5

Consolidated financial statements

Consolidated income statement

€ million	30.06.2015	30.06.2016	Notes
Net sales	8,558	8,682	2
Cost of sales	(3,262)	(3,311)	2
Gross margin after logistics expenses	**5,296**	**5,371**	**2**
Advertising and promotion expenses	(1,625)	(1,646)	2
Contribution after advertising & promotion expenses	**3,671**	**3,725**	**2**
Structure costs	(1,433)	(1,448)	
Profit from recurring operations	**2,238**	**2,277**	
Other operating income	147	124	3.1
Other operating expenses	(796)	(306)	3.1
Operating profit	**1,590**	**2,095**	
Financial expenses	(554)	(495)	3.2
Financial income	65	63	3.2
Financial income/(expense)	**(489)**	**(432)**	
Corporate income tax	(221)	(408)	3.3
Share of net profit/(loss) of associates	0	0	
NET PROFIT	**880**	**1,255**	
o/w:			
◆ **Non-controlling interests**	19	20	
◆ **Group share**	**861**	**1,235**	
Earnings per share – basic *(in euros)*	3.26	4.68	3.4
Earnings per share – diluted *(in euros)*	3.24	4.65	3.4

Consolidated statement of comprehensive income

€ million	30.06.2015	30.06.2016
Net profit for the period	**880**	**1,255**
Non-recyclable items		
Actuarial gains/(losses) related to defined benefit plans	**23**	**96**
Amount recognised in shareholders' equity	*18*	*116*
Tax impact	*5*	*(20)*
Recyclable items		
Net investment hedges	**(97)**	**0**
Amount recognised in shareholders' equity	*(97)*	*0*
Tax impact	-	-
Cash flow hedges [(1)]	**(9)**	**(12)**
Amount recognised in shareholders' equity	*(11)*	*(16)*
Tax impact	*2*	*4*
Available-for-sale assets	**(0)**	**(0)**
Unrealised gains and losses recognised in shareholders' equity	*(0)*	*(0)*
Tax impact	-	*0*
Translation differences	**1,147**	**(599)**
Other comprehensive income for the period, net of tax	**1,064**	**(514)**
Comprehensive income for the period	**1,944**	**740**
o/w:		
◆ Group share	1,915	723
◆ Non controlling interests	29	17

(1) Including €(22) million recycled to net profit for 2015/16.

Consolidated balance sheet

ASSETS

€ million	30.06.2015	30.06.2016	Notes
Net amounts			
Non-current assets			
Intangible assets	12,212	12,085	4.1
Goodwill	5,494	5,486	4.1
Property, plant and equipment	2,200	2,214	4.2
Biological assets	153	172	
Non-current financial assets	512	721	4.3
Investments in associates	16	17	
Non-current derivative instruments	52	109	4.3/4.10
Deferred tax assets	2,339	2,505	3.3
TOTAL NON-CURRENT ASSETS	**22,978**	**23,310**	
Current assets			
Inventories and work in progress	5,351	5,294	4.4
Trade receivables and other operating receivables	1,152	1,068	4.5
Income taxes receivable	61	92	
Other current assets	260	251	4.6
Current derivative instruments	50	8	4.3/4.10
Cash and cash equivalents	545	569	4.8
TOTAL CURRENT ASSETS	**7,419**	**7,282**	
Assets held for sale	1	6	
TOTAL ASSETS	**30,398**	**30,598**	

LIABILITIES

€ million	30.06.2015	30.06.2016	Notes
Shareholders' equity			
Capital	411	411	6.1
Share premium	3,052	3,052	
Retained earnings and currency translation adjustments	8,796	8,639	
Group net profit	861	1,235	
Group shareholders' equity	**13,121**	**13,337**	
Non-controlling interests	167	169	
TOTAL SHAREHOLDERS' EQUITY	**13,288**	**13,506**	
Non-current liabilities			
Non-current provisions	400	422	4.7
Provisions for pensions and other long-term employee benefits	654	739	4.7
Deferred tax liabilities	3,373	3,556	3.3
Bonds – non-current	6,958	7,078	4.8
Other non-current financial liabilities	500	257	4.8
Non-current derivative instruments	87	84	4.10
TOTAL NON-CURRENT LIABILITIES	**11,972**	**12,137**	
Current liabilities			
Current provisions	173	167	4.7
Trade payables	1,696	1,688	
Income tax payable	116	101	
Other current liabilities	920	909	4.11
Bonds – current	1,514	1,884	4.8
Other current financial liabilities	538	143	4.8
Current derivative instruments	181	64	4.10
TOTAL CURRENT LIABILITIES	**5,138**	**4,955**	
Liabilities related to assets held for sale	-	-	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**30,398**	**30,598**	

Changes in shareholders' equity

€ million	Capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Currency translation adjustments	Treasury shares	Equity attributable to equity holders of the Parent	Non-controlling interests	Total shareholders' equity
Opening position on 01.07.2014	**411**	**3,052**	**8,998**	**(255)**	**(74)**	**(265)**	**(247)**	**11,621**	**157**	**11,778**
Comprehensive income for the period	-	-	861	25	(9)	1,038	-	1,915	29	1,944
Capital increase	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	27	-	-	-	-	27	-	27
(Acquisition)/disposal of treasury shares	-	-	-	-	-	-	(54)	(54)	-	(54)
Sale and repurchase agreements	-	-	-	-	-	-	47	47	-	47
Dividends and interim dividends distributed	-	-	(433)	-	-	-	-	(433)	(25)	(458)
Changes in scope of consolidation	-	-	1	-	-	-	-	1	6	7
Other transactions with interests	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	(4)	-	-	-	-	(4)	-	(4)
CLOSING POSITION ON 30.06.2015	**411**	**3,052**	**9,452**	**(230)**	**(83)**	**773**	**(254)**	**13,121**	**167**	**13,288**

€ million	Capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Currency translation adjustments	Treasury shares	Equity attributable to equity holders of the Parent	Non-controlling interests	Total shareholders' equity
Opening position on 01.07.2015	**411**	**3,052**	**9,452**	**(230)**	**(83)**	**773**	**(254)**	**13,121**	**167**	**13,288**
Comprehensive income for the period	-	-	1,235	96	(12)	(596)	-	723	17	740
Capital increase	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	32	-	-	-	-	32	-	32
(Acquisition)/disposal of treasury shares	-	-	-	-	-	-	(18)	(18)	-	(18)
Sale and repurchase agreements	-	-	-	-	-	-	(1)	(1)	-	(1)
Dividends and interim dividends distributed	-	-	(496)	-	-	-	-	(496)	(15)	(511)
Changes in scope of consolidation	-	-	-	-	-	-	-	-	25	25
Other transactions with interests	-	-	(24)	-	-	-	-	(24)	(26)	(51)
Other movements	-	-	1	-	-	-	-	1	0	1
CLOSING POSITION ON 30.06.2016	**411**	**3,052**	**10,198**	**(133)**	**(95)**	**177**	**(273)**	**13,337**	**169**	**13,506**

Consolidated cash flow statement

€ million	30.06.2015	30.06.2016	Notes
Cash flow from operating activities			
Group net profit	861	1,235	
Non-controlling Interests	19	20	
Share of net profit/(loss) of associates, net of dividends received	(0)	(0)	
Financial (income)/expenses	489	432	
Tax (income)/expenses	221	408	
Net profit from discontinued operations	-	-	
Depreciation of fixed assets	214	219	
Net change in provisions	(156)	(75)	
Net change in impairment of goodwill, property, plant and equipment and intangible assets	656	107	
Changes in fair value of commercial derivatives	(1)	11	
Changes in fair value of biological assets	(11)	(15)	
Net (gain)/loss on disposal of assets	(98)	(59)	
Share-based payments	27	32	
Self-financing capacity before financing interest and taxes	**2,220**	**2,315**	
Decrease/(increase) in working capital requirements	(193)	(178)	5
Interest paid	(520)	(471)	
Interest received	65	63	
Tax paid/received	(538)	(393)	
NET CHANGE IN CASH FLOW FROM OPERATING ACTIVITIES	**1,035**	**1,336**	
Cash flow from investing activities			
Capital expenditure	(323)	(333)	5
Proceeds from disposals of property, plant and equipment and intangible assets	20	16	5
Change in the scope of consolidation	-	-	
Purchases of financial assets and activities	(79)	(108)	
Disposals of financial assets and activities	117	66	
NET CHANGE IN CASH FLOW FROM INVESTING ACTIVITIES	**(264)**	**(359)**	
Cash flow from financing activities			
Dividends and interim dividends paid	(461)	(497)	
Other changes in shareholders' equity	-	-	
Issuance of debt	2,451	3,205	5
Repayment of debt	(2,711)	(3,618)	5
(Acquisitions)/disposals of treasury shares	(13)	(18)	
Other transactions with non-controlling interests	(1)	-	
NET CHANGE IN CASH FLOW FROM FINANCING ACTIVITIES	**(735)**	**(928)**	
Cash flow from non-current assets held for sale	-	-	
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE FOREIGN EXCHANGE IMPACT	**36**	**49**	
Effect of exchange rate changes	32	(25)	
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS AFTER FOREIGN EXCHANGE IMPACT	**68**	**24**	
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**477**	**545**	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**545**	**569**	

Notes to the consolidated financial statements

Pernod Ricard SA is a French public limited company *(société anonyme)*, subject to all laws governing commercial companies in France, and particularly to the provisions of the French Commercial Code. The Company is headquartered at 12, place des États-Unis, 75783 Paris CEDEX 16, France and is listed on the Euronext stock exchange. The annual consolidated financial statements reflect the accounting position of Pernod Ricard and its affiliates (the "Group"). They are presented in euros and rounded to the nearest million.

The Group's business is the sale of Wines & Spirits.

The annual consolidated financial statements for the financial year ended 30 June 2016 were approved by the Board of Directors on 31 August 2016.

Note 1 Accounting principles and significant events

Note 1.1 Accounting principles

1. Principles and accounting standards governing the preparation of the annual consolidated financial statements

Because of its listing in a country of the European Union and in accordance with EC Regulation 1606/02, the Group's annual consolidated financial statements for the financial year ended 30 June 2016 have been prepared in accordance with IFRS (International Financial Reporting Standards), as adopted by the European Union. These standards include the standards approved by the International Accounting Standards Board (IASB), these being IFRS, IAS (International Accounting Standards) and their interpretations issued by the IFRS Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC). The accounting principles used to prepare the consolidated financial statements at 30 June 2016 are consistent with those used for the consolidated financial statements at 30 June 2015, with the exception of the standards and interpretations adopted by the European Union applicable to the Group from 1 July 2015 (see Note 1.1.2. – *Changes in accounting standards*). The Group does not adopt early application of standards or interpretations.

The Group's financial year runs from 1 July to 30 June.

2. Changes in accounting standards

Standards, amendments and interpretations for which application became mandatory for the financial year beginning 1 July 2015

The standards, amendments and interpretations applicable to Pernod Ricard from 1 July 2015 are as follows:

- the IFRS improvements cycle 2010-2012;
- the IFRS improvements cycle 2011-2013;
- the amendment to IAS 19 (Employee benefits), which clarifies the recognition of employee or third-party contributions set out by the provisions of a scheme, in order to help finance the benefits.

The application of these texts has no material impact on the Group's financial statements.

Standards, amendments and interpretations for which application is mandatory from 1 July 2016

The impact of the amendments to IAS 41 (Agriculture) and IAS 16 (Property, plant and equipment) is currently being assessed by the Group. Under these amendments, bearer plants will henceforth be accounted in accordance with IAS 16, allowing such plants to be recognised using the cost model or the revaluation model. Produce from such bearer plants continues to be accounted in accordance with IAS 41. Impact of implementation of these amendments will have no material impact on the Group's operating profit. At 30 June 2016, biological assets amounted to €172 million, including €169 million of vines.

Standards, amendments and interpretations that will apply to Pernod Ricard from 1 July 2016, and which will have no material impact on the Group's financial statements, are as follows:

- the amendments to IAS 1 (Presentation of financial statements), on the information to be provided;
- the amendments to IAS 16 (Property, plant and equipment) and IAS 38 (Intangible assets) which clarify acceptable methods of depreciation and amortisation;
- the amendments to IFRS 11 (Joint arrangements) on the accounting of acquisitions of interests in joint operations;
- the IFRS improvements cycle 2012–2014.

Furthermore, the impacts of applying the following standards are currently being assessed (standards not yet adopted by the European Union):

- IFRS 15 (Revenue from contracts with customers) applicable for financial years beginning on or after 1 January 2018;
- IFRS 9 (Financial instruments) applicable for financial years beginning on or after 1 January 2018;
- IFRS 16 (Leases) applicable for financial years beginning on or after 1 January 2019.

3. Measurement basis

The financial statements are prepared in accordance with the historical cost method, except for certain categories of assets and liabilities, which are measured in accordance with the methods provided by IFRS.

4. Principal uncertainties arising from the use of estimates and judgements by Management

Estimates

The preparation of consolidated financial statements in accordance with IFRS means that Group Management makes a certain number of estimates and assumptions which have an impact on the amount of the Group's assets and liabilities, and items of profit and loss during the financial year. These estimates are made on the assumption that the Company will continue as a going concern, and are based on information available at the time of their preparation. Estimates may be revised where the circumstances on which they were based change or where new information becomes available. Future results may differ from these estimates.

Goodwill and intangible assets

As indicated in Note 4.1 – *Intangible assets and goodwill*, in addition to annual impairment tests applied to goodwill and intangible assets with indefinite useful lives (such as brands), specific impairment tests are applied where there is an indication that the value of an intangible asset may have been impaired. Any impairment loss recognised is calculated using discounted future cash flows and/or the market values of the assets in question. These calculations require the use of assumptions regarding market conditions and projected cash flows, and any changes in these assumptions may thus lead to results different from those initially estimated.

Provisions for pensions and other post-employment benefits

As indicated in Note 4.7 – *Provisions*, the Group runs defined benefit and defined contribution pension plans. In addition, provisions are also recognised in virtue of certain other post-employment benefits such as life insurance and medical care (mainly in the United States and the United Kingdom). The carrying amount of these provisions at the balance sheet date is set out in Note 4.7 – *Provisions*.

These benefit obligations are based on a number of assumptions such as discount rates, expected returns on plan assets, future salary increases, the rate of employee turnover and life expectancy.

These assumptions are generally updated annually. Assumptions used in the preparation of the financial statements for the year ended 30 June 2016 and their methods of determination are set out in Note 4.7 – *Provisions*. The Group considers that the actuarial assumptions used are appropriate and justified. However, such actuarial assumptions may change in the future and this may have a material impact on the amount of the Group's benefit obligations and on its profits.

Deferred tax

As indicated in Note 3.3 – *Corporate income tax*, the deferred tax assets recognised result mainly from tax loss carryforwards and from temporary differences between the tax base and the carrying amounts of assets and liabilities. Deferred tax assets in respect of tax losses are recognised if it is probable that the Group will have future taxable profits against which such losses will be used. The assessment of whether the Group will be able to use these tax losses is largely a matter of judgement. Analyses are carried out to decide whether or not these tax loss carryforwards are likely to be usable in the future.

Provisions

As explained in Note 4.7 – *Provisions*, the Group is involved in a number of disputes and claims arising in the ordinary course of its business. In some cases, the amounts requested by the claimants are significant and the legal proceedings can take several years. In this context, provisions are calculated on the basis of the Group's best estimate of the amount that will be payable based on the information available (notably that provided by the Group's legal advisers). Any change to assumptions can have a significant effect on the amount of the provision recognised. The carrying amount of these provisions at the closing date is set out in Note 4.7 – *Provisions*.

Judgements

In the absence of standards or interpretations applicable to a specific transaction, Group Management uses its judgement to define and apply accounting policies that provide relevant and reliable information in the context of the preparation of the financial statements.

5. *Business combinations*

Business combinations carried out before 1 July 2009 were recognised using the accounting standards in force at 30 June 2009. Business combinations after 1 July 2009 are measured and accounted in accordance with the revised version of IFRS 3: the consideration transferred (cost of acquisition) is measured at the fair value of the assets given, shareholders' equity issued and liabilities incurred at the transaction date. Identifiable assets and liabilities belonging to the acquired company are measured at their fair value at the acquisition date. Costs directly attributable to the acquisition, such as legal, due diligence and other professional fees are recognised as expenses as incurred.

Any surplus consideration in excess of the Group's share in the fair value of the acquired company's identifiable assets and liabilities is recognised as goodwill. The option is available for each transaction to apply either proportionate or full goodwill methods. Goodwill arising on the acquisition of foreign entities is denominated in the functional currency of the business acquired. Goodwill is not amortised. Instead, it is subject to an impairment test once a year or more often if there is any indication that its value may have been impaired.

Finally, in accordance with IFRS 3 as revised and IAS 27 as amended, the Group recognised in shareholders' equity the difference between the price paid and the proportional part of non-controlling interests acquired in previously controlled companies.

6. *Foreign currency translation*

6.1. Reporting currency used in the consolidated financial statements

The Group's consolidated financial statements are prepared in euros, which is the functional currency and the reporting currency of the Parent Company.

6.2. Functional currency

The functional currency of an entity is the currency of the economic environment in which it mainly operates. In most cases, the functional currency is the entity's local currency. However, in a very limited number of entities, a functional currency that is different from the local currency may be used if it reflects the entity's economic environment and the currency in which most of the entity's transactions are denominated.

6.3. Translation of transactions denominated in foreign currencies

Transactions denominated in foreign currencies are generally translated into the functional currency using the exchange rate applicable at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies are recognised at the historical exchange rate applicable at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate applying at the closing date. Foreign currency differences are recognised in profit and loss for the period, except for foreign currency differences arising on debts designated as hedges for the net foreign currency assets of consolidated affiliates. The latter are recognised directly in shareholders' equity, under currency translation adjustments, until the disposal of the net investment. Foreign currency differences related to operating activities are recognised within operating profit for the period; foreign currency differences related to financing activities are recognised within financial income (expense) or in shareholders' equity.

6.4. Translation of financial statements of affiliates whose functional currency is different from the euro (the reporting currency)

The balance sheet is translated into euros at year-end exchange rates. The income statement and cash flows are translated on the basis of average exchange rates. Differences resulting from the translation of the financial statements of these affiliates are recognised in currency translation adjustments within shareholders' equity. On disposal of a foreign entity, currency translation adjustments previously recognised in shareholders' equity are recognised in profit and loss.

7. *Assets held for sale and discontinued operations*

In accordance with IFRS 5 (Non-current assets held for sale and discontinued operations), where they are significant, assets and liabilities held for sale are not subject to depreciation or amortisation. They are shown separately in the balance sheet at the lower of the carrying amount or the fair value less costs to sell. An asset is considered as being held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In order for this to be the case, the asset must be available for immediate sale and its sale must be highly probable. Items in the balance sheet related to discontinued operations and assets held for sale are presented under specific lines in the consolidated financial statements. Income statement items related to discontinued operations and assets held for sale are separately presented in the financial statements for all periods reported upon if they are significant from a Group perspective.

Note 1.2 Significant events during the financial year

1. *Acquisition*

On 31 March 2016, Pernod Ricard announced the completion of acquisition of a majority share in Black Forest Distillers GmbH, owner of the Monkey 47 brand, a dry-gin produced in the Black Forest region in Germany. With this investment, Pernod Ricard expands its portfolio further into the fast growing super-premium gin category. Monkey 47 is already a very successful gin having won over many loyal consumers in the past years.

2. *Disposal*

On 17 May 2016, Pernod Ricard and Irish Distillers announced the signing and completion of the sale, to Sazerac, of the Paddy Irish Whiskey, the 4th largest Irish whiskey brand in the world.

3. *Bonds*

On 28 September 2015, Pernod Ricard issued bonds for a total amount of €500 million, with the following characteristics: an 8-year maturity period (maturity date: 28 September 2023) and a fixed interest rate of 1.875%.

On 18 March 2016, Pernod Ricard repaid a bond loan in the amount of €1,200 million, bearing interest at 4.88%.

On 17 May 2016, Pernod Ricard issued bonds for a total amount of €600 million, with the following characteristics: a 10-year maturity period (maturity date: 18 May 2026) and a fixed interest rate of 1.50%.

On 8 June 2016, Pernod Ricard issued bonds for a total amount of US$600 million, with the following characteristics: a 10-year maturity period (maturity date: 8 June 2026) and a fixed interest rate of 3.25%.

Note 2 Segment information

Net sales

Revenue is measured at the fair value of the consideration received or to be received, after deducting trade discounts, volume rebates, certain costs associated with the rendering of services and sales-related taxes and duties, notably excise duties. Sales are recognised when the significant risks and rewards of ownership have been transferred, generally at the date of transfer of the title of ownership.

Cost of services rendered in connection with sales

Pursuant to IAS 18 (Revenue), certain costs of services rendered in connection with sales, such as advertising programmes in conjunction with distributors, listing costs for new products and promotional activities at point of sale, are deducted directly from sales if there is no distinct service whose fair value can be reliably measured.

Duties and taxes

In accordance with IAS 18, certain import duties, in Asia for instance, are classified as cost of sales, as these duties are not specifically re-billed to customers (as is the case for social security stamps in France, for example).

Discounts

In accordance with IAS 18, early payment discounts are not considered to be financial transactions, but rather are deducted directly from sales.

Gross margin after logistics expenses, contribution after advertising and promotion expenses, profit from recurring operations and other operating income and expenses

The gross margin after logistics costs corresponds to sales (excluding duties and taxes), less costs of sales and logistics expenses. The contribution after advertising and promotion expenses includes the gross margin after deduction of logistics expenses and advertising and promotion expenses. The Group applies recommendation 2013-R03 of the French accounting standards authority (*Autorité des Normes Comptables* – ANC), notably as regards the definition of profit from recurring operations. Profit from recurring operations is the contribution after advertising and promotion expenses less trading costs and overheads. This is the indicator used internally to measure the Group's operational performance. It excludes other operating income and expenses, such as those related to restructuring, capital gains and losses on disposals and other non-recurring operating income or expenses. These other operating income and expenses are excluded from profit from recurring operations because the Group believes they have little predictive value due to their occasional nature. They are described in detail in Note 3.1 – *Other operating income and expenses*.

The Group is focused on a single activity, Wines & Spirits sales, and has three operating segments covering the regions of America, Europe and Asia/Rest of World (ROW).

Group Management assesses the performance of each operating segment on the basis of net sales and profit from recurring operations, defined as the gross margin after logistics costs, advertising and promotion investments and structure costs. The segments presented are identical to those used in reporting to General Management, in particular for the performance analysis.

Items in the income statement and the balance sheet are allocated on the basis of either the destination of sales or profits. Reporting by operating segment follows the same accounting policies as those used for the preparation of the consolidated financial statements. Intra-segment transfers are transacted at market prices.

At 30.06.2015 *€ million*	Europe	America	Asia/Rest of World (ROW)	Elimination of intragroup accounts	Total
Income statement items					
Segment net sales	4,229	3,347	4,831	-	12,407
o/w Intersegment sales	*1,498*	*965*	*1,385*	-	*3,848*
Net sales	**2,731**	**2,382**	**3,446**	**-**	**8,558**
Gross margin after logistics expenses	1,704	1,519	2,073	-	5,296
Contribution after advertising & promotion expenses	1,183	1,041	1,446	-	3,671
Profit from recurring operations	608	632	999	-	2,238
Other information					
Current investments	237	38	46	-	321
Depreciation, amortisation and impairment	137	688	45	-	870
Balance sheet items					
Segment assets	16,391	20,016	9,420	(15,429)	30,398
Segment liabilities	16,325	11,623	4,591	(15,429)	17,110
NET ASSETS	**66**	**8,393**	**4,829**	**-**	**13,288**

At 30.06.2016 *€ million*	Europe	America	Asia/Rest of World (ROW)	Elimination of intragroup accounts	Total
Income statement items					
Segment net sales	4,113	3,565	5,008	-	12,687
o/w Intersegment sales	*1,404*	*1,090*	*1,510*	-	*4,004*
Net sales	**2,709**	**2,476**	**3,498**	**-**	**8,682**
Gross margin after logistics expenses	1,662	1,639	2,071	-	5,371
Contribution after advertising & promotion expenses	1,145	1,130	1,450	-	3,725
Profit from recurring operations	588	706	982	-	2,277
Other information					
Current investments	252	52	41	-	345
Depreciation, amortisation and impairment	245	34	48	-	326
Balance sheet items					
Segment assets	16,352	19,912	9,815	(15,481)	30,598
Segment liabilities	14,084	12,054	6,435	(15,481)	17,092
NET ASSETS	**2,268**	**7,858**	**3,380**	**-**	**13,506**

Breakdown of sales

€ million	Net sales on 30.06.2015	Net sales on 30.06.2016
Top 14 Spirits & Champagne	5,358	5,448
Priority Premium Wines	468	487
18 key local brands	1,577	1,647
Other income	1,154	1,100
TOTAL	**8,558**	**8,682**

Note 3 Notes to the income statement

Note 3.1 Other operating income and expenses

Other operating income and expenses include costs related to restructuring and integrations, capital gains and losses on disposals and other non-recurring operating income or expenses.

These other operating income and expenses are excluded from profit from recurring operations because the Group believes they have little predictive value due to their occasional nature.

Other operating income and expenses breakdown is as follows:

€ million	30.06.2015	30.06.2016
Impairment of property, plant and equipment and intangible assets	(656)	(105)
Gains or losses on asset disposals and acquisition costs	96	51
Net restructuring and reorganisation expenses (1)	(68)	(98)
Disputes and risks (1)	(9)	(24)
Other non-current operating income and expenses (1)	(12)	(7)
OTHER OPERATING INCOME AND EXPENSES	**(649)**	**(182)**

At 30 June 2016, other operating income and expenses included:

- gains or losses on asset disposals relating in particular to the disposal of Paddy Irish whiskey;
- Impairment of tangible and intangible assets, resulting primarily from brand impairment tests, particularly on Brancott Estate in the amount of €47 million, Wyborowa in the amount of €30 million and various individually non-material brands in the amount of €24 million.

  As a reminder, at 30 June 2015, partial impairment in the amount of €652 million had been recorded for the Absolut brand;
- restructuring costs linked to various reorganisation projects (mainly in Asia and America);
- expenses related to disputes and risks, including tax risks, that are non-current in nature;
- other non-current operating income and expenses.

(1) Translation table of reported data and data after reclassification at 30 June 2015:

€ million	30.06.2015 published	Reallocation			30.06.2015 after reclassification
Net restructuring expenses	(60)	60			-
Other non-current operating expenses	(81)		81		-
Other non-current operating income	52			(52)	-
Net restructuring and reorganisation expenses		(60)	(8)		(68)
Disputes and risks			(20)	10	(9)
Other non-current operating income and expenses			(53)	42	(12)

Note 3.2 Financial income/(expense)

€ million	30.06.2015	30.06.2016
Interest expense on net financial debt	(493)	(463)
Interest income on net financial debt	65	63
Net cost of debt	**(428)**	**(400)**
Structuring and placement fees	(3)	(3)
Net financial impact of pensions and other long-term employee benefits	(19)	(15)
Other net current financial income (expense)	(7)	(3)
Financial income/(expense) from recurring operations	**(457)**	**(422)**
Foreign currency gains (loss)	(25)	(14)
Other non-current financial income (expense)	(7)	3
TOTAL FINANCIAL INCOME/(EXPENSE)	**(489)**	**(432)**

At 30 June 2016, the net cost of debt included financial expenses of €352 million on bond payments, €16 million on interest rate and currency hedges, €10 million on factoring and securitisation agreements, €9 million on the syndicated loan and other expenses of €13 million.

Weighted average cost of debt

The Group's weighted average cost of debt was 4.1% at 30 June 2016 compared to 4.4% at 30 June 2015. Weighted average cost of debt is defined as net financing costs plus structuring and placement fees as a proportion of average net debt outstanding plus the average amount outstanding on factoring and securitisation programmes.

Note 3.3 Corporate income tax

Analysis of income tax expense

€ million	30.06.2015	30.06.2016
Current income tax	(391)	(381)
Deferred income tax	170	(27)
TOTAL	**(221)**	**(408)**

Analysis of effective tax rate – Net profit from continuing operations before tax

€ million	30.06.2015	30.06.2016
Operating profit	1,590	2,095
Financial income/(expense)	(489)	(432)
Taxable profit	**1,101**	**1,663**
Theoretical tax charge at the effective income tax rate in France (38%)	(418)	(632)
Impact of tax rate differences by jurisdiction	243	237
Tax impact of variations in exchange rates	24	23
Re-estimation of deferred tax assets linked to tax rate changes	(9)	54
Impact of tax losses used/not used	2	3
Impact of reduced/increased tax rates on taxable results	10	1
Taxes on distributions	(55)	(58)
Other impacts	(18)	(37)
EFFECTIVE TAX EXPENSE	**(221)**	**(408)**
EFFECTIVE TAX RATE	**20%**	**25%**

Deferred tax is recognised on temporary differences between the tax and book values of assets and liabilities in the consolidated balance sheet and is measured using the balance sheet approach. The effects of changes in tax rates are recognised in shareholders' equity or in profit and loss in the year in which the change of tax rates is decided. Deferred tax assets are recognised in the balance sheet when it is more likely than not that they will be recovered in future years. Deferred tax assets and liabilities are not discounted to present value. In order to evaluate the Group's ability to recover these assets, particular account is taken of forecasts of future taxable profits.

Deferred tax assets relating to tax loss carryforwards are only reported when they are likely to be recovered, based on projections of taxable income calculated by the Group at the end of each financial year. All assumptions used, including, in particular, growth in operating profit and financial income (expenses), taking into account interest rates, are reviewed by the Group at the end of the financial year based on data determined by the relevant senior management.

Deferred taxes are broken down by nature as follows:

€ million	30.06.2015	30.06.2016
Margins in inventories	92	89
Fair value adjustments on assets and liabilities	27	22
Provisions for pension benefits	172	183
Losses carried forward	1,208	1,327
Provisions (other than provisions for pension benefits) and other items	839	885
TOTAL DEFERRED TAX ASSETS	**2,339**	**2,505**
Accelerated tax depreciation	76	66
Fair value adjustments on assets and liabilities	2,621	2,702
Other items	676	788
TOTAL DEFERRED TAX LIABILITIES	**3,373**	**3,556**

Tax losses carryforwards (recognized and not recognized) represented a potential tax saving of €1,450 million at 30 June 2016 and €1,302 million on 30 June 2015. The potential tax savings on 30 June 2016 and 30 June 2015 relate to tax loss carryforwards with the following expiry dates:

Financial Year 2014/15

	Tax effect of loss carryforwards *€ million*	
Years	Losses recognized	Losses not recognized
2015	2	1
2016	0	-
2017	-	-
2018	1	1
2019 and after	802	50
No expiry date	403	42
TOTAL	**1,208**	**94**

Financial Year 2015/16

	Tax effect of loss carryforwards *€ million*	
Years	Losses recognized	Losses not recognized
2016	3	0
2017	-	-
2018	-	-
2019	1	0
2020 and after	910	43
No expiry date	413	80
TOTAL	**1,327**	**123**

Note 3.4 Earnings per share

Basic and diluted earnings per share are calculated on the basis of the weighted average number of outstanding shares, less the weighted average number of dilutive instruments.

The calculation of diluted earnings per share takes into account the potential impact of the exercise of all dilutive instruments (such as stock options, convertible bonds, etc.) on the theoretical number of shares. When funds are obtained at the date of exercise of the dilutive instruments, the "treasury stock" method is used to determine the theoretical number of shares to be taken into account. When funds are obtained at the issue date of the dilutive instruments, net profit is adjusted for the finance cost, net of tax, relating to these instruments.

Group net profit and net earnings per share from continuing operations

	30.06.2015	30.06.2016
Numerator *(€ million)*		
Group net profit	861	1,235
Denominator *(in number of shares)*		
Average number of outstanding shares	263,980,715	263,994,148
Dilutive effect of bonus share allocations	1,002,589	889,040
Dilutive effect of stock options and subscription options	1,247,108	749,340
Average number of outstanding shares – diluted	**266,230,412**	**265,632,528**
Earnings per share *(in euros)*		
Earnings per share – basic	3.26	4.68
Earnings per share – diluted	3.24	4.65

Note 3.5 Expenses by nature

Operating profit notably includes depreciation, amortisation and impairment expenses as well as personnel expenses as follows:

€ million	30.06.2015	30.06.2016
Total depreciation, amortisation and impairment expenses	**(869)**	**(329)**
Salaries and payroll costs	(1,199)	(1,231)
Pensions, medical expenses and other similar benefits under defined benefit plans	(46)	(49)
Expenses related to stock options and share appreciation rights	(28)	(30)
Total personnel expenses	**(1,273)**	**(1,309)**

Note 4 Notes to the balance sheet

Note 4.1 Intangible assets and goodwill

Intangible assets are measured at cost on initial recognition. With the exception of assets with indefinite useful lives, they are amortised on a straight-line basis over their period of use, which is generally less than five years, and are written down when their recoverable amount is less than their net carrying amount. Amortisation of intangible assets is recognised within operating profit in the income statement.

In the context of the Group's activities, and in accordance with IAS 38 (Intangible assets), research and development costs are recognised as expenses in the financial year during which they are incurred, except for certain development costs which meet the capitalisation criteria described by the standard.

		Movements in the year					
€ million	30.06.2014	Acquisitions	Depreciations/ impairment	Disposals	Translation differences	Other movements	30.06.2015
Goodwill	5,047	41	-	(4)	545	3	5,632
Brands	11,865	49	-	(26)	1,389	(3)	13,275
Other intangible assets	298	26	-	(7)	20	6	344
GROSS VALUE	**17,210**	**116**	**-**	**(36)**	**1,955**	**6**	**19,251**
Goodwill	(140)	-	-	-	(0)	3	(138)
Brands	(431)	-	(652)	-	(93)	(0)	(1,176)
Other intangible assets	(189)	-	(34)	5	(10)	(2)	(231)
DEPRECIATION/IMPAIRMENT	**(761)**	**-**	**(686)**	**5**	**(103)**	**1**	**(1,544)**
INTANGIBLE ASSETS, NET	**16,449**	**116**	**(686)**	**(31)**	**1,851**	**7**	**17,706**

		Movements in the year					
€ million	30.06.2015	Acquisitions	Depreciations/ impairment	Disposals	Translation differences	Other movements	30.06.2016
Goodwill	5,632	22	-	(7)	(23)	(0)	5,624
Brands	13,275	83	-	(22)	(89)	(0)	13,247
Other intangible assets	344	34	-	(15)	(8)	2	356
GROSS VALUE	**19,251**	**139**	**-**	**(44)**	**(120)**	**2**	**19,227**
Goodwill	(138)	-	-	-	0	0	(137)
Brands	(1,176)	-	(101)	-	5	0	(1,272)
Other intangible assets	(231)	-	(34)	14	6	(1)	(246)
DEPRECIATION/IMPAIRMENT	**(1,544)**	**-**	**(136)**	**14**	**11**	**(1)**	**(1,655)**
INTANGIBLE ASSETS, NET	**17,706**	**139**	**(136)**	**(30)**	**(109)**	**1**	**17,572**

Goodwill

Goodwill is subject to an impairment test at least once a year and whenever there is an indication that its value may have been impaired. To perform these tests, goodwill is allocated by geographical area on the basis of asset groupings at the date of each business combination. These asset groupings correspond to groups of assets which jointly generate identifiable cash flows that are largely independent. If impairment is identified, an impairment loss is recognised in profit and loss for the financial year.

Goodwill mainly stems from the acquisitions of Allied Domecq in July 2005 and Vin&Sprit in July 2008.

Brands

The fair value of identifiable acquired brands is determined using an actuarial calculation of estimated future profits or using the royalty method and corresponds to the fair value of the brands at the date of acquisition. As the Group's brands are intangible assets with indefinite useful lives, they are not amortised but are rather subject to an impairment test at least once a year or whenever there is an indication that their value may have been impaired. Brands acquired as part of acquisitions of foreign entities are denominated in the functional currency of the business acquired.

The main brands recorded on the balance sheet are: Absolut, Ballantine's, Beefeater, Chivas Regal, Kahlúa, Malibu, Martell and Brancott Estate. Most of these were recognised at the time of the acquisitions of Seagram, Allied Domecq and Vin&Sprit.

Impairment of tangible or intangible assets

In accordance with IAS 36, intangible assets and property, plant and equipment are subject to impairment tests whenever there is an indication that the value of the asset has been impaired and at least once a year for non-current assets with indefinite useful lives (goodwill and brands).

Assets subject to impairment tests are included in cash-generating units (CGUs), corresponding to linked groups of assets which generate identifiable cash flows. The CGUs include assets related to the Group's brands and are allocated in accordance with the three geographical areas defined by the Group, on the basis of the sale destination of the products.

When the recoverable amount of a CGU is less than its net carrying amount, an impairment loss is recognised within operating profit. The recoverable amount of the CGU is the higher of its market value and its value in use.

Value in use is measured based on cash flows projected over a 19-year period. This period reflects the typically long lives of the Group's brands and their productive assets. Discounted projected cash flows are established based on annual budgets and multi-year strategies, extrapolated into subsequent years by gradually converging the figure for the last year of the plan for each brand and market towards a perpetual growth rate. The calculation includes a terminal value derived by capitalising the cash flows generated in the last forecast year. Assumptions applied to sales and advertising and promotional expenditure are determined by the Management based on previous results and long-term development trends in the markets concerned. The present values of discounted cash flows are sensitive to these assumptions as well as to consumer fashions and economic factors.

Market value is based either on the sale price, net of selling costs, obtained under normal market conditions or earnings multiples observed in recent transactions concerning comparable assets. The discount rate used for these calculations is an after-tax rate applied to after-tax cash flows and corresponds to the weighted average cost of capital. This rate reflects specific rates for each market or region, depending on the risks that they represent. Assumptions made in terms of future changes in net sales and in terms of terminal values are reasonable and consistent with market data available for each of the CGUs. Additional impairment tests are applied where events or specific circumstances suggest that a potential impairment exists.

In addition to annual impairment tests applied to goodwill and brands, specific impairment tests are applied where there is an indication that the value of an intangible asset may have been impaired. The data and assumptions used for the impairment tests applied to cash-generating units (CGUs) are as follows:

€ million	Method used to determine the recoverable amount	Carrying amount of goodwill on 30.06.2016	Carrying amount of brands on 30.06.2016	Value in use		
				Discount rate 2015	Discount rate 2016	Perpetual growth rate
Europe	Value in use based on the discounted cash flow method	1,810	3,925	6.80%	6.01%	From -1% to +2.5%
America		2,746	6,308	6.96%	6.29%	From -1% to +2.5%
Asia/Rest of World (ROW)		930	1,742	7.71%	7.57%	From -1% to +2.5%

In impairment tests applied to goodwill and brands, the long-term growth assumptions used were determined by taking into account growth rates measured in recent financial years and growth perspectives taken from the budget and the Group's strategic plans.

The amount of any impairment of brand-related intangible assets at 30 June 2016 that would result from:

- a 50 bp decrease in the growth rate of the contribution after advertising and promotion expenses;
- a 50 bp increase in the after-tax discount rate;
- a 100 bp increase the after-tax discount rate; or
- a 50 bp decrease in the perpetual rate growth over the duration of the multi-year plans

are set out below:

€ million	50 bp decrease in the growth rate of the contribution after advertising and promotion expenses	50 bp increase in the after-tax discount rate	100 bp increase in the after-tax discount rate	50 bp decrease in the perpetual growth rate
Europe	(3)	(26)	(130)	(13)
America	(1)	(40)	(465)	(7)
Asia/Rest of World (ROW)	(5)	(43)	(84)	(31)
TOTAL	**(10)**	**(109)**	**(680)**	**(51)**

Moreover, the various levels of sensitivity set out above would not result in any risk of goodwill impairment.

Note 4.2 Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost and broken down by component. Depreciation is calculated on a straight-line basis or, in certain cases, using the reducing balance method over the estimated useful life of the assets. Useful life is reviewed on a regular basis. Items of property, plant and equipment are written down when their recoverable amount falls below their net carrying amount. The average duration for the major categories of property, plant and equipment are as follows:

Buildings	15 to 50 years
Machinery and equipment	5 to 15 years
Other property, plant and equipment	3 to 5 years

In accordance with IAS 17, assets acquired under finance lease contracts are capitalised, and a corresponding lease debt is recognised, when the lease contract transfers substantially all the risks and rewards related to the asset to the Group. Buildings which have been subject to sale and lease back contracts are treated in a similar manner.

Depreciation of property, plant and equipment is recognised within operating profit in the income statement.

IAS 41 (Agriculture) sets out the accounting treatment of operations involving biological assets (for example, vines) or for agricultural produce (for example, grapes). IAS 41 was specifically adapted to the accounting treatment of vines and grapes, which make up the principal agricultural activities of the Group. A similar accounting treatment also applies to other biological assets (for example, agave fields). IAS 41 requires that biological assets (vines) and their production (harvests) be recognised at fair value on the balance sheet, after deducting estimated selling costs, as from the date at which it is possible to obtain a reliable assessment of price, for example by referring to an active market. Changes in fair value are recognised in profit and loss. Land on which biological assets are planted is measured in accordance with IAS 16.

€ million	30.06.2014	Movements in the year: Acquisitions	Depreciations/ impairment	Disposals	Translation differences	Other movements	30.06.2015
Land	325	6	-	(2)	1	5	336
Buildings	1,074	19	-	(20)	46	41	1,159
Machinery & equipment	1,704	38	-	(64)	79	96	1,852
Other property, plant and equipment	517	65	-	(12)	34	5	608
Assets in progress	115	159	-	(0)	7	(146)	134
Advance on property, plant and equipment	4	4	-	(0)	0	(2)	6
GROSS VALUE	**3,739**	**291**	**-**	**(99)**	**167**	**(1)**	**4,096**
Land	(26)	-	(2)	0	(0)	(0)	(28)
Buildings	(451)	-	(36)	20	(16)	0	(484)
Machinery & equipment	(981)	-	(112)	59	(44)	(1)	(1,079)
Other property, plant and equipment	(262)	-	(33)	10	(17)	(2)	(304)
Assets in progress	(2)	-	-	-	(0)	0	(2)
DEPRECIATION/IMPAIRMENT	**(1,722)**	**-**	**(183)**	**89**	**(77)**	**(3)**	**(1,896)**
PROPERTY, PLANT AND EQUIPMENT, NET	**2,016**	**291**	**(183)**	**(9)**	**89**	**(4)**	**2,200**

€ million	30.06.2015	Movements in the year: Acquisitions	Depreciations/ impairment	Disposals	Translation differences	Other movements	30.06.2016
Land	336	5	-	(7)	(0)	8	342
Buildings	1,159	28	-	(15)	(61)	56	1,168
Machinery & equipment	1,852	44	-	(50)	(76)	76	1,847
Other property, plant and equipment	608	62	-	(28)	(48)	4	599
Assets in progress	134	156	-	(0)	(7)	(158)	125
Advance on property, plant and equipment	6	23	-	(0)	(0)	(2)	26
GROSS VALUE	**4,096**	**317**	**-**	**(99)**	**(192)**	**(16)**	**4,106**
Land	(28)	-	(3)	0	1	(4)	(34)
Buildings	(484)	-	(39)	9	24	2	(488)
Machinery & equipment	(1,079)	-	(116)	46	53	12	(1,084)
Other property, plant and equipment	(304)	-	(35)	26	23	3	(286)
Assets in progress	(2)	-	-	-	0	2	(0)
DEPRECIATION/IMPAIRMENT	**(1,896)**	**-**	**(193)**	**83**	**101**	**14**	**(1,893)**
PROPERTY, PLANT AND EQUIPMENT, NET	**2,200**	**317**	**(193)**	**(17)**	**(91)**	**(2)**	**2,214**

Note 4.3 Financial assets

Available-for-sale financial assets include the Group's investments in non-consolidated companies and in securities which do not satisfy the criteria for classification as short-term investments included in cash equivalents. On initial recognition, these assets are measured at their acquisition cost. At subsequent balance sheet dates, available-for-sale financial assets are measured at fair value where this can be measured reliably. Changes in fair value are recognised directly in shareholders' equity except where a reduction in value compared with the historical acquisition cost constitutes a material or sustained impairment in the asset's value. On disposal of available-for-sale financial assets, changes in fair value previously recognised in equity are recognised in profit and loss. Fair value is determined on the basis of the financial criteria most appropriate to the specific situation of each company. The fair value of financial assets listed on a financial market is their stock market value. The measurement criteria normally applied to unlisted available-for-sale financial assets are the proportion of shareholders' equity and future profitability.

Investment-related loans and receivables mainly include receivables related to investments, current account advances granted to non-consolidated entities or equity associates and guarantee deposits. They are measured at amortised cost.

	30.06.2015		30.06.2016	
€ million	Current	Non-current	Current	Non-current
Net financial assets				
Available-for-sale financial assets	-	19	-	16
Other financial assets	-	438	-	630
Net loans and receivables				
Guarantees and deposits	-	56	-	76
Investment-related receivables	-	-	-	-
Total net non-current financial assets	**-**	**512**	**-**	**721**
Derivative instruments	**50**	**52**	**8**	**109**
FINANCIAL ASSETS	**50**	**563**	**8**	**830**

The table below shows details of the Group's financial assets, excluding derivative instruments:

		Movements in the year					
€ million	30.06.2014	Acquisitions	Impairment	Disposals	Translation differences	Other movements	30.06.2015
Other financial assets	268	0	-	(0)	42	129	439
Available-for-sale financial assets	26	0	-	(1)	2	(1)	26
Guarantees and deposits	63	25	-	(31)	(1)	-	56
Investment-related receivables	0	-	-	-	(0)	-	-
GROSS VALUE	**358**	**25**	**-**	**(33)**	**43**	**128**	**522**
Provisions for other financial assets	(1)	-	-	-	(0)	(0)	(2)
Impairment losses recognised on available-for-sale financial assets	(7)	-	-	-	0	(1)	(8)
Provisions for guarantees and deposits	(0)	-	-	-	(0)	-	(0)
Impairment losses recognised on investment-related receivables	(0)	-	-	-	0	-	(0)
IMPAIRMENT	**(9)**	**-**	**-**	**-**	**(0)**	**(1)**	**(10)**
NON-CURRENT FINANCIAL ASSETS, NET	**349**	**25**	**-**	**(33)**	**43**	**127**	**512**

	Movements in the year						
€ million	30.06.2015	Acquisitions	Impairment	Disposals	Translation differences	Other movements	30.06.2016
Other financial assets	439	0	-	(0)	(86)	279	632
Available-for-sale financial assets	26	0	-	(5)	0	(0)	21
Guarantees and deposits	56	3	-	(6)	(0)	24	76
Investment-related receivables	0	-	-	-	(0)	-	0
GROSS VALUE	**522**	**4**	**-**	**(12)**	**(87)**	**303**	**730**
Provisions for other financial assets	(2)	-	(1)	-	0	(0)	(3)
Impairment losses recognised on available-for-sale financial assets	(8)	-	-	3	(0)	(1)	(6)
Provisions for guarantees and deposits	(0)	-	-	-	0	(0)	(0)
Impairment losses recognised on investment-related receivables	(0)	-	-	-	0	-	(0)
IMPAIRMENT	**(10)**	**-**	**(1)**	**3**	**0**	**(1)**	**(9)**
NON-CURRENT FINANCIAL ASSETS, NET	**512**	**4**	**(1)**	**(9)**	**(87)**	**302**	**721**

Other financial assets at 30 June 2016 included €626 million of plan surplus related to employee benefits, compared to €433 million at the end of June 2015 (see Note 4.7 – *Provisions*).

Note 4.4 Inventories and work in progress

Inventories are measured at the lowest of either their cost (acquisition cost and cost of production, including indirect production overheads) or net realisable value. Net realisable value is the selling price less the estimated costs of completion and sale of inventories. Most inventories are valued using the weighted average cost method. The cost of long-cycle inventories is computed using a single method which includes distilling and ageing costs. These inventories are classified in current assets, although a substantial part remains in inventory for more than one year before being sold in order to undergo the ageing process used for certain wines and spirits.

The breakdown of inventories and work in progress at the balance sheet date is as follows:

	Movements in the year					
€ million	30.06.2014	Change in gross value	Change in impairment	Translation differences	Other movements	30.06.2015
Raw materials	132	(3)	-	8	(0)	137
Work in progress	4,039	234	-	210	31	4,515
Goods in inventory	471	(7)	-	34	(23)	475
Finished products	272	(1)	-	12	(3)	281
GROSS VALUE	**4,915**	**223**	**-**	**265**	**5**	**5,408**
Raw materials	(12)	-	1	(1)	(0)	(12)
Work in progress	(12)	-	0	(0)	(0)	(11)
Goods in inventory	(21)	-	(1)	(3)	0	(24)
Finished products	(9)	-	(2)	(0)	1	(10)
IMPAIRMENT	**(54)**	**-**	**(2)**	**(3)**	**1**	**(57)**
NET INVENTORIES	**4,861**	**223**	**(2)**	**262**	**6**	**5,351**

€ million	30.06.2015	Change in gross value	Change in impairment	Translation differences	Other movements	30.06.2016
		Movements in the year				
Raw materials	137	3	-	(8)	0	132
Work in progress	4,515	200	-	(260)	(0)	4,454
Goods in inventory	475	18	-	(21)	4	476
Finished products	281	17	-	(11)	(1)	286
GROSS VALUE	**5,408**	**238**	**-**	**(300)**	**3**	**5,349**
Raw materials	(12)	-	1	1	-	(10)
Work in progress	(11)	-	(6)	(0)	0	(17)
Goods in inventory	(24)	-	7	1	(0)	(16)
Finished products	(10)	-	(3)	0	1	(11)
IMPAIRMENT	**(57)**	**-**	**(1)**	**2**	**1**	**(55)**
NET INVENTORIES	**5,351**	**238**	**(1)**	**(298)**	**4**	**5,294**

At 30 June 2016, maturing inventories intended mainly for use in whisky and cognac production accounted for 79% of work in progress. Pernod Ricard is not significantly dependent on its suppliers.

Note 4.5 Trade receivables and other operating receivables

Trade receivables and other current receivables are recognised initially at their fair value, which usually corresponds to their nominal value. Impairment losses are recognised where there is a risk of non-recovery.

The following tables break down trade receivables and other current receivables on 30 June 2015 and 30 June 2016 by due date:

€ million	Net carrying amount	Not impaired and not due	Less than 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days
			Not impaired and due on the following dates				
Net carrying amounts							
Trade receivables and other operating receivables	1,152	921	142	43	30	4	11
TOTAL ON 30.06.2015	**1,152**	**921**	**142**	**43**	**30**	**4**	**11**
o/w depreciation	*77*						
Trade receivables and other operating receivables	1,068	868	114	47	18	9	12
TOTAL ON 30.06.2016	**1,068**	**868**	**114**	**47**	**18**	**9**	**12**
o/w depreciation	*72*						

Changes in the impairment of trade receivables and other operating receivables were as follows:

€ million	2014/15	2015/16
On 1 July	**81**	**77**
Allowances during the year	7	8
Reversals during the year	(8)	(3)
Used during the year	(6)	(6)
Translation differences	3	(4)
ON 30 JUNE	**77**	**72**

At 30 June 2016, there was no reason to question the creditworthiness of non-depreciated past due receivables. More specifically, non-depreciated receivables with due dates of over 12 months show no additional credit-related risk. There is no significant concentration of risks.

In financial years 2014/15 and 2015/16, the Group continued to implement its programmes to sell the receivables of several affiliates. Receivables sold under these programmes totalled €591 million at 30 June 2015 and €520 million at 30 June 2016. As substantially all risks and rewards associated with the receivables were transferred, they were deconsolidated.

Derecognised assets where there is continuing involvement

€ million	**Carrying amount of continuing involvement**				**Fair value of continuing involvement**	**Maximum exposure**
Continuing involvement	Amortised costs	Held to maturity	Available for sale	Financial liabilities at fair value		
Guarantee deposit – factoring and securitisation	14	-	-	-	14	14

Note 4.6 Other current assets

Other current assets are broken down as follows:

€ million	**30.06.2015**	**30.06.2016**
Advances and down payments	23	20
Tax accounts receivable, excluding income taxes	129	134
Prepaid expenses	74	67
Other receivables	34	30
TOTAL	**260**	**251**

Note 4.7 Provisions

In accordance with IAS 37 (Provisions, contingent liabilities and contingent assets), provisions for risks and charges are recognised to cover probable outflows of resources that can be estimated and that result from present obligations relating to past events. In the case where a potential obligation resulting from past events exists, but where the occurrence of the outflow of resources is not probable or where the amount cannot be reliably estimated, a contingent liability is disclosed among the Group's commitments. The amounts provided are measured by taking account of the most probable assumptions or using statistical methods, depending on the nature of the obligations. Provisions notably include:

- provisions for restructuring;
- provisions for pensions and other long-term employee benefits;
- provisions for litigation (tax, legal, employee-related).

Litigation is kept under regular review, on a case-by-case basis, by the Legal Department of each affiliate or region or by the Group's Legal Department, drawing on the help of external legal consultants in the most significant or complex cases. A provision is recorded when it becomes probable that a present obligation arising from a past event will require an outflow of resources whose amount can be reliably estimated. The amount of the provision provided is the best estimate of the outflow of resources required to settle this obligation.

The cost of restructuring measures is fully provisioned in the financial year, and is recognised in profit and loss under "Other operating income and expenses" when it is material and results from a Group obligation to third parties arising from a decision made by the competent corporate body that has been announced to the third parties concerned before the closing date. This cost mainly involves redundancy payments, early retirement payments, costs of notice periods not served, training costs of departing individuals and costs of site closure. Scrapping of property, plant and equipment, impairment of inventories and other assets, as well as other costs (moving costs, training of transferred individuals, etc.) directly related to the restructuring measures are also recognised in restructuring costs. The amounts provided for correspond to forecast future payments to be made in connection with restructuring plans, discounted to present value when the timetable for payment is such that the effect of the time value of money is significant.

1. *Breakdown of balance sheet amounts*

The breakdown of provisions for risks and charges at the balance sheet date is as follows:

€ million	30.06.2015	30.06.2016
Non-current provisions		
Provisions for pensions and other long-term employee benefits	654	739
Other non-current provisions for risks and charges	400	422
Current provisions		
Provisions for restructuring	65	63
Other current provisions for risks and charges	108	104
TOTAL	**1,226**	**1,328**

2. *Changes in provisions (other than provisions for pensions and other long-term employee benefits)*

€ million	30.06.2014	Movements in the year: Allowances	Amounts used	Amounts released	Translation differences	Perimeter changes	Other movements	30.06.2015
Provisions for restructuring	101	28	(65)	(4)	4	-	(0)	65
Other current provisions	150	22	(30)	(30)	5	-	(8)	108
Other non-current provisions	564	45	(195)	(54)	26	-	14	400
TOTAL PROVISIONS	**815**	**96**	**(290)**	**(88)**	**35**	**-**	**5**	**573**

€ million	30.06.2015	Movements in the year: Allowances	Amounts used	Amounts released	Translation differences	Perimeter changes	Other movements	30.06.2016
Provisions for restructuring	65	46	(45)	(2)	(1)	-	0	63
Other current provisions	108	20	(22)	(16)	4	10	1	104
Other non-current provisions	400	117	(2)	(81)	(12)	-	0	422
TOTAL PROVISIONS	**573**	**183**	**(69)**	**(99)**	**(9)**	**10**	**1**	**589**

Some Group companies are involved in disputes as part of their normal business activities. They are also subject to tax audits, some of which may lead to tax reassessment. The main disputes are described in Note 6.5 – *Disputes*.

On 30 June 2016, the amount of provisions booked by the Group in respect of all disputes or risks in which it is involved amounted to €526 million. The Group does not provide details (with exceptions), as it believes the disclosure of the amount of any provision booked in consideration of each pending dispute would be likely to cause serious harm to the Group.

The change in "Other current and non-current provisions" during the period is explained as follows:

- allowances stem mainly from proceedings brought against the Company and its affiliates, as part of the normal course of business and the emergence of new risks, including tax risks;
- reversals are made at the time of corresponding payments or where the risk is considered to be nil. Unused reversals primarily concern the re-evaluation or the statute of limitation of certain risks, including tax risks;
- other movements primarily reflect reclassifications and changes in the consolidation perimeter.

3. Provisions for pension benefits

In accordance with applicable national legislation, the Group's employee benefit obligations are composed of:

- long-term post-employment benefits (retirement bonuses, pensions, medical and healthcare expenses, etc.);
- long-term benefits payable during the period of employment.

Defined contribution plans

Contributions are recognised as expenses as they are incurred. As the Group is not committed beyond the amount of such contributions, no provision is recognised in respect of defined contribution plans.

Defined benefit plans

For defined benefit plans, the projected unit credit method is used to measure the present value of defined benefit obligations, current service cost and, if applicable, past service cost. The measurement is made at each closing date and the personal data concerning employees is revised at least every three years. The calculation requires the use of economic assumptions (inflation rate, discount rate, expected return on plan assets) and assumptions regarding employees (mainly average salary increase, rate of employee turnover and life expectancy). Assumptions used in 2014/15 and 2015/16 and methods used for their determination are described below.

A provision is recorded in the balance sheet for the difference between the actuarial debt of related obligations (actuarial liabilities) and any assets dedicated to funding the plans, measured at their fair value, and includes past service costs and actuarial gains and losses.

The cost of defined benefit plans has three components, which are accounted for as follows:

- the cost of services is recognised in operating profit. It includes:
  - the cost of services rendered during the period,
  - the cost of past services resulting from the modification or reduction of a plan, fully recognised in profit and loss for the period in which the services were performed,
  - gains and losses resulting from liquidations;
- the financial component, recorded in financial income (expenses), comprises the impact of discounting the liabilities, net of the expected return on plan assets, measured using the same discount rate as that used to measure the liabilities.

Revaluations of liabilities (assets) are recognised as non-recyclable items of comprehensive income, and consist mainly of actuarial differences, namely the change in plan obligations and assets due to changes in assumptions and to experience gains or losses, the latter representing the difference between the expected impact of some actuarial assumptions applied to previous valuations and the actual impact. If the plan assets exceed recognised obligations, a financial asset is generated equal to the present value of future refunds and expected reductions in future contributions.

The Group provides employee benefits such as pensions and retirement bonuses and other post-employment benefits, such as medical care and life insurance:

- in France, benefit obligations mainly comprise arrangements for retirement indemnities (unfunded) and supplementary pension benefits (partly funded);
- in the United States and Canada, benefit obligations include funded pension plans guaranteed to employees as well as unfunded post-employment medical plans;
- in Ireland, the United Kingdom and the Netherlands, benefit obligations mainly consist of pension plans granted to employees.

Defined benefit plans in the Group relate mainly to affiliates in the United Kingdom, in North America and in the rest of Europe. Defined benefit plans are subject to an annual actuarial valuation on the basis of assumptions depending on the country. Under these pension and other benefit plan agreements, employees receive at the date of retirement either a capital lump sum payment or an annuity. These amounts depend on the number of years of employment, final salary and the position held by the employee. At 30 June 2016, fully or partly funded benefit obligations totalled €5,502 million, equivalent to 95% of total benefit obligations.

Certain affiliates, mainly those located in North America, also provide their employees with post-employment medical cover. These benefit obligations are unfunded. They are measured using the same assumptions as those used for the pension obligations in the countries in question.

Several affiliates, mainly in Europe, also provide their employees with other long-term benefits. Benefit obligations of this type are mainly in respect of long-service awards and jubilee awards.

The table below presents a reconciliation of the provision between 30 June 2015 and 30 June 2016:

	30.06.2015			30.06.2016		
€ million	Pension benefits	Medical expenses and other employee benefits	Total	Pension benefits	Medical expenses and other employee benefits	Total
Net liability at beginning of period	156	150	306	40	180	220
Expenses for the period	53	11	64	36	9	44
Actuarial (gains) and losses [(1)]	(31)	13	(18)	(119)	3	(116)
Employer contributions	(115)	-	(115)	(84)	-	(84)
Benefits paid directly by the employer	(11)	(11)	(22)	(11)	(9)	(20)
Changes in the consolidation perimeter	1	1	2	-	0	0
Foreign currency gains and losses	(13)	16	3	73	(4)	68
Net liability at end of period	**40**	**180**	**220**	**(66)**	**179**	**113**
Amount recognised in assets [(2)]	(433)	-	(433)	(626)	-	(626)
AMOUNT RECOGNISED IN LIABILITIES (PROVISION AT END OF PERIOD)	**473**	**180**	**654**	**560**	**179**	**739**

(1) Recognised as items of other comprehensive income.
(2) See Note 4.3 – Financial assets.

The net expense recognised in the income statement in respect of pensions and other long-term employee benefits is broken down as follows:

	30.06.2015			30.06.2016		
Expense for the period *€ million*	Pension benefits	Medical expenses and other employee benefits	Total	Pension benefits	Medical expenses and other employee benefits	Total
Service cost	43	3	46	45	3	49
Interest on provision	1	6	8	(4)	6	2
Fees/levies/premiums	9	-	9	11	-	11
Impact of plan amendments/Reduction of future rights	(1)	(3)	(4)	(18)	(2)	(20)
Impact of liquidation of benefits	1	-	1	0	-	0
Actuarial (gains)/losses	-	4	4	-	1	1
Effect of asset ceiling (including the impact of IFRIC 14)	-	-	-	-	-	-
NET EXPENSE/(INCOME) RECOGNISED IN PROFIT AND LOSS	**53**	**11**	**64**	**36**	**9**	**44**

Changes in provisions for pensions and other long-term employee benefits are shown below:

Net liabilities recognised in the balance sheet *€ million*	30.06.2015 Pension benefits	30.06.2015 Healthcare expenses and other employee benefits	30.06.2015 Total	30.06.2016 Pension benefits	30.06.2016 Healthcare expenses and other employee benefits	30.06.2016 Total
Change in the actuarial value of cumulative benefit obligations						
Actuarial value of cumulative benefit obligations at beginning of period	4,892	150	5,042	5,952	180	6,132
Service cost	43	3	46	45	3	49
Interest cost (effect of unwinding of discount)	208	6	214	201	6	207
Employee contributions	2	1	3	2	1	3
Benefits paid	(260)	(11)	(271)	(324)	(10)	(333)
Administrative fees/premiums/levies	(1)	-	(1)	(1)	-	(1)
Plan amendments/reduction of future rights	(2)	(3)	(4)	(18)	(2)	(20)
Liquidation of benefits	1	-	1	0	-	0
Actuarial (gains)/losses	464	17	482	467	4	471
Currency translation adjustments	599	16	616	(710)	(4)	(714)
Changes in the consolidation perimeter	4	1	5	(0)	0	0
ACTUARIAL VALUE OF CUMULATIVE BENEFIT OBLIGATIONS AT END OF PERIOD	**5,952**	**180**	**6,132**	**5,615**	**179**	**5,794**
Change in the fair value of plan assets						
Fair value of plan assets at beginning of period	4,736	-	4,736	5,912	-	5,912
Interest income on plan assets	207	-	207	204	-	204
Experience gains/(losses) on plan assets	495	-	495	586	-	586
Employee contributions	2	-	2	2	-	2
Employer contributions	115	-	115	84	-	84
Benefits paid	(249)	-	(249)	(314)	-	(314)
Administrative fees/premiums/levies	(9)	-	(9)	(11)	-	(11)
Plan amendments/reduction of future rights	(0)	-	(0)	(0)	-	(0)
Liquidation of benefits	-	-	-	-	-	-
Currency translation adjustments	612	-	612	(782)	-	(782)
Changes in the consolidation perimeter	3	-	3	(0)	-	(0)
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	**5,912**	**-**	**5,912**	**5,681**	**-**	**5,681**
Present value of funded benefits	5,833	-	5,833	5,502	-	5,502
Fair value of plan assets	5,912	-	5,912	5,681	-	5,681
Deficit/(surplus) on funded benefits	**(78)**	**-**	**(78)**	**(179)**	**-**	**(179)**
Present value of unfunded benefits	118	180	298	113	179	292
Effect of ceiling on plan assets (including the impact of IFRIC 14)	-	-	-	-	-	-
NET LIABILITY RECOGNISED	**40**	**180**	**220**	**(66)**	**179**	**113**

On 30.06.2016	Actuarial value of cumulative benefit obligations		Fair value of plan assets		Gross provisions under balance sheet assets		Balance sheet assets	
	€ million	*%*	*€ million*	*%*	*€ million*	*%*	*€ million*	*%*
United Kingdom	4,444	77%	4,959	87%	109	15%	(625)	100%
United States	444	8%	242	4%	202	27%	-	0%
Canada	323	6%	245	4%	78	11%	-	0%
Ireland	257	4%	151	3%	106	14%	-	0%
France	205	4%	24	0%	181	25%	-	0%
Other countries	121	2%	60	1%	63	8%	(1)	0%
TOTAL	**5,794**	**100%**	**5,681**	**100%**	**739**	**100%**	**(626)**	**100%**

The breakdown of pension assets between the different asset classes (bonds, shares, etc.) is as follows:

	30.06.2015		30.06.2016	
Breakdown of plan assets	**Pension benefits**	**Medical expenses & other employee benefits**	**Pension benefits**	**Medical expenses & other employee benefits**
Shares	21%	Not applicable	22%	Not applicable
Bonds	42%	Not applicable	41%	Not applicable
Other money-market funds	0%	Not applicable	1%	Not applicable
Property assets	6%	Not applicable	8%	Not applicable
Other	30%	Not applicable	29%	Not applicable
TOTAL	**100%**	**NOT APPLICABLE**	**100%**	**NOT APPLICABLE**

Contributions payable by the Group in financial year 2016/17 in respect of funded benefits are estimated at €61 million.

Benefits payable in respect of defined benefit plans over the next 10 years are broken down as follows:

Benefits payable in the next 10 years *€ million*	**Pension benefits**	**Medical expenses and other employee benefits**
2017	342	10
2018	357	10
2019	357	10
2020	364	10
2021	374	10
2022-2026	2,044	51

At 30 June 2015 and 30 June 2016, the main assumptions used for the measurement of pension obligations and other long-term employee benefits were as follows:

	30.06.2015		30.06.2016	
Actuarial assumptions in respect of commitments	**Pension benefits**	**Medical expenses and other employee benefits**	**Pension benefits**	**Medical expenses and other employee benefits**
Discount rate	3.63%	3.69%	2.84%	3.58%
Average rate of increase in annuities	3.33%	Not applicable	3.11%	Not applicable
Average salary increase	2.91%	3.16%	2.69%	3.33%
Expected increase in medical expenses				
◆ Initial rate	Not applicable	6.58%	Not applicable	7.05%
◆ Final rate	Not applicable	5.01%	Not applicable	4.73%

Actuarial assumptions in respect of benefit obligations for the year	30.06.2015 Pension benefits	30.06.2015 Medical expenses and other employee benefits	30.06.2016 Pension benefits	30.06.2016 Medical expenses and other employee benefits
Discount rate	4.13%	4.00%	3.63%	3.69%
Average rate of increase in annuities	3.36%	Not applicable	3.33%	Not applicable
Average salary increase	3.36%	3.10%	2.91%	3.16%
Expected increase in medical expenses				
◆ Initial rate	Not applicable	6.84%	Not applicable	6.58%
◆ Final rate	Not applicable	5.03%	Not applicable	5.01%

Actuarial assumptions on 30.06.2016 *(pensions and other commitments)* **By region**	United Kingdom	United States	Canada	Eurozone countries	Other non-Eurozone countries
Discount rate	2.84%	3.94%	3.48%	1.46%	3.74%
Average rate of increase in annuities	3.30%	Not applicable	1.25%	1.42%	1.75%
Average salary increase	1.73%	3.75%	3.03%	2.84%	4.05%
Expected increase in medical expenses					
◆ Initial rate	5.50%	8.13%	5.75%	3.73%	Not applicable
◆ Final rate	5.50%	4.50%	4.60%	3.73%	Not applicable

The obligation period-related discount rates used within the Eurozone are as follows:

- short-term rate (3-5 years): 0.50%;
- medium-term rate (5-10 years): 0.75%;
- long-term rates (>10 years): 1.25% to 2%.

Discount rates are determined by reference to the yield at the balance sheet date on premium category corporate bonds (if available), or on government bonds, with maturities similar to the estimated duration of the benefit obligations.

The expected rate of return on assets corresponds to the discount rate, in accordance with the IAS 19 standard.

The sensitivity of the debt to changes in the discount rate is shown in the table below:

€ million	Pension benefits	Medical expenses and other employee benefits	Total
Commitments at 30.06.2016	5,615	179	5,794
Commitments at 30.06.2016 with a 0.5% drop in the discount rate	6,062	191	6,252
Commitments at 30.06.2016 with a 0.5% rise in the discount rate	5,218	169	5,387

The impact of a change in the rate of increase in medical expenses would be as follows:

In respect of post-employment medical coverage *€ million*	**With current rate**	**Effect of a change**	
		1% increase	**1% decrease**
On the present value of the benefit obligations on 30.06.2016	145	18	(15)
Expense for the 2015/16 financial year	7	1	(1)

The experience gains or losses on the benefit obligations and plan assets are set out below:

	30.06.2016	
€ million	**Pension benefits**	**Medical expenses and other employee benefits**
Amount of experience losses or (gains) on benefit obligations	(128)	2
Percentage compared with amount of benefit obligations	-2.27%	1.06%
Amount of financial assumption losses or (gains) on benefit obligations	595	4
Percentage compared with amount of benefit obligations	10.60%	2.45%
Amount of demographic assumption losses or (gains) on benefit obligations	(0)	(2)
Percentage compared with amount of benefit obligations	0.00%	-1.19%
Amount of experience losses or (gains) on plan assets	(586)	-
Percentage compared with amount of plan assets	-10.32%	0.00%
Average duration	15.03	12.92

Note 4.8 Financial liabilities

IAS 32 and IAS 39 relating to financial instruments have been applied with effect from 1 July 2004. IFRS 7 has been applied with effect from 1 July 2007. The amendment to IFRS 7 approved by the European Union on 22 November 2011 has been applied with effect from 1 July 2011.

Borrowings and other financial liabilities are recognised, on the basis of their effective interest rates, in accordance with the amortised cost method. The effective interest rate includes all costs, commissions and fees payable under the contract between the parties. Under this method, costs that are directly attributable to the acquisition or issue of the financial liability are recognised in profit and loss on the basis of the effective interest rate.

In accordance with IAS 7 (Statement of cash flows), cash and cash equivalents presented in assets and liabilities in the balance sheet and shown in the consolidated cash flow statements include items that are immediately available as cash or are readily convertible into a known amount of cash and which are subject to an insignificant risk of change in their value. Cash is composed of cash at bank and on hand, short-term deposits with an initial maturity of less than three months and money-market mutual funds that are subject to an insignificant risk of change in their value. Cash equivalents are short-term investments with a maturity of less than three months. Bank overdrafts, which are considered to be equivalent to financing, are excluded from cash and cash equivalents.

Net financial debt, as defined and used by the Group, corresponds to total gross debt (translated at the closing rate), including fair value and net foreign currency assets hedge derivatives (hedging of net investments and similar), less cash and cash equivalents.

1. *Breakdown of net financial debt by nature and maturity*

	30.06.2015			30.06.2016		
€ million	Current	Non-current	Total	Current	Non-current	Total
Bonds	**1,514**	**6,958**	**8,473**	**1,884**	**7,078**	**8,962**
Syndicated loan	-	-	-	-	-	-
Commercial paper	459	-	459	45	-	45
Other loans and financial debts	79	500	580	98	257	355
Other financial liabilities	**538**	**500**	**1,039**	**143**	**257**	**400**
GROSS FINANCIAL DEBT	**2,052**	**7,459**	**9,511**	**2,027**	**7,335**	**9,362**
Fair value hedging derivative instruments – assets	(15)	(51)	(66)	-	(77)	(77)
Fair value hedging derivative instruments – liabilities	-	-	-	-	-	-
Fair value hedge derivatives	**(15)**	**(51)**	**(66)**	**-**	**(77)**	**(77)**
Net investment hedging derivative instruments – assets	-	-	-	-	-	-
Net investment hedging derivative instruments – liabilities	-	-	-	-	-	-
Net investment hedge derivatives	**-**	**-**	**-**	**-**	**-**	**-**
Net asset hedging derivative instruments – assets	-	-	-	-	-	-
Net asset hedging derivative instruments – liabilities	121	-	121	-	-	-
Net asset hedging derivative instruments	**121**	**-**	**121**	**-**	**-**	**-**
FINANCIAL DEBT AFTER HEDGING	**2,159**	**7,408**	**9,566**	**2,027**	**7,258**	**9,285**
Cash and cash equivalents	**(545)**	**-**	**(545)**	**(569)**	**-**	**(569)**
NET FINANCIAL DEBT	**1,614**	**7,408**	**9,021**	**1,458**	**7,258**	**8,716**

2. Breakdown of debt by currency before and after foreign exchange hedging instruments at 30 June 2015 and 30 June 2016

On 30.06.2015 *€ million*	Debt before hedging	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% debt after hedging	% net debt after hedging
EUR	4,656	(394)	4,263	(69)	4,194	45%	46%
USD	4,790	944	5,734	(51)	5,683	60%	63%
GBP	2	(275)	(274)	(26)	(299)	-3%	-3%
SEK	9	(227)	(218)	(31)	(249)	-2%	-3%
Other currencies	54	6	60	(368)	(307)	1%	-3%
FINANCIAL DEBT BY CURRENCY	**9,511**	**55**	**9,566**	**(545)**	**9,021**	**100%**	**100%**

On 30.06.2016 *(€ million)*	Debt before hedging	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% debt after hedging	% net debt after hedging
EUR	3,880	195	4,075	(85)	3,990	44%	46%
USD	5,419	199	5,618	(28)	5,590	61%	64%
GBP	2	(91)	(89)	(17)	(107)	-1%	-1%
SEK	8	(351)	(343)	(9)	(352)	-4%	-4%
Other currencies	52	(29)	24	(429)	(405)	0%	-5%
FINANCIAL DEBT BY CURRENCY	**9,362**	**(77)**	**9,285**	**(569)**	**8,716**	**100%**	**100%**

3. Breakdown of debt by currency and type of rate hedging on 30 June 2015 and 30 June 2016

On 30.06.2015 *€ million*	Debt after hedging by currency	Fixed-rate debt (1)	Capped floating-rate debt	Floating-rate debt	% (fixed-rate + floating-rate debt)/Debt after hedging	Cash	% (fixed-rate + capped floating-rate debt)/net debt
EUR	4,263	3,584	-	678	84%	(69)	85%
USD	5,734	5,015	-	719	87%	(51)	88%
GBP	(274)	-	-	(274)	N.M.	(26)	N.M.
SEK	(218)	-	-	(218)	N.M.	(31)	N.M.
Other	60	-	-	60	N.M.	(368)	N.M.
TOTAL	**9,566**	**8,599**	**-**	**967**	**90%**	**(545)**	**95%**

(1) Hedges for accounting purposes and other derivatives.

On 30.06.2016 *€ million*	Debt after hedging by currency	Fixed-rate debt (1)	Capped floating-rate debt	Floating-rate debt	% (fixed-rate + floating-rate debt)/Debt after hedging	Cash	% (fixed-rate + capped floating-rate debt)/net debt
EUR	4,075	3,644	-	431	89%	(85)	91%
USD	5,618	5,098	-	520	91%	(28)	91%
GBP	(89)	-	-	(89)	N.M.	(17)	N.M.
SEK	(343)	-	-	(343)	N.M.	(9)	N.M.
Other	24	-	-	24	N.M.	(429)	N.M.
TOTAL	**9,285**	**8,743**	**-**	**542**	**94%**	**(569)**	**100%**

(1) Hedges for accounting purposes and other derivatives.

4. Breakdown of fixed-rate/floating-rate debt before and after interest rate hedging instruments at 30 June 2015 and 30 June 2016

	30.06.2015				30.06.2016			
€ million	Debt before hedging		Debt after hedging		Debt before hedging		Debt after hedging	
Fixed-rate debt	8,118	85%	8,599	90%	8,698	94%	8,743	94%
Capped floating-rate debt	-	-	-	-	-	-	-	-
Floating-rate debt	1,448	15%	967	10%	587	6%	542	6%
FINANCIAL DEBT AFTER HEDGING BY TYPE OF RATE	**9,566**	**100%**	**9,566**	**100%**	**9,285**	**100%**	**9,285**	**100%**

On 30 June 2016, before taking account of any hedges, the Group's gross debt was 94% fixed-rate and 6% floating-rate. After hedging, the floating-rate portion remained unchanged at 6%.

5. Schedule of financial liabilities on 30 June 2015 and 30 June 2016

The following table shows the maturity of future financial liability-related cash flows (nominal and interest). Variable interest flows have been estimated on the basis of rates on 30 June 2015 and 30 June 2016.

On 30.06.2015 € million	Balance sheet value	Contractual flows	< 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Nominal value		(9,398)	(683)	(1,239)	(1,803)	(371)	(14)	(864)	(4,425)
Interest		(2,526)	(119)	(229)	(299)	(215)	(214)	(214)	(1,235)
GROSS FINANCIAL DEBT	**(9,511)**	**(11,924)**	**(803)**	**(1,468)**	**(2,103)**	**(586)**	**(228)**	**(1,078)**	**(5,660)**
Cross currency swaps	(121)								
◆ Flows payable		(717)	(1)	(716)	-	-	-	-	-
◆ Flows receivable		594	-	594	-	-	-	-	-
Derivative instruments – liabilities	(147)	(154)	(57)	(24)	(21)	(20)	(20)	(20)	7
DERIVATIVE INSTRUMENTS LIABILITIES	**(267)**	**(277)**	**(58)**	**(145)**	**(21)**	**(20)**	**(20)**	**(20)**	**7**
TOTAL FINANCIAL LIABILITIES	**(9,779)**	**(12,201)**	**(860)**	**(1,613)**	**(2,124)**	**(606)**	**(247)**	**(1,097)**	**(5,653)**

On 30.06.2016 € million	Balance sheet value	Contractual flows	< 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Nominal value		(9,233)	(98)	(1,815)	(124)	(27)	(877)	(1,109)	(5,184)
Interest		(2,555)	(138)	(202)	(256)	(256)	(256)	(239)	(1,207)
GROSS FINANCIAL DEBT	**(9,362)**	**(11,788)**	**(236)**	**(2,017)**	**(381)**	**(283)**	**(1,133)**	**(1,348)**	**(6,391)**
Cross currency swaps	-								
◆ Flows payable		-	-	-	-	-	-	-	-
◆ Flows receivable		-	-	-	-	-	-	-	-
Derivative instruments – liabilities	(148)	(160)	(59)	(24)	(22)	(21)	(21)	(12)	-
DERIVATIVE INSTRUMENTS LIABILITIES	**(148)**	**(160)**	**(59)**	**(24)**	**(22)**	**(21)**	**(21)**	**(12)**	**-**
TOTAL FINANCIAL LIABILITIES	**(9,510)**	**(11,947)**	**(295)**	**(2,041)**	**(402)**	**(304)**	**(1,154)**	**(1,360)**	**(6,391)**

6. Syndicated loan

At 30 June 2016, the multi-currency syndicated loan of €2,500 million had not been drawn down.

7. Bonds

Nominal amount	Interest rate	Issue date	Maturity	Carrying amount at 30.06.2016 € million
USD 850 million	2.95%	12.01.2012	15.01.2017	776
EUR 1,000 million	5.00%	15.03.2011	15.03.2017	1,013
EUR 850 million	2.00%	20.03.2014	22.06.2020	845
USD 1,000 million	5.75%	07.04.2011	07.04.2021	920
USD 201 million	Spread + 6-month LIBOR	26.01.2016	26.01.2021	183
USD 1,500 million	4.45%	25.10.2011	15.01.2022	1,419
USD 800 million	4.25%	12.01.2012	15.07.2022	768
EUR 500 million	1.88%	28.09.2015	28.09.2023	480
EUR 650 million	2.13%	29.09.2014	27.09.2024	656
EUR 600 million	1.50%	17.05.2016	18.05.2026	598
USD 600 million	3.25%	08.06.2016	08.06.2026	535
USD 850 million	5.50%	12.01.2012	15.01.2042	771
TOTAL BONDS				**8,962**

8. Offsetting financial assets and financial liabilities

The table below shows the amounts of financial assets and financial liabilities before and after offsetting. These disclosures are required by an amendment to IFRS 7 (Financial instruments: Disclosures – Offsetting financial assets and financial liabilities) that has been applicable since 1 January 2013.

The amounts offset in the balance sheet were established in accordance with IAS 32. Accordingly, financial assets and financial liabilities are offset and the net amount is presented in the balance sheet if and only if the Group has a legally enforceable right to offset the recognised amounts, and if it intends to settle the net amount. The assets and liabilities offset stem from the multi-currency cash pooling implemented within the Group.

On 30.06.2015 € million	Gross financial assets	Amounts offset in the balance sheet	Net amounts in the balance sheet	Impact of master netting agreements and similar agreements	Financial instruments received as collateral	Net amounts under IFRS 7
Assets						
Cash and cash equivalents	710	(165)	545	-	-	-
Liabilities and shareholders' equity						
Other financial liabilities	1,203	(165)	1,039	-	-	-

On 30.06.2016 € million	Gross financial assets	Amounts offset in the balance sheet	Net amounts in the balance sheet	Impact of master netting agreements and similar agreements	Financial instruments received as collateral	Net amounts under IFRS 7
Assets						
Cash and cash equivalents	704	(135)	569	-	-	-
Liabilities and shareholders' equity						
Other financial liabilities	535	(135)	400	-	-	-

Note 4.9 Financial instruments

1. *Fair value of financial instruments*

€ million	Measurement level	Breakdown by accounting classification: Fair value – profit	Fair value – shareholders' equity	Loans and receivables	Liabilities at amortised cost	30.06.2015: Balance sheet value	Fair value
Assets							
Available-for-sale financial assets	Level 3	-	19	-	-	19	19
Guarantees, deposits, investment-related receivables		-	-	56	-	56	56
Trade receivables		-	-	1,152	-	1,152	1,152
Other current assets		-	-	260	-	260	260
Derivative instruments – assets	Level 2	102	-	-	-	102	102
Cash and cash equivalents	Level 1	545	-	-	-	545	545
Liabilities and shareholders' equity							
Bonds		-	-	-	8,473	8,473	8,900
Other financial liabilities (excluding finance lease debt)		-	-	-	999	999	999
Finance lease debt		-	-	-	40	40	40
Derivative instruments – liabilities	Level 2	267	-	-	-	267	267

€ million	Measurement level	Breakdown by accounting classification: Fair value – profit	Fair value – shareholders' equity	Loans and receivables	Liabilities at amortised cost	30.06.2016: Balance sheet value	Fair value
Assets							
Available-for-sale financial assets	Level 3	-	16	-	-	16	16
Guarantees, deposits, investment-related receivables		-	-	76	-	76	76
Trade receivables		-	-	1,068	-	1,068	1,068
Other current assets		-	-	251	-	251	251
Derivative instruments – assets	Level 2	116	-	-	-	116	116
Cash and cash equivalents	Level 1	569	-	-	-	569	569
Liabilities and shareholders' equity							
Bonds		-	-	-	8,962	8,962	9,582
Other financial liabilities (excluding finance lease debt)		-	-	-	362	362	362
Finance lease debt		-	-	-	38	38	38
Derivative instruments – liabilities	Level 2	148	-	-	-	148	148

The methods used are as follows:

- debt: the fair value of the debt is determined for each loan by discounting future cash flows on the basis of market rates at the closing date, adjusted for the Group's credit risk. For floating-rate bank debt, the fair value is approximately equal to the net carrying amount;
- bonds: market liquidity enabled the bonds to be valued at their fair value using the quoted prices;
- other long-term financial liabilities: the fair value of other long-term financial liabilities was calculated for each loan by discounting future cash flows using an interest rate reflecting the Group's credit risk at the balance sheet date;
- derivative instruments: the market value of instruments recognised in the financial statements at the balance sheet date was calculated on the basis of available market data, using current valuation models.

The hierarchical levels for fair value disclosures below accord with the definitions in the amended version of IFRS 7 (Financial instruments: disclosures):

- level 1: fair value based on prices quoted in an active market;
- level 2: fair value measured on the basis of observable market data (other than quoted prices included in level 1);
- level 3: fair value determined using valuation techniques based on unobservable market data.

In accordance with IFRS 13, derivatives were measured taking into account the credit valuation adjustment (CVA) and the debt valuation adjustment (DVA). The measurement is based on historical data (rating of counterparty banks and probability of default). At 30 June 2016, the impact was not significant.

2. Risk management

Management and monitoring of financial risks is performed by the Financing and Treasury Department, which has eight staff members. Reporting to the Group Finance Department, it oversees all financial exposures and processes or validates all financing, investment and hedging transactions, as part of a programme approved by the General Management.

All financial instruments used hedge existing or forecast hedge transactions or investments. They are contracted with a limited number of counterparties that have a first-class rating.

Management of liquidity risk

At 30 June 2016, the Group's cash and cash equivalents totalled €569 million (compared with €545 million at 30 June 2015). An additional €2,760 million of medium-term credit facilities with banks was confirmed and remained undrawn at this date. Group funding is provided in the form of long-term debt (syndicated loans, bonds, etc.) and short-term financing (commercial paper, bank overdrafts) as well as factoring and securitisation, which provide adequate financial resources to ensure the continuity of its business. Short-term financial debt after hedging was €2,027 million (compared with €2,159 million at 30 June 2015).

While the Group has not identified any other significant cash requirement, it cannot be fully guaranteed that it will be able to continue to access the funding and refinancing needed for its day-to-day operations and investments on satisfactory terms, given the uncertain economic context.

The credit ratings sought by Pernod Ricard from rating agencies on its long- and short-term debt are Baa2/P2 from Moody's and BBB-/A3 from Standard & Poor's respectively.

The Group's bank and bond debt contracts include covenants. Breaches of these covenants could force the Group to make accelerated payments. At 30 June 2016, the Group was in compliance with the covenants under the terms of its syndicated loan, with a solvency ratio (total net debt converted at the average rate/consolidated EBITDA) of 5.25 or less.

Furthermore, while the vast majority of the Group's cash surplus is placed with branches of global banks enjoying the highest agency ratings, it cannot be ruled out that these Group investments may lose some of their liquidity and/or value.

The currency controls in place in certain countries limit the Group's ability to use cash (prohibition on investment with Pernod Ricard Finance) and, in some cases, the possibility of paying dividends (authorisation is required from the relevant authorities, particularly in Cuba).

Specific terms of financing agreements and schedule of financial liabilities are respectively disclosed in the "Significant contracts" section of the management report and in Note 4.8 – *Financial liabilities* of the Notes to the consolidated financial statements.

Management of currency risk

As the Group consolidates its financial statements in euros, it is exposed to fluctuations against the euro by the currencies in which its assets and liabilities are denominated (asset risk) or in which transactions are carried out (transaction risk and translation of results).

While some hedging strategies allow exposure to be limited, there is no absolute protection against exchange rate fluctuations.

For asset risk, financing foreign currency-denominated assets acquired by the Group with debt in the same currency provides natural hedging. This principle was applied for the acquisition of Seagram, Allied Domecq and Vin&Sprit, with part of the debt being denominated in USD, reflecting the importance of cash flows generated in dollars or linked currencies.

Movements in currencies against the euro (notably the USD) may impact the nominal amount of these debts and the financial costs published in euro in the consolidated financial statements, and this could affect the Group's reported results.

For operational currency risk, the Group's international operations expose it to currency risks bearing on transactions carried out by affiliates in a currency other than their operating currency (transaction accounting risk).

In all cases, it is Group policy to invoice end customers in the functional currency of the distributing entity. Exposure to currency risk on invoicing between producer and distributor affiliates is managed *via* a monthly payment centralisation procedure involving most countries with freely convertible and transferable currencies and whose internal legislation allows this participation. This system hedges against net exposure using forward exchange contracts.

Residual risk is partially hedged using financial derivatives (forward purchases, forward sales or options) to hedge certain or highly probable non-Group operating receivables and payables.

In addition, the Group may use firm or optional hedges with the aim of reducing the impact of currency fluctuations on its operating activities in some Brand Companies that make significant purchases in currencies other than the euro – especially USD, GBP or SEK – or in order to secure the payment of dividends back to the parent.

Management of interest rate risk

At 30 June 2016, the Pernod Ricard group's debt comprised floating-rate debt (mainly commercial paper and other bank loans) and fixed-rate debt (mainly bonds), in addition to a hedging portfolio including swaps in EUR and USD.

The Group cannot guarantee that these hedges will prove sufficient, or that it will be able to maintain them on acceptable terms.

Schedule of floating-rate debt and hedging in EUR *(notional value in euro million)*

On 30.06.2016 *€ million*	< 1 year	> 1 year and < 5 years	> 5 years	Total
Total assets (cash)	85	-	-	85
Total floating-rate liabilities	(115)	(122)	-	(236)
NET FLOATING-RATE DEBT BEFORE HEDGING	**(29)**	**(122)**	**-**	**(151)**
Derivative instruments	(195)	-	-	(195)
NET FLOATING-RATE DEBT AFTER HEDGING	**(224)**	**(122)**	**-**	**(345)**

Schedule of floating-rate debt and hedging in USD *(notional value in euro million)*

On 30.06.2016 *€ million*	< 1 year	> 1 year and < 5 years	> 5 years	Total
Total assets (cash)	28	-	-	28
Total floating-rate liabilities	(89)	(277)	-	(366)
NET FLOATING-RATE DEBT BEFORE HEDGING	**(61)**	**(277)**	**-**	**(338)**
Derivative instruments	624	(279)	(499)	(154)
NET FLOATING-RATE DEBT AFTER HEDGING	**563**	**(556)**	**(499)**	**(492)**

Analysis of the sensitivity of financial instruments to interest rate risk (impact on the income statement)

A 50 bp increase or decrease in (USD and EUR) interest rates would increase or reduce the cost of net financial debt by €4 million.

Analysis of the sensitivity of financial instruments to interest rate risk (impact on shareholders' equity)

A relative fluctuation of +/-50 bp in interest rates (USD and EUR) would generate an equity gain or loss of approximately €8 million as a result of changes in the fair value of the derivatives documented as cash flow hedges (swaps).

Analysis of the sensitivity of financial instruments used to hedge risks related to agricultural raw materials (impact on shareholders' equity)

At 30 June 2016, the sensitivity of the portfolio was not significant.

Counterparty risk in financial transactions

The Group could be exposed to counterparty default *via* its cash investments, hedging instruments or the availability of confirmed but undrawn financing lines. In order to limit this exposure, the Group performs a rigorous selection of counterparties according to several criteria, including credit ratings, and depending on the maturity dates of the transactions.

However, no assurance can be given that this rigorous selection will be enough to protect the Group against risks of this type, particularly in the current economic context.

Note 4.10 Interest rate, foreign exchange and commodity derivatives

In application of the amended version of IAS 39 (Financial instruments: recognition and measurement), all derivative instruments must be recognised in the balance sheet at fair value, determined on the basis of valuation models recognised on the market or of external listings issued by financial institutions.

Where the derivative has been designated as a fair value hedge, changes in the value of the derivative and of the hedged item are recognised in profit and loss for the same period. If the derivative has been designated as a cash flow hedge, the change in value of the "effective" portion of the hedge is recognised in shareholders' equity. It is recognised in profit and loss when the hedged item is itself recognised in profit and loss. The change in value of the "ineffective" component of the derivative is, however, recognised directly in profit and loss. If the derivative is designated as a hedge of a net foreign currency investment, the change in value of the effective component of the derivative is recognised in shareholders' equity and the change in value of the "ineffective" component is recognised in profit and loss.

Type of hedge on 30.06.2015 *€ million*	Description of the financial instrument	Notional amount of contracts < 1 year	> 1 year and < 5 years	> 5 years	Total	Fair value Assets	Liabilities
Fair value hedge						**66**	**-**
Interest rate risk hedges	Swaps	600	313	1,430	2,343	66	-
Interest rate and currency risk hedges	Cross currency swaps	-	-	-	-	-	-
Net investment hedge						**-**	**-**
Currency risk hedges	Currency swaps	-	-	-	-	-	-
Interest rate and currency risk hedges	Cross currency swaps	-	-	-	-	-	-
Net asset hedging						**-**	**121**
Interest rate and currency risk hedges	Cross currency swaps	580	-	-	-	-	121
DERIVATIVE INSTRUMENTS INCLUDED IN NET DEBT						**66**	**121**
Cash flow hedge						**20**	**109**
Interest rate risk hedges	Swaps	268	894	1,394	2,556	-	92
Hedging of currency risk on intragroup financing and operational hedging	Currency swaps	364	5	-	369	20	17
Commodity risk hedges	Forward	2	-	-	2	0	-
Non-hedge accounting						**16**	**38**
Hedging of currency risk on intragroup financing and operational hedging	Currency swaps and fx forwards	1,912	-	-	-	16	24
Interest rate risk hedges	Swaps	1,162	-	-	1,162	-	14
TOTAL DERIVATIVE INSTRUMENTS						**101**	**267**
TOTAL NON-CURRENT						**52**	**87**
TOTAL CURRENT (LESS THAN ONE YEAR)						**50**	**181**

Type of hedge on 30.06.2016 *€ million*	Description of the financial instrument	Notional amount of contracts < 1 year	> 1 year and < 5 years	> 5 years	Total	Fair value Assets	Liabilities
Fair value hedge						**77**	**-**
Interest rate risk hedges	Swaps	-	676	540	1,216	77	-
Interest rate and currency risk hedges	Cross currency swaps	-	-	-	-	-	-
Net investment hedge						**-**	**-**
Currency risk hedges	NDF & FX options	-	-	-	-	-	-
Interest rate and currency risk hedges	Cross currency swaps	-	-	-	-	-	-
Net asset hedging						**-**	**-**
Interest rate and currency risk hedges	Cross currency swaps	-	-	-	-	-	-
DERIVATIVE INSTRUMENTS INCLUDED IN NET DEBT						**77**	**-**
Cash flow hedge						**1**	**63**
Interest rate risk hedges	Swaps	-	360	-	360	-	35
Hedging of currency risk on intragroup financing and operational hedging	Currency swaps	454	72	-	526	1	26
Commodity risk hedges	Forward	15	5	-	20	-	2
Non-hedge accounting						**38**	**85**
Hedging of currency risk on intragroup financing and operational hedging	Currency swaps and forwards	2,047	-	-	2,047	7	35
Interest rate risk hedges	Swaps	901	1,081	-	1,982	31	50
TOTAL DERIVATIVE INSTRUMENTS						**116**	**148**
TOTAL NON-CURRENT						**109**	**84**
TOTAL CURRENT (LESS THAN ONE YEAR)						**8**	**64**

The notional amount of these contracts is the nominal value of the contracts. Foreign currency-denominated notional amounts in cross currency swaps are shown in euros at the exchange rate agreed. For other instruments, notional amounts denominated in foreign currencies are translated into euros at year-end rates. Estimated values are based on information available on the financial markets and valuation methods appropriate to the type of financial instrument concerned. These valuation methods yielded results consistent with the valuations provided by bank counterparties.

Note 4.11 Other current liabilities

Other current liabilities are broken down as follows:

€ million	30.06.2015	30.06.2016
Taxes and social payables	604	583
Other operating payables	311	323
Other payables	5	3
TOTAL	**920**	**909**

Most other operating payables are due within one year.

Note 5 Notes to the cash flow statement

1. Working capital requirements

Working capital requirements increased by €178 million. The change breaks down as follows:

- increase in inventory: +€237 million;
- decrease in trade receivables: €(39) million;
- increase in operating and other payables: €(20) million.

The increase in inventory relates to the build-up of ageing inventories to meet growing demand.

2. Capital expenditure

Capital expenditure related mainly to the construction of new warehouses or the renewal of machinery and equipment in the production affiliates.

3. Bond issues/repayment of long-term debt

The Group repaid a bond of €1,200 million in March 2016.

It also issued three bonds over the financial year:

- €500 million in September 2015;
- €600 million in May 2016;
- US$600 million in June 2016.

Note 6 Additional information

Note 6.1 Shareholders' equity

1. Share capital

The Group's share capital did not change between 1 July 2015 and 30 June 2016:

	Number of shares	Amount *€ million*
Share capital on 30 June 2015	265,421,592	411
Share capital on 30 June 2016	265,421,592	411

All Pernod Ricard shares are issued and fully paid and have a nominal amount of €1.55. Only one category of ordinary Pernod Ricard shares exists. These shares obtain double voting rights if they have been nominally registered for an uninterrupted period of 10 years.

2. Treasury shares

Treasury shares are recognised on acquisition as a deduction from shareholders' equity. Subsequent changes in the value of treasury shares are not recognised. When treasury shares are sold, any difference between the acquisition cost and the fair value of the shares at the date of sale is recognised as a change in shareholders' equity and has no impact on profit and loss for the year.

On 30 June 2016, Pernod Ricard and its controlled affiliates held 995,594 Pernod Ricard shares worth €82 million. These treasury shares are shown at cost as a deduction from shareholders' equity.

As part of its stock option and bonus share allocation plans, Pernod Ricard SA holds shares either directly (treasury shares) or indirectly (calls or repurchase options) that may be granted if options are exercised under stock option plans or, in the case of bonus shares, if performance targets are met.

3. Interim dividend

The Board of Directors' meeting of 22 June 2016 decided to pay an interim dividend of €0.90 per share in respect of the 2015/16 financial year, *i.e.* a total of €239 million. This interim dividend was paid on 8 July 2016 and recognised under Other operating payables in the balance sheet at 30 June 2016.

4. Capital management

The Group manages its capital in such a way as to optimise its cost of capital and profitability for its shareholders, provide security for all its counterparties and maintain a high rating. In this context, the Group may adjust its payment of dividends to shareholders, repay part of its capital, buy back its own shares and authorise share-based payment plans.

5. Liquidity agreement

On 24 May 2012, Pernod Ricard SA put in place a 12-month liquidity agreement, effective from 1 June 2012, through Rothschild & Cie Banque. The agreement is tacitly renewable for successive periods of 12 months. It complies with the AMAFI Code of Conduct, which was approved by the AMF in its decision of 21 March 2011.

The sum of €5 million was allocated for the implementation of the liquidity agreement.

Note 6.2 Share-based payments

The Group applies the IFRS 2 standard to transactions whose award and settlement are share-based and to transactions whose award is share-based but which are settled in cash.

Pursuant to this standard, stock options and performance-based shares granted to employees are measured at fair value. The amount of such fair value is recognised in the income statement over the vesting period of the rights and a corresponding double entry is recognised as an increase in shareholders' equity. Share appreciation rights, which will be settled in cash, are measured at fair value and recognised in profit and loss with a corresponding entry to the liability incurred. This liability is remeasured at each closing date until settlement.

The fair value of options and rights is calculated using valuation models taking into account the characteristics of the plan and market data at the date of grant and on the basis of Group Management assumptions.

Description of share-based payment plans

All of the plans are equity-settled, except for the plans granted on 14 June 2006 and 18 January 2007, which also included awards of share appreciation rights (SARs) to Group employees. The SARs are cash-settled options. Moreover, with respect to plans granted since 2007, performance-based share plans with performance and continuous service conditions were also granted.

On the exercise of their rights, beneficiaries of SARs will receive a cash payment based on the Pernod Ricard share price that is equal to the difference between the Pernod Ricard share price on the date of exercise and the exercise price set on the grant date. At 30 June 2016 there were no more SARs outstanding, the 14 June 2006 plan having matured during the 2015/16 financial year.

The plans granted on 11 August 2005, 14 June 2006 and 18 June 2008 reached maturity during the 2015/16 financial year.

Information relating to stock option and performance-based share plans

Stock option and performance-based share plans are granted to managers with high levels of responsibility, key management personnel for the Group and high-potential managers.

Two allocation plans were launched during the 2015/16 financial year, on 6 November 2015:

- a stock option plan including a performance condition based on the positioning of the overall performance of the Pernod Ricard share (TSR [(1)]) compared to the overall performance of a panel of 12 peers over the period from 6 November 2015 to 6 November 2018 inclusive (three years) and a condition of four years' continuous service;
- a performance-based share plan, including a performance criterion based on the average level of profit from recurring operations achieved compared to the budget, measured over three consecutive years including the year in which the shares were granted and a continuous service condition upon vesting;
- a performance-based share plan, including several levels of performance conditions, with the first based on the average level of profit from recurring operations achieved compared to the budget, measured over three years including the year in which the shares were granted, and the second based on the positioning of the overall performance of the Pernod Ricard share (TSR [(1)]) compared to the overall performance of a panel of 12 peers over the period from 6 November 2015 to 6 November 2018 inclusive (three years) and a continuous service condition upon vesting.

	Plan dated 11.08.2005	Plan dated 14.06.2006	Plan dated 14.06.2006	Plan dated 18.01.2007	Plan dated 18.06.2008	Plan dated 18.06.2008	Plan dated 18.06.2008
Type of options/shares	Purchase	Purchase	SARs	SARs	Purchase	Purchase	Free
Performance conditions	Unconditional	Unconditional	Unconditional	Unconditional	Unconditional	Conditional	Conditional
Number of beneficiaries	485	555	49	1	598	13	804
Acquisition of options/vesting date of shares	11.08.2009	14.06.2010	14.06.2009	18.01.2010	18.06.2012	18.06.2012	18.06.2010 (FRA) 18.06.2012 (ROW)
Exercisable from	12.08.2009	15.06.2010	15.06.2009	19.01.2010	19.06.2012	19.06.2012	19.06.2012 (FRA and ROW)
Expiry date	11.08.2015	14.06.2016	14.06.2016	18.01.2017	18.06.2016	18.06.2016	N/A
Subscription or purchase price (in euro)	€52.59	€58.41	€58.41	N/A	€66.16	€66.16	N/A
Outstanding options and shares on 30.06.2016	-	-	-	-	-	-	-
Stock option/share expense for 2015/16 *(€ thousand)*	-	-	(183)	-	-	-	-

(1) Total Shareholder Return.

	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 24.06.2010
Type of options/shares	Purchase	Purchase	Purchase	Free
Performance conditions	Unconditional	Conditional	Conditional	Conditional
Number of beneficiaries	705	133	133	980
Acquisition of options/vesting date of shares	24.06.2014	24.06.2014	24.06.2014	24.06.2013 (FRA) 24.06.2014 (ROW)
Exercisable from	25.06.2014	25.06.2014	25.06.2014	25.06.2015 (FRA) 25.06.2014 (ROW)
Expiry date	24.06.2018	24.06.2018	24.06.2018	N/A
Subscription or purchase price (in euro)	€64.00	€64.00	€64.00	N/A
Outstanding options and shares on 30.06.2016	260,277	93,668	93,669	-
Stock option/share expense for 2015/16 *(€ thousand)*	-	-	-	-

	Plan dated 15.09.2010	Plan dated 15.06.2011	Plan dated 15.06.2011	Plan dated 15.06.2011	Plan dated 15.06.2011
Type of options/shares	Purchase	Purchase	Purchase	Purchase	Free
Performance conditions	Conditional	Unconditional	Conditional	Conditional	Conditional
Number of beneficiaries	1	713	144	144	1,029
Acquisition of options/vesting date of shares	15.09.2014	15.06.2015	15.06.2015	15.06.2015	15.06.2014 (FRA) 15.06.2015 (ROW)
Exercisable from	16.09.2014	16.06.2015	16.06.2015	16.06.2015	16.06.2016 (FRA) 16.06.2015 (ROW)
Expiry date	15.09.2018	15.06.2019	15.06.2019	15.06.2019	N/A
Subscription or purchase price (in euro)	€64.00	€68.54	€68.54	€68.54	N/A
Outstanding options and shares on 30.06.2016	67,500	343,665	140,702	140,702	-
Stock option/share expense for 2015/16 *(€ thousand)*	-	-	-	-	-

	Plan dated 27.06.2012	Plan dated 27.06.2012	Plan dated 27.06.2012	Plan dated 27.06.2012	Plan dated 27.06.2012
Type of options/shares	Purchase	Purchase	Purchase	Purchase	Free
Performance conditions	Conditional	Conditional	Conditional	Conditional	Conditional
Number of beneficiaries	158	158	1	1	1,059
Acquisition of options/vesting date of shares	27.06.2016	27.06.2016	27.06.2016	27.06.2016	27.06.2015 (FRA) 27.06.2016 (ROW)
Exercisable from	28.06.2016	28.06.2016	28.06.2016	28.06.2016	28.06.2017 (FRA) 28.06.2016 (ROW)
Expiry date	27.06.2020	27.06.2020	27.06.2020	27.06.2020	N/A
Subscription or purchase price (in euro)	€78.93	€78.93	€78.93	€78.93	N/A
Outstanding options and shares on 30.06.2016	-	-	-	-	-
Stock option/share expense for 2015/16 *(€ thousand)*	716	747	43	44	4,759

	Plan dated 06.11.2013	Plan dated 06.11.2013	Plan dated 06.11.2013	Plan dated 06.11.2014	Plan dated 06.11.2014
Type of options/shares	Purchase	Free	Free	Free	Free
Performance conditions	Conditional	Conditional	Conditional	Conditional	Conditional
Number of beneficiaries	168	2	1,087	1,005	15
Acquisition of options/vesting date of shares	06.11.2017	06.11.2016	06.11.2016 (FRA) 06.11.2017 (ROW)	06.11.2018	06.11.2018
Exercisable from	07.11.2017	07.11.2018	07.11.2018 (FRA) 07.11.2017 (ROW)	07.11.2018	07.11.2018
Expiry date	06.11.2021	N/A	N/A	N/A	N/A
Subscription or purchase price (in euro)	€88.11	N/A	N/A	N/A	N/A
Outstanding options and shares on 30.06.2016	348,640	10,920	328,353	386,405	41,808
Stock option/share expense for 2015/16 *(€ thousand)*	1,331	141	5,238	9,679	561

	Plan dated 06.11.2015	Plan dated 06.11.2015	Plan dated 06.11.2015
Type of options/shares	Purchase	Free	Free
Performance conditions	Conditional	Conditional	Conditional
Number of beneficiaries	161	1	1,006
Acquisition of options/vesting date of shares	06.11.2019	06.11.2019	06.11.2019
Exercisable from	07.11.2019	07.11.2019	07.11.2019
Expiry date	06.11.2023	N/A	N/A
Subscription or purchase price (in euro)	€102.80	N/A	N/A
Outstanding options and shares on 30.06.2016	278,575	5,500	406,223
Stock option/share expense for 2015/16 *(€ thousand)*	701	48	6,018

N/A: Not applicable.
FRA: French tax residents; ROW: non-French tax residents.

History of stock option plans that have not yet expired is detailed in the “Management report” section of the Registration Document.

Regarding stock options already vested, the total number of options outstanding is 1,140,183, for which the average remaining life is two years and six months.

The Group recognised an expense of €3.6 million in operating profit in respect of the six stock option plans in operation at 30 June 2016, an expense of €26.4 million in respect of the seven performance-based share plans, and income of €0.2 million in respect of the final SAR programme in existence during the 2015/16 financial year.

Annual expenses

€ million	30.06.2015	30.06.2016
Stock options (equity settled) – impact on shareholders’ equity	6	4
SARs (cash settled) – impact on other current liabilities	2	(0)
Performance-based shares (equity settled) – impact on shareholders’ equity	20	26
TOTAL ANNUAL EXPENSES	**28**	**30**

Outstanding stock options/shares changes during the year are described below:

	Plan dated 11.08.2005	Plan dated 14.06.2006	Plan dated 14.06.2006	Plan dated 18.01.2007	Plan dated 18.06.2008	Plan dated 18.06.2008	Plan dated 18.06.2008
Type of options/shares	Purchase	Purchase	SARs	SARs	Purchase	Purchase	Free
Performance conditions	Unconditional	Unconditional	Unconditional	Unconditional	Unconditional	Conditional	Conditional
Outstanding options/shares on 30.06.2015	**32,081**	**423,456**	**59,552**	**-**	**435,698**	**80,363**	**-**
Granted between 01.07.2015 and 30.06.2016	-	-	-	-	-	-	-
Cancelled between 01.07.2015 and 30.06.2016	-	-	-	-	902	-	-
Exercised between 01.07.2015 and 30.06.2016	31,877	423,456	59,552	-	432,873	80,363	-
Expired between 01.07.2015 and 30.06.2016	204	-	-	-	1,923	-	-
OUTSTANDING OPTIONS/ SHARES ON 30.06.2016	**-**	**-**	**-**	**-**	**-**	**-**	**-**

	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 15.09.2010	Plan dated 15.06.2011
Type of options/shares	Purchase	Purchase	Free	Purchase	Purchase
Performance conditions	Unconditional	Conditional	Conditional	Conditional	Unconditional
Outstanding options/shares on 30.06.2015	**298,378**	**207,691**	**0**	**67,500**	**518,097**
Granted between 01.07.2015 and 30.06.2016	-	-	-	-	-
Cancelled between 01.07.2015 and 30.06.2016	500	-	-	-	500
Exercised between 01.07.2015 and 30.06.2016	37,601	20,354	-	-	168,182
Expired between 01.07.2015 and 30.06.2016	-	-	-	-	5,750
OUTSTANDING OPTIONS/SHARES ON 30.06.2016	**260,277**	**187,337**	**-**	**67,500**	**343,665**

	Plan dated 15.06.2011	Plan dated 15.06.2011	Plan dated 27.06.2012	Plan dated 27.06.2012	Plan dated 27.06.2012
Type of options/shares	Purchase	Free	Purchase	Purchase	Free
Performance conditions	Conditional	Conditional	Conditional	Conditional	Conditional
Outstanding options/shares on 30.06.2015	**322,678**	**-**	**191,650**	**11,400**	**310,650**
Granted between 01.07.2015 and 30.06.2016	-	-	-	-	-
Cancelled between 01.07. 2015 and 30.06.2016	-	-	191,650	11,400	17,761
Exercised between 01.07.2015 and 30.06.2016	41,274	-	-	-	292,889
Expired between 01.07.2015 and 30.06.2016	-	-	-	-	-
OUTSTANDING OPTIONS/SHARES ON 30.06.2016	**281,404**	**-**	**-**	**-**	**-**

	Plan dated 06.11.2013	Plan dated 06.11.2013	Plan dated 06.11.2013	Plan dated 06.11.2014	Plan dated 06.11.2014
Type of options/shares	Purchase	Free	Free	Free	Free
Performance conditions	Conditional	Conditional	Conditional	Conditional	Conditional
Outstanding options/shares on 30.06.2015	**348,640**	**10,920**	**350,958**	**53,600**	**518,070**
Granted between 01.07.2015 and 30.06.2016	-	-	-	-	-
Cancelled between 01.07.2015 and 30.06.2016	-	-	22,342	11,792	131,665
Exercised between 01.07.2015 and 30.06.2016	-	-	263	-	-
Expired between 01.07.2015 and 30.06.2016	-	-	-	-	-
OUTSTANDING OPTIONS/SHARES ON 30.06.2016	**348,640**	**10,920**	**328,353**	**41,808**	**386,405**

	Plan dated 06.11.2015	Plan dated 06.11.2015	Plan dated 06.11.2015
Type of options/shares	Purchase	Free	Free
Performance conditions	Conditional	Conditional	Conditional
Outstanding options/shares on 30.06.2015	**N/A**	**N/A**	**N/A**
Granted between 01.07.2015 and 30.06.2016	278,575	5,500	413,423
Cancelled between 01.07.2015 and 30.06.2016	-	-	7,200
Exercised between 01.07.2015 and 30.06.2016	-	-	-
Expired between 01.07.2015 and 30.06.2016	-	-	-
OUTSTANDING OPTIONS/SHARES ON 30.06.2016	**278,575**	**5,500**	**406,223**

The average exercise price of options exercised during the 2015/16 financial year was €63.46.

The assumptions used in calculating the fair values of the options, using the binomial or Monte Carlo models and the terms under which the options/shares were granted, are as follows:

	Plan dated 11.08.2005	Plan dated 14.06.2006	Plan dated 14.06.2006	Plan dated 18.01.2007	Plan dated 18.06.2008	Plan dated 18.06.2008	Plan dated 18.06.2008
Type of options/shares	Purchase	Purchase	SARs	SARs	Purchase	Purchase	Free
Performance conditions	Unconditional	Unconditional	Unconditional	Unconditional	Unconditional	Conditional	Conditional
Initial share price *(in euros after adjustments)* [(3)]	55.22	56.83	100.1 [(1)]	100.1 [(1)]	63.29	63.29	63.29
Exercise price *(in euros after adjustments)*	52.59	58.41	58.41	N/A	66.16	66.16	N/A
Expected volatility [(2)]	30%	30%	22%	22%	21%	21%	N/A
Expected dividend yield [(2)]	2%	2%	2%	2%	2%	2%	2%
Risk-free interest rate [(2)]	3.25%	4.00%	4.50%	4.50%	4.83%	4.83%	4.83%
IFRS 2 FAIR VALUE ON 30.06.2016	**18.4**	**18.47**	**N/A**	**N/A**	**15.76**	**12.07**	**54.23 (FRA) 57.39 (ROW)**

	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 15.09.2010	Plan dated 15.09.2010
Type of options/shares	Purchase	Purchase	Purchase	Free	Purchase	Purchase
Performance conditions	Unconditional	Conditional	Conditional	Conditional	Conditional	Conditional
Initial share price *(in euros after adjustments)* (3)	65.16	65.16	65.16	65.16	59.91	59.91
Exercise price *(in euros after adjustments)*	64	64	64	N/A	64	64
Expected volatility (2)	28%	28%	28%	N/A	23%	23%
Expected dividend yield (2)	2%	2%	2%	2%	2%	2%
Risk-free interest rate (2)	3.41%	3.41%	3.41%	2.28%	2.93%	2.93%
IFRS 2 FAIR VALUE ON 30.06.2016	**18.39**	**12.45**	**13.04**	**60.15 (ROW) 59.27 (FRA)**	**8.02**	**8.23**

	Plan dated 15.06.2011	Plan dated 15.06.2011	Plan dated 15.06.2011	Plan dated 15.06.2011	Plan dated 27.06.2012	Plan dated 27.06.2012
Type of options/shares	Purchase	Purchase	Purchase	Free	Purchase	Purchase
Performance conditions	Unconditional	Conditional	Conditional	Conditional	Conditional	Conditional
Initial share price *(in euros after adjustments)* (3)	66.74	66.74	66.74	66.74	79.51	79.51
Exercise price *(in euros after adjustments)*	68.54	68.54	68.54	N/A	78.93	78.93
Expected volatility (2)	23%	23%	23%	N/A	27%	27%
Expected dividend yield (2)	2%	2%	2%	2%	2%	2%
Risk-free interest rate (2)	3.37%	3.37%	3.37%	3.12%	3.28%	3.28%
IFRS 2 FAIR VALUE ON 30.06.2016	**15.12**	**10.09**	**10.33**	**61.61 (ROW) 60.02 (FRA)**	**14.62**	**15.27**

	Plan dated 27.06.2012	Plan dated 06.11.2013	Plan dated 06.11.2013	Plan dated 06.11.2013	Plan dated 06.11.2014	Plan dated 06.11.2014
Type of options/shares	Free	Purchase	Free	Free	Free	Free
Performance conditions	Conditional	Conditional	Conditional	Conditional	Conditional	Conditional
Initial share price *(in euros after adjustments)* (3)	79.51	86.75	86.75	86.75	90.62	90.62
Exercise price *(in euros after adjustments)*	N/A	88.11	N/A	N/A	N/A	N/A
Expected volatility (2)	N/A	24%	24%	N/A	21%	N/A
Expected dividend yield (2)	2%	2%	2%	2%	2%	2%
Risk-free interest rate (2)	2.31%	2.25%	1.3%	1.3%	0.45%	0.45%
IFRS 2 FAIR VALUE ON 30.06.2016	**73.40 (ROW) 74.88 (FRA)**	**15.19**	**47.04**	**80.08 (ROW) 79.06 (FRA)**	**43.58**	**83.65**

	Plan dated 06.11.2015	Plan dated 06.11.2015	Plan dated 06.11.2015
Type of options/shares	Purchase	Free	Free
Performance conditions	Conditional	Conditional	Conditional
Initial share price *(in euros after adjustments)* (3)	107.5	107.5	107.5
Exercise price *(in euros after adjustments)*	102.8	N/A	N/A
Expected volatility (2)	26%	21%	N/A
Expected dividend yield (2)	2%	2%	2%
Risk-free interest rate (2)	1%	0.25%	N/A
IFRS 2 FAIR VALUE ON 30.06.2016	**16.04**	**53.74**	**99.24**

N/A: not applicable.

FRA: French tax residents; ROW: non-French tax residents.

(1) Share price on 30.06.2016.

(2) Assumptions used for initial measurement.

(3) Share price at grant date after value adjustment.

The volatility assumption used for the 2010 and 2011 plans is based on the implied volatility of the Pernod Ricard share at the date the plans were granted.

With a view to smoothing this assumption over time for the 2012, 2013, 2014 and 2015 plans, the Group again opted for a multi-criteria approach taking into consideration:

- historic volatility over a period equal to the duration of the options;
- implied volatility calculated on the basis of options available in financial markets.

The possibility of exercising options before maturity was included in the measurement model for stock option plans (with or without a market performance-related element). It was assumed that 1% of options are exercised each year as a result of employees leaving the Company. Furthermore, assumptions reflecting the behaviour of beneficiaries are taken into account in estimating early exercise (before maturity). For the 2007 and 2008 plans it was assumed that 67% and 33% of options would be exercised once the share price reached 150% and 250% of the exercise price, respectively. For the 2010, 2011, 2012, 2013 and 2015 plans, it was assumed that 60%, 30% and 10% of options would be exercised once the share price reached 125%, 175% and 200% of the exercise price, respectively. This new assumption is based on an analysis of behaviour observed on plans awarded before 2010.

Options allocated on 6 November 2015 are all conditional on the positioning of the overall performance of the Pernod Ricard share (TSR (1)) compared to the overall performance of a panel of 12 peers: the stock options will be pre-vested on 6 November 2018, provided that the Pernod Ricard share (TSR (1)) is positioned 7th out of 13 or better for overall performance (the number will be determined by sub-group depending on the level of performance achieved). Vesting will be final if the continuous service condition is met at 6 November 2019.

Two performance-based share plans were granted on 6 November 2015. In both cases, their fair value corresponds, amongst other things, to the market price of the shares at the grant date, less the loss of expected dividends during the vesting period (*i.e.* four years for all beneficiaries).

Lastly, the number of performance-based shares granted will depend on the average level of Group profit from recurring operations for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 compared with budgeted profit from recurring operations for each of these years, at constant exchange rates and scope of consolidation. The accounting expense for the plan under IFRS 2 will be adjusted for this condition at the end of the vesting period at the latest.

The fair value of one of the two plans also takes account of the same market performance condition as applied to the stock options allocated on 6 November, in addition to the internal condition described above: positioning of the overall performance of the Pernod Ricard share (TSR (1)) compared to the overall performance of a panel of 12 peers over the period from 6 November 2015 to 6 November 2018 inclusive (three years). The performance-based shares, the number of which will be determined by applying the internal condition, will be vested from 7 November 2019, provided that the Pernod Ricard share (TSR (1)) is positioned 7th out of 13 or better for overall performance (the number will be determined by sub-group based on the level of performance achieved). Vesting will be final if the continuous service condition is met at 6 November 2019.

(1) Total Shareholder Return.

Note 6.3 Off-balance sheet commitments

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments given on 30.06.2015	**2,187**	**797**	**1,175**	**215**
Commitments given in relation to companies within the Group	**-**	**-**	**-**	**-**
Commitments to acquire equity interests	-	-	-	-
Commitments given in the context of specific operations	-	-	-	-
Other	-	-	-	-
Commitments given in relation to the financing of the Company	**38**	**31**	**0**	**6**
Financial guarantees given	37	31	0	6
Other	0	0	-	-
Commitments relating to the operating activities of the issuer	**2,150**	**766**	**1,175**	**208**
Firm and irrevocable commitments to purchase raw materials	1,564	522	971	71
Tax commitments (customs guarantees and others)	219	139	6	74
Operating lease agreements	332	79	189	64
Other	35	26	9	1

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments received on 30.06.2015	**2,955**	**371**	**2,538**	**45**
Commitments received in relation to companies within the Group	**-**	**-**	**-**	**-**
Commitments received in specific operations connected with competitors and markets	-	-	-	-
Other	-	-	-	-
Commitments received in relation to the financing of the Company	**2,911**	**363**	**2,526**	**21**
Lines of credit received and not used	2,882	335	2,526	21
Financial guarantees received	29	28	-	1
Other	-	-	-	-
Commitments relating to the operating activities of the issuer	**44**	**8**	**12**	**24**
Contractual commitments related to business activity and business development	41	5	12	24
Other	3	2	1	-

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments given on 30.06.2016	**2,236**	**746**	**1,302**	**188**
Commitments given in relation to companies within the Group	**-**	**-**	**-**	**-**
Commitments to acquire equity interests	-	-	-	-
Commitments given in the context of specific operations	-	-	-	-
Other	-	-	-	-
Commitments given in relation to the financing of the Company	**8**	**4**	**-**	**4**
Financial guarantees given	8	4	-	4
Other	-	-	-	-
Commitments relating to the operating activities of the issuer	**2,228**	**742**	**1,302**	**184**
Firm and irrevocable commitments to purchase raw materials	1,636	511	1,082	43
Tax commitments (customs guarantees and others)	200	113	11	76
Operating lease agreements	342	91	186	64
Other	50	27	23	1

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments received on 30.06.2016	**2,844**	**38**	**2,769**	**36**
Commitments received in relation to companies within the Group	**-**	**-**	**-**	**-**
Commitments received in specific operations connected with competitors and markets	-	-	-	-
Other	-	-	-	-
Commitments received in relation to the financing of the Company	**2,791**	**30**	**2,760**	**1**
Lines of credit received and not used	2,760	-	2,760	-
Financial guarantees received	31	30	-	1
Other	-	-	-	-
Commitments relating to the operating activities of the issuer	**53**	**8**	**9**	**36**
Contractual commitments related to business activity and business development	47	6	8	33
Other	6	2	1	2

1. *Lines of credit received and not used*

The lines of credit received and not used correspond primarily to the amount of the syndicated loan not drawn at 30 June 2016 (see Note 4.8 – *Financial liabilities*).

From 30 June 2016, lines of credit received and not used include only confirmed lines of credit. At 30 June 2015, confirmed lines of credit were worth €2,500 million.

2. *Firm and irrevocable commitments to purchase raw materials*

In the context of their cognac, wine, champagne and whiskies production operations, the Group's main affiliates have committed €1,539 million, under *eaux-de-vie*, grape, base wine and grain supply agreements.

Note 6.4 Contingent liabilities

In February 2015 and March 2016, Pernod Ricard received two notices of tax adjustment for the financial years 2006/07 to 2011/12 amounting to INR 6,732 million and INR 878 million respectively, inclusive of interest, *i.e.* €90 million and €12 million. These notices relate primarily to the tax deductibility of advertising and promotional expenses. After consulting with its tax advisers, Pernod Ricard India disputes the merits of the reassessment proposal and believes it has a probable chance of success in litigation. Accordingly, no provision has been booked for this matter.

Note 6.5 Disputes

In the normal course of business, Pernod Ricard is involved in a number of legal, governmental, arbitration and administrative proceedings.

A provision for such procedures is constituted under "Other provisions for risks and charges" (see Note 4.7 – *Provisions*) only when it is likely that a current liability stemming from a past event will require the payment of an amount that can be reliably estimated. In the latter case, the provisioned amount corresponds to the best estimation of the risk. The provisioned amount recorded is based on the assessment of the level of risk on a case-by-case basis, it being understood that any events arising during the proceedings may at any time require that risk to be reassessed.

The provisions recorded by Pernod Ricard at 30 June 2016, for all litigation and risks in which it is involved, amounted to €526 million, compared to €508 million at 30 June 2015 (see Note 4.7 – *Provisions*). Pernod Ricard provides no further details (other than in exceptional circumstances), as disclosing the amount of any provision for ongoing litigation could cause the Group serious harm.

To the Company's best knowledge, there are no other governmental, legal or arbitration proceedings pending or threatened, including any proceeding of which the Company is aware, which may have or have had over the last 12 months a significant impact on the profitability of the Company and/or the Group, other than those described below.

Disputes relating to brands

Havana Club

The Havana Club brand is owned in most countries by a joint venture company called Havana Club Holding SA (HCH), of which Pernod Ricard is a shareholder, and is registered in over 120 countries in which the Havana Club rum is distributed. In the United States, this brand is owned by a Cuban company (Cubaexport). Ownership of this brand is currently being challenged in the United States by a competitor of Pernod Ricard.

In 1998, the United States passed a law relating to the conditions for the protection of brands previously used by companies nationalised by the Castro regime. This law was condemned by the World Trade Organization (WTO) in 2002. However, to date, the United States has not amended its legislation to comply with the WTO's decision.

1. The United States Office of Foreign Assets Control (OFAC) decided that this law had the effect of preventing any renewal of the US trademark registration for the Havana Club brand, which, in the United States, has been owned by Cubaexport since 1976, without obtaining a specific licence from OFAC. In August 2006, the United States Patent and Trademark Office (USPTO) denied the renewal of the said Havana Club registration, following OFAC'S refusal to grant a specific licence. Cubaexport petitioned the Director of the USPTO to reverse this decision and also filed a claim against the OFAC, challenging both OFAC's decision and the law and regulations applied by OFAC. In March 2009, the US District Court for the District of Columbia ruled against Cubaexport. In March 2011, in a two-to-one decision, the Court of Appeals blocked Cubaexport from renewing its trademark. A certiorari petition was filed before the US Supreme Court on 27 January 2012, with the support of the French government, the National Foreign Trade Council and the Washington Legal Foundation. On 14 May 2012, the Supreme Court denied the petition. In November 2015, Cubaexport again applied for a specific licence from OFAC to renew the trademark in the United States. On 11 January 2016, OFAC granted Cubaexport's licence application and on 13 January 2016, the application to the Director of USPTO was declared admissible and the trademark was renewed for the 10-year period ending on 27 January 2016. A further renewal application for a period of 10 years from 27 January 2016 to 2026 was also granted.
2. A competitor of the Group has petitioned the USPTO to cancel the Havana Club trademark, which is registered in the name of Cubaexport. In January 2004, the USPTO denied the petition and refused to cancel the trademark registration. As this decision was appealed, proceedings are now before the Federal District Court for the District of Columbia. These proceedings were stayed pending the outcome of Cubaexport's petition to the USPTO. Following acceptance of the petition by the Director of the USPTO, these judicial proceedings resumed and the plaintiff amended their complain. In response, Cubaexport and HCH filed two motions: one to dismiss all actions commenced against them and one to expedite proceedings on certain issues.

These risks constitute a potential obstacle to the Group's business development but there are no foreseeable obligations resulting from these events at the present time. The resolution of these disputes would represent a business development opportunity for the Group.

Stolichnaya

Allied Domecq International Holdings BV and Allied Domecq Spirits & Wine USA, Inc., were together with SPI Spirits and other parties, defendants in an action brought in the United States District Court for the Southern District of New York by entities that claim to represent the interests of the Russian Federation on matters relating to ownership of the trademarks for vodka products in the United States. In the action, the applicants challenged Allied Domecq International Holdings BV's then ownership of the Stolichnaya trademark in the United States and sought damages.

After long and complex legal proceedings, on 26 January 2015, the applicants and Allied Domecq signed a settlement agreement to end the dispute as between those parties. On 2 February 2015, the New York Court of Appeals ordered that Allied Domecq should withdraw from the proceedings. Proceedings are continuing between the remaining parties.

Tax disputes

The Group's companies are regularly audited by the tax authorities in the countries in which they are registered.

The estimation of the risk concerning each dispute is regularly reviewed by the affiliate or region concerned and by the Group's Tax Department, with the assistance of external counsel for the most significant or complex cases. Provisions are recognised if necessary. Pernod Ricard provides no further details (other than in exceptional circumstances), as disclosing the amount of any provision for ongoing tax litigation could cause the Group serious harm.

India

Pernod Ricard India (P) Ltd has an ongoing dispute with the Indian customs authorities over the declared transaction value of concentrates of alcoholic beverages (CAB) imported into India. Customs are challenging the transaction values, arguing that some competitors used different values for the import of similar goods. This matter was ruled on by the Supreme Court which issued an order in July 2010, setting out the principles applicable for the determination of values which should be taken into account for the calculation of duty. Pernod Ricard India (P) Ltd has already paid the corresponding amounts up to 2001. Regarding the subsequent period up to December 2010, Pernod Ricard India (P) Ltd has deposited almost the entire differential duty as determined by customs, although the values adopted by them are being disputed as being on the high side. The Company continues to actively work with the authorities to resolve pending issues.

Moreover, in February 2015 and March 2016, Pernod Ricard India received the notices of tax adjustment for the financial years 2006/07 to 2011/12 mainly relating to the tax deductibility of advertising and promotional expenses (see Note 6.4 – *Contingent liabilities*).

The above-mentioned disputes are only the subject of provisions, which, where appropriate, are recorded in Other provisions for risks and charges (see Note 4.7 – *Provisions*), when it is likely that a current liability stemming from a past event will require the payment of an amount which can be reliably estimated. The amount of the provision is the best estimate of the outflow of resources required to extinguish this liability.

Note 6.6 Related parties

Transactions with associates and joint ventures were immaterial in the year ended 30 June 2016.

The remuneration paid to corporate officers and Executive Committee (COMEX) members in return for their services to the Group is detailed below:

€ million	30.06.2015	30.06.2016
Board of Directors (1)	1	1
Group Executive Committee		
◆ Short-term benefits	13	13
◆ Post-employment benefits	4	4
◆ Share-based payments (2)	3	2
TOTAL EXPENSES RECOGNISED FOR THE YEAR	**21**	**20**

(1) Directors' fees.

(2) The cost of stock option plans is the fair value of the options granted to Group Executive Committee members and recognised in the income statement over the vesting period of the options for plans from 27 June 2012 to 6 November 2015. To recap, no stock options were granted during the 2014/15 financial year.

Note 6.7 Subsequent events

There is no subsequent event likely to have a material impact on the Group's financial statements.

Note 7 Scope of consolidation

The annual consolidated financial statements include the financial statements of the Parent Company, Pernod Ricard SA, and those of entities controlled by the Parent Company ("the affiliates"). Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, irrespective of the percentage held in the entity. Non-controlling interests in the net assets of consolidated affiliates are presented separately from Parent Company shareholders' equity. Non-controlling interests include both the interests of minority shareholders at the date of the original business combination and minority interests in any subsequent changes to shareholders' equity.

Intragroup transactions and internal profits and losses relating to consolidated companies are eliminated.

Companies over which the Group exercises significant influence are accounted for under the equity method.

Note 7.1 Scope of consolidation

The main changes to the Group's scope of consolidation at 30 June 2016 are presented above in Note 1.2 – *Significant events during the financial year*.

Note 7.2 List of main consolidated companies

Companies	Country	% Interest at 30.06.2015	% Interest at 30.06.2016	Consolidation method***
Pernod Ricard SA	France	Parent Company	Parent Company	
Pernod Ricard Andorra, SL	Andorra	100	100	F.C.
Pernod Ricard Angola, LDA.	Angola	100	100	F.C.
Pernod Ricard Argentina SRL	Argentina	100	100	F.C.
Yerevan Brandy Company	Armenia	100	100	F.C.
Pernod Ricard Pacific Holdings Pty Ltd	Australia	100	100	F.C.
Pernod Ricard Winemakers Pty Ltd	Australia	100	100	F.C.
Pernod Ricard Austria GmbH	Austria	100	100	F.C.
Pernod Ricard Belgium SA	Belgium	100	100	F.C.
Pernod Ricard Brasil Indústria e Comércio ltda.	Brazil	100	100	F.C.
Pernod Ricard Bulgaria EOOD	Bulgaria	100	100	F.C.
Corby Spirit and Wine Limited*	Canada	45.76	45.76	F.C.
Hiram Walker & Sons Limited	Canada	100	100	F.C.
Pernod Ricard Canada Ltée	Canada	100	100	F.C.
Pernod Ricard Chile SA	Chile	100	100	F.C.
Pernod Ricard (China) Trading Co., Ltd	China	100	100	F.C.
Pernod Ricard Colombia SA	Colombia	100	100	F.C.
Havana Club International SA	Cuba	50	50	F.C.
Jan Becher – Karlovarska Becherovka, a.s.	Czech Republic	100	100	F.C.
Pernod Ricard Denmark A/S	Denmark	100	100	F.C.
Pernod Ricard Dominicana, SA	Dominican Republic	100	100	F.C.
Pernod Ricard Estonia OÜ	Estonia	100	100	F.C.
Pernod Ricard Finland OY	Finland	100	100	F.C.
Augier Robin Briand & Cie	France	100	100	F.C.
Champagne Perrier-Jouët	France	100	100	F.C.
Domaines Jean Martell	France	100	100	F.C.
Financière Moulins de Champagne	France	100	100	F.C.
GH Mumm & Cie SVCS	France	100	100	F.C.
Le Maine au Bois	France	100	100	F.C.
Lina 16	France	100	100	F.C.
Lina 3	France	100	100	F.C.
Lina 5	France	100	100	F.C.
Martell & Co SA	France	100	100	F.C.
Martell Mumm Perrier-Jouët	France	100	100	F.C.
Mumm Perrier-Jouët Vignobles et Recherches	France	100	100	F.C.
Pernod Ricard Finance SA	France	100	100	F.C.
Pernod Ricard Middle East and North Africa	France	100	100	F.C.
Pernod Ricard North America SAS	France	100	100	F.C.
Pernod SA	France	100	100	F.C.
Ricard SA	France	100	100	F.C.
Société des Produits d'Armagnac SA	France	100	100	F.C.
Société Lillet Frères	France	100	100	F.C.
Spirits Partners SAS	France	100	100	F.C.
Théodore Legras	France	99.6	99.6	F.C.

Companies	Country	% Interest at 30.06.2015	% Interest at 30.06.2016	Consolidation method***
Black Forest Distillers GmbH	Germany	0	60	F.C.
Pernod Ricard Deutschland GmbH	Germany	100	100	F.C.
Pernod Ricard Ghana Limited	Ghana	100	100	F.C.
Pernod Ricard Hellas ABEE	Greece	100	100	F.C.
Allied Domecq Spirits & Wine (China) Ltd	Hong Kong	100	100	F.C.
Pernod Ricard Asia Duty Free Ltd	Hong Kong	100	100	F.C.
Pernod Ricard Hong Kong Ltd	Hong Kong	100	100	F.C.
Pernod Ricard India Private Limited	India	100	100	F.C.
Comrie Limited	Ireland	100	100	F.C.
Irish Distillers Group	Ireland	100	100	F.C.
Irish Distillers Ltd	Ireland	100	100	F.C.
Samuelson International Ltd	Ireland	100	100	F.C.
Watercourse Distillery Ltd	Ireland	100	100	F.C.
Pernod Ricard Italia SPA	Italy	100	100	F.C.
Pernod Ricard Japan KK	Japan	100	100	F.C.
Pernod Ricard Kazakhstan	Kazakhstan	100	100	F.C.
Pernod Ricard Kenya Limited	Kenya	100	100	F.C.
Pernod Ricard Lietuva	Lithuania	100	100	F.C.
Pernod Ricard Malaysia SDN BHD	Malaysia	100	100	F.C.
Peri Mauritius	Mauritius	100	100	F.C.
Pernod Ricard Mexico SA de CV	Mexico	100	100	F.C.
Pernod Ricard Morocco	Morocco	100	100	F.C.
Allied Domecq International Holdings BV	Netherlands	100	100	F.C.
Pernod Ricard Nederland BV	Netherlands	100	100	F.C.
PR Goal Nederland BV	Netherlands	100	100	F.C.
Pernod Ricard Winemakers New Zealand Limited	New Zealand	100	100	F.C.
Pernod Ricard Norway AS	Norway	100	100	F.C.
Pernod Ricard Peru SA	Peru	100	100	F.C.
Pernod Ricard Philippines, Inc.	Philippines	100	100	F.C.
Agros Holding SA	Poland	100	100	F.C.
Wyborowa SA	Poland	100	100	F.C.
Pernod Ricard Portugal – Distribuição, SA	Portugal	100	100	F.C.
Pernod Ricard Romania SRL	Romania	100	100	F.C.
Pernod Ricard Rouss CJSC	Russia	100	100	F.C.
Pernod Ricard Singapore PTE Ltd	Singapore	100	100	F.C.
Pernod Ricard Slovakia s.r.o	Slovakia	100	100	F.C.
Pernod Ricard South Africa PTY Ltd	South Africa	100	100	F.C.
Pernod Ricard Korea Imperial Company Ltd	South Korea	100	100	F.C.
Pernod Ricard Korea Ltd	South Korea	100	100	F.C.
Pernod Ricard España	Spain	100	100	F.C.
Pernod Ricard Winemakers Spain, SA	Spain	100	100	F.C.
Distilled Innovation AB	Sweden	100	100	F.C.
Pernod Ricard Sweden AB	Sweden	100	100	F.C.
The Absolut Company AB	Sweden	100	100	F.C.
Pernod Ricard Swiss SA	Switzerland	100	100	F.C.
Pernod Ricard Taiwan Ltd	Taiwan	100	100	F.C.

Companies	Country	% Interest at 30.06.2015	% Interest at 30.06.2016	Consolidation method***
Pernod Ricard Thailand Ltd	Thailand	100	100	F.C.
Allied Domecq Istanbul Ic ve Dis Ticaret Ltd. Sti.	Turkey	100	100	F.C.
Pernod Ricard Ukraine	Ukraine	100	100	F.C.
Allied Domecq (Holdings) Limited	United Kingdom	100	100	F.C.
Allied Domecq Limited	United Kingdom	100	100	F.C.
Allied Domecq Overseas (Europe) Limited	United Kingdom	100	100	F.C.
Allied Domecq Spirits & Wine Holdings Limited	United Kingdom	100	100	F.C.
Allied Domecq Spirits & Wine Limited	United Kingdom	100	100	F.C.
Allied Domecq Westport Limited	United Kingdom	100	100	F.C.
Chivas Brothers (Holdings) Ltd	United Kingdom	100	100	F.C.
Chivas Brothers Ltd**	United Kingdom	100	100	F.C.
Chivas Brothers Pernod Ricard	United Kingdom	100	100	F.C.
Chivas Holdings (IP) Limited	United Kingdom	100	100	F.C.
Chivas Investments Limited	United Kingdom	100	100	F.C.
Coates & Co (Plymouth) Limited	United Kingdom	100	100	F.C.
Dillon Bass Ltd	United Kingdom	74	74	F.C.
Edward Dillon (Bonders) Ltd	United Kingdom	100	100	F.C.
Goal Acquisitions (Holdings) Ltd	United Kingdom	100	100	F.C.
Goal Acquisitions Ltd	United Kingdom	100	100	F.C.
Pernod Ricard UK Holdings Limited	United Kingdom	100	100	F.C.
Pernod Ricard UK Ltd	United Kingdom	100	100	F.C.
PR Goal 3 Ltd	United Kingdom	100	100	F.C.
World Brands Duty Free Ltd	United Kingdom	100	100	F.C.
Austin, Nichols & Co., Inc.	United States	100	100	F.C.
Avión Spirits, LLC	United States	84.3	84.3	F.C.
Pernod Ricard Americas Travel Retail LLC	United States	100	100	F.C.
Pernod Ricard Kenwood Holding LLC	United States	100	100	F.C.
Pernod Ricard USA Bottling, LLC	United States	100	100	F.C.
Pernod Ricard USA, LLC	United States	100	100	F.C.
Pernod Ricard Uruguay SA	Uruguay	100	100	F.C.
Pernod Ricard Vietnam Company Limited	Vietnam	100	100	F.C.

* *Corby Spirit and Wine Limited is consolidated using the full consolidation method because of the Group's majority controlling interest in this listed company.*

** *Public limited companies that are members or with affiliates that are members of UK partnerships.*
In accordance with regulation 7 of The Partnership (Accounts) Regulations 2008, annual partnership accounts have not been prepared as the UK partnerships are consolidated within the Pernod Ricard group annual consolidated financial statements.

*** *"F.C." for fully consolidated companies.*