), and with the support of the association's scientific committee, created a website ([www.massvoll-geniessen.de](http://www.massvoll-geniessen.de)) for the promotion of practical information on responsible drinking. The website, also available for mobile devices, has been enhanced with video clips in which television chef, international bartenders, popular restaurateurs and scientists encourage consumers to moderate consumption.

## QHSE - Quality, Health, Safety and Environment

### Scope and methodology

Every year QHSE assumes an even greater strategic importance in Gruppo Campari's operations.

As the Group increases in size and complexity, it becomes even more necessary to guarantee safe products that meet consumer expectations, provide a safe and secure workplace and create a responsible and sustainable relationship with the world around us.

Adopting the operating platform, Enablon - which is far from being merely an IT tool - enables us to gather and analyse an extended range of data and indicators for evaluation purposes, although it is mainly used for planning and is the starting point for processes aimed at continually improving QHSE management. The analysis of this data will form the basis for studies on optimising environmental performance over the next few years, regarding, in particular, the effects on climate change and programmes for improving accident prevention.

QHSE data and indicators also refer to GRI4 guidelines, but do not include information relating to the SPML French facilities and the Italian wineries, as previously emphasised in the methodology section, and also exclude some of the operations of the Canadian production facility in Grimsby. The reporting process for some of the indicators includes the co-packers.

In 2016 environmental performance was impacted in part by specific industrial operating conditions. Among these was the suspension of the production of sugar as a result of an injunction by the judicial authorities, which substantially reduced the Group's consolidated energy consumption.

### Tools and systems

#### a) QHSE training

	2015	2016
Total QHSE Training [h]	31,621	22,839
Average QHSE training hours per employee [h/Man]	13.52	9.75

Processes that foster an awareness of a common culture moored in the strategic areas of quality, health, safety and environment have been embedded within the organisation for years. By mainly leveraging its internal professionalism and competencies, more than 22,800 hours were dedicated and involved large swaths of the corporate population in numerous training initiatives that resulted in an impressive 9.75 hours of training on average for Camparistas included in the reporting scope. Of these hours, some 60% were dedicated to health and safety training.

#### b) Certifications

	2015	2016
Total percentage of bottles produced in sites certified with Food Safety Certification Standards: ISO22000/BRC/IFS/WQA/HACCP/FSSC22000 [%]	81%	84%
Total percentage of bottles produced in sites certified with Health & Safety Certification Standard: BS OHSAS18001 [%]	76%	63%
Total percentage of bottles produced in sites certified with Environmental Certification standard: ISO14001/EMAS/ISO50001 [%]	84%	69%

The triple certification process in line with ISO 22000 (food safety), OHSAS 18001 (occupational health and safety standards) and ISO 14001 (environment) voluntary standards, also continued on schedule in 2016. It should be noted that some of the new objectives that have been met are FSSC 22000 certification for the Lawrenceburg facility, BRC version 7 certification for the Novi Ligure and Derrimut facilities and the transition to the ISO 14001:2015 version for the facilities in Sorocaba and Suape.

Since 2016, the percentage of bottles produced in certified sites has included production at co-packers as well, proof of our growing attention to the strategic topics of quality, health, safety and environment - even when they are managed externally.



**c) QHSE audit**

Indicators	2015	2016
Total number of QHSE Audits [num]	184	293

The Group's production structures were subjected to a number of audits by both internal and external parties within the scope of QHSE, up approximately 59% in 2016. Among other things, the global verification plan for compliance with environmental standards was developed in partnership with Lloyd's Register Quality Assurance. It was launched in Jamaica in October and will cover all the Group's facilities in two years.

**Enablon - Sustainability Management Platform**

*The collection, verification and consolidation process for data and performance indicators for the areas of quality, health, safety and environment was automated from 2016 thanks to the implementation of the performance management module of the Enablon platform.*

*Up to 1,550 indicators per site are collected and verified every quarter by 80 international users via the completion of electronic questionnaires.*

*The system generates automatic email notifications that ask users to collect and verify the indicators which apply to them by the deadline set at the start of the data gathering campaign, which lasts a total of three weeks.*

*The process includes two levels of verification: the first is local, the second is regional. A further control of consolidated data at the global level is carried out at the end of the campaign by Global QHSE by consulting the reports and the trend analysis generated by the system.*

*Moreover, specific targets and objectives can be customised for each indicator, making it possible to control their attainment and to draw up preventive and corrective action plans.*

*The system is currently active at 40 sites.*

**Quality****Complaints**

Indicator	2015	2016
Total number of customer complaints [num]	623	534
Total ppm (parts per million) of total justified complained bottles [ppm]	54	102

Product quality is measured by tracking the number of customer complaints and the product defect rate by determining in ppm (parts per million) the ratio of defective bottles to the total number of bottles produced annually. 2016 saw a decline in the number of market complaints accompanied by an increase in the figures in ppm, which was also due to the inclusion of reports related to production by co-packers.

However, of the 534 reports, only 17 involved critical defects. In the last quarter, the effects of Operation Goldstar, characterised by the activation of additional controls for packaging materials, in-line production and finished products brought about a significant reduction in defects in ppm related to internal production (from 67 ppm in the first nine months of the year to 7 ppm in the last quarter).

The company's exceptional attention to quality in 2016 led to the rigorous application of the precautionary principle in the form of a voluntary recall of certain batches of Aversa sold in some European countries including Germany, Italy, Austria, Switzerland and Belgium, due to a possible crack in the pourer.

**Operation Goldstar - additional quality inspections**

*In order to mitigate the risks related to product defects, additional activities were introduced across three levels in order to reinforce existing quality control levels in every facility. These apply to packaging materials (empty bottles and closures), in-line and finished products, and cover key and strategic brands (Aperol, Appleton, Campari, SKYY, Wild Turkey and Aversa, Camparisoda and Crodino). The methodology is based on statistical sampling established by Military Standards, internationally recognised as one of the most effective statistical approaches to evaluating quality.*

*The expected medium-term results are attributable to a global alignment with quality assurance policies, improvements in RCA (Root Cause Analysis) and CAPA (Corrective Action, Preventive Action) management processes, greater focus on the importance of investment, training and greater awareness regarding quality and individual responsibility, all of which combined result in a tangible mitigation of quality risks.*

**Health and safety****a. Injuries**

Indicator	2015	2016
Total number of injuries without absence of work - EMPLOYEES	122	107
Total number of injuries to Gruppo Campari employees	177	154
Total number of lost days due to injuries to Gruppo Campari employees	522	529
Injury Frequency Rate per Gruppo Campari employee	37.21	37.51
Injury Severity Rate per Gruppo Campari employee	0.11	0.13
Total number of injuries to Gruppo Campari contractors	22	45
Total number of lost days due to injuries to Gruppo Campari contractors	160	86
Injury Frequency Rate per Gruppo Campari contractor	58.74	55.97
Injuries Severity Rate per Gruppo Campari contractor	0.43	0.11
Total number of injuries to Gruppo Campari suppliers	0	0
Total number of injuries to Gruppo Campari visitors	2	5
Work-related fatalities for Gruppo Campari employees, contractors, suppliers and visitors	1	1

We were highly focused on preventing injuries in 2016. Specific local initiatives aimed at boosting awareness through information and training (including visual aids) significantly reduced the number of accidents, which fell 13% in absolute terms with respect to the previous year. However, the number of days lost and the injury frequency and severity rates remained constant, as did the main causes – stumbling, slipping and running into fixed objects. In the US, a contractor was carrying out construction work at height and fell owing to the inadequate use of protective equipment, but fortunately escaped serious injury.

Prevention programmes will continue at local level in 2017. They will be rounded out by global training aimed at changing behaviour, with a particular focus on risks connected with working at height and in confined spaces and are designed to reach a high number of employees in the company.

Unfortunately there was a fatality in Jamaica in which a security guard in New Yarmouth suffered an external armed attack, with tragic consequences. Following this traumatic event, further structural and organisational measures were put in place to improve the safety of security guards.

Finally, as in previous years, there were no occupational illnesses.

**b. Near-miss**

Indicator	2015	2016
Total HSE Near Miss - EMPLOYEES	49	127
Total HSE Near Miss - CONTRACTORS	6	21
Total HSE Near Miss - SUPPLIERS	3	2
Total HSE Near Miss - VISITORS	1	3

As in previous years, the number of near-miss accidents recorded rose, proving the effectiveness of training sessions and indicating an ever-increasing awareness within the company with regard to health, safety and environment.

*Capilla del Señor - Safety Culture*

*Many local improvement projects include the objective of reducing accidents. Among these is the interesting initiative put in place at Capilla del Señor, Argentina.*

*After the:*

- *implementation of a 5S programme for optimising labour standards and operating performance;*
- *weekly meetings on safety;*
- *weekly discussions on safety;*
- *safety training programmes;*

*a plan to change behaviour was launched which reduced the number of accidents from 15 in 2015 to 3 in 2016.*

**Environment****a) Energy**

Indicator	2015	2016
Total Renewable Energy produced [GJ]	940,336	2,495
Total Electricity consumption [GJ]	184,908	179,645
Total Non-Renewable Energy consumption [GJ]	1,415,010	1,339,363
Total Renewable Energy consumption [GJ]	1,187,225	2,495
Total Energy consumption within the organization [GJ]	2,602,235	1,341,858

In 2016, calculation methods were harmonised for converting the amount of combustible raw materials consumed into energy available to the company. Specific industrial operating conditions led to total consumption of more than 1,341,000 GJ (gigajoules) in 2016, which is considerably lower than the previous year, alongside a clear reduction in the amount of renewable energy produced. Under this condition, it is possible to calculate an average value of 1.82 MJ (megajoules) consumed for every bottle produced. In 2016, in-house energy production mainly came from photovoltaic installations, generating 2,495 GJ, which was fully consumed by the company.

**b) Water**

Indicator	2015	2016
<b>Water withdrawal and intensity</b>		
Rivers [m <sup>3</sup> ]	6,554,510	3,766,694
Groundwater [m <sup>3</sup> ]	7,948,203	9,702,853
Rainwater [m <sup>3</sup> ]	2,867	3,197
Municipal water supply [m <sup>3</sup> ]	676,843	754,063
Wastewater from another organization - Process Water [m <sup>3</sup> ]	0	65,302
Total water withdrawal [m <sup>3</sup> ]	15,182,423	14,292,109
Performance of water use - bottles produced [litres/bottle]	21.81	19.33
<b>Water recycled and reused</b>		
Total of water reused by the organization (internally) [m <sup>3</sup> ]	17,782	221,856
<b>Water discharge destination</b>		
Total surface water discharge [m <sup>3</sup> ]	2,068,535	854,100
Total water discharge Process Water [m <sup>3</sup> ]	1,838,764	1,637,424
Total water discharge [m <sup>3</sup> ]	4,182,000	2,519,967
Performance of wastewater - bottles produced [litres/bottle]	6.01	3.41

Special emphasis was placed on the integrated management of water resources drawn from and returned to the environment in 2016.

The main supply source is underground water and fresh surface water, which, together with other sources, supplied more than 14,200,000 m<sup>3</sup>. The redefinition of the reporting scope combined with the optimised use of the resource reduced the amount of water withdrawn per bottle by about 11%. This amount includes all direct and indirect consumption related to the company's manufacturing operations.

The industrial operational processes which typified 2016 are also reflected in the significant reduction in effluents, the majority of which were returned to receiving bodies of surface water for a total of more than 2.5 million m<sup>3</sup>.

Indicator	2015	2016
Total number of wastewater analyses [num]	2,907	3,593

Our commitment to managing this environmental aspect is shown by the fact that the number of analyses performed on effluents rose more than 20%.

**c) Waste**

Indicator	2015	2016
Total hazardous waste [t]	156	25
Total non-hazardous waste [t]	162,787	28,124
Total waste [t]	162,943	28,149
Percentage of hazardous waste [%]	0.09	0.09
Amount of waste produced per bottle [kg/bottle]	0.23	0.04

The approximately 28,150 tonnes of waste generated by the company's production activities consist almost exclusively of non-hazardous materials, which are recycled and reclaimed with increasing attention. This is shown, for example, by the creation of a collection and separation plant for solid waste at the Kingston, Jamaica facility.

**d) Spills**

Indicator	2015	2016
Total number of soil spills	10	4
Total litres of soil spills [litres]	71,799	640
Total number of surface water spills	4	5
Total litres of surface water spills [litres]	12,430	191
Total number of municipal water supplies or other water utilities spills	0	1
Total number of air spills	0	9
Total litres of air spills [litres]	0	230
Total number of spills	14	19

Despite the greater attention paid to managing all the various environmental aspects, 19 accidental spills were recorded. All of these were minor events that could be immediately identified and resolved using measures to remove the cause and reverse the damage.

- Dunder treatment plant at Appleton Estate, Jamaica*  
*Dunder is the liquid left over from distilling a batch of rum. In the traditional method of distilling Jamaican rum, the unused dunder, which is rich in natural nutrients, can be used as fertilizer. In order to ensure compliance with National Environmental Planning Agency (NEPA) requirements and to guarantee sustainable operations over the entire year, a dunder treatment plant was planned, constructed and put into operation at the distillery in Appleton between September 2015 and December 2016. With an investment of € 5.5 million and the installation of a membrane bio-reactor to further treat the permeate, the system is now able to reuse as process water or return effluent with a COD well below the limit set by the law (100mg/L) to the environment.*
- Closed-loop system at the Appleton Estate, Jamaica sugar factory*  
*The sugar factory at Appleton Estate is situated in a rural area through which the Black River runs. To eliminate all industrial waste created by production operations, some € 1.2 million was invested between February 2016 and December 2016 to install a series of 10 sedimentation ponds which form two distinct water treatment systems.*
- Wastewater treatment at the ageing, blending and bottling plants at JWN in Jamaica*  
*Ageing, blending and bottling at JWN are concentrated at the Spanish Town Road location, which includes the north, south and east facilities. Between January 2015 and December 2016, some € 5 million was invested to set up and put into operation collection systems and a treatment plant for local and industrial wastewater, thus ensuring greater efficiency and control over all effluents produced.*

**Responsible sourcing & distribution****a) Responsible sourcing**

Gruppo Campari considers it a strategic priority to have its suppliers guarantee the sustainable management of their operations.

With the aim of ensuring a high standard of excellence for products and ethical conduct in all activities, starting in 2012 Gruppo Campari set out to have all of its raw materials, packaging and POS material suppliers subscribe to a Supplier Code. Today, 89.5% of suppliers managed by Global Procurement from five main geographical areas (Italy, Europe, North America, South America and APAC) have subscribed to the Code, which is slightly higher than the 88% in 2015.

Suppliers who have subscribed to the Code: trend

	2015	2016
Suppliers [number]	1,216	1,218
Suppliers who have subscribed to the Code [number]	1,075	1,090
Suppliers who have subscribed to the Code [%]	88%	89.5%
Economic value of purchases from subscribing suppliers [€/m]	270.0	274.1

In this way the Group's suppliers commit to ensuring compliance with the following principles set out in the Code:

- correctness, loyalty and honesty;
- impartiality and aversion to, and full disclosure of, actual or potential conflicts of interest;
- confidentiality;
- transparency and completeness of information;
- rejection and condemnation of any type of discrimination;
- rejection of any forms of child labour or forced or exploited labour;
- health and safety in the workplace;
- compliance with the environmental laws, regulations and policies adopted by the competent authorities in the countries in which it operates, promoting development of environmentally sustainable behaviour;
- prevention and reduction of environmental pollution;
- rejection of unfair competition;
- rejection of corruption;
- adherence to the Code of Ethics and Gruppo Campari's QHSE Policy.

These suppliers will also assist the Group if it wishes to check whether these principles are being respected.

### **An important step forward**

By becoming a member of Sedex, Gruppo Campari thus affirms its particular focus on sustainability in the area of procurement as well. As a result of our growing emphasis on social and environmental issues with regard to our supply chain, in the fourth quarter of 2016 we joined one of the world's largest platforms for managing and sharing sustainable data.

#### *What is Sedex?*

*Sedex (Supplier Ethical Data Exchange) is a not-for-profit membership organisation dedicated to driving improvements in responsible and ethical business practices in global supply chains.*

*It provides an online database that allows its users to store, share and report on information about their company in four key areas:*

- *labour standards;*
- *health and safety;*
- *the environment;*
- *business ethics.*

After signing the contract with Sedex in 2016, the Group launched a programme aimed at involving the majority of our direct materials suppliers in 2017 by asking them to register and share their business practices on the platform. Thanks to Sedex, Gruppo Campari is able to guarantee greater transparency regarding its supply chain and strengthen its sharing and promoting of ethical practices with its suppliers.

### **b) Sustainable logistics and distribution**

For Gruppo Campari, designing a model for sustainable business development right along the value chain entails maintaining this commitment in the field of logistics. Sustainable logistics involves creating value for the business by seeking a balance between environmental and economic efficiency.

Geographically speaking, 2016 saw the Group focusing primarily on long-distance full-load road transport within Europe, which is of particular importance to the business. The following main aspects should be noted.

#### **Intermodal transport**

At present, 60% of journeys in Europe (i.e. from the production unit to the distribution centre) are made intermodally, i.e. using a combination of different means of transport. The table below shows that 45% of such intermodal journeys are made in Germany.

Countries	Road transport [%]	Intermodal transport [%]	Total transfers [number]
Austria	100%	0	248
Belgium	1%	99%	217
Germany	0	100%	1,212
United Kingdom	0	100%	109
Lithuania	99%	1%	288
The Netherlands	0	100%	53
Spain	100%	0	189
Switzerland	100%	0	280
Ukraine	100%	0	86
Total	40%	60%	2,682

A total of 6,100 transfers of goods were completed in Italy, 11% of them intermodally:

- 615 by road/ship;
- 46 by road/rail.

### **Eco-mobility**

2016 saw the renewal of the partnership with Berger, a great innovator in the field of sustainable transport, specialising in deliveries by road. In particular, it has designed vehicles in the category Euro 6, built using lightweight steel, and capable of carrying two more pallets than a standard vehicle.

Follow-up comparative studies show that the use of Berger's ecotrails does in fact bring about a reduction in harmful emissions, especially when combined with the intermodal approach to transport. The study was carried out by Berger on the basis of a sample totalling 17,920 pallets with the same weight and size as our pallets and was conducted over a distance of 880 km.

4 possible options:

- Standard truck;
- Berger ecotrail (100% on-road);
- Berger ecotrail (50% on-road) + transport on a RoLA rail wagon (50%);
- RoLA (100% on-rail).

	Standard truck	Berger ecotrail	Berger ecotrail + RoLA	RoLA
Total CO <sub>2</sub> emissions (kg)	671,992	623,992	555,610	69,807
CO <sub>2</sub> emissions per pallet (kg)	37.50	34.82	31.01	3.90

It should be noted that the figure for CO<sub>2</sub> emission savings achieved using standard on-road transport is 7.15% when goods are transported by Berger (ecotrail). When both ecotrail and rail are used, the CO<sub>2</sub> emission saving achieved is 17.31%. When rail is used exclusively, the saving amounts to 89.60%.

### **Sustainable pallet management**

Continuing with the focus on Europe, the company has also been collaborating, in Germany, Austria and Belgium, with the pallet transport company PAKY. PAKY's supply network enables it to recover pallets from waste sites and transfer them to its own stock or that of the closest customer and, at the same time, to ensure that the same type of pallet is delivered from its closest recovery point to our loading bays. This procedure obviously makes it possible to significantly reduce the number of deliveries made within Europe, and hence have a positive environmental impact. The 'PAKY method' has made the movement of 44,900 benches – about 90 truckloads' worth – unnecessary and avoidable.

The supplier selected for Spain was CHEEP which, unlike PAKY, hires out pallets using a more traditional approach to pooling, while providing a service similar to that described above. In this instance, 5,350 pallets were moved, which would otherwise have required 11 truckloads.

The Group wants to continue to evaluate potential solutions for other markets that will continue to reduce the impact of pallet movements from a logistical and therefore environmental point of view.

### **Community involvement: playing our part in the community**

#### **a) Gruppo Campari's work for cultural and social development**

Culture has been in Gruppo Campari's DNA right from the start. The 'Campari' name has always been associated with the world of art, design and cinema.

Promoting and popularising culture also entails taking an interest in education and in human well-being. Gruppo Campari is aware of the needs of communities in the countries in which it has a significant presence and engages in the community involvement projects described below.

## Galleria Campari

Galleria Campari opened in 2010 to mark the 150 years since the company's foundation, and is an ultra-modern museum that can be visited free of charge; it is a dynamic, interactive and multi-media space, entirely dedicated to the relationship between the 'Campari' brand and the ways in which art and design have been used to communicate it.

What makes the gallery great is the unique and rich Campari archive, containing over 3,000 works on paper, original sketches, posters from the *Belle Époque*, handbills and advertisements from the early 19th century to the 1990s signed by major artists such as Marcello Dudovich, Leonetto Cappiello, Fortunato Depero, Franz Marangolo, Guido Crepax and Ugo Nespolo; commercials filmed by Federico Fellini and Singh Tarsem among others, and items signed by designers including Matteo Thun, Dodo Arslan, Markus Benesch and Matteo Ragni.

To visit the gallery is to immerse oneself in a major chapter in the history of advertising, entrepreneurship and nineteenth-century art; it received over 13,000 visitors in 2016, some 2,700 of these being students from Italy and abroad.

### Exhibitions and dissemination of culture

In 2016, the Galleria Campari contributed to many events, some of them under the aegis of national and international initiatives forming part of the Museimpresa circuit. These included European Heritage Days, European Museum Nights and the Business Culture Week.

Galleria Campari organises short-term exhibitions, educational and research events and promotes publications on the history of corporate communication through art and design. It lends its own artefacts for display in other museums and supports third-party projects featuring material from the Campari collection; it also provides historical and critical advice. It staged the multisensory exhibition 'Bittersweet Symphony', which attracted over 4,500 visitors between mid-October and the end of December. The interactive exhibits featured examples of figurative art as well as of the other arts, ranging from music to cinema, and from fashion to perfumery. Combining the arts and high artisanship, the exhibition allowed visitors to be active participants in an experience of discovery using all the senses: sight through contemporary art, cinema and theatre; hearing through many different genres of music; smell through hand-made perfumes; the taste buds through small appetisers, and touch through the various materials to be explored.

In 2016, Galleria Campari loaned some of its works of art to several major exhibitions, including:

- the Max Museum in Chiasso (Switzerland), for the 'La grafica per l'aperitivo' ('Graphics for the aperitif') exhibition;
- the Murano Glass Museum, Venice, for the 'Il vetro per l'aperitivo. Trasformazioni del brindisi. Storie di vetro e di carta' ('Glass art for the aperitif. The evolution of sociable drinking. Stories of glass and paper) exhibition.

Moreover, the 'Galleria Campari On Tour' initiative made it possible to send the collection's most iconic historical works to London and Sydney, making them accessible to a wider and international public. The 'Galleria Campari' smartphone app enables its users to learn more about the works on display, and the information it provides is always up to date.

The Campari Wall project is continuing through collaboration with major galleries specialising in contemporary art. During 2016, two installations were on display in an exhibition space within our headquarters, that serves as a showcase for Italian and foreign creative talent.

Finally, 2016 also saw our headquarters staff being encouraged to take an interest in the cultural activities promoted by the company and to take part in them, through recreational activities associated with the art works in Galleria Campari, one of which was the 'Pausa-Pranzo-in-Galleria' initiative (lunchtime gallery visits).

### Awards

In 2016, Galleria Campari won, in the business museums category, the 'Premio Gavi LA BUONA ITALIA', which was endowed to recognise, highlight and reward good practice in promoting the international reputation of Italian wines and spirits. It also received a special mention in the Corporate Art Awards instituted by the LUISS Business School in Rome, which are intended to honour and support excellence in collaborative efforts throughout the world between the worlds of business and the arts.

The gallery, then, presents itself as a space associated with the brand, but also as a centre for research and cultural production, telling – through the histories of art, of advertising, of design and, of course, of the company – the story of how innovation is founded upon tradition.

## **b) Education and teaching**

Aiming to reduce the gap between education and the world of work, the 'La Buona Scuola' ('The Good School') law (no. 107/2015) introduced a school-work alternation programme in Italy, making this mandatory for high schools and secondary educational institutions.

Campari Italia opted to support the project for three years from 2016 to 2019 in partnership with ELIS Consortium, which, since 2008, has been offering training programmes that network schools and businesses, with the aim of enabling the

former to meet the latter's needs by providing an education in line with trends on, and the demands of, the labour market. Working together with ELIS offers considerable advantages when it comes to liaising with institutions, managing communication with the participating schools, and training company staff. Three employees, one from each production site, undertook training in how to pass on their quality, health, safety, environment and financial planning skills to young people. In the course of 2017, these 'master mentors' will conduct training sessions in schools and guide their students during on-site visits. Some of the pupils will then be selected to take part in summer training schemes and/or project at our Crodo, Canale and Novi Ligure sites.

Also in the context of the school-work alternation programme, around 250 students, following a visit to the Galleria Campari whose themes were the heritage and the history of advertising, and training sessions in the Marketing department, devised and demonstrated their own distribution and advertising strategies for the Crodino brand.

A similar programme has also been developed in the Group's Brazilian offices, where, working together with local institutions, Campari do Brasil has helped promote and guide basic professional training by offering one-year contracts to young school leavers.

#### c) **BarAcca**

In 2016, Gruppo Campari started working with BarAcca, a project run by the non-profit organisation 'Handicap...su la testa', which has been running recreational activities for young people with mental disabilities in Milan since 1988. BarAcca is an attempt to integrate these young people into society and help them develop their own capacities through instruction from a mentor. The association has opened its own bar in Milan, aiming to offer people with disabilities experience of a working environment and provide training activities. Gruppo Campari intends to support this initiative not only by providing it with promotional material and its products, but also through the involvement of the Campari Academy in its training activities. The professionalism of the Academy's bartenders will enable them to share the tools and skills of their trade with BarAcca's young people and so help to break down the social barriers that stand in the way of their future entry into the world of work.

#### d) **Negroni Week**

Negroni Week is still being promoted, for the fourth year running, in collaboration with IMBIBE magazine. Launched internationally in 2015, the initiative ran from 6 to 12 June with the aim of raising funds for charities. Bars, restaurants and retailers in 60 countries were involved and encouraged to donate part of the sale price of the historic cocktail to charitable causes.

Participants: over 6,000 traders, 35% more than in 2015.

The campaign has been a success thanks to the high level of participation and has raised US\$ 380,843. As in 2015, the top fundraiser is again New York's Grand Banks restaurant, raising a total of US\$ 11,158, which continued to fund the non-profit organisation, The Maritime Foundation.

Top five countries in terms of funds raised	
United States	US\$ 233,742
Germany	US\$ 23,265.10
Australia	US\$ 16,653.34
Canada	US\$ 13,135.61
Italy	US\$ 7,738.85

Social media have again played a crucial part in the campaign, reaching over 153 viewings (hits) and the NegroniWeek hashtag has been used over 21,000 times.

#### e) **The company's charitable efforts**

##### *Brazil*

Among the local community activities in which Gruppo Campari employees are directly involved is the 'Natal Vermelho' ('Red Christmas') project promoted by Campari do Brasil.

For Christmas, as they have done in past years, employees in Alphaville, Sorocaba and Suape will be offering urgently needed items such as hygiene/sanitary products to institutions and NGOs running social solidarity projects; they have also chosen to play an active part in these by giving up some of their working hours to entertain and play with disadvantaged older people and children.

##### *United States*

Campari America, working together with the popular San Francisco food blog Tablehopper through the #SFAmatrice initiative, has helped to raise funds for the victims of the tragic earthquake that struck central Italy on 24 August 2016. This was done through a benefit event organised in a celebrated Italian restaurant, at which over 200 guests donated more than US\$ 25,000, destined for the citizens of Amatrice, one of the sites hardest hit by the quake.



Similar charitable activities:

- Donation for the benefit of the families of the victims of the attack on the Pulse nightclub, Orlando;
- Collection of over US\$ 80,000 from City Harvest's Summer Dinner Series; this money is used to provide food for at least a month to 11,400 people in need.

Campari America employees have also offered their voluntary services to many projects supported by non-profit organisations, such as SF-Marin Food Bank for the distribution of food to the needy and Habitat for Humanity, which supports San Francisco's lowest-income families.

#### *Jamaica*

During 2016, Camparistas in Jamaica were involved in the following projects:

- 'Blood Drive', promoting the donation of blood;
- 'Sigma Run', a road race raising funds for the Jamaica Cancer Society and the paediatric unit at the Black River Hospital;
- 'Labour Day', in which they redecorated the classrooms at the Newel High School and Mountainside Primary School.

#### *Australia*

The Sydney, Melbourne and Brisbane offices and the Derrimut site ran the first 'Christmas Food Drive' to encourage staff, in the run-up to Christmas, to donate non-perishable food to OzHarvest, the main non-profit organisation authorised to distribute food products to the country's poor. Campari Australia has also decided to donate usable hardware belonging to the company but no longer used by it, to the 'The Smith Family' association to help disadvantaged families and to offer children free lessons in the proper use of IT equipment.

In order to foster more widespread awareness of diseases suffered by men, many Campari employees in Australia, as they had done before, took part in the 2016 'Movember', a worldwide event in which men grow moustaches and encourage more and more others to take part in raising funds for the Movember Foundation.

## Report on corporate governance and ownership structure

In accordance with legal obligations, the Board of Directors annually approves the Report on corporate governance and ownership structure (the 'Report').

As well as the information pursuant to Article 123-*ter* of Legislative Decree 58 of 24 February 1998, the Report contains a general description of the corporate governance system adopted by the Group, featuring information on compliance with the principles and recommendations of the Code of Conduct for Listed Companies, including specific reasons why certain recommendations have not been applied.

The Report also contains a description of the features of the Group's internal control and risk management system, including in relation to the financial reporting process.

The report is available at [www.camparigroup.com](http://www.camparigroup.com), in the Corporate Governance section.

### Organisation, Management and Control Model pursuant to Legislative Decree 231 of 8 June 2001

From 1 January 2009, Davide Campari-Milano S.p.A. decided to adopt an Organisation, Management and Control Model pursuant to Legislative Decree 231 of 8 June 2001 on the administrative responsibility of legal entities, for the purposes of ensuring ethical and transparent conduct as a way to reduce the risk of the offences specified in the legislative decree being committed. It also established a supervisory body responsible for monitoring compliance with the Model and proposing any changes that might be necessary following amendments to the relevant legislation.

The Board of Directors has decided that it is appropriate, in order to streamline the control system, to allocate the functions of the Supervisory Body, pursuant to Law 183 of 12 November 2011, to the members of the Board of Statutory Auditors.

For a more detailed description of the Model and the activities undertaken in 2016, please see the Report on corporate governance and ownership structure published on [www.camparigroup.com](http://www.camparigroup.com), in the 'Investors' section.

### Transactions with related parties

The procedures for transactions with related parties approved by the Parent Company's Board of Directors on 11 November 2010, which came into force on 1 January 2011, can be viewed at [www.camparigroup.com](http://www.camparigroup.com), in the 'Investors' section.

An overview of these procedures is provided in the Report on corporate governance and ownership structure.

## Risk management

### Risks relating to international trade and operations in emerging markets

In line with its international growth strategy, the Group currently operates in numerous markets, and plans to expand in certain emerging countries, especially in Eastern Europe, Asia, Latin America and Africa.

Operating in emerging markets means that the Group is vulnerable to various risks inherent in international business, including exposure to an often unstable local political and economic environment, exchange rate fluctuations (and related hedging difficulties), export and import quotas, and limits or restrictions on investment, advertising or the repatriation of dividends.

### Risks relating to the Company's dependence on licences for the use of third-party brands and licences granted to third parties for use of the Group's brands

At 31 December 2016, 8.6% of the Group's consolidated net sales came from production and/or distribution under licence of third-party products.

Should any of these licensing agreements be terminated or not renewed for any reason, this could have a negative effect on the Group's activities and operating results.

### Risks relating to market competition

The Group is part of the alcoholic and non-alcoholic beverage segment, where there is a high level of competition and a huge number of operators. The main competitors are large international groups involved in the current wave of mergers and acquisitions, which are operating aggressive competitive strategies at global level.

The Group's competitive position vis-à-vis the most important global players, which often have greater financial resources and benefit from a more highly diversified portfolio of brands and geographic locations, means that its exposure to market competition risks is particularly significant.

### Risks relating to the Company's dependence on consumer preference and propensity to spend

An important success factor in the beverage industry is the ability to interpret consumer preferences and tastes – particularly those of young people – and to continually adapt sales strategies to anticipate market trends and strengthen and consolidate the product image.

If the Group's ability to understand and anticipate consumer tastes and expectations and to manage its own brands were to cease or decline significantly, this could considerably affect its activities and operating results.

Moreover, the unfavourable economic situation in certain markets is dampening the confidence of consumers, making them less likely to buy drinks.

### Risks relating to legislation in the beverage industry

Activities relating to the alcoholic beverages and soft drinks industry – production, distribution, export, import, sales and marketing – are governed by complex national and international legislation, often drafted with somewhat restrictive aims. The requirement to make the legislation governing the health of consumers, particularly young people, ever more stringent could, in the future, lead to the adoption of new laws and regulations aimed at discouraging or reducing the consumption of alcoholic drinks. Such measures could include restrictions on advertising or tax increases for certain product categories. Any tightening of regulations in the main countries in which the Group operates could lead to a fall in demand for its products.

### Tax risks

The Group operates in many countries with different tax regulations. In many jurisdictions, distillates and wines are subject to import and excise duties, some of which could rise and negatively affect demand for Gruppo Campari products. Such changes could have a negative impact on profit margins or sales, reducing overall consumption or encouraging consumers to move to less heavily-taxed alcoholic beverage categories.

Moreover, significant changes in the international tax environment could suddenly increase overall business costs if there is a rise in the Group's effective tax rate, and lead to uncertain and/or unexpected exposure to tax.

The Group regularly reviews its business strategy and tax policy in light of regulatory changes, and assesses the likelihood of any negative results of potential inspections in order to determine the adequacy of its tax provisions.

### Risks relating to environmental policy

With regard to the risks associated with environmental policy, the Group's industrial management has implemented dedicated procedures relating to safety and qualitative controls in the area of environmental pollution and the disposal of

solid waste and waste water. The objective of this structure is to continuously monitor and update the Group's industrial activities based on the legislation in force in the individual countries in which it operates.

#### **Risks relating to product compliance and safety**

The Group is exposed to risks relating to its responsibility to ensure that its products are safe for consumption.

It has therefore put in place procedures to ensure that products manufactured in Group plants are compliant and safe in terms of quality and hygiene, in accordance with the laws and regulations in force, and voluntary certification standards. In addition, the Group has defined guidelines to be implemented if quality is accidentally compromised, such as withdrawing and recalling products from the market.

#### **Risks relating to employees**

In the various countries where the Group has subsidiaries, its dealings with employees are regulated and protected by collective labour agreements and the regulations in force locally.

Any reorganisation or restructuring undertaken, where this becomes essential for strategic reasons, is defined on the basis of plans agreed with employee representatives.

Moreover, the Group has implemented specific procedures to monitor safety in the workplace, and it is worth noting that the accident rate at Group plants is very low and that any accidents that do occur tend to be minor.

#### **Environmental and geopolitical risks**

The Group operates in around 190 countries. Production activities and the implementation of the Group's strategies are subject to the effects of natural events and geopolitical risks. Environmental changes, some of which could have a significant impact, could interfere with the local supply chain, as well as harm some customers. These events are generally unpredictable and can influence the seasonality of sales, just as natural events (e.g. hurricanes) can damage products and interrupt production at some plants. Some weather conditions might also have a positive effect on some geographical regions, but a negative effect in other segments.

The Group monitors environmental and geopolitical risks, has emergency plans in place and continuously develops plans to deal with such crises. The Group counts compliance with regulations and with local and international standards among its priorities, together with business continuity assessment, back-up scenarios and global insurance policies.

#### **Risk of failure to comply with laws and regulations**

As the Group is exposed and subject to numerous different regulations, there is a risk that failure to comply with laws and regulations, as well as with the Group's policies, could harm its reputation and/or lead to potentially substantial fines. To mitigate this risk, the Group has created a Code of Ethics and defined Rules of Business Conduct. It also provides its employees with regular training on its global policies. Internal assurance activities are continuously monitored and assessed with local management in order to improve the internal control system.

#### **Exchange rate and other financial risks**

Around 56.5% of the Group's consolidated net sales in 2016 came from outside the European Union.

With the growth in the Group's international operations in areas outside the eurozone, a significant fluctuation in exchange rates could hit the Group's activities and operating results.

However, the establishment of Group entities in countries such as the United States, Brazil, Australia, Argentina, Russia and Switzerland allows this risk to be partly hedged, given that both costs and income are denominated in the same currency. Therefore, exposure to foreign exchange transactions generated by sales and purchases in currencies other than the Group's functional currencies represented an insignificant proportion of consolidated sales in 2016.

For more information about the Group's risks, see note 38 – 'Provisions for risks', and for financial risks, note 45 – 'Nature and extent of risks arising from financial instruments' in this report.

## Other information

### Structure of the Group

For information on changes to the Group's structure in 2016, see note 2 - 'Basis of consolidation' of the notes to the consolidated accounts,

### Holding and purchase of own shares and shares of the Parent Company

At 31 December 2016, the Parent Company held 1,342,344 own shares, equivalent to 0.23% of the share capital.

The Company purchased 2,326,135 own shares, at an average price of € 8.14, and sold 2,705,237 own shares during the year.

These own shares are to be used in stock option plans as described in detail in later sections of these annual financial statements.

Furthermore, after 31 December 2016 and until publication of the financial statements was authorised, the Company purchased an additional 780,000 own shares at an average price of € 9.40, and sold 249,583 own shares for the exercise of stock options. Thus, the number of own shares on the date this report was approved was 1,872,761.

However, during the period, Group companies did not hold, and do not currently hold, either directly or indirectly, any shares of the controlling shareholder.

### Adaptation plan pursuant to Articles 36 and 39 of the 'Market Regulations'

In accordance with Articles 36 and 39 of Consob Regulation 16191 of 29 October 2007 and subsequent amendments concerning 'conditions for listing shares of companies that control companies established and governed by laws of non-EU countries', the Parent Company has identified the significant subsidiaries defined in accordance with Article 36, paragraph 2 of the above-mentioned Regulation, and verified that the conditions set out in paragraphs a), b) and c) of Article 36 have been met.

### Personal data protection code

The Parent Company complies with Legislative Decree 196 of 30 June 2003, the Personal Data Protection Code, and specifically declares that it has established appropriate preventive security measures including with regard to information obtained as a result of technological advancements, the nature of the data and specific handling procedures in order to minimise risks associated with the intentional or unintentional destruction or loss of the data, unauthorised access or handling, or use of the data for purposes other than those for which it was collected.

### Other information

In accordance with Article 70, paragraph 8, and Article 71, paragraph 1-*bis*, of Consob Regulation 11971 of 14 May 1999, the Board of Directors has decided to take advantage of the option to derogate from the obligations to make available to the public the information documents prescribed in relation to significant mergers, spin-offs and capital increases through contributions in kind, acquisitions and disposals.

### Research and development activities

Group companies carried out research and development activities solely in relation to ordinary manufacturing and trading activities; costs were therefore fully expensed during the period.

## Operating and financial results of the Parent Company Davide Campari-Milano S.p.A.

### Financial performance

	31 December 2016		31 December 2015		Changes	
	€ million	%	€ million	%	%	%
<b>Net sales</b>	<b>605.2</b>	<b>100.0</b>	<b>566.3</b>	<b>100.0</b>		<b>7%</b>
Cost of goods sold, after distribution costs	(270.9)	-44.8	(253.1)	-44.7		7%
<b>Gross margin after distribution costs</b>	<b>334.4</b>	<b>55.2</b>	<b>313.3</b>	<b>55.3</b>		<b>7%</b>
Advertising and promotional costs	(63.3)	-10.5	(65.8)	-11.6		-4%
<b>Contribution margin</b>	<b>271.1</b>	<b>44.8</b>	<b>247.4</b>	<b>43.7</b>		<b>10%</b>
Structure costs	(100.4)	-16.6	(84.6)	-14.9		19%
<b>Adjusted result from recurring activities(1)</b>	<b>170.6</b>	<b>28.2</b>	<b>162.8</b>	<b>28.7</b>		<b>5%</b>
Adjustments to operating income (charges)	(1.8)	-0.3	(2.6)	-0.5		-32%
<b>Operating result(1)</b>	<b>168.8</b>	<b>27.9</b>	<b>160.2</b>	<b>28.3</b>		<b>5%</b>
Financial income (charges)	(62.1)	-10.3	(54.8)	-9.7		13%
Adjustments to financial income (expenses)(1)	(11.5)	-1.9	(0.2)	-0.0		6225%
Dividends	138.3	22.9	8.7	1.5		1499%
<b>Profit before tax</b>	<b>233.5</b>	<b>38.6</b>	<b>113.8</b>	<b>20.1</b>		<b>105%</b>
Tax	(28.0)	-4.6	(29.9)	-5.3		-6%
<b>Net profit</b>	<b>205.5</b>	<b>34.0</b>	<b>83.9</b>	<b>14.8</b>		<b>145%</b>

(1) For information on the definition of performance indicators, see the next section, 'Alternative performance indicators'.

The year ending 31 December 2016 closed with an operating result of € 168.8 million, an increase of 5.4% compared with the previous year.

Net profit for the year, totalling € 205.5 million, was up on 2015, mainly due to higher dividend income.

More specifically, net sales totalled € 605.2 million, an increase of 6.9% on 2015. They include sales to third-party customers on the Italian market for € 391.6 million, an increase compared with the 2015 figure due to organic growth and the change in perimeter arising from sales of the Zedda Piras and Grand Marnier branded products, and € 213.7 million in sales to Group companies that conduct most of their operations in international markets, an increase of 15.2% compared with the previous year.

Gross margin was higher than in 2015 due to higher sales, while the cost of goods as a proportion of sales remained broadly unchanged.

The contribution margin increased as a percentage of sales by 110 basis points, due to the € 2.5 million reduction in spending on advertising and promotions.

Recurring overheads increased by 18.7% compared with the previous year due to the strengthening of certain areas of the organisation.

Financial charges increased by € 18.6 million compared with the previous year, and include adjustments of € 10.9 million to financial charges, relating to the cost incurred by the Company (known as the 'make-whole amount') in connection with the early repayment of the bond loan issued in 2003, in a nominal residual amount of USD 200 million, with a maturity date of July 2018.

For more detailed information, please refer to the notes to the annual financial statements of Davide Campari-Milano S.p.A on financial income and charges, cash and cash equivalents and the reconciliation with net debt.

Taxes for 2016 were lower than the previous year due to the lower taxable income generated during the year.

## Financial position

	31 December 2016	31 December 2015	change
	€ million	€ million	€ million
Fixed assets	2,834.0	1,978.5	855.5
Other net non-current assets/ liabilities	(25.4)	(19.7)	(5.7)
Operating working capital	98.0	105.8	(7.7)
Other current assets and liabilities	(18.3)	(19.2)	0.9
<b>Net invested capital</b>	<b>2,888.4</b>	<b>2,045.4</b>	<b>842.9</b>
Shareholders' Equity	1,162.6	1,008.8	153.8
Net financial position	1,725.8	1,036.6	689.1
<b>Total financing sources</b>	<b>2,888.4</b>	<b>2,045.4</b>	<b>842.9</b>

The overall increase in invested capital (and in total financing sources) was € 842.9 million at 31 December 2016.

Fixed assets rose by € 855.5 million, mainly due to the increase in equity investments in subsidiaries, especially the acquisition of Société des Produits Marnier Lapostolle S.A., while other non-current assets and liabilities recorded a negative balance at € 5.7 million, mainly due to higher deferred tax liabilities.

Operating working capital fell by € 7.7 million, as trade payables to third parties increased more than trade receivables.

Other current assets and liabilities were broadly the same as the previous year.

The company's financial position showed a € 689.1 million increase in total net debt compared with the previous year, as a result of the above-mentioned increase in equity investments in subsidiaries. For more detailed information on the financial position, please refer to the notes to the annual financial statements of Davide Campari-Milano S.p.A on cash and cash equivalents and the reconciliation with the net financial position.

The increase in shareholders' equity (€ 153.8 million) was mainly associated with the financial results achieved during the year, net of the portion that was distributed.

## Reconciliation of the Parent Company and Group net profit and shareholders' equity

Pursuant to the Consob communication of 28 July 2006, the table below shows a reconciliation between the net profit for the period and shareholders' equity for the Group and the Parent Company Davide Campari-Milano S.p.A.

	31 December 2016		31 December 2015	
	Shareholders' equity	Profit	Shareholders' equity	Profit
	€ million	€ million	€ million	€ million
<b>Figures from the annual financial statements of Davide Campari-Milano S.p.A.</b>	<b>1,162.6</b>	<b>205.5</b>	<b>1,008.8</b>	<b>83.9</b>
- Difference between carrying value and pro-rata value of shareholders' equity of equity investments	767.9	-	775.5	-
- Pro-rata results of subsidiaries	-	189.4	-	115.6
- Portion of Group net profit attributable to non-controlling interests	-	-	(0.3)	(0.6)
- Elimination of intra-group dividends	-	(167.5)	-	(26.2)
- Elimination of intra-group profits and capital gains	(30.5)	(61.1)	(38.5)	2.7
<b>Figures from the consolidated financial statements (figures)</b>	<b>1,900.0</b>	<b>166.3</b>	<b>1,745.5</b>	<b>175.4</b>
Shareholders' equity and net profit attributable to non-controlling	-	-	0.3	0.6
<b>Group's equity and net profit</b>	<b>1,900.0</b>	<b>166.3</b>	<b>1,745.8</b>	<b>176.0</b>

## Events taking place after the end of the year

### Other significant events

#### Consolidation and strengthening of the sales force in South Africa

Since 1 January 2017, Gruppo Campari has been distributing its own brands in the South African market, acting directly through Campari South Africa Pty. Ltd. The respective sales force is now being strengthened with the aim of capitalising on growth opportunities for the Group's entire portfolio in this market.

#### Acquisition of Bulldog London Dry Gin

On 2 February 2017, Gruppo Campari acquired ownership of the brand of Bulldog London Dry Gin – the fourth-largest premium gin in the world, available in 95 countries, particularly in Europe and the US – for USD 55 million plus working capital and assumed liabilities of USD 3.4 million. Gruppo Campari has distributed Bulldog Gin since 2014 via its own network, under an exclusive five-year agreement, which also included a call option to acquire ownership of the brand in 2020. After re-negotiating the terms of the agreement, Gruppo Campari is to acquire full ownership of the brand in advance of this date. The agreement includes a potential earn-out payment to be made on the achievement of specific sales volumes that exceed agreed objectives. The deal was closed on 10 February 2017.

#### Proposed share split

On 28 February 2017, the Board of Directors, which approves the Parent Company's draft budget, is also required to convene an ordinary and extraordinary meeting of the shareholders, on 28 April 2017, to vote on the proposal that the company's share capital be split, via the issue of two new shares with a nominal value of € 0.05 for each existing share. The new shares will carry dividend rights effective from 1 January 2016, and the current paid-up share capital of € 58,080,000 (which will remain unchanged) will be divided into 1,161,600,000 shares.

It should be noted that the share split will be carried out in the first half of May 2017. It should also be noted that, in carrying out the share split, the current value of the share price will be halved and, at the same time, the number of shares will be doubled.

#### Publication of periodic additional financial information

Pursuant to CONSOB Resolution 19770 of 26 October 2016, which introduced Article 82-ter on the subject of 'periodic additional financial information' effective from 2 January 2017, Gruppo Campari hereby advises that it considers it appropriate, with a view to ensuring the continuity and regularity of financial information to shareholders, the financial community and stakeholders generally, to continue to publish, on a voluntary basis, quarterly information in a format and content that are broadly in line with that provided for by the pre-existing regulations, in a consistent and comparable manner to the corresponding information contained in the financial reports previously published.

Specifically, the quarterly information will continue to provide a description of the significant events that occurred during the period, the Group's sales performance, broken down by region, the Group's profit before tax and the consolidated net financial debt.

The periodic additional information relating to the first quarter and the first nine months of the year (which includes the third quarter) will be approved by the Board of Directors according to the timescales set out in the financial calendar published each year on the Group's website [www.camparigroup.com](http://www.camparigroup.com), and published within 45 days of the close of each reference period. The usual detailed conference calls with analysts will also be maintained.



## Conclusions on 2016 and outlook

In 2016 the Group continued to deliver sound growth across all key performance indicators, in reported as well as organic terms. This result, in line with the Group's strategy and mid-term objectives, has been achieved thanks to the continued outperformance of the high margin global and regional priority brands in key developed markets. The Group achieved the expected expansion of organic gross margin, which has been reinvested in planned investment in brand building activities and strengthened route-to-market initiatives in the second half of the year. Overall, the operating margin expansion has also benefitted from the external growth contribution, driven by the SPML acquisition which has been consolidated in the second half of the year; as well as the non-core low-margin businesses disposed by the Group in the last months. Moreover, these results were satisfactory given the challenging emerging markets and the negative impact of the low-margin non-core sugar business in Jamaica due to contingent factors.

With particular reference to the fourth quarter 2016, the Group achieved a good sales organic growth, with respect to the first nine months, even if the performance in some markets, such as United States, was mitigated by rebalancing of stock ahead of route-to-market changes. Moreover, the last quarter confirmed a positive expansion of gross margin, notwithstanding the tough comparable base, thanks to the sales mix improvement driven by Global brands, in line with the Group's strategy. At the same time, the operating margin reflects the accelerated investment in brand building activities and strengthened route-to-market initiatives, particularly in United States and South Africa.

With reference to the Group net profit, the operating and financials adjustments affecting the Group results, reflected the implementation of multiple initiatives aimed at enhancing the Group's future positioning in terms of financials, brand portfolio and organization structure. When rectified for the adjustments, the Group net profit would confirm a solid growth. Looking ahead to 2017, the outlook remains fairly balanced.

Regarding the macroeconomic environment, the volatility in emerging economies, although not further deteriorating, and the uncertain political environment in some markets, may persist. Therefore the volatility of Group's key foreign currencies could continue.

At the same time, The Group remains confident to achieve a positive and profitable performance in the full year. In particular, the ongoing outperformance of high margin Global priorities in key developed markets (particularly the aperitifs, American whiskies and Jamaican rums), combined with the gradual improvement in Jamaican sugar business, is expected to continue driving the gross margin expansion, though mitigated by expected increases in input costs (inflation in emerging markets and agave price).

Regarding the other key performance indicators, the Group expects the brand building investments to accelerate, driven by both the Group's exit from some low marketing intensity business (such as the still wine business), as well as the enhanced focus on brand building initiatives, particularly in digital, for global priority brands in high-potential markets. This acceleration is expected to become more visible in the first half of 2017, due to the phasing of some recent major marketing campaigns. With reference to the structure costs, the Group expects an acceleration in organic terms in the first half of the year, mainly driven by strengthened route-to-market initiatives, launched in the second half of 2016 (in particular the enhanced distribution capabilities and the new distribution agreement in the US, as well as the direct distribution in South Africa). The Group expects a normalization trend of these factors in the second half of the year.

Lastly, the business will benefit overall from the full year consolidation of Grand Marnier, positively leveraging the kick-off of the brand strategy deployment and the enhanced distribution capabilities in the US. Lastly, the perimeter effect, which will include the Grand Marnier acquisition until the first half of the year, will also reflect the Group's exit from non-core and lower margin businesses (still wines and agency brands). The disposals, in particular, are expected to have an overall negative impact of approximately € 40 million in net sales and € 4 million in EBIT and with an accretive impact on consolidated operating margins.

## Alternative performance indicators

This annual financial report presents and comments upon certain financial indicators and reclassified financial statements (in relation to the statement of financial position and statement of cash flows) that are not defined by the IFRS.

These indicators, which are described below, are used to analyse the Group's business performance in the 'Highlights' and 'Report on operations' sections.

This annual report on operations presents and comments upon certain financial indicators and reclassified financial statements that are not defined by IFRS.

These indicators, which are described below, are used to analyse the Group's business performance in the 'Highlights' and 'Report on operations' sections, in compliance with the requirements of Consob communication DEM 6064293 of 28 July 2006 as subsequently amended and supplemented (Consob communication 0092543 of 3 December 2015), which incorporates the Guidelines on Alternative Performance Measures (ESMA/2015/1415).

The alternative performance measures listed below should be used to supplement the information required by the IFRS to help readers of the financial report come to a better understanding of the Group's economic, financial and capital position. The method used by Gruppo Campari to calculate these adjustment measures has been consistent over the years. It should also be noted that these methods could be different from those used by other companies.

- **Financial indicators used to measure Group operating performance**

**Contribution margin:** calculated as the difference between net sales, the cost of goods sold (in its materials, production and distribution cost components) and advertising and promotional costs.

**Adjustments to operating income (charges):** defined as certain transactions or events, identified by the Group as adjustment components for the result from recurring activities.

- capital gains/losses on the sale of tangible and intangible assets;
- penalties arising from the settlement of tax disputes;
- impairment losses on fixed assets;
- restructuring and reorganisation costs;
- ancillary costs associated with acquisitions/sales of businesses or companies;
- other non-recurring income (charges).

The above-mentioned items were deducted from or added to the following indicators: operating result, EBITDA, profit/loss before tax for the period and net profit/loss for the period after tax.

The Company believes that these indicators, appropriately adjusted, are useful to both management and investors in assessing the Group's financial and economic results against those of other companies in the sector, as they exclude the impact of some items that are not relevant for assessing operating performance.

**Adjusted result from recurring activities:** the operating result for the period net of the above-mentioned adjustments to operating income (charges).

**EBITDA:** the operating result before depreciation and amortisation of tangible and intangible assets.

**Adjusted EBITDA:** EBITDA as defined above, excluding adjustments to operating income (charges) as described above.

**Adjustments to financial income (charges):** several transactions or events identified by the Group as components adjusting the net profit/loss related to events covering a single period or financial year such as:

- charges related to the early termination of financial liabilities;
- financial charges associated with acquisitions/sales of businesses or companies;
- other non-recurring financial income (charges).

**Group's adjusted profit/loss before tax:** profit for the period before tax and net of adjustments to operating income (charges) and adjustments to financial income (charges) described above, and before the tax effect.

**Group's adjusted net profit/loss:** the profit/loss for the period, net of the above-mentioned adjustments to operating income (charges) and adjustments to financial income (charges), the related tax effect and other positive/negative tax adjustments for the period.

**ROS (return on sales):** the ratio of the operating result to net sales for the period.

**ROI (return on investment):** the ratio of the operating result for the period to fixed assets at the end of the period (see the definition of fixed assets below).

- **Reclassified statement of financial position**

The items included in the reclassified statement of financial position are defined below as the algebraic sum of specific items contained in the financial statements:

**Fixed assets** – calculated as the algebraic sum of:

- net tangible assets;

- biological assets;
- investment property;
- goodwill and brands;
- intangible assets with a finite life;
- non-current assets held for sale;
- investments in affiliates and joint ventures.

**Other non-current assets and liabilities** – calculated as the algebraic sum of:

- deferred tax assets;
- other non-current assets, net of financial assets (classified under net debt);
- deferred tax liabilities;
- defined benefit plans;
- provisions for risks and charges;
- other non-current liabilities, net of financial liabilities (classified under net debt).

**Operating working capital** – calculated as the algebraic sum of:

- inventories;
- trade receivables;
- trade payables.

**Other current assets and liabilities** – calculated as the algebraic sum of:

- current tax receivables;
- other current receivables, net of financial assets (classified under net debt);
- current payables to tax authorities;
- other current payables, net of financial liabilities (classified under net financial position).

**Net financial position** – calculated as the algebraic sum of:

- cash and cash equivalents;
- non-current financial assets, posted to other non-current assets;
- current financial assets, posted to other receivables;
- payables to banks;
- other financial payables;
- bonds;
- non-current financial liabilities, posted to other non-current liabilities.

- **Reclassified statement of cash flows**

**Free cash flow:** a cash flow that measures the Group's self-financing capacity calculated on the basis of cash flow from operations, adjusted for net interest paid and cash flow used in investments, net of income from realising fixed assets.



**Gruppo Campari**  
**Consolidated financial statements for the year ending 31 December 2016**

## Financial statements

### Consolidated income statements

	Notes	2016 € million	of which: related parties € million	2015 € million	of which: related parties € million
<b>Net sales</b>	9	<b>1,726.5</b>		<b>1,656.8</b>	
Cost of goods sold	10	(741.9)		(739.8)	
<b>Gross profit</b>		<b>984.6</b>		<b>917.1</b>	
Advertising and promotional costs		(308.6)		(286.3)	
<b>Contribution margin</b>		<b>676.0</b>		<b>630.8</b>	
Overheads	11	(356.6)	0.1	(321.0)	0.1
Of which adjustments to operating income (charges) (1)	12	(33.2)		(22.9)	
<b>Operating result (1)</b>		<b>319.4</b>		<b>309.8</b>	
Financial income (expenses)	17	(83.2)		(60.0)	
Of which adjustments to financial income (expenses) (1)	17	(24.6)		0.9	
Put option income (charges)	18	0.6		(0.4)	
<b>Profit before tax</b>		<b>236.7</b>		<b>249.4</b>	
Income tax expense	19	(70.5)		(73.4)	
<b>Profit for the period</b>		<b>166.3</b>		<b>176.0</b>	
<b>Profit attributable to:</b>					
Parent Company shareholders		166.3		175.4	
Non-controlling interests		-		0.6	
Basic earnings per share (€)	20	0.29		0.30	
Diluted earnings per share (€)		0.29		0.30	

(1) For information on the definition of alternative performance indicators, see the section in the report on operations 'Alternative performance indicators'.

### Consolidated income statements of comprehensive income

	Notes	2016 € million	2015 € million
<b>Profit for the period (A)</b>		<b>166.3</b>	<b>176.0</b>
B1) Items that may be subsequently reclassified to profit or loss			
Cash flow hedge:			
Profit (loss) for the period	34	(1.0)	1.6
Profit (losses) classified to other comprehensive income	34	(2.4)	0.5
Net gains (losses) from cash flow hedge		1.4	1.1
Tax effect	19	(0.3)	(0.4)
<b>Total cash flow hedge</b>		<b>1.1</b>	<b>0.7</b>
Assets available for sale:			
Profit(loss) for the period	30	(6.2)	6.2
<b>Total assets available for sale</b>		<b>(6.2)</b>	<b>6.2</b>
Conversion difference		49.0	58.8
<b>Total: items that may be subsequently reclassified to profit or loss (B1)</b>		<b>43.8</b>	<b>65.6</b>
B2) Items that may not be subsequently reclassified to profit or loss			
Remeasurements of post-employment benefit obligations:			
Profit(loss) for the period	34	0.2	(1.4)
Tax effect	19	(0.1)	0.2
<b>Remeasurements of post-employment benefit obligations</b>		<b>0.1</b>	<b>(1.2)</b>
<b>Total: items that may not be subsequently reclassified to profit or loss</b>		<b>0.1</b>	<b>(1.2)</b>
<b>Other comprehensive income (expenses) (B=B1+B2)</b>		<b>43.9</b>	<b>64.4</b>
<b>Total comprehensive income (A+B)</b>		<b>210.2</b>	<b>240.4</b>
Attributable to:			
Parent Company shareholders		210.2	239.8
Non-controlling interests			0.6

## Consolidated statements of financial position

	Notes	31 December 2016 € million	of which: related € million	31 December 2015 € million	of which: related € million
<b>ASSETS</b>					
<b>Non-current assets</b>					
Net tangible fixed assets	21	494.3		444.1	
Biological assets	22	0.4		16.8	
Investment properties	23	121.9		0.4	
Goodwill and brands	24	2,504.9		1,906.6	
Intangible assets with a finite life	26	26.3		25.6	
Deferred tax assets	19	37.2		12.6	
Other non-current assets	27	64.3	2.2	47.9	2.1
<b>Total non-current assets</b>		<b>3,249.4</b>		<b>2,454.1</b>	
<b>Current assets</b>					
Inventories	28	535.5		496.2	
Current biological assets	29	7.5		2.1	
Trade receivables	29	306.4		295.9	
Short-term financial receivables	30	7.2		69.9	
Cash and cash equivalents	32	354.1		844.3	
Income tax receivables	31	12.3	2.0	16.3	2.4
Other receivables	29	26.8		21.6	
<b>Total current assets</b>		<b>1,249.8</b>		<b>1,746.3</b>	
Assets held for sale	33	35.2		23.6	
<b>Total assets</b>		<b>4,534.3</b>		<b>4,224.0</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Shareholders' equity</b>					
- Share capital	34	58.1		58.1	
- Reserves		1,841.9		1,687.4	
Capital and reserves attributable to Parent Company		1,900.0		1,745.5	
Non-controlling interests		-		0.3	
<b>Total shareholders' equity</b>		<b>1,900.0</b>		<b>1,745.8</b>	
<b>Non-current liabilities</b>					
Bonds	35	992.4		1,276.1	9.6
Other non-current liabilities	35	506.4		10.5	
Post-employment benefit obligations	37	36.5		8.3	
Provisions for risks and charges	38	96.6		32.8	
Deferred tax liabilities	19	456.6		291.5	
<b>Total non-current liabilities</b>		<b>2,088.6</b>		<b>1,619.3</b>	
<b>Current liabilities</b>					
Payables to banks	36	106.9		29.3	
Other financial liabilities	36	18.8		465.1	
Trade payables	39	262.8		217.2	
Income tax payables	41	14.0	0.5	13.3	0.2
Other current liabilities	39	138.6	2.4	124.0	4.1
<b>Total current liabilities</b>		<b>541.1</b>		<b>848.9</b>	
Liabilities held for sale	33	4.6		10.0	
<b>Total liabilities</b>		<b>2,634.3</b>		<b>2,478.2</b>	
<b>Total liabilities and shareholders' equity</b>		<b>4,534.3</b>		<b>4,224.0</b>	

## Consolidated statements of cash flows

	Note	2016 € million	2015 € million
<b>Operating profit</b>		<b>319.4</b>	<b>309.8</b>
Adjustments to reconcile operating profit and cash flow:			
Depreciation and amortisation	13	52.7	47.4
Gains on sales of fixed assets	12	(3.7)	(5.4)
Write-downs of tangible fixed assets	12	0.3	0.5
Accruals of provision	38	18.0	1.2
Utilizations of provisions	38	(2.8)	(11.6)
Goodwill, trademark and sold business impairment		-	16.2
Other non-cash items		10.8	0.5
Changes in net operating working capital		29.9	(9.6)
Other changes in non-financial assets and liabilities		17.3	10.4
Income taxes paid		(46.6)	(54.1)
<b>Cash flow generated from (used in) operating activities</b>		<b>395.4</b>	<b>305.2</b>
Purchase of tangible and intangible fixed assets	21-22-26	(63.8)	(54.4)
Capital grants received		-	0.6
Proceeds from disposal of tangible assets	12	7.5	4.7
Changes in receivables and payables from investments in fixed assets		0.2	-
Acquisition and sale of companies or business divisions	7	(429.9)	22.6
Cash and cash equivalents at acquired companies (1)	7	45.6	0.3
Purchase and sale of trademarks and distribution rights		(0.1)	-
Put options and earn out payments		(0.3)	(0.3)
Interests received		7.0	5.6
Net changes in securities	27-30	56.6	(47.8)
Settlement of pension plan net assets		-	12.6
Dividends received		0.9	0.6
Other changes		1.3	0.6
<b>Cash flow generated from (used in) investing activities</b>		<b>(374.9)</b>	<b>(54.9)</b>
Eurobond DCM (issue)		-	600.0
Utilization of revolving facility loan		50.0	-
Repayment of medium-/long -term financing		300.0	-
Put option liabilities issue		-	0.8
Repayment of private placement Campari America		(719.7)	(86.0)
Other repayments of other medium- and long -term debts		(1.9)	(14.8)
Net change in short-term financial payables and bank loans		7.4	3.0
Interests paid		(103.2)	(61.9)
Change in other financial payables and receivables		(9.1)	1.4
Purchase and sale of own shares	42	(8.1)	(29.0)
Dividends paid to non-controlling interests		(1.6)	-
Dividend paid by the Parent Company	34	(52.1)	(45.7)
<b>Cash flow generated from (used in) financing activities</b>		<b>(538.2)</b>	<b>367.8</b>
Effect of exchange rate differences on net operating working capital		(2.6)	(5.2)
Other exchange rate differences and changes in shareholders' equity		30.0	0.5
<b>Exchange rate differences and other changes in shareholders' equity</b>		<b>27.4</b>	<b>(4.6)</b>
<b>Net change in cash and cash equivalents: increase (decrease)</b>		<b>(490.3)</b>	<b>613.5</b>
Cash and cash equivalents at the beginning of period	32	844.3	230.9
Cash and cash equivalents at end of period	32	354.1	844.3

(1) It should be noted that the cash acquired/disposed of in a business combination/disposal realised during the year amounted to € 45.6 million, it has to be considered net of acquired financial liabilities, amounting to € 21.1, and loans and financial assets amounting to € 9.4 million. For further information see note 7 "Business combination".



## Statements of changes in shareholder' equity

	Notes	Attributable to Parent Company shareholders					Shareholders' equity	
		Share capital	Legal reserve	Retained earnings	Other reserves	Total	Non controlling interests	Total
		€ million	€ million	€ million	€ million	€ million	€ million	€ million
<b>Balance at 31 December 2015</b>		<b>58.1</b>	<b>11.6</b>	<b>1,650.7</b>	<b>25.1</b>	<b>1,745.5</b>	<b>0.3</b>	<b>1,745.8</b>
Dividend payout to Parent Company shareholders	34	-	-	(52.1)	-	(52.1)	-	(52.1)
Dividend payout to non-controlling interest		-	-	(1.3)	-	(1.3)	-	(1.3)
Purchase of non-controlling interests	34	-	-	0.3	-	0.3	(0.3)	-
Own shares acquired	42	-	-	(18.7)	-	(18.7)	-	(18.7)
Own shares sold	42	-	-	10.6	-	10.6	-	10.6
Stock options	42	-	-	3.5	4.1	7.6	-	7.6
Other changes		-	-	(1.8)	-	(1.8)	-	(1.8)
Profit for the period		-	-	166.3	-	166.3	-	166.3
Other comprehensive income (expense)		-	-	(6.2)	50.1	43.9	-	43.9
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>160.0</b>	<b>50.1</b>	<b>210.2</b>	<b>-</b>	<b>210.2</b>
<b>Balance at 31 December 2016</b>		<b>58.1</b>	<b>11.6</b>	<b>1,751.3</b>	<b>79.4</b>	<b>1,900.3</b>	<b>-</b>	<b>1,900.3</b>

	Notes	Attributable to Parent Company shareholders					Shareholders' equity	
		Share capital	Legal reserve	Retained earnings	Other reserves	Total	Non controlling	Total
		€ million	€ million	€ million	€ million	€ million	€ million	€ million
<b>Balance at 31 December 2014</b>		<b>58.1</b>	<b>11.6</b>	<b>1,532.5</b>	<b>(27.3)</b>	<b>1,574.8</b>	<b>5.1</b>	<b>1,579.9</b>
Dividend payout to Parent Company shareholders		-	-	(45.7)	-	(45.7)	-	(45.7)
Dividend payout to non-controlling interest		-	-	-	-	-	(0.3)	(0.3)
Purchase of non-controlling interests		-	-	(4.9)	-	(4.9)	(5.0)	(9.9)
Own shares acquired		-	-	(78.4)	-	(78.4)	-	(78.4)
Own shares sold		-	-	49.4	-	49.4	-	49.4
Stock options		-	-	14.9	(5.7)	9.2	-	9.2
Changes in basis of consolidation		-	-	-	-	-	-	-
Other changes		-	-	1.3	(0.1)	1.2	-	1.2
Profit for the period		-	-	175.4	-	175.4	0.6	176.0
Other comprehensive income (expense)		-	-	6.2	58.2	64.4	-	64.4
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>181.6</b>	<b>58.2</b>	<b>239.8</b>	<b>0.6</b>	<b>240.4</b>
<b>Balance at 31 December 2015</b>		<b>58.1</b>	<b>11.6</b>	<b>1,650.7</b>	<b>25.1</b>	<b>1,745.5</b>	<b>0.3</b>	<b>1,745.8</b>

## Notes to the consolidated financial statements

### 1. General information

Davide Campari-Milano S.p.A. is a company listed on the Italian stock market, with registered office at Via Franco Sacchetti 20, 20099 Sesto San Giovanni (MI), Italy.

The Company is recorded in the Milan companies register and REA (business administration register) under no. 1112227.

Davide Campari-Milano S.p.A. is controlled by Alicros S.p.A.

Founded in 1860, the Group is the sixth-largest in the branded spirits industry, with an extensive product portfolio: internationally recognised brands include Aperol, Appleton Estate, Campari, Cinzano, SKYY Vodka and Wild Turkey.

The Group operates in approximately 190 countries with prime positions in Europe and the Americas. It has 18 production plants and wineries around the world, a distribution network in 20 countries, and employs around 4,000 people.

The consolidated financial statements of Gruppo Campari for the year ending 31 December 2016 were approved on 28 February 2017 by the Board of Directors of the Parent Company Davide Campari-Milan S.p.A., which has authorised their publication.

The Board of Directors reserves the right to amend the financial statements should any significant events occur that require changes to be made, up to the date of the shareholders' meeting of the Parent Company.

The financial statements are presented in euro, the reference currency of the Parent Company and many of its subsidiaries.

### 2. Preparation criteria

The consolidated accounts for the year ending 31 December 2016 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. These include all the international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).

The accounts were prepared on a cost basis, taking into account, where appropriate, any value adjustments, except for balance sheet items that, according to the IFRS, must be recognised at fair value, such as financial derivatives, biological assets and new acquisitions, and except in cases where the IFRS allow a different valuation criterion to be used.

The carrying amount of assets and liabilities subject to fair value hedging transactions, which would otherwise be recorded at cost, has been adjusted to take account of the changes in fair value attributable to the risk being hedged.

Unless otherwise indicated, the figures reported in these notes are expressed in million euro.

#### Consolidation principles

The consolidated financial statements include the financial statements of the Parent Company and the Italian and foreign subsidiaries.

These accounting statements, based on the same financial year as the Parent Company and drawn up for the purposes of consolidation, have been prepared in accordance with the international accounting standards adopted by the Group.

Joint ventures are consolidated according to the equity method.

#### Form and content

In accordance with the format selected by the Group, the income statement has been classified by function, and the statement of financial position based on the division between current and non-current assets and liabilities.

We consider that this format will provide a more meaningful representation of the items that have contributed to the Group's results and its assets and financial position.

In the income statement, transactions or events that may generate income and charges that are not relevant for assessing performance such as capital gains/losses on the sale of fixed assets, restructuring and reorganisation costs, financial charges and any other non-recurring income/expenses are shown separately; this provides a clearer picture of the company's operating performance. Non-recurring items are also discussed in detail in these notes.

This presentation complies with the requirements of Consob communication DEM/6064293 of 28 July 2006, as subsequently amended and consolidated (Consob communication no. 0092543 of 3 December 2015, which incorporates the Guidelines on Alternative Performance Measures - ESMA/2015/1415).

In 2016, the Group did not carry out any atypical and/or unusual transactions, which are defined in the Consob communication as atypical and/or unusual on the basis of materiality or size, or because the counterparties, the object of the transaction, the method used to determine the price and timing of the transaction (proximity to year end) could give rise to concerns over the accuracy or completeness of the information provided in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders.

The cash flow statement was prepared using the indirect method.

Lastly, with reference to the requirements of Consob Resolution 15519 of 27 July 2006 in relation to financial statements, the income statement and statement of financial position contain columns providing information on any significant transactions with related parties.

### Basis of consolidation

The following changes occurred in the basis of consolidation, resulting from the creation, acquisition and sale of companies, described in the Report on operations in the section 'Significant events during the period':

- As part of the ongoing streamlining of the Group's structure, Casoni Fabbricazione Liquori S.p.A. and Stepanow S.R.O. were sold on 30 March 2016 and were therefore removed from the basis of consolidation from that date;
- During the month of May 2016, DI.CI.E. Holding B.V. sold its investment in Carolans TJ & Son Ltd. to Davide Campari-Milano S.p.A., which at 31 December 2016 owns 100% of the shares. During the month of November, Carolans TJ & Son Ltd split into two newly created entities, Zeltennia Ltd. and Sorfinn Ltd., both wholly owned by Davide Campari Milano SpA. Subsequently to the spin-off, Zeltennia Ltd. changed its name in TJ Carolan & Son Ltd.;
- In June 2016, the merger of Red Fire Mexico, S. de R.L. de C.V., a non-operating company and brand-owner, and Campari Mexico S.A. de C.V. was completed;
- On 27 June 2016, the results of the public purchase offer for Société des Produits Marnier Lapostolle S.A. (SPML), listed on the French stock exchange, were disclosed by the French financial markets authority; as a result of this, and partly due to agreements with members of the family that is the controlling shareholder, the Group now has control of the company. At 31 December 2016, the Group held, in its own name, 71.16% of SPML's share capital and in usufruct 2.24% of the share capital (100% in conjunction with certain shareholders of the Marnier Lapostolle family). Please see note 7 - 'Business combinations' for further details.
- In July 2016 O-Dodeka N.V. was merged with DI.CI.E. Holding B.V.;
- On 1 November, 2016 Zedda Piras S.r.l. and Campari Wines S.r.l. were merged with Davide Campari-Milano S.p.A., with the aim of optimising and streamlining the Group's structure;
- in the same month, DI.CI.E. Holding B.V. sold its entire stake in Glen Grant Ltd to Davide Campari Milano S.p.A., which became the sole shareholder at 31 December;
- On 25 November 2016 the Group announced the sale of 100% of the share capital of Tenute Sella&Mosca S.p.A. and 100% of the share capital of Teruzzi&Puthod Srl; the deals closed on 16 December 2016. At 31 December 2016, these companies were therefore no longer included in the basis of consolidation.

The tables below list the companies included in the basis of consolidation at 31 December 2016.

Name, activity	Head office	Share capital at 31 December 2016		% owned by Parent Company		
		Currency	Amount	Direct	Inderect	Direct shareholder
<b>Parent Company</b>						
<b>Davide Campari-Milano S.p.A.</b> , holding and manufacturing company	Via Franco Sacchetti, 20 Sesto San Giovanni	€	58,080,000			
<b>Fully consolidated companies</b>						
<b>Italy</b>						
<b>Campari International S.r.l.</b> , trading company	Via Franco Sacchetti, 20 Sesto San Giovanni	€	700,000	100.00		
<b>Campari Services S.r.l.</b> , services company	Via Franco Sacchetti, 20 Sesto San Giovanni	€	160,000	100.00		
<b>Fratelli Averna S.p.A.</b> , manufacturing company	Via Xiboli, 345, Caltanissetta	€	3,900,000	100.00		
<b>Europe</b>						
<b>Campari Austria GmbH</b> , trading company	Naglergasse 1/Top 13 A, Wien	€	500,000		100.00	DI.CI.E. Holding B.V.
<b>Campari Benelux S.A.</b> , finance and trading company	Avenue de la Méterologie, 10, Bruxelles	€	246,926,407	61.00	39.00	Glen Grant Ltd.
<b>Campari Deutschland GmbH</b> , trading company	Bajuwarenring 1, Oberhaching	€	5,200,000		100.00	DI.CI.E. Holding B.V.
<b>Campari España S.L.</b> , holding and trading company	Calle de la Marina 16-18, planta 28, Barcellonaa	€	3,272,600	100.00		
<b>Campari RUS OOO</b> , trading compnay	2nd Yuzhnoportoviy proezd 14/22, Moscow	RUB	2,010,000,000		100.00	DI.CI.E. Holding B.V.
<b>Campari Schweiz A.G.</b> , trading company	Lindenstrasse 8, Baar	CHF	500,000		100.00	DI.CI.E. Holding B.V.
<b>Campari Ukraine LLC</b> , trading company	8, Illinska Street, 5 Floor, block 8 and 9, Kiev	UAH	87,396,209		100.00	DI.CI.E Holding B.V. (99%), Campari RUS OOO (1%)
<b>DI.CI.E. Holding B.V.</b> , holding company	Luna Arena, Herikerbergweg 114, Zuidoost, Amsterdam	€	15,015,000	100.00		
<b>Glen Grant Ltd.</b> , manufacturing and trading compnay	Glen Grant Distillery, Rothes, Morayshire	GBP	24,949,000	100.00		
<b>Grand Marques Nederland B.V.</b> , finance and trading company	91, Boulevard Haussmann, Paris	€	189,000		85.71	Société des Produits Marnier Lapostolle S.A.
<b>Kaloyiannis - Koutsikos Distilleries S.A.</b> , manufacturing and trading company	6 & E Street, A' Industrial Area, Volos	€	6,811,220		100.00	DI.CI.E. Holding B.V.
<b>Marnier Investissement S.A.</b> , holding company	12, Av. Rosemont, Genève	CHF	37,900,000		100.00	Société des Produits Marnier Lapostolle S.A.

<b>Marnier Management S.A.</b> , finance and trading company	12, Av. Rosemont, Genève	CHF	100,000	100.00	Marnier Investissement
<b>Société Civile Immobilière DU VAL</b> , real-estate company	91, Boulevard Haussmann, Paris	€	16,769,392	99.99	Société des Produits Marnier Lapostolle S.A.
<b>Société des Produits Marnier Lapostolle S.A.</b> , holding and manufacturing company	91, Boulevard Haussmann, Paris	€	27,157,500 (2)	71.16	
<b>TJ Carolan&amp;Son Ltd.</b> , trading company	Ormond Building, Suite 1.05, 31-36 Upper Ormond Quay, Dublin	€	2,600	100.00	
<b>Sorfinn Ltd.</b> , trademark owner company	Ormond Building, Suite 1.05, 31-36 Upper Ormond Quay, Dublin	€	2,600	100.00	
<b>Americas</b>					
<b>Campari America LLC</b> , manufacturing and trading company	1255 Battery, Street, Suite 500, San Francisco	USD	566,321,274	100.00	
<b>Campari Services America LLC</b> , services company	1255 Battery, Street, Suite 500, San Francisco	USD	381,625	100.00	Campari Services S.r.l.
<b>Marnier Lapostolle Inc.</b> , trading company	183, Madison Avenue, New York	USD	1,000,000	97.00	Société des Produits Marnier Lapostolle S.A.
<b>Campari Argentina S.A.</b> , manufacturing and trading company	Olga Cossettini, 243 Piso 3, Puerto Madeo, CABA	ARS	344,528,430	100.00	DI.CI.E. Holding B.V. (98,02%), Campari do Brasil Ltda. (1,98%)
<b>Campari do Brasil Ltda.</b> , manufacturing and trading company	Alameda Rio Negro 585, Edificio Demini, Conjunto 62, Alphaville-Barueri-SP	BRL	239,778,071	100.00	
<b>Campari Mexico S.A. de C.V.</b> , manufacturing and trading company	Avenida Americas 1592 3er Piso ol. Country Club, Guadalajara, Jalisco	MXN	820,187,150	100.00	DI.CI.E. Holding B.V.
<b>Campari Peru SAC</b> , trading company	Avenida Santo Toribio 115, Edificio Tempus, piso 5, San Isidro, Lima	PEN	2,907,752	100.00	Campari Espāna S.L. (99,00%), Campari do Brasil Ltda. (1,00%)
<b>Forty Creek Distillery Ltd.</b> , manufacturing and trading company	297 South Service Road West, Grimsby	CAD	100	100.00	DI.CI.E. Holding B.V.
<b>Gregson's S.A.</b> (en liquidación)	Andes 1365, Piso 14, Montevideo	UYU	0 (1)	100.00	Campari do Brasil Ltda.
<b>J. Wray&amp;Nephew Ltd.</b> , manufacturing and trading company	234, Spanish Town Road, Kingston	JMD	600,000	100.00	Campari Espāna S.L.
<b>Lapostolle S.A.</b> , manufacturing company	Alonso de Cordova, 3287, Vitacure, Sanitago	CLP	18,530,210,085	100.00	Marnier Chile S.A. (99,45%), Marnier Investissement (0,55%)
<b>Marnier Chile S.A.</b> , holding company	Alonso de Cordova, 3287, Vitacure, Sanitago	CLP	26,117,822,494	100.00	Marnier Investissement S.A.
<b>Marnier Lapostolle Chile S.p.A.</b> , trading company	Alonso de Cordova, 3287, Vitacure, Sanitago	CLP	1,000,000	100.00	Marnier Chile S.A.
<b>Marnier Lapostolle Residence S.p.A.</b> , real-estate company	Alonso de Cordova, 3287, Vitacure, Sanitago	CLP	1,000,000	100.00	Marnier Chile S.A.
<b>Perigee Spirits S.A.</b> , manufacturing company	Alonso de Cordova, 3287, Vitacure, Sanitago	CLP	4,473,250,440	100.00	Marnier Chile S.A.
<b>Other</b>					
<b>Campari (Beijing) Trading Co. Ltd.</b> , trading company	Xingfu Dasha Building, block B, room 511, n° 3 Dongsanhuan BeiLu, Chaoyang District, Beijing	RMB	65,300,430	100.00	DI.CI.E. Holding B.V.
<b>Campari Australia Pty Ltd.</b> , manufacturing and trading company	Level 10, Tower B, 207 Pacific Highway, St Leonards, Sydney	AUD	21,500,000	100.00	DI.CI.E. Holding B.V.
<b>Campari India Private Ltd.</b> , services company	311B, DLF South Court, Saket, New Delhi	INR	100,000	100.00	DI.CI.E. Holding B.V.
<b>Campari Japan Ltd.</b> , trading company	6-17-15, Jingumae Shibuya-ku, Tokyo	JPY	3,000,000	100.00	DI.CI.E. Holding B.V.
<b>Campari New Zealand Ltd.</b> , trading company	C/o KPMG 18, Viaduct Harbour Av., Maritime Suar	NZD	10,000	100.00	Campari Australia Pty Ltd
<b>Campari Singapore Pte Ltd.</b> , trading company	16 Raffles Quay # 10-00, Hong Leong Building, Singapore	SGD	100,000	100.00	Campari Australia Pty Ltd
<b>Campari South Africa Pty Ltd.</b> , trading company	12 <sup>th</sup> Floor, Cliffe Deker Hofmeyr 11 Buitengracht street, Cape Town	ZAR	56,247,750	100.00	DI.CI.E. Holding B.V.

(1) Company in liquidation

(2) Shares in usufruct of 2.24% are not included

## Definition of control

Control is determined when the Group is exposed to or has a right to variable returns resulting from its involvement with the investee, and, at the same time, has the ability to use its power over the investee to affect these returns.

Specifically, the Group controls a subsidiary if, and only if, it has:

- power over the investee (or holds valid rights that give it the current ability to manage significant activities of the investee);
- exposure or rights to variable returns resulting from its involvement with the investee;
- the ability to use its power over the investee to affect the size of its returns.

Generally, control is assumed to exist when the Group possesses a majority of the voting rights. In support of this assumption and when the Group holds less than the majority of the voting rights (or similar rights), the Group considers all relevant facts and circumstances in assessing whether it controls the investee, including contractual arrangements with

other holders of voting rights, rights arising from contractual arrangements, and the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls a subsidiary if facts and circumstances indicate that one or more of the three significant elements defining control have been subject to change. Consolidation of a subsidiary begins when the Group obtains direct or indirect control of that subsidiary (or via one or more other subsidiaries) and ceases when the Group loses control thereof. The assets, liabilities, revenues and costs of the subsidiary acquired or disposed of over the year are included in the consolidated financial statements from the date on which the Group obtains control until the date on which the Group no longer exercises control over the company.

The profit (loss) for the year and all other components of the statement of comprehensive income are attributed to the shareholders of the Parent Company and to non-controlling interests, even if this results in non-controlling interests having a negative value. When necessary, appropriate adjustments are made to subsidiaries' financial statements to bring them into line with the Group's accounting policies. All intra-group assets and liabilities, shareholders' equity, revenues, costs and cash flow relating to transactions between Group entities are fully derecognised on consolidation.

### **Subsidiaries**

All subsidiaries are consolidated on a line-by-line basis.

Under this method, all assets and liabilities, and expenses and revenues for consolidated companies, are fully reflected in the consolidated financial statements. The carrying amount of the equity investments is derecognised against the corresponding portion of the shareholders' equity of the subsidiaries. Individual assets and liabilities are assigned the value attributed to them on the date control was acquired.

Any positive difference is recorded under the asset item Goodwill, and any negative amount is reported on the income statement (see also 7 'Business combinations' below).

Non-controlling interests in shareholders' equity and profit are reported under the appropriate items in the financial statements; non-controlling interests in shareholders' equity are determined on the basis of the present values assigned to assets and liabilities on the date control was assumed, both in the case that the components of non-controlling interests give holders the right to receive a proportional share of the subsidiary's net assets in the event of liquidation, and in the case that the components of non-controlling interests do not give holders the right to receive a proportional share of the subsidiary's net assets in the event of liquidation.

Changes in investments in subsidiaries that do not result in the acquisition or loss of control are recorded as changes in shareholders' equity.

If the Group loses control of a subsidiary, the related assets (including goodwill), liabilities, non-controlling interests and other components of shareholders' equity are derecognised, while any profit or loss is posted to the income statement. Any ownership interest maintained is recorded at fair value.

### **Associates and joint ventures**

An associate is a company over which the Group exercises significant influence. Significant influence means the power to contribute to determining an associate's financial and management policies, without having control or joint control over it. A joint venture is a joint-control agreement in which the parties that hold joint control have rights to the net assets covered by the agreement. Joint control is the contractually agreed sharing of control of an agreement, which solely exists when decisions on relevant activities require unanimous consensus from all parties sharing control.

The factors considered to determine significant influence or joint control are similar to those necessary to determine control over subsidiaries.

These companies are reported in the consolidated financial statements using the equity method, starting on the date when significant influence or joint control begins and ending when such influence or control ceases.

If there is a significant loss of influence or joint control, the holding and/or investment is valued at fair value, with the difference between fair value and carrying amount being recorded in the income statement.

If the Group's interest in any losses of associates exceeds the carrying amount of the equity investment in the financial statements, the value of the equity investment is derecognised, and the Group's portion of further losses is not reported, unless, and to the extent to which, the Group has a legal or implicit obligation to cover such losses.

The Group assesses the existence of any impairment indicators on an annual basis by comparing the value of the investment measured at equity with the recoverable value; any impairment value is allocated to the investment as a whole with an offsetting entry in the income statement.

### **Transactions derecognised during the consolidation process**

When preparing the consolidated financial statements, unrealised profits and losses resulting from intra-group transactions are derecognised, as are the entries giving rise to payables and receivables, and costs and revenues between the companies included in the basis of consolidation.

Unrealised profits and losses generated on transactions with associated companies or joint ventures are derecognised to the extent of the Group's percentage interest in those companies.

Dividends collected from consolidated companies are derecognised.

### Currency conversion criteria and exchange rates applied to the financial statements

Figures expressed in currencies other than the accounting currency (euro) are converted as follows:

- income statement items are converted at the average exchange rate for the year, while statement of financial position items are converted at year-end exchange rates; exchange rate differences resulting from the application of the different methods for conversion to euro of income statement and statement of financial position items are recorded under the currency translation reserve in shareholders' equity, until the investment in question is sold;
- any difference between the value of shareholders' equity at the end of the year, as converted at the year-end rate, and the value of shareholders' equity converted at the year-end rate of the previous year are also recorded under the currency translation reserve.

When preparing the consolidated statement of cash flows, average exchange rates were used to convert the cash flows of subsidiaries outside the Eurozone.

The exchange rates used for conversion are shown below.

	31 December 2016		31 December 2015	
	average rate	end-of-period rate	average rate	end-of-period rate
US Dollar	1.107	1.054	1.110	1.089
Canadian Dollar	1.467	1.419	1.418	1.512
Swiss Franc	1.090	1.074	1.067	1.084
Brazilian Real	3.861	3.431	3.691	4.312
Uruguayan Peso	33.393	30.957	30.279	32.604
Chinese Renmimbi	7.350	7.320	6.973	7.061
UK Pound	0.819	0.856	0.726	0.734
Japanese Yen	120.303	123.400	134.269	131.070
Argentine Peso	16.333	16.749	10.256	14.097
Mexican Peso	20.660	21.772	17.598	18.915
Australian Dollar	1.489	1.460	1.476	1.490
Ukrainian Hryvnia	28.284	28.739	24.292	26.159
Russian Rouble	74.226	64.300	68.020	80.674
South African Rand	16.282	14.457	14.153	16.953
Jamaican Dollar	138.379	134.906	129.757	130.618
Singapore Dollar	1.528	1.523	1.525	1.542
Peruvian Nuevo Sol	3.736	3.540	3.531	3.708
Chilean Peso	748.720	704.945	-	-
Indian Rupee	74.362	71.594	71.164	72.022
New Zeland Dollar	1.590	1.516	1.591	1.592

### 3. Summary of accounting principles

#### Intangible assets

Intangible assets include all assets without any physical form that are identifiable, controlled by the Company and capable of producing future benefits, as well as goodwill when purchased for consideration.

Intangible assets acquired are recorded under assets, in accordance with IAS 38 - Intangible Assets, when it is likely that the use of the assets will generate future economic benefits, and when the cost can be reliably determined.

If acquired separately, these assets are reported at acquisition cost including all allocable ancillary costs on the acquisition date.

Intangible assets acquired through business combinations are reported separately from goodwill, at fair value, where this can be reliably measured, on the acquisition date.

Subsequently, intangible assets are recorded at cost net of accumulated amortisation and any impairment losses.

Assets produced internally, excluding development costs, are not capitalised and are reported in the income statement for the financial year in which they are incurred.

Intangible assets with a finite life are amortised on a straight-line basis in relation to their remaining useful life, generally three years, taking into account losses due to a reduction in accumulated value.

The period of amortisation of intangible assets with a finite life is reviewed at least at the end of every financial year in order to ascertain any changes in their useful life, which if identified will be considered as changes in estimates.

The costs of development projects and studies are recorded in the income statement in full in the year in which they are incurred.

Advertising and promotional costs are recorded in the income statement when the Company has received the goods or services in question.

Costs relating to industrial patents, concessions, licences and other intangible fixed assets are recorded on the assets side of the statement of financial position only if they are able to produce future economic benefits for the Company. These costs are amortised according to the period of use, if this can be defined, or according to contract duration.

Software licences represent the cost of purchasing licences and, if incurred, external consultancy fees or internal personnel costs necessary for development. These costs are recorded in the year in which the internal or external costs are incurred for training personnel and other related costs.

Goodwill and brands, which result from acquisitions and qualify as intangible assets with an indefinite life, are not amortised. The possibility of recovering their reported value is ascertained at least annually, and in any case when events occur leading to the assumption of a reduction in value using the criteria indicated in the section entitled Impairment.

For goodwill, a test is performed on the smallest cash-generating unit to which the goodwill relates. On the basis of this, management directly or indirectly assesses the return on investment which includes goodwill. See also 'Business combinations' below.

Write-downs in goodwill can no longer be recovered in future years. When control of the previously acquired company is transferred, the capital gain or loss from the transfer takes into account the corresponding residual value of the previously recorded goodwill.

### **Business combinations**

Business combinations are recorded in accordance with IFRS 3 - Business Combinations, by applying the acquisition method. The cost of an acquisition is determined by the sum of the payments transferred as part of a business combination, measured at fair value, on the date of acquisition and the value of the minorities' portion of shareholders' equity, measured at fair value or as a pro-rata share of the net assets recognised for the acquired entity.

In the case of business combinations achieved in stages, the interest previously held by the Group in the acquired business is revalued at fair value on the date control is acquired, and any resulting gains or losses are recognised in the income statement.

Conditional payments are measured at fair value at the acquisition date and are included among the transferred payments for the purposes of calculating goodwill. Subsequent changes to the fair value of the conditional payment, i.e. where the amount and future disbursement are dependent on future events, classified as a financial instrument pursuant to IAS 39 - Financial Instruments: Recognition and Measurement, are reported on the income statement or separately in equity under the other components of comprehensive income. Conditional payments that do not fall within the scope of application of IAS 39 are valued on the basis of the specific applicable IFRS/IAS. Conditional payments that are classified as capital instruments are not revalued; they are therefore recorded under equity when settled. Ancillary costs relating to the transaction are recognised in the income statement at the time they are incurred.

Any changes in fair value occurring once more information is available during the measurement period (12 months from the date of acquisition) are included retrospectively in goodwill.

Goodwill acquired in business combinations is initially measured at cost, as the excess of the sum of payments transferred as part of a business combination, the value of the minorities' portion of shareholders' equity and the fair value of any interest previously held in the acquired business over the Group's portion of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company.

If the value of the net assets acquired and liabilities assumed on the acquisition date exceed the sum of the transferred payments, the value of the non-controlling interests' portion of shareholders' equity and the fair value of any interest previously held in the acquired business, this excess value is recorded in the income statement as income from the transaction.

After the initial entry, goodwill is measured at cost less cumulative impairment.

To establish whether impairment has occurred, the goodwill acquired in a business combination is allocated from the date of the acquisition to the individual cash-generating units or to the groups of cash-generating units likely to benefit from merger synergies, whether or not other assets or liabilities from the acquisition are assigned to these units or groups of units.

When the goodwill is part of a cash-generating unit (or group of cash-generating units) and some of the internal assets of the unit are sold, the goodwill associated with the assets sold is included in the carrying amount of the assets in order to establish the profit or loss generated by the sale.

Goodwill sold in this way is measured according to the value of the assets sold and the value of the remaining portion of the unit.

### **Tangible fixed assets**

Property, plant and equipment are recorded at acquisition or production cost, gross of capital grants (if received) and directly charged expenses, and are not revalued.

Subsequently, tangible fixed assets are recorded at cost net of accumulated depreciation and any impairment losses.

Any costs incurred after purchase are only capitalised if they increase the future financial benefits generated by using the asset.

The replacement costs of identifiable components of complex assets are allocated to assets on the statement of financial position and depreciated over their useful life. The residual value recorded for the component being replaced is allocated to the income statement; other costs are expensed in profit and loss when the expense is incurred.

The financial charges incurred in respect of investments in assets which take a significant period of time to be prepared for use or sale (qualifying assets as defined in IAS 23 – Borrowing Costs) are capitalised and depreciated over the useful life for the class of assets to which they belong.

All other financial charges are posted to the income statement when incurred.

Ordinary maintenance and repair expenses are expensed in profit and loss in the period in which they are incurred.

If there are current obligations for dismantling or removing assets and cleaning up the related sites, the assets' reported value includes the estimated (discounted to present value) costs to be incurred when the structures are abandoned, which are reported as an offsetting entry to a specific reserve.

Assets held under finance lease contracts, which essentially assign to the Group all the risks and benefits tied to ownership, are recognised as Group assets at their current value, or the present value of the minimum lease payments, whichever is lower.

The corresponding liability to the lessor is reported in the financial statements under financial payables.

These assets are depreciated using the policies and rates indicated below.

Leasing arrangements in which the lessor retains substantially all the risks and benefits relating to the ownership of the assets are classified as operating leases, and the related costs are reported in the income statement over the term of the contract.

Depreciation is applied using the straight-line method, based on each asset's estimated useful life as established in accordance with the Company's plans for use of such assets, taking into account wear and tear and technological obsolescence, and the likely estimated realisable value net of disposal costs.

When the tangible asset consists of several significant components with different useful lives, depreciation is applied to each component individually.

The amount to be depreciated is represented by the reported value less the estimated net market value at the end of its useful life, if this value is significant and can be reasonably determined.

Land, even if acquired in conjunction with a building, is not depreciated, nor are available-for-sale tangible assets, which are reported at the lower of their recorded value and fair value less disposal costs.

Rates are as follows:

- major real estate assets and light construction:	3%-10%
- plant and machinery:	10%
- furniture, and office and electronic equipment:	10%-20%
- motor vehicles:	20%-25%
- miscellaneous equipment:	20%-30%

Depreciation ceases on the date that the asset is classified as available for sale, in accordance with IFRS 5, or on the date on which the asset is derecognised for accounting purposes, whichever occurs first.

A tangible asset is derecognised from the statement of financial position at the time of sale or when there are no future economic benefits associated with its use or disposal.

Any profits or losses are included in the income statement in the year of this derecognition.

### Capital grants

Capital grants are recorded when there is a reasonable certainty that all requirements necessary for access to such grants have been met and that the grant will be disbursed.

This generally occurs at the time the decree acknowledging the benefit is issued.

Capital grants that relate to tangible fixed assets are recorded as deferred income and credited to the income statement over the whole period corresponding to the useful life of the asset in question.

### Impairment

The Group ascertains, at least annually, whether there are indicators of potential impairment of intangible and tangible assets. If the Group finds that such indications exist, it estimates the recoverable value of the relevant asset.

Moreover, intangible assets with an indefinite useful life or not yet available for use, and goodwill are subject to impairment tests every year or more frequently, whenever there is an indication that the asset may be impaired.

The ability to recover the assets is ascertained by comparing the reported value to the related recoverable value, which is represented by the greater of the fair value less disposal costs, and the value in use.

In the absence of a binding sale agreement, the fair value is estimated on the basis of recent transaction values in an active market, or based on the best information available to determine the amount that could be obtained from selling the asset.

The value in use is determined by discounting expected cash flows resulting from the use of the asset, and if significant and reasonably determinable, the cash flows resulting from its sale at the end of its useful life.

Cash flows are determined on the basis of reasonable, documentable assumptions representing the best estimate of the future economic conditions that will occur during the remaining useful life of the asset, with greater weight given to outside information.

The discount rate applied takes into account the implicit risk of the business segment.



When it is not possible to determine the recoverable value of an individual asset, the Group estimates the recoverable value of the unit that incorporates the asset and generates cash flows.

Impairment is reported if the recoverable value of an asset is lower than its carrying amount.

This loss is posted to the income statement unless the asset was previously written up through a shareholders' equity reserve. In this case, the reduction in value is first allocated to the revaluation reserve.

If, in a future period, a loss on assets, other than goodwill, does not materialise or is reduced, the carrying amount of the asset or cash-generating unit is increased up to the new estimate of recoverable value, and may not exceed the value that would have been determined if no loss from a reduction in value had been reported.

The recovery of impairment is posted to the income statement, unless the asset was previously reported at its revalued amount. In this case, the recovery in value is first allocated to the revaluation reserve.

#### **Investment property**

Property and buildings held to generate lease income (investment property) are valued at cost less accumulated depreciation and impairment losses.

The depreciation rate for buildings is 3%, while land is not depreciated.

Investment property is derecognised from the statement of financial position when sold or when it becomes permanently unusable and no future economic benefits are expected from its disposal.

#### **Biological assets**

Biological assets are valued, when first reported and at each subsequent reporting date, at their fair value, less estimated point-of-sale costs.

If the fair value cannot be reliably determined, biological assets are measured at cost and depreciated over 20 years.

Agricultural produce is valued at fair value less estimated point-of-sale costs at harvest.

#### **Financial instruments**

Financial instruments held by the Group are categorised in the items below.

Financial assets include investments in associated companies and joint ventures, short-term securities, financial receivables, which in turn include the positive fair value of financial derivatives, trade and other receivables, and cash and cash equivalents.

Specifically, cash and cash equivalents include cash, bank deposits and highly liquid securities that can be quickly converted into cash, and which carry an insignificant risk of a change in value. Deposits and securities included in this category mature in less than three months from the acquisition date.

Current securities include short-term securities or marketable securities representing a temporary investment of cash that do not meet the requirements for classification as cash equivalents.

Financial liabilities include financial payables, which in turn include the negative fair value of financial derivatives, trade payables and other payables.

Financial assets and liabilities, other than equity investments, are recorded in accordance with IAS 39 - Financial Instruments: Recognition and Measurement in the following categories:

- i. Financial assets at fair value with changes recorded in the income statement:
 

This category includes all financial instruments held for trading and those designated at the time they were initially reported at fair value with changes recorded in the income statement.

Financial assets held for trading are all instruments acquired with the intention of sale in the short term; this category also includes derivatives that do not satisfy the requirements set out by IAS 39 for consideration as hedging instruments.

These instruments, measured at fair value with changes recorded in the income statement, are reported in the statement of financial position at fair value, while the related profits and losses are reported in the income statement.
- ii. Investments held to maturity:
 

Current financial assets and securities to be held until maturity are reported on the basis of the trading date, and, at the time they are first recorded, are valued at acquisition cost, represented by the fair value of the initial consideration given in exchange plus transaction costs (e.g. commission, consulting fees, etc.).

The initial reported value is then adjusted to take into account repayments of principal, any write-downs and the amortisation of the difference between the repayment amount and the initial reported value. Amortisation is applied on the basis of the effective internal interest rate represented by the rate which, at the time of initial reporting, would make the present value of expected cash flows equal to the initial reported value (known as the amortised cost method).

The profits and losses are recorded on the income statement when the investment is derecognised for accounting purposes or when impairment occurs beyond the amortisation process.

iii. Loans and receivables:

Loans and receivables are non-derivative financial instruments with fixed or determinable payments, which are not listed on an active market.

After the initial reporting, these instruments are valued according to the amortised cost method using the effective discount rate net of any provision for impairment.

Profits and losses are recorded in the income statement when loans and receivables are derecognised for accounting purposes or when an impairment occurs beyond the amortisation process.

iv. Financial assets available for sale:

Financial assets available for sale, excluding derivatives, are those designated as such or not classified under any of the three previous categories.

After the first reporting, financial instruments available for sale are valued at fair value. If the market price is not available, the present value of financial instruments available for sale is measured using the most appropriate valuation methods, such as the analysis of discounted cash flows performed using market information available on the reporting date. In the absence of reliable information, they are held at cost.

Profits and losses on financial assets available for sale are recorded directly in shareholders' equity up to the time the financial asset is sold or written down. At that time the accumulated profits and losses, including those previously posted to shareholders' equity, are included in the income statement for the period.

### Impairment of a financial asset

The Group assesses, at least annually, whether there are any indicators that a financial asset or a group of financial assets could be impaired.

A financial asset or group of financial assets is written down only if there is objective evidence of impairment caused by one or more events that occurred following the initial reporting date of the asset or group of assets, and which had an impact that can be reliably estimated on the future cash flows that may be generated by the asset or group of assets.

### Derecognition of financial assets and liabilities

A financial asset (or where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised from the financial statements when:

- the rights to receive income from financial assets no longer exist;
- the Group reserves the right to receive income from financial assets, but has taken on a contractual obligation to pay such income in full and without delay to a third party;
- the Group has transferred the right to receive income from financial assets and (i) has substantially transferred all the risks and benefits relating to the ownership of the financial asset, or (ii) has neither substantially transferred nor retained all the risks and benefits relating to the ownership of the financial asset, but has transferred control of the asset.

When the Group has transferred the rights to receive financial income from an asset, and it has neither transferred nor retained all the risks and benefits, or it has not lost control of the same, the asset is reported in the statement of financial position to the extent of the Group's remaining involvement in the asset.

A financial liability is derecognised from the financial statements when the underlying obligation of the liability is no longer held or has been cancelled or settled.

In cases where an existing financial liability is replaced by another of the same lender under different conditions, or where the conditions of an existing liability are changed, the replacement or change is treated in the financial statements as a derecognition of the original liability, and a new liability is reported, with any difference in the accounting values allocated to the income statement.

### Financial derivatives and hedging transactions

Financial derivatives are used solely for hedging purposes to reduce exchange and interest rate risk.

In accordance with IAS 39, financial derivatives may be recorded using hedge accounting procedures only if, at the beginning of the hedge, a formal designation has been made and the documentation for the hedge relationship exists.

It is assumed that the hedge is highly effective: it must be possible for this effectiveness to be reliably measured, and the hedge must prove highly effective during the accounting periods for which it is designated.

All financial derivatives are measured at their fair value pursuant to IAS 39.

Where financial instruments meet the requirements for being reported using hedge accounting procedures, the following accounting treatment is applied:

- i. fair value hedge: if a financial derivative is designated as a hedge against exposure to changes in the fair value of an asset or liability attributable to a particular risk that could have an impact in the income statement, the profits or losses resulting from the subsequent valuations of the fair value of the hedging instrument are reported in the

income statement. The profit or loss on the hedged item, which is attributable to the hedged risk, is reported as a portion of the carrying amount of this item and as an offsetting entry in the income statement.

- ii. cash flow hedge: if a financial instrument is designated as a hedge of exposure to fluctuations in the future cash flow of an asset or liability reported in the financial statements, or of a transaction that is considered to be highly probable and that could have an impact on the income statement, the effective portion of the profits or losses on the financial instrument is reported in the statement of comprehensive income. Accumulated profits or losses are removed from shareholders' equity and recorded in the income statement in the same period in which the transaction being hedged has an impact on the income statement. The profit or loss associated with a hedge or the portion of a hedge that has become ineffective is posted to the income statement when the ineffectiveness is reported.

If a hedge instrument or hedge relationship is closed out, but the transaction being hedged has not been carried out, the accumulated profits and losses, which, until that time had been posted to shareholders' equity, are reported in the income statement at the time the related transaction is carried out.

If the transaction being hedged is no longer considered likely to take place, the pending unrealised profits or losses in shareholders' equity are recorded in the income statement.

If hedge accounting cannot be applied, the profits or losses resulting from the valuation of the financial derivative at its present value are posted to the income statement.

IAS 39 - Financial Instruments: Recognition and Measurement, allows the foreign currency risk of a highly probable intra-group transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the company entering into the transaction and that the consolidated financial statements are exposed to exchange rate risk.

In addition, if the hedge of a forecast intra-group transaction qualifies for hedge accounting, any gain or loss that is recognised directly in the statement of comprehensive income, in accordance with the rules of IAS 39, must be reclassified in the income statement in the same period in which the currency risk of the hedged transaction affects the consolidated income statement.

#### **Own shares**

Own shares are reported as a reduction in respect of shareholders' equity.

The original cost of the own shares and the economic effects of any subsequent sales are reported as movements in shareholders' equity.

#### **Inventories**

Inventories of raw materials and semi-finished and finished products are valued at the lower of purchase or production cost, determined using the weighted average method, and market value.

Work in progress is recorded at the acquisition cost of the raw materials used including the actual production costs incurred up to the point of production reached.

Inventories of raw materials and semi-finished products that are no longer of use in the production cycle and inventories of unsaleable finished products are fully written down.

Low-value replacement parts and maintenance equipment not used in connection with a single asset item are reported as inventories and recorded in the income statement when used.

#### **Non-current assets held for sale**

Non-current assets classified as held for sale include non-current assets (or disposal groups) whose carrying amount will be recovered primarily from their sale rather than their ongoing use, and whose sale is highly probable in the short term (within one year) and in the assets' current condition.

Non-current assets classified as held for sale are valued at the lower of their net carrying amount and present value, less sale costs, and are not amortised.

#### **Employee benefits**

##### ***Post-employment benefit plans***

Group companies provide post-employment benefits for staff, both directly and by contributing to external funds.

The procedures for providing these benefits vary according to the legal, fiscal and economic conditions in each country in which the Group operates.

Group companies provide post-employment benefits through defined contribution and/or defined benefit plans.

- i. Defined benefit plans

The Group's obligations and the annual cost reported in the income statement are determined by independent actuaries using the projected unit credit method.

The net cumulative value of actuarial profits and losses is recorded directly on the statement of comprehensive income and is not subsequently recognised in the income statement.

The costs associated with an increase in the present value of the obligation, resulting from the approaching time when benefits will be paid, are included under financial charges. Service costs are posted to the income statement. The liability recognised represents the present value of the defined benefit obligation, less the present value of plan assets. In the event of a modification to the plan that changes the benefits accruing from past service, the costs arising from past service are expensed in profit and loss at the time the change to the plan is made. The same treatment is applied if there is a change to the plan that reduces the number of employees or that varies the terms and conditions of the plan (treatment is the same regardless of whether the final result is a profit or a loss).

ii. **Defined contribution plans**

Since the Group fulfils its obligations by paying contributions to a separate entity (a fund), with no further obligations, the Company records its contributions to the fund in respect of employees' service, without making any actuarial calculation.

Where these contributions have already been paid at the reporting date, no liabilities are recorded in the financial statements.

**Compensation plans in the form of stock options**

The Group pays additional benefits in the form of stock option plans to employees, directors and individuals who regularly do work for one or more Group companies.

Pursuant to IFRS 2 - Share-based Payment, the total fair value of the stock options on the allocation date is reported as a cost in the income statement, with an increase in the respective shareholders' equity reserve, in the period beginning at the time of allocation and ending on the date on which the employees, directors and individuals who regularly do work for one or more Group companies become fully entitled to receive the stock options.

Changes in the present value following the allocation date have no effect on the initial valuation, while in the event of changes to the terms and conditions of the plan, additional costs are recorded for each change in the plan that determines an increase in the present value of the recognised option.

No cost is recognised if the stock options have not been vested; if an option is cancelled, it is treated as if it had been vested on the cancellation date and any cost that has not been recognised is recorded immediately.

The fair value of stock options is represented by the value of the option calculated by applying the Black-Scholes model, which takes into account the conditions for exercising the option, as well as the current share price, expected volatility and the risk-free rate and the non-vesting conditions.

The stock options are recorded at fair value with an offsetting entry under the stock option reserve.

The dilutive effect of options not yet exercised is included in the calculation of diluted earnings per share.

**Provision for risks and charges**

Accruals for the provision for risks and charges are reported when:

- there is a current legal or implicit obligation resulting from a past event;
- it is likely that the fulfilment of the obligation will require some form of payment;
- the amount of the obligation can be reliably estimated.

Accruals are reported at a value representing the best estimate of the amount the Company would reasonably pay to discharge the obligation or transfer it to third parties on the reporting date.

Where the financial impact of time is significant, and the payment dates of the obligations can be reliably estimated, the accrual is discounted. The change in the related provision over time is allocated to the income statement under Financial income (charges).

Provisions are periodically updated to reflect changes in estimates of cost, timescales and discount rates. Revisions to estimates of provisions are allocated to the same item in the income statement where the accrual was previously reported, or, if the liability relates to tangible assets (e.g. dismantling and restoration), these revisions are reported as an offsetting entry to the related asset.

When the Group expects that all or part of the provisions will be repaid by third parties, the payment is recorded under assets only if it is virtually certain, and the accrual and related repayment are posted to the income statement.

**Restructuring provisions**

The Group reports restructuring provisions only if there is an implicit restructuring obligation and a detailed formal restructuring programme that has led to the reasonable expectation by the third parties concerned that the Company will carry out the restructuring, either because it has already started the process or because it has already communicated the main aspects of the restructuring to the third parties concerned.

**Recording of revenues, income and expense in the income statement**

Revenues are reported to the extent to which it is likely that economic benefits will flow to the Group and in respect of the amount that can be reliably determined.

Revenues are reported at the fair value of the sum received, net of current and deferred discounts, allowances, excise duties, returns and trade allowances.

Specifically:

- sales revenues are recorded when the risks and benefits associated with owning the items are transferred to the buyer, and the revenue amount can be reliably determined;
- service revenues are reported when services are rendered; allocations of revenues related to partially performed services are reported on the basis of the percentage of the transaction completed at the reporting date, when the revenue amount can be reliably estimated;
- financial income and charges are recorded in the period to which they relate;
- capital grants are credited to the profit and loss account in proportion to the useful life of the assets to which they relate;
- lease income from investment property is recorded on a straight-line basis for the duration of the existing leasing contracts.

Costs are recognised in the income statement when they relate to goods and services sold or consumed during the period, or as a result of systematic apportionment or when the future utility of such goods and services cannot be determined.

Personnel and service costs include stock options (given their largely remunerative nature) that were allocated to employees, directors and individuals who regularly do work for one or more Group companies.

Costs incurred in studying alternative products or processes, or in conducting technological research and development, are considered current costs and charged to the income statement in the period in which they are incurred.

**Taxes**

Current income taxes are calculated on estimated taxable income, and the related payable is recorded under Tax payables. Current tax payables and receivables are recorded in the amount expected to be paid to/received from tax authorities by applying the tax rates and regulations in force or effectively approved on the reporting date.

Current taxes relating to items posted directly to shareholders' equity are included in shareholders' equity.

Other non-income taxes, such as property and capital taxes, are included in operating expenses.

Deferred tax assets and liabilities are calculated on all temporary differences between the asset and liability values recorded in the accounts and the corresponding values recognised for tax purposes using the liability method.

Provisions for taxes that could be incurred from the transfer of undistributed profit from subsidiaries have been made only where there is a genuine intention to transfer that profit.

Deferred tax assets are reported when their recovery is likely.

Deferred tax assets and liabilities are determined on the basis of tax rates projected to be applicable under the respective laws of the countries in which the Group operates, in those periods when the temporary differences are generated or derecognised.

Current and deferred tax assets and liabilities are offset when these relate to income taxes levied by the same tax authority and a legal right of set-off exists, provided that realisation of the asset and settlement of the liability take place simultaneously.

The balance of any set-off is posted to deferred tax assets if positive and deferred tax liabilities if negative.

**Transactions in foreign currencies (not hedged with derivatives)**

Revenues and costs related to foreign currency transactions are reported at the exchange rate in force on the date the transaction is completed.

Monetary assets and liabilities in foreign currencies are converted to euro at the exchange rate in effect on the reporting date, with any related impact posted to the income statement.

**Earnings per share**

Basic earnings per share are calculated by dividing the Group's net profit by the weighted average number of shares outstanding during the period, excluding any own shares held.

For the purposes of calculating the diluted earnings (loss) per share, the weighted average of outstanding shares is adjusted in line with the assumption that all potential shares with a diluting effect will be converted.

The Group's net profit is also adjusted to take into account the impact of the conversion, net of taxes.

**Use of estimates**

The preparation of the financial statements and related notes in accordance with IFRS requires the management to make estimates and assumptions that have an impact on the value of assets and liabilities in the statement of financial position and on disclosures concerning contingent assets and liabilities at the reporting date.

If, in the future, these estimates and assumptions, based on the best valuation currently available, differ from the actual circumstances, they will be amended accordingly at the time the circumstances change.

In particular, estimates are used to identify provisions for risks with respect to receivables, obsolete inventory, depreciation and amortisation, asset write-downs, employee benefits, taxes, restructuring reserves and accrual of other provisions.

The estimates and assumptions are reviewed periodically and the impact of any change is reflected in the income statement.

Goodwill and intangible assets with an indefinite useful life are subject to annual impairment tests to verify any losses in value.

The calculations are based on the financial flows expected from the cash-generating units to which the goodwill is attributed, as inferred from multi-year budgets and plans.

#### 4. Changes in accounting standards

The accounting standards adopted by the Group are the same as those applied to the annual financial statements at 31 December 2015, with the exception of those set out below.

##### a. Accounting standards, amendments and interpretations applied since 1 January 2016

Amendment to IAS 16-IAS 38 – Clarification of Acceptable Methods of Depreciation

The changes to IAS 16 and IAS 38, which were intended to clarify that depreciation calculated according to the 'revenue-based method' is not considered appropriate as it reflects only the revenue generated by the asset and not the consumption of the economic benefits embodied in the asset, were endorsed with the issue of Regulation 2015/2231 by the European Commission on 2 December 2015. The amendment did not affect the Company's financial position or profitability.

Amendment to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

Regulation 2015/2173 issued by the European Commission on 24 November 2015 endorsed the amendment to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations, which specifies that an entity should adopt the principles of IFRS 3 to report the accounting effects of acquiring an interest in a joint operation that constitutes a business. Specifically, at the time of acquisition of a joint operation, an investor will need to measure the acquired assets and liabilities at fair value, determine the acquisition-related costs, define the deferred tax effects arising from the allocation of the price paid on the values acquired and, after exercising the purchase price allocation, identify the residual element as goodwill.

The amendment to IFRS 11 applies for both the acquisition of an initial interest and for subsequent acquisitions. However, any interest previously held is not revalued at fair value if the acquisition of a subsequent interest does not change the joint control (i.e. the additional acquisition does not result in the gaining of control of the subsidiary). The amendment did not affect the Company's financial position or profitability.

Amendment to IAS 16-IAS 41 – Changes to the standard applicable to assets represented by bearer plants (applicable from 1 January 2016)

The amendment, published in June 2014, changes the measurement method for assets represented by fruit-bearing plants, such as grapevines, rubber trees and oil palms. The amendment applies the same accounting method used for property, plant and equipment, and therefore allows the cost model to be used as an alternative to the fair value model pursuant to IAS 41 originally applied to all biological assets. Bearer plants are in fact accounted for in the same way as other productive assets or plant. For further information please refer to note 22 – 'Biological assets'.

Amendment to IAS 1 – Clarifications on Disclosure

Regulation 2015/2406 issued by the European Commission on 18 December 2015 endorsed the amendments to IAS 1 reported in the document 'Disclosure Initiative'. These changes essentially contain clarifications on the methods of presenting financial information, and draw attention to the use of the concept of materiality and aggregation. The amendment did not affect the Company's financial position or profitability.

Amendment to IFRS 10-12-IAS 28 – Investment Entities: Applying the Consolidation Exception

The amendment, published in December 2014, provides that entities satisfying the definition of 'investment entity' established by the standard are exempt from presenting consolidated financial statements, and should rather measure subsidiaries at fair value, as provided for in IFRS 9. The new standard does not apply to the Group.

Amendment to IAS 19 – Defined Benefit Plans: Employee Contributions

Regulation 2015/29 issued by the European Commission on 17 December 2014 endorsed the amendment to IAS 19 – Defined Benefit Plans: Employee Contributions. The amendment will come into effect for years starting on or after 1 February 2015. In some countries, employees or third parties are required to contribute to a pension plan, and these contributions reduce the costs incurred by employers. The amendment introduces a simplified procedure, on the basis of which contributions by employees (or third parties), where not dependant on the number of years of service, may be

recognised as a reduction in the service cost in the period in which the service is performed rather than being allocated to the entire 'work period'. The accounting treatment for voluntary contributions has not changed from that set out in the current version of IAS 19 (they are recognised as a reduction in the service cost at the time of payment). The amendment did not affect the Company's financial position or profitability.

#### Annual cycle of improvements to IFRS 2010-2012

Regulation 2015/28 issued by the European Commission on 17 December 2014 endorsed the document 'Annual cycle of improvements to IFRS 2010-2012', containing essentially technical or drafting amendments to some of the international accounting standards. The amendments included in the above-mentioned document are effective from accounting years starting on or after 1 February 2015. The amendments included in the 2010-2012 cycle of improvements are as follows:

- IFRS 2 – Share-based Payment: the definition of 'vesting conditions' was clarified, and definitions of 'service conditions' and 'performance conditions' were introduced;
- IFRS 3 – Business Combinations: the standard was amended to clarify that the obligation to pay a contingent consideration falls within the definition of a financial instrument and must be classified as a financial liability or as a component of shareholders' equity based on the guidelines in IAS 32. It was also clarified that, unlike those for equity instruments, obligations to pay a contingent consideration are measured at fair value as at the date of the financial statements, and any changes are recognised in the income statement;
- IFRS 8 – Operating Segments: the amendment requires the disclosure of information on the valuations made in aggregating the operating segments, including a description of the segments that have been aggregated and the economic indicators that have been assessed to ascertain that the aggregated segments have similar economic characteristics;
- IAS 16 – Property, Plant and Equipment, and IAS 38 – Intangible Assets: both principles have been amended to clarify the accounting treatment of historical cost and the accumulated depreciation or amortisation of a fixed asset when an entity applies the revalued cost model;
- IAS 24 – Related Party Disclosures: the amendment sets out the information to be provided when a third party provides services relating to the management of executives with strategic roles in the entity that draws up the financial statements.

Annual cycle of improvements to IFRS 2012-2014; regulation 2015/2343 issued by the European Commission on 15 December 2015 endorsed the document 'Annual cycle of improvements to IFRS 2012-2014', containing essentially technical or drafting amendments to some of the international accounting standards. The main amendments are as follows:

- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations: the amendment clarifies that when a non-current asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this reclassification does not constitute a change to a disposal plan or distribution plan. It was also clarified that the principles of IFRS 5 on changes to a disposal plan apply to an asset (or disposal group) that ceases to be 'held for distribution' but is not reclassified as 'held for sale';
- IFRS 7 – Service Contracts: if an entity transfers a financial asset to third parties and the conditions of IAS 39 for the accounting derecognition of the asset are met, the amendment to IFRS 7 provides information on what is meant by 'continuing involvement'; it also includes a specific guide to help the company's management ascertain whether or not the terms of an agreement to provide services that relate to the transferred asset represent continuing involvement;
- IFRS 7 – Interim Financial Statements: this clarifies that the disclosure required by the previous amendment to IFRS 7 – Disclosure: Offsetting Financial Assets and Financial Liabilities, does not have to be provided in the interim financial statements unless expressly required by IAS 34;
- IAS 19 – Employment Benefits: the standard requires that the discount rate used to calculate the present value of post-employment obligations must be determined with reference to the market yields on high-quality corporate bonds, and in countries where there is not a 'deep market' of such securities, the market yields on government bonds must be used. The amendment introduced through the 2012-2014 cycle of improvements established that, in assessing whether there is a 'deep market' of high-quality corporate bonds, the market should be assessed at currency level for each individual country;
- IAS 34 – Interim Financial Reporting: this lists the information that must be disclosed in the interim report unless provided elsewhere in the interim financial reporting. The amendment clarifies the meaning of 'disclosure of information elsewhere in the interim financial reporting', by explaining that this refers to other documents that must be available to users, together with the interim financial report (e.g. the Report on operations).

**b. Accounting standards, amendments and interpretations that have been endorsed but not yet applicable/not adopted by the Group in advance**

**IFRS 9 – Financial Instruments (applicable from 1 January 2018)**

The new document represents the first part of the process intended to wholly replace IAS 39. IFRS 9 introduces new criteria for the classification and measurement of financial assets and liabilities and for the derecognition of financial assets. Specifically, the recognition and measurement criteria for financial assets and their related classification in the financial statements have been modified. The new provisions establish a classification and measurement model for financial assets, based exclusively on the following categories: assets measured at amortised cost or assets measured at fair value. The new provisions also establish that investments other than those in subsidiaries, associates and joint ventures are measured at fair value and recognised in the income statement. Where such investments are not held for trading purposes, changes to fair value may be reported in the statement of comprehensive income, with only the effects of paying out dividends recognised in profit or loss. When the investment is sold, the amounts recorded in the statement of comprehensive income should not be recognised in profit or loss. On 28 October 2010, the IASB included in the provisions of IFRS 9 the recognition and measurement criteria for financial liabilities. Specifically, the new provisions require that, when a financial liability is measured at fair value and recognised in profit or loss, changes in fair value relating to changes in the issuer's own credit risk are recorded in the statement of comprehensive income; this component is allocated directly to the income statement to ensure symmetry with other accounting items related to the liability, avoiding an accounting mismatch.

In addition, an amendment was published in November 2013 which introduced three important changes. The most important change relates to hedge accounting, and introduces a new model that incorporates a number of improvements intended to harmonise accounting treatment with the risk management policy operated by the company. The other two changes relate to the period of first-time application of the standard, giving companies the option to adopt the standard immediately and directly record the effects of changes in own credit risk on the statement of comprehensive income. The Group estimates no significant impacts of the new standard and related amendment on its financial statements.

**IFRS 15 – Revenue from Contracts with Customers (applicable from 1 January 2018)**

The aim of the new standard is to improve the quality and uniformity of revenue recognition and of the comparability of financial statements prepared in accordance with IFRS and US accounting principles. Under the new standard, revenue recognition may no longer be based on the earnings method but on the assets-liabilities method, which focuses on the date that control of the sold asset was transferred. The Group is still measuring the impact of adopting the new standard on its financial position and profitability. Based on the interim analysis, major impacts will result in a reduction of net sales offset by an equal reduction of costs incurred for advertising and promotions.

**c. Accounting standards, amendments and interpretations not endorsed yet**

**IFRS 16 – Leases (applicable from 1 January 2019 with the option for early application)**

On 13 January 2016, the IASB published the new accounting standard IFRS 16 – Leases. The new standard replaces IAS 17 and provides methods of accounting presentation that more appropriately reflect the type of leases in the balance sheet. The new IFRS 16 is applicable from 1 January 2019, but early adoption is permitted for companies that also apply IFRS 15 – Revenues from Contracts with Customers. The Group is still measuring the impact of adopting the new standard on its financial position and profitability.

Based on interim analysis on existing contracts, the major impacts are related to:

- Buildings;
- Vehicles;
- Electronic machines.

It is estimated that the application of the new standard will result in an increase in debt more than proportional to the increase in operating income, with a consequent negative effect on the level of debt compared to EBITDA. Please refer to note 16 'Other expenses' for a preliminary view of the impact on Group's results.

**Amendment to IAS 12 – Income Tax (applicable from 1 January 2017 with the option for early application)**

On 19 January 2016, the IASB published some amendments to IAS 12. These amendments are intended to clarify how to account for deferred financial assets relating to debt instruments measured at fair value. The Group estimates no significant impacts of the amendment on its financial assets and liabilities.

**Amendment to IAS 7 – Statement of Cash Flows (applicable from 1 January 2017)**

On 29 January 2016, the IASB issued the amendments to IAS 7 – Statement of Cash Flows: The amendment requires that information relating to the changes in financial liabilities is reported, with the aim of improving the information provided to investors to help them better understand the changes to such payables. This amendment relates purely to the presentation of the financial statements and will not therefore have any effect on the Group's financial position or profitability.



**IFRS 14 – Regulatory Deferral Accounts (applicable from 1 January 2016)**

Under the new standard, only first-time adopters of IFRS are allowed to continue to recognise amounts relating to the rate regulation according to the previous accounting principles adopted. In order to improve comparability with entities that already apply IFRS and hence do not recognise such amounts, the standard requires the rate regulation effect to be presented separately from the other items. The European Commission has decided not to start the approval process for this interim standard and to wait for the definitive standard. The new standard is not applicable to the consolidated financial statements.

**Amendment to IFRS 10-IAS 28 – Sales or Contributions of Assets between an Investor and its Associate/Joint Venture (applicable from 1 January 2016)**

The amendment, published in September 2014, is intended to resolve a conflict between the requirements of IFRS 10 and IAS 28 in the event that an investor sells or contributes a business to an associate or joint venture. The main change introduced by the amendment is that the gain or loss resulting from the loss of control must be recognised in full at the time of the sale or contribution of the business. A partial gain or loss is only recorded in the event of a sale or contribution involving individual assets only. The IASB has suspended publication and approval of this amendment until a date that is still to be determined.

**Amendment to IFRS 2 – Classification and Measurement of Share-based Payment Transactions (issued on 29 June 2016)**

This includes clarifications on the accounting treatment of stock options that are subject to performance-linked vesting conditions. The Group estimates no significant impacts of the amendment on its consolidated financial statements.

**Amendment to IFRS 4: Application of IFRS 9 – Financial Instruments, to IFRS 4 – Insurance Contracts (issued on 12 September 2016)**

The amendment introduces different methods of accounting treatment for insurance contracts that fall within the scope of application of IFRS 4. The new standard is not applicable to the Group's consolidated financial statements.

**Clarifications to IFRS 15 – Revenue from Contracts with Customers (issued on 12 April 2016)**

The IASB has provided practical information on some of the issues covered by IFRS 15 (identification of performance obligations, principal versus agent considerations and licensing). The potential impact of this amendment will be analysed together with IFRS 15 described above.

The annual cycle of improvements to IFRS 2012-2014; the document 'Annual cycle of improvements to IFRS 2014-2016', containing essentially technical and drafting amendments to the international accounting standards, has not been endorsed yet. The main clarifications relate to IFRS 1, IAS 28 and IFRS 12. These improvements are not considered likely to have an impact on the Group's consolidated financial position.

**Interpretation IFRIC 22 – Foreign currency transactions and advance consideration (issued on 8 December 2016)**

IFRIC 22 aims to clarify the accounting treatment of transactions that involve the receipt or payment of advance consideration in a foreign currency, and, specifically, when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. IFRIC 22 is applicable from 1 January 2018, and early adoption is permitted.

**Amendment to IAS 40 – Transfers of Investment Property (issued on 8 December 2016)**

One of the main changes introduced by the amendment is that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use.

## 5. Seasonal factors

Sales of some Group products are more affected than others by seasonal factors, because of different consumption patterns or consumer habits.

In particular, soft drink consumption tends to be concentrated in the hottest months of the year (May-September), and summer temperature variations from one year to the next may have a significant effect on comparative sales figures.

For other products, such as sparkling wines, sales in some countries are concentrated in certain periods of the year, mainly around Christmas. While external factors do not affect sales of these products, the commercial risk for the Group is nevertheless higher, since the results achieved in these periods may significantly affect full-year sales.

In general, the Group's diversified product portfolio, which includes spirits, soft drinks and wines, and the geographical spread of its sales, help to substantially reduce any risks relating to seasonal factors.

## 6. Default risk: debt management

The Group's debt management objectives are based on its ability to ensure that it retains an optimal level of financial soundness, while maintaining an appropriate level of liquidity that enables it to make an economic return and access external sources of funding. The Group monitors changes to its net debt/EBITDA ratio on an ongoing basis. Net debt is the Group's net financial position calculated at average exchange rates for the previous 12 months; EBITDA is the Group's operating result before depreciation, amortisation and non-controlling interests, pro-rated to take account of acquisitions and disposals in the past 12 months. At 31 December 2016, this multiple was 2.9 times (2.2 times that recorded at 31 December 2015).

## 7. Business combination (acquisition and disposal)

### Acquisition of Société des Produits Marnier Lapostolle S.A.

As fully detailed in the 'Significant events during the period' section, on 29 June 2016 Gruppo Campari completed the acquisition of Société des Produits Marnier Lapostolle S.A.

The impact of the acquisition on the Group's financial position at 31 December 2016, net of the sales of non-core businesses, is shown below.

	SPML Group € million	<i>business non core</i> Casoni Fabbricazione Liquori S.p.A. € million	<i>business non core still wines</i> € million	Total for cash flow € million
<b>Acquisitions and sales of companies or business divisions</b>	<b>(489.8)</b>	3.0	57.0	<b>(429.9)</b>
Cash and cash equivalents acquired	46.6	(0.9)	(0.1)	45.6
Current financial receivables	3.6	-	-	3.6
Non-current financial receivables	5.8	-	-	5.8
Financial debt acquired	(23.5)	2.4	-	(21.1)
<b>Total net financial assets acquired or sold</b>	<b>32.5</b>	<b>1.5</b>	<b>(0.1)</b>	<b>33.9</b>
<b>Net impact on cash and cash equivalents</b>	<b>(443.3)</b>	<b>2.0</b>	<b>56.9</b>	<b>(384.3)</b>
Payables arising from future purchase commitments	(193.1)	-	-	(193.1)
Receivables arising from business combination	-	-	5.0	5.0
<b>Net effect on net financial position</b>	<b>(650.4)</b>	<b>4.4</b>	<b>61.9</b>	<b>(584.1)</b>

We set out below the relevant information to aid understanding of the income statement and balance sheet values relating to the acquisition of Société des Produits Marnier Lapostolle S.A., included in the Group's consolidated financial statements at 31 December 2016.

### Cost of the transaction

The total cost was € 682.9 million (excluding the net financial position acquired), and comprised the following:

- the price paid at 31 December 2016 totalled € 489.8 million;
- payables arising from the purchase and sale commitments with the previous majority shareholders of SPML, totalling € 193.1 million, which are shown under the Group's other financial payables.

A breakdown of the costs of the transaction is given below.

Summary of the total price of purchase/sale	Purchase of initial shares (15 March 2016) € million	Public purchase offer (27 June 2016) € million	Subsequent purchases at 30 June 2016 € million	Commitment purchases within 2021 € million	Total € million
<b>Payment on closing date of phases of the transaction</b>	125.5	347.2	-	-	472.7
Purchase of shares from members of the family that was the former controlling shareholder of SPML	-	-	6.4	-	6.4
Residual squeeze-out shares on the market	-	-	10.7	-	10.7
Commitments to purchase the family's ex SPML majority shareholders remaining shares by 2021	-	-	-	193.1	193.1
<b>Total price of company acquisitions</b>	<b>125.5</b>	<b>347.2</b>	<b>17.1</b>	<b>193.1</b>	<b>682.9</b>
Cash, cash equivalents and financial assets at 30 June 2016	-	-	-	-	56.0
Other financial liabilities at 30 June 2016	-	-	-	-	(23.5)
<b>Net cash and cash equivalents acquired</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32.5</b>
<b>Total cost of the acquisition</b>	<b>125.5</b>	<b>347.2</b>	<b>17.1</b>	<b>193.1</b>	<b>650.5</b>

The ancillary costs attributable to the acquisition amounted to € 9.4 million and were classified in the income statement under overheads and financial costs for the period (€ 8.8 million and € 0.6 million at 31 December 2016).

#### Basis of consolidation

SPML is the parent company of the Marnier Lapostolle Group and, at 30 June 2016, directly or indirectly controlled ten companies based mainly in France, the US and Chile.

Since the acquisition was finalised on 29 June 2016, for the purposes of consolidating the statement of financial position, the acquired group was only incorporated to show the consolidated income and asset position, which at 30 June 2016 included the assets and liabilities acquired at the closing date. These assets and liabilities were incorporated in the Group's consolidated statement of financial position based on their fair value, as provisionally estimated at the closing date. These values did not change significantly between the closing date (29 June 2016) and 30 June 2016.

The Group's consolidated portion equates to 100% of the acquired group, due to the recording of financial payables relating to deferred purchase agreements signed with some family members and the squeeze-out right to the remaining shares held by non-controlling interests that did not subscribe to the public purchase offer.

With regard to the financial effects of the acquisition, it should be noted that the Group's results at 31 December 2016 include the financial effects of the group acquired since 1 July 2017, while the ancillary costs attributable to the transaction, which were recorded by the Parent Company, were charged to overheads and financial costs for the year.

If the business had been consolidated from the start of the year, the effect on net sales and EBITDA would have been around € 56.0 million and € 15.0 million respectively (without taking account of the profits realised by the distributors).

#### Provisional purchase price allocation

The provisional purchase price allocation at the fair values of the assets acquired is shown below.

It should be emphasised that this allocation is provisional. Once further information about facts and events existing at the closing of the transaction is obtained, recognised and restated, the values calculated could be different from those presented in this report. This analysis will be carried out, in part, with the assistance of an independent expert within 12 months of the closing date.

Goodwill was deemed to be fully reportable due to the synergies expected to be generated by integrating these brands into the Group's commercial structure. The goodwill is not tax-deductible based on the relevant local regulations.

The values shown here are explained in the following notes to the financial statements, where they are highlighted as changes in the basis of consolidation in the statement of financial position. Where not expressed in euro, the values were converted at the exchange rate on the closing date of the transaction.

Provisional fair value at acquisition date	Provisional fair value at 30 June 2016 € million	Adjustments and reclassifications € million	Provisional fair value at 31 December 2016 € million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Net tangible assets	58.9	(9.1)	49.7
Biological assets	4.7	0.4	5.2
Investment property	121.1	(0.1)	121.1
Brands	256.0	1.8	257.8
Intangible assets with a finite life	0.6	-	0.6
Equity investments in other companies	0.2	-	0.2
Deferred tax assets	17.4	5.6	22.9
Other non-current financial assets	5.8	-	5.8
<b>Total non-current assets</b>	<b>464.8</b>	<b>(1.4)</b>	<b>463.4</b>
<b>Current assets</b>			
Inventories	70.3	(6.4)	63.8
Current biological assets	-	4.4	4.4
Trade receivables	23.0	1.1	24.1
Short-term financial receivables	3.5	0.1	3.6
Cash and cash equivalents	47.8	(1.2)	46.6
Current tax receivables	2.9	(0.4)	2.4
Other receivables	18.8	(1.0)	17.8
<b>Total current assets</b>	<b>166.1</b>	<b>(3.4)</b>	<b>162.7</b>
<b>Assets held for sale</b>	-	5.4	5.4
<b>Total assets</b>	<b>630.9</b>	<b>0.6</b>	<b>631.5</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other non-current financial liabilities	-	0.9	0.9
Defined benefit plans	39.3	(7.7)	31.7
Provisions for risks and charges	32.0	11.0	43.0
Deferred tax liabilities	130.7	10.0	140.7
<b>Total non-current liabilities</b>	<b>202.1</b>	<b>14.2</b>	<b>216.3</b>
<b>Current liabilities</b>			
Current payables to banks	20.8	(0.9)	19.8
Other financial liabilities	1.3	1.5	2.8
Trade payables	15.8	(0.6)	15.2
Current payables to tax authorities	1.8	(0.5)	1.3
Other current liabilities	6.9	2.6	9.5
<b>Total current liabilities</b>	<b>46.6</b>	<b>2.0</b>	<b>48.6</b>
<b>Total liabilities</b>	<b>248.7</b>	<b>16.2</b>	<b>264.9</b>
<b>Net assets acquired</b>	<b>382.2</b>	<b>(15.6)</b>	<b>366.6</b>
<b>Goodwill generated by acquisition</b>	<b>300.7</b>	<b>15.6</b>	<b>316.3</b>
<b>Total cost, of which:</b>	<b>682.9</b>		<b>682.9</b>
<i>Price paid in cash, excluding ancillary costs</i>	472.7	-	472.7
<i>Payables for squeeze-out</i>	17.1	-	17.1
<i>Payables for the exercise of future purchase rights</i>	193.1	-	193.1
<b>Net cash position acquired, of which:</b>	<b>35.0</b>	<b>(2.5)</b>	<b>32.5</b>
<i>- Cash, cash equivalents and financial assets</i>	57.1	(1.1)	56.0
<i>- Financial debt acquired</i>	(22.1)	(1.4)	(23.5)

Values arising from SPML acquisition	Goodwill € milioni	Trademark € milioni	Total € milioni
Provisional fair value published at 30 June 2016	300.7	256.0	556.7
Change resulting from provisional allocation of acquisition values	15.6	1.8	17.4
<b>Provisional fair value published at 31 December 2016</b>	<b>316.3</b>	<b>257.8</b>	<b>574.1</b>

### Acquisition of Bulldog London Dry Gin

As fully detailed in the section 'Events taking place after the end of the year', on 10 February 2017, Gruppo Campari completed the acquisition, via Glen Grant, of the Bulldog London Dry Gin brand for US\$ 55 million plus working capital and assumed liabilities of US\$ 3.4 million. The agreement provides for a potential earn-out to be paid on the achievement of specific sales volumes that are above agreed targets.

### Provisional purchase price allocation

It should be noted that, as the transaction was completed after the closing of 2016, none of the values described are reflected in the consolidated financial statements for 2016.

On the date that these consolidated financial statements were authorised (28 February 2017), the Group commenced the exercise to recognise and restate the information necessary to allocate the purchase price at the fair values of the net assets acquired, specifically the brand, trade payables, some liabilities and, as the difference, goodwill. The above analysis will be carried out within 12 months of the closing date.

### Sale of the Italian still wines business

As fully described in the section, 'Events taking place after the end of the year', on 16 December 2016, Gruppo Campari completed its exit from the Italian still wines business with the sale of Sella&Mosca S.p.A. and Teruzzi&Puthod S.r.l., for a price of € 62.0 million on a cash and debt-free basis. The agreement provides for a four-year deferred payment of € 5.0

million, secured by an interest-bearing charge over the equity interests held in Teruzzi&Puthod. The sale generated a capital gain of € 2.9 million, which is shown under Adjustments to operating income and charges.

The values shown here are explained in the following notes to the financial statements, where they are highlighted as changes in the basis of consolidation in the statement of financial position.

Net book value at disposal date (16 December 2016)	€ million
<b>ASSETS</b>	
<b>Non-current assets</b>	
Net tangible assets	16,9
Biological assets	16,7
Brands	0,1
Goodwill	13,8
Intangible assets with a finite life	0,2
Deferred tax assets	0,5
<b>Total non-current assets</b>	<b>48,1</b>
<b>Current assets</b>	<b>-</b>
Inventories	14,1
Trade receivables	7,4
Cash and cash equivalents	0,1
Other receivables	0,9
<b>Total current assets</b>	<b>22,5</b>
<b>Total assets</b>	<b>70,6</b>
<b>LIABILITIES</b>	
<b>Non-current liabilities</b>	
Defined benefit plans	0,8
Provisions for risks and charges	0,3
Deferred tax liabilities	0,4
<b>Total non-current liabilities</b>	<b>1,5</b>
<b>Current liabilities</b>	<b>-</b>
Trade payables	3,4
Current payables to tax authorities	0,5
Other current liabilities	6,1
<b>Total current liabilities</b>	<b>10,0</b>
<b>Total liabilities</b>	<b>11,5</b>
<b>Net assets disposed</b>	<b>59,1</b>
<b>Gain on disposal</b>	<b>2,9</b>
<b>Total cost, of which:</b>	<b>-</b>
<i>Price received in cash, excluding ancillary costs</i>	57,0
<i>Receivables</i>	5,0
<i>Net financial position acquired, of which:</i>	0,1
<i>- Cash and cash equivalents and financial assets</i>	0,1

## 8. Operating segment

The Group's operating businesses are determined on the basis of the results of the operating segments that are periodically reviewed by the Chief Operating Decision Maker (the CEO) to assess performance and inform resource allocation decisions. Since 2012, the Group has mainly based its management analysis on geographical regions, identified as operating segments that reflect the Group's operating model and current way of working by business unit.

The geographical regions considered are: i) the Americas, ii) Southern Europe, Middle East and Africa, iii) Northern, Central and Eastern Europe; and (iv) Asia-Pacific.

The level of profitability analysed is the result from recurring activities, equal to the operating result before adjustments to operating income and charges (for a definition of alternative performance indicators, please see the previous 'Alternative performance indicators' section of the Report on operations).

In addition, the profitability of each region reflects the profit generated by the Group through sales to third parties in that region, thereby neutralising the effects of inter-company margins.

2016	Americas	Southern Europe, Middle East and Africa	Northern, Central and Eastern Europe	Asia-Pacific	Total allocated	Non-allocated items and adjustments	Consolidated
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales to third parties	726.3	532.8	343.9	123.5	1,726.5	-	1,726.5
Net sales between segments	39.2	219.8	46.1	0.3	305.3	(305.3)	-
<b>Total net sales</b>	<b>765.5</b>	<b>752.6</b>	<b>390.0</b>	<b>123.8</b>	<b>2,031.8</b>	<b>(305.3)</b>	<b>1,726.5</b>
<b>Segment result</b>	<b>152.4</b>	<b>91.5</b>	<b>92.7</b>	<b>15.9</b>	<b>352.5</b>	<b>-</b>	<b>352.5</b>
Adjustment to operating income (charges) (1)	-	-	-	-	-	(33.2)	(33.2)
Operating result	-	-	-	-	-	-	319.4
Financial income (charges)	-	-	-	-	-	(83.2)	(83.2)
Put option income (charges)	-	-	-	-	-	0.6	0.6
Taxes	-	-	-	-	-	(70.5)	(70.5)
<b>Group profit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>166.3</b>
Depreciation/amortization	-	-	-	-	-	(52.7)	(52.7)

(1) For information on the definition of alternative performance indicators, see the section in the report on operations 'Alternative performance indicators'.

2015	Americas	Southern Europe, Middle East and Africa	Northern, Central and Eastern Europe	Asia-Pacific	Total allocated	Non-allocated items and adjustments	Consolidated
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales to third parties	701.6	525.3	313.9	116.0	1,656.8	-	1,656.8
Net sales between segments	39.2	158.8	47.4	0.3	245.8	(245.8)	-
<b>Total net sales</b>	<b>740.8</b>	<b>684.1</b>	<b>361.3</b>	<b>116.4</b>	<b>1,902.6</b>	<b>(245.8)</b>	<b>1,656.8</b>
<b>Segment result</b>	<b>135.4</b>	<b>99.5</b>	<b>81.6</b>	<b>16.1</b>	<b>332.7</b>	<b>-</b>	<b>332.7</b>
Adjustment to operating income (charges) (1)	-	-	-	-	-	(22.9)	(22.9)
Operating result	-	-	-	-	-	-	309.8
Financial income (charges)	-	-	-	-	-	(60.0)	(60.0)
Put option income (charges)	-	-	-	-	-	(0.4)	(0.4)
Taxes	-	-	-	-	-	(73.4)	(73.4)
Non-controlling interests	-	-	-	-	-	(0.6)	(0.6)
<b>Group profit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>175.4</b>
Depreciation/amortization	-	-	-	-	-	(47.4)	(47.4)

(1) For information on the definition of alternative performance indicators, see the section in the report on operations 'Alternative performance indicators'.

## 9. Net sales

	2016 € million	2015 € million
Sale of goods	1,706.3	1,639.4
Rendering of services	20.2	17.4
<b>Total net sales</b>	<b>1,726.5</b>	<b>1,656.8</b>

For more detailed analysis of net sales, please refer to the information in the report on operations in the 'Sales performance' section. The provision of services relates to bottling the products of third parties.

## 10. Cost of goods sold

A breakdown of cost of goods sold is shown by function and by type in the two tables below.

	2016 € million	2015 € million
Materials and manufacturing costs	659.8	655.5
Distribution costs	82.1	84.2
<b>Total cost of good sold</b>	<b>741.9</b>	<b>739.8</b>
<b>Breakdown by type</b>		
Raw materials and finished goods acquired from third parties	490.2	480.7
Inventory write-downs	1.4	3.2
Personnel costs	76.2	73.9
Depreciation/amortisation (*)	37.2	33.4
Utilities	12.9	15.7
External production and maintenance costs	39.0	41.2
Variable transport costs	58.2	59.9
Other costs	26.9	31.6
<b>Total cost of goods sold</b>	<b>741.9</b>	<b>739.8</b>

(\*) Depreciation and amortisation is net of € 1.8 million (€ 2.7 million in 2015) pending for final stocks of maturing liquids.

The increase in the cost of goods sold is commented on in the Report on operations, where the change in the percentage of net sales accounted for by these costs is analysed.

Depreciation and amortisation included in the cost of goods sold is reported net of € 1.8 million (€ 2.7 million in 2015) for depreciation of the tangible assets of Campari America, which was entirely pending on stock during the year, since the liquid produced undergoes a maturing process; on average, the product is matured for between five and seven years.

For a breakdown of personnel costs, see note 14 - 'Personnel costs'.

## 11. Overheads

A breakdown of overheads is shown by function and by type in the two tables below.

	2016 € million	2015 € million
Sals costs	142.0	133.1
General and administrative expenses	214.6	187.9
<b>Total overheads</b>	<b>356.6</b>	<b>321.0</b>
Agents and other variable sales costs	19.0	18.6
Depreciation/amortisation	14.9	13.2
Personnel costs	185.2	165.4
Travel, business trip, training and meetings	28.1	25.2
Utilities	1.5	1.4
Services, maintenance and insurance	47.0	41.7
Operating leases and rental expenses	11.4	11.5
Other	16.4	21.0
Adjustments to operating income (charges) (1)	33.2	22.9
<b>Total overheads</b>	<b>356.6</b>	<b>321.0</b>

(1) For information on the definition of alternative performance indicators, see the section in the report on operations 'Alternative performance indicators'.

The increase in overheads, before adjustments to operating charges, is due mainly to an increase in personnel costs. For a breakdown of costs, see note 14 - 'Personnel costs'.

The increase in the item 'Services, maintenance and insurance' is mainly attributable to costs for the outsourcing of services, various consultancy services and IT services associated with ongoing business management projects.

A breakdown of adjustments to operating income and charges is provided in the next section.

## 12. Adjustments to operating income and charges

The operating result for the year was affected by the following transactions or events.

	2016 € million	2015 € million
Other capital gains on the sale of tangible assets	1.1	6.1
Other income from tax litigation	2.9	-
Other income	3.6	-
<b>Total income adjustment items</b>	<b>7.5</b>	<b>6.1</b>
Capital losses on sale of businesses	(3.1)	-
Impairment of brands and sold business	-	(16.2)
Write-down of tangible assets	(0.4)	(0.3)
Accruals to provisions for staff restructuring	(16.0)	(0.8)
Personnel restructuring costs	(8.1)	(7.1)
Other industrial restructuring costs	(1.2)	(3.2)
Pernalty for the termination of distribution relationship	(1.6)	(1.4)
Acquisition costs	(8.8)	-
Other expenses	(1.5)	-
<b>Total expense adjustment items</b>	<b>(40.7)</b>	<b>(29.0)</b>

The positive adjustment items for the period included total income of € 7.5 million, of which € 1.1 million was due to the sale of fixed assets and € 3.6 million to the accounting effect of provisions made in previous years and released in the current year.

The negative adjustment items included € 8.8 million in consultancy costs for the SPML acquisition and € 3.1 million following the sale of the non-strategic business belonging to Casoni Fabbricazione Liquori S.p.A.. Lastly, restructuring costs were € 24.1 million, of which € 16.0 million was allocated to provisions for risks and charges, due to the reorganisations under way in Group companies.

## 13. Depreciation/amortisation

The following table shows details of depreciation and amortisation, by type and by function, included in the income statement.

	2016 € million	2015 € million
- Tangible fixed assets	32.3	30.1
- Intangible fixed assets	4.9	3.3
<b>Depreciation and amortization included in cost of goods sold</b>	<b>37.2</b>	<b>33.4</b>
- Tangible fixed assets	8.0	6.9
- Intangible fixed assets	6.8	6.4
<b>Depreciation and amortization included in structure costs</b>	<b>14.8</b>	<b>13.2</b>
- Tangible fixed assets	0.6	0.7
- Intangible fixed assets	-	-
<b>Depreciation and amortization included in advertising and promotional expenses</b>	<b>0.7</b>	<b>0.7</b>
- Tangible fixed assets	40.9	37.6
- Intangible fixed assets	11.7	9.7
<b>Total depreciation and amortization in the income statement</b>	<b>52.7</b>	<b>47.4</b>
Depreciation and amortization not included in the income statement because pending for final stocks of maturing inventory	1.8	2.7
<b>Total depreciation and amortization</b>	<b>54.5</b>	<b>50.1</b>

## 14. Personnel cost

	2016 € million	2015 € million
Salaries and wages	197.9	185.4
Social security contributions	44.5	38.3
Cost of defined contribution plans	7.1	6.7
Cost of defined benefit plans	(2.0)	0.6
Other costs relating to mid/long-term benefits	5.4	(0.1)
Cost of share-based payments	7.5	9.3
<b>Total personnel costs</b>	<b>260.4</b>	<b>240.2</b>
of which:		
Included in cost of goods sold	76.2	73.9
Included in overhead	185.2	165.4
Included in advertising and promotional expenses	1.4	0.8
Included in adjustments to operating income (charges) (1)	(2.3)	-
<b>Total</b>	<b>260.4</b>	<b>240.2</b>

(1) For information on the definition of alternative performance indicators, see the section in the report on operations 'Alternative performance indicators'.

The allocation of personnel costs to the cost of goods sold and overheads was explained in the two previous notes. Personnel costs increased by 9.4% compared with 2015, as they mainly included the impact of the consolidation of Société des Produits Marnier Lapostolle S.A.



## 15. Research and development costs

The Group's research and development activities related solely to ordinary production and commercial activities, namely ordinary product quality control and packaging studies in various markets.

Related costs are recorded in full in the income statement for the year in which they are incurred.

## 16. Other costs

Payments under operating leases in 2016 were € 20.9 million, and relate to contracts held by Group companies regarding property, IT equipment, company cars and other equipment.

## 17. Financial income and charges

A breakdown of net financial income and charges is shown in the table below.

	2016 € million	2015 € million
Bank term deposit interest	7.0	5.5
Dividends from third parties	0.9	0.6
Other income	7.5	1.7
<b>Total financial income</b>	<b>15.4</b>	<b>7.8</b>
Net interest payable on bonds and private placements	(64.9)	(61.2)
Interest payable on leases	(0.4)	(0.1)
Interest payable to banks	(3.5)	(3.0)
<b>Total interest payable</b>	<b>(68.8)</b>	<b>(64.4)</b>
Net interest on defined benefit plans	(0.2)	(0.1)
Bank charges	(4.3)	(3.3)
Other charges and exchange rate differences	(0.7)	0.1
<b>Total financial charges</b>	<b>(5.2)</b>	<b>(3.3)</b>
Income from financial asset	5.1	-
Financial charges from private placement early termination	(29.1)	-
Acquisition costs	(0.6)	-
Financial charges from audit	-	(0.2)
<b>Total financial income (charges) adjustments</b>	<b>(24.6)</b>	<b>(0.2)</b>
<b>Net financial income (charges)</b>	<b>(83.2)</b>	<b>(60.0)</b>

Net financial charges, which included the effects of exchange rate differences, stood at € 83.2 million, an increase on the previous year's figure of € 60.0 million. The total change of € 23.2 million is due to a combination of contrasting factors:

- liabilities totalling € 29.1 million (original amount of US\$ 31.6 million, converted at the average exchange rate in 2016) relating to the payment to bond-holders stipulated in the agreement ('the make-whole amount') as a result of the early repayment of the private placement issued by Campari America in 2009 and the bond issued by the Parent Company in 2003, which were carried out in September 2016 as part of a review of the Group's financial debt, as fully described in the Report on operations in the sections, 'Significant events during the period' and 'Breakdown of net debt', to which reference is made;
- One-off financial income realised from the sale of financial assets following the closure of pension plans in Jamaica, which had been classified as available for sale at 31 December 2015, totalling € 5.1 million;
- ancillary costs of € 0.6 million relating to the SPML acquisition.

The average cost of debt, excluding exchange rate effects and adjustments to financial income and charges, as described above, was 5.6%, a decrease on the average figure of 6.6% for 2015, due to the operation to restructure financial debt.

The breakdown on interest payable to bondholders is shown in the table below.

	2016			2015
	Parent Company € million	Campari America € million	Total € million	Total € million
Financial charges payable to bondholders	(66.3)	(27.1)	(93.4)	(66.2)
Net financial income (charges) on swaps	2.0	-	2.0	3.5
<b>Net cost (coupons)</b>	<b>(64.3)</b>	<b>(27.1)</b>	<b>(91.4)</b>	<b>(62.7)</b>
Net changes in fair value and other amortized cost components	1.1	(0.8)	0.3	0.5
Cash flow hedge reserve reported in the income statement during the year	(2.3)	-	(2.3)	1.0
<b>Net interest payable on bonds and private placements</b>	<b>(65.5)</b>	<b>(27.9)</b>	<b>(93.4)</b>	<b>(61.2)</b>

It should be noted that, with regard to the taxes paid during the year:

- the private placement of Campari America, which was closed early in September 2016, paid coupons at a contractually-fixed average rate of 7.99%;
- the Parent Company's bond of 2003, which was also closed early in September 2016, paid coupons at an average contractually-fixed rate of 4.63%;
- the Company paid a coupon rate of 5.375% on the Eurobond issued in 2009 and repaid at its natural expiry date in 2016. However, the termination of the hedging derivative in 2012 generated a receivable, which is collected over the

duration of the loan at the same time as payment of the coupons. In 2016, it generated a receipt of € 5.0 million. The positive effect of the termination is shown annually in the income statement in the amortised debt cost components and, in 2016, it generated income of € 3.8 million. For more information on the effects of the termination, see note 27 – ‘Other non-current assets’;

- the Parent Company paid a fixed coupon of 4.5% (€ 400 million) on the nominal amount of the Eurobond issued in 2012;
- the Parent Company paid a fixed coupon of 2.75% (€ 600 million) on the nominal amount of the Eurobond issued in 2015;
- the Parent Company pays interest at a rate of 3-month Euribor plus a spread of 0.75% (€ 300 million) on the nominal amount of the term loan entered into in September 2016;
- the Parent Company pays interest at a rate of 3-month Euribor plus a spread of 0.50% (€ 200 million) on the nominal amount of the revolving credit facility subscribed in September 2016.

### 18. Income and charges relating to put options and earn-outs

The income reported at 31 December 2016 was due to an update of the estimate of the earn-outs relating to the acquisition of Sagatiba.

### 19. Income taxes

Taxes are calculated based on existing regulations, applying the tax rates in force in each country.

Deferred tax income and expense is calculated each year based on the rates in force at the time the temporary differences are reversed; appropriate adjustments are made if the rate is different from that of previous years, provided that the related law has already been issued on the date the financial report is drafted.

The amounts of current and deferred taxes recorded directly in comprehensive income or expense relate to the effects of the remeasurement of pension funds and the valuation at fair value of cash flow hedging contracts.

Details of current and deferred taxes included in the Group’s income statement and statement of comprehensive income are as follows.

	2016 € million	2015 € million
- current taxes for the year	(49.8)	(54.8)
- taxes relating to previous years and tax rate changes	1.7	0.5
- deferred tax expenses	(22.4)	(19.0)
<b>Taxes recorded in the income statement</b>	<b>(70.5)</b>	<b>(73.4)</b>
<b>Taxes recorded in the statement of comprehensive income</b>	<b>(0.4)</b>	<b>(0.3)</b>

### Reconciliation of tax charges

The table below shows a reconciliation of the theoretical tax charge with the Group’s actual tax charge.

The theoretical rate used is that in force on the reporting date, based on legal provisions, taking into account the IRES rate of 27.5% applied to the Parent Company.

In order to provide a clearer picture, IRAP has not been taken into account since, being a tax calculated on a tax base other than pre-tax profit, it would have had distortive effects.

Tax base differences are included under the permanent differences item.

	2016 € million	2015 € million
<b>Group profit before tax</b>	<b>236.7</b>	<b>249.4</b>
Applicable tax rate in Italy	27.5%	27.5%
<b>Theoretical Group taxes at current tax rate in Italy</b>	<b>(65.1)</b>	<b>(68.6)</b>
Difference in tax rate of Group companies	(2.1)	(0.8)
Permanent differences	(1.8)	1.2
Tax incentives	4.7	4.2
Tax provision	1.1	(4.5)
Taxes relating to previous financial years	0.2	(1.4)
Other consolidation differences	0.6	(0.9)
IRAP	(6.9)	(2.6)
<b>Actual tax charge</b>	<b>(70.5)</b>	<b>(73.4)</b>
<b>Actual tax rate</b>	<b>29.8%</b>	<b>29.4%</b>

**Breakdown of deferred taxes by type**

Details of deferred tax income/expense and deferred tax assets/liabilities posted to the income statement, the statement of comprehensive income and the statement of financial position are broken down by type below.

	Statement of financial position		Income statement		Comprehensive Income Statements	
	31 December 2016 € million	31 December 2015 € million	2016 € million	2015 € million	2016 € million	2015 € million
Deferred expenses	0.8	4.4	(0.1)	(0.2)	-	-
Taxed funds	3.9	8.0	(4.5)	(0.8)	-	-
Past losses	7.3	2.1	0.9	(0.5)	-	-
Purchase price allocation effect	23.1	-	-	-	-	-
Other	5.5	13.0	(2.6)	(2.3)	(0.5)	(0.5)
Reclassified in reduction of deferred tax liabilities	(3.5)	(12.4)	2.0	-	0.2	-
Reclassified to assets available for sale	-	(2.5)	-	-	-	-
Exchange rate effect	-	-	-	-	7.2	-
<b>Deferred tax assets</b>	<b>37.2</b>	<b>12.6</b>	<b>(4.3)</b>	<b>(3.8)</b>	<b>7.0</b>	<b>(0.5)</b>
Accelerated depreciation	(34.1)	(26.6)	(1.3)	3.1	(0.0)	-
Capital gains subject to deferred taxation	(0.6)	(1.0)	(0.1)	0.0	(0.0)	-
Goodwill and brands deducted locally (*)	(266.5)	(230.8)	(25.0)	(20.0)	-	-
Adjustment to Group accounting principles	21.1	26.2	6.4	2.6	(0.1)	0.2
Leasing	(1.9)	(1.9)	-	0.3	-	-
Allocation of values deriving from acquisitions	(157.0)	(65.1)	10.6	1.7	-	-
Other	(21.0)	(7.2)	(9.1)	(2.9)	-	-
Reclassification of deferred tax assets	3.5	14.4	0.6	-	-	-
Reclassification to liabilities held for sale	-	0.5	-	-	-	-
Exchange rate effect	-	-	-	-	(16.2)	-
<b>Deferred tax liabilities</b>	<b>(456.6)</b>	<b>(291.5)</b>	<b>(18.0)</b>	<b>(15.2)</b>	<b>(16.3)</b>	<b>0.2</b>
<b>Total</b>	<b>(419.4)</b>	<b>(278.9)</b>	<b>(22.4)</b>	<b>(19.0)</b>	<b>(9.4)</b>	<b>(0.3)</b>

(\*) The effect of the amortisation of goodwill and brands, in terms of reducing income taxes for the year, was € 28.3 million in 2016 (€ 28.0 million in 2015)

Deferred tax assets in respect of past losses are mainly attributable to Campari do Brasil Ltda and Campari España S.L. Local legislation does not set a time limit for their use, but does set a quantitative limit for each individual year, based on declared taxable income. The companies have also begun to use these against taxable profit.

**20. Basic and diluted earnings per share**

Basic earnings per share are calculated as the ratio of the Group's portion of net profits for the year to the weighted average number of ordinary shares outstanding during the year; own shares held by the Group are, therefore, excluded from the denominator.

Diluted earnings per share are determined by taking into account the potential dilution effect resulting from options allocated to beneficiaries of stock option plans in the calculation of the number of outstanding shares.

Basic and diluted earnings per share are calculated as shown in the table below.

		31 December 2016 € million	31 December 2015 € million
Net profit attributable to ordinary shareholders	€ million	166.3	175.4
Weighted average of ordinary share outstanding	number	578,754,225	578,017,199
<b>Basic earnings per share</b>	€	<b>0.29</b>	<b>0.30</b>
Net profit attributable to ordinary shares outstanding net of dilution	€ million	166.3	175.4
Weighted average of ordinary shares outstanding net of dilution	number	579,124,608	578,055,075
<b>Diluted earnings per share</b>	€	<b>0.29</b>	<b>0.30</b>

**21. Net tangible fixed assets**

Changes in this item are shown in the table below.

	Land and buildings € million	Plant and machinery € million	Other € million	Total € million
Carrying amount at the beginning of the period	318.0	374.0	146.8	838.8
Accumulated amortization at the beginning of the period	(91.1)	(231.5)	(72.1)	(394.7)
<b>Balance at 31 December 2015</b>	<b>226.9</b>	<b>142.5</b>	<b>74.8</b>	<b>444.1</b>
Perimeter effect for acquisition	35.2	10.3	4.2	49.7
Perimeter effect for disposals	(12.6)	(3.5)	(0.7)	(16.8)
Reclassification as assets held for sale	(0.9)	-	-	(0.9)
Investments	14.5	17.2	22.4	54.1
Disposals	(0.2)	(0.2)	(5.4)	(5.8)
Depreciation	(10.2)	(20.1)	(11.3)	(41.5)
Exchange rate differences and other changes	19.8	(4.4)	(4.1)	11.3
<b>Balance at 31 December 2016</b>	<b>272.6</b>	<b>141.8</b>	<b>79.9</b>	<b>494.3</b>
Carrying amount at the end of the period	387.2	385.4	171.8	944.4
Accumulated amortization at the end of the period	(114.5)	(243.6)	(91.8)	(450.0)

The change in the basis of consolidation was due to the following events during the year:

- the assets arising from the acquisition of SPML, located mainly in France and Chile, had a positive impact of € 49.7 million;

- the sale of the still wines business had an impact of € 16.8 million.

In addition, the sale of the business in Chile entailed the classification of € 0.9 million under 'net assets held for sale' (the transaction was closed on 31 January 2017).

For detailed information on reclassified amounts, see note 33 –'Net assets held for sale'.

The investment of € 54.1 million made in the period relates to the following new projects and the completion of some that were started in previous periods:

- in Jamaica, € 4.9 million was invested in environmental recovery and waste water treatment work and € 0.6 million in refurbishing plants and making the production facilities secure. € 1.8 million was spent on the introduction of new palleting plants;
- in the US, the Group invested € 2.5 million in expanding the warehouses for storing barrels of maturing inventory at the Lawrenceburg plant;
- in Argentina, € 0.9 million was invested in introducing herb infusion equipment;
- in Italy, € 3.0 million was invested in activities to bring soft drink bottling in house;
- improvements were made to the efficiency and production capacity of the Group's facilities in Italy (€ 5.9 million), North America (€ 2.9 million), Australia (€ 1.1 million), South America (€ 1.3 million) and other European sites (€ 6.5 million);
- the purchase of barrels for maturing bourbon whisky and rum had an impact of € 16.1 million;
- other interventions that were not significant individually but together totalled € 6.5 million, incurred for recurring maintenance work at the Group's sites.

Disposals, amounting to € 5.8 million, mainly related to the sale of barrels for maturing inventory in America.

Lastly, it should be noted, for greater clarity, that fixed assets in progress of € 11.3 million are included under the categories to which they relate, depending on the nature of the capital expenditure.

The following table provides a breakdown of tangible fixed assets by ownership.

€ million	Fixed assets		total
	owned	under finance leases	
Land and buildings	272.6	-	272.6
Plant and machinery	141.8	-	141.8
Other assets	81.5	(1.5)	79.9
<b>Total</b>	<b>495.8</b>	<b>(1.5)</b>	<b>494.3</b>

## 22. Biological assets

This item includes biological assets consisting of fruit-bearing and mature vines that provide grapes for wine production and pre-production vineyards.

The initial balance of these assets was attributable to Sella&Mosca S.p.A. and Teruzzi&Puthod S.r.l., and relates to vineyards in Sardinia and San Gimignano. The value of these assets increased following work on the vineyards totalling € 0.7 million, which was carried out before they were sold during the year.

The change in the basis of consolidation, totalling € 5.2 million, relates to the increased value of the assets comprising the orange orchards and vineyards owned by the SPML group in France, Haiti and Chile. It should be noted that at 31 December 2016, the biological assets relating to the still wines production business in Chile (totalling € 5.0 million), were reclassified under 'net assets held for sale'.

A summary of changes in this item is shown in the table below.

	Assets valued at fair value € million	Assets valued at cost € million	Total € million
Carrying amount at the beginning of the period	2.8	26.0	28.8
Accumulated amortization at the beginning of the period	-	(12.0)	(12.0)
<b>Balance at 31 December 2015</b>	<b>2.8</b>	<b>14.0</b>	<b>16.9</b>
Perimeter effect for acquisition	-	5.2	5.2
Perimeter effect for sale of business	(2.8)	(13.9)	(16.7)
Reclassification as assets held for sale	-	(5.0)	(5.0)
Investments	-	0.7	0.7
Depreciation/amortization	-	(0.9)	(0.9)
Other movements	-	0.2	-
<b>Balance at 31 December 2016</b>	<b>-</b>	<b>0.4</b>	<b>0.4</b>
Carrying amount at the end of the period	-	1.0	13.3
Accumulated amortization at the end of the period	-	(0.6)	(12.9)

All residual biological assets at 31 December 2016 are recognised on a cost basis, net of depreciation and impairment.

The depreciation period for the orchards and vineyards used by SPML ranges between 30 and 50 years.

Given that all production was processed, there were no related inventories at the year end.

### 23. Investment property

At 31 December 2016, investment property, totalling € 121.9 million, are related to property owned by SPML, of which € 120.0 million related to the property at St. Jean Cap Ferrat (€ 80.0 million net of the related deferred tax effect), as well as minor amounts relating to assets belonging to the Parent Company.

These buildings were recorded in the financial statements at their approximate fair value at the reporting date.

### 24. Goodwill and brands

Changes during the year are indicated in the table below.

	Goodwill € million	Brands with an indefinite life € million	Brands with a finite life € million	Total € million
Carrying amount at the beginning of the period	1,165.7	784.6	-	1,950.2
Opening impairment	(19.2)	(24.4)	-	(43.7)
<b>Balance at 31 December 2015</b>	<b>1,146.4</b>	<b>760.1</b>	-	<b>1,906.6</b>
Reclassification of values of brands with a finite life:				
- Carrying amount at the beginning of the period	-	(46.5)	46.5	-
- Opening impairment	-	24.4	(24.4)	-
Perimeter effect for acquisition	316.3	257.8	-	574.1
Perimeter effect for sale of business	(13.8)	(0.1)	-	(13.8)
Reclassification as assets held for sale	-	(1.8)	-	(1.8)
Depreciation	-	-	(2.1)	(2.1)
Other movements	-	(0.4)	-	(0.4)
Exchange rate differences	34.2	7.5	0.7	42.4
<b>Balance at 31 December 2016</b>	<b>1,483.2</b>	<b>1,001.1</b>	<b>20.6</b>	<b>2,504.9</b>
Carrying amount at the end of the period	1,486.2	1,001.1	45.8	2,507.9
Closing impairment	(3.0)	-	(25.2)	(3.0)

Intangible assets with an indefinite life are represented by goodwill and brands, both deriving from acquisitions. The Group expects to obtain positive cash flow from these assets for an indefinite period of time. Goodwill and brands with an indefinite life are not amortised but are subject to impairment tests.

Brands with a finite life included the value of the X-Rated Fusion Liqueur brand which, in previous years, had suffered an impairment loss. During 2015, its useful life was reviewed and determined as a period of ten years from 2016.

The change in the basis of consolidation is attributable to:

- increases of € 316.3 million and € 257.8 million due to the provisional allocation of goodwill and the brand, respectively, associated with the acquisition of SPML (for more details, see note 7 –‘Business combinations’);
- decreases in goodwill of € 13.8 million due to the sale of the Italian still wines business.

At 31 December 2016, the Group reclassified values relating to brands connected with the Chilean wines business (€ 1.8 million) as assets held for sale (see the section ‘Significant events’ in the Report on operations for more details).

The positive exchange rate differences, of € 42.4 million, are due to the adjustment of values of brands and goodwill recorded in local currency at end-of-year exchange rates.

### 25. Impairment

Impairment testing of goodwill was carried out at aggregate level based on the values allocated to the four cash-generating units (CGUs) identified as the Americas, SEMEA, NCEE and APAC. This structure reflects, for each CGU in the Group, the lowest level of goodwill allocated considered to be appropriate, given the synergies and efficiency improvements obtained at regional level. Moreover, this configuration reflects the geographical segment reporting structure adopted by the Group, based on the Group’s current organisational structure.

For brands, the values were tested individually or by combinations of brands acquired.

#### Impairment testing of goodwill

The allocation of goodwill for each CGU is based on the goodwill values at 31 December 2015, taking account of certain adjustments, such as the exchange rate effect on goodwill values and the perimeter effects recognised during the 2016 tax year.

The carrying amounts of the CGUs were calculated by allocating, in addition to goodwill, the brand values assigned on the basis of the profitability achieved by the brand in each CGU, as well as the fixed assets and working capital, which were mainly allocated on the basis of the relevant sales by region.

The values of the intangible assets relating to Grand Marnier were determined based on the provisional allocation at 30 June 2016.

The recoverable value of the CGUs is determined based on the 'value in use' model.

The value in use of an asset is calculated by discounting the estimated value of future cash flows generated by the continuous use of an asset. Expected cash flows, which are based on the Group's cash flow estimates, are discounted using a post-tax discount rate, which reflects both the time value of money and a further adjustment to include the generic market risk and the specific risks for the company. Forecasts of operating cash flows relating to the whole Group are taken from the 2017 budget and the strategic plans prepared by the Group's subsidiaries in 2016 for the period 2018-2021 and approved by the Board of Directors of Davide Campari Milano S.p.A.

In addition, the five-year cash flow plan was extrapolated on a ten-year basis, assuming a growth rate no higher than the average long-term growth rate for the market in which the Group operates. The use of a ten-year period was justified by the extension of the life cycle of the brands in the reference market, as well as the length of the maturing process of certain brands in some CGUs. Estimates of future cash flows were calculated based on prudent criteria in respect of growth rates and sales development. In addition, projections are based on reasonableness, prudence and consistency with respect to the allocation of future overheads, trends in capital investment, conditions of financial equilibrium and the main macroeconomic variables. Cash flow projections relate to current operating conditions and therefore do not include cash flows connected with any one-off operations. The main assumptions used in calculating the value in use of the CGUs are the growth rate and discount rate.

For the purposes of determining the terminal value, the perpetuity growth method of discounting was used. Specifically, a perpetual growth rate was used that corresponds to the average of consumer price for the period 2017-2021 (source: IMF), assumed conservatively to be 2.3% for the Americas CGU, 0.8% for the SEMEA CGU, 1.5% for the NCEE CGU and 2.2% for the APAC CGU. The perpetual growth rate value does not exceed the long-term growth rate of the industry in which the Group operates.

The value in use of the CGUs was calculated by discounting the estimated value of future cash flows, including the terminal value, which it is assumed will derive from the continuing use of the assets, at a discount rate (net of taxes and adjusted for risk) that reflects the average weighted cost of capital. Specifically, the discount rate used was the Weighted Average Cost of Capital (WACC), which depends on the risk associated with the estimate of cash flows. The WACC was determined on the basis of observable indicators and market parameters, the current value of money, and the specific risks connected with the business of the relevant CGU. The discount rates used on the relevant valuation date for the four CGUs tested on 31 December 2016, are as follows: 6.0% for the Americas CGU, 7.7% for the SEMEA CGU, 7.9% for the NCEE CGU and 6.0% for the APAC CGU.

### **Impairment testing on brands**

Impairment testing was performed on brands individually, using the value in use criterion. The recoverable value of the brand was calculated using the multi-period excess earnings method (MEEM).

The MEEM is an earnings-based valuation method. The theoretical premise of the MEEM is that the value of a brand is equal to the current value of the residual cash flows attributable to that asset only. Essentially, according to this criterion, the relevant earnings are calculated using the income that the company would record if it released itself from ownership of all the other assets (contributory asset charges) to reacquire the right of use.

Estimates of income flows generated by individual brands, net of contributory asset charges, and of the terminal value, discounted to present value using an appropriate discount rate, were used to calculate the recoverable value of brands. Forecasts of income flows come from the 2017 budget and the strategic plans prepared by the Group's subsidiaries in 2016 for the period 2018-2021. In addition, the five-year plan of income flows was extrapolated on a ten-year basis, assuming a growth rate no higher than the average long-term growth rate for the market in which the Group operates. The use of a ten-year period was justified by the extension of the life cycle of the brands in the industry in which the Group operates, and takes into account the length of the maturing process of certain brands.

Specifically, for the purposes of determining the terminal value of each brand, a perpetual growth rate of between 1.7% to 2.2%, that does not exceed the long-term growth estimates for the sector, was used. The discount rates used for the individual brands tested varied from 6.7% to 7.9% and took into account a specific risk premium for the brand in question.

The carrying amount corresponds to the book value of individual brands at 31 December 2016.

Based on the materiality principle, brands with an immaterial value of less than € 2 million are not subject to impairment testing.

### Results of impairment testing

In relation to goodwill values at 31 December 2016, based on the methodologies and assumptions set out above, the impairment tests revealed that the values recorded were fully recoverable.

In relation to brand values at 31 December 2016, based on the methodologies and assumptions set out above, the impairment tests revealed that the values recorded were fully recoverable.

To take into account current market volatility and uncertainty over future economic prospects, sensitivity analysis was carried out to assess the recoverability of amounts relating to goodwill and brands. Specifically, sensitivity analysis of recoverable values of the individual CGUs and individual brands was carried out based on the assumption of a percentage point increase in the discount rate and a percentage point reduction in the terminal growth rate. The sensitivity analysis described above confirmed that the values of the goodwill and brands are fully recoverable.

The values of goodwill and brands at 31 December 2016 allocated by CGU are shown in the table below.

	31 December 2016 € million	31 December 2015 € million
Americas	754.4	581.6
SEMEA	407.9	325.1
NCEE	285.6	220.2
APAC	25.4	19.6
<b>Total</b>	<b>1.473.3</b>	<b>1.146.4</b>

Changes in goodwill values at 31 December 2016 compared with 31 December 2015 are due to positive exchange rate effects of € 34.2 million, which were re-allocated proportionally to the individual CGUs, and to the perimeter effect attributable to the 2016.

The values of brands at 31 December 2016 are shown in the table below:

	31 December 2016 € million	31 December 2015 € million
Grand Marnier(1)	256.0	-
Wild Turkey	173.2	167.7
Frangelico and Carolans	116.6	116.6
Jamaican Rum Portfolio	115.3	119.0
Glen Grant and Old Smuggler	104.3	104.3
Forty Creek	73.2	68.7
Cabo Wabo	67.4	65.2
Averna and Braulio	65.5	65.5
X-Rated (2)	20.6	22.1
Riccadonna	11.3	11.3
Others	20.0	19.6
<b>Total</b>	<b>1.023.3</b>	<b>760.1</b>

(1) Calculated on the provisional purchase price allocation at 30 June 2016.

(2) Asset with a finite useful life. The value of the brand is amortised over a ten-year period until 2025.

Changes in brand values at 31 December 2016 compared with 31 December 2015 are due to positive exchange rate effects (€ 8.3 million) and to the perimeter effect attributable to the 2016.

## 26. Intangible assets with a finite life

Changes in this item are shown in the table below.

	Software € million	Other € million	Total € million
Carrying amount at the beginning of the period	48.4	18.3	66.8
Accumulated amortization at the beginning of the period	(31.4)	(9.8)	(41.1)
<b>Balance at 31 December 2015</b>	<b>17.1</b>	<b>8.6</b>	<b>25.6</b>
Perimeter effect for acquisition	0.1	0.5	0.6
Perimeter effect for sale of business	(0.2)	-	(0.2)
Investments	9.5	-	9.5
Amortisation for the period	(6.9)	(2.7)	(9.6)
Impairment	-	(0.1)	(0.1)
Exchange rate differences and other changes	1.0	(0.6)	0.5
<b>Balance at 31 December 2016</b>	<b>20.6</b>	<b>5.7</b>	<b>26.3</b>
Carrying amount at the end of the period	63.6	14.5	78.1
Accumulated amortization at the end of the period	(43.0)	(8.8)	(51.8)

Intangible assets with a finite life are amortised on a straight-line basis according to their remaining useful life.

Investment in intangible assets with a finite life during the year, totalling € 9.5 million, mainly related to projects to continuously upgrade and integrate the IT systems currently used by the Group.

## 27. Other non-current assets

This item breaks down as follows:

	31 December 2016 € million	Of which perimeter effect € million	31 December 2015 € million
Financial receivables	21.5	-	2.1
Term deposit	33.7	5.8	26.0
Derivatives on Parent Company bond (Eurobond)	-	-	9.6
<b>Non-current financial assets</b>	<b>55.3</b>	<b>5.8</b>	<b>37.8</b>
Equity investment in other companies	1.7	0.2	1.4
Security deposits	1.1	0.2	2.6
Other non-current receivables from main shareholders	2.2	-	2.2
Other non-current tax receivables	4.0	(0.1)	3.9
<b>Other non-current assets</b>	<b>9.1</b>	<b>0.3</b>	<b>10.1</b>
<b>Other non-current assets</b>	<b>64.3</b>	<b>6.1</b>	<b>47.9</b>

At 31 December 2016 deposits, totalling € 33.7 million, related to a cash investment by the Parent Company of € 26.4 million maturing in 2019, and to some of the Marnier Lapostolle Group companies. The increase is essentially due to perimeter effects.

Financial receivables include € 15.0 million of cash investments and interest-bearing financial receivables from sales of businesses totalling € 5.0 million.

Derivatives on the Parent Company loan, amounting to € 9.6 million at 31 December 2015, included the fair value of derivatives on the US\$-denominated bond issued in 2003 and paid back early in September 2016 (see the 'Significant events during the period' section for more information).

The other non-current tax receivables, totalling € 4.0 million, include receivables from the tax authorities due to the Group's Italian companies (€ 3.7 million) related to the entitlement to refunds of the higher income taxes paid in previous years due to the non-deductibility of IRAP. Additional receivables totalling € 2.2 million due to the ultimate shareholder Alicros S.p.A. were recorded for the tax consolidation periods from 2007 to 2011.

Please see note 47 – 'Related parties' for details on the relationships with the ultimate shareholder Alicros S.p.A.

## 28. Inventories and current biological assets

This item breaks down as follows:

	31 December 2016 € million	Perimeter effect for acquisition € million	Perimeter effect for sale of business € million	Reclassification as assets held for sale € million	31 December 2015 € million
Raw materials, supplies and consumables	37.4	6.0	(1.1)	(1.1)	30.4
Work in progress	60.0	17.6	(10.4)	(17.1)	70.4
Ageing inventory	293.7	33.0	-	-	269.8
Finished products and goods for resale	144.4	7.2	(2.3)	(0.8)	125.6
<b>Inventories</b>	<b>535.5</b>	<b>63.8</b>	<b>(13.8)</b>	<b>(19.0)</b>	<b>496.2</b>
Current biological assets	7.5	4.4	-	-	2.1
<b>Current biological assets</b>	<b>7.5</b>	<b>4.4</b>	<b>-</b>	<b>-</b>	<b>2.1</b>
<b>Total</b>	<b>543.0</b>	<b>68.3</b>	<b>(13.8)</b>	<b>(19.0)</b>	<b>498.2</b>

The perimeter effect related to the acquisition of SPML for € 68.3 million. For more information, see note 7 – 'Business combinations'. At 31 December 2016, a total value of € 19.0 million relating to the inventories of the Chilean wines business was classified as assets held for sale following the signing of an agreement to sell this business (see the 'Significant events during the period' section for more information).

The perimeter effect for sales, totalling € 14.1 million, relates to the sale of the Italian still wines business completed on 16 December 2016.

Excluding the components described above, stock on hand increased by € 9.7 million, due to a positive exchange rate effect of € 2.6 million and a net perimeter effect of € 37.0 million, which contributed to the total increase. Before taking the exchange rate effect and the perimeter effect into account, stock at hand rose by € 14.0 million, the combined effect of a reduction in finished products and raw materials totalling € 17.7 million, which was partially offset by a decrease in stocks of work in progress and maturing inventory totalling € 3.7 million.

Current biological assets represent the fair value of the harvest of sugar cane plantations that are not yet mature. This fair value estimate is based on the production costs incurred minus any impairment, calculated with reference to the estimated revenues from the sale of the harvest minus the costs of cultivation, harvesting and transportation to point of sale.



Inventories are reported minus the relevant provisions for write-downs. The changes are shown in the table below.

	€ million
<b>Balance at 31 December 2015</b>	<b>16.1</b>
Perimeter effect for acquisition	3.1
Accruals	2.2
Utilisation	(6.1)
Exchange rate differences and other changes	1.2
<b>Balance at 31 December 2016</b>	<b>16.5</b>

## 29. Trade receivables and other receivables

This item breaks down as follows:

	31 December 2016	Perimeter effect for acquisition	Perimeter effect for sale of business	Reclassification as assets held for sale	31 December 2015
	€ million	€ million	€ million	€ million	€ million
Trade receivables from external costumers	291.5	24.1	(7.2)	(3.9)	283.6
Receivables in respect of contributions to promotional costs	14.9	-	-	-	12.2
<b>Trade receivables</b>	<b>306.4</b>	<b>24.1</b>	<b>(7.2)</b>	<b>(3.9)</b>	<b>295.9</b>
Advances to suppliers	0.4	0.6	-	-	-
Advances and other receivables from suppliers	2.4	-	-	-	5.2
Other receivables from tax authorities	7.4	2.9	(0.1)	(2.4)	5.9
Receivables from agents and miscellaneous customers	1.6	0.1	(0.1)	-	2.3
Prepaid expenses	7.2	0.1	-	-	4.2
Other	7.7	14.0	-	-	4.0
<b>Other receivables</b>	<b>26.8</b>	<b>17.8</b>	<b>(0.2)</b>	<b>(2.4)</b>	<b>21.6</b>

The increase in trade and other receivables is broadly due to net perimeter effects and, in particular:

- the acquisition of SPML initially contributed an increase of € 24.1 million and € 17.8 million respectively;
- the sale of the Italian still wines business had an impact of € 7.2 million and € 0.2 million respectively;
- the sale of the Chilean wines business led to the reclassification of trade and other receivables as net assets held for sale, totalling € 3.9 million and € 2.4 million respectively. For more information see note 33 – ‘Net assets held for sale’.

Trade receivables decreased by € 10.4 million at organic level. Their carrying value is considered to be close to their fair value.

Trade receivables are shown net of year-end bonuses and payables for promotional costs. This item is reported net of the related provision for write-downs, reflecting the actual risk of uncollectibility, consistent with the disclosure of revenues on the income statement.

Other receivables from tax authorities, totalling € 7.4 million, primarily comprise € 3.4 million for VAT, € 1.7 million for excise duty and € 2.3 million for other taxes.

The table below shows receivables broken down by maturity.

31 December 2016	Trade receivables	Other receivables	Total
	€ million	€ million	€ million
<b>Not overdue and not impaired</b>	<b>238.8</b>	<b>12.6</b>	<b>251.4</b>
Due and not impaired:			
Less than 30 days	43.0	0.1	43.1
30-90 days	13.1	6.6	19.7
Within 1 year	4.2	-	4.2
Within 5 years	4.1	0.4	4.4
<b>Total due and not impaired:</b>	<b>64.5</b>	<b>7.0</b>	<b>71.5</b>
<b>Due and impaired</b>	<b>14.3</b>	<b>0.8</b>	<b>15.1</b>
Amount impaired	(14.3)	(0.8)	(15.1)
<b>Total receivables broken down by maturity</b>	<b>303.2</b>	<b>19.6</b>	<b>322.9</b>

31 December 2015	Trade receivables	Other receivables	Total
	€ million	€ million	€ million
<b>Not overdue and not impaired</b>	<b>216.5</b>	<b>7.1</b>	<b>223.6</b>
Due and not impaired:			
Less than 30 days	44.1	0.6	44.7
30-90 days	17.8	1.1	18.8
Within 1 year	15.1	11.6	26.7
Within 5 years	4.1	1.3	5.3
<b>Total due and not impaired:</b>	<b>81.0</b>	<b>14.6</b>	<b>95.6</b>
<b>Due and impaired</b>	<b>13.2</b>	<b>0.2</b>	<b>13.4</b>
Amount impaired	(14.9)	(0.2)	(15.1)
<b>Total receivables broken down by maturity</b>	<b>295.9</b>	<b>21.7</b>	<b>317.5</b>

The following table shows the changes in bad debt provisions during the period.

€ million	Bad debt provision	
	Trade receivables	Other receivables
<b>Balance at 31 December 2015</b>	<b>14.9</b>	<b>0.2</b>
Perimeter effect for acquisition	0.1	-
Perimeter effect for sale of business	(0.5)	-
Accruals	5.0	0.5
Utilizations	(4.7)	-
Releases	(1.1)	-
Exchange rate differences and other changes	0.6	-
<b>Balance at 31 December 2016</b>	<b>14.3</b>	<b>0.8</b>

Accruals for the year of € 5.0 million mainly relate to Parent Company and Italian company receivables of € 2.4 million, as well as impaired receivables relating to the Russian market in the amount of € 2.2 million.

Utilisations for the year, reflecting the settlement of lawsuits outstanding from previous years, and totalling € 4.7 million, mainly relate to the Parent Company and Italian subsidiaries.

### 30. Current financial receivables

This item breaks down as follows:

	31 December 2016 € million	Of which perimeter effect € million	31 December 2015 € million
<b>Securities and term deposit</b>	<b>2.4</b>	-	<b>59.1</b>
Valuation at fair value of forward contracts	0.5	(0.1)	0.5
Other financial assets	0.8	3.7	5.7
Restricted deposits	3.5	-	3.4
<b>Other current financial receivables</b>	<b>4.8</b>	<b>3.6</b>	<b>10.8</b>
<b>Current financial receivables</b>	<b>7.2</b>	<b>3.6</b>	<b>69.9</b>

Securities mainly include short-term or marketable securities that represent a temporary investment of cash but do not satisfy all the requirements for classification under cash and cash equivalents. The item includes securities falling due within one year.

The change in securities in the period mainly relate to investments by the Parent Company (€ 50.0 million) that matured in April 2016, and financial assets of € 6.7 million following the closure of pension plans in Jamaica, which were liquidated during the year. These financial assets had been classified as available for sale in 2015, with the change in fair value recorded in the statement of comprehensive income (€ 6.2 million). The cumulative change in fair value was released to the income statement in 2016 as one-off financial income.

The other financial assets decreased by € 4.9 million compared with 31 December 2015 following receipt of the last portion of the receivable associated with the Eurobond issued by the Parent Company in 2009. The perimeter effect relates to the financial assets of SPML, which were liquidated during the second half.

Restricted deposits at 31 December 2016 included funds earmarked to be available at any time, totalling € 3.4 million, to purchase the residual shares of J. Wray & Nephew Ltd. Current financial payables included a liability of the same amount, as shown under note 36 – ‘Payables to banks and other current financial payables’. The change since the previous year is due to the settlement of the purchase price holdback relating to the acquisition of Forty Creek Distillery Ltd, for which there was a liability of the same value, which was then eliminated.

All financial receivables are current and due within a year.

### 31. Current income tax receivables

	31 December 2016 € million	Of which perimeter effect € million	31 December 2015 € million
Income taxes	10.3	-	13.6
Receivables from main shareholders for tax	2.0	-	2.7
<b>Income tax receivables</b>	<b>12.3</b>	-	<b>16.3</b>

Tax receivables can all be recovered within twelve months.

Receivables from the Parent Company mainly relate to receivables for tax consolidation due from the ultimate shareholder Alicros S.p.A, Fratelli Averna S.p.A. (€ 1.8 million) and the Parent Company (€ 0.2 million). At 31 December 2016, the ultimate shareholder Alicros S.p.A. owed the Group € 1.5 million. All receivables and payables are non-interest-bearing; for more details, see note 47 – ‘Related parties’.

### 32. Cash and equivalents and reconciliation with net debt

The Group's cash and cash equivalents break down as follows:

	31 December 2016 € million	Of which perimeter effect € million	31 December 2015 € million
Bank current accounts and cash	308.7	24.9	817.7
Term deposit maturing within 3 months	45.4	20.8	26.6
<b>Cash and cash equivalents</b>	<b>354.1</b>	<b>45.6</b>	<b>844.3</b>

The cash and cash equivalents item comprises bank current accounts, other sight deposits and those that can be withdrawn within a maximum period of three months from the reporting date, which are held at leading banks and pay variable interest rates based on LIBOR depending on the currency and period concerned.

'Cash and cash equivalents' also includes securities that can be readily converted into cash, consisting of short-term, highly liquid financial investments that can be quickly converted to known cash instruments, with an insignificant risk of a change in value.

The change compared with 31 December 2015, of € 489.8 million, was mainly due to the SPML acquisition, which involved a net cash outlay of € 489.8 million. In addition, the perimeter effect includes the cash and cash equivalents from the acquired companies at 30 June 2016, net of the cash belonging to the business that was sold during the year. For more details, see the 'Significant events during the period' section of the Report on operations and note 7 – 'Business combinations'.

### Reconciliation with net financial position

The reconciliation with the Group's net debt is set out below.

	31 December 2016 € million	31 December 2015 € million
Cash and cash equivalents	354.1	844.3
<b>Cash (A)</b>	<b>354.1</b>	<b>844.3</b>
Securities	2.4	59.1
Other current financial receivables	4.8	10.8
<b>Current financial receivables (B)</b>	<b>7.2</b>	<b>69.9</b>
Current bank payables	(106.9)	(29.3)
Current portion of lease payables	-	(0.1)
Current portion of private placement and bonds	-	(441.6)
Other current financial payables	(12.9)	(19.9)
Current portion of payables for put option and earn-outs	(5.9)	(3.5)
<b>Current financial payables (C)</b>	<b>(125.7)</b>	<b>(494.4)</b>
<b>Net current financial position (A+B+C)</b>	<b>235.6</b>	<b>419.9</b>
Non-current bank payables	(302.3)	(4.4)
Non-current portion of lease payables	(2.2)	(2.0)
Non-current portion of private placement and bonds	(994.6)	(1,276.1)
Non-current portion of payables for put option and earn-outs	(191.3)	(1.0)
<b>Non-current financial debt (D)</b>	<b>(1,490.3)</b>	<b>(1,283.5)</b>
<b>Net debt (A+B+C+D) (*)</b>	<b>(1,254.8)</b>	<b>(863.6)</b>
Reconciliation with the Group's financial position, as shown in the Directors' report:		
Assets for derivatives on bonds, non-current portion	-	9.6
Term deposits	33.7	25.6
Non-current financial receivables	21.5	2.6
<b>Group net financial position</b>	<b>(1,199.5)</b>	<b>(825.8)</b>

(\*) In accordance with the definition of net debt set out in Consob Communication DEM 6064293 of 28 July 2006.

For all information concerning the items that make up net debt excluding liquidity, see note 30 – 'Current financial receivables', note 27 – 'Other non-current assets', and note 35/36 – 'Financial liabilities'.

### 33. Net assets held for sale

Net assets held for sale are valued at the lower of net book value and fair value less selling costs. At 31 December 2016, they included surplus real estate assets relating to a residual portion of the Termoli site (value unchanged from 31 December 2015), and a property in France. The change compared with 31 December 2015 was mainly due to:

- the exit of the business belonging to Casoni Fabbricazione Liquori S.p.A. and its subsidiary Stepanow S.R.O.; the transaction was closed on 30 March 2016;
- the reclassification of the net assets of the Chilean wines business following the agreement to sell concluded in December 2016 (for more details, see the 'Significant events during the period' section).

	Business Chilean wines € million	Real estate properties € million	31 december 2016 € million	31 december 2015 € million
<b>Assets</b>				
Net fixed assets	0.9	6.4	7.3	4.7
Goodwill and brands	1.8	-	1.8	-
Other net intangible assets	0.2	-	0.2	-
Other non current assets	0.6	-	0.6	2.8
Inventories	19.0	-	19.0	3.8
Trade receivables	3.9	-	3.9	11.3
Other current assets	2.4	-	2.4	1.1
<b>Total assets held for sale</b>	<b>28.8</b>	<b>6.4</b>	<b>35.2</b>	<b>23.6</b>
<b>Liabilities</b>				
Other non current liabilities	1.4	-	1.4	(1.2)
Trade payables	1.3	-	1.3	(5.9)
Other current liabilities	1.9	-	1.9	(2.9)
<b>Total liabilities held for sale</b>	<b>4.6</b>	<b>-</b>	<b>4.6</b>	<b>(10.0)</b>
<b>Total net assets</b>	<b>24.2</b>	<b>6.4</b>	<b>30.6</b>	<b>33.6</b>

### 34. Shareholders' equity

The Group manages and change its capital structure on the basis of the prevailing economic conditions and the specific risks of the underlying asset. To maintain or change its capital structure, the Group may adjust the dividends paid to the shareholders and/or issue new shares.

In this context, like other groups operating in the same sector, the Group uses the net debt/EBITDA multiple as a monitoring indicator. Net debt is the Group's net financial position calculated at average exchange rates for the previous 12 months; EBITDA is the Group's operating result before depreciation, amortisation and non-controlling interests, pro-rated to take account of acquisitions in the past 12 months.

At 31 December 2016, this multiple was 2.9 (compared with 2.2 at 31 December 2015).

For information on the composition of and changes in shareholders' equity for the periods under review, see the statement of changes in shareholders' equity.

#### Share capital

At 31 December 2016, the share capital of Davide Campari-Milano S.p.A. was € 58,080,000, comprising 580,800,000 ordinary shares with a nominal value of € 0.10 each, fully paid-up.

#### Proposed share split

The Board of Directors, that approved the Parent Company's draft financial statements, convened a shareholders' meeting in ordinary and extraordinary sessions on 28 April 2017, to vote on a proposal for a share split to be carried out via the issue of two new shares with a nominal value of € 0.05 each for each existing share. The new shares will qualify for dividends from 1 January 2016, and the current fully paid up share capital of € 58,080,000 will subsequently be divided into 1,161,600,000 shares.

#### Outstanding shares and own shares

The following table shows the reconciliation between the number of outstanding shares at 31 December 2016 and in the two prior years.

	31 December 2016	31 December 2015	31 December 2014	31 December 2016	31 December 2015	31 December 2014
				€	€	€
Outstanding shares at the beginning of the period	579,078,554	576,918,717	575,683,176	57,907,855	57,691,872	57,568,318
Purchases for the stock option plan	(2,326,135)	(11,518,418)	(3,704,964)	(232,614)	(1,151,842)	(370,496)
Disposals	2,705,237	13,678,255	4,940,505	270,524	1,367,826	494,051
Outstanding shares at the end of the period	579,457,656	579,078,554	576,918,717	57,945,766	57,907,855	57,691,872
Total own shares held	1,342,344	1,721,446	3,881,283	134,234	172,145	388,128
Own shares as a % of share capital	0.23%	0.30%	0.67%			

2,326,135 own shares were acquired at a purchase price of € 18.9 million in 2016, which equates to an average price of € 8.14 per share.

The sale of 2,705,237 shares at a price of € 10.8 million for the exercise of stock option rights produced a negative difference of € 9.2 million, which was recorded under shareholders' equity and offset by the use of stock option reserves of € 3.5 million.

Furthermore, after 31 December 2016 and until the announcement of the stock option exercise was authorised, the Company purchased an additional 780,000 own shares, at an average price of € 9.40, and own shares were sold for the exercise of stock options for a total of 249,583 shares. Thus, the number of own shares on the date this report was approved was 1,872,761.

#### Dividends paid and proposed

The table below shows the dividends approved and paid during the year and in the previous year, and the dividends subject to the approval of the shareholders' meeting to approve the financial statements for the year ending 31 December 2016.

	Total amount		Dividend per share	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	€ million	€ million	€	€
Dividends approved and paid during the year on ordinary shares	52.1	45.7	0.09	0.08
Dividends proposed on ordinary shares (*)	52.1	-	0.09	-
Dividends proposed after split	52.1	-	0.045	-

(\*) Calculated on the basis of outstanding shares at the date of the Board of Directors' meeting on 28 February 2017.

Taking into account the proposed share split, as described above, the number of outstanding shares used to calculate the dividend would increase to 1,157,854,478, and the number of own shares held would be 3,745,522.

As a result, the adjusted dividend per share would be € 0.045, the same as the dividend distributed for 2015 on an adjusted basis. If the share split is not carried out, a proposed dividend of € 0.09 per share will be paid (the same as the dividend distributed for 2015).

### Other reserves

	Stock options	Cash flow hedging	Foreign currency translation reserves	Remeasurement reserve for actuarial effects relating to defined benefit plans	Total
	€ million	€ million	€ million	€ million	€ million
<b>Balance at 31 December 2015</b>	<b>22.1</b>	<b>(3.3)</b>	<b>10.3</b>	<b>(4.1)</b>	<b>25.0</b>
Cost of stock options for the period	7.6	-	-	-	7.6
Stock option exercised	(3.5)	-	-	-	(3.5)
Losses (profits) reclassified in the income statement	-	(1.0)	-	-	(1.0)
Profits (losses) allocated to shareholders' equity	-	2.4	-	0.2	2.6
Tax effect recognised in shareholder's equity	-	(0.3)	-	(0.1)	(0.4)
Translation difference	-	-	49.0	-	49.0
<b>Balance at 31 December 2016</b>	<b>26.2</b>	<b>(2.2)</b>	<b>59.3</b>	<b>(3.9)</b>	<b>79.4</b>

The stock option reserve contains the provision made as an offsetting entry for the cost reported in the income statement for stock options allocated. The provision is determined based on the fair value of the options established using the Black-Scholes model.

For information on the Group's stock option plans, see note 42 – 'Stock option plan'.

The hedging reserve contains amounts (net of the related tax effect) pertaining to changes resulting from fair value adjustments of financial derivatives recorded using the cash flow hedging methodology.

For further information, see note 43 – 'Financial instruments: disclosures'.

The translation reserve reflects all exchange rate differences relating to the conversion of the accounts of subsidiaries denominated in currencies other than euro.

The remeasurement reserve for actuarial effects relating to defined benefit plans includes the effects of changes to the actuarial assumptions used to calculate net obligations for defined benefits.

### 35. Bonds and other non-current liabilities

The breakdown of bonds and other non-current liabilities is as follows.

	31 December 2016 € million	Of which perimeter effect € million	31 December 2015 € million
Parent Company bond (USD) issued in 2003	-	-	185.6
Parent Company bond (Eurobond) issued in 2012	397.2	-	396.2
Parent Company bond (Eurobond) issued in 2015	595.3	-	594.1
Private placement issued by Campari America in 2009	-	-	100.2
<b>Total bonds and private placement</b>	<b>992.4</b>	<b>-</b>	<b>1,276.1</b>
Payables and loans due to banks	302.3	(0.6)	4.4
Property leases	2.2	(0.3)	2.0
Non current liabilities for hedging derivatives	2.1	-	-
Payables for put option and earn-outs	191.3	190.8	1.0
<b>Non-current financial liabilities</b>	<b>497.9</b>	<b>189.9</b>	<b>7.4</b>
Other non-financial liabilities	8.5	-	3.1
<b>Other non-current liabilities</b>	<b>506.4</b>	<b>189.9</b>	<b>10.5</b>

#### Bonds and private placements

At 31 December 2016, the bonds included the following issues placed by the Parent Company:

- The first bond (Eurobond 2012) has a duration of seven years and a nominal value of € 400 million, with maturity on 25 October 2019. The bond pays a fixed annual coupon of 4.5% and the issue price was 99.068% of par, corresponding to a gross return of 4.659%.
- The second bond (Eurobond 2015) has a maturity of 30 September 2020 and a nominal value of € 600 million. The offer was placed at 99.715% of the nominal value. Coupons are payable at a nominal fixed interest rate of 2.75%. The gross return on the bond is therefore 2.81%.

The changes in the above-mentioned bonds recorded in 2016 relate solely to the effects of the amortised cost (negative for € 2.1 million).

In 2016, the Group repaid the loans listed below. Some were repaid early compared with their original maturity (see 'Significant events during the period' for more information).

Loans repaid at their natural maturity date:

- Eurobond issued in 2009 by the Parent Company with a nominal value of € 350 million and an original maturity of 14 October 2016;

- private placement issued by Campari America in 2009 with an original nominal value of US\$ 250 million, of which a nominal value of US\$ 100 million matured in June 2016.

Loans repaid early:

- private placement issued by Campari America in 2009 with an original nominal value of US\$ 250 million, of which a residual nominal value of US\$ 110 million matures in 2019;
- bond issued by the Parent Company in 2003, with an original nominal value of US\$ 300 million, of which a residual nominal value of US\$ 200 million matures in 2018. The Parent Company had various instruments in place to hedge exchange rate and interest rate risks (cross currency swaps and interest rate swaps) which were terminated at the same time as the loan.

At the same time as the early repayment of the loans maturing after the 2016 financial year, the Group paid the bondholders a contractually agreed 'make-whole' amount of US\$ 31.6 million (€ 29.1 million at the average rate for 2016), which was included in the Group's financial liabilities at 31 December 2016.

Some of the loan agreements that were terminated, as noted above, included negative pledge clauses and covenants, which have consequently been eliminated.

Early repayments were funded out of a € 300 million bullet loan maturing in three years at a rate of 3-month Euribor plus 0.75% made available by Banco Popolare, Intesa Sanpaolo and Unicredit. These are shown under 'Payables and loans due to banks'. In conjunction with the term loan, a new revolving credit facility was granted in the amount of € 200 million, maturing in three years, replacing the facility stipulated on 25 February 2015. At 31 December 2016, an amount of € 50.0 million of this credit line had been used and is shown under payables to banks and current loans (see note 36 – 'Payables to banks and other current financial payables').

#### **Payables and loans due to banks**

This item includes euro-denominated loans entered into with leading banks and maturing at the end of 2019; interest is mainly due at floating market rates. The portion of these loans falling due within 12 months (€ 1.6 million) was classified under short-term bank loans; further details are given in note 36 – 'Payables to banks and other current financial payables'. These loans are secured by mortgages on properties in Caltanissetta for an amount of € 3.5 million. The change compared with 31 December 2015 is mainly due to the repayment of the € 300 million bullet loan, as described above.

#### **Leases**

The item includes payables for the purchase of vehicles. The perimeter effect relates to the sale of the unbranded business of Casoni Fabbricazione Liquori S.p.A..

#### **Payable for put options and earn-outs**

At 31 December 2016, the long-term portion of the item 'Payables for put options and earn-outs' mainly included the payable (€ 190.8 million) created as a result of the agreements signed with members of the family that was the controlling shareholder of SPML, earmarked for the purchase of the remaining shares held by them by the end of 2021. The remaining portion related to the best estimate of the payment of an annual earn-out agreed as part of the purchase of the Sagatiba brand, to be paid during an eight-year period after the closing.

#### **Other non-financial liabilities**

The other non-financial liabilities at 31 December 2016 mainly include medium-long term liabilities relating to incentive-based plans, accrued on behalf of employees, totalling € 5.3 million. They also include benefits linked to medical cover, of € 2.7 million. For more information, see note 37 – 'Defined benefit plans').

#### **Interest rates and maturities**

The table below shows a breakdown of the Group's main financial liabilities, together with effective interest rates and maturities.

It should be noted that, as regards the effective interest rate of hedged liabilities, the rate reported includes the effect of the hedging itself.

Furthermore, the values of hedged liabilities are shown here net of the value of the related derivative, whether this is an asset or liability.

	Nominal interest rate € million	Maturity € million	31 December 2016 € million	31 December 2015 € million
Payables and loans due to banks	variable Euribor + 115-200 basis points	2016-2019	409.2	33.6
Parent Company bond issues				
- issued in 2003 (in USD)	fixed rate from 4.03% to 4.37% (1) 6-month € LIBOR + 60 basis points (2)	2018 - closed in 2016	-	176.1
- issued in 2009 (in USD)	fixed rate 5.375%	2016 - closed in 2016	-	353.2
- issued in 2012 (in USD)	fixed rate 4.5%	2019	397.2	396.2
- issued in 2015 (in USD)	fixed rate 2.75%	2020	595.3	594.1
Private placement:				
- issued in 2009	fixed rate 7.50%, 7.99%	2016-2019	-	191.9
Property leases	Euribor + 133 basis points	2015-2026	2.2	2.1

(1) Rate applied to the portion of the bond hedged by an interest rate swap, corresponding to a nominal value of € 129 million.

(2) Rate applied to the portion of the bond hedged by an interest rate swap, corresponding to a nominal value of € 43 million.

### 36. Payables to banks and other current financial payables

The breakdown of payables to bank and other financial payables is as follows.

	31 December 2016 € million	Of which perimeter effect € million	31 December 2015 € million
<b>Payables and loans due to banks</b>	<b>106.9</b>	<b>19.8</b>	<b>29.3</b>
Short-term portion of private placement issued in 2009	-	-	91.6
Short-term portion of Parent Company bond (Eurobond) issued in 2009	-	-	350.0
Amortized cost effect on short-term loans and bonds	-	-	3.2
Accrued interest on bonds	7.5	-	16.0
Property leases	-	-	0.1
Liabilities on hedging contracts	5.4	-	0.6
Current liabilities for hedge derivatives, not reported using hedge accounting	-	-	0.1
Payables for put options and earn-outs	5.9	2.3	3.5
Other financial liabilities	-	2.7	-
<b>Total other financial payables</b>	<b>18.8</b>	<b>4.9</b>	<b>465.1</b>

#### Payables to banks

Short-term payables to banks related to short-term loans or credit facilities used by the Group to obtain additional financial resources. The total change was mainly caused by perimeter effects represented by bank payables belonging to Marnier Lapostolle Group companies, totalling € 19.8 million, net of liabilities transferred when the unbranded business was sold, totalling € 0.5 million, as well as the use of the new revolving credit facility of € 50.0 million (see comments under note 35 – ‘Bonds and other non-current liabilities’). Some loans are guaranteed by mortgages on properties in Caltanissetta for an amount of € 3.5 million.

#### Bonds and private placements

The change in bonds and private placements compared with 31 December 2015, totalling € 441.6 million, relates to the termination of maturing loans. For more details, please see note 35 – ‘Bonds and other non-current liabilities’.

#### Payable for put options and earn-outs

The short-term portion of these payables included payables for put options (€ 5.6 million) and earn-outs (€ 0.4 million). The payable of € 3.4 million for the put option related to the purchase of residual non-controlling shares in J. Wray & Nephew Ltd, for which the Group holds restricted cash and cash equivalents guaranteeing the above-mentioned obligation, as described in note 23 – ‘Current financial receivables’. The increase of € 2.3 million relates to the payable arising from the agreements signed with members of the family that was the controlling shareholder of SPML for the purchase, by 2021, of all the remaining shares held by them. The earn-out payables of € 0.2 million relate to the fourth annual tranche to be paid on Sagatiba.

### 37. Defined benefit plans

Group companies provide post-employment benefits for staff, both directly and by contributing to external funds.

The procedures for providing these benefits vary according to the legal, fiscal and economic conditions in each country in which the Group operates.

The benefits are provided through defined contribution and/or defined benefit plans.

For defined contribution plans, Group companies pay contributions to private pension funds and social security institutions, based on either legal or contractual obligations, or on a voluntary basis.

The companies fulfil all their obligations by paying the said contributions.

At the end of the financial year, any liabilities for contributions to be paid are included in Other current liabilities; the cost for the period is reported according to function in the income statement.

Defined benefit plans may be unfunded, or fully or partially funded by contributions paid by the company, and sometimes by its employees, to a company or fund which is legally separate from the company and which pays out benefits to employees.

As regards the Group's Italian subsidiaries, the defined benefit plans consist of the employee indemnity liability (TFR), to which its employees are entitled by law.

Following reform of the supplementary pension scheme in 2007, for companies with at least 50 employees, TFR contributions accrued up to 31 December 2006 are considered to be 'defined benefit plans', while contributions accruing from 1 January 2007, which have been allocated to a fund held at the INPS (Italian social security agency) or to supplementary pension funds, are considered to be 'defined contribution plans'.

The portion of the TFR considered as a defined benefit plan consists of an unfunded plan that does not, therefore, hold any dedicated assets. The other unfunded defined benefit plans relate to Campari Schweiz A.G. and to SPML, which generated a perimeter effect of € 31.1 million. For more information, see note 7 – 'Business combinations'.

Campari Deutschland GmbH has in place a number of funded defined benefit plans for employees and former employees. These plans have dedicated assets.

The liability for medical insurance outstanding at 31 December 2016 relates to J. Wray&Nephew Ltd and offers access to health care, provided that employees stay with the company until pensionable age and have completed a minimum period of service. The cost of these benefits is spread over the employee's service period using a calculation methodology similar to that used for defined pension plans.

The liability relating to the Group's defined benefit plans, which is calculated on an actuarial basis using the projected unit credit method, is reported in the statement of financial position net of the fair value of any dedicated assets.

In cases where the fair value of dedicated assets exceeds the value of the post-employment benefit obligation, and where the Group has the right to reimbursement or the right to reduce its future contributions to the plan, the surplus is reported as a non-current asset, in accordance with IAS 19.

The following table reports changes in the present value of defined benefit obligations, and the fair values of the assets relating to the plan in 2016 and 2015.

€ million	Liabilities	Assets
<b>Liabilities (assets) at 31 December 2015</b>	<b>14.6</b>	<b>(3.6)</b>
Amounts included in the income statement:		
- current service costs	(1.8)	-
- net interest	0.4	(0.1)
<b>Total</b>	<b>(1.3)</b>	<b>(0.1)</b>
Amounts included in the statement of comprehensive income:		
- gain/(losses) resulting from changes in actuarial assumptions	(0.2)	-
<b>Total</b>	<b>(0.2)</b>	-
Other changes:		
- benefits paid	(1.4)	0.2
- benefits transferred	0.1	-
- change in basis of consolidation	31.1	-
- contribution to the plan by other members	0.1	(0.1)
- contributions to the plan by employees	0.1	(0.1)
<b>Total</b>	<b>30.0</b>	<b>(0.0)</b>
<b>Liabilities (assets) at 31 December 2016 (*)</b>	<b>43.0</b>	<b>(3.7)</b>

(\*) of which € 36.5 million included under Defined benefit plans – note 37.  
of which € 2.7 million included under Other non-current liabilities - note 35.

€ million	Liabilities	Assets
<b>Liabilities (assets) at 31 December 2014</b>	<b>15.7</b>	<b>(19.7)</b>
Amounts included in the income statement:		
- current service costs	0.6	-
- past service costs	-	-
- net interest	-	(0.1)
- gains/(losses) on regulations implemented	0.1	-
<b>Total</b>	<b>0.7</b>	<b>(0.1)</b>
Amounts included in the statement of comprehensive income:		
- gain/(losses) resulting from changes in actuarial assumptions	0.1	(0.1)
- changes to plan assets (excluding components already considered in net interest payable)	-	(0.7)
- exchange rate differences	0.3	(1.1)
<b>Total</b>	<b>0.4</b>	<b>(1.9)</b>
Other changes:		
- benefits paid	(2.2)	0.7
- benefits transferred	-	17.5
- change in basis of consolidation	(0.2)	-
- contribution to the plan by other members	0.1	(0.1)
- contributions to the plan by employees	0.2	(0.1)
<b>Total</b>	<b>(2.1)</b>	<b>18.0</b>
<b>Liabilities (assets) at 31 December 2015 (**)</b>	<b>14.6</b>	<b>(3.6)</b>

(\*\*) of which € 8.4 million included under Defined benefit plans – note 37.  
of which € 2.5 million included under Other non-current liabilities - note 35.

The table below shows the total changes in obligations for defined benefit plans financed by assets that serve the plan (funded assets) and the liabilities relating to long-term unfunded benefits. It also includes benefits linked to medical cover,



as described above, provided by J. Wray&Nephew Ltd to its current and/or former employees, and the long-term benefits of the Group's Italian companies (TFR).

Current value of obligations	Unfunded obligations		Funded obligations		
	Pension plans	Medical cover	Gross value of pension plans	Fair value of assets	Net values
€ million					
<b>Liabilities (assets) at 31 December 2015</b>	<b>7.7</b>	<b>2.5</b>	<b>4.3</b>	<b>(3.6)</b>	<b>0.7</b>
Amounts included in the income statement:					
- current service costs	(2.0)	0.2	0.1	-	0.1
- past service costs	-	-	-	-	-
- reduction/plan amendment	-	-	-	-	-
- net interest	0.4	-	0.1	(0.1)	0.0
- gains/(losses) on regulations implemented	-	-	-	-	-
<b>Total</b>	<b>(1.7)</b>	<b>0.2</b>	<b>0.1</b>	<b>(0.1)</b>	<b>0.1</b>
Amounts included in the statement of comprehensive income:					
- gain/(losses) resulting from changes in actuarial assumptions	(0.3)	(0.0)	0.1	-	0.1
- changes to plan assets (excluding components already considered in net interest payable)	-	-	-	(0.0)	(0.0)
- exchange rate differences	-	(0.1)	0.0	(0.0)	0.0
<b>Total</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>0.1</b>	<b>(0.0)</b>	<b>0.1</b>
Other changes:					
- benefits paid	(1.3)	-	(0.2)	0.2	(0.0)
- benefits transferred	(0.0)	0.1	-	0.0	0.0
- change in basis of consolidation	31.1	-	-	-	-
- contribution to the plan by other members	-	-	0.1	(0.1)	-
- contributions to the plan by employees	-	-	0.1	(0.1)	-
<b>Total</b>	<b>29.9</b>	<b>0.1</b>	<b>0.0</b>	<b>(0.0)</b>	<b>-</b>
<b>Liabilities (assets) at 31 December 2016 (*)</b>	<b>35.6</b>	<b>2.7</b>	<b>4.6</b>	<b>(3.7)</b>	<b>0.9</b>

(\*) of which € 36.5 million included under Defined benefit plans – note 37.  
of which € 2.7 million included under Other non-current liabilities - note 35.

Discounted value of obligations	Unfunded obligations		Funded obligations		
	Pension plans	Medical cover	Gross value of pension plans	Fair value of assets	Net values
€ million					
<b>Liabilities (assets) at 31 December 2014</b>	<b>8.6</b>	<b>2.4</b>	<b>4.6</b>	<b>(19.7)</b>	<b>(15.1)</b>
Amounts included in the income statement:					
- current service costs	0.4	-	0.2	-	0.2
- past service costs	-	-	-	-	(0.0)
- reduction/plan amendment	-	-	-	-	-
- net interest	0.1	(0.2)	0.1	(0.1)	0.0
- gains/(losses) on regulations implemented	-	0.1	-	-	-
<b>Total</b>	<b>0.5</b>	<b>(0.1)</b>	<b>0.3</b>	<b>(0.1)</b>	<b>0.2</b>
Amounts included in the statement of comprehensive income:					
- gain/(losses) resulting from changes in actuarial assumptions	0.2	-	(0.1)	(0.1)	(0.2)
- changes to plan assets (excluding components already considered in net interest payable)	-	-	-	(0.7)	(0.7)
- exchange rate differences	-	0.1	0.2	(1.1)	(0.9)
<b>Total</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>(1.9)</b>	<b>(1.8)</b>
Other changes:					
- benefits paid	(1.5)	-	(0.8)	0.7	(0.2)
- benefits transferred	-	-	-	17.5	17.5
- change in basis of consolidation	(0.2)	-	-	-	-
- contribution to the plan by other members	-	-	0.1	(0.1)	-
- contributions to the plan by employees	-	0.1	0.1	(0.1)	-
<b>Total</b>	<b>(1.6)</b>	<b>0.1</b>	<b>(0.7)</b>	<b>18.0</b>	<b>17.3</b>
<b>Liabilities (assets) at 31 December 2015 (**)</b>	<b>7.7</b>	<b>2.5</b>	<b>4.3</b>	<b>(3.6)</b>	<b>0.7</b>

(\*\*) of which € 8.4 million included under Defined benefit plans – note 37.  
of which € 2.5 million included under Other non-current liabilities - note 35.

The cost for current work and actuarial gains and losses are classified under personnel costs, while financial charges on obligations are classified as financial charges. The effects of the recalculation of actuarial effects are included in the other items of the statement of comprehensive income. The table below shows a breakdown of the values of assets that service the pension plans.

	Sector/nature/type/geographic region	2016	2015
- equity investments	Americas	-	0.9
- insurance plans		3.7	2.8
<b>Fair value of plan assets</b>		<b>3.7</b>	<b>3.6</b>

Obligations related to the plans described above are calculated on the basis of the following actuarial assumptions.

	Unfunded pension plans		Funded pension plans		Other plans	
	2016	2015	2016	2015	2016	2015
Discount rate	1.38%-1.81%	1.81%	0.70%-1.45%	0.80%	9.00%	9.50%
Future salary increases	2.00%-3.00%	1.00%-2.50%	2.00%	2.00%	-	-
Growth rate of healthcare costs	-	-	-	-	8.00%	7.50%
Expected return on assets	-	-	1.00%	1.00%	-	-
Staff turnover rate	1.68%-2.65%	1.68%-7.41%	-	-	-	-
Forecast inflation rate	1.00%-1.50%	1.50%	1.00%	1%-1.95%	-	-

The rates relating to the costs of health benefits are not included in the assumptions used in determining the above obligations. Thus, any changes in these rates would not have any effect.

A quantitative sensitivity analysis of the significant assumptions used at 31 December 2016 is shown below. Specifically, it shows the effects on the final net obligation arising from a positive or negative percentage change in the key assumptions used.

	Unfunded pension plans			Funded pension plans			Other plans		
	Change in the assumptions	Impact of positive change	Impact of negative change	Change in the assumptions	Impact of positive change	Impact of negative change	Change in the assumptions	Impact of positive change	Impact of negative change
<b>2016</b>									
Discount rate	+/- 0.5%	-3.62%	3.87%	+/-1%	-4.92%	5.82%	+/-1%	-8.92%	10.49%
Future salary increases	-	-	-	+/- 0.25%+/- 0.5%	1.30%	-1.25%	-	-	-
Forecast inflation rate	+/- 0.5%	2.40%	-2.31%	-	-	-	-	-	-
Growth rate of healthcare costs	-	-	-	-	-	-	+/-1%	7.68%	-11.44%
<b>2015</b>									
Discount rate	+/- 0.5%	-4.09%	4.38%	+/-1%	-4.95%	5.85%	+/-1%	-9.04%	11.07%
Future salary increases	-	-	-	+/- 0.25%/0.5%	1.30%	-1.27%	-	-	-
Forecast inflation rate	+/- 0.5%	2.72%	-2.62%	-	-	-	-	-	-
Growth rate of healthcare costs	-	-	-	-	-	-	+/-1%	8.00%	-11.93%

The sensitivity analysis shown above is based on a method involving extrapolation of the impact on the net obligation for defined benefit plans of reasonable changes to the key assumptions made at the end of the financial year.

The methodology and the assumptions made in preparing for the sensitivity analysis remain unchanged from the previous year.

Given that pension liabilities have been adjusted on the basis of the consumer prices index, the pension plan is exposed to the inflation rate of the various countries in question, to interest rate risks and to changes in the life expectancy of former employees. Given that the assets servicing the plans mainly relate to investments in bonds, the Group is also exposed to market risk in the related sectors.

The following payments are the expected contributions that will be made in future years to provide for the net obligations of the defined benefit plans.

€ million	Total	Unfunded pension plans	Funded pension plans	Other plans
Within 12 months	0.6	0.3	0.3	-
From 1 to 5 years	2.0	1.2	0.8	-
From 5 to 10 years	7.6	1.6	3.3	2.7
<b>Total</b>	<b>10.1</b>	<b>3.0</b>	<b>4.4</b>	<b>2.7</b>
<b>Average plan duration (years)</b>	<b>12.0</b>	<b>13.3</b>	<b>11.0</b>	<b>9.0</b>

### 38. Provisions for risks and charges

The table below indicates changes to this item during the period.

	Tax provision € million	Restructuring provisions € million	Agent severance fund € million	Other € million	Total € million
<b>Balance at 31 December 2015</b>	<b>21.6</b>	<b>1.2</b>	<b>1.8</b>	<b>8.3</b>	<b>32.9</b>
Perimeter effect for acquisition	19.8	-	-	23.2	43.0
Perimeter effect for disposals	(0.1)	-	(0.2)	-	(0.3)
Accruals	8.5	16.0	0.5	(0.5)	24.5
Utilizations	-	(0.4)	(0.3)	(0.2)	(0.9)
Releases	(0.9)	-	-	-	(0.9)
Exchange rate differences and other changes	(1.0)	(0.8)	0.0	0.1	(1.7)
<b>Balance at 31 December 2016</b>	<b>47.9</b>	<b>16.1</b>	<b>1.8</b>	<b>30.9</b>	<b>96.6</b>
of which estimated outlay:					
- due within 12 months	0.6	14.7	0.1	0.6	16.0
- due after 12 months	47.2	1.4	1.8	30.2	80.5

In relation to changes in the provisions for risks and charges compared with the 2015 annual financial statements, it should be noted that use was made of the restructuring provision (€ 0.4 million) for payments during the year in connection with the restructuring processes under way within the Group. Provisions for the year related to restructuring programmes in various Group companies, totalling € 16.0 million.

The tax provision of € 47.9 million at 31 December 2016 increased by € 19.8 million, arising from the acquisition of SPML. The provision also includes € 14.8 million in liabilities as a result of the J. Wray & Nephew Ltd acquisition.

Other funds reflected the recognition by the Parent Company and subsidiaries of liabilities for various lawsuits, including a legal dispute totalling € 7.5 million over a distribution agreement.

At 31 December 2016, the item had increased by € 23.2 million to include the liabilities from the provisional allocation of liabilities following the integration of SPML.

The information reported below concerns potential liabilities arising from three disputes in progress, in relation to which the Group did not, however, deem it necessary to make provisions as of the date of this report.

Various disputes were outstanding with the Brazilian tax authorities; however, it is not considered likely that the Group will lose the cases, based on the information available at the date of this report.

- Specifically, one outstanding dispute relates to production tax (IPI), in which the classification of products sold by Campari do Brasil Ltda was contested. The increase in taxes and penalties was BRL 117.6 million (equivalent to approximately € 30.4 million at the exchange rate on 31 December 2016) plus interest.

In March 2012, the company was officially informed that the outcome of the dispute was in its favour. However, since the formulation of the ruling was not deemed sufficient to afford the company complete legal safeguards in the event of future litigation relating to the same dispute, the company's lawyers proposed to appeal in order to obtain a ruling that would fully protect the company in the event of future disputes. In view of the outcome of the case and based on the advice of its lawyers, the Group continues to believe that there is still no reason to make a specific provision. As a result, no provisions were made for this item in the financial statements for the year ended 31 December 2016.

- Another outstanding dispute relates to a tax inspection report concerning the payment of ICMS (tax on the consumption of goods and services) with respect to sales made by Campari do Brasil Ltda to a single customer in 2007 and 2008; the company was notified of this report on 16 February 2012. The amount stipulated, including penalties, totalled BRL 49.6 million (around € 12.8 million at the exchange rate on 31 December 2016).

The dispute is pending before the administrative court, and is not expected to be settled in the near future.

Based on evaluations conducted by external legal consultants, which have appealed against the findings of the local tax authorities, the Group believes that the outcome of the dispute will be in favour of the company. It is therefore deemed unnecessary at present to establish a specific provision.

- In June 2016, the Company received a tax inspection notice relating to the years 2012 and 2013 alleging non-compliance in the use of a tax benefit relating to the sales of finished products manufactured in the Suape plant. The contested amount is BRL 29.1 million (approximately € 7.5 million at the exchange rate at 31 December 2016) including the related penalties. The Company's lawyers have prepared an appeal that demonstrates compliance with all the requirements stipulated by tax law. Based on the advice of its lawyers, the Group continues to believe that there is no reason to make a specific provision.

Lastly, as published in note 42 of the annual financial statements for 2015, in December 2015 a claim for compensation totalling US\$ 23 million was notified to the subsidiary J. Wray&Nephew Ltd by Algix Jamaica Limited. This company maintained that it had suffered damage to its fish farm due to the waste water from the sugar processing carried out by J. Wray & Nephew Ltd.

During the proceedings, to enable the company to continue with its sugar production business, J.Wray&Nephew Ltd was requested to comply with specific new environmental regulations. This led to delays in 2016 that compromised the harvest and sale of sugar, while partly incurring the related costs. At the date this report was approved, J. Wray&Nephew Ltd complied with the above-mentioned regulations, and the sugar production business was therefore authorised to continue. Meanwhile, the first-level ruling on the current case is expected in 2017.

The company, supported by its own legal advisers, maintains that there is no causal link between its activities and the losses alleged to have been suffered by Algix Jamaica Limited, and that the claim for damages therefore appears groundless both in terms of substance and quantification of damages. No provision was therefore created in this regard.

### 39. Trade payables and other current liabilities

	31 December 2016	Perimeter effect for acquisition	Perimeter effect for sale of business	Reclassification as assets held for sale	31 December 2015
	€ million	€ million	€ million	€ million	€ million
Trade payables to external suppliers	262.8	15.2	(2.4)	(1.3)	217.2
<b>Trade payables</b>	<b>262.8</b>	<b>15.2</b>	<b>(2.4)</b>	<b>(1.3)</b>	<b>217.2</b>
Payables to staff	52.1	7.2	(1.5)	-	38.1
Payables to agents	3.2	-	(0.3)	-	4.1
Deferred income	4.8	0.1	(2.2)	-	6.9
Payables for grants not yet certain	-	-	(1.3)	-	1.3
Amounts due to controlling shareholder for Group VAT	2.4	-	-	-	4.1
Value added tax	24.3	0.5	(0.3)	-	14.8
Tax on alcohol production	38.6	-	(0.2)	-	40.7
Withholding and miscellaneous taxes	7.0	0.6	(0.1)	-	7.0
Other	6.3	1.0	(0.2)	(1.9)	6.9
<b>Other current liabilities</b>	<b>138.6</b>	<b>9.4</b>	<b>(6.1)</b>	<b>(1.9)</b>	<b>124.0</b>

The increase in trade payables is due to the organic rise of € 33.6 million and to a net perimeter effect of € 11.5 million, including:

- increases of € 15.2 million arising from the first consolidation of SPML;
- decreases of € 2.4 million relating to the sale of the Italian still wines business;

- decreases of € 1.3 million arising from the reclassification of assets held for sale relating to the Chilean wines business. For more information, see note 33 – ‘Net assets held for sale’.

Payables for capital grants and deferred income relating to these grants break down as shown in the next paragraph. The maturities for trade payables and other current liabilities are shown below.

31 December 2016	Trade payables € million	Other payables to third parties € million	Total € million
On demand	46.5	3.3	49.8
Due within 1 year	216.3	130.0	346.3
Due after 1 year	-	2.0	2.0
<b>Total</b>	<b>262.8</b>	<b>135.2</b>	<b>398.0</b>

31 December 2015	Trade payables € million	Other payables to third parties € million	Total € million
On demand	47.9	4.5	52.4
Due within 1 year	168.4	119.0	287.4
Due after 1 year	0.9	0.5	1.4
<b>Total</b>	<b>217.2</b>	<b>124.0</b>	<b>341.2</b>

#### 40. Capital grants

The following table provides details of changes in deferred income related to capital grants between one financial year and the next.

In some cases the grants are not certain; in these instances a liability must be recorded against the grant received.

Once the grants become certain, they are classified as deferred income and are accounted in the income statement based on the useful life of the plant.

The table below illustrates changes in both payables and deferred income.

	Payables for capital grants € million	Deferred income € million
<b>Balance at 31 December 2015</b>	<b>1.3</b>	<b>4.2</b>
Amounts posted to the income statements	-	(0.7)
Perimeter effect for sale of business	(1.3)	(2.1)
<b>Balance at 31 December 2016</b>	<b>-</b>	<b>1.4</b>

	Payables for capital grants € million	Deferred income € million
<b>Balance at 31 December 2014</b>	<b>2.2</b>	<b>4.0</b>
Proceeds received in the period	0.6	-
Grants certain to be received	(1.5)	1.7
Amounts posted to the income statements	-	(1.5)
<b>Balance at 31 December 2015</b>	<b>1.3</b>	<b>4.2</b>

#### 41. Payables to tax authorities

This item breaks down as follows.

	31 December 2016 € million	Of which perimeter effect € million	31 December 2015 € million
Taxes payable	13.5	0.8	13.2
Due to controlling shareholder for tax consolidation	0.5	-	0.2
<b>Total income tax payables</b>	<b>14.0</b>	<b>0.8</b>	<b>13.4</b>

These payables are all due within 12 months.

The corporate income tax payable is shown net of advance payments and taxes withheld at source.

The perimeter effect relates to the first consolidation of SPML, net of the effect arising from the sale of the business.

Payables to the ultimate shareholder for tax consolidation at 31 December 2016 relate to the income tax payables of a subsidiary.

Against these payables, some Italian subsidiaries have receivables for tax consolidation totalling € 2.0 million (note 31 – ‘Income tax payables’). It should be noted that these payables and receivables are all non-interest-bearing; for further details, see note 47 – ‘Related parties’.

#### 42. Stock option plan

Pursuant to Consob resolution 11971 of 14 May 1999, as amended, and Consob communication 11508 of 15 February 2000, the following information is provided on the stock option plan (the ‘Plan’) approved by the Board of Directors of Davide Campari-Milano S.p.A. on 15 May 2001, which incorporated the framework plan for the general regulation of stock options for the Campari Group, approved by the shareholders’ meeting of 2 May 2001.

The purpose of the Plan is to offer beneficiaries who occupy key positions in the Group the opportunity of owning shares in Davide Campari-Milano S.p.A., thereby aligning their interests with those of other shareholders and fostering loyalty, in the context of the strategic goals to be achieved.

The recipients are employees, directors and/or individuals who regularly work for one or more Group companies, who have been identified by the Board of Directors of Davide Campari-Milan S.p.A., and who, on the Plan approval date and until the date that the options are exercised, have worked as employees and/or directors and/or in any other capacity at one or more Group companies without interruption.

The Plan regulations do not provide for loans or other incentives for share subscriptions pursuant to article 2358, paragraph 3 of the Italian Civil Code.

The Board of Directors of Davide Campari-Milano S.p.A. has the right to draft regulations, select beneficiaries and determine the share quantities and values for the execution of stock option plans. In addition, Davide Campari-Milano S.p.A. reserves the right, at its sole discretion, to modify the Plan and the regulations as necessary or appropriate to reflect revisions of laws in force, or for other objective reasons that would warrant such modification.

Subsequently, further stock options have been allocated each year, governed by the framework plan approved by the shareholders' meeting on 2 May 2001.

The shareholders' meeting of 29 April 2016 approved a new stock option plan, establishing the maximum number of shares that may be assigned (specifying how many may be assigned to directors of the Parent Company and how many to any other beneficiary) and authorising the board of directors of the Parent Company to identify, within the limits established by the shareholders' meeting, the beneficiaries and the number of options that may be assigned to each.

The options were therefore assigned on 11 May 2016 to the individual beneficiaries, with the right to exercise options in the two-year period following the end of the fifth year from the allocation date.

The total number of options granted in 2016 for the purchase of further shares was 7,552,509, with an average allocation price of € 8.57, equivalent to the weighted average market price in the month preceding the day on which the options were granted.

The following table shows changes in stock option plans during the periods concerned.

	31 December 2016		31 December 2015	
	No. of shares	Average allocation/exercise price (€)	No. of shares	Average allocation/exercise price (€)
Options outstanding at the beginning of the period	27,094,753	5.51	41,790,983	4.89
Options granted during the period	7,552,509	8.57	339,464	7.07
(Options cancelled during the period)	(1,037,529)	5.73	(1,357,439)	5.96
(Options exercised during the period) (*)	(2,705,237)	4.01	(13,678,255)	3.59
(Options expired during the period)	(68,846)	-	-	-
Options outstanding at the end of the period	30,835,650	6.38	27,094,753	5.51
of which those that can be exercised at the end of the period	1,811,965	3.78	3,848,851	3.82

(\*) The average market price on the exercise date was € 8.42.

The average remaining life of outstanding options at 31 December 2016 was 3.3 years (3.4 years at 31 December 2015). The exercise prices for the options allocated each year range as below.

	Average exercise price
Allocations: 2010	3.88
Allocations: 2011	5.50
Allocations: 2012	5.25
Allocations: 2013	5.95
Allocations: 2014	6.28
Allocations: 2015	7.07
Allocations: 2016	8.57

The average fair value of options granted during 2016 was € 2.2 (€ 1.58 in 2015).

The fair value of stock options is represented by the value of the option calculated by applying the Black-Scholes model, which takes into account the conditions for exercising the option, as well as the current share price, expected volatility and the risk-free rate and the non-vesting conditions for the plans.

Volatility was estimated with the help of data supplied by a market information provider together with a leading bank, and corresponds to the estimate of volatility recorded in the period covered by the plan.

The following assumptions were used for the fair value measurement of options issued in 2016 and 2015:

	2016	2015
Expected dividends (€)	0.09	0.08
Expected volatility (%)	28%	23%
Historic volatility (%)	23%	23%
Market interest rate	0.93%	0.96%
Expected option life (years)	7.00	7.30
Exercise price (€)	8.57	7.07

Davide Campari-Milano S.p.A. has a number of own shares that can be used to cover stock option plans.

The following table shows changes in the number of own shares held during the periods considered.

	No. of own shares		Purchase price (€ million)	
	2016	2015	2016	2015
Balance at 1 January	1,721,446	3,881,283	12.7	22.1
Purchases	2,326,135	11,518,418	18.9	78.4
Disposals	(2,705,237)	(13,678,255)	(20.1)	(87.8)
Final balance	1,342,344	1,721,446	11.6	12.7
% of share capital	0.23%	0.30%		

In relation to the sales of own shares in the year, which are shown in the above table at the original acquisition cost (€ 20.1 million), carried out at a market price totalling € 10.8 million, the Parent Company recorded a loss of € 9.2 million, which was recorded under shareholders' equity and partly covered by the use of € 3.5 million from the stock option reserve.

### 43. Financial instruments – disclosures

The value of individual categories of financial assets and liabilities held by the Group is shown below.

31 December 2016	Loans and receivables	Financial liabilities at amortized cost	Assets and liabilities measured at fair value through profit or loss	Assets and liabilities measured at fair value with changes recognized in the statement of comprehensive income	Hedging transactions
€ million					
Cash and cash equivalents	354.1				
Current financial assets	6.6				
Other non-current financial assets	55.3				
Trade receivables	306.4				
Payables to banks		(409.2)			
Real estate lease payables		(2.2)			
Bonds		(992.4)			
Accrued interest on bonds		(7.5)			
Put option payables		(197.2)			
Trade payables		(262.8)			
Non-current assets for hedge derivatives, not in hedge accounting			0.1		
Current assets for hedging derivatives					0.5
Non-current liabilities for interest rate swap derivatives					(2.1)
Current liabilities for forex derivatives					(5.4)
<b>Total</b>	<b>722.4</b>	<b>(1,871.3)</b>	<b>0.1</b>	<b>-</b>	<b>(7.0)</b>

31 December 2015	Loans and receivables	Financial liabilities at amortized cost	Assets and liabilities measured at fair value through profit or loss	Assets and liabilities measured at fair value with changes recognized in the statement of comprehensive income	Hedging transactions
€ million					
Cash and cash equivalents	844.3	-	-	-	-
Current financial assets	61.1	-	-	6.7	-
Other non-current financial assets	28.2	-	-	-	-
Trade receivables	295.9	-	-	-	-
Payables to banks	-	(33.6)	-	-	-
Real estate lease payables	-	(2.1)	-	-	-
Bonds	-	(1,525.8)	-	-	-
Private placement	-	(191.9)	-	-	-
Accrued interest on bonds	-	(16.0)	-	-	-
Other financial liabilities	-	(3.2)	-	-	-
Put option payables	-	(4.6)	-	-	-
Trade payables	-	(217.2)	-	-	-
Non-current assets for hedge derivatives, not in hedge accounting	-	-	0.4	-	-
Current assets for hedging derivatives	-	-	-	-	1.7
Non-current assets for hedging derivatives	-	-	-	-	9.6
Non-current liabilities for hedging derivatives	-	-	-	-	-
Current liabilities for hedging derivatives	-	-	-	-	(0.6)
Non-current liabilities for hedging derivatives, not reported using hedge accounting procedures	-	-	(0.1)	-	-
<b>Total</b>	<b>1,229.5</b>	<b>(1,994.4)</b>	<b>0.3</b>	<b>6.7</b>	<b>10.7</b>

#### Fair value hedging

At 31 December 2016, the Group had in place the following contracts that meet the definition of hedging instruments based on IAS 39.

At 31 December 2016, certain Group subsidiaries held forward contracts on receivables and payables in currencies other than the euro in their financial statements.

The contracts were negotiated to match maturities with projected incoming and outgoing cash flows resulting from sales and purchases in individual currencies.

The valuation of these contracts at the reporting date gave rise to the reporting of assets of € 0.4 million and liabilities of € 5.4 million.

In 2016, the Group, as fully explained in note 35 – ‘Bonds and other non-current liabilities’, terminated various loans and, where applicable, the related derivatives contracts. Specifically:

- In 2016, some cross currency swap agreements in place on the US\$-denominated bond issued by the Parent Company in 2003 were terminated, relating to notional amounts of US\$ 200 million, with an overall fair value of € 9.6 million (of which € 12.4 million related to fair value hedging), which was shown under non-current financial assets at 31 December 2016. The negative impact on the income statement was € 4.1 million, which was offset by the corresponding increase of € 4.7 million in the fair value of the underlying payable.
- The last tranche of the financial receivable arising from the early repayment in 2012 of an interest rate swap on the Eurobond issued in 2009 was received in 2016. See note 30 – ‘Current financial receivables’ for information on changes to the receivable. The impact on the income statement for 2016 was therefore a liability of € 4.9 million arising from the termination of the above-mentioned loan; this was offset by an amount of € 3.8 million relating to the change in fair value of the hedged risk, which was identified when the hedging on the underlying payable was terminated.

Gains and losses on the hedged and hedging instruments used in all the Group’s fair value hedges, corresponding to the above-mentioned contracts, are summarised below.

	31 December 2016 € million	31 December 2015 € million
Gains on hedging instruments	0.1	25.8
Losses on hedging instruments	(4.2)	(0.7)
<b>Total gains (losses) on hedging instruments</b>	<b>(4.1)</b>	<b>25.1</b>
Gains on hedged items	8.9	5.2
Losses on hedged items	(1.0)	(25.9)
<b>Total gains (losses) on hedging instruments</b>	<b>7.9</b>	<b>(20.7)</b>

#### Derivatives used for cash flow hedging

The Group uses the following contracts to hedge its cash flows:

- interest rate swap on the Eurobond issued in 2015. Around the time the loan was granted, the Parent Company entered into an interest rate hedging agreement. This resulted in an initial financial liability of € 1.3 million, recorded under comprehensive income or expense and released to the income statement with the cash flows generated by the underlying debt. In 2016, an effect of € 0.2 million was recycled to the income statement.
- hedging of future sales and purchases in currency and interest rates on future transactions.

At 31 December 2015, the Group had the following derivatives instruments in place, which were terminated in 2016 together with the underlying loans:

- interest rate swap on the US\$-denominated bond issued in 2003 by the Parent Company involving the payment of an average fixed rate of 4.25% (rates from 4.03% to 4.37%) on the underlying US\$ 150 million (original maturity in 2018). The overall fair value of the derivative at 31 December 2015 was positive at € 9.6 million (negative at € 2.8 million for the portion hedging the financial flows), and was shown under non-current financial assets. In the 2016 financial accounts, the instrument had a net positive impact of € 1.7 million including the accumulated values in the cash flow hedging reserve.
- interest rate swaps on the Parent Company Eurobond taken out on the date the bond was listed, and which had generated a total financial outlay of € 3.0 million, recorded on the income statement. This reserve, which was released in step with the cash flows generated by the underlying debt, in 2016 produced a liability of € 0.4 million on the income statement.

The following table shows when the Group expects to receive the hedged cash flows, as of 31 December 2016.

These cash flows only relate to interest and have not been discounted to present value.

The breakdown also shows the cash flows arising from forward foreign exchange contracts in respect of future currency sales/purchases.

31 December 2016	Within one year € million	1-5 years € million	Over 5 years € million	Total € million
Cash outflows	2.2	-	-	2.2
Cash inflows	0.1	-	-	0.1
<b>Net cash flows</b>	<b>(2.0)</b>	<b>-</b>	<b>-</b>	<b>(2.0)</b>

31 December 2015	Within one year € million	1-5 years € million	Over 5 years € million	Total € million
Cash outflows	5.5	11.0	-	16.5
Cash inflows	6.6	12.8	-	19.3
<b>Net cash flows</b>	<b>1.0</b>	<b>1.8</b>	-	<b>2.8</b>

The overall changes in the cash flow hedge reserve and the associated deferred taxes are shown below.

	Gross amount € million	Tax effect € million	Net amount € million
Reserve at 31 December 2015	(4.3)	1.1	(3.2)
Booked to the income statement during the period	2.4	(0.6)	1.8
Recognized in equity during the period	(1.0)	0.2	(0.8)
<b>Reserve at 31 December 2016</b>	<b>(2.9)</b>	<b>0.7</b>	<b>(2.2)</b>
	Gross amount € million	Tax effect € million	Net amount € million
Reserve at 31 December 2014	(5.5)	1.5	(4.0)
Booked to the income statement during the period	(0.5)	(0.1)	(0.6)
Recognized in equity during the period	1.6	(0.3)	1.3
<b>Reserve at 31 December 2015</b>	<b>(4.4)</b>	<b>1.1</b>	<b>(3.3)</b>

#### 44.Assets and liabilities measured at fair value

The following information is provided in accordance with the provisions of IFRS 13 - Fair Value Measurement.

The models currently used by the Group to measure the fair value of financial instruments provide for the inclusion of counterparty non-performance risk rating components. The method used for determining fair value is described below.

##### Fair value of financial instruments:

- for financial assets and liabilities that are liquid or nearing maturity, it is assumed that the carrying amount equates to fair value; this assumption also applies to term deposits, securities that can be readily converted to cash and variable-rate financial instruments.
- for the valuation of hedging instruments at fair value, the Company used valuation models based on market parameters.
- the fair value of non-current financial payables was obtained by discounting all future cash flows to present value under the conditions in effect at the end of the year.

For commercial items and other receivables and payables, fair value corresponds to the carrying amount.

	carrying amount		Fair value	
	31 December 2016 € million	31 December 2015 € million	31 December 2016 € million	31 December 2015 € million
Cash and cash equivalents	354.1	844.3	354.1	844.3
Assets for hedge derivatives on bonds	-	9.6	-	-
Interest accrued on swaps on private placements	-	1.2	-	1.2
Assets for hedge derivatives, not reported using hedge accounting procedures	0.1	0.4	0.1	0.4
Assets for forex hedge derivatives	0.5	0.5	0.5	0.5
Other short-term financial receivables	6.6	67.8	6.6	67.8
Other non-current financial assets	55.3	28.2	55.3	28.2
<b>Financial assets</b>	<b>416.5</b>	<b>952.0</b>	<b>416.5</b>	<b>942.5</b>
Payables to bank	409.2	33.6	409.2	33.6
Real estate lease payables	2.2	2.1	2.2	2.1
Bond issued in 2003	-	185.6	-	191.8
Bond issued in 2009 (Eurobond)	-	353.2	-	362.6
Bond issued in 2012 (Eurobond)	397.2	396.2	400.0	440.1
Bond issued in 2015 (Eurobond)	595.3	594.1	599.9	617.7
Private placement issued in 2009	-	191.9	-	212.1
Accrued interest on bonds	7.5	16.0	7.5	16.0
Non current liabilities for IRS derivatives on future transaction	2.1	-	2.1	-
Current liabilities for derivatives on foreign exchange transactions	5.4	0.6	5.4	0.6
Liabilities for hedging derivatives, not reported using hedge accounting procedures	-	0.1	0.0	0.1
Payables for put options and earn-outs	197.2	4.6	197.2	4.6
<b>Financial liabilities</b>	<b>1,616.0</b>	<b>1,777.9</b>	<b>1,623.5</b>	<b>1,881.2</b>

##### Fair value of non-financial instruments:

- for the fixed biological assets, the cost method net of accumulated depreciation was used to calculate their reported value;
- for current biological assets (agricultural produce), the fair value was determined based on the sale price net of estimated sales costs.

Investment property is valued at cost, which is considered a reliable approximation of its fair value.



The table below details the hierarchy of financial and non-financial instruments measured at fair value, based on the valuation methods used:

- level 1: the valuation methods use prices listed on an active market for the assets and liabilities subject to valuation;
- level 2: the valuation methods take into account inputs other than previous prices, but only those that can be observed on the market directly or indirectly;
- level 3: the methods used take into account inputs that are not based on observable market data.

In 2016, no changes were made in the valuation methods applied.

#### Financial instruments

Derivatives, valued using techniques based on market data, are mainly interest rate swaps and forward sale/purchases of foreign currencies to hedge both the fair value of the underlying instruments and cash flows.

The most commonly applied valuation methods include the forward pricing and swap models, which use present value calculations.

The models incorporate various inputs, including the credit rating of the counterparty, market volatility, spot and forward exchange rates and current and forward interest rates.

The table below analyses financial instruments measured at fair value based at three different valuation levels.

31 December 2016	Level 1 € million	Level 2 € million	Level 3 € million
<b>Assets valued at fair value</b>			
Futures currency contracts		0.5	
Hedging derivatives not reported using hedge accounting procedures		0.1	
<b>Liabilities valued at fair value</b>			
Interest rate swap on future transactions		2.1	
Forward currency contracts		5.4	
<b>31 December 2015</b>	<b>Level 1 € million</b>	<b>Level 2 € million</b>	<b>Level 3 € million</b>
<b>Assets valued at fair value</b>			
Accrued interest on bond swaps		1.2	
Interest rate swap on bonds (Eurobond)		9.6	
Futures currency contracts		0.5	
Hedging derivatives not reported using hedge accounting procedures		0.4	
Financial assets measured at fair value with changes recognized in the statement of comprehensive income	6.7		
<b>Liabilities valued at fair value</b>			
Forward currency and interest rate contracts		0.6	
Hedging derivatives not reported using hedge accounting procedures		0.1	

The level 1 valuation method is used for securities emanating from the final allocation of assets servicing pension plans in Jamaica, which were sold during 2016 realising a capital gain of € 5.1 million. No assets or liabilities were valued using the level 1 method at 31 December 2016.

The level 2 valuation method used for financial instruments measured at fair value is based on parameters such as exchange rates and interest rates, which are priced on active markets or are observable on official rate curves.

In 2016, there were no reclassifications between the above-mentioned levels in the fair value hierarchies.

#### Non-financial instruments

The table below analyses non-financial instruments measured at fair value, and include biological assets only.

31 December 2016	Level 1 € million	Level 2 € million	Level 3 € million
<b>Assets valued at fair value</b>			
Biological assets	-	7.5	-
<b>31 December 2015</b>	<b>Level 1 € million</b>	<b>Level 2 € million</b>	<b>Level 3 € million</b>
<b>Assets valued at fair value</b>			
Biological assets	-	4,9	-

The level 2 valuation used for biological assets is generally based on expected cash flows resulting from the sale of agricultural products. The sale prices of wine products used as a reference point relate to products that are strictly comparable with those of the Group. The parameters used are the production potential of vineyards grouped by land with similar characteristics and the corresponding overall market value. The sale prices of sugar are linked to the official prices in the reference markets, appropriately adjusted to take account of sales costs.

In 2016, there were no reclassifications between the above-mentioned levels in the fair value hierarchies.

#### 45. Nature and scale of the risks arising from financial instruments

The Group's main financial instruments include current accounts, short-term deposits, short and long-term bank loans, finance leases and bonds.

The purpose aims to finance the Group's operating activities.

In addition, the Group has trade receivables and payables resulting from its operations.

The main financial risks to which the Group is exposed are market (currency and interest rate risk), credit and liquidity risk. These risks are described below, together with an explanation of how they are managed.

To cover these risks, the Group uses derivatives, primarily interest rate swaps, cross currency swaps and forward contracts, to hedge interest rate and exchange rate risks.

##### Credit risk

With regard to trade transactions, the Group works with medium-sized and large customers (mass retailers, domestic and international distributors) on which credit checks are performed in advance.

Each company carries out an assessment and control procedure for its customer portfolio, by constantly monitoring amounts received. In the event of excessive or repeated delays, supplies are suspended.

As a result, historical losses on receivables represent a very low percentage of revenues and annual outstanding receivables and do not require special coverage and/or insurance.

The maximum risk at the reporting date is equivalent to the carrying amount of trade receivables.

Financial transactions are carried out with leading domestic and international institutions, whose ratings are monitored, in order to minimise counterparty insolvency risk. The maximum risk at the reporting date is equivalent to the carrying amount of these assets.

##### Liquidity risk

The Group's ability to generate substantial cash flow through its operations allows it to reduce liquidity risk to a minimum. This risk is defined as the difficulty of raising funds to cover the payment of the Group's financial obligations.

The table below summarises financial liabilities at 31 December 2016 by maturity based on the contractual repayment obligations, including non-discounted interest.

For details of trade payables and other liabilities, see note 39 – 'Trade payables and other current liabilities'.

31 December 2016	On demand € million	Within 1 year € million	Due in 1 to 2 € million	Due in 3 to 5 € million	Due after 5 years € million	Total € million
Payables and loans due to banks	-	109.4	3.2	301.3	-	413.9
Bonds	-	34.5	34.5	434.5	616.5	1,120.0
Property leases	-	0.1	0.1	0.1	2.0	2.2
Other financial payables	-	7.5	-	-	-	7.5
<b>Total financial liabilities</b>	<b>-</b>	<b>151.5</b>	<b>37.8</b>	<b>735.9</b>	<b>618.5</b>	<b>1,543.6</b>

31 December 2015	On demand € million	Within 1 year € million	Due in 1 to 2 € million	Due in 3 to 5 € million	Due after 5 years € million	Total € million
Payables and loans due to banks	-	29.3	1.6	1.6	0.4	32.8
Bonds	-	411.8	43.0	222.5	1,051.0	1,728.3
Derivatives on bond issues	-	2.8	2.8	13.1	-	18.7
Private placement	-	103.4	8.1	8.1	105.1	224.6
Property leases	-	0.1	0.1	0.1	2.0	2.2
Other financial payables	-	0.5	-	-	-	0.5
<b>Total financial liabilities</b>	<b>-</b>	<b>547.8</b>	<b>55.5</b>	<b>245.3</b>	<b>1,158.4</b>	<b>2,007.1</b>

The Group's financial payables, with the exception of non-current payables with a fixed maturity, consist of short-term bank debt.

Thanks to its liquidity and management of cash flow from operations, the Group has sufficient resources to meet its financial commitments at maturity.

In addition, there are unused credit lines that could cover any liquidity requirements.

##### Market risk

Market risk consists of the possibility that changes in exchange rates, interest rates or the prices of raw materials or commodities (alcohol, aromatic herbs, sugar) could negatively affect the value of assets, liabilities or expected cash flows.

##### Price risk

The price of raw materials depends on a wide variety of factors, which are difficult to forecast and are largely beyond the Group's control. Although historically the Group has not encountered particular difficulties in purchasing sufficient high-quality raw materials, we cannot rule out the possibility that the emergence of any tensions in this area could lead to difficulties in obtaining supplies, causing costs to rise, which would have negative consequences on the Group's financial results.

*Interest rate risk*

The Group is exposed to the risk of fluctuating interest rates in respect of its financial assets, payables to banks and lease agreements.

The Parent Company's 2012 and 2015 bonds pay interest at a fixed rate.

Overall, at 31 December 2016, around 60% of the Group's total financial debt was fixed-rate debt.

*Sensitivity analysis*

The following table shows the effects on the Group's income statement of a possible change in interest rates, if all other variables remain constant.

A negative value in the table indicates a potential net reduction in profit and equity, while a positive value indicates a potential net increase in these items.

The assumptions used with regard to a potential change in rates are based on an analysis of the trend at the reporting date.

The table illustrates the full-year effects on the income statement in the event of a change in rates, calculated for the Group's variable-rate financial assets and liabilities.

As regards the fixed-rate financial liabilities hedged by interest rate swaps, the change in the hedging instrument offsets the change in the underlying liability, with practically no effect on the income statement.

Net of tax, the effects are as follows:

	Increase/decrease in interest rates in basis point +/- 5 basis points	Income statements	
		Increase in interest rates € million	Decrease in interest rates € million
<b>31 December 2016</b>			
Euro		(0.5)	0.5
Dollar		0.1	(0.0)
Other currencies		1.1	(1.3)
<b>Total effect</b>		<b>0.8</b>	<b>(0.9)</b>
<b>31 December 2015</b>	+/- 5 basis points		
Euro		(0.3)	0.3
Other currencies		0.5	(0.5)
<b>Total effect</b>		<b>0.2</b>	<b>(0.2)</b>

*Exchange rate risk*

The expansion of the Group's international business has resulted in an increase in sales in markets outside the Eurozone, which accounted for 56.5% of the Group's net sales in 2016.

However, the establishment of Group entities in countries such as the United States, Brazil, Australia, Argentina, Russia and Switzerland allows this risk to be partly hedged, given that both costs and income are denominated in the same currency. Therefore, exposure to foreign exchange transactions generated by sales and purchases in currencies other than the Group's functional currencies represented an insignificant proportion of consolidated sales in 2016. For these transactions, Group policy is to mitigate the risk by using forward sales or purchases.

Lastly, it should be noted that exchange rate risk was further reduced in 2016 with the early repayment of the private placement issued by Campari America.

*Sensitivity analysis*

The analysis was performed on the economic effects of a possible change in the exchange rates against the euro, keeping all the other variables constant.

This analysis does not include the effect on the consolidated financial statements of the conversion of the financial statements of subsidiaries denominated in a foreign currency following a possible change in exchange rates.

The assumptions adopted regarding a potential change in rates are based on an analysis of forecasts provided by financial information agencies at the reporting date.

The types of transaction included in this analysis are sales and purchase transactions in a currency other than the Group's functional currency.

The effects on shareholders' equity are determined by changes in the fair value of forward contracts on future transactions, which are used as cash flow hedges.

The results of this analysis showed that the effects would not be significant.

## 46. Commitments and risks

The main commitments and risks of Gruppo Campari on the reporting date are shown below.

- Contractual commitments for the use of third-party assets

The following table shows the amounts owed by the Group, broken down by maturity, in future periods for the main contractual commitments for the use of third-party assets

	31 December 2016 € million	31 December 2015 € million
Within 1 year	10.0	8.8
1-5 years	18.2	17.4
After 5 years	4.9	7.6
<b>Total</b>	<b>33.1</b>	<b>33.7</b>

- Non-cancellable financing leases

The table below shows the commitments relating to the purchase of vehicles.

The contract stipulates future minimum payments as set out in the table, which also shows the relationship between the payments and their present value.

	31 December 2016		31 December 2015	
	Minimum future payments € million	Present value of future payments € million	Minimum future payments € million	Present value of future payments € million
Within 1 year	0.4	0.3	0.4	0.2
1-5 years	1.5	1.3	1.6	1.1
After 5 years	-	-	1.1	0.9
<b>Total minimum payments</b>	<b>1.9</b>	<b>1.5</b>	<b>3.0</b>	<b>2.2</b>
Financial charges	(0.4)		(0.8)	
<b>Present value of minimum future payments</b>	<b>1.5</b>		<b>2.2</b>	

- Existing contractual commitments for the purchase of goods or services

These amounts total € 134.7 million, of which an amount of € 106.9 million falls due by the end of the year.

Commitments mainly relate to the purchase of raw materials, semi-finished goods and merchandise (€ 71.1 million), the purchase of A&P and sponsorship services (€ 31.5 million), and the purchase of packaging and pallets (€ 22.7 million).

- Existing contractual commitments for the purchase of property, plant and equipment, and intangible assets

These commitments total € 25.9 million, of which an amount of € 25.0 million falls due by the end of the year.

The commitments mainly relate to the purchase of tangible assets (€ 23.6 million) and intangible assets (€ 2.3 million).

- Restrictions on the title and ownership of property, plant and equipment pledged to secure liabilities

The Group has some existing loans, with a residual balance of € 3.5 million, secured by mortgages on land and buildings.

- Other guarantees

The Group has issued other forms of security in favour of third parties such as customs bonds for excise taxes totalling € 43.9 million, and € 5.8 million for the promotion of wines at 31 December 2016.

## 47. Related parties

Davide Campari-Milano S.p.A. is controlled by Alicros S.p.A..

Davide Campari-Milano S.p.A. and its Italian subsidiaries have adopted the national tax consolidation scheme governed by articles 117 *et seq* of the consolidated law on income tax (TUIR), for 2014 and 2019.

The income tax receivables and payables of the individual Italian companies are therefore recorded as payables and receivables to/from the Parent Company's ultimate shareholder, Alicros S.p.A.

At 31 December 2016, the overall position of the Italian subsidiaries of Davide Campari-Milano S.p.A. and of the Parent Company in respect of the direct ultimate shareholder Alicros S.p.A., in relation to the tax consolidation scheme, is a non-interest-bearing net receivable of € 2.2 million.

Moreover, Alicros S.p.A., Davide Campari-Milano S.p.A. and some of its Italian subsidiaries have joined the Group-wide VAT scheme, pursuant to article 73, paragraph 3 of Presidential Decree 633/72.

At 31 December 2016, the Parent Company and its Italian subsidiaries owed Alicros S.p.A. € 2.4 million for VAT.

The receivables and payables arising as a result of the tax consolidation scheme are non-interest-bearing.

Dealings with related parties form part of ordinary operations and are carried out under market conditions (i.e. conditions that would apply between two independent parties) or using criteria that allow for the recovery of costs incurred and a return on invested capital.

All transactions with related parties were carried out under Group's strategy.

The amounts for the various categories of transaction entered into with related parties are set out in the table below.

31 December 2016	Receivables (payables) for tax consolidation € million	Receivables (payables) for Group VAT € million	Other non-current tax receivables € million	Bonds € million
Alicros S.p.A.	1.5	(2.4)	2.2	-
<b>Total</b>	<b>1.5</b>	<b>(2.4)</b>	<b>2.2</b>	<b>-</b>
%	6%	2%	3%	0%

31 December 2015	Receivables (payables) for tax consolidation € million	Receivables (payables) for Group VAT € million	Other non-current tax receivables € million	Bonds € million
Alicros S.p.A.	2.2	(4.1)	2.1	(9.6)
<b>Total</b>	<b>2.2</b>	<b>(4.1)</b>	<b>2.1</b>	<b>(9.6)</b>
%	8%	3%	5%	1%

2016	Other income and charges € million
Alicros S.p.A.	0.1
<b>Total</b>	<b>0.1</b>
%	-0%

2015	Other income and charges € million
Alicros S.p.A.	0.1
<b>Total</b>	<b>0.1</b>
%	-0%

Remuneration paid to the Parent Company's board of directors was as follows:

	2016 € million	2015 € million
Short-term benefits	6.2	5.2
Stock options	1.3	1.3
<b>Total</b>	<b>7.5</b>	<b>6.5</b>

At the date of this report, payables to directors of € 2.7 million were recorded in the accounts.

#### 48. Employees

The following tables indicate the average number of employees of the Group, broken down by business sector, category and region.

Business segment	2016	2015
Production	1,889	2,077
Sales and distribution	1,457	1,375
General	827	744
<b>Total</b>	<b>4,172</b>	<b>4,196</b>
	2016	2015
Managers	206	188
Office staff	2,363	2,148
Manual workers	1,559	1,860
<b>Total</b>	<b>4,172</b>	<b>4,196</b>
Region	2016	2015
Italy	872	917
Abroad	3,300	3,279
<b>Total</b>	<b>4,172</b>	<b>4,196</b>

## 49. Events taking place after the end of the year

### Consolidation and strengthening of the sales force in South Africa

Since 1 January 2017, Gruppo Campari has been distributing its own brands in the South African market, acting directly through the subsidiary Campari South Africa Pty. Ltd. The respective sales force is now being strengthened with the aim of capitalising on growth opportunities for the Group's entire portfolio in this market.

### Acquisition of Bulldog London Dry Gin

On 2 February 2017, Gruppo Campari acquired ownership of the brand of Bulldog London Dry Gin – the fourth-largest premium gin in the world, available in 95 countries, particularly in Europe and the US – for USD 55 million plus working capital and assumed liabilities of USD 3.4 million. Gruppo Campari has distributed Bulldog Gin since 2014 via its own network, under an exclusive five-year agreement, which also included a call option to acquire ownership of the brand in 2020. After re-negotiating the terms of the agreement, Gruppo Campari is to acquire full ownership of the brand in advance of this date. The agreement includes a potential earn-out payment to be made on the achievement of specific sales volumes that exceed agreed objectives. The deal was closed on 10 February 2017.

### Proposed share split

On February 2017, the Board of Directors, that approved the Parent Company's draft financial statements, convened a shareholders' meeting in ordinary and extraordinary sessions on 28 April 2017, to vote on a proposal for a share split to be carried out via the issue of two new shares with a nominal value of € 0.05 each for each existing share. The new shares will qualify for dividends from 1 January 2016, and the current fully paid up share capital of € 58,080,000 will subsequently be divided into 1,161,600,000 shares.

It should be noted that the share split will be carried out in the first half of May 2017. It should also be noted that, in carrying out the share split, the current value of the share price will be halved and, at the same time, the number of shares will be doubled.

### Publication of periodic additional financial information

Pursuant to CONSOB Resolution 19770 of 26 October 2016, which introduced Article 82-ter on the subject of 'periodic additional financial information' effective from 2 January 2017, Gruppo Campari hereby advises that it considers it appropriate, with a view to ensuring the continuity and regularity of financial information to shareholders, the financial community and stakeholders generally, to continue to publish, on a voluntary basis, quarterly information in a format and content that are broadly in line with that provided for by the pre-existing regulations, in a consistent and comparable manner to the corresponding information contained in the financial reports previously published.

Specifically, the quarterly information will continue to provide a description of the significant events that occurred during the period, the Group's sales performance, broken down by region, the Group's profit before tax and the consolidated net financial debt.

The periodic additional information relating to the first quarter and the first nine months of the year (which includes the third quarter) will be approved by the Board of Directors according to the timescales set out in the financial calendar published each year on the Group's website [www.camparigroup.com](http://www.camparigroup.com), and published within 45 days of the close of each reference period. The usual detailed conference calls with analysts will also be maintained.

Sesto San Giovanni (MI), Tuesday, 28 February 2017

Chairman of the Board of Directors

Luca Garavoglia

**Davide Campari-Milano S.p.A.  
 Annual financial statements at 31 December 2016**

## Financial statements

### Income statements

	Notes	2016 €	2015 €
<b>Net sales</b>	7	<b>605,228,014</b>	<b>566,318,600</b>
Cost of goods sold	8	(270,877,061)	(253,065,552)
<b>Gross profit</b>		<b>334,350,953</b>	<b>313,253,048</b>
Advertising and promotional costs	9	(63,298,203)	(65,824,499)
<b>Contribution margin</b>		<b>271,052,750</b>	<b>247,428,549</b>
Overheads	10	(102,209,473)	(87,238,392)
<i>Of which adjustments to operating income (charges) (1)</i>		<i>(1,764,507)</i>	<i>(2,598,799)</i>
<b>Operating result (1)</b>		<b>168,843,277</b>	<b>160,190,157</b>
Financial income (expenses)	14	(73,667,033)	(55,000,533)
<i>Of which adjustments to financial income (expenses) (1)</i>		<i>(11,518,703)</i>	<i>(182,118)</i>
Dividends		138,336,249	8,653,600
<b>Profit before tax</b>		<b>233,512,493</b>	<b>113,843,224</b>
Income tax expense	15	(28,009,167)	(29,918,978)
<b>Profit for the period</b>		<b>205,503,326</b>	<b>83,924,246</b>

(1) For information on the definition of alternative performance indicators, see the section in the report on operations 'Alternative performance indicators'.

### Statement of comprehensive income

	2016 €	2015 €
<b>Profit for the period (A)</b>	<b>205,503,326</b>	<b>83,924,246</b>
B1) Items that may be subsequently reclassified to profit or loss		
Cash flow hedge:		
Profit (loss) for the period	(1,072,042)	1,698,422
Profit (losses) classified to other comprehensive income	(2,319,875)	480,660
Net gains (losses) from cash flow hedge	1,247,833	1,217,762
Tax effect	(321,709)	(464,003)
<b>Total cash flow hedge</b>	<b>926,124</b>	<b>753,759</b>
<b>Total: items that may be subsequently reclassified to profit or loss (B1)</b>	<b>926,124</b>	<b>753,759</b>
B2) Items that may not be subsequently reclassified to profit or loss		
Remeasurements of post-employment benefit obligations:		
Profit(loss) for the period	41,208	(9,171)
Tax effect	(11,332)	2,522
<b>Remeasurements of post-employment benefit obligations</b>	<b>29,876</b>	<b>(6,649)</b>
<b>Total: items that may not be subsequently reclassified to profit or loss (B2)</b>	<b>29,876</b>	<b>(6,649)</b>
<b>Other comprehensive income (expenses) (B=B1+B2)</b>	<b>956,000</b>	<b>747,110</b>
<b>Total comprehensive income (A+B)</b>	<b>206,459,326</b>	<b>84,671,356</b>



## Statement of financial position

	Notes	31 December 2016	31 December 2015
		€	€
<b>ASSETS</b>			
<b>Non-current assets</b>			
Net tangible fixed assets	16	105,681,996	99,553,660
Investment properties	17	1,483,762	395,882
Goodwill and brands	18	459,478,282	427,624,472
Intangible assets with a finite life	20	15,907,881	12,839,323
Investments in subsidiaries	21	2,251,446,921	1,438,123,914
Other non-current assets	22	37,056,566	41,307,253
<b>Total non-current assets</b>		<b>2,871,055,407</b>	<b>2,019,844,504</b>
<b>Current assets</b>			
Inventories	23	87,552,634	83,863,523
Trade receivables	24	116,698,255	103,549,357
Short-term financial receivables	26	550,001	151,783,598
Cash and cash equivalents	27	96,655,660	561,144,487
Income tax receivables	25	245,046	2,180,972
Other receivables	24	10,522,911	7,236,898
<b>Total current assets</b>		<b>312,224,508</b>	<b>909,758,834</b>
Assets held for sale	28	1,022,246	1,022,246
<b>Total assets</b>		<b>3,184,302,161</b>	<b>2,930,625,584</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Shareholders' equity</b>			
Share capital	29	58,080,000	58,080,000
Reserves		1,104,516,385	950,716,504
<b>Total shareholders' equity</b>		<b>1,162,596,385</b>	<b>1,008,796,504</b>
<b>Non-current liabilities</b>			
Bonds	30	992,436,235	1,175,827,236
Other non-current liabilities	30	686,363,876	200,372,741
Post-employment benefit obligations	32	6,032,794	5,784,542
Provisions for risks and charges	33	2,275,955	2,672,951
Deferred tax liabilities	15	19,462,422	15,375,763
<b>Total non-current liabilities</b>		<b>1,706,571,283</b>	<b>1,400,033,234</b>
<b>Current liabilities</b>			
Payables to banks	31	53,688,944	9,672,740
Other financial liabilities	31	125,146,038	400,837,195
Trade payables	34	106,202,157	81,620,526
Income tax payables	35	508,566	75,061
Other current liabilities	34	29,588,788	29,590,325
<b>Total current liabilities</b>		<b>315,134,493</b>	<b>521,795,846</b>
<b>Total liabilities</b>		<b>2,021,705,776</b>	<b>1,921,829,080</b>
<b>Total liabilities and shareholders' equity</b>		<b>3,184,302,161</b>	<b>2,930,625,584</b>

## Statement of cash flows

	Notes	2016 €	2015 €
<b>Operating profit</b>		<b>168,843,277</b>	<b>160,190,157</b>
Adjustments to reconcile operating profit and cash flow:			
Depreciation and amortisation	11	13,424,200	13,191,243
Gains on sales of fixed assets	16	(1,946,593)	(9,007)
Write-downs of tangible fixed assets	16	413	65,349
Write-downs of investments	21	(8,467,375)	(100,000)
Accruals of provision	33	3,010,093	917,331
Utilizations of provisions	33	(605,457)	(1,676,904)
Other non-cash items		(414,024)	(6,040,856)
Changes in net operating working capital	23-24-34	14,905,621	(11,285,749)
Other changes in non-financial assets and liabilities		(5,263,153)	18,011,152
Income taxes paid		(21,863,173)	(32,466,740)
<b>Cash flow generated from (used in) operating activities</b>		<b>161,623,827</b>	<b>140,795,977</b>
Purchase of tangible and intangible fixed assets	16-20	(23,549,081)	(10,193,838)
Capital grants received	34	-	121,598
Change in payable and receivable for fixed assets		-	46,035
Proceeds from disposal of tangible assets		2,517,180	22,378
Treandemark and rights acquisition and disposal		1,201,600	-
Disposal (investments) in affiliated companies	21	(643,611,423)	100,000
Interests received		929,143	1,238,160
Net changes in securities	26	49,985,581	(48,362,575)
Dividends received		138,803,729	8,708,160
<b>Cash flow generated from (used in) investing activities</b>		<b>(473,723,271)</b>	<b>(48,320,082)</b>
Eurobond issue		-	600,000,000
Medium-long term financial liabilities issue		300,000,000	-
Revolving facility loan issue		50,000,000	-
Repayment of private placement		(535,151,921)	(85,984,523)
Net change in short-term financial payables and bank loans		(6,010,358)	546,690
Other medium-long term loan repayments		-	(195,485)
Interests paid		(80,577,758)	(53,848,795)
Change in other financial payables and receivables		174,715,513	30,821,219
Purchase and sale of own shares	29	(8,088,053)	(28,991,652)
Dividend paid by the Parent Company	29	(52,132,866)	(45,700,000)
<b>Cash flow generated from (used in) financing activities</b>		<b>(157,245,443)</b>	<b>416,647,455</b>
Other exchange rate differences and changes in shareholders' equity		4,856,061	2,805,607
<b>Exchange rate differences and other changes in shareholders' equity</b>		<b>4,856,061</b>	<b>2,805,607</b>
<b>Net change in cash and cash equivalents: increase (decrease)</b>		<b>(464,488,827)</b>	<b>511,928,957</b>
Cash and cash equivalents at the beginning of period	27	561,144,487	49,215,530
Cash and cash equivalents at end of period	27	96,655,660	561,144,487



## Notes to the financial statements

### 1. General information

Davide Campari-Milano S.p.A. is a company listed on the Italian stock market, with registered office at Via Franco Sacchetti 20, 20099 Sesto San Giovanni (MI), Italy.

The Company is recorded in the Milan companies register and REA (business administration register) under no. 1112227.

The Company is 51%-owned by Alicros S.p.A.

Davide Campari-Milano S.p.A. is the Parent Company of Gruppo Campari. It operates directly on the national market, and through its subsidiaries, on the international markets of alcoholic and non-alcoholic drinks.

The Group operates in approximately 190 countries with prime positions in Europe and the Americas. It has 18 production plants and wineries around the world, a distribution network in 20 countries, and employs around 4,000 people.

These financial statements are presented in Euro while the relevant notes to the financial statements are prepared in thousands of Euro, unless otherwise stated.

As the Parent Company, Davide Campari-Milano S.p.A. has also prepared the consolidated financial statements of Gruppo Campari for the year ending 31 December 2016.

The financial statements of Davide Campari-Milano S.p.A. for the year ending 31 December 2016 were approved on 28 February 2017 by the Board of Directors, which has authorised their publication.

The Board of Directors reserves the right to amend the results should any significant events occur that require changes to be made, up to the date of the shareholders' meeting.

### 2. Preparation criteria

The annual financial statements of Davide Campari-Milano S.p.A. (which represent the 'separate financial statements') for the years ending 31 December 2016 and 2015, were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, including all the revised international accounting standards (International Accounting Standards - IAS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).

No exceptions to the application of the International Accounting Standards were made in the preparation of these separate accounts.

The accounts were prepared on a cost basis, taking into account, where appropriate, any value adjustments, except for balance sheet items that, according to the IFRS, must be recognised at fair value, such as financial derivatives, and except in cases where the IFRS allow a different valuation criterion to be used.

The carrying amount of assets and liabilities subject to fair value hedging transactions, which would otherwise be recorded at cost, has been adjusted to take account of the changes in fair value attributable to the risk being hedged.

### Form and content

Under the structure of the financial statements chosen by the Group, and also adopted in the annual financial statements of the Company, the income statement has been classified by function, and the statement of financial position based on the division between current and non-current assets and liabilities.

We consider that this format will provide a more meaningful representation of the items that have contributed to the Company's results and its balance sheet and financial position.

In the income statement (classified by function), transactions or events that can generate income and expenses that are not relevant for the purposes of evaluating performance such as, for example, capital gains / losses from disposal of fixed assets, restructuring and reorganization costs, financial charges and other non recurring income / expenses are shown separately: such presentation provides a better measure of the actual performance from recurring trading operations, while the specific disclosures adjustments of income (expense) , financial and tax are included in the notes.

Such exposure conforms to that set out in the Consob Communication DEM / 6064293 of July 28, 2006 and subsequent amendments and additions (Consob Communication no. 0092543 of December 3, 2015 transposing the guidelines ESMA / 2015/1415).

Lastly, in accordance with Consob Resolution 15519 of 27 July 2006, transactions with related parties are shown separately, in the statement of financial position and income statement, as also required by IAS 24.

The cash flow statement was prepared using the indirect method.

The notes to the accounts have also been harmonised with the contents of the Group's consolidated financial statements starting from 31 December 2016. Information from the previous year has therefore been reported in the same detail. It

should be noted, however, that adjustments have not been made to the financial statements published at 31 December 2015.

### 3. Summary of accounting principles

#### Intangible assets

Intangible assets include all assets without any physical form that are identifiable, controlled by the Company and capable of producing future economic benefits, as well as goodwill when purchased for consideration.

Intangible assets acquired are posted to assets, in accordance with IAS 38 - Intangible Assets, when it is likely that the use of the assets will generate future economic benefits, and when the cost can be reliably determined.

If acquired separately, these assets are reported at acquisition cost including all allocable ancillary costs.

Assets produced internally, excluding development costs, are not capitalised and are reported in the income statement for the financial year in which they are incurred.

Intangible assets with a finite life are amortised on a straight-line basis in relation to their remaining useful life, taking into account losses due to a reduction in accumulated value.

The period of amortisation of intangible assets with a finite life is reviewed at least at the end of every financial year in order to ascertain any changes in their useful life, which if identified, will be considered as changes in estimates.

The costs of development projects and studies are recorded in the income statement in full in the year in which they are incurred.

Advertising and promotional costs are recorded in the income statement when the Company has received the goods or services in question.

Costs relating to industrial patents, concessions, licences and other intangible fixed assets are recorded on the assets side of the statement of financial position only if they are able to produce future economic benefits for the Company. These costs are amortised according to the period of use, if this can be defined, or according to contract duration.

Software licences represent the cost of purchasing licences and, if incurred, external consultancy fees or internal personnel costs necessary for development. These costs are recorded in the year in which the internal or external costs are incurred for training personnel and other related costs.

Costs recorded under intangible assets are amortised over their useful life, generally taken to be three years.

Goodwill and brands, which result from acquisitions and qualify as intangible assets with an indefinite life, are not amortised. The possibility of recovering their reported value is ascertained at least annually and, in any case, when events occur leading to the assumption of a reduction in value using the criteria indicated below in the section entitled 'Impairment'.

For goodwill, a test is performed on the smallest cash-generating unit to which the goodwill relates. On the basis of this, management directly or indirectly assesses the return on investment including goodwill.

Write-downs in goodwill can no longer be recovered in future years. When control of the previously acquired company is transferred, the capital gain or loss from the transfer takes into account the corresponding residual value of the previously recorded goodwill.

#### Tangible fixed assets

Property, plant and equipment are recorded at acquisition or production cost, gross of capital grants (if received) and directly charged expenses, and are not revalued.

Subsequently, tangible fixed assets are recorded at cost net of accumulated depreciation and any impairment losses.

Any costs incurred after purchase are only capitalised if they increase the future financial benefits generated by using the asset.

The replacement costs of identifiable components of complex assets are allocated to assets on the statement of financial position and depreciated over their useful life. The residual value recorded for the component being replaced is allocated to the income statement; other costs are expensed in profit and loss when the expense is incurred.

The financial charges incurred in respect of investments in assets which take a significant period of time to be prepared for use or sale (qualifying assets as defined in IAS 23 – Borrowing Costs) are capitalised and depreciated over the useful life for the class of assets to which they belong. All other financial charges are posted to the income statement when incurred.

Ordinary maintenance and repair expenses are expensed in profit and loss in the period in which they are incurred.

If there are current obligations for dismantling or removing assets and cleaning up the related sites, the assets' reported value includes the estimated (discounted to present value) costs to be incurred when the structures are abandoned, which are reported as an offsetting entry to a specific reserve.

The impact of revising the estimate of these costs is explained in the 'Provisions for risks and charges' section.

Assets held under finance lease contracts, which essentially assign to the Company all the risks and benefits tied to ownership, are recognised as Company assets at their current value, or the present value of the minimum lease payments, whichever is lower.

The corresponding liability to the lessor is reported in the financial statements under financial payables.

These assets are depreciated using the policies and rates indicated below.

Leasing arrangements in which the lessor, in essence, retains all the risks and benefits tied to the ownership of the assets, are classified as operating leases, and the related costs are reported in the income statement over the term of the contract. Depreciation is applied using the straight-line method, based on each asset's estimated useful life as established in accordance with the Company's plans for use of such assets, taking into account wear and tear and the superseding of technology, and the likely estimated realisable value net of disposal costs.

When the tangible asset consists of several significant components with different useful lives, depreciation is applied to each component individually.

The amount to be depreciated is represented by the reported value less the estimated net market value at the end of its useful life, if this value is significant and can be reasonably determined.

Land, even if acquired in conjunction with a building, is not depreciated, nor are available-for-sale tangible assets, which are reported at the lower of their recorded value and fair value less disposal costs.

Rates are as follows:

*Property*

Buildings 3%

Light buildings 10%

*Plant and machinery*

Plant and machinery 10%

Tanks 10%

*Industrial and commercial equipment*

Various equipment 20%

Commercial equipment 20%

*Other tangible fixed assets*

Furniture 12%

Office equipment 12%

Electronic equipment 20%

Miscellaneous minor equipment 20%

Goods vehicles 20%

Cars 25%

Depreciation ceases on the date that the asset is classified as available for sale, in accordance with IFRS 5, or on the date on which the asset is derecognised for accounting purposes, whichever occurs first.

A tangible asset is derecognised from the statement of financial position at the time of sale or when there are no future economic benefits associated with its use or disposal.

Any profits or losses are included in the income statement in the year of this derecognition.

### Capital grants

Capital grants are recorded when there is a reasonable certainty that all requirements necessary for access to such grants have been met and that the grant will be disbursed.

This generally occurs at the time the decree acknowledging the benefit is issued.

Capital grants that relate to tangible fixed assets are recorded as deferred income and credited to the income statement over the whole period corresponding to the useful life of the asset in question.

### Impairment

The Company ascertains, at least annually, whether there are indicators of a potential loss in value of intangible and tangible assets. If the Company finds that such indicators exist, it estimates the recoverable value of the relevant asset.

Moreover, intangible assets with an indefinite useful life or not yet available for use, and goodwill are subject to impairment tests every year or more frequently, whenever there is an indication that the asset may be impaired.

The ability to recover the assets is ascertained by comparing the reported value to the related recoverable value, which is represented by the greater of the fair value less disposal costs, and the value in use.

In the absence of a binding sale agreement, the fair value is estimated on the basis of recent transaction values in an active market, or based on the best information available to determine the amount that could be obtained from selling the asset.

The value in use is determined by discounting expected cash flows resulting from the use of the asset, and if significant and reasonably determinable, the cash flows resulting from its sale at the end of its useful life.

Cash flows are determined on the basis of reasonable, documentable assumptions representing the best estimate of the future economic conditions that will occur during the remaining useful life of the asset, with greater weight given to outside information.

The discount rate applied takes into account the implicit risk of the business segment.

When it is not possible to determine the recoverable value of an individual asset, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.

Impairment is reported if the recoverable value of an asset is lower than its carrying amount.

This loss is posted to the income statement unless the asset was previously written up through a shareholders' equity reserve.

In this case, the reduction in value is first allocated to the revaluation reserve.

If, in a future period, a loss on assets, other than goodwill, does not materialise or is reduced, the carrying amount of the asset or cash-generating unit is increased up to the new estimate of recoverable value, and may not exceed the value that would have been calculated if no impairment had been reported.

The reversal of impairment is posted to the income statement, unless the asset was previously reported at its revalued amount.

In this case, the reversal of the impairment is first allocated to the revaluation reserve.

### **Investment property**

Property and buildings held to generate lease income (investment property) are valued at cost less accumulated depreciation and losses due to a reduction in value.

The depreciation rate for buildings is 3%, while land is not depreciated.

Investment property is derecognised from the statement of financial position when sold or when it becomes permanently unusable and no future economic benefits are expected from its disposal.

### **Equity investments**

Investments in subsidiaries are recorded at cost and adjusted for any loss in value.

The positive difference arising at the time of the acquisition between the acquisition cost and the current value of the Company's stake is included in the carrying amount of the holding; any write-downs of this positive difference are not reinstated in subsequent periods, even if the reasons for the write-down no longer apply.

If the Company's portion of the subsidiary's losses exceeds the carrying amount of the holding, the carrying amount is eliminated and the portion of any further losses is posted to liabilities as a specific reserve to the extent to which the Parent Company is required to fulfil legal or implicit obligations with respect to the subsidiary or in any event to cover its losses.

Investments in subsidiaries are subject to impairment tests on an annual basis, or more frequently if necessary.

If the tests show evidence of impairment, the loss in value must be recorded as a write-down in the income statement.

Investments in other companies that are not held for trading (available for sale) are recorded at fair value, if determinable, and this value is allocated to shareholders' equity up to the date of sale or the identification of a loss in value, at which time the effects previously booked to shareholders' equity are recorded in the income statement for the period.

When the fair value cannot be reliably determined, investments are valued at cost, adjusted for any impairment.

Dividends received are recognised in the income statement when the right to receive payment is established, in cash or in kind, only if they arise from the distribution of profits subsequent to the acquisition of the subsidiary.

### **Financial instruments**

Financial instruments held by the Company are categorised as follows.

Financial assets include holdings in subsidiaries, associates and joint ventures, short-term securities and financial receivables, which in turn include the positive fair value of financial derivatives, trade and other receivables and cash and cash equivalents.

Specifically, cash and cash equivalents include cash, bank deposits and highly liquid securities that can be quickly converted into cash, and which carry an insignificant risk of a change in value. The maturity of deposits and securities in this category is less than three months.

Current securities include short-term securities or marketable securities representing a temporary investment of cash that do not meet the requirements for classification as cash equivalents.

Financial liabilities include financial payables, which in turn include the negative fair value of financial derivatives, trade payables and other payables.

Financial assets and liabilities, other than equity investments, are recorded in accordance with IAS 39 – Financial Instruments: Recognition and Measurement in the following categories:

- i. **Financial assets at fair value with changes recorded in the income statement**  
 This category includes all financial instruments held for trading and those designated at the time they were initially reported at fair value with changes recorded in the income statement.  
 Financial instruments held for trading are all those instruments acquired with the intention of sale in the short term. This category also includes derivatives that do not meet the hedging criteria set out in IAS 39.  
 These instruments measured at fair value with changes recorded in the income statement are reported in the statement of financial position at fair value, while the related profits and losses are reported in the income statement.
- ii. **Investments held to maturity**  
 Current financial assets and securities to be held until maturity are reported on the basis of the trading date, and, at the time they are first reported, are valued at acquisition cost, represented by the fair value of the initial consideration given in exchange plus transaction costs (e.g. commissions, consulting fees, etc.).  
 The initial reported value is then adjusted to take into account repayments of principal, any write-downs and the amortisation of the difference between the repayment amount and the initial reported value. Amortisation is applied on the basis of the effective internal interest rate represented by the rate which, at the time of the initial reporting, would make the present value of expected cash flows equal to the initial reported value (known as the amortised cost method).  
 The profits and losses are recorded on the income statement when the investment is derecognised for accounting purposes or when impairment occurs beyond the amortisation process.
- iii. **Loans and receivables**  
 Loans and receivables are non-derivative financial instruments with fixed or determinable payments, which are not listed on an active market.  
 After the initial reporting, these instruments are valued according to the amortised cost method using the effective discount rate net of any provision for impairment.  
 Profits and losses are recorded in the income statement when loans and receivables are derecognised for accounting purposes or when an impairment occurs beyond the amortisation process.
- iv. **Available for sale financial assets**  
 Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any other of the above three categories.  
 Subsequent to initial recognition, the financial instruments available for sale are measured at fair value. If the market price is not available, the fair value of financial instruments available for sale is measured using the most appropriate valuation techniques, such as, for example, the analysis of discounted cash flows using market information available at the balance sheet date or, in the absence of reliable information, they are carried at cost.  
 Gains and losses on financial assets available for sale are recognized directly in equity until the financial asset is sold or impaired; the financial asset is sold or impaired the profits or accumulated losses, including those previously recognized in equity, are recognized in the income statement for the period.

#### **Financial assets available for sale**

Financial assets available for sale, excluding derivatives, are those designated as such or not classified under any of the three previous categories.

After the first reporting, financial instruments available for sale are valued at fair value.

If the market price is not available, the present value of financial instruments available for sale is measured using the most appropriate valuation methods, such as the analysis of discounted cash flows performed using market information available on the reporting date. In the absence of reliable information, they are held at cost.

Profits and losses on financial assets available for sale are recorded directly in comprehensive income or expense up to the time the financial asset is sold or written down. At that time, the accumulated profits and losses, including those previously posted to comprehensive income or expense, are included in the income statement for the period.

#### **Impairment of a financial asset**

The Company assesses, at least annually, whether there are any indicators that a financial asset or a group of financial assets could have lost value.

A financial asset or group of financial assets is written down only if there is objective evidence of impairment caused by one or more events that occurred following the initial reporting date of the asset or group of assets, and which had an impact that can be reliably estimated on the future cash flows that may be generated by the asset or group of assets.



**Derecognition of financial assets and liabilities**

A financial asset (or where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised from the financial statements when:

- the rights to receive income from financial assets no longer exist;
- the Company reserves the right to receive income from financial assets, but has taken on a contractual obligation to pay such income in full and without delay to a third party;
- the Company has transferred the right to receive income from financial assets and (i) has transferred substantially all the risks and benefits relating to the ownership of the financial asset, or (ii) has neither transferred nor retained all the risks and benefits relating to the ownership of the financial asset, but has transferred control of the asset.

When the Company has transferred the rights to receive financial income from an asset, and it has neither transferred nor retained all the risks and benefits, or it has not lost control of the same, the asset is reported in the statement of financial position to the extent of the Company's continuing involvement in the asset.

A financial liability is derecognised from the financial statements when the underlying obligation of the liability is no longer held or has been cancelled or settled.

In cases where an existing financial liability is replaced by another of the same lender under different conditions, or where the conditions of an existing liability are changed, the replacement or change is treated in the financial statements as a derecognition of the original liability, and a new liability is reported, with any difference in the accounting values allocated to the income statement.

**Financial derivatives and hedging transactions**

Financial derivatives are used solely for hedging purposes to reduce exchange and interest rate risk.

In accordance with IAS 39, financial derivatives are recorded using hedge accounting procedures only if, at the beginning of the hedge, a formal designation has been made and the documentation for the hedging relationship exists, and if it is assumed that the hedge is highly effective; it must be possible for this effectiveness to be reliably measured, and the hedge must prove highly effective during the accounting periods for which it is designated.

All financial derivatives are measured at their fair value pursuant to IAS 39.

Where financial instruments meet the requirements for being reported using hedge accounting procedures, the following accounting treatment is applied:

- v. fair value hedge – if a financial derivative is designated as a hedge against exposure to changes in the fair value of an asset or liability attributable to a particular risk that could have an impact in the income statement, the profits or losses resulting from the subsequent valuations of the fair value of the hedging instrument are reported in the income statement. The profit or loss on the hedged item, which is attributable to the hedged risk, is reported as a portion of the carrying amount of this item and as an offsetting entry in the income statement.
- vi. cash flow hedge – if a financial instrument is designated as a hedge against exposure to fluctuations in future cash flows arising from an asset or liability reported in the accounts, or against a transaction considered to be highly probable that could have an impact on the income statement, the effective portion of the profits or losses on the financial instrument is reported in the statement of comprehensive income.

Accumulated profits or losses are removed from comprehensive income or expense and recorded in the income statement in the same period in which the transaction being hedged has an impact on the income statement.

The profit or loss associated with a hedge, or the portion of the hedge that has become ineffective, is posted to the income statement when the ineffectiveness is reported.

If a hedging instrument or hedging relationship is closed out, but the transaction being hedged has not been carried out, the accumulated profits and losses, which, until then had been posted to comprehensive income or expense, are reported in the income statement at the time the related transaction is carried out.

If the transaction being hedged is no longer considered likely to take place, the unrealised profits or losses suspended in comprehensive income or expense are recorded in the income statement.

If hedge accounting cannot be applied, the profits or losses resulting from the valuation of the financial derivative at its present value are posted to the income statement.

**Own shares**

Own shares are reported as a reduction to shareholders' equity.

The original cost of the own shares and the financial effects of any subsequent sales are recognised directly in shareholders' equity.

**Inventories**

Inventories of raw materials and semi-finished and finished products are valued at the lower of purchase or production cost, determined using the weighted average method, and market value.

Work in progress is recorded at the acquisition cost of the raw materials used including the actual production costs incurred up to the point of production reached.

Inventories of raw materials and semi-finished products that are no longer of use in the production cycle and inventories of unsaleable finished products are fully written down.

Low-value replacement parts and maintenance equipment not used in connection with a single asset item are reported as inventories and recorded in the income statement when used.

#### **Non-current assets held for sale**

Non-current assets classified as available for sale include fixed assets (or asset disposal groups) whose carrying amount will be recovered primarily from their sale rather than their ongoing use, and whose sale is highly probable in the short term (within one year) and in the assets' current condition.

Non-current assets classified as held for sale are valued at the lower of their net carrying amount and present value, less sale costs, and are not amortised.

#### **Employee benefits**

Post-employment benefit plans

The Company provides post-employment benefits through defined contribution and/or defined benefit plans.

##### - Defined benefit plans.

The Company's obligation and annual cost reported in the income statement are determined by independent actuaries using the projected unit credit method.

The net cumulative value of actuarial profits and losses is recorded directly on the statement of comprehensive income and is not subsequently recognised in the income statement.

The costs associated with an increase in the present value of the obligation, resulting from the approaching time when benefits will be paid, are included under financial charges. Service costs are posted to the income statement. The liability recognised represents the present value of the defined benefit obligation. In the event of a modification to the plan that changes the benefits accruing from past service, the costs arising from past service are expensed in profit and loss at the time the change to the plan is made. The same treatment is applied if there is a change to the plan that reduces the number of employees or that varies the terms and conditions of the plan (treatment is the same regardless of whether the final result is a profit or a loss).

##### - Defined contribution plans.

Since the Company fulfils its obligations by paying contributions to a separate entity (a fund), with no further obligations, it records its contributions to the fund in respect of employees' service, without making any actuarial calculation.

Where these contributions have already been paid at the reporting date, no liabilities are recorded in the financial statements.

#### **Compensation plans in the form of stock options**

The Company pays additional benefits in the form of stock option plans to employees, directors and individuals who regularly do work for one or more Group companies.

Pursuant to IFRS 2 – Share-based Payment, the total fair value of the stock options on the allocation date is reported as a cost in the income statement, with an increase in the respective shareholders' equity reserve, in the period beginning at the time of allocation and ending on the date on which the employees, directors and individuals who regularly do work for one or more Group companies become fully entitled to receive the stock options.

Changes in the present value following the allocation date have no effect on the initial valuation, while in the event of changes to the terms and conditions of the plan, additional costs are recorded for each change in the plan that determines an increase in the present value of the recognised option.

No cost is recognised if the stock options have not been vested; if an option is cancelled, it is treated as if it had been vested on the cancellation date and any cost that has not been recognised is recorded immediately.

The fair value of the stock options is represented by the value of the option calculated by applying the Black-Scholes model, which takes into account the conditions for exercising the option, as well as the current share price, expected volatility and risk-free rate, while also considering the non-vesting conditions.

The stock options are recorded at fair value with an offsetting entry under the stock option reserve.

#### **Provision for risks and charges**

Accruals for the provision for risks and charges are reported when:

- there is a current legal or implicit obligation resulting from a past event;
- it is likely that the fulfilment of the obligation will require some form of payment;
- the amount of the obligation can be reliably estimated.

Accruals are reported at a value representing the best estimate of the amount the Company would reasonably pay to discharge the obligation or transfer it to third parties on the reporting date.

Where the financial impact of time is significant, and the payment dates of the obligations can be reliably estimated, the accrual is discounted. The change in the related provision over time is allocated to the income statement under Financial income (charges).

Provisions are periodically updated to reflect changes in estimates of cost, timescales and discount rates. Revisions to estimates of provisions are allocated to the same item in the income statement where the accrual was previously reported or, if the liability relates to tangible assets (e.g. dismantling and restoration), these revisions are reported as an offsetting entry to the related asset.

When the Company expects that all or part of the provisions will be repaid by third parties, the payment is recorded under assets only if it is virtually certain, and the accrual for the provision is posted to the income statement net of the related repayment.

### **Restructuring provisions**

The Company reports restructuring provisions only if there is a legal or implicit obligation and a detailed formal restructuring programme that has led to the reasonable expectation by the third parties concerned that the Company will carry out the restructuring, either because it has already started the process or because it has already communicated the main aspects of the restructuring to the third parties concerned.

### **Recording of revenues, income and expense in the income statement**

Revenues are reported to the extent to which it is likely that the financial benefits will accrue to the Company and in respect of the amount that can be reliably determined.

Revenues are reported at the fair value of the sum received, net of current and deferred discounts, allowances, excise duties, returns and trade allowances.

Specifically:

- sales revenues are recorded when the risks and benefits associated with owning the items are transferred to the buyer, and the revenue amount can be reliably determined;
- service revenues are reported when services are rendered; allocations of revenues related to partially performed services are reported on the basis of the percentage of the transaction completed at the reporting date, when the revenue amount can be reliably estimated;
- financial income and charges are recorded in the period to which they relate;
- capital grants are credited to the profit and loss account in proportion to the useful life of the assets to which they relate;
- dividends are reported on the date the shareholders' meeting passes the related resolution;
- lease income from investment property is recorded on a straight-line basis for the duration of the existing leasing contracts.

Costs are recognised in the income statement when they relate to goods and services sold or consumed during the period, or as a result of systematic apportionment or when the future utility of such goods and services cannot be determined.

Personnel and service costs include stock options (in keeping with their largely remunerative nature) that were allocated to employees, directors and individuals who regularly do work for the Company. The cost is determined in relation to the fair value of the option assigned. The portion applicable to the period is determined proportionally over the period to which the incentive applies (known as the vesting period).

Costs incurred in studying alternative products or processes, or in conducting technological research and development, are considered current costs and charged to the income statement in the period in which they are incurred.

### **Taxes**

Current income taxes are calculated on the basis of estimated taxable income.

Current tax payables and receivables are recorded in the amount expected to be paid to/received from tax authorities by applying the tax rates and regulations in force or effectively approved on the reporting date.

Current taxes relating to items posted directly to comprehensive income or expense are recorded in comprehensive income or expense.

Other non-income taxes, such as property and capital taxes, are included in operating expenses.

Deferred tax assets and liabilities are calculated on temporary differences between the asset and liability values recorded in the accounts and the corresponding values recognised for tax purposes using the liability method.

Deferred tax assets are reported when their recovery is likely.

Deferred tax assets and liabilities are determined on the basis of tax rates that are expected to apply in those periods when the temporary differences are generated or eliminated.

Current and deferred tax assets and liabilities are offset when these relate to income taxes levied by the same tax authority and a legal right of set-off exists, provided that realisation of the asset and settlement of the liability take place simultaneously.

The balance of any set-off is posted to deferred tax assets if positive and deferred tax liabilities if negative.

Deferred tax assets and liabilities are classified under non-current assets and liabilities.

The Company has also opted for the national tax consolidation procedure, governed by article 117 *et seq* of the consolidated law on corporate income tax (TUIR) for 2016, 2017 and 2018, pursuant to the regulation drawn up by Alicros S.p.A, the direct controlling entity of the Company.

The decision to adopt this procedure is reflected in the accounting entries.

#### **Transactions in foreign currencies (not hedged with derivatives)**

Revenues and costs related to foreign currency transactions are reported at the exchange rate in force on the date the transaction is completed.

Monetary assets and liabilities in foreign currencies are converted to euro at the exchange rate in effect on the reporting date, with any related impact posted to the income statement.

#### **Use of estimates**

The preparation of the accounts and related notes in accordance with IFRS requires the management to make estimates and assumptions that have an impact on the value of balance sheet assets and liabilities and on disclosures concerning contingent assets and liabilities at the reporting date.

The actual results could differ from these estimates.

Estimates are used to identify provisions for risks in respect of receivables, obsolete inventory, depreciation and amortisation, asset write-downs, employee benefits, taxes, restructuring provisions and provisions for other risks and related accruals.

Figures for the individual categories are set out in the notes to the financial statements.

Estimates and assumptions are reviewed periodically, and the effects of each change are reflected in the income statement in the period in which the review of the estimate occurred if such review had an impact on that period only, or additionally in subsequent periods if the review had an impact on both the current and future years.

Goodwill is subject to an annual impairment test to check for any loss in value.

The calculations are based on the financial flows expected from the cash-generating units to which the goodwill is attributed, as inferred from multi-year budgets and plans.

## **4. Changes in accounting principles**

The accounting standards adopted by the Company are the same as those applied to the annual financial statements at 31 December 2015, with the exception of those set out below.

### **a. Accounting standards, amendments and interpretations applied since 1 January 2016**

Amendment to IAS 16-IAS 38 – Clarification of Acceptable Methods of Depreciation

The changes to IAS 16 and IAS 38, which were intended to clarify that depreciation calculated according to the ‘revenue-based method’ is not considered appropriate as it reflects only the revenue generated by the asset and not the consumption of the economic benefits embodied in the asset, were endorsed with the issue of Regulation 2015/2231 by the European Commission on 2 December 2015. This amendment did not affect the Company’s financial position or profitability.

Amendment to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

Regulation 2015/2173 issued by the European Commission on 24 November 2015 endorsed the amendment to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations, which specifies that an entity should adopt the principles of IFRS 3 to report the accounting effects of acquiring an interest in a joint operation that constitutes a business. Specifically, at the time of acquisition of a joint operation, an investor will need to measure the acquired assets and liabilities at fair value, determine the acquisition-related costs, define the deferred tax effects arising from the allocation of the price paid on the values acquired and, after exercising the purchase price allocation, identify the residual element as goodwill.

The amendment to IFRS 11 applies for both the acquisition of an initial interest and for subsequent acquisitions. However, any interest previously held is not revalued at fair value if the acquisition of a further interest does not change the joint control (i.e. the additional acquisition does not result in the gaining of control of the subsidiary). This amendment did not affect the Company’s financial position or profitability.

Amendment to IAS 16-IAS 41 – Changes to the standard applicable to assets represented by bearer plants (applicable from 1 January 2016)

The amendment, published in June 2014, changes the measurement method for assets represented by fruit-bearing plants, such as grapevines, rubber trees and oil palms. The amendment applies the same accounting method used for property, plant and equipment, and therefore allows the cost model to be used as an alternative to the fair value model pursuant to IAS 41 originally applied to all biological assets. Bearer plants are in fact accounted for in the same way as other productive assets or plant. This amendment did not affect the Company's financial position or profitability.

Amendment to IAS 1 – Clarifications on Disclosure

Regulation 2015/2406 issued by the European Commission on 18 December 2015 endorsed the amendments to IAS 1 reported in the document 'Disclosure Initiative'. These changes essentially contain clarifications on the methods of presenting financial information, and draw attention to the use of the concept of materiality and aggregation. This amendment did not affect the Company's financial position or profitability.

Amendment to IFRS 10-2-IAS 28 – Investment Entities: Applying the Consolidation Exception

The amendment, published in December 2014, provides that entities meeting the definition of 'investment entity' established by the standard are exempt from presenting consolidated financial statements, and should rather measure subsidiaries at fair value as provided for in IFRS 9. The new standard is not applicable to the Company.

Amendment to IAS 27 – Equity Method in Separate Financial Statements: on 18 December 2015, Regulation 2015/2441, issued by the European Commission, endorsed the amendment to IAS 27 – Equity method in separate financial statements, which introduces the option of using the equity method to value investments in subsidiaries, joint ventures and associates in the separate financial statements. The amendment to IAS 27 must be applied retrospectively with effect from financial years starting on or after 1 January 2016.

Amendment to IAS 19 – Defined Benefit Plans: Employee Contributions. Regulation 2015/29 issued by the European Commission on 17 December 2014 endorsed the amendment to IAS 19 – Defined Benefit Plans: Employee Contributions. The amendment will come into effect for years starting on or after 1 February 2015. In some countries, employees or third parties are required to contribute to the pension plan, and these contributions reduce the cost incurred by the employer. The amendment introduces a simplified procedure, on the basis of which contributions by employees (or third parties), where not dependant on the number of years of service, may be recognised as a reduction in the service cost in the period in which the service is performed rather than being allocated to the entire 'work period'. The accounting treatment for voluntary contributions has not changed from that set out in the current version of IAS 19 (they are recognised as a reduction in the service cost at the time of payment). This amendment did not affect the Company's financial position or profitability.

Annual cycle of improvements to IFRS 2010-2012

Regulation 2015/28 issued by the European Commission on 17 December 2014 endorsed the document 'Annual cycle of improvements to IFRS 2010-2012', containing essentially technical or drafting amendments to some of the international accounting standards. The amendments included in the above-mentioned document are effective from accounting years starting on or after 1 February 2015. The amendments included in the 2010-2012 cycle of improvements are as follows:

- IFRS 2 – Share-based Payment: the definition of 'vesting conditions' was clarified, and definitions of 'service conditions' and 'performance conditions' were introduced;
- IFRS 3 – Business Combinations: the standard was amended to clarify that the obligation to pay a contingent consideration falls within the definition of a financial instrument and must be classified as a financial liability or as a component of shareholders' equity based on the guidelines in IAS 32. It was also clarified that, unlike equity instruments, obligations to pay a contingent consideration are measured at fair value as at the date of the financial statements, and any changes recognised in the income statement;
- IFRS 8 – Operating Segments: the amendment requires the disclosure of information on the valuations made in aggregating the operating segments, including a description of the segments that have been aggregated and the economic indicators that have been assessed to ascertain that the aggregated segments have similar economic characteristics;
- IAS 16 – Property, Plant and Equipment, and IAS 38 – Intangible Assets: both principles have been amended to clarify the accounting treatment of historical cost and the accumulated depreciation or amortisation of a fixed asset when an entity applies the revalued cost model;

- IAS 24 – Related Party Disclosures: the amendment sets out the information to be provided when a third party provides services relating to the management of executives with strategic roles in the entity that draws up the financial statements.

Annual cycle of improvements to IFRS 2012-2014; regulation 2015/2343 issued by the European Commission on 15 December 2015 endorsed the document 'Annual cycle of improvements to IFRS 2012-2014', containing essentially technical or drafting amendments to some of the international accounting standards. The main amendments are as follows:

- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations: the amendment clarifies that when a non-current asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this reclassification does not constitute a change to a disposal plan or distribution plan. It was also clarified that the principles of IFRS 5 on changes to a disposal plan apply to an asset (or disposal group) that ceases to be 'held for distribution' but is not reclassified as 'held for sale';
- IFRS 7 – Service Contracts: if an entity transfers a financial asset to third parties and the conditions for the accounting derecognition of the asset are met, the amendment to IFRS 7 provides information on what is meant by 'continuing involvement'; it also includes a specific guide to help the company's management ascertain whether or not the terms of an agreement to provide services that relate to the transferred asset represent continuing involvement;
- IFRS 7 – Interim Financial Statements: this clarifies that the disclosure required by the previous amendment to IFRS 7 – Disclosure: Offsetting Financial Assets and Financial Liabilities, does not have to be provided in the interim financial statements unless expressly required by IAS 34;
- IAS 19 – Employment Benefits: the standard requires that the discount rate used to calculate the present value of post-employment obligations must be determined with reference to the market yields on high-quality corporate bonds, and in countries where there is not a 'deep market' of such securities, the market yields on government bonds must be used. The amendment introduced with the 2012-2014 cycle of improvements established that, in assessing whether there is a 'deep market' of high-quality corporate bonds, the market should be assessed at currency level for each individual country;
- IAS 34 – Interim Financial Reporting: this lists the information that must be disclosed in the interim report unless provided elsewhere in the interim financial reporting. The amendment clarifies the meaning of 'disclosure of information elsewhere in the interim financial reporting', by explaining that this refers to other documents that must be available to users, together with the interim financial report (e.g. the Report on operations).

#### **b. Accounting standards, amendments and interpretations that have been endorsed but not yet applicable/not adopted by the Group in advance**

IFRS 9 – Financial Instruments (applicable from 1 January 2018)

The new document represents the first part of the process intended to wholly replace IAS 39. IFRS 9 introduces new criteria for the classification and measurement of financial assets and liabilities and for the derecognition of financial assets. Specifically, the recognition and measurement criteria for financial assets and their related classification in the financial statements have been modified. The new provisions establish a classification and measurement model for financial assets, based exclusively on the following categories: assets measured at amortised cost or assets measured at fair value. The new provisions also establish that investments other than those in subsidiaries, associates and joint ventures are measured at fair value and recognised in the income statement. Where such investments are not held for trading purposes, changes to fair value may be reported in the statement of comprehensive income, with only the effects of paying out dividends recognised in profit or loss. When the investment is sold, the amounts recorded in the statement of comprehensive income should not be recognised in profit or loss. On 28 October 2010, the IASB included in the provisions of IFRS 9 the recognition and measurement criteria for financial liabilities. Specifically, the new provisions require that, when a financial liability is measured at fair value and recognised in profit or loss, changes in fair value relating to changes in the issuer's own credit risk are recorded in the statement of comprehensive income; this component is allocated directly to the income statement to ensure symmetry with other accounting items related to the liability, avoiding an accounting mismatch.

In addition, an amendment was published in November 2013 which introduced three important changes. The most important change relates to hedge accounting, and introduces a new model that incorporates a number of improvements intended to harmonise accounting treatment with the risk management policy operated by the company. The other two changes relate to the period of first-time application of the standard, giving companies the option to adopt the standard immediately and directly record the effects of changes in own credit risk on the statement of comprehensive income. The Company estimates no significant impacts of the new standard and related amendment on its financial statements.

IFRS 15 – Revenue from Contracts with Customers (applicable from 1 January 2018)

The aim of the new standard is to improve the quality and uniformity of revenue recognition and of the comparability of financial statements prepared in accordance with IFRS and US accounting principles. Under the new standard, revenue recognition may no longer be based on the earnings method but on the assets-liabilities method, which focuses on the date that control of the sold asset was transferred. The Company is still measuring the impact of adopting the new standard on its financial position and profitability. Based on the interim analysis, major impacts will result in a reduction of net sales offset by an equal reduction of costs incurred for advertising and promotions.

### **c. Accounting standards, amendments and interpretations not endorsed yet**

IFRS 16 – Leases (applicable from 1 January 2019 with the option for early application)

On 13 January 2016, the IASB published the new accounting standard IFRS 16 – Leases. The new standard replaces IAS 17 and provides methods of accounting presentation that more appropriately reflect the type of leases in the balance sheet. The new IFRS 16 is applicable from 1 January 2019, but early adoption is permitted for companies that also apply IFRS 15 – Revenues from Contracts with Customers. The Company is still measuring the impact of adopting the new standard on its financial position and profitability.

Based on interim analysis on existing contracts, the major impacts are related to:

- Buildings;
- Vehicles;
- Electronic machines.

It is estimated that the application of the new standard will result in an increase in debt more than proportional to the increase in operating income, with a consequent negative effect on the level of debt compared to EBITDA.

Amendment to IAS 12 – Income Tax (applicable from 1 January 2017 with the option for early application)

On 19 January 2016, the IASB published some amendments to IAS 12. These amendments are intended to clarify how to account for deferred financial assets relating to debt instruments measured at fair value. The Company estimates no significant impacts of the amendment on its financial assets and liabilities.

Amendment to IAS 7 – Statement of Cash Flows (applicable from 1 January 2017)

On 29 January 2016, the IASB issued the amendments to IAS 7 – Statement of Cash Flows: The amendment requires that information relating to the changes in financial liabilities is reported, with the aim of improving the information provided to investors to help them better understand the changes to such payables. This amendment relates purely to the presentation of the financial statements and will not therefore have any effect on the Company's financial position or profitability.

IFRS 14 – Regulatory Deferral Accounts (applicable from 1 January 2016)

Under the new standard, only first-time adopters of IFRS are allowed to continue to recognise amounts relating to the rate regulation according to the previous accounting principles adopted. In order to improve comparability with entities that already apply IFRS and hence do not recognise such amounts, the standard requires the rate regulation effect to be presented separately from the other items. The European Commission has decided not to start the approval process for this interim standard and to wait for the definitive standard. The new standard is not applicable to the Company's financial statements.

Amendment to IFRS 10-IAS 28 – Sales or Contributions of Assets between an Investor and its Associate/Joint Venture (applicable from 1 January 2016)

The amendment, published in September 2014, is intended to resolve a conflict between the requirements of IFRS 10 and IAS 28 in the event that an investor sells or contributes a business to an associate or joint venture. The main change introduced by the amendment is that the gain or loss resulting from the loss of control must be recognised in full at the time of the sale or contribution of the business. A partial gain or loss is only recorded in the event of a sale or contribution involving individual assets only. The IASB has suspended publication and approval of this amendment until a date still to be determined.

Amendment to IFRS 2 – Classification and Measurement of Share-based Payment Transactions (issued on 29 June 2016)

This includes clarifications on the accounting treatment of stock options that are subject to performance-linked vesting conditions. The Company estimates no significant impacts of the amendment on its financial statements.

Amendment to IFRS 4: Application of IFRS 9 – Financial Instruments, to IFRS 4 – Insurance Contracts (issued on 12 September 2016).

The amendment introduces different methods of accounting treatment for insurance contracts that fall within the scope of application of IFRS 4. The new standard is not applicable to the Company's financial statements.

#### Clarifications to IFRS 15 – Revenue from Contracts with Customers (issued on 12 April 2016)

The IASB has provided practical information on some of the issues covered by IFRS 15 (identification of performance obligations, principal versus agent considerations and licensing). The potential impact of this amendment will be analysed together with IFRS 15 described above.

The annual cycle of improvements to IFRS 2012-2014; the document ‘Annual cycle of improvements to IFRS 2014-2016’, containing essentially technical and drafting amendments to the international accounting standards, has not been endorsed yet. The main clarifications relate to IFRS 1, IAS 28 and IFRS 12. These improvements are not considered likely to have an impact on the Company’s financial position.

#### Interpretation IFRIC 22 – Foreign currency transactions and advance consideration (issued on 8 December 2016)

IFRIC 22 aims to clarify the accounting treatment of transactions that involve the receipt or payment of advance consideration in a foreign currency, and, specifically, when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. IFRIC 22 is applicable from 1 January 2018, and early adoption is permitted.

#### Amendment to IAS 40 – Transfers of Investment Property (issued on 8 December 2016)

One of the main changes introduced by the amendment is that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use.

## 5. Mergers completed during the year

On 1 November 2016, Zedda Piras S.r.l. and Campari Wines S.r.l. were merged by incorporation into Davide Campari-Milano S.p.A. They had been entirely controlled by the Company, and the merger, which does not affect the controlled companies’ accounting values, is effective for accounting and tax purposes from 1 January 2016.

The book and financial values of the companies merged on 1 January 2016 are set out in the table below.

€ Thousand	Campari Wines S.r.l.	Zedda Piras S.r.l.
<b>ASSETS</b>		
Net tangible assets	-	2.044
Goodwill and brands	-	1
Intangible assets with a finite life	22	-
Deferred tax assets	251	-
Other non current assets	131	51
<b>Non-current assets</b>	<b>404</b>	<b>2.096</b>
Financial receivables	-	11.280
Inventories	2.337	1.425
Trade receivables	7.646	854
Other receivables	36	26
Income tax receivables	782	-
Cash and cash equivalent	-	1
<b>Current assets</b>	<b>10.801</b>	<b>13.586</b>
<b>TOTAL ASSETS</b>	<b>11.205</b>	<b>15.682</b>
<b>LIABILITIES</b>		
Share capital	100	90
Reserves	(785)	14.238
<b>Equity (*)</b>	<b>(685)</b>	<b>14.328</b>
Defined benefit plans	246	277
Provisions for risks and charges	10	-
Deferred tax liabilities	-	41
<b>Non-current liabilities</b>	<b>256</b>	<b>318</b>
Trade payables	4.621	479
Other financial liabilities	5.499	-
Other current liabilities	1.513	353
Current payables to tax authorities	-	204
<b>Current liabilities</b>	<b>11.634</b>	<b>1.036</b>
<b>TOTAL LIABILITIES</b>	<b>11.205</b>	<b>15.682</b>

(\*) The book and financial values shown are those published on 31 December 2015, prior to the recapitalisations carried out during the 2016 financial year.

The merger resulted in a net deficit of € 31,823 thousand, identified as € 31,853 thousand in goodwill relating to the Zedda Piras brand, with the remainder allocated to shareholders’ equity reserves.

## 6. Segment reporting

Segment information is provided in detail in the notes to the consolidated accounts.

## 7. Net sales



	2016 € Thousand	2015 € Thousand
Sale of goods	391,546	380,806
Sales to associates	213,682	185,512
<b>Total net sales</b>	<b>605,228</b>	<b>566,319</b>

Net sales of € 605,228 thousand, up 6.9% on the previous year, include sales of € 391,546 thousand to Italian clients, an increase of 2.8% compared with sales realised in 2015 due to organic growth of 1.2%. The change incorporates an external growth component of 1.6%, attributable to sales of Zedda Piras and Grand Marnier branded products, for which the Company had commenced distribution in January 2016 (Zedda Piras) and July 2016 (Grand Marnier). Sales to Group companies that primarily conduct their businesses on the international markets totalled € 213,682 thousand, a significant increase on the previous year's figure of € 185,512 thousand.

## 8. Cost of goods sold

	2016 € Thousand	2015 € Thousand
Materials and manufacturing costs	245,140	227,521
Distribution costs	25,737	25,545
<b>Total cost of good sold</b>	<b>270,877</b>	<b>253,066</b>
<b>Breakdown by type:</b>		
Raw materials and finished goods acquired from third parties	206,625	193,433
Inventory write-downs	2,534	841
Personnel costs	21,021	19,674
Depreciation/amortisation	6,863	6,759
Utilities	4,005	3,785
External production and maintenance costs	7,143	6,577
Variable transport costs	19,385	19,394
Other costs	3,302	2,601
<b>Total cost of goods sold</b>	<b>270,877</b>	<b>253,066</b>

The cost of goods sold, totalling € 270,877 thousand, rose mainly due to the increase in sales volumes associated with the perimeter effect brought about by the Zedda Piras and Grand Marnier products. As a percentage of sales, the figures are in line with those recorded in 2015, but with a slight increase of some 10 basis points.

## 9. Advertising and promotional costs

	2016 € Thousand	2015 € Thousand
Advertising space	25,007	24,440
Sponsorships, trade fairs and events	10,685	6,800
Media production	9,581	11,950
Promotion aimed at consumers and customers	19,318	25,730
Market research	2,675	1,890
Other advertising and promotional costs	2,610	3,145
Depreciation/amortization	130	143
Trade allowance for promotional purposes	(6,708)	(8,274)
<b>Total advertising and promotional costs</b>	<b>63,298</b>	<b>65,824</b>

Advertising and promotional costs totalled € 63,298 thousand, representing a 3.8% reduction in absolute terms compared with the preceding year, attributable to reduced promotional costs and the lower amounts received during the year.

## 10. Overheads

	2016 € Thousand	2015 € Thousand
Sals costs	26,305	23,853
General and administrative expenses	75,905	63,386
<b>Total overheads</b>	<b>102,209</b>	<b>87,238</b>
Agents and other variable sales costs	6,397	6,170
Depreciation/amortisation	6,431	6,290
Personnel costs	52,670	43,823
Travel, business trip, training and meetings	1,368	2,712
Utilities	598	650
Services, maintenance and insurance	23,067	18,910
Operating leases and rental expenses	1,714	1,570
Other	8,200	4,514
Adjustments to operating income (charges) (1)	1,765	2,599
<b>Total overheads</b>	<b>102,209</b>	<b>87,238</b>

(1) For information on the definition of alternative performance indicators, see the previous section of this report on operations ('Alternative performance indicators').

Compared with the previous year, overheads increased by 17.2%. This increase is primarily attributable to personnel costs. Certain specific parts of the organisation were strengthened during the financial year in order to adapt the structure to the

needs of a larger company. Expenditure on services, maintenance and insurance has also increased, in particular due to greater reliance on external consultants.

Details of adjustments to operating income and charges are set out in the table below.

	2016 € Thousand	2015 € Thousand
Capital gains from the sale of buildings	847	31
Capital gains from sales of equity interests	9,151	1,978
Capital gains on the sale in intangible assets	1,202	-
Other income	236	450
<b>Total income adjustment items</b>	<b>11,436</b>	<b>2,459</b>
Penalties	-	(205)
Capital losses on sale of assets	(102)	(87)
Write-down of Group company assets	-	(100)
Charges from adaptations	(1,166)	(2,219)
Accruals for staff restructuring	(948)	(1,326)
Personnel restructuring costs	-	(685)
Pernalty for the termination of distribution relationship	(655)	-
Acquisition costs	(9,910)	(437)
Other expenses	(420)	-
<b>Total expense adjustment items</b>	<b>(13,201)</b>	<b>(5,058)</b>
<b>Total</b>	<b>(1,765)</b>	<b>(2,599)</b>

Adjustments to operating income and charges totalled € 1,765 thousand. The principal component is made up of charges incurred in the acquisition of an equity investment in Société des Produits Marnier Lapostolle S.A. ('SPML'), amounting to € 8,820 thousand. These costs are partially outweighed by income totalling € 11,436 thousand, € 9,151 thousand (reduced to € 2,888 thousand when consolidated) deriving from the disposal, on 16 December 2016, of the wine producers Sella&Mosca S.p.A. and Teruzzi&Puthod S.r.l..

For further details see the 'Significant events during the year' section in the Report on operations.

## 11. Depreciation/amortisation

Depreciation and amortisation recorded in the income statement, by function, is shown below; it should be noted that there were no impairment losses in the two years shown.

	2016 € Thousand	2015 € Thousand
- Tangible fixed assets	6,852	6,743
- Intangible fixed assets	11	16
<b>Depreciation and amortization included in cost of goods sold</b>	<b>6,863</b>	<b>6,759</b>
- Tangible fixed assets	3,258	3,285
- Intangible fixed assets	3,173	3,006
<b>Depreciation and amortization included in structure costs</b>	<b>6,431</b>	<b>6,290</b>
- Tangible fixed assets	128	142
- Intangible fixed assets	1	-
<b>Depreciation and amortization included in advertising and promotional expenses</b>	<b>130</b>	<b>143</b>
- Tangible fixed assets	10,239	10,170
- Intangible fixed assets	3,186	3,021
<b>Total depreciation and amortization in the income statement</b>	<b>13,424</b>	<b>13,192</b>
<b>0</b>	<b>13,424</b>	<b>13,192</b>

## 12. Personnel costs

The item breaks down as shown in the table below.

	2016 € Thousand	2015 € Thousand
Salaries and wages	48,288	42,081
Social security contributions	15,432	13,551
Cost of defined contribution plans	3,458	3,099
Cost of defined benefit plans	19	43
Other costs relating to mid/long-term benefits	2,389	-
Cost of share-based payments	4,105	4,724
<b>Total personnel costs</b>	<b>73,691</b>	<b>63,498</b>
of which:		
<i>Included in cost of goods sold</i>	<i>21,021</i>	<i>19,674</i>
<i>Included in overhead</i>	<i>52,670</i>	<i>43,823</i>
<b>Total</b>	<b>73,691</b>	<b>63,498</b>

### 13. Research and development costs

The Company's research and development activities mainly relate to ordinary production and commercial activities, in particular product quality control and research on packaging, the cost of which (€ 1,352 thousand) is included in advertising and promotional expenses.

These costs are not capitalised, but fully expensed to the income statement in the period when incurred.

### 14. Net financial income and charges

The table below shows the changes in the items relating to financial income and charges between the years under comparison.

	2016 € Thousand	2015 € Thousand
Bank term deposit interest	728	960
Dividends from third parties	467	55
Other income	2,214	332
<b>Total financial income</b>	<b>3,409</b>	<b>1,346</b>
Net interest payable on bonds and private placements	(55,667)	(46,106)
Interest payable to banks	(2,952)	(1,649)
<b>Total interest payable</b>	<b>(58,619)</b>	<b>(47,755)</b>
Net interest on defined benefit plans	(108)	(88)
Bank charges	(189)	(334)
Other charges and exchange rate differences	1,721	178
<b>Total financial charges</b>	<b>1,424</b>	<b>(244)</b>
Interest received (paid) from/to related parties	(8,363)	(8,166)
<b>Total interest received (paid) from/to related parties</b>	<b>(8,363)</b>	<b>(8,166)</b>
Financial charges on private placement closing	(10,861)	-
Acquisition costs	(646)	-
Financial charges relating to tax inspections	(14)	(182)
Other	3	-
<b>Net financial charge adjustments</b>	<b>(11,519)</b>	<b>(182)</b>
<b>Net financial income (charges)</b>	<b>(73,667)</b>	<b>(55,001)</b>
Dividends received from related parties	138,336	8,654
<b>Total dividends from related parties</b>	<b>138,336</b>	<b>8,654</b>

Net financial charges, which include the effects of exchange rate differences, stood at € 73,667 thousand, an increase on the previous year's figure of € 55,001 thousand. The change results from contrasting events:

- charges totalling € 10,861 thousand in respect of amounts contractually payable to bondholders (*'make-whole amount'*) as an advance reimbursement of the bond issued by the Company in 2003, realised in September 2016 as part of the Company's review of composition of its financial debt, described in greater detail in the 'Significant events during the period' and 'Breakdown of net debt' sections of the Report on operations, to which reference is made;
- ancillary charges of € 646 thousand associated with the acquisition of SPML.

The total cost of the debt is greater than in the previous year due to the higher indebtedness: interest on the Eurobond 2015 affected the 2015 financial year for no more than three months.

The financial income and charges arising from bond issues and the related hedging instruments are shown below.

	2016 € Thousand	2015 € Thousand
Financial charges payable to bondholders	(66,300)	(51,560)
Net financial income (charges) on swaps	2,037	3,542
<b>Net cost (coupons)</b>	<b>(64,263)</b>	<b>(48,017)</b>
Net changes in fair value and other amortized cost components	1,103	1,431
Cash flow hedge reserve reported in the income statement during the year	(2,320)	481
<b>Net interest payable on bonds and private placements</b>	<b>(65,480)</b>	<b>(46,106)</b>

In 2016, the Company recognised dividends and interest income of € 138.336 thousand and € 8.363 thousand respectively (for more details, see note 40 – 'Related parties').

More detailed information on financial management performance is provided in the notes on the financial situation and financial instruments (note 38 – 'Nature and extent of risks arising from financial instruments').

### 15. Income taxes

Taxes are calculated based on the regulations in force, applying the current rate of 27.5% for IRES and 3.9% for IRAP.

Deferred tax income and expense is calculated each year based on the rates in force at the time the temporary differences are reversed; appropriate adjustments are made if the rate is different from previous years, provided that the related law has already been issued on the date the financial report is drafted.

The amounts of current and deferred taxes recorded directly in the statement of comprehensive income relate to the effects of the remeasurement of pension funds and the valuation at fair value of cash flow hedging contracts.

Details of current and deferred taxes included in the income statement and the statement of comprehensive income are as follows.

	2016	2015
	€ Thousand	€ Thousand
- current taxes for the year	(25,600)	(31,485)
- taxes relating to previous years and tax rate changes	1,565	2,181
- deferred tax expenses	(3,975)	(614)
<b>Taxes recorded in the income statement</b>	<b>(28,009)</b>	<b>(29,919)</b>
<b>Taxes recorded in the statement of comprehensive income</b>	<b>(333)</b>	<b>(461)</b>

### Reconciliation of tax charges

The following table shows a reconciliation of the theoretical tax charge with the Company's actual tax charge.

The theoretical rate used is that in force on the reporting date, based on legal provisions, taking into account the rates for both IRES and IRAP, which have different tax bases.

Tax base differences are included under the permanent differences item.

	2016	2015
	€ million	€ million
<b>Group profit before tax</b>	<b>233,512</b>	<b>113,843</b>
Applicable tax rate in Italy	31.40%	31.40%
<b>Theoretical Group taxes at current tax rate in Italy</b>	<b>73,323</b>	<b>35,747</b>
Tax incentives	(4,466)	(4,205)
Permanent differences	(38,463)	(1,588)
Taxes relating to previous financial years	(1,565)	(2,181)
Item with different theoretical tax rate	(2,173)	2,114
Other differences	1,349	32
<b>Actual tax liability in income statement</b>	<b>28,005</b>	<b>29,919</b>
<b>Actual tax rate</b>	<b>11.99%</b>	<b>26.28%</b>

Pre-tax profit represents the income on which tax is calculated, in accordance with current tax regulations.

Tax incentives relate solely to the Allowance for Corporate Equity (ACE). Permanent differences mainly concern the tax effect of dividends received from subsidiaries. Lastly, taxes at rates other than the nominal rate are due to the difference in the taxable bases of IRAP and IRES.

### Breakdown of deferred taxes by type

Details of deferred tax income/assets and expenses/liabilities recorded in the income statement and statement of financial position, and including the effect of the merger of Zedda Piras S.r.l. and Campari Wines S.r.l., are broken down by type below.

	Statement of financial position		Income statement		Comprehensive Income Statements	
	31 December 2016	31 December 2015	2016	2015	2016	2015
	€ million	€ million	€ million	€ million	€ million	€ million
Deferred expenses	757	809	(52)	125	-	-
Taxed funds	978	1,295	(444)	(24)	-	-
Other	2,903	4,495	(1,378)	354	(366)	-
Reclassified in reduction of deferred tax liabilities	(4,638)	(6,599)	-	-	-	-
<b>Deferred tax assets</b>	<b>-</b>	<b>-</b>	<b>(1,873)</b>	<b>455</b>	<b>(366)</b>	<b>-</b>
Accelerated depreciation	(245)	(366)	156	(233)	-	-
Capital gains subject to deferred taxation	(602)	(491)	(104)	(508)	-	-
Goodwill and brands deducted locally	(19,827)	(18,007)	(1,820)	(281)	-	-
Cash flow hedging	(9)	(42)	-	-	32	464
Exchange differences not realized	(556)	(209)	(347)	(119)	-	-
Leasing	(1,944)	(1,944)	-	-	-	-
Other	(918)	(916)	13	(362)	-	-
Reclassification of deferred tax assets	4,638	6,599	-	-	-	-
<b>Deferred tax liabilities</b>	<b>(19,462)</b>	<b>(15,376)</b>	<b>(2,101)</b>	<b>(1,503)</b>	<b>32</b>	<b>464</b>
<b>Change in tax rate</b>				<b>(2,572)</b>		
<b>Total</b>	<b>(19,462)</b>	<b>(15,376)</b>	<b>(3,975)</b>	<b>(3,620)</b>	<b>(333)</b>	<b>464</b>

Deferred taxes arise from temporary differences and mainly relate to costs that are deductible on the basis of certain tax measures, the creation of taxed provisions, such as provisions for inventory write-downs, provisions for risks, bad debt provisions, various charges such as taxes and directors' remuneration and, finally, non-realised exchange rate losses. Temporary differences involving the reporting of deferred tax liabilities relate mainly to the amortisation of brands, the deferral of capital gains carried out in previous years, accelerated depreciation and amortisation and, finally, non-realised exchange rate gains.

The amounts credited and debited to this item are recognised in the income statement for the period or under comprehensive income or expense if the temporary difference is also recorded under comprehensive income or expense.

## 16. Net tangible fixed assets

	Land and buildings € Thousand	Plant and machinery € Thousand	Other € Thousand	Total € Thousand
Carrying amount at the beginning of the period	108,199	139,298	19,383	266,880
Accumulated depreciation at the beginning of the period	(39,429)	(112,765)	(15,132)	(167,327)
<b>Balance at 31 December 2015</b>	<b>68,770</b>	<b>26,533</b>	<b>4,251</b>	<b>99,554</b>
Investments	7,318	6,528	570	14,415
Disposals	-	(101)	(4)	(105)
Depreciation	(3,194)	(5,711)	(1,321)	(10,226)
Other reclassifications	-	61	(61)	-
Merger effect	1,687	345	12	2,044
<b>Balance at 31 December 2016</b>	<b>74,581</b>	<b>27,654</b>	<b>3,447</b>	<b>105,682</b>
Carrying amount at the end of the period	119,222	142,779	20,030	282,030
Accumulated depreciation at the end of the period	(44,640)	(115,125)	(16,583)	(176,348)

### Land and buildings

This item includes the land occupied by the Novi Ligure facility, the buildings essential for carrying out the business, i.e. the building that accommodates the Company's headquarters, and the Crodo, Canale and Alghero production units.

This item also includes the water system, plumbing works and light buildings.

Increases over the year, amounting to € 7,318 thousand, relate to restructuring works carried out at the head office at Sesto San Giovanni and at the premises at Canale, Crodo and Novi Ligure.

### Plant and machinery

The item includes plant and machinery and tanks for the production units, as well as the facilities attached to the building that houses the Company's headquarters.

The increases over the year amounted to € 6,528 thousand. Over the course of the year, the Company invested € 3,025 thousand in production lines and new plant, in particular at the the Crodo facility, where the bottling line is situated. Investments of € 1,073 thousand and € 1,522 thousand respectively were also made in the facilities at Canale and Novi Ligure.

### Other

This item includes various equipment, including laboratory apparatus and other assets such as furniture, office machines, electronic machines, minor equipment, cars and goods vehicles.

Of the total increase of € 570 thousand, € 214 thousand relates to purchases of industrial equipment.

### Tangible assets by ownership

It should be noted that there are no fixed assets under finance leases, all the fixed assets reported in the table above are owned by the Company.

## 17. Investment property

Investment property (€ 1,484 thousand) consists of apartments and commercial premises in Milan and Verbania. It also includes two buildings in rural locations in the province of Cuneo. The increase compared with the previous year relates to the acquisition of a plot of land in the municipality of Finale Emilia from Casoni Fabbricazione Liquori S.p.A. in the sum of € 1,235 thousand.

These buildings were recorded in the financial statements at their approximate fair value at the reporting date.

## 18. Goodwill and brands

Goodwill and brands are recorded an amount of € 338,935 thousand and € 120,542 thousand respectively. Changes to goodwill during the period are as follows:

	Goodwill € Thousand
<b>Balance at 31 December 2015</b>	<b>307,082</b>
Merger effect	31,853
<b>Balance at 31 December 2016</b>	<b>338,935</b>

During the year, goodwill increased by € 31,853 thousand following the merger with Zedda Piras S.r.l. with effect from 1 January 2016.

The goodwill already recorded was generated by the merger of subsidiaries.

Specifically, goodwill related to the mergers of Francesco Cinzano & C.ia S.p.A. (completed in 2003), Campari-Crodo S.p.A. (completed in 2004) and Barbero 1891 S.p.A. (completed in 2006).

Goodwill is not amortised, but is instead subject to impairment tests which are carried out annually, or more frequently if events or changes in circumstances indicate a possible loss in value.

The details of the brands are as follows.

	31 December 2016 € Thousand
<b>Brand with indefinite useful life</b>	
Riccadonna-Mondoro, of which:	12,328
<i>Riccadonna</i>	11,300
<i>Mondoro (USA)</i>	1,028
Glen Grant	98,263
Old Smuggler	6,000
Cinzano	772
Cynar	1,626
Other	155
<b>Brand with definite useful life</b>	
X-Rated Fusion Liqueur	1,398
<b>Balance at 31 December 2016</b>	<b>120,542</b>

Intangible assets with an indefinite life are represented, in addition to goodwill, by brands derived from acquisitions. The Company expects to obtain positive cash flow from these assets for an indefinite period of time. Goodwill and brands with an indefinite life are not amortised but are subject to impairment tests.

These brands are not actually amortised because they are deemed to have an indefinite useful life, but are instead subject to impairment tests on an annual basis, or more frequently if events or changes in circumstances indicate a possible loss of value. At 31 December 2016, the impairment tests carried out on both brands and goodwill reported in the financial statements did not reveal any permanent loss of value.

Brands with a finite life include the value of the X-Rated brand. During 2015, its useful life was reviewed and determined as a period of 10 years starting from 2016. € 155 thousand was the amount of amortisation for the period.

## 19. Impairment

With reference to the potential impairment of the intangible assets of Davide Campari-Milano S.p.A., aggregate goodwill was measured using the fair value criterion minus cost of sales.

This methodology applies parameters inferred from the valuation assigned to comparable businesses acquired, in an active market, in terms of type of business acquired and transaction structure. These are implicit parameters or multiples derived from the ratio between the acquisition price and specific economic and financial values relating to those companies. The fair value method was used to determine the recoverable amount for goodwill, using the EV/EBITDA multiple, inferred from a sample of transactions comparable to the acquisition. The use of this multiple is considered particularly effective as it avoids distortions caused by the different tax regulations and financial structures and is less sensitive to distortions caused by variations in extraordinary profit; and facilitates comparison at international level.

At 31 December 2016, based on the methodology set out above, the impairment test revealed that the value of goodwill was fully recoverable.

In addition, in view of the current volatility on the markets and uncertainty as to the future economic outlook, a sensitivity analysis was carried out on the recoverable value of the goodwill of Davide Campari-Milano S.p.A., assuming a reduction of up to 20% of the financial value to which the multiple is applied. The sensitivity analysis described above confirmed that goodwill values are fully recoverable.

The impairment test of the value of the goodwill of Campari-Milano S.p.A. at 31 December 2016 confirmed the value shown in the previous note (€ 338,935 thousand), an increase from the previous year and resulting from the incorporation of Zedda Piras into Davide Campari-Milano S.p.A..

## 20. Intangible assets with a finite life

Changes in this item are shown in the table below.

	Software € Thousand	Other € Thousand	Total € Thousand
Carrying amount at the beginning of the period	20,540	11,061	31,600
Accumulated amortization at the beginning of the period	(15,169)	(3,592)	(18,761)
<b>Balance at 31 December 2015</b>	<b>5,370</b>	<b>7,469</b>	<b>12,839</b>
Investments	7,899	-	7,899
Disposal	(1,667)	-	(1,667)
Amortisation for the period	(2,512)	(673)	(3,186)
Reclassification	13	(13)	-
Merger effect	22	-	22
<b>Balance at 31 December 2016</b>	<b>9,125</b>	<b>6,782</b>	<b>15,908</b>
Carrying amount at the end of the period	27,009	11,048	38,057
Accumulated amortization at the end of the period	(17,884)	(4,265)	(22,149)

Intangible assets with a finite life are amortised according to their remaining useful life.

Net investments in information technology, for an amount of € 6.232 thousand, relate to the completion of several major projects to integrate Company IT systems with the new global platform, that will be used by all Group companies over the next few years. These investments were not only for operational purposes, but also related to business intelligence and business process management systems.

## 21. Investments in subsidiaries

The following changes relating to investments in subsidiaries should be noted:

- On 15 March 2016, the Company announced the conclusion of an agreement with the members of the family that owns the controlling interest in Société des Produits Marnier Lapostolle S.A. ('SPML'), which is the parent company of the Marnier Lapostolle group, has its registered office in Paris, and is listed on Euronext (Paris). Agreements signed with members of the family that is the controlling shareholder of SPML called for the immediate acquisition of initial shares, and agreements to acquire all remaining shares held by them by 2021. Subsequently, on 18 May 2016, Davide Campari-Milano S.p.A. launched a friendly public purchase offer for the remaining shares of SPML with the intention of acquiring a total controlling interest in the company. This offer was promoted on the regulated French equity market according to relevant applicable local regulations, and was completed on 21 June 2016. Since, in conjunction with some shareholders of the Marnier Lapostolle family, Davide Campari-Milano S.p.A. had exceeded the 95% threshold of share capital and voting rights in SPML, the Company exercised its option to purchase the remaining shares ('squeeze-out') on 14 July 2016, the date the shares were withdrawn from the Euronext Paris regulated market.

At 31 December 2016, Davide Campari-Milano S.p.A. held:

- own shares equal to 71.16% of the share capital of SPML in full ownership and 2.24% of the share capital with right of usufruct, corresponding to 58.40% of the voting rights at SPML's ordinary shareholders' meetings and 55.23% of the voting rights at SPML's extraordinary shareholders' meetings;
- in conjunction with certain shareholders of the Marnier Lapostolle family, 100% of both the share capital and the voting rights at the ordinary and extraordinary shareholders' meetings of SPML.

Under the agreements already described, the Company's own stake includes the commitments to purchase the remaining shares for € 181,782 thousand (an amount net of future dividends of € 11,306 thousand).

- On 31 May 2016, the Company purchased from DI.CI.E Holding B.V. its residual 23.08% participation in TJ Carolan&Son Ltd. for the sum of € 35,605 thousand, thereby gaining 100% control of the latter. Then, on 1 October 2016, TJ Carolan&Son Ltd, without being liquidated, ceased to exist in consequence of a complete spin-off, through which its assets and liabilities passed to two recipients, both established under Irish law on 1 June 2016 and both having their registered offices in Dublin. Of the value of the participation, which was € 136,373 thousand, € 46,297 thousand passed to Sorfinn Ltd, and € 90,076 thousand Zeltennia Ltd. After having been spun off, Zeltennia Ltd changed its name to TJ Carolan&Son Ltd.
- On 1 November 2016, Zedda Piras S.r.l. and Campari Wines S.r.l. merged by incorporation into Davide Campari-Milano S.p.A. As a result of this merger, a € 31,823 thousand net merger deficit was recorded, with € 31,853 thousand recorded under the heading of Company goodwill.
- On 30 November 2016, the Company purchased from DI.CI.E Holding B.V. a 100% stake in the capital of Glen Grant Ltd, a company operating under English law with its registered office in Scotland, for the sum of € 175,159 thousand.

- On 16 December 2016, the Company confirmed its commitment to a complete exit from the still wines market by selling all its investments in Sella&Mosca S.p.A. and Teruzzi&Puthod S.r.l. to Terra Moretti S.r.l., for the sums of € 55 million and € 7 million respectively. Prior to this transaction, Sella&Mosca S.p.A. had been recapitalised in the amount of € 19,815 thousand, and Teruzzi&Puthod S.r.l. had been partly recapitalised in the amount of € 6,715 thousand. The transaction resulted in a net capital gain of € 9,151 thousand (reduced to € 2,888 at consolidated level), which was included in overheads.

The other changes recorded in the value of equity investments relate to the accounting of units in stock option plans issued by the Company and allocated to directors and employees of subsidiaries, and the related recognition of the capitalisation at the subsidiaries themselves. The figures are in line with those recorded for 2015.

The negative difference between the cost recorded for the equity investment in Campari do Brasil Ltda. and the related portion of shareholders' equity still remains. However, this difference is not considered to represent impairment in line with the impairment tests carried out.

€ Thousand	31 December 2015	Stock options issued by subsidiaries	Increases	Decreases	Other movements	Merger	31 December 2016
Campari America LLC	500,578	1,135	-	-	-	-	501,712
Campari Benelux S.A.	170,940	88	-	-	148	-	171,175
Campari do Brasil Ltda.	127,389	165	-	-	-	-	127,555
Campari España S.L.	327,584	330	-	-	-	-	327,914
Campari International S.r.l.	742	34	-	-	-	-	776
Campari Services S.r.l.	393	81	-	-	-	-	474
Campari Wines S.r.l.	90	(92)	800	(685)	-	(114)	-
DI.CI.E. Holding B.V.	38,962	1,352	-	-	(922)	-	39,393
Fratelli Averna S.p.A.	98,028	12	-	-	-	-	98,041
Glen Grant Limited	-	387	175,159	-	775	-	176,321
Sella&Mosca S.p.A.	26,360	(75)	19,815	(46,100)	-	-	-
Société des Produits Marnier Lapostolle S.A.	-	-	489,848	-	-	-	489,848
SPML – Commitment to purchase residual shares	-	-	181,782	-	-	-	181,782
Sorfinn Ltd	-	-	-	-	46,297	-	46,297
Teruzzi&Puthod S.r.l.	24	9	6,715	(6,748)	-	-	-
T.J. Carolan&Son Ltd.	100,852	(83)	35,605	-	(136,373)	-	-
T.J. Carolan&Son Ltd. (Ex Zeltennia)	-	83	-	-	90,076	-	90,159
Zedda Piras S.r.l.	46,181	-	-	-	-	(46,181)	-
<b>Total</b>	<b>1,438,124</b>	<b>3,427</b>	<b>909,724</b>	<b>(53,533)</b>	<b>-</b>	<b>(46,295)</b>	<b>2,251,447</b>



The list of participations, including the additional information required by Consob communication DEM/6064293 of 28 July 2006 is as follows.

Name	Head office	Currency	Share value in local currency	Equity value	Profit (loss)	Investment		Carrying
				at 31 December 2016	2016	percentage	amount	
				€ Thousand	€ Thousand	Direct	Indirect	€ Thousand
Campari (Beijing) Trading Co. Ltd.	Beijing	RMB	65,300,430	(4,359)	(134)		100	
Campari America LLC	San Francisco	USD	566,321,274	1,154,196	45,044	100		501.712
Campari Argentina S.A.	Buenos Aires	ARS	344,528,430	19,705	199		100	
Campari Australia Pty Ltd.	Sydney	AUD	21,500,000	35,567	3,900		100	
Campari Austria GmbH	Wien	€	500,000	2,699	697		100	
Campari Benelux S.A.	Bruxelles	€	246,926,407	271,117	8,252	61	39	171.175
Campari Deutschland GmbH	Oberhaching	€	5,200,000	18,108	11,937		100	
Campari do Brasil Ltda.	Barueri	BRL	239,778,071	81,075	3,566	100		127.555
Campari España S.L.	Barcelona	€	3,272,600	317,310	376	100		327.914
Campari India Private Ltd	New Delhi	INR	100,000	12	10		100	
Campari International S.r.l.	Sesto San Giovanni	€	700,000	6,188	2,792	100		776
Campari Japan Ltd.	Tokyo	JPY	3,000,000	149	13		100	
Campari Mexico S.A. de C.V.	Malisco	MXN	820,187,150	36,675	6,381		100	
Campari New Zealand Ltd.	Maritime Suar	NZD	10,000	793	148		100	
Campari Peru SAC	Lima	PEN	2,907,752	1,268	734		100	
Campari RUS OOO	Moscow	RUB	2,010,000,000	32,972	2,395		100	
Campari Schweiz A.G.	Baar	CHF	500,000	1,692	767		100	
Campari Services America LLC	San Francisco	USD	381,625	386	23		100	
Campari Services S.r.l.	Sesto San Giovanni	€	160,000	549	30	100		474
Campari Singapore Pte Ltd.	Singapore	SGD	100,000	151	51		100	
Campari South Africa Pty Ltd.	Cape Town	ZAR	56,247,750	2,955	(222)		100	
Campari Ukraine LLC	Kiev	UAH	87,396,209	3,287	576		100	
DI.CI.E. Holding B.V.	Amsterdam	€	15,015,000	293,791	72,483	100		39.393
Forty Creek Distillery Ltd.	Grimsby	CAD	100	110,660	1,842		100	
Fratelli Aversa S.p.A.	Caltanissetta	€	3,900,000	37,190	1,274	100		98.041
Glen Grant Ltd.	Roths	GBP	24,949,000	141,208	5,181	100		176.321
Grand Marques Nederland B.V.	Paris	€	189,000	166	(8)		85.71	
Gregson's S.A. (1)	Montevideo	UYU					100	
J. Wray&Nephew Ltd.	Kingston	JMD	600,000	151,125	(103)		100	
Kaloyiannis-Koutsikos Distilleries S.A.	Volos	€	6,811,220	22,098	6,763		100	
Lapostolle S.A.	Santiago	CLP	18,530,210,085	25,922	892		100	
Marnier Chile S.A.	Santiago	CLP	26,117,822,494	27,984	(79)		100	
Marnier Investissement S.A.	Genève	€	37,900,000	17,731	(421)		100	
Marnier Lapostolle Chile S.p.A.	Santiago	CLP	1,000,000	96	89		100	
Marnier Lapostolle Inc.	New York	USD	1,000,000	16,778	(1.639)		97	
Marnier Lapostolle Residence S.p.A.	Santiago	CLP	1,000,000	96	89		100	
Marnier Management S.A.	Genève	€	100,000	(63)	(7)		100	
Perigee Spirits S.A.	Santiago	CLP	4,473,250,440	(1,415)	2,400		100	
Société Civile Immobilière du Val	Paris	€	16,769,392	17,465	651		99.99	
Société des Produits Marnier Lapostolle S.A.	Paris	€	27,157,500	149,124	(3,946)	71.16		671.630
Sorfinn Ltd.	Dublin	€	2,600	54,310	339	100		46.297
TJ Carolan&Son Ltd.	Dublin	€	2,600	94,343	3,858	100		90.159
<b>Totale partecipazioni in società controllate</b>								<b>2.251.447</b>

(1) Company in liquidation

## 22. Other non-current assets

	31 December 2016	31 December 2015
	€ Thousand	€ Thousand
Financial receivables	5,670	1,140
Term deposit	26,528	26,046
Derivatives on bond (Eurobond)	-	9,579
<b>Non-current financial assets</b>	<b>32,198</b>	<b>36,765</b>
Equity investment in other companies	149	149
Other non-current receivables from related parties	2,241	1,936
Other non-current tax receivables	2,468	2,457
<b>Other non-current assets</b>	<b>4,858</b>	<b>4,542</b>
<b>Other non-current assets</b>	<b>37,057</b>	<b>41,307</b>

The following changes to the financial assets should be noted:

- Term deposits include investments in cash and cash equivalents, and related interest, maturing in 2019.
- Financial receivables include the still uncashed payment of € 5 million, due within four years, from Terra Moretti S.r.l., in connection with the disposal of Sella&Mosca S.p.A. and Teruzzi&Puthod S.r.l. This receivable bears interest.
- The 'derivatives on bonds' item shows a zero balance due to the early repayment of the underlying bond. For further details see the 'Significant events during the year' section of the Report on operations.

Non-financial assets include tax receivables of € 2,468 thousand, which derive from the right to a refund of the additional income tax paid in previous years due to the non-deductibility of IRAP, in relation to employee costs, following recent

legislative changes introduced by article 2, paragraph 1, of Legislative Decree 201/2011, supplemented by article 4, paragraph 12 of Legislative Decree 16 of 2 March 2012, for which the Company had submitted the relevant refund applications.

### 23. Inventories

This item breaks down as follows.

	31 December 2016	31 December 2015
	€ Thousand	€ Thousand
Raw materials, supplies and consumables	12,496	11,099
Maintenance materials	1,589	1,437
Work in progress	36,560	35,741
Finished products and goods for resale	36,908	35,587
<b>Inventories</b>	<b>87,553</b>	<b>83,864</b>

All types of inventory show a slight increase in value, largely attributable to the incorporation of the production assets of Zedda Piras S.r.l. following the merger, and also to the need to provide for production requirements following the increase in sales.

Inventories are reported minus the relevant provisions for write-downs. The changes are shown in the table below.

	€ Thousand
<b>Balance at 31 December 2015</b>	<b>576</b>
Accruals	351
Utilisation	(454)
<b>Balance at 31 December 2016</b>	<b>473</b>

### 24. Trade receivables and other receivables

	31 December 2016	31 December 2015
	€ Thousand	€ Thousand
Trade receivables from external customers	54,933	52,785
Trade receivables from related parties	56,277	46,398
Receivables in respect of contributions to promotional costs	5,489	4,366
<b>Trade receivables</b>	<b>116,698</b>	<b>103,549</b>
Other receivables from tax authorities	184	298
Receivables from related parties	6,906	3,686
Prepaid expenses	1,247	996
Receivables from pension organizations	645	492
Other	1,541	1,765
<b>Other receivables</b>	<b>10,523</b>	<b>7,237</b>

All receivables are due within 12 months. Their carrying value is considered to be close to their fair value.

The trade receivables item is reported net of the related provision for write-downs, which reflects the actual risk of uncollectability.

Receivables due from tax authorities consist of various tax refund applications. For details on receivables from related parties, see note 40 – ‘Related parties’.

The increase in the amount of trade receivables from both third and related parties is essentially derived from that in the amount of sales, as already reported in comments on sales (note 7 – ‘Net sales’) which should be referred to for further information. This increase is partly attributable to the rollout of the sales portfolio of new products that are part of the Grand Marnier brand.

The table below shows receivables (excluding advances and those deferred) broken down by maturity.

31 December 2016	Trade receivables	<i>of which related parties</i>	Other receivables	<i>of which related parties</i>	Total
	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand
<b>Not overdue and not impaired</b>	<b>85,538</b>	<b>52,015</b>	<b>5,499</b>	<b>2,781</b>	<b>91,037</b>
Due and not impaired:	-	-	-	-	-
Less than 30 days	17,285	398	1,203	1,203	18,488
30-90 days	6,441	1,548	-	-	6,441
Within 1 year	2,839	2,316	-	-	2,839
Within 5 years	1,841	-	-	-	1,841
More than 5 years	-	-	2,922	2,922	2,922
<b>Total due and not impaired:</b>	<b>28,406</b>	<b>4,262</b>	<b>4,125</b>	<b>4,125</b>	<b>32,531</b>
<b>Due and impaired</b>	<b>3,322</b>	-	<b>103</b>	-	<b>3,425</b>
Amount impaired	(3,322)	-	(103)	-	(3,425)
<b>Total receivables broken down by maturity</b>	<b>113,944</b>	<b>56,277</b>	<b>9,624</b>	<b>6,906</b>	<b>123,567</b>

31 December 2015	Trade receivables € Thousand	<i>di cui con parti correlate</i> € Thousand	Altri crediti € Thousand	<i>di cui con parti correlate</i> € Thousand	Total € Thousand
<b>Not overdue and not impaired</b>	<b>74,563</b>	<b>43,119</b>	<b>4,598</b>	<b>1,046</b>	<b>79,160</b>
Due and not impaired:	-	-	-	-	-
Less than 30 days	16,576	738	-	-	16,576
30-90 days	6,605	589	323	323	6,928
Within 1 year	3,588	1,606	442	442	4,030
Within 5 years	2,217	346	1,876	1,876	4,092
<b>Total due and not impaired:</b>	<b>28,986</b>	<b>3,279</b>	<b>2,640</b>	<b>2,640</b>	<b>31,627</b>
<b>Due and impaired</b>	<b>3,638</b>	-	<b>103</b>	-	<b>3,741</b>
Amount impaired	(3,638)	-	(103)	-	(3,741)
<b>Total receivables broken down by maturity</b>	<b>103,549</b>	-	<b>7,238</b>	-	<b>110,787</b>

The table below shows the changes in bad debt provision during the period.

€ Thousand	Bad debt provision	
	Trade receivables	Other receivables
<b>Balance at 31 December 2015</b>	<b>3,638</b>	<b>103</b>
Accruals	2,006	-
Utilizations	(2,800)	-
Merger effect	375	-
<b>Balance at 31 December 2016</b>	<b>3,219</b>	<b>103</b>

Utilisations for the year were mainly due to the settlement of lawsuits outstanding from previous years, while accruals for the period were based on an accurate analysis of the recoverability of receivables at 31 December 2016.

## 25. Current tax receivables

	31 December 2016 € Thousand	31 December 2015 € Thousand
Income taxes	59	1,534
Receivables from main shareholders for tax consolidation	186	647
<b>Income tax receivables</b>	<b>245</b>	<b>2,181</b>

Receivables from related parties for tax consolidation relate solely to direct taxes (IRES – corporate income tax) covered by the tax consolidation scheme. These are due from Alicros S.p.A. and do not earn interest. For further details on these transactions, see note 40 – ‘Related parties’.

## 26. Current financial receivables

	31 December 2016 € Thousand	31 December 2015 € Thousand
<b>Securities and term deposit</b>	-	<b>50,036</b>
Net accrued swap interest income/expense on bond	-	1,220
Financial receivables from related parties	60	94,641
Valuation at fair value of forward contracts	56	459
Other financial assets	433	5,427
<b>Other current financial receivables</b>	<b>550</b>	<b>101,748</b>
<b>Current financial receivables</b>	<b>550</b>	<b>151,784</b>

Securities include investments in assets maturing in the short term or immediately tradeable, that represent a temporary investment of cash, but which do not satisfy all the requirements for classification under cash and cash equivalents. These positions were due to lapse during the 2016 financial year, and so there were no investments in term deposits at 31 December 2016.

Other current financial receivables, almost entirely due from related parties, decreased by € 101,198 thousand compared with the 2015 financial year, through the cash pooling engaged in by the Group; further information may be found in note 40 – Related Parties.

## 27. Cash and cash equivalents and reconciliation with net debt

The table below provides a reconciliation of this item with cash and cash equivalents shown on the statements of cash flows.

	31 December 2016 € Thousand	31 December 2015 € Thousand
Bank current accounts and cash	96,656	561,138
Term deposit maturing within 3 months	-	7
<b>Cash and cash equivalents</b>	<b>96,656</b>	<b>561,145</b>

Cash and cash equivalents amounting to € 96,656 thousand have decreased since the previous year in order to meet the demand for cash resulting from the acquisitions of businesses completed during the financial year. Further details may be found in the 'Significant events during the period' section of the Report on operations.

The reconciliation with the Company's net financial position is shown in the table below.

	31 December 2016	31 December 2015
	€ Thousand	€ Thousand
Cash and cash equivalents	96,656	561,144
<b>Cash (A)</b>	<b>96,656</b>	<b>561,144</b>
Securities	-	50,036
Other current financial receivables	550	101,748
<b>Current financial receivables (B)</b>	<b>550</b>	<b>151,784</b>
Current bank payables	(53,689)	(9,673)
Current portion of private placement and bonds	-	(350,000)
Other current financial payables	(125,146)	(50,837)
Current portion of payables for put option and earn-outs	-	-
<b>Current financial payables (C)</b>	<b>(178,835)</b>	<b>(410,510)</b>
<b>Net current financial position (A+B+C)</b>	<b>(81,629)</b>	<b>302,418</b>
Non-current bank payables	(300,000)	-
Non-current portion of private placement and bonds	(994,552)	(1,166,248)
Other financial payables	(200,000)	(200,000)
Non-current portion of payables for put option and earn-outs	(181,782)	-
<b>Non-current financial debt (D)</b>	<b>(1,676,335)</b>	<b>(1,366,248)</b>
<b>Net debt (A+B+C+D) (*)</b>	<b>(1,757,964)</b>	<b>(1,063,830)</b>
Reconciliation with the Group's financial position, as shown in the Directors' report:		
Term deposits	26,528	26,046
Non-current financial receivables	5,670	1,140
<b>Group net financial position</b>	<b>(1,725,766)</b>	<b>(1,036,644)</b>

(\*) In accordance with the definition of net debt set out in Consob communication DEM 6064293 of 28 July 2006.

For all information concerning the items that make up net debt excluding liquidity, see note 22 – 'Other non-current assets', note 26 – 'Current financial receivables', note 30 – 'Bonds and other non-current liabilities' and note 31 – 'Payables to banks and other current financial payables'.

## 28. Non-current assets classified as held for sale

A residual portion of the Termoli site is recorded under non-current assets held for sale, in the amount of € 1,022 thousand. Specific but complex negotiations for the sale of the land are continuing with potential buyers, with whom the challenging decommissioning program is being discussed.

## 29. Shareholders' equity

The Company manages its capital structure and makes changes to it depending on the economic conditions and the specific risks of the underlying asset.

To maintain or change its capital structure, the Company may adjust the dividends paid to the shareholders and/or issue new shares.

It should be noted that risk capital management is carried out at Group level. Please see the relative notes to the consolidated financial statements.

For information on the composition and changes in shareholders' equity for the periods under review, please refer to 'Statement of changes in shareholders equity'.

### Share capital

At 31 December 2016, the share capital comprised 580,800,000 ordinary shares with a nominal value of € 0.10 each, fully paid-up.

### Proposed stock split

The Board of Directors, that approved the Parent Company's draft financial statements, has required to convene a shareholders' meeting in ordinary and extraordinary sessions on 28 April 2017, to vote on a proposal for a share split to be carried out via the issue of two new shares with a nominal value of € 0.05 each for each existing share. The new shares will qualify for dividends from 1 January 2016, and the current fully paid up share capital of € 58,080,000 will subsequently be divided into 1,161,600,000 shares.

**Outstanding shares and own shares**

Changes in outstanding shares and own shares during the year were as follows:

	No. of shares			Nominal value		
	31 December 2016	31 December 2015	31 December 2014	31 December 2016 €	31 December 2015 €	31 December 2014 €
Outstanding shares at the beginning of the period	579,078,554	576,918,717	575,683,176	57,907,855	57,691,872	57,568,318
Purchases for the stock option plan	(2,326,135)	(11,518,418)	(3,704,964)	(232,614)	(1,151,842)	(370,496)
Disposals	2,705,237	13,678,255	4,940,505	270,524	1,367,826	494,051
Outstanding shares at the end of the period	579,457,656	579,078,554	576,918,717	57,945,766	57,907,855	57,691,872
Total own shares held	1,342,344	1,721,446	3,881,283	134,234	172,145	388,128
Own shares as a % of share capital	0.23%	0.30%	0.67%			

In 2016 2,326,135 own shares were acquired at a purchase price of € 18,932 thousand, which equates to an average price of € 8.14 per share. In the same period, 2,705,237 shares were sold for a sum of € 10,844 thousand.

Furthermore, after 31 December 2016 and until publication of the financial statements was authorised, the Company purchased an additional 780,000 own shares, at an average price of € 9.40, and own shares were sold for the exercise of stock options for a total of 249,583 shares. Thus, the number of own shares on the date this report was approved was 1,872,761.

**Dividends paid and proposed**

The table below shows the dividends approved and paid in 2016 and 2015 and the dividend submitted for the approval of the shareholders' meeting called to approve the accounts for the year ending 31 December 2016.

	Total amount		Dividend per share	
	31 December 2016 € Thousand	31 December 2015 € Thousand	31 December 2016 € Thousand	31 December 2015 € Thousand
Dividends approved and paid during the year on ordinary shares	52,133	45,700	0.09	0.08
Dividends proposed on ordinary shares (*)	52,103		0.09	
Dividends proposed after split	52,103		0.045	

(\*) Calculated on the basis of outstanding shares at the date of the Board of Directors' meeting on 28 February 2017.

Taking into account the proposed share split, the number of outstanding shares on which to calculate the dividend would increase to 1,157,854,478, and the number of own shares held would be 3,745,522. The adjusted dividend per share would therefore be € 0.045, a figure unchanged from the adjusted dividend distributed for 2015. If the share split were not to take place, the proposed dividend would be paid as € 0.09 per share (no change from the dividend distributed in 2015).

**Other reserves**

	Stock options	Cash flow hedging	Program contract reserve	Monetary revaluation reserve	Reserve for grants (Law 15/94)	Remeasurement reserve for actuarial effects relating to defined benefit plans	Extraordinary reserve	Reserve for VAT deductions 4%-6% (various laws)	Merger effect	Reserve for grants (Law 696/83)	Equity investment transfer reserve (Leg. Decree 544/92)	Total
	€	€	€	€	€	€ Thousand	€ Thousand	€	€	€	€	€
<b>Balance at 31 December 2015</b>	22,115	(3,275)	3,775	-	-	(472)	243,222	1,086	-	26	3,041	269,518
Cost of stock options for the period	4,270	-	-	-	-	-	-	-	-	-	-	4,270
Stock options in subsidiaries	3,354	-	-	-	-	-	-	-	-	-	-	3,354
Stock option	(3,505)	-	-	-	-	-	-	-	-	-	-	(3,505)
Profits (losses) allocated to shareholders' equity	-	-	-	-	-	41	-	-	-	-	-	41
Cash flow hedge reserve recognised in shareholders' equity	-	1,248	-	-	-	-	-	-	-	-	-	1,248
Tax effect recognised in shareholder's equity	-	(322)	-	-	-	(11)	-	-	-	-	-	(333)
Other	-	-	(3,775)	807	188	-	-	-	3,898	-	-	1,118
<b>Balance at 31 December 2016</b>	26,234	(2,349)	-	807	188	(442)	243,222	1,086	3,898	26	3,041	275,711

#### Stock option reserve

Provisions made to the stock option reserve during the year in respect of share-based payments totalled € 7,624 thousand, with an offsetting entry posted to the related shareholdings of € 3,354 thousand, for the allocation of stock options to directors and employees of subsidiaries. Options cancelled over the year amounted to € 882 thousand, of which € 655 thousand related to directors and employees of subsidiaries.

Lastly, options exercised during the year by beneficiaries at Davide Campari-Milano S.p.A. and its subsidiaries amounted to € 1,713 thousand and € 1,766 thousand respectively.

For full information regarding the stock option plans, see note 36 – ‘Stock option plans’.

#### Cash flow hedge reserve

The cash flow hedge reserve contains amounts (net of the related tax effect) pertaining to changes from fair value adjustments to financial derivatives recorded using cash flow hedging methodology; for further information, see note 37 – ‘Financial instruments: disclosures’.

Reserve for the Program Contract, "Agricultural and industrial consortium for disadvantaged areas in Piedmont".

The reserve of € 3,775 thousand was created in 2010 following the request for financial assistance submitted under the Program contract agreed on 24 July 2008 between the Piedmont agricultural and industrial consortium, of which the Company is a part, and the Italian Ministry of Economic Development, pursuant to the legislation in force. As the completion of the investment program for which the reserve was created had been confirmed, the reserve was released over the year.

Reserve for grants under Regional Law 15/94 and financial revaluation reserve.

The reserve for grants under Regional Law 15/94 and the financial revaluation reserve exist as a result of the merger with Zedda Piras S.r.l. The financial revaluation reserve in particular came into being at the moment of the spin-off of the production of spirits of the Zedda Piras brand by Tenute Sella&Mosca S.p.A.

Remeasurement reserve for actuarial effects relating to defined benefit plans.

The reserve includes the effects of changes to the actuarial assumptions used to calculate net obligations for defined benefits.

#### Retained earnings

Following the resolution of the shareholders' meeting of 29 April 2016, the profit for the year to 31 December 2015, amounting to € 83,924 thousand, was allocated as follows:

- € 52,133 thousand to dividends;
- € 31,791 thousand earnings carried forward.

## Availability of items under shareholders' equity

	Amount € Thousand	Possible utilizations (3)	Portion available € Thousand	Summary of utilizations in the three previous years:	
				to hedge losses	for other reasons
<b>Share capital (1)</b>	<b>58,080</b>	---	-		
<b>Capital reserve:</b>					
Reserve for own shares	(134)	---	-		
Legal reserve (2)	1,500	B	1,500		
<b>Earnings reserve:</b>					
Legal reserve	10,116	B	10,116		
Extraordinary reserve	243,222	A, B, C	243,222		
Equity investment transfer reserve (Leg. Decree 544/92)	3,041	A, B, C	3,041		
Reserve for VAT deduction 4% Law 64/86	592	A, B, C	592		
Reserve for VAT deduction 6% Law 67/86	451	A, B, C	451		
Reserve for VAT deduction 6% Law 130/83	22	A, B, C	22		
Reserve for VAT deduction 4% Law 675/77	2	A, B, C	2		
Reserve for VAT deduction 6% Law 526/82	18	A, B, C	18		
Reserve for capital grants (Law 696/83)	26	A, B, C	26		
Program contract reserve	-	---	-		
Grant reserve Law 15/94	188	A, B, C	188		
Revaluation reserve	807	A, B, C	807		
Merger surplus reserve	3,898	A, B, C	3,898		
Profit carried forward from previous year	611,820	A, B, C	611,820		
<b>Other reserves:</b>					
Cash flow hedge reserve	(2,349)	---	---		
Pension funds remeasurement reserve	(443)	---	---		
Stock option reserve	26,234	---	---		
<b>Total reserves and share capital</b>	<b>957,093</b>	-	<b>875,705</b>		
Non-distributable portion			11,616		
Residual distributable portion			864,089		
<b>Profit for the year</b>	<b>205,503</b>				
<b>Grand total</b>	<b>1,162,596</b>				

(1) of which € 50,581 thousand in earnings and € 7,499 thousand for shareholder payments

(2) for shareholder payments

(3) A: to increase capital; B: to hedge losses; C: to distribute to shareholders

## 30. Bonds and other non-current liabilities

The breakdown of bonds and other non-current liabilities is as follows.

	31 December 2016		31 December 2015	
	€ Thousand		€ Thousand	
Bond (USD) issued in 2003		-		185,568
Bond (Eurobond) issued in 2012		397,166		396,165
Bond (Eurobond) issued in 2015		595,270		594,092
<b>Total bonds and private placement</b>		<b>992,436</b>		<b>1,175,825</b>
Payables and loans due to banks		300,000		-
Derivatives on bond (USD)		2,116		-
Payables for put option and earn-outs		181,782		-
Other financial liabilities from related parties		200,000		200,000
<b>Non-current financial liabilities</b>		<b>683,898</b>		<b>200,000</b>
Other non-financial liabilities		2,466		373
<b>Other non-current liabilities</b>		<b>686,364</b>		<b>200,373</b>

The table below shows a breakdown of the Company's main financial liabilities, together with effective interest rates and maturities.

It should be noted that, as regards the effective interest rate of hedged liabilities, the rate reported includes the effect of the hedging itself.

Furthermore, the values of hedged liabilities include the value of the related derivative, whether it is an asset or liability.

	Nominal interest rate € Thousand	Maturity € Thousand	31 December 2016		31 December 2015	
			€ Thousand		€ Thousand	
Payables and loans due to banks	variable Euribor + 50/75 basis points	2016-2019	353,689		-	
- issued in 2003 (in USD)	fixed rate from 4.03% to 4.37% (1)	2018 – closed in 2016	-		176,090	
	6-month € LIBOR + 60 basis points (2)		-		-	
- issued in 2009 (in USD)	fixed rate 5.375%	2016 – closed in 2016	-		353,185	
- issued in 2012 (in USD)	fixed rate 4.5%	2019	397,166		396,165	
- issued in 2015 (in USD)	fixed rate 2.75%	2020	595,270		594,092	
Loan from other related parties	4.19-4.25%	2019	314,253		200,000	

(1) Rate applied to the portion of the bond hedged by an interest rate swap, corresponding to a nominal value of € 129 million.

(2) Rate applied to the portion of the bond hedged by an interest rate swap, corresponding to a nominal value of € 43 million.

## Bonds

As of 31 December 2016, the bonds item includes the following issues placed by the Company:

- The first bond (Eurobond 2012) has a duration of 7 years and a nominal value of € 400 million, with maturity on 25 October 2019. The bond pays a fixed annual coupon of 4.5% and the issue price was 99.068% of par, corresponding to a gross return of 4.659%.
- The second bond (Eurobond 2015) matures on 30 September 2020 and has a nominal value of € 600 million. The offer was placed at 99.715% of the nominal value. Coupons are payable at a nominal fixed interest rate of 2.75%. The gross return on the bond is therefore 2.81%.

Changes to the value of the bonds during 2016 refer only to the effects of the amortised cost (such effects being negative and amounting in total to € 2,180 thousand).

In September 2016 the Company repaid, ahead of schedule, the bond with a remaining nominal value of US\$ 200 million, which was placed on the US institutional market in 2003, with maturity in July 2018 and a fixed annual coupon of 4.63%. This repayment should be seen in the context of the Group's greater recourse to refinancing transactions, which included, inter alia, the repayment of the private placement issued by its subsidiary Campari America with a residual nominal value of US\$ 110 million.

At the same time, the Group paid bondholders the contractually required make-whole amount, to a total US\$ 31.6 million, with the portion applicable to the Company being US\$ 12,126 thousand, equivalent to € 10,861 thousand, which was included among the financial charges.

Early repayments were funded out of a € 300 million bullet loan maturing in three years at a rate of 3-month Euribor plus 0.75% made available by Banco Popolare, Intesa Sanpaolo and Unicredit.

In conjunction with the term loan, a new revolving credit facility was granted in the amount of €200 million, maturing in three years, replacing the facility stipulated on 25 February 2015. At 31 December 2016, € 50 million had been drawn on this line of credit, and is listed among current payables to banks, as described in note 31 – 'Payables to banks and other current financial payables'.

Some of early-terminated loan agreements noted above included negative pledge clauses and covenants, which, as a result, have been eliminated.

For more information on the changes during the year, see note 37 – 'Financial instruments'.

## Other debt

The item includes the loans taken out with Group companies. They will be settled with a bullet repayment in 2019. For further details on these transactions, see note 40 – 'Related parties'.

## Other non-financial liabilities

Other non-financial liabilities at 31 December 2016 mainly included long-term liabilities accrued for employee incentive schemes, totalling € 2,396 thousand.

## 31. Payables to banks and other current financial payables

	31 December 2016 € Thousand	31 December 2015 € Thousand
<b>Payables and loans due to banks</b>	<b>53,689</b>	<b>9,673</b>
Current portion of bond (Eurobond) issued in 2009	-	350,000
Amortized cost effect on short-term loans and bonds	-	3,185
Accrued interest on bonds	7,463	15,338
Financial liabilities on hedging contracts	1,235	64
Current liabilities for hedge derivatives, not reported using hedge accounting procedures	7	55
Other financial liabilities	116,441	32,196
<b>Total other financial payables</b>	<b>125,146</b>	<b>400,837</b>

## Payables to banks

Short-term payables to banks relate to short-term loans or credit facilities used by the Company to obtain additional financial resources. This item includes euro-denominated loans entered into with leading banks, interest on the maturity of which is mainly due at floating market rates. It should be noted that at 31 December 2016, an amount of € 50 million of the revolving credit facility, granted as part of the refinancing operation described above, had been used.



## Bonds

The changes in the reported bond values and associated hedges in 2016 relate to the repayment of the 2009 Eurobond. Accrued interest of € 7,463 thousand includes the portion of accrued coupons for 2016 on the Eurobond loans issued in 2012 and 2015.

## Other financial liabilities

The item includes liabilities arising from cash pooling management by some Companies in respect of other Group companies. The corresponding asset positions for the Company are shown under Current financial assets and explained in note 26 – ‘Current financial receivables’. For further details of dealings with related parties see note 40 – ‘Related parties’.

## 32. Defined benefit plans

The employee liability indemnity (TFR), which relates to the Company’s employees, pursuant to article 2120 of the Italian civil code, falls under the scope of IAS 19.

Employee indemnity liability (TFR) contributions accrued up to 31 December 2006 remain in the company; for contributions accruing from 1 January 2007, employees have the choice to allocate them to a complementary pension scheme, or keep them in the company, which will transfer the TFR contributions to a fund held at the INPS (Italian social security agency). Consequently, TFR contributions accrued from 1 January 2007 are classified as defined contribution plans.

Since the Company usually pays contributions through a separate fund, without further obligations, it records its contributions to the fund for the year to which they relate, in respect of employees’ service, without making any actuarial calculation. Since the contributions in question had already been paid by the Company at the reporting date, no liability is recorded in the statement of financial position.

Conversely, TFR contributions accrued up to 31 December 2006 will continue to be classified as defined benefit plans, with the actuarial valuation criteria remaining unchanged in order to show the current value of the benefits payable on the amounts accrued at 31 December 2006 when employees leave the Company.

The tables below summarise the components of the net cost of benefits reported in the income statement and in the statement of comprehensive income in 2016 and 2015.

€ Thousand	Liabilities
<b>Liabilities (assets) at 31 December 2015</b>	<b>5,784</b>
Amounts included in the income statement:	
- current service costs	19
- net interest	108
<b>Total</b>	<b>127</b>
Amounts included in the statement of comprehensive income:	
- gain/(losses) resulting from changes in actuarial assumptions	(75)
<b>Total</b>	<b>(75)</b>
Other changes:	
- benefits paid	(397)
- benefits transferred	69
- merger	524
<b>Total</b>	<b>196</b>
<b>Liabilities (assets) at 31 December 2016</b>	<b>6,033</b>

€ Thousand	Liabilities
<b>Liabilities (assets) at 31 December 2014</b>	<b>6,135</b>
Amounts included in the income statement:	
- current service costs	43
- reduction/plan amendment	88
<b>Total</b>	<b>130</b>
Amounts included in the statement of comprehensive income:	
- gain/(losses) resulting from changes in actuarial assumptions	9
<b>Total</b>	<b>9</b>
Other changes:	
- benefits paid	(555)
- contribution to the plan by other members	65
<b>Total</b>	<b>(490)</b>
<b>Liabilities (assets) at 31 December 2015</b>	<b>5,784</b>

The merger change amount relates to the impact of the merger of Campari Wines S.r.l. and Zedda Piras S.r.l. in 2016 with effect from 1 January 2016.

The main assumptions used in determining the obligations resulting from TFR are indicated below.

	2016	2015
Discount rate	1.38%	1.81%
Staff turnover rate	2.65%	2.95%
Forecast inflation rate	1.00%	1.50%

A quantitative sensitivity analysis of the significant assumptions used at 31 December 2016 is shown below.

	Change in the assumptions	Impact of positive change	Impact of negative change
Discount rate	+/- 0,5%	-3.62%	3.87%
Staff turnover, disability and early retirement	+/- 0,5%	-0.19%	0.21%
Forecast inflation rate	+/- 0,5%	2.40%	-2.31%

The sensitivity analysis shown above is based on a method involving extrapolation of the impact on the obligation of reasonable changes to the key assumptions made at the end of the financial year.

The methodology and the assumptions made in preparing the sensitivity analyses remain unchanged from the previous year.

Given that pension liabilities have been corrected on the basis of the consumer prices index, the pension plan is exposed to the inflation rate, to interest rate risks and to changes in the life expectancy of former employees. In view of the fact that there are no activities that support the plans, the Company is not exposed to market risk in the sectors in which the plan is invested.

The following payments are the expected contributions that will be made in future years.

	31 December 2016 € Thousand
Within 12 months	205
From 1 to 5 years	802
From 5 to 10 years	959
<b>Total</b>	<b>1,966</b>
<b>Average plan duration (years)</b>	<b>8.9</b>

Cash flows expected for future payments into the plan are not likely to have a significant effect on the Company's statement of financial position or income statement.

### 33. Provisions for risks and charges

The table below indicates changes to this item during the period.

	Tax provision € Thousand	Agent severance fund € Thousand	Other € Thousand	Total € Thousand
<b>Balance at 31 December 2015</b>	<b>301</b>	<b>1,557</b>	<b>815</b>	<b>2,674</b>
Accruals	-	493	-	493
Utilizations	(8)	(201)	(685)	(893)
Releases	(2)	(5)	-	(7)
Other changes	10	-	-	10
<b>Balance at 31 December 2016</b>	<b>301</b>	<b>1,845</b>	<b>131</b>	<b>2,277</b>
of which estimated payout:				
- due within 12 months	301	-	-	301
- due after 12 months	-	1,845	131	1,975

The tax provision at 31 December 2016 included estimated potential liabilities of € 301 thousand arising from outstanding disputes, including some for incorporated companies, for tax years 2004-2005.

An amount of € 685 thousand of the provision included under 'Other' was used following the waiver of the debt owed to it by Campari Wines S.r.l.

### 34. Payables to suppliers and other liabilities

	31 December 2016 € Thousand	31 December 2015 € Thousand
Trade payables to external suppliers	105,796	80,903
Trade payables to affiliates	406	718
<b>Trade payables</b>	<b>106,202</b>	<b>81,621</b>
Payables to staff	16,181	11,791
Payables to agents	1,472	1,586
Deferred income	1,054	1,194
Amounts due to controlling shareholder for Group VAT	2,389	4,139
Tax on alcohol production	2,010	3,374
Withholding and miscellaneous taxes	2,821	3,423
Other payables to related parties	3,324	3,309
Other	337	774
<b>Other current liabilities</b>	<b>29,589</b>	<b>29,590</b>

The amounts shown related to salaries, payments and supplier invoices for December.

These payables are all due within twelve months.

For further details on payables to related parties, see note 40 – ‘Related parties’.

The following table shows a breakdown of payables by due date (excluding advance payments).

31 December 2016	On demand € Thousand	Within 1 year € Thousand	Due in 1 to 2 € Thousand	Due in 3 to 5 € Thousand	Due after 5 years € Thousand	Total € Thousand
Trade payables	30,582	75,620	-	-	-	106,202
<i>of which related parties</i>	248	158	-	-	-	-
Other payables	-	29,043	-	-	-	29,043
<i>of which related parties</i>	-	648	-	-	-	-
<b>Total</b>	<b>30,582</b>	<b>104,663</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>135,245</b>

31 December 2015	On demand € Thousand	Within 1 year € Thousand	Due in 1 to 2 € Thousand	Due in 3 to 5 € Thousand	Due after 5 years € Thousand	Total € Thousand
Trade payables	24,163	56,591	867	-	-	81,621
<i>of which related parties</i>	241	476	-	-	-	-
Other payables	559	28,541	491	-	-	29,591
<i>of which related parties</i>	22	1,337	-	-	-	-
<b>Total</b>	<b>24,722</b>	<b>85,132</b>	<b>1,358</b>	<b>-</b>	<b>-</b>	<b>111,212</b>

The payment terms applied to suppliers are generally 60 days from the end of the month of invoice.

### Capital grants

Grants relate mainly to the funds received for investments in production plants at Novi Ligure.

The following table provides details of changes in deferred income relating to capital grants.

In some cases grants are not certain; in these instances a liability must be recorded against the grant received.

Once the grants become certain, they are classified as deferred income and are reported in the income statement based on the useful life of the plant.

In the interests of clarity, the table below illustrates changes in deferred income.

	Deferred income € Thousand
<b>Balance at 31 December 2015</b>	<b>1,189</b>
Amounts posted to the income statements	(163)
Reclassifications	3
<b>Balance at 31 December 2016</b>	<b>1,029</b>

### 35. Current tax payables

This item breaks down as below.

	31 December 2016 € Thousand	31 December 2015 € Thousand
Taxes payable	509	75
<b>Total income tax payables</b>	<b>509</b>	<b>75</b>

Payables to tax authorities relate to IRAP payables, as well as IRES amounts from previous tax inspections, determined in the past.

Payables to related parties for tax consolidation relate solely to indirect taxes (VAT) covered by the Group's tax consolidation scheme. These are due to Alicros S.p.A., the ultimate shareholder, and do not earn interest. At 31 December 2016, the amount included a receivable (recorded under current tax receivables, note 25); for further details, see note 40 – ‘Related parties’.

### 36. Stock option plan

Pursuant to Consob resolution 11971 of 14 May 1999 as amended, and Consob communication 11508 of 15 February 2000, the following information is provided on the stock option plan (the 'Plan') approved by the Board of Directors of Davide Campari-Milano S.p.A. on 15 May 2001, which incorporated the framework plan for the general regulation of stock options for Gruppo Campari, approved by the shareholders' meeting of 2 May 2001.

The purpose of the Plan is to offer beneficiaries who occupy key positions in the Group the opportunity of owning shares in Davide Campari-Milano S.p.A., thereby aligning their interests with those of other shareholders and fostering loyalty, in the context of the strategic goals to be achieved.

The recipients are employees, directors and/or individuals who regularly work for one or more Group companies, who have been identified by the Board of Directors of Davide Campari-Milano S.p.A., and who, on the Plan approval date and until the date that the options are exercised, have worked as employees and/or directors and/or in any other capacity at one or more Group companies without interruption.

The Plan regulations do not provide for loans or other incentives for share subscriptions pursuant to article 2358, paragraph 3 of the Italian Civil Code.

The Board of Directors of Davide Campari-Milano S.p.A. has the right to draft regulations, select beneficiaries and determine the share quantities and values for the execution of stock option plans. In addition, Davide Campari-Milano S.p.A. reserves the right, at its sole discretion, to modify the Plan and the regulations as necessary or appropriate to reflect revisions of laws in force, or for other objective reasons that would warrant such modification.

Subsequently, further stock options have been allocated each year, governed by the framework plan approved by the shareholders' meeting on 2 May 2001.

The shareholders' meeting of 29 April 2016 approved a new stock option plan, establishing the maximum number of shares that may be assigned (specifying how many may be assigned to directors of the Company and how many to any other beneficiary) and authorising the board of directors of the Company to identify, within the limits established by the shareholders' meeting, the beneficiaries and the number of options that may be assigned to each.

The options were therefore assigned on 11 May 2016 to the individual beneficiaries, with the right to exercise options in the two-year period following the end of the fifth year from the allocation date.

The total number of options granted in 2016 for the purchase of further shares was 7,552,509, with the average allocation price at € 8.57, equivalent to the weighted average market price in the month preceding the day on which the options were granted.

The following table shows changes in stock option plans during the periods concerned.

	31 December 2016		31 December 2015	
	No. of shares	Average allocation/exercise price (€)	No. of shares	Average allocation/exercise price (€)
Options outstanding at the beginning of the period	27,094,753	5.51	41,790,983	4.89
Options granted during the period	7,552,509	8.57	339,464	7.07
(Options cancelled during the period)	(1,037,529)	5.73	(1,357,439)	5.96
(Options exercised during the period) (*)	(2,705,237)	4.01	(13,678,255)	3.59
(Options expired during the period)	(68,846)	-	-	-
Options outstanding at the end of the period	30,835,650	6.38	27,094,753	5.51
of which those that can be exercised at the end of the	1,811,965	3.78	3,848,851	3.82

(\*) The average market price on the exercise date was € 8.42.

The average remaining life of outstanding options at 31 December 2016 was 3.3 years (3.4 years at 31 December 2015). The exercise prices for the options allocated each year range as below.

	Average exercise price
Allocations: 2010	3.88
Allocations: 2011	5.50
Allocations: 2012	5.25
Allocations: 2013	5.95
Allocations: 2014	6.28
Allocations: 2015	7.07
Allocations: 2016	8.57

The average fair value of the options granted during 2016 was € 2.2 (€ 1.58 in 2015).

The fair value of stock options is represented by the value of the option calculated by applying the Black-Scholes model, which takes into account the conditions for exercising the option, as well as the current share price, expected volatility and the risk-free rate, and the non-vesting conditions for the plans.

Volatility was estimated with the help of data supplied by a market information provider together with a leading bank, and corresponds to the estimate of volatility recorded in the period covered by the Plan.

The following assumptions were used for the fair value measurement of options issued in 2016 and 2015.

	2016	2015
Expected dividends (€)	0.09	0.08
Expected volatility (%)	28%	23%
Historic volatility (%)	23%	23%
Market interest rate	0.93%	0.96%
Expected option life (years)	7.00	7.30
Exercise price (€)	8.57	7.07

Davide Campari-Milano S.p.A. has a number of own shares that can be used to cover the stock option plan.

The following table shows changes in the number of own shares held during the comparison periods.

	No. of own shares		Purchase price (€ Thousand)	
	2016	2015	2016	2015
Balance at 1 January	1,721,446	3,881,283	12,727	22,141
Purchases	2,326,135	11,518,418	18,932	78,425
Disposals	(2,705,237)	(13,678,255)	(20,055)	(87,840)
Final balance	1,342,344	1,721,446	11,604	12,727
% of share capital	0.23%	0.30%		

In relation to the sales of own shares in the year, which are shown in the above table at the original acquisition cost (€ 20,055 thousand), carried out at a market price totalling € 10,844 thousand, the Company recorded a loss of € 9,211 thousand, which was recorded under shareholders' equity and partly offset by the use of € 3,505 thousand from the stock option reserve.

### 37. Financial instruments - disclosures

The value of individual categories of financial assets and liabilities held by the Company is shown below.

31 December 2016	Loans and receivables	Financial liabilities at amortized cost	Assets and liabilities measured at fair value through profit or loss	Hedging transactions
€ Thousand				
Cash and cash equivalents	96,656	-	-	-
Current financial assets	480	-	-	-
Other non-current financial assets	32,198	-	-	-
Trade receivables	116,698	-	-	-
Payables to banks	-	(353,689)	-	-
Bonds	-	(992,436)	-	-
Accrued interest on bonds	-	(7,463)	-	-
Other financial liabilities	-	(316,441)	-	-
Put option payables	-	(181,782)	-	-
Trade payables	-	(106,202)	-	-
Non-current assets for hedge derivatives, not in hedge accounting	-	-	13	-
Current assets for hedging derivatives	-	-	-	56
Non-current assets for hedging derivatives	-	-	-	-
Non-current liabilities for hedging derivatives	-	-	-	(2,116)
Current liabilities for hedging derivatives	-	-	-	(1,235)
Non-current liabilities for hedging derivatives, not reported using hedge accounting procedures	-	-	(7)	-
<b>Total</b>	<b>246,032</b>	<b>(1,958,013)</b>	<b>6</b>	<b>(3,294)</b>

31 December 2015	Loans and receivables	Financial liabilities at amortized cost	Assets and liabilities measured at fair value through profit or loss	Hedging transactions
€ Thousand				
Cash and cash equivalents	561,144	-	-	-
Current financial assets	119,915	-	-	-
Other non-current financial assets	27,186	-	-	-
Trade receivables	103,549	-	-	-
Payables to banks	-	(9,673)	-	-
Bonds	-	(1,525,827)	-	-
Accrued interest on bonds	-	(15,338)	-	-
Other financial liabilities	-	(205,320)	-	-
Trade payables	-	(81,621)	-	-
Non-current assets for hedge derivatives, not in hedge accounting	-	-	129	-
Current assets for hedging derivatives	-	-	-	1,679
Non-current assets for hedging derivatives	-	-	-	9,579
Current liabilities for hedging derivatives	-	-	-	(64)
Non-current liabilities for hedging derivatives, not reported using hedge accounting procedures	-	-	(55)	-
<b>Total</b>	<b>811,795</b>	<b>(1,837,778)</b>	<b>74</b>	<b>11,194</b>

### Assets and liabilities measured at fair value

The method used for determining fair value was as follows:

- for financial assets and liabilities that are liquid or nearing maturity, it is assumed that the carrying amount equates to fair value; this assumption also applies to term deposits, securities that can be readily converted to cash and variable-rate financial instruments;
- for the valuation of hedging instruments at fair value, the Company used valuation models based on market parameters. The fair value of non-current financial payables was obtained by discounting all future cash flows at the rates in effect at the end of the year.

Investment property is valued at cost, which is considered a reliable approximation of its fair value.

For commercial items and other receivables and payables, fair value corresponds to the carrying amount; these are not reported in the table below.

	carrying amount		fair value	
	31 December 2016 € Thousand	31 December 2015 € Thousand	31 December 2016 € Thousand	31 December 2015 € Thousand
Cash and cash equivalents	96,656	561,144	96,656	561,144
Accrued interest on bond swap	-	1,220	-	1,220
Assets for hedge derivatives, not reported using hedge accounting procedures	13	129	13	129
Current assets for forex derivatives	56	459	56	459
Derivatives on bond issue (USD)	-	9,579	-	9,579
Current financial assets	420	55,334	420	55,334
Other financial current receivables from related parties	60	94,641	60	94,641
Other non-current financial assets	32,198	27,186	32,198	27,186
<b>Financial assets</b>	<b>129,404</b>	<b>749,693</b>	<b>129,404</b>	<b>749,693</b>
Payables to bank	353,689	9,673	353,689	9,673
Bond issued in 2003	-	185,568	191,753	191,753
Bond issued in 2009 (Eurobond)	-	353,185	362,624	362,624
Bond issued in 2012 (Eurobond)	397,166	396,165	440,100	440,100
Bond issued in 2015 (Eurobond)	595,270	594,092	617,699	617,699
Accrued interest on bonds	7,463	15,338	7,463	15,338
Non current liabilities for interest rate swap derivatives on future transaction	2,116	-	2,116	-
Financial liabilities on forex derivatives	1,235	64	1,235	64
Other financial liabilities	7	55	7	55
Other financial liabilities in respect of related parties	316,441	232,196	316,441	232,196
Put option nad earn out liabilities	181,782	-	181,782	-
<b>Financial liabilities</b>	<b>1,855,169</b>	<b>1,786,335</b>	<b>2,474,909</b>	<b>1,869,501</b>
<b>Net financial assets (liabilities)</b>	<b>(1,725,765)</b>	<b>(1,036,642)</b>	<b>(2,345,505)</b>	<b>(1,119,808)</b>

### Fair value - hierarchy

The Company enters into derivatives contracts with a number of top-rated banks.

Derivatives are valued using techniques based on market data, and largely consist of interest rate swaps.

The most commonly-applied valuation methods include the forward pricing and swap models, which use present value calculations.

The models incorporate various inputs, including the credit rating of the counterparty, market volatility, spot and forward exchange rates and current and forward interest rates.

The table below details the hierarchy of financial instruments valued at fair value, based on the valuation methods used:

- level 1: the valuation methods use prices listed on an active market for the assets and liabilities subject to valuation;
- level 2: the valuation methods take into account inputs other than previous prices, but only those that can be observed on the market directly or indirectly;
- level 3: the methods used take into account inputs that are not based on observable market data.

In 2016, no changes were made in the valuation methods applied.

31 December 2016	Level 1 € Thousand	Level 2 € Thousand	Level 3 € Thousand
<b>Assets valued at fair value</b>			
Futures currency contracts	-	56	-
Hedging derivatives not reported using hedge accounting procedures	-	13	-
<b>Liabilities valued at fair value</b>			
Interest rate swap on future transactions	-	2,116	-
Forward currency and interest rate contracts	-	1,235	-
Hedging derivatives not reported using hedge accounting procedures	-	7	-
<hr/>			
31 December 2015	Level 1 € Thousand	Level 2 € Thousand	Level 3 € Thousand
<b>Assets valued at fair value</b>			
Accrued interest on bond swaps	-	1,220	-
Interest rate swap on bonds (Eurobond)	-	9,579	-
Futures currency contracts	-	459	-
Hedging derivatives not reported using hedge accounting procedures	-	129	-
<b>Liabilities valued at fair value</b>			
Forward currency and interest rate contracts	-	64	-
Hedging derivatives not reported using hedge accounting procedures	-	55	-

The level 2 valuation method used for financial instruments measured at fair value is based on parameters such as exchange rates and interest rates, which are priced on active markets or are observable on official rate curves.

In 2016, no reclassifications were made between the levels indicated above in the fair value hierarchies.

#### Hedging transactions

##### Hedging derivatives

The Company currently holds various derivative instruments to hedge both the fair value of underlying instruments and cash flows.

The table below shows the fair value of these derivative instruments, recorded as assets or liabilities.

	31 December 2016		31 December 2015	
	Assets € Thousand	Liabilities € Thousand	Assets € Thousand	Liabilities € Thousand
Interest rate and cross currency swap on bond (USD)	-	-	12,428	-
Accrued interest on bond swap	-	-	1,220	-
Futures currency contracts	5	(1,223)	284	(63)
<b>Hedging derivatives at fair value</b>	<b>5</b>	<b>(1,223)</b>	<b>13,932</b>	<b>(63)</b>
Interest rate swap on bond (USD)	-	-	-	(2,849)
Interest rate swap on future operations	-	(2,116)	-	-
Forward currency contracts for future operations	51	(12)	175	(1)
<b>Derivatives used for cash flow hedging</b>	<b>51</b>	<b>(2,128)</b>	<b>175</b>	<b>(2,850)</b>
<b>Hedging derivatives not reported using hedge accounting procedures</b>	<b>13</b>	<b>(7)</b>	<b>129</b>	<b>(55)</b>
<b>Total derivatives</b>	<b>70</b>	<b>(3,358)</b>	<b>14,236</b>	<b>(2,968)</b>

#### Fair value hedging

As of 31 December 2016, the Group has in place the following contracts for hedging payables and receivables in foreign currency that meet the definition of hedging instruments based on IAS 39.

At 31 December 2016, certain Group subsidiaries held forward contracts on receivables and payables in currencies other than the euro in their financial statements.

The contracts were negotiated to match maturities with projected incoming and outgoing cash flows resulting from sales and purchases in individual currencies.

The valuation of these contracts at the reporting date gave rise to the reporting of assets of € 5 thousand and liabilities of € 1,223 thousand.

In 2016, the Group paid off various loans and cancelled the related derivative contracts where such existed; for more details, see note 30 – ‘Bonds and other non-current liabilities’. Specifically:

- in 2016, some of the cross currency swap agreements in place on the US\$-denominated bond issued in 2003 were terminated relating to notional amounts of US\$ 200 million, with an overall positive fair value of € 9,579 thousand (of which € 12,428 thousand related to fair value hedging), which was shown under non-current financial assets at 31

December 2015. The negative impact on the income statement was € 4,142 thousand, which was offset by the corresponding increase of € 4,668 thousand in the fair value of the underlying payable;

- the last tranche of the financial receivable arising from the early repayment in 2012 of an interest rate swap on the Eurobond issued in 2009 was received in 2016. See note 26 – ‘Current financial assets’ for information on changes to the receivable. The impact on the income statement for 2016 was therefore a liability of € 4,939 thousand arising from the termination of the above-mentioned loan; this was offset by an amount of € 3,816 thousand relating to the change in fair value of the hedged risk, which was identified when the hedging on the underlying payable was terminated.

Gains and losses on the hedged and hedging instruments used in fair value hedges, corresponding to the above-mentioned contracts, are summarised below.

	31 December 2016 € Thousand	31 December 2015 € Thousand
Gains on hedging instruments	3	25,753
Losses on hedging instruments	(4,282)	(242)
<b>Total gains (losses) on hedging instruments</b>	<b>(4,280)</b>	<b>25,511</b>
Gains on hedged items	8,503	4,627
Losses on hedged items	(1,099)	(25,583)
<b>Total gains (losses) on hedging instruments</b>	<b>7,405</b>	<b>(20,957)</b>

#### Derivatives used for cash flow hedging

The Company uses the following contracts to hedge its cash flows:

- Interest rate swap of the Eurobond issued in 2015. Around the time the loan was granted, the Company had entered into a number of interest rate hedging agreements. On the date the bond was listed, due to the changes in interest rate trends, this agreement resulted in an initial financial liability of € 1,326 thousand, recorded under comprehensive profits and losses and released to the income statement with the cash flows generated by the underlying debt. In 2016, an effect of € 251 thousand was recycled to the income statement.
- Hedging of future sales and purchases in currency and interest rates on future transactions

At 31 December 2015, the Group had the following derivatives instruments in place, which were terminated in 2016 together with the underlying loans:

- Interest rate swap on the US\$-denominated bond issued in 2003 by the Company involving the payment of an average fixed rate of 4.25% (rates from 4.03% to 4.37%) on total underlyings of US\$ 150 million (original maturity in 2018). The overall fair value of the derivative at 31 December 2015 was positive at € 9,579 thousand (negative at € 2,849 thousand for the portion hedging the financial flows), and was shown under non-current financial assets. In the income statement of 2016, the instrument had a net positive impact of € 1,670 thousand including the accumulated values in the cash flow hedging reserve.
- Interest rate swaps on the Company Eurobond entered into on the date the bond was listed, and which had generated a total financial outlay of € 2,998 thousand, recorded on the income statement. This reserve, which was released in step with the cash flows generated by the underlying debt, in 2016 produced a liability of € 398 thousand on the income statement.

The following table shows when the hedged cash flows are expected to be received, as of 31 December 2016.

These cash flows only relate to interest and have not been discounted to present value.

31 December 2016	Within one year € Thousand	1-5 years € Thousand	Total € Thousand
Cash outflows	2,131	-	2,131
Cash inflows	33	-	33
<b>Net cash flows</b>	<b>(2,098)</b>	<b>-</b>	<b>(2,098)</b>

31 December 2015	Within one year € Thousand	1-5 years € Thousand	Total € Thousand
Cash outflows	5,482	10,963	16,445
Cash inflows	6,543	12,758	19,302
<b>Net cash flows</b>	<b>1,062</b>	<b>1,795</b>	<b>2,857</b>



I movimenti complessivi della riserva di *cash flow hedging* e delle imposte differite ad essa connesse sono i seguenti.

	Gross amount € Thousand	Tax effect € Thousand	Net amount € Thousand
Reserve at 31 December 2015	(4,339)	1,063	(3,276)
Booked to the income statement during the period	2,320	(558)	1,762
Recognized in equity during the period	(1,072)	237	(835)
<b>Reserve at 31 December 2016</b>	<b>(3,091)</b>	<b>741</b>	<b>(2,350)</b>

### 38. Nature and scale of the risks arising from financial instruments

#### Credit risk

Davide Campari-Milano S.p.A. enters directly into commercial transactions on the Italian market, and on the foreign markets via its Group companies.

The composition of receivables from Italian customers is extremely varied in terms of the different market channels, their size and commercial characteristics. The market includes a high number of clients from all over Italy, with a balance between the two sales channels (mass retail and purchasing consortia, and traditional retail) with a significant presence in the horeca (hotels/restaurants/cafés) sector.

The Company has an extremely broad product portfolio, formed of both Gruppo Campari's products and products distributed under licence. Given that the Company sells internationally both within the Group and with third parties, there are no market concentration risks.

The Company has a Credit Management department exclusively dedicated to monitoring the progress of receivables, chasing up payment and managing in a targeted and timely manner the exposure of individual customers using internal risk monitoring procedures.

Bad debts are pursued regularly with the assistance of lawyers in order to continuously update progress on individual cases. This is then reflected in the provisions for doubtful receivables.

Trade receivables from third parties for which there is impairment are classified as doubtful; these have mainly been due for more than one year and are the subject of legal proceedings.

The other trade receivables are in respect of Group companies.

Receivables from clients are mainly denominated in euro.

The maximum risk at the reporting date is equivalent to the carrying amount of trade receivables.

#### Default risk: debt management

The Company's debt management objectives are based on its ability to ensure that it retains an optimal level of financial soundness, while maintaining an appropriate level of liquidity that enables it to make an economic return and access external sources of funding. The Company monitors changes to its net debt/EBITDA ratio on an ongoing basis. Net debt is the Company's net financial position calculated at average exchange rates for the previous 12 months; EBITDA is the Company's operating result before depreciation, amortisation and non-controlling interests, pro-rated to take account of acquisitions in the past 12 months.

These indicators are calculated at consolidated level, i.e. taking into account all the companies directly or indirectly controlled by the Company. The Company therefore monitors both the restrictions and the levels of the financial indicators.

#### Liquidity risk

The Company's ability to generate substantial cash flow through its operations allows it to reduce liquidity risk. This risk is defined as the difficulty of raising funds to meet financial obligations.

The Company manages financial flows with the Italian subsidiaries through a centralised cash management department, with transactions settled at market rates (see note 40 – 'Related parties', for more information).

Detailed information is provided below on payables and financial liabilities at 31 December 2016, compared with the previous year.

The table below summarises financial liabilities by maturity at 31 December 2016 compared with the previous year based on the contractual repayment obligations, including non-discounted interest.

It specifies the period in which financial flows are due.

31 December 2016	On demand € Thousand	Within 1 year € Thousand	Due in 1 to 2 € Thousand	Due in 3 to 5 € Thousand	Due after 5 years € Thousand	Total € Thousand
Payables and loans due to banks	-	55,039	1,350	300,900	-	357,289
Bonds	-	34,500	34,500	434,500	616,500	1,120,000
Financial payables to related parties	-	98,562	8,500	208,500	-	315,562
Other liabilities for derivatives	-	3,358	-	-	-	3,358
<b>Total financial liabilities</b>	-	<b>191,459</b>	<b>44,350</b>	<b>943,900</b>	<b>616,500</b>	<b>1,796,209</b>
Assets for derivatives on currencies	-	(70)	-	-	-	(70)
<b>Financial liabilities net of hedging assets</b>	-	<b>191,389</b>	<b>44,350</b>	<b>943,900</b>	<b>616,500</b>	<b>1,796,139</b>

31 December 2015	On demand € Thousand	Within 1 year € Thousand	Due in 1 to 2 € Thousand	Due in 3 to 5 € Thousand	Due after 5 years € Thousand	Total € Thousand
Payables and loans due to banks	-	9,673	-	-	-	9,673
Bonds	-	411,818	43,006	222,458	1,051,000	1,728,282
Derivatives on bond issues	-	2,793	2,793	13,133	-	18,719
Financial payables to related parties	-	8,500	8,500	8,500	208,500	234,000
Other financial payables	-	119	-	-	-	119
<b>Total financial liabilities</b>	-	<b>432,903</b>	<b>54,299</b>	<b>244,091</b>	<b>1,259,500</b>	<b>1,990,793</b>
Assets for derivatives on currencies	-	(588)	-	-	-	(588)
<b>Financial liabilities net of hedging assets</b>	-	<b>432,315</b>	<b>54,299</b>	<b>244,091</b>	<b>1,259,500</b>	<b>1,990,205</b>

Payables to banks for current accounts and lines of credit represent the negative balance of cash management. Moreover, the Company has granted loans to subsidiaries, with interest charged at market rates.

### Market risks

Market risk consists of the possibility that changes in exchange rates, interest rates or the prices of raw materials or commodities (alcohol, aromatic herbs, sugar) could negatively affect the value of assets, liabilities or expected cash flows.

### Price risk

The price of raw materials depends on a wide variety of factors, which are difficult to forecast and are largely beyond the Company's control. Although historically the Company has not encountered particular difficulties in purchasing sufficient high-quality raw materials, we cannot rule out the possibility that the emergence of any tensions in this area could lead to difficulties in obtaining supplies, causing costs to rise, which would have negative consequences on the Company's financial results.

### Interest rate risk

The Company has bonds, mainly with a fixed rate, either because they are issued directly under an agreement or because they have been converted, after issue, using hedging derivatives, as described above. The Company is therefore exposed to fair value risk.

The portion of debt at fixed rates was around 60% of total financial payables at 31 December 2016.

Other financial liabilities, which are broadly taken out at variable rates, account for only a modest proportion of total debt. The Company is therefore only partially exposed to the risk of interest rate fluctuations.

### Sensitivity analysis

The following table shows the effects on the income statement of a potential change in interest rates, if all the Company's other variables are held constant.

The assumptions used in terms of a potential change in rates are based on an analysis of the trends at the reporting date. The table illustrates the full-year effects on the income statement in the event of a change in rates, calculated for the Company's variable-rate financial assets and liabilities.

The impact on the income statement is shown net of taxes.

Increase/decrease in interest in basis point	Income statements (€ Thousand)	-
31 December 2016	Income statements (€ Thousand)	
Euribor +/- 5 basis points	(707)	707
31 December 2015		
Euribor +/- 5 basis points	(299)	299

### Exchange rate risk

The Company has issued bonds denominated in US dollars for which it has fair value hedges in place for the related exchange rate risk.

The sensitivity analysis shows that there is no impact on the income statement, as a change in exchange rates generating a positive effect on the fair value of the derivatives would produce the same negative effect on the underlying, and vice versa. In addition, the Company also has hedging instruments in place to minimise the exchange rate risk, aimed at avoiding a situation where unexpected variations in exchange rates occur on purchases and sales transactions.

Lastly, there were no significant receivables or payables exposed to exchange rate risk at 31 December 2016.

## 39. Commitments and risks

- Contractual commitments for the use of third-party assets

The amounts owed by the Company in future periods for the main contracts of use of third-party assets are indicated in the table below.

	31 December 2016	31 December 2015
	€ Thousand	€ Thousand
Within 1 year	3,293	2,602
1-5 years	1,396	4,704
<b>Total</b>	<b>4,689</b>	<b>7,306</b>

- Existing contractual commitments for the purchase of goods or services, property, plant and equipment

The Company's other commitments for purchases of goods or services are shown below.

€ Thousand	Purchase of assets	Purchase of raw materials, semi-finished products and finished products	Logistic costs	Advertising and promotional costs	Packaging, habillage	Other	Total
Within 1 year	3,108	42,297	2,140	3,389	16,223	2,242	69,400
1-5 years	-	10,500	2,800	-	-	2,256	15,556
After 5 years	-	-	-	-	-	-	-
<b>Total commitments</b>	<b>3,108</b>	<b>52,797</b>	<b>4,940</b>	<b>3,389</b>	<b>16,223</b>	<b>4,498</b>	<b>84,956</b>

Contractual commitments for fixed assets mainly relate to the purchase of equipment and improvements to the Company's production units (€ 919 thousand) and the implementation of a new IT system and management software (€ 2,189 thousand).

Commitments in respect of raw materials mainly relate to purchases of wine and grapes for Cinzano wine and sparkling wines.

- Guarantees given

Guarantees given by the Company break down as follows:

	31 December 2016	31 December 2015
	€ Thousand	€ Thousand
Guarantees issued to third parties	48,300	72,206
Guarantees issued to third parties in the interest of related parties	37,858	84,448
<b>Total securities</b>	<b>86,159</b>	<b>156,654</b>
Other guarantees	-	193,514
<b>Total guarantees given</b>	<b>86,159</b>	<b>350,168</b>

Sureties to third parties mainly represent guarantees to customs for excise duties and tax stickers totalling € 38,934 thousand, for the promotion of wines totalling € 8,699 thousand and other guarantees of € 668 thousand.

Sureties issued to third parties in the interests of Group companies are guarantees given by Davide Campari-Milano S.p.A. in favour of third parties for sureties on customs and duties, credit lines and other sureties and guarantees resulting from the commercial or financial activities of Group companies.

The decrease in other guarantees to third parties resulted from the repayment of private placement issued on the US market and guaranteed by Davide Campari-Milano S.p.A. for an amount of USD 210 million.

#### 40. Related parties

##### Rapporti con Società del Gruppo e società controllante

The Company has procedures in place governing transactions with related parties, as defined in IAS 24 and in the Consob communications on this subject, with the aim of monitoring and collecting the necessary information concerning transactions in which directors and managers have a personal interest, as well as transactions with related parties, in order to monitor, and in some cases, authorise them.

The procedure identifies the individuals responsible for reporting the above-mentioned information, defines which transactions should be reported, defines the content of the information required, and sets the timescales within which the information must be submitted.

In addition, pursuant to Consob Resolution 17221 of 12 March 2010, the Company has also adopted a procedure for transactions with related parties, approved by the Board of Directors on 11 November 2010 and in force from 1 January 2011.

The procedure sets out the principles to which the Company adheres to ensure the substantial and procedural transparency and probity of transactions with related parties, whether carried out directly or via subsidiaries, and also gives a definition of related parties (providing an updated list of related parties), in a manner consistent with IAS 24.

The procedure also identifies the individuals responsible for reporting the above-mentioned information, defines which transactions should be reported, defines the content of the information required, and sets the timescales within which the information must be submitted.

The main intra-group activities, paid for at market prices, are carried out on the basis of contractual relationships, which in particular, relate to:

- ✓ the management of investments;
- ✓ the settlement of financial flows through the centralised intra-Group cash and financial management system;
- ✓ the sharing of general, administrative and legal services;
- ✓ IT support;
- ✓ commercial agreements.

In addition, a fiscal relationship exists with the ultimate shareholder of the Company, Alicros S.p.A., following the decision taken to adopt the national tax consolidation procedure governed by article 117 *et seq* of the consolidated law on corporate income tax (TUIR) for 2016, 2017 and 2018.

On 1 January 2008, the Company joined the Group-wide VAT scheme, pursuant to article 73, paragraph 3 of Presidential Decree 633/72, in accordance with its status as a subsidiary. The ultimate shareholder, which adopted the Group VAT scheme as controlling shareholder, is Alicros S.p.A.

The receivables and payables arising as a result of the tax consolidation scheme are non-interest-bearing.

No other transactions have taken place with the controlling entities, nor with their directly and/or indirectly-owned subsidiaries, other than with Group companies.

The Company is not subject to management and coordination activity by other companies, pursuant to articles 2497 *et seq* of the Italian Civil Code, in that all decisions made by the management bodies, including strategic decisions, are taken in complete autonomy and independence.

For further details on the relationships with Group companies, see the following tables.

## Financial transactions with related parties

31 December 2016	Trade receivables	Financial receivables	Receivables (payables) for tax consolidation	Other receivables	Other non-current assets	Trade payables	Financial payables	Receivables (payables) for Group VAT	Other non-current liabilities	Other current liabilities
	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand
Alicros S.p.A.	-	-	186	-	2,241	-	-	(2,389)	-	-
Campari (Beijing) Trading Co. Ltd.	53	-	-	315	-	-	-	-	-	-
Campari America LLC	6,347	-	-	486	-	(788)	-	-	-	-
Campari Argentina S.A.	2,448	-	-	1,167	-	-	-	-	-	-
Campari Australia Pty Ltd.	4,971	-	-	171	-	-	-	-	-	7
Campari Austria GmbH	2,750	-	-	5	-	-	-	-	-	-
Campari Benelux S.A.	1,620	4	-	10	-	-	92,244	-	200,000	-
Campari Deutschland GmbH	8,603	-	-	49	-	6	-	-	-	56
Campari do Brasil Ltda.	623	-	-	464	-	-	-	-	-	2
Campari España S.L.	(1,631)	5	-	167	-	-	-	-	-	-
Campari International S.r.l.	5,985	-	-	219	-	803	9,530	-	-	15
Campari Japan Ltd.	8	-	-	(1)	-	-	-	-	-	-
Campari Mexico S.A. de C.V.	136	-	-	59	-	(1)	-	-	-	92
Campari New Zealand Ltd.	647	-	-	-	-	-	-	-	-	-
Campari Peru S.A.C.	2,619	-	-	-	-	-	-	-	-	-
Campari RUS OOO	11,026	-	-	1,632	-	-	-	-	-	-
Campari Schweiz A.G.	2,603	-	-	195	-	-	-	-	-	-
Campari Services S.r.l.	(161)	44	-	310	-	3	-	-	-	294
Campari Singapore Pte Ltd	-	-	-	6	-	-	-	-	-	-
Campari South Africa Pty Ltd	882	-	-	7	-	-	-	-	-	-
Campari Ukraine	1,821	-	-	102	-	-	-	-	-	10
Campari Wines S.r.l.	-	-	-	-	-	-	-	-	-	-
DI.CI.E. Holding B.V.	6	-	-	-	-	-	-	-	-	-
Forty Creek Distillery Ltd.	493	-	-	264	-	-	-	-	-	-
Fratelli Averna S.p.A.	278	-	-	208	-	190	14,667	-	-	7
Glen Grant Ltd.	561	7	-	775	-	1,969	-	-	-	-
J.Wray&Nephew Ltd	2,057	-	-	137	-	(725)	-	-	-	1
Kaloyannis-Koutsikos Distilleries S.A.	21	-	-	-	-	8	-	-	-	-
Société des Produits Marnier Lapostolle SA	595	-	-	77	-	(1,044)	-	-	-	165
T.J. Carolan&Son Ltd.	916	-	-	82	-	(15)	-	-	-	-
<b>Totale al 31 December 2016</b>	<b>56,277</b>	<b>60</b>	<b>186</b>	<b>6,906</b>	<b>2,241</b>	<b>405</b>	<b>116,441</b>	<b>(2,389)</b>	<b>200,000</b>	<b>648</b>
%	48%	11%	37%	66%	6%	0%	91%	8%	29%	2%
<b>Totale al 31 December 2015</b>	<b>46,398</b>	<b>94,641</b>	<b>647</b>	<b>3,686</b>	<b>1,936</b>	<b>717</b>	<b>41,796</b>	<b>(4,139)</b>	<b>200,152</b>	<b>1,359</b>

Intra-group transactions are carried out via the centralised cash management system, with interest charged at market rates (3-month Euribor on the day preceding the end of each calendar quarter, plus a spread that reflects market conditions). The Company owes the ultimate shareholder Alicros S.p.A. € 2,389 thousand for Group VAT and had a tax consolidation liability of € 186 thousand. A long-term tax receivable is also recorded in the amount of € 2,241 thousand. Amounts due to and from Alicros S.p.A. are non-interest-bearing.

## Financial dealings with related parties

	Net sales	Cost of goods sold	Advertising and promotional costs	Overhead	Adjustments to operating income (charges)	Dividends	Financial income and charges
	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand	€ Thousand
Alicros S.p.A.	-	-	-	108	-	-	-
Campari (Beijing) Trading Co. Ltd.	944	1	9	(602)	-	-	-
Campari America LLC	19,671	(892)	1,083	4,608	-	-	-
Campari Argentina S.A.	1,296	46	-	1,431	-	-	-
Campari Australia Pty Ltd.	11,372	133	757	(695)	-	-	-
Campari Austria GmbH	10,569	1	158	377	-	-	-
Campari Benelux S.A.	11,988	0	157	130	-	-	(8,554)
Campari Deutschland GmbH	57,963	7	580	(2,050)	-	-	-
Campari do Brasil Ltda.	408	340	-	1,428	-	-	-
Campari España S.L.	3,498	3	129	(1,527)	-	-	5
Campari International S.r.l.	40,934	341	909	375	655	-	(3)
Campari Japan Ltd.	-	-	-	18	-	-	-
Campari Mexico S.A. de C.V.	2,008	(655)	39	(269)	-	-	-
Campari New Zealand Ltd.	972	-	5	159	-	-	-
Campari Peru S.A.C.	2,939	15	-	(67)	-	-	-
Campari RUS OOO	13,885	0	897	194	-	-	-
Campari Schweiz A.G.	13,139	(60)	164	909	-	-	-
Campari Services S.r.l.	-	4	-	(2,054)	-	-	49
Campari Singapore Pte Ltd	-	-	-	6	-	-	-
Campari South Africa Pty Ltd	878	-	-	4	-	-	-
Campari Ukraine	2,378	-	-	19	-	-	-
DI.CI.E. Holding B.V.	-	-	-	6	-	120,000	-
Forty Creek Distillery Ltd	1,948	12	-	630	-	-	-
Fratelli Averna S.p.A.	65	(5,521)	160	114	(236)	-	(3)
Glen Grant Ltd.	9,688	(14,768)	879	(1,278)	-	-	7
J.Wray&Nephew Ltd	1,920	(968)	4	3,954	-	-	-
Kaloyannis-Koutsikos Distilleries S.A.	-	(82)	-	49	-	-	-
Sella&Mosca S.p.A. (*)	824	(169)	89	323	-	-	105
Société des Produits Marnier Lapostolle SA	22	(4,938)	-	3,130	132	2,952	-
Sorfinn Ltd	-	-	-	(25)	-	-	-
T.J. Carolan&Son Ltd	1,029	60	7	72	-	-	-
T.J. Carolan&Son Ltd.	3,345	163	55	-	-	15,384	-
Teruzzi & Puthod S.r.l. (*)	-	(219)	-	11	-	-	32
<b>Totale al 31 December 2016</b>	<b>213,682</b>	<b>(27,147)</b>	<b>6,081</b>	<b>9,489</b>	<b>551</b>	<b>138,336</b>	<b>(8,363)</b>
%	35%	10%	10%	9%	31%	100%	11%
<b>Totale al 31 December 2015</b>	<b>185,512</b>	<b>(25,554)</b>	<b>4,884</b>	<b>9,303</b>	<b>-</b>	<b>8,654</b>	<b>(8,164)</b>

(\*) On 16 December 2016, Sella&Mosca S.p.A. and Teruzzi&Puthod S.r.l. were sold; they were therefore removed from the related parties at 31 December 2016.

For information on remuneration and salaries for directors and general managers, see note 41 – ‘Remuneration for directors, general managers and auditors’ below.

#### 41. Remuneration owing to directors, general managers and auditors

The remuneration paid to Company’s directors with strategic responsibilities is set out below.

	2016 € Thousand	2015 € Thousand
Short-term benefits	6,210	5,247
Defined contribution benefits	57	41
Stock options	1,252	1,250
<b>Total</b>	<b>7,519</b>	<b>6,539</b>

At 31 December 2016, payables accrued in relation to directors amounted to € 2,676 thousand.

Members of the Board of Auditors carry out their audit duties at the Company and in some of the companies included in the scope of consolidation, such as Campari Services S.r.l., Campari international S.r.l., Fratelli Averna S.p.A., and Sella&Mosca S.p.A. until it was removed from the Group’s scope of consolidation. They receive remuneration for these activities approved by the relevant corporate bodies, as indicated in the Report on remuneration pursuant to article 123-ter of the TUF, published together with the annual financial report. Amounts of € 190 thousand for activities carried out at the Company and € 116 thousand for work carried out at subsidiaries were approved.

## 42. Employees

La totalità dei dipendenti della Società presta la propria attività in Italia. La ripartizione per categoria è la seguente.

Business segment	2016	2015
Production	117	104
Sales and distribution	410	386
General	157	153
<b>Total</b>	<b>685</b>	<b>643</b>

## 43. Publication of payments pursuant to article 149-duodecies of the Issuer Regulation

PricewaterhouseCoopers S.p.A. has been engaged to audit the separate financial statements and the consolidated financial statements of Davide Campari-Milano S.p.A. from 2010 to 2018.

The following table, pursuant to article 149-duodecies of the Consob Issuer Regulation, shows payments made for 2016 for external auditing activities and for miscellaneous auditing services provided by a company of the PricewaterhouseCoopers network. It should also be noted that these services are compatible with the provisions of Legislative Decree 39 of 27 January 2010 and of Regulation (EU) no. 537 of 16 April 2014.

	Service provider	Recipient	Payments in 2016 € Thousand
Audit	PricewaterhouseCoopers S.p.A.	Parent Company - Davide Campari-Milano S.p.A.	470
	PricewaterhouseCoopers S.p.A.	Subsidiaries	681
	PricewaterhouseCoopers network	Subsidiaries	1,038
Other audit related services	PricewaterhouseCoopers S.p.A.	Parent Company - Davide Campari-Milano S.p.A.	228
	PricewaterhouseCoopers S.p.A.	Subsidiaries	12
Other services	PricewaterhouseCoopers network	Subsidiaries	287
<b>Total</b>			<b>2,716</b>

Services similar to financial auditing mainly include certification activities for company acquisitions and sales totalling € 250 thousand.

Other services relate to tax compliance verification services, totalling € 249 thousand.

## 44. Off-balance sheet transactions

No off-balance sheet agreements, including between affiliates, as described in article 2427, paragraph 1, no. 22-ter, or other regulations, took place during the year that could generate exposures or benefits for the Company, where knowledge of same would be useful for assessing the Company's financial position or operating results.

#### 45. Events taking place after the end of the year

##### Proposed share split

On February 2017, the Board of Directors, that approved the Parent Company's draft financial statements, has required to convene a shareholders' meeting in ordinary and extraordinary sessions on 28 April 2017, to vote on a proposal for a share split to be carried out via the issue of two new shares with a nominal value of € 0.05 each for each existing share. The new shares will qualify for dividends from 1 January 2016, and the current fully paid up share capital of € 58,080,000 will subsequently be divided into 1,161,600,000 shares.

It should be noted that the share split will be carried out in the first half of May 2017. It should also be noted that, in carrying out the share split, the current value of the share price will be halved and, at the same time, the number of shares will be doubled.

#### 46. Proposal for the appropriation of profit

In conclusion to these notes to the financial statements, we invite you to approve the financial statements for the year ending 31 December 2016 and to allocate the profit for the year of € 205,503 thousand as follows:

- distribution of a dividend of € 0.09 per ordinary share outstanding, except for own shares held by the Company at the ex-date; including own shares currently held the total dividend is € 52.1 million;
- the remaining amount of around € 153.4 million to be carried forward as retained earnings.

If the Shareholders' Meeting approves the proposed share split, which entails the issue of two new shares for each existing share, the dividend will be proportionally reduced to € 0.045 per newly issued share.

It is also proposed that the dividend of € 0.09 per share (€ 0.045 where the share is split) be paid on 24 May 2017 (with an ex-dividend date of 22 May 2017 with coupon no. 1, in accordance with the Borsa Italiana calendar, and a record date of 23 May 2017).

**Sesto San Giovanni (MI), Tuesday, 28 February 2017**

**Chairman of the Board of Directors**

**Luca Garavoglia**



**Certification of the consolidated financial statements pursuant to article 81-ter  
of Consob regulation 11971 of 14 May 1999 and subsequent revisions and amendments**

1. We, Robert Kunze-Concewitz, Stefano Saccardi, managing directors, and Paolo Marchesini, managing director and the director responsible for preparing the accounting documents of Davide Campari-Milano S.p.A., hereby certify, taking into account the provisions of paragraphs 3 and 4, TUF:

- the appropriateness, in relation to the nature of the business, and
- the effective application of the administrative and accounting procedures used to prepare the consolidated financial statements for 2016.

2. We further certify that

2.1. The consolidated financial statements at 31 December 2016:

- a) were prepared in accordance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- b) correspond to the figures contained in the accounting records;
- c) provide a true and fair view of the financial position of the issuer and the group of companies included in the basis of consolidation.

2.2. The report on operations contains an accurate assessment of the company's performance and operating results, and on the position of the issuer and the group of companies included in the basis of consolidation, together with a description of the main risks and uncertainties to which it is exposed.

Sesto San Giovanni (MI), Tuesday 28 February 2017

Chief Executive Officer  
Robert Kunze-Concewitz

Chief Executive Officer  
and director responsible for preparing  
the company's accounting statements  
Paolo Marchesini

Chief Executive Officer  
Stefano Saccardi

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**Certification of the annual financial statements**  
**pursuant to article 81-bis of Legislative Decree 11971 of 14 May 1999**  
**as subsequently amended and consolidated**

1. We, the undersigned, Robert Kunze-Concewitz and Stefano Saccardi, as managing directors, and Paolo Marchesini, as managing director and the director responsible for preparing the accounting documents of Davide Campari-Milano S.p.A., hereby certify, taking into account the provisions of paragraphs 3 and 4, article 154-*bis*, of the TUF:

- the appropriateness, in relation to the nature of the business, and
- the effective application

of the administrative and accounting procedures used to prepare the annual financial statements for 2016.

2. We further certify that:

2.1. The annual financial statements to 31 December 2016:

a) were prepared in accordance with the applicable international accounting standards recognized in the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) correspond to the figures contained in the accounting records;

c) provide a true and fair view of the issuer's balance sheet, financial position and operating results.

2.2. The report on operations contains an accurate assessment of the company's performance and operating results, and on the position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Sesto San Giovanni (MI), Tuesday, 28 February 2017

Managing Director  
Robert Kunze-Concewitz

Managing Director  
and Director responsible for preparing  
the company's accounting statements  
Paolo Marchesini

Managing Director  
Stefano Saccardi

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## INDEPENDENT AUDITORS REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE 39 OF 27 JANUARY 2010

To the shareholders of  
Davide Campari-Milano SpA

### *Report on the consolidated financial statements*

We have audited the accompanying consolidated financial statements of the Campari group, which comprise the statement of financial position as of 31 December 2016, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in shareholders equity for the year then ended, a summary of significant accounting policies and other explanatory notes.

### *Directors responsibility for the consolidated financial statements*

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree 38/2005.

### *Auditors responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group preparation of consolidated financial statements that give a true and fair view, to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

### *PricewaterhouseCoopers SpA*

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Campari group as of 31 December 2016 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, as well as with the regulations issued to implement article 9 of Legislative Decree 38/2005.

***Report on compliance with other laws and regulations***

*Opinion on the consistency of the report on operations and of certain information set out in the report on corporate governance and ownership structure with the consolidated financial statements*

We have performed the procedures required under auditing standard (SA Italia) 720B to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree 58/98, which are the responsibility of the directors of Davide Campari-Milano SpA, with the consolidated financial statements of the Campari group as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Campari group as of 31 December 2016.

Milan, 14 March 2017

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*



## INDEPENDENT AUDITORS REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE 39 OF 27 JANUARY 2010

To the shareholders of  
Davide Campari-Milano SpA

### *Report on the separate financial statements*

We have audited the accompanying separate financial statements of Davide Campari-Milano SpA, which comprise the statement of financial position as of 31 December 2016, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in shareholders equity for the year then ended, a summary of significant accounting policies and other explanatory notes.

### *Directors responsibility for the financial statements*

The directors of Davide Campari-Milano SpA are 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, as well as with the regulations issued to implement article 9 of Legislative Decree 38/2005.

### *Auditors responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity preparation of financial statements that give a true and fair view, to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

### *PricewaterhouseCoopers SpA*

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[www.pwc.com/it](http://www.pwc.com/it)



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the separate financial statements give a true and fair view of the financial position of Davide Campari-Milano SpA as of 31 December 2016 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, as well as with the regulations issued to implement article 9 of Legislative Decree 38/2005.

**Report on compliance with other laws and regulations**

*Opinion on the consistency of the report on operations and of certain information set out in the report on corporate governance and ownership structure with the separate financial statements*

We have performed the procedures required under auditing standard (SA Italia) 720B to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree 58/98, which are the responsibility of the directors of Davide Campari-Milano SpA, with the separate financial statements of Davide Campari-Milano SpA as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the separate financial statements of Davide Campari-Milano SpA as of 31 December 2016.

Milan, 14 March 2017

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*

**REPORT OF THE BOARD OF STATUTORY AUDITORS**

pursuant to art. 153 of Legislative Decree 58/1998 and Article 2429 of the Italian Civil Code

Dear Shareholders,

This report refers to the activities performed by the Board of Statutory Auditors of Davide Campari-Milano S.p.A. (hereinafter the "Company" and, jointly with its subsidiaries, the "Group") for the financial year ended at 31 December 2016 (hereinafter the "Financial year").

1. In carrying out supervisory and control activities, the Board of Statutory Auditors acknowledges that:

- a) it monitored compliance with the Law, Articles of Association and adherence to the principles of correct administration pursuant to Article 2403 of the Italian Civil Code and Article 149 of Legislative Decree 58/1998, (hereinafter the "T.U.F.") and in accordance with the requirements of Consob Communication 1025564 of 6 April 2001, and subsequent amendments, and taking into account the standards issued by the Italian Association of Chartered Accountants;

- b) it attended the meetings of the Board of Directors and the Control and Risks Committee required by Article 21 of the Articles of Association, and it has periodically received information from the directors about the general business and outlook, as well as the most significant economic, financial and capital transactions approved and implemented during the financial year by the Company and Group Companies, also in compliance with Article 150, paragraph 1 of the T.U.F. Specifically, it is noted that the directors provided extensive information on the acquisition of Société des Produits Marnier Lapostolle S.A., the sale of non-core assets (Sella & Mosca S.p.A. and others), the early repayment of a bond issued by the Company and the repayment of a private placement issued by the subsidiary Campari America.

The Board of Statutory Auditors believes that the transactions approved and implemented comply with the law and the Articles of Association, and are not manifestly imprudent or risky, or in potential conflict of interest, or contrary to the resolutions approved by the Shareholders' Meeting, or such that would compromise the integrity of the share capital. The resolutions of the Board of Directors are executed with the utmost compliance by management and by the organization;

- c) it did not identify any atypical and/or unusual transactions with Group companies, third parties or related parties, nor did it receive any information to this effect from the Board of Directors, the independent auditors or the director of the internal control and risk management system. In its Report on Operations, the Board of Directors provided an appropriate description of the impact of the most significant operational, financial and balance-sheet transactions carried out as part of ordinary operations with subsidiaries under normal market conditions. Based on the results of the activities conducted by the Internal Audit Department, the Board of Statutory Auditors also believes that any related-party transactions were adequately managed. In this regard, the Board of Statutory Auditors wishes to point out that from 1 January 2011, the Company adopted procedures for related-party transactions in compliance with the requirements of Consob Regulation 17221 of 12 March 2010 and Consob Communication of 24 September 2010, in addition to specific standards in the Group's Code of Ethics, in order to prevent or manage transactions in which there are situations of conflict of interest or personal interest of the directors. Pursuant to Article 4 of the above-mentioned Regulation, the Board of Statutory Auditors verified that the procedures adopted complied with the principles of this Regulation, and checked that they were being followed;

- d) it reviewed and supervised the adequacy of the Company's organizational structure with regard to competence, compliance with principles of correct administration by gathering information from the heads of the competent corporate functions and holding

meetings with representatives of the independent auditors, PricewaterhouseCoopers S.p.A., appointed to conduct the statutory audit, including for the purpose of exchanging important data and information, from which no serious issues arose. In addition, no serious issues arose from the annual reports issued by the Board of Statutory Auditors, pursuant to Article 2429, Paragraph 2 of the Italian Civil Code, of the subsidiaries Campari International S.r.l., Campari Services S.r.l. and Fratelli Avema S.p.A.;

e) it evaluated and monitored, to the extent of its responsibility pursuant to Article 19 of Legislative Decree 39/2010, the financial reporting process, the adequacy of the internal control, administration and accounting systems, as well as the reliability of the latter for the purpose of providing a true and fair view of operations through:

- i. the periodic exchange of information with the CEOs, and, specifically, with the director in charge of preparing corporate accounting documents pursuant to Article 154-*bis* of the T.U.F.;
- ii. the examination of reports prepared by the head of the Internal Audit department, including information on the outcome of any corrective measures taken following the audit activities;
- iii. the obtaining of information from the heads of corporate functions;
- iv. meetings and exchanges of information with the administrative and control bodies of subsidiaries Campari International S.r.l., Campari Services S.r.l. and Fratelli Avema S.p.A. pursuant to paragraphs 1 and 2 of Article 151 of the T.U.F., during which the Board of Statutory Auditors obtained information about administrative and control systems and the company's general business performance;
- v. performing detailed analysis of activities carried out, and reviewing the results of the work of the external auditor;
- vi. participating in the work of the Control and Risks Committee and, when specific issues so required, working with the committee on such issues.

From the work carried out, no irregularities were found that indicated inadequacies in the internal control and risk management system;

f) it held meetings with managers of the independent auditors pursuant to Article 150, paragraph 3 of the T.U.F. and Article 19 of Legislative Decree 39/2010, during which no facts or situations emerged that should be highlighted in this report; it also monitored events pursuant to Article 19 of Legislative Decree 39/2010;

g) it monitored the implementation methods of the Code of Conduct for Listed Companies promoted by Borsa Italiana S.p.A., adopted by the Company, under the terms illustrated in the Report on Corporate Governance and Ownership Structure approved by the Board of Directors on 28 February 2017. The Board of Statutory Auditors verified, *inter alia*, that the criteria and assessment procedures adopted by the Board of Directors to evaluate the independence and professionalism of its members were correctly applied. The Board of Statutory Auditors has also verified compliance with the criteria of independence of its members, as required by the current legislation, also acknowledging compliance with the limit on simultaneous offices as set out in Article 144-*terdecies* of the Issuer Regulation adopted by Consob resolution 11971 of 14 May 1999;

h) it looked over and gathered information on the management activities and procedures implemented in accordance with Italian Legislative Decree 231/2001 regarding the administrative responsibilities of Bodies for the violations mentioned in the aforesaid regulations.

The Board of Statutory Auditors notes that the meeting of the Board of Directors held on 30 April 2013, exercising its right granted by Article 6, paragraph 4-*bis* of Legislative Decree 231/2001, conferred on the Board of Statutory Auditors the functions pertaining to the Supervisory Body pursuant to Article 6, paragraph 1(b) of the above-mentioned Legislative Decree 231/01. The Board of Statutory Auditors, in its capacity as the



Supervisory Body, therefore monitored the operation, effectiveness and appropriateness of the organizational, management and control model adopted by the Company, and also recommended that it should be updated.

i) it ensured that the information flows provided by the non-EU subsidiaries are adequate to conduct audits of the annual and interim financial statements pursuant to Article 36 of the Market Regulation adopted through Consob Resolution 16191 of 29 October 2007;

j) it monitored the implementation of organizational measures related to the development of corporate activities.

The Board of Statutory Auditors also released its opinions pursuant to Article 2389 of the Italian Civil Code in the light of the evaluations of the Remuneration and Appointments Committee required by Article 22 of the Articles of Association.

The Board of Statutory Auditors met six times in 2016, also attending the meetings of the Board of Directors and the Control and Risk Committee.

Taking into account the information obtained, the Board of Statutory Auditors believes that activities were conducted in compliance with the principles of correct administration, and that the organizational structure, internal control system and the accounting and administrative system are fully adequate for corporate requirements.

2. As far as relations with the independent auditors are concerned, the Board of Statutory Auditors reports that:

a) the independent auditors, PricewaterhouseCoopers S.p.A., on 14 March 2017 issued the "annual confirmation of independence", pursuant to Article 17, paragraph 9(a) of Legislative Decree 39/2010;

b) the independent auditors, PricewaterhouseCoopers S.p.A., on 14 March 2017 issued the report required by Article 19, paragraph 3 of Legislative Decree 39/2010, which states that no significant shortcomings were detected in the internal audit system with regard to the financial information process;

c) the independent auditors, PricewaterhouseCoopers S.p.A., on 14 March 2017 released, pursuant to Articles 14 and 16 of Legislative Decree 39/2010, the reports which show:

i. the separate and consolidated financial statements as at 31 December 2016 were prepared clearly and provide a true and fair view of the Company's and Group's balance sheet, financial situation, operating results, changes in shareholders' equity and cash flows for the Financial Year;

ii. the consistency of the Reports on Operations and the information required by Article 123-bis paragraph 4) of Legislative Decree 58/98, included in the Report on corporate governance and ownership structure, with the consolidated and separate financial statements;

d) in addition to the tasks required by the regulations for listed companies, as stated in the Notes to the financial statements, independent auditors PricewaterhouseCoopers S.p.A. and the companies belonging to the PricewaterhouseCoopers S.p.A. network were appointed to carry out services other than auditing, for a sum of € 287,000, in compliance with the provisions of Article 17 of Legislative Decree 39/2010.

Also taking into account the above, the Board of Statutory Auditors believes that there are no critical issues with regard to the independence of PricewaterhouseCoopers S.p.A.;

e) during the year, the external auditor did not issue any opinions required by law since the prerequisites for issuing such opinions were not met.

3. The Board of Statutory Auditors examined the complaint under Article. 2408 of the Civil Code, formulated on 13 June 2016 by a shareholder, concerning the treatment of its fifty-pre-shareholders' meeting questions and related answers. With regards to the complaint made by that shareholder, however not present at the shareholders' meeting, the Board of Statutory Auditors did not find worthy of censorship profiles.
4. The Board of Statutory Auditors is not aware of any facts or statements that should be reported to the Shareholders' Meeting. During the course of the work carried out, and on the basis of information obtained, no omissions, non-conformities, irregularities or other circumstances were identified that would require notification to the Supervisory Body or mention in this report, in addition to what mentioned in the previous paragraph.
5. The Board of Directors provided the financial statements and report on operations to the Board of Statutory Auditors in a timely manner. To the extent of its authority, the Board of Statutory Auditors reports that the layouts used are in compliance with the law, that the accounting principles used, which are described in the notes to the financial statements, are appropriate for the activities and transactions carried out by the Company, that the procedure adopted (impairment test) to identify any impairment losses on goodwill and trademarks reported in the financial statements has been approved by the Board of Directors in autonomy and advance with respect to the approval of the Annual Report, and that the financial statements correspond to the facts and the information as identified by the Board of Statutory Auditors following its participation in meetings with corporate bodies and the supervisory activities undertaken.
6. Taking into account the results of the specific tasks performed by the external auditors in its audit of the accounting records and of the reliability of the company financial statements, as well as its own supervisory activities, the Board of Statutory Auditors expresses its favorable opinion concerning the approval of the separate financial statements at 31 December 2016 and agrees with the proposal of the Board of Directors concerning the distribution of profits.

Milan, 15 March 2017

For the Board of Statutory Auditors  
The Chairman

Pellegrino Libroia

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**Davide Campari - Milano S.p.A.**

Registered office: Via Franco Sacchetti 20, 20099 Sesto San Giovanni (MI)

Share capital: € 58,080,000, fully paid in

Tax code and Milan company register no. 06672120158

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