

# 6

## PERNOD RICARD SA FINANCIAL STATEMENTS

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## 6.1 PERNOD RICARD SA INCOME STATEMENT

For the financial years ended 30 June 2017 and 30 June 2018

| <i>€ thousand</i>   | 30.06.2017         | 30.06.2018       |
|---|--------------------|------------------|
| Royalties   | 32,300             | 29,475           |
| Other income  | 147,475            | 155,459          |
| Reversals of financial provisions and expense transfers             | 3,165              | 25,692           |
| <b>OPERATING INCOME</b>   | <b>182,940</b>     | <b>210,626</b>   |
| Purchases of goods and supplies not for stock and external services | (144,653)          | (155,048)        |
| Duties and taxes  | (4,861)            | (5,838)          |
| Payroll expenses  | (74,832)           | (94,069)         |
| Depreciation, amortisation and provisions                           | (24,635)           | (25,006)         |
| Other expenses  | (7,495)            | (4,699)          |
| <b>OPERATING EXPENSES</b>   | <b>(256,476)</b>   | <b>(284,660)</b> |
| <b>Operating profit (loss)</b>                                      | <b>(73,536)</b>    | <b>(74,034)</b>  |
| Income from investments   | 783,497            | 603,281          |
| Interest and related income   | 225,554            | 244,413          |
| Reversals of financial provisions and expense transfers             | 229,473            | 307,906          |
| Foreign exchange gains  | 571,148            | 9,127            |
| <b>FINANCIAL INCOME</b>   | <b>1,809,672</b>   | <b>1,164,727</b> |
| Provision charges   | (375,206)          | (331,718)        |
| Interest and related expenses                                       | (398,205)          | (343,525)        |
| Foreign exchange losses   | (239,498)          | (7,765)          |
| <b>FINANCIAL EXPENSES</b>   | <b>(1,012,909)</b> | <b>(683,008)</b> |
| <b>Financial income/(expense)</b>                                   | <b>796,763</b>     | <b>481,719</b>   |
| <b>Profit (loss) from continuing operations</b>                     | <b>723,227</b>     | <b>407,685</b>   |
| <b>Exceptional items</b>  | <b>129,087</b>     | <b>(21,330)</b>  |
| <b>Net profit/(loss) before tax</b>                                 | <b>852,314</b>     | <b>386,355</b>   |
| Corporate income tax  | 114,462            | 179,468          |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                                | <b>966,776</b>     | <b>565,823</b>   |

## 6.2 PERNOD RICARD SA BALANCE SHEET

For the financial years ended 30 June 2017 and 30 June 2018

### Assets

| <i>€ thousand</i>                               | Net value<br>30.06.2017 | Gross value<br>30.06.2018 | Depreciation,<br>amortisation and<br>provisions | Net value<br>30.06.2018 | Notes    |
|---|-------------------------|---------------------------|---|-------------------------|----------|
| Concessions, patents and licences               | 29,463                  | 33,327                    | (5,279)   | 28,048                  |          |
| Other intangible assets                         | 2,607                   | 40,941                    | (35,591)  | 5,350                   |          |
| Advances and down payments                      | 9,486                   | 13,356                    | -   | 13,356                  |          |
| <b>Intangible assets</b>                        | <b>41,556</b>           | <b>87,624</b>             | <b>(40,870)</b>                                 | <b>46,754</b>           | <b>2</b> |
| Land  | 587                     | 485                       | -   | 485                     |          |
| Buildings                                       | 286                     | 27,299                    | (865)   | 26,434                  |          |
| Machinery and equipment                         | 107                     | 621                       | (334)   | 287                     |          |
| Other property, plant and equipment             | 6,240                   | 31,549                    | (12,683)  | 18,866                  |          |
| Advances and down payments                      | 36,554                  | 1,078                     | -   | 1,078                   |          |
| <b>Property, plant and equipment</b>            | <b>43,774</b>           | <b>61,032</b>             | <b>(13,882)</b>                                 | <b>47,150</b>           | <b>2</b> |
| Investments                                     | 12,739,248              | 12,868,865                | (107,992)                                       | 12,760,874              | 3        |
| Loans and advances to affiliates and associates | 61,945                  | 63,618                    | -   | 63,618                  | 3 and 4  |
| Other financial assets                          | 8,006                   | 8,222                     | -   | 8,222                   | 3 and 4  |
| <b>Financial assets</b>                         | <b>12,809,199</b>       | <b>12,940,705</b>         | <b>(107,992)</b>                                | <b>12,832,713</b>       | <b>3</b> |
| <b>TOTAL FIXED ASSETS</b>                       | <b>12,894,529</b>       | <b>13,089,362</b>         | <b>(162,744)</b>                                | <b>12,926,618</b>       |          |
| <b>Advances and supplier prepayments</b>        | <b>71</b>               | <b>347</b>                | <b>-</b>  | <b>347</b>              | <b>4</b> |
| Trade receivables                               | 155,651                 | 236,406                   | (4,303)   | 232,103                 |          |
| Other receivables                               | 1,646,735               | 1,608,727                 | (3,055)   | 1,605,672               |          |
| <b>Receivables</b>                              | <b>1,802,386</b>        | <b>1,845,133</b>          | <b>(7,358)</b>                                  | <b>1,837,775</b>        | <b>4</b> |
| <b>Marketable securities</b>                    | <b>117,590</b>          | <b>110,690</b>            | <b>-</b>  | <b>110,690</b>          | <b>5</b> |
| <b>Cash</b>                                     | <b>494,290</b>          | <b>438,614</b>            | <b>-</b>  | <b>438,614</b>          |          |
| <b>Prepaid expenses</b>                         | <b>11,032</b>           | <b>4,065</b>              | <b>-</b>  | <b>4,065</b>            | <b>6</b> |
| <b>TOTAL CURRENT ASSETS</b>                     | <b>2,425,369</b>        | <b>2,398,849</b>          | <b>(7,358)</b>                                  | <b>2,391,491</b>        |          |
| <b>Bond redemption premiums</b>                 | <b>20,181</b>           | <b>17,362</b>             | <b>-</b>  | <b>17,362</b>           | <b>6</b> |
| <b>Unrealized foreign exchange loss</b>         | <b>605,338</b>          | <b>561,596</b>            | <b>-</b>  | <b>561,596</b>          | <b>6</b> |
| <b>TOTAL ASSETS</b>                             | <b>15,945,418</b>       | <b>16,067,168</b>         | <b>(170,102)</b>                                | <b>15,897,066</b>       |          |

## Liabilities and shareholders' equity

| € thousand   | 30.06.2017        | 30.06.2018        | Notes           |
|--|-------------------|-------------------|-----------------|
| <b>Capital</b>   | <b>411,403</b>    | <b>411,403</b>    | <b>7</b>        |
| <b>Share premiums</b>                                  | <b>3,039,030</b>  | <b>3,039,030</b>  |                 |
| Statutory reserves                                     | 41,140            | 41,140            |                 |
| Regulated reserves                                     | 179,559           | 179,559           |                 |
| Other reserves   | 195,013           | 195,013           |                 |
| <b>Reserves</b>  | <b>415,712</b>    | <b>415,712</b>    |                 |
| <b>Retained earnings</b>                               | <b>1,891,345</b>  | <b>2,324,713</b>  |                 |
| <b>Profit for the financial year</b>                   | <b>966,776</b>    | <b>565,823</b>    |                 |
| <b>Interim dividends pending allocation</b>            | <b>(249,496)</b>  | <b>(266,870)</b>  |                 |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                      | <b>6,474,770</b>  | <b>6,489,811</b>  | <b>8</b>        |
| <b>Provisions for risks and contingencies</b>          | <b>480,147</b>    | <b>494,666</b>    | <b>9</b>        |
| Bonds  | 7,032,122         | 6,939,443         | 4 and 12        |
| Bank debt  | 97,502            | -                 | 4 and 13        |
| Other debt   | -                 | 327               | 4               |
| <b>Debt</b>  | <b>7,129,624</b>  | <b>6,939,769</b>  |                 |
| Trade payables   | 74,070            | 67,623            |                 |
| Taxes and social charges                               | 35,114            | 42,824            |                 |
| Amounts due on non-current assets and related accounts | -                 | -                 |                 |
| Other payables   | 1,264,232         | 1,420,037         |                 |
| <b>Trade and other accounts payable</b>                | <b>1,373,416</b>  | <b>1,530,484</b>  | <b>4 and 11</b> |
| <b>Deferred income</b>                                 | <b>188</b>        | <b>144</b>        | <b>4 and 10</b> |
| <b>TOTAL LIABILITIES</b>                               | <b>8,503,228</b>  | <b>8,470,397</b>  |                 |
| <b>Unrealized foreign exchange gains</b>               | <b>487,272</b>    | <b>442,192</b>    | <b>10</b>       |
| <b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>      | <b>15,945,418</b> | <b>15,897,066</b> |                 |

## 6.3 PERNOD RICARD SA CASH FLOW STATEMENT

For the financial years ended 30 June 2017 and 30 June 2018

| <i>€ thousand</i>                                     | 30.06.2017       | 30.06.2018       |
|---|------------------|------------------|
| <b>Operating activities</b>                           |                  |                  |
| Net profit  | 966,776          | 565,823          |
| Net depreciation, amortisation and provision charges  | 78,865           | 27,131           |
| Changes in provisions                                 | (8,908)          | 15,353           |
| Net (gain)/loss on disposal of assets and other items | -                | 241.00           |
| <b>Self-financing capacity</b>                        | <b>1,036,732</b> | <b>608,548</b>   |
| Decrease/(increase) in working capital requirements   | (640,908)        | 8,756            |
| <b>Change in net debt from operating activities</b>   | <b>395,825</b>   | <b>617,304</b>   |
| <b>Investing activities</b>                           |                  |                  |
| Capital expenditure                                   | (21,315)         | (16,095)         |
| Purchases of financial assets (net of disposals)      | (9,683)          | (43,364)         |
| <b>Change in net debt from investing activities</b>   | <b>(30,998)</b>  | <b>(59,459)</b>  |
| <b>Financing activities</b>                           |                  |                  |
| Long and medium-term bond issue                       | (121,141)        | (91,547)         |
| Loans and medium and long-term debt                   | (94,086)         | 2,819            |
| Other changes in shareholders' equity                 | -                | -                |
| Dividends paid  | (507,383)        | (550,781)        |
| <b>Change in net debt from financing activities</b>   | <b>(722,610)</b> | <b>(639,509)</b> |
| <b>Change in short-term net debt</b>                  | <b>(357,783)</b> | <b>(81,664)</b>  |
| <b>SHORT-TERM NET DEBT AT BEGINNING OF PERIOD</b>     | <b>(192,009)</b> | <b>(549,792)</b> |
| <b>SHORT-TERM NET DEBT AT END OF PERIOD</b>           | <b>(549,792)</b> | <b>(631,456)</b> |

### 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:

| <i>€ thousand</i>   | 30.06.2018         |
|---|--------------------|
| Loans and long-term debts                                 | 0                  |
| Bonds   | (92,574)           |
| Net balance on current account with Pernod Ricard Finance | (1,087,859)        |
| Marketable securities                                     | 110,690            |
| Cash  | 438,287            |
| <b>SHORT-TERM NET DEBT AT END OF PERIOD</b>               | <b>(631,456)</b>   |
| Bonds   | (6,846,869)        |
| Loans and long-term debts                                 | 17,362             |
| Pernod Ricard Finance loan                                | -                  |
| <b>MEDIUM- AND LONG-TERM NET DEBT AT END OF PERIOD</b>    | <b>(6,829,507)</b> |
| <b>TOTAL NET DEBT AT END OF PERIOD</b>                    | <b>(7,460,963)</b> |

## 6.4 ANALYSIS OF PERNOD RICARD SA RESULTS

### 6.4.1 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.

### 6.4.2 Income statement and balance sheet as at 30 June 2018

#### Analysis of the FY18 income statement

Operating income represented €211 million at 30 June 2018, an increase of €28 million compared with 30 June 2017, mainly due to provision reversals for €23 million, a €3 million decrease in royalties, and an €8 million increase in net sales.

The amount of operating expenses as at 30 June 2018 was €(285) million compared with €(256) million in the previous year, i.e. a rise in expenses of €28 million. The main changes are explained by:

- an increase in personnel expenses of €19 million;
- an increase in purchases of goods and supplies not for stock and external services of €10 million.

Operating profit (loss) amounted to €(74) million at 30 June 2018, unchanged from the operating profit (loss) at 30 June 2017.

The amount of financial income was €482 million at 30 June 2018, compared to €797 million at 30 June 2017. This decrease of €315 million was mainly attributable to:

- a decrease in dividends received of €180 million;
- a decrease in net financial expenses of €74 million;
- a substantial variation in foreign exchange gains and losses of €330 million;
- a net reversal of financial provisions of €123 million.

Profit from continuing operations before tax amounted to €408 million.

The extraordinary result as at 30 June 2018 represented an expense of €21 million linked to a net expense on provisions and reversals for risk over FY18 amounting to €14 million and to non-current expenses and income amounting to €7 million.

Lastly, the corporate income tax item is made up of a tax product of €179 million relating to the effects of the tax consolidation over the FY18 period of €114 million and income of €65 million related to the refunds claimed on the additional 3% tax on dividends.

As a result, net profit for FY18 was €566 million.

## Analysis of the FY18 balance sheet

### Assets

Total net fixed assets stood at €12,927 million on 30 June 2018 compared with €12,895 million for the previous year, i.e. an increase of €32 million. The main changes observed are as follows:

- an increase of €9 million in property, plant and equipment and intangible assets;
- an increase of €24 million in financial assets due primarily to:
  - the capital increase of Pernod Ricard Central and South America for €41 million,
  - the impairment of Pernod Ricard Central and South America for €(20) million,
  - the repayment of investment receivables for €1 million.

Current assets amounted to €2,391 million during the financial year, i.e. a decrease of €34 million compared to 30 June 2017. The main movements include:

- an increase of €76 million in trade receivables;
- a reduction of €41 million in other receivables, consisting of:
  - an increase of €14 million in State receivables,
  - a reduction of €55 million in various receivables due to the revaluation of USD receivables for €29 million, the reimbursement of current tax accounts for €29 million, and a positive change in the amount of the share option premiums for €3 million;
- a reduction in cash amounting to €56 million mainly attributable to the reduction in cash instruments;
- a €7 million decrease in marketable securities.

Prepaid expenses and deferred charges amounting to €583 million consist of Unrealized foreign exchange losses, Bond redemption premiums and Prepaid expenses, which decreased respectively by €44 million, €3 million and €7 million between 30 June 2017 and 30 June 2018.

### Liabilities

Shareholders' equity amounted to €6,490 million at 30 June 2018, compared with €6,475 million at 30 June 2017. The main movements for the period were:

- profit for the financial year of €566 million;
- the payment of the balance of the dividend for FY17 of €284 million;
- the payment of an interim dividend of €1.01 per share in respect of FY18, amounting to €267 million. This interim dividend was paid on 6 July 2018.

Provisions for risks and charges increased by €15 million. This change was attributable to:

- a net reversal of provision for post-employment benefits of €8 million;
- a stable €161 million provision for foreign exchange losses;
- a €22 million increase in other provisions for risks.

During the period, financial debts decreased by €(190) million, particularly as a result of:

- the repayment of long-term debt from Mediobanca due on 26 November 2017 for €(98) million;
- the €(92) million revaluation of US dollar-denominated bonds.

The €157 million increase in operating debts is explained primarily by:

- the increase in other debts amounting to €156 million, €124 million of which stem from an increase in the Pernod Ricard Finance current account, €16 million in increased intra-group creditors' tax current accounts and €17 million of dividends to pay;
- the €6 million reduction in trade payables;
- the €8 million increase in tax and social security payables.

The deferred income and adjustment account amounted to €442 million on 30 June 2018, including principally the Unrealized foreign exchange gains item, which was down by €45 million compared to 30 June 2017.

## 6.5 NOTES TO THE PERNOD RICARD SA FINANCIAL STATEMENTS

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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 2018 was €15,897 million. The income statement for the year recorded a profit of €566 million. The financial year covered the 12-month period from 1 July 2017 to 30 June 2018.

### 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 4 November 2016 and ANC regulation 2015-05 of 2 July 2015 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 and, amortisation is calculated on a straight-line basis over the estimated three-year useful life of the assets (previously one year).



## 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 and performance-based share 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 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 2018, the provision for pensions and other long-term employee benefits was €50 million.

## 9. Translation of foreign currency-denominated items

Payables, receivables and cash balances denominated in foreign currencies are translated into euros 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 under Prepaid expenses and deferred charges or Deferred income and adjustment accounts (translation differences);
- 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.

Pernod Ricard has several hedging relationships and generates an overall foreign currency position for the hedging instruments and the covered items that are not part of a hedging relationship in order to calculate the currency risk provision.

## 10. Forward 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 General 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 and property, plant and equipment

### 1. Gross value

| € thousand  | At 01.07.2017 | Acquisitions  | Disposals       | At 30.06.2018 |
|---|---------------|---------------|-----------------|---------------|
| Brands  | 32,560        | -             | -               | 32,560        |
| Brand costs   | 726           | 41            | -               | 767           |
| Software  | 35,424        | 5,517         | -               | 40,941        |
| Advances and down payments on intangible assets             | 9,486         | 10,201        | (6,331)         | 13,356        |
| <b>TOTAL INTANGIBLE ASSETS</b>                              | <b>78,196</b> | <b>15,759</b> | <b>(6,331)</b>  | <b>87,624</b> |
| Land  | 587           | -             | (102)           | 485           |
| Buildings   | 504           | 18,864        | -               | 19,369        |
| Machinery and equipment                                     | 10,758        | 17,215        | (139)           | 27,834        |
| Other property, plant and equipment                         | 6,291         | 5,976         | -               | 12,267        |
| Advances and down payments on property, plant and equipment | 36,554        | 6,493         | (41,969)        | 1,078         |
| <b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>                  | <b>54,694</b> | <b>48,548</b> | <b>(42,210)</b> | <b>61,032</b> |

### 2. Depreciation, amortisation and provisions

| € thousand   | At 01.07.2017   | Allowances     | Reversals   | At 30.06.2018   |
|--|-----------------|----------------|-------------|-----------------|
| Brands <sup>(1)</sup>                                      | (3,670)         | (1,418)        | -           | (5,088)         |
| Brand costs  | (153)           | (39)           | -           | (191)           |
| Software   | (32,817)        | (2,774)        | -           | (35,591)        |
| <b>TOTAL AMORTISATION OF INTANGIBLE ASSETS</b>             | <b>(36,640)</b> | <b>(4,231)</b> | <b>-</b>    | <b>(40,870)</b> |
| Land   | -               | -              | -           | -               |
| Buildings  | 217             | 321            | -           | 538             |
| Machinery and equipment                                    | 6,060           | 1,608          | (86)        | 7,582           |
| Other property, plant and equipment                        | 4,641           | 1,121          | -           | 5,762           |
| <b>TOTAL DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT</b> | <b>10,918</b>   | <b>3,050</b>   | <b>(86)</b> | <b>13,882</b>   |

(1) Including an allowance of €1,418 thousand corresponding to an impairment.

## Note 3 Financial assets

### 1. Gross value

| € thousand                                      | At 01.07.2017     | Acquisitions/<br>Inflows | Capital<br>transaction | Disposals       | At 30.06.2018     |
|---|-------------------|--------------------------|------------------------|-----------------|-------------------|
| Investments in consolidated entities            | 12,816,352        | -                        | 41,168                 | -               | 12,857,521        |
| Investments in non-consolidated entities        | 10,398            | -                        | 308                    | -               | 10,705            |
| Other investments                               | 640               | -                        | -                      | -               | 640               |
| Advance on investment                           | -                 | -                        | -                      | -               | -                 |
| <b>Investments</b>                              | <b>12,827,390</b> | <b>-</b>                 | <b>41,475</b>          | <b>-</b>        | <b>12,868,865</b> |
| Loans and advances to affiliates and associates | 61,945            | 23,406                   | -                      | (21,733)        | 63,618            |
| Loans   | -                 | -                        | -                      | -               | -                 |
| Guarantee deposits                              | 2,889             | 362                      | -                      | (226)           | 3,025             |
| Liquidity agreement                             | 5,117             | 80                       | -                      | -               | 5,197             |
| Own shares                                      | -                 | -                        | -                      | -               | -                 |
| <b>TOTAL</b>                                    | <b>12,897,341</b> | <b>23,847</b>            | <b>41,475</b>          | <b>(21,959)</b> | <b>12,940,705</b> |

The change in the Investments in consolidated entities item is due to the capital increase of Pernod Ricard Central and South America.

The change in the Investments in non-consolidated entities item is due to the capital increase of Lina 7 for €307,700.

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 01.07.2017   | Allowances      | Reversals | At 30.06.2018    |
|---|-----------------|-----------------|-----------|------------------|
| Investments in consolidated entities <sup>(1)</sup> | (82,605)        | (19,850)        | -         | (102,455)        |
| Investments in non-consolidated entities            | (4,897)         | -               | -         | (4,897)          |
| Other investments                                   | (640)           | -               | -         | (640)            |
| Advance on investment                               | -               | -               | -         | -                |
| <b>Investments</b>                                  | <b>(88,142)</b> | <b>(19,850)</b> | -         | <b>(107,992)</b> |
| Own shares  | -               | -               | -         | -                |
| <b>TOTAL</b>  | <b>(88,142)</b> | <b>(19,850)</b> | -         | <b>(107,992)</b> |

(1) Change explained by the allowance to provisions on Pernod Ricard Central and South America securities.

## 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          | 63,618           | 3,314                   | 60,304                    |
| Loans  | -                | -                       | -                         |
| Other financial assets                                   | 8,222            | 5,197                   | 3,025                     |
| <b>Receivables and other financial assets</b>            | <b>71,840</b>    | <b>8,511</b>            | <b>63,329</b>             |
| Current assets other than marketable securities and cash | 1,845,480        | 308,859                 | 1,536,621                 |
| Prepaid expenses   | 4,065            | 4,065                   | -                         |
| <b>TOTAL</b>   | <b>1,921,385</b> | <b>321,435</b>          | <b>1,599,950</b>          |

### 2. Payables

| € thousand   | Gross amount     | Due in one year or less | Due in one to five years | Due in more than five years |
|--|------------------|-------------------------|--------------------------|-----------------------------|
| Bonds  | 6,939,443        | 92,574                  | 3,853,088                | 2,993,781                   |
| Bank debt  | -                | -                       | -                        | -                           |
| Other debt   | 327              | 327                     | -                        | -                           |
| Trade payables   | 67,623           | 67,623                  | -                        | -                           |
| Taxes and social charges                               | 42,824           | 42,824                  | -                        | -                           |
| Amounts due on non-current assets and related accounts | -                | -                       | -                        | -                           |
| Other payables   | 1,420,037        | 1,420,037               | -                        | -                           |
| Deferred income  | 144              | 144                     | -                        | -                           |
| <b>TOTAL</b>   | <b>8,470,397</b> | <b>1,623,529</b>        | <b>3,853,088</b>         | <b>2,993,781</b>            |

## Note 5 Marketable securities

| € thousand or in quantities | At 01.07.2017    |                | Acquisitions <sup>(1)</sup> |               | Capital transaction |       | Reclassification |       | Exercises/disposals <sup>(2)</sup> |               | At 30.06.2018    |                |
|-----------------------------|------------------|----------------|-----------------------------|---------------|---------------------|-------|------------------|-------|------------------------------------|---------------|------------------|----------------|
|                             | Quantity         | Value          | Quantity                    | Value         | Quantity            | Value | Quantity         | Value | Quantity                           | Value         | Quantity         | Value          |
| Pernod Ricard shares        | -                | -              | -                           | -             | -                   | -     | -                | -     | -                                  | -             | -                | -              |
| • Gross value               | 1,369,868        | 117,590        | 675,816                     | 64,947        | -                   | -     | -                | -     | 850,516                            | 71,847        | 1,195,168        | 110,690        |
| • Impairment                | -                | -              | -                           | -             | -                   | -     | -                | -     | -                                  | -             | -                | -              |
| <b>NET VALUE</b>            | <b>1,369,868</b> | <b>117,590</b> | <b>675,816</b>              | <b>64,947</b> | -                   | -     | -                | -     | <b>850,516</b>                     | <b>71,847</b> | <b>1,195,168</b> | <b>110,690</b> |

(1) Including €20 million related to the November 2016 stock option plan.

(2) Including €(4) million for the exercise of stock options (2012 plan), and €(2) million for final allocation of bonus shares (2012 plans).

## Note 6 Prepaid expenses and deferred charges

| € thousand  | At 01.07.2017  | Increases      | Decreases        | At 30.06.2018  |
|---|----------------|----------------|------------------|----------------|
| Prepaid expenses <sup>(1)</sup>                   | 11,032         | (571)          | (6,396)          | 4,065          |
| Bond redemption premiums                          | 20,181         | -              | (2,819)          | 17,362         |
| Unrealized foreign exchange losses <sup>(2)</sup> | 605,338        | 561,596        | (605,338)        | 561,596        |
| <b>TOTAL</b>                                      | <b>636,551</b> | <b>561,025</b> | <b>(614,553)</b> | <b>583,023</b> |

(1) The reduction in the Prepaid expenses item is mainly due to the completion of repurchases for the 2010 and 2011 plans.

(2) The unrealized foreign exchange losses amounting to €562 million at 30 June 2018 are mainly due to the revaluation of assets and liabilities at the closing EUR/US dollar exchange rate on 30 June 2018.

## Note 7 Composition of share capital

At 30 June 2018, 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 01.07.2017    | Allocation of earnings | Changes in accounting policies | Distribution of dividends | Results 2018   | At 30.06.2018    |
|---|------------------|------------------------|--------------------------------|---------------------------|----------------|------------------|
| 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                           | 1,891,345        | 966,776                | -                              | (533,408)                 | -              | 2,324,713        |
| Profit for the financial year               | 966,776          | (966,776)              | -                              | -                         | 565,823        | 565,823          |
| Interim dividends to be paid <sup>(1)</sup> | (249,496)        | -                      | -                              | (17,374)                  | -              | (266,870)        |
| <b>TOTAL</b>                                | <b>6,474,770</b> | <b>-</b>               | <b>-</b>                       | <b>(550,782)</b>          | <b>565,823</b> | <b>6,489,811</b> |

(1) The Board of Directors' meeting on 18 April 2018 decided to pay an interim dividend of €1.01 per share in respect of FY18, i.e. a total of €267 million. This interim dividend was paid on 6 July 2018.

## Note 9 Provisions

| € thousand  | At 01.07.2017  | Increases in the year | Changes in accounting policies | Reversals (used) | Reversals (not used) | At 30.06.2018  |
|---|----------------|-----------------------|--------------------------------|------------------|----------------------|----------------|
| <b>Provisions for risks and charges</b>                       |                |                       |                                |                  |                      |                |
| Provision for currency losses                                 | 161,160        | 161,441               | -                              | (161,160)        | -                    | 161,441        |
| Other provisions for risks <sup>(1)</sup>                     | 261,122        | 274,646               | -                              | (252,607)        | -                    | 283,161        |
| Provisions for pensions and other long-term employee benefits | 57,865         | 6,768                 | -                              | (14,570)         | -                    | 50,063         |
| <b>TOTAL 1</b>  | <b>480,147</b> | <b>442,855</b>        | <b>-</b>                       | <b>(428,337)</b> | <b>-</b>             | <b>494,666</b> |
| <b>Provisions for depreciation and amortization</b>           |                |                       |                                |                  |                      |                |
| On financial assets <sup>(2)</sup>                            | 88,142         | 19,850                | -                              | -                | -                    | 107,992        |
| On trade receivables  | 3,408          | 4,303                 | -                              | (3,408)          | -                    | 4,303          |
| On other receivables  | 3,114          | -                     | -                              | (59)             | -                    | 3,055          |
| On marketable securities                                      | -              | -                     | -                              | -                | -                    | -              |
| <b>TOTAL 2</b>  | <b>94,664</b>  | <b>24,153</b>         | <b>-</b>                       | <b>(3,467)</b>   | <b>-</b>             | <b>115,350</b> |
| <b>OVERALL TOTAL</b>  | <b>574,811</b> | <b>467,008</b>        | <b>-</b>                       | <b>(431,804)</b> | <b>-</b>             | <b>610,015</b> |

(1) Change due to the €10 million provisions on the bonus share allocation plan, the €7 million reversal of the provision for compensation risk, and the net allocation of an €11 million provision for risk.

(2) Changes related to allowances for impairment of investments.

## Provisions for risks and charges

### Provision for currency losses

The €161 million provision for currency losses as at 30 June 2018 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 and charges relating to tax consolidation for €110 million;
- various provisions amounting to €173 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 2018, the total amount of benefit obligations was €50 million. These obligations are fully provisioned.

For information, the inflation rate used for the valuation at 30 June 2018 was 1.75% and the discount rate was 1.5%.

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 01.07.2017  | Increases      | Decreases        | At 30.06.2018  |
|--|----------------|----------------|------------------|----------------|
| Deferred income                                  | 188            | -              | (44)             | 144            |
| Unrealized foreign exchange gains <sup>(1)</sup> | 487,272        | 442,192        | (487,272)        | 442,192        |
| <b>TOTAL</b>                                     | <b>487,460</b> | <b>442,192</b> | <b>(487,316)</b> | <b>442,336</b> |

(1) The unrealized foreign exchange gains amounting to €442 million at 30 June 2018 are mainly due to the revaluation of assets and liabilities at the closing EUR/US dollar exchange rate on 30 June 2018.

## Note 11 Accrued income and expenses

### Accrued income

| € thousand   | Amount           |
|--|------------------|
| <b>Amount of accrued income in the following balance sheet items</b> |                  |
| Loans and advances to affiliates and associates                      | 63,618           |
| Trade receivables  | 232,103          |
| Other receivables  | 1,605,672        |
| Cash   | 438,614          |
| <b>TOTAL</b>   | <b>2,340,007</b> |

### Accrued expenses

| € thousand   | Amount           |
|--|------------------|
| <b>Amount of accrued expenses in the following balance sheet items</b> |                  |
| Bank debt  | -                |
| Trade payables   | 67,623           |
| Taxes and social charges   | 42,824           |
| Other payables   | 1,420,037        |
| <b>TOTAL</b>   | <b>1,530,484</b> |

## Note 12 Bonds

|                                   | Amount<br><i>US\$ thousand</i> | Amount<br><i>€ thousand</i> | Maturity date | Accrued interest<br><i>€ thousand</i> | Rate          | Total<br><i>€ thousand</i> |
|-----------------------------------|--------------------------------|-----------------------------|---------------|---------------------------------------|---------------|----------------------------|
| Bond of 29.09.2014                |                                | 650,000                     | 27.09.2024    | 10,482                                | Fixed rate    | 660,482                    |
| Bond of 20.03.2014                |                                | 850,000                     | 22.06.2020    | 419                                   | Fixed rate    | 850,419                    |
| USD bond of 07.04.2011            | 1,000,000                      | 857,780                     | 07.04.2021    | 11,455                                | Fixed rate    | 869,235                    |
| USD bond of 25.10.2011            | 1,500,000                      | 1,286,670                   | 15.01.2022    | 26,414                                | Fixed rate    | 1,313,084                  |
| USD bond of 12.01.2012            | 850,000                        | 729,113                     | 15.01.2042    | 18,500                                | Fixed rate    | 747,613                    |
| USD bond of 12.01.2012            | 800,000                        | 686,224                     | 15.07.2022    | 13,455                                | Fixed rate    | 699,679                    |
| Bond of 28.09.2015                |                                | 500,000                     | 29.09.2023    | 7,089                                 | Fixed rate    | 507,089                    |
| USD PANDIOS bond<br>of 26.01.2016 | 201,000                        | 172,414                     | 26.01.2021    | 2,624                                 | Floating rate | 175,038                    |
| Bond of 17.05.2016                |                                | 600,000                     | 18.05.2026    | 1,085                                 | Fixed rate    | 601,085                    |
| USD bond of 08.06.2016            | 600,000                        | 514,668                     | 08.06.2026    | 1,051                                 | Fixed rate    | 515,719                    |
| <b>TOTAL</b>                      |                                | <b>6,846,869</b>            |               | <b>92,574</b>                         |               | <b>6,939,443</b>           |

## Note 13 Bank debt

### Syndicated loan

On 14 June 2017, Pernod Ricard SA finalised a new 5-year multi-currency Revolving Credit Agreement for €2.5 billion. The new agreement meant that the syndicated loan from April 2012 could be refinanced in full.

On 22 May 2018, in accordance with clause 6.1.6 of the agreement, the term was extended by one year, i.e. to 14 June 2023.

At 30 June 2018, no drawdowns had been made by Pernod Ricard SA.

## Note 14 Breakdown of corporate income tax

| <i>€ thousand</i>                 | Profit (loss) from |                          |                   |
|-----------------------------------|--------------------|--------------------------|-------------------|
|                                   | Total              | continuing<br>operations | Exceptional items |
| Net profit/loss before tax        | 386,355            | 407,685                  | (21,330)          |
| Additional contribution           | 64,184             |                          |                   |
| Income tax prior to consolidation | 1,460              |                          |                   |
| Net impact of tax consolidation   | 113,824            |                          |                   |
| <b>PROFIT AFTER TAX</b>           | <b>565,823</b>     | <b>407,685</b>           | <b>(21,330)</b>   |

Within the framework of the tax consolidation, the tax loss carryforwards (tax basis) of the Pernod Ricard tax group amount to €(533) million.

## Note 15 Increases and decreases in future tax liabilities

### Type of temporary differences

| <i>€ thousand</i>  | Amount of tax |
|--|---------------|
| <b>INCREASES</b>   | <b>NONE</b>   |
| “Organic” local tax and other                                | 205           |
| Other provisions for risk                                    | -             |
| Provision for pensions and other long-term employee benefits | 57,152        |
| <b>DECREASES IN FUTURE TAX LIABILITIES</b>                   | <b>57,357</b> |

The tax rate used is the rate in force in 2018, i.e. 34.43%.

## Note 16 Compensation

Compensation paid to Executive Directors and members of the Board of Directors amounted to €3,080,575.

## Note 17 Operating income

Operating income reached €211 million for FY18, compared to €183 million for 2016/17. It principally comprised €155 million in rebilling of overheads to Group affiliates, €29 million in royalties, and €26 million in provision reversals.

The net sales of €155 million comprised €43 million in net sales in France and €112 million in net sales abroad.

## Note 18 Financial income and expenses

| <i>€ thousand</i>  | Amount on 30.06.2018 |
|--|----------------------|
| Income from investments                                  | 603,281              |
| Income from other fixed asset securities and receivables | -                    |
| Interest and related income                              | 244,413              |
| Reversals of financial provisions and expense transfers  | 307,906              |
| Foreign exchange gains                                   | 9,127                |
| Net gains on disposals of marketable securities          | -                    |
| <b>TOTAL FINANCIAL INCOME</b>                            | <b>1,164,727</b>     |

| <i>€ thousand</i>                                  | Amount on 30.06.2018 |
|--|----------------------|
| Depreciation, amortisation and provision charges   | (331,718)            |
| Interest and related expenses                      | (343,525)            |
| Foreign exchange losses                            | (7,765)              |
| Net expenses on disposals of marketable securities | -                    |
| <b>TOTAL FINANCIAL EXPENSES</b>                    | <b>(683,008)</b>     |



## Note 19 Exceptional items

| <i>€ thousand</i>   | <b>Amount on 30.06.2018</b> |
|---|-----------------------------|
| Net profit on management operations                                 | (8,536)                     |
| Net profit on capital operations                                    | 713                         |
| Charges and reversals of financial provisions and expense transfers | (13,507)                    |
| <b>EXCEPTIONAL ITEMS</b>  | <b>(21,330)</b>             |

At 30 June 2018, exceptional items amounted to an expense of €21 million, relating to €14 million in net provisions for risks and charges over FY18 and €7 million in non-current income and expenses.

## Note 20 Off-balance sheet commitments

### Guarantees granted

#### Commitments made

| <i>€ thousand</i>                  | <b>Amount</b>    |
|------------------------------------|------------------|
| Guarantees on behalf of affiliates | 280,054          |
| Other leases                       | 901,418          |
| Rent                               | 151,720          |
| <b>TOTAL</b>                       | <b>1,333,192</b> |

Commitments granted include guarantees, in particular those related to bonds, commercial paper and the syndicated loan.

#### Derivative instruments

| <b>Hedging for Pernod Ricard SA</b> | <b>Nominal value</b><br><i>US\$ thousand</i> | <b>Fair value</b><br><b>on 30 June 2018</b><br><i>€ thousand</i> |
|-------------------------------------|--|--|
| Interest rate swaps                 | 800,000                                      | (22,680)   |
| Currency swaps                      | 3,098,000                                    | 443,150  |
| <b>TOTAL</b>                        | <b>3,898,000</b>                             | <b>420,470</b>   |

Interest rate swaps provide hedging for Pernod Ricard SA's external or internal debts that bear fixed-rate interest. At 30 June 2018 these broke down as follows:

| <b>USD interest rate hedge</b> | <b>Maturity</b> | <b>Net base</b><br><i>US\$ thousand</i> |
|--------------------------------|-----------------|---|
| Interest rate swaps            | July 2022       | 600,000                                 |
| Interest rate swaps            | June 2026       | 100,000                                 |
| Interest rate swaps            | June 2026       | 100,000                                 |

| Currency hedge        | Maturity      | Basis<br>US\$ thousand |
|-----------------------|---------------|------------------------|
| Currency swaps        | April 2021    | 1,000,000              |
| Currency swaps        | January 2022  | 1,500,000              |
| Currency swaps        | December 2022 | 800,000                |
| Currency swaps        | July 2022     | (202,000)              |
| <b>Currency swaps</b> |               | <b>3,098,000</b>       |
| Financial assets      |               | 1,872,854              |
| Financial liabilities |               | (5,045,159)            |
| <b>TOTAL</b>          |               | <b>(74,305)</b>        |

Payables and receivables denominated in foreign currencies are hedged by currency swaps. The Company had a residual US dollar position of US\$(74) million at 30 June 2018.

### Other items

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 FY17: 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.

Pernod Ricard SA has given a first-demand guarantee of €26,283,122 within the framework of an internal project. This guarantee was given for a limited duration (from 26 October 2017 to 1 April 2020 or, at the latest, until 1 November 2021).

## Note 21 Average headcount at 30 June 2018

|                             | Employees  | Temporary employees<br>(all categories combined) |
|-----------------------------|------------|--|
| Managers <sup>(1)</sup>     | 345        | -  |
| Supervisors and technicians | 54         | 5  |
| Employees                   | 2          | -  |
| <b>AVERAGE HEADCOUNT</b>    | <b>401</b> | <b>5</b>   |
| Work-study contracts        | 27         | -  |

(1) Including 106 expatriate employees.

## Note 22 Affiliates and associates at 30 June 2018

| € thousand  | Capital | Shareholders' equity before appropriation of results | Interest in entity's share capital (as %) | Carrying amount of investment |                   | Loans | Guarantees and endorsements | Net sales excluding levies | Net profit     | Dividends received |
|---|---------|--|---|-------------------------------|-------------------|-------|-----------------------------|----------------------------|----------------|--------------------|
|   |         |  |   | Gross                         | Net               |       |                             |                            |                |                    |
| <b>Investments whose carrying amount exceeds 1% of Pernod Ricard SA's share capital</b> |         |  |   |                               |                   |       |                             |                            |                |                    |
| <b>AGROS <sup>(1)</sup></b>   |         |  |   |                               |                   |       |                             |                            |                |                    |
| Ul. Chalubinskiego 8<br>00-613 Warsaw (Poland)  |         |  |   |                               |                   |       |                             |                            |                |                    |
|   | -       | 147,300  | 100%                                      | 122,008                       | 122,008           | -     | -                           | -                          | -              | -                  |
| <b>House of Campbell Limited <sup>(2)</sup></b>   |         |  |   |                               |                   |       |                             |                            |                |                    |
| 111/113 Renfrew Road Paisley,<br>PA3 4DY (Scotland)                                     |         |  |   |                               |                   |       |                             |                            |                |                    |
|   | 8,516   | 77,676   | 100%                                      | 40,538                        | 40,538            | -     | -                           | -                          | -              | -                  |
| <b>Geo G Sandeman Sons &amp; Co Ltd <sup>(3)</sup></b>                                  |         |  |   |                               |                   |       |                             |                            |                |                    |
| 400 Capability Green, Luton,<br>Bedfordshire, LU1 3AE (England)                         |         |  |   |                               |                   |       |                             |                            |                |                    |
|   | -       | 16,558   | 30%                                       | 9,180                         | 4,955             | -     | -                           | 1,275                      | -              | 80                 |
| <b>Pernod SA</b>  |         |  |   |                               |                   |       |                             |                            |                |                    |
| 120, avenue du Maréchal-Foch<br>94015 Créteil (France)                                  |         |  |   |                               |                   |       |                             |                            |                |                    |
|   | 40,000  | 95,093   | 100%                                      | 94,941                        | 94,941            | 227   | -                           | 383,819                    | 19,182         | 37,720             |
| <b>Pernod Ricard Asia SAS</b>   |         |  |   |                               |                   |       |                             |                            |                |                    |
| 12, place des États-Unis<br>75116 Paris (France)  |         |  |   |                               |                   |       |                             |                            |                |                    |
|   | 4,512   | 91,467   | 100%                                      | 42,457                        | 42,457            | -     | -                           | -                          | 130,562        | 162,000            |
| <b>Pernod Ricard Central and South America</b>  |         |  |   |                               |                   |       |                             |                            |                |                    |
| 12, place des États-Unis<br>75116 Paris (France)  |         |  |   |                               |                   |       |                             |                            |                |                    |
|   | 52,198  | 35,257   | 100%                                      | 172,208                       | 72,448            | -     | -                           | -                          | (14,922)       | -                  |
| <b>Pernod Ricard Europe Middle East Africa</b>  |         |  |   |                               |                   |       |                             |                            |                |                    |
| 12, place des États-Unis<br>75116 Paris (France)  |         |  |   |                               |                   |       |                             |                            |                |                    |
|   | 40,000  | 267,693  | 100%                                      | 36,407                        | 36,407            | 32    | -                           | 11,772                     | 72,138         | -                  |
| <b>Pernod Ricard North America SAS</b>  |         |  |   |                               |                   |       |                             |                            |                |                    |
| 12, place des États-Unis<br>75116 Paris (France)  |         |  |   |                               |                   |       |                             |                            |                |                    |
|   | 39,398  | 43,337   | 100%                                      | 126,735                       | 126,735           | -     | -                           | -                          | (853)          | 52,537             |
| <b>Pernod Ricard Finance SA</b>   |         |  |   |                               |                   |       |                             |                            |                |                    |
| 12, place des États-Unis<br>75116 Paris (France)  |         |  |   |                               |                   |       |                             |                            |                |                    |
|   | 232,000 | 352,701  | 100%                                      | 238,681                       | 238,681           | -     | -                           | -                          | 33,484         | 203,000            |
| <b>Pernod Ricard Pacific Holding <sup>(4)</sup></b>                                     |         |  |   |                               |                   |       |                             |                            |                |                    |
| 167 Fullarton Road, Dulwich SA<br>5065 (Australia)                                      |         |  |   |                               |                   |       |                             |                            |                |                    |
|   | 139,729 | 126,692  | 100%                                      | 151,789                       | 151,789           | -     | -                           | 375,881                    | (24,223)       | -                  |
| <b>Ricard SA</b>  |         |  |   |                               |                   |       |                             |                            |                |                    |
| 4 and 6, rue Berthelot<br>13014 Marseille (France)                                      |         |  |   |                               |                   |       |                             |                            |                |                    |
|   | 54,000  | 63,972   | 100%                                      | 67,227                        | 67,227            | -     | -                           | 495,513                    | 43,237         | 65,572             |
| <b>Lina 3</b>   |         |  |   |                               |                   |       |                             |                            |                |                    |
| 12, place des États-Unis<br>75116 Paris (France)  |         |  |   |                               |                   |       |                             |                            |                |                    |
|   | 918,730 | 15,218,760   | 100%                                      | 11,690,953                    | 11,690,953        | -     | -                           | -                          | 493,926        | -                  |
| <b>Lina 5</b>   |         |  |   |                               |                   |       |                             |                            |                |                    |
| 12, place des États-Unis<br>75116 Paris (France)  |         |  |   |                               |                   |       |                             |                            |                |                    |
|   | 30,640  | 572,058  | 100%                                      | 30,631                        | 30,631            | -     | -                           | -                          | (62)           | -                  |
| <b>Yerevan Brandy Company <sup>(5)</sup></b>  |         |  |   |                               |                   |       |                             |                            |                |                    |
| 2, Admiral Isakov Avenue,<br>Yerevan 375092,<br>(Republic of Armenia)                   |         |  |   |                               |                   |       |                             |                            |                |                    |
|   | 18,696  | 113,516  | 100%                                      | 27,856                        | 27,856            | -     | -                           | 55,602                     | 13,213         | 6,256              |
| Havana Club Holding   |         |  |   |                               |                   |       |                             |                            |                |                    |
|   | 7,628   | (7,986)  | 50%                                       | 5,592                         | 5,592             | -     | -                           | -                          | (6,214)        | -                  |
| <b>TOTAL 1</b>  |         |  |   | <b>12,857,203</b>             | <b>12,753,218</b> |       |                             |                            | <b>759,468</b> | <b>527,165</b>     |
| <b>Affiliates:</b>  |         |  |   |                               |                   |       |                             |                            |                |                    |
| French  |         |  |   | 4,406                         | 2,673             |       |                             |                            |                | 197                |
| Foreign   |         |  |   | 5,091                         | 4,129             |       |                             |                            |                | 75,887             |
| <b>Associates:</b>  |         |  |   |                               |                   |       |                             |                            |                |                    |
| French  |         |  |   | 1,506                         | 853               |       |                             |                            |                | 32                 |
| Foreign   |         |  |   | 20                            | -                 |       |                             |                            |                | -                  |
| <b>TOTAL 2</b>  |         |  |   | <b>11,023</b>                 | <b>7,655</b>      |       |                             |                            |                | <b>76,116</b>      |
| <b>TOTAL 1 + 2</b>  |         |  |   | <b>12,868,226</b>             | <b>12,760,873</b> |       |                             |                            |                | <b>603,281</b>     |

(1) Information from the AGROS financial statements at 30.06.2017.

(2) Information from the House of Campbell Limited financial statements at 30.06.2017.

(3) Information from the Geo G Sandeman Sons & Co Ltd financial statements at 31.12.2017.

(4) Information from the Pernod Ricard Pacific Holding financial statements at 30.06.2017.

(5) Information from the Yerevan Brandy Company financial statements at 30.06.2017.

## Note 23 Tax credit

### 1. CICE

The amount of tax credit for competitiveness and employment (CICE) recorded in the Company's financial statements at 30 June 2018 was €125,132.

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 a research tax credit in the amount of €715,058, a tax credit for sponsorship activities in the amount of €587,629 and a family tax credit in the amount of €199,797.

The Company financial statements detailed in the previous pages are those of Pernod Ricard SA and are the subject of the Statutory Auditor's report on the annual financial statements.

The elements relating to the Company financial statements 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 General Tax Code),
  - the breakdown of trade payables set out in articles L. 441-6-1 and D. 441-4 of the French Commercial Code,
  - the information on payment deadlines provided for in article D. 441-4 of the French Commercial Code in the terms set out in 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.

## 6.6 OTHER ELEMENTS RELATING TO THE FINANCIAL STATEMENTS

### Expenses and charges referred to in article 223 quater of the CGI (French General Tax Code)

It is specified that the total amount of expenses and charges referred to in article 223 *quater* of the French General Tax Code and the amount of the applicable tax due to these expenses and charges amount to:

| €                    | 2018    |
|----------------------|---------|
| Expenses and charges | 280,637 |
| Corresponding tax    | 96,623  |

### Supplier payment deadlines

In accordance with the law on modernisation of the economy of 4 August 2008 and articles L. 441-6-1 and D. 441-4 of the French Commercial Code, the closing breakdown of Pernod Ricard SA's debts to suppliers was as follows:

| €                              | 2018              |
|--------------------------------|-------------------|
| <b>Trade payables not due</b>  | <b>27,643,974</b> |
| at 30 days                     | 27,498,275        |
| between 30 and 45 days         | 13,147            |
| beyond 45 days                 | 132,552           |
| <b>Trade payables past due</b> | <b>1,020,812</b>  |
| Recognised and not paid (A)    | 108,169           |
| Group invoices                 | 866,823           |
| Disputes recognised            | 45,821            |

In accordance with article D. 441-4 of the French Commercial Code in the terms set out in Decree 2015-1553 of 27 November 2015, implemented by the Order of 6 April 2016, the supplier payment deadlines are as follows:

| €   | 0 days<br>(indicative) | 1 to 30 days | 31 to 60<br>days | 61 to 90 days | 91 days or<br>more | Total<br>(1 day and over) |
|---|------------------------|--------------|------------------|---------------|--------------------|---------------------------|
| <b>(A) Late payment categories</b>  |                        |              |                  |               |                    |                           |
| Number of invoices concerned  | 1                      | 1            | -                | 1             | -                  | 3                         |
| Total amount of invoices concerned excluding taxes  | 15,938                 | 7,500        | -                | 66,703        | -                  | 90,141                    |
| Percentage of total purchase amount excluding tax for the financial year                            | -                      | -            | -                | -             | -                  | -                         |
| <b>(B) Invoices excluded from (A) relating to disputed or unrecognised payables and receivables</b> |                        |              |                  |               |                    |                           |
| Number of excluded invoices   | 44                     | 81           | 10               | 14            | 26                 | 175                       |
| Total amount of excluded invoices excluding tax   | 635,219                | 517,093      | 34,663           | 198,969       | 175,494            | 1,561,438                 |

#### (C) Reference payment terms used to calculate delays (article L. 441-6 or article L. 443-1 of the French Commercial Code)

- Contractual payment terms (45 days end of month, 30 days end of month or 15 days end of month)
- 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 is not presented below as it is deemed not pertinent.

Information on trade receivables is set out below:

| € including tax                 | 2018               |
|---------------------------------|--------------------|
| Trade receivables not due       | 160,211,409        |
| Trade receivables past due      | 28,968,860         |
| <b>TOTAL</b>                    | <b>189,180,269</b> |
| <i>O/w disputed receivables</i> | <i>4,303,145</i>   |

## 6.7 FINANCIAL RESULTS OVER THE LAST FIVE FINANCIAL YEARS

| €  | 30.06.2014  | 30.06.2015    | 30.06.2016  | 30.06.2017  | 30.06.2018  |
|--|-------------|---------------|-------------|-------------|-------------|
| <b>Financial position at year-end</b>  |             |               |             |             |             |
| 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)  | -           | -             | -           | -           | -           |
| <b>Operating results</b>   |             |               |             |             |             |
| Sales (excluding taxes and duties)   | 699,007     | 72,349,685    | 137,322,737 | 147,044,350 | 154,976,030 |
| Profit before taxes, amortisation, depreciation and allowances to provisions           | 343,291,521 | 1,564,703,879 | 547,695,859 | 926,378,106 | 432,466,377 |
| Corporate income tax   | 167,807,564 | 143,419,324   | 160,415,191 | 114,461,535 | 179,468,467 |
| Profit after taxes, amortisation, depreciation and allowances to provisions            | 462,677,928 | 1,614,768,789 | 764,078,429 | 966,776,001 | 565,822,841 |
| Dividends distributed <sup>(1)</sup>   | 432,824,096 | 474,999,305   | 496,766,932 | 536,151,616 | -           |
| <b>Earnings per share</b>  |             |               |             |             |             |
| Profit after taxes, but before amortisation, depreciation and allowances to provisions | 1.93        | 6.44          | 2.67        | 3.92        | 2.31        |
| Profit after taxes, amortisation, depreciation and allowances to provisions            | 1.74        | 6.08          | 2.88        | 3.64        | 2.13        |
| Dividend paid per share <sup>(1)</sup>   | 1.63        | 1.80          | 1.88        | 2.02        | -           |
| <b>Personnel</b>   |             |               |             |             |             |
| Number of employees  | 349         | 362           | 373         | 372         | 401         |
| Total payroll  | 53,399,561  | 51,445,974    | 49,175,332  | 52,442,536  | 64,087,417  |
| Employee-related benefits paid during the year   | 27,819,911  | 29,223,152    | 25,196,150  | 22,389,498  | 29,981,592  |

(1) The amount of dividends for 2018 will be known with certainty after the Shareholders' Meeting of 21 November 2018 (dividends relating to the financial year from 1 July 2017 to 30 June 2018).

## 6.8 DIVIDENDS DISTRIBUTED OVER THE LAST FIVE FINANCIAL YEARS

| Financial year<br>€ | Date of payment           | Net amount | Overall amount for<br>the financial year |
|---------------------|---------------------------|------------|--|
| FY14                | 08.07.2014                | 0.82       | -  |
|                     | 17.11.2014                | 0.82       | 1.64                                     |
| FY15                | 08.07.2015                | 0.82       | -  |
|                     | 18.11.2015                | 0.98       | 1.80                                     |
| FY16                | 08.07.2016                | 0.90       | -  |
|                     | 30.11.2016                | 0.98       | 1.88                                     |
| FY17                | 07.07.2017                | 0.94       | -  |
|                     |                           | 1.08       | 2.02                                     |
| FY18                | 06.07.2018 <sup>(1)</sup> | 1.01       |  |

(1) An interim dividend for 2017/2018 was paid on 6 July 2018. The balance will be decided by the Shareholders' Meeting of 21 November 2018 called to approve the financial statements for the year ended 30 June 2018.

## 6.9 INVENTORY OF MARKETABLE SECURITIES

| French investments with a net carrying amount in excess of €100,000<br>€ | Number of shares held | Net carrying amount   |
|--|-----------------------|-----------------------|
| Lina 3   | 61,209,716            | 11,690,953,301        |
| Lina 5   | 306,400               | 30,630,500            |
| Pernod SA  | 2,580,000             | 94,941,256            |
| Pernod Ricard Asia SAS   | 2,785,000             | 42,457,051            |
| Pernod Ricard Central and South America                                  | 691,596               | 72,447,710            |
| 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 SA  | 1,750,000             | 67,227,401            |
| Résidence de Cavalières  | 205,950               | 1,392,350             |
| Lina 19  | 10,100                | 1,143,338             |
| <b>SUBTOTAL</b>  | <b>103,916,262</b>    | <b>12,403,015,735</b> |
| Other shareholdings in French companies                                  | 201,944               | 990,245               |
| Investments in unlisted foreign companies                                | 25,705,455            | 356,867,484           |
| <b>TOTAL MARKETABLE SECURITIES AT 30.06.2018</b>                         | <b>129,823,661</b>    | <b>12,760,873,464</b> |