

REGISTRATION
DOCUMENT
2016 - 2017



Pernod Ricard
Créateurs de convivialité

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Pernod Ricard
Créateurs de convivialité

REGISTRATION

DOCUMENT

2016 - 2017



This Registration Document was filed with the French Financial Markets Authority on 27 September 2017, in accordance with article 212-13 of its General Regulations. It may be used in support of a financial transaction if it is supplemented by a prospectus approved by the French Financial Markets Authority.


This document has been prepared by the issuer under the liability of the signatories.


**WORLD
No. 1**
 for Premium
 and Prestige spirits ^(a)


86
**MARKET
COMPANIES**
 spread across three regions


86% of affiliates
 have implemented at least
 one action to promote
**RESPONSIBLE
DRINKING**


96 production
SITES ^(b)


17%
 reduction in water
 consumption ^(c)


27%
 reduction
 in CO₂ emissions ^(c)

PERNOD RICARD AT A GLANCE

RESULTS FOR THE YEAR 2016/17: STRONG YEAR: BUSINESS ACCELERATING

Alexandre Ricard, Chairman and CEO, declared,



FY17 was a strong year, delivering Profit from Recurring Operations in line with guidance together with an excellent cash performance. These results demonstrate that the strategic direction the Group adopted 2 years ago is delivering: growth is accelerating and diversifying through successful activation of our strategy.

In FY18, we will continue to implement our roadmap, in particular focusing on digital, innovation and operational excellence. We are confident that we will continue improving our business performance. As a consequence, our guidance for FY18 is organic growth in Profit from Recurring Operations between +3% and +5%.



Key Figures

€ million	Net sales	Profit from Recurring Operations	Group Net Profit from Recurring Operations ⁽³⁾	Group Net Profit and proposed dividend
FY17	9,010	2,394 26.6% ⁽¹⁾	1,483	FY17 1,393 €2.02 per share ⁽⁴⁾
Organic growth ⁽²⁾	+3.6%	+3.3%	+5%	
Reported growth	+4%	+5%	+7%	
FY16	8,682	2,277 26.2% ⁽¹⁾	1,381	FY16 1,235 €1.88 per share

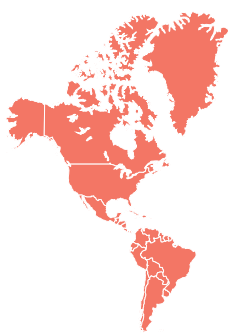
(1) Operating margin.

(2) Organic growth is defined on page 97 of this document.




(3) Group Net Profit from Recurring Operations: Profit from Recurring Operations, adjusted for financial result from recurring operations, recurring income tax, share of net result of associates, profit from assets held for sale, and non-controlling interest.

(4) Dividend proposed for approval by the Shareholders' Meeting of 9 November 2017.

AN INTERNATIONAL AND DECENTRALISED GROUP



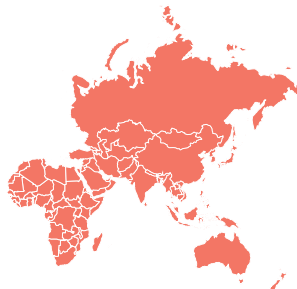
AMERICA

 **€2,661M**
 **€790M**
 **3,668 (d)**



EUROPE

 **€2,781M**
 **€604M**
 **9,169 (d)**



ASIA/REST OF THE WORLD

 **€3,568M**
 **€1,000M**
 **5,491 (d)**

The decentralised model which characterises Pernod Ricard is a major strategic advantage that enables the Group to seize every opportunity for growth. This highly flexible organisation, based on proximity to consumers and customers, has proven its effectiveness.

The Group is present in the three major regions of the world, both in mature and emerging markets. This is a real competitive advantage, making it well positioned to benefit from future growth drivers.

(a) Source: "The Pernod Ricard Market View", based on IWSR volume data at end 2016.

(b) Number of sites operating as of 30 June 2017.

(c) Reduction per unit of production between FY 2009/10 and FY 2016/17.

(d) Average workforce during the FY 2016/17.

(e) Source: Impact Databank 2016, published in March 2017.

(f) Source: "iSay" survey 2017.

A UNIQUE PORTFOLIO OF PREMIUM BRANDS

Pernod Ricard has built a unique portfolio of Premium brands on an international scale that is one of the most comprehensive on the market. This portfolio is managed thanks to the "House of Brands", a dynamic tool that allows our affiliates to more easily prioritise their marketing investments.



€9,010M
in net sales



€2,394M
Group net profit from
recurring operations



18,328
employees (d)



**WORLD
No. 2**

for wines and spirits



**16
BRANDS**

amongst the world's
top 100 (e)



94%
of employees are
PROUD
to be part of
PERNOD RICARD (f)

A SINCERE COMMITMENT

●● *The commitment to sustainable development is sometimes still considered as a formal obligation: how many institutions, companies and organizations cite their commitments alongside their business without making them a fundamental, sincere element at the heart of their ambition?*

We will have no chance of creating a better world together unless we are truly convinced of the absolute necessity to instill corporate social responsibility as an integral part of our strategy. This is what we strive to do at Pernod Ricard. Sustainable development is an essential point because it is intrinsically linked to our vision of «createurs de convivialité» and to the ambition leadership. It is inscribed in our DNA, not to mention our history. Just one example is the Paul Ricard Oceanographic Institute, founded more than 50 years ago. Building for the long-term represents one of the major challenges of social responsibility.

If we speak first of a vision, being “Créateurs de convivialité”, then we refer to the fact that “sustainable value” can only truly be created when it is for the benefit of all. We have a strong conviction: true success is only achieved if it is shared. This conviction has been enshrined in the tagline of our commitment: “Let’s live together, better.” There can be no conviviality without sharing, and no conviviality without responsibility. Creating a positive impact among our communities, our partners, and so on...therein lies the challenge that I want each of our brands to take on. It is what we have named the Brand Positive Impact. The “Chivas Venture” project embodies it perfectly, by supporting social entrepreneurs in their quest to create a better world.

If we speak now of “ambition”, becoming the leader tomorrow, then already today we must lead by example. The leader is the one who pulls the sector upwards and leads the way. It is therefore only natural that we have placed this standard of exemplarity at the heart of our strategy: social responsibility is one of the 4 “essentials” of our strategic model. It is with this in mind that, in 2016, we committed for the Sustainable Development Goals laid down by the United Nations Declaration of September 2015. We will encourage all our stakeholders to join us in this collective action. Our commitments are far from new, and I would also like to take this opportunity here to reaffirm our support for the CEO Water Mandate and the 10 fundamental principles of the United Nations Global Compact, as we pursue our objective of achieving “advanced” status.

Finally, it is not enough to be sincere, our societal approach must be tied to our vision, our ambition and our strategy. It must, above all, be in the hearts of our employees. They are the first ambassadors of our credibility: if they do not adhere to our approach, we cannot hope to convince anyone. For that reason, empowering our employees remains central to our commitments: promoting responsible drinking, protecting our planet, and lastly giving back to our local communities. I would therefore like to express my thanks to each and every colleague who makes these commitments a daily reality at Pernod Ricard. ●●

**Alexandre Ricard,
Chairman and CEO**



1

Overview of Pernod Ricard

AN ENTREPRENEURIAL AND RESPONSIBLE MINDSET

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QUEST FOR LEADERSHIP

Vision and ambition
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AN ENTREPRENEURIAL AND RESPONSIBLE MINDSET

KEY DATES

1975

Creation of Pernod Ricard from the merger of two French anise-based spirits companies: Pernod, founded in 1805, and Ricard, created in 1932 by Paul Ricard



1988

Acquisition of the leading Irish whiskey producer, Irish Distillers, owner of Jameson



1993

Pernod Ricard and the Cuban company Cuba Rón form Havana Club International, a joint venture to market and sell Havana Club

2001

Acquisition of Seagram
The Group now occupies key positions in the whisky segment (Chivas Regal, The Glenlivet and Royal Salute), and in the cognac segment (Martell)



2003

Signing of the United Nations Global Compact

2005

Acquisition of Allied Domecq. Pernod Ricard doubles in size and becomes world No. 2 in Wines & Spirits, with, in particular, Mumm and Perrier-Jouët champagnes, Ballantine's whisky, Kahlúa and Malibu liqueurs and Beefeater gin

Member of IARD – International Alliance for Responsible Drinking (formerly ICAP)



2007

Adoption of a Code for commercial communications



2008

Acquisition of Vin&Sprit, owner of Absolut vodka

2010

The Group signs up to the CEO Water Mandate

2011

The Group's rating is raised to "investment grade"

Launch of the first Responsib'All Day, the annual global responsibility event mobilising all Group employees

Responsible procurement policy

2012

Signing of the Wines & Spirits industry's 5 commitments to promote responsible drinking



2014

Signing of the European CSR Agreement ⁽¹⁾ with EFFAT ⁽²⁾, and in collaboration with the EWC ⁽³⁾

2015

Pernod Ricard celebrates its 40th anniversary

Alexandre Ricard becomes Chairman & CEO

2016

Acquisition of a majority stake in Black Forest Distillers GmbH, owner of the Super-Premium gin brand Monkey 47

Pernod Ricard supports the UN's ⁽⁴⁾ Sustainable Development Goals (SDG)



2017

Acquisition of a majority stake in Smooth Ambler in January, a high-end bourbon producer, and in Del Maguey Single Village in August, the number one mezcal in the United States



(1) Corporate Social Responsibility.

(2) European Federation of Food, Agriculture and Tourism Trade Unions.

(3) Pernod Ricard European Works Council.

(4) United Nations.

HISTORY

Founding of Pernod Ricard and first international acquisitions

Pernod Ricard, hereafter “Pernod Ricard” or the “Group”, was born in **1975** out of the merger of two companies, **Pernod SAS** and **Ricard SAS**, long-time competitors in the French anise-based spirits market, at the instigation of two passionate and visionary entrepreneurs, Jean Hémard and Paul Ricard. The Group that resulted was able to take advantage of increased resources to develop its distribution networks and brand portfolio (Ricard, Pernod, Pastis 51, Suze, Dubonnet, etc.) in France and other countries. Corporate Social Responsibility is part of the Group's DNA, with, notably, employee shareholding having been in place at Ricard SAS since 1938.

For its initial acquisitions, Pernod Ricard gave priority to whisky, a category with one of the highest levels of worldwide consumption, and to the United States, the world's biggest Wines & Spirits market. It acquired Campbell Distillers, a producer of Scottish whiskies, in 1975 and Austin Nichols, a US spirits player, in 1981.

Global network

Given that the best way to develop its brands is to distribute its products itself, the Group gradually opened affiliates in all regions of the world. By acquiring local brands, the Group was also able to expand its portfolio and increase the profitability of this network (for example, Amaro Ramazzotti bitters and ArArAt Armenian brandy).

The Group also acquired several companies that owned brands with significant international potential: Irish Distillers, the top producer of Irish whiskeys with the **Jameson** brand in **1988** and Orlando Wines and Wyndham Estate, whose brands include **Jacob's Creek**, in **1989**.

In **1993**, Pernod Ricard and the Cuban company Cuba Rón created Havana Club International, a joint venture that markets and sells **Havana Club** rum.

Through its decentralised structure consisting of “Market Companies” (with their own sales presence in local markets) and “Brand Companies” (overseeing the production and global strategy for brands), Pernod Ricard is able to ensure worldwide consistency in its brand management, while adapting its strategy to the specific features of local markets.

Strategic refocusing and transformative acquisitions

In **2001**, the Group doubled its size in Wines & Spirits by acquiring part of **Seagram's** Wines & Spirits business, making it one of the top three global operators in the sector by consolidating its position in the Americas and Asia. 3,500 Seagram employees joined Pernod Ricard as a result of this acquisition.

This moved the Group into key positions with strong brands in whisky (Chivas Regal, Royal Salute and The Glenlivet), Cognac (Martell), and white spirits (Seagram's Gin). It also integrated local brands such as Royal Stag in India.

In parallel with this acquisition, the Group decided to refocus on its core business and withdraw from the food and non-alcoholic beverage segment, and therefore sold Orangina, SIAS-MPA, BWG and CSR-Pampryl.

As the market responded positively to the success of the Seagram deal and the Group's efforts to refocus its business strategy, Pernod Ricard re-entered the **CAC 40** in **2003**.

In **2005**, Pernod Ricard acquired **Allied Domecq**, the world's second largest wines and spirits group, in order to strengthen its presence in key growth markets (particularly in North America) and round out its portfolio by adding prestigious white spirits and liqueurs.

The Group took on debt in order to finance its successive acquisitions. As such, non-core activities acquired through the purchase of Allied Domecq, mainly Dunkin' Brands Inc. and its holdings in Britvic Plc, were sold, along with Bushmills, Glen Grant, Old Smuggler and Larios, enabling the Group to reduce its debt more quickly.

In **2008**, the Group made its third major acquisition by purchasing Vin&Spirit, owner of the **Absolut** Premium vodka brand, thereby positioning itself as the world number two in the industry.

Pursuing opportunities for growth

Since 2009, Pernod Ricard has focused on “bolt-on” acquisitions designed to further strengthen organic growth potential. This led to the acquisition in **2014** of **Kenwood**, a premium Californian wine brand, and a majority stake in Ultra-Premium tequila brand **Avión**.

In **2016**, Pernod Ricard completed the agreement for a majority share in Black Forest Distillers GmbH, the owner of **Monkey 47**, a dry gin produced in the Black Forest region of Germany. With this investment, Pernod Ricard expanded its portfolio into the fast-growing Super-Premium gin category.

In **2017**, Pernod Ricard continued its portfolio diversification strategy with the acquisition of **Smooth Ambler**, a high-end bourbon producer and **Del Maguey** Single Village, the number one mezcal in the United States.

Responsible company

For Pernod Ricard, Sustainability & Responsibility (S&R) involves reconciling economic efficiency, social equity and environmental protection in a process of continuous improvement and sustainable development.

The Group has often been a pioneer in its actions, has grown in its respect for people and their cultures and has always put S&R at the heart of its vision and values (entrepreneurial spirit, mutual trust and a sense of ethics), as summed up in its tagline “Créateurs de convivialité”. The Group played a pioneering role in social policy, environmental protection, corporate responsibility and sponsorship, long before sustainable development became a necessity.

Pernod Ricard employees are at the heart of the Group's commitments, as beneficiaries of social commitments, but also as ambassadors for and contributors to the Group's responsible approach. Since May 2011, Pernod Ricard has organised an annual event known as the Responsib'All Day, which aims to bring together all of the Group's employees around the world, share good practices and implement tangible initiatives in this area. The aim is for every employee to become an ambassador for the Group's responsible approach.

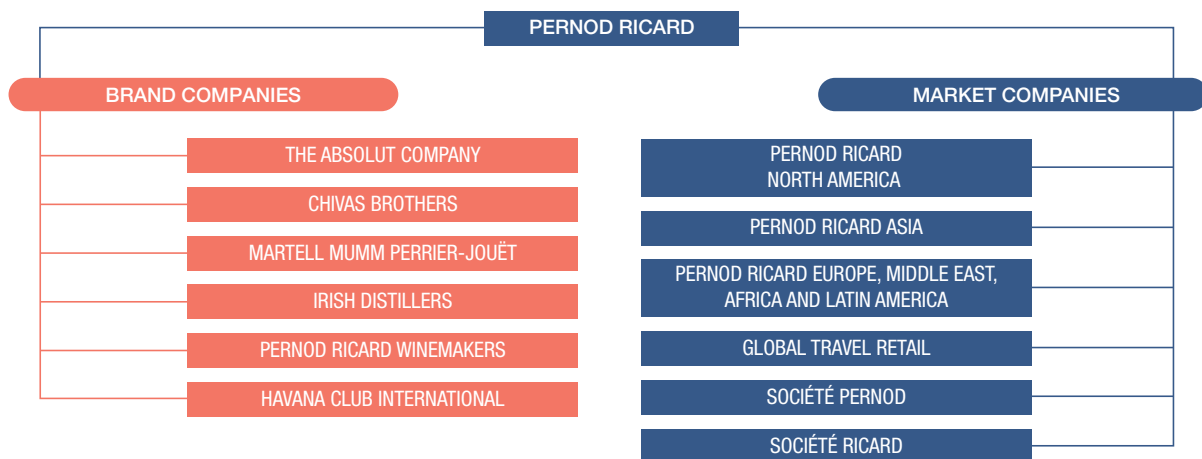
Pernod Ricard's approach and performance in terms of S&R have been recognised and rewarded by the FTSE4Good and Ethibel Excellence labels, in particular.

PERNOD RICARD TODAY

Pernod Ricard, the world no. 2 in Wines & Spirits, is listed on the Paris Stock Exchange. The Company has a reference family shareholder, Société Paul Ricard and the persons acting in concert with it, who hold around 15% of shares and 21% of voting rights on 30 June 2017. For more information, the Company shareholding structure is presented in Section 8 “About the Company and its share capital”.

Decentralised organisation

The Group's organisational structure is as follows:



The general organisation of the Group is based around Pernod Ricard, the “**Headquarters**”, which holds the “**Brand Companies**” and – through entities called “**Regions**” – the “**Market Companies**”. Some companies may combine both activities.

Under Pernod Ricard’s decentralised model, the Headquarters is responsible for:

- strategy, particularly organic and external growth;
- management of equity investments, in particular any merger, acquisition or disposal which might be necessary;
- management of the overall financial policy, including financing resources;
- tax policy and its implementation;
- management and protection of intellectual property;
- definition of compensation policies, management of international executives and development of skills and competencies;
- approval of new advertising campaigns prior to launch;
- approval of key features of strategic brands;
- corporate communications and investor, analyst and shareholder relations;
- shared resources, notably through the Procurement Division;
- major applied research programmes.

The Headquarters’ financial relations with its affiliates mainly involve the billing of royalties for the operation of brands owned by the Headquarters, various billings and receipt of dividends.

The Headquarters monitors and controls its affiliates’ performance and prepares and reports Group accounting and financial information.

Lastly, the Headquarters is in charge of implementing policy and measures in key areas. It must ensure that its vision is shared and the business model understood, and that best practices are available to every part of the organisation. Knowledge-sharing and mutual support between affiliates are vital to the success of the decentralised business model.

The **Chairman and CEO** is responsible for the **General Management** of the Group and is assisted by the **Executive Board**. For more information, the Management Structures are presented in Section 2 “Corporate governance and internal control”.

General Management, under the authority of the Chairman and CEO, whose powers are defined within the limits of the corporate purpose and subject to the powers expressly granted by law to Shareholders’ Meetings and the Board of Directors, and within the limits of internal rules as defined by the Board of Directors and its Internal Regulations, is **collectively responsible for steering the Group’s business**.

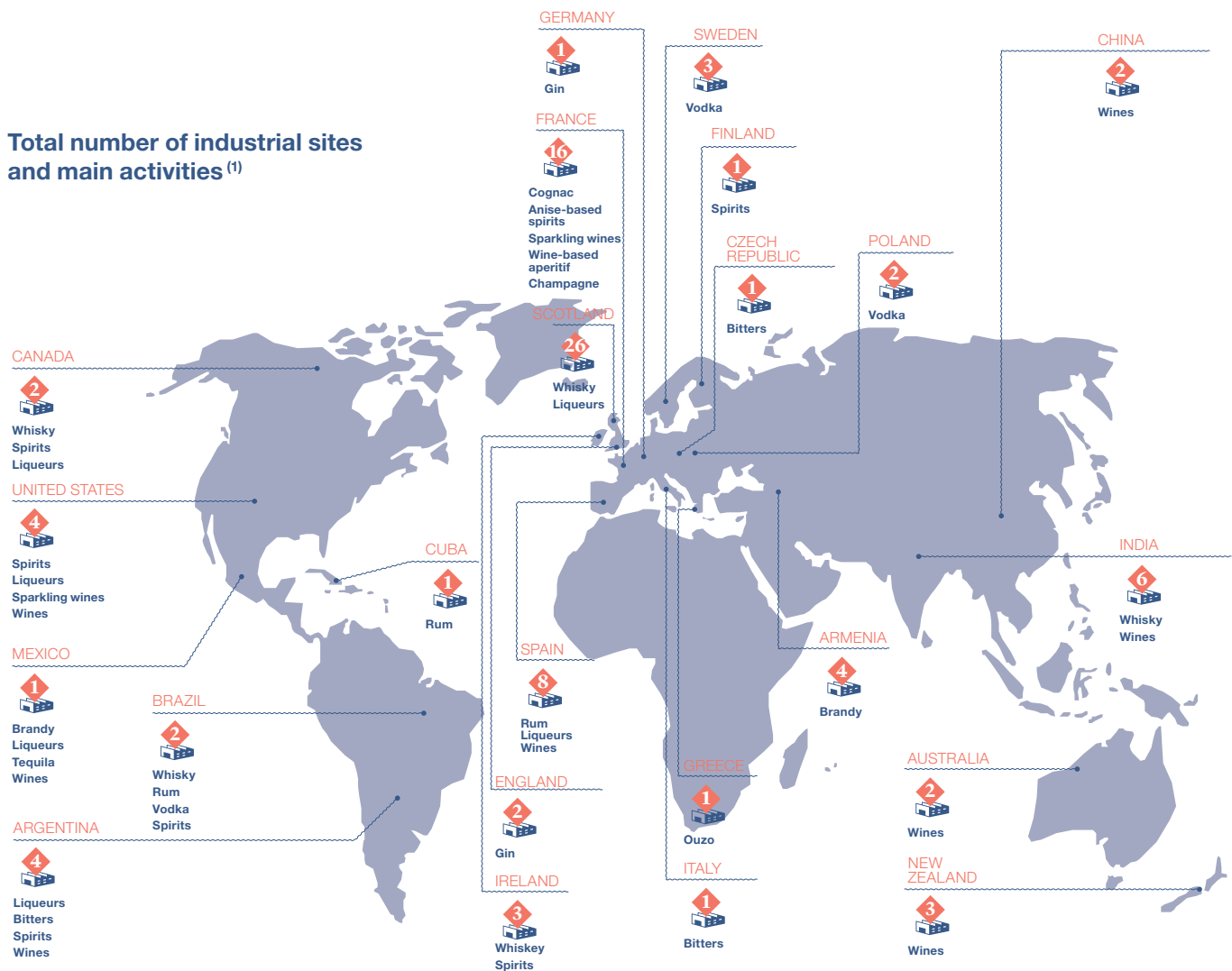
Under its authority, the **Executive Committee** is responsible for conducting the Group’s business activities and ensuring that its key policies are applied. It ensures coordination between the Headquarters and its affiliates, as well as between the affiliates themselves.

Brand Companies are autonomous affiliates to which powers have been delegated by the Headquarters. They are responsible for brand strategy, development and production.

Regions are autonomous affiliates to which powers have been delegated by the Headquarters. They are in charge of the financial and operational control of their affiliates.

Market Companies are autonomous affiliates to which powers have been delegated by the Headquarters or by a Region. They are responsible for the distribution and development of brands in local markets.

Key facilities and industrial activities

MAIN PRODUCTION SITES ⁽¹⁾
AND PRINCIPAL ACTIVITIESTotal number of industrial sites
and main activities ⁽¹⁾

(1) Sites in operation on 30 June 2017.

Featuring one of the largest portfolios of Wines & Spirits brands in the industry, Pernod Ricard also has a varied and extensive industrial infrastructure.

To guarantee that its products are of the highest quality, the vast majority of production activities are performed on the Group's 96 industrial sites operating as of 30 June 2017, which are located in 23 countries and operated directly by Group affiliates.

The Group's main industrial facilities are as follows:

- wine production: cellars and bottling plants in France (Champagne), Spain, Australia, New Zealand, Argentina, California and China;
- production of distilled alcohols: distilleries, *eaux-de-vie* maturing sites for ageing alcohols, and bottling sites:
 - vodka in Sweden and Poland,

- gin in the United Kingdom and Germany,
- rum in Cuba,
- whisky in Scotland, Ireland, India, Canada and Brazil,
- cognac and brandy in France and Armenia,
- tequila in Mexico;
- production of liqueurs and various spirits: development and bottling sites in Europe (France, Spain, Italy, Finland, Czech Republic and Greece), in Asia (India) and in America (USA, Brazil and Argentina).

In 2016/17, six sites were sold or shut down (three in Mexico, one in the USA, one in Korea and one in Australia), and one new site joined the Group (the Smooth Ambler distillery in the USA).

In total, the Group operates 51 bottling sites, 48 maturing sites, 34 distilleries and 24 wineries, with some sites conducting several of these activities.

The Group's largest industrial facilities are located in Europe: Scotland (Chivas Brothers), Sweden (The Absolut Company), Ireland (Irish Distillers) and France (Ricard, Pernod, Martell, Mumm and Perrier-Jouët). There are also significant industrial sites in Canada, the United States, Cuba, Brazil, Poland, Spain, India and in Australia and New Zealand. These sites account for almost 90% of the total bottled by the Group's units.

This network helps to embed the activities in the local regions where the Group's brands have achieved their growth; this is the case in particular in places where "appellations of origin" are associated with wine brands or other alcohols. It also offers plenty of opportunities for synergies between sites, which are used, for example, in the case of business continuity plans developed to deal with any disaster.

To manage these production activities, the Group has chosen to adopt an integrated Quality/Safety/Environment management policy based on the certification of its production sites to the following standards:

- ISO 9001: Quality management;
- ISO 22000: Food safety;
- ISO 14001: Environmental management;
- OHSAS 18001: Occupational health and safety.

As at 30 June 2017, Group sites with the four certifications accounted for 99% of the bottled volume.

In addition to these activities, which are conducted by the affiliates themselves, the Group occasionally uses subcontractors. This is the case in India, where significant growth in volumes has been achieved through a network of 28 bottling sites belonging to local partners. In such cases, an appropriate structure is implemented to ensure that subcontracted activities are under complete control, particularly in terms of risks linked to quality, personal safety, and environmental and social practices. It specifically includes the definition of precise contractual standards and the performance of audits.

Finally, Pernod Ricard also owns agricultural properties in several countries, representing a total of around 5,568 hectares of vineyards, mainly in France, Spain, Australia, New Zealand, Argentina and California.

During 2016/17, the Group's total capital expenditure amounted to €237 million (excluding IT, administrative infrastructure and visitor centres). These investments were mainly allocated to:

- the construction of maturing cellars and the purchase of casks for the whiskies, rum, cognac and wine, amounting to around €98 million;
- the development of the distilling and bottling capacities as well as innovation, amounting to a total of €57 million;
- ensuring the sites are compliant and reducing risks, amounting to around €28 million;
- renewing industrial equipment and improving production sites, at a cost of around €54 million.

Commitment to stakeholders

Pernod Ricard creates value by maintaining an active dialogue with its stakeholders in order to develop a better understanding of their expectations. Pernod Ricard's key stakeholders are its employees, consumers, investors, clients and suppliers, as well as public authorities, experts, NGOs, media and communities.

Pernod Ricard's S&R strategy relies on identifying, understanding and prioritising issues. The Group's materiality matrix is shown in section 3 "Sustainability & Responsibility (S&R)" of this document. It identifies the main issues by analysing existing information and through internal and external consultations.

Competitive environment

Competitive position

The presence of many market participants, including both multinational companies and local entities, makes the Wines & Spirits segment a highly competitive market.

Pernod Ricard ranks as the world's second-largest international spirits group by volume ⁽¹⁾.

Pernod Ricard faces competition in its business lines, primarily from:

- large Wines & Spirits multinationals, such as Diageo, Bacardi-Martini, Beam Suntory, Brown-Forman, Campari, William Grant, Moët-Hennessy and Rémy Cointreau for international brands;
- smaller companies or producers of local brands such as Sazerac, Heaven Hill and Constellation Brands in the USA, Altia in the Nordic countries and Stock Spirits in Poland, among others.

Dependence on patents, licences and industrial agreements

The Group is not dependent on any specific patent or licence.

Pernod Ricard is not significantly dependent on its suppliers. The Group's five main industrial suppliers in the 2016/17 financial year were Verallia, Ardagh Glass, O-I, Saver Glass (glass bottles) and Guala (corks).

(1) Source IWSR 2016.

QUEST FOR LEADERSHIP

VISION AND AMBITION



Forty years ago, Paul Ricard and Jean Hémard founded Pernod Ricard. The two partners set out with the ambitious goal of one day becoming the global leader in the sector. Today, with direct operations in 86 countries, Pernod Ricard is the world's second-largest Wines & Spirits company. Alexandre Ricard, Chairman & CEO, has restated the Group's **ambition** to attain leadership status.

As "Créateurs de convivialité", the Group's **vision** is to ensure that its brands are present for each moment of *convivialité*. This is the basis of the strategic model, which places the central focus on **consumers** and **conviviality**.

STRATEGY

This model is based on four "Essentials" and four "Accelerators" and will help to achieve the Group's medium-term objective:

- organic growth in sales of between +4 and +5%;
- organic growth in the operating margin from recurring operations.



Four “Essentials”

Operational excellence



By streamlining processes, setting priorities, simplifying tasks and pooling resources, the Group can boost the speed and agility of its organisation.

For many years, Pernod Ricard has taken a category management approach to managing procurement directly related to the development of finished products (direct procurement). This approach helps to promote the establishment of partnerships with many suppliers. It also provides both Pernod Ricard and its partners with a stable environment that enables value to be created for all parties.

In 2015 the Group launched a roadmap for operational efficiency by 2020 for all entities and functions, covering areas such as procurement (direct and indirect) and the supply chain.

This project aims to deliver significant savings:

- €200 million spread across product costings, advertising and promotion investments and, to a lesser extent, structure costs, half of which will be reinvested in advertising and promotion investments;
- €200 million reduction in working capital requirement (WCR), particularly as a result of reducing inventories of finished products.

In 2016/17, approximately one quarter of the savings of the operational efficiency roadmap were made, *i.e.* approximately:

- €60 million P&L savings of which half reinvested;
- €50 million working capital savings.

Talent management



Employees are at the heart of Pernod Ricard's priorities. On 30 June 2017, the Group has 18,442 employees, 85% of whom are based outside France.

Attracting, welcoming, training, developing and engaging our employees to support our corporate strategy are guiding principles of Pernod Ricard's Human Resources policy. The purpose of the function is to support the Group in achieving its ambition to attain leadership by supporting its unique business model, acting as guardian of its culture and values and by instilling and promoting entrepreneurial spirit.

Talent management is the cornerstone of this policy and has a clear goal: to create a varied and successful pool of talent in order to meet the current and future requirements of our business.

A number of processes and tools have been established at Group level to ensure that the right person is in the right position at the right time and will make every effort to achieve the strategic priorities both at local and international level.

These tools also promote the development of leaders who are capable of communicating the company culture and the “winning and collective mindset” that is valued by Pernod Ricard.

Employee engagement is a key performance lever for the Group, as confirmed by the third edition of the internal global “iSay” engagement survey which was conducted in June 2017 by an independent firm: 94% of employees say they are proud to work for the Group and fully support its values, and 87% would recommend Pernod Ricard as a great place to work.

Sustainability & Responsibility (S&R)



Sustainability & Responsibility (S&R), the historical basis of Pernod Ricard, is included in the Group's brand strategy and is a positive driver for long-term growth.

The S&R strategy is built around four areas of commitment:

- **empower employees** because they are at the heart of the model and are therefore the best ambassadors. Their involvement is encouraged by creating a collaborative and convivial working environment;
- **promote responsible drinking** through awareness-raising campaigns and training, undertaken individually or in partnership with the industry, associations and public authorities, to combat alcohol abuse;

- **protect the planet** and respect the environment, where all Pernod Ricard's products are derived from. This is not only a good business practice, it is both fundamental and strategic to securing the future of the Group. Environmental performance is continuously improved by analysing and adjusting our business models, practices and processes along the entire production chain;

- **develop local communities**, particularly by promoting entrepreneurship and sharing local cultures, with a spirit of openness and respect. Involving partners, in particular suppliers and distributors, in the Group's S&R ambitions is a prerequisite for generating value for stakeholders.

Route to market/consumer



Ensuring the Group's brands are present at every convivial occasion is critical. It determines how brands are available, visible and present among consumers within traditional distribution channels (on-trade, off-trade and Travel Retail) and new distribution channels (e-commerce and Hometrade).

The Group strives to benefit from the full growth potential of its network and geographic exposure by embracing all relevant channels across all markets to reach consumers. The Group's strategy is to control its distribution network to best promote its portfolio of brands. This is the

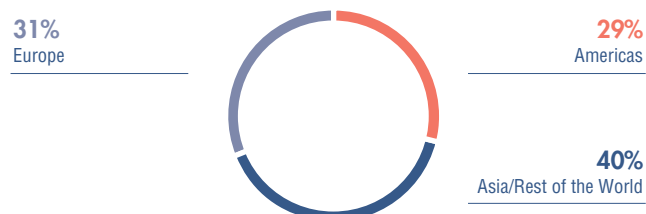
case for all significant markets in which the Group has an affiliate that makes or imports products developed by another Group company and distributes them in the market through third parties (wholesalers, retailers or specialised networks).

Emerging markets accounted for 38% of the Group's net sales in 2016/17, and provide significant opportunities for growth.

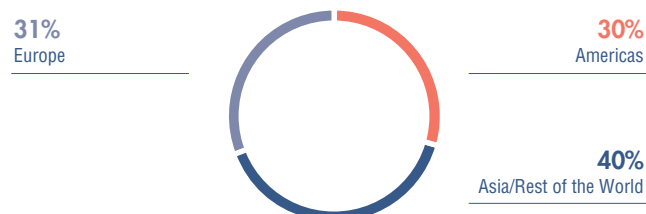
The list of main consolidated companies is set out in Note 7.2 of the Notes to the consolidated financial statements in Section 5 of this Registration Document.

Net sales by geographical region

Financial year 2015/16

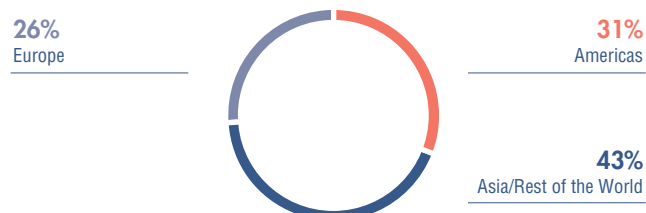


Financial year 2016/17

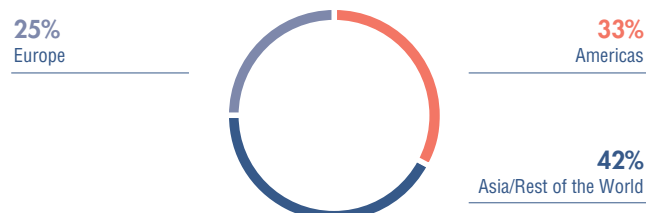


Profit from recurring operations by geographical region

Financial year 2015/16



Financial year 2016/17



Four “Accelerators”

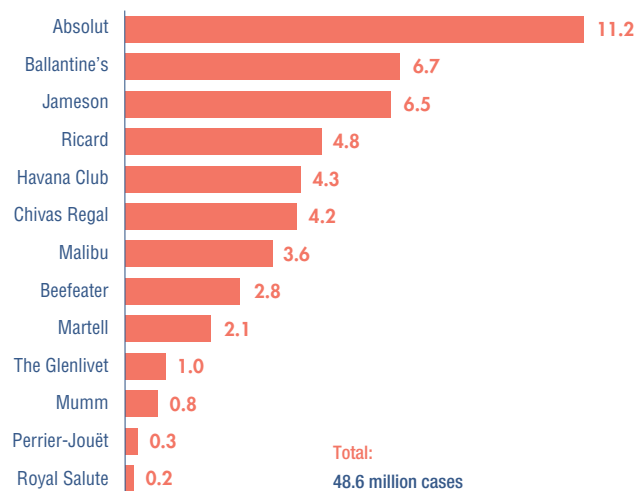
House of brands



Pernod Ricard has the most comprehensive portfolio of international Premium and luxury brands in the sector. Portfolio management helps to improve the allocation of resources and the optimisation of market activity and strategic decisions by providing an overall picture of the market position of each brand in our portfolio.

Strategic international brands

(2016/17 volumes in millions of 9-litre cases)



Premiumisation and luxury



Pernod Ricard's aim is to consolidate its position as the global leader in the luxury spirits segment. Pernod Ricard's strategy is built on creating value through a systematic approach of brand upscaling

(Premiumisation). To achieve this, most of our products and services are designed to attract affluent consumers around the world.

Premiumisation taps into the fastest-growing segments in the sector, and represents a key source of growth acceleration for Pernod Ricard.

Innovation



Innovation is a fundamental pillar of the strategy of future growth, be it in services, experiences or custom products. The vision is for innovation to drive 20 to 25% of the Group's future growth. The most ambitious current innovations include:

- **Jameson Caskmates:** the result of the joint endeavour of a master distiller and a master brewer, this whiskey, matured in barrels previously used to age craft beer, offers a unique taste;
- **Chivas Regal Extra:** a unique blend with a rich, full-bodied taste resulting from a subtle combination of whiskies, mainly single malts from small distilleries, and aged in Oloroso sherry barrels from Spain;
- **Absolut Lime:** a new, unique recipe combining the exceptional quality of Absolut Vodka with natural lime flavours. It consists primarily of Absolut Vodka, to which the 100% natural lime flavour is added, and – unlike other flavoured vodkas – does not contain any added sugar.

The emergence of innovations and their implementation within markets requires the building of a network of multidimensional expertise.

With this in mind, Pernod Ricard has established internal entities focussed on two areas:

- Core Business innovation (incremental innovation);
- New Business innovation (breakthrough innovation).

Digital acceleration



Digital transforms all interactions that Group companies may have between themselves, with their consumers, their partners, customers or suppliers and with their employees.

It provides a tremendous opportunity to get closer to the market and become fully consumer-centric. One way the Group is capitalising on digital is by enriching consumer databases to improve the understanding and segmentation of the different communities.

Collaborating within the Innovation ecosystem, their mission is to contribute to defining the innovation strategy, to support projects by providing high levels of scientific and technical expertise, to promote the development of innovations in the Group's current territories and to bring new business into being in nearby or future territories (BIG – Breakthrough Innovation Group).

The BIG, founded in 2012, is an entity within Pernod Ricard HQ that is dedicated to breakthrough innovation. It is based in Paris, and now consists of a team with scientific and CRPR (Pernod Ricard Research Centre) technical skills, and covers all business lines of innovation, from prospective research to ideation, development and incubation. The BIG's main task is to develop innovations to invent the future of conviviality. As such, it is implementing a broader approach to conviviality by creating opportunities that extend beyond the product. In this respect, it is providing new solutions in the services and experiences sector.

As of now, the BIG teams, strengthened with the Group's history of scientific and technical expertise are working even more closely together to create the *convivialité* of the future.

The Group employs a total of about 130 people full-time in the field of Research and Development.

In addition to changing the relationship with consumers, digital is changing the relationships between companies and with their partners through the implementation of collaborative tools which allow for constant communication.

Pernod Ricard is also changing internally, as digital technology makes it possible to create a virtual universe in which each employee is able to find the tools and the resources they require.

It needs to be thought of as a new language that transcends all parts of the Company, enabling the Group to streamline, fine-tune its strategy and move faster – the three fundamentals of digital acceleration.

2

Corporate governance and internal control

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF THE COMPANY ON THE COMPOSITION OF THE BOARD AND THE IMPLEMENTATION OF THE PRINCIPLE OF BALANCED REPRESENTATION OF WOMEN AND MEN ON THE BOARD, AND ON THE CONDITIONS GOVERNING THE PREPARATION AND ORGANISATION OF THE WORK PERFORMED BY THE BOARD OF DIRECTORS

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STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE ("CODE DE COMMERCE"), ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

48

This section presents the report of the Chairman of the Board of Directors as required by article L. 225-37 of the French Commercial Code, which is divided in two parts: the “Report of the Chairman of the Board of Directors of the Company on the composition of the Board and the implementation of the principle of balanced representation of women and men on the Board, as well as on the conditions governing the preparation and organisation of the work performed by the Board of Directors” and the “Report of the Chairman of the Board of Directors on internal control and risk management”.

It describes, in the context of the preparation of the financial statements for the 2016/17 financial year, the conditions governing the preparation and organisation of the work performed by the Board of Directors and its Committees, the powers entrusted to the Chairman & CEO, the principles and rules used to determine compensation and benefits of any kind granted to the Executive Directors, and the internal control procedures implemented by Pernod Ricard.

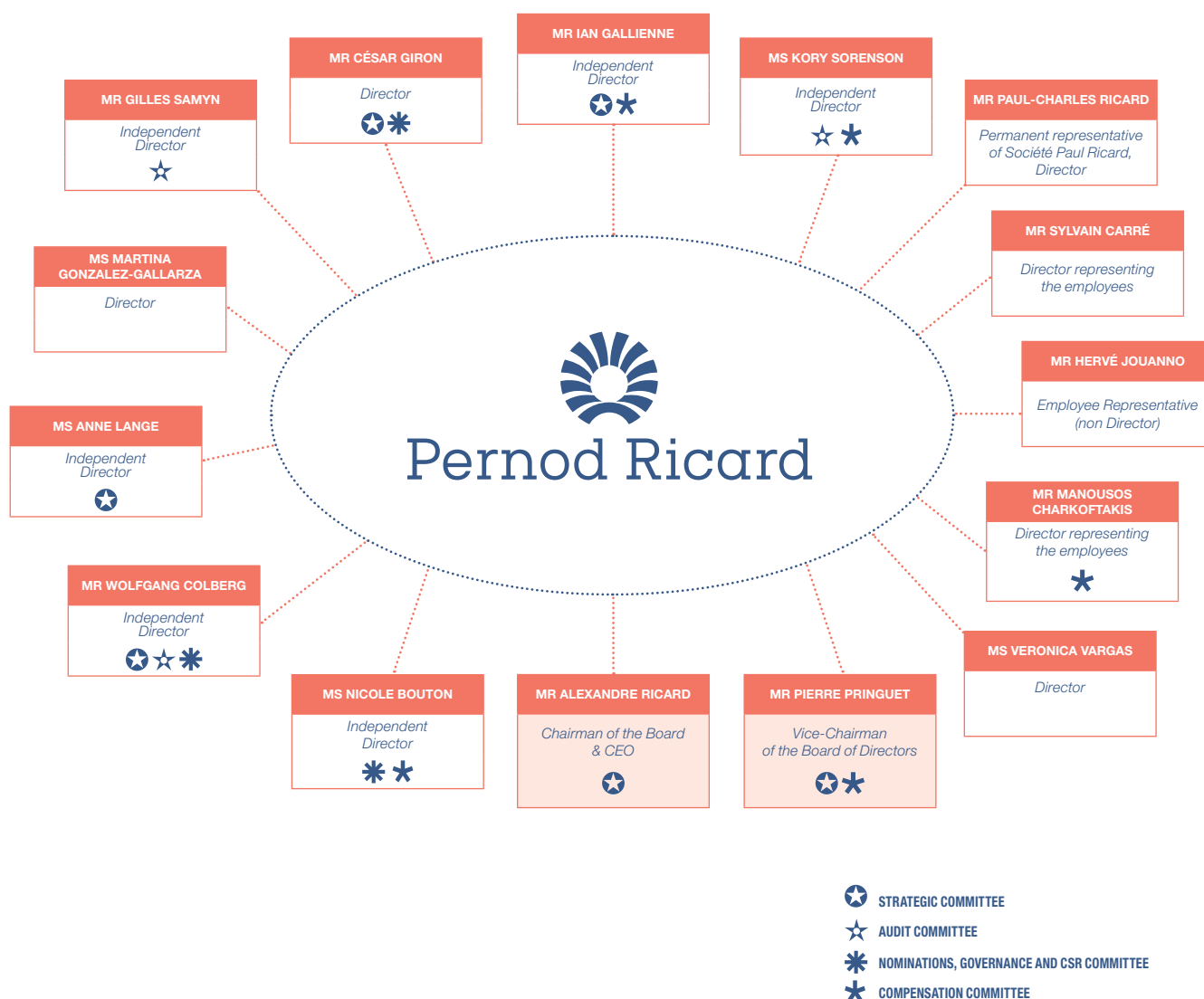
You are advised that the principles and rules used to determine compensation and benefits of any kind granted to the Executive Directors are detailed in Section 4 “Management report”, under the subsection “Compensation policy for the Executive Director”. Moreover, in accordance with article L. 225-100-3 of the French Commercial Code, the items that may have an impact in the event of a public offer are detailed in Section 8 of this Registration Document, “About the Company and its share capital”, under the paragraph “Items likely to have an impact in the event of a public offer”.

This report was prepared on the basis of work carried out by several different Departments of the Company, in particular the Legal Department, the Group Internal Audit Department and the Human Resources Department.

This report was approved by the Board of Directors held on 30 August 2017, after the Board's Committees had each examined the sections relating to their area of competence, and was shared with the Statutory Auditors.

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF THE COMPANY ON THE COMPOSITION OF THE BOARD AND THE IMPLEMENTATION OF THE PRINCIPLE OF BALANCED REPRESENTATION OF WOMEN AND MEN ON THE BOARD, AND ON THE CONDITIONS GOVERNING THE PREPARATION AND ORGANISATION OF THE WORK PERFORMED BY THE BOARD OF DIRECTORS

COMPOSITION OF THE BOARD OF DIRECTORS ON 30 JUNE 2017



OVERVIEW OF THE COMPOSITION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

Name	Age	Gender	Date of first appointment	Date of expiry of term of office	Number of years on the Board	Audit Committee	Compensation Committee	Nominations, Governance and CSR Committee	Strategic Committee
Executive Directors									
Alexandre Ricard Chairman & CEO French citizen	45	M	29.08.2012	Shareholders' Meeting 2020	5				(Chairman) X
Pierre Pringuet Vice Chairman of the Board of Directors French citizen	67	M	17.05.2004	Shareholders' Meeting 2020	13		X		X
Directors considered as independent by the Board									
Nicole Bouton French citizen	69	F	07.11.2007	Shareholders' Meeting 2019	10		(Chairwoman) X	(Chairwoman) X	
Wolfgang Colberg German citizen	57	M	05.11.2008	Shareholders' Meeting 2020	9	(Chairman) X		X	X
Ian Gallienne French citizen	46	M	09.11.2012	Shareholders' Meeting 2018	5		X		X
Gilles Samyn Belgian and French citizen	67	M	06.11.2014	Shareholders' Meeting 2018	3	X			
Kory Sorenson British citizen	48	F	06.11.2015	Shareholders' Meeting 2019	2	X	X		
Anne Lange French citizen	49	F	20.07.2016	Shareholders' Meeting 2017	1				X
Directors									
César Giron French citizen	55	M	05.11.2008	Shareholders' Meeting 2020	9			X	X
Martina Gonzalez-Gallarza Spanish citizen	48	F	25.04.2012	Shareholders' Meeting 2018	5				
Société Paul Ricard (Represented by Mr Paul-Charles Ricard) French citizen	35	M	09.06.1983	Shareholders' Meeting 2017	34				
Veronica Vargas Spanish citizen	36	F	11.02.2015	Shareholders' Meeting 2017	2				
Directors representing the employees									
Sylvain Carré French citizen	51	M	02.12.2013	02.12.2017	4				
Manousos Charkoftakis Greek citizen	47	M	28.11.2013	28.11.2017	4		X		
NUMBER OF MEETINGS FINANCIAL YEAR 2016/17					8	4	4	3	2
AVERAGE ATTENDANCE RATE					97.35%	100%	100%	100%	100%

DUTIES PERFORMED BY THE DIRECTORS



Mr Alexandre RICARD

Chairman of the Board and Chief Executive Officer

45 years old
French citizen

Business address:
Pernod Ricard
12 place des États-Unis
75116 Paris (France)

Number of shares held on 30 June 2017:
57,556

Mr Alexandre Ricard is a graduate of ESCP, the Wharton School of Business (MBA majoring in finance and entrepreneurship) and of the University of Pennsylvania (MA in International Studies). After working for seven years outside the Group, for Accenture (Management and Consulting) and Morgan Stanley (Mergers and Acquisitions Consulting), he joined the Pernod Ricard group in 2003, in the Audit and Development Department at the Headquarters. At the end of 2004 he became the Chief Financial and Administration Officer of Irish Distillers Group, and then CEO of Pernod Ricard Asia Duty Free in September 2006. In July 2008, he was appointed as Chairman and Chief Executive Officer of Irish Distillers Group and became a member of Pernod Ricard's Executive Committee. In September 2011, he joined the Group General Management as Managing Director, Distribution Network and became a member of the Executive Board. Mr Alexandre Ricard was the permanent representative of Société Paul Ricard (Director of the Board of Directors of Pernod Ricard) from 2 November 2009 until 29 August 2012, date on which he was co-opted as Director of Pernod Ricard and appointed Deputy Chief Executive Officer & Chief Operating Officer. On 11 February 2015, he was then appointed Chairman & CEO of the Group by the Board of Directors.

Mr Alexandre Ricard is a grandson of Mr Paul Ricard, the founder of Société Ricard.

Offices and main functions held outside the Group on 30.06.2017 or at the date of resignation where applicable**Within the Group**French companies

- Permanent representative of Pernod Ricard, Director of Pernod SAS and Ricard SAS
- Permanent representative of Pernod Ricard, Member of the Supervisory Committee of Pernod Ricard Europe, Middle East and Africa

Non-French companies

- Chairman of Suntory Allied Limited
- Director of Geo G. Sandeman Sons & Co. Ltd
- Director of Havana Club Holding SA
- Member of the Board of Directors ("Junta de Directores") of Havana Club International SA
- Manager of Havana Club Know-How SARL

Outside the Group

- Member of the Management Board of Société Paul Ricard
- Director of Le Delos Invest I
- Director of Le Delos Invest II
- Director of Bendor SA (Luxembourg)

Offices held outside the Group that have expired over the last five years

- Chairman & CEO of Le Delos Invest II
- Chairman & CEO of Lirix



Mr Pierre PRINGUET

Vice Chairman of the Board of Directors

67 years old
French citizen

Business address:
Pernod Ricard
12 place des États-Unis
75116 Paris (France)

Number of shares held on 30 June 2017:
380,088

Mr Pierre Pringuet, a graduate of the École Polytechnique and the École des Mines, started his career in the French civil service. He was an advisor to government minister Michel Rocard (1981–1985), before being given responsibility for the Farming and Food Processing Industries at the Ministry of Agriculture. He joined Pernod Ricard in 1987 as Development Director, playing an active role in the Group's international development and holding the positions of Managing Director of Société pour l'Exportation de Grandes Marques (1987-1996) and then Chairman & CEO of Pernod Ricard Europe (1997-2000). In 2000, he joined Mr Patrick Ricard at the Headquarters as one of Pernod Ricard's two joint CEOs, together with Richard Burrows. He was appointed Director of Pernod Ricard in 2004 and led the successful acquisition of Allied Domecq in 2005 and its subsequent integration. In December of the same year, he became the Group's Deputy Chief Executive Officer & Chief Operating Officer.

In 2008, Mr Pierre Pringuet carried out the acquisition of Vin&Sprit (V&S) and its brand Absolut Vodka, which completed Pernod Ricard's international development. Following the withdrawal of Mr Patrick Ricard from his operational duties, Mr Pierre Pringuet was appointed Chief Executive Officer of Pernod Ricard on 5 November 2008. He performed his duties as CEO until 11 February 2015, when his term of office expired pursuant to the Company's bylaws. Mr Pierre Pringuet was President of the Association Française des Entreprises Privées (AFEP) (French Association of Private Enterprises) from June 2012 until May 2017.

Mr Pierre Pringuet has been Vice Chairman of the Board of Directors since 29 August 2012.

He holds the ranks of Knight of the Legion of Honour, Knight of the National Order of Merit and Officer of the *Mérite agricole*.

Offices and main functions held outside the Group on 30.06.2017 or at the date of resignation where applicable

- Director of Iliad*
- Director of Cap Gemini*
- Member of the Supervisory Board of Vallourec*
- Director of Avril Gestion SAS (Avril Group)

Offices held outside the Group that have expired over the last five years

- Chairman of the Sully Committee
- President of the *Association Française des Entreprises Privées* (AFEP)

* Listed company.



Ms Nicole BOUTON

Independent Director

69 years old
French citizen

Business address:

Friedland Gestion
90 avenue des Ternes
75017 Paris (France)

Number of shares held on 30 June 2017:

1,150

Ms Nicole Bouton is a graduate of the Institut d'Études Politiques in Paris. From 1970 to 1984, she held the positions of Sub-Manager and then Deputy Manager in the Central Administration function of Crédit Commercial de France. From 1984 to 1996, Ms Nicole Bouton went on to hold the positions of Deputy Manager, Manager and finally Managing Director of Lazard Frères et Cie and Lazard Frères Gestion. In 1996, she was appointed as a member of the Executive Committee of Banque NSMD (ABN AMRO France group) and became Manager responsible for Institutional and Bank Clients before being appointed a member of the Management Board in 2000. She also took up the duties of Vice Chairman of the ABN AMRO France Holding Company the same year.

She was also appointed as Chairwoman of the Management Board and then Vice Chairwoman of the Supervisory Board of Asset Allocation Advisors and Chairwoman of the Banque du Phénix, which she merged with Banque NSMD in October 1998. Ms Nicole Bouton left ABN AMRO in 2001, and in 2002 she founded Groupe Financière Centuria, which she chaired until June 2010. In this capacity, she chairs several affiliates including Financière Accréditée, which was acquired in 2006. She is also a Director of several other affiliates of Groupe Financière Centuria. At the end of June 2010, she sold her shares in Centuria and remains Chairwoman of Financière Accréditée. She was appointed Chairwoman of the Strategic Committee of Friedland Gestion, an investment management company, alongside with two new partners.

Ms Nicole Bouton has been a Director of Pernod Ricard since 2007.

Offices and main functions held outside the Group on 30.06.2017 or at the date of resignation where applicable

- Chairwoman of the Strategy Committee of Friedland Gestion
- Director of AMOC (Opéra Comique)

Offices held outside the Group that have expired over the last five years

- Chairwoman of Centuria Capital
- Chairwoman of Centuria Luxembourg (affiliate of Centuria Capital)
- Chairwoman of Financière Centuria Asset Management (affiliate of Centuria Capital)
- Chairwoman of Centuria Accréditation (affiliate of Centuria Capital)
- Chairwoman of Financière Accréditée (affiliate of Centuria Capital)



Mr Wolfgang COLBERG

Independent Director

57 years old
German citizen

Business address:

CVC Capital Partners
WestendDuo, Bockenheimer Landstrasse 24
60323 Frankfurt am Main (Germany)

Number of shares held on 30 June 2017:

1,076

Mr Wolfgang Colberg holds a PhD in Political Science (in addition to qualifications in Business Administration and Business Informatics). He has spent his entire career with the Robert Bosch group and the BSH group. After joining the Robert Bosch group in 1988, he became Business Analyst (Headquarters), and then went on to become Head of Business Administration at the Göttingen production site (1990-1993), then Head of the Business Analyst Team and Economic Planning (Headquarters) (1993-1994), before being appointed as General Manager for the Group's Turkey and Central Asia affiliate. In 1996, he was appointed Senior Vice Chairman – Central Purchasing and Logistics (Headquarters).

Between 2001 and 2009, Mr Wolfgang Colberg was Chief Financial Officer at BSH Bosch und Siemens Hausgeräte GmbH and a member of the Executive Committee. He was then Chief Financial Officer of Evonik Industries AG as well as a member of the Executive Committee between 2009 and 2013. Mr Wolfgang Colberg has been an Industrial Partner of CVC Capital Partners since 2013.

Mr Wolfgang Colberg has been a Director of Pernod Ricard since 2008.

Offices and main functions held outside the Group on 30.06.2017 or at the date of resignation where applicable

- Industrial Partner, CVC Capital Partners (Germany)
- Chairman of the Board of Directors of ChemicalInvest Holding BV, Sittard (Netherlands)
- Chairman of the Board of AMSilk GmbH, Munich (Germany)
- Chairman of the Board of Efficient Energy GmbH, Munich (Germany)
- Member of the Regional Board of Deutsche Bank AG (Germany)

Offices held outside the Group that have expired over the last five years

- Member of the Executive Committee (CFO) of Evonik AG (Germany)
- Vice Chairman of the Board of STEAG GmbH (Germany)
- Member of the Board of THS GmbH (Germany)
- Member of the Board of Directors of Vivawest Wohnen GmbH (Germany)



Mr Ian GALLIENNE

Independent Director

46 years old
French citizen

Business address:
Groupe Bruxelles Lambert
24 Avenue Marnix
1000 Brussels (Belgium)

Number of shares held on 30 June 2017:
1,000

Mr Ian Gallienne has been Managing Director of Groupe Bruxelles Lambert since January 2012.

He holds an MBA from INSEAD in Fontainebleau. From 1998 to 2005, he was Manager of the Rhône Capital LLC private equity fund in New York and London. In 2005, he founded the private equity fund Ergon Capital Partners of which he was Managing Director until 2012.

Mr Ian Gallienne has been a Director of Groupe Bruxelles Lambert since 2009, of Imerys since 2010, of SGS since 2013 and of Adidas since 2016.

Mr Ian Gallienne has been a Director of Pernod Ricard since 2012.

Offices and main functions held outside the Group on 30.06.2017 or at the date of resignation where applicable

- Managing Director of Groupe Bruxelles Lambert* (Belgium)
- Director of Imerys*
- Director of SGS SA* (Switzerland)
- Director of Erbe SA (Belgium)
- Director of Adidas AG* (Germany)

Offices held outside the Group that have expired over the last five years

- Director of Lafarge SA*
- Member of the Supervisory Board of Arno Glass Luxco SCA (Luxembourg)
- Manager of Egerton SARL (Luxembourg)
- Managing Director of Ergon Capital Partners SA (Belgium)
- Managing Director of Ergon Capital Partners II SA (Belgium)
- Managing Director of Ergon Capital Partners III SA (Belgium)
- Director of Steel Partners NV (Belgium)
- Director of Gruppo Banca Leonardo SpA (Italy)
- Member of the Supervisory Board of Kartesia Management SA (Luxembourg)
- Manager of Ergon Capital II SARL (Luxembourg)
- Director of Ergon Capital SA (Belgium)
- Director of Umicore* (Belgium)

* Listed company.



Mr César GIRON

Director

55 years old
French citizen

Business address:
Martell Mumm Perrier-Jouët
112 avenue Kléber
75116 Paris (France)

Number of shares held on 30 June 2017:
5,587

After graduating from the École Supérieure de Commerce de Lyon, Mr César Giron joined the Pernod Ricard group in 1987 where he has spent his entire career. In 2000, he was appointed CEO of Pernod Ricard Swiss SA before becoming Chairman & CEO of Wyborowa SA in Poland in December 2003.

From July 2009, Mr César Giron acted as Chairman & CEO of Pernod until his appointment, on 1 July 2015, as Chairman & CEO of Société Martell Mumm Perrier-Jouët.

Mr César Giron is a member of the Management Board of Société Paul Ricard.

Mr César Giron is a grandson of Mr Paul Ricard, the founder of Société Ricard.

Mr César Giron has been a Director of Pernod Ricard since 2008.

Offices and main functions held outside the Group on 30.06.2017 or at the date of resignation where applicable

Within the Group

French companies

- Chairman & CEO of Martell Mumm Perrier-Jouët
- Chairman & CEO of Martell & Co SA
- Chairman & CEO of Champagne Perrier-Jouët
- Chairman & CEO of G.H. Mumm & Cie S.V.C.S.
- Chairman of Domaines Jean Martell
- Chairman of Augier Robin Briand & Cie
- Chairman of Le Maine au Bois
- Chairman of Financière Moulins de Champagne
- Chairman of Spirits Partners SAS
- Director of Société des Produits d'Armagnac SA
- Director of Mumm Perrier-Jouët Vignobles et Recherches

Outside the Group

- Member of the Management Board of Société Paul Ricard
- Director of Le Delos Invest I
- Director of Le Delos Invest II
- Director of Bendor SA (Luxembourg)

Offices held outside the Group that have expired over the last five years

- Director of Lirix

2 CORPORATE GOVERNANCE AND INTERNAL CONTROL

Report of the Chairman of the Board of Directors of the Company



Ms Martina GONZALEZ-GALLARZA

Director

48 years old
Spanish citizen

Business address:
Pernod Ricard
12 place des États-Unis
75116 Paris (France)

Number of shares held on 30 June 2017:
1,100

Ms Martina Gonzalez-Gallarza graduated from the Jesuit ICADE Business School in Madrid (*Licenciatura*) and holds a PhD in Marketing from the University of Valencia. She pursued her career in the academic world and held various roles in the Faculty of Business Studies at the Universitat Politècnica de València, including Manager of the Marketing Department and Head of the International Office. In 2004, she joined the Catholic University of Valencia where she held the position of Dean of the Business Studies Faculty until 2008. In November 2008, Ms Martina Gonzalez-Gallarza joined the Marketing Department where, currently as a Full Professor, she has been researching consumer behaviour (with more than 50 articles published in academic journals and more than 90 papers presented at Conventions or international Conferences) and teaches international master's programmes in Valencia (Chamber of Commerce, UV and UCV) and abroad (at the IAE in Rennes and at the IGC in Bremen (Germany)) and other professional degree programmes. She was a visiting scholar at Columbia University (New York City), at ESCP France and at the University of Sassari (Sardinia, Italy).

In addition, Ms Martina Gonzalez-Gallarza is a member of the American Marketing Association, of the Spanish and French marketing associations, as well as a member of the International Association of Scientific Experts in Tourism (AIEST).

Ms Martina Gonzalez-Gallarza has been a Director of Pernod Ricard since 2012.

Offices and main functions held outside the Group on 30.06.2017 or at the date of resignation where applicable

■ N/A

Offices held outside the Group that have expired over the last five years

■ N/A



Ms Anne LANGE

Independent Director

49 years old
French citizen

Business address:
Pernod Ricard
12 place des États-Unis
75116 Paris (France)

Number of shares held on 30 June 2017:
100

A French citizen and graduate of the Institut d'Études Politiques of Paris and of the École Nationale d'Administration (ENA), Ms Anne Lange began her career within the office of the Prime Minister as Director of the State-Controlled Broadcasting Office. In 1998, she joined Thomson as Manager of Strategic Planning before being appointed Head of the eBusiness Europe Department in 2000. In 2003, Ms Anne Lange took up the function of General Secretary of the Rights on the Internet Forum, a public body reporting to the office of the Prime Minister. From 2004 to 2014, she went on to successively hold the positions of Director of Public Sector Europe, Executive Director Media and Public Sector Operations (in the USA) and then Innovation Executive Director within the Internet Business Solution Group division at Cisco.

She is currently co-founder and CEO of Mentis, a company which develops applications and platforms in the field of connected objects and collaborates with groups on mobility solutions and management of urban spaces. She is a Director of Orange and the Imprimerie Nationale.

Ms Anne Lange has expertise in innovation and digital technology which she has developed for 20 years in both private and public sectors.

Ms Anne Lange has been a Director of Pernod Ricard since 2016.

Offices and main functions held outside the Group on 30.06.2017 or at the date of resignation where applicable

- Director of Orange*
- Director of the Imprimerie Nationale*

Offices held outside the Group that have expired over the last five years

■ N/A

* Listed company.
N/A: Not applicable.



Mr Paul-Charles RICARD

Permanent representative of Société Paul Ricard ⁽¹⁾

Director

35 years old
French citizen

Business address:

Martell Mumm Perrier-Jouët
112 avenue Kléber
75116 Paris (France)

Number of shares held by Mr Paul-Charles Ricard on 30 June 2017:

182,226

Number of shares held by Société Paul Ricard at 30 June 2017:

24,579,562

Mr Paul-Charles Ricard graduated from Euromed Marseille Business School with a Master's in Management Science, and from Panthéon-Assas Paris 2 University with a Master 2 in Communications (Media Law) and a Master's in Business Law. He joined Pernod Ricard in 2008 as an Internal Auditor in the Audit and Business Development Department at the Headquarters. In 2010, Mr Paul-Charles Ricard was appointed G.H. Mumm International Brand Manager at Martell Mumm Perrier-Jouët before being appointed Group Innovation Manager.

Mr Paul-Charles Ricard is a grandson of Mr Paul Ricard, the founder of Société Ricard.

He has been the permanent representative of Société Paul Ricard (Director of the Board of Pernod Ricard) since 29 August 2012.

Offices and main functions held outside the Group on 30.06.2017 or at the date of resignation where applicable

- Chairman of Le Delos Invest III (Société Paul Ricard)
- Member of the Supervisory Board of Société Paul Ricard (Mr Paul-Charles Ricard)

Offices held outside the Group that have expired over the last five years

- N/A

(1) Unlisted company, shareholder of Pernod Ricard.

N/A: Not applicable.



Mr Gilles SAMYN

Independent Director

67 years old
Belgian and French citizen

Business address:
CNP
Rue de la Blanche Borne 12
B-6280 Loverval (Belgium)

Number of shares held on 30 June 2017:
1,000

Mr Gilles Samyn holds a Commercial Engineering degree from the Université Libre de Bruxelles (ULB) – Solvay Business School, in which he held academic and scientific roles from 1969 to 2016. He began his professional career as a consultant at the Mouvement Coopératif Belge before joining Groupe Bruxelles Lambert in 1974. In 1983, after one year as an independent advisor, he joined Groupe Frère Bourgeois where he is now Managing Director.

Mr Gilles Samyn has been a Director of Pernod Ricard since 2014.

Offices and main functions held outside the Group on 30.06.2017 or at the date of resignation where applicable

- Chairman of the Board of Transcor Astra Group SA (Belgium)
- Chairman of Cheval Blanc Finance SAS
- Chairman of the Board of Helio Charleroi Finance SA (Luxembourg)
- Managing Director of Domaines Frère-Bourgeois SA (Belgium)
- Managing Director of Frère-Bourgeois SA (Belgium)
- Managing Director of Erbe SA (Belgium)
- Director of Groupe Bruxelles Lambert SA*, (GBL) (Belgium)
- Director of Pargesa Holding SA* (Switzerland)
- Member of the Supervisory Board of Métropole Télévision (M6) SA*
- Director of AOT Holding Ltd (Switzerland)
- Director of Banca Leonardo SpA (Italy)
- Manager of Sienna Capital SARL (Luxembourg)
- Permanent Representative of Compagnie Immobilière de Roumont SA, Director of Bss Investments SA (Belgium)
- Permanent Representative of Société des Quatre Chemins SA, Managing Director of Carpar SA (Belgium)
- Permanent Representative of Société des Quatre Chemins SA, Chairman of Fibelpar SA (Belgium)
- Alternate Director of Cheval des Andes SA, ex-Opéra Vineyards SA (Argentina)
- Chairman of Compagnie Immobilière de Roumont SA (Belgium)
- Chairman of Compagnie Nationale à Portefeuille SA (Belgium)
- Chairman of Europart SA (Belgium)
- Chairman of the Board of Filux SA (Luxembourg)
- Managing Director of Financière de la Sambre SA (Belgium)
- Chairman of the Board of Finer SA, ex-Erbe Finance SA (Luxembourg)

Offices held outside the Group that have expired over the last five years

- Chairman and Permanent Representative of Société des Quatre Chemins SA, Director of ACP SA (Belgium)
- *Commissaris* of Agesca Nederland NV (Netherlands)
- Permanent Representative of ACP SA, Director of Antwerp GAZ Terminal NV (Belgium) Vice Chairman of APG/SGA SA* (Switzerland)
- Director of Belgian Ice Cream Group NV (Belgium)
- Chairman of Belgian Sky Shops SA (Belgium)
- Managing Director of Carpar SA (Belgium)
- Director of Carsport SA (Belgium)
- Vice Chairman of Compagnie Nationale à Portefeuille SA (Belgium)
- Director of Entremont Alliance SAS
- Managing Director of Fibelpar SA (Belgium)
- Managing Director of Fingen SA (Luxembourg)
- Chairman of Groupe Jean Dupuis SA
- Chairman of International Duty Free SA, ex-Distripar SA (Belgium)
- Chairman of Newcor SA (Belgium)
- Permanent Representative of Société des Quatre Chemins SA, Managing Director of Compagnie Nationale à Portefeuille SA, ex-Newcor SA (Belgium)
- Director of Société Générale d’Affichage SA (Switzerland)
- Director of Newtrans Trading SA (Belgium)
- Managing Director of Safimar SA (Belgium)
- Managing Director of SCP SA (Luxembourg)
- Chairman of the Board of Segelux SA, ex-Gesecalux SA (Luxembourg)
- Manager of Sodisco SARL
- Chairman of Solvayschoolsalumni ASBL (Belgium)
- Director of Starco Tielen NV (Belgium)
- Member of the Investment Committee of Tikehau Capital Partners SAS

* Listed company.

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- Manager of Gosa SDC (Belgium)
 - Permanent Representative of Frère-Bourgeois SA, Manager of GBL Energy SaRL (Luxembourg)
 - Director of Grand Hôpital de Charleroi ASBL (Belgium)
 - Managing Director of Investor SA (Belgium)
 - Chairman of the Board of Directors of Kermadec SA (Luxembourg)
 - Managing Director of Loverval Finance SA, ex-Compagnie Nationale à Portefeuille SA (Belgium)
 - *Commissaris* of Parjointco NV (Netherlands)
 - Director of Société Civile du Château Cheval Blanc
 - Managing Director of Société des Quatre Chemins SA (Belgium)
 - Director of Stichting Administratiekantoor Frère-Bourgeois (Netherlands)
 - Chairman of Swilux SA (Luxembourg)
 - Manager of Astra Oil Company LLC (AOC) (United States)
 - Director of Astra Transcor Energy NV (ATE) (Netherlands)
 - Chairman of TAGAM AG (Switzerland)
 - Chairman of Worldwide Energy Ltd AG (Switzerland)
 - Director of Transcor East Ltd (Switzerland)
 - Director of TTR Energy SA (Belgium)
 - Chairman of Unifem SAS
 - Director of Fidentia Real Estate Investments SA (Belgium)
 - Permanent Representative of Société des Quatre Chemins SA, Director and Chairman of ACP SA
 - Chairman of Groupe Flo SA*
 - Chairman of Financière Flo SAS
 - Director of Belholding Belgium SA (Belgium)
-

* Listed company.



Ms Kory SORENSON
Independent Director

48 years old
British citizen

Business address:
Pernod Ricard
12 place des États-Unis
75116 Paris (France)

Number of shares held on 30 June 2017:
1,000

Ms Kory Sorenson, a British citizen born in the United States, has made her career in finance, with a focus on capital and risk management. She holds a Master's degree in Corporate Finance and the International Capital Markets from the Institut d'Études Politiques de Paris, a Master's degree in Applied Economics from the University of Paris Dauphine and a Bachelor of Arts degree with honours in Political Science and Econometrics from the American University of Washington, D.C. In 2013, she completed the Harvard Business School's executive education programme, "Making Corporate Boards More Effective", and in 2016 she completed another executive programme at INSEAD, "Leading from the Chair". Ms Kory Sorenson held the position of Managing Director, Head of Insurance Capital Markets at Barclays Capital in London, where her team conducted innovative transactions in capital management, mergers and acquisitions, as well as equity transactions, hybrid capital and risk management for major insurance companies. She previously led the team in charge of the financial markets, specialising in insurance, at Credit Suisse and the team in charge of debt markets for financial institutions in Germany, Austria and the Netherlands at Lehman Brothers. She began her career in investment banking at Morgan Stanley and in finance at Total.

Ms Kory Sorenson is currently Director and President of the Audit Committee of SCOR SE (listed on the Paris stock exchange), and member of the Boards of life and non-life reinsurance affiliates in the United States, Director and President of the Compensation Committee of Phoenix Group Holdings (listed in Great Britain), member of the Supervisory Board of UNIQA Insurance Group AG (listed in Austria), Director of Aviva Insurance Limited in Great Britain and member of the Supervisory Board of Bank Gutmann, a private bank in Austria. She is a member of Women Corporate Directors (Paris chapter).

Ms Kory Sorenson has been a Director of Pernod Ricard since 2015.

Offices and main functions held outside the Group on 30.06.2017 or at the date of resignation where applicable

- Director of Phoenix Group Holdings* (Great Britain)
- Director of SCOR SE*
- Director of SCOR Global Life Americas Reinsurance Company (United States)
- Director of SCOR Global Life USA Reinsurance Company (United States)
- Director of Aviva Insurance Limited (Great Britain)
- Member of the Supervisory Board of UNIQA Insurance Group AG* (Austria)
- Member of the Supervisory Board of Château Troplong Mondot
- Member of the Supervisory Board of Bank Gutmann (Austria)

Offices held outside the Group that have expired over the last five years

- Director of Institut Pasteur (non-profit foundation)



Ms Veronica VARGAS
Director

36 years old
Spanish citizen

Business address:
Pernod Ricard
12 place des États-Unis
75116 Paris (France)

Number of shares held on 30 June 2017:
6,820

Ms Veronica Vargas received a MEng degree in Industrial Engineering from the "Escuela Técnica Superior de Ingenieros" (Seville, Spain) and completed her degree in France at École Centrale Paris (ECP).

Ms Veronica Vargas started her professional career at the beginning of 2007 at Société Générale Corporate & Investment Banking in Paris as part of the "Strategic and Acquisition Finance" team. She joined the London team in 2009, where she continues to be involved in advising clients on all aspects related to the optimisation of their capital structure, as well as executing strategic transactions to support clients' key business needs, including acquisitions, spin-offs, share buybacks, and other strategic transactions.

Ms Veronica Vargas is a great-granddaughter of Mr Paul Ricard, the founder of Société Ricard, and has been a permanent representative of Rigivar SL Company, a member of the Supervisory Board of Société Paul Ricard since 2009.

Ms Veronica Vargas has been a Director of Pernod Ricard since 2015.

Offices and main functions held outside the Group on 30.06.2017 or at the date of resignation where applicable

- Permanent representative of Rigivar SL, member of the Supervisory Board of Société Paul Ricard

Offices held outside the Group that have expired over the last five years

- N/A

* Listed company.
N/A: Not applicable.



Mr Sylvain CARRÉ

Director representing the employees

51 years old
French citizen

Business address:
Pernod Ricard
12 place des États-Unis
75116 Paris (France)

Mr Sylvain Carré joined the Pernod Ricard group in 1988 at its affiliate Pernod as a highly skilled worker in the fields of distillation and new products. In 1993, he was appointed Bottling Line Supervisor. Since 2012, he has been Production Team Manager at Pernod's Thuir facility.

Mr Sylvain Carré has been a Director representing the employees since the Board of Directors' meeting of 21 January 2014 following his nomination by the Group Committee (France) on 2 December 2013.

Offices and main functions held outside the Group on 30.06.2017 or at the date of resignation where applicable

■ N/A

Offices held outside the Group that have expired over the last five years

■ N/A



Mr Manousos CHARKOFTAKIS

Director representing the employees

47 years old
Greek citizen

Business address:
Pernod Ricard
12 place des États-Unis
75116 Paris (France)

Number of shares held on 30 June 2017:
50

Mr Manousos Charkoftakis joined the Pernod Ricard group in 1998 as an employee of Pernod Ricard Hellas, its Greek affiliate. In 2002, he was appointed Area Sales Manager for Crete and the Aegean Islands. He holds a Master's degree in Business Administration and he is also a member of the Greek Management Association.

Mr Manousos Charkoftakis has been a Director representing the employees since the Board of Directors' meeting of 21 January 2014 following his election by the European Works Council on 28 November 2013.

Offices and main functions held outside the Group on 30.06.2017 or at the date of resignation where applicable

■ N/A

Offices held outside the Group that have expired over the last five years

■ N/A

The Directors hold no other employee positions in the Group, with the exceptions of: Mr César Giron, Chairman & CEO of Martell Mumm Perrier-Jouët; Mr Paul-Charles Ricard (permanent representative of Société Paul Ricard, member of the Board), Group Innovation Manager at Martell Mumm Perrier-Jouët; and the Directors representing the

employees (namely Mr Sylvain Carré and Mr Manousos Charkoftakis), who respectively hold the positions of Production Team Manager at Pernod and Area Sales Manager for Crete and the Aegean Islands at Pernod Ricard Hellas.

N/A: Not applicable.

GOVERNANCE STRUCTURE

Reunification of the functions of Chairman of the Board of Directors and CEO

During its meeting of 29 August 2012, the Board of Directors, on the recommendation of the Nominations, Governance and CSR Committee, appointed Ms Danièle Ricard as Chairwoman of the Board of Directors, following the death of Mr Patrick Ricard, and Mr Pierre Pringuet as Vice Chairman of the Board of Directors; Mr Pierre Pringuet, additionally, retained his position as Chief Executive Officer, which was renewed during the Board meeting of 9 November 2012. As Mr Pierre Pringuet's term of office expired on 11 February 2015, by virtue of the Company's bylaws, and following the decision of Ms Danièle Ricard to withdraw from the Board of Directors, on 11 February 2015 the Board of Directors decided that the functions of Chairman and CEO should be reunified and appointed Mr Alexandre Ricard as Chairman & CEO, in accordance with the French Commercial Code and the AFEP-MEDEF Code. In order to provide the checks and balances necessary in the exercise of such powers, as well as good governance, the Company sought to establish guarantees, notably:

- as part of the Group's General Management, the Chairman & CEO relies on two management bodies: the Executive Board, which endorses every major decision relating to the Group's strategy, and the Executive Committee, which ensures coordination between the Headquarters and its affiliates, in accordance with the Group's decentralised model;
- limitations on the powers of the Chairman & CEO by the Board of Directors: prior authorisation by the Board of Directors is necessary in particular for external growth transactions or disinvestments for amounts greater than €100 million and for loans exceeding €200 million (see the subsection "Limitation on the powers of the Chairman & CEO" hereinafter); and
- four specialised Committees, responsible for preparing the work of the Board of Directors relating to the following topics: compensation; audit; nominations, governance and CSR; strategy. These Committees are mostly composed of Independent Directors ⁽¹⁾, the Company going beyond the recommendations of the AFEP-MEDEF Code (Audit Committee: 100% vs 67% recommended; Compensation Committee: 75% vs 50% recommended; Nominations, Governance and CSR Committee: 67% vs 50% recommended and Strategic Committee: 50% vs no recommendation).

Powers of the Chairman & CEO

As Chairman of the Board of Directors, the Chairman & CEO organises and leads the Board's work, on which he reports at the Shareholders' Meeting. He oversees the proper operation of the Company's managing bodies and, in particular, ensures that the Directors are in a position to fulfil their duties. He can also request any document or information which can be used to help the Board in preparing its meetings.

As Chief Executive Officer, the Chairman & CEO is granted full powers to act in the name of the Company under any circumstances. He exercises these powers within the limits of the corporate purpose and subject to the powers expressly granted by law to the Shareholders' Meetings and to the Board, and within the internal limits as defined by the Board of Directors and its Internal Regulations.

Limitation on the powers of the Chairman & CEO

For internal purposes, following the decision made by the Board of Directors on 11 February 2015 and in accordance with article 2 of the Board's Internal Regulations ⁽²⁾, prior to making a commitment on behalf of the Company, the Chairman & CEO must obtain prior authorisation from the Board of Directors for any significant transactions that fall outside the strategy announced by the Company, as well as the following transactions:

- carrying out acquisitions, transfers of ownership or disposals of assets and property rights and making investments for an amount of above €100 million per transaction;
- signing any agreements to make investments in, or participate in joint ventures with, any other French or non-French companies, except with an affiliate of Pernod Ricard (as defined in article L. 233-1 of the French Commercial Code);
- making any investments or taking any shareholding in any company, partnership or investment vehicle, whether established or yet to be established, through subscription or contribution in cash or in kind, through the purchase of shares, ownership rights or other securities, and more generally in any form whatsoever, for an amount of above €100 million per transaction;
- granting loans, credits and advances in excess of €100 million per borrower, except when the borrower is an affiliate of Pernod Ricard (as defined in article L. 233-1 of the French Commercial Code) and with the exception of loans granted for less than one year;
- borrowing, with or without granting a guarantee on corporate assets, in excess of €200 million in the same financial year, except from affiliates of Pernod Ricard (as defined in article L. 233-1 of the French Commercial Code), for which there is no limit;
- granting pledges, sureties or guarantees, except with express delegation of authority from the Board of Directors, within the limits provided for by articles L. 225-35 and R. 225-28 of the French Commercial Code; and
- selling shareholdings with an enterprise value in excess of €100 million.

On 17 November 2016, the Board of Directors authorised the Chairman & CEO, for a period of one year, to grant pledges, sureties or guarantees in the name of the Company up to an overall limit of €100 million, and for an unlimited amount to tax and customs authorities.

⁽¹⁾ The Internal Regulations can be consulted on the Company's website (www.pernod-ricard.com). They may be amended by the Board of Directors at any time.

⁽²⁾ In accordance with the law, Directors representing the employees are not required to hold a minimum number of Company's shares.

Role of the Vice Chairman and assigned missions

In accordance with the bylaws of the Company, the role of the Vice Chairman of the Board Directors is to chair the meetings of the Board of Directors or the Shareholders' Meeting should the Chairman of the Board be unable to attend.

On the recommendation of the Nominations, Governance and CSR Committee and pursuant to the Internal Regulations of the Board, the Board of Directors has, in monitoring of and compliance with rules of good governance, and particularly those relating to conflicts of interest, entrusted to the Vice Chairman, in view of his expertise in corporate governance, the following specific duties:

- in agreement with the Chairman & CEO, to represent Pernod Ricard in its high-level relations notably with public authorities and professional associations at a national and international level;
- to take an active role, in conjunction with the Nominations, Governance and CSR Committee, in managing corporate governance matters and, in agreement with the Chairman & CEO, to represent Pernod Ricard in dealings with third parties on these issues while ensuring an adequate response from Pernod Ricard to the requirements of the shareholders and, more generally, of other stakeholders.

Reference Corporate Governance Code: AFEP-MEDEF Code

On 12 February 2009, the Board of Directors of Pernod Ricard confirmed that the AFEP-MEDEF Corporate Governance Code of listed corporations published in December 2008 and last revised in November 2016 (the "AFEP-MEDEF Code"), available on the AFEP and MEDEF websites, was the Code to which Pernod Ricard referred to in order notably to prepare the report required by article L. 225-37 of the French Commercial Code.

In accordance with the "Comply or Explain" rule set forth in article L. 225-37 of the French Commercial Code and referred to in article 27.1 of the AFEP-MEDEF Code, the Company considers that its practices comply with the recommendations of the AFEP-MEDEF Code.

COMPOSITION OF THE BOARD OF DIRECTORS

General rules concerning the composition of the Board of Directors and the appointment of Directors

The members of the Board of Directors are listed above.

The Board of Directors of the Company comprises no fewer than 3 and no more than 18 members, unless otherwise authorised by law. In accordance with the Company's bylaws, each Director must own at least 50 Company shares in registered form. However, the Board's Internal Regulations ⁽¹⁾ recommend that Directors acquire and hold at least 1,000 Company shares ⁽²⁾.

The members of the Board of Directors are appointed by the Ordinary Shareholders' Meeting and are proposed by the Board of Directors following the recommendations of the Nominations, Governance and CSR Committee. They can be dismissed at any time by decision of the Shareholders' Meeting.

In accordance with the law of 14 June 2013 on the protection of employment and the Company's bylaws, two Directors representing the employees have sat on the Board of Directors since January 2014, following their nomination on 28 November 2013 by the European Works Council and on 2 December 2013 by the Group Committee (France), respectively.

One representative of the Company's employees attends the meetings of the Board of Directors in an advisory role.

The Board of Directors may, upon a proposal from its Chairman, appoint one or more censors, who may be either individuals or legal entities and who may or may not be shareholders.

The term of office of each Director is four years. However, on an exceptional basis, the Shareholders' Meeting may, following the Board of Directors' proposal, appoint Directors or renew their term of office for a period of two years so as to enable a staggered renewal of the Board of Directors.

The Board of Directors and the Nominations, Governance and CSR Committee regularly evaluate the composition of the Board and its Committees as well as the different skills and experiences brought by each Director. They also identify the guidelines to be issued in order to ensure the best balance possible by seeking complementary characteristics from both an international and human diversity perspective, in terms of nationality, gender and experience. The intention is thereby to pursue the objectives with regard to the composition of the Board of Directors and its Committees, taking into consideration the Group's strategic orientations in particular.

(1) The Internal Regulations can be consulted on the Company's website (www.pernod-ricard.com). They may be amended at any time by the Board of Directors.

(2) In accordance with the AFEP-MEDEF Code, Directors representing the employees are not taken into account when determining the percentage of Independent Directors on the Board of Directors.

Changes in the composition of the Board of Directors

During the 2016/17 financial year

The Shareholders' Meeting of 17 November 2016 ratified the co-option of Ms Anne Lange as Director, in order to replace Mr Laurent Burelle, following his resignation from his functions as Director, for the remainder of his term of office, namely until the close of the Shareholders' Meeting of 9 November 2017.

The Shareholders' Meeting of 17 November 2016 renewed the directorships of Mr Alexandre Ricard, Mr Pierre Pringuet, Mr César Giron and Mr Wolfgang Colbert for a term of four years expiring at the close of the Shareholders' Meeting to be held in 2020 to approve the financial statements for the previous financial year.

During the 2017/18 financial year

As Ms Anne Lange's, Ms Veronica Varga's and Société Paul Ricard's directorships expire at the close of the Shareholders' Meeting held on 9 November 2017, it will be proposed that the Shareholders' Meeting (5th, 6th and 7th resolutions), in accordance with the recommendations of the Nominations, Governance and CSR Committee, renew their directorships as Directors for a four-year period expiring at the close of the Shareholders' Meeting to be held in 2021 to approve the financial statements for the previous financial year.

Thus, at the close of the Shareholders' Meeting of 9 November 2017, the Board of Directors would comprise 14 members (including two Directors representing the employees), six Independent Directors (50%) and five women (42%) in accordance with the recommendations of the AFEP-MEDEF Code and the law on balanced representation of women and men within Boards of Directors and professional equality. Moreover, six Directors are of foreign nationality.

The terms of office of the Directors representing the employees expire at the end of 2017 and, in accordance with the law and the Company's bylaws (article 16), only one of those terms will be renewed, the Board of Directors being composed of 12 members elected by the Shareholders' Meeting. Thus, in December 2017, the Group Committee (France) will appoint the Director representing the employees at the Board of Directors of the Company.

Independence of Directors

The Company applies criteria of independence as expressed in the AFEP-MEDEF Code (see table hereunder). A member of the Board of Directors is considered "independent" when they have no relationships of any kind with the Company, its Group or its Management, which could impair the free exercise of his/her judgement (article 3 of the Internal Regulations⁽¹⁾ of the Board of Directors).

Therefore, the Board of Directors and the Nominations, Governance and CSR Committee use the following criteria to assess the independence of Directors in their annual review as well as in the event of a co-option, an appointment or a renewal.

(1) The Internal Regulations can be consulted on the Company's website (www.pernod-ricard.com). They may be amended at any time by the Board of Directors.

The AFEP-MEDEF Code independence criteria are the following:

Criterion 1	Not to be an employee or Executive Director of the Company, nor an employee, Executive Director or a Director of a company consolidated within the Company or of its parent company or a company consolidated within this parent company.
Criterion 2	Not to be an Executive Director of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an Executive Director of the Company (currently in office or having held such office during the last five years) is a Director.
Criterion 3	Not to be, or not to be directly or indirectly related to, a customer, supplier, commercial banker or investment banker that is material to the Company or its Group, or for which the Company or the Group represent a significant part of their business.
Criterion 4	Not to be related by close family ties to an Executive Director.
Criterion 5	Not to have been a statutory auditor of the Company within the previous five years.
Criterion 6	Not to have been a Director of the Company for more than twelve years.
Criterion 7	Directors representing major shareholders (+10%) of the Company or its Parent Company may be considered as being independent, provided that these shareholders do not take part in the control of the Company.

Name	1	2	3	4	5	6	7	Qualification selected by the Board
Executive Directors								
Alexandre Ricard <i>Chairman & CEO</i> <i>French citizen</i>			X		X	X		Non-independent
Pierre Pringuet <i>Vice Chairman of the Board of Directors</i> <i>French citizen</i>			X	X	X		X	Non-independent
Directors considered as independent by the Board								
Nicole Bouton <i>French citizen</i>	X	X	X	X	X	X	X	Independent
Wolfgang Colberg <i>German citizen</i>	X	X	X	X	X	X	X	Independent
Ian Gallienne <i>French citizen</i>	X	X	X	X	X	X	X	Independent*
Gilles Samyn <i>Belgian and French citizen</i>	X	X	X	X	X	X	X	Independent*
Kory Sorenson <i>British citizen</i>	X	X	X	X	X	X	X	Independent
Anne Lange <i>French citizen</i>	X	X	X	X	X	X	X	Independent
Directors								
César Giron <i>French citizen</i>			X		X	X		Non-Independent
Martina Gonzalez-Gallarza <i>Spanish citizen</i>	X	X	X	X	X	X	X	Non-independent**
Société Paul Ricard <i>(Represented by Mr Paul-Charles Ricard)</i> <i>French citizen</i>		X	X		X			Non-independent
Veronica Vargas <i>Spanish citizen</i>	X	X			X	X		Non-independent
Directors representing the employees***								
Sylvain Carré <i>French citizen</i>								Representing the employees
Manousos Charkoftakis <i>Greek citizen</i>								Representing the employees

X: Means the Director fulfils the independence criterion concerned.

* Given the passive crossing of the 10% voting rights threshold by GBL in February 2017 by virtue of automatic acquisition of double voting rights, the Nominations, Governance and CSR Committee and the Board of Directors have examined this specific independence criterion and, in order to qualify Mr Ian Gallienne and Mr Gilles Samyn as Independent Directors, they have established that GBL does not participate in the control of Pernod Ricard and does not intend to do so, that GBL has no relation with any other shareholder or the Ricard family, the Group's reference shareholder, and that there is no potential conflict of interest situation that could compromise their freedom of judgment.

** Independent in the light of the AFEP-MEDEF criteria but considered as non-independent by the Board of Directors due to the shareholders' agreement between Société Paul Ricard and Mr Rafael Gonzalez-Gallarza, her father.

*** In accordance with the AFEP-MEDEF Code, the Directors representing the employees are not taken into account when determining the independence percentage of the Board of Directors.

In the context of the annual Directors' independence review and with respect in particular to the business relationships with a Director criterion (criterion 3), the Nominations, Governance and CSR Committee and the Board of Directors acknowledged that a business relationship was disclosed by Mr Gilles Samyn. Regarding the information presented, the Committee and the Board of Directors concluded that the relationship was not significant and that it did not challenge the Director's independence. Indeed, the purchases made by International Duty Free and Group Flo from Pernod Ricard amounted to approximately €620,000 (on a turnover of €163 million) and approximately €35,000 (on a turnover of €266.5 million) respectively. In addition, there is no economic dependence between these companies and Pernod Ricard.

The Nominations, Governance and CSR Committee and the Board of Directors also raised the question of the independence of Mr Ian Gallienne and Mr Gilles Samyn given the passive crossing of the 10% voting rights threshold by GBL in February 2017 by virtue of the automatic acquisition of double voting rights.

According to the AFEP-MEDEF Code, Directors representing major shareholders of the Company may be considered as being independent, provided that these shareholders do not take part in the control of the Company (criterion 7). When crossing 10% of share capital or voting rights, the Board of Directors, on the recommendation of the Nominations, Governance and CSR Committee, should systematically review a Director's independence in the light of the composition of the Company's share capital and the existence of a potential conflict of interest.

Accordingly, it has been established that GBL does not participate in the control of Pernod Ricard and does not intend to do so as stated in the notification of threshold crossing published by the AMF on 23 February 2017:

- GBL has no relation with any other shareholder or the Ricard family, the Group's reference shareholder;
- Mr Ian Gallienne and Mr Gilles Samyn do not chair any of the Board's Committees and are not members of the Nominations, Governance and CSR Committee;
- GBL does not intend to seek the appointment of any other Directors, as indicated in the aforementioned AMF declaration.

The Nominations, Governance and CSR Committee and the Board of Directors also noted the absence of conflict of interest:

- a passive crossing of the 10% voting rights threshold does not create a situation of conflict of interest;
- there is no significant business relationship between GBL and Pernod Ricard or its Group that could create a situation of conflict of interest and which could compromise their freedom of judgment;
- GBL has the reputation to be diligent and demanding investor whose interests are in line with those of all shareholders.

Given these facts, the Nominations, Governance and CSR Committee and the Board of Directors considered that Mr Ian Gallienne and Mr Gilles Samyn fully met the "specific" independence criteria linked to the crossing of the threshold of 10% in share capital or voting rights.

After consideration and review of the AFEP-MEDEF Code criteria recalled above, the Board of Directors' meeting held on 19 April 2017, following the recommendation of the Nominations, Governance and

CSR Committee, confirmed that 6 out of 12 members of the Board of Directors (excluding the two Directors representing the employees ⁽¹⁾) are deemed to be independent: Ms Nicole Bouton, Ms Anne Lange and Ms Kory Sorenson and Messrs Wolfgang Colberg, Ian Gallienne and Gilles Samyn, representing half of the Board of Directors as required by the AFEP-MEDEF Code.

Directors' Code of Conduct

Article 4 of the Internal Regulations adopted by the Board of Directors on 17 December 2002 and article 17 of the bylaws stipulate the rules of conduct that apply to Directors and their permanent representatives. Each Director acknowledges that he/she has read and understood these undertakings prior to accepting the office. The Internal Regulations also outline the various rules in force with regard to the conditions for trading in the Company's shares on the stock market and the notification and publication requirements relating thereto.

Moreover, the Board of Directors' meeting of 16 February 2011 adopted a Code of Conduct to prevent insider trading and misconduct in compliance with new legal undertakings.

In accordance with this Code, Directors are asked to submit any transactions involving Pernod Ricard shares or its derivatives to the Ethics Committee for approval.

As the Directors have sensitive information on a regular basis, they must refrain from using this information to buy or sell shares of the Company and from carrying out stock market transactions in the 30 days prior to the publication of the annual and half-year results and 15 days prior to the publication of quarterly net sales. This period is extended to the day after the announcement when it is made after the close of the markets (5.30 p.m., Paris time) and to the day of the announcement when it is made before the opening of the markets (9.00 a.m., Paris time). In addition, they must seek the advice of the Ethics Committee before making any market transactions involving the Company's shares or its derivatives.

Directors' Statement

Conflicts of interest

To the Company's knowledge and at the date hereof, there are no potential conflicts of interest between the duties of any of the members of the Company's Board of Directors or General Management with regard to the Company in their capacity as Executive Director and their private interests or other duties.

To the Company's knowledge and at the date hereof, there are no arrangements or agreements established with the main shareholders, clients or suppliers under which one of the members of the Board of Directors or General Management has been appointed.

To the Company's knowledge and at the date hereof, except as described in the "Shareholders' agreements" subsection of Section 8 "About the Company and its share capital", the members of the Board of Directors and General Management have not agreed to any restrictions concerning the disposal of their stake in the share capital of the Company.

⁽¹⁾ In accordance with the AFEP-MEDEF Code, Directors representing the employees are not taken into account when determining the percentage of Independent Directors or the proportion of women on the Board of Directors.

In accordance with the Board's Internal Regulations ⁽¹⁾ and in order to prevent any risk of conflict of interest, each member of the Board of Directors is required to declare to the Board of Directors, as soon as he/she becomes aware of such fact, any situation in which a conflict of interest arises or could arise between the Company's corporate interest and his/her direct or indirect personal interest, or the interests of a shareholder or group of shareholders which he/she represents.

Absence of convictions for fraud, association with bankruptcy or any offence and/or official public sanction

To Pernod Ricard's knowledge and at the date hereof:

- no conviction for fraud has been issued against any members of the Company's Board of Directors or General Management over the last five years;
- none of the members of the Board of Directors or General Management has been associated, over the last five years, with any bankruptcy, compulsory administration or liquidation as a member of a Board of Directors, Management Board or Supervisory Board or as a CEO;
- no conviction and/or official public sanction has been issued over the last five years against any members of the Company's Board of Directors or General Management by statutory or regulatory authorities (including designated professional organisations); and
- no Director or member of the General Management has, over the last five years, been prohibited by a court of law from serving as a member of a Board of Directors, a Management Board or Supervisory Board or from being involved in the management or the running of a company.

Service agreements

No member of the Board of Directors or member of the General Management has any service agreements with Pernod Ricard or any of its affiliates.

Employee representatives

Since the nomination of two Directors representing the employees at the end of 2013, employees of Pernod Ricard SA are now represented by only one person who assists the Board meetings, currently Mr Hervé Jouanno.

STRUCTURE AND OPERATION OF THE BOARD OF DIRECTORS

The operation of the Board of Directors is set forth in the legal and regulatory provisions, the bylaws and the Board's Internal Regulations adopted in 2002 and last amended most recently by the Board of Directors held on 20 July 2017. The Internal Regulations of the Board of Directors specify the rules and operations of the Board, and supplement the relevant laws, regulations and bylaws. In particular, they remind the Directors of the rules on diligence, confidentiality and disclosure of possible conflicts of interest.

Meetings of the Board of Directors

It is the responsibility of the Chairman to call meetings of the Board of Directors regularly, or at times that he or she considers appropriate. In order to enable the Board to review and discuss in detail the matters falling within their area of responsibility, the Internal Regulations provide that Board meetings must be held at least six times a year. In particular, the Chairman of the Board of Directors ensures that Board meetings are held to close the interim and annual financial statements and to convene the Shareholders' Meeting in charge of approving said statements.

Board meetings are called by the Chairman. The notice of the Board meeting, sent to the Directors at least eight days before the date of the meeting except in the event of a duly substantiated emergency, must set the agenda and state where the meeting will take place, which will be, in principle, the Company's registered office. Board meetings may also be held by video conference or teleconference, under the conditions provided for in the applicable regulations and the Internal Regulations.

Information provided to the Directors

The Directors receive the information they require to fulfil their duty. The supporting documents pertaining to matters on the agenda are provided far enough in advance to enable them to prepare effectively for each meeting, and, generally, eight days before the meeting, in accordance with the Internal Regulations.

A Director may ask for explanations or for additional information to be shared and, more generally, submit to the Chairman any request for information or access to information which he or she deems appropriate.

(1) The Internal Regulations can be consulted on the Company's website (www.pernod-ricard.com). They may be amended at any time by the Board of Directors.

Board of Directors

Main roles

In exercising its legal prerogatives, the Board of Directors, notably:

- rules on all decisions relating to the major strategic, economic, social and financial directions of the Company and sees their implementation by the General Management;
- deals with any issue relating to the smooth operation of the Company and monitors and controls these issues. In order to do this, it carries out the controls and checks it considers appropriate, including the review of the Company management;
- approves investment projects and any transactions, especially any acquisitions or disposal transactions, that are likely to have a significant effect on the Group's profits, the structure of its balance sheet or its risk profile;
- draws up the annual and interim financial statements and prepares the Shareholders' Meeting;
- defines the Company's financial communication policy;
- checks the quality of the information provided to the shareholders and to the markets;
- appoints the Executive Directors responsible for managing the Company;
- defines the compensation policy for the General Management based on the recommendations of the Compensation Committee;
- conducts an annual review of every individual Director prior to publishing the annual report and reports the outcome of this review to the shareholders in order to identify the Independent Directors;
- approves the report of the Chairman of the Board of Directors on the composition of the Board and the implementation of the principle of balanced representation of women and men in the Board, the conditions governing the preparation and organisation of the work performed by the Board of Directors and the internal control procedures implemented by the Company.

Main activities in 2016/17

- The Board of Directors met eight times with an attendance rate of 97.35%. Meetings lasted approximately three hours on average.
- The Directors were regularly informed of developments in the competitive environment, and the operational Senior Management of the main affiliates reported on their organisation, businesses and outlook.
- The Board of Directors discussed the current state of the business at each of these meetings (operations, results and cash flow) and noted the progress of the Company's shares and the main ratios for market capitalisation.
- The Board of Directors approved the annual and interim financial statements and the terms of financial communications, reviewed the budget, prepared the Combined Shareholders' Meeting and, in particular, approved the draft resolutions.
- The Board of Directors devotes a significant part of its agenda on the minutes and discussions related to the work entrusted with the different Committees and their recommendations.
- The Strategic Committee was in charge of analysing the main possible strategic orientations for the development of the Group and reporting to the Board on its reflections on the subjects related to its duties.
- On the proposal of the Compensation Committee and in accordance with the recommendations of the AFEP-MEDEF Code, the Board of Directors' meeting held on 30 August 2017 established the 2017/18 compensation policy for the Chairman & CEO submitted to the approval of the Shareholders' Meeting (10th resolution) in accordance with the "Sapin 2" Law and evaluated his variable compensation for 2016/17 without him being present.
- In accordance with the recommendations of the AFEP-MEDEF Code, Directors met without the Executive Director or Directors performing Group executive or management functions in attendance. Specific topics discussed during this meeting mainly related to the operations of the Board and its committees, with Directors offering some suggestions for improvement.
- The Board of Directors also examined governance issues, including the composition of the Board of Directors with respect to the recommendations of the AFEP-MEDEF Code, in particular regarding the proportion of women and the diversity of the Directors' profiles.
- The Board of Directors carried out, with the support of the work of the Nominations, Governance and CSR Committee, an external and formal review of its operations at its meeting of 20 July 2017.

Board of Directors' review

The Board of Directors includes on its agenda a regular discussion on its operation at least once a year and focuses in particular on the following areas:

- a review of its composition, operation and structure;
- a check that significant issues are adequately prepared and discussed.

In accordance with the AFEP-MEDEF Code and with its Internal Regulations, the Nominations, Governance and CSR Committee and the Board carried out, during the financial year, a review of the operations of the Board and its Committees.

It should be noted that the triennial external review of the operation of the Board and its Committees was carried out in the 2014/15 financial year. Using a formalised interview guide, individual interviews were conducted with each Director by an external consultant specialising in corporate governance issues. The next external review will be held during the 2017/18 financial year.

It appears from the last triennial review and the annual review performed during the 2016/17 financial year by the Board of Directors on 20 July 2017 that the Directors were unanimous in their opinion that the Board is very dynamic, that its ways of working have evolved positively over the past few years, that it is extremely professional and transparent, and that trust and attachment to the Group's family values are key elements.

The Directors are also very pleased with the Committees' operations, their composition and their efficiency.

In a constructive approach, the Directors did, however, express a number of suggestions to improve their collective work.

The Nominations, Governance and CSR Committee and the Board of Directors have taken note of these suggestions, and proposals for improvements have been submitted to the Directors and implemented:

- a collective review of the Group policy about risk management;
- the distribution of the Board timetable eighteen months in advance;
- the implementation of a specific integration program for all new Directors, including visits to affiliates;
- more time dedicated to Committee reports;
- an enhancement of knowledge of the Group and its organisation thanks to presentations made by Managers of affiliates or Directors of activities.

Shareholders' Meetings and attendance procedures

Article 32 of the bylaws sets out the procedures that shareholders must follow in order to attend Shareholders' Meetings. A summary of these rules is provided in Section 8 "About the Company and its share capital" of this Registration Document.

STRUCTURE AND OPERATION OF THE COMMITTEES

Committees of the Board of Directors

The Board of Directors delegates responsibility to its specialised Committees for the preparation of specific topics submitted for its approval.

Four Committees handle subjects in the area for which they have been given responsibility and submit their opinions and recommendations to the Board: the Audit Committee; the Nominations, Governance and CSR Committee; the Compensation Committee, and the Strategic Committee.

Audit Committee

Audit Committee

Composition

On 30 August 2017, the Audit Committee comprises:

Chairman:

Mr Wolfgang Colberg (Independent Director)

Members:

Mr Gilles Samyn (Independent Director)

Ms Kory Sorenson (Independent Director)

The three Directors who are members of the Audit Committee are Independent Directors (100%), it being noted that the AFEP-MEDEF Code recommends an independence rate of 67%. The members of the Audit Committee were specifically chosen for their expertise in accounting and finance, based on their academic and professional experience.

The Internal Regulations of the Audit Committee were reviewed and adopted at the Board of Directors' meeting of 8 February 2017.

During the 2016/17 financial year, the Audit Committee met 4 times, with an attendance rate of 100%.

Main roles

The main roles of this Committee are the following:

- reviewing the Group's draft annual and half-year Parent Company and consolidated financial statements before they are submitted to the Board of Directors;
- ensuring the appropriateness and consistency of the accounting methods and principles in force, preventing any breach of these rules and ensuring the quality of the information supplied to shareholders;
- making recommendations, if necessary, to ensure the integrity of the financial reporting process;
- ensuring the appropriate accounting treatment of complex or unusual transactions at Group level;
- examining the scope of consolidation and, where appropriate, the reasons why some companies may not be included;
- assessing the Group's internal control systems and reviewing internal audit plans and actions;
- examining the material risks and off-balance sheet commitments and assessing how these are managed by the Company;
- examining any matter of a financial or accounting nature submitted by the Board of Directors;
- giving the Board of Directors its opinion or recommendation on the renewal or appointment of the Statutory Auditors, the quality of their work in relation to the statutory audit of the Company and consolidated financial statements and the amounts of their fees, while ensuring compliance with the rules that guarantee the Statutory Auditors' independence and objectivity (in particular by the approval of non-audit missions);
- reviewing conclusions and action plans resulting from the controls carried out by the Haut Conseil du Commissariat aux Comptes;
- supervising the procedure for selecting Statutory Auditors.

Audit Committee

Main activities in 2016/17

In accordance with its Internal Regulations and in conjunction with the Statutory Auditors and the Consolidation, Treasury and Internal Audit Departments of the Company, the work of the Audit Committee centred primarily on the following issues:

- review of the main provisions of French and foreign legislation or regulations, reports and commentaries with regard to corporate governance, risk management, internal control and audit matters;
- review of the interim financial statements at 31 December 2016 during the meeting held on 7 February 2017;
- review of the consolidated financial statements on 30 June 2017 (reviewed at the meeting held on 29 August 2017): the Audit Committee met with the Management and the Statutory Auditors in order to discuss the financial statements and accounts and their reliability for the whole Group. In particular, it examined the conclusions of the Statutory Auditors and the draft financial reporting presentation;
- monitor of the Group's cash flow and debt;
- renewal of the Statutory Auditors: in the context of the forthcoming expiry of Deloitte's term of office, the Audit Committee oversaw the selection process until its final recommendation, submitted at the Meeting of 13 June 2017, to renew Deloitte as Statutory Auditor for a period of six financial years;
- risk management: the Group's main risks are regularly presented in detail to the Audit Committee (the meetings held on 6 December 2016 and 13 June 2017 were devoted mainly to risk management). The implementation of cyber security governance and a dedicated IT audit function has been carried out in 2017, as well as the development of data analytics to strengthen internal audit approaches. Moreover, internal control rules for purchases and data classification were subject to cross-functional reviews in 2016/17 in order to reinforce the processes implemented within the affiliates of the Group;
- review of internal control: the Group sent its affiliates a self-assessment questionnaire to evaluate whether their internal control system was adequate and effective. Based on the Group's internal control principles and in compliance with the French Financial Markets Authority (AMF) reference framework for risk management and internal control ("Cadre de référence de l'Autorité des Marchés Financiers (AMF) sur le dispositif de gestion des risques et de contrôle interne") and the AMF's application guide published in 2007 and updated in July 2010, this questionnaire covers corporate governance practices, operational matters and IT support. Responses to the questionnaire were documented and reviewed by the Regions and the Group's Internal Audit Department. An analysis of the questionnaires returned was presented to the Audit Committee at the meeting held on 29 August 2017;
- examine the internal audit reports: in addition to the audits and controls carried out by the various affiliates on their own behalf, 20 internal audits were performed in Financial Year 2016/17 by the internal audit teams. A full report was drawn up for each audit covering the types of risks identified – operational, financial, legal or strategic – and how they are managed. Recommendations were issued when deemed necessary. The Audit Committee approved the recommendations of all the audit reports issued and performs regular checks on the progress made in implementing the recommendations from previous audits;
- approval of the Group internal audit plan for Financial Year 2017/18 was made at the meeting held on 13 June 2017. The audit plan was prepared and approved, taking into account the Group's main risks.

Outlook for 2017/18

In 2017/18, the Committee will continue with the tasks it is carrying out for the Board of Directors in line with current regulations. In addition to the issues associated with preparing financial information, 2017/18 will be devoted to reviewing the management of the Group's major risks, as well as analysing reports on internal audits and the cross-disciplinary themes set out in the 2017/18 audit plan. A Group risk mapping process is planned for 2017/18, involving the various affiliates and functions of the Group.

The Nominations, Governance and CSR Committee

The Nominations, Governance and CSR Committee

Composition

On 30 August 2017, the Nominations, Governance and CSR Committee comprises:

Chairwoman:

Ms Nicole Bouton (Independent Director)

Members:

Mr Wolfgang Colberg (Independent Director)

Mr César Giron (Director)

Two out of the three Directors who are members of the Nominations, Governance and CSR Committee are Independent Directors (67%), it being noted that the AFEP-MEDEF Code recommends an independence rate of 50%.

Mr Alexandre Ricard, Chairman & CEO, is associated with the work of the Committee in matters relating to the appointment of Directors, in accordance with the AFEP-MEDEF Code.

In 2016/17, this Committee met three times, with an attendance rate of 100%.

Main roles

The roles of this Committee, formalised in its Internal Regulations, are the following:

- drawing up proposals concerning the selection of new Directors and proposing headhunting and renewal procedures;
- periodically, and on at least an annual basis, discussing whether Directors and candidates for the position of Director or for membership of a Committee of the Board of Directors qualify as independent in light of the AFEP-MEDEF Code independence criteria;
- ensuring the continuity of Management bodies by defining a succession plan for Executive Directors and Directors in order to propose options for replacement in the event of an unplanned vacancy;
- being informed of the succession plan for key Group positions;
- regularly reviewing the composition of the Board of Directors to monitor the quality (number of members, diversity of profiles, representation of women) and attendance of its members;
- carrying out regular assessments of the operation of the Board of Directors;
- evaluating the suitability of the commitments of the Company with regard to corporate and social responsibility (S&R);
- monitoring the implementation of the S&R commitments at Group level.

Main activities in 2016/17

In 2016/17, the main activities of the Nominations, Governance and CSR Committee included:

- a reflexion on the governance of the Group;
- annual examination of the Board members' independence (questionnaires sent to each Director, study of the significance of disclosed business relationships, specific criteria related to the passive crossing of the 10% voting rights threshold);
- review of the Group's S&R issues;
- annual review of Pernod Ricard's policy on equal opportunities and pay;
- annual evaluation of the operation of the Board of Directors and its Committees;
- proposal of matters to be examined to improve the operation of the Board of Directors;
- annual review of the Group's Talent Management policy and presentation of the succession plans for the Group's main Executive Directors.

Outlook for 2017/18

In 2017/18, the Committee will continue with the tasks it is carrying out for the Board of Directors. It will not only review any issues relating to the composition of the Board and the Directors' independence, but will also focus on the external evaluation of the Board's and Committees' operation so that it can present the Directors with proposals for improvements with the support of a specialised external firm (formalisation of a questionnaire used during individual interviews with each Director), and will also review the Group S&R challenges.

Compensation Committee

Compensation Committee

Composition

On 30 August 2017, the Compensation Committee comprises:

Chairwoman:

Ms Nicole Bouton (Independent Director)

Members:

Mr Ian Gallienne (Independent Director)

Mr Pierre Pringuet (Director)

Ms Kory Sorenson (Independent Director) ⁽¹⁾

Mr Manousos Charkoftakis (Director representing employees)

Three out of the four Directors who are members of the Compensation Committee (excluding the Director representing the employees ⁽²⁾) are Independent Directors (75%), it being noted that the AFEP-MEDEF Code recommends an independence rate of 50%.

In 2016/17, the Compensation Committee met four times, with an attendance rate of 100%.

Main roles

The roles of this Committee, as confirmed by the Board of Directors on 12 February 2014, are the following:

- reviewing and proposing to the Board of Directors the compensation to be paid to the Executive Directors, provisions relating to their retirement schemes and any other benefits granted to them;
- proposing rules to this effect and reviewing these on an annual basis to determine the variable portion of the compensation of the Executive Directors and ensure that the criteria applied are in line with the Company's short-term, medium-term and long-term strategic orientations;
- recommending to the Board of Directors the total amount of Directors' fees to be submitted for approval to the Shareholders' Meeting, as well as how they should be distributed:
 - for duties performed as Board members,
 - for duties carried out on Committees of the Board of Directors;
- being informed of the compensation policy of the Senior Non-Executive Managers of the Group companies;
- ensuring that the compensation policy for Senior Non-Executive Managers is consistent with the policy for Executive Directors;
- proposing the general policy for allocation of stock options and performance-based shares, in particular the terms applicable to the Company's Executive Directors;
- approving the information provided to the shareholders in the annual report on the compensation of the Executive Directors (in particular, the compensation policy and the elements of compensation submitted to the shareholders' advisory vote under the "Say on Pay" initiative) and the policy for the allocation of stock options and performance-based shares as well as, more generally, the other work of the Compensation Committee.

Main activities in 2016/17

- Further details of the work of the Compensation Committee are provided in the "Corporate officers' compensation" subsection in Section 4 "Management report" of this Registration Document.
- During the 2016/17 financial year, the members of the Compensation Committee considered the regulatory developments and the best practices, notably in terms of good governance and transparency regarding the elements of the Executive Directors' compensation, and suggested proposals to the Board for the subsequent practical application of certain measures by Pernod Ricard. They have also studied the defined-benefit supplementary pension scheme of Mr Alexandre Ricard and recommended the implementation of an alternative pension plan. They have also formalised all the items of the compensation policy of the Chairman & CEO in a report, which will be submitted to the Shareholders' Meeting for approval in accordance with the "Sapin 2" Law.

Outlook for 2017/18

In 2017/18, the Committee will continue with the tasks it is carrying out for the Board of Directors, notably the analysis of the compensation policy for the Executive Directors with respect to the AFEP-MEDEF Code recommendations and the "Sapin 2" Law, as well as preparing the elements of compensation due or granted in respect of the 2016/17 financial year to the Executive Director and to be submitted to the shareholders' advisory vote at the Shareholders' Meeting of 9 November 2017 ("Say on Pay").

(1) Since 20 July 2016.

(2) In accordance with the AFEP-MEDEF Code, Directors representing the employees are not taken into account when determining the percentage of independent Directors on the Board of Directors or its Committees.

Strategic Committee

Strategic Committee

Composition

On 30 August 2017, the Strategic Committee comprises:

Chairman:

Mr Alexandre Ricard (Chairman & CEO)

Members:

Mr Wolfgang Colberg (Independent Director)

Mr Ian Gallienne (Independent Director)

Mr César Giron (Director)

Ms Anne Lange (Independent Director) ⁽¹⁾

Mr Pierre Pringuet (Director)

Three out of the six Directors who are members of the Strategic Committee are Independent Directors (50%), it being noted that the AFEP-MEDEF Code does not make any recommendations regarding the Strategic Committee's independence.

In 2016/17, the Strategic Committee met twice with an attendance rate of 100%.

All the Directors may, upon request, and even if they are not members of the Committee, participate in the meetings of the Strategic Committee.

Main roles

The roles of the Strategic Committee, as confirmed by the Board on 11 February 2015, are the following:

- reviewing the key strategic issues of the Pernod Ricard company or of the Group;
- drawing up and giving its prior opinion on significant partnership transactions, sales or acquisitions;
- generally, dealing with any strategic issues affecting the Company or the Group.

Main activities in 2016/17

During the 2016/17 financial year, the members of the Strategic Committee reviewed the strategic issues of the Group and the disposal or acquisition projects which have been submitted to it. They also debated projects of operational excellence, innovation policy and digital acceleration within the Group.

Outlook for 2017/18

In 2017/18, the Committee will continue with the tasks it is carrying out for the Board of Directors, and notably the review and analysis of the key significant strategic issues foreseen for the Group's development as well as the study of any strategic issues affecting the Company or the Group.

(1) Since 20 July 2016.

MANAGEMENT STRUCTURE

General Management

On 30 June 2017, the General Management of the Group is carried out by the Chairman & CEO and the Managing Director, Finance & Operations. They form the permanent body for coordinating the Management of the Group.

Composition of the Executive Board on 30 June 2017:

- **Alexandre Ricard, Chairman & CEO**, Executive Director;
- **Gilles Bogaert**, Managing Director, Finance & Operations;
- **Ian FitzSimons**, General Counsel;
- **Conor McQuaid**, Global Business Development Director;
- **Cédric Ramat**, Executive Vice President Human Resources Sustainability & Responsibility.

The Executive Board prepares, examines and approves all decisions relating to the functioning of the Group and submits these decisions to the Board of Directors when the latter's approval is required. It organises the Executive Committee's work.

The Group Communication Department and the BIG (Breakthrough Innovation Group) also report to the Chairman & CEO.

Executive Committee

The Executive Committee is the Management unit of the Group comprising the Executive Board and the Chairmen of the Group's direct affiliates.

The Executive Committee provides coordination between the Headquarters and its affiliates as well as between the affiliates themselves (Brand Companies and Market Companies). Under the authority of General Management, the Executive Committee ensures that Group business is carried out and that its main policies are applied.

In this capacity, the Executive Committee:

- examines the Group's activity and how it varies from the development plan;

- gives its opinion regarding the establishment of objectives (earnings, debt and qualitative objectives);
- periodically reviews the brands' strategies;
- analyses the performance of the Group's network of Market Companies and Brand Companies and recommends any necessary organisational adjustments;
- approves and enforces adherence to the Group's main policies (Human Resources, best marketing and business practices, Quality, Safety and Environment (QSE) policies, corporate responsibility, etc.).

The Executive Committee meets between eight to eleven times a year.

On 30 June 2017, the Executive Committee comprises:

- the Executive Board;
- the Chairmen of the Brand Companies:
 - Chivas Brothers, Laurent Lacassagne, Chairman & CEO,
 - Martell Mumm Perrier-Jouët, César Giron, Chairman & CEO,
 - Pernod Ricard Winemakers, Bruno Rain, Chairman & CEO,
 - Irish Distillers Group, Jean-Christophe Coutures, Chairman & CEO,
 - The Absolut Company, Anna Malmhake, Chairwoman & CEO;
- the Chairmen of the Market Companies:
 - Pernod Ricard North America, Paul Duffy, Chairman & CEO,
 - Pernod Ricard Asia, Philippe Guettat, Chairman & CEO,
 - Pernod Ricard Europe, Middle East, Africa and Latin America, Christian Porta, Chairman & CEO,
 - Pernod Ricard Global Travel Retail, Mohit Lal, Chairman & CEO,
 - Ricard SAS and Pernod SAS, Philippe Savinel, Chairman & CEO.

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON INTERNAL CONTROL AND RISK MANAGEMENT

The Group's internal control and risk management policies and procedures follow corporate governance guidelines which are compliant with the French Financial Markets Authority (AMF) reference framework for risk management and internal control.

DEFINITION OF INTERNAL CONTROL

The internal control policies and procedures in effect within the Group are designed:

- firstly, to ensure that management, transactions and personal conduct comply with guidelines relating to Group business conduct, as set out by the Group's governing bodies and General Management, applicable laws and regulations, and in accordance with Group values, standards and internal rules;
- secondly, to ensure that the accounting, financial and management information provided to the Group's governing bodies accurately reflects the performance and the financial position of the companies in the Group;
- lastly, to ensure the proper protection of assets.

One of the objectives of the internal control systems is to prevent and control all risks arising from the business activities of the Group, in particular, accounting and financial risks, including error or fraud, as well as operational, strategic and compliance risks. As with all control systems, they cannot provide an absolute guarantee that such risks have been fully eliminated.

DESCRIPTION OF THE INTERNAL CONTROL ENVIRONMENT

Components of the internal control system

The principal bodies responsible for internal control are as follows:

At Group level:

- The **Executive Board** is the permanent coordination unit for the management of the Group.
- The **Executive Committee** ensures that the Group's operations are carried out and that its main policies are applied.
- The **Internal Audit Department** is attached to the Group's Finance Department and reports to the Executive Board and the Audit Committee. The internal audit team based at the Headquarters is in charge of implementing the audit plan, with the support of the audit teams in the Regions. The audit plan is drawn up once the

Group's main risks have been identified and analysed. It is validated by the Executive Board and the Audit Committee and presents the various cross-disciplinary issues that will be reviewed during the year, the list of affiliates that will be audited, and the main topics to be covered during the audits.

The findings of the work are then submitted to the Audit Committee, the Executive Board and the Statutory Auditors for examination and analysis.

- **External Auditors:** the Board of Directors selects the Statutory Auditors to be proposed at the Shareholders' Meeting on the basis of recommendations from the Audit Committee.

The Group has selected Statutory Auditors who are able to provide it with comprehensive worldwide coverage of Group risks.

At affiliate level:

- The **Management Committee** is appointed by the Headquarters or by the relevant Region and is composed of the affiliate's Chairman and CEO and the Directors of its main functions. The Management Committee is responsible for managing the main risks that could affect the affiliate.
- The affiliate's **Chief Financial Officer** is tasked by the affiliate's Chairman and CEO with establishing appropriate internal control systems for the prevention and control of risks arising from the affiliate's operations, in particular, accounting and finance risks, including error or fraud.

Identification and management of risks

The 2016/17 financial year focused on:

- the implementation of cyber security governance and a new IT audit organisation with a dedicated function;
- various approaches aimed at strengthening internal control within the Group, including the development of a data analytics approach to strengthen auditing methods;
- implementing the self-assessment questionnaire on internal control and risk management. This questionnaire, which was updated during the financial year, complies with the AMF reference framework for risk management and internal control, as does its application guide, itself updated in July 2010;
- performing audits: 20 internal audits were conducted in 2016/17. The purpose of these audits was to ensure that the Group's internal control principles were properly applied at its affiliates. They also reviewed the processes in place, best practices and the potential for improvements based on various cross-business areas (internal control rules, data classification, IT security).

2 CORPORATE GOVERNANCE AND INTERNAL CONTROL

Report of the Chairman of the Board of Directors on internal control and risk management

All of the key areas for improvement identified were addressed in specific action plans drawn up at every affiliate and at Group level, which were validated by the Executive Board and the Audit Committee. Their implementation is regularly monitored and assessed by the Group's Internal Audit Department.

The work performed enabled the quality of internal control and risk management to be strengthened within the Group.

Key components of internal control procedures

The key components of internal control procedures are as follows:

The **Pernod Ricard Charter** specifies the rights and responsibilities of every employee with regard to the Group's fundamental values, in particular its ethics: compliance with the law, integrity and the application of rules and procedures in force within the Group. Every employee is given a copy of the Charter when they are recruited and it is always available on the Group Intranet site.

A formal **delegation of authority** procedure sets out the powers of the Chairman and CEO, as well as the powers delegated to the members of the Executive Board.

The **internal control principles** outline the common ground of all the principles and rules that apply to all of the Group's affiliates with respect to internal control, for each of the 16 main operational cycles identified.

The **self-assessment questionnaire**, which is regularly updated to comply with the AMF reference framework for risk management and internal control. In particular, it covers corporate governance practices, operational activities and IT support. Submitted to the Group's affiliates, it enables them to assess the adequacy and the effectiveness of their internal controls. Responses to the questionnaires are documented and reviewed by the Regions and the Group's Internal Audit Department. All of this work is detailed in:

- a summary by affiliate and an overall Group summary, both of which are provided to the Executive Board and the Audit Committee;
- a letter of representation from every affiliate to the Chairman and CEO of their parent company and a letter of representation from the various parent companies to the Chairman and CEO of Pernod Ricard. This letter is binding on the affiliates' management with regard to the adequacy of their control procedures in light of the identified risks.

The **Internal Audit Charter** applies to all employees who have a management and audit position. It defines the standards, tasks, responsibilities and organisation of the Group's Internal Audit Department and the way in which it operates, in order to remind every employee to strive for compliance with and improvement of the internal control process.

The **Pernod Ricard Quality, Safety and Environment Standards** set out the rules to be followed in these areas. The Group's Operations Department is responsible for ensuring that they are followed.

Budgetary control focuses on three key areas: the annual budget (reforecast several times during the year), monthly reporting to monitor performance and the three-year strategic plan. Budgetary control is exercised by the management control teams attached to the Finance Departments at the Headquarters, in the Regions and in the affiliates. It operates as follows:

- the budget is subject to specific instructions (principles and timetable) published by the Headquarters and sent to all the affiliates. The final budget is approved by the Group's Executive Board;
- reporting is prepared on the basis of data input directly by affiliates working to a specific timetable provided at the beginning of the year and in accordance with the reporting manual and the accounting principles published by the Headquarters;
- monthly performance analysis is carried out as part of the reporting process and is presented by the Finance Department to the Executive Board, the Executive Committee and at meetings of the Audit Committee and the Board of Directors;
- a three-year strategic plan for the Group's main brands is prepared using the same procedures as those used for the budget;
- a single management and consolidation system allows each affiliate to input all its accounting and financial data directly.

Centralised treasury management is led by the Treasury Unit of the Group's Finance Department.

Legal and operational control of the Headquarters over its affiliates

Affiliates are mostly wholly owned, either directly or indirectly, by Pernod Ricard.

Pernod Ricard is represented directly or indirectly (through an intermediate affiliate) on its affiliates' Boards of Directors.

The Pernod Ricard Charter and the Group's internal control principles define the level of autonomy of affiliates, particularly with respect to strategic decisions.

The role assigned to Pernod Ricard, as described in the subsection on "Decentralised organisation" in Section 1 "Overview of Pernod Ricard" of this Registration Document, is an important component of the control of affiliates.

FINANCIAL AND ACCOUNTING REPORTING

PREPARATION OF THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

In addition to the management information described above, the Group prepares half-year and annual consolidated financial statements. This process is managed by the Consolidation Department attached to the Group's Finance Department, as follows:

- communication of the main Group accounting and financial policies through a procedures manual;
- preparation of specific instructions by the Consolidation Department, including a detailed timetable, and issuance to the affiliates prior to each consolidation;
- consolidation by sub-group;
- preparation of the consolidated financial statements on the basis of the information provided, to cover the entire scope of consolidation;
- use of a single software package by Group affiliates. The maintenance of this software package and user training are carried out by the Group's Finance Department, with occasional assistance from external consultants.

In addition, consolidated affiliates sign a letter of representation addressed to the Statutory Auditors, which is also sent to the Headquarters. This letter is binding on the Senior Management of each consolidated affiliate with regard to the accuracy and completeness of the financial information sent to the Headquarters in respect of the consolidation process.

PREPARATION OF PERNOD RICARD'S PARENT COMPANY FINANCIAL STATEMENTS

Pernod Ricard prepares its financial statements in accordance with applicable laws and regulations. It prepares the consolidation package in accordance with the instructions received from the Company's Finance Department.

Paris, 30 August 2017

Mr Alexandre Ricard

Chairman & CEO

STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE ("CODE DE COMMERCE"), ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Year ended 30 June 2017

To the Pernod Ricard Shareholders' Meeting

In our capacity as Statutory Auditors of Pernod Ricard, and in accordance with Article L.225-235 of the French Commercial Code ("Code de commerce"), we hereby present our report on the report prepared by the Chairman of the Board of Directors of your company in accordance with Article L.225-37 of the French Commercial Code ("Code de commerce") for the year ended 30 June 2017.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L.225-37 of the French Commercial Code ("Code de commerce") particularly in terms of the corporate governance measures.

It is our responsibility:

- to report to you of any observations we may have as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L.225-37 of the French Commercial Code ("Code de commerce"), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

These standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information presented in the Chairman's report and of the related documentation;
- obtaining an understanding of the work involved in the preparation of this information and existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with Article L.225-37 of the French Commercial Code ("Code de Commerce").

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by Article L.225-37 of the French Commercial Code ("Code de commerce").

Paris La Défense and Neuilly-sur-Seine, 20 September 2017

KPMG Audit
Division of KPMG S.A.
Eric Ropert
Partner

Deloitte & Associés
David Dupont-Noel
Partner

This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with Article L.225-335 of French company law on the report prepared by the Chairman of the Board of Directors on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.

This report should be read in conjunction with, and is construed in accordance with French law and the relevant professional standards applicable in France.

3

Sustainability & Responsibility (S&R)

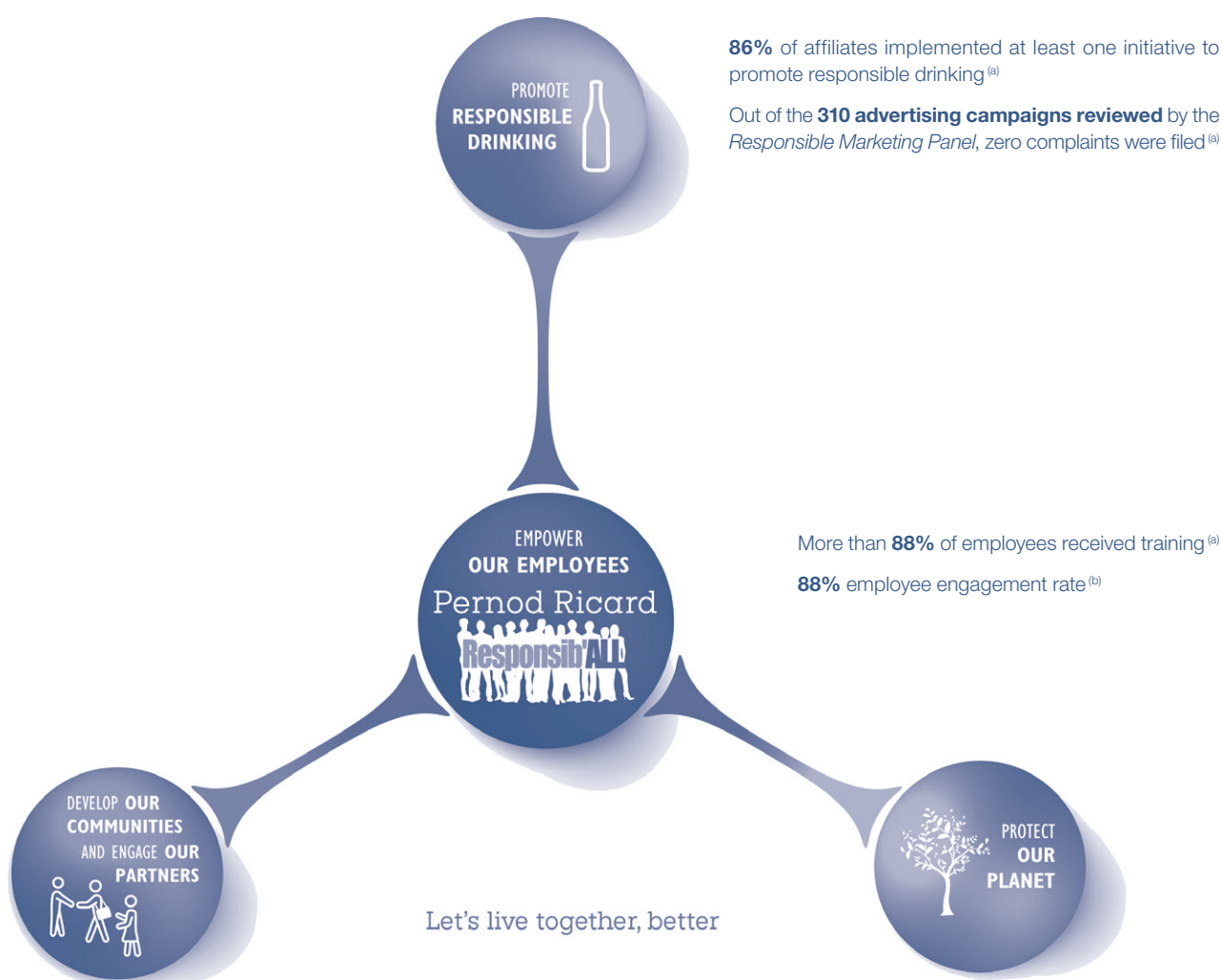
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A STRATEGY DRIVEN BY ONE CONVICTION: "LET'S LIVE TOGETHER, BETTER"

Pernod Ricard's *Sustainability & Responsibility* (S&R) strategy lies at the heart of the tagline "Créateurs de convivialité", as well as the Group's "consumer centric" strategy and its decentralised organisation. "Convivialité" means meeting up with others as part of a culture of sharing that rules out excess. The Group operates with the conviction that success is worthwhile only when it is shared by all, for the benefit of its communities. That process of generating collective value can only be carried out over time. Pernod Ricard is able to embrace that long-term perspective thanks to its family roots, reflected in the legacy the Group passes on to future generations. "Let's live together, better" is the motto behind Pernod Ricard's S&R commitment.

Responsibility based on four areas of engagement

Pernod Ricard's S&R commitment revolves around four areas and is based, first and foremost, on the commitment of its 18,442 employees, who are also citizens active in their personal communities. The sincerity of their personal investment is the main guarantee of the Group's credibility. It is implemented following the principle of decentralisation: initiatives that are primarily local but still connected with the Group's global priorities.



(a) In FY17.

(b) According to the 2017 "iSay" survey.

(c) Reduction per production unit between FY10 and FY17.

(d) Since 2012.

Appropriate governance

- The Board of Directors is tasked with evaluating the relevance of the Company's S&R commitments and monitoring their implementation within the Group through the Nominations, Governance and CSR Committee;
- the responsibilities of the Executive Vice President of Human Resources were extended to include S&R;
- a Group-level S&R Strategic Committee was created. Its membership includes employees from all regions and functions. Its primary missions are to examine and make recommendations on strategic S&R challenges to the Executive Committee, to ensure the implementation of S&R initiatives and to validate the assessment of the progress made each year;
- a network of S&R leaders, comprising employees from more than 86 countries, who operate under the management of their affiliate to implement the S&R strategy at a local level. They receive training twice a year at the Annual Meeting of S&R leaders in the autumn and the regional meetings organised in February/March.

Materiality matrix

Pernod Ricard creates value by maintaining an active dialogue with its stakeholders in order to develop a better understanding of their expectations. Its S&R strategy is based on the identification, understanding and prioritisation of the themes covered during this dialogue – environment, social and societal, the impact of which are deemed to have an overriding effect on the Group's ability to create short-term, medium-term and long-term value.

In 2016/17, the Group is unveiling its materiality matrix. It is the result of a long process that began with a questionnaire completed by more than 1,300 stakeholders: employees, investors, consumers, suppliers, public authorities, NGOs, and experts.

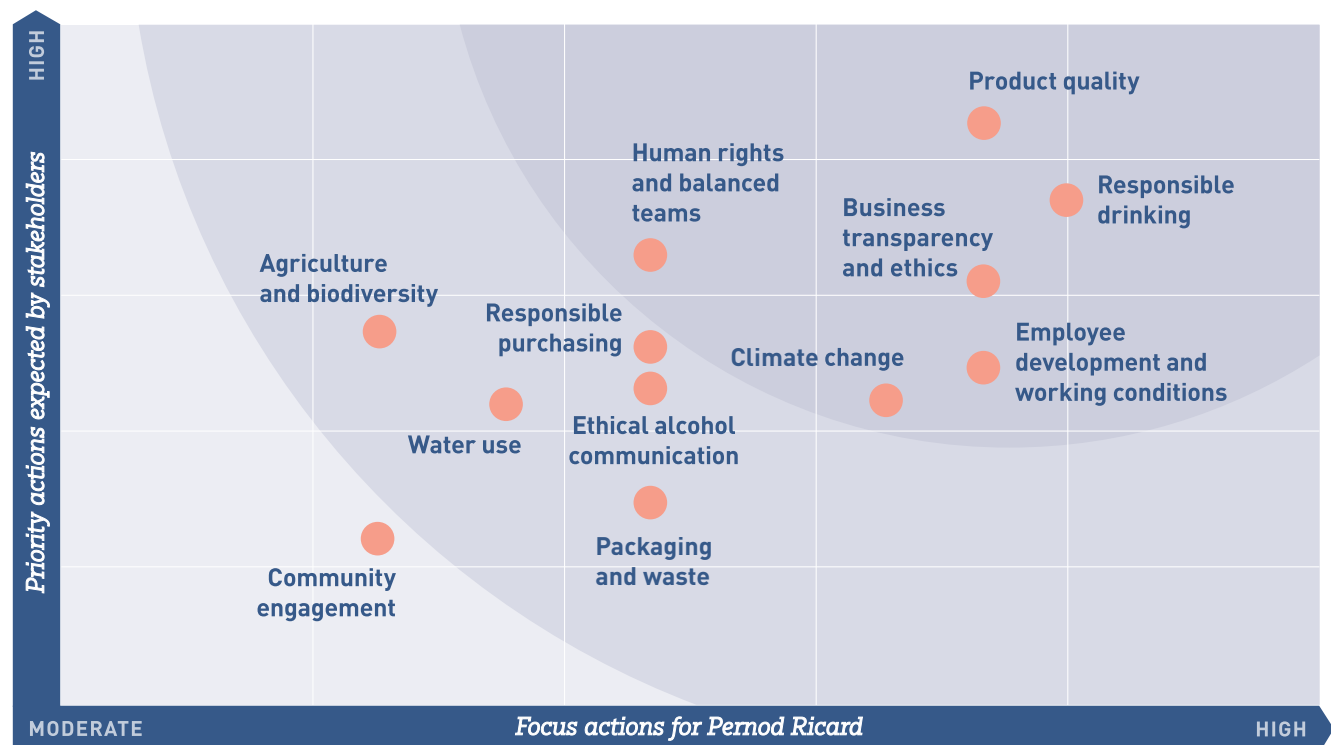
A 3-step methodology:

- identification of the main S&R topics thanks to an analysis of all information provided by S&R representatives in the Group's affiliates;
- topic's prioritisation by external stakeholders, as per the importance of subjects to be addressed by a Group such as Pernod Ricard, and by internal stakeholders, as per the actual and potential impacts of those subjects on the Group's activities;
- detailed review and final validation of the matrix by the Executive Board.

The materiality matrix highlights the actions on which Pernod Ricard should focus on as a priority. Approved by the Executive Board, it will serve as a dialogue tool for future stakeholders' consultations, linked with the S&R strategies and the actions to act upon.

Sustainability & Responsibility

MATERIALITY MATRIX



Promote responsible drinking: Ethical alcohol communication, Responsible drinking, Product quality

Protect our planet: Agriculture and biodiversity, Water use, Packaging and waste, Climate change, Product quality

Empower our employees: Human rights and balanced teams, Employee development and working conditions

Develop our communities and engage our partners: Community engagement, Responsible purchasing, Business transparency and ethics, Human rights and balanced teams

3 SUSTAINABILITY & RESPONSIBILITY (S&R)

A strategy driven by one conviction: "Let's live together, better"

Pernod Ricard's ongoing dialogue with its key stakeholders is conducted as follows:

Stakeholders	Our Engagement	Methods of Engagement
Employees	A collaborative and convivial work environment where talents can develop.	"iSay" opinion survey, Intranet, internal social network (Chatter), European and local Works Councils, employee representation, Responsib'All Day, materiality questionnaire.
Consumers	Quality of products, consumer information, particularly on responsible drinking.	Complaint management system, consumer research, websites and social media, materiality questionnaire.
Investors	Create long-term value for investors with transparency and responsibility.	Annual General Shareholders' Meetings, investor conferences, meetings, materiality questionnaire.
Public authorities	Transparent dialogue with local, regional and international authorities.	Meetings, participation in consultations, materiality questionnaire.
Suppliers	Involvement of suppliers and subcontractors in Pernod Ricard's long-term growth and corporate responsibility policy.	Supplier CSR commitment, responsible procurement policy, Procurement Code of Ethics, self-assessment checklist, training, materiality questionnaire.
Experts	Collaboration with experts, more specifically scientific experts.	Ongoing dialogue, conferences, partnerships, materiality questionnaire.
Retailers	Long-term relationships through joint growth initiatives and responsible retailing programs.	Ongoing dialogue by sales representatives, joint endeavours for responsible sales.
Media	High standards of transparency and accountability.	Ongoing dialogue, press conferences, interviews with senior management, materiality questionnaire.
Communities	Contribution to development of local communities through promoting entrepreneurship and sharing local cultures.	Ongoing long-term partnerships, consultations for development projects.
NGOs	Collaboration with NGOs on common issues and taking their concerns into account.	Meetings, multi-stakeholder forums, ongoing dialogue, materiality questionnaire.

Dedicated supervisory bodies

On 16 February 2011, the Board of Directors decided to create a Business Code of Ethics and a Committee to prevent insider trading.

The Audit Committee exercises an extended role in supervising internal and external control.

Operational and S&R risks are covered by the Group's audit and internal control systems.

Internal QSE standards are a key reference for internal control procedures.

Moreover, in order to improve the transparency and reliability of the social, environmental and corporate data issued, the Group has implemented a progressive system of verification of some of these environmental, social and corporate indicators by its Statutory Auditors. The first Statutory Auditors' report on this matter was published in respect of the 2009/10 financial year.

EMPOWER OUR EMPLOYEES

THE WOMEN AND MEN OF PERNOD RICARD

Group culture

A direct result of its organisation model based on decentralisation, the culture of Pernod Ricard is embodied by an overriding team spirit, a special mix of entrepreneurial spirit, mutual trust and a strong sense of ethics. These three core values, associated with a leadership culture, are the drivers of the Group's performance.

Operational efficiency projects, which have been implemented since 2013, aim to pool expertise, to simplify procedures and concentrate on the essentials enabling the Group to be more versatile in order to adapt to an increasingly unstable backdrop.

This culture is shared by all 18,442 employees and is combined with a convivial attitude that engenders commitment. Easy of interactions and recognition of success make it possible to work together beyond boundaries and differences.

Headcount mapping

Each year, Pernod Ricard's social profile is obtained as a result of contributions from all the affiliates, as part of the Group's social reporting.

Breakdown of Group employees as at 30 June by category, gender and position

	2015/16					2016/17				
	Managers		Non-Managers			Managers		Non-Managers		
	Women	Men	Women	Men		Women	Men	Women	Men	
Group employees	18,578	1,488	2,867	5,185	9,038	18,442	1,646	2,949	5,033	8,814
Operations	39%	1%	3%	9%	26%	38.5%	1%	3%	9%	26%
Sales	31%	2%	6%	8%	15%	30.9%	2%	7%	7%	15%
Support	29%	5%	6%	11%	7%	30.6%	6%	6%	11%	7%
TOTAL	100%	8%	15%	28%	49%	100%	9%	16%	27%	48%

Of the 18,442 employees present on 30 June 2017, 94.4% were on permanent contracts, and 5.6% on fixed-term contracts. The Group favours permanent contracts, which demonstrates its desire to ensure its employees are in a stable situation.

In the long term, the proportion of fixed-term contracts remains stable (6.0% during the last financial year).

Women now represent more than 36% of the workforce, which is a slight increase compared to last year. This breakdown can be explained by the Group's significant presence in countries where the labour market

is dominated by men, such as in India, where men make up almost 95% of the employees. However, in 2016/17, 43% of external recruits were women.

In the managerial population (internal definition: notions of autonomy, responsibility and strategic level of the employee's position), the proportion of women has been constantly increasing for six years: 36% of Managers are women, compared with 29% in 2011. Finally, the proportion of women currently on Management Committees in the affiliates has increased to 25.2%, which is 6% more compared to the 2015/16 financial year.

Average workforce by Region

Group	2015/16		2016/17	
	Annual average headcount		Annual average headcount	
Group	18,237	100%	18,328	100%
Europe, Africa & Latin America	11,499	63%	11,469	63%
France	2,700	15%	2,660	15%
Europe, Africa & Latin America excluding France	8,799	48%	8,809	48%
North America	1,940	11%	2,017	11%
Asia & Pacific	4,798	25%	4,842	26%

The Group has a strong international presence, with affiliates located in around 86 countries.

3 SUSTAINABILITY & RESPONSIBILITY (S&R)

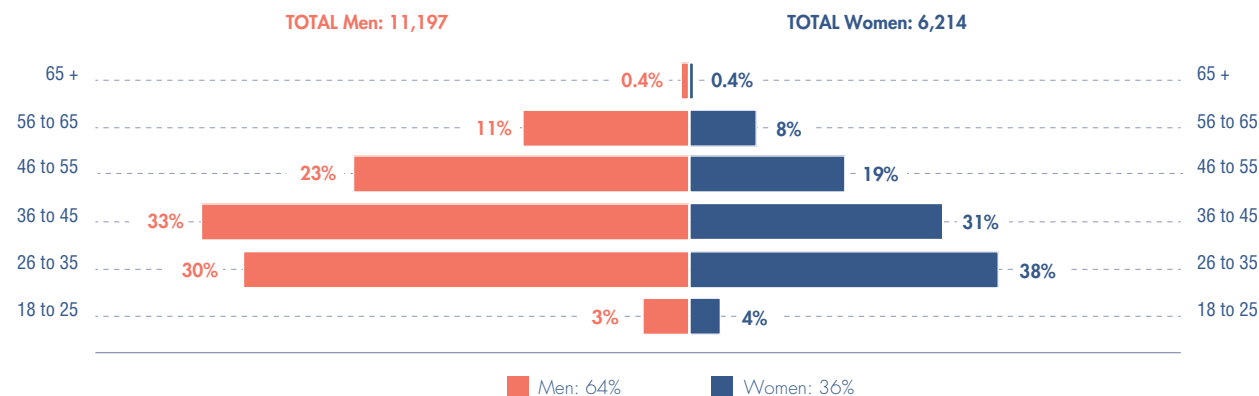
Empower our employees

Overall, the number of employees remained stable compared to last year. It should be noted in particular that there was a reduction of the workforce in Mexico following the disposal of the Domecq brandies and in China following the restructuring of routes-to-market, and a slightly increased workforce in North America.

NOTE: Wine activities in California in the United States, and Rioja in Spain (around 400 persons) are attached to Pernod Ricard Winemakers, within the Asia-Pacific region.

Of the average workforce in 2016/17, 974 were on fixed-term contracts.

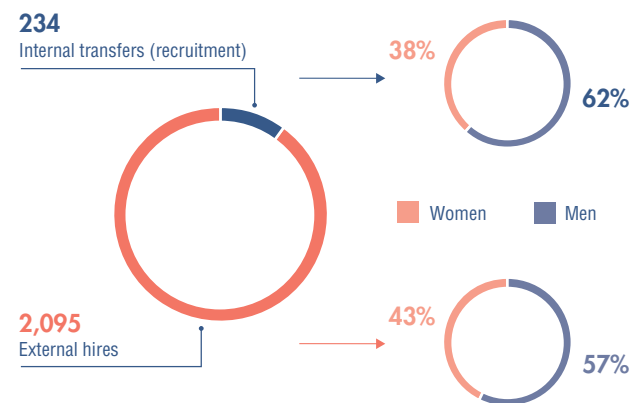
Average age and seniority of staff with permanent contracts at the end of the period



The average age of Group employees with permanent contracts is 41 years old and the average length of service is 10 years. These figures are stable compared to the previous period.

Recruitment

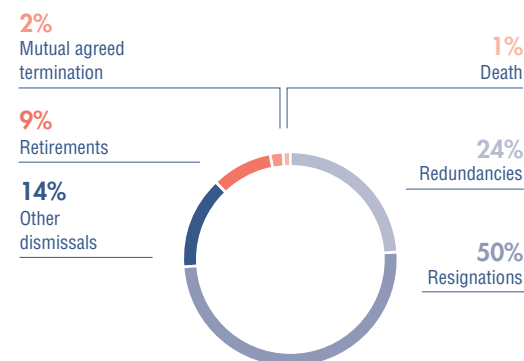
Breakdown of positions with permanent contracts filled in financial year 2016/17



The number of positions filled as a result of transfers between affiliates this year was around 10% of new permanent contracts during the period. The Group encourages internal mobility, which is testament to its engagement to a long-term commitment to its employees.

Furthermore, over the period, there were 2,427 new staff members on fixed-term contracts. The main reasons for using fixed-term contracts are the temporary increase in production activity (distilling, bottling, harvesting), increasing sales teams during peak periods, and the assistance given to support teams with projects or to replace absent colleagues.

Departures of personnel on permanent contracts by reason



The number of departures of personnel on permanent contracts has increased compared to last year (2,216 in 2016/17 versus 2,078 in 2015/16), a rise mainly due to the increase in the number of economic redundancies in Asia.

Furthermore, over the period, there were 2,513 departures of employees on fixed-term contracts. The reasons for terminating fixed-term contracts are the end of the contract period or conversion of the fixed-term contract into a permanent contract. In the event of multiple fixed-term contracts for a single employee in the period (mainly relating to seasonal employees for the harvest), these were accounted for as one fixed-term appointment and departure.

EMPLOYEE DEVELOPMENT AND EMPLOYABILITY

Leadership culture

To accelerate the development of the leadership culture that is inherent to the values and the history of Pernod Ricard, since 2010 the Group has endeavoured to create and use the same tools and processes in all its affiliates. For example, the talent management system "iLead" – defined by a set of key competencies and formalised by an assessment tool – has been up and running in all Group affiliates since 2012.

In addition to this performance and talent management system, the Group continues to set up Development Centers to assess and develop the leadership skills of employees from all Group affiliates. These Development Centers are structured as two-day sessions during which participants take part in individual interviews, undertake case studies and benefit from extensive feedback sessions.

The Group also created Pernod Ricard University in 2011 in order to support talent development and train its future leaders while encouraging diversity. Pernod Ricard University introduced a leadership development course in 2012, to promote the development of individual leadership skills in the spirit of the Group's leadership model. This training course comprises a number of programmes: "Mixers", for Managers who need to strengthen leadership aspects in comparison to the operational element of their role; "Shakers", for leaders with confirmed potential for Management Committee and/or more generalist roles. The offer is expected to be extended shortly with the introduction of a third module, "Blenders", for the Group's top 200 executives. Since the implementation of these programmes, 460 employees have benefited from the "Mixers" programme, and 150 from the "Shakers" programme.

In addition, Pernod Ricard and leading management school HEC Paris launched the "Leadership" certificate in June 2014 under the aegis of the Pernod Ricard Chair. The certificate is open to all students of HEC Paris and consists of one hundred hours of lessons and lectures. It examines the relationship between human capital and corporate performance, focusing on a leadership vision entirely in line with Pernod Ricard's culture and values.

Diversity: a major strategic focus for the Group

Pernod Ricard has made diversity a focus of leadership, through the "Better Balance" initiative, which aims to foster a better balance of profiles within management teams, with a focus on nationality and gender. It is understood as a real performance driver for the Company, which wishes to reflect the diversity of its consumers (92% of turnover is generated internationally, and a growing number of consumers are women).

"Better Balance" is a strategic initiative in which the Executive Committee undertakes to both raise awareness among the teams and determine a global, long-term action plan.

This joint commitment is supported by a number of global initiatives, in particular awareness-raising workshops, which 750 Managers have helped out in so far, mentoring programmes, leadership training, Development Centers, and the introduction of flexibility measures across the affiliates. These global initiatives are completed by local programmes specific to each affiliate.

Promoting employment and the integration of young people

The Group has strengthened its global policy of inclusion and professional integration of young people with the goal of sharing and transferring skills. This year, Pernod Ricard has already welcomed 335 persons on a work-study basis (in apprenticeships, training contracts, or other forms of contracts depending on the country) and 834 interns in various sectors and roles. Furthermore, the Group runs an ambitious policy for the recruitment and development of young graduates through VIE (*volontariat international en entreprise*, international volunteers in business) and numerous international Young Graduate Programmes.

These programmes offer students from any country the opportunity to go on a 12 to 24-month assignment to one of the Group's international affiliates. The Group currently has five Young Graduate Programmes: The Jameson International Graduate Programme, the Chivas International Graduate Programme, the Pernod Ricard Asia Regional Management Trainee Programme, the Pernod Ricard Winemakers Graduate Programme and the Martell Mumm Perrier-Jouët Ambassadors programme, which was created last year. Around 220 graduates took part in these various programmes during the year.

Ambitious HR tools and processes, completely digitised

Pernod Ricard's HR procedures include induction programmes, annual development and performance reviews, as well as training sessions, to encourage employees' personal and professional development. The "iLead" talent promotion system, which is supplemented by the management reviews and succession planning for key Group positions, is a key mechanism for recognising and selecting future leaders. All these processes and tools are available on the Group HR Intranet, and are therefore disseminated in a transparent manner to all employees throughout the world.

Moreover, as part of its commitment to continuous improvement, the Group is in a process of digitising some of its HR tools and processes. This is taking place by means of a number of initiatives.

The digitisation relates firstly to certain aspects of training and recruitment. Several Massive Open Online Courses (MOOCs) launched by Pernod Ricard University are available for all employees: "Digifit", "Business Code of Conduct", "Crisis Management", and "Internal Control". The latter, which allows employees to familiarise themselves with the Group's internal control policy has reached more than 7,000 persons since its launch and is available in six languages: English, Portuguese, Korean, Japanese, Chinese and French. In the field of recruitment, an innovative new tool for preselection interviews through time-delayed video, launched last year, has been rolled out across the Group.

Pernod Ricard has simultaneously continued the development of its digital ecosystem and has continued increasing its presence on social networks. Employees are at the heart of initiatives launched this year, encouraging them to get actively involved as ambassadors of the Group.

For example, in collaboration with LinkedIn, Pernod Ricard has implemented "Elevate by Pernod Ricard" in 50 countries, which is a social, digital tool to distribute and share content, enabling more than 500 influencers to increase their visibility and that of the Group and its brands on social networks.

Finally, since September 2016, in addition to the "Pernod Ricard Graduates" Facebook page that consolidates all of the information on the Group's various Young Graduate Programmes, a discussion platform supported by PathMotion has been set up and integrated onto external sites that allows candidates of these programmes to interact directly with brand ambassadors around the world about their feedback, their duties or even on the admission procedure.

Annual performance reviews

Pernod Ricard requires annual performance and development reviews to be held for all of its permanent contract employees. The rate of annual performance reviews has increased slightly: 92% of permanent contract employees within the Company as of 30 June 2017 received a

3 SUSTAINABILITY & RESPONSIBILITY (S&R)

Empower our employees

performance review during the year (compared to 90% in 2015/16). The annual performance reviews ensure individual monitoring for employees, allowing them to review with their Line Manager the position that they hold, the skills they need to develop, their previous and future objectives, their potential mobility and their training needs.

For five years, the rate of annual performance reviews has been 90% or higher for employees on permanent contracts.

Training

This year, the Group has invested 2.38% of the payroll in training (compared to 2.33% on the previous financial year).

With 428,052 training hours this year, the Group was able to offer training to 15,653 employees (fixed-term and permanent contracts), accounting for around 85% of the total average workforce. This figure has remained stable compared to the previous financial year.

The employees trained received 27 hours of training on average.

Training programmes are aimed at adapting employees' skills to the requirements of their current position and also preparing them for their future positions and global developments. Pernod Ricard is committed to developing the employability of all its employees throughout their working lives.

As mentioned above, Pernod Ricard has developed programmes and MOOCs to develop its employees' behavioural skills (management and especially leadership) and operational ones (marketing, finance, HR, sales, manufacturing, communication, legal and regulatory, S&R and public affairs) through Pernod Ricard University.

After two years of work, Pernod Ricard University reopened its Campus du Domaine de La Voisine on 4 September 2017. A large part of the 15,000 hours of training provided each year by Pernod Ricard University took place on this 170-hectare site, which was purchased in 1954 by Paul Ricard, the founder of Pernod Ricard. The Estate has been entirely redesigned to offer a high-quality experience, with a learning centre including a 350-seat auditorium, a 62-seat amphitheatre, numerous meeting rooms, a hotel complex with 60 rooms, and spaces for sport and conviviality, all while maintaining very high environmental requirements in a protected area: the Haute Vallée de Chevreuse Regional Natural Park. As its next step, the site therefore aims to obtain HQE (*Haute Qualité Environnementale*, High Environmental Quality standard) certification for its layout and BREEAM (Building Research Establishment Environmental Assessment Method) "Very Good" certification. The campus of Pernod Ricard University will also be accessible to external clients, thanks to a partnership with Châteaufort.

Pernod Ricard University continued to support the work of the Youth Action Council (YAC), a think-tank made up exclusively of employees aged under 30, founded in 2013 for the purpose of providing Top Management with their generation's view on the strategic issues faced by the Group. The nine members of the second generation of YAC were appointed in October 2016 for a term of two years, which they began with a mentoring programme with Senior Managers of the Group. Their adventure began at the "One Young World" summit which was held in Ottawa – a gathering of 1,300 young leaders from 196 countries as well as major global advisers (such as actress and UN Women Goodwill Ambassador Emma Watson, or Nobel Peace Prize laureate Professor Muhammad Yunus). In January 2017, the YAC was invited to meet Alexandre Ricard and the Executive Committee at the Headquarters in

Paris, where they presented various projects, and received their approval and advice. For example, the global project "Green Office Challenge", inspired by the Group's 2020 environmental roadmap, based on reducing the consumption of water, paper and energy and reducing waste in all Pernod Ricard offices; or "Talent 4 Talent", a short-term exchange programme, expected to launch in September 2017, allowing emerging leaders to access global exposure earlier on in their career. The YAC is also continuing the successful development of "Homevitality", an internal accommodation booking platform, by including new modules such as a peer language training module. Finally, the YAC also participated in the Millennial2020 summit in April 2017 in London, which focussed on innovation, "disruption", and technological solutions. Their next trip will be in October 2017, to help out at Forbes U30 in Boston, a global gathering of young entrepreneurs and those wishing to foster change.

The Group invested 2.38% of its payroll in training; 85% of the overall average workforce received training, with an average of 27 hours per employee.

WELFARE, SOCIAL PROTECTION AND WORKING CONDITIONS

Compensation and performance

The compensation policy is based on its organisational principle of decentralisation, except for the Group Senior Management, whose compensation is overseen by Headquarters.

Each affiliate manages its policy locally while upholding a common set of rules: develop a performance culture, offer compensation that is competitive with local market practices, and set up straightforward, meaningful and engaging compensation packages.

Total payroll is included in paragraph Note 3.5 – *Expenses by type of Section 5* "Consolidated financial statements".

This year, payroll represented 13.6% of revenues (14.2% on the previous year).

Performance is encouraged through favourable profit-sharing policies. Thus, the total gross amount paid as profit-sharing and investments to more than 5,300 employees increased to more than €32 million, to which the matching contribution is added (additional sum paid to employees for investments in the company savings plan) amounting to more than €3 million.

Finally, long-term profit-sharing policies (such as allocating performance-based shares) have been implemented again in 2016/17 for more than 1,000 employees across all of the countries in which the Group operates.

Working time

Across the Group, 3.2% of the workforce work part-time.

The average number of theoretical hours worked per employee in 2016/17 was approximately 1,779. The number of theoretical hours worked per day in the Group averages 7.8 hours and around 229 days worked per year (excluding weekends, public holidays, legal or contractual annual leave, additional holidays and compensation days for reduction in working hours ("RTT" in France)).

Occupational health and safety ⁽¹⁾

In accordance with the Group's commitment, all employees are covered by major risks protection (death and invalidity) and 94.4% of employees are covered by health insurance (social security cover is defined as the regime which is compulsory at local level, with or without a company plan).

Pernod Ricard is officially committed to matters of health and safety in its commitments to sustainable development. This commitment applies throughout the Group, and is supported by senior management.

The Company has established the means to optimise occupational health and safety, particularly with the implementation of the health and safety management system at industrial sites in accordance with the OHSAS 18001 specification. Today, 93.5% of the industrial sites are certified to this standard.

Furthermore, Pernod Ricard has set out key principles for managing working conditions that define the minimum requirements to be applied throughout the organisation. These requirements, from training for all staff to management of particular risks specific to the Group's activities, are internally audited.

Finally, since 2007, Pernod Ricard has been a signatory to the European Road safety Charter, a European Community initiative.

Group workplace accidents

	2015/16	2016/17
Number of lost-time accidents	181	188
Frequency rate*	6	6
Severity rate*	0.15	0.13

Under the French Grenelle 2 Law, these indicators are calculated as follows:

- frequency rate = number of workplace and commuting accidents with sick leave x 1 million/number of hours theoretically worked per employee x average annual workforce;
- severity rate = number of sick days for workplace accident x 1,000/number of hours theoretically worked per employee x average annual workforce.

Staff commitment

The Group has a very high level of commitment from its employees. To measure the effectiveness of its HR policy on this commitment, Pernod Ricard relaunched its opinion survey "iSay" in June 2017, which has been carried out every two years since 2011 in conjunction with Towers Watson.

In this edition, 81% of employees completed a questionnaire available in 35 languages and containing just over 100 questions, with each edition being identical so as to measure progress. It indicated a level of engagement of 88%, far outstripping other businesses in the Fast Moving Consumer Goods sector.

These surveys also make it possible to identify the main areas in which the Group will aim to implement specific action plans. This year, the action plans following the 2015 edition of the survey were implemented,

reaching around 94% of employees. The main areas for action are "Organisational Efficiency", "Career Development" and "Diversity".

1,117 resignations were recorded over the year, resulting in a low, stable voluntary departure rate of 6.4%. The rate of voluntary departure is obtained by dividing the number of resignations by the average workforce with permanent contracts.

	2015/16	2016/17
Absenteeism rate	3.60%	3.73%

Occupational illnesses are included in illnesses in order to calculate the absenteeism rate. An illness is said to be occupational if it is the result of employee exposure to a physical, chemical or biological risk or if it results from the conditions in which the employee performs their job.

According to the 2017 edition of the "iSay" opinion survey, the level of employee commitment has risen to 88%.

LABOUR RELATIONS

Social dialogue ⁽²⁾

The Group has a long tradition of social dialogue and promotes freedom of association in all the countries where it is present. In addition, it firmly believes in the importance of providing a working environment which optimises working conditions. Pernod Ricard's Group report has a section on social dialogue.

With more than 50% of its staff based in Europe, the Group has mainly focused its actions on the European employee representatives, through the European Works Council. This council gathers one or more representatives of every affiliate within the European Union with more than 50 employees.

The European Works Council meets for three days each year, including one day dedicated to specific training offered to all 24 representatives.

In order to share information, an online brochure which is co-written by the delegates and the Human Resources Department and published each year, summarises the content of the Annual Meeting and is made available to all of the Group's European employees.

The renewal of the European Works Council in November 2014 allowed the re-election of a select committee that meets at least once a year and comprises five members from five different countries, elected by their peers. The select committee may act on its own initiative to respond to any social measure that might be taken in Europe involving at least two European countries in which Pernod Ricard has local teams.

At the November 2016 Meeting, the European Committee was given a further progress report on the application of the European agreement on Corporate Social Responsibility that was signed in January 2014 between Pernod Ricard and EFFAT (*the European Federation of Food, Agriculture and Tourism Trade Unions*). The delegates are also presented with examples of good practices to ensure a better balance between a private and professional life, where they were able to share their local experiences.

(1) In accordance with Principle 1 of the United Nations Global Compact: "to support and respect the protection of internationally proclaimed Human Rights".

(2) In accordance with Principle 3 of the United Nations Global Compact: "to uphold the freedom of association and the effective recognition of the right to collective bargaining".

The France Group Committee meets once a year. This Committee brings together employees' representatives appointed by the largest trade union organisations in the French affiliates. Meetings of the France Group Committee review the Group's business activity, as well as examining employment and its forecast change over the forthcoming year.

The Group Committee and the European Committee are chaired by the Group's Chairman and CEO, Alexandre Ricard, and moderated by the Human Resources Department.

Company agreements ⁽¹⁾

Each year, the affiliates sign about a hundred agreements with the various social partners throughout the world; in this way, the Group encourages the enhancement of social dialogue. The number of agreements signed depends on local legislation changes: this year, there have been 126.

26 affiliates (accounting for 43% of the Group's workforce) signed at least one company agreement during the year.

Several agreements were signed in relation to compensation and profit-sharing: 39 agreements in 2016/17, in France, South Africa, Sub-Saharan Africa, Angola, the Czech Republic, Italy, Spain, Ireland, Sweden, Mexico, Brazil, Argentina, Uruguay, South Korea, Vietnam, Australia, and New Zealand. There were also 28 agreements signed on collective benefit schemes (in France, Belgium, Italy, the Czech Republic, Finland, South Africa, Sub-Saharan Africa, Angola, Brazil, Uruguay, Vietnam, and South Korea) and on occupational health and safety (in France, Turkey, South Africa, the Czech Republic, Sweden, Brazil, Uruguay, Cuba, and New Zealand).

In France, 52 company agreements were signed by Group affiliates in 2016/17. The agreements covered issues such as profit-sharing, compensation, occupational health and safety, collective benefit schemes, equal opportunities, and disability.

In total, trade unions are present in 32% of the Group's entities. There are also non-unionised employee representation groups in the majority of Group affiliates. 57 affiliates also indicated that regular meetings had been arranged during the year for all employees and Management to address various business-related or organisational matters.

(1) In accordance with Principle 3 of the United Nations Global Compact: "to uphold the freedom of association and the effective recognition of the right to collective bargaining".

PROMOTE RESPONSIBLE DRINKING

In accordance with its “Créateurs de convivialité” tagline, Pernod Ricard is fully committed to promoting responsible drinking and conviviality.

To ensure that consuming our products is an enjoyable and safe experience, Pernod Ricard promotes moderation in alcohol consumption, and works to combat excessive consumption through awareness-raising and education campaigns, undertaken individually or in partnership with other industry members, not-for-profit organisations and public authorities. The Group has also defined strict internal criteria for responsible marketing through its Code for Commercial Communications.

SOCIETAL IMPACT OF THE COMPANY'S PRODUCTS AND SERVICES ⁽¹⁾

Product health and safety (production and consumption)

Pernod Ricard aims to provide its customers with products of the highest quality, and places particular importance on consumer health and safety. This has resulted in significant commitment in terms of the prevention of risks associated with alcohol abuse, but also a strict policy in terms of food safety during product preparation.

The control of product health and safety is based on the implementation of the hazard analysis critical control point (HACCP) method which aims to identify all the points for potential risks in the manufacturing process and to control these with appropriate preventive measures. Despite the fact that Wines & Spirits are less exposed to food safety risks than the products of other food industry segments, Pernod Ricard decided to proceed with the gradual certification of its facilities in accordance with ISO 22000, “Food safety management systems”. On 30 June 2017, 85% of the bottling plants were certified, representing 99% of volumes produced and covering all the Group's strategic brands. Certified distilleries account for 87% of alcohol produced.

The internal standards established by Pernod Ricard for its industrial activities include different specific guidelines, the aim being to control risks such as the accidental contamination of a product or the presence of a foreign body in a bottle. An absolute priority for the Group is to ensure its products comply with the regulations that apply to each of its various markets.

In addition, a Group Intranet site called “Complaint Management System” has been developed to record and track consumer complaints and any other quality issues in real time and to immediately inform the affiliate concerned so that corrective action can be taken. Nearly 5,000 complaints were recorded in this way during the 2016/17 financial year, and these were handled so as to improve satisfaction levels for the Group's customers and consumers alike. In the case of a serious product health and safety concern, the system also informs the Headquarters instantly, allowing for very rapid response. Each affiliate has a crisis management procedure that can be activated particularly in the case of a health risk caused by a product with, if necessary, a product recall.

These procedures are subject to regular testing, training for people involved and updates.

Furthermore, a Health Risk Management Committee chaired by the Group's Operations Director monitors the consideration of risks linked to product health safety and in particular emerging risks linked to scientific knowledge or new regulations.

To our knowledge, the Pernod Ricard group's products do not rely on nanotechnologies and do not include free nanoparticles in their manufacturing processes, ingredients or packaging.

Prevention of high-risk drinking habits

The Chief Executive Officers of the affiliates uphold this commitment. Their annual bonus calculation includes S&R criteria, including one related to responsible drinking, showing the strategic importance given to this policy.

The Group's strategy to combat alcohol abuse covers the following five areas:

- advocating consumption in moderation, in particular through its Code for Commercial Communications;
- combating drink driving: Pernod Ricard recommends abstaining from drinking before driving and develops dedicated initiatives, for example “designated driver” initiatives;
- raising awareness among young people of the risks associated with alcohol misuse and abuse. The Group strives to prevent alcohol consumption among minors by developing programmes aimed at delaying the age of first alcohol consumption and first intoxication and works with young adults to combat alcohol misuse and abuse;
- dissuading pregnant women, for whom Pernod Ricard recommends abstinence from drinking alcohol;
- making staff aware of their responsibilities internally through training and awareness campaigns.

The Group has allocated significant resources to making this commitment a reality: dissemination of the results of research, support for medical research, prevention campaigns and programmes involving stakeholders.

Pernod Ricard is, for example, a founder member of the *Fondation pour la Recherche en Alcoologie* (FRA – Foundation for Alcohol Research, formerly IREB), an independent research organisation dedicated to alcohol and its impacts on society, which publishes and finances studies on these subjects in France.

A number of initiatives are also performed at local level by the affiliates. In 2016/17, 86% of affiliates implemented at least one initiative to promote responsible drinking.

Since 2011, the Group has chosen to go further by launching a special event for the entire Group, the Responsib'All Day. This event aims to promote the sharing of best practices and to take concrete action,

(1) In accordance with Principle 1 of the United Nations Global Compact: “to support and respect the protection of internationally proclaimed Human Rights”.

3 SUSTAINABILITY & RESPONSIBILITY (S&R)

Promote responsible drinking

engaging all of the Group's affiliates and employees around a common S&R theme throughout the event. The aim is to transform its employees into ambassadors of Pernod Ricard's S&R policy. The first five editions were devoted to the promotion of responsible drinking.

In June 2014, Pernod Ricard launched the first global application, "Wise Drinking", www.wise-drinking.com/app, helping consumers to estimate their alcohol consumption and get home safely by selecting appropriate means of transport.

The industry's five commitments

At the IARD (International Alliance for Responsible Drinking) conference in October 2012, the world's leading producers of beers, wines and spirits, announced that they had signed up to five commitments covering 10 action areas, in order to reduce the harmful use of alcohol. These five commitments are:

- reduce alcohol consumption among young people under the legal minimum age;
- strengthen and expand codes of marketing practice;
- communicate information to consumers and develop responsible product innovations;
- reduce drink driving;
- enlist the support of retailers in reducing harmful alcohol consumption.

These commitments are implemented over a period of five years and are reviewed annually by an independent third party. All the information and the details of the progress made are available at <http://www.producerscommitments.org>.

In order to measure and monitor its contribution to these commitments, Pernod Ricard has set specific and ambitious targets that all affiliates must achieve by December 2017. An innovative interactive tool, the "Smart Barometer" (<https://smartbarometer.pernod-ricard.com/>), has been implemented for real-time monitoring of the progress made and to share initiatives by country.

Stakeholders' feedback

We are not aware of any allegations against the Group in terms of its management of health and social problems caused by the consumption of its products.

RESPONSIBLE COMMUNICATION

The Pernod Ricard Code for Commercial Communications

All advertising campaigns run by Pernod Ricard throughout the world must comply with the Code for Commercial Communications. This Code was adopted in 2007 and was updated in 2010, 2012 and 2013 to incorporate the use of new media (Digital Marketing) and provide more effective management of product innovations. The articles on "sexual success", "motorsport", "digital" and "sponsorship" were also updated

in 2015, when the Code introduced a new provision on not portraying stereotypes or demeaning situations in our advertising. The new Code can be accessed by all employees on the Pernod Ricard Intranet site and by all stakeholders on the Group's website (www.pernod-ricard.com/en/our-commitments/public-affairs/, available in English, French and Spanish).

The Code covers the following topics (full details are available in the Code), which apply to commercial communications (including new media) and product innovations:

- do not encourage alcohol abuse;
- do not produce communications that could be attractive to minors;
- no drink driving;
- do not associate alcohol with hazardous/workplace activities;
- do not present alcohol consumption as having beneficial health aspects;
- do not show pregnant women consuming alcohol;
- do not use the level of alcohol as the main topic of promotion;
- do not link alcohol to physical performance and/or social success and/or sexual prowess.

In addition, all of these topics must be taken into account when developing new products.

Employee training in the Code for Commercial Communications

Pernod Ricard trains relevant employees in the Code for Commercial Communications.

This training deals with the following issues: the importance of internal control of campaigns, the main provisions of the Code and the review procedure; particular attention is given to new media. At the end of each training session, an interactive training module allows the team to confirm their knowledge and understanding of the Code for Commercial Communications.

During the 2016/17 financial year, 103 employees received training via dedicated training sessions.

In June 2014, Pernod Ricard released its new e-learning course related to the Code. This is a fun, interactive training course. Following the course, employees will have enhanced knowledge of Pernod Ricard's Code for Commercial Communications. It tackles changes in alcohol advertising and presents the Code. This e-learning course is compulsory for all marketing staff and their agencies, and is open to all.

After the training course, a quiz allows employees to test their knowledge and a certificate is awarded if they score over 80% in the test.

Since the launch of e-learning, 1,598 people from the Group, mostly in marketing functions, have passed the e-learning module and received their certificate.

The Internal Approval Panel and results of controls in 2016/17

Controls are mandatory for all the Strategic International Brands, Strategic Wine and Strategic Local Brands. Controls encompass advertising, the Internet and sponsorship. Since September 2013, the Panel has reviewed the Code's compliance with all new products.

Ethical control over advertising is the responsibility of the Responsible Marketing Panel (RMP), which comprises five members. Its decisions are binding throughout the Group and provide "case law" for the application of the Pernod Ricard Code for Commercial Communications. This Panel is required to provide its decisions within a maximum of seven days. Its decisions are taken in a collaborative manner.

In the event of doubts pertaining to a campaign, the RMP has the right to seek advice from advertising regulators in the relevant markets. For example, in France the ARPP (*Autorité de régulation professionnelle de la publicité* – the French Advertising Standards Authority) is regularly consulted.

The Panel provides formal opinions on every campaign submitted: approval of the campaign, approval subject to modification, or rejection, in which case a substitute campaign must be devised and submitted.

In 2015, the Executive Committee appointed two of its members, Philippe Guettat and Anna Malmhake, to liaise with the RMP. In particular, they are consulted for advice in the event of an orange (approved subject to modification) or red (rejected and new campaign submission required) ruling being given.

In 2017, the "Responsible Marketing Panel" digital platform was officially launched. Since this date, all campaigns submitted to the RMP via the inbox are downloaded onto the platform, where the Panel is able to discuss whether to issue a notice. The affiliate is then notified of the final decision via the platform. The campaigns and the reports to COMEX are now archived on this RMP platform.

The RMP is independent from the Marketing Department and directly reports to the Pernod Ricard Executive Committee. A report on all advertising campaigns is submitted to the Executive Committee at each of its meetings. 10 such reports were submitted during the 2016/17 financial year.

Some affiliates, such as The Absolut Company, have introduced similar local control procedures. The implementation of such procedures, which are conducted prior to submission to the Panel, is strongly recommended.

During the 2016/17 financial year, the RMP examined 168 campaigns and product innovations. For the first time since the existence of the Panel, all campaigns have received a favourable opinion (green notice). The Committee also gave confidential advice (copy advice procedure) for 142 campaign proposals and product innovations. In total, the Panel examined 310 advertising campaigns during the 2016/17 financial year ⁽¹⁾.

Since the Panel was set up in 2005, only two of the 2,447 campaigns examined were cancelled following a complaint.

Transparency of Labelling and Marketing Managers

Pernod Ricard has allocated significant resources to:

- ensure that the public is properly informed of potential risks linked to excessive or inappropriate consumption of its products;
- label its products in a transparent manner;
- disseminate its Code for Commercial Communications as well as its Internal Approval Panel procedures to employees and communication/marketing agencies;
- train sales and marketing staff on responsible marketing and commercial practices.

With regard to the transparency of labelling, the Group and its employees are committed to the transparent labelling of its products.

100% of affiliates with a distribution business incorporate the "pregnant lady" warning logo on all bottles distributed in European Union countries. In 2013, the decision was taken to gradually extend the application of this logo to all bottles distributed by Pernod Ricard worldwide. To date, 97% of affiliates worldwide with a distribution business have already applied it (notwithstanding regulatory constraints).

In 2015, Pernod Ricard decided to add the address of a responsible drinking website to the back labels on bottles across the whole of its brand portfolio as stocks are gradually replenished. To date, 87.5% of affiliates with a distribution business have already applied it.

In most cases, the www.wise-drinking.com address redirects consumers to the responsible drinking site for the country they are in or, if there is no site for that country, to the IARD (International Alliance for Responsible Drinking) website at www.responsible-drinking.org. The website www.wise-drinking.com also allows them to download the application of the same name.

- In 2017, the Group is offering all consumers in the world access to the nutritional information of its strategic brands via the digital tool. A website, often together with a QR Code, that provides access to nutritional information is included or will gradually be included on the labels of all bottles. At Group level, 85% of these pages are already online and the remaining 15% will be by the end of 2017.

Finally, 99% of affiliates include a responsible drinking message in the majority of their advertising and promotional material (new media, television, cinema, posters and press). The field of sponsorship is excluded, since this falls outside the traditional scope of advertising. The affiliates with local regulations prohibiting the advertising of alcohol are excluded from the calculation of this index.

(1) Advice issued between the final Executive Committee meeting of the financial year (20 June 2017) and the balance sheet date (30 June 2017) has not been included and will be included in financial year 2017/18.

DEVELOP COMMUNITIES AND INVOLVE OUR PARTNERS

Due to the diversity of its brands and its decentralised model, Pernod Ricard is deeply rooted in local communities. Pernod Ricard is committed to sharing the value and income generated by the development of its activities with local communities and its partners, in order to build long-lasting relationships that benefit everyone. The Group conducts its activities in a fair, transparent and honest manner.

This commitment is based on five main actions:

- contribute to the development of local communities;
- promote the spirit of entrepreneurship, a source of value creation and wealth;
- share the diversity of local cultures;
- encourage our partners to respect sustainable development principles;
- create value and share it with our partners and shareholders.

In 2016/17, 100% of affiliates had at least one initiative to promote the development of local communities and the engagement of partners.

The Pernod Ricard Charter and Pernod Ricard's Sustainable Development Commitments outline the promotion of local social and economic development.

Pernod Ricard's worldwide affiliates:

- provide employment to local economies, especially in agriculture, through the production and purchase of raw and processed agricultural products corresponding to around 2.4 million tonnes of equivalent raw agricultural products per year (around €851 million per year);
- develop the skills of their employees and provide them with fair, just and rewarding compensation;
- add value to the goods and services purchased from suppliers and partners;
- generate revenue for governments through taxes, duties and royalties, particularly those related to its brands, as well as for its shareholders and investors.

The Chief Executive Officer of each affiliate is responsible for implementing this policy.

COMMUNITY INVOLVEMENT ⁽¹⁾

Contribution to the development of local communities

The Group commits to help local communities to benefit from its growth:

- by supporting economic development through training programmes, support for access to education or job creation. For example, in

New Zealand, a training programme for jobs within the wine trade was set up with the Ministry of Development and NMIT (Nelson Marlborough Institute of Technology), while in Ireland, Irish Distillers funds a grant for two students at the University of Dublin;

- furthermore, the Group strives to improve health and social conditions by funding social projects or organising volunteering programmes. In India, for example, Pernod Ricard helps set up clinics providing free medical services, delivering prevention programmes at the same time.

Promote entrepreneurship

A core Group value, entrepreneurship is also considered a driver of local economic development. There are two aspects to the Group's action: encouraging the younger generation to set up businesses, and supporting the creation of local businesses and helping to improve their effectiveness. Examples of this include:

- Chivas Brothers undertakes to support young people from the local communities surrounding its production sites in developing their business skills;
- Pernod Ricard Group's continuing commitment to Positive Planet, an association for the development of microcredit, through the development of six new agricultural cooperatives, mainly in the Tavush region of Armenia. This initiative follows the success of a pilot cooperative and aims to provide small farms with the equipment and training required to enable families to live in dignity from their agricultural activities;
- on *Responsib'All Day* 2017, all Group employees took an active role in neighbourhood initiatives, participating in projects to build and renovate living spaces for local communities. The objective is to provide them with places to meet with others for shared discussion. By getting involved in this practical way, the Group's employees have embodied its vision of being "Créateurs de convivialité". A total of more than 103 projects were undertaken in just one day.

Share the diversity of local cultures

Pernod Ricard's commitment to all forms of art and, in particular, contemporary art, is the result of a long tradition of partnering the arts. Pernod Ricard strives to promote worldwide the culture of the countries in which it operates, sharing their traditions, art and lifestyles in order to encourage entrepreneurship, open-mindedness and respect. Moreover, Pernod Ricard is committed to promoting and showcasing art by supporting young artists.

Paul Ricard, passionate about painting and a painter himself, had already created a foundation to support young artists in the 1960s. Since then, the *Prix de la Fondation d'Entreprise Ricard* has been created, rewarding one of the most representative young artists of his/her generation. Each year, the Foundation buys one of the winning artist's works and donates it to the Pompidou Centre in Paris.

(1) In accordance with Principle 1 of the United Nations Global Compact: "to support and respect the protection of internationally proclaimed Human Rights".

Other examples: Domecq Bodegas has been working with the Guggenheim Museum in Bilbao for 10 years; in the United States, Pernod Ricard is linked with New York's New Museum and in England, with the Saatchi Gallery. In Berlin, MADE by Absolut is a versatile creative platform that promotes innovative interdisciplinary projects. In Paris, Pernod Ricard is also joining forces with Villa Vassiliev to create the Pernod Ricard Fellowship: a grant aimed at supporting four international artists, curators and or researchers in residence every year.

Encourage our partners to respect sustainable development principles

A number of approaches help to strengthen our links with suppliers and build long-term relationships with them (see page 67 for details): defining a responsible procurement policy, convincing subcontractors to commit to comply with certain sustainable development requirements, assessing and monitoring supplier practices to help them improve their social and environmental performance and lastly, harmonising standards for S&R audits.

Create value and share it with our partners and shareholders

The relationship between the Group and its shareholders is based on trust, dialogue and transparency.

THE GROUP'S ETHICAL PRACTICES ⁽¹⁾

Prevention of corruption

Pernod Ricard's commitment to combating corruption has historically been expressed through several documents. These documents include:

- Pernod Ricard's Charter, in particular the business model chapter, which specifies that all employees must abide by the legislation in their market and by the Group's policies and procedures;
- Pernod Ricard's Code of Business Conduct, which covers eight key chapters of the Group's compliance programme: combating corruption, gifts and hospitality, competition law, combating money laundering, conflicts of interest, insider dealing, protection of personal data, use of digital technology, media and social networks, and brand protection. Available in French, English, Spanish, Russian and Portuguese, this Code states unambiguously that "Doing business with integrity has long been one of Pernod Ricard's core values and commitments", and applies a principle of zero tolerance on corruption. The Code has been circulated to all employees and is available on the Pernod Ricard website under the section "Our commitments/Public Affairs" at the Pernod Ricard site: <https://www.pernod-ricard.com/en/our-commitments/public-affairs/>;
- Pernod Ricard's Procurement Code of Ethics, which notably contains the Code of Conduct principles to be observed in respect of gifts and hospitality;
- the 10th principle of the United Nations Global Compact, which states that "Businesses should work against corruption in all its forms, including extortion and bribery".

- the United Nations Sustainable Development Goals adopted in September 2015 to end poverty, protect the planet and ensure prosperity for all, particularly goal 16, which aims to "Substantially reduce corruption and bribery in all their forms";
- the OECD guidelines for multinational enterprises, where anti-corruption measures are addressed in Chapter 7.

Pernod Ricard has also adopted an anti-bribery policy that applies to all Group companies. Brand Companies and Market Companies are required to establish systems and controls to comply with this policy, which may include the adoption of local versions of the Group policy.

An Ethics Committee made up of the Group General Counsel, the Executive Vice President, Human Resources Sustainability and Responsibility and the Managing Director in charge of Finance and Operations meets at least twice a year. Its mission is to ensure that the roll-out of the anti-corruption policy within the Group is monitored and controlled, and to make changes to it if necessary.

Pernod Ricard's internal control principles, which apply to all Group affiliates, specify that all Pernod Ricard affiliates must comply with the Pernod Ricard Charter, the Pernod Ricard Code of Business Conduct, the Procurement Code of Ethics and the principles of the United Nations Global Compact. Pernod Ricard sends all affiliates a self-assessment questionnaire every year, in which they must state whether they are compliant with Group policies. The reliability of the responses to these questionnaires is confirmed in a letter of representation signed by the CEO and Chief Financial Officer of each entity. In addition, the Legal Department works with the internal audit team to conduct a number of compliance audits each year at certain affiliates. Finally, a further task of the internal audit is to verify the Group's compliance with the rules implemented for the fight against corruption.

Furthermore, two online training platforms are now accessible to all Group employees. These training courses, delivered as MOOCs (Massive Online Open Courses), cover:

- the eight chapters of the Pernod Ricard Code of Business Conduct, including anti-corruption measures. Specific training on these topics is also delivered locally, as required;
- the principles of internal control implemented within the Group, including with regard to preventing corruption.

Prevention of anti-competitive practices

Pernod Ricard's policy is to always act and do business in compliance with applicable laws and regulations. This policy is included in the Pernod Ricard Charter. With regards to compliance with competition laws, the Charter states: "Pernod Ricard is committed to the public policy goals of competition laws and to acting lawfully in the marketplace. It is the Group's policy to observe both the letter and the spirit of the competition laws in all countries where we do business. Wherever one is located in the world, competition laws will apply to the way the Group conducts its business. Specifically, it is prohibited to fix selling or purchase prices with our competitors or any other terms on which we trade. Not only are explicit agreements between competitors to fix prices prohibited, but also informal coordination of price level increases and the exchange of price information. Similarly, agreements or understandings with competitors to divide up markets or territories are illegal."

(1) In accordance with Principle 1 of the United Nations Global Compact: "Support and respect the protection of internationally proclaimed Human Rights".

These principles are set out in the chapter on “Competition Rules” of the Pernod Ricard Code of Business Conduct, and listed in the Pernod Ricard Policy on Compliance with Competition Law, where more details and practical examples are given. In addition, the MOOC online training platform also includes a module on “Compliance with Competition Law”.

Lastly, the Pernod Ricard principles of internal control, applicable to all Group affiliates, require that the affiliates comply with the Pernod Ricard Charter and, as a consequence, prevent any anti-competitive practice.

Transparency and integrity of strategies and influencing practices

All Pernod Ricard employees are subject to the provisions of the Pernod Ricard Charter, and specifically to its rules of ethics (in the business model chapter of the Charter), which are one of the Group's three key values. The Charter states that Pernod Ricard expects all its employees to have a strong sense of ethics, with “respect” and “transparency” as watchwords. All employees are required to:

- abide by the applicable legislation in their market and by the Group's policies and procedures;
- be honest and trustworthy by being sincere and open about their actions;
- treat colleagues, shareholders, customers, consumers, suppliers and competitors with the greatest respect;
- respect the environment;
- comply with our industry commitments;
- act as ambassadors for responsible drinking and behave impeccably in all professional situations.

More specifically, the Group lobbying policy complies with professional Codes (EPACA in Europe, *Association pour les relations avec les pouvoirs publics in France*, etc.) or institutional Codes (<http://ec.europa.eu/>). The Company's Vice-President of Government Affairs is responsible for the oversight and implementation of this policy. The main lobbying actions are approved by the Group's Chairman & CEO and the rest of senior management is kept informed of the status of the projects.

The organisation chart of the Institutional Affairs team, guidelines on lobbying and the main stances on current issues in this area are available on the Pernod Ricard website in the section “Our practices: Public Affairs”.

A training course on lobbying, part of which focuses on ethical issues, can be found in the Pernod Ricard University brochure under *Lobbying, the art of influencing*. Part of the course is delivered by Transparency International (<http://www.transparency.org/>), of which Pernod Ricard has been a member since early 2013. It aims to train participants in:

- ensuring that lobbying practices are transparent and responsible;
- defining a series of recommendations for representatives of interests;
- ensuring that lobbying practices comply with the Group's S&R commitments.

Although it is open to all, this training course is primarily aimed at employees who interact with public authorities and national and international organisations, specifically affiliate CEOs, those working in public affairs, communication professionals, S&R leaders and so on.

In France, Pernod Ricard is a signatory of the joint declaration on lobbying presented by Transparency International's corporate members (<https://transparency-france.org/project/declaration-commune-entreprises-membres-de-transparency-international-france-lobbying/>). Pernod Ricard is a joint signatory to a good practice guide on parliamentary lobbying expenditures published by Transparency International (<https://transparency-france.org/wp-content/uploads/2016/07/Guide-de-d%C3%A9claration-des-d%C3%A9penses-en-lobbying-design.pdf>).

Regarding interactions with public authorities, the requirement for high ethical standards is an integral part of the Group's Charter and the Code of Business Conduct, which, as set out above, covers all of the Group's activities and not just lobbying.

Furthermore, in the European Union, Pernod Ricard has been registered in the Register of Representatives of Interests since its creation in 2008, under ID number 352172811-92. This register contains useful information about teams, budgets, areas of interest, membership of associations, etc.

(<http://ec.europa.eu/transparencyregister/public/consultation/displaylobbyist.do?id=352172811-92&isListLobbyistView=true>).

In France, Pernod Ricard is also registered on the National Assembly's list of representatives of interests (http://www2.assemblee-nationale.fr/14/representant-d-interets/repre_interet) and on that of the Senate.

Lobbying activities in the United States are highly regulated at federal level and also at state and municipal level. Pernod Ricard conducts its lobbying activities in full compliance with applicable US laws, including the Lobbying and Disclosure Act of 1995, the Honest Leadership and Open Government Act of 2007 and the Federal Election Campaign Act of 1971. In addition, Pernod Ricard complies with the various ethics rules adopted by the US Senate, the US House of Representatives and the agencies of the Executive Branch. Pernod Ricard is required under US law to file quarterly and half-yearly reports on its lobbying activities and political contributions with the Secretary of the Senate and the Clerk of the House of Representatives. In addition, the Pernod Ricard USA Political Action Committee is required to file regular reports, which are in the public domain, with the Federal Election Commission.

- Secretary of the Senate: <https://www.senate.gov/legislative/lobbyingdisc.htm#lobbyingdisc=lda>;
- Federal Election Commission: <https://www.fec.gov/data/>.

Stances on regulatory issues

Generally speaking, Pernod Ricard has no particular stance on regulatory issues, other than those taken officially and communicated by our trade associations worldwide. In some cases, the Group may take a specific position on issues of particular interest. The issues for us relate to trade, alcohol and health, taxation and communication.

In general, the policies we uphold are covered on the websites of our trade associations, for example:

- on intellectual property: European Brands Association (www.aim.be);
- on marketing matters: World Federation of Advertisers, www.wfanet.org;
- for sector-specific matters: spiritsEUROPE (www.spirits.eu); Comité Européen des Entreprises Vins (www.ceev.be); Scotch Whisky Association (www.scotch-whisky.org.uk); Fédération des Exportateurs de Vins & Spiritueux de France (www.fevs.com); Distilled Spirits Council of the United States (www.discus.org); Winemakers' Federation of Australia (www.wfa.org.au); the Industry Association for Responsible Alcohol Use in South Africa (www.ara.co.za); Association of Canadian Distillers (www.acd.ca); Thai Alcohol Business Association; EU Chamber of Commerce in China, Agriculture, Food & Beverage Working Group (www.europeanchamber.com.cn); International Alliance for Responsible Drinking (IARD) (www.iard.org).

Our representatives are occasionally invited to events where they publicly speak about regulatory issues.

Pernod Ricard's main stances are available in the section "Our practices: Public Affairs" on the Group's website: www.pernod-ricard.com.

Tax policy

A significant contribution to the local communities

As one of the global leader of the Wine & Spirits industry with a unique portfolio of premium international brands, one of the broadest of the industry, Pernod Ricard is committed to observing all applicable laws, rules and regulations in every jurisdiction where the business operates and complying with relevant international standards.

In 2017, the Pernod Ricard Group's Income tax charge on recurring items (business profit and financial result) was €509m.

In addition to corporate income tax, Pernod Ricard pays and collects numerous other taxes, including sales taxes, excise taxes and customs duties, employment taxes, property taxes and other local taxes specific to each jurisdiction as part of the Group's economic contribution to the communities in which we operate. The total tax contribution of Pernod Ricard is estimated to be around €5.8 billion (data non-audited).

Our approach to tax

We seek to ensure that our approach to tax is aligned with the Group's business and strategy.

Our tax principles are as follows:

- operate in compliance with the rules and regulations with the aim of supporting business;
- act with integrity in all tax matters;
- manage tax in a pro-active and efficient manner to protect and maximise value for the Group and its shareholders.

The Pernod Ricard Group operates in a significant number of subsidiaries in more than 85 countries in which it carries out business. Management is making every effort to close, where possible, any dormant or near dormant affiliates inherited through acquisitions.

Pernod Ricard is also committed to ensuring business and commercial substance and will not engage into artificial tax arrangements. Incentives which are made available by governments may be used only after having considered the impact on our brands, reputation and corporate and social responsibilities.

Transfer pricing

Pernod Ricard's strategy and organisation is built on a decentralised model with an ongoing relationship between the Brand Companies and the Market Companies. The Brand Companies generally own, protect and develop the intellectual property. They are also in charge of developing the overall strategy for the brands as well as activating solutions and assets. The Market Companies implement that strategy at local level.

The related party transactions are carried out in line with the Group's transfer pricing policy based on the arm's length principle (i.e. based on conditions agreed between independent parties).

An effective organization

Pernod Ricard Group relies on a qualified and trained tax team, under the managerial responsibility of the Group Managing Director in charge of Finance and Operations. We have established clear internal control principles on tax matters available to all employees on the internal website platform.

The tax legislation in the countries where Pernod Ricard operates is complex and can be subject to interpretation. Pernod Ricard manages this uncertainty by working with internal and external tax experts. Tax provisions are assessed on the basis of the Group's best estimate based on information available (especially information provided by the Group's legal advisors), regularly presented to the Audit Committee.

International transparency promotion

Pernod Ricard is committed to being open and transparent with tax authorities and to disclosing relevant information to enable them to carry out their work. Pernod Ricard places particular importance on working positively, proactively and transparently with tax authorities in jurisdictions that we operate in to build positive, honest and long term relationships and where disputes occur, to address them promptly.

Pernod Ricard will comply with the country by country reporting requirement by disclosing it to the French Tax Administration before June 30, 2018.

We also contribute to the development of business taxation policies, transparency initiatives and legislation by participating in public consultations or policy debates.

COMMITMENT TO RESPECT FOR HUMAN RIGHTS

Pernod Ricard's commitment to respect Human Rights is deeply rooted in its history and culture. Since the Group was founded, it has fostered respect for people and cultures through its actions and the actions of its employees.

This commitment is reflected in its support for the principles of the United Nations Global Compact, which Patrick Ricard signed up to in 2003. These 10 principles, including those relating to Human Rights, are available to the employees at any time on the Group's Intranet.

Respect for Human Rights and prevention of abuses

Pernod Ricard's Internal Charter sets out the requirement that its employees comply with the law, including fundamental principles such as the respect of Human Rights. In addition, Pernod Ricard policy has been detailed in Pernod Ricard's Sustainable Development Commitment. These two documents are available on the Group's global website (www.pernod-ricard.com).

As a decentralised organisation, Pernod Ricard gives responsibility to its affiliates for the adoption, respect and promotion of the content of its Charters locally. For example, Chivas Brothers Limited published on its website a "Slavery and Human Trafficking Statement" which includes its commitment and anti-slavery policy as well as its key performance indicators. This statement is made pursuant to Section 54 of the Modern Slavery Act 2015 (<http://www.chivasspirit.com/media/601446/slavery-and-human-trafficking-statement-080817.pdf>). Dedicated teams at Group level regularly evaluate these principles (through internal audit and support for local initiatives aimed at developing or monitoring the Company's commitment to ethical practices).

The visits to affiliates by cross-functional internal audit teams include elements of social evaluation, allowing for coverage of matters specific to Human Rights.

Managing Directors' performance evaluations include social as well as corporate and economic aspects of performance. The targets considered are specific to each affiliate.

Respect for freedom of association and the right to collective bargaining ⁽¹⁾

Pernod Ricard is committed to ensuring freedom of association and the right to collective bargaining. Further information is presented in the paragraph on "Labour relations" of the subsection "Empower our employees".

Non-discrimination ⁽²⁾

The principle of non-discrimination forms the basis of the Group's Human Resources practices, particularly for recruitment and career development activities.

Pernod Ricard is officially committed to combating discrimination. Pernod Ricard is a signatory to the United Nations Global Compact and communicates on this principle. In 2003, Pernod Ricard also signed up to the "Business Workplace Diversity Charter", which aims to encourage the employment of different members of French society. This Charter bans all forms of discrimination when recruiting, during training and in professional development. Diversity is a major strategic focus for the Group; the section on "Employee development and employability" expands on this.

With regard to disability, Group affiliates comply with local legal requirements, where applicable. Efforts are being made each year to improve the integration of disabled workers and empower teams in this area. In 2016/17, 15 affiliates carried out work to adapt their premises for disabled people and 13 affiliates invested in appropriate equipment. 13 Group affiliates conducted disability training and/or awareness actions for their employees. Other measures implemented in 2016/17 included joint work with specialist establishments (launched by 20 affiliates), participation in dedicated forums (provided by six affiliates), and the distribution of information brochures (in eight affiliates). In the countries where it is authorised and possible to gather this information, a dozen affiliates hired disabled workers this year.

Elimination of forced labour and effective abolition of child labour ⁽³⁾

As in its fight against discrimination, Pernod Ricard is committed through the United Nations Global Compact to eliminating forced or compulsory labour and to abolishing child labour. The Pernod Ricard Charter sets out the Group's commitments for compliance with the International Labour Organization standards. Pernod Ricard also requests that its suppliers and subcontractors comply with these principles (see subsection "Monitoring law 2017-399 on the Duty of Vigilance", set out below).

MONITORING LAW 2017-399 ON THE DUTY OF VIGILANCE

To meet the requirements of law 2017-399 of 27 March 2017, during the year Pernod Ricard has implemented various working groups comprised of representatives of the Sustainability & Responsibility, Purchasing, Human Resources, Internal Audit, Production and Legal Departments, in order to establish a vigilance plan applicable to companies within the Pernod Ricard group. The aim of this section is to reiterate that a number of tools and procedures have already been implemented within the Pernod Ricard group to promote our commitments and our values. Pernod Ricard group's vigilance plan will be presented in its entirety in the next Registration Document 2017/18 under the section "Implementation of the law on the Duty of Vigilance".

Identification and evaluation of risks

Pernod Ricard faces a range of internal and external risks. The main risks currently estimated by the Group are reported in the section 4 "Management report" under the subsection "Risk management".

(1) In accordance with Principle 3 of the United Nations Global Compact: "To uphold the freedom of association and the effective recognition of the right to collective bargaining".

(2) In accordance with Principle 6 of the United Nations Global Compact: "Elimination of discrimination in respect of employment and occupation".

(3) In accordance with Principles 4 & 5 of the United Nations Global Compact: "Elimination of all forms of forced and compulsory labour" and "effective abolition of child labour", respectively.

Internally, Pernod Ricard launched “iSay” ⁽¹⁾, a global commitment survey, in 2011. Its objective is to allow employees to freely express their opinions on 14 subjects, such as the work environment and interpersonal relations within the Company. The long-term areas for action identified as priorities three years ago were the “Organisational Efficiency”, “Career Development” and “Diversity”.

Externally, a process with several stages that is explained in the next sub-paragraph has been in place since 2011 to raise our suppliers' awareness and identify the risks that they represent. It is applied within all affiliates and monitored at Headquarters. Since its implementation, the process has been updated to meet external environmental and social requirements. Pernod Ricard is particularly vigilant with regard to suppliers of agricultural products.

Deployment of systems

Sustainable relationships with suppliers and subcontractors ⁽²⁾

Pernod Ricard has sustainable relationships with its suppliers and subcontractors, and relies upon them to convey its values and share its S&R commitments. These commitments apply throughout the Group and are supported by General Management. Each affiliate selects and monitors its own suppliers and subcontractors and is therefore responsible for its Procurement policy.

A process was implemented within the Group, called **Blue Source**, to allow affiliates of Pernod Ricard to deploy the strategy of responsible purchasing locally. These documents and tools form part of the following iterative process:

- since 2011, the **Responsible Procurement Policy** for products and services, covering all purchases made by the entire workforce. It is available on the Pernod Ricard Intranet in English, French, Spanish, Portuguese and Mandarin;
- **supplier CSR Commitment**, launched in October 2013, to be signed by suppliers of Pernod Ricard. The ultimate aim of this document is to raise our suppliers' awareness of the following topics: Working and Human Rights, Health and Safety, Environmental Management, Ethics and Fair Commercial Practices, and Responsible Drinking. It is available in English, French, Spanish, Portuguese, Mandarin, Russian, Finnish and Armenian;

At the end of June 2017, 1,142 CSR commitments had been uploaded to the Pernod Ricard Intranet site.

- **CSR Risk Mapping Tool**, implemented since 2013, to allow affiliates to identify which suppliers and subcontractors should be assessed as a priority. The supplier or subcontractor is evaluated by the affiliate working with them directly, using a matrix of various responses: production or service company, size of the Company, presence in a country deemed to be risky, turnover, dependence of the supplier on the affiliate, annual expenditure, the critical nature of the product, the social, environmental and supply chain risks of the supplier;

At the end of June 2017, 1,386 suppliers were analysed using this tool.

- **S&R Assessment of suppliers** and subcontractors using the EcoVadis platform. The Group has chosen to carry out the evaluation of its suppliers via the EcoVadis platform, which specialises in this field. The questions are based on four major topics: the environment, social, ethics and supply chain;

At the end of June 2017, following use of the risk mapping tool, 379 suppliers or subcontractors had been assessed or re-assessed using EcoVadis.

- In the context of Blue Source, Pernod Ricard recommends that its suppliers be re-evaluated every two years to allow them to jointly work on an action plan and to improve their areas for development;

77% of our suppliers and subcontractors saw their assessment score increase.

- S&R audits of suppliers and subcontractors: Pernod Ricard has selected SMETA standards (Sedex Members Ethical Trade Audit); a stage of the Responsible Procurement process that is detailed further in the subsection “Evaluation and control”.

The actions taken by the Group to ensure that relationships with suppliers and subcontractors are managed responsibly include the following:

- in the Pernod Ricard internal training course on procurement, there is a section addressing the selection of suppliers and partnerships;
- that Headquarters has close relationships with its top 10 suppliers, representing 65% of the packaging expenditure. These relationships are regularly examined from a commercial standpoint. Furthermore, in all the Group's affiliates, partnerships are formed on the basis of the specific specifications and regular monitoring; the roll-out of the **self checklist assessment** (SAC) including around one hundred criteria, of which approximately twenty cover social and environmental responsibility. This tool is used to monitor the main suppliers and to approve new suppliers. This tool was also used in tender processes. At the end of June 2017, 303 completed SACs had been shared on the Intranet. Parts of the SAC are repeated in Pernod Ricard's guidelines for selecting third party contract packers;
- the implementation of digital training in Smart and Safe POS purchasing, linked to the S&R risks inherent in the development and purchase of point-of-sale (POS) material. This training provision is intended for Marketing and Communication staff who may develop and purchase POS materials;
- the **Pernod Ricard Procurement Code of Ethics**, in line with the Code of Business Conduct, establishes rules for balanced and healthy relationships with suppliers as well as the basic S&R principles. This Code, the latest version of which is dated 2015, is shared with the departments concerned and is available in French, English, Spanish and Portuguese;
- the S&R clauses templates, which were updated in 2015, are available in French, English, Mandarin, Spanish and Portuguese. These clauses are for use both in contracts and Standard Terms and Conditions of Purchase;

(1) “iSay” survey is described under the subsection “Staff Commitment” of this section.

(2) In accordance with Principles 2, 4 & 5 of the United Nations Global Compact: “ensuring its companies are not complicit in Human Rights abuses”, “elimination of all forms of forced and compulsory labour” and “effective abolition of child labour”, respectively.

- the following results obtained by our affiliates during the year 2016/17:
 - Pernod Ricard Winemakers worked on several eco-design projects for its various brands of wine manufactured in Spain, Australia, New Zealand and the United States. For their Jacob's Creek (Australia) and Brancott Estate, Stoneleigh and Kenwood (New Zealand) bottles, the label dimensions were reduced to maximise the effectiveness of the printing and reduce paper waste. When changing the colour at the glassmakers, the transitional glass is re-injected in the manufacturing process. This method was implemented for the main brands in Australia (Jacob's Creek and George Wyndham) and helps to save energy. For the main brands sold throughout the world, the separators in the cardboard cases have been removed to eliminate a whole packaging assembly that has no additional value,
 - Pernod Ricard Brasil has also implemented an eco-design capsule project for its locally sold brands, reducing their carbon footprint by 600 tonnes of CO₂. Plastic caps have now been replaced by eco-design caps manufactured from sugarcane ethanol. This initiative, initially launched for the brands Montilla and Orloff, was extended to all the local brands of Pernod Ricard Brasil: Natu Nobilis, Wall Street, Sao Francisco and Janeiro. Overall, these brands represent approximately 38 million bottles. Changing the material of the capsules has not had any impact on the quality or the appearance of the product,
 - increasing the cullet content (glass debris) in the glass bottles reduces the environmental impact as well as the costs. The objective for The Absolut Company is to maximise the proportion of cullet while preserving the clarity of the glass to reduce its carbon footprint. Increasing the cullet content from 48% to 55% saves 100,000 tonnes of virgin materials and reduces the carbon footprint by 3.6 tonnes per year. The project is continuing with the ultimate aim of reaching a cullet content of 60%,
 - Yerevan Brandy Company worked on several more sustainable development projects during the fiscal year 2016/17. One of these is removing the dividers from the cardboard cases for 50 cl bottles. This has helped reduce the use of paper and simplifies assembly process.

No allegations have been made against the société Pernod Ricard regarding the sustainability of its partnerships with its suppliers and subcontractors.

Evaluation and control

In view of the risks faced by Pernod Ricard, the Group has implemented a system of internal control and risk management to better forecast and control them.

The principles and procedures of internal control and risk management are described in Section 2 "Corporate governance and internal control". These principles apply to all Group affiliates and employees, and specify that all Pernod Ricard affiliates must comply with the Pernod Ricard Charter, the Pernod Ricard Code of Business Conduct, the Procurement Code of Ethics and the principles of the United Nations Global Compact. The Group sends all affiliates a self-assessment questionnaire every year, in which they must state whether

they are compliant with Group policies. This questionnaire helps the Group to assess the processes that are implemented to identify and prevent certain ethical risks. The reliability of the responses to these questionnaires is confirmed in a letter of representation signed by the CEO and Chief Financial Officer of each entity. In addition, the Legal Department works with the internal audit team to conduct a number of compliance audits each year at certain affiliates.

The Audit Committee, whose composition and missions are also described in Section 2 "Corporate governance and internal control", exercises an extended role in supervising internal and external control. Operational and S&R risks are covered by the Group's audit and internal control systems. Moreover, in order to improve the transparency and reliability of the social, environmental and corporate data issued, since 2009/10, the Group has been verifying some of these environmental, social and corporate indicators through its Statutory Auditors.

With the "iSay" survey, Pernod Ricard can measure the effectiveness of its action plans for all Pernod Ricard employees and its affiliates every two years. Depending on the results, affiliates then undertake to implement an improvement plan.

Externally, Pernod Ricard performs S&R audits of suppliers and subcontractors. Pernod Ricard selected SMETA standards, which also means it is in line with the "Mutual Recognition" programme established by AIM Progress. Furthermore, AIM-Progress and EcoVadis have just begun a partnership whereby they share evaluations between members of AIM-Progress.

Pernod Ricard actively participated in drafting this initiative.

At the end of June 2017, 82 S&R audits of suppliers were mostly finalised in Asia for the POS category. These audits will be rolled out to more affiliates in the coming months.

Alert mechanisms

Today in the Pernod Ricard group, the Code of Business Conduct continues with the "Speak up policy", inviting employees of the Group to pass on information to their management/Legal Department/Human Resources Department. Local initiatives of our affiliates in the Americas region have developed tools outsourcing the reception of alerts. During the year, it was decided that this tool would be rolled out globally during the year 2017/18.

Reporting, communication and next stages

Many results have already been published and audited in a fully transparent manner in this report, mainly in Sections 2, 3 and 4, and will be completed in the 2017/18 Registration Document.

During the year 2017/18, following an approach of continued progress, we plan to roll out the **Blue Source** process to cover all suppliers in all categories: direct purchases and indirect purchases, and to update the suppliers' CSR commitment.

PROTECT THE PLANET

A LONG-STANDING COMMITMENT

Pernod Ricard was built upon the development of brands deeply rooted in the land and derived from the transformation of agricultural raw materials. As such, preserving the environment is a top priority. From the 1960s onwards, Paul Ricard was a pioneer and visionary in environmental protection, having founded a marine observatory in 1966 which became

the Paul Ricard Oceanographic Institute. Half a century later, the Group has developed very strong relationships with the agricultural regions from which the Group's raw materials are sourced and where many of its brands are produced, bonding the Group's development with the environments where the Company's roots were established.

ENVIRONMENTAL MANAGEMENT ⁽¹⁾

A policy emerging from environmental risks and impacts

Every stage of our product lifecycle generates direct and indirect impacts affecting our environment:



The Group's environmental policy is based on five areas of commitment:

- implementation of an effective **environmental management system**;
- promotion of **sustainable agriculture** and **biodiversity** protection;
- preservation of **water resources**;
- reduction of **Group carbon footprint**;

- development of **sustainable products** and a reduction in the impact of **waste**.

This policy covers the Group's entire value chain and all its business activities, from upstream procurement, production and market distribution to the end of the product's life. It applies to all our stakeholders, starting with all employees across the world, as well as our numerous suppliers and partners.

(1) In accordance with Principles 7 & 8 of the United Nations Global Compact: "to support a precautionary approach to environmental challenges" and "to undertake initiatives to promote greater environmental responsibility", respectively.

A goal for 2020

Roadmap 2020 for the environment details the Group's guidelines, areas for priority action and targets, in order to roll-out the environmental policy to all affiliates, regardless of whether they are involved in production or distribution.

This Roadmap is founded on four pillars, each with specific actions and precise milestones to be achieved by 2020. These pillars are as follows: governance, supply chain, resource stewardship, brands and consumers.

The Group's goals for 2020, the associated targets and progress made in each pillar are as follows:

Ambition	2020 targets	Progress
PILLAR Governance		
Manage our long-term environmental risks and place the environment at the heart of our business.	100% of our Brand Companies have conducted an assessment of their long-term environmental risks.	88% of our Brand Companies have completed the assessment. The results are illustrated in the subsection "Risks relating to the environment and climate change" in Section 4, "Management report".
	The engagement of all our employees is regularly measured and demonstrate their implication.	According to the results of the "iSay" survey in 2015, 69% of employees feel sufficiently informed about the environmental commitments of the Group or of their affiliate.
	All administrative sites of the Group have adopted good environmental practices.	A "Green Office" guide was circulated in 2015/16. 21 affiliates are participating in "Green office Challenge" in 2016/17.
	Indicators that are material to the Group's business activity are defined and used for decision-making.	The performance steering dashboards reviewed by top management include key environmental indicators.
PILLAR Supply chain		
Demonstrate our leadership in sustainable agriculture and the preservation of biodiversity on our agricultural properties.	100% of the vineyards operated by the Group are certified according to environmental standards and have implemented a biodiversity preservation programme.	84% of vineyards (by hectares) are certified and 51% of agricultural farmland managed by the Group contributed to the preservation of biodiversity.
Engage our suppliers in environmental and social issues.	100% of Brand Companies have assessed the social and environmental conditions under which their agricultural raw materials are produced.	The study was carried out and covers 98% of the Group's purchases of raw materials.
	The specifications for the main packaging for our products include environmental requirements.	This will be undertaken in 2017/18.
	80% of the Group's purchases are covered by our responsible procurement policy.	As at 30 June 2017: <ul style="list-style-type: none"> ■ 1,142 partners have signed up to our Supplier CSR Commitment; ■ 1,386 suppliers were analysed using the CSR risk analysis; ■ 379 suppliers or subcontractors had been assessed using EcoVadis. (see subsection "Monitoring law 2017-399 on the duty of vigilance" in this Section).

Ambition	2020 targets	Progress
PILLAR Management of resources		
Conserve water resources locally.	100% of the irrigated vineyards used by the Group are equipped with a drip irrigation system. 20% reduction in water consumption per unit produced at production sites between 2009/10 and 2019/20. 100% of sites located in high water risk areas have implemented an action plan for managing water resources.	99% of vineyards were irrigated by drip irrigation at the end of June 2017. In 2009/10 to 2016/17, reduction of -17% of water consumption per unit produced. The sites at risk were mapped, and an action plan has been established for the 7 sites deemed high-risk.
Reduce energy consumption and reduce greenhouse gas emissions along the entire production chain.	20% reduction in energy consumption and 30% reduction in CO ₂ emissions per unit produced at production sites between 2009/10 and 2019/20.	In 2009/10 to 2016/17, a -16% reduction of energy consumption and a -27% reduction of CO ₂ emissions per unit.
Reduce the impact of waste.	Aim for zero waste to landfill at production sites by 2020. Aim for 100% recyclable packaging at consumer level.	In 2016/17, 913 t – or just 3% of total waste – were sent to landfill. The vast majority of packaging is recyclable (glass, cardboard, PET). An inventory of non-recyclable items is currently being drawn up.
PILLAR Brands and consumers		
Place environmental concerns at the heart of our brands and meet our consumers' expectations in this respect.	The Group's priority brands incorporate eco-design principles into their product development. The Group's priority brands have conducted a life-cycle analysis and are in a position to provide information regarding their impacts to consumers.	This action has been started and will continue until 2020. 16 of the Group's priority brands have conducted a life-cycle analysis in compliance with the environmental labelling regulations.

The series of actions under the Roadmap 2020 give substance to the Group's five areas of commitment, which are described below.

EFFICIENT MANAGEMENT SYSTEM

Organisation and certification

In accordance with the principles outlined in its Environmental Policy, Pernod Ricard has deployed dedicated environmental management systems in each of the countries in which it has production sites. These systems are based on the following principles:

- promoting affiliates' accountability: each affiliate is fully responsible for identifying and determining how to reduce its own environmental impact and how to apply the Group's policy locally. The Headquarters' Sustainable Performance Division oversees and coordinates measures at Group level, notably by setting shared objectives, circulating guidelines and sharing best practices;
- the policy of ISO 14001 certification (Environmental Management): on 30 June 2017, 96% of the production sites operated by the Group were certified to ISO 14001, which corresponds to 99% of the Group's production.

To roll out the Group's environmental strategy beyond its production sites, a "green office" guideline has been developed to describe best practices and the minimum environmental requirements to be met in an office setting. This guideline applies to all affiliates and aims to engage all employees on the topic of the environment by incorporating

it into their day-to-day lives. The Group's target is that all office sites (administrative sites, head offices, etc.) meet the minimum requirements of this guideline by 2020. This year, an internal competition, coordinated by the YAC (Youth Action Council) network, was launched to accelerate the application of this guide. To date, 21 affiliates are involved, and have implemented steps which they report regularly to the YAC. The winners of this challenge will visit the coffee plantations belonging to the Kahlúa brand in Mexico.

Environmental compliance and pollutants

This year, one case of administrative non-compliance was noted, two environmental incidents were declared to local authorities, and two complaints were received by third parties:

- the administrative non-compliance concerned waste water from a winery to irrigate uncultivated land on a site in Argentina, where this water should have been reserved for the irrigation of vineyards;
- the two environmental incidents declared to the authorities concerned a wine spillage in a waterway following a major earthquake in New Zealand, and a release of vapours at distillation site in Ireland;
- the complaints regarding the management of rainwater at a vinification site in California, and the contamination of a waterway by waste water next to a bottling site in New Zealand.

These events were the subject of analyses and action plans designed to remedy the consequences and to remove the cause, so as to avoid the problem happening again.

Provisions for environmental risk

As at 30 June 2017, no provision had been made for environmental risks. Some affiliates had to provide guarantees when applying for operating permits from the authorities. These do not correspond to specific amounts but ensure the affiliates' solvency to deal with any consequences of pollution or any other environmental accident.

PROMOTING SUSTAINABLE AGRICULTURE ⁽¹⁾

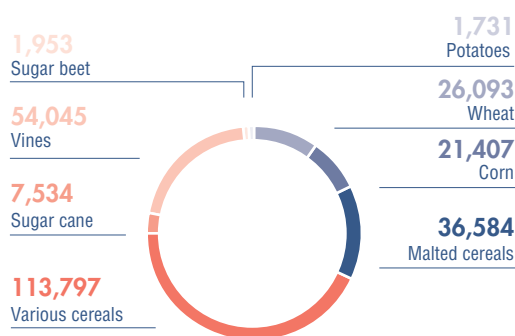
Challenges and strategy

Pernod Ricard is a major partner of agriculture, sourcing all of its products from agricultural raw materials. The main agricultural raw materials used by the Group are cereals for whiskies and vodkas, sugar cane for rums, and grapes for wines, Champagnes, cognacs and brandies. Then comes sugar beet for neutral alcohol used in various liqueurs, agave for tequilas, potatoes for some vodkas, and lesser quantities of numerous aromatic herbs and spices.

During 2016/17, the raw materials used by the Group equated to 2,417,270 tonnes of agricultural products, representing both in-house production from our vineyards and farms (63,540 tonnes), direct purchases of raw agricultural products (940,760 tonnes), or purchases of processed products such as sugar and alcohol (equivalent to 1,412,970 tonnes of agricultural products).

In farming terms, in 2016/17 this output represented the equivalent of around 263,880 hectares of crops, from Europe (grain, grapes), Asia (grain, aromatic plants), the Americas (sugar cane, grain, agave) and Oceania (grapes).

Agricultural land corresponding to used raw materials (hectares)



Pernod Ricard is committed to developing and promoting environmentally friendly farming practices, both through its own farming activities (mainly vineyards) and in the products it buys from its suppliers. As such, the Group acts in accordance with local standards with the following requirements:

- reducing the use of fertilisers;
- selecting and using crop protection products that are less hazardous to the environment;
- control of water consumption, in particular using drip irrigation techniques where possible;
- preservation of soil and biodiversity;
- training and assistance in sustainable agriculture practices provided for farmers.

Sustainable agriculture and performance of our vineyards

The vineyards run directly by the Group cover 5,568 hectares in seven main countries: New Zealand (44%), Australia (18%), Argentina (14%), France (13%), Spain (6%), the United States (2%) and China (2%). The majority of these vineyards are subject to certification according to environmental standards (see table below), representing 84% of the land used by the Group. The objective for 2020 is to obtain environmental certifications for all our vineyards.

Country	Environmental standard
New Zealand	Sustainable Wine Growing New Zealand
Australia	Entwine Australia ISO 14001
France, Reims	ISO 14001/Haute Valeur Environnementale (HVE/High Environmental Value)
France, Cognac	ISO 14001/BNIC (Cognac producers organisation) integrated viticulture principles
United States	Sustainable Winegrowing Alliance (CSWA)
Spain	ISO 14001/Synergia

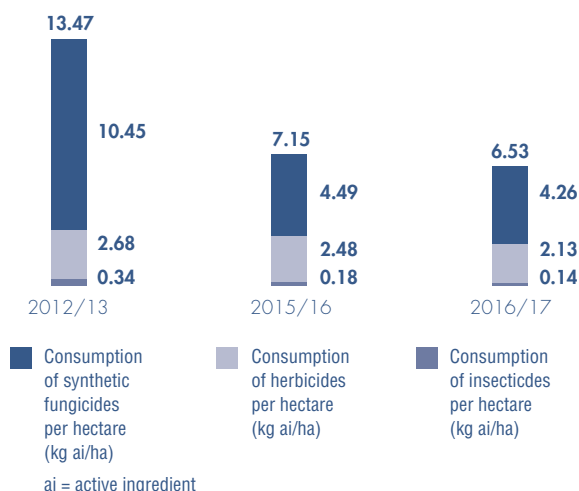
From 2012/13 to 2016/17, the number of synthetic crop protection products (fungicides, insecticides, herbicides) used per hectare was reduced by -52%. The total consumed was 36.3 tonnes of active ingredients for the entire Group.

The following are examples of the practices which can reduce the use of synthetic crop protection products:

- maintaining grass between vine rows instead of weeding;
- the use of pheromones to combat insects (sexual confusion);
- the use of mineral fungicides which are less hazardous to the environment (118 tonnes of sulphur and 4 tonnes of copper used in 2016/17).

(1) In accordance with principles 8 & 9 of the United Nations Global Compact: "to undertake initiatives to promote greater environmental responsibility" and "to encourage the development and diffusion of environmentally friendly technologies", respectively.

Consumption of synthetic crop protection products by hectare (active ingredient)



252 hectares of vineyards, or 4.5% of the Group's land, are managed according to organic agriculture standards that do not use any synthetic herbicides or pesticides.

In 2016/17, the vineyards operated by the Group have used 12.1 million m³ of water, mainly for irrigation purposes. This is done using the drip irrigation technique, which is now used for 99% of the Group's irrigated vineyards, reducing the water supplied to what is strictly necessary.

During the same period, energy consumption in these vineyards was 15,558 MWh, representing less than 1% of the consumption of the Group's production sites.

Partnership with suppliers of agricultural products

There are two aspects to the Group's actions in respect of agricultural product purchases:

- the application of the Responsible Procurement approach (see subsection "Monitoring law 2017-399 on the duty of vigilance") allows us to identify and evaluate direct suppliers at risk in terms of S&R in order to develop suitable action plans;
- the identification of environmental and social risks in agricultural activities. A study of the environmental and social conditions of the production of farm raw materials used by the Group's Brand Companies started in 2016 ranked affiliates in terms of their risk level. For the affiliates identified as being at risk, action plans must be implemented by the affiliates, and alternatives are examined to secure supplies.

The direct purchasing of agricultural products by affiliates results in a number of partnership initiatives being undertaken with the Group's agricultural suppliers:

Country	Examples of partnerships with suppliers
New Zealand	100% of grape suppliers are certified using the Sustainable Wine Growing New Zealand standard.
Australia	90% of grape supplies are covered by the programme <i>Entwine Australia scheme</i> which requires that its members hold ISO 14001 certification or <i>Freshcare</i> .
Armenia	Yerevan Brandy Company helps wine growers with the management of their crop protection products.
Sweden	100% of the wheat bought by The Absolut Company is produced locally in line with rigorous specifications and monitored in terms of sustainable agriculture.
France	The majority of the fennel used for the production of Ricard is grown by farmers in Provence in accordance with sustainable agriculture principles.

Furthermore, the Group has made the sugar cane sector a priority for action. Sugar cane is often grown in poor countries where social protection, working conditions and respect for social rights or environmental protection are not guaranteed. In addition, this sector has a particularly complex supply chain involving a series of numerous operators from the field to the crushing plant, the distillery and the trader, through to the end user. To demonstrate its commitment and make an active contribution to developing this sector, in 2015 Pernod Ricard joined the Bonsucro association, whose purpose is to develop internationally recognised responsible practices for a sustainable sugar cane sector. Through the standards that it has developed, Bonsucro contributes to improving the conditions of sugar cane production on plantations and in processing plants and ensures that practices are traceable across the supply chain.

Actions for the protection of biodiversity

In addition to its sustainable agriculture practices, Pernod Ricard is committed to projects aimed at protecting and developing the biodiversity of ecosystems on the agricultural land where the Group operates vineyards. Thus, approximately 51% of the agricultural space managed by the Group contributed to the preservation of biodiversity. These are areas around the vineyards hosting biodiversity (rivers, forests, hedgerows, native biotope, etc.), that are preserved with the aim of protecting ecosystems.

In addition, the Group has drawn up a list of 33 protected or sensitive natural areas close to its production sites throughout the world, and it is monitoring these closely. These areas are mainly located in Scotland, Ireland, France and Sweden.

The table below shows examples of noteworthy measures taken by affiliates relating to biodiversity.

Country	Examples of biodiversity programmes set up by affiliates
Scotland	Mapping of sensitive ecosystems located near to its industrial sites and participation in local reforestation programmes.
France	A research programme aiming to produce yellow gentian produced in specialised farms ensures the protection of 50,000 wild plants every year.
France	Material and financial support of the Paul Ricard Oceanographic Institute which works for the protection of marine ecosystems and aquatic biodiversity.
France	Implementation of a Biodiversity programme on uncultivated land on the Cognac vineyards and making around 1,200 wine growers aware of this programme. Martell also obtained High Environmental Quality (HQE) certification for all new maturing cellars, contributing to an increase of the site's ecological potential.
Spain	With the support of the NGO Accionatura, realisation of a programme to protect biodiversity in the Rioja region, particularly the installation of nesting boxes and feeders for birds, building animal shelters and insect hotels, etc.
New Zealand	Rehabilitation programme in an area of nine hectares of wetlands in the Kaituna region. Protection of a local falcon species thanks to a fund supported by the donation of one New Zealand dollar for each bottle of wine sold from the Living Land series.
Australia	Reforestation programme and the preservation of indigenous ecosystems in the Jacob's Creek river basin and on non-productive parcels of land on its vineyards with assistance from Trees For Life and the National Resource Management Board.
Ireland	Plantation of 17,000 trees of 15 different local species and 12,000 undergrowth shrubs and 6,600 wetland plants up by the rainwater collection pond for the new whisky maturing cellars.
Russia	A partnership agreement with the World Wide Fund for Nature (WWF) to help protect the snow leopard, a species from central Asia that is threatened with extinction.

In addition to biodiversity protection, the Group is committed to ensuring complete traceability of its products in terms of GMOs (genetically modified organisms) to assure consumers that the labelling regulations for products containing GMOs are strictly complied with. Accordingly, all affiliates conduct a risk assessment to identify potential sources of raw materials, taking the necessary measures to ensure control of these sources. Although the distillation stage removes the risk that GMO material may be present in the distilled products, supply chains for products that are guaranteed GMO-free have been established for certain corn-based alcohols in the United States and Europe.

PRESERVING AND SAVING WATER RESOURCES ⁽¹⁾

Challenges and strategy

Water is an essential component in the products manufactured by Pernod Ricard. It is used at every stage in the life cycle of the Group's products: irrigating crops, processing raw materials, distilling, blending spirits and formulating products, etc. The Group's water use, determined in 2012 according to the methodology developed by consultancy firm Quantis, identified the main challenges linked to the water resource along the production chain. This footprint is valued at approximately 675 million m³ water per year, and indicates that 99% of consumption is due to provisions for farm raw materials. Other elements of the production chain – including direct water consumption on industrial sites – only represent approximately 1% of the total.

At production site level, the affiliates' actions are based on four levers put in place to optimise the management of water resources and preserve the quality and availability of water:

- measuring consumption;
- ensuring that water intake does not endanger resources;
- taking measures to save, reuse and recycle water;
- ensuring effective treatment of waste water before its release into the environment.

These actions are particularly important for sites located in geographical regions where water is a sensitive resource.

Indirect water consumption caused primarily by the production of farm raw materials varies significantly from one region to another. They should therefore be dealt with at local level with the suppliers of affiliates, taking specific climatic conditions into account either through sustainable agriculture standards (see the subsection "Promoting sustainable agriculture"), or through the Group's responsible purchasing policy (see the subsection "Monitoring law 2017-399 on the duty of vigilance").

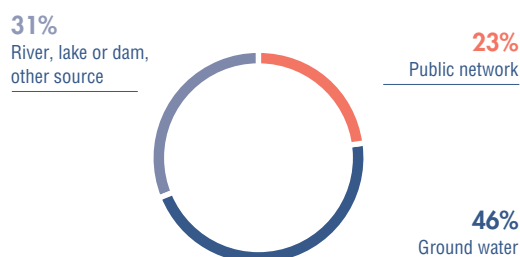
Pernod Ricard has marked water management as one of the five strategic focuses in its environmental policy. The Group has been a member of the United Nations CEO Water Mandate since 2010, reinforcing its commitment to the protection of the planet's water resources.

(1) In accordance with principles 8 & 9 of the United Nations Global Compact: "to undertake initiatives to promote greater environmental responsibility" and "to encourage the development and diffusion of environmentally friendly technologies", respectively.

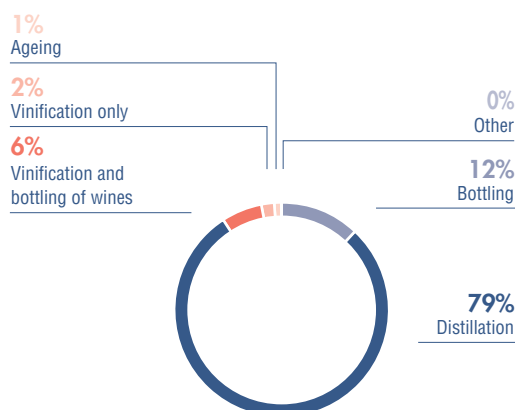
Water consumption and industrial site performance

A distinction should be made between water abstraction, which covers the total volume of water taken from the environment (groundwater, surface water, public water supply network, etc.) regardless of what it is used for, and water consumption, which only covers the amount of water used with a measurable impact on the environment. As such, the use of river water to cool down a distillery when the water is returned to the same river without any alteration to its chemical, biological, thermal or other characteristics, is deemed water abstraction and not water consumption.

Origin of the water consumption from industrial sites

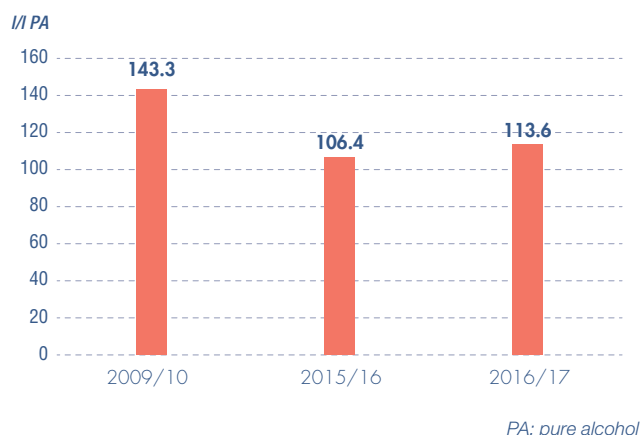


Distribution of water consumption by activities

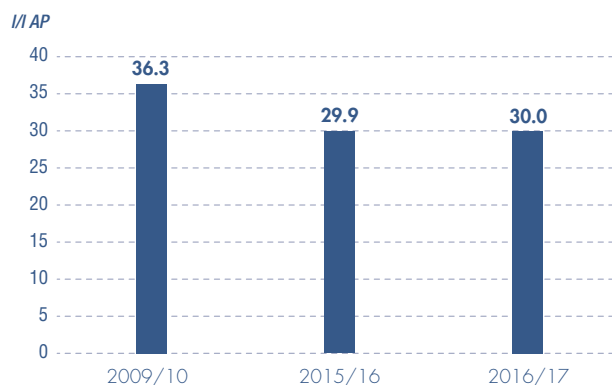


In 2016/17, 26.5 million m³ of water was taken by the Group's industrial sites. Only 7 million m³ constitute water consumption as defined above, the rest being exclusively used by cooling facilities and restored without disturbing the environment. Around 79% of this volume was consumed by the distilleries, which remain the principal sites for water consumption by Pernod Ricard. The water used to adjust the degree of alcohol in products accounts for 0.5 million m³ (i.e. 7% of the Group's total consumption). Adjusted for units produced, (m³/kl PA), the quantity of water taken has increased in 2016/17 due to a counting error in 2015/16, meaning consumption has remained stable. Since 2009/10, these two indicators have decreased by -21% and -17% respectively, in line with the objective of the Roadmap.

Water abstraction from industrial sites per unit (distilled alcohol)



Water consumption from industrial sites per unit (distilled alcohol)



Water management tailored to meet local challenges

Because water resources are unevenly distributed throughout the world, particular attention is paid to water management on sites located in geographical regions where water is a sensitive resource. To identify these geographic regions, the Group relies on the *Overall Water Risk Index* on the Aqueduct tool developed by the World Resource Institute (WRI) and a questionnaire developed in-house covering the physical, regulatory, social and reputational risks. The aggregated results of these two tools classify the sites into three risk categories: high, significant and low. As such, of Pernod Ricard's total production units:

- 7 sites are located in or in the immediate vicinity of high-risk areas. These 7 sites account for 5% of the Group's total consumption and are divided between two countries (India and Australia). The water used by these sites has decreased by -35% between 2008 and 2017;
- 10 sites are located in or in the immediate vicinity of significant risk areas. These 10 sites account for 6% of the Group's water consumption and are divided between six countries (India, USA, China, Armenia, Argentina and Mexico). The water used by these sites has decreased by -24% between 2008 and 2017;
- the other 76 sites, accounting for 89% of the Group's consumption, are located in areas considered to be at a low risk.

3 SUSTAINABILITY & RESPONSIBILITY (S&R)

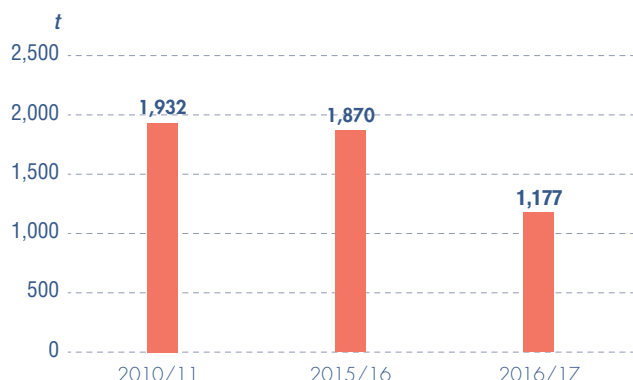
Protect the planet

For each category, the Group has determined a water management strategy based on the risk level. Sites where the risk is low must at least efficiently manage water resources on their premises. Sites where the risk is considered significant must also perform studies of their basins to ensure there is balance, monitor the development of the risk, and maintain a dialogue with the main stakeholders. Sites where the risk is considered high must take specific actions with local communities and other stakeholders to contribute to improving the local water management plan. In India, where water is an important local issue, Pernod Ricard India has built four rainwater tanks in Phagi, Rajasthan to collect 32,000 m³ of water in the rainy season. This water refills the wells used by the villagers and can be used as reserves for farmers to irrigate their fields and supply their livestock with drinking water.

Treatment of waste water

In 2016/2017, the pollutant load released into the atmosphere by the Group's plants rose to 1,180 tonnes of COD (Chemical Oxygen Demand). Compared to the previous year, we saw a significant decrease of this load, which was partly a result of the installation of a treatment station at the Glenlivet site in Scotland and the reduction of the volume distilled. In terms of volume, waste water accounts for approximately 4 million m³, 74% of which was released into a public sewer network, 18% was released into the natural environment after treatment, and 8% was recycled for irrigating vineyards.

Chemical oxygen demand (COD) released into the natural environment



CONTRIBUTING TO REDUCING CLIMATE CHANGE ⁽¹⁾

Challenges and strategy

The activities of Pernod Ricard generate CO₂ emissions in several ways, and these contribute to the climate change:

- directly, due to the use of fossil fuels (known as "Scope 1" ⁽²⁾ emissions);
- due to the electricity consumed, which generated CO₂ emissions when produced by our suppliers: (known as "Scope 2" ⁽²⁾ emissions);

- indirectly, through products (farm materials, packaging, etc.) and services (transport, etc.) purchased ("Scope 3" ⁽²⁾ emissions).

Climate change poses various types of risks to Pernod Ricard's activities. For example, there are risks to the supply of agricultural raw materials and water for affiliates, the consequences of exceptional meteorological events on production sites and regulatory changes in the Group's operating countries. Conscious of these challenges, Pernod Ricard takes them into account to anticipate and gradually adapt its operational activities. These risks, and the measures to prevent them, are detailed in Section 4 "Management report" subsection "Risk management".

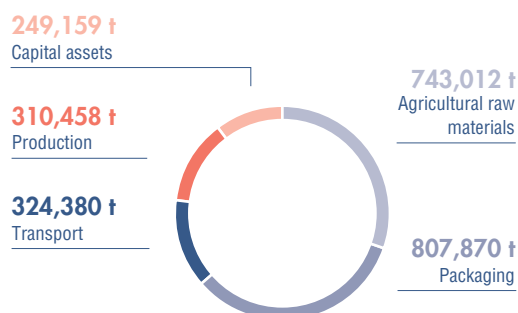
In order to help reduce climate change, the Group continues to adopt an approach, within its sphere of influence, based on two stages:

- assessing its carbon footprint throughout the production chain;
- implementing measures to reduce greenhouse gas emissions:
 - directly on production sites,
 - and indirectly with its suppliers, based on the eco-design of products and the optimisation of the logistics chain.

Assessment of the Group's carbon footprint

The overall footprint of the Group's activities is assessed, using the GHG Protocol method, at the equivalent of 2.4 million tonnes CO₂.

Carbon footprint of the Group (Scopes 1, 2 and 3; in tonnes of CO₂)



The emissions taken into account to make this assessment are emissions relating:

- to products and services purchased in 2016/17: this relates to the purchase of all our agricultural raw materials and the purchase of glass and cardboard. Purchases of advertising materials and other packaging (capsules, labels, etc.) are not taken into account as they account for less than 5% of the Group's CO₂ emissions;
- to upstream and downstream transport (2012/13 data) of finished products (2015/16 data); transport from the client to consumers are not included in the assessment;

(1) In accordance with principles 8 & 9 of the United Nations Global Compact: "to undertake initiatives to promote greater environmental responsibility" and "to encourage the development and diffusion of environmentally friendly technologies", respectively.

(2) In compliance with the Greenhouse Gas Protocol (GHG Protocol) methodology.

- the operation of all our production sites over the year 2016/17, except for vineyards as their energy consumption is of little significance. Cooling gas emissions used at sites were not taken into account in the calculation of the Group's direct emissions as they account for less than 1% of these;
- to Group property for the year 2016/17.

Emissions related to the following factors are not taken into account in this assessment due to their minor significance and the relative uncertainty regarding the data: CO₂ emissions from waste generated at production sites (less than 1%), business travel (less than 3%), employee transport (less than 1%), end of life of products sold (less than 1%). Finally, the emissions related to extraction of energy sources are not taken into account in Scope 3 (only emissions relating to the consumption of energy sources are taken into account in Scopes 1 and 2).

The following categories (to be reported in line with the GHG Protocol) are considered irrelevant, as they do not meet the inclusion criteria for the carbon footprint of the Group: franchises, processing products sold, use of products sold, investments and upstream leased assets.

The Group production sites represent 13% of its overall footprint (Scopes 1 and 2). The majority of emissions came from Scope 3, which amounted to the equivalent of 2.1 million tonnes CO₂ from four main elements: packaging (33%, 30% of which was for glass), agricultural raw materials (31%), transport (13%) and property (10%).

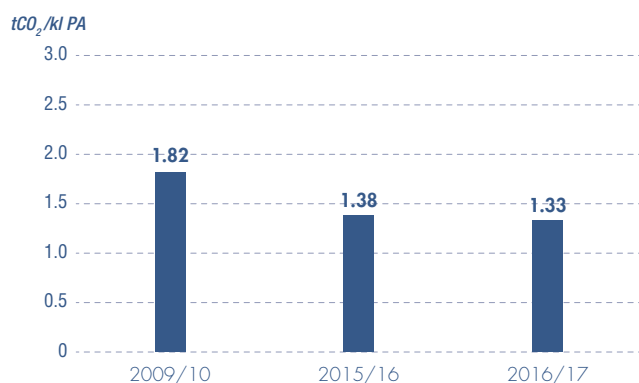
Reduction of CO₂ emissions at production sites

Monitoring CO₂ emissions at our production sites (Scopes 1 and 2)

In 2016/17, emissions from production sites (Scopes 1 and 2) amounted to an equivalent of 310,458 tonnes of CO₂, compared to 357,021 in 2009/10. Adjusted for units produced (litre of distilled alcohol), this represents a -27% decrease where the objective is -30% by 2020.

This reduction is explained in part by the improvement in the energy efficiency of installations, and also by the use of less carbon-intensive energy. This year, we saw a reduction of CO₂ emissions per unit produced of -3%, which resulted in particular from the use of renewable electricity on all Chivas Brothers sites.

CO₂ emissions at production sites (Scopes 1 and 2)



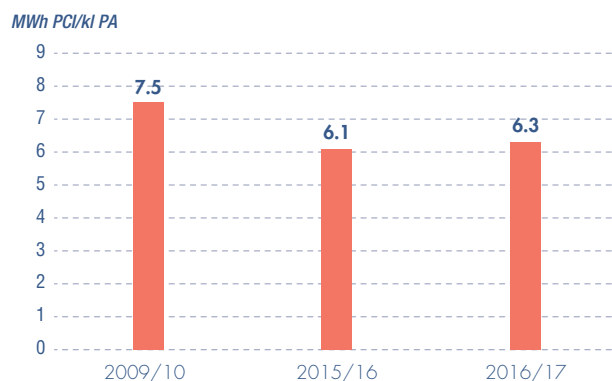
Improving the energy efficiency of industrial facilities

At production site level, actions are based on four levers to increase energy efficiency:

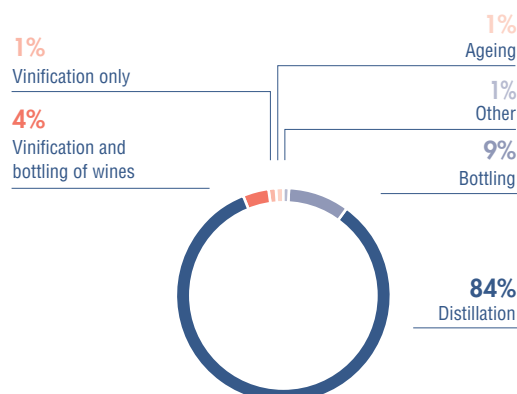
- continuous monitoring of energy consumption;
- in-depth energy assessments, with the setting of energy-efficiency targets;
- roll-out of consumption reduction programmes requiring the management of processes and utilities, and which may involve significant investment;
- implementation of energy management systems: to date, the Nöbbelöv (Sweden), Middleton (Ireland) and Gallienne (France) distilleries and the Campo Viejo (Spain) vinification site are ISO 50001 certified.

In 2016/17, energy consumption per unit produced amounted to 6.3 kWh per litre of pure distilled alcohol, down -16% compared to 2009/10, with an objective of -20% by 2019/20. This represents a total consumption of 1,460 GWh, 84% of which is used by distilleries. 2016/17 is marked by an increase of 3% of this ratio, related to the reduction of -9% of the production of distilled alcohol during this financial year.

Energy consumption per unit (distilled alcohol)



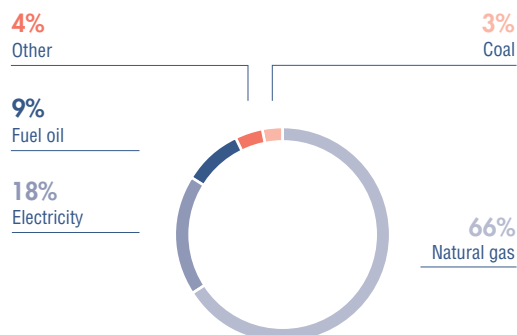
Distribution of energy consumption by activity



Use of cleaner, more sustainable energy sources

Pernod Ricard's industrial activities use energy in different forms.

Sources of energy used by the production sites



Between 2009/10 and 2016/17, renewable electricity used by the production sites rose from 39% to 72%. More than two-thirds of this electricity is covered by renewable energy certificates (43 sites using 100% renewable electricity), with less than one-third resulting from the countries' energy mix. It should be noted that electricity consumed based on renewable energy certificates is counted as renewable energy, and that national data or data from suppliers is used to estimate the percentage of renewable electricity not covered by renewable energy certificates.

Thus, the share of renewable energies in the global energy mix is now 13%.

In order to reduce its carbon footprint, the Group is also working to replace heavy fuel oil and coal with other, cleaner sources of energy. Energy consumption from fuel has reduced by -52% since 2009/10, and consumption from coal reduced by -12%, this has changed to natural gas.

The following table shows various examples of initiatives taken to reduce CO₂ emissions, in some cases achieving carbon neutrality.

Country	Actions to reduce Scope 1 or 2 CO ₂ emissions
Scotland	Replacement of heavy fuel with natural gas at the Glenlivet distillery, reducing the site's direct CO ₂ emissions by -30% per unit.
India	Installation of 5,000 m ² of solar panels on the roofs of production buildings.
Ireland	Selecting the best technologies available during the extension of the Midleton distillery will reduce energy consumption by -30% per unit produced.
Sweden	Energy optimisation resulting in a -45% reduction of energy consumption since 2004. Replacement of carbon energy sources with clean energy: the three production sites are now powered by renewable electricity, and the oil-fired boiler at the Åhus bottling site was replaced by the use of district heating. Achieving carbon neutral production sites with a residual CO ₂ emissions offsetting programme.

Reducing the indirect CO₂ emission of our suppliers (Scope 3)

As packaging accounts for 33% of the Group's CO₂ footprint (mainly glass and cardboard), initiatives related to the eco-design of products contribute significantly to the reduction of Scope 3 emissions. This is particularly the case for the reduction of packaging (see paragraph "Implementing eco-design principles for packaging").

The second area in which the Group contributes to reducing its carbon footprint is transport. It is estimated that around 80% of the transport used to distribute the products from the Brand Company warehouse to the first customer is by sea. Optimising land transport reduces the impact of the business activities, for example due to better loading of vehicles, schedule adjustments, or even using an efficient system of rolling stock. In the USA, Pernod Ricard is a member of the Smartways association, which aims to reduce these emissions. In Europe, The Absolut Company is a member of the Clean Shipping Project, and Pernod Ricard UK and Pernod Ricard Deutschland work together with the company TK Blue, whose objective is to evaluate and reduce the impact of transport.

The Group plans to continue these initiatives in the future, particularly by strengthening its eco-design actions along the supply chain.

Other emissions into the atmosphere

Other gas emissions in the atmosphere likely to affect our environment:

- include those from cooling gas, some of which damage the ozone layer. Some of these gases also increase the greenhouse gas effect. A programme to eliminate the most environmentally harmful refrigerant gases has been ongoing for a number of years, resulting in the complete elimination of CFCs. The programme aims to reduce the proportion of HCFC gases, with the aim of eliminating them completely by 2020;
- nitrogen and sulphur oxide emissions (NO_x and SO_x) contributing indirectly to the greenhouse effect and environmental acidification. These compounds are produced by fossil fuel combustion. As emissions of these atmospheric pollutants for the alcoholic beverages sector are low compared to worldwide emissions, they appear to have no material impact for Pernod Ricard, and the Group does not consider it appropriate to monitor such emissions on an annual basis. However, the major distilleries ensure that they comply with the legal limits set for discharge of these pollutants.

ACTING FOR THE CIRCULAR ECONOMY ⁽¹⁾

Challenges and strategy

The impact of our activities on the environment begins with the design of the products and continues throughout their life cycle. For this reason, Pernod Ricard implements eco-design principles when developing new products or packaging in order to reduce its overall environmental footprint, paying particular attention to the waste generated along the entire production chain. We know that consumers expect our brands to be sustainably managed, providing them with the highest quality while respecting the environment.

To achieve this, our strategy is based on the following elements:

- optimising the use of our agricultural raw materials to avoid food waste;
- the implementation of eco-design principles for packaging;
- participation in systems for the collection of used packaging in support of recycling;
- reducing, recycling and recovering waste on industrial sites with the aim of achieving the “zero waste to landfill” target and reducing the amount of waste incinerated.

Limit food waste

The Group believes that few agricultural raw materials are wasted throughout its production chain:

- in upstream agriculture, the Group contributes to reducing food waste by reusing the by-products from the production of certain foods, such as broken rice in India or sugarcane molasses in Cuba, to produce alcohol. Moreover, the majority of agricultural raw materials used by the Group comes from the agricultural sector of developed countries which have high-quality agricultural infrastructure and short supply routes, which benefits from the products without generating significant losses. In these conditions, cereals are very unlikely to perish. Grapes, however, are generally produced in short product chains (grapes, must or wine are delivered directly to our wineries by growers) which – again – limits the losses in the supply chain;
- on our production sites, the transformation of raw materials creates various types of organic by-products: spent grains, vinasses, and grape marc. More than 99% of these are recycled to manufacture animal feed, to produce biogas, to make farm compost or for other industrial purposes;
- at consumer level, waste is very low as the wine and spirits generally have very long shelf lives compared to other food products, and the packaging is designed to be completely emptied.

Implementing eco-design principles for packaging

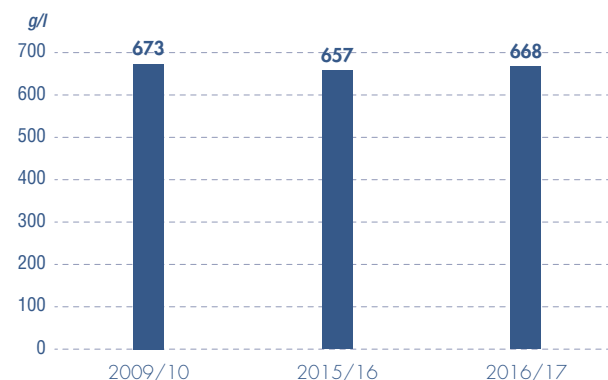
The Group introduced its eco-design process in 2006 and it has now been rolled out through the following drivers:

- the Environmental Policy which defines the Group’s eco-design commitments and which is implemented through the Environment Roadmap, specifying the action to be taken by 2020;
- an interactive eco-design tool for Marketing, Product Development and Procurement teams;
- monitoring of key indicators to track the implementation of the process: weight of glass and cardboard, adjusted for litres of bottled product;
- product Life Cycle analysis software that enables the main Brand Companies to evaluate the environmental impact of their products and new developments;
- ongoing collaboration with Pernod Ricard suppliers and customers to improve the environmental impact of packaging throughout its life cycle.

The main materials used in packaging are glass and cardboard.

The first focus of the eco-design is to optimise the quantity of packaging used. The average quantity of glass per litre has been stable at 668 g/l since 2010. This global indicator does not correctly reflect the progress made in terms of reducing the weight of packaging, because the change in the mix towards premium products (whose packaging is generally more sophisticated) compensates for the successful initiatives to decrease the weight of bottles. In 2016, a Value Engineering project began on the packaging. It will accelerate the process of eco-design and should ultimately be reflected in further reductions in the weight of packaging.

Weight of glass by litre of finished product



In 2016/17, the total amount of glass used was assessed at 636,844 tonnes and cardboard/paper at 73,085 tonnes.

The Group's wine and Champagne brands have been at the forefront of numerous achievements in terms of reducing glass weights.

(1) In accordance with principles 8 & 9 of the United Nations Global Compact: “to undertake initiatives to promote greater environmental responsibility” and “to encourage the development and diffusion of environmentally friendly technologies”, respectively.

3 SUSTAINABILITY & RESPONSIBILITY (S&R)

Protect the planet

The weight of the bottle has thus been reduced, with effect from 2008/09, by 7% for the Mumm and Perrier-Jouët standard Champagne bottle, 25% for the Café de Paris sparkling wine, 30% for the Spanish wine, Campo Viejo, 12% for Mumm Napa in California and 28% for Jacob's Creek wines. Progress has also been made in this area for the spirits brands, in particular with The Absolut Company announcing the launch of a lighter version of the brand's iconic bottle in 2015, with an average weight saving of 13% depending on the format, at the same time as increasing the level of quality as perceived by the consumer. At the same time, other measures have been adopted to optimise secondary packaging: changing the shape of cases to increase the number of bottles per palette (Jan Becher), using returnable cardboard boxes to transport PET plastic bottles (Pernod Ricard Brasil), etc.

A second focus of eco-design is to select recyclable packaging materials. By definition, the main materials used are recyclable: glass, cardboard, plastic (PET), etc. However, product design must ensure that the treatments or accessories applied to such packaging, or the combination of various materials do not compromise this characteristic. As part of the roll-out of its Environment Roadmap, this year, the Group began to identify all packaging components that could compromise recycling the primary packaging, and will investigate alternative solutions with the aim of having 100% recyclable packaging at consumer level by 2020.

The third focus is based on the use of bio-materials. Pernod Ricard Brasil has replaced plastic caps made from oil with caps produced from sugarcane ethanol for local brands such as Montilla rum or Orloff vodka.

Participation in systems for the collection of packaging in support of recycling

Most packaging waste produced by the Group's activities is generated after final consumption of the products on the markets (end-of-life waste for products sold). It is therefore vital that consumers can sort their packaging so that it can be recycled. In Europe, Pernod Ricard contributes around €7 million to a system that improves the collection and recycling of domestic packaging, including glass. In the United States, Pernod Ricard USA joined the "Glass Recycling Coalition" which unites all players in the chain (glass manufacturers, bottlers, recycling service providers, etc.) to foster efficient and economically viable recycling channels. In Brazil, Pernod Ricard Brasil joined the "Glass is Good" project, whose purpose is also to increase the rate of glass recycled by involving all players in the sector.

Reduce and recycle waste on industrial sites

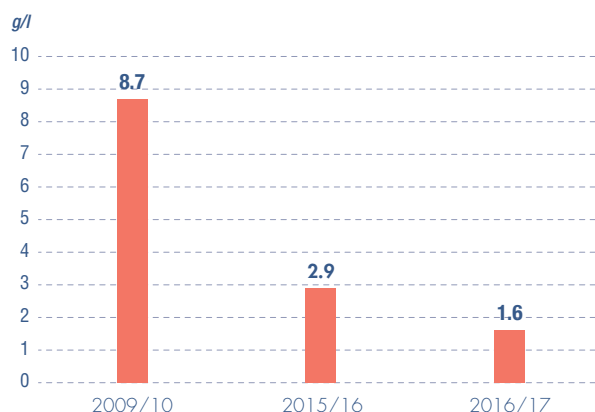
The production sites generate various kinds of waste:

- packaging waste (glass, paper, cardboard and plastics);
- waste arising from the transformation of farm raw materials (grape marc, stalks, sediment, etc.). Only those items sent to landfill or for incineration are considered as waste, with the other fractions being recovered as by-products (primarily animal feed);
- waste produced by the site's activities (sludge from treatment plants, office waste, green waste, etc.).

In 2016/17, the Group's production sites generated 33,993 tonnes of solid waste, compared to 35,366 tonnes in 2015/16 (waste evacuated from the sites during the year). 32,350 tonnes of this waste were recycled via different processes – a recycling rate of 95%. In addition, 913 tonnes had to be sent to landfill and 730 tonnes were incinerated.

The indicator used to measure the final impact of waste on the environment is the quantity of non-recycled (landfilled or incinerated) waste per litre of finished product. Since 2009/10, this has fallen by -82%, demonstrating the efforts made by the affiliates to reduce the quantity of waste generated and identify recovery processes.

Quantity of waste landfilled or incinerated per unit (finished product)



For the period 2009/10 to 2019/20, the Group has set itself a target of working towards "zero waste to landfill".

Group plants also generate some hazardous waste that requires the use of a specific treatment process because of the environmental risks that it presents: empty chemical product containers, used oils, solvents, electrical and electronic waste, neon tubes, batteries, etc. All this waste is sorted and sent to appropriate treatment processes when they exist locally.

In 2016/17, the volume of hazardous waste collected was 246 tonnes, compared to 458 tonnes in 2015/16. It should be noted that this figure represents the volume of waste collected, but not necessarily the amount of waste generated throughout the year, as due to its small quantity, this waste is most often stored on site for a certain amount of time. In addition, this waste may also be generated during *ad hoc* cleaning operations. For these reasons, this data item is not strictly speaking a performance indicator for the current year.

SUMMARY TABLE OF ENVIRONMENTAL INDICATORS

Definition	Unit	Total Période Ricard			Unit	a) Ratio for 1,000 litres of pure alcohol (PA) b) Ratio for 1,000 litres of finished product b) Ratio for 1,000 litres of bottled product			G4 GRI Index
		2009/10	2015/16	2016/17		2009/10	2015/16	2016/17	
Number of reporting sites	Number	108	99	93	-	-	-	-	-
Number of ISO 14001 certified sites (at 30 June)	%	90	95	89	-	-	-	-	-
Proportion of ISO 14001 certified sites in total production		96	100	99	-	-	-	-	
Amount of investment for environmental protection	€M	7	12	14	-	-	-	-	EN31
Fines or penalties related to the environment	Number	2	1	1	-	-	-	-	EN29
Total production									
a) distilled alcohol	kl PA	195,689	256,395	232,650	-	-	-	-	EN8
b) finished product	kl	1,182,500	1,063,554	1,025,746	-	-	-	-	
Total volume of water used		7,095,145	7,671,291	6,969,684	a)	36.26	29.92	29.96	
Total volume of water abstracted	m³	28,052,000	27,291,713	26,418,338	m³/kl a)	143.35	106.44	113.55	EN22
Total volume of waste water released		5,445,849	4,194,206	4,013,675	a)	27.83	16.36	17.25	
Quantity of COD released into the natural environment	t	-	1,870	1,177	-	-	-	-	
Total energy consumed	MWh LHV	1,465,872	1,559,746	1,463,088	MWh/kl a)	7.49	6.08	6.29	EN3 EN5 EN6
% of renewable energy	%	7%	11%	13%					
% of renewable electricity	%	29%	61%	71%					
Direct CO ₂ emissions (Scope 1) + indirect emissions (Scope 2)	CO ₂ teq	357,654	352,546	310,458	a)	1.83	1.38	1.33	EN15 EN16 EN18 EN19
Direct CO ₂ emissions (Scope1)		259,896	274,610	254,818	a)	1.33	1.07	1.10	
Indirect CO ₂ emissions (Scope 2)		97,758	77,936	55,639	a)	0.50	0.30	0.24	
Indirect CO ₂ emissions (Scope 3)				2,124,421	b)			2.07	
Glass consumption on production sites ⁽¹⁾	t	698,948	639,543	636,844	g/l c)	673.19	657.37	667.85	EN1
Cardboard consumption on production sites ⁽¹⁾		64,074	71,672	73,085	c)	61.71	73.67	76.64	
Quantity of waste landfilled	t	10,253	2,724	913	b)	8.67	2.56	0.89	EN23
Quantity of waste incinerated			369	730	b)		0.35	0.71	
Quantity of waste recycled		25,564	32,273	32,350	b)	21.62	30.34	31.54	
Total quantity of waste		35,817	35,366	33,993	b)	30.29	33.25	33.14	
% of solid waste recycled or recovered	%	71%	91%	95%					
Quantity of hazardous waste treated externally	t	626	458	246	g/l b)	0.53	0.43	0.24	EN25

(1) Excludes glass and cardboard consumption of products bottled by subcontractors.

VERIFYING NON-FINANCIAL INFORMATION

NOTE ON METHODOLOGY RELATING TO NON-FINANCIAL REPORTING

Period & scope of reporting

Reporting of corporate, environmental and societal data is performed annually and relates to the period from 1 July 2016 to 30 June 2017. Unless otherwise stated, these data relate to activities under the Group's operational control.

Scope of social reporting

The social analyses in this report are based on all Group entities that have reported data on their employees for the period concerned. When a company joins the Group scope in the time period concerned and is controlled by the Group, its corporate data is immediately included in full in the figures, regardless of the equity stake held by Pernod Ricard. At each financial year-end, the list of entities in the Group's social reporting is compared to the one in the Financial Reporting to ensure its completeness. In 2016/17, reporting covers 112 entities.

The consolidation scope and level of detail for corporate data has changed since 2015/16:

- in France, a new sub-group for consolidation combining the head offices of Pernod Ricard EMEA LATAM and Pernod Ricard MENA has been created;
- Pernod Ricard Americas has become Pernod Ricard North America to focus solely on the two markets in North America – the United States and Canada. This new entity has a direct representative at the Executive Committee and aims to increase the focus on the Group's largest market, the United States. It also combines the IT teams from the United States and Canada;
- as a result, Pernod Ricard Europe, Middle East and Africa has become Pernod Ricard Europe, Middle East, Africa and Latin America. Pernod Ricard Latin America is now composed of three management entities: Pernod Ricard Northern LATAM with Mexico as "Lead Market", combining Colombia, Venezuela and Peru; Pernod Ricard Southern LATAM with Brazil as "Lead Market", combining Argentina, Uruguay and Chile; IT LATAM combining the IT teams of Brazil, Mexico and Argentina;
- in Europe, the company Black Forest Distillers GmbH, owner of the Monkey 47 brand was added to the scope;
- a General Management entity, Pernod Ricard Global Travel Retail, has been created, which reports directly to Headquarters. It combines all domestic "Travel Retail" teams, or seven entities, improving coordination between the Europe, America and Asia regions with this priority distribution channel;
- in Asia and the Pacific, there are no changes to note for 2016/17.

The Asia-Pacific region includes the Asia distribution network and the Group's Wines business, which also includes the Pernod Ricard Winemakers Spain affiliate, based in Spain, and the Pernod Ricard Winemakers Kenwood and Pernod Ricard Winemakers Mumm Napa affiliates, based in the United States.

Pernod Ricard's African activities are managed by Pernod Ricard's Europe, Middle East, Africa and Latin America region and the related data are therefore included in the data for this region.

The social reporting indicators are selected to provide the Group with a reliable and accurate picture of its presence in the world. The data collected enables Pernod Ricard to be increasingly socially responsible in respect of its employees all over the world. The requests made to affiliates are influenced by a number of reference texts such as the Grenelle 2 law or ISO 26000.

Scope of societal reporting

Indicators relating to responsible drinking and communities are included in the social report. The indicators cover all Pernod Ricard affiliates (Brand Companies and Market Companies) which are required to include their societal information in the social report, with the exception of certain entities. This is because the roll-out of the S&R model and the associated action plans are managed by a sole affiliate when several affiliates are situated in the same country. These entities do not have to give information to the Group's reporting system.

As regards the ethical monitoring of advertising by the Responsible Marketing Panel (RMP), controls are mandatory for all the Strategic International Brands and the Strategic Wine (which account for 75% of media spending). Since February 2013, they have also been mandatory for Strategic Local Brands (which represent 16% of media spending). Controls encompass advertising, the Internet and sponsorship. Since September 2013, the Panel has reviewed the Code's compliance with all new products.

Like all Group advertising, promotions must also comply with the Code.

In cases of ethical issues, it is recommended that marketing teams submit their proposed promotions to the Panel.

Scope of environmental reporting

Pernod Ricard's environmental reporting relates to production sites and vineyards under the Group's operational control on 30 June of the financial year in question and which have been in operation throughout the entire year. It does not cover administrative sites (head offices or sales offices), or logistics warehouses when these are located outside industrial sites (this relates to only a few isolated warehouses), since their environmental impacts are not significant compared to those located within industrial sites. It also excludes the Monkey 47 site, as the environmental impact of the site is estimated as having minor significance.

The 2016/17 report covers:

- 93 manufacturing sites. This figure is decreasing compared to that for 2015/16 following the disposal of five sites located in Mexico, Australia and California, and the stopping of activities at the Korean site. The industrial scope taken into account for this financial year therefore covers a production volume of 1,026 million litres (bottled or in bulk) compared to 1,064 million in 2015/16 and a volume of distilled alcohol of 233 million litres (measured as pure alcohol) compared to 256 million in 2015/16. Comments on the results are provided in the different sections of the subsection "Protect the planet" in this document;
- 5,568 hectares of vineyards, located mainly in New Zealand, Australia, France, Spain, the United States, Argentina and China. Key results related to vineyards are set out in subsection "Sustainable agriculture and performance of our vineyards".

CLARIFICATION RELATING TO INDICATORS

Social indicators

The new employees and departures on fixed-term contracts have now been published. To make it easier to recognise these, particularly in the cases of seasonal workers in vineyards, it was decided only to count one appointment and departure of a person over the reference period, regardless of the number of fixed-term contracts entered into by this person.

Age and seniority are calculated based on staff on permanent contracts.

Average headcount is calculated on a full-time equivalent basis, without taking into account long- and short-term absences.

Since 2015, expatriate and seconded employees have had to be included in the headcount of the affiliate that bears the costs or the majority of their costs, especially if their payrolls are invoiced to this company. This is also the case for Brand Ambassadors and Brand Promoters

Pernod Ricard China employees are accounted for as staff on permanent contracts. Chinese employment contracts actually comprise a statutory duration and are only converted into permanent contracts after a number of years. However, given the specific characteristics of employment legislation in China, the Pernod Ricard group considers its employee to be staff on permanent contracts. Due to the particular characteristics of local employment laws, as of last year the same rule applies to Pernod Ricard Minsk employees, as the concept of a fixed-term contract does not exist in Belarus.

Work-study contracts (apprenticeship contracts and training contracts) are not counted as fixed-term contracts, and this also applies to work placement students, temporary workers and volunteers on the VIE programme.

Maternity/paternity/parental leave are included in the absenteeism rate.

Working time, the absenteeism rate and workplace accident frequency and severity rates are calculated on the basis of the theoretical number of hours or days worked per year and in working days.

Commuting accidents are included in the number of accidents, and are used to calculate the frequency and severity rates. The frequency and severity rates do not take into account the number of workplace accidents involving temporary staff or external service providers.

Training hours completed by employees are recognised, including both face-to-face training and e-learning hours. Employees are only counted as having received training once, regardless of the number of training courses they have attended.

Environmental indicators

The Group footprint on agricultural land is assessed by the areas on which farm raw materials purchased are used. These equivalent areas are estimated on the basis of the agricultural yields of the various materials used by the Group. For transformed products, industrial yields are used to assess the quantities of agricultural materials purchased.

The environmental performance of sites is expressed using several ratios, based on the type of business in which the Group has classified them for:

- distilleries: data broken down by volumes of pure distilled alcohol;
- bottling sites: data broken down by volumes of bottled finished products;
- wineries: data broken down by volumes made into wine;
- vineyards: data broken down by surface area cultivated with vines.

At Group level, consolidated performance is expressed based either on:

- the amount of distilled alcohol for environmental impacts primarily due to distillation (e.g. water or energy consumption), expressed in units per thousand litres of pure distilled alcohol (kl PA);
- the bottled volume or the volume of finished products manufactured (including products delivered in bulk) when bottling or production is the main source of impact (such as in the case of solid waste), expressed in units per thousand litres (kl);
- the number of hectares occupied by vineyards for agricultural properties, expressed in units per hectare (ha).

For industrial sites, this distinction is sometimes complex, as some sites have several activities. As such, since the time frames involved in bottling may sometimes be very different from those for distilling (aged spirits: whiskies, cognac, etc.), these figures may be difficult to interpret from year to year. Both calculation methods are therefore presented for some indicators. Setting overall Group quantitative targets for the quantity of water or energy consumed per unit produced, for example, becomes complex as the consolidation of targets depends on the business mix during the year and the consolidated indicator chosen. For that reason, the results expressed by the indicators should be used with care and interpreted over the long term. In the case where a significant reporting error from previous periods is identified, historical data is only readjusted if the impact on Group performance is greater than 1%, in order to enable a better interpretation of results and trends.

COLLECTION, CONSOLIDATION AND MONITORING OF DATA

Data collection methods

To guarantee the standardisation and reliability of results, non-financial indicators are formalised in reporting procedures, including specific definitions of each indicator, passed on to all Managers involved in the process in charge of collecting and consolidating data.

The Pernod Ricard group constantly seeks to improve the collection and analysis of its data, and therefore updates its procedures and user guide each year in line with the evolving needs of the Group. Improvements are made to ensure compliance with the requirements of the decree implementing article 225 on the transparency obligations of companies regarding social and environmental matters and in accordance with the applicable national or international frameworks. The updates also result from contributions made by affiliates when updating data and auditors' feedback. Any changes made since the previous year are highlighted.

A consolidation tool has been used to gather and process the data for 2016/17, supplied by local entities.

Methods for consolidating and checking the data

After being submitted by the management, data is gathered at Management Entity level, then at Region or Brand level, to be sent to the Headquarters. At each level, the data is processed and consolidated. Each entity that collects and includes data is responsible for the indicators supplied and certifies the data as well as its control.

This control is facilitated by automatic checks within the data entry tool in the consolidation documents sent to the Regions or Brands and in the consolidation tool. Amongst other things, these include consistency checks in comparison with previous years and between the indicators themselves.

Once all of the data have been collected, Headquarters performs consistency checks to identify any reporting or input errors, and when there are significant variations, the Group checks with the affiliates to ensure the data is valid. Finally, Headquarters consolidates these data.

External audit

To improve transparency and guarantee the reliability of the data disclosed, the Group's procedures, reporting tool and a selection of indicators are checked by its Statutory Auditors. Their report, detailing the work performed as well as their comments and conclusions, appears at the end of this Section.

REFERENCE TABLE FOR THE UNITED NATIONS GLOBAL COMPACT PRINCIPLES AND THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The 10 Principles of the Global Compact	Section title	Page	The Sustainable Development Goals	
Human Rights				
<i>Principle 1:</i> Businesses should support and respect the protection of internationally proclaimed Human Rights	Appropriate governance	51		
	Welfare, social protection and working conditions	56		
	Commitment to respect for Human Rights	66		
	Community involvement	62		
<i>Principle 2:</i> Businesses should make sure that they are not complicit in Human Rights abuses	Impact on society of the Company's products and services	59		
	The Group's ethical practices	63		
	Monitoring law 2017-399 on the duty of vigilance	66		
Employment law				
<i>Principle 3:</i> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Labour relations	57		
<i>Principle 4:</i> Businesses should uphold the elimination of all forms of forced and compulsory labour	Commitment to respect for Human Rights	66		
<i>Principle 5:</i> Effective abolition of child labour	Non-discrimination	66		
<i>Principle 6:</i> Businesses should uphold the elimination of discrimination in respect of employment and occupation	Monitoring law 2017-399 on the duty of vigilance	66		
Environment				
<i>Principle 7:</i> Businesses should support a precautionary approach to environmental challenges	Environmental management	69		
	Efficient management system	71		
<i>Principle 8:</i> Businesses should undertake initiatives to promote greater environmental responsibility	Promoting sustainable agriculture	72		
	Preserving and saving water resources	74		
	Contributing to reducing climate change	76		
<i>Principle 9:</i> Businesses should encourage the development and diffusion of environmentally friendly technologies	Acting for the circular economy	79		
	Monitoring law 2017-399 on the duty of vigilance	66		
Anti-corruption				
<i>Principle 10:</i> Businesses should work against corruption in all its forms, including extortion and bribery	The Group's ethical practices	63		
	Monitoring law 2017-399 on the duty of vigilance	66		

REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED HUMAN RESOURCES, ENVIRONMENTAL AND SOCIAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT

For the year ended on June 30th, 2017

To the Pernod Ricard Shareholders' Meeting,

In our capacity as Statutory Auditor of Pernod Ricard (the "Company"), appointed as independent third party and certified by COFRAC under number 3-1048⁽¹⁾, we hereby report to you on the consolidated human resources, environmental and social information for the year ended June 30th, 2017 included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Company's responsibility

The Board of Directors of Pernod Ricard is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the reporting protocols and guidelines used by the Company (hereinafter the "Guidelines"), summarised in the management report and available for consultation at the headquarters of the Company and for which a summary is presented in the chapter titled "Sustainability & Responsibility" of the management report.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Statutory Auditor's responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved nine persons and was conducted between May and September 2017 during a seven week period. We were assisted in our work by our sustainability experts.

We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement and with ISAE 3000⁽²⁾ concerning our conclusion on the fairness of CSR Information.

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note presented in the chapter titled "Sustainability & Responsibility" of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted around forty interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

(1) Whose scope is available at www.cofrac.fr.

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important (See Appendix):

- at the consolidating entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities/divisions/sites selected by us ⁽¹⁾ on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied

and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents on average 24% of headcount and between 21% and 63% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, 20 September 2017

One of the Statutory Auditors

Deloitte & Associés

David Dupont-Noel

Partner

Julien Rivals

Partner, Sustainability Services

Appendix

Social information:

- **Quantitative information:** Group employees as at 30 June; Breakdown of positions with permanent contracts filled in financial year 2016/17; New staff members on fixed-term contracts; Departures of personnel on permanent contracts by reason, Number of departures of employees on fixed-term contracts; Part of payroll in the revenues; Average number of theoretical hours worked per employee; Absenteeism rate; Number of agreements signed with the various social partners; Number of lost-time accidents; Frequency rate; Severity rate; Occupational illness (included in illness in order to calculate the absenteeism rate); Total number of training hours; Total number of training beneficiaries; Part of employees covered by health insurance; Number of Group affiliates having conducted disability training and/or awareness actions for their employees.
- **Qualitative information:** "Better Balance" initiative.

Environmental information:

- **Quantitative information:** Part of the production sites operated by the Group certified to ISO 14001; Volume of distilled alcohol and volume of finished products; Quantity of agricultural products used; Agricultural land corresponding to used raw materials (hectares); Consumption of crop protection products by hectare (active ingredient); Area of vineyard run directly by Pernod Ricard; Agricultural space managed by the Group contributing to the preservation of biodiversity; Total volume of water used; Total volume of water abstracted; Total volume of waste water released; Chemical Oxygen Demand (COD) released into the natural environment; Total energy consumption; Share of renewable electricity consumed by the production sites; Part of the electricity consumption covered by renewable electricity certificates; CO₂ emissions from productions sites (Scope 1 and 2); Total quantity of waste; Quantity of waste recycled; Quantity of waste landfilled and incinerated; Volume of hazardous waste collected; Total amount of glass used.
- **Qualitative information:** Efficient management system; Limit Food Waste; Sustainable agriculture and performance of our vineyards; Assessment of the Group's carbon footprint (Scope 1, 2 and 3); Traceability of the products in terms of GMOs (Genetically Modified Organisms).

Societal information:

- **Quantitative information:** Percentage of affiliates having implemented at least one initiative to promote responsible drinking; Number of employees trained to the Code for Commercial Communication via dedicated training sessions; Number of campaigns and product innovations examined by the RMP (Responsible Marketing Panel) and number of confidential advice given by the Committee; Percentage of affiliates including a responsible drinking message in the majority of their advertising and promotional material; Percentage of affiliates holding at least one initiative to promote the development of local communities and the engagement of partners.
- **Qualitative information:** Materiality Matrix; Identification of environmental and social risks in agricultural activities.

(1) *Entities and sites covered by testing on social information:* Pernod Ricard India, Martell – Mumm – Perrier-Jouët, Chivas Brothers Ltd., Irish Distillers Group.

Entities and sites covered by testing on environmental information: The Glenlivet, Longmorn, Middleton, Fox & Geese, Nashik distillery, Nashik winery, Helan Mountain winery, Helan Mountain vineyards, Janikowska, Walkerville, Fort Smith, Manzanara, Vineyards Mumm – Perrier-Jouët, Vineyards Pernod Ricard New-Zealand.

4

Management Report

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KEY FIGURES FROM THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

INCOME STATEMENT

€ million	30.06.2015	30.06.2016	30.06.2017
Net sales	8,558	8,682	9,010
Gross margin after logistics expenses	5,296	5,371	5,602
Advertising and promotion expenses	(1,625)	(1,646)	(1,691)
Contribution after advertising and promotion investments	3,671	3,725	3,912
Profit from Recurring Operations	2,238	2,277	2,394
Operating Profit	1,590	2,095	2,232
Financial Income/(expense)	(489)	(432)	(374)
Corporate income tax	(221)	(408)	(438)
Share of Net Profit/(loss) of associates	0	0	1
NET PROFIT	880	1,255	1,421
Including:			
■ Non-controlling interests	19	20	28
■ Group share	861	1,235	1,393
Earnings per share – basic (€)	3.26	4.68	5.27
Earnings per share – diluted (€)	3.24	4.65	5.25

BALANCE SHEET

€ million	30.06.2015	30.06.2016	30.06.2017
Assets			
Non-current assets	22,978	23,310	22,557
<i>Of which intangible assets</i>	17,706	17,572	17,152
Current assets	7,419	7,282	7,521
Assets held for sale	1	6	10
TOTAL ASSETS	30,398	30,598	30,088
Liabilities and shareholders' equity			
Consolidated shareholders' equity	13,288	13,506	13,886
Non-current liabilities	11,972	12,137	11,946
Current liabilities	5,138	4,955	4,256
Liabilities held for sale	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	30,398	30,598	30,088

NET FINANCIAL DEBT

€ million	30.06.2015	30.06.2016	30.06.2017
Gross non-current financial debt	7,459	7,335	7,379
Gross financial debt from Recurring Operations	2,052	2,027	1,165
Non-current hedging instruments – assets	(51)	(77)	(9)
Hedging Instruments from Recurring Operations – assets	(15)	-	(6)
Non-current derivative instruments – liabilities	-	-	-
Derivative instruments from recurring operations – liabilities	121	-	(2)
Cash and cash equivalents	(545)	(569)	(677)
NET FINANCIAL DEBT	9,021	8,716	7,851
Free Cash Flow ⁽¹⁾	808	1,061	1,299

(1) The calculation of Free Cash Flow is set out in the subsection "Net debt" hereafter.

CASH FLOW STATEMENT

€ million	30.06.2015	30.06.2016	30.06.2017
Self-financing capacity before financing interest and taxes	2,220	2,315	2,493
Net interest paid	(455)	(408)	(363)
Net income tax paid	(538)	(393)	(408)
Decrease/(increase) in working capital requirements	(193)	(178)	(79)
Net change in cash flow from operating activities	1,035	1,336	1,642
Net change in cash flow from investment activities	(264)	(359)	(293)
Net change in cash flow from financing activities	(735)	(928)	(1,156)
Cash flow from discontinued operations	-	-	-
Foreign currency translation adjustments	32	(25)	(86)
Cash and cash equivalents at start of period	477	545	569
CASH AND CASH EQUIVALENTS AT END OF PERIOD	545	569	677

ANALYSIS OF BUSINESS ACTIVITY AND RESULTS

Pernod Ricard uses alternative performance indicators when conducting an analysis of its activity. These indicators are set out on page 97.

In 2016/17, Pernod Ricard delivered a strong year with business accelerating, on track to deliver mid-term roadmap with:

- an organic top line growth accelerating: +3.6% ⁽¹⁾, getting closer to the mid-term objective of +4% to +5%;
- a solid Profit from Recurring Operations (PRO) organic growth: +3.3% ⁽¹⁾, in higher part of +2% to +4% guidance bracket, despite unexpected regulatory changes in India;
- operating margin up +35bps thanks to FX;
- an increase of +13% ⁽²⁾ in Net Profit ⁽²⁾;
- very significant improvement in cash flow generation and deleveraging:
 - very strong Free Cash Flow: +22%, reaching historic high, with +61% in two years, particularly thanks to operational efficiency initiatives,
 - significant deleveraging: Net Debt/EBITDA ratio at 3.0, -0.4 down vs. FY16,
 - Net Debt down -€0.9bn to €7.9bn,

Furthermore, in 2016/17, there was:

- an increase in Profit from Recurring Operations growth of +8% ⁽¹⁾ in the Americas, +1% ⁽¹⁾ in Asia/Rest of World and +1% ⁽¹⁾ in Europe;
- a stability ⁽¹⁾ of the gross margin: the mix turned positive (mainly due to Jameson and Martell), pricing was still muted and Costs of Goods Sold were tightly managed thanks to operational efficiency initiatives ;
- a proposed dividend per share of €2.02, a +7% increase compared with the previous year. This represents a pay-out ratio of 36%, in line with the customary distribution policy in cash of approximately one-third of Group Net Profit from Recurring Operations.

PRESENTATION OF RESULTS

Group Net Profit per share from Recurring Operations – diluted

€ million	30.06.2016	30.06.2017
Number of shares in circulation – diluted	265,632,528	265,477,729
Profit from Recurring Operations	2,277	2,394
Operating margin	26.2%	26.6%
Financial income/(expense) from Recurring Operations	(422)	(376)
Corporate income tax on Recurring Operations	(455)	(509)
Profit from non-controlling interests, from discontinued operations and from share of net profit from equity associates	(20)	(27)
GROUP NET PROFIT FROM RECURRING OPERATIONS ⁽¹⁾	1,381	1,483
GROUP NET PROFIT PER SHARE FROM RECURRING OPERATIONS – DILUTED (€)	5.20	5.58

(1) Profit from Recurring Operations adjusted for financial result from recurring operations, recurring income tax, share of net result of associates and profit from assets held for sale, as well as non-controlling interests.

(1) Organic growth is defined on page 97.

(2) Face value attributable to equity holders of the parent.

Profit from Recurring Operations

Group € million	30.06.2016	30.06.2017	Reported growth		Organic growth ⁽¹⁾	
Net sales	8,682	9,010	327	4%	310	4%
Gross margin after logistics expenses	5,371	5,602	231	4%	192	4%
Advertising and promotion	(1,646)	(1,691)	(44)	3%	(47)	3%
Contribution after advertising and promotion expenses	3,725	3,912	187	5%	145	4%
PROFIT FROM RECURRING OPERATIONS	2,277	2,394	118	5%	76	3%

Americas € million	30.06.2016	30.06.2017	Reported growth		Organic growth ⁽¹⁾	
Net sales	2,476	2,661	185	7%	171	7%
Gross margin after logistics expenses	1,639	1,790	151	9%	114	7%
Advertising and promotion	(509)	(551)	(42)	8%	(39)	8%
Contribution after advertising and promotion expenses	1,130	1,239	109	10%	75	7%
PROFIT FROM RECURRING OPERATIONS	706	790	84	12%	55	8%

Asia/Rest of World € million	30.06.2016	30.06.2017	Reported growth		Organic growth ⁽¹⁾	
Net sales	3,498	3,568	70	2%	48	1%
Gross margin after logistics expenses	2,071	2,102	31	2%	22	1%
Advertising and promotion	(621)	(618)	3	-1%	3	0%
Contribution after advertising and promotion expenses	1,450	1,484	35	2%	25	2%
PROFIT FROM RECURRING OPERATIONS	982	1,000	18	2%	13	1%

Europe € million	30.06.2016	30.06.2017	Reported growth		Organic growth ⁽¹⁾	
Net sales	2,709	2,781	72	3%	91	3%
Gross margin after logistics expenses	1,662	1,710	49	3%	56	3%
Advertising and promotion	(516)	(522)	(5)	1%	(11)	2%
Contribution after advertising and promotion expenses	1,145	1,188	43	4%	45	4%
PROFIT FROM RECURRING OPERATIONS	588	604	16	3%	8	1%

(1) Organic growth is defined on page 97.

ORGANIC GROWTH OF STRATEGIC INTERNATIONAL BRANDS

<i>In millions of 9-litre cases</i>	Volume 30.06.2016	Volume 30.06.2017	Organic growth ⁽¹⁾ in net sales	Including Volume growth	Including Price/mix
Absolut	10.9	11.2	2%	3%	-1%
Chivas Regal	4.3	4.2	-3%	-2%	-1%
Ballantine's	6.5	6.7	3%	4%	-2%
Ricard	4.5	4.8	4%	5%	-1%
Jameson	5.7	6.5	15%	13%	2%
Havana Club	4.0	4.3	6%	7%	-1%
Malibu	3.4	3.6	5%	4%	1%
Beefeater	2.7	2.8	5%	4%	1%
Martell	2.1	2.1	6%	5%	1%
The Glenlivet	1.0	1.0	2%	1%	1%
Royal Salute	0.2	0.2	-3%	2%	-5%
Mumm	0.7	0.8	3%	2%	0%
Perrier-Jouët	0.3	0.3	11%	8%	3%
STRATEGIC INTERNATIONAL BRANDS	46.4	48.6	4%	5%	0%

(1) Organic growth is defined on page 97.

Full-year sales ⁽¹⁾ were €9,010 million, representing reported growth of +4%, as a result of:

- organic growth of +3.6% ⁽²⁾, an acceleration from the previous year, driven by Strategic International Brands;
- a currency effect of +€19 million over the year, linked to the strengthening of the US dollar and Russian Ruble against the euro, offset by weakening in the UK Pound Sterling and Chinese Renminbi;
- a slightly negative scope effect of €(2) million;

All Regions grew and improved their Sales growth ⁽²⁾:

- Americas were up 7% ⁽²⁾, with the acceleration ⁽²⁾ driven by good performance in the USA and across South America. The performance of the Group in the USA was driven in particular by strong results from Jameson, Martell, Malibu and Altos ⁽²⁾, while Absolut, in a worsening category, remained in decline. Very dynamic growth of +11% ⁽²⁾ was reported in other markets in the region;

- Asia/Rest of World saw modest growth of +1% ⁽²⁾ with a return to growth ⁽²⁾ in China and Travel Retail Asia, but a temporary deceleration ⁽²⁾ in India due to the regulatory changes (demonetisation and highway ban), and continued strong decline in Korea. The rebound in China, returning to growth ⁽²⁾ for the first time since FY13, was driven by Martell, which delivered +6% ⁽²⁾, with growth across the whole range;
- Europe posted +3% ⁽²⁾ with solid growth ⁽²⁾ in Western Europe (+2% ⁽²⁾) and very dynamic growth in Eastern Europe (+11% ⁽²⁾).

(1) Net sales less excise duties (see Accounting Policies in the Notes to the consolidated financial statements, Note 2: Segment information – "Net sales").

(2) Organic growth is defined on page 97.

CONTRIBUTION AFTER ADVERTISING & PROMOTION INVESTMENTS

The gross margin (after logistics expenses) amounted to €5,602 million, with an increase of +4% ⁽¹⁾, due to:

- mix turning positive due mainly to Jameson and Martell;
- pricing still muted;
- tight management of Costs of Goods Sold (COGS) thanks to operational efficiency initiatives but some adverse one-offs (Grain Neutral Spirit and agave cost increases...)

Advertising and Promotion investments were up +3% ⁽¹⁾ to €1,691 million, with an A&P/Sales ratio stable at c.19%. The operational excellence initiatives are driving stronger efficiency.

PROFIT FROM RECURRING OPERATIONS

Profit from Recurring Operations was up +3.3% ⁽¹⁾, broadly in line with the increase ⁽¹⁾ in net sales, to reach €2,394 million. Structure costs were tightly managed with an increase of 5% ⁽¹⁾, (+3% ⁽¹⁾ excluding Other income and expenses) thanks to operational excellence initiatives. The currency effect (+2%, or +€47 million) was from the positive impact of the US Dollar, UK Pound Sterling and Russian Ruble but offset by the Chinese Renminbi. The scope effect remained limited (-0%, or €(6) million).

FINANCIAL INCOME/(EXPENSE)

Financial expenses from recurring operations were €(376) million, compared with €(422) million the previous period. The cost of debt stood at 3.8% for the year, compared with 4.1% for the 2015/16 financial year. For 2017/18, the average cost of debt should remain stable at c. 3.8%.

The debt structure at 30 June 2017 was as follows:

- the bond portion was approximately 82% of gross debt;
- the fixed rate portion was 68% of total debt;
- the maturity of gross debt at the end of June 2017 was six years and 11 months;
- the Group had €0.7 billion in cash and €2.2 billion in available credit facilities (undrawn syndicated loan at 30 June 2017);
- structuring the debt by currency (USD: 55%) provides a natural hedging mechanism with debt by currency matched with cash flow by currency.

GROUP NET PROFIT FROM RECURRING OPERATIONS

Tax on Profit from Recurring Operations stood at €(509) million, giving a current effective rate of tax of 25.2% (compared with 24.5% at 30 June 2016). Non-controlling interests amounted to €(28) million.

Group Net Profit from Recurring Operations reached €1,483 million, up by +7% compared to the 2015/16 financial year. Diluted Net Profit per share from Recurring Operations stood at €5.58, up +7%.

GROUP NET PROFIT

Other non-recurring operating income and expenses amounted to €(163) million. Non-current financial income (expense) amounted to a net income of €3 million. Corporate income tax on non-recurring item as amounted to Net income of €71 million.

Accordingly, Group Net Profit stood at €1,393 million, up +13% on 2016/17.

(1) Organic growth is defined on page 97.

NET DEBT

Reconciliation of Net financial debt – The Group uses net financial debt in the management of its cash and its net debt capacity. A reconciliation of net financial debt and the main balance sheet items is provided in Note 4.9 – *Financial instruments* in the Notes to the annual consolidated financial statements. The following table shows the change in net debt over the year:

€ million	30.06.2016	30.06.2017
Profit from Recurring Operations	2,277	2,394
Other operating income and expenses	(182)	(163)
■ Depreciation of fixed assets	219	219
■ Net change in impairment of goodwill, property, plant and equipment and intangible assets	107	75
■ Net change in provisions	(76)	(59)
■ Restatement of contributions to pension funds acquired from Allied Domecq	43	7
■ Fair value adjustments on commercial derivatives and biological assets	(4)	(14)
■ Net (gain) loss on disposal of assets	(59)	6
■ Share-based payments	32	34
Sub-total of depreciation of fixed assets, change in provisions and others	263	268
SELF-FINANCING CAPACITY BEFORE FINANCING INTEREST AND TAX ⁽¹⁾	2,358	2,499
Decrease/(increase) in working capital requirements	(178)	(79)
Net interest and tax payments	(801)	(771)
Net acquisitions of non-financial assets and other	(317)	(350)
FREE CASH FLOW	1,061	1,299
of which Free Cash Flow from recurring operations	1,200	1,471
Net disposals of financial assets and activities, contributions to pension funds acquired from Allied Domecq	(85)	50
Change in the scope of consolidation	-	-
■ Capital increase and other changes in shareholders' equity	-	-
■ Dividends and interim dividends paid	(497)	(511)
■ (Acquisition)/Disposal of treasury shares	(18)	(36)
Sub-total of dividends, purchase of treasury shares and other	(515)	(547)
DECREASE/(INCREASE) IN DEBT (BEFORE FOREIGN CURRENCY TRANSLATION ADJUSTMENTS)	461	802
Foreign currency translation adjustments	(157)	62
DECREASE/(INCREASE) IN DEBT (AFTER FOREIGN EXCHANGE IMPACT)	305	865
Net debt at beginning of period	(9,021)	(8,716)
Net debt at end of period	(8,716)	(7,851)

(1) Excluding investments in pension funds acquired from Allied Domecq.

OUTLOOK

Continued execution of consistent strategy, as outlined during the June 2015 Capital Market Day, and confidence in ability to deliver medium-term objectives:

- Organic top line growth +4% to +5%;
- Profit from Recurring Operations organic margin improvement.

For 2017/18, the Group expects:

- good sales growth to continue in USA, China, Europe, Jameson and innovation;

- sales to improve vs. FY17 in India and for Chivas;
- continued focus on operational efficiency with new initiatives ramping up;
- continued strong cash generation.

For 2017/18, the FX impact on Profit from Recurring Operations is estimated at c. €(125) million, based on average FX rates for full FY18 projected on 22 August 2017, particularly a EUR/USD rate of 1.18.

The guidance for 2017/18 is organic growth in Profit from Recurring Operations between +3% and +5%.

DEFINITIONS AND LINK-UP OF ALTERNATIVE PERFORMANCE INDICATORS WITH IFRS INDICATORS

Pernod Ricard's management process is based on the following non-IFRS measures which are chosen for planning and reporting. The Group's management believes these measures provide valuable additional information for users of the financial statements in understanding the Group's performance. These non-IFRS measures should be considered as complementary to the comparable IFRS measures and reported movements therein.

Organic growth

Organic growth is calculated after excluding the impacts of exchange rate movements and acquisitions and disposals.

Exchange rates impact is calculated by translating the current year results at the prior year's exchange rates.

For acquisitions in the current year, the post-acquisition results are excluded from the organic movement calculations. For acquisitions in the prior year, post-acquisition results are included in the prior year but are included in the organic movement calculation from the anniversary of the acquisition date in the current year.

Where a business, brand, brand distribution right or agency agreement was disposed of, or terminated, in the prior year, the Group, in the organic movement calculations, excludes the results for that business from the prior year. For disposals or terminations in the current year, the Group excludes the results for that business from the prior year from the date of the disposal or termination.

This measure enables to focus on the performance of the business which is common to both years and which represents those measures that local managers are most directly able to influence.

Free Cash Flow

Free Cash Flow comprises the net cash flow from operating activities excluding the contributions to Allied Domecq pension plans, aggregated with the proceeds from disposals of property, plant and equipment and intangible assets and after deduction of the capital expenditures.

"Recurring" indicators

The following 3 measures represent key indicators for the measurement of the recurring performance of the business, excluding significant items that, because of their nature and their unusual occurrence, cannot be considered as inherent to the recurring performance of the Group:

■ Recurring Free Cash Flow:

Recurring Free Cash Flow is calculated by restating Free Cash Flow from non-recurring items.

■ Profit from Recurring Operations:

Profit from Recurring Operations corresponds to the operating profit excluding other non-current operating income and expenses.

■ Group share of Net Profit from Recurring Operations:

Group share of Net Profit from Recurring Operations corresponds to the Group share of Net Profit excluding other non-current operating income and expenses, non-recurring financial items and corporate income tax on non-recurring items.

Net Debt

Net 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 hedging derivatives (hedging of net investments and similar), less cash and cash equivalents.

EBITDA

EBITDA stands for "earnings before interest, taxes, depreciation and amortization". EBITDA is an accounting measure calculated using the Group's Profit from Recurring Operations excluding depreciation and amortization on operating fixed assets.

COMPENSATION POLICY

CORPORATE OFFICERS' COMPENSATION

This chapter has been drawn up under the supervision of the Compensation Committee.

Compensation policy for members of the Board of Directors

The conditions governing Directors' compensation are determined by the Board of Directors on the basis of a recommendation from the Compensation Committee and must fall within the bounds of the total amount allocated by the Shareholders' Meeting for Directors' fees.

Directors' annual compensation comprises a fixed portion set at €11,500, with an additional €5,500 for members of the Audit Committee and €3,000 for members of the Strategic Committee, the Compensation Committee, and the Nominations, Governance and CSR Committee. The Chairman of the Audit Committee receives an additional sum of €6,000, while the Chairmen of the Compensation Committee and of the Nominations, Governance and CSR Committee each receive an additional €3,000.

The Vice Chairman of the Board of Directors receives an additional Directors' fee of €40,000 each year.

Directors are also eligible for a variable portion, calculated on the basis of their attendance at Board and Committee meetings. The variable portion is €4,000 per meeting.

Furthermore, in order to take account of distance constraints, an additional premium of €1,500 is paid to Directors who are not French residents when they attend Board meetings. Directors who take part in Board meetings by videoconference or conference call are not eligible for this additional amount.

Employee Directors receive a fixed annual sum of €15,000 in the form of Directors' fees for their attendance at meetings of the Board of Directors and of its Committees, if applicable.

The Chairman & CEO does not receive Directors' fees.

Of the €970,000 allocated by the Shareholders' Meeting of 17 November 2016, a total of €884,208 in Directors' fees was paid to members of the Board of Directors in the 2016/17 financial year, in accordance with the rules set out above.

Table of Directors' fees and other compensation (in euros) received by Non-Executive Directors (Table 3 AMF nomenclature):

Members of the Board	Amounts paid in 2015/16	Amounts paid in 2016/17
Ms Nicole Bouton	99,500	83,500
Mr Laurent Burelle ⁽¹⁾	38,500	5,208
Mr Wolfgang Colberg	110,000	113,500
Mr Ian Gallienne	92,500	87,000
Mr César Giron	73,500	69,500
Ms Martina Gonzalez-Gallarza	55,500	44,500
Ms Anne Lange ⁽²⁾	N/A	68,000
Mr Anders Narvinger ⁽³⁾	59,583	N/A
Mr Pierre Pringuet	104,500	113,500
Société Paul Ricard represented by Mr Paul-Charles Ricard ⁽⁴⁾	39,500	39,500
Mr Gilles Samyn	71,500	78,500
Ms Kory Sorenson ⁽⁵⁾	50,834	97,500
Ms Veronica Vargas	55,500	54,000
Mr Sylvain Carré	15,000	15,000
Mr Manousos Charkoftakis	15,000	15,000
TOTAL	880,917	884,208

N/A: Not applicable.

(1) Until 20 July 2016.

(2) From 20 July 2016, date of her co-option as a Director to replace Mr Laurent Burelle.

(3) Until 6 November 2015.

(4) Permanent representative of Société Paul Ricard, Director.

(5) From 6 November 2015, the date on which she was appointed as a Director by the Shareholders' Meeting.

Other elements of the compensation of Executive Directors performing management or executive positions within the Group

In addition to Directors' fees, Messrs César Giron and Paul-Charles Ricard also received compensation in their respective capacities as Chairman and CEO of Martell Mumm Perrier-Jouët and Innovation Manager of Martell Mumm Perrier-Jouët.

A summary statement of the compensation and benefits of all kinds received by each of these Non-Executive Directors from the companies controlled by Pernod Ricard SA, under article L. 233-16 of the French Commercial Code, is drawn up pursuant to article L. 225-102-1, paragraph 2 of the same Code.

Mr César Giron, member of the Board of Directors and Chairman and CEO of Martell Mumm Perrier-Jouët

Fixed compensation

Mr César Giron receives gross fixed compensation for his duties as Chairman and CEO of Martell Mumm Perrier-Jouët which reached €444,960 for the year 2016/17.

Variable compensation

In his capacity as Chair of a direct affiliate and member of the Executive Committee, Mr César Giron receives gross variable remuneration for which the quantitative criteria depend firstly on the financial performance of the entity he manages and secondly on the Group's results, with a view to strengthening solidarity and collegiality between the Chairs of the Executive Committee.

Mr César Giron is also assessed on the basis of individual qualitative criteria.

This variable portion is expressed as a percentage of the annual fixed portion. It may reach 70% of his gross fixed compensation if the quantitative and qualitative targets are achieved (target level), and can rise to a maximum of 100% if the Group records exceptional financial performance in relation to the targets. The criteria are reviewed regularly and may be modified on an occasional basis.

In this respect, during the financial year 2016/17, he received gross variable compensation in October 2016 of €301,234 relating to the financial year 2015/16, i.e. 69.7% of his fixed compensation for 2015/16.

Special bonus

No special bonuses were awarded or paid in respect of 2016/17.

Stock option and performance-based share allocation

On 17 November 2016, the Board of Directors authorised a combined stock option and performance-based share allocation plan.

Under this plan, Mr César Giron received the following allocation:

- 8,045 stock options with an external performance condition (€122,123 at IFRS value);
- 2,615 performance-based shares with an internal performance condition (€247,327 at IFRS value).

The details of the overall stock option and performance-based share allocation policy are shown below (page 110 of this Registration Document).

Indemnity payments for termination of service

Mr César Giron receives no compensation for termination of service.

Supplementary pension scheme

Mr César Giron has a conditional defined-benefit supplementary pension scheme (article 39) under article L. 137-11 of the French Employment Code, provided that recipients:

- have at least 10 years' seniority within the Group when they leave or retire;
- are at least 60 years of age on the date of leaving or retirement;
- have wound up the basic and complementary French social security pension schemes (ARRCO, AGIRC);
- permanently put an end to his professional career; and
- end their professional career within the Group. In accordance with regulations, employees aged over 55 whose contract is terminated and who do not take up another job are deemed to have retired. The aim of the scheme is to make it possible to supplement the pension provided by France's mandatory state-run pension scheme. It offers retired beneficiaries a life annuity that can be passed on to their spouse and/or ex-spouse in the event of death.

Pensions are proportionate to the beneficiary's length of service, with an upper limit of 20 years. Pensions are calculated on the basis of the beneficiary's average compensation (fixed and variable) over the three years preceding his or her retirement.

The amount of the supplementary annuity is calculated by applying the following coefficients to the basis of calculation:

- for the portion of the compensation between 8 and 12 times France's annual social security ceiling, the coefficient is 2% multiplied by the number of years' service (capped at 20 years, i.e. 40%);
- between 12 and 16 times France's annual social security ceiling, the coefficient is 1.5% per year of service (capped at 20 years, i.e. 30%); and
- in excess of 16 times France's annual social security ceiling, the coefficient is 1% per year of service (capped at 20 years, i.e. 20%).

The supplementary pension equals the sum of the three amounts above.

In addition, the rights granted under this plan, added to those of other pensions, cannot exceed two-thirds of the amount of the beneficiary's most recent fixed annual compensation.

A provision is entered on the balance sheet during the build-up phase and, when the beneficiary claims his or her pension, the capital is transferred to an insurer and thus entirely outsourced.

Funding for this scheme is the responsibility of Pernod Ricard, which pays premiums to a third-party insurance agency to which it has entrusted management of this pension scheme.

Pursuant to the provisions of Decree No. 2016-182 of 23 February 2016, at 30 June 2017, the estimated gross amount of the annuity potentially paid under the supplementary defined-benefit pension scheme for Mr César Giron would be €188,400 per year.

The relevant social security contributions falling due to Pernod Ricard stood at 24% of the contributions transferred to the insurer.

Collective healthcare and welfare schemes

Mr César Giron qualifies for the collective healthcare and welfare schemes offered by Martell Mumm Perrier-Jouët under the same terms as those applicable for the category of employees to which he belongs for the determination of his employee benefits and other additional elements of his compensation.

Other benefits

During the financial year 2016/17, Mr César Giron qualified for a company car and a part-time chauffeur.

Mr Paul-Charles Ricard, permanent representative of Société Paul Ricard, member of the Board of Directors and Innovation Manager at Martell Mumm Perrier-Jouët

Fixed compensation

Mr Paul-Charles Ricard receives gross fixed compensation for his duties as Innovation Manager of Martell Mumm Perrier-Jouët which reached €57,060 for the year 2016/17.

Variable compensation

This variable portion is expressed as a percentage of the annual fixed portion. It may reach 12% of his gross fixed compensation if the (individual) qualitative targets are achieved.

In this respect, during the financial year 2016/17, he received gross variable compensation of €6,847 relating to the financial year 2015/16.

Amounts received in respect of employee incentive agreement and profit-sharing plans

Under the employee profit-sharing plans in effect within Martell Mumm Perrier-Jouët, Mr Paul-Charles Ricard received €4,913 from incentive agreements and €3,264 from profit-sharing.

Collective healthcare and welfare schemes

Mr Paul-Charles Ricard qualifies for the collective healthcare and welfare schemes offered by Martell Mumm Perrier-Jouët under the same terms as those applicable for the category of employees to which he belongs for the determination of his employee benefits and other additional elements of his compensation.

Other elements of compensation

No special bonus/No allocation of stock options and/or performance-based shares/No compensation for termination of service/No supplementary pension scheme/No benefits in kind.

Compensation policy for the Executive Director

Presented below, in accordance with new article L. 225-37-2 of the French Commercial Code introduced by the "Sapin 2" Law of 9 December 2016 relating to transparency, the fight against corruption and modernisation of the economy, is the report of the Board of Directors on the compensation policy for the Chairman and CEO (hereinafter "Executive Director"), which will be subject to the approval of shareholders pursuant to new article L. 225-82-2 of the French Commercial Code.

Consequently, the Shareholders' Meeting of 9 November 2017 (in its 10th resolution) is called upon to issue a favourable opinion on the following elements of the compensation policy for the Executive Director.

It is specified that this report has been drawn up under the supervision of the Compensation Committee.

1. Principles and rules for determining the policy

Principles

The compensation policy for the Executive Director is set by the Board of Directors based on the recommendations of the Compensation Committee and the following principles for determination:

Compliance

In its analysis and proposals to the Board of Directors, the Compensation Committee is particularly careful to follow the recommendations of the AFEF-MEDEF Code, which the Company uses as reference.

Overview and balance

All elements of compensation and benefits in kind are analysed exhaustively each year using an element-by-element approach and then an analysis of overall consistency to achieve the best balance between fixed and variable, individual and collective and short- and long-term compensation.

Simplicity and consistency

Based on the recommendations of the Compensation Committee, the Board of Directors seeks to implement a compensation policy for the Executive Director that is straightforward, easy to understand and consistent with that of the Group's senior executives.

Motivation and performance

In its recommendations to the Board of Directors, the Compensation Committee seeks to propose a compensation policy commensurate with the responsibilities of each recipient and in line with the practices of comparable large international corporations, and seeks to maintain a good balance between fixed compensation, variable annual compensation and long-term remuneration.

Lastly, the variable compensation policy (in particular setting the criteria for the annual variable portion as well as the performance conditions for stock options and performance-based shares) is kept under regular review, based on the Group's strategic priorities and in alignment with shareholders' interests.

Role of the Compensation Committee

The Compensation Committee oversees the strict application of all these principles in the context of its work and its recommendations to the Board of Directors, both for drawing up the compensation policy for the Executive Director and for determining the amounts of compensation allocated.

Potential change of governance

Where a new Chairman and CEO, a new Chief Executive Officer or Deputy Chief Executive Officer(s) are appointed, the elements of compensation and the policy and criteria set out in the Compensation Policy for the Chairman and CEO shall also apply to them. The Board of Directors, on the recommendation of Compensation Committee, shall then, by means of adaptation to the situations of the interested parties, determine the objectives, performance levels, parameters, structure and maximum percentages compared to their annual fixed compensation, which may not be higher than those of the Chairman and CEO.

2. Fixed annual compensation

The fixed portion of the compensation of the Executive Director is determined based on:

- the level and complexity of their responsibilities;
- their experience and their career history, particularly within the Group;
- market analyses for comparable functions.

Every year, a study is carried out with the help of specialist firms on the positioning of compensation for the Executive Director in relation to the practices of international companies in the beverage sector and also of CAC 40-listed companies for similar positions.

The Board of Directors has decided that changes to the fixed compensation of the Executive Director might only be subject to review over a relatively long time frame, in accordance with the AFEP-MEDEF Code. However, an early review might occur in the event of significant changes to their scope of responsibilities or a major deviation compared to the market positioning. In these specific situations, the adjustment of the fixed compensation and the reasons for it will be made public.

Finally, the Board of Directors has decided that, in the event of the appointment of a new Chairman and CEO, a new Chief Executive Officer or Deputy Chief Executive Officer(s), these same principles will apply.

3. Directors' fees

The Executive Director does not receive Directors' fees in respect of offices they hold in the Company or in Group companies.

4. Variable annual portion

The purpose of variable annual compensation is to encourage the Executive Director to achieve the annual performance objectives set by the Board of Directors in accordance with the corporate strategy. Pursuant to the provisions of article L. 225-37-2 of the French Commercial Code, the payment of variable annual compensation is conditional upon its prior approval by the Ordinary Shareholders' Meeting (voting "ex post").

More specifically, this variable portion is based on performance levels applying to financial and non-financial parameters, representative of expected overall performance.

This variable portion is expressed as a percentage of the annual fixed portion. It may vary between 0% and 110% if the quantitative and qualitative objectives are achieved (target level), and may rise to a maximum of 180% if the Group records exceptional financial and non-financial performance in relation to the objectives.

4.1 Performance criteria

The criteria are reviewed regularly and may be modified on an occasional basis. For the 2017/18 financial year, the Board of Directors, on the recommendation of the Compensation Committee, wished to maintain the following elements:

- **achievement of the target for Profit from Recurring Operations:** the weight of this criterion may vary between 0 and 30% of the fixed compensation if the target is achieved, rising to a maximum of 55% if the target is significantly exceeded. This criterion, intended to provide an incentive to exceed the target for Profit from Recurring Operations, restated for foreign exchange impact and changes in the scope of consolidation, is one of the key elements of the Group's decentralised structure. The concept of a commitment to the Profit from Recurring Operations budget helps bring together the Group's various departments, which are rewarded according to the extent to which they meet their own targets for Profit from Recurring Operations. This criterion rewards the management performance of the Executive Director;
- **achievement of the target for Group Net Profit from Recurring Operations:** the weight of this criterion may vary between 0 and 20% if the target is achieved and up to 40% if significantly exceeded. This criterion, restated for foreign exchange impact and changes in the scope of consolidation, takes account of all of the Group's financial items over the financial year and thus helps to best align the Executive Director's compensation with shareholders' remuneration;
- **reduction in Group debt (Net Debt/EBITDA ratio):** the weight of this criterion varies between 0 and 30% if the target is achieved and up to 55% for an exceptional level of debt reduction, restated for currency effects and changes in the scope of consolidation. The inclusion of this criterion in the calculation of the variable portion paid to the Executive Director is in line with the Group's target;
- **non-financial criteria:** these criteria vary between 0% and 30% of fixed annual compensation if the objectives are achieved and up to 45% for an exceptional performance. The individual performance of the Executive Director is assessed annually by the Board of Directors on the recommendation of the Compensation Committee. The qualitative criteria assessed are reviewed annually, based on the Group's strategic priorities. For confidentiality reasons regarding the Group's strategy, details of qualitative objectives may only be made public after the event and after assessment by the Compensation Committee and the Board of Directors.

In any event, variable compensation (quantitative and qualitative criteria) may not exceed 180% of the annual fixed compensation.

4.2 Performance levels

The performance achievement level shall be communicated, criterion by criterion, once the performance assessment has been prepared.

4.3 Termination of office

If the Executive Director leaves during the financial year, the amount of the variable portion of their compensation for the current year will be determined prorata to attendance time for the year in question,

depending on the performance level observed and assessed by the Board of Directors for each of the criteria initially adopted. However, it should be noted that no compensation shall be paid if the Executive Director is dismissed for gross negligence or with good cause.

4.4 Payment method

In accordance with the law, the payment of variable annual compensation, starting from that relating to the 2017/18 financial year payable in November 2018, will be conditional upon prior approval by the Ordinary Shareholders' Meeting.

5. Multi-year compensation

The Board of Directors has decided not to use this type of compensation mechanism in the long term, wishing to favour a share-based instrument more aligned with shareholders' interests.

However, such a mechanism might be envisaged if regulatory changes or any other circumstance were to make the use of a share-based instrument restrictive or impossible. In this event, the principles and criteria for the determination, distribution and maximum allocation of shares stipulated in the policy relating to share plans will be used in the structuring of such variable multi-year compensation using the most similar appropriate procedures.

6. Special bonus

In accordance with the AFEP-MEDEF Code (article 24.3.4), the Board of Directors has adopted the principle by which the Executive Director may receive a special bonus in certain circumstances (particularly in the case of transformational operations), which must be explicitly disclosed and justified.

Also in accordance with the AFEP-MEDEF Code (article 24.4), in the case of external recruitment of a new Executive Director, the Board of Directors may also decide to pay an amount (in cash or in shares) to compensate the new Executive Director for loss of compensation (excluding retirement benefits) related to leaving their previous position.

In all cases, the payment of such compensation may only be made subject to the prior approval of the Shareholders' Meeting pursuant to article L. 225-37-2 of the French Commercial Code.

7. Stock option and performance-based share allocation policy

The Board of Directors considers that share-related mechanisms, which also benefit other key functions of the Company, are particularly appropriate for the Executive Director, given the level of responsibility of this function and their ability to contribute directly to long-term corporate performance in a way that is aligned with shareholders' interests.

In the context of authorisations granted by the Shareholders' Meeting of 5 November 2015 (resolutions 22 and 23), the General Shareholders' Meeting has authorised the following external and internal performance conditions:

7.1 Allocation of stock options

All stock options under the plan are subject to an external performance condition and may be exercised depending on the positioning of the overall performance of the Pernod Ricard share (Total Shareholder Return) compared to the overall performance of a Panel of 12 peers

(see below). This condition will be assessed over a period of three years following allocation of the plan, and this three-year minimum performance assessment period will be maintained for all options allocated to the Executive Director during the term of his or her current mandate.

The number of options that may be exercised will be determined by the positioning of the overall performance of the Pernod Ricard share compared to that of the Panel over a period of three years, as follows:

- below the median (8th to 13th position), no options will be exercisable;
- at the median (7th position), 66% of the options will be exercisable;
- in 6th, 5th or 4th position, 83% of the options will be exercisable; and
- in 3rd, 2nd or 1st position, 100% of the options will be exercisable.

The Board of Directors has decided that, in addition to Pernod Ricard, the Panel shall comprise the following 12 companies: AB InBev, Brown Forman, Campari, Carlsberg, Coca-Cola, Constellation Brands, Danone, Diageo, Heineken, LVMH, PepsiCo and Rémy Cointreau.

The composition of the Panel may be modified depending on changes in the companies, particularly in the event of acquisition, absorption, dissolution, spin-off, merger or change of activity, subject to maintaining the overall consistency of the sample and enabling application of the external performance condition in accordance with the performance objective set on allocation.

Provided that the conditions are fulfilled, stock options may be exercised four years after their allocation and also for a period of four years.

7.2 Allocation of performance-based shares

Performance-based shares allocated have a vesting period of four years and are subject in their entirety and over a period of three financial years to:

- internal performance conditions representing, in value, 50% of the allocation of performance-based shares;
- internal and external performance conditions representing, in value, 50% of the allocation of performance-based shares.

As in the case of stock options, this three-year minimum performance assessment period will be maintained for all performance-based shares allocated to the Executive Director during the term of his or her current mandate.

Internal condition

The number of performance-based shares finally vested will be determined according to the ratio of achieved Group Profit from Recurring Operations, restated for currency effects and changes in the scope of consolidation, as compared to Group budgeted Profit from Recurring Operations over three consecutive financial years.

The number of performance-based shares is determined according to the following conditions:

- if the average level of achievement is 0.95 or below: no performance-based shares will be acquired;
- if the average level of achievement is between 0.95 and 1: the number of performance-based shares acquired is determined by applying the percentage of linear progression between 0 and 100%; and
- if the average level of achievement is 1 or more: 100% of performance-based shares will be vested.

Internal and external condition

The number of performance-based shares finally vested will be determined according to the internal performance condition defined above and will then be subject to the external performance condition applicable to stock options, as described in 7.1 "Allocation of stock options".

7.3 Maximum allocation amount

Throughout the current term of office of the Executive Director, the maximum annual allocation, in value, of stock options and performance-based shares allocated to the Executive Director may not represent more than 150% of their gross fixed annual compensation. This maximum allocation has been determined by taking into account:

- the practices of beverage sector companies (external condition panel) and the practices of CAC 40 companies;
- the demanding nature of the performance conditions of plans.

Furthermore, the maximum amount of stock options and performance-based shares allocated to the Executive Director may not represent more than 5% of the plan's total economic value (the plan's total economic value comprises all elements distributed). Lastly, and as indicated in the context of resolutions approved by the Shareholders' Meeting of 6 November 2015, the maximum amount of stock options and performance-based shares allocated to the Executive Director may not represent more than:

- 0.21% of the share capital on the date of allocation of the stock options (in accordance with the 23rd resolution);
- 0.06% of the share capital on the date of allocation of the performance-based shares (in accordance with the 22nd resolution).

7.4 Lock-in period

The Board of Directors requires the Executive Director:

- to retain in registered form until the end of their term of office a quantity of shares corresponding to:
 - in respect of stock options: 30% of the capital gain since acquisition, net of social security contributions and taxes, resulting from the exercise of the stock options, and
 - in respect of performance-based shares: 20% of the volume of performance-based shares that will actually be vested;
- to undertake to buy a number of additional shares equal to 10% of the performance-based shares vested at the time that the performance-based shares are actually vested;
- once the Executive Director holds a number of registered Company shares that correspond to more than three times their gross fixed annual compensation at that time, the above-mentioned obligation will be reduced to 10% for stock options and for performance-based shares and the Executive Director concerned will no longer be required to acquire additional shares. If, in the future, their registered holdings fall below the three-times ratio, the lock-in and acquisition requirements cited above will again apply.

7.5 Presence condition and termination of office

The definitive allocation is subject to a presence condition (at the date on which the options are exercised or the shares vested) for all beneficiaries including the Executive Director, with the exceptions specified in the

plan regulations (notably in cases of death or disability) or decided by the Board of Directors; in the case of the Executive Director, the Board of Directors may decide to remove the presence condition *prorata temporis* where appropriate, issuing a notification of and justification for any such decision. The stock options and performance-based shares held shall remain subject to all applicable plan regulations, particularly with regard to the calendar and performance conditions.

7.6 Hedging

In accordance with the Code of Conduct approved by the Board of Directors and the AFEP-MEDEF Code, the Executive Director is formally committed to refrain from using hedging mechanisms for any stock options and performance-based shares received from the Company.

8. Policy on deferred commitments

8.1 Imposed departure clause

A maximum allowance of 12 months' compensation (last fixed and variable annual compensation, determined by the Board of Directors) would be paid under performance conditions in the event of imposed departure as a result of a change in the Group's control or strategy; however, there would be no payment in the event of i) non-renewal of their term of office, ii) departure initiated by the Executive Director, iii) a change of functions within the Group or iv) if they are able to benefit in the near future from their pension rights.

The imposed departure clause is subject to the following three performance criteria:

- 1st criterion: bonus rates achieved over the term(s) of office: Criterion number 1 will be considered as met if the average bonus paid over the entire length of the term(s) of office is no less than 90% of the target variable compensation;
- 2nd criterion: growth rate of Profit from Recurring Operations over the term(s) of office: criterion number 2 will be considered as met if the average growth rate of Profit from Recurring Operations vs budget of each year over the entire length of the term(s) of office is more than 95% (adjusted from foreign exchange and scope impacts);
- 3rd criterion: average sales growth over the term(s) of office: criterion number 3 will be considered as met if the average sales growth over the entire length of the term(s) of office is greater than or equal to 3% (adjusted from foreign exchange and scope impacts).

The amount of the compensation paid under the imposed departure clause is calculated as follows:

- if all three criteria are met, payment of 12 months' compensation ⁽¹⁾;
- if two of the three criteria are met: payment of eight months' compensation ⁽¹⁾;
- if one of the three criteria is met: payment of four months' compensation ⁽¹⁾;
- if no criterion is met: no compensation paid.

(1) Last fixed and variable annual compensation determined by the Board of Directors.

8.2 Non-compete clause

The signing of this non-compete clause for a period of one year is intended to protect the Group by preventing of the Executive Director to perform duties for a competitor, in return for an allowance of 12 months' compensation (last fixed and variable annual compensation, determined by the Board of Directors). It is a protection mechanism for the Company. In accordance with the AFEP-MEDEF Code, a provision authorises the Board of Directors to waive the application of this clause when the Executive Director leaves.

In accordance with the AFEP-MEDEF Code, the overall amount of the non-compete clause and the imposed departure clause will be capped at (sum of both clauses) 24 months' compensation (fixed + variable).

Pursuant to the regulated agreements and commitments procedure, these commitments were approved by the Shareholders' Meeting of 17 November 2016 (5th resolution).

9. Supplementary pension scheme

In return for the removal of the defined-benefit supplementary pension scheme determined by the Board of Directors on 31 August 2016 and approved by the Shareholders' Meeting of 17 November 2016, the Board of Directors, on the recommendation of the Compensation Committee, has decided, insofar as the Executive Director should be personally responsible for establishing their own supplementary pension, to award the Executive Director additional annual compensation equal to 10% of their fixed and variable annual compensation paid each year from 2017:

- half (i.e. 5%) in the form of the allocation of performance-based shares, the number of which will be determined based on the IFRS value of shares when the allocation occurs, which must be approved by the Board of Directors each year. The conditions relating to performance, continuous service and holding that will apply to these allocations will be the same as those outlined under the allocation of Group performance-based shares plan in effect on the grant date; and
- half (i.e. 5%) in cash.

It is specified that the Executive Director will undertake to invest the cash component of this additional compensation he may receive, net of social security contributions and tax, in investment vehicles dedicated to financing his supplementary pension.

Contract of employment/term of office (Table 11 AMF nomenclature)

Executive Directors	Contract of employment		Supplementary defined-benefit pension scheme		Indemnities or benefits due or liable to be due by virtue of termination or change of his or her duties		Indemnities relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Mr Alexandre Ricard, Chairman and CEO ⁽¹⁾		X		X	X		X	

(1) Mr Alexandre Ricard resigned from his contract of employment on 11 February 2015, when he was appointed Chairman and CEO. Before this, his contract of employment with Pernod Ricard had been suspended since 29 August 2012.

10. Other benefits

10.1 Company car

For fulfilling their duties as a representative of the Company, the Executive Director has a company car. Insurance, maintenance and fuel costs are borne by the Company. The Executive Director is also entitled to the services of a chauffeur.

10.2 Collective healthcare and welfare schemes

The Executive Director enjoys the benefit of the collective healthcare and welfare schemes offered by the Company under the same terms as those applicable to the category of employees to which they belong for the determination of their welfare benefits and other additional elements of their compensation.

Pursuant to the regulated agreements and commitments procedure, this commitment was approved by the Shareholders' Meeting of 17 November 2016 (5th resolution).

Summary of elements of compensation due or granted to Mr Alexandre Ricard, Chairman and CEO, for the financial year

Summary table of compensation paid and options and shares granted to Mr Alexandre Ricard (Table 1 AMF nomenclature)

<i>in euros</i>	2015/16	2016/17
Compensation due for the financial year	1,833,649	2,193,075
Value of multi-year variable compensation allocated during the financial year	N/A	N/A
Value of options granted during the financial year	332,028	476,652
Value of performance-based shares allocated during the financial year	593,290	947,472
TOTAL	2,758,967	3,617,199

N/A: not applicable.

Summary table of compensation paid to Mr Alexandre Ricard (by the Company and the controlled companies as defined by article L. 233-16 of the French Commercial Code and the controlling company or companies) – (Table 2 AMF nomenclature)

<i>in euros</i>	2015/16		2016/17	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	950,000	950,000	950,000	950,000
Variable annual compensation ⁽¹⁾	913,900	883,649	1,243,075	913,900
Multi-year variable compensation	N/A	N/A	N/A	N/A
Special bonus	N/A	N/A	N/A	N/A
Directors' fees	N/A	N/A	N/A	N/A
Benefits in kind ⁽²⁾	3,260	3,260	4,110	4,110
TOTAL	1,867,160	1,836,909	2,197,185	1,868,010

N/A: not applicable

(1) The variable compensation due in year N-1 is paid in year N.

(2) Company car.

Stock options granted to Mr Alexandre Ricard by the Company and any Group companies during the financial year (Table 4 AMF nomenclature)

	Date of plan	Type of options (purchase or subscription)	Value of shares according to the method used for the consolidated financial statements (IFRS)	Number of options granted during the financial year	Strike price	Performance conditions	Exercise period
Financial year 2016/17	17.11.2016	Purchase	€476,652	31,400	€105.81	Positioning of the overall performance of the Pernod Ricard share compared to the overall performance of a Panel of 12 companies over three years	From 18.11.2020 to 17.11.2024

Stock options exercised by Mr Alexandre Ricard during the financial year (Table 5 AMF nomenclature)

Date of plan	Number of options exercised during the financial year	Strike price
Mr Alexandre Ricard exercised no options during the financial year 2016/17		

Performance-based shares granted to Mr Alexandre Ricard by the Company and any Group companies during the financial year (Table 6 AMF nomenclature)

Date of plan	Number of shares granted during the financial year	Value of shares according to the method used for the consolidated financial statements (IFRS)	Acquisition date	Vesting date	Performance conditions
17.11.2016	5,000	€474,250	18.11.2020	18.11.2020	Average ratio of achievement of the Group budgeted Profit from Recurring Operations.
17.11.2016	8,200	€473,222	18.11.2020	18.11.2020	* Average ratio of achievement of the Group budgeted Profit from Recurring Operations. * Positioning of the overall performance of the Pernod Ricard share compared to the overall performance of a Panel of 12 companies over three years.

Performance-based shares vested to Mr Alexandre Ricard during the financial year (Table 7 AMF nomenclature)

Date of plan	Number of shares vested during the financial year	Terms of acquisition
06.11.2013	0 ⁽¹⁾	Achievement of Group budgeted Profit from Recurring Operations in N and N+1 * Stock market performance of Pernod Ricard shares (TSR) compared with that of the Food & Beverage Eurostoxx 600 index over 3 years

(1) External performance condition not achieved: no action acquired.

COMPENSATION ELEMENTS DUE OR GRANTED IN RESPECT OF THE 2016/17 FINANCIAL YEAR TO MR ALEXANDRE RICARD, CHAIRMAN & CEO, SUBMITTED TO THE SHAREHOLDERS' ADVISORY VOTE

In accordance with the recommendations of the AFEP-MEDEF Code revised in November 2016 (article 24.3), to which the Company refers in line with article L. 225-37 of the French Commercial Code, the following elements of compensation due or granted to each of the Company's Executive Directors in respect of the previous financial year are submitted to the shareholders' advisory vote:

- the fixed portion;
- the annual variable portion and, if applicable, any multi-year variable portion with objectives contributing to the determination of this variable portion;
- special bonuses;
- stock options, performance-based shares and any other element of long-term compensation;
- welcome bonus or compensation for termination of service;
- supplementary pension schemes;
- any other benefits.

Consequently, the Shareholders' Meeting of 9 November 2017 (in its **11th resolution**) is called upon to give **a favourable opinion on the following elements of compensation due or granted in respect of the 2016/17 financial year to Mr Alexandre Ricard, Chairman and CEO:**

Elements of compensation	Amounts	Remarks
Fixed compensation	€950,000	<ul style="list-style-type: none"> At its meeting held on 31 August 2016, the Board of Directors, on the recommendation of the Compensation Committee, decided to maintain the amount of Mr. Alexandre Ricard's gross annual fixed compensation at €950,000 for the 2016/17 financial year.
Variable compensation	€1,243,075	<ul style="list-style-type: none"> At its meeting held on 30 August 2017, the Board of Directors, on the recommendation of the Compensation Committee and after approval of the financial elements by the Audit Committee, assessed the amount of the variable portion of Mr Alexandre Ricard's compensation for the 2016/17 financial year. Considering the quantitative and qualitative criteria set by the Board meetings on 31 August 2016 and 18 October 2016 and the achievements recognized as of 30 June 2017, the amount of the variable portion was evaluated as follows: <ul style="list-style-type: none"> as per the quantitative criteria, the variable portion amounted to 93.85% of Mr. Alexandre Ricard's annual fixed compensation, versus a target at 80% and a maximum at 150%, evaluated as follows: <ul style="list-style-type: none"> achievement of the budgeted Profit from Recurring Operations (target 30%, maximum 55%): 31.01%, achievement of the budgeted Group Net Profit from Recurring Operations (target 20 %, maximum 40%): 22.84%, deleveraging (net debt/EBITDA) (target 30%, maximum 55%): 40%; as per the qualitative criteria, the amount decided by the Board of Directors was 37% of Mr. Alexandre Ricard's annual fixed compensation, versus a target at 30% with possibility of exceeding up to 45% maximum, consisting of : <ul style="list-style-type: none"> Continued improvement of the Group' performance in the USA and successfully rollout the new organization: <ul style="list-style-type: none"> 6% Target – 9% Maximum Achieved: 7% - Growth of Profit from Recurring Operations in excess of budget and new organisation implemented Improvement of the Group's performance in China and enforcement of the new portfolio and sales approach: <ul style="list-style-type: none"> 6% Target – 9% Maximum Achieved: 7% - Growth of Profit from Recurring Operations in excess of budget and successful rollout of the new sales & marketing approach on premium brands Implementation of the operational efficiency plan: <ul style="list-style-type: none"> 6% Target – 9% Maximum Achieved: 8% - Accelerated implementation of the roadmap and development of new initiatives, such as promotional effectiveness and brand equity monitoring Secure a high level of staff engagement: <ul style="list-style-type: none"> 6% Target – 9% Maximum Achieved: 8% - Employee Engagement Rate rising (measured every two years through an internal survey) and higher than FMCG benchmarks (engagement rate of 88%) Play an instrumental role in the Group's Corporate Social Responsibility policy: <ul style="list-style-type: none"> 6% Target – 9% Maximum Achieved: 7% - A leading contributor in defining the implementation framework of the United Nations Sustainable Development Goals - Taking a leading and active role through the International Alliance for Responsible Drinking (IARD) Spearheading Responsib'ALL Day and ensuring employees and senior management engagement and commitment. In any case, the variable compensation (quantitative + qualitative criteria) may not exceed 180% of the fixed compensation. Consequently, the total amount of Mr Alexandre Ricard's variable compensation for the 2016/17 financial year as Chairman & CEO was set at €1,243,075, i.e. 130.85% of his annual fixed compensation for 2016/17 (versus a target of 110% and a maximum of 180%). The variable compensation in respect of the 2015/16 and 2014/15 financial years respectively represented 96.20% and 105.55% of his annual fixed compensation.
Multi-year variable compensation	N/A	<ul style="list-style-type: none"> Mr Alexandre Ricard does not qualify for any multi-year variable compensation.
Directors' fees	N/A	<ul style="list-style-type: none"> As an Executive Director of the Company, Mr Alexandre Ricard does not receive any Directors' fees.

N/A = Not applicable.

Elements of compensation	Amounts	Remarks
Special bonus	N/A	<ul style="list-style-type: none"> ■ Mr Alexandre Ricard does not qualify for any special bonus.
Allocation of stock options and/or performance-based shares	<p>€476,652 (total IFRS value of stock options with external performance condition)</p> <p>€474,250 (total IFRS value of performance-based shares with internal performance condition)</p> <p>€473,222 (IFRS value of performance-based shares with internal and external performance conditions)</p>	<ul style="list-style-type: none"> ■ During the 2016/17 financial year, the Board of Directors' meeting held on 17 November 2016 decided, on the recommendation of the Compensation Committee, to grant Mr Alexandre Ricard: <ul style="list-style-type: none"> – 31,400 stock-options (i.e. approx. 0.012% of the Company's share capital) all subject to the external performance conditions specified above in subsection 7.1 – <i>Allocation of stock options</i>. – 5,000 performance-based shares (i.e. approx. 0.002% of the Company's share capital) all subject to the internal performance condition specified above in subsection 7.2 – <i>Allocation of performance-based shares</i>. – 8,200 performance-based shares (i.e. approx. 0.003% of the Company's share capital) all subject to the internal and external performance conditions specified above in subsection 7.1 – <i>Allocation of stock options</i> and subsection 7.2 – <i>Allocation of performance-based shares</i>. ■ The same presence condition applies to Mr Alexandre Ricard and the other beneficiaries of the allocation plan. ■ It is noted that the Executive Director is required to retain shares resulting from the exercise of stock options and the effective transfer of performance-based shares (see below subsection 7 – <i>Stock option and performance-based share allocation policy</i> of the "Management Report").
Welcome bonus or compensation for termination of office	No payment	<ul style="list-style-type: none"> ■ Mr Alexandre Ricard, as Chairman & CEO, benefits from: <ul style="list-style-type: none"> – a one-year non-compete clause specified above in subsection 8.2 – <i>Non-compete clause</i> – an imposed departure clause specified above in subsection 8.1 – <i>Imposed departure clause</i> (corresponding to a maximum of 12 months of compensation) ■ In accordance with the AFEF-MEDEF Code, the overall amount of the non-compete clause and the imposed departure clause will be capped at (sum of both clauses) 24 months' compensation (fixed + variable). ■ Pursuant to the regulated agreements and commitments procedure, the items above were approved by the Shareholders' Meeting held on 17 November 2016 (5th resolution).

N/A = Not applicable.

Elements of compensation	Amounts	Remarks
Supplementary pension scheme	€2,668,000 (total IFRS value of bonus shares with presence condition)	<ul style="list-style-type: none"> ■ The Board of Directors, on 31 August 2016, following the recommendation of the Compensation Committee, decided to remove the benefit of the defined-benefit supplementary pension scheme, as from the renewal of Mr Alexandre Ricard's term of office as Executive Director that have been submitted to the Board of Directors' meeting held at the close of the Shareholders' Meeting of 17 November 2016. ■ As compensation for the removal of the benefit of the defined-benefit supplementary pension scheme and in order to take account that Mr Alexandre Ricard must now personally set up his supplementary pension, the Board of Directors on 31 August 2016, following the recommendation of the Compensation Committee, decided to compensate Mr Alexandre Ricard by the exceptional allocation of bonus shares. ■ In view of the renewal of the term of office of the Executive Director and the approval by the Shareholders' Meeting of the 16th resolution relating to the exceptional allocation of bonus shares, the Board of Directors' meeting held on 17 November 2016, at the close of the Shareholders' Meeting, confirmed for the benefit of Mr Alexandre Ricard the exceptional and free allocation of 26,968 shares whose final vesting, subject to a presence condition, will be allocated in instalments over a period of three years (8,989 shares in November 2017, 8,989 shares in November 2018 and 8,990 shares in November 2019). ■ As this allocation is intended to partially compensate the rights acquired under the defined-benefit supplementary pension scheme, which no longer benefits the Executive Director, the Board of Directors, following the recommendation of the Compensation Committee, decided not to submit these shares to performance criteria. However, the Board of Directors imposed a presence condition by extending their final vesting period over three years. ■ At the end of the vesting period, the shares will all be subject to a two years lock-in period. The Board of Directors has decided a compensation only in Company's shares in order to ensure that the Executive Director's interests are fully in line with those of the shareholders. ■ As for allocations of performance-based share, Mr Alexandre Ricard is subject to shares lock-in obligations (see subsection 7.4 – <i>Lock-in period</i>).
Collective healthcare and welfare schemes		<ul style="list-style-type: none"> ■ Mr Alexandre Ricard qualifies for the collective healthcare and welfare schemes offered by the Company under the same terms as those applicable to the category of employees to which he belongs for the determination of his welfare benefits and other additional elements of his compensation.. ■ In accordance with the regulated agreements and commitments procedure, the items above were approved by the Shareholders' Meeting of 17 November 2016 (5th resolution).
Other benefits	€4,110	<ul style="list-style-type: none"> ■ Mr Alexandre Ricard benefits from a company car.

OTHER ASPECTS OF THE COMPENSATION POLICY

Overall stock option and performance-based share allocation policy

During the 2016/17 financial year, the Board of Directors reaffirmed its desire to give the Group's key personnel an interest in the performance of Pernod Ricard shares, and during its meeting of 17 November 2016, it decided to introduce a combined allocation plan made up of stock options and performance-based shares.

The Board's aim is therefore to continue to align the interests of Pernod Ricard employees with those of the shareholders, by encouraging them to hold shares of the Company.

As in the past, more than 1,000 employees were rewarded, so that the Company could target not only Senior Managers but also foster the loyalty of young Managers with potential (identified as "talents") in the Group's affiliates worldwide.

The 17 November 2016 allocation plan consists of stock options with performance conditions and performance-based shares.

The Board of Directors confirmed the following plan features on the recommendation of the Compensation Committee:

- subject all allocations (stock options and performance-based shares) to performance criteria;
- retain the external performance criterion applicable to stock options and a portion of the performance-based shares allocated to the Executive Director: positioning of the overall performance of Pernod Ricard shares compared to the overall performance of a panel of 12 comparable companies over three years, only considering positioning on the median or higher;
- retain the internal performance criterion applicable to performance-based shares, *i.e.* the average level of achievement of annual objectives of profit from recurring operations, assessed over three consecutive financial years;
- maintain a mixed award between stock options and performance-based shares for Executive Committee members, including the Executive Director, thereby allowing for a fair reward for achieving internal and external criteria;
- maintain performance-based share awards for all beneficiaries, with the number of shares varying depending on the classification of the beneficiary's position within the Group.

Allocation of stock options with external performance conditions

The volume of performance-based stock options allocated by the Board of Directors' meeting of 17 November 2016 stood at 150,008 stock options.

All of the stock options under the plan are subject to an external performance condition and will become exercisable from November 2020 depending on the positioning of the overall performance of Pernod Ricard shares compared to the overall performance of a panel of 12 comparable companies. This condition will be evaluated over a three-year period following the plan allocation, *i.e.* from 17 November 2016 to 17 November 2019 inclusive.

The number of shares that will ultimately be granted will be determined by comparing the performance of the Pernod Ricard share and the overall performance of a Panel from 17 November 2016 to 17 November 2019 inclusive (three years). Therefore, if the overall performance of the Pernod Ricard share (TSR) is:

- below the median (8th to 13th position), no options will be exercisable;
- at the median (7th position), 66% of the options will be exercisable;
- in 6th, 5th or 4th position, 83% of the options will be exercisable; and
- in 3rd, 2nd or 1st position, 100% of the options will be exercisable.

At the grant date, the Board of Directors decided that the Panel shall comprise, in addition to Pernod Ricard, the following 12 companies: Diageo, Brown Forman, Rémy Cointreau, Campari, Constellation Brands, AB InBev, LVMH, Heineken, Carlsberg, Coca-Cola, PepsiCo and Danone.

The Panel's composition is subject to change, based on the above-mentioned companies' development. The Board of Directors shall, with a duly reasoned decision and following the recommendation of the Compensation Committee, exclude a company from or add a new company to the Panel, especially in the case of an acquisition, absorption, dissolution, spin-off, merger or change of business of one or more of the Panel's members, subject to maintaining the overall consistency of the Panel and enabling the application of the external performance condition in line with the performance objective set upon allocation.

The vesting period for the options is four years followed by an exercise period of four years.

Allocation of performance-based shares with internal and external performance conditions

The volume of performance-based shares with internal and external performance conditions allocated by the Board of Directors' meeting of 17 November 2016 was 8,200 shares.

All of the performance-based shares under the plan are subject to internal and external performance conditions and will be vested from November 2020 depending on the internal performance condition over three consecutive financial years (2016/17, 2017/18 and 2018/19) (see below) and the positioning of the overall performance of Pernod Ricard shares compared to the overall performance of a Panel of 12 comparable companies (see above). This external condition will be evaluated over a three-year period following the plan allocation, *i.e.* from 17 November 2016 to 17 November 2019 inclusive.

The volumes subject to the external performance condition will be those determined at the close of the 2018/19 accounts after applying the internal condition. The final volumes will be calculated at the end of the evaluation period for the external condition in accordance with subsection 7.1 – *Allocation of stock options*.

Allocation of performance-based shares with internal condition

A total of 453,176 performance-based shares were awarded by the Board of Directors on 17 November 2016 subject to the internal performance condition described below.

The number of performance-based shares that will ultimately be granted will be determined based on the ratios of achievement of Group Profit from Recurring Operations, restated for currency effects and changes in the scope of consolidation as compared to the Group budgeted Profit from Recurring Operations over three consecutive financial years.

The number of performance-based shares is determined according to the following conditions:

- if the average level of achievement is 0.95 or below: no performance-based shares will be acquired;
- if the average level of achievement is between 0.95 and 1: the number of performance-based shares acquired is determined by applying the percentage of linear progression between 0 and 100%; and
- if the average level of achievement is 1 or more: 100% of performance-based shares will be vested.

Performance-based shares allocated to all beneficiaries have a four-year vesting period, without a lock-in period.

In addition, beneficiaries must still be part of the Group on the vesting date, except in the case of retirement, death or invalidity.

History of allocations of stock options – Situation at 30 June 2017

(Table 8 AMF nomenclature)

	Plan dated 24.06.2010	Plan dated 15.09.2010	Plan dated 15.06.2011	Plan dated 27.06.2012	Plan dated 06.11.2013	Plan dated 06.11.2015	Plan dated 17.11.2016
Date of authorisation by Shareholders' Meeting	02.11.2009	02.11.2009	02.11.2009	02.11.2009	09.11.2012	06.11.2015	17.11.2016
Date of Board of Directors' meeting	24.06.2010	01.09.2010	15.06.2011	27.06.2012	06.11.2013	06.11.2015	17.11.2016
Type of options	Purchase	Purchase	Purchase	Purchase	Purchase	Purchase	Purchase
Total number of options that can be subscribed or purchased	901,603	70,000	948,050	415,400	349,640	278,575	150,008
of which by Executive Directors of Pernod Ricard SA	11,016	70,000	77,450	71,000	51,700	28,200	39,445
of which by Mr Pierre Pringuet ⁽¹⁾	-	70,000	65,220	60,000	26,000	N/A	N/A
of which by Mr Alexandre Ricard ⁽²⁾	N/A	N/A	N/A	N/A	16,500	20,700	31,400
of which by Mr César Giron	11,016	-	12,230	11,000	9,200	7,500	8,045
Commencement date for exercise of options	25.06.2014	16.09.2014	16.06.2015	28.06.2016	07.11.2017	07.11.2019	18.11.2020
Expiry date	24.06.2018	15.09.2018	15.06.2019	27.06.2020	06.11.2021	06.11.2023	17.11.2024
Subscription or purchase price (€)	64.00	64.00	68.54	78.93	88.11	102.80	105.81
Number of shares subscribed or purchased	557,159	2,500	448,269	-	-	-	-
Total number of stock options cancelled or lapsed ⁽³⁾	52,503	-	52,852	415,400	349,640	600	-
of which allocated to Mr Pierre Pringuet ⁽¹⁾	-	-	978	60,000	26,000	N/A	N/A
of which allocated to Mr Alexandre Ricard ⁽²⁾	N/A	N/A	N/A	N/A	16,500	-	-
of which allocated to Mr César Giron	-	-	138	11,000	9,200	-	-
Subscription or purchase options remaining	291,941	67,500	446,929	-	-	277,975	150,008

N/A: Not applicable.

(1) Only options cancelled or allocated to Mr Pierre Pringuet in his capacity as an Executive Director (i.e. until 11 February 2015) are cited.

(2) Only options cancelled or allocated to Mr Alexandre Ricard in his capacity as an Executive Director (i.e. from 29 August 2012) are cited.

(3) Options cancelled after the beneficiaries failed to meet the continuous service and/or performance conditions.

On 30 June 2017, 1,234,353 options (all for share purchases) were in circulation, corresponding to approximately 0.47% of the Company's share capital; all these options were "in the money" (at the Pernod Ricard share closing price on 30 June 2017 = €117.25).

At present, there are no Pernod Ricard "subscription" stock options in circulation.

History of allocations of performance-based shares – Situation as at 30 June 2017

(Table 10 AMF nomenclature)

	Plan dated 06.11.2013	Plan dated 06.11.2014	Plan dated 06.11.2015	Plan dated 17.11.2016
Date of authorisation by Shareholders' Meeting	09.11.2012	06.11.2014	06.11.2015	17.11.2016
Date of Board of Directors' meeting	06.11.2013	06.11.2014	06.11.2015	17.11.2016
Number of performance-based shares allocated	570,880	583,240	418,923	461,376
of which to Executive Directors of Pernod Ricard SA	17,550	34,000	10,650	15,815
of which to Mr Pierre Pringuet ⁽¹⁾	9,500	18,200	N/A	N/A
of which to Mr Alexandre Ricard ⁽²⁾	6,100	11,600	8,500	13,200
of which to Mr César Giron	1,950	4,200	2,150	2,615
Vesting date of the performance-based shares	07.11.2016 (FRA) 07.11.2017 (ROW)	07.11.2018	07.11.2019	18.11.2020
End date for share lock-in period	07.11.2018 (FRA) 07.11.2017 (ROW)	07.11.2018	07.11.2019	18.11.2020
Presence of performance condition	Yes	Yes	Yes	Yes
Number of performance-based shares cancelled ⁽³⁾	263,543	183,997	30,820	5,310
of which allocated to Mr Pierre Pringuet ⁽¹⁾	9,500	4,004	-	-
of which allocated to Mr Alexandre Ricard ⁽²⁾	6,100	2,552	-	-
of which allocated to Mr César Giron	585	924	-	-
Vested performance-based shares ⁽⁴⁾	74,038	-	-	-
Unvested performance-based shares ⁽⁵⁾	233,299	399,243	388,103	456,066

N/A: not applicable.

All performance-based shares are subject to performance conditions and the beneficiaries must still be working for the Company. Performance-based shares become available after four or five years on condition that the beneficiaries are still working for the Company on the vesting date. The vesting period for the 2013 plan is three years for tax residents of France (FRA) (followed by a two-year lock-in period) and four years for non-tax residents of France (ROW) (no lock-in period). For plans from 2014 onwards, the vesting period is four years with no lock-in period for all beneficiaries.

(1) Only performance-based shares cancelled or allocated to Mr Pierre Pringuet in his capacity as an Executive Director (i.e. until 11 February 2015) are cited.

(2) Only performance-based shares cancelled or allocated to Mr Alexandre Ricard in his capacity as an Executive Director (i.e. from 29 August 2012) are cited.

(3) Performance-based shares cancelled after the beneficiaries ceased to meet the continuous service condition (through resignation or redundancy) or failed to meet the performance conditions for the 2013 and 2014 Plans.

(4) Allocated shares that were vested and transferred to the beneficiaries.

(5) For the November 2013 plan: performance-based shares allocated to beneficiaries who are not tax residents of France with a transfer date of 7 November 2017. For the November 2014 plan, the performance condition was evaluated in full. For the November 2015 and November 2016 plans, it will only be recognised at the close of the 2017/18 and 2018/19 financial years respectively.

Stock options granted to the Group's top ten employees other than Executive Directors and options exercised by the Group's top ten employees other than Executive Directors during the 2016/2017 financial year (Table 9 AMF nomenclature)

	Number of options allocated/shares subscribed or purchased	Weighted average price (€)	Plans
Options granted during the financial year by the Company and any companies within its Group granting options to the top ten employees of the Company and any such Group company, receiving the highest number of options ⁽¹⁾	54,248	105.81	17.11.2016
Options exercised during the financial year by the top ten employees of the Company and all companies within its Group granting options, with the highest number of options thus exercised	79,247	66.36	24.06.2010/ 15.06.2011

(1) During the financial year 2016/17, only seven persons within Pernod Ricard SA were affected by these allocations.

Pernod Ricard has not issued any other option instruments granting access to shares reserved for its Executive Directors or the top employees of the Company and all companies within its Group granting options.

Employee profit-sharing plans

All employees of the Group's French companies are eligible for profit-sharing and incentive agreements based on the results of each specific entity. In line with the Group's decentralised structure, the terms and conditions of each of these agreements are negotiated at the level of each entity concerned.

Similarly, outside France, the Group encourages all affiliates to implement local agreements enabling employees to share in the profits of the entity to which they belong.

Profit-sharing agreements of this type exist in countries including Ireland and the United Kingdom: in each of these countries, employees may potentially receive Pernod Ricard shares based on their entity's annual results.

Provisions for pension benefits

Details of the total amount of provisions recorded or otherwise recognised by the Company for the payment of pensions are set out in Note 4.7 – *Provisions* of the Notes to the consolidated financial statements.

Compensation of Executive Committee members

The members of the Compensation Committee are kept regularly informed of changes in the compensation given to members of the Executive Committee.

In regularly reviewing the various aspects of compensation, the members of the Compensation Committee pay particular attention to ensuring that the policy applied to the Group's Executive Director is consistent with

the policy applied to the members of the Group's Senior Management both in France and internationally.

The compensation of the members of the Executive Board (excluding the Chairman & CEO), which is set by General Management, comprises a fixed annual portion, plus a variable portion representing an attractive incentive, for which the criteria are largely based on the Group's financial performance and debt reduction, as is the case for the Executive Director. Qualitative criteria to evaluate individual performance are also applied to this variable financial portion.

The Chairmen of the Group's direct affiliates, who are members of the Executive Committee, also receive compensation comprising a fixed portion, which is set in proportion to individual responsibilities, plus a variable portion, for which the quantitative criteria depend firstly on the financial performance of the entity they manage and secondly on the Group's results, with a view to strengthening solidarity and collegiality. The Chairmen are also evaluated using individual qualitative criteria.

The same performance indicators thus apply to the key players in the Group's business development, through the structure of and the method for evaluating the variable portion of their annual compensation.

For a number of years, all members of the Executive Committee, including the Chairman & CEO, have also been evaluated on the basis of their employee development and management performance and the implementation of Sustainability & Responsibility (S&R) projects.

The total amount of the fixed compensation allocated for the 2016/17 financial year to the members of the Executive Committee, including the Executive Director, stood at €7.5 million (vs. €7.6 million in 2015/16). In addition to this, variable compensation of €4.8 million (variable portion calculated for 2015/16) was also paid (vs. €5.1 million in 2015/16).

The total recurring expense in respect of pension commitments for members of the Executive Committee, including the Executive Director, was €2.6 million in the financial statements for the year ended 30 June 2017 (compared with €4.3 million as at 30 June 2016).

TRANSACTIONS INVOLVING PERNOD RICARD SHARES
MADE BY DIRECTORS IN THE 2016/2017 FINANCIAL YEAR
(ARTICLE 223-26 OF THE AMF GENERAL REGULATIONS)

First name, surname, Company name	Function	Financial instrument	Type of transaction	Date	Price (€)	Amount of transaction (€)
Mr Alexandre Ricard	Chairman & CEO	Shares	Acquisition	09.11.2016	103.50	1,449
		Shares	Acquisition	29.11.2016	97.9575	783,660
		Fund units invested in Pernod Ricard shares	Disposal	16.06.2017	50.169	80,371
Mr César Giron	Director	Shares	Disposal	07.09.2016	106.90	365,705
		Shares	Disposal	15.05.2017	120.25	128,427
Mr Paul-Charles Ricard	Permanent representative of Société Paul Ricard, Director	Shares	Acquisition	12.09.2016	103.15	79,941
		Shares	Acquisition	13.09.2016	103.00	15,141
Ms Veronica Vargas	Director	Shares	Acquisition	18.07.2016	99.49	139,286
Le Delos Invest II	Legal entity linked to Mr Alexandre Ricard, Chairman & CEO	Stock options	Transfer of stock put options	18.07.2016	0.9044	247,520
		Shares	Acquisition	30.09.2016	103.9432	203,833
		Shares	Acquisition	04.11.2016	104.5151	12,161,482
		Shares	Acquisition	07.11.2016	104.9651	2,768,559
		Shares	Acquisition	09.11.2016	104.0631	10,512,975
		Shares	Acquisition	10.11.2016	102.2959	10,996,809
Le Delos Invest II SA	Legal entity associated with Société Paul Ricard, Director	Shares	Acquisition	28.11.2016	97.6612	111,822,074
		Forward financial instrument	Forward financial instrument	28.11.2016	N/A	N/A
		Shares	Pledge of shares	28.11.2016	N/A	N/A
		Shares	Acquisition	02.12.2016	95.9403	1,054,768

N/A: Not applicable.

DIRECTORS' EQUITY INVESTMENTS IN THE SHARE CAPITAL OF THE COMPANY (POSITION AT 30 JUNE 2017)

Members of the Board of Directors	Number of shares at 30.06.2017	Percentage of share capital at 30.06.2017	Number of voting rights at 30.06.2017	Percentage of voting rights at 30.06.2017
Executive Directors				
Mr Alexandre Ricard (Chairman & CEO)	57,556	0.02%	57,556	0.02%
Mr Pierre Pringuet (Vice Chairman of the Board of Directors)	380,088	0.14%	480,592	0.16%
Directors				
Mr César Giron	5,587	N.M.	5,587	N.M.
Ms Martina Gonzalez-Gallarza	1,100	N.M.	1,100	N.M.
Société Paul Ricard ⁽¹⁾ represented by Mr Paul-Charles Ricard	37,686,104	14.20%	60,834,658	19.76%
Mr Paul-Charles Ricard	182,226	0.069%	322,457	0.105%
Ms Veronica Vargas	6,820	N.M.	6,820	N.M.
Independent Directors				
Ms Nicole Bouton	1,150	N.M.	1,150	N.M.
Mr Wolfgang Colberg	1,076	N.M.	1,076	N.M.
Mr Ian Gallienne	1,000	N.M.	1,000	N.M.
Ms Anne Lange	100	N.M.	100	N.M.
Mr Gilles Samyn	1,000	N.M.	1,000	N.M.
Ms Kory Sorenson	1,000	N.M.	1,000	N.M.
Employee Director ⁽²⁾				
Mr Sylvain Carré	-	N.M.	-	N.M.
Mr Manousos Charkoftakis	50	N.M.	50	N.M.

N.M.: Not material.

(1) This includes the shares held by Société Paul Ricard and by Le Garlaban, Le Delos Invest I, Le Delos Invest II and Le Delos Invest III (the 8,392,096 Pernod Ricard shares held by Le Delos Invest III were transferred as collateral for the full performance of its obligations under the terms of a financial futures contract entered into on 10 April 2009), related to Société Paul Ricard as defined in article L. 621-18-2 of the French Monetary and Financial Code.

(2) In accordance with the law, Directors representing employees are not obliged to hold a minimum number of shares of the Company.

RISK MANAGEMENT

INTRODUCTION

Pernod Ricard faces a range of internal and external risks that may affect the achievement of its objectives. The main risks to which the Group considers itself to be exposed at this date of this document are set out below.

In view of these risks, Pernod Ricard has implemented a system of internal control and risk management to better forecast and control them. The principles and procedures of internal control and risk

management are described in Section 2 “Corporate governance and internal control” of this document, in the report of the Chairman of the Board of Directors on internal control and risk management. As part of the Group’s decentralised structure, each function and each affiliate contributes on an ongoing basis the smooth running and improvement of this system. The coverage and insurance implemented by the Group to counter these risks is shown below.

In the future, it may be the case that other risks not currently known or considered as insignificant could negatively affect the Group.

SUMMARY OF THE MAIN RISK FACTORS TO WHICH PERNOD RICARD CONSIDERS ITSELF EXPOSED AT THE DATE OF THIS REGISTRATION DOCUMENT

Risks relating to business activities	<ul style="list-style-type: none"> Risks relating to the global economic environment and location Risks relating to further consolidation in the Wines & Spirits segment Image risks relating to product quality Risks relating to competition Risks relating to innovation and consumer expectations Risks relating to employees Risks relating to information systems Risks relating to raw materials and energy prices Risks relating to external growth operations Risks relating to seasonal trends
Industrial and environmental risks	<ul style="list-style-type: none"> Risks relating to industrial sites and inventory management Risks for consumers Industrial and environmental risks
Legal and regulatory risks	<ul style="list-style-type: none"> Risks relating to changes in the regulatory environment Risks relating to Intellectual Property Risks relating to litigation
Financial risks	<ul style="list-style-type: none"> Risks relating to the Group’s indebtedness Market risks (currency and interest rates) Liquidity risks Counterparty risks in financial transactions Risks relating to the Group’s pension plans

RISKS RELATING TO BUSINESS ACTIVITIES

Risks relating to the global economic environment and location

The Group’s business is sensitive to general economic conditions in its key markets, in particular in the United States, China, India and France. In most countries, the consumption of Wines & Spirits, which is closely linked to the broader economic environment, tends to decline during periods of economic recession, unemployment, reductions in consumer spending, and increases in the cost of living.

Currency fluctuations against the euro may also impact the Group’s results. Due to the geographic distribution of its business activity, the Group is specifically exposed to fluctuations in the US dollar, the pound sterling and emerging market currencies against the euro (see “Analysis of business activity and results” in this management report).

In addition, Wines & Spirits consumers, including consumers of Pernod Ricard’s products, also have the option of trading down to less costly products (“standard” as opposed to “Premium” products), particularly during economic downturns or as a result of government measures as was the case on the Chinese market following the implementation of measures to dampen conspicuous consumption in 2013/14, which produced lower sales growth over several financial years.

Furthermore, the Group derives a considerable portion of its business (38% of sales in 2016/17) from emerging markets in Asia, Eastern Europe and Latin America (such as China, India, and Russia). Although any country in the world could be affected, the Group’s activities in emerging markets are more particularly exposed to political and economic risks, including risks resulting from regulatory changes, protectionist measures or changes in government or monetary policy. These risks specifically include risks stemming from exchange rate controls, inflation, problems with the repatriation of foreign earnings, dividends and investment capital, exchange rate fluctuations, changes in tax regimes, implementation of

restrictions on imports, and political instability. Moreover, the Group may find itself unable to defend its rights appropriately before the courts of some of these countries, particularly in litigation with the state or state-controlled entities (see “Risks relating to litigation” in this management report). In addition, acts of terrorism or a declaration of war, the impact on consumer sentiment and tourism from said acts, or any other adverse political event, or concerns relating to the threat of global pandemics could have a negative impact on consumers’ propensity to make purchases in the more expensive ranges of the Group’s key product categories, in Travel Retail and in other markets.

Such disruptions or other economic and political upheavals in the Group’s markets could spark heightened volatility in the Group’s sales, with a negative impact on its results and outlook in these markets.

The diverse geographical distribution of the Group’s businesses means that today it can seize every growth opportunity and help alleviate the difficulties encountered in a number of markets (see “Analysis of business activity and results” in this management report), although a global recession or marked or extended downturns in the Group’s main markets may weigh down on the Group’s overall sales and adversely affect its consolidated results and outlook.

Risks relating to further consolidation in the Wines & Spirits segment

The industry has witnessed a trend towards the consolidation of distributors and merchants, and a further consolidation among spirits producers and distributors in the Group’s key markets could negatively impact the sale of the Group’s products as a result of, for example, fewer resources allocated to its brands. As the retail trade consolidates, wholesalers and retailers will have greater resources and bargaining power and, as a result, could seek to have the Group and other producers reduce their prices, conduct product promotions and/or accept payment terms that could reduce margins. An increase in a distributor’s market share could have an adverse impact on the Group’s sales and profitability. Changes in distributors’ strategies, including a reduction in the number of brands they carry, the allocation of shelf space for our competitors’ brands or private label products may adversely affect the Group’s sales, margin, outlook and market share.

Image risks relating to product quality

The success of the Group’s brands depends upon the positive image that consumers have of those brands. The Group’s reputation and image may at any time be significantly undermined by one-off incidents at an industrial facility or relating to a specific product. For example, contamination, whether arising accidentally, or through an act of malice, or other events that harm the integrity of or consumer support for their brands, could adversely affect the sales of the Group’s products. The Group purchases most of the raw materials for the production of its Wines & Spirits from third-party producers or on the open market. Contaminants in those raw materials or defects in the distillation or fermentation process at one of our industrial facilities could lead to poor beverage quality as well as illness among, or injury to, our consumers,

which could subject the Group to liability and result in reduced sales of the affected brand or all its brands.

In addition, to the extent that third parties sell products that are either counterfeit versions of the Group’s brands or inferior “lookalike” brands, consumers of the Group’s brands could confuse its products with those brands. This could discourage them from purchasing the Group’s products in the future, which could in turn adversely impact brand equity and the Group’s results.

Although the Group has implemented protection and control systems to limit the risk of contamination and other industrial accidents and has a Group Intellectual Property Department devoted to protecting its brands (for more information, see the subsection on “Risks relating to Intellectual Property”), there can be no guarantee that problems arising from industrial accidents, contamination and other factors will not compromise the Group’s reputation and image on a global scale. Reputational damage could potentially have negative effects on the Group’s image, financial position, reported results and outlook.

The net carrying value of brands and goodwill recorded in the Group’s balance sheet at 30 June 2017 was €17 billion.

Risks relating to competition

The Group operates in highly competitive markets, where brand recognition, corporate image, price, innovation, product quality, the breadth of distribution networks and services provided to consumers are differentiating factors among competitors.

The Group constantly aims to strengthen the recognition of its brands, particularly its strategic brands, through advertising and promotional campaigns, enhancing the quality of its products and optimising its distribution and service networks. Nevertheless, it must also face heightened competition from major international players on its international brands and from smaller groups or local producers on its local brands, including the growing success of artisan production, as may be the case for vodka in the United States, the main market for Absolut vodka. This fierce competition prevailing in the mature markets and the increasingly competitive nature of the emerging markets could require the Group to boost its advertising and promotional expenditure, or even reduce or freeze its prices, in order to protect its market share.

Risks relating to innovation and consumer expectations

The Group’s performance is dependent on its capacity to satisfy consumer expectations and desires. However, change in consumer expectations and desires is difficult to anticipate, and in many cases, is beyond the Group’s control. As a result, negative changes in consumer demands could affect its sales and market share.

In addition, the increasing number of campaigns aimed at discouraging the consumption of alcoholic beverages, as well as changes in lifestyle, means of distribution, consumer habits and consumers’ approaches to health issues, could, over time, modify consumer habits and the general

social acceptability of alcoholic beverages, and have an adverse impact on the Group's reputation, sales, financial position, results and outlook.

In order to properly cover these risks, the Group supports its brands, in particular as regards innovations (Chivas Extra, Jameson Caskmates, Absolut Elyx, etc.) and new growth opportunities (digital communications, Sub-Saharan Africa). Innovations accounted for a third of all internal growth in sales in the 2016/17 financial year, *i.e.* around 1%.

Risks relating to employees

The Group's success is dependent on the loyalty of its employees, and in particular of those in key roles, as well as its ability to continue to attract and retain highly qualified personnel. No significant impacts have been identified in this regard to date, but the Group is aware that difficulties hiring or retaining key personnel or the unexpected departure of experienced employees, including among acquired companies, could potentially slow the implementation of the Group's strategic growth plans and could have an adverse impact on its business, financial position and the results of its operations.

In compliance with freedom of association and the right to collective bargaining, strikes or other social action may take place. Any extended labour disputes could have an impact on the Group's sales. However, to date, Pernod Ricard has not had to face prolonged industrial action that could significantly impact Group sales.

Risks relating to information systems

IT and telecoms systems are fundamentally important in the daily performance of Group operations, in terms of the processing, transmission and storage of electronic data relating to the Group's operations and financial statements and of communication between the personnel, customers and suppliers of Pernod Ricard.

At a time of constant change in computer technology and its uses, Pernod Ricard, a decentralised group whose operation is increasingly digital and dematerialised, is exposed to the risk of failure of its IT systems, due to a malfunction or malicious intent, either internal and external, that may harm the availability of IT services or the integrity and confidentiality of sensitive data. The Group's information technology systems could be exposed to interruptions for reasons beyond its control, including, but not limited to, natural disasters, terrorist attacks, telecommunications breakdowns, computer viruses, hackers or other security issues. Although the Group invests a significant amount in the maintenance and protection of its IT systems, particularly in view of growing threats in terms of cybercriminality, any malfunctions, significant disruption, loss or disclosure of sensitive data could disrupt the normal course of the Group's business, and have financial, operational or image-related consequences.

A detailed description of the Group's image risks is given in the subsection "Image risks relating to product quality" of this management report.

Risks relating to raw materials and energy prices

Some of the raw materials that the Group uses for the manufacture of its products are commodities that are subject to price volatility caused by changes in global supply and demand, weather conditions, agricultural uncertainty or governmental controls.

An unexpected rise in the cost of raw materials or packaging materials could significantly increase our operating costs. Similarly, shortages of such materials could have a negative effect on our business. Moreover, an increase in energy costs could result in higher transportation, freight, distillation and other operating costs.

The Group may not be able to increase its prices to offset these increased costs without suffering reduced volume, sales and operating profit, which could negatively impact the Group's results.

For agricultural raw materials, hedge agreements have been entered into with banks to secure the price of a portion of wheat supplies and to limit production cost volatility. These hedges involve no physical delivery (see Note 4.10 – *Interest rate, foreign exchange and commodity derivatives* of the Notes to the consolidated financial statements). Moreover, the Group has entered into physical supply contracts with some suppliers in order to secure the delivery price of *eaux-de-vie*, grapes, and certain grains (see Note 6.3 – *Off-balance sheet commitments* in the Notes to the consolidated financial statements).

Risks relating to external growth operations

The Group has made major acquisitions in the past (see the subsection on "A responsible business with a spirit of adventure" of Section 1 "Overview of Pernod Ricard"). Pernod Ricard believes that it was able to successfully integrate these acquisitions.

In the event that Pernod Ricard decides to conduct a major acquisition in the future, successful integration of the target into the Group cannot be guaranteed. In addition to the fact that acquisitions require General Management to devote a significant amount of time to resolving organisational issues, they also require the integration of new businesses, employees and products belonging to newly acquired companies. The integration process involves a great many unknowns, including the impact of the integration of new entities into a new structure and the management of the Human Resources of merged businesses. The Group's financial position, reported results and outlook could be affected should it be unable to make a success of the integration of newly acquired companies.

The Group has made no major acquisitions since 2008.

Risks relating to seasonal trends

Pernod Ricard makes an above-average portion of its sales during the Christmas and New Year season and the Chinese New Year. The last quarter of the calendar year traditionally accounts for about a third of full-year sales. Any major unexpected adverse event occurring during this period, such as a natural disaster, pandemic, or economic or political crises, could lead to a reduction in the Group's revenues and, consequently, a deterioration in its full-year results.

INDUSTRIAL AND ENVIRONMENTAL RISKS

Risks relating to industrial sites and inventory management

The Group has a substantial inventory of aged product categories, principally Scotch whisky, Irish whiskey, cognac, rum, brandy and wines. The maturing periods can occasionally extend beyond 30 years. The Group's maturing inventories (representing 79% of work in progress, as cited in Note 4.4 – *Inventories and work in progress* of the Notes to the consolidated financial statements) are stored at numerous locations around the world (see map of main production sites in Section 1 "Overview of Pernod Ricard").

The loss of all or part of the maturing inventories or the loss of all or some of the production, distilling, blending or packaging sites as a result of negligence, an act of malice, contamination, fire or natural disaster could lead to a significant fall in or prolonged interruption to the supply of certain products, precluding the Group from satisfying consumer demand for the said products. In addition, there is an inherent risk of forecasting error in determining the quantity of maturing stock to store in a given year for future consumption. This could lead to either an inability to meet future demand or a future surplus of inventory resulting in write-downs in the value of maturing stocks. Finally, there also can be no assurance that insurance proceeds would be sufficient to cover the replacement value of lost maturing inventories or assets in the event of their loss or destruction.

Risks for consumers

The Group has noted the health risk involved in the inappropriate consumption of alcoholic beverages and accordingly has a very strong commitment to encouraging responsible drinking (see Section 3 "Sustainability & Responsibility").

The other risks for consumers relate to product quality: they mainly concern the presence of foreign bodies in bottles (glass fragments) or intentional or accidental contamination by an undesirable component. The control of these risks is based both on the application of the HACCP method, which aims to identify the risks involved in the manufacturing process and to bring them under control, as well as on the implementation of specific internal guidelines. Active monitoring is also implemented on emerging risks, particularly those relating to components present in packaging, raw materials and water that are liable to pose a risk to consumer health.

This approach is also accompanied by the implementation of management systems compliant with the ISO 22000 standard for food safety management, which is aimed specifically at controlling such risks.

To date, Pernod Ricard is not aware of any litigation or major incident involving consumer safety connected with the quality of the Group's products.

Industrial and environmental risks

Pernod Ricard's management of industrial and environmental risks is based on a joint QSE (Quality/Safety/Environment) management approach implemented in all production affiliates worldwide.

Coordinated by the Group's Sustainable Performance Department, this risk management policy is based on internal Pernod Ricard standards and on systematic risk analysis. It is based on the guidelines setting out good practices and the minimum requirements needed in each of the relevant areas:

- product quality;
- safety of personnel;
- management of environmental impacts;
- protection of insured capital (industrial risks).

It is also supported by an ambitious QSE certification process for Group production sites according to the following four international standards:

- ISO 9001 for quality management;
- ISO 22000 for food safety management;
- ISO 14001 for environmental management;
- OHSAS 18001 for occupational health and safety.

At the end of June 2017, 85% of sites were quadruple QSE-certified according to these four standards, covering 99% of total bottled production.

As part of the Group's decentralised organisation, this policy is implemented by all affiliates via a QSE correspondent network, with each affiliate being entirely responsible for identifying and controlling its risks and its environmental impact. At Group level, a "QSE Executive Committee", composed of experts from the main affiliates, is consulted regularly to identify and approve priority actions and develop joint requirements in terms of risk prevention. This is an essential approach to the definition and implementation of the Group's risk management policy. The prevention personnel working in the various QSE fields form an extremely active network, coordinated by the Sustainable Performance team at the Headquarters. It meets each year during a working seminar that brings together the entire network. The seminar helps participants come together, identifying and sharing best practices with a view to continuous improvement.

With specific regard to insured capital protection and major industrial risks, an Operations Risk Manager coordinates the work done by affiliates in the area of risk reduction. The Risk Manager mainly focuses on prevention measures (design and maintenance of facilities, training, operating procedures, etc.) and protection systems (automatic fire extinguishing systems, water retention facilities, emergency procedures, etc.). In cooperation with the insurer, more than 60 industrial sites are audited each year, leading to an appraisal of the quality of risk as well as recommendations for action for each of them.

In addition, a programme devoted to implementing Business Continuity Management Systems (BCMS) has been initiated as a priority for the most strategic affiliates. It is aimed at protecting the Group's operations from the consequences of a major disaster with

significant consequences, such as a fire. To this end, for each affiliate, the programme sets out the various scenarios liable to affect their organisation, and looks for ways to reduce the impact on business. In most cases, the approach leads to the preparation of a business recovery plan including the implementation of emergency solutions and access to alternative means of production. Today, 19 industrial affiliates are monitored each year to assess the maturity of their BCMS. They are regularly audited by third parties and are followed up by the Group Operation Department.

Major risks identified and specific risk prevention measures

Various types of risks have been identified in relation to the level of the Group's industrial activities, for which specific preventive measures or monitoring procedures have been implemented.

Fire hazard

As alcohol is highly flammable, fire is one of the main risks to our staff and facilities, particularly at production sites where spirits are produced and stored. This risk is also present at sites where blending and bottling of alcohol take place. In certain cases, this fire risk may be accompanied by the risk of explosion, particularly if alcohol vapours come into contact with a heat source.

Of the 96 industrial sites operating as at 30 June 2017, eight sites (one in Ireland, one in France and six in Scotland) were classified as "high-threshold" under the Seveso Directive due to the volumes stored there, which exceeded 50,000 tonnes (classification by the European Seveso III Directive for the prevention of major accidents). In the rest of the world, only one site, in Canada, was above this threshold. These sites are systematically subject to a high level of protection and prevention, which can be seen in the use of fire-resistant materials, the presence of automatic fire-extinguishing systems (sprinklers) with water reserves and remote retention, training and the implementation of rigorous working procedures. Moreover, the recommendations of the ATEX Directive on explosive atmospheres have been reflected in the Group's internal guidelines, which are applicable to all affiliates.

Since May 2000, when a fire led to the loss of a bourbon cellar in Kentucky, no major fires have occurred on the Group's sites.

Risk of accidental spillage

The accidental spillage of product (wine, alcohol or other) into the environment is liable to pollute the soil, a river or water tables. This risk is of particular concern in cases of fire following a leak or spillage of alcohol and its extinction using water and foam. This risk is identified in all risk analyses carried out on our sites, and is subject to significant preventive measures: water retention facilities in storage and unloading areas, construction of drainage systems, and drainage to storage tanks. In November 2016, a significant wine spillage occurred on the Brancott site in New Zealand resulting from damage to vats caused by an earthquake (see following paragraph).

Risk of natural disasters

Several facilities are located in areas known to be at significant risk of earthquake. This includes facilities located in New Zealand, Armenia, California and Mexico. In July and August 2013, the Brancott

wine production facility in New Zealand was hit by two successive earthquakes. Substantial damage to storage vats was observed. Another earthquake affected the same site in November 2016, causing a high degree of property damage and leading to the filing of a claim with the Group's insurer. Thanks to the implementation of a business continuity management system (BCMS), local teams were able to limit interruptions to business on the site by securing the harvests and vinification phases for 2016/17.

Some areas are exposed to hurricane risk. The San José plant in Cuba has taken preventive measures to cover this eventuality.

There is also a risk of flooding. For example, cellars were affected in Scotland in 2009, but there was no significant damage. All sites exposed to this risk are subject to the implementation of specific emergency plans approved by our insurer. Lastly, in January 2010, exceptionally heavy snowfalls in the northern part of Scotland caused the roofs of 40 ageing cellars at the Mulben facility to collapse. A weather event of this nature had never previously been seen in this region and was deemed extremely unlikely. The damage only concerned the buildings, as the collapse did not affect inventories of spirits. Since this claim, specific attention has been paid to those sites likely to face similar weather events. Preventive measures were set out together with our insurer and implemented by the sites.

Risks relating to the environment and climate change

In 2015/16, the Group launched a specific study of its 26 production affiliates to ensure that all long-term environmental risks, whether physical, regulatory or reputational, were identified and managed. Risks relating to the procurement of raw materials and water resource management proved to be the most significant.

Thus, in terms of physical consequences, the major risk relates to the impact of climate changes on the supply of agricultural raw materials. Increasingly irregular crop yields, climatic events such as frost, hail and drought and shifting climatic boundaries can affect the quality, availability and, to a greater extent, the price of raw materials. Where grains are concerned, this effect, coupled with rising global demand, is contributing to the increasing volatility of market prices, which must be taken into account in procurement strategies and economic supply models. As regards grapes – another of the Group's key raw materials – climate models reveal the risk of an increase in wine alcohol content, changes to certain qualitative parameters and, in the longer term, a gradual shift in favourable climate areas. The affected inter-professional organisations, such as those for Cognac and Champagne and the corresponding organisations in Australia and New Zealand, have incorporated this issue into their research programmes in order to adapt their practices to these changes (choice of grape varieties, vine training, vinification, etc.). A similar risk exists in relation to the water supply for production sites: a number of sites use underground water tables for their water needs and these can also be affected by climate change. The availability and quality of water are therefore key factors for the quality of our products, and are monitored very closely. Responsible water management is a significant component of the Group's environmental policy: every site has to ensure that the use of groundwater or river water and the release of waste water back into the environment do not cause harm to nature. Sites located in areas identified as high-risk in terms of their water supply are subject to enhanced monitoring so as to ensure the sustainability of the resources used (see the "Environment" paragraph in Section 3, "Sustainability & Responsibility"). Another related risk is that of the increasingly frequent occurrence of extreme weather events

liable to damage production facilities or affect the supply chain, such as cyclones, floods or exceptional levels of snowfall. This risk is taken into account in the Group's insurance strategy and in the critical scenarios for our business continuity management systems.

From a regulatory point of view, environmental issues, and in particular climate-related issues, are leading to stricter regulations on carbon emissions. In Europe, the Group's three largest distilleries are subject to the CO₂ emission quota system (EU-ETS). The direct financial impact for Pernod Ricard is negligible. However, the economic impact of regulations on energy and carbon is also felt through indirect consumption via our suppliers (especially with respect to glass, alcohol and transportation) and is likely to increase over the coming years.

Finally, in terms of reputation, the environment also represents a challenge due to growing awareness among consumers and public opinion, whose expectations in terms of sustainable consumption are changing rapidly: this reality is taken into account by the marketing teams and is becoming one of the elements of the Group's marketing strategy. It is reflected mainly in the focus on eco-design of products, and incorporation of the CSR dimension into brand platforms.

The existence of risks associated with various environmental aspects is reflected in the Group's environmental roadmap through specific actions in the fields of energy, carbon, water, and farm raw materials. The actions undertaken are set out in the subsection "Protect the planet" in Section 3 "Sustainability & Responsibility". It should also be noted that in each year since 2006, Pernod Ricard has published information on the Carbon Disclosure Project website relating to carbon emissions, water resource management and related issues.

LEGAL AND REGULATORY RISKS

Risks relating to changes in the regulatory environment

The Group's businesses throughout the world are subject to a growing number of bodies of regulations, in particular with respect to the sale of alcoholic beverages. The regulatory environment governing the production and marketing of alcoholic beverages could undergo change in France, in the European Union or in the rest of the world. Similarly, advertising and promotions of alcoholic beverages are subject to increasingly stringent rules aimed at changing consumer behaviour and reducing alcohol consumption.

In particular, in its capacity as a distributor of international beverage brands, the Group is subject, in the various countries in which it trades, to numerous regulatory requirements concerning production, product responsibility, distribution, marketing, advertising, labelling and imports. More broadly speaking, it is also subject to issues relating to competition

and consolidation, commercial and pricing policies, pensions, labour law and environmental concerns. In addition, the Group's products are subject to import and indirect taxes in the various countries in which it trades.

Regulatory decisions and changes in legal and regulatory requirements in these areas could have a negative impact on Pernod Ricard's business:

- **product recalls:** regulatory authorities in the countries in which the Group trades could be given coercive powers and subject the Group to measures including product recalls, product seizures and other sanctions, any of which could have an adverse effect on its trading or harm its reputation, with subsequent negative consequences on its operating profit;
- **advertising and promotions:** regulatory authorities in the countries in which the Group trades could impose restrictions on advertising for alcoholic beverages, for instance by banning television advertisements or the sponsoring of sporting events, or by restricting the use of these media. Furthermore, the Group has signed several voluntary self-regulation codes, which impose restrictions on the advertising of and promotions for alcoholic beverages. These limits could have the effect of hindering or restricting the Group's capacity to maintain or reinforce consumer behaviour in relation to its brands and their recognition on major markets and significantly affecting the Group's trading environment;
- **labelling:** regulatory authorities in the countries in which the Group trades could impose new or different requirements in terms of labelling and production. Changes to labelling requirements for alcoholic beverages, including the Group's brand portfolio of Premium Wines and Spirits, could diminish the appeal of these products in the eyes of consumers, thereby leading to a fall in the sales of these beverages. Furthermore, such changes could have the consequence of increasing costs, thereby affecting the Group's results;
- **import taxes and excise duties:** the Group's products are subject to import taxes and excise duties in most markets. An increase in import taxes and excise duties or a change in the legislation relative to duty free sales could lead to an increase in the price of its products as well as a reduction in the consumption of its Premium Wines and Spirits brands or an increase in costs for the Group;
- **access to distribution:** regulatory authorities in the countries in which the Group trades could seek to restrict consumers' access to Group products, for instance by limiting the trading hours of establishments serving alcoholic beverages or increasing the legal age for alcohol consumption.

Aside from the fact that change in local laws and regulations could in some cases restrict the Group's growth capacity by changing consumer behaviour, compliance with new laws and regulations could also require substantial investments. This could potentially have a significant negative impact on the Group's reported results and outlook.

Similar to other businesses, the Wines & Spirits business is highly sensitive to changes in tax regulations. In addition, in the current macroeconomic climate, regulatory authorities may resort to increasing taxes on alcoholic beverages. The effect of any future tax increases on the Group's sales in a given jurisdiction cannot be precisely measured. However, a significant increase in import and excise duties on alcoholic beverages and other taxes could have an adverse effect on the Group's financial position and operating profit. Furthermore, the Group's net profit is calculated on the basis of extensive tax and accounting requirements in each of the jurisdictions in which the Group operates. Changes in tax regulations, specifically led by the OECD, the European Union and national governments (including tax rates), accounting policies and accounting standards could have a material impact on the Group's results.

In addition, as an international group, Pernod Ricard can be subject to tax audits in several jurisdictions. The Group takes tax positions that it believes are correct and reasonable in the course of its business with respect to various tax matters. However, there is no assurance that tax authorities in the jurisdictions in which the Group operates will agree with its tax positions. In the event that the tax authorities successfully challenge the Group on any material positions, the Group may be subject to additional tax liabilities that may have an adverse effect on the Group's financial position if they are not covered by provisions or if they otherwise trigger a cash payment.

Risks relating to Intellectual Property

Recognition of the Group's brands is a fundamental element of its competitiveness. The management of the Group's brands and other owned intellectual property rights requires substantial investments both for their protection and defence.

The Group has taken very strict actions in this area. At the end of 2014, it set up a core team of 16 people (the "Group Intellectual Property Hub" or GIPH) coordinated by the Intellectual Property Department, and located at the Group's Headquarters. This team is responsible for the administrative management of all portfolios of intellectual property rights on behalf of the Brand Companies. This new organisational structure responds to a need to pool the Group's resources while implementing a consistent and uniform protection policy across all portfolios of intellectual property rights.

In particular, the GIPH defends the Group's intellectual property rights against any attempt by others to lodge rights similar to ours (specifically through objections). The Brand Companies remain in charge of proceedings brought against any counterfeit goods and/or imitations that may be present on the markets.

The defence of such property is a mission involving all of the Group's personnel, who are aware of the importance of these crucial assets. For instance, sales forces are called on to identify any third-party imitation of the products and brands of the Group and to transmit all information to the Legal Department responsible for intellectual property so that the Group can respond efficiently to those actions.

However, the Group, in common with any owner of intellectual property rights, is not in a position to guarantee that such measures will be fully sufficient to force third parties to respect its rights. In some non-European Union countries, particularly in Asia (China, Thailand, Vietnam, etc.), even though satisfactory legal options generally exist, it can be difficult to persuade the local authorities to apply dissuasive sanctions on counterfeiters that reproduce in full or in part the Group's most popular brands in these countries. Yet those illicit acts are likely to have unfavourable consequences for the image of the relevant products. The Group therefore takes specific action, with objectives determined on the basis of the market and the brand, bringing together various internal departments so as to take a cross-functional approach to the problem of counterfeiting. These actions include coordinated legal responses and operations aimed at raising awareness among local authorities, field and online surveys, and technical and technological measures aimed at improving the protection of the Group's products.

Third parties can also contest the Group's ownership of certain brands.

Legal decisions could therefore affect the Group's brand portfolio, potentially having negative effects on its financial position, reported results and outlook.

For instance, the Group is currently involved in litigation on the Havana Club brand (see Note 6.5 – *Disputes relating to brands* of the Notes to the consolidated financial statements). In this case, an unfavourable ruling would not adversely impact the Group's current financial position, as the brand is not currently marketed in the United States, but it could constitute a lost opportunity if the embargo against Cuba is lifted.

Risks relating to litigation

In common with other companies in the Wines & Spirits segment, the Group is occasionally subject to class action or other litigation and complaints from consumers or government authorities. In addition, the Group routinely faces litigation in the normal course of business. If such litigation were to result in fines, monetary damages or reputational damage to the Group or its brands, its business could be materially adversely affected.

The provisions recorded by Pernod Ricard at 30 June 2017 for all litigation and risks in which it is involved, amounted to €566 million, compared with €526 million at 30 June 2016 (see Note 4.7 – *Provisions* of the Notes to the consolidated financial statements). 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 best of the Company's knowledge, there are no other government, legal or arbitration procedures pending or threatened, including any procedure of which the Company is aware, which may have or have had a significant impact on the profitability of the Company and/or the Group over the last 12 months, other than those described in Note 6.5 – *Disputes* of the Notes to the consolidated financial statements.

FINANCIAL RISKS

Risks relating to the Group's indebtedness

The average Net Debt/EBITDA ratio was 3.0 ⁽¹⁾ at 30 June 2017, a decline of (0.4) compared to 30 June 2016 (net debt converted at the average rate). For more information on the Group's indebtedness, see Note 4.8 – *Financial liabilities* of the Notes to the consolidated financial statements.

The risks related to indebtedness are:

- a reduction in the Group's ability to obtain additional financing for working capital, capital expenditure, acquisitions or general corporate purposes, and an increase in the cost of such financing;
- a reduction in the cash available to finance working capital requirements, capital expenditure, acquisitions or corporate projects, a significant part of the Group's operating cash flow being put towards the repayment of the principal and interest on its debt;
- increasing the Group's vulnerability to, and reducing its flexibility to respond to, general adverse economic and industry conditions;
- the occurrence of a breach of one of the commitments made by the Group pursuant to the contracts bearing on its financing could require it to accelerate the repayment of its debt, thereby potentially sparking a liquidity crisis.

Additional information regarding liquidity risks is provided in Notes 4.8 – *Financial liabilities* and 4.9 – *Financial instruments* of the Notes to the consolidated financial statements and in the "Significant contracts" subsection of this management report.

Market risks (currency and interest rates)

The market risks are set out in Note 4.9 – *Financial Instruments* of the Notes to the consolidated financial statements.

Liquidity risks

The liquidity risks are set out in Note 4.9 – *Financial Instruments* of the Notes to the consolidated financial statements.

Counterparty risks in financial transactions

The market risks are set out in Note 4.9 – *Financial Instruments* of the Notes to the consolidated financial statements.

Risks relating to the Group's pension plans

The Group's unfunded pension obligations amounted to €279 million on 30 June 2017. During the 2016/17 financial year, the Group made total contributions to Group pension plans of €51 million. For more information on the Group's pension and other post-employment liabilities, see Note 4.7 – *Provisions* of the Notes to the consolidated financial statements.

The Group's pension obligations are for the most part covered by balance sheet provisions and partially covered by pension funds or by insurance. The amount of these provisions is based on certain actuarial assumptions, including, for example, discounting factors, demographic trends, pension trends, future salary trends and expected returns on plan assets. If actual developments were to deviate from these assumptions, this could result in an increase in pension obligations on the Group's balance sheet and require a substantially higher allocation to pension provisions, which could have a material adverse effect on the Group's financial results.

It may be possible to fund the increase in the Group's future obligations under its pension plans from its cash flow from operations. If the assets in the Group's funded pension plans perform less well than expected or if other actuarial assumptions are modified, the Group's contributions to these plans could be materially higher than expected, which would reduce the cash available to the Group for its business.

INSURANCE AND RISK COVERAGE

For Pernod Ricard, use of insurance is a solution for the financial transfer of the major risks facing the Group. This transfer is accompanied by a policy of prevention for the purpose of reducing risk as far as possible. The Group evaluates its risks with care in order to fine-tune the level of coverage of the risks it incurs.

The Group has two types of cover: Group insurance programmes and local policies. The programmes at Group level are monitored by an Insurance Manager, who coordinates the insurance and risk management policy, and also by a person in charge of monitoring industrial risk prevention.

Insurance policies

In order to cover the main risks, Pernod Ricard has set up international insurance programmes for all Group affiliates, barring exceptions due to local regulatory constraints in certain countries or as a result of more attractive conditions offered by the local market. These programmes provide the following cover:

- property damage and business interruption losses;
- operating and product liability;
- environmental liability;
- costs and losses incurred by the Group due to accidental and/or criminal contamination;
- Directors' civil liability;
- damage during transport (and storage);
- fraud/cyber.

Moreover, credit insurance programmes are in place, aimed at reducing the risks associated with trade receivables.

Some affiliates have contracted additional insurance to meet *ad hoc* needs (for example, vineyard insurance in Spain, car fleet insurance, etc.).

(1) Average EUR/US dollar exchange rate of 1.09 over the 2016/17 financial year compared to 1.11 over the 2015/16 financial year.

Coverage

Type of insurance	Coverage and limits on the main insurance policies ⁽¹⁾
Property damage and business interruption losses	<ul style="list-style-type: none"> ■ Coverage: fully comprehensive (except exclusions) ■ Basis of compensation: <ul style="list-style-type: none"> – new value for moveable property and real estate, except for certain affiliates, which have exceptionally chosen, with the contractual agreement of the insurers, to provide for another basis of compensation; – cost of sale for inventories, except for certain maturing stocks that are insured at replacement value or net carrying amount plus a fixed margin (tailored to each company); – business operating losses with a compensation period of between 12 and 36 months depending on the Company. ■ Limits on compensation: <ul style="list-style-type: none"> – main compensation limit of €1,050 million, covering all damage and business interruption losses. The programme includes additional limits, for example to cover natural events. ■ Furthermore, a captive insurance company provides insurance cover for an amount of €3 million per claim with a maximum commitment of €5 million per annum.
General civil liability (operating and product liability)	<ul style="list-style-type: none"> ■ Fully comprehensive coverage (except for exclusions) for damage caused to third parties for up to €220 million per year of insurance.
General environmental liability	<ul style="list-style-type: none"> ■ Coverage for environmental damage of €35 million
Product contamination	<ul style="list-style-type: none"> ■ Coverage in the general civil liability programme for recall outlay, the cost of the relevant products, loss of business and outlay on rebuilding Pernod Ricard's image following accidental or criminal contamination of products that present a threat of harm to persons or property: coverage of up to €45 million per year.
Directors' civil liability	<ul style="list-style-type: none"> ■ Coverage of up to €150 million per year of insurance.
Transport	<ul style="list-style-type: none"> ■ Coverage of up to €20 million per claim.
Fraud/cyber	<ul style="list-style-type: none"> ■ Coverage of up to €35 million per year, with a cyber-insurance sub-limit of €15 million.
Credit	<ul style="list-style-type: none"> ■ Coverage differs depending on the affiliate and the programme, with total cover rising to a maximum of €180 million. It can also be partially transferred under a programme to sell receivables.

(1) The figures shown are the main limits for the year ended 30 June 2017. Changes may have been negotiated for the 2017/18 financial year. Some contracts provide specific limits for certain aspects of coverage.

Resources provided by the Group to manage the consequences of a claim, especially in the case of an industrial accident

If a claim were to be filed affecting Pernod Ricard or a Group company, especially in the case of an industrial accident, it would rely on its brokers and insurers and all service providers as required to ensure the effective management and resolution of the claim. All these players have the experience and means required for managing exceptional situations.

RISKS AND DISPUTES: PROVISIONING PROCEDURE

As part of its commercial activities, the Pernod Ricard group is involved in legal actions and subject to tax, customs and administrative audits. The Group only records provisions for risks and contingencies when it is likely that a current obligation stemming from a past event will require the payment of an amount that can be reliably estimated. The amount of the provision is the best estimate of the outflow of resources required to extinguish this liability. Provisions accordingly involve an assessment by Group Management.

MATERIAL CONTRACTS

SIGNIFICANT CONTRACTS NOT RELATED TO FINANCING

Suntory

In 1988, Allied Domecq entered into a series of agreements with Suntory Ltd, one of Japan's leading producers and distributors of spirits. One of the provisions of these agreements concerned the creation of a joint venture company in Japan called Suntory Allied Ltd, in which 49.99% of the capital and voting rights are owned by Allied Domecq and 50.01% by Suntory Limited. Suntory Allied Ltd was granted the exclusive distribution rights for certain Allied Domecq brands in Japan until 31 March 2029.

The management of Suntory Allied Ltd is jointly controlled by Pernod Ricard, as successor-in-interest to Allied Domecq, and Suntory Ltd.

Sale and repurchase agreements

During the 2016/17 financial year, Pernod Ricard did not conclude any sale and repurchase agreements. For further details on transactions relating to sale and repurchase agreements, please consult Section 8 "About the Company and its share capital", subsection "Share Repurchase Programme".

FINANCING CONTRACTS

Credit Agreement of November 2010

Pernod Ricard signed a Credit Agreement for €150 million with a banking institution, with effect from 26 November 2010, with the amount being allocated in full to the repayment of the 2008 syndicated loan. This was partially repaid on 26 November 2015 (15%) and 31 October 2016 (20%); the remainder will be paid on 26 November 2017. This Credit Agreement contains the customary representations, warranties and early repayment undertakings, as well as the usual restrictive covenants and commitments contained in such contracts. It also requires compliance with a solvency ratio at each half-year end – i.e. total consolidated net debt/consolidated EBITDA, this being a more flexible indicator than the ratio applied to the syndicated loan.

2017 Credit Agreement (syndicated credit)

In relation to the refinancing of the 2012 bank debt taken out to cover the Group's short-term financing needs, Pernod Ricard and a number of its affiliates signed a new €2.5 billion revolving credit facility (the "Credit Agreement") on 14 June 2017 for a term of five years with the option of an extension to six or seven years.

The obligations of each of the borrowers under the Credit Agreement are guaranteed by Pernod Ricard. No security interest (*sûreté réelle*) was granted under the terms of the Credit Agreement.

The Credit Agreement contains the customary representations and warranties, as well as the usual restrictive covenants contained in such contracts, notably restricting the ability of some Group companies (subject to certain exceptions) to pledge their assets as security interest, alter the general nature of the Group's activities or carry out certain acquisition transactions.

The Credit Agreement also sets out obligations, including a commitment to provide lenders with adequate information, compliance with a solvency ratio at each half-year end as mentioned hereunder (the "Solvency Ratio"), and compliance with certain commitments customary in this type of Credit Agreement (including the maintenance of the credit's *pari passu* ranking).

Solvency ratio (total consolidated net debt/ consolidated EBITDA)

The Solvency Ratio must be 5.25 or less. At 30 June 2017, the Group was compliant with this solvency ratio (see "Liquidity risks" in this management report).

The Credit Agreement incorporates the main terms of the 2012 Credit Agreement and, in addition, provides for certain cases of voluntary or compulsory early repayment obligations, depending on circumstances, which are standard practice for credit agreements of this kind (including non-compliance with commitments, change of control and cross default). The Credit Agreement also contains a clause under which the taking of control of the Company by any person or group of persons acting in concert (other than Société Paul Ricard or any group of persons acting in concert with Société Paul Ricard) is likely to constitute grounds for compulsory early repayment.

Debt issuance

The Bonds and the interest thereon constitute direct, unsubordinated and unsecured obligations of Pernod Ricard, ranking equally amongst themselves and *pari passu* with all other unsecured and unsubordinated debt, present and future, of Pernod Ricard. In addition, Pernod Ricard has agreed not to grant any security interest (*sûreté réelle*) with regard to Bonds or other debt securities that have been or may be admitted to trading on a regulated market, over-the-counter market or other exchange unless the Bonds benefit from similar security interests or security interests approved by the bondholders.

These bond issues include a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change of control of the Company (benefiting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

In addition, these Bonds may be redeemed early if certain customary events of default arise.

	Amount (in US Dollar thousands)	Amount (in euro thousand)	Place of issue	Nominal value (in thousands)	Maturity date	Repayment dates	Allocation of net proceeds of the issue	Rate
Bond of 15.03.2011		1,000,000	Luxembourg stock exchange regulated market	100	Fully repaid on 15.03.2017	Payable annually in arrears on 15 March	Repayment of the 2008 syndicated loan in order to extend the Group's debt maturity	Annual fixed rate of 5%
USD bond of 07.04.2011	1,000,000		Private placement for institutional investors, and subject to New York State (United States) law	US\$150,000 (with multiples of US\$1,000 in excess of this amount).	07.04.2021	Payable annually in arrears on 7 April and 7 October	Repayment of the 2008 syndicated loan in order to extend the Group's debt maturity and a part of the 2008 syndicated loan denominated in US dollars.	Annual fixed rate of 5.75%
USD bond of 25.10.2011	1,500 000		Private placement for institutional investors, and subject to New York State (United States) law	US\$150,000 (with multiples of US\$1,000 in excess of this amount).	15.01.2022	Payable annually in arrears on 15 January and 15 July	Repayment of part of the 2008 syndicated loan denominated in US dollars.	Annual fixed rate of 4.45%
USD bond of 12.01.2012	850,000	–	Private placement for institutional investors, and subject to New York State (United States) law	US\$150,000 (with multiples of US\$1,000 in excess of this amount).	Fully repaid on 15.01.2017	Payable annually in arrears on 15 January and 15 July	Repayment of part of the 2008 syndicated loan denominated in US dollars.	Annual fixed rate of 2.95%
USD bond of 12.01.2012	850,000		Private placement for institutional investors, and subject to New York State (United States) law	US\$150,000 (with multiples of US\$1,000 in excess of this amount).	15.01.2042	Payable annually in arrears on 15 January and 15 July	Repayment of part of the 2008 syndicated loan denominated in US dollars.	Annual fixed rate of 5.50%
USD bond of 12.01.2012	800,000		Private placement for institutional investors, and subject to New York State (United States) law	US\$150,000 (with multiples of US\$1,000 in excess of this amount).	15.07.2022	Payable annually in arrears on 15 January and 15 July	Repayment of part of the 2008 syndicated loan denominated in US dollars.	Annual fixed rate of 4.25%
Bond of 20.03.2014		850,000	Euronext Paris regulated market	100	22.06.2020	Payable annually in arrears on 20 March	Repayment of the bond in order to extend the Group's debt maturity	Annual fixed rate of 2%
Bond of 29.09.2014		650,000	Euronext Paris regulated market	100	27.09.2024	Payable annually in arrears on 27 September	Repayment of the bond in order to extend the Group's debt maturity	Annual fixed rate of 2.13%

	Amount (in US Dollar thousands)	Amount (in euro thousand)	Place of issue	Nominal value (in thousands)	Maturity date	Repayment dates	Allocation of net proceeds of the issue	Rate
Bond of 28.09.2015		500,000	Euronext Paris regulated market	100	28.09.2023	Payable annually in arrears on 28 September	Repayment of the bond in order to extend the Group's debt maturity	Annual fixed rate of 1.88%
USD PANDIOS bond of 26.01.2016	201,000		A single counterparty	1,000	26.01.2021	Payable quarterly as from 26 July 2016	Repayment of the bond in order to extend the Group's debt maturity	Variable
Bond of 17.05.2016		600,000	Euronext Paris regulated market	100	18.05.2026	Payable annually in arrears on 18 May	Repayment of the bond in order to extend the Group's debt maturity	Annual fixed rate of 1.50%
USD bond of 08.06.2016	600,000		Private placement for institutional investors, and subject to New York State (United States) law	US\$150,000 (with multiples of US\$1,000 in excess of this amount).	08.06.2026	Payable annually in arrears on 8 June and 8 December as from 8 December 2016	Repayment of the short-term debt and bond in order to extend the Group's debt maturity	Annual fixed rate of 3.25%

Factoring agreement Europe

On 15 December 2008, certain affiliates of Pernod Ricard and Pernod Ricard Finance signed a Factoring Framework Agreement with BNP Paribas Factor, to set up a pan-European factoring programme in the gross amount of €350 million, which was increased to €400 million by an addendum dated 23 June 2009. The factoring programme, which was initially for a three-year period, was extended by an addendum dated 16 December 2011 for a further three-year period and was then renewed by an addendum dated 25 June 2014 for a four-year period from 1 January 2015. This programme was agreed in the amount of €400 million. The receivables are sold under the contractual subrogation regime under French law, except where certain local legal restrictions are in force. As substantially all of the risks and rewards related to the receivables are transferred to the purchaser in accordance with this factoring programme, transferred receivables are deconsolidated.

Securitisation (Master Receivables Assignment Agreement)

On 24 June 2009, certain affiliates of Pernod Ricard entered into an international securitisation programme arranged by Crédit Agricole CIB. The purpose of the programme was the transfer of eligible commercial receivables to Ester, in accordance with the provisions of a framework agreement dated 24 June 2009 and country-specific agreements entered into at the time that each relevant affiliate joined the programme. This programme was renewed on 19 June 2014 under the terms of an addendum to the framework agreement. The initial amount assigned to the programme was €45 million, US\$130 million and £120 million.

This five-year programme includes a change of control clause that applies to each affiliate participating in the programme as a seller, which could lead to the early repayment of the programme by the affiliate concerned by such change of control. "Change of control" is defined as Pernod Ricard ceasing to hold, directly or indirectly, at least 80% of the share capital or voting rights of an affiliate participating in the programme as a seller, unless (i) Pernod Ricard continues to hold, directly or indirectly, 50% of the share capital or voting rights of such affiliate and (ii) issues, at the request of Crédit Agricole CIB, a guarantee in terms that Crédit Agricole CIB deems satisfactory (acting reasonably) for the purpose of securing the obligations of such affiliate under the securitisation transaction documents.

Factoring agreement Pacific

On 18 March 2013, a new agreement for the sale of receivables was signed between Premium Wine Brands Pty⁽¹⁾, Pernod Ricard New Zealand Limited and the Royal Bank of Scotland plc. This factoring agreement covers Australia and New Zealand and amounts to AUD128.5 million and NZD45 million. The receivables sale agreement was taken over in full by BNP Paribas on 4 December 2015, replacing The Royal Bank of Scotland plc.

Additional information on the impact of these financing agreements on the Group's financial statements is disclosed in Note 4.8.1 – *Breakdown of net financial debt by nature and maturity* and Note 4.8.7 – *Bonds of the Notes* to the consolidated financial statements.

(1) Renamed Pernod Ricard Winemakers Pty.

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Consolidated financial statements

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CONSOLIDATED INCOME STATEMENT

€ million	30.06.2016	30.06.2017	Notes
Net sales	8,682	9,010	2
Cost of sales	(3,311)	(3,407)	2
Gross margin after logistics expenses	5,371	5,602	2
Advertising and promotion expenses	(1,646)	(1,691)	2
Contribution after advertising & promotion expenses	3,725	3,912	2
Structure costs	(1,448)	(1,517)	
Profit from recurring operations	2,277	2,394	
Other operating income	124	152	3.1
Other operating expenses	(306)	(315)	3.1
Operating profit	2,095	2,232	
Financial expenses	(495)	(427)	3.2
Financial income	63	53	3.2
Financial income/(expense)	(432)	(374)	
Corporate income tax	(408)	(438)	3.3
Share of net profit/(loss) of associates	0	1	
NET PROFIT	1,255	1,421	
O/w:			
■ Non-controlling interests	20	28	
■ Goup share	1,235	1,393	
Earnings per share – basic (€)	4.68	5.27	3.4
Earnings per share – diluted (€)	4.65	5.25	3.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ million	30.06.2016	30.06.2017
Net profit for the period	1,255	1,421
<i>Non-recyclable items</i>		
Actuarial gains/(losses) related to defined benefit plans	96	(63)
<i>Amount recognised in shareholders' equity</i>	116	(65)
<i>Tax impact</i>	(20)	2
<i>Recyclable items</i>		
Net investment hedges	0	2
<i>Amount recognised in shareholders' equity</i>	0	2
<i>Tax impact</i>	-	-
Cash flow hedges ⁽¹⁾	(12)	38
<i>Amount recognised in shareholders' equity</i>	(16)	56
<i>Tax impact</i>	4	(18)
Available-for-sale assets	(0)	0
<i>Unrealised gains and losses recognised in shareholders' equity</i>	(0)	1
<i>Tax impact</i>	0	(0)
Translation differences	(599)	(390)
Other comprehensive income for the period, net of tax	(514)	(413)
COMPREHENSIVE INCOME FOR THE PERIOD	740	1,008
O/w:		
■ attributable to equity holders of the Parent	723	982
■ attributable to non-controlling interests	17	26

(1) Including €(54) million recycled to net profit for 2016/17.

CONSOLIDATED BALANCE SHEET

ASSETS

€ million	30.06.2016	30.06.2017	Notes
Net amounts			
Non-current assets			
Intangible assets	12,085	11,755	4.1
Goodwill	5,486	5,397	4.1
Property, plant and equipment ⁽¹⁾	2,386	2,336	4.2
Non-current financial assets	721	650	4.3
Investments in associates	17	15	
Non-current derivative instruments	109	26	4.3/4.10
Deferred tax assets	2,505	2,377	3.3
TOTAL NON-CURRENT ASSETS	23,310	22,557	
Current assets			
Inventories and work in progress	5,294	5,305	4.4
Trade receivables and other operating receivables	1,068	1,134	4.5
Income taxes receivable	92	111	
Other current assets	251	270	4.6
Current derivative instruments	8	24	4.3/4.10
Cash and cash equivalents	569	677	4.8
TOTAL CURRENT ASSETS	7,282	7,521	
Assets held for sale	6	10	
TOTAL ASSETS	30,598	30,088	

(1) Biological assets were reclassified as property, plant and equipment on 30 June 2016 for €172 million (see Note 1.1.2 – Changes in accounting standards).

LIABILITIES

€ million	30.06.2016	30.06.2017	Notes
Shareholders' equity			
Capital	411	411	6.1
Share premium	3,052	3,052	
Retained earnings and currency translation adjustments	8,639	8,849	
Group net profit	1,235	1,393	
Group shareholders' equity	13,337	13,706	
Non-controlling interests	169	180	
TOTAL SHAREHOLDERS' EQUITY	13,506	13,886	
Non-current liabilities			
Non-current provisions	422	453	4.7
Provisions for pensions and other long-term employee benefits	739	649	4.7
Deferred tax liabilities	3,556	3,421	3.3
Bonds – non-current	7,078	6,900	4.8
Other non-current financial liabilities	257	480	4.8
Non-current derivative instruments	84	42	4.10
TOTAL NON-CURRENT LIABILITIES	12,137	11,946	
Current liabilities			
Current provisions	167	159	4.7
Trade payables	1,688	1,826	
Income tax payable	101	156	
Other current liabilities	909	935	4.11
Bonds – current	1,884	94	4.8
Other current financial liabilities	143	1,071	4.8
Current derivative instruments	64	15	4.10
TOTAL CURRENT LIABILITIES	4,955	4,256	
Liabilities related to assets held for sale	-	-	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	30,598	30,088	

CHANGES IN CONSOLIDATED 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 share-holders' 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

€ 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 share-holders' equity
Opening position on 01.07.2016	411	3,052	10,198	(133)	(95)	177	(273)	13,337	169	13,506
Restatement related to IAS 16 and IAS 41 ⁽¹⁾	-	-	(99)	-	-	-	-	(99)	-	(99)
Opening position on 01.07.2016 restated	411	3,052	10,100	(133)	(95)	177	(273)	13,239	169	13,407
Comprehensive income for the period	-	-	1,393	(65)	38	(385)	-	982	26	1,008
Capital increase	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	34	-	-	-	-	34	-	34
(Acquisition)/disposal of treasury shares	-	-	-	-	-	-	2	2	-	2
Sale and repurchase agreements	-	-	-	-	-	-	(37)	(37)	-	(37)
Dividends and interim dividends distributed	-	-	(507)	-	-	-	-	(507)	(16)	(523)
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-	-
Other transactions with interests	-	-	(5)	-	-	-	-	(5)	2	(4)
Other movements	-	-	(0)	-	-	-	-	(0)	0	(0)
CLOSING POSITION ON 30.06.2017	411	3,052	11,014	(198)	(56)	(208)	(309)	13,706	180	13,886

(1) Impact of amendments to IAS 16 and IAS 41 (see Note 1.1.2 – Changes in accounting standards).

CONSOLIDATED CASH FLOW STATEMENT

€ million	30.06.2016	30.06.2017	Notes
Cash flow from operating activities			
Group net profit	1,235	1,393	
Non-controlling Interests	20	28	
Share of net profit/(loss) of associates, net of dividends received	0	(1)	
Financial (income)/expenses	432	374	
Tax (income)/expenses	408	438	
Net profit from discontinued operations	-	-	
Depreciation of fixed assets	219	219	
Net change in provisions	(75)	(59)	
Net change in impairment of goodwill, property, plant and equipment and intangible assets	107	75	
Changes in fair value of commercial derivatives	11	(11)	
Changes in fair value of biological assets	(15)	(3)	
Net (gain)/loss on disposal of assets	(59)	6	
Share-based payments	32	34	
Self-financing capacity before financing interest and taxes	2,315	2,493	
Decrease/(increase) in working capital requirements	(178)	(79)	5
Interest paid	(471)	(410)	
Interest received	63	46	
Tax paid/received	(393)	(408)	
NET CHANGE IN CASH FLOW FROM OPERATING ACTIVITIES	1,336	1,642	
Cash flow from investing activities			
Capital expenditure	(333)	(367)	5
Proceeds from disposals of property, plant and equipment and intangible assets	16	17	5
Change in the scope of consolidation	-	-	
Purchases of financial assets and activities	(108)	(35)	
Disposals of financial assets and activities	66	92	
NET CHANGE IN CASH FLOW FROM INVESTING ACTIVITIES	(359)	(293)	
Cash flow from financing activities			
Dividends and interim dividends paid	(497)	(511)	
Other changes in shareholders' equity	-	-	
Issuance of debt	3,205	1,608	5
Repayment of debt	(3,618)	(2,217)	5
(Acquisitions)/disposals of treasury shares	(18)	(36)	
Other transactions with non-controlling interests	-	-	
NET CHANGE IN CASH FLOW FROM FINANCING ACTIVITIES	(928)	(1,156)	
Cash flow from non-current assets held for sale	-	-	
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE FOREIGN EXCHANGE IMPACT	49	194	
Effect of exchange rate changes	(25)	(86)	
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS AFTER FOREIGN EXCHANGE IMPACT	24	107	
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	545	569	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	569	677	

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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, 75016 Paris, France and is listed on the Euronext Stock Exchange. The consolidated financial statements reflect the accounting position of Pernod Ricard and its subsidiaries (the "Group"). They are presented in euros and rounded to the nearest million.

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

The consolidated financial statements for the financial year ended 30 June 2017 were approved by the Board of Directors on 30 August 2017.

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 consolidated financial statements for the financial year ending 30 June 2017 have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union.

The accounting principles used to prepare the consolidated financial statements on 30 June 2017 are consistent with those used for the consolidated financial statements on 30 June 2016, with the exception of standards and interpretations adopted by the European Union applicable to the Group from 1 July 2016 (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 implementation of which is mandatory for financial years commencing from 1 July 2016

The standards, amendments and interpretations applicable to Pernod Ricard from 1 July 2016 are as follows:

- the amendments to IAS 41 (Agriculture) and IAS 16 (Property, plant and equipment). Under these amendments, bearer plants will henceforth be accounted in accordance with IAS 16. Consequently:
 - the vines, valued at fair value until 30 June 2016, will henceforth be valued at the cost of acquisition and amortised over their useful life (25 to 33 years depending on the vineyard). The impact on the value of vines on 1 July 2016 was €99 million (net of deferred taxes) and was recognised as a reduction of shareholders' equity,
 - the value of the vines valued at the cost of acquisition was reclassified from biological assets to property, plant and equipment,
 - the impact linked to the retrospective implementation of this standard was considered to be insignificant. To this end, the comparative periods have not been restated;
- the amendments to IAS 1 (Presentation of financial statements) on the information to be provided, the implementation of which has no material impact on the financial information presented;
- the amendments to IAS 16 (Property, plant and equipment) and IAS 38 (Intangible assets) which clarify acceptable methods of depreciation and amortisation. The implementation of these amendments has no material impact on the Group's financial statements;
- the amendments to IFRS 11 (Joint arrangements) on the accounting of acquisitions of interests in joint operations. The implementation of these amendments has no material impact on the Group's financial statements;
- the IFRS improvements cycle 2012–2014, the application of which has no material impact on the Group's financial statements.

Standards, amendments and interpretations to be applied after 1 July 2017

The standards, amendments and interpretations to be applied to Pernod Ricard from 1 July 2017 (subject to their adoption by the European Union), which will not have a significant impact on the Group's financial statements, are:

- the amendments to IAS 7 (Statement of cash flows), which stipulate additional information to be provided on changes in financial debt on the balance sheet;
- amendment to IAS 12 (Income taxes) on the recognition of deferred tax assets in respect of unrealised losses;
- the IFRS improvements cycle 2014–2016.

Furthermore, the impacts of applying the following standards are currently being assessed:

- IFRS 15 (Revenue from contracts with customers) applicable for financial years beginning on or after 1 July 2018 for Pernod Ricard;
- IFRS 9 (Financial instruments) applicable for financial years beginning on or after 1 July 2018 for Pernod Ricard;
- IFRS 16 (Leases) applicable to financial years beginning on or after 1 July 2019 for Pernod Ricard (subject to adoption by the European Union).

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, 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 2017 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 balance sheet 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 as of 30 June 2009. Business combinations after 1 July 2009 are measured and recognised in accordance with the revised version of IFRS 3: the consideration transferred (cost of acquisition) is measured at the fair value of assets given, equity instruments 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 other operating expenses 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 presented separately 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 January 2017, Pernod Ricard announced the signing and completion of the acquisition of a majority share in Smooth Ambler, a distillery based in West Virginia and producer of the bourbons Smooth Ambler Contradiction, Old Scout Single Barrel and other premium spirits. Consolidation using the full consolidation method is effective from that date.

2. Disposal

On 30 September 2016, Pernod Ricard announced the signing and completion of the sale of the vodka Fris to Sazerac.

On 30 March 2017, Pernod Ricard and Bodega Las Copas (a joint venture held by Grupo Emperador Spain and González Byass) announced the completion of the sale, through the Mexican and Spanish affiliates of Pernod Ricard, of the Domecq brandies and wines.

These sales were carried out as part of Pernod Ricard's strategy to simplify its portfolio in order to sustain its growth and focus on its priority spirit and wine brands.

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 business and promotional activity 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.

Costs of commercial and promotional activity

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, depreciation and amortisation of property, plant and equipment and intangible assets, 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 production and sales, and has three operating segments covering the Regions of: America, Europe and Asia/Rest of the 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, less 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.

On 30.06.2016 € million	America	Asia/Rest of World	Europe	Total
Income statement items				
Segment net sales	3,565	5,008	4,113	12,687
<i>o/w Intersegment sales</i>	<i>1,090</i>	<i>1,510</i>	<i>1,404</i>	<i>4,004</i>
Net sales	2,476	3,498	2,709	8,682
Gross margin after logistics expenses	1,639	2,071	1,662	5,371
Contribution after advertising & promotion expenses	1,130	1,450	1,145	3,725
Profit from recurring operations	706	982	588	2,277
Other information				
Current investments	52	41	252	345
Depreciation, amortisation and impairment	34	48	245	326

On 30.06.2017 € million	America	Asia/Rest of World	Europe	Total
Income statement items				
Segment net sales	3,889	5,228	4,203	13,320
<i>o/w Intersegment sales</i>	<i>1,228</i>	<i>1,661</i>	<i>1,422</i>	<i>4,310</i>
Net sales	2,661	3,568	2,781	9,010
Gross margin after logistics expenses	1,790	2,102	1,710	5,602
Contribution after advertising & promotion expenses	1,239	1,484	1,188	3,912
Profit from recurring operations	790	1,000	604	2,394
Other information				
Current investments	101	51	215	367
Depreciation, amortisation and impairment	33	50	214	297

Breakdown of sales

€ million	Net sales on 30.06.2016	Net sales on 30.06.2017	Change (€ million)	Change (%)
TOP 14 Spirits & Champagne	5,448	5,701	253	5%
Priority Premium Wines	487	505	18	4%
18 key local brands	1,647	1,686	39	2%
Other income	1,100	1,117	17	2%
TOTAL	8,682	9,010	327	4%

From 1 July 2016, the segmentation below is used for financial communications. The same segmentation was applied to the financial year ended 30 June 2016 for comparison purposes.

€ million	Net sales on 30.06.2016	Net sales on 30.06.2017	Change (€ million)	Change (%)
Strategic International Brands	5,309	5,555	246	5%
Strategic Local Brands	1,675	1,717	42	3%
Strategic Wines	479	496	17	4%
Other income	1,219	1,241	22	2%
TOTAL	8,682	9,010	327	4%

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 the profit from recurring operations given their unusual, abnormal and infrequent nature, which would distort the reading of the Group's performance.

Other operating income and expenses are broken down as follows:

€ million	30.06.2016	30.06.2017
Impairment of property, plant and equipment and intangible assets	(105)	(74)
Gains or losses on asset disposals and acquisition costs	51	(13)
Net restructuring and reorganisation expenses	(98)	(57)
Disputes and risks	(24)	(34)
Other non-current operating income and expenses	(7)	15
OTHER OPERATING INCOME AND EXPENSES	(182)	(163)

On 30 June 2017, other operating income and expenses included:

- impairment of tangible and intangible assets, resulting primarily from brand impairment tests for €73 million, of which €58 million was on the Imperial brand;
- gains or losses on asset disposals, relating mainly to the sale of the Domecq brandies and wines and the Fris vodka;
- restructuring costs linked to various reorganisation projects;
- expenses related to disputes and risks, including tax risks, that are non-current in nature;
- other non-current operating income and expenses.

Note 3.2 Financial income/(expense)

€ million	30.06.2016	30.06.2017
Interest expense on net financial debt	(463)	(403)
Interest income on net financial debt	63	46
Net cost of debt	(400)	(357)
Structuring and placement fees	(3)	(3)
Net financial impact of pensions and other long-term employee benefits	(15)	(15)
Other net current financial income (expense)	(3)	(1)
Financial income/(expense) from recurring operations	(422)	(376)
Foreign currency gains/(loss)	(14)	7
Other non-current financial income/(expense)	3	(5)
TOTAL FINANCIAL INCOME/(EXPENSE)	(432)	(374)

On 30 June 2017, the net cost of debt included financial expenses of €316 million on bond payments, €5 million on interest rate and currency hedges, €10 million on factoring and securitisation agreements, €9 million on the syndicated loan and other expenses of €17 million.

Weighted average cost of debt

The Group's weighted average cost of debt was 3.8% over the financial year 2016/17 compared to 4.1% over the financial year 2015/16. Weighted average cost of debt is defined as net financing costs plus structuring and placement fees as a proportion of average net financial debt outstanding plus the average amount outstanding on factoring and securitisation programmes.

Note 3.3 Corporate income tax**Analysis of income tax expense**

€ million	30.06.2016	30.06.2017
Current income tax	(381)	(400)
Deferred income tax	(27)	(37)
TOTAL	(408)	(438)

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

€ million	30.06.2016	30.06.2017
Operating profit	2,095	2,232
Financial income/(expense)	(432)	(374)
Taxable profit	1,663	1,858
Theoretical tax charge at the effective income tax rate in France ⁽¹⁾	(632)	(640)
Impact of tax rate differences by jurisdiction	237	211
Tax impact of variations in exchange rates	23	29
Re-estimation of deferred tax assets linked to tax rate changes	54	37
Impact of tax losses used/not used	3	(8)
Impact of reduced/increased tax rates on taxable results	1	2
Taxes on distributions	(58)	(54)
Other impacts	(37)	(15)
EFFECTIVE TAX CHARGE	(408)	(438)
EFFECTIVE TAX RATE	25%	24%

(1) The effective tax rate was 34.43% from 1 July 2016 (38% at end of June 2016).

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	30.06.2016	30.06.2017
Margins in inventories	89	91
Fair value adjustments on assets and liabilities	22	96
Provisions for pension benefits	183	140
Losses carried forward	1,327	1,314
Provisions (other than provisions for pension benefits) and other items	885	736
TOTAL DEFERRED TAX ASSETS	2,505	2,377
Accelerated tax depreciation	66	107
Fair value adjustments on assets and liabilities	2,702	2,750
Other items	788	565
TOTAL DEFERRED TAX LIABILITIES	3,556	3,421

Tax losses carryforwards (recognized and not recognized) represented a potential tax saving of €1,431 million at 30 June 2017 and €1,450 million on 30 June 2016. The potential tax savings on 30 June 2017 and 30 June 2016 relate to tax loss carryforwards with the following expiry dates:

Financial year 2015/16

Years	Tax effect of loss carryforwards (€ million)	
	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

Financial year 2016/17

Years	Tax effect of loss carryforwards (€ million)	
	Losses recognized	Losses not recognized
2017	1	0
2018	1	1
2019	1	0
2020	1	1
2021 and after	1,046	21
No expiry date	265	94
TOTAL	1,314	117

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

	30.06.2016	30.06.2017
Numerator (€ million)		
Group net profit	1,235	1,393
Denominator (in number of shares)		
Average number of outstanding shares	263,994,148	264,232,623
Dilutive effect of performance-based share allocations	889,040	845,727
Dilutive effect of stock options and subscription options	749,340	399,380
Average number of outstanding shares – diluted	265,632,528	265,477,729
Earnings per share (€)		
Earnings per share – basic	4.68	5.27
Earnings per share – diluted	4.65	5.25

Note 3.5 Expenses by type

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

€ million	30.06.2016	30.06.2017
Total depreciation, amortisation and impairment expenses	(329)	(292)
Salaries and payroll costs	(1,231)	(1,257)
Pensions, medical expenses and other similar benefits under defined benefit plans	(49)	(50)
Expenses related to stock options and share appreciation rights	(30)	(33)
Total personnel expenses	(1,309)	(1,340)

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	30.06.2015	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	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

Movements in the year

€ million	30.06.2016	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	Other movements	30.06.2017
Goodwill	5,624	8	-	(5)	(91)	0	5,535
Brands	13,247	13	-	(61)	(262)	0	12,937
Other intangible assets	356	32	-	(8)	(6)	7	382
GROSS VALUE	19,227	53	-	(75)	(359)	7	18,854
Goodwill	(137)	-	-	-	(1)	0	(138)
Brands	(1,272)	-	(73) ⁽¹⁾	21	30	0	(1,294)
Other intangible assets	(246)	-	(33)	7	4	(2)	(270)
DEPRECIATION/IMPAIRMENT	(1,655)	-	(105)	28	33	(2)	(1,702)
INTANGIBLE ASSETS, NET	17,572	53	(105)	(47)	(325)	5	17,152

(1) See Note 3.1 – Other operating income and expenses.

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 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 30.06.2017	Carrying amount of brands on 30.06.2017	Value in use		
				Discount rate 2016	Discount rate 2017	Perpetual growth rate
Europe	Value in use based on the discounted cash flow method	1,804	3,918	6.01%	5.81%	From -1% to +2.5%
America		2,676	6,111	6.29%	6.34%	From -1% to +2.5%
Asia/Rest of World		916	1,613	7.57%	7.61%	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 on 30 June 2017 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 in 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 promotional expenditure	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	(21)	(87)	(170)	(60)
America	(81)	(373)	(718)	(258)
Asia/Rest of World	(2)	(14)	(38)	(8)
TOTAL	(104)	(475)	(926)	(326)

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 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 depreciable lives 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
Vines	25 to 33 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 ownership of 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.

In accordance with the amendments to standards IAS 41 and IAS 16, vines are, since 1 July 2016, valued at acquisition cost and depreciated over their useful life. In accordance with IAS 41, agricultural produce (harvests) continues to 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	Movements in the year						30.06.2016
	30.06.2015	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	Other movements	
Land	336	5	-	(7)	(0)	8	342
Buildings	1,159	28	-	(15)	(61)	56	1,168
Machinery and 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 and 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
Biological assets	-	-	-	-	-	-	-
■ Gross value	153	0	-	(1)	5	15	173
■ Depreciation/Impairment	(1)	-	0	0	0	-	0
PROPERTY, PLANT AND EQUIPMENT, NET ⁽¹⁾	2,353	317	(193)	(17)	(86)	12	2,386

(1) Including biological assets.

€ million	Movements in the year						30.06.2017
	30.06.2016	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	Other movements	
Land	342	6	-	(5)	(0)	3	346
Buildings	1,168	42	-	(9)	(24)	29	1,206
Machinery and equipment	1,847	55	-	(46)	(33)	60	1,882
Other property, plant and equipment	772	67	-	(29)	(19)	(78)	713
Assets in progress	125	152	-	(1)	(3)	(127)	146
Advance on property, plant and equipment	26	16	-	(0)	(0)	(3)	38
GROSS VALUE	4,279	338	-	(91)	(79)	(116)	4,331
Land	(34)	-	(2)	0	0	2	(34)
Buildings	(488)	-	(38)	7	9	3	(507)
Machinery and equipment	(1,084)	-	(107)	43	21	11	(1,116)
Other property, plant and equipment	(287)	-	(39)	27	9	(48)	(338)
DEPRECIATION/IMPAIRMENT	(1,893)	-	(187)	78	38	(32)	(1,995)
PROPERTY, PLANT AND EQUIPMENT, NET	2,386	338	(187)	(13)	(41)	(148)	2,336

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.

Loans, receivables and deposits are valued at amortised cost.

€ million	30.06.2016		30.06.2017	
	Current	Non-current	Current	Non-current
Net financial assets				
Available-for-sale financial assets	-	16	-	17
Other financial assets	-	630	-	522
Net loans and receivables				
Loans, receivables and deposits	-	76	-	111
Total net non-current financial assets	-	721	-	650
Derivative instruments	8	109	24	26
FINANCIAL ASSETS	8	830	24	676

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

€ million	Movements in the year						
	30.06.2015	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	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

€ million	Movements in the year						30.06.2017
	30.06.2016	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	Other movements	
Other financial assets	632	21	-	(0)	(36)	(90)	528
Available-for-sale financial assets	21	3	-	(2)	(0)	1	23
Guarantees and deposits	76	2	-	(2)	(4)	40	112
Investment-related receivables	0	-	-	-	0	-	0
GROSS VALUE	730	26	-	(4)	(40)	(49)	663
Provisions for other financial assets	(3)	-	(4)	-	0	0	(6)
Impairment losses recognised on available-for-sale financial assets	(6)	-	-	-	(0)	(0)	(6)
Provisions for guarantees and deposits	(0)	-	(0)	-	0	(0)	(1)
Impairment losses recognised on investment-related receivables	(0)	-	-	-	(0)	-	(0)
IMPAIRMENT	(9)	-	(4)	-	0	(0)	(13)
NON-CURRENT FINANCIAL ASSETS, NET	721	26	(4)	(4)	(40)	(49)	650

Other financial assets on 30 June 2017 included €521 million of plan surplus related to employee benefits, compared to €626 million at the end of June 2016 (see Note 4.7 – Provisions).

Note 4.4 Inventories and work in progress

Inventories are measured at the lower of either their cost (acquisition cost and cost of production, including indirect production overheads) or their 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:

€ million	Movements in the year					30.06.2016
	30.06.2015	Change in gross value	Change in impairment	Foreign currency gains and losses	Other movements	
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

€ million	Movements in the year					30.06.2017
	30.06.2016	Change in gross value	Change in impairment	Foreign currency gains and losses	Other movements	
Raw materials	132	(4)	-	(3)	(1)	125
Work in progress	4,454	142	-	(103)	7	4,500
Goods in inventory	476	(15)	-	(10)	(0)	451
Finished products	286	(4)	-	(3)	(4)	275
GROSS VALUE	5,349	119	-	(118)	1	5,351
Raw materials	(10)	-	(1)	0	1	(10)
Work in progress	(17)	-	5	0	(0)	(13)
Goods in inventory	(16)	-	3	1	(0)	(13)
Finished products	(11)	-	0	0	0	(10)
IMPAIRMENT	(55)	-	7	1	1	(46)
NET INVENTORIES	5,294	119	7	(117)	2	5,305

On 30 June 2017, 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 as of 30 June 2016 and 30 June 2017 by due date:

€ million	Net carrying amount	Not impaired and not due	Not impaired and due on the following dates				
			< 30 days	31 to 90 days	91 to 180 days	181 to 360 days	> 360 days
Net carrying amounts							
Trade receivables and other operating receivables on 30.06.2016	1,068	868	114	47	18	9	12
o/w depreciation	72						
Trade receivables and other operating receivables on 30.06.2017	1,134	902	132	57	19	9	16
o/w depreciation	65						

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

€ million	2015/16	2016/17
On 1 July	77	72
Allowances during the year	8	9
Reversals during the year	(3)	(6)
Used during the year	(6)	(10)
Translation differences	(4)	(1)
ON 30 JUNE	72	65

On 30 June 2017, 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 2015/16 and 2016/17 the Group continued to implement its programmes to sell the receivables of several affiliates. Receivables sold under these programmes totalled €520 million on 30 June 2016 and €557 million on 30 June 2017. 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
	Amortised costs	Held to maturity	Available for sale	Financial liabilities at fair value		
Continuing involvement						
Guarantee deposit – factoring and securitisation	10	-	10	-	10	10

Note 4.6 Other current assets

Other current assets are broken down as follows:

€ million	30.06.2016	30.06.2017
Advances and down payments	20	25
Tax accounts receivable, excluding income taxes	134	146
Prepaid expenses	67	72
Other receivables	30	27
TOTAL	251	270

Note 4.7 Provisions

In accordance with IAS 37 (Provisions, contingent liabilities and contingent assets), provisions for risks and contingencies 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 for 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 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 in the balance sheet is as follows:

€ million	30.06.2016	30.06.2017
Non-current provisions		
Provisions for pensions and other long-term employee benefits	739	649
Other non-current provisions for risks and charges	422	453
Current provisions		
Provisions for restructuring	63	46
Other current provisions for risks and charges	104	113
TOTAL	1,328	1,261

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

€ million	Movements in the year							30.06.2017
	30.06.2016	Allowances	Reversals (used)	Reversals (not used)	Foreign currency gains and losses	Scope changes	Other movements	
Provisions for restructuring	63	36	(50)	(4)	(0)	-	0	46
Other current provisions	104	32	(7)	(9)	(7)	-	(0)	113
Other non-current provisions	422	105	(35)	(32)	(7)	-	-	453
TOTAL PROVISIONS	589	174	(92)	(44)	(14)	-	(0)	612

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 2017, the amount of provisions booked by the Group in respect of all disputes or risks in which it is involved amounted to €566 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 scope of consolidation.

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 and discount rate) and assumptions concerning employees (mainly average salary increase, rate of employee turnover and life expectancy). Assumptions used in 2015/16 and 2016/17 and the 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 (non-funded) 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. On 30 June 2017, fully or partly funded benefit obligations totalled €5,366 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 2016 and 30 June 2017:

€ million	30.06.2016			30.06.2017		
	Pension benefits	Medical expenses and other employee benefits	Total	Pension benefits	Medical expenses and other employee benefits	Total
Net liability at beginning of period	40	180	220	(66)	179	113
Expenses for the period	36	9	44	(7)	12	5
Actuarial (gains) and losses ⁽¹⁾	(119)	3	(116)	76	(11)	65
Employer contributions	(84)	-	(84)	(51)	-	(51)
Benefits paid directly by the employer	(11)	(9)	(20)	(14)	(11)	(26)
Changes in the scope of consolidation	-	0	0	-	-	-
Foreign currency gains and losses	73	(4)	68	25	(3)	21
Net liability at end of period	(66)	179	113	(37)	165	128
Amount recognised in assets ⁽²⁾	(626)	-	(626)	(521)	-	(521)
AMOUNT RECOGNISED IN LIABILITIES (PROVISION AT END OF PERIOD)	560	179	739	484	165	649

(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:

Expense for the period € million	30.06.2016			30.06.2017		
	Pension benefits	Medical expenses and other employee benefits	Total	Pension benefits	Medical expenses and other employee benefits	Total
Service cost	45	3	49	46	4	50
Interest on provision	(4)	6	2	(4)	6	2
Fees/levies/premiums	11	-	11	10	-	10
Impact of plan amendments/Reduction of future rights ⁽¹⁾	(18)	(2)	(20)	(59)	1	(58)
Impact of liquidation of benefits	0	-	0	(1)	-	(1)
Actuarial (gains)/losses	-	1	1	-	1	1
Effect of asset ceiling (including the impact of IFRIC 14)	-	-	-	-	-	-
NET EXPENSE/(INCOME) RECOGNISED IN PROFIT AND LOSS	36	9	44	(7)	12	5

(1) See Note 6.2 – Share-based payments.

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

Net liabilities recognised in the balance sheet € million	30.06.2016			30.06.2017		
	Pension benefits	Medical expenses and other employee benefits	Total	Pension benefits	Medical expenses and other employee benefits	Total
Change in the actuarial value of cumulative benefit obligations						
Actuarial value of cumulative benefit obligations at beginning of period	5,952	180	6,132	5,615	179	5,794
Service cost	45	3	49	46	4	50
Interest cost (effect of unwinding of discount)	201	6	207	151	6	157
Employee contributions	2	1	3	2	1	3
Benefits paid	(324)	(10)	(333)	(273)	(12)	(285)
Administrative fees/premiums/levies	(1)	-	(1)	(0)	-	(0)
Plan amendments/reduction of future rights	(18)	(2)	(20)	(59)	1	(58)
Liquidation of benefits	0	-	0	(1)	-	(1)
Actuarial (gains)/losses	467	4	471	288	(10)	277
Currency translation adjustments	(710)	(4)	(714)	(290)	(3)	(294)
Changes in the consolidation perimeter	(0)	0	0	-	-	-
ACTUARIAL VALUE OF CUMULATIVE BENEFIT OBLIGATIONS AT END OF PERIOD	5,615	179	5,794	5,480	165	5,645
Change in the fair value of plan assets						
Fair value of plan assets at beginning of period	5,912	-	5,912	5,681	-	5,681
Interest income on plan assets	204	-	204	155	-	155
Experience gains/(losses) on plan assets	586	-	586	212	-	212
Employee contributions	2	-	2	2	-	2
Employer contributions	84	-	84	51	-	51
Benefits paid	(314)	-	(314)	(258)	-	(258)
Administrative fees/premiums/levies	(11)	-	(11)	(11)	-	(11)
Plan amendments/reduction of future rights	(0)	-	(0)	-	-	-
Liquidation of benefits	-	-	-	-	-	-
Currency translation adjustments	(782)	-	(782)	(315)	-	(315)
Changes in the consolidation perimeter	(0)	-	(0)	-	-	-
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	5,681	-	5,681	5,517	-	5,517
Present value of funded benefits	5,502	-	5,502	5,366	-	5,366
Fair value of plan assets	5,681	-	5,681	5,517	-	5,517
Deficit/(surplus) on funded benefits	(179)	-	(179)	(151)	-	(151)
Present value of unfunded benefits	113	179	292	113	165	279
Effect of ceiling on plan assets (including the impact of IFRIC 14)	-	-	-	-	-	-
NET LIABILITY RECOGNISED IN THE BALANCE SHEET	(66)	179	113	(37)	165	128

	Actuarial value of cumulative benefit obligations		Fair value of plan assets		Recognised in liabilities and shareholders' equity		Amount recognised in assets	
At 30.06.2017	(€ million)	(%)	(€ million)	(%)	(€ million)	(%)	(€ million)	(%)
United Kingdom	4,435	79%	4,796	87%	157	24%	(519)	99%
United States	402	7%	233	4%	168	26%	-	0%
Canada	305	5%	247	4%	58	9%	(1)	0%
Ireland	243	4%	160	3%	82	13%	-	0%
France	144	3%	21	0%	124	19%	-	0%
Other countries	117	2%	59	1%	60	9%	(2)	0%
TOTAL	5,645	100%	5,517	100%	649	100%	(521)	100%

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

	30.06.2016		30.06.2017	
Breakdown of plan assets	Pension benefits	Medical expenses and other employee benefits	Pension benefits	Medical expenses and other employee benefits
Shares	22%	Not applicable	18%	Not applicable
Bonds	41%	Not applicable	36%	Not applicable
Other money market funds	1%	Not applicable	0%	Not applicable
Property assets	8%	Not applicable	7%	Not applicable
Other	29%	Not applicable	39%	Not applicable
TOTAL	100%	NOT APPLICABLE	100%	NOT APPLICABLE

Contributions payable by the Group in financial year 2017/18 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
2018	263	9
2019	261	9
2020	267	10
2021	280	10
2022	282	9
2023–2027	1,552	50

On 30 June 2016 and 30 June 2017, the main assumptions used for the measurement of pension obligations and other long-term employee benefits were as follows:

	30.06.2016		30.06.2017	
Actuarial assumptions in respect of commitments	Pension benefits	Medical expenses and other employee benefits	Pension benefits	Medical expenses and other employee benefits
Discount rate	2.84%	3.58%	2.62%	3.50%
Average rate of increase in annuities	3.11%	Not applicable	3.34%	Not applicable
Average salary increase	2.69%	3.33%	2.81%	3.39%
Expected increase in medical expenses				
■ Initial rate	Not applicable	7.05%	Not applicable	6.65%
■ Final rate	Not applicable	4.73%	Not applicable	4.75%

Actuarial assumptions in respect of benefit obligations for the year	30.06.2016		30.06.2017	
	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 on 30.06.2017
(pensions and other benefit obligations)
By region

	United Kingdom	United States	Canada	Eurozone countries	Other non-euro zone countries
Discount rate	2.52%	4.13%	3.45%	1.68%	3.75%
Average rate of increase in annuities	3.52%	Not applicable	1.25%	1.48%	1.75%
Average salary increase	2.22%	3.75%	3.00%	2.76%	4.12%
Expected increase in medical expenses					
■ Initial rate	5.50%	7.64%	5.65%	3.50%	Not applicable
■ Final rate	5.50%	4.50%	4.60%	3.50%	Not applicable

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

- short-term rate (less than 7 years): 0.50%;
- medium-term rate (7-10 years): 1%;
- long-term rate (more than 10 years): 1.50% to 1.95%.

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 on 30 June 2017	5,480	165	5,645
Commitments on 30 June 2017 with a 0.5% drop in the discount rate	5,946	176	6,122
Commitments on 30 June 2017 with a 0.5% rise in the discount rate	5,067	156	5,223

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	Effect of a change		
	With current rate	1% increase	1% decrease
On the present value of the benefit obligations on 30 June 2017	130	16	(13)
Expense for the 2016/17 financial year	7	1	(1)

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

€ million	30.06.2017	
	Pension benefits	Medical expenses and other employee benefits
Amount of experience losses or (gains) on benefit obligations	(16)	(9)
Percentage compared with amount of benefit obligations	-0.3%	-5.5%
Amount of financial assumption losses or (gains) on benefit obligations	335	(0)
Percentage compared with amount of benefit obligations	6.1%	0.0%
Amount of demographic assumption losses or (gains) on benefit obligations	(31)	(1)
Percentage compared with amount of benefit obligations	-0.6%	-0.7%
Amount of experience losses or (gains) on plan assets	(212)	-
Percentage compared with amount of plan assets	-3.8%	0.0%
Average duration	15.94	12.37

Note 4.8 Financial liabilities

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

€ million	30.06.2016			30.06.2017		
	Current	Non-current	Total	Current	Non-current	Total
Bonds	1,884	7,078	8,962	94	6,900	6,993
Syndicated loan	-	-	-	-	319	319
Commercial paper	45	-	45	630	-	630
Other loans and financial debts	98	257	355	441	161	601
Other financial liabilities	143	257	400	1,071	480	1,551
GROSS FINANCIAL DEBT	2,027	7,335	9,362	1,165	7,379	8,545
Fair value hedging derivative instruments – assets	-	(77)	(77)	(6)	(17)	(22)
Fair value hedging derivative instruments – liabilities	-	-	-	-	7	7
Fair value hedge derivatives	-	(77)	(77)	(6)	(9)	(15)
Net investment hedging derivative instruments – assets	-	-	-	-	-	-
Net investment hedging derivative instruments – liabilities	-	-	-	-	-	-
Net investment hedge derivatives	-	-	-	-	-	-
Net asset hedging derivative instruments – assets	-	-	-	(2)	-	(2)
Net asset hedging derivative instruments – liabilities	-	-	-	-	-	-
Net asset hedging derivative instruments	-	-	-	(2)	-	(2)
FINANCIAL DEBT AFTER HEDGING	2,027	7,258	9,285	1,158	7,370	8,528
Cash and cash equivalents	(569)	-	(569)	(677)	-	(677)
NET FINANCIAL DEBT	1,458	7,258	8,716	481	7,370	7,851

2. Breakdown of debt by currency before and after foreign exchange hedging instruments on 30 June 2016 and 30 June 2017

On 30.06.2016 € million	Gross financial debt	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%

On 30.06.2017 € million	Gross financial debt	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% debt after hedging	% Net debt after hedging
EUR	3,758	165	3,923	(139)	3,784	46%	48%
USD	4,720	(28)	4,693	(33)	4,660	55%	59%
GBP	5	(1)	5	(27)	(22)	0%	-0%
SEK	9	(86)	(78)	(6)	(84)	-1%	-1%
Other currencies	52	(67)	(15)	(472)	(487)	0%	-6%
FINANCIAL DEBT BY CURRENCY	8,545	(17)	8,528	(677)	7,851	100%	100%

3. Breakdown of debt by currency and type of rate hedging on 30 June 2016 and 30 June 2017

On 30.06.2016 € million	Debt after hedging by currency	Fixed-rate debt ⁽¹⁾	Capped floating- rate debt	Floating- rate debt	% (fixed-rate debt + rate debt debt)/Debt after hedging	Cash	% (fixed- rate + floating-rate debt 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 currencies	24	-	-	24	N.M.	(429)	N.M.
TOTAL	9,285	8,743	-	542	94%	(569)	100%

N.M.: Not material.

(1) Hedges for accounting purposes and other derivatives.

On 30.06.2017 € million	Debt after hedging by currency	Fixed-rate debt ⁽¹⁾	Capped floating- rate debt	Floating- rate debt	% (fixed-rate debt + rate debt debt)/Debt after hedging	Cash	% (fixed- rate debt + floating-rate debt)/Net debt
EUR	3,923	2,649	-	1,274	68%	(139)	70%
USD	4,693	3,169	-	1,523	68%	(33)	68%
GBP	5	-	-	5	N.M.	(27)	N.M.
SEK	(78)	-	-	(78)	N.M.	(6)	N.M.
Other currencies	(15)	-	-	(15)	N.M.	(472)	N.M.
TOTAL	8,528	5,819	-	2,709	68%	(677)	74%

N.M.: Not material.

(1) Hedges for accounting purposes and other derivatives.

4. Breakdown of fixed-rate/floating-rate debt before and after interest rate hedging instruments on 30 June 2016 and 30 June 2017

€ million	30.06.2016				30.06.2017			
	Debt before hedging		Debt after hedging		Debt before hedging		Debt after hedging	
Fixed-rate debt	8,698	94%	8,743	94%	6,827	80%	5,819	68%
Capped floating-rate debt	-	-	-	-	-	-	-	-
Floating-rate debt	587	6%	542	6%	1,701	20%	2,709	32%
FINANCIAL DEBT AFTER HEDGING BY TYPE OF RATE	9,285	100%	9,285	100%	8,528	100%	8,528	100%

On 30 June 2017, before taking account of any hedges, the Group's gross debt was 80% fixed rate and 20% floating rate. After hedging, the floating rate portion was 32%.

5. Schedule of financial liabilities on 30 June 2016 and 30 June 2017

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 2016 and 30 June 2017.

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)

On 30.06.2017 € 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	-	(8,501)	(769)	(304)	(15)	(923)	(1,067)	(1,648)	(3,775)
Interest	-	(2,186)	(127)	(129)	(256)	(255)	(238)	(182)	(999)
GROSS FINANCIAL DEBT	(8,545)	(10,687)	(896)	(433)	(270)	(1,178)	(1,305)	(1,830)	(4,774)
Cross currency swaps	-								
■ Flows payable		-	-	-	-	-	-	-	-
■ Flows receivable		-	-	-	-	-	-	-	-
Derivative instruments – liabilities	(57)	(57)	(19)	(7)	(13)	(13)	(8)	1	3
DERIVATIVE INSTRUMENTS LIABILITIES	(57)	(57)	(19)	(7)	(13)	(13)	(8)	1	3
TOTAL FINANCIAL LIABILITIES	(8,602)	(10,744)	(915)	(441)	(284)	(1,192)	(1,313)	(1,830)	(4,771)

6. Syndicated loan

On 30 June 2017, the multi-currency syndicated loan of €2,500 million was drawn at €100 million and \$250 million.

7. Bonds

Nominal amount	Interest rate	Issue date	Maturity	Carrying amount on 30.06.2017 (€ million)
EUR 850 million	2.00%	20.03.2014	22.06.2020	847
USD 1,000 million	5.75%	07.04.2011	07.04.2021	887
USD 201 million	Spread + 6-month LIBOR	26.01.2016	26.01.2021	178
USD 1,500 million	4.45%	25.10.2011	15.01.2022	1,361
USD 800 million	4.25%	12.01.2012	15.07.2022	718
EUR 500 million	1.88%	28.09.2015	28.09.2023	485
EUR 650 million	2.13%	29.09.2014	27.09.2024	657
EUR 600 million	1.50%	17.05.2016	18.05.2026	598
USD 600 million	3.25%	08.06.2016	08.06.2026	514
USD 850 million	5.50%	12.01.2012	15.01.2042	750
TOTAL BONDS				6,993

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 shown 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 30.06.2016 € 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						
Bank debt	535	(135)	400	-	-	-

On 30.06.2017 € 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	775	(98)	677	-	-	-
Liabilities						
Bank debt	1,649	(98)	1,551	-	-	-

Note 4.9 Financial instruments

1. Fair value of financial instruments

€ million	Measurement level	Breakdown by accounting classification				30.06.2016	
		Fair value – profit	Fair value – shareholders' equity	Loans and receivables	Liabilities at amortised cost	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 and other operating 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							
Bonds		-	-	-	8,962	8,962	9,582
Bank debt		-	-	-	362	362	362
Finance lease debt		-	-	-	38	38	38
Derivative instruments – liabilities	Level 2	148	-	-	-	148	148

€ million	Breakdown by accounting classification					30.06.2017	
	Measurement level	Fair value – profit	Fair value – shareholders' equity	Loans and receivables	Liabilities at amortised cost	Balance sheet value	Fair value
Assets							
Available-for-sale financial assets	Level 3	-	17	-	-	17	17
Guarantees, deposits, investment-related receivables		-	-	111	-	111	111
Trade receivables and other operating receivables		-	-	1,134	-	1,134	1,134
Other current assets		-	-	270	-	270	270
Derivative instruments – assets	Level 2	50	-	-	-	50	50
Cash and cash equivalents	Level 1	677	-	-	-	677	677
Liabilities							
Bonds		-	-	-	6,993	6,993	7,462
Bank debt		-	-	-	1,513	1,513	1,513
Finance lease debt		-	-	-	38	38	38
Derivative instruments – liabilities	Level 2	57	-	-	-	57	57

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, fair value is approximately equal to 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 are consistent 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). On 30 June 2017, 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 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

On 30 June 2017, the Group's cash and cash equivalents totalled €677 million (compared with €569 million on 30 June 2016). An additional €2,760 million of renewable medium-term credit facilities with banks was confirmed and drawn at €360 million and \$250 million at this date. Group funding is provided in the form of long-term debt (bank loans, bonds, etc.) and short-term financing (commercial paper and bank overdrafts) as well as factoring and securitisation, which provide adequate financial resources to ensure the continuity of its business. The Group's short-term debt after hedging was €1,158 million on 30 June 2017 (compared to €2,027 million on 30 June 2016).

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 and a financial ratio. Breaches of these covenants or financial ratio could force the Group to make accelerated payments. On 30 June 2017, 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 the schedule of financial liabilities are respectively disclosed in the "Material contracts" subsection 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 affecting 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

On 30 June 2017, 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 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 € million)

On 30 June 2017 € million	< 1 year	> 1 year and < 5 years	> 5 years	Total
Total assets (cash)	139	-	-	139
Total floating-rate liabilities	(977)	(132)	(0)	(1,109)
NET FLOATING-RATE DEBT BEFORE HEDGING	(838)	(132)	(0)	(970)
Derivative instruments	(165)	-	-	(165)
NET FLOATING-RATE DEBT AFTER HEDGING	(1,003)	(132)	(0)	(1,135)

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

On 30 June 2017 € million	< 1 year	> 1 year and < 5 years	> 5 years	Total
Total assets (cash)	33	-	-	33
Total floating-rate liabilities	(121)	(423)	-	(543)
NET FLOATING-RATE DEBT BEFORE HEDGING	(88)	(423)	-	(511)
Derivative instruments	18	(301)	(697)	(980)
NET FLOATING-RATE DEBT AFTER HEDGING	(70)	(724)	(697)	(1,491)

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

A 50 basis point increase or decrease in (USD and EUR) interest rates would increase or reduce the cost of net financial debt by €9 million.

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

A relative fluctuation of +/-50 basis point in interest rates (USD and EUR) would generate an equity gain or loss of approximately €6 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 farm raw materials (impact on shareholders' equity)

On 30 June 2017, 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

Pursuant to 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 portion of the hedge is recognised in shareholders’ equity and the change in value of the “ineffective” portion is recognised in profit and loss.

Type of hedge on 30.06.2016 € million	Description of the financial instrument	Notional amount of contracts				Fair value	
		< 1 year	> 1 year and < 5 years	> 5 years	Total	Assets	Liabilities and shareholders' equity
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						8	64

Type of hedge on 30.06.2017 € million	Description of the financial instrument	Notional amount of contracts				Fair value	
		< 1 year	> 1 year and < 5 years	> 5 years	Total	Assets	Liabilities and shareholders' equity
Fair value hedge						22	7
Interest rate risk hedges	Swaps	307	351	701	1,358	22	7
Interest rate and currency risk hedges	Cross currency swaps	-	-	-	-	-	-
Net investment hedge		-	-	-	-	2	-
Currency risk hedges	NDF & FX options	79	-	-	79	2	-
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						24	7
Cash flow hedge						2	18
Interest rate risk hedges	Swaps	-	351	-	351	-	15
Hedging of currency risk on intragroup financing and operational hedging	Currency swaps	178	-	-	178	1	2
Commodity risk hedges	Forward	20	3	-	23	1	0
Non-hedge accounting		-	-	-	-	24	33
Hedging of currency risk on intragroup financing and operational hedging	Currency swaps and forwards	1,345	-	-	1,345	14	13
Interest rate risk hedges	Swaps	-	1,052	-	1,052	9	20
TOTAL DERIVATIVE INSTRUMENTS						50	57
TOTAL NON-CURRENT						26	42
TOTAL CURRENT						24	15

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 yield results consistent with the valuations provided by bank counterparties.

Note 4.11 Other current liabilities

Other current liabilities are broken down as follows:

€ million	30.06.2016	30.06.2017
Taxes and social charges	583	611
Other operating payables	323	324
Other payables	3	0
TOTAL	909	935

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 €79 million. The change breaks down as follows:

- increase in inventory: + €144 million;
- increase in trade receivables: + €87 million;
- increase in operating and other payables: €(151) million.

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

2. Capital expenditure

The acquisitions of property, plant and equipment and intangible assets originate primarily from expansion projects for industrial sites aimed at increasing distillation and maturing capacity, investments in major brand businesses (intended to receive visitors) or the renovation of equipment in production affiliates.

3. Bond issues/repayment of long-term debt

The Group has repaid:

- an \$850 million bond in January 2017;
- a €1,000 million bond in March 2017.

The Group also made net draw-downs on the repayment of the syndicated loan of €342 million and increased the stock of commercial paper for €585 million.

Note 6 Additional information**Note 6.1 Shareholders' equity****1. Share capital**

The Group's share capital did not change between 1 July 2016 and 30 June 2017:

	Number of shares	Amount (€ million)
Share capital on 30 June 2016	265,421,592	411
Share capital on 30 June 2017	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 2017, Pernod Ricard and its controlled affiliates held 1,369,868 Pernod Ricard shares worth €118 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 the stock option plans or, in the case of bonus shares, if performance targets are met.

3. Interim dividend

The Board of Directors' meeting of 19 April 2017 decided to pay an interim dividend of €0.94 per share in respect of the 2016/17 financial year, i.e. a total of €249 million. This interim dividend was paid on 7 July 2017 and recognised under "Other operating payables" in the balance sheet on 30 June 2017.

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 French Financial Markets Association (AMAFI) Code of Conduct, which was approved by the French Financial Markets Authority (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 "Share-based payment" standard to transactions whose award and settlement are share-based.

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.

This fair value was 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

The Group grants stock option and performance-based share plans to Managers with high levels of responsibility, key management personnel for the Group and high-potential Managers. An exceptional bonus share plan was implemented in exchange for the cancellation of the supplementary defined-benefit pension scheme, from which the members of the Executive Committee under the age of 55 years on 31 December 2016 no longer benefit, over the financial year with the conditions detailed below. All of the plans are equity-settled.

During the financial year 2016/17,

- the stock option plan allocated on 6 November 2013 was cancelled due to a failure to meet the external performance condition;

- four allocation plans were introduced on 17 November 2016:

- 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 17 November 2016 to 17 November 2019 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 financial years including the year in which the shares were granted and a continuous service condition upon vesting (four years),
- 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 financial 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 17 November 2016 to 17 November 2019 inclusive (three years) and a continuous service condition upon vesting (four years),
- an exceptional bonus share plan aiming to compensate for past rights; these shares are not subject to performance criteria. However, the final acquisition, subject to a presence condition, will be distributed in three parts over a period of three years, followed by a lock-up period of two years. For this plan, the Group took the decision to recognise all expenses over the 2016/17 year for services previously provided.

	Type of options	Presence of performance condition	Number of beneficiaries	Commencement date of options	Expiry date	Subscription or purchase price (€)	Outstanding options on 30 June 2017	Stock option/share expense for 2016/17 (€ thousand)
Plan dated 24.06.2010	Purchase	Unconditional	705	25.06.2014	24.06.2018	€64.00	148,599	0
Plan dated 24.06.2010	Purchase	Conditional	133	25.06.2014	24.06.2018	€64.00	143,342	0
Plan dated 15.09.2010	Purchase	Conditional	1	16.09.2014	15.09.2018	€64.00	67,500	0
Plan dated 15.06.2011	Purchase	Unconditional	713	16.06.2015	15.06.2019	€68.54	215,266	0
Plan dated 15.06.2011	Purchase	Conditional	144	16.06.2015	15.06.2019	€68.54	231,663	0
Plan dated 06.11.2013	Purchase	Conditional	168	07.11.2017	06.11.2021	€88.11	0	1,347
Plan dated 06.11.2015	Purchase	Conditional	161	07.11.2019	06.11.2023	€102.80	277,975	1,094
Plan dated 17.11.2016	Purchase	Conditional	16	18.11.2020	17.11.2024	€105.81	150,008	351

(1) Total shareholder return.

	Type of shares	Presence of performance condition	Number of beneficiaries	Shares acquired from		Shares vested from		Outstanding shares on 30 June 2017	Share expense for the financial year 2016/17 (€ thousand)
Plan dated 06.11.2013	Free	Conditional	1,089	07.11.2016 (FRA)	07.11.2017 (ROW)	07.11.2018 (FRA)	07.11.2017 (ROW)	233,299	4,436
Plan dated 06.11.2014	Free	Conditional	1,007		07.11.2018		07.11.2018	399,243	3,324
Plan dated 06.11.2015	Free	Conditional	1,006		07.11.2019		07.11.2019	388,103	8,817
Plan dated 17.11.2016	Free	Conditional	997		18.11.2020		18.11.2020	456,066	6,089
Plan dated 17.11.2016	Free	Unconditional	6	33% 18.11.2017		33% 18.11.2019		74,553	7,366
				33% 18.11.2018		33% 18.11.2020			
				33% 18.11.2019		33% 18.11.2021			

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

The 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 806,370, for which the average remaining life is one year and six months.

The Group recognised an expense of €2.8 million as an operating loss for three stock option plans in the process of acquisition on 30 June 2017, as well as an expense of €30 million in respect of the four performance-based share plans and the exceptional bonus share plan.

Annual expenses

€ million

30.06.2016

30.06.2017

Stock options – through a double entry to equity	4	3
Performance-based and bonus shares – through a double entry to equity	26	30
TOTAL ANNUAL EXPENSES	30	33

Changes made to outstanding stock options/shares during the year (period from 01.07.2016 to 30.06.2017) are described below:

	Type of options	Presence of performance condition	Outstanding options on 30.06.2016	Allocated during the period	Cancelled during the period	Exercised during the period	Expired during the period	Outstanding options on 30.06.2017
Plan dated 24.06.2010	Purchase	Unconditional	260,277	0	1,008	110,670	0	148,599
Plan dated 24.06.2010	Purchase	Conditional	187,337	0	0	43,995	0	143,342
Plan dated 15.09.2010	Purchase	Conditional	67,500	0	0	0	0	67,500
Plan dated 15.06.2011	Purchase	Unconditional	343,665	0	2,000	126,399	0	215,266
Plan dated 15.06.2011	Purchase	Conditional	281,404	0	0	49,741	0	231,663
Plan dated 06.11.2013	Purchase	Conditional	348,640	0	348,640	0	0	0
Plan dated 06.11.2015	Purchase	Conditional	278,575	0	600	0	0	277,975
Plan dated 17.11.2016	Purchase	Conditional	N/A	150,008	0	0	0	150,008

	Type of shares	Presence of performance condition	Outstanding shares on 30.06.2016	Allocated during the period	Cancelled during the period	Transferred during the period	Expired during the period	Outstanding shares on 30.06.2017
Plan dated 06.11.2013	Free	Conditional	339,273	0	32,324	73,650	0	233,299
Plan dated 06.11.2014	Free	Conditional	428,213	0	28,970	0	0	399,243
Plan dated 06.11.2015	Free	Conditional	411,723	0	23,620	0	0	388,103
Plan dated 17.11.2016	Free	Conditional	N/A	461,376	5,310	0	0	456,066
Plan dated 17.11.2016	Free	Unconditional	N/A	74,553	0	0	0	74,553

The average strike price of options exercised during the 2016/17 financial year was €66.42.

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

	Type of options/shares	Presence of performance condition	Initial share price (€) ⁽¹⁾	Strike price (€)	Expected volatility ⁽²⁾	Expected dividend yield ⁽²⁾	Risk-free interest rate ⁽²⁾	IFRS 2 fair value
Plan dated 17.11.2016	Purchase	Conditional	102.75	105.81	23%	2%	0.75%	15.18
Plan dated 17.11.2016	Free	Conditional	102.75	N/A	21%	2%	0.00%	57.71
Plan dated 17.11.2016	Free	Conditional	102.75	N/A	N/A	2%	N/A	94.85
Plan dated 17.11.2016	Free	Unconditional	102.95 ⁽³⁾	N/A	N/A	2%	N/A	98.93
Plan dated 17.11.2016	Free	Unconditional	102.75	N/A	N/A	2%	N/A	98.73

N/A: Not applicable.

(1) Share price at grant date.

(2) Assumptions used for initial measurement.

(3) Advance allocation on 26.08.2016.

The fair values are fixed upon implementation of each plan, and they do not vary year on year. In addition, here we only present the values relating to the plans allocated during the financial year 2016/17 (information on previous plans is available in the previous Registration Documents).

From 2012 onwards, the volatility assumption used for the plans is based on 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 prior to 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). Since 2010, it was assumed that 60%, 30% and 10% of the options would be exercised once the share price reached 125%, 175% and 200% of the exercise price respectively. This assumption is based on an analysis of behaviour observed on plans awarded before 2010.

Options allocated on 17 November 2016 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 17 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 depending on the level of performance achieved). Vesting will be final if the continuous service condition is met on 17 November 2020.

Two performance-based share plans were granted on 17 November 2016. 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 2017, 30 June 2018 and 30 June 2019 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 no later than the end of the vesting period.

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 17 November 2016, 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 17 November 2016 to 17 November 2019 inclusive (three years). The performance-based shares, the number of which will be determined by applying the internal condition, will be vested from 18 November 2020, 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 17 November 2020.

The exceptional bonus share plan is only conditional on the presence of beneficiaries over a particular period as follows:

- 1/3 of shares shall be vested if the presence condition is validated on 18 November 2017. Once acquired, these shares may not be sold before 18 November 2019;
- 1/3 of shares shall be vested if the presence condition is validated on 18 November 2018. Once acquired, these shares may not be sold before 18 November 2020;
- 1/3 of shares shall be vested if the presence condition is validated on 18 November 2019. Once acquired, these shares may not be sold before 18 November 2021.

The fair value of each of the three vesting tranches corresponds to the market price of the share on the allocation date minus the loss of dividends forecast for the vesting period (considering the value of non-saleability to be zero).

(1) Total Shareholder Return.

Note 6.3 Off-balance sheet commitments

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments granted on 30 June 2016	2,236	746	1,302	188
Commitments given in relation to companies within the Group	-	-	-	-
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 granted on 30 June 2016	2,844	38	2,769	36
Commitments received in relation to companies within the Group	-	-	-	-
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

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments granted on 30 June 2017	2,254	824	1,238	192
Commitments given in relation to companies within the Group	-	-	-	-
Commitments given in relation to the financing of the Company	13	4	3	6
Financial guarantees given	10	3	0	6
Other	3	1	2	-
Commitments relating to the operating activities of the issuer	2,240	820	1,235	186
Firm and irrevocable commitments to purchase raw materials	1,577	537	996	44
Tax commitments (customs guarantees and others)	245	159	13	73
Operating lease agreements	368	90	211	67
Other	50	33	16	1

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments granted on 30 June 2017	2,246	31	2,187	28
Commitments received in relation to companies within the Group	-	-	-	-
Commitments received in relation to the financing of the Company	2,206	24	2,181	1
Lines of credit received and not used	2,181	-	2,181	-
Financial guarantees received	25	24	0	1
Other	0	0	-	-
Commitments relating to the operating activities of the issuer	40	7	6	28
Contractual commitments related to business activity and business development	36	6	5	26
Other	4	1	1	2

1. Lines of credit received and not used

The lines of credit received and not used correspond primarily to the nominal amount of the syndicated loan not drawn on 30 June 2017 (see Note 4.8 – Financial liabilities).

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 €1,466 million, under *eaux-de-vie*, grape, base wine and grain supply agreements.

Note 6.4 Contingent liabilities

Pernod Ricard has received several notices of tax adjustment for the financial years 2006/07 to 2012/13, specifically concerning, for an amount of 5,476 million Indian rupees (equivalent to €74 million, including interest as of the date of the reassessment), the tax deductibility of promotion and advertising 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 on 30 June 2017, for all litigation and risks in which it is involved, amounted to €566 million, compared to €526 million on 30 June 2016 (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 best of the Company's 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 nationalised companies. 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 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 trademark 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 trademarks in the United States. 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 complaint. 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.

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. For the period between 2001 and December 2010, Pernod Ricard India (P) Ltd has paid deposited almost the entire differential duty as determined by customs in Delhi following the initial adjustment notice received in 2011. A second notice, received in 2013 and confirmed by a court on 14 August 2017, is currently in dispute because the values used are

considered to be too high and lacking a technical basis. The Company continues to actively work with the authorities and courts to resolve pending issues.

Moreover, Pernod Ricard India received several notices of tax adjustment for the financial years 2006/07 to 2012/13 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 2017.

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

€ million	30.06.2016	30.06.2017
Board of Directors ⁽¹⁾	1	1
Group Executive Committee		
■ Short-term benefits	13	12
■ Post-employment benefits	4	3
■ Share-based payments ⁽²⁾	2	12
TOTAL EXPENSES RECOGNISED FOR THE YEAR	20	28

(1) Directors' fees.

(2) The cost of share-based payments corresponds to the expenses recognised in profit/loss over the period under stock options, performance-based shares and exceptional bonus shares allocated to the members of the Group Executive Committee (see Note 6.2 – Payment in shares). On 30 June 2016, an expense of €2 million, linked to the performance-based share plans, is not included in the table above.

Note 6.7 Subsequent events

On 1 August 2017, Pernod Ricard announced the purchase of a majority share in the mezcal Del Maguey Single Village, a leading producer of traditionally produced artisan mezcal and number one in the mezcal category in the United States.

Note 6.8 Fees of Statutory Auditors and members of their networks for the 12-month financial year ⁽¹⁾

	Mazars			KPMG			Deloitte & Associés			Other			Total		
	Amount (excluding tax)			Amount (excluding tax)			Amount (excluding tax)			Amount (excluding tax)			Amount (excluding tax)		
€ million	2015/16	2016/17	%	2015/16	2016/17	%	2015/16	2016/17	%	2015/16	2016/17	%	2015/16	2016/17	%
Audit															
Statutory Auditors, certification, review of separate and consolidated financial statements ⁽³⁾															
Issuer ⁽³⁾	0.5	0.5	18%	0.6	0.5	12%	0	0	0%	1.1	1.1	12%			
Fully consolidated affiliates	2.8	2.0	71%	3.4	3.2	73%	0.3	0.7	52%	6.5	5.9	69%			
SUBTOTAL	3.3	2.5		4.0	3.7		0.3	0.7		7.6	6.9				
Services other than the certification of accounts ⁽⁴⁾															
Issuer ⁽³⁾	0.1	0	0%	0.2	0.2	4%	0	0.1	5%	0.3	0.2	3%			
Fully consolidated affiliates	0.2	0.3	11%	0.3	0.5	11%	0	0.6	43%	0.5	1.3	16%			
including legal, tax, corporate	0.1	0.3	9%	0.1	0.2	4%	0	0.4	34%	0.2	0.9	10%			
SUBTOTAL	0.3	0.3		0.5	0.6		0	0.6	0	0.8	1.6				
TOTAL	3.6	2.8	100%	4.5	4.4	100%	0.3	1.3	100%	8.4	8.5	100%			

(1) With regard to the period in review, this refers to services provided and recognised in the income statement during a financial year.

(2) Including the services of independent experts or members of the Statutory Auditors' network employed to certify the financial statements.

(3) The Company is understood to be the Parent Company.

(4) This section sets out the procedures and services provided to the issuer or its affiliates by the Statutory Auditors or the members of their networks. They may be required by law or by the provisions stipulated at the request of the Group or its affiliates, and undertake to comply with the requirements of independence.

KPMG SA has been appointed principal Statutory Auditor, replacing Mazars at the Combined Shareholders' Meeting of 17 November 2016. As part of a transition phase, Mazars covered the Group's interim closing needs on 31 December 2016 for certain affiliates with closing dates for their statutory financial statements that are different from that of the Group.

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 on 30 June 2017 are presented above in Note 1.2 – Significant events during the financial year.

Note 7.2 List of main consolidated companies

Companies	Country	% Interest on 30.06.2016	% Interest on 30.06.2017	Consolidation method***
Pernod Ricard SA	France	Parent Company	Parent Company	
Pernod Ricard South Africa PTY Ltd	South Africa	100	100	F.C.
Black Forest Distillers GmbH	Germany	60	60	F.C.
Pernod Ricard Deutschland GmbH	Germany	100	100	F.C.
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.
Pernod Ricard Korea Imperial Company Ltd	South Korea	100	100	F.C.
Pernod Ricard Korea Ltd	South Korea	100	100	F.C.
Havana Club International SA	Cuba	50	50	F.C.
Pernod Ricard Denmark A/S	Denmark	100	100	F.C.
Pernod Ricard España	Spain	100	100	F.C.
Pernod Ricard Winemakers Spain, SA	Spain	100	100	F.C.
Pernod Ricard Estonia OÜ	Estonia	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 I.P. Management LLC	United States	100	100	F.C.
Pernod Ricard Americas Travel Retail LLC	United States	100	100	F.C.
Pernod Ricard Assets USA LLC	United States	100	100	F.C.
Pernod Ricard Kenwood Holding LLC	United States	100	100	F.C.
Pernod Ricard Marketing USA LLC	United States	100	100	F.C.
Pernod Ricard USA Finance Inc.	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.
PRUSA Acquisitions LLC	United States	100	100	F.C.
Smooth Ambler Spirits Co.	United States	0	80	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 S.VCS	France	100	100	F.C.

Companies	Country	% Interest on 30.06.2016	% Interest on 30.06.2017	Consolidation method***
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 SAS	France	100	100	F.C.
Ricard SAS	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	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.
Peri Mauritius	Mauritius	100	100	F.C.
Pernod Ricard India Private Limited	India	100	100	F.C.
Comrie Limited	Ireland	100	100	F.C.
Irish Distillers Group Unlimited Company	Ireland	100	100	F.C.
Irish Distillers Ltd	Ireland	100	100	F.C.
Samuelson International DAC	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.
Pernod Ricard Morocco	Morocco	100	100	F.C.
Pernod Ricard Mexico SA de CV	Mexico	100	100	F.C.
Pernod Ricard Norway AS	Norway	100	100	F.C.
Pernod Ricard Winemakers New Zealand Limited	New Zealand	100	100	F.C.
Allied Domecq International Holdings B.V.	Netherlands	100	100	F.C.
Pernod Ricard Nederland BV	Netherlands	100	100	F.C.
PR Goal Nederland B.V.	Netherlands	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 Dominicana, SA	Dominican Republic	100	100	F.C.

Companies	Country	% Interest on 30.06.2016	% Interest on 30.06.2017	Consolidation method***
Jan Becher – Karlovarská Becherovka, a.s.	Czech Republic	100	100	F.C.
Pernod Ricard Romania SRL	Romania	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.
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.
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.
Pernod Ricard Thailand Ltd	Thailand	100	100	F.C.
Allied Domecq Istanbul İç ve Dış Ticaret Ltd. Sti.	Turkey	100	100	F.C.
Pernod Ricard Ukraine	Ukraine	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.

** UK limited companies that are members or with affiliates that are members of UK partnerships.

In accordance with Regulation 7 of The Partnerships (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.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2017

To the Pernod Ricard Shareholders' Meeting

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meetings, we have audited the accompanying consolidated financial statements of Pernod Ricard for the year ended 30 June 2017.

In our opinion, the consolidated financial statements give a true and fair view of the results of the operations of the Group for the year then ended and of its financial position and of its assets and liabilities as at 30 June 2017 in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Key Audit Matters

Brands' valuation

(Notes 1.1.4 and 4.1 to the consolidated financial statements)

As of 30 June 2017, indefinite-life brands were recorded in the balance sheet for a net carrying amount of €11,643 million, i.e. 39% of total assets.

An impairment loss is recognised in the balance sheet when their net carrying amount exceeds their recoverable amount. Their recoverable amount is determined as part of mandatory annual impairment tests given their indefinite life and/or specific tests in the event of an indication of a loss in value. Recoverable amounts are generally determined based on discounted future cash flow calculations and/or market values and involves significant management judgments of components such as price and volume growth rates, the schedule of future operating expenses and discount and long-term growth rates.

In certain countries, difficult trade conditions impacted the performance and future outlook of certain brands, leading the Company to record an impairment loss before tax of €73 million for the year ended 30 June 2017, as disclosed in Note 3.1 to the consolidated financial statements.

Furthermore, the sensitivity of brands' recoverable amounts to assumptions was analysed by management and presented in Note 4.1. Changes in assumptions could give rise to further impairment losses.

Considering the weight of brands on the balance sheet, the complexity of the models used and their sensitivity to changes in the data and assumptions underlying the estimates, particularly cash flow forecasts and discount rates used, we considered the recoverable amount of brands to be a key audit matter presenting a risk of material misstatement.

Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from 1 July 2016 to the issue date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code ("*Code de commerce*") relating to the justification of our assessments, we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period, as well as our responses to those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific elements, accounts or items of the consolidated financial statements.

Responses as part of our audit

We tested the operation of Group controls covering the calculation of brands' recoverable amounts. Our other procedures mainly consisted in:

- assessing the principles and methods of calculating brands' recoverable amounts ;
- for brands with a recoverable amount close to their carrying amount ("sensitive brands"), confirming the results of the valuation model used by management by comparing them with the results of our models;
- corroborating, notably through interviews with management, the reasonableness of the main data and assumptions underlying the estimates (such as the discount and long-term growth rates), primarily for "sensitive brands";
- being informed of the commercial outlook of the brands based on interviews with management and comparing the accounting estimates of prior period cash flow projections with corresponding actual values to assess reliability;
- testing the arithmetical accuracy of the valuations used by the Company on a sample basis.

We also assessed the appropriateness of the disclosures in Notes 1.1.4 and 4.1 to the consolidated financial statements and verified the arithmetical accuracy of the presented sensitivity analysis.

This is a free translation into English of the statutory auditors' report on the consolidated financial statements of the company issued in French and it is provided solely for the convenience of English speaking users.

This report includes information specifically required by European regulation or French law, such as information about the appointment of the statutory auditors.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Key Audit Matters

Tax risks

(Notes 1.1.4, 4.7.1, 4.7.2, 6.4 and 6.5 to the consolidated financial statements)

The Group operates in numerous different tax jurisdictions. The tax authorities of the countries in which the group companies operate regularly have queries on issues relating to their everyday activities.

Tax audits can therefore give rise to tax reassessments and litigation with these tax authorities. The assessment of the risk related to each tax litigation is regularly reviewed by each concerned subsidiary or region and by the Group's tax department, with the support of its external counsels for the most significant and complex litigations. As of 30 June 2017, part of the amount of provisions for contingences for all the legal disputes or risks involving the Group relates to tax risks and litigations.

More particularly, the Indian subsidiary is involved in disputes with customs and tax authorities over, among others, the declared transaction value of concentrates of alcoholic beverages (CAB) imported into India and the tax deductibility of promotional and advertising expenses. On this last point, as indicated in the Note 6.4 "Contingent liabilities", management disputes the merits of the reassessment proposal and has not booked provision for this matter.

Given the Group's exposure to tax issues, which are in part specific to its business sector, and the high level of management judgment in estimating the risks and amounts recorded, we considered tax risks to be a key audit matter and the corresponding provisions to be a possible source of material misstatement in the financial statements.

Recoverability of deferred tax assets relating to tax loss carryforwards

(Notes 1.1.4 and 3.3 to the consolidated financial statements)

As of 30 June 2017, a deferred tax expense of €37 million was recorded in the income statement, while deferred tax assets of €2,377 million (including €1,314 million relating to tax loss carryforwards) and deferred tax liabilities of €3,421 million were recognised in the balance sheet.

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 Group's ability to recover its deferred tax assets relating to tax loss carryforwards is assessed by management at each period end taking into account future taxable income forecasts. These projections are based on assumptions arising from management's judgment.

We considered the recoverability of deferred tax assets relating to tax loss carryforwards to be a key audit matter due to the significant judgments made by management in recognising these assets and the material amounts.

Responses as part of our audit

Based on discussions with management, we have been informed of the procedures implemented by the group to identify uncertain tax positions and, where necessary, provide for tax risks.

In addition, we assessed the judgments made by management in evaluating the probability of taxes being payable, the amount of potential exposure and the reasonableness of the estimates adopted for provisions for tax risks. We particularly focused on the impact of changes in local tax regulations and ongoing audits conducted by local tax authorities.

To assess whether the tax liabilities were appropriately recognised, and with the assistance of our tax experts, we:

- conducted interviews with the Group's tax department and regional and local management teams in order to assess the current state of the investigations and reassessments made by the tax authorities and monitor the development of ongoing tax disputes;
- consulted the recent Group company decisions and correspondence with local tax authorities, and reviewed the correspondence between the relevant companies and their lawyers, where necessary;
- analysed lawyers' responses to our information requests;
- performed a critical review of the estimates and positions adopted by management;
- verified that the latest developments were taken into account in the provisions recorded in the balance sheet.

We also assessed the disclosures in Notes 1.1.4, 4.7.1, 4.7.2, 6.4 and 6.5 to the consolidated financial statements.

Assisted by our tax experts from the relevant countries, where necessary, our audit approach consisted in assessing the probability that the company can utilise its current tax loss carryforwards in the future, particularly with regard to:

- deferred tax liabilities within the same tax jurisdiction that could be offset against current tax loss carryforwards prior to their expiration; and
- the ability of the relevant subsidiaries to generate future taxable profits in order to utilise current tax loss carryforwards.

We also assessed the reasonableness of the main data and assumptions (earnings growth, sustainability of operations) used to calculate the taxable income forecasts underlying the recognition and recoverability of the deferred tax assets relating to tax loss carryforwards.

We also assessed the appropriateness of the disclosures in Notes 1.1.4 and 3.3 to the consolidated financial statements.

Key Audit Matters

Post-employment benefit commitments

(Notes 1.1.4 and 4.7.3 to the consolidated financial statements)

The Group contributes to several defined-benefit post-employment benefit plans, mainly pension plans. The main plans located in France, in the United States, in Canada, in Ireland, in the United Kingdom and in the Netherlands represent nearly the entire actuarial value of accumulated benefits, which amounted to €5,645 million as of 30 June 2017. These liabilities are covered by plan assets with a fair value of €5,517 million, resulting in a net liability as of 30 June 2017 amounted to €128 million. The most significant plan assets concern the United Kingdom, the United States, Canada, and Ireland.

The measurement of pension plan assets and liabilities as well as the actuarial expense for the period requires the exercise of judgment to determine the appropriate assumptions to be used, such as discount and inflation rates, future wage increases, employee turnover rate, mortality tables, etc. Changes in some of these assumptions may have a material impact on the calculation of the net liability and the Group's earnings. In this context, management calls on external actuaries to assist in determining these assumptions.

Given the amounts of these commitments and plans assets as well as the significant judgments made by management and the technical expertise required for their measurement, we considered this type of commitment to be a key audit matter.

Responses as part of our audit

We have been informed of the procedures implemented by the group to evaluate the post-employment benefit commitments. We called on internal actuarial specialists to assess the assumptions used in the valuation of pension plan commitments, in particular those of the United Kingdom, the United States, Canada, Ireland and France, by:

- assessing the consistency of the discount and inflation rates with market conditions;
- assessing the assumptions relating to wage increases, staff turnover and mortality rates to determine their consistency with the specificities of each plan and, where necessary, with the relevant national and sectoral benchmarks;
- analysing the calculations prepared by external actuaries, particularly those justifying the liability's sensitivity to changes in the discount rate.

Regarding the plan assets, we also assessed whether the assumptions adopted by management to measure these assets and the documentation provided by management to justify the recognition of net plan assets were appropriate. Regarding net plan assets, we analysed the plan rules, the latest financing report and the legal position obtained by management in respect of IFRIC 14, to verify the Group's ability to recover surplus assets.

We also assessed the appropriateness of the disclosures in Notes 1.1.4 and 4.7.3 to the consolidated financial statements.

Specific Verification concerning the Group presented in the Management Report

As required by French law, we have also verified in accordance with professional standards applicable in France the information concerning the Group presented in the Board of Directors' management report.

We have no matters to report as its fair presentation and its consistency with the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Pernod Ricard by the Shareholders' Meeting of 13 May 2003 for Deloitte & Associés and of 17 November 2016 for KPMG S.A.

As at 30 June 2017, Deloitte & Associés and KPMG S.A. were in the 14th period and first period of total uninterrupted engagement, respectively.

Responsibilities of Management and those charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements have been approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified by article L.823-10-1 of the French Commercial Code ("Code de commerce"), the scope of our statutory audit does not include assurance on the future viability of the Company or the quality with which Company's management has conducted or will conduct the affairs of the entity.

A more detailed description of our statutory auditor responsibilities for the audit of the consolidated financial statements is presented in the appendix to this report and is an integral part thereof.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also bring to its attention, if need be, any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters. We describe these matters in the audit report.

We also provide the Audit Committee with the declaration referred to in Article 6 of Regulation (EU) N° 537/2014, confirming our independence in the sense of the rules applicable in France as defined in particular by articles L.822-10 to L.822-14 of the French Commercial Code ("Code de commerce") and or in the French Code of ethics for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

Paris La Défense and Neuilly-sur-Seine, 20 September 2017

The Statutory Auditors

French original signed by

KPMG Audit
Division of KPMG S.A.

Eric Ropert
Partner

Deloitte & Associés

David Dupont-Noël
Partner

APPENDIX

Detailed description of the statutory auditors' responsibilities

As part of an audit in accordance with professional standards applicable in France, we exercise professional judgment throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If we conclude that a material uncertainty exists, we draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, we modify our opinion;
- Evaluate the overall presentation of the consolidated financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities included in the consolidation scope to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

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Pernod Ricard SA financial statements

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PERNOD RICARD SA INCOME STATEMENT

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2016 AND 30 JUNE 2017

€ thousand	30.06.2016	30.06.2017
Royalties	29,101	32,300
Other income	137,684	147,475
Reversals of financial provisions and expense transfers	5,832	3,165
OPERATING INCOME	172,617	182,940
Purchases of goods and supplies not for stock and external services	(140,684)	(144,653)
Duties and taxes	(2,998)	(4,861)
Payroll expenses	(74,371)	(74,832)
Depreciation, amortisation and provision charges	(20,828)	(24,635)
Other expenses	(4,523)	(7,495)
OPERATING EXPENSES	(243,404)	(256,476)
Operating profit (loss)	(70,787)	(73,536)
Income from investments	899,472	783,497
Interest and related income	316,113	225,554
Reversals of financial provisions and expense transfers	288,871	229,473
Foreign exchange gains	15,480	571,148
FINANCIAL INCOME	1,519,936	1,809,672
Provision charges	(232,623)	(375,206)
Interest and related expenses	(546,509)	(398,205)
Foreign exchange losses	(44,472)	(239,498)
FINANCIAL EXPENSES	(823,604)	(1,012,909)
Financial income/(expense)	696,332	796,763
Profit/(loss) from continuing operations	625,545	723,227
Exceptional items	(21,882)	129,087
Net profit/(loss) before tax	603,663	852,314
Corporate income tax	160,415	114,462
PROFIT FOR THE FINANCIAL YEAR	764,078	966,776

PERNOD RICARD SA BALANCE SHEET

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2016 AND 30 JUNE 2017

Assets

€ thousand	Net value 30.06.2016	Gross value 30.06.2017	Depreciation, amortisation & provisions	Net value 30.06.2017	Notes
Concessions, patents and licences	29,500	33,286	(3,823)	29,463	
Other intangible assets	4,252	35,424	(32,817)	2,607	
Advances and down payments	6,469	9,486	-	9,486	
Intangible assets	40,221	78,196	(36,640)	41,556	2
Land	587	587	-	587	
Buildings	297	504	(218)	286	
Machinery & equipment	117	403	(296)	107	
Other property, plant and equipment	6,101	16,645	(10,405)	6,240	
Advances and down payments	23,794	36,554	-	36,554	
Property, plant and equipment	30,896	54,693	(10,919)	43,774	
Investments	12,812,153	12,827,390	(88,142)	12,739,248	3
Loans and advances to affiliates and associates	51,356	61,945	-	61,945	3 and 4
Other financial assets	7,772	8,006	-	8,006	3 and 4
Financial assets	12,871,281	12,897,341	(88,142)	12,809,199	3
TOTAL FIXED ASSETS	12,942,398	13,030,230	(135,701)	12,894,529	
Advances and supplier prepayments	194	71	-	71	4
Trade receivables	137,569	159,059	(3,408)	155,651	
Other receivables	2,329,677	1,649,850	(3,114)	1,646,735	
Receivables	2,467,246	1,808,909	(6,522)	1,802,386	4
Marketable securities	81,650	117,590	-	117,590	5
Cash	626,913	494,290	-	494,290	
Prepaid expenses	17,292	11,032	-	11,032	6
TOTAL CURRENT ASSETS	3,193,295	2,431,892	(6,522)	2,425,369	
Bond redemption premiums	23,595	20,181	-	20,181	6
Currency translation adjustment – Assets	780,617	605,338	-	605,338	6
TOTAL ASSETS	16,939,905	16,087,641	(142,223)	15,945,418	

Liabilities

€ thousand	30.06.2016	30.06.2017	Notes
Capital	411,403	411,403	7
Share premiums	3,039,030	3,039,030	
Statutory reserves	41,140	41,140	
Regulated reserves	179,559	179,559	
Other reserves	195,013	195,013	
Reserves	415,712	415,712	
Retained earnings	1,624,034	1,891,345	
Profit for the financial year	764,078	966,776	
Interim dividends pending allocation	(238,880)	(249,496)	
TOTAL SHAREHOLDERS' EQUITY	6,015,377	6,474,770	8
Provisions for risks and contingencies	490,251	480,147	9
Bonds	8,945,558	7,032,122	4 and 13
Bank debt	127,503	97,502	4 and 14
Other debt	-	-	4
Debt	9,073,061	7,129,624	
Trade payables	78,416	74,070	
Taxes and social charges	30,493	35,114	
Amounts due on non-current assets and related accounts	-	-	
Other payables	259,134	1,264,232	
Trade and other accounts payable	368,043	1,373,416	4
Deferred income	232	188	4 and 11
TOTAL LIABILITIES	9,441,336	8,503,228	
Currency translation adjustment – Liabilities	992,941	487,272	11
TOTAL LIABILITIES	16,939,905	15,945,418	

PERNOD RICARD SA CASH FLOW STATEMENT

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2016 AND 30 JUNE 2017

€ thousand	30.06.2016	30.06.2017
Operating activities		
Net profit	764,078	966,776
Net depreciation, amortisation and provision charges	(21,296)	78,865
Changes in provisions	(38,365)	(8,908)
Net (gain)/loss on disposal of assets and other items	3,751	-
Cash flow	708,169	1,036,732
Decrease/(increase) in working capital requirements	(75,173)	(640,908)
Change in net debt from operating activities	632,996	395,825
Investing activities		
Capital expenditure	(7,191)	(21,315)
Purchases of financial assets (net of disposals)	(1,744)	(9,683)
Change in net debt from investing activities	(8,935)	(30,998)
Financing activities		
Long-term and medium-term bond issue	(1,288,758)	(121,141)
Loans and medium-term and long-term debt	(54,322)	(94,086)
Other changes in shareholders' equity	-	-
Dividends paid	(496,233)	(507,383)
Change in net debt from financing activities	(1,839,313)	(722,610)
Change in short-term net debt	(1,215,252)	(357,783)
SHORT-TERM NET DEBT AT THE BEGINNING OF THE YEAR	1,023,243	(192,009)
SHORT-TERM NET DEBT AT THE END OF THE YEAR	(192,009)	(549,792)

Note: Presentation of cash flow statement

Changes in net debt comprise changes in both debt and "cash and cash equivalents".

Net debt breaks down as follows:

€ thousand	30.06.2017
Loans and long-term debts	(97,502)
Bonds	(93,706)
Net balance on current account with Pernod Ricard Finance	(970,464)
Marketable securities	117,590
Cash	494,290
SHORT-TERM NET DEBT AT THE END OF THE YEAR	(549,792)
Bonds	(6,938,416)
Loans and long-term debts	20,181
Pernod Ricard Finance loan	-
MEDIUM-TERM AND LONG-TERM NET DEBT AT THE END OF THE YEAR	(6,918,235)
TOTAL NET DEBT AT THE END OF THE YEAR	(7,468,027)

ANALYSIS OF PERNOD RICARD SA RESULTS

RELATIONS BETWEEN THE PARENT COMPANY AND ITS AFFILIATES

The main role of Pernod Ricard SA, the Group's Parent Company, is to carry out general interest and coordination activities in strategy, financial control of affiliates, external growth, marketing, development, research, Human Resources and communication. Pernod Ricard SA's financial relations with its affiliates mainly involve the billing of royalties for the operation of brands owned by Pernod Ricard SA, various billings and the receipt of dividends.

HIGHLIGHTS OF THE FINANCIAL YEAR

Bond redemption and new issues

On 14 June 2017, Pernod Ricard SA signed a new multi-currency syndicated loan agreement amounting to €2.5 billion.

On 15 March 2011, Pernod Ricard SA issued bonds totalling €1 billion, with a fixed interest rate of 5%. This issue was redeemed on 15 March 2017.

On 12 January 2012, Pernod Ricard SA issued US\$2.5 billion in bonds. This issue comprised three tranches, including one of US\$ 850 million, with a fixed interest rate of 2.95%. This tranche of US\$ 850 million was repaid on 15 January 2017.

INCOME STATEMENT AND BALANCE SHEET AS AT 30 JUNE 2017

Analysis of the 2016/17 income statement

The operating income represents a total €183 million at 30 June 2017, an increase of €10 million compared with 30 June 2016, mainly due to rebillings to affiliates.

The amount of operating expenses as at 30 June 2017 is €(256) million compared with €(243) million in the previous year, i.e. a rise in expenses of €13 million. The main changes are explained by:

- an increase in taxes of €2 million;
- an increase in amortisation allowances and other operating expenses of €4 million and €7 million respectively.

The operating income amounted to €(74) million at 30 June 2017, i.e. a reduction of €(3) million compared to 30 June 2016.

The amount of financial income was €797 million at 30 June 2017, compared to €696 million at 30 June 2016. This increase of €101 million was mainly attributable to:

- the significant reduction in net financial interest charges of €58 million;
- a positive variation in the foreign exchange gains and losses of €361 million;
- a reduction in the dividends received from the consolidated and non-consolidated affiliates of €(116) million;
- a fall in the provisions and reversals of provisions for risks amounting to €(202) million.

The operating result before tax amounted to a profit of €723 million.

The extraordinary result as at 30 June 2017 represents a product of €129 million linked to a net profit on provisions and reversals for risk over the 2016/17 financial year amounting to €101 million and to expenses and ongoing products amounting to €28 million.

Lastly, the income tax item is made up of a tax product of €114 million relating to the effects of the tax consolidation over the 2016/17 period of €130 million and a charge of €(16) million related to the additional 3% tax on dividends.

As a result, net profit for the 2016/17 financial year was €967 million.

Analysis of the 2016/17 balance sheet

Assets

Total net fixed assets stood at €12,895 million on 30 June 2017 compared with €12,942 million for the previous year, *i.e.* a reduction of €(48) million. The main changes observed are as follows:

- an increase of €14 million in property, plant and equipment and intangible assets;
- a decrease of €(62) million in financial assets due primarily:
 - to provisions and reversals of provisions for €(72) million, particularly on the Pernod Ricard Central and South America securities for €(73) million,
 - to the €9 million variation in dividends receivable;

Current assets fell by €(768) million during the financial year. The main movements include:

- an increase of €18 million in trade receivables;
- a fall of €683 million in other receivables, due in particular to:
 - the repayment of debt in US dollars and euros by Pernod Ricard Finance over the period amounting to €(994) million,
 - the repayment of debt in US dollars by Austin Nichols & Co over the period amounting to €(798) million,
 - the establishment of debt in US dollars with Allied Domecq Westport Ltd amounting to €1,117 million;
- a reduction in cash amounting to €(133) million mainly attributable to the reduction in cash instruments;
- a €36 million rise in marketable securities.

The accruals and deferred income amounting to €637 million consist of the currency translation adjustment – Assets, bond redemption premiums and prepaid expenses, which decreased respectively by €(175) million, €(3) million and €(6) million between 30 June 2016 and 30 June 2017.

Liabilities

Shareholders' equity amounted to €6,475 million at 30 June 2017, compared with €6,015 million at 30 June 2016. The main movements for the period were:

- profit for the financial year of €967 million;
- the payment of the balance of the dividend for the 2015/16 financial year of €259 million;
- the payment of an interim dividend of €0.94 per share in respect of the 2016/17 financial year, amounting to €249 million. This interim dividend was paid on 7 July 2017.

Provisions for risks and charges fell by €(10) million. This change was attributable to:

- a net reversal of provision for post-employment benefits of €51 million;
- a €61 million increase in the provision for foreign exchange losses;
- a €(20) million reduction in other provisions for risks.

During the period, financial debts of €(1,943) million fell, particularly as a result of:

- the repayment of a bond maturing on 15 January 2017 for US\$ (850) million, equivalent to €(766) million;
- the repayment of a bond maturing on 15 March 2017 for a total of €(1,000) million;
- the partial redemption of the loan from Mediobanca for €(30) million;
- the €147 million revaluation of US dollar-denominated bonds.

The €1,005 million increase in operating debts is explained primarily by:

- the increase in other debts amounting to €1,005 million, €990 million of which are an increase in the Pernod Ricard Finance current account, €(17) million in reduced intra-group creditors' tax current accounts and €21 million of dividends to pay;
- the €(4) million reduction in supplier payables and related accounts;
- the €5 million increase in tax and social security payables.

The accruals and deferred income of €487 million at 30 June 2017 are comprised of the currency translation adjustment – Liabilities item for €(506) million compared to 30 June 2016 following redemptions of receivables and debts denominated in US dollars.

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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, 75016 Paris and is listed on Euronext.

The balance sheet total for the financial year which ended 30 June 2017 was €15,945,418,061.53. The income statement for the year records a profit of €966,776,000.84. The financial year covered the 12-month period from 1 July 2016 to 30 June 2017.

Note 1 Accounting policies

The annual financial statements for the financial year were prepared in accordance with the provisions of ANC regulation 2016-07 of 04 November 2016 relating to the new French general accounting standards. General accounting principles were applied, in accordance with the prudence principle, using certain assumptions whose objective is to provide a true and fair view of the Company. These principles are:

- going concern;
- consistency of accounting policies from one financial year to the next;
- accruals basis of accounting;
- relative importance;
- no compensation;
- good information;
- and in accordance with the general rules of drawing up and presenting the annual financial statements.

Balance sheet assets and liabilities are measured, depending on the specific items, at their historical cost, contribution cost or market value.

1. Intangible assets

The brands acquired from the merger of Pernod and Ricard in 1975 and from subsequent mergers are the Company's main intangible assets.

Intangible assets are valued at acquisition cost.

2. Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost (purchase price plus ancillary costs but not including acquisition fees). Depreciation is calculated using the straight-line or reducing balance methods, on the basis of the estimated useful lives of the assets:

- buildings: between 20 and 50 years (straight line);
- fixtures and fittings: 10 years (straight line);
- machinery and equipment: 5 years (straight line);
- office furniture and equipment: 10 years (straight-line) or 4 years (reducing balance).

3. Financial assets

The gross value of investments is composed of their acquisition cost, excluding ancillary costs, increased by the impact of legal revaluations where applicable.

If the value in use of the investments is less than their net carrying amount, a provision for impairment is recognised for the difference.

Value in use is determined based on a multi-criteria analysis, taking into account the share of the affiliate shareholders' equity that the investment represents, the value based on dividend yield and the financial and economic potential of the affiliate, with particular reference also being made to the market value of its net assets.

The Treasury shares item includes own shares held by Pernod Ricard SA, which can be awarded to employees.

4. Receivables

Receivables are recognised at their nominal value. A provision is recognised in the event that their value falls below the net carrying amount at the balance sheet date.

5. Marketable securities

This item includes the treasury shares acquired for the allocation of stock option plans from the time of acquisition.

A liability is recognised when it becomes probable that the rights to receive the marketable securities concerned under the plans will be exercised. For other marketable securities, an impairment provision is recognised when the cost price is higher than the market price.

6. Bonds

Redemption premiums are amortised over the life of the loans.

7. Provisions for risks and charges

Provisions for risks and charges are recognised in accordance with French accounting regulation 2000-06 on liabilities, issued on 7 December 2000 by the French Accounting Regulatory Committee (CRC).

This accounting regulation provides that a liability be recognised when an entity has an obligation towards a third party and that it is probable or certain that this obligation will cause an outflow of resources to the

third party without equivalent consideration being received. A present obligation must exist at the balance sheet date for a provision to be recognised.

8. Pensions and other long-term employee benefits

Since the year that ended on 30 June 2014, the Company has opted to recognise the full liability for pensions and other long-term employee benefits in the balance sheet, as provided by recommendation 2013-02. At 30 June 2017, the provision for pensions and equivalent long-term employee benefits is €58 million.

9. Translation of foreign currency-denominated items

Payables, receivables and cash balances denominated in foreign currencies are translated into euro as follows:

- translation of all payables, receivables and cash balances denominated in foreign currencies at year-end rates;
- recognition of differences compared to the amounts at which these items were initially recognised as currency translation adjustment assets or liabilities in the balance sheet;
- recognition of a provision for currency risk for any unrealised currency losses, after taking into account the effect of any offsetting foreign exchange hedging transactions.

10. Derivative financial instruments

Differences arising from changes in the value of financial instruments used as hedges are recognised in profit and loss in a manner symmetrical to that in which income and expenses relating to the hedged item are recognised.

11. Corporate income tax

Pernod Ricard SA is subject to the French tax consolidation system defined by the law of 31 December 1987. Under certain conditions, this system allows income taxes payable by profitable companies to be offset against tax losses of other companies. The scheme is governed by articles 223 A *et seq.* of the French Tax Code.

Each company in the tax group calculates and accounts for its tax expenses as if it were taxed as a stand-alone entity.

The effects of tax consolidation are recognised in the Pernod Ricard SA financial statements.

Note 2 Intangible assets

1. Gross value

€ thousand	At 01.07.2016	Acquisitions	Disposals	At 30.06.2017
Brands	32,560	-	-	32,560
Brand costs	726	-	-	726
Software	31,211	4,213	-	35,424
Advances and down payments on intangible assets	6,469	7,576	(4,559)	9,486
TOTAL	70,966	11,789	(4,559)	78,196

2. Depreciation, amortisation & provisions

€ thousand	At 01.07.2016	Allowances	Reversals	At 30.06.2017
Brands	(3,670)	-	-	(3,670)
Brand costs	(116)	(37)	-	(153)
Software	(26,959)	(5,858)	-	(32,817)
TOTAL	(30,745)	(5,895)	-	(36,640)

Note 3 Financial assets

1. Gross value

€ thousand	At 01.07.2016	Acquisitions/Inflows	Disposals	At 30.06.2017
Investments in consolidated entities	12,817,759	56	(1,463)	12,816,352
Investments in non-consolidated entities	10,131	267	-	10,398
Other investments	640	-	-	640
Advance on investment	-	-	-	-
Investments	12,828,530	323	(1,463)	12,827,390
Loans and advances to affiliates and associates	51,356	19,627	(9,038)	61,945
Loans	-	-	-	-
Guarantee deposits	2,674	402	(187)	2,889
Liquidity agreement	5,099	18	-	5,117
Treasury shares	-	-	-	-
TOTAL	12,887,658	20,370	(10,688)	12,897,341

The change in the investments in consolidated entities item was mainly due to the universal transmission of €1,462,769 of the assets of SOPEBSA to Pernod Ricard and the acquisition of the Lina 10 and Lina 15 companies for €55,241.

The change in the non-consolidated securities item is explained by the creation of five new companies, each with capital of €40,000, and the €67,200 capital increase of the Lina 8 company.

In accordance with article L. 225-210 of the French Commercial Code, Pernod Ricard SA holds reserves under liabilities on its balance sheet, in addition to the statutory reserve, of an amount at least equal to the value of all the shares it owns.

2. Provisions

€ thousand	At 01.07.2016	Allowances	Reversals	At 30.06.2017
Investments in consolidated entities ⁽¹⁾	(10,910)	(72,730)	1,035	(82,605)
Investments in non-consolidated entities ⁽²⁾	(4,827)	(70)	-	(4,897)
Other investments	(640)	-	-	(640)
Advance on investment	-	-	-	-
Investments	(16,377)	(72,800)	1,035	(88,142)
Treasury shares	-	-	-	-
TOTAL	(16,377)	(72,800)	1,035	(88,142)

(1) Change explained by the recovery of €1 million of provisions on SOPEBSA and Residences de Cavalière securities and the granting of a €(73) million provision for Pernod Ricard CESAM.

(2) Change in the provision for depreciation for Geo Sandeman shares.

Note 4 Maturity of receivables and payables

1. Receivables

€ thousand	Gross amount	Due in one year or less	Due in more than one year
Loans and advances to affiliates and associates	61,945	4,332	57,613
Loans	-	-	-
Other financial assets	8,006	5,117	2,889
Receivables and other financial assets	69,951	9,449	60,502
Current assets other than marketable securities and cash	1,808,980	242,312	1,566,668
Prepaid expenses	11,032	11,032	-
TOTAL	1,889,963	262,793	1,627,170

2. Liabilities

€ thousand	Gross amount	Due in one year or less	Due in one to five years	Due in more than five years
Bonds	7,032,122	93,706	3,216,807	3,721,609
Bank debt	97,502	97,502	-	-
Other debt	-	-	-	-
Trade payables	74,070	74,070	-	-
Taxes and social charges	35,114	35,114	-	-
Amounts due on non-current assets and related accounts	-	-	-	-
Other payables	1,264,232	1,264,232	-	-
Deferred income	188	188	-	-
TOTAL	8,503,228	1,564,812	3,216,807	3,721,609

Note 5 Marketable securities

€ thousand or in quantities	At 01.07.2016		Acquisitions ⁽¹⁾		Capital transaction		Reclassification		Exercises/ Disposals ⁽²⁾		At 30.06.2017	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Pernod Ricard shares	-	-	-	-	-	-	-	-	-	-	-	-
■ Gross value	995,594	81,650	778,729	70,386	-	-	-	-	404,455	34,446	1,369,868	117,590
■ Impairment	-	-	-	-	-	-	-	-	-	-	-	-
NET VALUE	995,594	81,650	778,729	70,386	-	-	-	-	404,455	34,446	1,369,868	117,590

(1) Incl. €20 million relating to the November 2016 plan, €30 million relating to the 2010 and 2011 stock options plan and €20 million relating to the November 2013 bonus share plan.

(2) Incl. €(27) million for raising stock options (2010 and 2011 plans), and €(7) million of final allocation of bonus shares (2013 plan).

Note 6 Prepaid expenses and deferred charges

€ thousand	At 01.07.2016	Increases	Decreases	At 30.06.2017
Prepaid expenses ⁽¹⁾	17,292	12,897	(19,157)	11,032
Bond redemption premiums	23,595	-	(3,414)	20,181
Currency translation adjustment – Assets ⁽²⁾	780,617	605,338	(780,617)	605,338
TOTAL	821,504	618,235	(803,188)	636,551

(1) The reduction in the Prepaid expenses item is mainly due to the completion of repurchases for the 2010 and 2011 plans.

(2) The €605 million asset arising from currency translation adjustments at 30 June 2017 is mainly due to the revaluation of assets and liabilities at the closing euro/US dollar exchange rate on 30 June 2017.

Note 7 Composition of share capital

At 30 June 2017, the share capital comprised 265,421,592 shares with a par value of €1.55 per share. The total share capital thus amounted to €411,403,467.60.

Note 8 Shareholders' equity

€ thousand	At 01.07.2016	Allocation of income	Changes in accounting policies	Distribution of dividends	Profit 2017	At 30.06.2017
Capital	411,403	-	-	-	-	411,403
Share premiums	3,039,030	-	-	-	-	3,039,030
Statutory reserves	41,140	-	-	-	-	41,140
Regulated reserves	179,559	-	-	-	-	179,559
Other reserves	195,013	-	-	-	-	195,013
Retained earnings	1,624,034	764,078	-	(496,767)	-	1,891,345
Profit for the financial year	764,078	(764,078)	-	-	966,776	966,776
Interim dividends to be paid ⁽¹⁾	(238,880)	-	-	(10,616)	-	(249,496)
TOTAL	6,015,377	-	-	(507,383)	966,776	6,474,770

(1) The Board of Directors' meeting on 19 April 2017 resolved to pay an interim dividend of €0.94 per share in respect of the 2016/17 financial year, i.e. a total of €249 million. This interim dividend was paid on 7 July 2017.

Note 9 Provisions

€ thousand	At 01.07.2016	Increases in the year	Changes in accounting policies	Reversals (used)	Reversals (not used)	At 30.06.2017
Provisions for risks and charges						
Provision for currency losses	99,826	161,160	-	(99,826)	-	161,160
Other provisions for risks ⁽¹⁾	281,438	163,220	-	(183,536)	-	261,122
Provisions for pensions and other long-term employee benefits	108,987	11,993	-	(63,115)	-	57,865
TOTAL 1	490,251	336,373	-	(346,477)	-	480,147
Provisions for depreciation and amortisation						
On financial assets ⁽²⁾	16,377	72,800	-	(1,035)	-	88,142
On trade receivables	2,135	3,408	-	(2,135)	-	3,408
On other receivables	3,193	-	-	(79)	-	3,114
On marketable securities	-	-	-	-	-	-
TOTAL 2	21,705	76,208	-	(3,249)	-	94,664
OVERALL TOTAL	511,956	412,581	-	(349,726)	-	574,811

(1) Change due to the €(17) million provisions on the stock options and allocation plan for performance-based shares, the granting of €(7) million provisions for compensation risk and for the €44 million recovery to provisions for risk.

(2) Changes relating to provisions for €72.7 million in depreciation of equities securities for Pernod Ricard CESAM, €(1) million for Sopebsa and Résidences de Cavalière

Provisions for risks and charges

Provision for currency losses

The €161 million provision for currency losses as at 30 June 2017 consists of the unrealised currency loss for unhedged US dollar receivables and payables.

Other provisions for risks

Other provisions for risks correspond to:

- provisions for risks attached to:
 - stock options relating to the November 2014, November 2015 and November 2016 €9 million plans maturing at the end of 2017, 2018 and 2019,
 - performance-based shares relating to the November 2013, November 2014, November 2015 and November 2016 €118 million plans, maturing in November 2017, 2018, 2019 and 2020,
 - losses on stock options relating to the 2010 and 2011 €10 million plans, maturing in 2018 and 2019;
- provisions for risks and charges relating to tax consolidation for €97 million;
- various provisions amounting to €26 million.

Provisions for pensions and other long-term employee benefits

Description and recognition of employee benefit obligations

Pernod Ricard SA's employee benefit obligations are composed of:

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

The liability arising as a result of the Company's net employee benefit obligation is recognised in provisions for risks and charges on the balance sheet.

Calculation of the provision with respect to the net benefit obligation

The provision recognised by Pernod Ricard SA is equal to the difference, for each benefit plan, between the present value of the employee benefit obligation and the value of plan assets paid to specialised entities in order to fund the obligation.

The present value of employee benefit obligations is calculated using the prospective method involving the calculation of a projected salary at the retirement date (projected unit credit method). The measurement is made at each balance sheet date and the personal data concerning employees is revised at least every three years. The calculation requires the use of economic assumptions (inflation rate and discount rate) and assumptions concerning employees (mainly average salary increase, rate of employee turnover and life expectancy).

At 30 June 2017, the total amount of benefit obligations was €58 million. These obligations are fully provisioned.

For information, the inflation rate used for the valuation at 30 June 2017 was 1.75% and the discount rate was 0.5%.

Plan assets are measured at their market value at each balance sheet date.

Accounting for actuarial gains and losses

Actuarial gains and losses arise primarily when estimates differ from actual outcomes, or when there are changes in long-term actuarial assumptions (e.g. discount rate, rate of increase of salaries, etc.).

After applying the corridor method up to 30 June 2013, the Company chose to apply, from the year ending 30 June 2014, the option set out in recommendation 2013-02 and to recognise the full pension liability.

Components of the expense recognised for the financial year

The expense recognised in respect of the benefit obligations described above incorporates:

- expenses corresponding to the acquisition of an additional year's rights;
- interest expense arising on the unwinding of the discount applied to vested rights at the start of the year (as a result of the passage of time);
- income corresponding to the expected return on plan assets measured using the discount rate which is used to measure plan liabilities;
- the income or expense corresponding to actuarial gains or losses;
- income or expense related to changes to existing plans or the creation of new plans;
- the income or expense related to any plan curtailments or settlements.

Note 10 Deferred income and adjustment accounts

€ thousand	At 01.07.2016	Increases	Decreases	At 30.06.2017
Deferred income	232	-	(44)	188
Currency translation adjustment – Liabilities ⁽¹⁾	992,941	487,272	(992,941)	487,272
TOTAL	993,173	487,272	(992,985)	487,460

(1) The €487 million liability arising from currency translation adjustments at 30 June 2017 is mainly due to the revaluation of assets and liabilities at the closing EUR/US dollar exchange rate on 30 June 2017.

Note 11 Accrued income and expenses

Accrued income

€ thousand	Amount
Amount of accrued income in the following balance sheet items	
Loans and advances to affiliates and associates	61,945
Trade receivables	155,651
Other receivables	1,646,735
Cash	494,290
TOTAL	2,358,621

Accrued expenses

€ thousand	Amount
Amount of accrued expenses in the following balance sheet items	
Bank debt	97,502
Trade payables	74,070
Taxes and social charges	35,114
Other payables	1,264,232
TOTAL	1,470,918

Note 12 Bonds

	Amount (US\$ thousand)	Amount (€ thousand)	Maturity date	Accrued interest (€ thousand)	Rate	Total (€ thousand)
Bond of 29.09.2014		650,000	27.09.2024	10,482	2.125%	660,482
Bond of 20.03.2014		850,000	22.06.2020	419	2%	850,419
Bond of 15.03.2011 ⁽¹⁾		-	15.03.2017	-		-
USD bond of 07.04.2011	1,000,000	876,271	07.04.2021	11,702	5.75%	887,973
USD bond of 25.10.2011	1,500,000	1,314,406	15.01.2022	26,983	4.45%	1,341,389
USD bond of 12.01.2012 ⁽²⁾	-	-	15.01.2017	-		-
USD bond of 12.01.2012	850,000	744,830	15.01.2042	18,899	5.5%	763,729
USD bond of 12.01.2012	800,000	701,016	15.07.2022	13,745	4.25%	714,761
Bond of 28.09.2015		500,000	29.09.2023	7,089	1.875%	507,089
USD PANDIOS bond of 26.01.2016	201,000	176,130	26.01.2021	2,229	Libor 6 months + margin	178,359
Bond of 17.05.2016		600,000	18.05.2026	1,085	1.50%	601,085
USD bond of 08.06.2016	600,000	525,762	08.06.2026	1,074	3.25%	526,836
TOTAL		6,938,415		93,707		7,032,122

(1) Repayment of the €1 billion bond with a fixed interest rate of 5% on 15 March 2017.

(2) Repayment of the US\$850 million bond with a fixed interest rate of 2.95%, on 15 January 2017.

Note 13 Bank debt

Syndicated loan

On 14 June 2017, Pernod Ricard SA finalised a new, revolving 5-year multi-currency Credit Agreement for €2.5 billion. The new agreement

meant that the syndicated loan from April 2012 could be refinanced in full.

At 30 June 2017, no drawdowns had been made by Pernod Ricard SA.

Note 14 Breakdown of income tax

€ thousand	Total	Profit (loss) from continuing operations	Exceptional items
Net profit/loss before tax	852,314	723,227	129,087
Additional contribution	(15,579)		
Income tax prior to consolidation			
Net impact of tax consolidation	130,041		
PROFIT AFTER TAX	966,776	723,227	129,087

The French second amending finance law of 2012 instigated a contribution of 3% on dividends paid to shareholders, applicable to amounts distributed that were paid after 17 August 2012. The contribution relating to the dividends approved at the Shareholders' Meeting of 7 November 2016 was thus €7.7 million and the contribution relating to the interim dividend approved at the Board of Directors' meeting on 19 April 2017 was €7.8 million.

Within the framework of the tax consolidation, the tax loss carry-forwards (tax basis) of the Pernod Ricard tax group amount to €(646) million, a €(178) million diminishing deficit over the financial year.

Note 15 Increases and decreases in future tax liabilities

Type of temporary differences

€ thousand	Amount of tax
INCREASES	NONE
"Organic" local tax and other	194
Other provisions for risk	-
Provision for pensions and other long-term employee benefits	19,923
DECREASES IN FUTURE TAX LIABILITIES	20,117

The tax rate used is the rate in force in 2017, i.e. 34.43%.

Note 16 Compensation

Compensation paid to Executive Directors and members of the Board of Directors amounted to €2,652,751.

Note 17 Income

Operating income reached €183 million for the 2016/17 financial year, compared to €173 million for 2015/16. It principally comprises €147 million in rebilling of overheads to Group affiliates and €32 million in royalties.

Note 18 Financial income and expenses

€ thousand	Amount at 30.06.2017
Income from investments	783,497
Income from other fixed asset securities and receivables	-
Interest and related income	225,554
Reversals of financial provisions and expense transfers ⁽¹⁾	229,473
Foreign exchange gains	571,148
Net gains on disposals of marketable securities	-
TOTAL FINANCIAL INCOME	1,809,672

(1) Of which €8.3 million are expense transfers.

€ thousand	Amount at 30.06.2017
Depreciation, amortisation and provision charges	(375,206)
Interest and related expenses	(398,205)
Foreign exchange losses	(239,498)
Net expenses on disposals of marketable securities	-
TOTAL FINANCIAL EXPENSES	(1,012,909)

Note 19 Exceptional items

<i>€ thousand</i>	Amount at 30.06.2017
Net profit on management operations	15,994
Net profit on capital operations	-
Charges and reversals of financial provisions and expense transfers	113,093
EXCEPTIONAL ITEMS	129,087

At 30 June 2017, exceptional items amounted to a €129 million expense mainly relating to €101 million net reversals of provisions

for risks and charges and €(28) million for other non-current income expenses.

Note 20 Off-balance sheet commitments

Guarantees granted

Commitments made

<i>€ thousand</i>	Amount
Guarantees on behalf of affiliates	949,668
Other leases	797
Rent	28,657
TOTAL	979,122

Commitments granted include guarantees, in particular those related to bonds, commercial paper and the syndicated loan.

Derivative instruments

Hedging for Pernod Ricard SA	Nominal value (US\$ thousand)	Fair value at 30 June 2017 (i€ thousand)
Interest rate swaps	1,150,000	10,201
Currency swaps	3,098,000	500,278
TOTAL	4,248,000	510,479

Interest rate swaps provide hedging for Pernod Ricard SA's external or internal debts that bear fixed-rate interest. At 30 June 2017 these broke down as follows:

USD interest rate hedge	Maturity	Net base (US\$ thousand)
Interest rate swap	April 2018	350,000
Interest rate swap	July 2022	600,000
Interest rate swap	June 2026	100,000
Interest rate swap	June 2026	100,000

EUR interest rate hedge	Maturity	Net base (€ thousand)
Interest rate swap	-	-

The value of financial instruments hedging euro-denominated fixed-rate debt at 30 June 2017 was zero.

Currency hedge	Maturity	Base (US\$ thousand)
Currency swap	April 2021	1,000,000
Currency swap	January 2022	1,500,000
Currency swap	December 2022	800,000
Currency swap	July 2022	(202,000)
Currency swaps		3,098,000
Financial assets		1,857,409
Financial liabilities		(5,036,168)
TOTAL		(80,759)

Payables and receivables denominated in foreign currencies are hedged by currency swaps. The Company had a residual US dollar position of US\$(81) million at 30 June 2017.

The fair value of currency swaps at the end of the year was €500 million.

Other

Pernod Ricard SA guaranteed the contributions owed by Allied Domecq Holdings Ltd and its subsidiaries to the Allied Domecq pension funds.

Pernod Ricard SA, pursuant to Section 357 of the Companies Act, 2014 (Republic of Ireland), irrevocably guaranteed the liabilities of the following affiliates for the 2016/17 financial year: Irish Distillers Group Unlimited,

Irish Distillers Ltd, Watercourse Distillery Ltd, Smithfield Holdings Ltd, Ermine Ltd, Proudlen Liqueurs Ltd, Ind Coope Holding Ltd, The West Coast Cooler Co. Ltd, and Comrie Limited.

Pernod Ricard SA guaranteed Corby Distilleries Ltd the payment of liabilities which are due by the Group's affiliates involved in the representation agreement for Group brands in Canada, signed on 29 September 2006.

Pernod Ricard SA gave the Directors of Goal Acquisitions (Holding) Limited a comfort letter in which the Group undertook to provide financial support to enable Goal Acquisitions (Holding) Limited to honour its short-term intra-group liabilities.

Note 21 Average headcount at 30 June 2017

	Employees	Temporary employees (for all reasons)
Managers ⁽¹⁾	319	-
Supervisors and technicians	47	10
Employees	6	-
AVERAGE HEADCOUNT	372	10
Work-study contracts	19	-

(1) Including 110 expatriate employees.

Note 22 Affiliates and associates at 30 June 2017

€ thousand	Capital	Shareholders' equity before appropriation of results	Interest in entity's share capital (%)	Carrying amount of investment		Loans	Guarantees and endorsements	Net sales excluding taxes and duties	Net profit	Dividends received
				Gross	Net					
Investments whose carrying amount exceeds 1% of Pernod Ricard SA's share capital										
AGROS ⁽¹⁾	-	177,200	100	122,008	122,008	4.6	-	6	-	-
Ul. Chalubinskiego 8 00-613 Warsaw (Poland)										
House of Campbell Limited ⁽²⁾	7,467	75,802	100	40,538	40,538	-	-	-	1,751	-
111/113 Renfrew Road Paisley, PA3 4DY (Scotland)										
Geo G Sandeman Sons & Co Ltd ⁽³⁾	2	16,512	30	9,180	4,955	-	-	1,247	248	74
400 Capability Green Luton, Bedfordshire, LU1 3AE (England)										
Pernod SAS	40,000	137,218	100	94,941	94,941	309	-	436,650	20,935	20,935
120, avenue du Maréchal-Foch 94015 Créteil (France)										
Pernod Ricard Asia SAS	4,512	91,385	100	42,457	42,457	-	-	-	600,370	7,300
12, place des États-Unis 75116 Paris (France)										
Pernod Ricard Central and South America	52,198	14,538	100	131,040	51,130	-	-	-	(30,063)	-
12, place des États-Unis 75116 Paris (France)										
Pernod Ricard Europe Middle East Africa	40,000	182,458	100	36,407	36,407	32	-	-	28,211	20,000
23, rue Amiral d'Estaing 75116 Paris (France)										
Pernod Ricard North America SAS	39,398	147,559	100	126,735	126,735	-	-	-	(90)	104,000
12, place des États-Unis 75116 Paris (France)										
Pernod Ricard Finance SA	232,000	555,701	100	238,681	238,681	-	949,614	-	227,245	-
12, place des États-Unis 75116 Paris (France)										
Pernod Ricard Pacific Holdings ⁽⁴⁾	145,027	136,835	100	151,789	151,789	-	-	370,473	(6,973)	-
167 Fullarton Road Dulwich SA 5065 (Australia)										
Ricard SAS	54,000	131,769	100	67,227	67,227	-	-	479,764	46,166	46,165
4 and 6, rue Berthelot 13014 Marseille (France)										
Lina 3	819,730	14,349,293	100	11,690,953	11,690,953	-	-	-	459,693	363,275
12, place des États-Unis 75116 Paris (France)										
Lina 5	30,640	691,136	100	30,631	30,631	-	-	-	500,082	119,000
12, place des États-Unis 75116 Paris (France)										
Yerevan Brandy Company ⁽⁵⁾	19,207	138,298	100	27,856	27,856	-	-	42,274	7,949	7,623
2, Admiral Isakov Avenue, Yerevan 375092 (Republic of Armenia)										
TOTAL 1				12,810,443	12,726,308					688,372
Affiliates:										
French				4,406	2,673					-
Foreign				10,683	9,721					95,093
Associates:										
French				1,198	545					32
Foreign				20	1					
TOTAL 2				16,307	12,940					95,125
TOTAL 1 + 2				12,826,750	12,739,248					783,497

Information relating to the accounts of French affiliates at 30.06.2016

(1) Information from the AGROS financial statements at 30.06.2017.

(2) Information from the House of Campbell Limited at 30.06.2016.

(3) Information from Geo G Sandeman Sons & Co Ltd's financial statements at 31.12.2016.

(4) Information from Pernod Ricard Pacific Holdings' financial statements at 30.06.2016.

(5) Information from Yerevan Brandy Company's financial statements at 30.06.2016.

Note 23 Tax credit

1. CICE

The amount of tax credit for competitiveness and employment (CICE) recorded in the Company's accounts at 30 June 2017 was €111,413.

CICE has also been recognised as a reduction of personnel expenses in accordance with the detailed information of the ANC of 28 February 2013.

This tax credit is being used to finance investment expenditure.

2. Other tax credits

Pernod Ricard SA also has €469,540 tax credit for research, €713,296 for sponsorship activities and €177,218 family tax credit.

The company accounts detailed in the previous pages are those of Pernod Ricard S.A. and are the subject of the Statutory Auditor's report on the annual statements.

The elements relating to the company accounts in the Management Report of the Board of Directors are included in the following pages. The sections concerned are:

- other financial elements:
 - expenses and charges referred to in Article 223 quater of the CGI (French Tax Code)
 - the breakdown of supplier payables set out in articles L. 441-6-1 and D. 441-4 of the French Commercial Code
 - the information on the supplier payment deadlines set out in Article D. 441-4 of the French Commercial Code in its wording under Decree no. 2015-1553 of 27 November 2015, implemented by the Order of 6 April 2016.
- financial results over the last five financial years
- dividends distributed over the last five financial years
- inventory of marketable securities.

OTHER ELEMENTS RELATING TO THE FINANCIAL STATEMENTS

Expenses and charges referred to in article 223 quater of the CGI (French Tax Code)

It is specified that the total amount of expenses and charges referred to in article 223 quater of the French Tax Code and the amount of the applicable tax due to these expenses and charges amount to:

<i>in euros</i>	2017
Costs and expenses	243,479
Corresponding tax	83,830

Supplier payment deadlines

In accordance with the French Law on the Modernization of the Economy of 4 August 2008 and the subsequent articles L. 441-6-1 and D 441-4 of the French Commercial Code, the year-end breakdown of Pernod Ricard SA's debt balance to suppliers is as follows:

<i>in euros</i>	2017
Trade payables not due	34,560,588
at 30 days	32,936,149
between 30 and 45 days	(68,748)
beyond 45 days	1,693,187
Trade payables past due	4,422

Pursuant to article D 441-4 of the French Commercial Code in its wording under Decree no. 2015-1553 of 27 November 2015, implemented by the Order of 6 April 2016, the information on the supplier payment deadlines is as follows:

<i>in euros</i>	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (over 1 day)
(A) Late payment categories						
Number of invoices concerned	1	-	-	-	-	1
Total amount from invoices concerned excluding taxes	4,422	-	-	-	-	4,422
Percentage of total purchase amount excluding tax for the financial year	-	-	-	-	-	-
(B) Invoices excluded from (A) relating to disputed or unrecognised payables and receivables						
Number of excluded invoices	50	39	4	15	30	138
Total amount of excluded invoices excluding tax	382,653	394,169	24,067	923,380	123,625	1,847,893
(C) Reference payment delays used to calculate delays (Article L.441-6 or Article L.443-1 of the French Commercial Code)						
<input checked="" type="checkbox"/> Contractual payment terms (45 days end of month, 30 days end of month or 15 days end of month)						
<input type="checkbox"/> Statutory time frame						

Trade receivable payment times

Since the company's receivables only comprise receivables from group companies, some of the information required by Article D. 441-1 of the French Commercial Code are not presented below as they are deemed non-material.

Information on receivables are below:

- Trade receivables not due: €150,038,495
- Trade receivables past due: €8,158,536
- Total trade receivables not due and past due: €158,197,031
- Of which disputed receivables: €3,408,348

FINANCIAL RESULTS OVER THE LAST FIVE FINANCIAL YEARS

<i>in euros</i>	30.06.2013	30.06.2014	30.06.2015	30.06.2016	30.06.2017
Financial position at year-end					
Share capital	411,403,468	411,403,468	411,403,468	411,403,468	411,403,468
Number of shares outstanding	265,421,592	265,421,592	265,421,592	265,421,592	265,421,592
Number of convertible bonds in issue	-	-	-	-	-
Number of bonus shares granted on 16 January 2007 (dividend rights from 1 July 2006)	-	-	-	-	-
Number of shares created by the capital increase of 14 May 2009	-	-	-	-	-
Number of bonus shares granted on 18 November 2009 (dividend rights from 1 July 2009)	-	-	-	-	-
Operating results					
Sales (excluding taxes and duties)	1,457,195	699,007	72,349,685	137,322,737	147,044,350
Profit before taxes, amortisation, depreciation and allowances to provisions	(6,575,949)	343,291,521	1,564,703,879	547,695,859	926,378,106
Corporate income tax	299,024,699	167,807,564	143,419,324	160,415,191	114,461,535
Profit after taxes, amortisation, depreciation and allowances to provisions	380,968,585	462,677,928	1,614,768,789	764,078,429	966,776,001
Dividends distributed ⁽¹⁾	431,763,486	432,824,096	474,999,305	496,766,932	-
Earnings per share					
Profit after taxes, but before amortisation, depreciation and allowances to provisions	1.1	1.93	6.44	2.67	3.92
Profit after taxes, amortisation, depreciation and allowances to provisions	1.44	1.74	6.08	2.88	3.64
Dividend paid per share ⁽¹⁾	1.64	1.63	1.80	1.88	-
Personnel					
Number of employees	327	349	362	373	372
Total payroll	50,668,738	53,399,561	51,445,974	49,175,332	52,442,536
Employee-related benefits paid during the year	28,795,172	27,819,911	29,223,152	25,196,150	22,389,498

(1) The amount of dividends for 2017 will be known with certainty after the Shareholders' Meeting of 9 November 2017. (Dividends relating to the financial year from 1 July 2016 to 30 June 2017).

DIVIDENDS DISTRIBUTED OVER THE LAST FIVE FINANCIAL YEARS

<i>in euros</i> Year	Date of payment	Net amount	Total amount of the financial year
2012/13	04.07.2013	0.79	-
	06.11.2013	0.85	1.64
2013/14	08.07.2014	0.82	-
	17.11.2014	0.82	1.64
2014/15	08.07.2015	0.82	-
	18.11.2015	0.98	1.80
2015/16	08.07.2016	0.90	-
	30.11.2016	0.98	1.88
2016/17	07.07.2017 ⁽¹⁾	0.94	-

(1) An interim dividend for 2016/17 was paid on 7 July 2017. The balance will be decided by the Shareholders' Meeting of 9 November 2017 called to approve the financial statements for the year ended 30 June 2017.

INVENTORY OF MARKETABLE SECURITIES

<i>in euros</i>	Number of	
French investments with a net carrying amount in excess of €100,000	shares held	Net carrying amount
Lina 3	61,209,716	11,690,953,301
Lina 5	306,400	30,630,500
Pernod SAS	2,580,000	94,941,256
Pernod Ricard Asia SAS	2,785,000	42,457,051
Pernod Ricard Central and South America	386,650	51,130,000
Pernod Ricard Europe, Middle East Africa	1,000,000	36,407,284
Pernod Ricard Finance SA	29,000,000	238,680,987
Pernod Ricard North America SAS	4,377,500	126,734,557
Ricard SAS	1,750,000	67,227,401
Résidence de Cavalières	205,950	1,392,350
Lina 19	10,100	1,143,338
SUBTOTAL	103,611,316	12,381,698,025
Other shareholdings in French companies	19,617	682,545
Investments in unlisted foreign companies	25,705,455	356,867,484
TOTAL MARKETABLE SECURITIES AT 30.06.2017	129,336,388	12,739,248,054

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Year ended 30 June 2017

To the Pernod Ricard Shareholders' Meeting,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meetings, we have audited the accompanying financial statements of Pernod Ricard for the year ended 30 June 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 30 June 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Valuation of investments

(Notes 1.3 and 3 to the financial statements)

As at 30 June 2017, consolidated and non-consolidated investments are recorded in the balance sheet at a net carrying amount of €12,739 million and represent 80% of total assets. They are initially recognised at acquisition cost, excluding ancillary costs, increased for any legal revaluations where applicable.

If the value in use of investments is lower than their net carrying amount, a provision for impairment is recognised in the amount of the difference. As disclosed in Note 1.3 to the financial statements, value in use is determined based on a multi-criteria analysis, taking into account the share of the subsidiary's equity, the value based on dividend yield and the financial and economic potential of the subsidiary, with particular reference to the market value of its net assets. Estimates of the value in use of these investments is based on complex valuation models for subsidiaries which in turn own several subsidiaries and require management to exercise significant judgment (particularly regarding cash flow assumptions).

Given the weight of investments in the balance sheet, the complexity of the models used and their sensitivity to changes in the data and assumptions underlying estimates, we considered the determination of the value in use of investments to be a key audit matter presenting a risk of material misstatement.

Our responsibilities under those standards are further described in the Statutory Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from 1 July 2016 to the issue date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) no. 537/2014 or in the French Code of ethics for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period, as well as our responses to those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific elements, accounts or items of the financial statements.

Responses as part of our audit

We tested the operation of Group controls covering the process for determining the value in use of investments. Our procedures notably consisted in:

- Verifying, based on information communicated to us, that the values estimated by management are supported by appropriate documentation of the valuation method and amounts used;
- Comparing data used in investment impairment tests with source data by entity and the results of audit procedures on these subsidiaries;
- Sample testing the arithmetical accuracy of values in use adopted by the Company.

We also assessed the appropriateness of disclosures in Note 1.3 to the financial statements.

This is a free translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This report includes information specifically required by European regulation or French law, such as information about the appointment of the statutory auditors.

This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

Verification of the Management Report and of the Other Documents Addressed to Shareholders

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Pernod Ricard by the Shareholders' Meeting of 13 May 2003 for Deloitte & Associés and of 17 November 2016 for KPMG S.A.

As at 30 June 2017, Deloitte & Associés and KPMG S.A. were in the 14th period and first period of total uninterrupted engagement, respectively.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements have been approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objective and audit approach

Our role is to issue a report on the financial statements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified by Article L.823-10-1 of the French Commercial Code, the scope of our statutory audit does not include assurance on the future viability of the Company or the quality with which Company's management has conducted or will conduct the affairs of the entity.

A more detailed description of our statutory auditor responsibilities for the audit of the financial statements is presented in the appendix to this report and is an integral part thereof.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also bring to its attention any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters. We describe these matters in the audit report.

We also provide the Audit Committee with the declaration referred to in Article 6 of Regulation (EU) no. 537/2014, confirming our independence pursuant to the rules applicable in France as defined in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of ethics for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

Paris La Défense and Neuilly-sur-Seine, 20 September 2017

KPMG Audit
Division of KPMG S.A.

Eric Ropert
Partner

Deloitte & Associés

David Dupont-Noel
Partner

APPENDIX

Detailed description of the Statutory Auditors' Responsibilities

As part of an audit in accordance with professional standards applicable in France, we exercise professional judgment throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If we conclude that a material uncertainty exists, we draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, we modify our opinion;
- Evaluate the overall presentation of the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

SHAREHOLDERS' MEETING HELD TO APPROVE THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

To the Pernod Ricard Shareholders' Meeting,

As Statutory Auditors of your Company, we hereby present our report on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such commitments and agreements are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code relating to the implementation during the past year of agreements and commitments previously approved by the Shareholders' Meeting, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in cross-checking the information provided to us with the relevant source documents.

I. Agreements and commitments submitted to the approval of the shareholders' meeting

Agreements and commitments authorised during the year

Pursuant to Article R.225-40 of the French Commercial Code, we have been informed that the following agreements and commitments were previously authorised by your Board of Directors.

€2,500,000,000 Multicurrency Revolving Facility Agreement

The Board of Directors' meeting of 19 April 2017 authorised the signature of a new loan agreement in English entitled "€2,500,000,000 Multicurrency Revolving Facility Agreement" with, amongst others, BNP Paribas and Crédit Agricole Corporate Investment Bank as Mandated Lead Arrangers and Bookrunners and BNP Paribas and Crédit Agricole Corporate Investment Bank as Original Lenders, under which the lenders would make available to the Company, to Pernod Ricard Finance and to the other companies of the Group party to the agreement, a revolving loan facility of a maximum principal amount of €2,500,000,000.

Pernod Ricard undertook to guarantee under certain conditions, as joint and several guarantor, compliance with the payment obligations of the other borrowing companies of the group.

This new loan agreement was signed on 14 June 2017. It replaces the initial loan agreement of 25 April 2012, reducing the contract margin and extending its maturity.

Pernod Ricard did not draw on this loan facility or the initial loan facility during the year ended June 30, 2017. However, Pernod Ricard Finance did draw on this loan facility for amounts of 100 million euros and 250 million dollars, respectively, during the year ended June 30, 2017. Non-use fees for the initial and new syndicated loan facilities totalled €5,323,090 for the year ended 30 June 2017.

Pernod Ricard invoices a guarantee commission at market rates to Group companies exercising their drawing rights in respect of the guarantee granted by Pernod Ricard to certain of its subsidiaries; the amount of this commission is likely to vary in line with market conditions. Accordingly, Pernod Ricard S.A. invoiced €469,933 to Pernod Ricard Finance in the financial statements for the year ended 30 June 2017.

Your Board of Directors considered that this loan agreement provides Pernod Ricard, Pernod Ricard Finance and the Group with a multicurrency revolving credit facility for their financing needs.

Corporate officers involved:

- Mrs. Veronica Vargas, also Director, Strategic and Acquisition Finance, of Société Générale Group (party to the loan agreement);
- Mr. Wolfgang Colberg, also member of the Deutsche Bank AG Regional Board (party to the loan agreement).

II. Agreements and commitments previously approved by the Shareholders' Meeting

A. Agreements and commitments approved in prior years that remained in force during the financial year

Pursuant to Article R.225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, previously approved by Shareholders' Meetings of prior years, have remained in force during the year.

Loan from Pernod Ricard to Havana Club Holding (HCH) in connection with the restructuring of HCH

In connection with the financial restructuring of HCH, the Board of Directors, meeting on 20 October 2010, authorised Pernod Ricard to grant HCH a loan for a maximum amount of between USD 50 million and USD 60 million. A loan of the same amount would also be granted to HCH by the Cuban partners. The final loan amount was USD 53,839,374.

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments that is issued in French and is provided solely for the convenience of English speaking readers. This report on regulated agreements should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code (Code de Commerce) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

Financial income invoiced by Pernod Ricard to HCH in respect of this loan for the year ended 30 June 2017 totalled USD 7,185,333 (euro equivalent of €6,578,366).

This loan agreement provides HCH with the necessary resources for its financing needs.

Corporate officer involved: Mr. Alexandre Ricard, also Director of Havana Club Holding.

B. Agreements and commitments approved during the year

We have been informed that the following agreements and commitments, previously approved by the Shareholders' Meeting of November 17, 2016 based on the Statutory Auditors' Special Report of 19 September 2016, have been implemented or remained in force during the year.

Commitments authorised for Mr. Alexandre Ricard, Chairman and Chief Executive Officer

On 31 August 2016, the Board of Directors authorised the renewal of the following commitments undertaken for Mr. Alexandre Ricard, as Chairman and Chief Executive Officer of Pernod Ricard:

1. One-year non-compete clause, together with compensation corresponding to 12 months' remuneration (most recent annual fixed and variable remuneration decided by the Board of Directors).

In accordance with the Afep-Medef Code, a provision authorises the Board of Directors to waive the application of this clause upon departure of the Executive Corporate Officer.

2. A forced departure clause subject to performance conditions, together with maximum compensation corresponding to 12 months' remuneration (most recent annual fixed and variable remuneration decided by the Board of Directors):

- Compensation under the forced departure clause would be paid, subject to the satisfaction of performance conditions, in the event of forced departure resulting from a change in Group control or strategy. In accordance with the Afep-Medef Code, no compensation shall be paid in the event of departure i) following the non-renewal of a term of office, ii) at the initiative of the executive officer, iii) if he changes functions within the Group or iv) if he can claim his pension in the near future.
- The compensation relating to the forced departure clause is subject to the following three performance criteria:
 - Criteria 1: Annual bonus rates achieved over the term(s) of office: shall be considered as satisfied if the average amount of bonuses collected over the entire term(s) of office is greater than or equal to 90% of the target variable remuneration;

- Criteria 2: Rate of growth in current operating income over the term(s) of office: shall be considered as satisfied if the average growth in annual current operating income compared to the annual budget over the term(s) of office exceeds 95% (adjusted for foreign exchange and scope impacts);
- Criteria 3: Average rate of growth in revenue over the term(s) of office: shall be considered as satisfied if the average growth rate in revenue over the term(s) of office is greater than or equal to 3% (adjusted for foreign exchange and scope impacts).
- The amount of compensation likely to be collected under the forced departure clause shall be calculated according to the following scale:
 - if the 3 criteria are satisfied: 12 months' remuneration⁽¹⁾;
 - if 2 of the 3 criteria are satisfied: 8 months' remuneration⁽¹⁾;
 - if 1 of the 3 criteria is satisfied: 4 months' remuneration⁽¹⁾;
 - if no criteria is satisfied: no compensation will be paid.

Accordingly, in accordance with the Afep-Medef Code, the maximum overall compensation under the non-compete clause (compensation of 12 months' remuneration⁽¹⁾) and under the forced departure clause (maximum compensation of 12 months' remuneration⁽¹⁾) (the total of the 2 compensations) may not exceed 24 months' remuneration⁽¹⁾.

These commitments, which were not implemented during the year ended 30 June 2017, safeguard your Company in the event of the departure of the Executive Corporate Officer by restricting his freedom to exercise functions for a competitor (non-compete clause) and protect the Executive Corporate Officer by providing for the payment of compensation, subject to performance conditions, in the event of an involuntary departure (forced departure clause).

3. The collective healthcare and welfare schemes prevailing within the Company, under the same terms and conditions as those applicable to the category of employees to which he is assimilated for the setting of benefits and other additional items of compensation.

This commitment concerns benefits granted in connection with the overall remuneration and benefits policy of the Executive Corporate Officer, the latter no longer having an employment contract with the Company in accordance with the Afep-Medef Code.

Paris La Défense and Neuilly-sur-Seine, 20 September 2017

KPMG Audit
Division of KPMG S.A.
Eric Ropert
Partner

Deloitte & Associés
David Dupont-Noel
Partner

(1) Most recent annual fixed and variable remuneration decided by the Board of Directors.

7

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COMBINED SHAREHOLDERS' MEETING HELD ON 9 NOVEMBER 2017 – AGENDA

ITEMS ON THE AGENDA PRESENTED TO THE ORDINARY SHAREHOLDERS' MEETING

1. Approval of the Parent Company financial statements for the financial year ended 30 June 2017
2. Approval of the consolidated financial statements for the financial year ended 30 June 2017
3. Allocation of the net result for the financial year ended 30 June 2017 and setting of the dividend
4. Approval of regulated agreements and commitments referred to in article L. 225-38 *et seq.* of the French Commercial Code
5. Renewal of the directorship of Ms Anne Lange
6. Renewal of the directorship of Ms Veronica Vargas
7. Renewal of the directorship of Société Paul Ricard SA represented by Mr Paul-Charles Ricard
8. Renewal of Cabinet Deloitte & Associés as Statutory Auditor
9. Setting of the annual amount of Directors' fees allocated to the members of the Board of Directors
10. Approval of the compensation policy items applicable to Mr Alexandre Ricard, Chairman & CEO
11. Advisory vote on the elements of compensation due or granted for the 2016/17 financial year to Mr Alexandre Ricard, Chairman & CEO
12. Authorisation to be granted to the Board of Directors to repurchase the shares of the Company

ITEMS ON THE AGENDA PRESENTED TO THE EXTRAORDINARY SHAREHOLDERS' MEETING

13. Authorisation to be granted to the Board of Directors for the purpose of reducing the share capital by cancelling treasury shares, subject to the limit of 10% of the share capital
14. Delegation of authority to be granted to the Board of Directors to decide on a share capital increase for a maximum nominal amount of €135 million (approximately 32.81% of the share capital), through the issue of ordinary shares and/or securities granting access to the Company's share capital, with maintenance of the preferential subscription right
15. Delegation of authority to be granted to the Board of Directors to decide on a share capital increase for a maximum nominal amount of €41 million (approximately 9.96% of the share capital), through the issue of ordinary shares and/or securities granting access to the Company's share capital, with cancellation of the preferential subscription right, as part of an offer to the public at large
16. Delegation of authority to be granted to the Board of Directors to increase the number of shares to be issued in the event of a share capital increase, with or without preferential subscription right subject to the limit of 15% of the initial share issue in accordance with the 14th and 15th resolutions
17. Delegation of authority to be granted to the Board of Directors to issue ordinary shares and/or equity securities granting access to other equity securities or conferring entitlement to receive allocations of debt securities, and/or securities granting access to equity securities to be issued, with cancellation of the preferential subscription right, through a private placement in accordance with article L. 411-2 II of the French Monetary and Financial Code, for a maximum nominal amount of €41 million (approximately 9.96% of the share capital)
18. Delegation of authority to be granted to the Board of Directors to issue ordinary shares and/or securities granting access to the Company's share capital by way of remuneration of contributions in kind granted to the Company, subject to the limit of 10% of the share capital
19. Delegation of authority to be granted to the Board of Directors to issue ordinary and/or securities granting access to the Company's share capital, subject to the limit of 10% of the share capital, with cancellation of the preferential subscription right, in the event of a public offer initiated by the Company
20. Delegation of authority to be granted to the Board of Directors to decide on a share capital increase for a maximum nominal amount of €135 million (approximately 32.81% of the share capital) by capitalisation of premiums, reserves, profits or other items
21. Delegation of authority to be granted to the Board of Directors to decide on a share capital increase subject to the limit of 2% of the share capital through the issue of shares or securities granting access to the share capital, reserved for members of company savings plans with cancellation of the preferential subscription right in favour of the members of such savings plans
22. Powers to carry out the necessary legal formalities

PRESENTATION OF THE RESOLUTIONS OF THE COMBINED SHAREHOLDERS' MEETING HELD ON 9 NOVEMBER 2017

RESOLUTIONS PRESENTED TO THE ORDINARY SHAREHOLDERS' MEETING

Approval of the annual financial statements and allocation of the results (1st to 3rd resolutions)

The purpose of the **1st resolution** is to approve the Parent Company financial statements for the 2016/17 financial year, which show a net profit of €966,776,000.84

The purpose of the **2nd resolution** is to approve the consolidated financial statements for the 2016/17 financial year.

The purpose of the **3rd resolution** is to allocate the net result. It is proposed that the dividend for the 2016/17 financial year be set at €2.02 per share. An interim dividend payment of €0.94 per share having been paid on 7 July 2017, the balance, amounting to €1.08 per share, would be detached on 20 November 2017 (with a "record date" of 21 November 2017) and paid on 22 November 2017.

Approval of regulated agreements and commitments (4th resolution)

It is proposed that, by voting on the **4th resolution**, you approve the regulated agreements and commitments authorized or still in force during the 2016/17 financial year, as described in the Statutory Auditors' special report (see Section 6 "Pernod Ricard SA Financial Statements" of the Registration Document). These relate mainly to agreements concluded in the context of financing transactions between the Company and companies or affiliates with which it has Directors or executives in common and the commitments relating to the Chairman & CEO.

Composition of the Board: Renewal of Directors (5th to 7th resolutions)

Information regarding the Directors whose renewal of the term of office is proposed, appears in Section 2 "Corporate governance and internal control" of the Registration Document.

The directorship of Ms Anne Lange, appointed for the remainder of her predecessor's term of office, Mr Laurent Burelle, expires at the close of this Shareholders' Meeting. It is thus proposed that, by voting on the **5th resolution**, you renew her directorship for a term of four years expiring at the close of the Shareholders' Meeting to be held in 2021 to approve the financial statements for the previous financial year.

The directorship of Ms Veronica Vargas expires at the close of this Shareholders' Meeting. It is thus proposed that, by voting on the **6th resolution**, you renew her directorship for a term of four years

expiring at the close of the Shareholders' Meeting to be held in 2021 to approve the financial statements for the previous financial year.

The directorship of the Société Paul Ricard SA expires at the close of this Shareholders' Meeting. It is thus proposed that, by voting on the **7th resolution**, you renew its directorship for a term of four years expiring at the close of the Shareholders' Meeting to be held in 2021 to approve the financial statements for the previous financial year. The Société Paul Ricard SA has appointed Mr Paul-Charles Ricard as permanent representative.

Thus, at the close of the Shareholders' Meeting, the Board of Directors would comprise fourteen members (two of whom are Directors representing the employees), including six Independent Directors (50%) and five women (42%) ⁽¹⁾, in accordance with the AFEP- MEDEF Code and the law, and six foreign Directors.

Renewal of Cabinet Deloitte & Associés as Statutory Auditor (8th resolution)

It is proposed that, by voting on the **8th resolution**, you renew, following the recommendation of the Audit Committee, Cabinet Deloitte & Associés, whose head office is located at 185 avenue Charles de Gaulle – 92524 Neuilly sur Seine CEDEX, as Statutory Auditor, whose term of office will end at the close of this Shareholders' Meeting. Cabinet Deloitte & Associés' term of office would be granted for a period of six financial years, namely until the close of the Shareholders' Meeting to be held in 2023 to approve the financial statements for the previous financial year.

Directors' fees (9th resolution)

The purpose of the **9th resolution** is to set the aggregate amount of Directors' fees allocated to the Board of Directors. It is proposed that the Board of Directors' total compensation for the 2017/18 financial year be set at €970,000.

Approval of the compensation policy items applicable to Mr Alexandre Ricard, Chairman & CEO (10th resolution)

The purpose of the **10th resolution** is to submit for your approval the compensation policy items applicable to Mr Alexandre Ricard, Chairman & CEO of the Company, in accordance with the provisions of article L. 225-37-2 of the French Commercial Code resulting from the "Sapin 2" Law.

Items of the compensation policy are described in detail in Section 4 "Management report", under "Compensation Policy for the Executive Director" subsection of the Registration Document.

(1) In accordance with the AFEP-MEDEF Code, the Directors representing the employees are not taken into account when determining the independence percentage of the Board of Directors or the representation of women.

Advisory vote on the elements of compensation due or granted to Mr Alexandre Ricard, Chairman & CEO of the Company, for the 2016/17 financial year (11th resolution)

In accordance with the recommendations of the AFEF-MEDEF Code, revised in November 2016 to which the Company refers pursuant to article L. 225-37 of the French Commercial Code, the elements of compensation due or granted to the Executive Director of the Company for the financial year ended are submitted to the shareholders' advisory vote.

All these elements are described in detail in Section 4 "Management report", under the subsection "Elements of compensation due or granted in respect of the 2016/17 financial year to Mr Alexandre Ricard, Chairman & CEO, submitted to the shareholders' advisory vote" of the Registration Document.

It is proposed that, by voting on the **11th resolution**, you give a **favourable opinion on the following elements of compensation due or granted in respect of the 2016/17 financial year to Mr Alexandre Ricard, Chairman & CEO** of the Company.

Repurchase of shares (12th resolution)

The Shareholders' Meeting of 17 November 2016 allowed the Board of Directors to trade in the Company's shares. The transactions carried out in accordance with this authorisation are described in Section 8 "About the Company and its Share Capital" of this Registration Document. This authorisation is due to expire on 16 May 2018. It is proposed, in the **12th resolution**, that you renew the authorisation for the Board of Directors to trade in the Company's shares for a period of 18 months at **a maximum purchase price of €200 per share**, excluding acquisition costs.

This authorisation would enable the Board of Directors to purchase Company shares representing **a maximum of 10% of the Company's share capital**, primarily with a view to:

- allocating or transferring them to employees and Executive Directors of the Company and/or Group companies (including the allocation of stock options and free and/or performance-based shares) or in connection with covering the Company's commitments under financial contracts or options with cash settlement granted to the employees and Executive Directors of the Company and/or Group companies;
- using them for external growth transactions (up to a maximum of 5% of the number of shares comprising the Company's share capital);
- delivering shares upon the exercise of rights attached to securities granting access to the share capital;
- cancelling them;
- stabilising the share price through liquidity agreements.

These transactions would be carried out during periods considered appropriate by the Board of Directors. However, during a public offer period, the repurchases would only be carried out provided that they:

- enable the Company to comply with its prior commitments undertaken before the launch of the public offer,

- are undertaken to pursue a share buyback programme that was already in progress,
- cannot cause the offer to fail; and
- fall within the scope of one of the following objectives:
 - allocation to the beneficiaries of stock options and free and/or performance-based shares,
 - cover the Company's commitments under financial contracts or options with cash settlement,
 - allocation for external growth transactions (up to a limit of 5% of the Company's share capital), or
 - allocation to holders of securities granting access to share capital.

RESOLUTIONS PRESENTED TO THE EXTRAORDINARY SHAREHOLDERS' MEETING

As the delegations of authority granted to the Board of Directors by the Shareholders' Meeting of 6 November 2015 are due to expire on 5 January 2018, it is proposed that you renew them.

Delegations of authority submitted to the vote during the present Shareholders' Meeting and which are approved, cancel, from the date of the present Shareholders' Meeting, any previous delegations approved and having the same purpose.

If passed, these resolutions would enable the Board of Directors to immediately take the most appropriate measures notably regarding the financing of planned investments in external growth operations.

No delegations of authority allowing a share capital increase may be used during a public offer for the shares of the Company.

Reduction of the share capital by cancelling treasury shares (13th resolution)

One of the aims of the share buyback programme (12th resolution) is the cancellation of the purchased shares. For this purpose, we ask that, by voting in favour of the **13th resolution**, you authorise the Board of Directors, for a period of **26 months**, to **cancel all or some of the Company shares purchased through a share buyback programme**, for up to 10% of the shares comprising the Company's share capital per 24-month period.

This authorisation would be granted for a period of **26 months** as from the date of the General Shareholder's Meeting.

Delegations of authority to issue ordinary shares and/or securities granting access to the Company's share capital with maintenance of the Preferential Subscription Right (14th resolution)

In order to pursue its growth strategy and to have means in line with the Group's development, your Board of Directors puts forward resolutions with the purpose of granting the Board of Directors delegations of authority allowing it to issue securities in compliance with the current regulations.

The **14th resolution** covers the issue, **with maintenance of your Preferential Subscription Right**, of your Company's shares or of securities granting access to the share capital. In the event of the issue of securities giving future access to the share capital – e.g. bonds with share warrants attached, convertible bonds or detachable warrants – your decision would waive the right of the shareholders to subscribe shares which can be obtained from securities initially issued and for which your Preferential Subscription Right is maintained.

The maximum nominal amount of the share capital increases likely to be conducted by virtue of this delegation would be set at **€135 million**, i.e. approximately **32.81%** of the share capital.

It also forms the maximum **Overall Limit** from which **the share issues determined by virtue of the 15th** (issue of securities with cancellation of the Preferential Subscription Right), **16th** (increase in the number of securities issued), **17th** (share capital increase through a private placement), **18th** (remuneration of contributions in kind), **19th** (public exchange offer initiated by the Company), **20th** (capitalisation of reserves) and **21st** (share capital increase reserved for employees) resolutions would be deducted.

The **maximum nominal amount of securities representing debts** (granting access to the capital) on the Company which can be issued by virtue of this authorisation, would be limited to **€10 billion**, it being specified that the nominal amount of securities representing debts to be issued in accordance with the **15th** resolution would be deducted from this maximum overall nominal amount of securities representing debts.

This authorisation would be valid for a period of **26 months** from the date of this Shareholders' Meeting.

The Board of Directors may not take the decision to use this delegation of authority as from the date at which a third party files a proposal for a public offer for the shares of the Company unless it obtains prior authorisation from the Shareholders' Meeting; this restriction shall remain in effect until the end of the offer period.

Delegations of authority to issue ordinary shares and/or securities granting access to the Company's share capital with cancellation of the Preferential Subscription Right in the context of an offer to the public at large (15th resolution)

Enabling your Board of Directors to carry out share issues without Preferential Subscription Right would allow the Board to place securities in the most efficient ways, in particular when speed is an essential condition for their success or when issues are carried out on French and foreign markets, notably through an offer to the public at large.

Your Board of Directors requests that, by voting on the **15th resolution**, you delegate your authority so as to allow the issue of shares and securities granting access to the share capital, with cancellation of the shareholders' Preferential Subscription Right, up to a maximum nominal amount of **€41 million**, i.e. approximately **9.96%** of the share capital, it being specified that this maximum nominal amount **would be deducted from the maximum Overall Limit** set in the **14th resolution**.

This amount of €41 million is common to the 16th (increase in the number of securities issued), **17th** (share capital increase through a private placement), **18th** (remuneration of contributions in kind), **19th** (public exchange offer initiated by the Company) and **21st** (share capital increases reserved for employees) **resolutions** and would be deducted from the maximum **Overall Limit of €135 million (14th resolution)**.

The maximum nominal amount of securities representing debts (granting subsequent access to the share capital) on the Company that can be issued by virtue of this authorisation would be limited to **€4 billion** and **would be deducted from the €10 billion maximum Overall Limit** set by the **14th resolution**.

This authorisation would be valid for a period of **26 months** from the date of this Shareholders' Meeting.

The Board of Directors may not take the decision to use this delegation of authority as from the date at which a third party files a proposal for a public offer for the shares of the Company unless it obtains prior authorisation from the Shareholders' Meeting; this restriction shall remain in effect until the end of the offer period.

Increase in the number of shares to be issued in the event of a share capital increase with or without Preferential Subscription Right (16th resolution)

By voting on the **16th resolution** we request that you delegate the authority of the Shareholders' Meeting to the Board of Directors to decide, as allowed by law, if it records a surplus demand during a share capital increase with or without Preferential Subscription Right, **to increase the number of shares to be issued** at the same price as that chosen for the initial issue, within the time periods and limits prescribed by law and regulations.

This option enables the Board, as part of a share issue, to carry out, within 30 days after the subscription period ends, an additional share issue of **a maximum of 15% of the initial issue** (this is called the "overallocation option"), subject to the limit set in the resolution by virtue of which the increase is decided (**14th, 15th or 17th resolution**) as well as to the **maximum Overall Limit** set in the **14th resolution**.

This authorisation would be valid for a period of **26 months** from the date of this Shareholders' Meeting.

The Board of Directors may not take the decision to use this delegation of authority as from the date at which a third party files a proposal for a public offer for the shares of the Company unless it obtains prior authorisation from the Shareholders' Meeting; this restriction shall remain in effect until the end of the offer period.

Delegation of authority to increase the share capital through a private placement in favour of qualified investors or a restricted circle of investors with cancellation of the Preferential Subscription Right (17th resolution)

Enabling your Board of Directors to carry out share issues without Preferential Subscription Right would allow the Board to place securities in the most efficient ways, in particular when speed is an essential condition for their success.

By voting on the **17th resolution** we request that you delegate the authority of the Shareholders' Meeting to the Board of Directors in order to issue by private placement in favour of qualified investors or a restricted circle of investors, ordinary shares and/or equity securities granting access to other equity securities or conferring entitlement to receive allocations of debt securities and/or securities granting access to equity securities to be issued.

This delegation of authority would enable your Board of Directors to increase the share capital up to a **maximum nominal amount of €41 million** (approximately **9.96%** of the share capital), it being specified that this amount would **be deducted from the maximum limit of €41 million** set in the **15th resolution** as well as from the **maximum Overall Limit of €135 million** set in the **14th resolution**.

This delegation of authority would enable your Board of Directors to issue bonds or other debt securities granting access to equity securities to be issued up to an **amount of €4 billion**, it being specified that this amount would **be deducted from the maximum limit of €4 billion** set in the **15th resolution** as well as from the **maximum Overall Limit of €10 billion** set in the **14th resolution**.

This authorisation would be valid for a period of **26 months** from the date of this Shareholders' Meeting.

The Board of Directors may not take the decision to use this delegation of authority as from the date at which a third party files a proposal for a public offer for the shares of the Company unless it obtains prior authorisation from the Shareholders' Meeting; this restriction shall remain in effect until the end of the offer period.

Delegation of authority to increase the share capital by way of remunerating contributions in kind subject to the limit of 10% of the share capital (18th resolution)

By voting on the **18th resolution**, we request that you authorise the Board of Directors to issue shares and securities, with a view to compensation contributions in kind granted to the Company, in particular contributions in kind of shares, by way of remunerating the purchase of companies' shares by issuing shares.

This option, which would be offered to the Board of Directors for **26 months** from this Shareholders' Meeting, would be limited to **10% of the Company's share capital**, it being specified that this limit **would be deducted from the share capital increase limit** set in the **15th resolution** as well as from the **maximum Overall Limit** set in the **14th resolution**.

The Board of Directors may not take the decision to use this delegation of authority as from the date at which a third party files a proposal for a public offer for the shares of the Company unless it obtains prior authorisation from the Shareholders' Meeting; this restriction shall remain in effect until the end of the offer period.

Delegation of authority to increase the share capital in the event of a public exchange offer initiated by the Company (19th resolution)

In the same way, by voting on the **19th resolution**, we request that you authorise the Board of Directors to issue shares and securities, with a view to carrying out a public exchange offer or a similar transaction on securities of another company.

This option would be offered to the Board of Directors for **26 months** from the date of this Shareholders' Meeting and would be limited to **10% of the Company's share capital** at the time of the issue, it being specified that this limit **would be deducted from the share capital increase limit set in the 15th resolution**, as well as the **Overall Limit** set in the **14th resolution**.

The Board of Directors may not take the decision to use this delegation of authority as from the date at which a third party files a proposal for a public offer for the shares of the Company unless it obtains prior authorisation from the Shareholders' Meeting; this restriction shall remain in effect until the end of the offer period.

Delegation of authority to increase the share capital by the capitalisation of premiums, reserves and profits (20th resolution)

We request that, by voting on the **20th resolution**, you authorise the Board of Directors to increase the share capital by the capitalisation of premiums, reserves, profits or other items. As this transaction does not necessarily involve the issue of new shares, this delegation of authority must be voted on by the Extraordinary Shareholders' Meeting under the conditions of quorum and majority of the Ordinary Shareholders' Meetings.

This delegation of authority would enable your Board of Directors to increase the share capital up to a **maximum nominal amount of €135 million** (approximately **32.81%** of the share capital) **to be deducted from the maximum Overall Limit** set in the **14th resolution**.

This authorisation would be valid for a period of **26 months** from the date of this Shareholders' Meeting.

The Board of Directors may not take the decision to use this delegation of authority as from the date at which a third party files a proposal for a public offer for the shares of the Company unless it obtains prior authorisation from the Shareholders' Meeting; this restriction shall remain in effect until the end of the offer period.

Delegation of authority to increase the share capital through the issue of shares or securities granting access to the share capital, reserved for members of a company saving plan (21st resolution)

As the Shareholders' Meeting is requested to vote on delegations of authority to the Board of Directors that might entail future share capital increases, it is proposed that, by voting on the **21st resolution**, you delegate authority to the Board of Directors to decide on a share capital increase of a **maximum nominal amount corresponding to 2% of the share capital** at the close of this Shareholders' Meeting, by way of an issue of shares or securities granting access to the share capital with cancellation of Preferential Subscription Rights, reserved for members of one or more employee savings plans in place within the Company or the Group. This limit **would be deducted from the share capital increase limit** set in the **15th resolution**, as well as from the **maximum Overall Limit** set in the **14th resolution**.

The issue price for the new shares or securities granting access to the share capital may not be more than 20% below the average of the listed prices of the Pernod Ricard share on the regulated NYSE Euronext Paris market during the twenty trading sessions prior to the date of the decision setting the opening date for the subscription period, nor may the issue price exceeds this average.

This authorisation would be valid for a period of **26 months** from the date of this Shareholders' Meeting.

The Board of Directors may not take the decision to use this delegation of authority as from the date at which a third party files a proposal for a public offer for the shares of the Company unless it obtains prior authorisation from the Shareholders' Meeting; this restriction shall remain in effect until the end of the offer period.

Powers to carry out the required legal formalities (22nd resolution)

By voting on the **22nd resolution**, the Shareholders' Meeting is asked to authorise the Board of Directors to carry out the required legal formalities, where applicable.

DRAFT RESOLUTIONS

RESOLUTIONS PRESENTED TO THE ORDINARY SHAREHOLDERS' MEETING

The purpose of the **first three resolutions** is to approve Pernod Ricard's Parent Company and consolidated financial statements for the 2016/17 financial year and to allocate the net result for said year. It is proposed to set the **dividend at €2.02 per share**, following the allocation of an interim dividend of €0.94 per share on 7 July 2017.

First resolution

(Approval of the Parent Company financial statements for the financial year ended 30 June 2017)

Having reviewed the Parent Company financial statements for the financial year ended 30 June 2017, the management report of the Board of Directors and the report of the Statutory Auditors on the Parent Company financial statements, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, approves the financial statements for the financial year ended 30 June 2017 as well as all transactions recorded in the financial statements or summarised in these reports, which show a net profit of €966,776,000.84 for the aforementioned financial year.

The Shareholders' Meeting takes note of the report of the Chairman of the Board of Directors on the composition of the Board and the implementation of the principle of balanced representation of women and men within the Board, the conditions governing the preparation and organisation of the work performed by the Board of Directors as well as the internal control and risk management procedures implemented by the Company, and the report of the Statutory Auditors on such report.

Pursuant to article 223 *quater* of the French General Tax Code, the Shareholders' Meeting also takes note of the fact that the total amount of the costs and expenses referred to in paragraph 4 of article 39 of the French General Tax Code amounted to €243,479 for the past financial year, and that the future tax payable with regard to these costs and expenses amounts to €83,830.

Second resolution

(Approval of the consolidated financial statements for the financial year ended 30 June 2017)

Having reviewed the report of the Board of Directors on the management of the Group included in the management report in accordance with article L. 233-26 of the French Commercial Code and the report of the Statutory Auditors on the consolidated financial statements, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, approves the consolidated financial statements for the financial year ended 30 June 2017 as presented to it as well as the transactions recorded in the financial statements or summarised in the report on the management of the Group.

Third resolution

(Allocation of the net result for the financial year ended 30 June 2017 and setting of the dividend)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, notes that the balance sheet for the financial year ended 30 June 2017 shows a net profit of €966,776,000.84.

It decides, on the proposal of the Board of Directors, to allocate and divide this profit as follows:

Profit	€966,776,000.84
Allocation to the legal reserve	- ⁽¹⁾
Balance	€966,776,000.84
Previous retained earnings	€1,891,345,172.31
Distributable profit	€2,858,121,173.15
Dividend distributed	€536,151,615.84
Balance allocated to retained earnings	€2,321,969,557.31

(1) The amount of the legal reserve has reached the threshold of 10% of the share capital.

It should be noted that in the event of a change in the number of shares entitled to a dividend compared with the 265,421,592 shares making up the share capital as of 30 June 2017, the total amount of the dividend shall be adjusted accordingly and the amount allocated to the retained earnings account shall be determined on the basis of dividends actually paid.

A dividend of €2.02 will be distributed for each of the Company's shares.

An interim dividend payment of €0.94 per share having been paid on 7 July 2017, the balance amounting to €1.08 per share will be detached on 20 November 2017 (with a record date of 21 November 2017) and paid on 22 November 2017.

The Shareholders' Meeting decides that the amount of the dividend accruing to treasury shares or shares that have been cancelled on the ex-dividend date will be allocated to "Retained earnings".

The amount distributed of €2.02 per share will be eligible for the 40% tax deduction applicable to individual shareholders who are French tax residents, as provided for in article 158, 3-2° of the French General Tax Code.

Shareholders' equity amounts to €6,188,114,461.32 after allocation of the net result for the financial year.

Dividends distributed over the past three financial years are as follows:

	2013/14	2014/15	2015/16
Number of shares	265,421,592	265,421,592	265,421,592
Dividend per share (€)	1.64 ⁽¹⁾	1.80 ⁽¹⁾	1.88 ⁽¹⁾

(1) Amounts eligible for the 40% tax deduction for individual shareholders who are French tax residents, as provided for in article 158, 3-2° of the French General Tax Code.

The purpose of the **4th resolution** is to approve the regulated agreement and commitments previously approved by the Board of Directors of Pernod Ricard.

Fourth resolution

(Approval of the regulated agreements and commitments referred to in article L. 225-38 et seq. of the French Commercial Code)

Having reviewed the special report of the Statutory Auditors on the regulated agreements and commitments referred to in article L. 225-38 et seq. of the French Commercial Code, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, takes note of the conclusions of said report and approves the agreements and commitments referred to therein.

The **5th** to the **7th resolutions** relate to the composition of the Board of Directors. It is therefore proposed to renew, for a period of four years, the directorships of Ms Anne Lange, Ms Veronica Vargas and Société Paul Ricard SA, represented by Mr Paul-Charles Ricard.

Fifth resolution

(Renewal of the directorship of Ms Anne Lange)

Having reviewed the report of the Chairman of the Board of Directors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, decides to renew the directorship of Ms Anne Lange.

This term of office is granted for a period of four years, which shall expire at the close of the Shareholders' Meeting to be held in 2021 to approve the financial statements for the previous financial year.

Sixth resolution

(Renewal of the directorship of Ms Veronica Vargas)

Having reviewed the report of the Chairman of the Board of Directors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, decides to renew the directorship of Ms Veronica Vargas.

This term of office is granted for a period of four years, which shall expire at the close of the Shareholders' Meeting to be held in 2021 to approve the financial statements for the previous financial year.

Seventh resolution

(Renewal of the directorship of Société Paul Ricard SA, represented by Mr Paul-Charles Ricard)

Having reviewed the report of the Board of Directors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, decides to renew the directorship of Société Paul Ricard SA, represented by Mr Paul-Charles Ricard.

This term of office is granted for a period of four years, which shall expire at the close of the Shareholders' Meeting to be held in 2021 to approve the financial statements for the previous financial year.

The purpose of the **8th resolution** is to renew Deloitte & Associés, whose term of office shall expire at the close of this Shareholders' Meeting, as Statutory Auditor.

Eighth resolution

(Renewal of Deloitte & Associés as Statutory Auditor)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having considered the management report of the Board of Directors, decides to renew cabinet Deloitte & Associés whose head office is located at 185, avenue Charles de Gaulle – 92524 Neuilly sur Seine CEDEX, as Statutory Auditor.

This term of office is granted for a period of six financial years, namely until the close of the Shareholders' Meeting to be held in 2023 to approve the financial statements for the previous financial year.

The purpose of the **9th resolution** is to set the aggregate amount of Directors' fees allocated to the Board of Directors for this financial year 2017/18.

Ninth resolution

(Setting of the annual amount of Directors' fees allocated to the members of the Board of Directors)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, upon the proposal of the Board of Directors, decides to set the aggregate annual amount of Directors' fees in respect of the 2017/18 financial year at €970,000.

The **10th** and **11th resolutions** relate to the compensation of the Executive Director concerning, respectively, the compensation policy items applicable to the Chairman and CEO, Mr Alexandre Ricard and the advisory vote on the elements of compensation due or granted to him for the 2016/17 financial year.

Tenth resolution

(Approval of the compensation policy items applicable to Mr Alexandre Ricard, Chairman & CEO)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, having considered the management report of the Board of Directors established in accordance with article L. 225-37-2 of the French Commercial Code, approves the principles and criteria for determining, allocating and granting the fixed, variable and exceptional items of total compensation and all types of benefits in kind granted to the Chairman & CEO by virtue of his mandate, as detailed in Section 4 "Management report" of the 2016/17 Registration Document, under "Compensation policy for the Executive Director" subsection.

Eleventh resolution

(Advisory vote on the elements of compensation due or granted for the 2016/17 financial year to Mr Alexandre Ricard, Chairman & CEO)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, upon the proposal of the Board of Directors, gives a favourable opinion on the elements of compensation due or granted for the 2016/17 financial year to Mr Alexandre Ricard, Chairman & CEO. These elements are described in the 2016/17 Registration Document, in the presentation of the resolutions, and more specifically in the table entitled "Elements of compensation due or granted in respect of the 2016/17 financial year to Mr Alexandre Ricard, Chairman & CEO, submitted to the shareholders' advisory vote".

The purpose of the **12th resolution** is to renew the authorisation granted to the Board of Directors to trade in the Company's shares. The Board will be able to use the authorisation, subject to conditions.

Twelfth resolution

(Authorisation to be granted to the Board of Directors to repurchase the shares of the Company)

Having reviewed the report of the Board of Directors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, authorises the Board of Directors, with the option for it to delegate these powers in turn, in accordance with the provisions of articles L. 225-209 *et seq.* of the French Commercial Code and of Regulation No. 596/2014 of the European Parliament and of the Council of 16 April, 2014, to purchase shares of the Company in order to:

- (i) allocate shares or transfer them to employees and/or Executive Directors of the Company and/or its current or future affiliates under the terms and conditions provided for by law, in particular by granting stock options or as part of employee profit-sharing plans; or
- (ii) cover its commitments pursuant to financial contracts or options with cash payments concerning rises in the stock market price of the Company's share, granted to employees and/or Executive Directors of the Company and/or its current or future affiliates under the terms and conditions provided for by law; or
- (iii) make free allocations of shares to employees and/or Executive Directors of the Company and/or its current or future affiliates under the terms and conditions of articles L. 225-197-1 *et seq.* of the French Commercial Code, it being specified that the shares may be allocated, in particular, to an employee savings plan in accordance with the provisions of article L. 3332-14 of the French Employment Code; or

- (iv) retain them and subsequently tender them (in exchange, as payment or otherwise) in connection with external growth transactions, subject to the limit of 5% of the number of shares comprising the share capital; or
- (v) deliver shares upon the exercise of rights attached to securities granting access to the share capital through reimbursement, conversion, exchange, presentation of a warrant or in any other manner; or
- (vi) cancel all or some of the shares repurchased in this manner, under the conditions provided for in article L. 225-209 paragraph 2 of the French Commercial Code, and pursuant to the authorisation to reduce the share capital granted by the Combined Shareholders' Meeting, the focus of the 13th resolution below; or
- (vii) allow an investment services provider to act on the secondary market or to ensure the liquidity of the Company's share by means of liquidity agreements in compliance with the terms of a Code of Conduct approved by the French Financial Markets Authority (AMF).

This programme is also intended to enable the Board of Directors to trade in the Company's shares for any other authorised purpose or any purpose that might come to be authorised by the law or regulations in force.

The Board of Directors may purchase a number of shares such that:

- the Company does not purchase more than 10% of the shares comprising the Company's share capital at any time during the term of the share buyback programme; this percentage applies to the share capital adjusted based on capital transactions carried out after this Shareholders' Meeting; in accordance with the provisions of article L. 225-209 of the French Commercial Code, when shares are repurchased to favour the liquidity of the share under the conditions set out by the applicable regulations, the number of shares taken into account for calculating the 10% limit equates to the number of shares purchased, less the number of shares sold during the authorisation period; and that
- the number of shares held by the Company at any time does not exceed 10% of the number of shares comprising its share capital.

These shares may be purchased, sold, transferred, delivered or exchanged, on one or more occasions, by any authorised means pursuant to the regulations in force. These means include, in particular, over-the-counter transactions, sales of blocks of shares, sale and repurchase agreements and the use of any financial derivatives, traded on a regulated or over-the-counter market, or setting up option strategies (purchases and sales of puts and calls and any combinations thereof in compliance with the applicable regulations). Transactions involving blocks of shares may account for the entire share buyback programme.

These transactions may be carried out during periods considered appropriate by the Board of Directors. However, during a public offer period, the repurchases would only be carried out provided that they:

- enable the Company to comply with its prior commitments undertaken before the launch of the public offer;
- are undertaken in connection with the pursuit of a share buyback programme that was already in progress;
- fall within the scope of the objectives referred to in points (i) to (v); and
- cannot cause the offer to fail.

The Shareholders' Meeting decides that the maximum purchase price per share shall be €200, excluding acquisition costs.

Under article R. 225-151 of the French Commercial Code, the Shareholders' Meeting sets the total maximum amount allocated to the share buyback programme authorised above at €5,308,431,800, corresponding to a maximum number of 26,542,159 shares purchased at the maximum unit price of €200 as authorised above.

The Shareholders' Meeting delegates authority to the Board of Directors, with the option for it to delegate these powers in turn under the conditions provided for by law, in the event of transactions on the Company's share capital, and in particular a change in the par value of the share, a share capital increase via the capitalisation of reserves, a granting of free shares, stock split or reverse stock split, to adjust the above-mentioned maximum purchase price in order to take account of the impact of such transactions on the share value.

The Board of Directors may also carry out, in accordance with applicable legal and regulatory provisions, the reassignment to another objective of previously repurchased shares (including under a previous authorisation) and their sale (on- or off-market).

The Shareholders' Meeting grants the Board of Directors full powers, with the option for it to delegate these powers in turn under the conditions provided for by law, to decide and implement this authorisation, to specify, if necessary, its terms and decide on its conditions with the option to delegate implementation of the share buyback programme, under the conditions provided for by law, and in particular to place all stock exchange orders, enter into any agreements, with a view to keeping registers of share purchases and sales, make all declarations to the AMF and to any other official body which may take its place, complete all formalities and, in general, do whatever may be necessary.

This authorisation will be valid for a period of 18 months from the date of this Shareholders' Meeting and cancels, as from this same date, for any unused portion, the authorisation granted to the Board of Directors to trade in the Company's shares by the Combined Shareholders' Meeting of 17 November 2016 in its 15th resolution.

RESOLUTIONS PRESENTED TO THE EXTRAORDINARY SHAREHOLDERS' MEETING

Resolutions 13 to 20 will propose to renew all the financial authorisations and delegations of authority granted to the Board of Directors, as the authorisations granted by the Shareholders' Meeting of 6 November 2015 are due to expire on 5 January 2018.

Delegations of authority submitted to the vote during the present Shareholders' Meeting and which are approved, cancel any previous delegations approved and having the same purpose, with effect from the date of the present Shareholders' Meeting.

If passed, the resolutions will enable the Board of Directors to immediately take the most appropriate measures, notably regarding the financing of planned investments in external growth operations.

Please note that all the delegations authorising a share capital increase with or without Preferential Subscription Right will not be used during a tender offer on the shares of the Company.

Thirteenth resolution

(Authorisation to be granted to the Board of Directors for the purpose of reducing the share capital by cancelling treasury shares, subject to the limit of 10% of the share capital)

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings and in accordance with articles L. 225-209 *et seq.* of the French Commercial Code:

- authorises the Board of Directors to reduce the share capital by cancelling, on one or more occasions, all or part of the treasury shares held by it or acquired by it pursuant to the share repurchase programmes authorised by the Shareholders' Meeting, in particular in accordance with the 12th resolution above, subject to the limit of 10% of the share capital per 24-month period, it being specified that the 10% limit applies to the Company's capital amount which will, where applicable, be adjusted to take account of transactions affecting the share capital after the date of this Shareholders' Meeting;
- decides that the excess amount of the purchase price of the shares cancelled over their par value shall be allocated to the "Share premiums" account or to any available reserve accounts, including the legal reserve, subject to the limit of 10% of the capital reduction carried out; and
- grants the Board of Directors full powers, with the option for it to delegate these powers in turn within the limits set by the bylaws and by law, to cancel, on its decision alone, the shares thus acquired, to reduce the share capital accordingly, to allocate the excess amount as provided for above, as well as to make the corresponding amendments to the bylaws and complete all formalities.

This authorisation will be valid for a period of 26 months from the date of this Shareholders' Meeting. It cancels and supersedes, as from such date, the authorisation granted by the Shareholders' Meeting of 6 November 2015 in its 15th resolution.

Fourteenth resolution

(Delegation of authority to be granted to the Board of Directors to decide on a share capital increase for a maximum nominal amount of €135 million (approximately 32.81% of the share capital), through the issue of ordinary shares and/or securities granting access to the Company's share capital, with maintenance of the Preferential Subscription Right)

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, and in accordance with, notably, the provisions of articles L. 225-129-2, L. 225-132, L. 225-133, L. 225-134 and L. 228-91 to L. 228-93 of the French Commercial Code:

- delegates authority to the Board of Directors, with the option for it to delegate these powers in turn under the conditions provided for by law, to decide on an increase in the share capital, on one or more occasions, in France, abroad or on the international market, in the proportion and at the times it considers appropriate, either in euros, or in any other currency or monetary unit drawn up in reference to several currencies, with maintenance of the shareholders' preferential subscription right, by issuing (i) ordinary shares of the Company or (ii) securities issued against payment or free of charge, governed by articles L. 228-91 *et seq.* of the French Commercial Code, granting access immediately or in the future to the Company's share capital, it being specified that shares and other securities can be subscribed either in cash, or by offsetting receivables;
- decides to set as follows the limits of the amounts of share issues authorised in the event of use of this delegation of authority by the Board of Directors:
 - the maximum nominal amount of the share capital increases likely to be realised by virtue of this delegation of authority is set at €135 million, it being specified that (i) to this limit will be added, when applicable, the nominal amount of any extra shares to be issued, in the event of further adjustments, in order to protect, in accordance with the law and regulations and, when applicable, contractual stipulations providing for other adjustments, the rights of holders of securities granting access to the capital, as well as of recipients of stock options (both purchase and subscription plans) or bonus shares, and that (ii) this limit forms the maximum overall nominal limit for share capital increases likely to be carried out by virtue of this delegation and such increases conferred by virtue of the 15th, 16th, 17th, 18th, 19th, 20th and 21st resolutions below, and that the total nominal amount of the share capital increases carried out under these resolutions will be deducted from this Overall Limit,
 - the maximum nominal amount of securities representing debts granting access to the Company's share capital shall not exceed the €10 billion overall limit or the exchange value of this amount, it being specified that the nominal amount of the debt securities that will be issued by virtue of the 15th resolution of this Shareholders' Meeting will be deducted from this amount. This limit is unrelated to and separate from the amount of the securities representing debts granting the right to the allocation of debt securities, as well as from the amount of the debt securities whose issue would be independently determined or authorised by the Board of Directors in accordance with article L. 228-40 of the French Commercial Code;

- in the event of use of this delegation of authority by the Board of Directors:
 - decides that the share issue(s) will preferably be reserved for shareholders who can subscribe with an irreducible right in proportion to the number of shares that they hold at that time, and records that the Board of Directors can institute a subscription with a reducible right,
 - decides that, if the subscriptions with an irreducible right and, where applicable, with a reducible right, do not absorb the entirety of an issue of shares or securities as set out above, the Board of Directors may use the different options provided for by law (or some of them only), in the order that it will determine, including offering the public all or part of the shares or the securities not subscribed, on the French and/or foreign and/or international market,
 - decides that the issues of Company share warrants may be carried out through the subscription offer under the aforementioned conditions, but also by free allocation to the owners of old shares,
 - decides that in the event of a free allocation of Company share warrants, the Board of Directors will have the option to decide that the fractional allocation rights will not be marketable and that the corresponding securities will be sold,
 - acknowledges by virtue of this delegation of authority that the shareholders waive, in favour of the holders of securities issued granting access to the Company's share capital, their preferential subscription right to the shares to which the securities will grant entitlement;
- decides that the Board of Directors shall have full powers, with the option for it to delegate these powers in turn within the limits set by law, to implement this delegation of authority, including to set the share issue, subscription and payment conditions, record the completion of the resulting share capital increases and amend the bylaws accordingly, and notably to:
 - determine, if required, the terms for exercising the rights attached to the shares or securities granting access to the capital, to determine the terms for exercising the rights, where applicable, particularly to conversion, exchange and redemption, including by delivering the Company's assets such as securities already issued by the Company,
 - decide, in the event of the issue of debt securities, on whether they are to be subordinated or unsubordinated (and, where applicable, on their subordination ranking, in accordance with the provisions of article L. 228-97 of the French Commercial Code), to set their interest rate (notably fixed or variable rate or zero or indexed coupon), their duration (specified or unspecified) and the other terms of issue (including the granting of guarantees or sureties) and depreciation (including redemption through the delivery of Company assets); decide on the securities that may be bought back on the stock exchange or the subject of a takeover bid or public exchange offer by the Company; to set the conditions under which these securities will grant access to the Company's share capital; to amend, during the life of the securities under consideration, the terms set out above, in compliance with the applicable formalities,
 - on its own initiative, offset the costs of the share capital increases against the amount of the related share premiums and deduct from this amount the sums required to raise the legal reserve to one-tenth of the new share capital resulting from such increases in the share capital,

- set and carry out all adjustments required to take into account the impact of the transactions on the Company's share capital, particularly in the event of the amendment of the nominal value of the share, increase in the share capital through the capitalisation of reserves, free allocation of shares, division or grouping together of shares, distribution of reserves or of all other assets, depreciation of the share capital, or any other transaction concerning shareholders' equity, and set the terms under which, where applicable, the preservation of the rights of holders of securities or rights granting access to the capital will be assured, and
- generally, enter into any agreement, in particular, to successfully complete the proposed issues of shares or securities, take all measures and decisions and carry out all formalities appropriate for the issue, listing and financial servicing of the shares or securities issued pursuant to this delegation of authority and the exercise of the rights attached thereto, or all formalities resulting from the increases in share capital carried out;
- decides that the Board of Directors may not take the decision to use this delegation of authority as from the date at which a third party files a proposal for a tender offer for the shares of the Company unless it obtains prior authorisation from the Shareholders' Meeting; this restriction shall remain in effect until the end of the offer period;
- sets the period of validity of this delegation of authority at 26 months as from the date of this Shareholders' Meeting and notes that as from such date, this delegation cancels and supersedes the delegation of authority granted by the Shareholders' Meeting of 6 November 2015 in its 16th resolution.
- decides to set as follows the limits of the amounts of share issues authorised in the event of use of this delegation of authority by the Board of Directors:
 - the maximum nominal amount of the share capital increases likely to be realised by virtue of this delegation of authority is set at €41 million, with this amount being deducted from the maximum overall limit of €135 million set in the aforementioned 14th resolution, it being specified (i) that to this limit of €41 million will be added, when applicable, the nominal amount of any shares to be issued, in the event of adjustments made to protect, in accordance with law and regulations and, when applicable, contractual stipulations providing for other adjustments, the rights of holders of securities granting access to the capital as well as of recipients of stock options (both purchase and subscription plans) or bonus shares, and (ii) that this limit of €41 million is common to the 16th, 17th, 18th, 19th and 21st resolutions hereafter and that the total nominal amount of the share capital increases carried out under these resolutions will be deducted from this limit,
 - the maximum nominal amount of securities representing debts granting access to the Company's share capital may not exceed the limit of €4 billion or the exchange value of this amount, it being specified that this amount will be deducted from the maximum overall limit of €10 billion set for securities representing debt securities, by virtue of the aforementioned 14th resolution. This limit of €4 billion is unrelated to and separate from the amount of the securities representing debts granting the right to the allocation of debt securities, and from the amount of the debt securities, whose issue would be independently decided or authorised by the Board of Directors in accordance with article L. 228-40 of the French Commercial Code;

Fifteenth resolution

(Delegation of authority to be granted to the Board of Directors to decide on a share capital increase for a maximum nominal amount of €41 million (approximately 9.96% of the share capital), through the issue of ordinary shares and/or securities granting access to the Company's share capital, with cancellation of the Preferential Subscription Right, as part of an offer to the public)

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, and in accordance with the provisions of articles L. 225-127, L. 225-128, L. 225-129, L. 225-129-2, L. 225-135, L. 225-136, L. 228-92 and L. 228-93 of the French Commercial Code:

- delegates authority to the Board of Directors, with the option for it to delegate these powers in turn under the conditions provided for by law, to decide on an increase in the share capital, on one or more occasions, in France, abroad or on the international market, in the proportion and at the times it considers appropriate, by way of an offer to the public, either in euros, or in any other currency or monetary unit drawn up in reference to several currencies, with cancellation of the shareholders' Preferential Subscription Right, (i) by the issue of ordinary shares of the Company or (ii) securities against payment or free of charge, governed by articles L. 225-149 *et seq.* and L. 228-91 *et seq.* of the French Commercial Code, granting access to the Company's capital (whether new or existing Company shares), it being specified that the subscription of shares and of other securities may be carried out either in cash, or by offsetting receivables;
- acknowledges, by virtue of this delegation of authority, that the shareholders automatically waive their preferential subscription right to the shares to which the securities will grant entitlement, in favour of the holders of securities issued granting access to the Company's share capital;
- decides that, pursuant to article L. 225-136 of the French Commercial Code:
 - the issue price of the shares issued directly will be at least equal to the minimum amount provided for by the laws and regulations in force at the time at which this delegation of authority is used,
 - the issue price of the securities granting access to the capital will be such that the sum immediately received by the Company, increased, where applicable, by that likely to be received subsequently by the Company, is, for each share issued as a consequence of the issue of these securities, at least equal to the minimum subscription price set out in the previous paragraph,

- decides that if the subscriptions have not absorbed the entire issue of shares or securities, the Board of Directors may use the different options provided for by law (or some of them only), in the order that it will determine, including offering the public all or part of the shares or the securities not subscribed, on the French and/or foreign and/or international market;
- decides that the Board of Directors shall have full powers, with the option for it to delegate these powers in turn within the limits set by law, to implement this delegation of authority, including to set the issue, subscription and payment conditions, record the completion of the resulting share capital increases and amend the bylaws accordingly, and notably to:
 - determine, if required, the characteristics and terms for exercising the rights attached to the shares or securities granting access to the capital, to determine the terms for exercising the rights, where applicable, particularly to conversion, exchange and redemption, including by delivering Company assets such as securities already issued by the Company,
 - decide, in the event of the issue of debt securities, on whether they are to be subordinated or unsubordinated (and, where applicable, on their subordination ranking, in accordance with the provisions of article L. 228-97 of the French Commercial Code), to set their interest rate (notably fixed or variable rate or zero or indexed coupon), their duration (specified or unspecified) and the other characteristics and terms of issue (including granting them guarantees or sureties) – and depreciation – (including redemption through the delivery of Company assets); to decide on the securities that may be bought back on the stock exchange or the subject of a takeover bid or public exchange offer by the Company; to set the conditions under which these securities will grant access to the Company's capital; to amend, during the life of the securities under consideration, the terms set out above, in compliance with the applicable formalities,
 - on its own initiative, offset the costs of the share capital increases against the amount of the related share premiums and deduct from this amount the sums required to raise the legal reserve to one-tenth of the new share capital resulting from such increases in the share capital,
 - set and carry out all adjustments required to take into account the impact of the transactions on the Company's share capital, particularly in the event of the amendment of the nominal amount of the share, increase in the share capital through the capitalisation of reserves, free allocation of shares, division or grouping together of shares, distribution of reserves or all other assets, depreciation of the capital, or any other transaction concerning shareholders' equity, and set the terms under which, where applicable, the preservation of the rights of holders of securities or rights granting access to the capital will be assured, and

- generally, enter into any agreement, in particular, to successfully complete the proposed issues, take all measures and decisions and carry out all formalities appropriate for the issue, listing and financial servicing of the shares or securities issued pursuant to this delegation of authority and the exercise of the rights attached thereto, or all formalities resulting from the increases in share capital carried out;

- decides that the Board of Directors may not take the decision to use this delegation of authority as from the date at which a third party files a proposal for a tender offer for the shares of the Company unless it obtains prior authorisation from the Shareholders' Meeting; this restriction shall remain in effect until the end of the offer period;
- sets the period of validity of this delegation of authority at 26 months as from the date of this Shareholders' Meeting and notes that as from such date, this delegation cancels and supersedes the delegation of authority granted by the Shareholders' Meeting of 6 November 2015 in its 17th resolution.

Sixteenth resolution

(Delegation of authority to be granted to the Board of Directors to increase the number of shares to be issued in the event of a share capital increase, with or without Preferential Subscription Right, subject to the limit of 15% of the initial share issue in accordance with the 14th, 15th and 17th resolutions)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, and in accordance with the provisions of article L. 225-135-1 of the French Commercial Code:

- delegates authority to the Board of Directors, with the option for it to delegate these powers in turn under the conditions set by law, to decide on an increase in the number of shares or securities to be issued in the event of an increase in the Company's share capital with or without preferential subscription rights, at the same price as that used for the initial issue, within the time periods and limits stipulated by the regulations in force on the day of the issue (*i.e.*, to date, within 30 days of the end of the subscription period and subject to the limit of 15% of the initial issue) and subject to the limit provided for in the resolution pursuant to which the issue is decided (14th, 15th or 17th resolution) as well as the overall limit set by the 14th resolution;
- decides that the Board of Directors may not take the decision to use this delegation of authority as from the date on which a third party files a proposal for a tender offer for the shares of the Company unless it obtains prior authorisation from the Shareholders' Meeting; this restriction shall remain in effect until the end of the offer period;
- sets the period of validity of this delegation of authority at 26 months as from the date of this Shareholders' Meeting and notes that as from such date, this delegation cancels and supersedes the delegation of authority granted by the Shareholders' Meeting of 6 November 2015 in its 18th resolution.

Seventeenth resolution

(Delegation of authority to be granted to the Board of Directors to issue ordinary shares and/or securities granting access to equity securities to be issued, with cancellation of the Preferential Subscription Right, through a private placement in accordance with article L. 411-2 II of the French Monetary and Financial Code, for a maximum nominal amount of €41 million (approximately 9.96% of the share capital))

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Extraordinary Shareholders' Meeting in accordance with the provisions of the French Commercial Code, in particular its articles L. 225-129 to L. 225-129-6, L. 225-135, L. 225-136 and L. 228-91 to L. 228-93:

- delegates its authority to the Board of Directors to decide to increase the share capital, by way of an offering reserved for qualified investors or a restricted group of investors as referred to in article L. 411-2 II of the French Monetary Code, on one or more occasions, and in the proportions and at the times it considers appropriate, both in France and abroad, whether denominated in euros or in any other currency or unit of account based on a basket of currencies, of ordinary shares or securities granting access, immediately or in the future, to the Company's share capital, it being specified that the subscription may be paid up in cash or by offsetting liquid and due debt, and this delegation does not affect the authority granted to the Board of Directors by article L. 228-92 of the French Commercial Code to independently issue compound debt securities conferring entitlement to receive allocations of other debt securities or granting access to existing equity securities;
- decides that the nominal amount of share capital increases that may be carried out pursuant to this delegation, whether immediately and/or in the future, may not exceed €41 million. This amount is included in the maximum limit of €41 million set in the 15th resolution and the maximum overall limit of €135 million set in the 14th resolution of this Shareholders' Meeting, not including the nominal amount of any additional shares to be issued pursuant to the applicable laws, regulations and any contractual provisions to protect the rights of existing holders of equity securities, securities or other rights granting access to the Company's shares;
- decides that shares may be issued on exercise of conversion, exchange, redemption, presentation of a warrant, or other rights attached to securities issued by any entity in which the Company directly or indirectly holds over half of the capital, subject to the authorisation of the Shareholders' Meeting of the Company concerned;
- decides that the maximum nominal amount of bonds or other debt securities granting access to equity securities to be issued pursuant to this delegation may not exceed €4 billion (or the equivalent in foreign currencies or monetary units). This amount is included in the €4 billion maximum limit set in the 15th resolution and the maximum overall limit of €10 billion set in the 14th resolution of this Shareholders' Meeting;
- decides to cancel the shareholders' preferential subscription right to shares or other securities to be issued that are the subject of this resolution;

- decides that if the subscriptions have not absorbed the entire issue of shares or other securities, the Board of Directors may use the different options provided for by law (or some of them only), in the order that it will determine, including offering the public all or part of the shares or the securities not subscribed, on the French and/or foreign and/or international market;
- records and decides that this delegation to issue securities granting access to the share capital will entail the express waiver by the shareholders of their preferential subscription right for the shares to which these securities will grant access, in favour of the holders of these securities;
- decides that:
 - the issue price of the shares issued directly shall be at least equal to the minimum amount provided for by the laws and regulations in force at the time of use of this delegation,
 - the issue price of securities granting access to equity securities to be issued shall be set in such a way that the amount received by the Company at the time of issue plus the amount to be received on exercise of the rights attached to the issued securities is at least equal to the minimum issue price defined above for each new share,
 - the number of shares to be issued on exercise of conversion, redemption or more generally transformation of each security granting access to equity securities issued under this delegation shall be determined in such a way as to ensure that the amount per share received by the Company (taking into account the nominal value of said securities) is at least equal to the minimum issue price set out above;
- decides that the Board of Directors shall have full powers to implement this delegation with the option for it to delegate these powers in turn under the conditions provided for by law, within the limits and under the conditions specified above in order, in particular:
 - to decide to carry out a share capital increase and determine the type of securities to be issued,
 - to draw up the list or the category of subscribers to the issue,
 - to decide on the amount of each issue, the issue price and any issue premium, as the case may be, to be asked at the issuance,
 - to decide the timing and other terms of the issue(s), including the form and characteristics of the securities, the opening and closing dates of the subscription period, the securities' issue price and vesting date, the method by which they will be paid up, the terms applicable to the exercise of any rights to shares of the Company, all other terms and conditions of issue and, in the case of debt securities, their ranking for repayment purposes,
 - to determine, where appropriate, the terms and conditions for (i) exercising the rights attached to the shares or securities granting access to the capital to be issued, notably by setting the date – which may be retroactive – from which new shares will carry rights; and (ii) exercising any conversion, exchange and redemption, as well as any other terms and conditions applicable to such issues,

- to set the terms and conditions under which the Company may buy back or exchange the securities by any method, at any time or during specified periods, with a view to holding them or canceling them in accordance with the applicable laws and regulations,
- to allow for the option to suspend the exercise of the rights attached to the securities issued, in accordance with the applicable laws and regulations,
- at its sole discretion, to charge any and all costs incurred in connection with said issues against the related premiums, and to deduct from these premiums the necessary amounts to be credited to the legal reserve,
- to determine and make any and all adjustments required to take into account the effect of the corporate actions and decide the method to be used, if necessary, to ensure that the rights of holders of securities or rights granting access to the capital are protected,
- to place on record the share capital increase(s) resulting from the use of this delegation and amend the bylaws to reflect the new capital,
- generally, to enter into any and all agreements, take all appropriate steps and carry out all formalities necessary for the issue, listing and service of the securities issued pursuant to this delegation and for the exercise of any related rights;
- decides that the Board of Directors may not take the decision to use this delegation of authority as from the date on which a third party files a proposal for a tender offer for the shares of the Company unless it obtains prior authorisation from the Shareholders' Meeting; this restriction shall remain in effect until the end of the offer period;
- sets the period of validity of this delegation of authority at 26 months as from the date of this Shareholders' Meeting.

Eighteenth resolution

(Delegation of authority to be granted to the Board of Directors to issue ordinary shares and/or securities granting access to the Company's share capital by way of remuneration for contributions in kind granted to the Company, subject to the limit of 10% of the share capital)

Having reviewed the report of the Board of Directors under article L. 225-147 paragraph 6 of the French Commercial Code, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, delegates authority to the Board of Directors, with the option for it to delegate these powers in turn under the conditions set by law, to decide on the issue of various shares or securities granting access, immediately or in the future, to the Company's share capital, subject to the limit of 10% of the share capital at the time of the issue, with a view to remunerating the contributions in kind granted to the Company and comprised of shares or securities granting access to the share capital of other companies, when the provisions of article L. 225-148 of the French Commercial Code are not applicable. In accordance with law, the Board of Directors will rule on the Auditor's(s') special report on the contributions, referred to in article L. 225-147 of said Code. The Shareholders' Meeting:

- decides that the nominal amount of the Company's share capital increase resulting from the issue of the securities set out in the above paragraph, will be deducted from the maximum overall limit set in the aforementioned 14th resolution as well as from the maximum amount of the share capital increase set in the 15th resolution above, it being specified that to these limits shall be added, if applicable, the nominal amount of share capital to be issued with respect to the adjustments made to protect, in accordance with law and regulations and, when applicable, contractual stipulations providing for other adjustments, the rights of holders of securities granting access to the capital, as well as those of recipients of stock options (both purchase and subscription plans) or free allocations of shares;
- acknowledges, as necessary, the absence of preferential subscription rights for the share capital or securities issued and by virtue of this delegation of authority, that the shareholders automatically waive their preferential subscription right to the shares to which the securities will grant entitlement;
- decides that the Board of Directors shall have full powers, with the option for it to delegate these powers within the limits set by law, to implement this delegation of authority, in particular:
 - to determine the type and number of shares and/or securities to be issued, their characteristics and the terms of their issue,
 - to approve the assessment of the contributions and the possible granting of particular benefits and concerning said contributions, record their realisation,
 - to deduct all fees, charges and duties from the premium, with the balance receiving any allocation decided by the Board of Directors, or by the Ordinary Shareholders' Meeting, and if necessary, deduct from this amount the sums required to raise the legal reserve to one-tenth of the new share capital resulting from such increases in the share capital,
 - to decide and perform, as a result of the issue, all necessary measures to protect the rights of holders of securities granting access to the Company's share capital, stock options (both purchase and subscription plans) or free allocation of share rights in accordance with the applicable laws and regulations, and when applicable, any contractual provisions,
 - to increase the share capital, carry out the subsequent amendments to the bylaws and, generally, enter into any agreement, in particular, for successful completion of the proposed issues of shares or securities, take all measures and decisions and carry out all formalities appropriate for the issue, listing and financial servicing of the shares or securities issued pursuant to this delegation of authority and the exercise of the rights attached thereto, or all formalities resulting from the increases in share capital carried out;
- decides that the Board of Directors may not take the decision to use this delegation of authority as from the date on which a third party files a proposal for a tender offer for the shares of the Company unless it obtains prior authorisation from the Shareholders' Meeting; this restriction shall remain in effect until the end of the offer period;
- sets the period of validity of this delegation of authority at 26 months as from the date of this Shareholders' Meeting and notes that as from such date, this delegation cancels and supersedes the delegation of authority granted by the Shareholders' Meeting of 6 November 2015 in its 19th resolution.

Nineteenth resolution

(Delegation of authority to be granted to the Board of Directors to issue ordinary shares and/or securities granting access to the Company's share capital, subject to the limit of 10% of the share capital, with cancellation of the Preferential Subscription Right, in the event of a public exchange offer initiated by the Company)

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, and in accordance with the provisions of articles L. 225-129 to L. 225-129-6, L. 225-148 and L. 228-92 of the French Commercial Code:

- delegates authority to the Board of Directors, with the option for it to delegate these powers in turn under the conditions set by law, to decide to issue, on one or more occasions, and in the proportions and at the times it considers appropriate, various ordinary shares or securities granting access to the Company's share capital, immediately and/or in the future, subject to the limit of 10% of the share capital at the time of the issue, with a view to remunerating securities contributed to (i) a public offer of exchange in France or abroad, under local regulations, by the Company on the shares of another company trading on one of the regulated markets set out in the aforementioned article L. 225-148, or (ii) any other transaction having the same effect as a public exchange offer initiated by the Company on the securities of another company whose securities are traded on another regulated market coming under a foreign law (e.g. as part of a reverse triangular merger or a scheme of arrangement);
- decides, as required, to cancel the shareholders' preferential subscription right to the ordinary shares and securities thus issued in favour of the holders of these securities which are subject to the public offer;
- acknowledges, as required, by virtue of this delegation of authority, that the shareholders automatically waive their preferential subscription right to the shares to which the securities will grant entitlement, in favour of the holders of securities issued granting access to the Company's share capital.

The Shareholders' Meeting decides that the nominal amount of the Company's share capital increase resulting from the issue of the securities set out in the above paragraph, will be deducted from the maximum overall limit set in the aforementioned 14th resolution as well as from the maximum limit of the share capital increase set in the 15th resolution above, it being specified that to these limits shall be added, if applicable, the nominal amount of share capital to be issued with respect to the adjustments made to protect, in accordance with law and regulations and, when applicable, contractual stipulations providing for other adjustments, the rights of holders of securities granting access to the capital, as well as those of recipients of stock options (both purchase and subscription plans) or free allocations of shares.

The Shareholders' Meeting decides that the Board of Directors shall have full powers to implement the public offers covered by this resolution and particularly:

- to set the exchange parity as well as, where applicable, the amount of the compensation to be paid in cash;
- to record the number of securities contributed to the exchange;
- to determine the dates, issue conditions and characteristics, particularly the price and date of vesting, of the ordinary shares, or, where applicable, of the securities granting immediate and/or future access to the Company's ordinary shares;

- to enter the difference between the issue price for the new ordinary shares and their par value on the liabilities side of the balance sheet under "Contribution premium", on which the rights of all the shareholders will be shown;
- if applicable, to deduct from the said 'Contribution premium' all the fees and duties incurred during the authorised transaction and deduct the sums required to raise the legal reserve to one-tenth of the new share capital resulting from such increases in the share capital;
- to record the completion of the resulting share capital increase(s) and to make any subsequent amendments to the bylaws and, generally, enter into any agreement, in particular, to successfully complete the proposed issues of shares or securities, take all measures and decisions and carry out all formalities appropriate for the issue, listing and financial servicing of the securities issued pursuant to this delegation of authority and the exercise of the rights attached thereto, or all formalities resulting from the increases in share capital carried out.

The Shareholders' Meeting decides that the Board of Directors may not take the decision to use this delegation of authority as from the date on which a third party files a proposal for a tender offer for the shares of the Company unless it obtains prior authorisation from the Shareholders' Meeting; this restriction shall remain in effect until the end of the offer period.

The Shareholders' Meeting sets the period of validity of this delegation of authority at 26 months as from the date of this Shareholders' Meeting and notes that as from such date, this delegation cancels and supersedes the delegation of authority granted by the Shareholders' Meeting of 6 November 2015 in its 20th resolution.

Twentieth resolution

(Delegation of authority to be granted to the Board of Directors to decide on a share capital increase for a maximum nominal amount of €135 million (approximately 32.81% of the share capital) by capitalisation of premiums, reserves, profits or other items)

Having reviewed the report of the Board of Directors, the Extraordinary Shareholders' Meeting, deliberating in accordance with the quorum and majority provided for in article L. 225-98 of the French Commercial Code, and in accordance with the provisions of articles L. 225-129, L. 225-129-2 and L. 225-130 of the French Commercial Code:

- delegates its authority to the Board of Directors, with the option for it to delegate these powers in turn under the conditions set by law, to decide to increase the share capital, on one or more occasions, and in the proportions and at the times it considers appropriate, by the capitalisation of premiums, reserves, profits or other items that it will be possible to capitalise under the law and the bylaws, and in the form of the free allocation of shares or raising of the par value of the existing shares or by combining these two options;
- decides to set the maximum nominal amount of share capital increases that may be carried out in this respect at €135 million, it being specified that this amount will be deducted from the maximum overall limit set in the aforementioned 14th resolution. To this limit shall be added, if applicable, the nominal amount of share capital to be issued with respect to the adjustments made to protect, in accordance with law and regulations and, when applicable, contractual stipulations providing for other adjustments, the rights of holders of securities granting access to the capital, as well as those of recipients of stock options (both purchase and subscription plans) or free allocations of shares;

- in the event that the Board of Directors makes use of this delegation of authority, delegates full powers to the latter, with the option for it to delegate these powers in turn under the conditions provided for by law, to implement this delegation of authority and set the issue conditions, record the completion of the subsequent share capital increases and consequently amend the bylaws and notably:
 - to set the amount and type of sums to be incorporated into the capital, set the number of new shares to be issued and/or the amount by which the par value of the existing shares comprising the share capital will be increased, finalise the date, even retroactive, from which the new shares can be vested or the date on which the increase in the par value will become effective,
 - to decide that the fractional shares shall not be marketable and that the corresponding shares will be sold; the sums resulting from the sale will be allocated to the holders of the rights under the conditions stipulated by the law and regulations,
 - to carry out, when applicable, all adjustments required to take into account the impact of transactions on the Company's share capital, particularly in the event of the amendment of the par value of the share, increase in the share capital by the capitalisation of reserves, free allocation of shares, division or grouping together of shares, distribution of reserves or all other assets, depreciation of the capital, or any other transaction concerning shareholders' equity, and set the terms under which, where applicable, the preservation of the rights of holders of securities or rights granting access to the capital will be assured, and
 - generally, to enter into any agreement, in particular, for successful completion of the proposed issues of shares or securities, take all measures and decisions and carry out all formalities appropriate for the issue, listing and financial servicing of the securities issued pursuant to this delegation of authority and the exercise of the rights attached thereto, or all formalities resulting from the increases in share capital carried out;
- decides that the Board of Directors may not take the decision to use this delegation of authority as from the date at which a third party files a proposal for a tender offer for the shares of the Company unless it obtains prior authorisation from the Shareholders' Meeting; this restriction shall remain in effect until the end of the offer period;
- sets the period of validity of this delegation of authority at 26 months as from the date of this Shareholders' Meeting and notes that as from such date, this delegation cancels and supersedes the delegation of authority granted by the Shareholders' Meeting of 6 November 2015 in its 21st resolution.

As the Shareholders' Meeting is requested to vote on delegations of authority to the Board of Directors that might entail future share capital increases, the purpose of the **21st resolution** is to authorise the Board of Directors to decide on share capital increases reserved for members of one or more employee saving plans.

Twenty-first resolution

(Delegation of authority to be granted to the Board of Directors to decide on a share capital increase subject to the limit of 2% of the share capital through the issue of shares or securities granting access to the share capital, reserved for members of company savings plans with cancellation of Preferential Subscription Rights in favour of the members of such savings plans)

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, and in accordance with the provisions of articles L. 225-129, L. 225-129-2 to L. 225-129-6, L. 225-138 and L. 225-138-1 of the French Commercial Code and articles L. 3332-1 *et seq.* of the French Employment Code:

- delegates authority to the Board of Directors, with the option for it to delegate these powers in turn under the conditions set by law, to decide on a share capital increase, on one or more occasions, in the proportions and at the times it considers appropriate, through the issue of shares or securities granting access to the share capital reserved for members of one or more employee savings plans (or any other members' plan for which article L. 3332-18 of the French Employment Code would authorise a reserved share capital increase under equivalent terms) which would be put in place within the Group consisting of the Company and the French or foreign entities falling within the scope of consolidation of the Company's consolidated financial statements pursuant to article L. 3344-1 of the French Employment Code;
- decides to set the maximum nominal amount of capital increases that may be carried out in this respect at 2% of the Company's share capital at the close of this Shareholders' Meeting, it being specified that:
 - to this maximum limit shall be added, if applicable, the nominal amount of share capital to be issued with respect to the adjustments made to protect, in accordance with law and regulations and, when applicable, contractual stipulations providing for other adjustments, the rights of holders of securities granting access to the capital, as well as those of recipients of stock options (both purchase and subscription plans) or free allocations of shares,
 - the nominal amount of the share capital increase made pursuant to this authorisation will be deducted from the maximum amount of share capital increases fixed in the 15th resolution of this Shareholders' Meeting as well as from the overall limit set in the 14th resolution;

- decides that the issue price of new shares or securities granting access to the share capital will be determined under the conditions provided for in article L. 3332-19 of the French Employment Code and may not be more than 20% lower than the average of the listed prices of the Pernod Ricard share recorded over the twenty trading sessions preceding the date of the decision setting the opening date of the subscription period for the share capital increase reserved for the members of an employee savings plan (the "Reference Price"), nor exceed such average; however, the Shareholders' Meeting expressly authorises the Board of Directors, if it deems appropriate, to reduce or cancel the aforementioned discount, within legal and regulatory limits, in order to take into account, in particular, the legal, accounting, tax and social security treatments that apply locally;
- authorises the Board of Directors to grant the aforementioned beneficiaries, free of charge, in addition to the shares or securities granting access to the capital to be subscribed in cash, shares or securities granting access to the capital to be issued or already issued, in substitution for all or part of the discount on the Reference Price and/or special contribution, it being specified that the benefit resulting from this allocation may not exceed the limits provided for by law or regulations pursuant to articles L. 3332-1 and L. 3332-19 of the French Employment Code;
- decides to cancel, in favour of the aforementioned beneficiaries, shareholders' preferential subscription rights to the shares that are the subject of this authorisation; the aforementioned shareholders furthermore waiving all rights to the free allocation of shares or securities granting access to the share capital which would be issued pursuant to this resolution as well as the shares to which the securities will grant entitlement;
- decides that the Board of Directors shall have full powers to implement this delegation with the option for it to delegate these powers in turn under the conditions provided for by law, within the limits and under the conditions specified above in order, in particular:
 - to decide, under the conditions provided for by law, the list of companies for which members of an employee savings plan may subscribe to shares or securities granting access to the capital issued in this way, and benefit, where applicable, from the free allocation of shares or securities granting access to the capital,
 - to decide whether subscriptions may be carried out directly or via the intermediary of company mutual funds or other structures or entities permitted by the provisions of the applicable law or regulations,
 - to determine the conditions, in particular in respect of length of service, to be met by the beneficiaries of the share capital increases,
 - to set the start and end dates of the subscription periods,
 - to set the amounts of the issues of shares or securities which will be made pursuant to this authorisation and, in particular, decide on the issue prices, dates, time periods, terms and conditions of subscription, payment, delivery and vesting (which may be retroactive) in respect of the shares or securities as well as the other characteristics, terms and conditions of the issues of shares or securities, within the limits set by law and the regulations in force,
 - in the event of a free allocation of shares or securities granting access to the share capital, set the number of shares or securities granting access to the capital to be issued, the number to be granted to each beneficiary, and decide on the dates, time periods, terms and conditions of allocation of such shares or securities granting access to the share capital within the limits provided for by applicable law and regulations and, in particular, choose either to substitute, in full or in part, the allocation of such shares or securities granting access to the capital for the discounts on the Reference Price provided for above, or to deduct the equivalent value of these shares from the total amount of the special contribution, or to use a combination of these two possibilities,
 - to record the completion of the increases in the share capital for the amount corresponding to the shares subscribed (after any reduction in the event of over-subscription),
 - to offset, where applicable, the costs of the share capital increases against the amount of the related share premiums and deduct from the amount of such share premiums the sums required to raise the legal reserve to one-tenth of the new share capital following these increases in the share capital,
 - to take all necessary measures to protect the rights of holders of securities or other rights granting access to the Company's share capital in accordance with the applicable laws and regulations, and when applicable, any contractual provisions providing for other adjustments, and
 - to enter into all agreements, carry out directly or indirectly, via a duly authorised agent, all transactions including completing the formalities following the share capital increases and the corresponding amendments to the bylaws and in general, to enter into any agreement, in particular, to successfully complete the proposed issues of shares or securities, take all measures and decisions and carry out all formalities appropriate to the issue, listing and financial servicing of the shares or securities issued pursuant to this delegation of authority and the exercise of the rights attached thereto, and all formalities resulting from the increases in share capital carried out;
- decides that the Board of Directors may not take the decision to use this delegation of authority as from the date on which a third party files a proposal for a tender offer for the shares of the Company unless it obtains prior authorisation from the Shareholders' Meeting; this restriction shall remain in effect until the end of the offer period;
- sets the period of validity of this delegation of authority at 26 months as from the date of this Shareholders' Meeting and notes that this delegation cancels, as from such date, the delegation of authority granted by the Shareholders' Meeting of 17 November 2016 in its 17th resolution.

The purpose of the **22nd resolution** is to authorise the Board of Directors to carry out the required legal formalities, where applicable.

Twenty-second resolution

(Powers to carry out the necessary legal formalities)

The Shareholders' Meeting grants full powers to the bearer of a copy or an extract of the minutes of this meeting to carry out, wherever they may be required, all filing and formalities regarding legal disclosure or other, as necessary.

STATUTORY AUDITORS' REPORT ON THE SHARE CAPITAL REDUCTION

COMBINED (ORDINARY AND EXTRAORDINARY) SHAREHOLDERS' MEETING
OF 9 NOVEMBER 2017

13th resolution

To the Pernod Ricard Shareholders' Meeting,

As Statutory Auditors of your Company and pursuant to the engagement set forth in Article L. 225-209 of the French Commercial Code (*Code de commerce*) concerning share capital reductions by cancellation of shares purchased, we hereby present our report on our assessment of the reasons for and terms and conditions of the proposed share capital reduction.

Shareholders are requested to confer all necessary powers on the Board of Directors, during a period of 26 months commencing the date of this Shareholders' Meeting, to cancel, up to a maximum of 10% of its share capital by 24-month period, the shares purchased by the Company

pursuant to the authorisation to purchase its own shares, as part of the provisions of the aforementioned article.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in verifying the fairness of the reasons for and the terms and conditions of the proposed share capital reduction, which does not undermine shareholder equality.

We have no comments on the reasons for and the terms and conditions of the proposed share capital reduction.

Paris La Défense and Neuilly-sur-Seine, 20 September 2017

KPMG Audit
Division of KPMG S.A.

Eric Ropert
Partner

Deloitte & Associés

David Dupont-Noel
Partner

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

STATUTORY AUDITORS' REPORT ON THE ISSUE OF ORDINARY SHARES AND/OR VARIOUS SECURITIES WITH RETENTION AND/OR CANCELLATION OF PREFERENTIAL SUBSCRIPTION RIGHTS

COMBINED (ORDINARY AND EXTRAORDINARY) SHAREHOLDERS' MEETING
OF 9 NOVEMBER 2017

14th, 15th, 16th, 17th, 18th and 19th resolutions

To the Pernod Ricard Shareholders' Meeting,

As Statutory Auditors of your company (hereinafter the "Company") and pursuant to the engagement set forth in Articles L. 228-92 and L. 225-135 *et seq.* of the French Commercial Code (*Code de Commerce*), we hereby present our report on the proposed delegations of authority to the Board of Directors to issue ordinary shares and/or securities, transactions that you are being asked to approve.

Based on its report, the Board of Directors asks that you delegate to it, with the option of sub-delegation, for a period of 26 months commencing the date of this Shareholders' Meeting, the authority to decide the following transactions, set the definitive issue terms and conditions and, where necessary, cancel your preferential subscription rights:

- issues of ordinary shares of the Company and/or securities granting immediate or future access to the Company's share capital, with retention of preferential subscription rights (14th resolution);
- issues of ordinary shares of the Company and/or securities granting access to the Company's share capital, with cancellation of preferential subscription rights, as part of a public offer (15th resolution);
- issues of ordinary shares of the Company and/or securities granting immediate or future access to the Company's share capital, with cancellation of preferential subscription rights (17th resolution), as part of offers referred to in Article L. 411-2 II of the French Monetary and Financial Code (*Code monétaire et financier*), within the limit of 20% of the share capital per year;
- issues of ordinary shares or various securities granting immediate or future access to the Company's share capital (18th resolution), within the limit of 10% of the share capital at the time of issue, in exchange for contributions in kind to the Company comprising shares or securities granting access to the share capital of other companies, where the provisions of Article L. 225-148 of the French Commercial Code are not applicable;

- issues of ordinary shares and/or various securities granting immediate and/or future access to the Company's share capital (19th resolution), within the limit of 10% of the share capital at the time of issue, in exchange for shares contributed to (i) a public exchange offer initiated by the Company on the securities of another company admitted for trading on one of the regulated markets specified in Article L. 225-148 of the French Commercial Code, or (ii) any other transaction having the same impact as a public exchange offer initiated by the Company on the securities of another company whose shares are admitted for trading on a regulated market governed by a foreign law.

The overall par value amount of share capital increases that may be carried out, immediately or in the future, pursuant to the 14th, 15th, 16th, 17th, 18th, 19th, 20th and 21st resolutions presented to the Shareholders' Meeting, may not, according to the 14th resolution, exceed €135 million, it being specified that the total par value amount of share capital increases that may be carried out immediately or in the future may not exceed:

- €135 million if performed pursuant to the 14th resolution;
- €41 million if performed pursuant to the 15th resolution, with this ceiling also applicable jointly to the 16th, 17th, 18th, 19th and 21st resolutions presented to the Shareholders' Meeting;
- €41 million if performed pursuant to either the 17th, 18th or 19th resolutions presented to the Shareholders' Meeting.

The overall nominal amount of debt securities that may be issued pursuant to the 14th, 15th and 17th resolutions presented to the Shareholders' Meeting, may not, according to the 14th resolution, exceed €10 billion.

These ceilings take into account the additional number of securities to be created by virtue of the delegations set forth in the 14th, 15th and 17th resolutions, under the terms and conditions stipulated in Article L. 225-135-1 of the French Commercial Code, should you adopt the 16th resolution.

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It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113 *et seq.* of the French Commercial Code. Our role is to express an opinion on the fair presentation of the quantified financial information extracted from the accounts, on the proposal to cancel preferential subscription rights and on certain other information concerning these transactions, as set out in this report.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in verifying the content of the Board of Directors' report on these transactions and the process for determining the issue price of the future securities.

Subject to reviewing at a future date the terms and conditions of any issues that may be decided, we have no comments to make on the process for determining the issue price of the future securities, as set out in the Board of Directors' report in respect of the 15th and 17th resolutions.

In addition, as this report does not specify the methods of determining the issue price of future securities issued pursuant to the 14th, 18th and 19th resolutions, we cannot express our opinions on the items used to calculate this issue price.

As the definitive terms and conditions of the issues have not been set, we do not express an opinion thereon and, as such, on the proposed cancellation of preferential subscription rights on which you are asked to decide in the 15th and 17th resolutions.

Pursuant to Article R. 225-116 of the French Commercial Code, we will prepare an additional report, as required, when the Board of Directors makes use of these authorisations, in the event of the issue of securities granting access to other equity securities or entitlement to the grant of debt securities, the issue of securities granting access to future equity securities, or the issue of shares with cancellation of preferential subscription rights.

Paris La Défense and Neuilly-sur-Seine, 20 September 2017

KPMG Audit
Division of KPMG S.A.

Eric Ropert
Partner

Deloitte & Associés

David Dupont-Noel
Partner

STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES OR SECURITIES GRANTING ACCESS TO THE SHARE CAPITAL, RESERVED FOR EMPLOYEE MEMBERS OF COMPANY SAVINGS PLANS

COMBINED (ORDINARY AND EXTRAORDINARY) SHAREHOLDERS' MEETING
OF 9 NOVEMBER 2017

21st resolution

To the Pernod Ricard Shareholders' Meeting,

As Statutory Auditors of your company (hereinafter the "Company") and pursuant to the engagement set forth in Articles L. 228-92 and L. 225-135 *et seq.* of the French Commercial Code (*Code de commerce*), we hereby present our report on the proposed delegation of authority to your Board of Directors to decide one or more issues of shares or securities granting access to the share capital, with cancellation of preferential subscription rights, reserved for employee members of one or more company savings plans implemented within the Group, comprising the Company and the French and foreign companies falling within the consolidation scope of the Company's financial statements pursuant to Article L. 3344-1 of the French Labour Code (*Code du travail*), a transaction that you are being asked to approve.

This transaction is subject to your approval in accordance with the provisions of Article 225-129-6 of the French Commercial Code and Articles L. 3332-18 *et seq.* of the French Labour Code.

This transaction may lead to share capital increases of up to a maximum par value amount of 2% of the share capital at the close of this Shareholders' Meeting, it being specified that this amount will be deducted from the ceiling for share capital increases with cancellation of preferential subscription rights set by this Shareholders' Meeting in the 15th resolution and the overall share capital increase ceiling set by this same Shareholders' Meeting in the 14th resolution.

Based on its report, the Board of Directors asks that you delegate to it, for a period of 26 months commencing the date of this Shareholders' Meeting, the authority to decide one or more issues, with cancellation of your preferential subscription rights to the shares and/or securities to be issued. When appropriate, it will set the final terms and conditions of these issues.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113 *et seq.* of the French Commercial Code. Our role is to express an opinion on the fair presentation of the quantified financial information extracted from the accounts, on the proposal to cancel preferential subscription rights and on certain other information concerning the issues, as set out in this report.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in verifying the content of the Board of Directors' report on this transaction and the process for determining the issue price of the future securities.

Subject to reviewing at a future date the terms and conditions of any issues that may be decided, we have no comments to make on the process for determining the issue price of the future securities, as set out in the Board of Directors' report.

As the definitive terms and conditions of the issue(s) have not been set, we do not express an opinion thereon and, as such, on the proposed cancellation of preferential subscription rights on which you are asked to decide.

Pursuant to Article R. 225-116 of the French Commercial Code, we will prepare an additional report, as required, when the Board of Directors makes use of this authorisation, in the event of the issue of ordinary shares, the issue of securities granting access to other securities, and the issue of securities granting access to future securities.

Paris La Défense and Neuilly-sur-Seine, 20 September 2017

KPMG Audit
Division of KPMG S.A.

Eric Ropert
Partner

Deloitte & Associés
David Dupont-Noel
Partner

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About the Company and its share capital

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INFORMATION ABOUT PERNOD RICARD

COMPANY NAME AND TRADING NAME

Pernod Ricard

REGISTERED OFFICE

12, place des États-Unis, 75116 Paris (France)

Tel.: +33 (1) 41 00 41 00

LEGAL FORM

Pernod Ricard is a French public limited company (*Société Anonyme – SA*) governed by a Board of Directors.

APPLICABLE LAW

Pernod Ricard is a company subject to French law, governed by the French Commercial Code.

DATE OF FORMATION AND DURATION

The Company was formed on 13 July 1939 for a period of 99 years.

The Shareholders' Meeting of 9 November 2012 extended the term of the Company by 99 years to 2111.

CORPORATE PURPOSE

The corporate purpose, as provided for in article 2 of the Company's bylaws, is set forth below in its entirety:

"The Company's purpose is directly or indirectly:

- the manufacture, purchase and sale of all wines, spirits and liqueurs, of alcohol and food products, the use, conversion and trading in all forms of finished or semi-finished products, by-products and substitutes generated by the main operations carried out in the distilleries or other industrial establishments of the same type. The above operations may be carried out on a wholesale, semi-wholesale or retail basis and in all locations, in France or outside France. Storage, purchases and sales fall within the above list;
- the representation of any French or foreign entities, producing, manufacturing or selling products of the same type;

- investments in any businesses or operations whatsoever, which may be related to the production and the trading of similar products in any form whatsoever, and the creation of new companies, contributions, subscriptions, purchases of securities or ownership rights under any form, etc.;
- any operations connected with the hotel industry and the leisure industry in general, particularly investment by the Company in any companies, existing or to be created, businesses or operations whatsoever, that may be related to the hotel or leisure industries in general, it being specified that the Company may conduct all these transactions on its own account or on behalf of third parties, either acting alone or through equity investment, partnerships or through companies with any third parties or other companies, and carry them out in any form whatsoever: contributions, mergers, subscriptions or purchases of securities or ownership rights, etc.;
- investments in any French or foreign industrial, commercial, agricultural, property, financial or other companies, whether existing or to be formed;
- the acquisition, disposal and exchange of, and any transactions involving, shares, equity interests or partnership holdings, investment certificates, convertible or exchangeable bonds, equity warrants, bonds with equity warrants and generally, any securities or property rights whatsoever;
- any agricultural, farming, arboriculture, livestock, wine-growing operations, etc., as well as any associated or derivative agricultural or industrial operations relating thereto;
- and generally, all industrial, commercial, financial, movable or real property or securities operations related directly or indirectly to the above purposes or being capable of favouring their development."

RCS REGISTRATION NUMBER AND NAF BUSINESS ACTIVITY CODE

The Company is registered in the Paris Trade and Companies Register under number 582 041 943.

Pernod Ricard's business activity (NAF) code is 7010Z. It corresponds to: Head Office Operations.

FINANCIAL YEAR

From 1 July to 30 June of each year.

ENTITLEMENT TO DIVIDENDS – ENTITLEMENT TO SHARE IN THE ISSUER'S PROFITS

Net profits are made up of the Company's income as derived from the income statement after deduction of overheads and any other social contributions, depreciation of assets, and all provisions for commercial or industrial risks, if any.

From these net profits (reduced when necessary by prior losses), at least 5% is withheld for transfer to the legal reserve. The deduction is no longer mandatory when the legal reserve reaches an amount equal to one-tenth of the share capital. It once again becomes mandatory in the event that, for whatever reason, this reserve falls below one-tenth of the share capital.

From the distributable profit, as determined in accordance with the law, the amount required to pay an initial dividend of 6% of the fully paid-up, unredeemed value of the shares is deducted, subject to the possibility that the Board of Directors authorises shareholders who request to do so to pay up their shares in advance, where the payments made cannot give rise to entitlement to the aforementioned initial dividend.

This initial dividend is not cumulative, *i.e.* if profits for the financial year are not sufficient to make this payment or are only sufficient to make the payment in part, the shareholders cannot claim this on profits generated in the following financial year.

From the available surplus, the Ordinary Shareholders' Meeting may decide to deduct all amounts it considers appropriate, either to be carried forward to the following financial year or to be transferred to extraordinary or special reserves, with or without special allocations.

The balance is distributed among shareholders as an additional dividend.

The Ordinary Shareholders' Meeting is authorised to deduct from non-statutory reserves set up in previous years any amounts that it considers should be either:

- distributed to the shareholders or allocated to total or partial depreciation of the shares; or
- accumulated or used for the repurchase and cancellation of shares.

Wholly depreciated shares are replaced by dividend right certificates granting the same rights as the existing shares, with the exception of entitlement to the initial statutory dividend and capital repayment.

Dividend payment terms and conditions are fixed by the Ordinary Shareholders' Meeting or, failing that, by the Board of Directors within the maximum period set by law.

In deliberating on the financial statements for the financial year, the Ordinary Shareholders' Meeting has the option to grant each shareholder the choice between a cash or stock dividend, for all or part of a dividend or interim dividend payment.

Dividends must be paid within a maximum of nine months following the year end. This period may be extended by court ruling. Dividends will be transferred to the French State after the statutory period, *i.e.* five years.

CHANGES IN THE SHARE CAPITAL AND THE RIGHTS ATTACHED TO SHARES

Any changes in the share capital or the voting rights attached to the shares making up the share capital shall be governed by the standard legal provisions as the bylaws do not contain any specific provisions in this respect.

SHAREHOLDERS' MEETINGS

The shareholders meet every year at a Shareholders' Meeting.

Notice to attend meetings

Both Ordinary and Extraordinary Shareholders' Meetings are called, held and vote in accordance with the conditions provided for by law. They are held at the Company's registered office or at any other place stated in the notice of meeting.

Decisions by the shareholders are taken at Ordinary, Extraordinary or Combined (Ordinary and Extraordinary) Shareholders' Meetings depending on the nature of the resolutions they are being asked to adopt.

Participation in Shareholders' Meetings

All shareholders have the right to attend the Company's Shareholders' Meetings and to participate in the deliberations, either in person or by proxy, regardless of the number of shares they hold. In order for a shareholder to have the right to participate in Ordinary or Extraordinary Shareholders' Meetings, the shares must be registered in the name of the shareholder or in the name of the financial intermediary acting on the shareholder's behalf at 00:00 (Paris time) two business days prior to the Shareholders' Meeting, either in the registered share accounts kept by the Company or in the bearer share accounts kept by the authorised financial intermediary.

The entry or recording of the shares in bearer bond accounts kept by the authorised financial intermediary is acknowledged *via* a share certificate issued by the financial intermediary and attached as an appendix to the postal voting form, proxy form or application for an admission card made out in the name of the shareholder or on behalf of the shareholder represented by the registered financial intermediary. Any shareholder wishing to attend the Shareholders' Meeting in person who has not received their admission card by 00:00 (Paris time) two business days before the Shareholders' Meeting may also ask for such a certificate to be issued.

If a shareholder does not attend the Shareholders' Meeting in person, he or she may choose one of the following options:

- give a proxy to the Chairman of the Shareholders' Meeting;
- give a proxy to a spouse or partner with whom he or she has entered into a civil union agreement, or to any other person;
- vote by post or via the Internet.

Any shareholder who has already cast a postal or Internet vote, sent in a proxy form or applied for an admission card or a share certificate may not thereafter choose another method of participating in the Shareholders' Meeting.

A shareholder who has already cast a postal or Internet vote, sent in a proxy form or applied for an admission card or a share certificate may sell all or some of his or her shares at any time. However, if the sale takes place before 00:00 (Paris time) on the second business day prior to the Shareholders' Meeting, the Company will invalidate or modify accordingly, as appropriate, the postal or Internet vote cast, proxy form, admission card or share certificate. For this purpose, the authorised financial intermediary in charge of the shareholder's account will inform the Company or its duly authorised agent of the sale and will provide it with the necessary information.

No sale or other form of transaction carried out after 00:00 (Paris time) on the second business day prior to the Shareholders' Meeting, regardless of the means used, will be notified by the authorised financial intermediary or taken into consideration by the Company, notwithstanding any agreement to the contrary.

Voting conditions

The voting right attached to the shares is proportional to the share capital they represent. Each share grants the right to at least one vote (Article L. 225-122 of the French Commercial Code).

Restrictions on voting rights

However, each member of the Shareholders' Meeting has as many votes as shares he or she possesses and represents, up to 30% of the total voting rights.

Multiple voting rights

A double voting right is granted to other shares (in light of the fraction of the authorised share capital they represent) to all fully paid-up shares that can be shown to have been registered for at least ten years in the name of the same shareholder from 12 May 1986 inclusive (Article L. 225-123 of the French Commercial Code).

In the event of a share capital increase through the capitalisation of reserves, profits or share premiums, registered shares allocated as bonus shares to a shareholder, on the basis of existing shares for which he or she benefits from this right, will also have double voting rights as from their issuance (Article L. 225-123 of the French Commercial Code).

Any share loses the double voting right if converted into bearer bond or if its ownership is transferred. Nevertheless, transfer following the division of an estate or the liquidation of assets between spouses and inter vivos donation to a spouse or relation close enough to inherit will not result in the loss of the acquired right and will not interrupt the aforementioned 10-year period.

Declaration of statutory thresholds

Any individual or corporate body acquiring a shareholding greater than 0.5% of the share capital must inform the Company of the total number of shares held by registered letter, with return receipt requested, within a period of 15 days from the date on which this threshold is exceeded. This notification must be repeated, under the same conditions, each time the threshold is exceeded by an additional 0.5%, up to and including 4.5%.

In the event of non-compliance with the obligation mentioned in the previous paragraph, shares in excess of the undeclared amount shall be stripped of their voting rights, at the request, as set forth in the minutes of the Shareholders' Meeting, of one or more shareholders holding at

least 5% of the share capital, for any Shareholders' Meeting held until the expiry of the period stipulated in article L. 233-14 of the French Commercial Code following the date when the notification is made.

MODIFICATION OF SHAREHOLDERS' RIGHTS

The Extraordinary Shareholders' Meeting has the power to modify shareholders' rights, under the conditions defined by law.

ITEMS LIKELY TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFER

In accordance with article L. 225-100-3 of the French Commercial Code, the items that may have an impact on the Company's securities in the event of a public offer are set out below.

The Company's share capital structure

The Company's share capital structure is shown in the table hereafter, "Allocation of share capital and voting rights on 30 June 2017", within "Information about its share capital".

Shareholdings that exceed the share capital or voting rights thresholds set during the 2016/17 financial year are also indicated in the table hereafter entitled "Allocation of share capital and voting rights on 30 June 2017", within "Information about its share capital".

Statutory restrictions on the exercise of voting rights and double voting rights

The Company's bylaws provide for a limit on voting rights. This system is described under "Voting conditions" opposite.

Furthermore, certain Company shares have a double voting right as described under "Voting conditions" opposite.

Agreements between shareholders of which the Company is aware

The Shareholders' agreement between shareholders of the Company (agreement between Mr Rafaël Gonzalez-Gallarza and Société Paul Ricard, the Ricard family Holding Company) is described under "Shareholders' agreements" in the subsection "Information about the share capital" and also appears on the AMF website (www.amf-france.org).

Agreements entered into by the Company which were modified or become void as a result of a change of control of the Company

Under certain conditions, the Company's financing contracts provide for the early repayment of its debts. The description of the change of control clauses of these contracts is given under "Significant contracts" in Section 4 "Management report" of this Registration Document.

Other items

The Company's bylaws are amended in accordance with the applicable legal and regulatory provisions in France.

There is no specific agreement providing for indemnities in the event of the termination of the position of a member of the Board of Directors.

RULES APPLICABLE TO THE APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE COMPANY'S BOARD OF DIRECTORS

The legal and statutory rules set out in articles 16 *et seq.* of the Company's bylaws govern the appointment and dismissal of members of the Board of Directors. These are described in the "General rules concerning the composition of the Board of Directors and the appointment of Directors" subsection in Section 2 "Corporate governance and internal control" of this Registration Document.

Furthermore, the Company's bylaws are available on the Company's website (www.pernod-ricard.com).

THE STATUTORY AUDITORS

Principal Statutory Auditors

Deloitte & Associés, member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (Versailles regional auditors' association), represented by Mr David Dupont-Noel, whose registered office is at 185, avenue Charles de Gaulle, 92524 Neuilly-sur-Seine (France), and whose term of office was renewed by the Shareholders' Meeting of 15 November 2011 for a period of six financial years ending after the Ordinary Shareholders' Meeting convened to approve the financial statements for the financial year 2016/17.

The renewal of the term of Deloitte & Associés for a further six years, *i.e.* until the close of the General Meeting to be held in 2023 to approve the preceding year's financial statements, is subject to the approval of the Shareholders' Meeting of 9 November 2017 according to the terms outlined under "Presentation of the resolutions" in Section 7 "Combined (Ordinary and Extraordinary) Shareholders' Meeting" of this Registration Document.

KPMG SA, member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (Versailles regional auditors' association), represented by Ms Caroline Bruno-Diaz and Mr Eric Ropert, whose registered office is at Tour Egho, 2, avenue Gambetta, 92066 Paris La Défense CEDEX, and whose term of office as passed by the Shareholders' Meeting of 17 November 2016 will end after the Ordinary Shareholders' Meeting to be convened in 2022 to approve preceding year's financial statements.

Alternate Statutory Auditors

BEAS, whose registered office is at 7-9, Villa Houssay, 92524 Neuilly-sur-Seine (France), substitute for Deloitte & Associés, and whose term of office was renewed by the Shareholders' Meeting of 15 November 2011 for a period of six financial years ending after the Ordinary Shareholders' Meeting convened to approve the financial statements for the financial year 2016/17.

Salustro Reydel, whose registered office is at Tour Egho, 2, avenue Gambetta, 92066 Paris La Défense CEDEX, deputy Statutory Auditor of KPMG, and whose mandate will end after the Ordinary Shareholders' Meeting to be called in 2022 to approve the preceding year's financial statements.

Fees of Statutory Auditors and members of their networks

The fees of the Statutory Auditors and members of their networks for the 12-month financial year are set out in Note 6.8 – *Fees of Statutory Auditors and members of their networks for the 12-month financial year* in Section 5 "Consolidated Financial Statements" of this Registration Document.

INFORMATION ABOUT ITS SHARE CAPITAL

The conditions under which the bylaws submit changes to the share capital and the rights attached thereto are compliant in every aspect with legal stipulations in France. The bylaws do not provide for any overriding provisions and do not impose any special contingencies.

AMOUNT OF PAID-UP CAPITAL ON 30 JUNE 2017

On 20 July 2011, the Board of Directors recorded that, on 30 June 2011, the share capital had increased by an amount of €758,709.50 following the exercise, since 1 July 2010, of 489,490 stock options granting entitlement to the same number of Pernod Ricard shares.

On 18 July 2012, the Board of Directors recorded that, on 30 June 2012, the share capital had increased by an amount of €912,643.10 following the exercise, since 1 July 2011, of 588,802 stock options granting entitlement to the same number of Pernod Ricard shares.

On 24 July 2013, the Board of Directors recorded that, on 30 June 2013, the share capital had increased by an amount of €172,029.85 following the exercise, since 1 July 2012, of 110,987 stock options granting entitlement to the same number of Pernod Ricard shares. Pernod Ricard's subscribed and fully paid-up share capital thus amounted to €411,403,467.60 on 30 June 2013, divided into 265,421,592 shares with a nominal value of €1.55.

Pernod Ricard's subscribed and fully paid-up share capital has amounted to €411,403,467.60 since 30 June 2014, divided into 265,421,592 shares with a nominal value of €1.55.

SHARES NOT REPRESENTING CAPITAL

There are no shares that do not represent the Company's share capital.

The 3,793,487 Pernod Ricard shares held by Société Paul Ricard are pledged for third parties.

1,352,650 Pernod Ricard shares held by Le Delos Invest I (a company controlled by Société Paul Ricard, within the meaning of article L. 233-3 of the French Commercial Code) are pledged for third parties.

2,827,160 Pernod Ricard shares held by Le Delos Invest II (a company controlled by Société Paul Ricard, within the meaning of article L. 233-3 of the French Commercial Code) are pledged for a third party.

Pernod Ricard shares held by Le Delos Invest III (a company controlled by Société Paul Ricard, within the meaning of article L. 233-3 of the French Commercial Code) were transferred as collateral for the full performance of its obligations under the terms of a financial futures contract entered into on 10 April 2009.

FINANCIAL AUTHORISATIONS AND DELEGATIONS

All current delegations and financial authorisations granted to the Board of Directors by the Shareholders' Meetings of 6 November 2015 and 17 November 2016 and, where applicable, the uses thereof during the 2016/17 financial year are summarised in the following tables.

General financial authorisations and delegations

All general financial authorisations and delegations mentioned below were passed by the Shareholders' Meeting of 6 November 2015 for a period of 26 months. These authorisations will expire on 5 January 2018.

Nature of the delegation or authorisation	Maximum nominal amount of the issue of debt securities ⁽¹⁾	Maximum nominal amount of the capital increase resulting immediately or on completion of the issue (excluding adjustments)	Use of existing authorisations during the financial year ended 30.06.2017	Features/Terms
Ordinary shares and/or securities granting access to the share capital with preferential subscription rights (16 th resolution)	€5 billion ⁽¹⁾	€135 million	None	The amount of capital increases carried out under the 17 th , 18 th , 19 th , 20 th , 21 st and 24 th resolutions of the AGM of 06.11.2015 will be deducted from the overall limit of €135 million set in the 16 th resolution. The nominal amount of debt securities issued under the 17 th resolution of the AGM of 06.11.2015 will be deducted from the limit of €5 billion set in the 16 th resolution. These amounts may be increased by a maximum of 15%, in the event of additional requests on the occasion of a capital increase (18 th resolution)
Additional paid-in capital, reserves, earnings and other items (21 st resolution)	N/A	€135 million	None	Will be deducted from the overall limit set for capital increases in the 16 th resolution of the AGM of 06.11.2015
Ordinary shares and/or securities granting access to the share capital by public offer without preferential subscription rights (17 th resolution)	€4 billion ⁽¹⁾	€41 million	None	Shares and debt securities giving access to the share capital will be deducted from the limits provided for in the 16 th resolution of the AGM of 06.11.2015. All of the capital increases carried out under the 18 th , 19 th , 20 th and 24 th resolutions will be deducted from the overall limit of €41 million set in the 17 th resolution. These amounts may be increased by a maximum of 15%, in the event of additional requests (18 th resolution)
Shares and/or securities granting access to the share capital in consideration for contributions in kind granted to the Company (19 th resolution)	N/A	10% of the share capital at the time of issue	None	Will be deducted from the limits set for capital increases in the 16 th and 17 th resolutions of the AGM of 06.11.2015
Shares and/or securities granting access to the Company's share capital, immediately or in the future, in the event of a public offer initiated by the Company (20 th resolution)	N/A	10% of the share capital at the time of issue	None	Will be deducted from the limits set for capital increases in the 16 th and 17 th resolutions of the AGM of 06.11.2015

(1) Maximum nominal amount of Company debt instruments granting access to ordinary shares.

N/A: Not applicable

Specific authorisations and delegations in favour of employees and/or Executive Directors

Nature of the delegation or authorisation	Date of the delegation or authorisation (resolution)	Term	Expiry of the delegation or authorisation	Maximum amount authorised	Use of existing authorisations during the financial year ended 30.06.2017	Features/Terms
Performance-based shares	Shareholders' Meeting of 06.11.2015 (22 th)	38 months	05.01.2019	1.5% of the share capital on the date of Board of Directors' decision to allocate	535,929 (0.20% of the share capital)	Independent limit (sub-limit for Executive Directors of 0.06% of the capital which is deducted from the limit of 1.5%)
Stock options	Shareholders' Meeting of 06.11.2015 (23 rd)	38 months	05.01.2019	1.5% of the share capital on the date of Board of Directors' decision to allocate	150,008 (0.06% of the share capital)	Independent limit (sub-limit for Executive Directors of 0.21% of the capital which is deducted from the limit of 1.5%)
Shares or securities granting access to share capital, reserved for members of employee savings plans	Shareholders' Meeting of 17.11.2016 (17 th)	26 months	05.01.2018	2% of share capital at the date of the Shareholders' Meeting	None	Will be deducted from the limits set for capital increases in the 16 th and 17 th resolutions of the Shareholders' Meeting of 06.11.2015

Authorisations relating to the share buyback programme

Type of securities	Date of authorisation (resolution)	Term	Expiry of authorisation	Maximum amount authorised	Use of existing authorisations during the financial year ended 30.06.2017	Features/Terms
Repurchase of shares	Shareholders' Meeting of 17.11.2016 (15 th)	18 months	16.05.2018	10% of the share capital	(1)	Maximum purchase price: €150
Repurchase of shares	Shareholders' Meeting of 06.11.2015 (14 th)	18 months	05.05.2017	10% of the share capital	(1)	Maximum purchase price: €150
Cancellation of treasury shares	Shareholders' Meeting of 06.11.2015 (15 th)	26 months	05.01.2018	10% of the share capital	None	-

(1) A summary of Company transactions carried out during the 2016/17 financial year as part of the share buyback programme is shown below in the paragraph on the "Share buyback programme".

CONTINGENT SHARE CAPITAL

Stock options

At 30 June 2017, there was no option to subscribe to the Company's outstanding shares.

CHANGES IN THE SHARE CAPITAL OVER THE LAST FIVE YEARS

Table of changes in the share capital over the last five years

Amount of share capital prior to transaction	Number of shares prior to transaction	Year	Type of transaction	Quantity	Effective date	Shares issued/cancelled	Issue/conversion premium	Number of shares after transaction	Amount of share capital after transaction
€411,231,437.75	265,310,605	2013	Exercise of options ⁽¹⁾	N/A	24.07.2013	110,987	€26.87	265,421,592	€411,403,467.60
€411,403,467.60	265,421,592	2014	-	-	-	-	-	265,421,592	€411,403,467.60
€411,403,467.60	265,421,592	2015	-	-	-	-	-	265,421,592	€411,403,467.60
€411,403,467.60	265,421,592	2016	-	-	-	-	-	265,421,592	€411,403,467.60
€411,403,467.60	265,421,592	2017	-	-	-	-	-	265,421,592	€411,403,467.60

N/A: Not applicable.

(1) The shares resulting from the exercise of stock options were created as and when the stock options were exercised. The date shown is the date on which the Board of Directors placed on record the corresponding increase in the share capital.

CHANGES IN VOTING RIGHTS OVER THE PAST FIVE YEARS

Years ⁽¹⁾	Number of voting rights ⁽²⁾
Position at 30.06.2013	289,777,168
Position at 30.06.2014	289,793,913
Position at 30.06.2015	289,870,113
Position on 30.06.2016	291,851,991
Position at 30.06.2017	307,831,293

(1) The data provided are from the date of the allocation of share capital and voting rights.

(2) The information concerns the total number of voting rights of the Company, including suspended voting rights.

ALLOCATION OF SHARE CAPITAL AND VOTING RIGHTS ON 30 JUNE 2017

Shareholders	Position on 30.06.2017			Position on 30.06.2016			Position on 30.06.2015		
	Number of shares	% of share capital	% of voting rights*	Number of shares	% of share capital	% of voting rights*	Number of shares	% of share capital	% of voting rights*
Société Paul Ricard ⁽¹⁾	37,686,104	14.20	19.76	35,031,887	13.20	19.16	34,866,200	13.14	19.19
Mr Rafaël Gonzalez-Gallarza ⁽²⁾	1,477,603	0.56	0.93	1,477,603	0.56	0.98	1,477,603	0.56	0.51
Directors and Management of Pernod Ricard	638,753	0.24	0.29	632,441	0.24	0.29	561,691	0.21	0.26
Shares held by Pernod Ricard employees	2,827,965	1.06	1.42	2,973,715	1.12	1.55	2,903,185	1.10	1.53
Capital Group Companies (USA) ⁽³⁾	26,939,624	10.15	8.75	26,414,463	9.95	9.05	26,414,463	9.95	9.11
MFS Investment Management (USA) ⁽⁴⁾	26,051,805	9.82	7.31	25,824,096	9.73	8.85	25,193,343	9.49	8.69
Groupe Bruxelles Lambert ⁽⁵⁾	19,891,870	7.49	10.95	19,891,870	7.49	6.82	19,891,870	7.49	6.86
UBS AG (United Kingdom) ⁽⁶⁾	3,988,830	1.50	1.30	-	-	-	2,660,547	1.00	0.92
La Caisse des Dépôts et Consignations (CDC Ixis) ⁽⁷⁾	3,958,979	1.49	1.29	3,958,979	1.49	1.36	3,958,979	1.49	1.38
Harris Associates L.P. ⁽⁸⁾	3,935,800	1.48	1.28	2,562,115	0.97	0.88	3,457,400	1.30	1.19
Lyxor Asset Management ⁽⁹⁾	2,752,725	1.03	0.89	-	-	-	-	-	-
CNP Assurances ⁽¹⁰⁾	2,653,032	1.00	0.86	2,664,355	1.00	0.91	2,539,116	0.96	0.88
Amundi Asset Management ⁽¹¹⁾	2,632,635	0.99	0.85	3,016,340	1.14	1.03	3,951,478	1.49	1.38
Legal & General Investment Management ⁽¹²⁾	1,662,742	0.63	0.54	-	-	-	-	-	-
Royal Bank of Canada ⁽¹³⁾	1,371,234	0.52	0.45	-	-	-	-	-	-
BNP Paribas Investment Partners ⁽¹⁴⁾	1,327,272	0.50	0.44	1,314,526	0.50	0.45	1,458,285	0.55	0.50
Banque Nationale Suisse ⁽¹⁵⁾	1,326,075	0.50	0.43	1,357,635	0.51	0.47	-	-	-
BNP Paribas Asset Management ⁽¹⁶⁾	1,319,092	0.50	0.44	-	-	-	1,438,194	0.54	0.50
Norges Bank Investment Management ⁽¹⁷⁾	-	-	-	3,974,109	1.50	1.36	6,608,787	2.49	2.28
Threadneedle Asset Management Holdings Ltd ⁽¹⁸⁾	-	-	-	2,644,251	1.00	0.91	-	-	-
OppenheimerFunds Inc. ⁽¹⁹⁾	-	-	-	2,480,072	0.93	0.85	6,425,578	2.42	2.22
Citigroup Global Markets Limited ⁽²⁰⁾	-	-	-	2,114,208	0.79	0.72	2,532,940	0.95	0.87
Credit Suisse Group ⁽²¹⁾	-	-	-	1,707,236	0.64	0.57	1,380,387	0.52	0.48
Alecta ⁽²²⁾	-	-	-	1,354,000	0.51	0.46	-	-	-
Oppenheimer International Growth Fund ⁽²³⁾	-	-	-	1,328,812	0.50	0.46	-	-	-
Natixis Asset Management ⁽²⁴⁾	-	-	-	1,325,172	0.50	0.45	1,340,795	0.51	0.46
Oppenheimer Developing Market Fund ⁽²⁵⁾	-	-	-	1,309,730	0.49	0.45	3,649,020	1.38	1.26
Artisan Partners ⁽²⁶⁾	-	-	-	-	-	-	1,354,698	0.51	0.47
Treasury shares:									
■ Shares held by affiliates	-	-	-	-	-	-	-	-	-
■ Own shares	1,376,368	0.52	0	995,594	0.38	0	1,144,487	0.43	0
Others and public	121,603,084	45.82	41.82	119,068,383	44.86	41.97	110,212,546	41.52	39.06
TOTAL	265,421,592	100.00	100.00	265,421,592	100.00	100.00	265,421,592	100.00	100.00

On the basis of declarations regarding shareholdings exceeding the legal and statutory threshold of 0.5% of the share capital.

* Although there is only one class of share, shares held for 10 years in registered form are entitled to double voting rights. Calculated on the basis of a total of 307,831,293 "theoretical" voting rights (including suspended voting rights).

(1) Société Paul Ricard is wholly owned by the Ricard family. The declaration also covers a total of 169,868 shares held by Le Garlaban; 1,352,650 shares held by Le Delos Invest I; 3,191,928 shares held by Le Delos Invest II, and 8,392,096 shares held by Le Delos Invest III. These four companies are controlled by Paul Ricard, under article L. 233-3 of the French Commercial Code. Full ownership of Pernod Ricard shares held by Le Delos Invest III was transferred by way of a performance guarantee for its bonds in respect of a futures contract agreed on 10 April 2009.

(2) Mr Rafaël Gonzalez-Gallarza signed a shareholders' agreement with Société Paul Ricard, as detailed below.

(3) Declaration of 29 June 2017.

(4) Declaration of 7 April 2017.

(5) Declaration of 22 February 2017.

(6) Declaration of 18 April 2017.

(7) Declaration of 25 September 2014.

(8) Declaration of 31 May 2017.

(9) Declaration of 27 June 2017.

(10) Declaration of 23 March 2017.

(11) Declaration of 11 October 2016.

(12) Declaration of 2 May 2017.

(13) Declaration of 28 March 2017.

(14) Declaration of 22 May 2017.

(15) Declaration of 31 January 2017.

(16) Declaration of 6 June 2017.

(17) Declaration of 12 February 2016.

(18) Declaration of 6 June 2016.

(19) Declaration of 29 September 2015.

(20) Declaration of 24 November 2015.

(21) Declaration of 20 November 2015.

(22) Declaration of 18 February 2016.

(23) Declaration of 5 February 2016.

(24) Declaration of 1 July 2015.

(25) Declaration of 3 September 2015.

(26) Declaration of 10 March 2015.

Certain Company shares have a double voting right as described in the paragraph entitled "Voting conditions" of the subsection "Information about Pernod Ricard" above. Of the 265,421,592 shares comprising the Company's capital on 30 June 2017, 42,409,701 shares had a double voting right.

On the same date, employees held 2,827,965 shares representing 1.06% of the share capital and 1.42% of the voting rights of the Company.

The Paul Ricard concert party (comprising: Société Paul Ricard, Le Delos Invest I, Le Delos Invest II, Le Delos Invest III, Le Garlaban and Rigivar, as well as Mses Danièle Ricard and Veronica Vargas and Messrs Rafaël Gonzalez-Gallarza, César Giron, François-Xavier Diaz, Alexandre Ricard and Paul-Charles Ricard) holds 39,708,444 Company shares representing 64,570,924 voting rights, i.e. 14.96% of the share capital and 20.98% of the voting rights of the Company as at 30 June 2017.

The shareholders' agreement between shareholders of the Company (agreement between Mr Rafaël Gonzalez-Gallarza and Société Paul Ricard SA, the Ricard family Holding Company), is described below and is also available on the AMF website (www.amf-france.org).

Shareholdings exceeding the legal thresholds for share capital or voting rights

In a letter received on 30 June 2017, The Capital Group Companies, Inc. (333 South Hope Street, 55th Floor, Los Angeles, CA 90071-1406, USA) declared that on 28 June 2017 it had exceeded the threshold of 10% of the share capital of the Company, holding 26,939,624 Pernod Ricard shares, i.e. 10.15% of the share capital and 8.79% of the voting rights. This threshold was crossed as the result of an acquisition of Pernod Ricard shares on the market.

Additional information on the shareholders

The number of Pernod Ricard shareholders who have registered securities is estimated at approximately 11,700.

Allocation of share capital (nominative data from the Company's survey on identifiable bearer shares ⁽¹⁾ carried out on 31.12.2016)

	(%)
Paul Ricard concert party	15.0
Board + Management + Employees + Treasury shares	2.3
Groupe Bruxelles Lambert	7.5
US institutional investors	38.9
French institutional investors	10.6
British institutional investors	11.2
Other foreign institutional investors	9.6
Individual shareholders	4.9
TOTAL	100

(1) Identifiable Bearer Shares.

To Pernod Ricard's knowledge, all the shareholders who directly or indirectly, alone or in concert, hold more than 5% of the share capital or voting rights are included in the above table entitled "Allocation of share capital and voting rights on 30 June 2017".

There is no individual or corporate body that exercises direct or indirect control over Pernod Ricard's share capital, whether individually, jointly or in concert.

In a letter received on 22 February 2017, the public limited company (*société anonyme*) Groupe Bruxelles Lambert (Avenue Marnix 24, 1000 Brussels, Belgium) declared that, on 21 February 2017, it had exceeded the threshold of 10% of the voting rights of the Company and held 19,892,870 Pernod Ricard shares representing 31,164,985 voting rights, i.e. 7.49% of the Company's share capital and 10.60% of its voting rights. This threshold was crossed as the result of the automatic acquisition of double voting rights.

Shareholders' agreements

On 8 February 2006, Pernod Ricard was notified that a shareholders' agreement had been signed between Mr Rafaël Gonzalez-Gallarza and Société Paul Ricard. Pursuant to this agreement, Mr Rafaël Gonzalez-Gallarza undertakes to consult Société Paul Ricard prior to any Pernod Ricard Shareholders' Meeting in order for them to vote the same way. Furthermore, Mr Rafaël Gonzalez-Gallarza undertook to notify Société Paul Ricard of any additional purchase of Pernod Ricard shares and/or voting rights, and also undertook not to purchase any Pernod Ricard shares if such a transaction would force Société Paul Ricard and the parties acting in concert to launch a public offer for Pernod Ricard. Finally, Société Paul Ricard has a pre-emption right with regard to any Pernod Ricard shares of which Mr Rafaël Gonzalez-Gallarza may wish to dispose.

To the Company's knowledge, there have not been any significant changes in the allocation of the Company's share capital during the last three financial years, other than those shown in the above table entitled "Allocation of share capital and voting rights on 30 June 2017".

Pernod Ricard is the only company of the Group listed on a stock exchange (Euronext Paris).

However, the Pernod Ricard group now controls Corby Spirit and Wine Limited, holding 45.76% of its share capital and 51.61% of the voting rights. Corby Spirit and Wine Limited is listed on the Toronto Stock Exchange (Canada).

Equity investments and stock options

Detailed information is provided under subsection 4 "Management report" of this Registration Document, in relation to the following:

- Directors' equity investments in the Company's share capital;
- transactions involving Pernod Ricard shares made by Corporate officers in the financial year;
- stock options exercised by Executive Directors during the 2016/17 financial year;
- stock options granted to the Group's top ten employees other than Corporate officers and options exercised by the Group's top ten employees other than Corporate Officers during the 2016/17 financial year.

STOCK MARKET INFORMATION ON PERNOD RICARD SHARES

Pernod Ricard shares (ISIN: FR 0000 120693) are traded on the Euronext regulated market in Paris (Compartment A) (Deferred Settlement Service).

Stock market information on Pernod Ricard shares over 18 months (source: Euronext Paris)

Date	Volume (thousand)	Capital (€ million)	Average price (€)	Highest (€)	Lowest (€)	Price at end of month (€)
January 2016	11,210	1,127	100.90	107.95	95.94	107.95
February 2016	14,212	1,400	99.04	108.85	92.20	98.11
March 2016	10,630	1,068	100.45	104.40	97.13	98.00
April 2016	13,557	1,325	97.78	103.95	94.05	94.28
May 2016	9,734	934	95.88	99.43	93.18	97.91
June 2016	14,279	1,364	95.79	100.30	90.00	100.10
July 2016	9,243	925	100.18	103.25	96.91	102.20
August 2016	7,582	785	103.63	106.85	100.15	102.90
September 2016	9,491	994	104.99	107.95	102.05	105.35
October 2016	9,893	1,058	106.67	111.65	102.55	108.35
November 2016	12,600	1,276	102.13	109.10	96.70	99.00
December 2016	11,086	1,110	100.83	103.50	95.73	102.95
January 2017	9,769	1,046	106.52	111.60	102.70	108.35
February 2017	9,451	1,023	108.23	109.95	106.70	107.90
March 2017	8,440	918	108.89	110.90	106.85	110.90
April 2017	8,633	983	113.54	117.65	110.25	114.85
May 2017	7,673	917	119.67	121.75	114.75	120.90
June 2017	7,997	968	121.48	124.45	116.95	117.25

SHARE BUYBACK PROGRAMME

The following paragraphs include the information that must be included in the Board of Directors' report pursuant to article L. 225-211 of the French Commercial Code and that relates to the description of the share buyback programme in accordance with article 241-2 of the French Financial Markets Authority (AMF) General Regulations.

Transactions performed by the Company on its own shares during the 2016/17 financial year (1 July 2016 – 30 June 2017)

Authorisations granted to the Board of Directors

During the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2015, the Company's shareholders authorised the Board of Directors to buy or sell the Company's shares for a period of 18 months as part of the implementation of a share buyback programme. The maximum purchase price was set at €150 per share and the Company was not authorised to purchase any more than 10% of the shares making up the Company's capital; additionally, the number of shares held by the Company could not, at any time, exceed 10% of the shares comprising the Company's capital.

Furthermore, the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 17 November 2016 authorised the Board of Directors to trade in the Company's shares under the same conditions and at a maximum purchase price set at €150 per share, for a period of 18 months. This authorisation cancelled the authorisation granted by the Shareholders' Meeting of 06 November 2015 with effect from 17 November 2016, up to the portion which remained unused.

Pursuant to these authorisations, the liquidity agreement compliant with the AMAFI Code of Conduct and entered into with Rothschild & Cie Banque with effect from 1 June 2012 was renewed on 1 June 2017 for a period of one year. The funds initially allocated to the liquidity account amount to €5,000,000.

The authorisation granted by the Shareholders' Meeting of 17 November 2016, which remains in force at the date this document was filed, will expire on 16 May 2018. The Shareholders' Meeting of 9 November 2017 will be called upon to authorise the Board of Directors to trade in the Company's shares under a new share buyback programme described below, under "Details of the new programme to be submitted for authorisation to the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 9 November 2017".

Summary table at the close of the 2016/17 financial year

Position on 30.06.2017

% of direct and indirect treasury shares	0.52%
Number of shares held	1,376,368
Number of shares cancelled in the last 24 months	None
Nominal value	€2,133,370
Gross carrying amount	€117,590,037
Portfolio market value*	€161,379,148

* Based on the closing price at 30.06.2017, i.e. €117.25.

Summary of transactions performed by the Company on its own shares during the 2016/17 financial year

The following table details the transactions performed by the Company on treasury shares within the scope of the share buyback programme during the financial year 2016/17.

Total gross flows from 01.07.2016 to 30.06.2017												Open positions on 30.06.2017			
Liquidity agreement		Transactions carried out (excluding liquidity agreement)										Long positions		Short positions	
Operations	Purchase	Sales	Purchases of securities	Call options purchased	Call options exercised	Exercise of the cancellation clause	Exercise of the cancellation clause	Exercise of the cancellation clause	Sale of securities	repurchase agreements	Transfers	Call options*	Forward purchases	Put options	Forward sales
Number of shares	192,731	186,231	-	320,000	245,000	197,360	176,140	160,000	-	-	404,226	1,763,720	-	-	-
Maximum term	-	-	-	16.12.2019	08.11.2017	23.06.2017	14.06.2018	01.07.2016	-	-	-	16.12.2019	-	-	-
Average price (€)	109.39	109.22	-	-	-	-	-	-	-	-	-	-	-	-	-
Average price for the year (€)	-	-	-	105.81	88.11	64	68.54	78.93	-	-	-	89.09	-	-	-
Amount (€)	21,081,889	20,339,646	-	33,859,200	21,586,950	12,631,040	12,072,636	12,628,800	-	-	-	157,124,792	-	-	-

* Cancellation clause attached to sale and repurchase agreement.

Under the share buyback programme approved by the Shareholders' Meeting of 17 November 2016, implemented by the Board of Directors, optional hedges corresponding to 320,000 shares were established through the acquisition of the same number of three-year call options (American calls).

Pursuant to authorisations granted by the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 17 November 2016, the Board of Directors implemented a stock option allocation plan and a performance-based share allocation plan on 17 November 2016. The 320,000 American calls, which enabled the same number of Pernod Ricard shares to be acquired, were allocated to hedge part of these stock option and performance-based share allocation plans.

Treasury shares constitute reserves covering the various stock options and performance-based share allocation plans still in force. During the period, transfers were made within these reserves of treasury shares: 73,650 shares were allocated to tax residents of France benefiting from the performance-based share plan of 6 November 2013 (at the end of the three-year vesting period).

Cancellation clauses attached to shares sold under sale and repurchase agreements were transferred as and when rights were exercised. During the period, 533,500 shares were concerned by exercising these cancellation clauses at an average price of €69.98.

Under the liquidity agreement signed with Rothschild & Cie Banque, during the period, the Company:

- purchased 192,731 shares for a total amount of €21,081,889; and
- sold 186,231 shares for a total amount of €20,339,646.

Distribution of treasury shares on 30 June 2017

Treasury shares are all allocated as reserves for different stock option and performance-based share allocation plans.

Details of the new share buyback programme to be submitted for authorisation to the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 17 November 2016

The description of this programme (see below), which was established in accordance with article 241-3 of the AMF's General Regulations, will not be published separately.

As the authorisation granted by the Shareholders' Meeting of 17 November 2016 allowing the Board of Directors to trade in the Company's shares is due to expire on 16 May 2018, a resolution will be proposed at the Shareholders' Meeting of 9 November 2017 (12th resolution – see Section 7 of this Registration Document "Combined (Ordinary and Extraordinary) Shareholders' Meeting") to grant a further authorisation to the Board to trade in the Company's shares at a maximum purchase price of €200 per share, excluding acquisition costs.

This authorisation would enable the Board of Directors to purchase Company shares representing a maximum of 10% of the Company's share capital. In accordance with the law, the Company may not, at any time, hold a number of shares representing more than 10% of its share capital.

As the Company may not hold more than 10% of its share capital, and given that it held 1,369,868 shares (i.e. 0.52% of the share capital) at the time of the declaration relating to the number of shares and voting rights on 30 June 2017, the maximum number of shares that can be bought will be 25,172,291 (i.e. 9.48% of the share capital), unless it sells or cancels shares it already holds.

The purpose of the share buybacks and the uses that may be made of the shares repurchased in this manner are described in detail in the 12th resolution to be put to the vote of the shareholders on 9 November 2017. The share buyback programme would enable the Company to purchase the Company's shares or have them purchased for the purpose of:

- (i) allocate shares or transfer them to employees and/or Executive Directors of the Company and/or its current or future affiliates under the terms and conditions provided for by law, in particular by granting stock options or as part of employee profit-sharing plans; or
- (ii) cover its commitments pursuant to financial contracts or options with cash payments concerning rises in the stock market price of the Company's share, granted to employees and/or Executive Directors of the Company and/or its current or future affiliates under the terms and conditions provided for by law; or
- (iii) make free allocations of shares to employees and/or Executive Directors of the Company and/or its current or future affiliates under the terms and conditions of articles L. 225-197-1 *et seq.* of the French Commercial Code, it being specified that the shares may be allocated, in particular, to an employee savings plans in accordance with the provisions of article L. 3332-14 of the French Labour Code; or
- (iv) retain them and subsequently tender them (in exchange, as payment or otherwise) within the scope of external growth transactions, subject to the limit of 5% of the number of shares comprising the share capital; or
- (v) deliver shares upon the exercise of rights attached to securities granting access to the share capital through reimbursement, conversion, exchange, presentation of a warrant or in any other manner; or
- (vi) cancel all or some of the shares repurchased in this manner, under the conditions provided for in article L. 225-209 paragraph 2 of the French Commercial Code and in accordance with the authorisation to reduce the share capital to be granted by the Combined (Ordinary and Extraordinary) Shareholders' Meeting, in the 13th resolution below; or
- (vii) allow an investment services provider to act on the secondary market or to ensure liquidity of the Company's share by means of liquidity agreements in compliance with the terms of a Code of Conduct approved by the French Financial Markets Authority (AMF).

This programme is also intended to enable the Board of Directors to trade in the Company's shares for any other authorised purpose or any purpose that might come to be authorised by law or regulations in force.

The Company may purchase a number of shares such that:

- the Company does not purchase more than 10% of the shares comprising the Company's share capital at any time during the term of the share buyback programme; this percentage applies to the share capital adjusted based on capital transactions carried out after this Shareholders' Meeting; in accordance with the provisions of article L. 225-209 of the French Commercial Code, when shares are repurchased to favour liquidity of the share under the conditions set out by the applicable regulations, the number of shares taken into account for calculating the 10% limit equates with the number of shares purchased, less the number of shares sold during the authorisation period; and that

- the number of shares held by the Company at any time does not exceed 10% of the number of shares comprising its share capital.

These shares may be purchased, sold, transferred, delivered or exchanged, on one or more occasions, by any authorised means pursuant to the regulations in force. These means include, in particular, over-the-counter transactions, sales of blocks of shares, sale and repurchase agreements, the use of any financial derivative instruments traded on a regulated or over-the-counter market, and the setting up of option strategies (purchases and sales of puts and calls and any combinations thereof in compliance with the applicable regulations). Transactions involving blocks of shares may account for the entire share buyback programme.

These transactions may be carried out during periods considered appropriate by the Board of Directors. However, during a public offer period, the repurchases would only be carried out subject to the conditions that they:

- enable the Company to comply with its commitments subscribed prior to the offer period;
- are undertaken within the scope of the pursuit of a share buyback programme that was already in progress;
- fall within the scope of the objectives referred to in points (i) to (v); and
- cannot cause the offer to fail.

The Board of Directors may also, in compliance with the applicable legal and regulatory provisions, reallocate the previously repurchased shares (including those repurchased under a previous authorisation) to another objective, or carry out a disposal of those shares (on or off the market).

This authorisation will be valid for a period of 18 months from the date of this Shareholders' Meeting and cancels as from this same date, for any unused portion, the authorisation granted to the Board of Directors to trade in the Company's shares by the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 17 November 2016 in its 15th resolution.

OTHER LEGAL INFORMATION

Related-party transactions

Transactions with related parties are described in Note 6.6 – *Related parties* of the Notes to the consolidated financial statements (Section 5 of this Registration Document).

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PERSONS RESPONSIBLE

NAMES AND POSITIONS

Person responsible for the Registration Document

Mr Alexandre Ricard

Chairman & CEO of Pernod Ricard

Person responsible for the information

Ms Julia Massies

Vice-President, Financial Communication & Investor Relations

Tel.: + 33 (0)1 41 00 41 07

DECLARATION BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

I hereby certify that, having taken all reasonable measures to ensure that this is the case, the information contained in this Registration Document is, to the best of my knowledge, in conformity with Pernod Ricard's actual situation and that there is no omission which could adversely affect the fairness of the presentation.

I hereby certify that, to my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair presentation of the assets and liabilities, financial position and financial results of the Company and all the other companies included in the scope of consolidation, and that the enclosed management report gives an accurate picture of the developments in the business, financial results and financial position of the Company and all the other companies included within the scope of consolidation, together with a description of the main risks and uncertainties that they face.

I have obtained an audit completion letter from the Statutory Auditors in which they state that they have verified the information relating to the financial position and the financial statements set out in this document and have read the document in its entirety.

The historical financial information relating to the consolidated and Parent Company financial statements for the year ended 30 June 2017 presented in this document is discussed in the Statutory Auditors' reports found on pages 179 to 182 and 207 to 209, respectively, neither of which contain any comments.

The historical financial information relating to the consolidated and Parent Company financial statements for the years ended 30 June 2016 and 30 June 2015, which are included for reference in this document, were also the subject of Statutory Auditors' reports, neither of which contained any comments..

Mr Alexandre Ricard

Chairman & CEO of Pernod Ricard

DOCUMENTS AVAILABLE TO THE PUBLIC

Corporate documents (financial statements, minutes of Shareholders' Meetings, attendance registers for Shareholders' Meetings, list of Directors, Statutory Auditors' reports, bylaws, etc.) for the last three financial years may be consulted at Pernod Ricard's headquarters at 12, place des États-Unis, 75116 Paris, France.

The "Regulatory information" section of the Company's website is available at the following URL:

<http://www.pernod-ricard.com/200/investors/regulatory-information>

This area of the website contains all the regulatory information provided by Pernod Ricard pursuant to the provisions of articles 221-1 *et seq.* of the French Financial Markets Authority (AMF) General Regulation.

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N/A: Not applicable.

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The following information is included in this Registration Document for reference purposes:

- the Group's management report, the Parent Company and consolidated Group financial statements and the Statutory Auditors' reports on the Company's annual financial statements and the consolidated financial statements for the financial year ended 30 June 2016, as set out on pages 49-214 and filed on 28 September 2016 under no. D.16-0867;
- the Group's management report, the Parent Company and consolidated Group financial statements and the Statutory Auditors' reports on the Company's annual financial statements and the consolidated financial statements for the financial year ended 30 June 2015, as set out on pages 47-236 and filed on 23 September 2015 under no. D.15-0907.

The information included in these three Registration Documents, other than that mentioned above, has been replaced and/or updated, as applicable, with the information contained in this Registration Document.

Financial Communication & Investor Relations

Pernod Ricard – 12, place des États-Unis – 75116 Paris – France



Pernod Ricard

A French public limited company (*Société Anonyme – Sa*) with share capital of €411,403,467.60

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PERNOD RICARD

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(SOCIÉTÉ ANONYME - SA)

WITH SHARE CAPITAL OF €411,403,467.60

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