2017 – 2018

REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT

Pernod Ricard

Créateurs de convivialité

CONTENTS

Items in the annual financial report (AFR) are clearly identified in the contents by the pictogram ❖

Pernod Ricard

Créateurs de convivialité

2017 2018

REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Registration Document was filed with the French Financial Markets Authority (*Autorité des Marchés Financiers* – AMF) on 26 September 2018, in accordance with article 212-13 of its General Regulation. 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.

Copies of the Registration Document are available from the Group Pernod Ricard, 12 place des États-Unis – 75783 PARIS Cedex 16, on the Pernod Ricard website: www.pernod-ricard.com and on the AMF website: www.amf-france.org.

WORLD
No. 1
for Premium and Prestige spirits[a]

86
MARKET COMPANIES
spread across three regions

85% of affiliates have implemented at least one action to promote
RESPONSIBLE DRINKING

93 production
SITES[b]

20%
reduction in water consumption[c]

30%
reduction in CO_2 emissions[c]

PERNOD RICARD AT A GLANCE

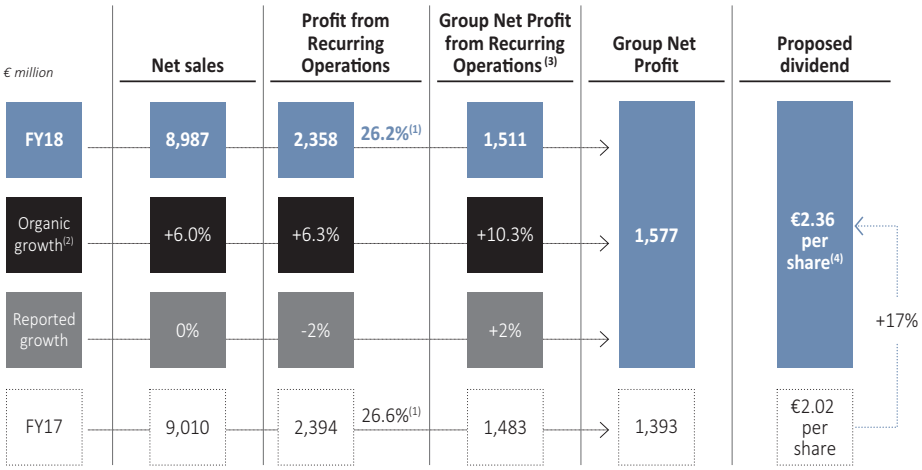
RESULTS FOR FY18: VERY STRONG YEAR: BUSINESS ACCELERATING

Alexandre Ricard, Chairman & CEO, declared:

"FY18 was a very strong year. Consistent strategic implementation has enabled us to deliver a significant improvement in business performance while investing for the future. Our Sales have accelerated and diversified, and our margins improved.

In FY19, in a still uncertain geopolitical and monetary environment, we will continue consistently implementing our strategy. Our guidance for FY19 is organic growth in Profit from Recurring Operations between +5% and +7%."

Key Figures



(1) Operating margin.
(2) Organic growth is defined on page 137 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 21 November 2018.

AN INTERNATIONAL AND DECENTRALISED GROUP

AMERICA	EUROPE	ASIA/REST OF THE WORLD
€2,546M	€2,792M	€3,648M
€735M	€626M	€996M
3,626 [d]	9,345 [d]	5,510 [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 2017.
(b) Number of sites operating as of 30 June 2018.
(c) Reduction per unit of production between FY10 and FY18.
(d) Average workforce during the FY18.
(e) Source: Impact Databank 2017, published in March 2018.
(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.

€8,987M
in net sales

€2,358M
Group net profit

18,481
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]

1

EXTRACTS FROM THE INTEGRATED ANNUAL REPORT

ALEXANDRE RICARD

MESSAGE FROM

THE CHAIRMAN & CHIEF EXECUTIVE OFFICER

The memory of France's second FIFA World Cup victory in the summer of 2018 will remain with me for a long time. While a remarkable sporting achievement in itself, what really struck me was the millions of people who celebrated the win with such collective zeal. Crowds of people spontaneously converged on even the smallest of village squares, strangers brought together by their shared urge to celebrate this exceptional event. How do you explain this desire to be united in joy? The obvious explanation is that the need for sharing and being together is simply part of human nature; it brings us a sense of wellbeing. That's what we mean when we speak about "*convivialité*" – and what is more convivial than sharing a drink and sharing good times with friends old and new?

Now the point here is not to glorify alcohol. There is no conviviality to be had in excess – quite the contrary, in fact. But like the social connections it nurtures, a certain *art de vivre* is born through moderation and keeping things in balance.

This is precisely the meaning of our vision "Créateurs de convivialité", and the underlying theme of our first corporate campaign that will be deployed over the next fiscal year. To prove our hypothesis, we produced a short documentary in which we travelled across the globe to meet real-life consumers. Irrespective of culture and social origin, the film reveals this universal desire to come together and share moments of pure and authentic joy. Twenty years after the death of my grandfather and Group co-founder Paul Ricard, his motto to "Make a new friend every day" has acquired new relevance in an increasingly connected and virtual world.

We have linked the achievement of our vision "Créateurs de convivialité" to our ambition. The day when our premium brands underpin all moments of

"ONLY COMPANIES THAT UNDERTAKE AN IN-DEPTH ORGANISATIONAL TRANSFORMATION WILL SUCCEED IN IMPROVING THEIR AGILITY AND PERFORMANCE, THEREBY MAKING THE MOST OF THIS CHANGING ENVIRONMENT."

celebration, occasions for sharing and get-togethers among friends – in short, every experience of conviviality – is the day we will become the de facto market leader. To pursue this ambition, we must succeed in navigating an increasingly complex environment to surmount the following five challenges:

1. Address the challenges and seize the opportunities of a new geopolitical context, characterised by the rise of protectionism and a dramatically new consumer landscape;
2. Transform the technological revolution - Big Data, artificial intelligence, connected objects, etc. - into a growth driver;
3. Pre-empt the consumption patterns of new emerging classes in countries undergoing rapid demographic and economic development;
4. Satisfy the desire for more authenticity, transparency, proximity and environmental protection;
5.Attract, retain and develop talents by rethinking our ways of working.

Only companies that undertake an in-depth organisational transformation will succeed in improving their agility and performance, thereby making the most of this changing environment. The Group's Executive Committee and I initiated this transformation three years ago with the implementation of a new consumer-focused business strategy as well as a plan for operational excellence, the reorganisation of our key markets (United States, China and Travel Retail), the roll-out of an ambitious digital roadmap and luxury strategy, a focus on promising innovations and the creation of Pernod Ricard University for our employees. This has been possible only by virtue of what I call the "Mindset for Growth", the all-conquering mindset demonstrated by each of our 18,900 employees.

The results speak for themselves: accelerated growth, with sales up 6% compared with 3.6% last year. What's more, this growth is diversified and spread across all our regions. Our margins are beginning to improve, profit from recurring operations is up 6.3%, and we have reduced debt by nearly one billion euros year-on-year. Based on these positive figures we are increasing shareholder dividends, with a payout ratio revised to 41%. Yet our financial discipline has not prevented us from preparing for our future, as reflected in the rise in our marketing expenditure.

On that note, what will tomorrow bring? Nothing is certain, and I dare say it's still only the beginning. While we have solid foundations, much still needs to be done to keep up the pace and it goes without saying that we will continue to transform our organization and focus on growth. The new targets that we have set for our markets directly reflect this, with organic growth of our current operating profit expected between +5% and +7%. In order to attain this goal, we will continue to implement our key strategic drivers consistently across all our markets: operational excellence, investments to strengthen our brands and key markets, innovation, and dynamic portfolio management. We are also launching a number of new initiatives such as "TransfoRHm", a wholly revised talent management policy, as well as an optimised financial management model "Finance 4.0", the search for new sources of growth through the monetisation of our experiences, and lastly, deploying a new Sustainability and Responsibility platform with new targets identified in our 2030 roadmap.

While the current monetary and geopolitical environment can only be described as uncertain, rest assured that we are primed and ready to go. A few days before publishing this annual report, 300 of our most senior managers from around the world came together at our Pernod Ricard University training centre. The motto for our gathering perfectly encapsulates our continued determination: "Better, agile, together: transform and accelerate."

OUR HISTORY

A SOCIAL & ENTREPRENEURIAL ADVENTURE

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.

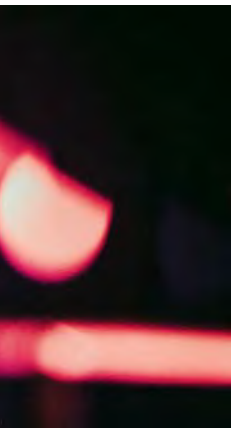
1988
Acquisition of leading Irish whiskey producer Irish Distillers, owner of Jameson.

1989
Acquisition of Orlando Wyndham Group, owner of Jacob's Creek.

1993
Creation of Havana Club International, Pernod Ricard's joint venture with Cuban rum company Cuba Ron, to market and sell Havana Club.

2001
Acquisition of Seagram, securing key positions in whisky (Chivas Regal, The Glenlivet, Royal Salute) and cognac (Martell) categories.

(1) Corporate Social Responsibility.
(2) European Federation of Food, Agriculture and Tourism Trade Unions.
(3) Pernod Ricard European Works Council.
(4) https://www.unglobalcompact.org/take-action/leadership/gc-lead



2005
Acquisition of Allied Domecq, doubling the Group's size to become the world's #2 Wine & Spirits company, with brands including Mumm and Perrier-Jouët champagnes, Ballantine's whisky, Kahlúa and Malibu liqueurs, and Beefeater gin.
Membership of the International Alliance for Responsible Drinking (IARD, formerly ICAP).

2003
Signing of the United Nations Global Compact.

2007
Adoption of a code of commercial communications.

2008
Acquisition of Vin & Sprit, owner of Absolut Vodka.

2010
Adhesion to the CEO Water Mandate.

2011
Upgrade of Group's credit rating to investment grade.
Launch of Responsib'ALL Day, a global annual event devoted to social responsibility involving the Group's entire workforce.
Creation of a Responsible Procurement Policy.

2012
Signing of the Wine & Spirits Producers' 5 commitments to promote responsible drinking.

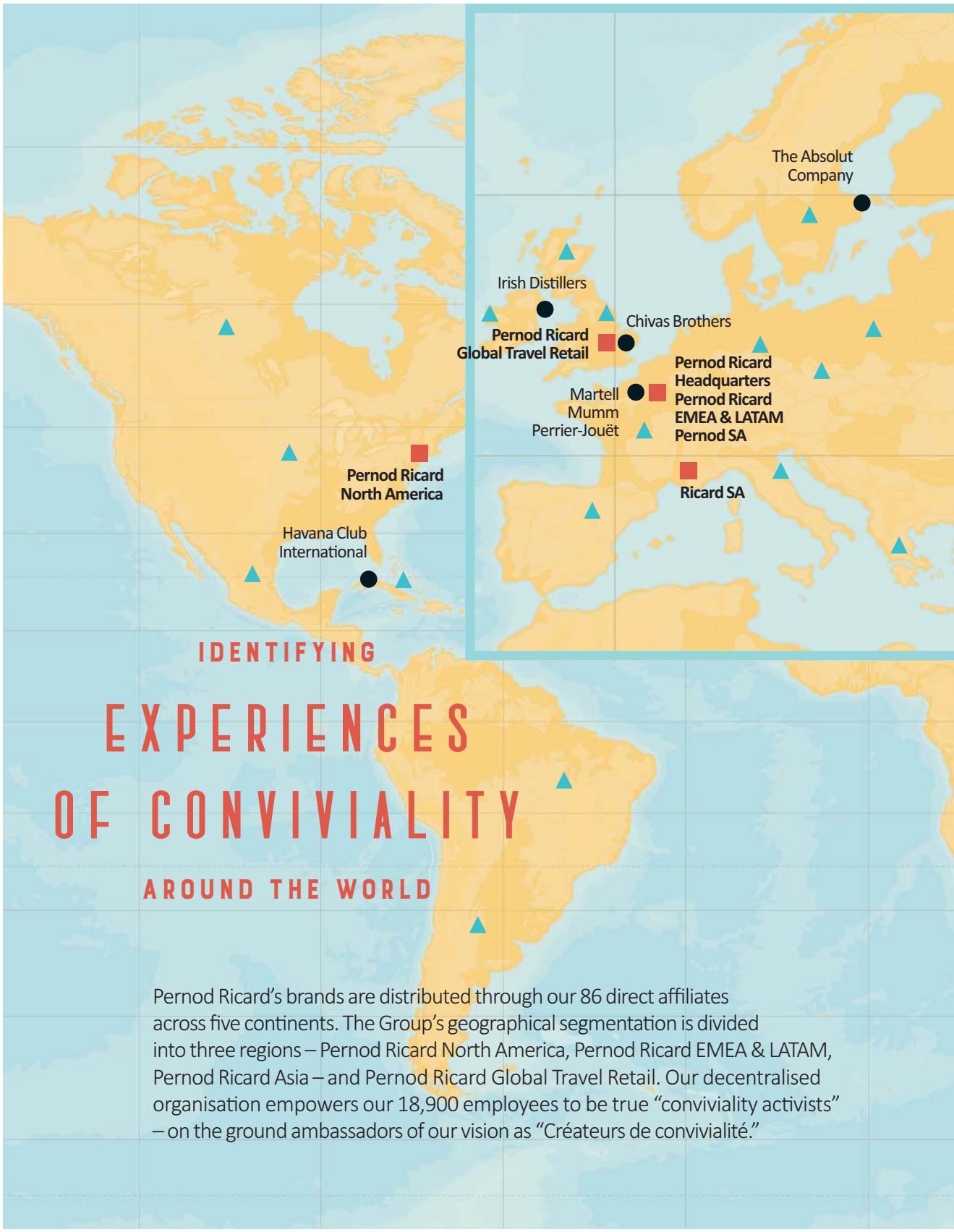
2014
Signing of European CSR[1] agreement with EFFAT[2], in collaboration with the EWC [3].
Acquisition of majority stake in Avión premium tequila.

2016
Acquisition of majority stake in Black Forest Distillers GmbH, owner of the super-premium gin Monkey 47.
Signing of the United Nation's Sustainable Development Goals.
50th anniversary of the *Institut Océanographique Paul Ricard.*

2015
Appointment of Alexandre Ricard as Chairman & CEO.

2017
Acquisition of majority stake in high-end bourbon producer Smooth Ambler, and in Del Maguey Single Village, the #1 mezcal in the United States.

2018
Nomination of Pernod Ricard as member of Global Compact LEAD[4].



IDENTIFYING

EXPERIENCES OF CONVIVIALITY

AROUND THE WORLD

Pernod Ricard's brands are distributed through our 86 direct affiliates across five continents. The Group's geographical segmentation is divided into three regions – Pernod Ricard North America, Pernod Ricard EMEA & LATAM, Pernod Ricard Asia – and Pernod Ricard Global Travel Retail. Our decentralised organisation empowers our 18,900 employees to be true "conviviality activists" – on the ground ambassadors of our vision as "Créateurs de convivialité."

BRAND COMPANIES HEAD OFFICES
Dublin - Ireland
Havana - Cuba
London - United Kingdom
Paris - France
Stockholm - Sweden
Sydney - Australia

MARKET COMPANIES HEAD OFFICES
Hong Kong - China
London - United Kingdom
New York - United States
Paris, Marseille, Créteil - France

PRODUCTION SITES IN 23 COUNTRIES
Argentina / Armenia / Australia / Brazil / Canada / China / Cuba / Czech Republic / England / Finland / France / Germany / Greece / India / Ireland / Italy / Mexico / New Zealand / Poland / Scotland / Spain / Sweden / United States

OUR DNA

THE PERNOD RICARD MINDSET

A WINNING SPIRIT OF CONQUEST

Our 18,900 employees are our greatest asset, and their exceptional commitment is an essential lever for our success. This commitment is a result of a collective spirit of conquest – what we call "the Pernod Ricard Mindset." Shared and communicated across the Group, this Mindset fosters a culture that truly encourages our employees to always go "the extra mile."

The Pernod Ricard Mindset is a powerful force that permeates every aspect of our activity, the most visible expression of a culture whose mission is to promote conviviality around the globe. Nurtured and spread throughout the Pernod Ricard community, it draws largely on the company's founding principle of decentralisation. This policy ensures that we are able to respond to local market needs as they unfold. The premise is simple: in respecting the operational autonomy of our affiliates, we not only encourage but empower our employees to take the initiative for finding new ways to engage with our markets. With a true understanding of the local cultural and economic reality, they are in a key position to be the first to spot new trends or seize new opportunities, all while improving our customer proximity. This Mindset has become vital to the implementation of our strategy and the efficient operation of our organisation. It is the by-product of our three cardinal values: an entrepreneurial spirit, mutual trust, and a strong sense of ethics. Together, these form the foundation of our cultural model.

The Pernod Ricard Mindset allows us to leverage the power of a large group and the agility of a start-up. A successful decentralised business model requires that an entrepreneurial spirit be ingrained throughout an organisation. What would be the point of independent affiliates if they were given no entrepreneurial freedom?

Likewise, initiatives can only succeed when a mutual trust exists between affiliates and employees. This trust lays the foundation for an open and direct dialogue, one in which our employees are given free rein to develop initiatives that are based on their experiences and insights.

Such an approach requires spontaneity, transparency, openness to others and respect for differences – all essential elements to our strong sense of ethics. Since the Group's inception, we have promoted the universal humanistic values of personal and professional responsibility, transparency and respect for individuals and cultures. After all, the conquest of leadership, which remains the Group's ambition, is contingent on exemplary behaviour.

These values, combined with the Pernod Ricard spirit of conviviality, are what make Pernod Ricard so unique. We foster simple, direct relationships between people. We encourage sharing and collaboration. We strive to eliminate silos and to share expertise, foster discussions and streamline procedures. And in doing so we have a clear goal in mind, to focus on our *raison d'être* – our consumers.

Scan the page with the Shazam app to discover the Pernod Ricard Mindset in action.

94%
OF OUR EMPLOYEES ARE PROUD TO WORK FOR PERNOD RICARD

95%
WHOLEHEARTEDLY SHARE THE GROUP'S VALUES

88%
FEEL A SENSE OF COMMITMENT

Source: Results of the *I Say* survey, June 2017, Willis Towers Watson.

OUR

MODEL FOR SUCCESS

The Men and Women of Pernod Ricard

A MODEL

–

Decentralisation

Placing decision-making closer to markets
Fast response to consumer needs

–

VALUES

–

Entrepreneurial Spirit

Autonomy
Initiative-taking
Audacity
Appetite for risk

–

–

Mutual Trust

Freedom to act
Open dialogue
Right to fail

–

–

Sense of Ethics

Respect
Transparency
Good stakeholder relations

–

AN ATTITUDE

–

Conviviality

OUR

UNIQUE AND DYNAMIC PORTFOLIO

TO MEET LOCAL MARKET NEEDS

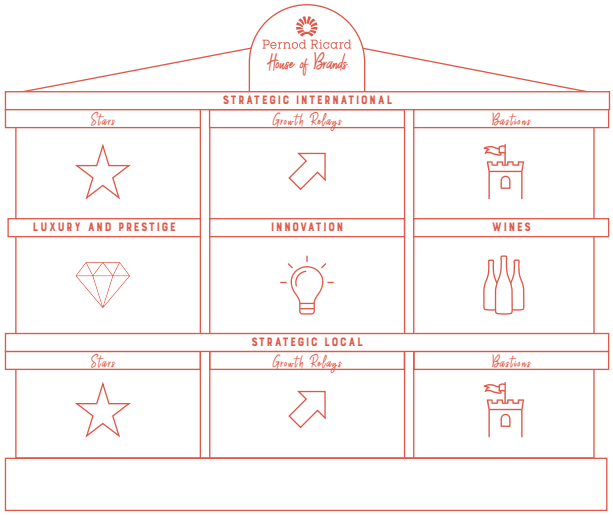
With our unique portfolio of international premium brands encompassing every major category of wines and spirits, Pernod Ricard has one of the most comprehensive portfolios in the market. To allocate our resources in the best possible way, we implemented a group-wide modular planning tool, the House of Brands. This tool enables our affiliates to prioritise their investments according to the growth potential of each brand in their local market.

Allocating resources in a way that is adapted to the needs of our brands means we can best leverage the impact of our investments, thereby fostering the Group's growth. The House of Brands allows us to tailor our investment priorities and organise our portfolio of premium brands according to the local context and consumption habits, as well as the growth potential of each brand in each market.

This dynamic brand management tool allows each market to invest in line with the Group's priorities (whether in Strategic International Brands, Luxury, Innovation, Strategic Wines, or Strategic Local Brands) as well as its local context (such as the local moments of consumption, or specific conviviality experiences). After identifying the potential of each brand in each segment, the market determines its local strategy based on three types of investment priorities: Stars, Growth Relays and Bastions.

For the brands that are categorised as Stars, the Group invests significantly in them since they actively contribute to current growth. Our Growth Relay brands, that are promising from a future performance perspective, also benefit from increased resources to continue promoting dynamic growth in the medium and long-term. Meanwhile, the goal of our investments in our mature brands or brands that are in a very competitive sales category, the Bastions, is to ensure that we protect their sales and profits.

This segmentation not only permits greater agility, taking full advantage of local market knowledge while serving the Group's overall performance, but also contributes to maintaining a consistent and coherent dialogue between Pernod Ricard Headquarters and affiliates when resources are allocated. The House of Brands helps markets find the right balance between short, medium and long-term benefits and between growth, preservation and defensive strategies.



THE

HOUSE OF BRANDS

STRATEGIC INTERNATIONAL BRANDS

LUXURY

INNOVATION

STRATEGIC WINES

STRATEGIC LOCAL BRANDS

Illustrative selection of brands.

OUR ORGANISATION:

DECENTRALISED TO CAPTURE NEW BUSINESS OPPORTUNITIES

Decentralisation is a founding principle of our organisation. From the outset, Pernod Ricard has harnessed the potential of decentralisation to encourage consumer-centric decision making and address customer needs in a timely manner. Decentralisation confers a competitive advantage in an uncertain environment, rendering company operations more flexible, efficient and effective. With an organisation based on a respect for each affiliate's operational autonomy and the overall strategic principles defined at the Group level, we can confidently rely on the constant interaction between Headquarters, Brand Companies and Market Companies.

In a volatile environment, adaptability is essential at every level if we are to capture new market trends ahead of the competition. As one of the Group's key strengths, decentralisation has instilled a culture of openness to change and constant transformation that allows us to constantly improve our agility, speed, and overall efficiency. It affords us the benefits of economies of scale inherent to a large international organisation with a global structure – for example, the ability to pool resources and share expertise, while freeing affiliates from these same operational constraints. By removing all obstacles that prevent us from making strategic decisions at a local level, our local markets can focus on the essential: capitalising on opportunities for growth.

Our decentralised organisation is organised around three entities: Headquarters – which defines the Group's strategy and oversees its implementation, six Brand Companies responsible for developing products and their marketing policies, and 86 Market Companies responsible for the local distribution of the Group's portfolio of brands. Each entity is managed as an individual profit centre and thus afforded significant autonomy. Affiliates are obliged to obtain results that are in line with the defined strategy and that contribute to the Group's overall success. Our organisational model relies on the continuous dialogue between all Group entities in order to facilitate decision making and operational efficiency.

86
MARKET COMPANIES AROUND THE WORLD

93
PRODUCTION SITES[1]

4
STRATEGIC MARKETS: US, CHINA, INDIA AND TRAVEL RETAIL

(1) Operating sites as at June 30, 2018.

PERNOD RICARD

HEADQUARTERS

Headquarters defines, coordinates and oversees the implementation of the overall company strategy and ensures affiliates comply with corporate policies. Its main responsibilities are: governance functions (Strategy, Mergers & Acquisitions, Finance, Legal Affairs, Corporate Communication, Talent Development, S&R); dissemination of best practices and cross-functional initiatives with high added value (digital marketing, luxury, innovation, etc.); and support functions (supply chain, IT, etc.).

BRAND COMPANIES

THE ABSOLUT COMPANY
CHIVAS BROTHERS
MARTELL MUMM PERRIER-JOUËT
IRISH DISTILLERS
PERNOD RICARD WINEMAKERS
HAVANA CLUB INTERNATIONAL

Based in the home country of each brand, the Brand Companies are responsible for developing the overall strategy for their respective brands, as well as activations that can be implemented by the Market Companies at the local level. They are also responsible for production and management of their industrial facilities.

MARKET COMPANIES

PERNOD RICARD NORTH AMERICA
PERNOD RICARD ASIA
PERNOD RICARD EMEA & LATAM [1]
PERNOD RICARD GLOBAL TRAVEL RETAIL
PERNOD SA
RICARD SA

The Market Companies are each linked to a region (Pernod Ricard North America, Pernod Ricard Asia or Pernod Ricard EMEA & LATAM), with the exception of the Group's two founding Market Companies in France, Pernod SA and Ricard SA, which are directly represented on the Executive Committee. Tasked with implementing the Group's strategy and key policies in their respective markets, the 86 Market Companies' role is to activate the Group's international brand strategies at the local level and manage the local and regional brands in their portfolio.

(1) Europe, Middle East, Africa and Latin America.

OUR CONSUMER-FOCUSED

STRATEGY

4 ESSENTIALS

OPERATIONAL EXCELLENCE
Reduce complexity & foster efficiency

TALENT DEVELOPMENT
Recruit, retain & develop diverse teams

SUSTAINABILITY & RESPONSIBILITY (S&R)
Lead the industry in sustainability & responsibility

ROUTE-TO-MARKET/CONSUMER
Capitalise on our many different distribution channels in order to reach all of our customers and consumers

Today's consumers are no longer loyal to a single brand. They are increasingly demanding and more connected than ever. They choose from a range of brands, based on the moment of consumption (meal, aperitif, celebration), including when, where (restaurant, home, night club), and with whom they are (family, friends, colleagues). To ensure that we understand and meet their needs, we have placed the consumer at the heart of our strategy; everything we do revolves around consumer satisfaction.

Our strategic model is based on four Essentials and four Accelerators, defining our priorities for the coming years.

Our four Essentials are built on our historic fundamentals:

- **Operational Excellence:** streamline operational processes to produce, distribute and commercialise our products more effectively, thereby acting with more speed and agility.
- **Talent Management:** capitalise on our solid entrepreneurial culture to develop our employees, enhance their career paths and attract new talent.
- **Sustainability & Responsibility (S&R):** integrate S&R as an integral part of our brand strategy to drive long-term positive and sustainable growth, serving all our communities.
- **Route-to-Market/Consumer:** boost our brands across all distribution channels – from traditional

At Pernod Ricard, conviviality is more than our profession, it's our driving purpose. We strive to bring people together. As "Créateurs de convivialité," the Group's vision is to ensure that each of our brands are at the heart of every shared moment, transforming these social occasions into true experiences of conviviality – simple, genuine, direct and authentic moments of sharing. In realising this vision we will achieve the ambition of our founders Paul Ricard and Jean Hémard to become the world leader in the Wine & Spirits industry.

4 ACCELERATORS

PORTFOLIO MANAGEMENT
Position one of our brands at each and every shared moment of celebration, rooted in local realities

PREMIUMISATION AND LUXURY
Premiumise the portfolio & strengthen our position as the leader in luxury spirits

INNOVATION
Create brand experiences through new products and services

DIGITAL ACCELERATION
Accelerate the integration of digital into everything we do

channels to new emerging channels, such as e-commerce – to optimise delivery of our products.

Our four Growth Accelerators leverage these Essentials to meet new consumer needs:

- **Portfolio Management:** position one of our brands in each moment of conviviality;
- **Premiumisation and Luxury:** encourage consumers to move upmarket and consolidate our leadership in the luxury spirits segment;
- **Innovation:** develop new products and services, and create new brand experiences;
- **Digital Acceleration:** integrate digital technology into all our projects.

This strategy will allow us to win on the four battlegrounds we have identified to accelerate our growth:

1 Winning in Key Markets	**2** Building Passion Brands
3 Funding the Journey	**4** Enhancing Performance Culture

OUR S&R MODEL

FOR SUSTAINABLE GROWTH

Pernod Ricard has always been a pioneer in corporate global responsibility. More than 50 years ago, our founder Paul Ricard created the *Institut Océanographique Paul Ricard,* just one example of his vision for the Group's place in the world. Today, our commitment to Sustainability & Responsibility (S&R) remains a cornerstone of the Group, intrinsic to every aspect of our mission as "Créateurs de convivialité."

Pernod Ricard has dedicated itself to striking a consistent balance between business efficiency, community well-being and environmental protection. As "Créateurs de convivialité," we believe that the universal human instinct for conviviality flows most naturally and abundantly from a healthy social and physical environment. Sustainability & Responsibility are intrinsic to both our vision and our ambition, non-negotiable "Essentials" for the success of our strategic model. These "Essentials" permeate each Brand's strategy and by ensuring "Brand Positive Impact" each Brand is able to contribute to a better world.

At Group level, the Sustainability & Responsibility strategy correlates directly with key challenges our stakeholders have defined. The strategy is based on four priorities (see opposite): empowering our employees, promoting responsible consumption, protecting our planet, and developing our local communities in ways that involve our business partners.

Mobilising our 18,900 employees is essential to our strategy's success. As frontline ambassadors, our employees reaffirm our commitments on a daily basis through a wide range of initiatives. In line with our principle of decentralisation, these initiatives are always rooted in local needs, while at the same time securely tied to the Group's global priorities.

We take an open and friendly approach with stakeholders, partners, and companies that support our activities around the world. It is a source of pride for us to protect and maintain the environmental heritage unique to each of our Brands. Reflecting our consumer expectations for authenticity, transparency and traceability, we endeavour to adopt the most sustainable practices in developing our products.

Looking at the global community, Pernod Ricard firmly supports the United Nations Sustainable Development Goals (SDGs) defined in 2015 to end poverty, protect the planet, and ensure peace and prosperity for all.

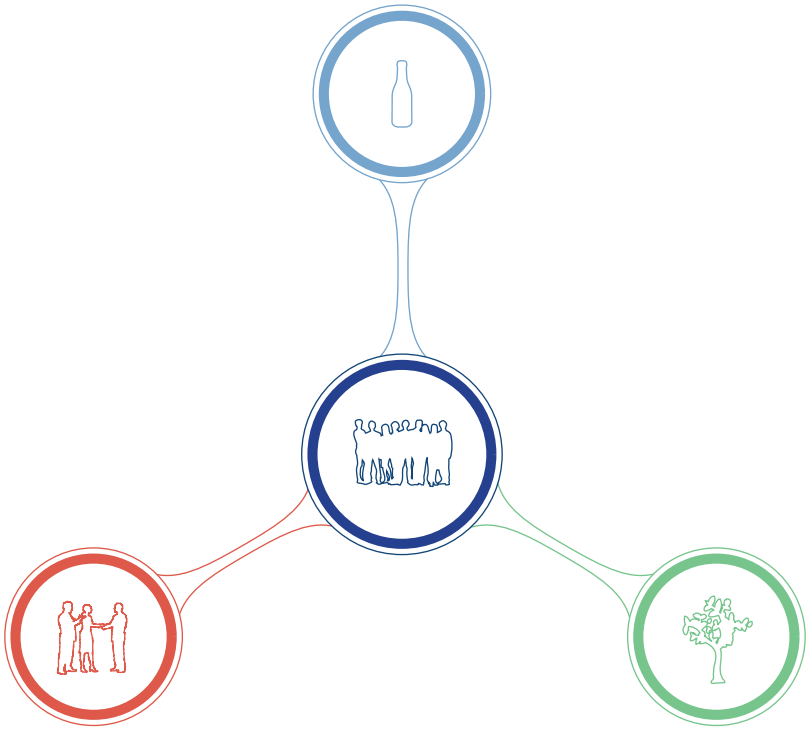
In 2018, Pernod Ricard's S&R strategy was again recognised at the highest level by non-financial rating agencies. The Group was ranked #1 worldwide in the beverage sector in terms of Corporate Social Responsibility by Vigeo Eiris in May. According to EcoVadis, Pernod Ricard ranks among the top 3% of global companies with the most advanced CSR commitments.

92%
OF OUR EMPLOYEES BELIEVE THAT THEIR COMPANY IS SOCIALLY RESPONSIBLE IN THE COMMUNITY

85%
DECLARE THAT THEY ARE ENCOURAGED TO ACT RESPONSIBLY WITHIN THEIR DEPARTMENT

83%
ARE WELL AWARE OF PERNOD RICARD'S S&R MODEL AND ITS FOUR AREAS OF ENGAGEMENT

Source: Results of the *I Say* survey - S&R policy, June 2017, Willis Towers Watson.



Empowering our employees

As frontline ambassadors of our commitments, employees are central to our S&R model. Our credibility derives from their actions. And it is through their efforts that our S&R model, based on the Group's values – entrepreneurial spirit, mutual trust and a strong sense of ethics – will ensure Pernod Ricard's success.

• 94% of our employees are proud to work for Pernod Ricard[1].

ACTIONS

• For the 8th edition of Responsib'ALL Day[2], the Group's 18,900 employees dedicated the day to helping their local communities. As water and biodiversity are key to our business, all of the projects in 2018 were related to the UN SDG goals #15 (Life on Land) and #6 (Clean Water and Sanitation).

Developing our local communities and involving our business partners

By associating its business partners and suppliers to its sustainability initiatives, Pernod Ricard has made a long-term commitment to the local communities where the Group does business. The company is committed to fostering a culture of sharing and an ethos of dialogue.

• 96% of our affiliates have implemented at least one local community/partner engagement initiative;
• 2,483 of our suppliers have been analysed by our supplier management tool since 2012.

ACTIONS

• Kahlúa launched a sustainability initiative to grow coffee more fairly and sustainably in Veracruz (Mexico) with the goal of using 100% sustainable coffee by 2020.

Promoting responsible consumption

We promote responsible consumption in three principal ways: by targeting at-risk behaviours and populations (young people, pregnant women), by taking preventive action via educational programs and direct awareness-raising campaigns for our customers and suppliers, and by having our affiliates engage closely with their local communities to address local issues and concerns.

• 85% of our affiliates have implemented at least one initiative to promote responsible drinking.

ACTIONS

• More than 590 "Responsible Party" events have been organised over the past eight years, thus raising awareness of more than 370,000 students in 32 countries.

Protecting our planet

The Group's premiumisation strategy hinges on preserving and passing on the unique *terroir* where each of our Brands is produced. With all Group products deriving from agricultural raw materials, Pernod Ricard has implemented stringent initiatives embodied in each affiliate's action plan, supported by a comprehensive global environmental roadmap.

Reduction per production unit:
• 20% reduction in water consumption[3];
• 30% reduction in CO_2[3] emissions.

ACTIONS

• Pernod Ricard has banned non-biodegradable plastic straws and stirrers from its events;
• In Spain, Pernod Ricard's Campo Viejo is experimenting with sustainable winegrowing practices in their vineyards in the Rioja region; it is also Spain's first winery certified as carbon-neutral.

As a pledge of our on-going commitment to sustainability and responsibility, in 2019 Pernod Ricard will deploy a new sustainability and responsibility platform, with new targets to attain by 2030.

(1) Source: Results of the *I Say* survey, June 2017, Willis Towers Watson. (2) Responsib'ALL Day is an annual global event for which all Pernod Ricard employees from around the world dedicate time and resources to support the Group's global sustainability commitments. (3) Since 2009-10, these two indicators are down by -20% and -30% respectively – thus achieving the 2020 Roadmap objectives ahead of schedule.

BOARD OF DIRECTORS

The Pernod Ricard Board of Directors oversees the Group's governance in an ethical and transparent manner while ensuring that the business is managed in the best interests of the Group and its stakeholders. The Board members, who bring together complementary skills and experience, ensure that the Group pursues its business strategy with the primary goal of increasing the value of the Group.

Organisation

Pernod Ricard follows the AFEP-MEDEF Code of Corporate Governance for listed companies and applies the independence criteria established in the Code. The 13 Directors – one of whom represents Group employees and six of whom are independent, meet eight times per year on average for meetings that are presided by the Chairman of the Board, who is also Pernod Ricard's Chief Executive Officer. The Board is assisted in its work by four specialised committees and the Chairman reports on the progress at the Annual Shareholders' Meeting. The Chairman is tasked with ensuring that the Group's bodies run smoothly, which includes providing the Directors with resources they need to fulfil their duties. In order to further root its work in the Group's daily business operations, the Board has access to the in-house social network and holds one meeting per year in an operating affiliate.

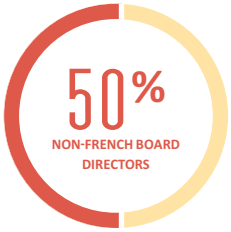
FY18 activity

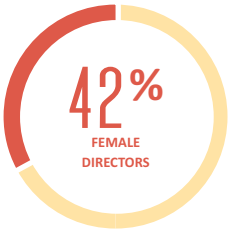
Over the course of FY18, the Board of Directors met 8 times, with an attendance rate of 100%. The average length of the meetings was approximately 3 hours. Their main activities were to:

- approve the half-year and annual financial statements;
- review the budget;
- oversee the preparations of the Annual Shareholders Meeting;
- review and approve the work of the four specialised committees;
- review presentations of the activities of the functional departments and affiliates;
- review its own functioning and that of its committees.

Committees of the Board of Directors

To assist the Board of Directors in its decision-making, four specialised committees work on specific subjects to provide advice and recommendations. Created and presided over by Alexandre Ricard since 2015, the Strategic Committee studies key subjects for Pernod Ricard SA and the Group, issues recommendations on acquisitions, divestiture and partnership projects and deals with all strategic matters of interest to the Company or its Group. The Audit Committee reviews the half-year and annual draft financial statements, monitors the Group's cash flow and debt and assesses the Group's risk management and internal control systems. The Appointments, Governance, and CSR Committee selects new Directors and reviews the composition and operation of the Board, S&R issues and the Group's performance and talent-management policy. Lastly, the Remuneration Committee defines the remuneration policy for the Group's Executive Directors, proposes a general long-term remuneration policy and implements an annual plan for the allocation of options and performance shares.





Board of Directors

(as of 26 September 2018)

ALEXANDRE RICARD
Chairman & Chief Executive Officer
Strategic Committee Chairman

PIERRE PRINGUET
Vice-Chairman of the Board of Directors
Strategic Committee member

NICOLE BOUTON
Independent Director
Nominations, Governance & CSR Committee Chairwoman
Compensation Committee Chairman

WOLFGANG COLBERG
Independent Director
Audit Committee Chairman
Strategic Committee member
Nominations, Governance & CSR Committee member

IAN GALLIENNE
Independent Director
Strategic Committee member
Compensation Committee member

CÉSAR GIRON
Director
Strategic Committee member
Nominations, Governance & CSR Committee member

MARTINA GONZALEZ-GALLARZA
Director

ANNE LANGE
Independent Director
Strategic Committee member

PAUL-CHARLES RICARD
Director
Permanent Representative of Société Paul Ricard

GILLES SAMYN
Independent Director
Audit Committee member

KORY SORENSON
Independent Director
Audit Committee member
Compensation Committee member

VERONICA VARGAS
Director

STÉPHANE EMERY
Employee Director

THE EXECUTIVE COMMITTEE AND THE EXECUTIVE BOARD

The Group's general management is led by the Chairman & CEO, who is assisted by the Executive Committee. Under its authority, the Executive Committee implements the Group's main policies.

The Executive Board is the permanent body responsible for coordinating and leading the Group, in cooperation with the Chairman & CEO, whom it assists with his responsibilities. The Executive Board reviews all decisions related to Group affairs and submits various matters to the Board of Directors when approval is required. It also organises the work of the Executive Committee and defines objectives for its members, in particular by signing off the three-year plan, budget and regular business reviews.

The Executive Committee, the Group's managing body, has 15 members – the five members of the Executive Board (see below) as well as the Managing Directors of the Group affiliates. They meet once per month (11 times annually), either at Headquarters or at an affiliate site. Under the direction of the Chairman & CEO, the Committee helps to define the Group's strategy and plays an essential coordinating role between Headquarters and the affiliates, and among the affiliates themselves (Brand Companies and Market Companies). The Committee is responsible for overseeing the Group's business activities and ensuring that its main policies are applied. More specifically, the Committee analyses the performance of the Group's business in relation to its market plan (budget and three-year plan); actively participates in setting financial and operational objectives (financial results, debt and qualitative objectives); periodically reviews the brand and market strategies; analyses performance and evaluates changes in the organisation as needed; approves and ensures compliance with the Group's main policies.

Executive Board Members

(as of 26 September 2018)

ALEXANDRE RICARD
Chairman & Chief Executive Officer, Executive Director

HÉLÈNE DE TISSOT
EVP, Finance, IT & Operations

CHRISTIAN PORTA
Managing Director, Global Business Development

AMANDA HAMILTON-STANLEY
General Counsel

CÉDRIC RAMAT
EVP, Human Resources, Sustainability & Responsibility

Executive Committee Members

(as of 26 September 2018)

ALEXANDRE RICARD
Chairman & Chief Executive Officer, Executive Director

HÉLÈNE DE TISSOT
EVP, Finance, IT & Operations

CHRISTIAN PORTA
Managing Director, Global Business Development

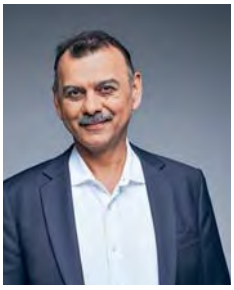
AMANDA HAMILTON-STANLEY
General Counsel

CÉDRIC RAMAT
EVP, Human Resources, Sustainability & Responsibility

GILLES BOGAERT
Chairman & CEO of Pernod Ricard Europe, Middle East, Africa and Latin America

PAUL DUFFY
Chairman & CEO of Pernod Ricard North America

PHILIPPE GUETTAT
Chairman & CEO of Pernod Ricard Asia



MOHIT LAL
Chairman & CEO of Pernod Ricard Global Travel Retail

JEAN-CHRISTOPHE COUTURES
Chairman & CEO of Chivas Brothers

CÉSAR GIRON
Chairman & CEO of Martell Mumm Perrier-Jouët

ANNA MALMHAKE
Chairwoman & CEO of The Absolut Company

CONOR McQUAID
Chairman & CEO of Irish Distillers Group

BRUNO RAIN
Chairman & CEO of Pernod Ricard Winemakers

PHILIPPE SAVINEL
Chairman & CEO of Ricard SA and Pernod SA

CREATING

SHARED VALUE

Procure high-quality raw materials

All of our products are made from agricultural raw materials, which is one of the reasons why we are firmly committed to protecting local natural resources vital to producing high-quality products and managing our Brands' assets.

1,693 suppliers have pledged to respect sustainability principles (as of 31 June 2018) by signing the Suppliers CSR Commitment [1].

Enhance our production capacity

We take great care when bottling our products and comply with all relevant quality and safety standards.

99.3% of our sites have received ISO 9001 certification.
30% reduction in CO_2 emissions (Scope 1+2) per unit produced (litre of distilled alcohol) since 2010.
20% reduction in water consumption per unit produced (litre of distilled alcohol) since 2010.

Innovate

Innovation is a strategic priority, as reflected in our Breakthrough Innovation Group (BIG) and our Brand and Market Companies.

Our goal for the medium term is to obtain 20% to 25% of the Group's growth through innovation.

Actively manage our portfolio

The Group acquires premium brands with high potential and disposes of non-strategic assets.

Ageing

Brands such as Martell are classified as AOC, a geographical indication that requires an ageing period to reach full maturity. Their ageing, storage and bottling demand refined expertise that represents a considerable competitive advantage as well as a barrier to market entry.

€4.5 billion in maturing inventory.

High-quality products

Our products offer a high level of quality. They bear the authentic stamp of the regions where they are produced, and often carry an *Appellation d'Origine Contrôlée* (AOC).

(1) The purpose of this document is to educate our suppliers about a number of important topics: labor and human rights, health and safety, environmental management, ethics and fair trade practices and responsible consumption.

As part of our commitment to sustainable value creation, we pursue a systematic premiumisation policy that requires substantial investments in each of our Brands on a regular basis. Our goal is to develop operating models that generate economic, social and environmental value for all of our stakeholders.

Continually refine our distribution network

We operate our own distribution networks, and as a result we have a sales force that is attentive to the needs of our consumers and the markets in which we operate. Our goal is to expand these networks, in particular through new channels such as e-commerce and travel retail, in order to reach consumers no matter where they are.

A presence in 86 countries.

SHARING THE VALUE WE CREATE

We share the value we create with all of our stakeholders – employees, communities and the surrounding environment, clients and consumers, suppliers and shareholders – so that they themselves can create long-term value. This virtuous cycle is rooted in our responsible approach – sustainable value creation inherently benefits all stakeholders.

Build customer loyalty

Draw on new technology to anticipate customer and consumer needs.

40% of our media purchases are digital.

Promote responsible drinking

Consuming our products should be a pleasant, risk-free experience, which is why we promote responsible, moderate consumption through campaigns to educate consumers and raise awareness, conducted in association with other industry firms, NGOs and public authorities.

85% of Group affiliates conducted at least one responsible drinking campaign.[2]

100% of Group affiliates operating as distributors displayed the "no alcohol for pregnant women" logo on their bottles.[3]

(2) Source: Internal, non-financial reporting.(3) During the 2017/2018 financial year.

OUR

KEY FINANCIAL FIGURES

LEADERSHIP POSITIONS

WORLD
NO. 1
FOR PREMIUM, ULTRA-PREMIUM AND PRESTIGE SPIRITS [1]

WORLD
NO. 2
FOR WINE & SPIRITS [1]

16
BRANDS AMONGST THE WORLD'S TOP 100 [2]

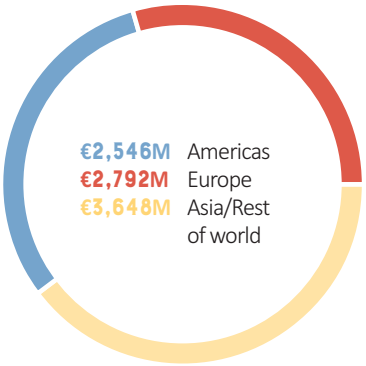
FINANCIAL METRICS FY18

€8,987M
SALES

€2,358M
PROFIT FROM RECURRING OPERATIONS

€1,511M
NET PROFIT FROM RECURRING OPERATIONS
(Group share)

SALES BY REGION



OUR

KEY NON-FINANCIAL FIGURES

SUSTAINABLE PERFORMANCE

RESPONSIBLE DRINKING

EMPLOYEE ENGAGEMENT

PROTECTION OF THE PLANET

20%
REDUCTION IN WATER CONSUMPTION (4)

30%
REDUCTION IN CO_2 (4)

96%
OF AFFILIATES IMPLEMENTED AT LEAST ONE INITIATIVE FOR LOCAL COMMUNITY DEVELOPMENT AND PARTNER ENGAGEMENT (3)

(1) Source: The Pernod Ricard Market View based on IWSR volume data ending 2017.(2) Source: Impact Databank 2017, published in March 2018. (3) Source: Internal, non-financial reporting.
(4) Reduction per unit of production between FY10 and FY18. (5) Source: Results of the *I Say* survey, June 2017, Willis Towers Watson.

2

CORPORATE GOVERNANCE AND INTERNAL CONTROL

This section presents the report of the Board of Directors on corporate governance as required by article L. 225-37 of the French Commercial Code.

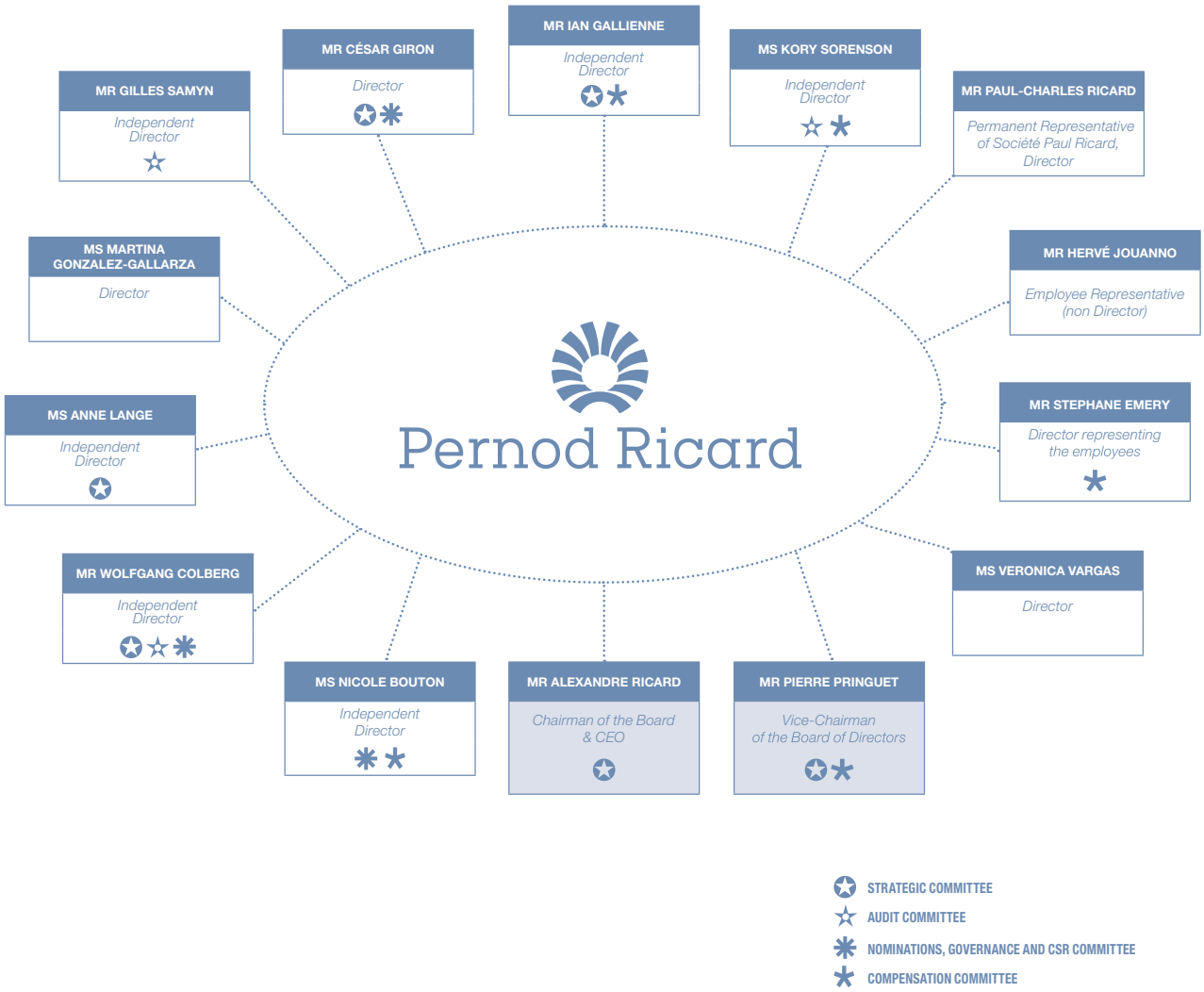
It describes, in the context of the preparation of the financial statements for FY18, the conditions governing the preparation and organisation of the work performed by the Board of Directors and its Committees, the powers entrusted to the Chairman & CEO, the principles and rules used to determine compensation and other benefits granted to the Executive Directors, the components of the compensation due or granted to the corporate officers, the compensation policy items applicable to the Chairman & CEO in accordance with article L. 225-37-2 of the French Commercial Code, as well as other information requested by articles L. 225-37 *et seq.* of the French Commercial Code.

This report was prepared on the basis of the 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 28 August 2018, following the examination by the Board's Committees of each section relating to their area of competence and was shared with the Statutory Auditors.

2.1 REPORT OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE

2.1.1 Composition of the Board of Directors on 30 June 2018



2.1.2 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*	46	M	29.08.2012	AGM 2020	6				(Chairman) ✓
Pierre Pringuet Vice-Chairman of the Board of Directors *French citizen*	68	M	17.05.2004	AGM 2020	14		✓		✓
Directors considered as independent by the Board									
Nicole Bouton *French citizen*	70	F	07.11.2007	AGM 2019	11		(Chairwoman) ✓	(Chairwoman) ✓	
Wolfgang Colberg *German citizen*	58	M	05.11.2008	AGM 2020	10	(Chairman) ✓		✓	✓
Ian Gallienne *French citizen*	47	M	09.11.2012	AGM 2018	6		✓		✓
Gilles Samyn *Belgian and French citizen*	68	M	06.11.2014	AGM 2018	4	✓			
Kory Sorenson *British citizen*	49	F	06.11.2015	AGM 2019	3	✓	✓		
Anne Lange *French citizen*	50	F	20.07.2016	AGM 2021	2				✓
Directors									
César Giron *French citizen*	56	M	05.11.2008	AGM 2020	10			✓	✓
Martina Gonzalez-Gallarza *Spanish citizen*	49	F	25.04.2012	AGM 2018	6				
Société Paul Ricard *(Represented by Paul-Charles Ricard)* *French citizen*	36	M	09.06.1983	AGM 2021	35				
Veronica Vargas *Spanish citizen*	37	F	11.02.2015	AGM 2021	3				
Directors representing the employees									
Stéphane Emery (1) *French citizen*	47	M	13.12.2017	13.12.2021	1		✓		
Directors representing the employees who sat on the Board of Directors until the end of 2017									
Manousos Charkoftakis (2) *Greek citizen*	48	M	28.11.2013	28.11.2017	4		✓		
Sylvain Carré (3) *French citizen*	52	M	02.12.2013	02.12.2017	4				
NUMBER OF MEETINGS FY18					**8**	**4**	**5**	**3**	**2**
AVERAGE ATTENDANCE RATE					**100%**	**91.7%**	**91.7%**	**100%**	**91.7%**

(1) Director representing the employees whose first meeting of the Board of Directors was held on 19 January 2018.
(2) Director representing the employees who was a member of the Board of Directors until 28 November 2017.
(3) Director representing the employees who was a member of the Board of Directors until 2 December 2017.

2.1.3 Duties performed by the Directors

Age: **46 years old**

Nationality:
French citizen

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

Number of shares held on 30 June 2018:
75,572

MR ALEXANDRE RICARD

Chairman of the Board & CEO

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 (Strategy and Consulting) and Morgan Stanley (Mergers and Acquisitions Consulting), he joined the Group Pernod Ricard 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 Chief Executive Officer of Pernod Ricard Asia Duty Free in September 2006. In July 2008, he was appointed as Chairman & CEO 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 on 30.06.2018 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

Age: **68 years old**

Nationality:
French citizen

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

Number of shares held on 30 June 2018:
404,242

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 Chief Executive Officers, 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 Chief Executive Officer 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 30.06.2018 or at the date of resignation where applicable

- Director of Iliad [(1)]
- Director of Cap Gemini [(1)]
- Member of the Supervisory Board of Vallourec [(1)]
- 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)

(1) Listed company.

MS NICOLE BOUTON

Independent Director

Age: **70 years old**

Nationality:
French citizen

Business address:
Friedland Gestion
4 rue de la Paix
75002 Paris (France)

Number of shares held on 30 June 2018:
1,450

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 remained Chairwoman of Financière Accréditée until its sale in 2016. 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 30.06.2018 or at the date of resignation where applicable

- Chairwoman of the Strategic Committee of Friedland Gestion
- Director of Chœur & Orchestre de la Sorbonne

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)
- Director of AMOC (*Opéra Comique*)

MR WOLFGANG COLBERG

Independent Director

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.

Age: **58 years old**

Nationality:
German citizen

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

Number of shares held on 30 June 2018:
1,076

Offices and main functions held outside the Group on 30.06.2018 or at the date of resignation where applicable

- Industrial Partner, CVC Capital Partners (Germany)
- Chairman of the Board of Directors of ChemicaInvest 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 [(1)] (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)

(1) Listed company.

MR IAN GALLIENNE

Independent Director

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.

Age: **47 years old**

Nationality:
French citizen

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

Number of shares held on 30 June 2018:
1,000

Offices and main functions held outside the Group on 30.06.2018 or at the date of resignation where applicable

- Managing Director of Groupe Bruxelles Lambert [(1)] (Belgium)
- Director of Imerys [(1)]
- Director of SGS SA [(1)] (Switzerland)
- Director of Adidas AG [(1)] (Germany)
- Director of Frère-Bourgeois (Belgium)
- Manager of the Board of Director of Sienna Capital (Luxembourg)
- Manager of Serena 2017 SC (France)

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

- Director of Lafarge SA [(1)] (France)
- Director of Umicore [(1)] (Belgium)
- Director of Erbe SA (Belgium)
- 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)

(1) Listed company.

MR CÉSAR GIRON

Director

After graduating from the École Supérieure de Commerce de Lyon, Mr César Giron joined the Group Pernod Ricard in 1987 where he has spent his entire career. In 2000, he was appointed Chief Executive Officer 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 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.

Age: **56 years old**

Nationality:
French citizen

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

Number of shares held on 30 June 2018:
2,113

Offices and main functions held on 30.06.2018 or at the date of resignation where applicable

Within the Group

- 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

MS MARTINA GONZALEZ-GALLARZA

Director

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 100 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 at the LUISS University in Rome (Italy)). She was a visiting scholar at Columbia University (New York City), at ESCP Europe (France) and at the University of Sassari (Sardinia, Italy).

In addition, Ms Martina Gonzalez-Gallarza is a member of the American Marketing Association, and of the Spanish and French Marketing Associations.

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

Age: **49 years old**

Nationality:
Spanish citizen

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

Number of shares held on 30 June 2018:
1,100

Offices and main functions held outside the Group on 30.06.2018 or at the date of resignation where applicable

- None

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

- None

MS ANNE LANGE

Independent Director

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 later found Mentis and transferred her ownership at the end of 2017. Start-up specialised in the technology of application platforms and connected objects, Mentis collaborates with major groups on mobility solutions and management of urban space, placing it at the centre of the connected territories' revolution.

Anne Lange meanwhile created ADARA, a consulting and investment company. She is a Senior Advisor working for major high tech groups, strategy consulting firms and more traditional businesses seeking to find their own path to transformation She sits on the Board of listed companies (Orange, Pernod Ricard, Econocom Group, FFP (financial company, holding of the Peugeot family) and on the Board of 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, in a global perspective.

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

Age: **50 years old**

Nationality:
French citizen

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

Number of shares held on 30 June 2018:
100

Offices and main functions held outside the Group on 30.06.2018 or at the date of resignation where applicable

- Director of Orange [(1)]
- Director of Econocom Group [(1)]
- Director of FFP [(1)]
- Director of the Imprimerie Nationale

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

- Metabolic Explorer [(1)]
- Founder and Manager of Mentis

(1) Listed company.

MR PAUL-CHARLES RICARD

Permanent representative of Société Paul Ricard [(1)]

Director

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.

Age: **36 years old**

Nationality:
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 2018:
182,226

Number of shares held by Société Paul Ricard on 30 June 2018:
24,579,562

Offices and main functions held outside the Group on 30.06.2018 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

- None

(1) Unlisted company, shareholder of Pernod Ricard.

MR GILLES SAMYN

Independent Director

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 Director and CEO of the Compagnie Nationale à Portefeuille.

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

Age: **68 years old**

Nationality:
Belgian and French citizen

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

Number of shares held on 30 June 2018:
1,000

Offices and main functions held outside the Group on 30.06.2018 or at the date of resignation where applicable

- Director of Groupe Bruxelles Lambert SA [1] (GBL) (Belgium)
- Member of the Supervisory Board of Métropole Télévision (M6) SA [1]
- Director of Pargesa Holding SA [1] (Switzerland)
- Director of AOT Holding Ltd (Switzerland)
- Manager of Astra Oil Company LLC (AOC) (United States)
- Director of Astra Transcor Energy NV (ATE) (Netherlands)
- 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)
- Alternate Director of Cheval des Andes SA, ex-Opéra Vineyards SA (Argentina)
- Chairman of the Board of Compagnie Immobilière de Roumont SA (Belgium)
- Chairman of the Board of Compagnie Nationale à Portefeuille SA (Belgium)
- Managing Director of Domaines Frère-Bourgeois SA (Belgium)
- Chairman of the Board of Europart SA (Belgium)
- Permanent representative of Société des Quatre Chemins SA, Chairman of the Board of Fibelpar SA (Belgium)
- Chairman of the Board of Filux SA (Luxembourg)
- Director of Financière de la Sambre SA (Belgium)
- Chairman of the Board of Finer SA, ex-Erbe Finance SA (Luxembourg)
- Director of Frère-Bourgeois SA (Belgium)
- Permanent representative of Frère-Bourgeois SA, Manager of GBL Energy SARL (Luxembourg)
- Representative of Frère-Bourgeois SA, Director of GBL Verwaltung SA (Luxembourg)
- Manager of Gosa SDC (Belgium)
- Director of Grand Hôpital de Charleroi ASBL (Belgium)
- Chairman of the Board of Helio Charleroi Finance SA (Luxembourg)
- Managing Director of Investor SA (Belgium)
- Chairman of the Board of Kermadec SA (Luxembourg)
- *Commissaris* of Parjointco NV (Netherlands)
- Manager of Sienna Capital SARL (Luxembourg)
- Managing Director of Société des Quatre Chemins SA (Belgium)
- Member of the Raad van Bestuur of Stichting Administratiekantoor Frère-Bourgeois (Netherlands)
- Chairman of the Board of TAGAM AG (Switzerland)
- Chairman of the Board of Transcor Astra Group SA (Belgium)
- Chairman of the Board of Worldwide Energy Ltd AG (Switzerland)

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

- Vice-Chairman of APG/SGA SA [1] (Switzerland)
- Chairman of Groupe Flo SA [1]
- Chairman and Representative of Société des Quatre Chemins SA, Director of ACP SA (Belgium)
- Permanent representative of Société des Quatre Chemins SA, Director and Chairman of ACP SA
- *Commissaris* of Agesca Nederland NV (Netherlands)
- Representative of ACP SA, Director of Antwerp Gas Terminal NV (Belgium)
- Director of Banca Leonardo SpA (Italy)
- Director of Belgian Ice Cream Group NV (Belgium)
- Chairman of Belgian Sky Shops SA (Belgium)
- Director of Belholding Belgium SA (Belgium)
- Managing Director of Carpar SA (Belgium)
- Director of Carsport SA (Belgium)
- Chairman of Cheval Blanc Finance SAS
- Permanent representative of Société des Quatre Chemins SA, Managing Director of Compagnie Nationale à Portefeuille SA, ex Newcor SA (Belgium)
- Vice-Chairman of Compagnie Nationale à Portefeuille SA (Belgium)
- Managing Director of Erbe SA (Belgium)
- Managing Director of Fibelpar SA (Belgium)
- Director of Fidentia Real Estate Investments SA (Belgium)
- Chairman of Financière Flo SAS
- Managing Director of Frère-Bourgeois SA (Belgium)
- Chairman of International Duty Free SA, ex-Distripar SA (Belgium)
- Managing Director of Loverval Finance SA, ex-Compagnie Nationale à Portefeuille SA (Belgium)
- Chairman of Newcor SA (Belgium)
- 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)
- Director of Société Civile du Château Cheval Blanc
- Manager of Sodisco SaRL
- Chairman of Solvayschoolsalumni ASBL (Belgium)
- Director of Starco Tielen NV (Belgium)
- Chairman of the Board of Swilux SA (Luxembourg)
- Member of the Investment Committee of Tikehau Capital Partners SAS
- Director of Transcor East Ltd (Switzerland)
- Director of TTR Energy SA (Belgium)
- Chairman of Unifem SAS

(1) Listed company.

Age: **49 years old**

Nationality:
British citizen

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

Number of shares held on 30 June 2018:
1,000

MS KORY SORENSON

Independent Director

Ms Kory Sorenson is a British citizen born in the United States. She 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 Chairwoman 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 Chairwoman of the Compensation Committee of Phoenix Group Holdings (listed in the United Kingdom), member of the Supervisory Board of UNIQA Insurance Group AG (listed in Austria), Director of Prometic Life Sciences (listed in Toronto), 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 30.06.2018 or at the date of resignation where applicable

- Director of Prometic [(1)]
- Director of Phoenix Group Holdings [(1)] (United Kingdom)
- Director of SCOR SE [(1)]
- Member of the Supervisory Board of UNIQA Insurance Group AG [(1)] (Austria)
- Director of SCOR Global Life Americas Reinsurance Company (United States)
- Director of SCOR Global Life USA Reinsurance Company (United States)
- 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)
- Director of Aviva Insurance Limited (United Kingdom)

(1) Listed company.

Age: **37 years old**

Nationality:
Spanish citizen

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

Number of shares held on 30 June 2018:
8,570

MS VERONICA VARGAS

Director

Ms Veronica Vargas received a Master of Engineering degree in Industrial Engineering from the "*Escuela Técnica Superior de Ingenieros*" (Seville, Spain) and continued her training in industrial engineering in management at the 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 30.06.2018 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

- None

Age: **47 years old**
Nationality:
French citizen
Business address:
Ricard
6 rue Newton
75116 Paris (France)

MR STÉPHANE EMERY

Director representing the employees whose first Board meeting was held on 19 January 2018

Mr Stéphane Emery graduated from the ESCO Paris/Wesford (Business and Management School).

He started his career in July 1994 within the Group Pernod Ricard and joined the Ricard teams in Paris as On Trade Area Manager and then On Trade Sales Manager in Bourgogne (from 2000 to 2005) and Off Trade Sales Manager in Paris (from 2005 to 2017). He currently holds the position of Public Relations Manager in Paris.

In December 2017, following his election by the Group Committee (France), he was appointed Director representing the employees within the Board of Directors of Pernod Ricard SA.

Highly involved in the Group, Stéphane Emery has also been an employee representative at Ricard (SIPGR trade union representative, then member of the employees committee/works' council and works' council secretary prior to become a delegated representative for France on the European Committee).

Mr Stéphane Emery is also a Director representing the employees of the *Fondation d'Entreprise* Ricard since 2010.

Offices and main functions held outside the Group on 30.06.2018 or at the date of resignation where applicable
- None

Offices held outside the Group that have expired over the last five years
- None

Age: **52 years old**
Nationality:
French citizen
Business address:
Pernod Ricard
12 place des États-Unis
75116 Paris (France)

MR SYLVAIN CARRÉ

Director representing the employees until 2 December 2017

Mr Sylvain Carré joined the Group Pernod Ricard 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 was a Director representing the employees until 2 December 2017, date on which his term of office expired.

Offices and main functions held outside the Group on 30.06.2018 or at the date of resignation where applicable
- None

Offices held outside the Group that have expired over the last five years
- None

Age: **48 years old**
Nationality:
Greek citizen
Business address:
Pernod Ricard
12 place des États-Unis
75116 Paris (France)
Number of shares held on 30 June 2018:
50

MR MANOUSOS CHARKOFTAKIS

Director representing the employees until 28 November 2017

Mr Manousos Charkoftakis joined the Group Pernod Ricard 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 was a Director representing the employees until 28 November 2017, date on which his term of office expired.

Offices and main functions held outside the Group on 30.06.2018 or at the date of resignation where applicable
- None

Offices held outside the Group that have expired over the last five years
- None

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 Mr Stéphane Emery, Director representing the employees, who holds the position of Public Relations Manager in Paris.

2.1.4 Governance structure

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

Since Mr Pierre Pringuet's term of office as Chief Executive Officer expired on 11 February 2015, and since the Chairwoman of the Board of Directors at the time (Ms Danièle Ricard) wished to step down from the Board, at its meeting of 11 February 2015 the Board resolved, in accordance with the French Commercial Code and the AFEP-MEDEF Code adopted by the Company, to recombine the positions of Chairman and CEO and appointed Mr Alexandre Ricard as Chairman & CEO. Mr Pierre Pringuet has been Vice-Chairman of the Board of Directors since 29 August 2012. 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 all major decisions 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; and strategy. These Committees are mostly composed of Independent Directors [(1)], the Company going beyond the recommendations of the AFEP-MEDEF Code on Board independence (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).

2.1.4.2 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 to the Shareholders' Meeting. He oversees the proper operation of the Company's managing bodies and ensures, in particular, 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 [(2)].

2.1.4.3 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 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. It is specified that this authorisation has been partially used as the Company granted a €26,283,122 first demand bank guarantee in the context of an internal project.

On 9 November 2017, this authorization was renewed 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.

2.1.4.4 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 of Directors is to chair the meetings of the Board of Directors or of the Shareholders' Meeting should the Chairman of the Board be unable to attend.

(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.

(2) 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.

On the recommendation of the Nominations, Governance and CSR Committee and pursuant to the Internal Regulations [1] of the Board of Directors, as part of the monitoring of and compliance with the rules of good governance, and particularly those relating to conflicts of interest, and in view, in particular, of the Vice Chairman's expertise in corporate governance, the Board has entrusted the Vice Chairman with 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; and
- 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.

2.1.4.5 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 June 2018 (the "AFEP-MEDEF Code"), available on the AFEP and MEDEF websites, was the Code to which Pernod Ricard refers 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. 225-37-4 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 [2].

2.1.5 Composition of the Board of Directors

2.1.5.1 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 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 and are described below. The Board of Directors of the Company comprises no fewer than three 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 [3] in registered form. However, the Board's Internal Regulations [1] recommend that Directors acquire and hold at least 1,000 Company shares [3].

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, the number of Directors representing the employees who are members of the Board depends on the number of Directors of the Board. The terms of office of the Directors representing the employees expired at the end of 2017 and, in accordance with the legal and statutory rules set out in article 16 of the bylaws, only one term of office was renewed, since the Board of Directors comprised 12 members appointed by the Shareholders' Meeting on 9 November 2017. Thus, one Director representing the employees was appointed by the Group Committee (France) on 13 December 2017 to sit on the Board of Directors for four years.

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. In accordance with article L. 225-37-4 of the French Commercial Code, the table below describes the Board of Directors diversity policy, the way it has been implemented and the results achieved over FY18.

(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) Minor adjustments will be made to the non-compete clause (see "Non-compete clause" in subsection 2.1.8.4) in accordance with the last revised version of the AFEP-MEDEF Code of June 2018.

(3) This requirement and recommendation are not applicable to Directors representing the employees.

Criteria	Objectives	Implementation and results achieved over FY18

Composition of the Board	Balanced representation of women and men within the Board of Directors	**Representation of women:**
		• Gradual evolution:
		  • 21.4% at the Shareholders' Meeting of 15 November 2011,
		  • 28.6% at the Shareholders' Meeting of 9 November 2012, then
		  • 25% at the Shareholders' Meeting of 6 November 2015;
		Since the Shareholders' Meeting of 17 November 2016, 42% of female Directors.

	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	**Directors with a foreign nationality:**
		• Gradual evolution:
		  • 28.6% at the Shareholders' Meeting of 6 November 2013, and
		  • 31.2% at the Shareholders' Meeting of 6 November 2014, and
		  • 42.8% since the Shareholders' Meeting of 6 November 2015.
		At the end of the Shareholders' Meeting of 21 November 2018, 38.5% of the Directors will be of a foreign nationality.
		Experience:
		• Sector knowledge: appointment of Mr Paul-Charles Ricard in 2012;
		• Finance and Strategy: appointment of Ms Veronica Vargas in 2015;
		• Marketing/Consumers' behaviour: appointment of Ms Martina Gonzalez-Gallarza in 2012;
		• Economy and Finance: appointment of Ms Kory Sorenson in 2015;
		• Innovation and Digital: appointment of Ms Anne Lange in 2016.

	Appointment of one or two Directors representing the employees (see article 16 of the bylaws)	Since December 2017: One Director representing the employees (Board with 12 Directors) vs two Directors representing the employees previously (Board with 14 Directors at the time of their appointments in 2013)
Directors' Independence	50% of Independent Directors (see article 8.1 of the AFEP-MEDEF Code) + meaningful representation of Independent Directors (see article 3, Internal Regulations)	50% of Independent Directors
Age of the Directors	No more than one-third of Directors older than 70 years (see article 18 paragraph 4 of the bylaws)	Goal achieved

2.1.5.2 Changes in the composition of the Board of Directors

During FY18

The Shareholders' Meeting of 9 November 2017 renewed the directorships of Mms Anne Lange and Veronica Vargas and of Société Paul Ricard, duly represented by Mr Paul-Charles Ricard 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.

During FY19

As Ms Martina Gonzalez-Gallarza's, Mr Ian Gallienne's and Mr Gilles Samyn's directorships expire at the close of the Shareholders' Meeting held on 21 November 2018, 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 for a four-year period expiring at the close of the Shareholders' Meeting to be held in 2022 to approve the financial statements for the previous financial year.

Furthermore, following the recommendation of the Nominations, Governance and CSR Committee, the Board of Directors decided to propose to the Shareholders' Meeting of 21 November 2018 (8th resolution) that Ms Patricia Barbizet be appointed as Director. Ms Barbizet's directorship would be conferred for a term of four years expiring at the end of the Shareholders' Meeting to be held in 2022 to approve the financial statements for the previous financial year.

The Nominations, Governance and CSR Committee and the Board of Directors examined the application and decided that the Board could benefit from Ms Barbizet's CEO experience (formerly CEO of Artemis and CEO & Chairwoman of Christie's, she is currently Chairwoman of Temaris et Associés), her expertise in the luxury goods and retail sector, and her corporate governance know-how. Following a review, they also confirmed that Ms Barbizet fulfilled the AFEP-MEDEF independence criteria adopted by the Company.

Thus, at the close of the Shareholders' Meeting of 21 November 2018, the Board of Directors would, for a transitional period (this transitory composition is proposed since the directorship of one Independent Director will not be renewed at the Shareholders' Meeting held in November 2019, which will lead to a Board comprising 12 Directors excluding the Director(s) representing the employees), comprise 14 members (including one Director representing the employees), of which seven Independent Directors (53.8%) and six women (46.1%) 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. It is noted that a second Director representing the employees will be appointed following the Shareholders' Meeting in accordance with the Company's bylaws. Additionally, five Directors will be of foreign nationality.

Ms Patricia Barbizet's professional experience is set out below:

Ms Patricia Barbizet

63 years old, French citizen

Patricia Barbizet is a graduate of the École Supérieure de Commerce de Paris (ESCP Europe). She began her career in 1976 in the Treasury Department of Renault Véhicules Industriels, before becoming Chief Financial Officer of Renault Crédit International. In 1989, she joined the Pinault Group as Chief Financial Officer. From 1992 to 2018, she served as Chief Executive Officer of Artémis, the investment company of the Pinault family. From 2014 to 2016, Ms Barbizet also held the post of CEO & Chairwoman of Christie's International. In addition, she chaired the Investment Committee of the French national Strategic Investment Fund from 2008 to 2013. She is currently Chairwoman of Temaris et Associés.

Ms Barbizet is a director of the following listed companies:

- AXA;
- Fnac Darty, member of the Nomination and Remuneration Committee;
- Kering, Vice Chairwoman of the Board of Directors;
- Total, Lead Director, Chairwoman of the Governance and Ethics Committee, member of the Remuneration Committee and Strategy & CSR Committee.

Ms Barbizet also chairs the Board of Directors of the Cité de la musique – Philharmonie de Paris. She is Chairwoman of Zoé SAS and a director at Yves Saint Laurent.

In April 2018, she was appointed as Chairwoman of the Supervisory Board of Investissements d'Avenir.

2.1.5.3 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, investment banker or consultant 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 a Corporate Officer .
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 12 years.
Criterion 7	For Non-Executive Directors: not to receive variable compensation in cash or securities or any compensation linked to the performance of the Company or the Group.
Criterion 8	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	8	Qualification selected by the Board
Executive Directors									
Alexandre Ricard *Chairman & CEO*			X		X	X	N/A		Non-Independent
Pierre Pringuet *Vice-Chairman of the Board of Directors*			X	X	X		N/A	X	Non-Independent
Directors considered as independent by the Board									
Nicole Bouton	X	X	X	X	X	X	N/A	X	Independent
Wolfgang Colberg	X	X	X	X	X	X	N/A	X	Independent
Ian Gallienne	X	X	X	X	X	X	N/A	X	Independent*
Gilles Samyn	X	X	X	X	X	X	N/A	X	Independent*
Kory Sorenson	X	X	X	X	X	X	N/A	X	Independent
Anne Lange	X	X	X	X	X	X	N/A	X	Independent
Patricia Barbizet (1)	X	X	X	X	X	X	N/A	X	Independent
Directors									
César Giron			X		X	X	N/A		Non-Independent
Martina Gonzalez-Gallarza	X	X	X	X	X	X	N/A	X	Non-Independent**
Société Paul Ricard *(Represented by Mr Paul-Charles Ricard)*		X	X		X		N/A		Non-Independent
Veronica Vargas	X	X			X	X	N/A		Non-Independent
Directors representing the employees* **									
Director representing the employees on the Board of Directors									
Stéphane Emery (2)					N/A				Representing the employees
Directors representing the employees who sat on the Board of Directors until the end of 2017									
Manousos Charkoftakis (3)					N/A				Representing the employees
Sylvain Carré (4)					N/A				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 Rafaël Gonzalez-Gallarza, her father.*

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

(1) Patricia Barbizet's appointment will be submitted to the approval of the Shareholders' Meeting of 21 November 2018.

(2) Director whose first Board meeting was held on 19 January 2018.

(3) Director representing the employees who was a member of the Board of Directors until 28 November 2017.

(4) Director representing the employees who was a member of the Board of Directors until 2 December 2017.

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, that there is no economic dependence between this company and Pernod Ricard and that this relationship did not challenge the Director's independence. Indeed, the purchases made by International Duty Free from Pernod Ricard amounted to approximately €800,000 (on a turnover of approximatively €160 million).

As in the previous financial year, 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, Directors linked to GBL, 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 8). 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; and
- 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; and
- GBL has the reputation of being diligent and a 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 24 July 2018, following the recommendation of the Nominations, Governance and CSR Committee, confirmed that six out of 12 members of the Board of Directors (excluding the Director representing the employees) are deemed to be independent: Ms Nicole Bouton, Ms Anne Lange and Ms Kory Sorenson and Mrs. Wolfgang Colberg, Ian Gallienne and Gilles Samyn, representing half of the Board of Directors as required by the AFEP-MEDEF Code.

2.1.5.4 Directors' Code of Conduct

Article 4 of the Internal Regulations [(1)] adopted by the Board of Directors on 17 December 2002, recently amended on 20 July 2017, and article 16 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 [(1)] 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. This Code was updated by the Board of Directors on 20 July 2017 in particular in order to comply with the new European regulation on market abuse.

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 transactions involving Pernod Ricard's shares or any related financial instruments 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 transactions involving the Company's shares or any related financial instrument.

2.1.5.5 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, suppliers, bankers or consultants, relating to the appointment of one of the members of the Board of Directors or General Management.

To the Company's knowledge and at the date hereof, except as described in "Shareholders' agreements" below, 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, other than the ones included in the Internal Regulations [(1)] and the Code of Conduct.

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.

(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.

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.

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 Chief Executive Officer;
- 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

The appointment of Directors representing the employees to the Board of Directors was introduced in late 2013. As a result, the employees of Pernod Ricard SA are now represented on the Board of Directors by a single person, currently Mr Hervé Jouanno.

2.1.6 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 [(1)] adopted in 2002 and last amended most recently by the Board of Directors during its meeting 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.

2.1.6.1 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 [(1)] 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 [(1)].

Since FY17, the Directors hold a session at least once a year without the Directors from the Top Management (Executive Sessions). The purpose of these Executive Sessions is notably to assess the operations of the Board and to discuss the succession plan. One Executive Session was held in FY18.

2.1.6.2 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 [(1)].

A Director may ask for explanations or for additional information 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.

2.1.6.3 Directors' attendance at Board and Committees' meetings during FY18

During FY18, the Board of Directors met eight times with an attendance rate of 100%. The average duration of the meetings of the Board of Directors was *circa* three hours.

	Board of Directors	Audit Committee	Nominations, Governance and CSR Committee	Compensation Committee	Strategic Committee
Alexandre Ricard	8/8				2/2
Pierre Pringuet	8/8			4/5	1/2
Nicole Bouton	8/8		3/3	5/5	
Wolfgang Colberg	8/8	4/4	3/3		2/2
Ian Gallienne	8/8			5/5	2/2
Gilles Samyn	8/8	3/4			
Kory Sorenson	8/8	4/4		5/5	
Anne Lange	8/8				2/2
César Giron	8/8		3/3		2/2
Martina Gonzalez-Gallarza	8/8				
Société Paul Ricard (represented by Paul-Charles Ricard)	8/8				
Veronica Vargas	8/8				
Director representing the employees					
Stéphane Emery [(1)]	3/3			N/A	
Directors representing the employees until the end of 2017					
Sylvain Carré [(2)]	5/5			N/A	
Manousos Charkoftakis [(3)]	5/5			3/4	

(1) Over FY18 and since the appointment of Mr Stéphane Emery as Director representing the employees, three meetings of the Board of Directors have been held. The Board of Directors held on 7 February 2018, following the recommendation of the Compensation Committee, appointed Mr Stéphane Emery as member of the Compensation Committee. Since his appointment, the Compensation Committee has not met.

(2) Five meetings of the Board of Directors were held prior to 28 November 2017, date on which the term of office of Mr Manousos Charkoftakis as Director representing the employees expired.

(3) Five meetings of the Board of Directors were held prior to 2 December 2017, date on which the term of office of Mr Sylvain Carré as Director representing the employees expired.

2.1.6.4 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; and
- a check that significant issues are adequately prepared and discussed.

In accordance with the AFEP-MEDEF Code and with its Internal Regulations [(1)], the Nominations, Governance and CSR Committee and the Board conduct an annual review of the operations of the Board and its Committees, and every three years a formalised external review with the support of a specialized consulting firm.

Since the last triennial external reviewed was performed in 2014/15, the Board performed a formalized review of its operation and that of its Committees during the fiscal year with the help of an external consultant specialized in corporate governance issues, who conducted individual interviews of each Director using a formalised interview guide.

This last review highlights that significant progress has been made addressing the improvements and proposals made during the last triennial review in 2014/15. Indeed, the Directors find that the Board of Directors outperforms the external benchmarks and market practices, and notably consider that the Directors' integration process is working properly. Additionally it is noted that the culture of the Board leads to collective decision-making, conviviality and freedom of speech. Furthermore, the Executive Director's leadership get unanimous approval, and is followed by a significant amount of trust; the professionalism of the Board is considered a key element.

In a constructive approach, the specialized consulting firm did, however, express a number of suggestions for improvements, which the Nominations, Governance and CSR Committee and the Board of Directors have decided to implement during the next financial year notably:

- the implementation of a strategic seminar;
- the adaptation of the induction programme;
- the review of the Directors' attendance fees;
- the distribution of the Strategic Committee's agenda to all the Directors, being reminded that they may, upon request, and even if they are not members of the Committee, participate in the meetings of the Strategic Committee; and
- the organisation of the Nominations, Governance and CSR Committee and/or the Compensation Committee on the day prior to the Board of Directors' meeting.

(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.

2.1.6.5 Roles and activities of 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 Board of Directors' report on Corporate Governance, the Board of Directors' composition as well as 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 FY18	• During FY18, 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 to the minutes and discussions related to the work entrusted to 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 28 August 2018 established the 2018/19 compensation policy for the Chairman & CEO to be submitted to the approval of the Shareholders' Meeting (10th resolution) and evaluated his variable compensation for FY18 without him being present. • In accordance with the recommendations of the AFEP-MEDEF Code, Directors held an Executive Session without the Directors from the Top Management 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 notably with regards to the proportion of women and the diversity of the Directors' profiles. • The Board of Directors held on 18 April 2018 carried out an external and formal review of its operations, with the support of an external consulting firm, the conclusions of which are set out above.

2.1.7 Structure and operation of the Committees

2.1.7.1 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.

2.1.7.2 Audit Committee

Composition	**On 28 August 2018, 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 FY18, the Audit Committee met four times, with an attendance rate of 91.7%.**
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; and • supervising the procedure for selecting Statutory Auditors.

Main activities in FY18	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 2017 during the meeting held on 6 February 2018; • review of the consolidated financial statements on 30 June 2018 (reviewed at the meeting held on 27 August 2018): 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; • risk management: the Group's main risks are regularly presented in detail to the Audit Committee (the meetings held on 5 December 2017 and 12 June 2018 were devoted mainly to risk management). An updating of the Group's risk-mapping was carried out in 2018 and submitted to the Audit Committee, and the development of data analytics to strengthen internal audit approaches continued in 2018. Moreover, digital marketing and use of the cloud were subject to cross-functional reviews in FY18 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 27 August 2018; • examine the internal audit reports: in addition to the audits and controls carried out by the various affiliates on their own behalf, 33 internal audits were performed in FY18 by the internal audit teams (including IT audits). 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 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 FY19 was made at the meeting held on 12 June 2018. The audit plan was prepared and approved, taking into account the Group's main risks.
Outlook for FY19	In FY19, 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, FY18 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 2018/19 audit plan.

2.1.7.3 The Nominations, Governance and CSR Committee

Composition	**On 28 August 2018, 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 FY18, 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 at least annually, 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 social responsibility (S&R); • monitoring the implementation of the S&R commitments at Group level.
Main activities in FY18	In FY18, the main activities of the Nominations, Governance and CSR Committee included: • a review and recommendations to the Board of Directors on its composition and its Committees; • annual review 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 the Group's Talent Management policy and presentation of the succession plan for the Group Top Management; • annual review of Pernod Ricard SA diversity policy; • triennial formalised evaluation of the operation of the Board of Directors and its Committees; and • proposals to improve the operation of the Board of Directors and its Committees.
Outlook for FY19	In FY19, 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 its Committees and the Directors' independence and will also focus on the review of the Group's new CSR strategy.

2.1.7.4 Compensation Committee

Composition	**On 28 August 2018, 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) Mr Stéphane Emery (Director representing the employees) Three out of the four Directors who are members of the Compensation Committee (excluding the Director representing the employees [(1)]) are Independent Directors (75%), it being noted that the AFEP-MEDEF Code recommends an independence rate of 50%. **In FY18, the Compensation Committee met five times, with an attendance rate of 91.7%.**

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, medium 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 on the compensation of the Executive Directors (in particular, the compensation policy and the components of the compensation submitted to the approval of the shareholders under the "Say on Pay" resolutions) and the policy for the allocation of stock options and performance-based shares.

Main activities in FY18	• Further details of the work of the Compensation Committee are provided in the "2.1.8 *Compensation policy*" subpart. • During FY18, the members of the Compensation Committee considered the drafting of the Executive Director's compensation policy in light of the recommendations of the AFEP-MEDEF Code and the "Sapin 2" Law, subject to the Shareholders' approval on 9 November 2017 ("*ex ante* vote"). The members of the Compensation Committee also worked on the governance rules (AFEP-MEDEF, AMF) and the market practices regarding the Executive Directors' compensation in order notably to propose an increase in the annual fixed compensation of the Chairman & CEO. They also reviewed the attendance fees of the Directors.
Outlook for FY19	In FY19, the Committee will continue with the tasks it is carrying out for the Board of Directors, notably the review of the options and performance-based shares allocation policy in view of the renewal of the related resolutions at the Shareholders' Meeting to be held in November 2019.

(1) 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.

2.1.7.5 Strategic Committee

Composition	**On 28 August 2018, 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) 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 FY18, the Strategic Committee met twice with an attendance rate of 91.7%.** 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 FY18	During FY18, the members of the Strategic Committee reviewed the strategic issues of the Group and the Group's cybersecurity roadmap. They also debated the development of the Group's financial policy in the context of further deleveraging.
Outlook for FY19	In FY19, 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 strategic orientations foreseen for the Group's development as well as the study of any strategic issues affecting the Company or the Group.

2.1.8 Compensation policy

2.1.8.1 Executive Directors' compensation

This section was prepared with the assistance 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.

Arrangements for allocating Directors' fees for FY18

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 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 tax residents when they attend Board and/or Committee meetings. Directors who take part in Board meetings by videoconference or conference call are not eligible for this additional amount.

The Director representing the employees receives an annual lump sum of €15,000 as Directors' fees for his or her attendance at the meetings of the Board of Directors and, as applicable, those of the Board of Directors Committee(s) of which he or she is a member.

The Chairman & CEO does not receive Directors' fees.

Of the €970,000 allocated by the Shareholders' Meeting of 9 November 2017, a total of €887,500 in Directors' fees was paid to members of the Board of Directors in respect of FY18, in accordance with the rules set out above.

Arrangements for allocating Directors' fees for FY19

After 10 years without change, a Mercer study on total Directors' fees and their allocation within the Company found that:

- the Company's Board of Directors uses 93% of the annual amount (compared with an average of 70% among CAC 40 companies), leaving no flexibility in the organisation of Board of Directors and/or Committee meetings; and
- the amount of fixed Directors' fees received by each member of the Board of Directors and the Committees is below the market practices observed among CAC 40 issuers.

To give the Board the flexibility needed to hold additional meetings of the Board of Directors and/or the Committees, to anticipate the appointment of any additional Directors, to maintain the attractiveness of the Board of Directors and to align the Company's practices with those of other CAC 40 companies, the Board of Directors, at its meeting of 24 July 2018 and on the proposal of the Compensation Committee, decided to modify the allocation of Directors' fees as follows, it being specified that:

- the annual compensation will still consist of (i) a fixed portion for the members of the Board of Directors plus, where applicable, a fixed fee when a Director is a member of one or more Committees and (ii) a variable portion of €4,000 per meeting of the Board or Committee; and
- the allocation approved by the Board of Directors on 24 July 2018, on the proposal of the Compensation Committee, should remain unchanged for a period of five years (except in the event of exceptional circumstances justifying a review as appropriate).

Subject to the approval of the new amount by the Shareholders' Meeting of 21 November 2018, the following allocation would be applicable:

- fixed portion for any member of the Board of Directors: €20,000 plus, as applicable:
  - a fixed fee for any Director belonging to the Nominations, Governance and CSR Committee and/or the Compensation Committee and/or the Strategic Committee: €5,000, and/or
  - a fixed fee for any Director belonging to the Audit Committee: €6,000, and
  - an additional sum (in addition to the fixed fee as a member of the said Committee) for the Chairman of the Nominations, Governance and CSR Committee and/or Chairman of the Compensation Committee: €8,500, and/or
  - an additional sum (in addition to the fixed fee as a member of the said Committee) for the Chairman of the Audit Committee: €14,000;
- a variable portion of €4,000 per meeting of the Board or a Committee;
- additional fee for the Vice-Chairman: €40,000;
- distance premium of €1,500 per meeting (taking into account the constraints of distance on attendance at Board and Committee meetings for Directors who are not French tax residents);
- annual lump sum of €15,000 paid to the Director representing the employees for his or her attendance at the meetings of the Board of Directors and, as the case may be, of the Committees of which he or she is a member; and
- no Directors' fees will be paid to the Chairman & CEO.

As a result, and taking the above elements into consideration the Shareholders' Meeting of 21 November 2018 will be asked to approve an amount of €1,250,000 (compared with €970,000 last year), which will give the Board the flexibility needed to hold additional meetings of the Board of Directors and/or the Committees, to anticipate the appointment of any additional Directors, to maintain the attractiveness of the Board of Directors and to align the Company's practices with those of other CAC 40 companies.

Table of Directors' fees and other compensation (in euros) received by Corporate officers (Table 3 AMF nomenclature)

Members of the Board	Amounts paid in FY17	Amounts paid in FY18
Ms Nicole Bouton	83,500	87,500
Mr Wolfgang Colberg	113,500	113,500
Mr Ian Gallienne	87,000	91,000
Mr César Giron	69,500	69,500
Ms Martina Gonzalez-Gallarza	44,500	54,000
Ms Anne Lange [(1)]	68,000	68,000
Mr Pierre Pringuet	113,500	109,500
Société Paul Ricard represented by Mr Paul-Charles Ricard [(2)]	39,500	43,500
Mr Gilles Samyn	78,500	73,000
Ms Kory Sorenson	97,500	101,500
Ms Veronica Vargas	54,000	54,000
Mr Sylvain Carré [(3)]	15,000	7,500
Mr Manousos Charkoftakis [(4)]	15,000	7,500
Mr Stéphane Emery [(5)]	N/A	7,500
TOTAL	**884,208**	**887,500**

N/A: Not applicable.
(1) From 20 July 2016, date of her co-option as a Director to replace Mr Laurent Burelle.
(2) Permanent representative of Société Paul Ricard, Director.
(3) Until 2 December 2017, date of the end of his term as Director representing the employees.
(4) Until 28 November 2017, date of the end of his term as Director representing the employees.
(5) From 19 January 2018, date on which he attended his first meeting of the Board of Directors.

Other components of the compensation of Corporate officers performing management or executive roles within the Group

In addition to Directors' fees, Messrs César Giron and Paul-Charles Ricard also received compensation in their respective capacities as Chairman & CEO of Martell Mumm Perrier-Jouët and Innovation Manager of Martell Mumm Perrier-Jouët.

A summary statement of the compensation and other benefits received by each of these Corporate officers 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.

2.1.8.2 Mr César GIRON, member of the Board of Directors and Chairman & CEO of Martell Mumm Perrier-Jouët

Fixed compensation

Mr César Giron receives gross fixed compensation for his duties as Chairman & CEO of Martell Mumm Perrier-Jouët which reached €458,309 for FY18.

Variable compensation

In his capacity as Chair of a direct affiliate and member of the Executive Committee, Mr César Giron receives gross variable compensation 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 FY18, he received gross variable compensation in October 2017 of €380,174 relating to FY17, *i.e.* 85.44% of his fixed compensation for FY17.

Special bonus

No special bonuses were awarded or paid in respect of FY18.

Stock option and performance-based share allocation

On 9 November 2017, 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:

- 7,000 stock options with an external performance condition (€132,230 at IFRS value); and
- 2,000 performance-based shares with an internal performance condition (€238,300 at IFRS value).

The details of the overall stock option and performance-based share allocation policy are shown below (pages 67-68 of this Registration Document).

Severance benefits

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 French Decree No. 2016-182 of 23 February 2016, at 30 June 2018, the estimated gross amount of the annuity potentially paid under the supplementary defined-benefit pension scheme for Mr César Giron would be €187,685 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 components of his compensation.

Other benefits

During FY18, Mr César Giron qualified for a company car and a part-time chauffeur.

2.1.8.3 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 €57,756 for FY18.

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 FY18, he received gross variable compensation of €6,847 relating to FY17.

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 €8,037 from incentive agreements and €8,497 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 components of his compensation.

Other components of the 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.

2.1.8.4 Compensation policy for the Executive Director

Presented below, in accordance with article L. 225-37-2, is the report of the Board of Directors on the compensation policy for the Chairman & CEO (hereinafter the "Executive Director"), which will be submitted for the approval of shareholders.

Accordingly, the Shareholders' Meeting of 21 November 2018 (in its 10th resolution appearing in Section 7 "Combined Shareholders' Meeting" of this Registration Document) will be asked to approve the following aspects of the compensation policy of the Executive Director.

It is specified that this report has been drawn up under the supervision of the Compensation Committee.

Principles and rules for determining the policy

The compensation policy for the Executive Director is set by the Board of Directors based on the recommendation 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 AFEP-MEDEF Code, which the Company uses as reference.

Overview and balance

All components of the compensation and other benefits 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 & CEO, a new Chief Executive Officer or Deputy Chief Executive Officer(s) are appointed, the components of the compensation and the policy and criteria set out in the Compensation Policy for the Chairman & 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 & CEO.

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; and
- 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 & CEO, a new Chief Executive Officer or Deputy Chief Executive Officer(s), these same principles will apply.

In respect of FY19, the Board of Directors, at its meeting of 28 August 2018, decided, on the proposal of the Compensation Committee, to increase Mr Alexandre Ricard's fixed annual compensation to €1,100,000 until the end of his term.

In making this decision, the Board of Directors took into consideration:

- the fact that Mr Alexandre Ricard's fixed compensation was unchanged since his appointment as Chairman & CEO in February 2015;
- the increase in the pace of improvement of the Group Pernod Ricard financial performance since his appointment; and
- the analyses conducted by two independent firms highlighting a significant difference in compensation (both fixed and total) compared with the median practice of CAC 40 companies and an even larger gap with companies in the beverage sector (External Benchmarking Panel).

The Board of Directors accordingly decided to increase Mr Alexandre Ricard's fixed compensation to align it more closely with the median practice of CAC 40 companies, bearing in mind that the market capitalisation of Pernod Ricard is above the median of the CAC 40.

Directors' fees

The Executive Director does not receive Directors' fees in respect of offices they hold in the Company or in Group companies.

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.

Performance criteria

The criteria are reviewed regularly and may be modified on an occasional basis. For FY19, 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; and
- **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.

Performance levels

The performance achievement level shall be communicated, criterion by criterion, once the performance assessment has been prepared.

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.

Payment method

In accordance with the law, the payment of variable annual compensation will be conditional upon prior approval by the Ordinary Shareholders' Meeting.

Multi-year compensation

The Board of Directors has decided not to use this type of long-term cash compensation mechanism, preferring to favour a share-based instrument more closely 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.

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 his or her previous position.

In all cases, the payment of such compensation may only be made subject to the prior approval of the Ordinary Shareholders' Meeting pursuant to article L. 225-37-2 of the French Commercial Code.

Stock option and performance-based share allocation policy

The Board of Directors considers that share-based compensation 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 his or her 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 6 November 2015 (resolutions 22 and 23), the General Shareholders' Meeting has authorised the following external and internal performance conditions:

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 for a period of four years.

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; and
- 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 his or her current term of office.

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 conditions

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 "Allocation of stock options" opposite.

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 benchmarking panel) and the practices of CAC 40 companies; and
- 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).

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 actually vest; and
- once the Executive Director holds a number of registered Company shares that correspond to more than three times his gross fixed annual compensation at that time, the above-mentioned lock-in obligation will be reduced to 10% for both stock options and 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.

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 vest) 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 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.

Hedging

In accordance with the Code of Conduct, the latest version of which was adopted by the Board of Directors on 20 July 2017, and the AFEP-MEDEF Code, the Executive Director has formally agreed to refrain from using hedging mechanisms for any stock options and performance-based shares received from the Company.

Policy on deferred commitments

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 the term of office, ii) departure initiated by the Director, iii) a change of functions within the Group or iv) if he or she is 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 for foreign exchange and scope impacts); and
- 3rd criterion: average growth in net sales over the term(s) of office: criterion number 3 will be considered as met if the average growth in net sales over the entire length of the term(s) of office is greater than or equal to 3% (adjusted for foreign exchange and scope impacts).

The amount of compensation that may be received under the forced departure clause shall be calculated according to the following scale:

- if the three criteria are satisfied: 12 months' compensation [(1)];
- if two of the three criteria are satisfied: eight months' compensation [(1)];
- if one of the three criteria is satisfied: four months' compensation [(1)]; and
- if no criteria are met: no compensation is paid.

Non-compete clause

The signing of this non-compete clause for a period of one year is intended to protect the Group by preventing the Executive Director from performing 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).

In accordance with the AFEP-MEDEF Code:

- the indemnity will be paid monthly during its term;
- it is provided in this clause that the Board of Directors may waive the application of this clause when the Executive Director leaves;
- the indemnity will not be paid if the Executive Director leaves the Group to take retirement or if the Executive Director is over 65 years old; and
- the maximum amount of the indemnity under the non-compete clause and the imposed departure clause (sum of both) is capped at 24 months' compensation (last fixed and variable annual compensation approved by the Board of Directors).

Lastly, pursuant to the regulated agreements and commitments procedure, the items above were approved by the Shareholders' Meeting held on 17 November 2016 (5th resolution).

Supplementary pension scheme

In return for the removal of the defined-benefit supplementary pension scheme decided 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 is personally responsible for establishing his or her own supplementary pension, to award the Executive Director additional annual compensation equal to 10% of his or her 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, and which must be approved by the Board of Directors each year. The conditions relating to performance, presence and holding that will apply to these allocations will be the same as those outlined under the general Group performance-based shares allocation 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.

Other benefits

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.

(1) Most recent annual fixed and variable remuneration decided by the Board of Directors.

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 components 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).

Employment contract (Table 11 AMF nomenclature)

	Employment contract		Supplementary defined-benefit pension scheme		Indemnities or advantages due or liable to be due by virtue of the discontinuance of or change in their positions		Indemnities relating to a non-compete clause	
Executive Directors	Yes	No	Yes	No	Yes	No	Yes	No
Mr Alexandre Ricard, Chairman & 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 & CEO. Before this, his contract of employment with Pernod Ricard had been suspended since 29 August 2012.

2.1.8.5 Summary of components of the compensation due or granted to Mr Alexandre RICARD for the financial year

Summary table of compensation paid and options and shares granted to Mr Alexandre RICARD (Table 1 AMF nomenclature)

In euros	FY17	FY18
Compensation due for the financial year	2,197,185 [1]	2,490,510 [2]
Value of multi-year variable compensation allocated during the financial year	N/A	N/A
Value of options granted during the financial year	476,652	473,195
Value of performance-based shares allocated during the financial year	947,472	951,734
Value of performance-based shares allocated during the financial year in respect of the supplementary pension scheme [3]	N/A	109,521
Supplementary cash payment in respect of the supplementary pension scheme [3]	N/A	109,653
TOTAL	**3,621,309**	**4,134,613 [2]**

N/A: Not applicable

(1) This total includes the use of a company car.
(2) The amount of the bonus due for the year will be subject to the ex-post vote of the shareholders.
(3) Annual component equal to 5% of fixed and variable compensation.

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)

	FY17		FY18	
In euros	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	950,000	950,000	950,000	950,000
Variable annual compensation [1]	1,243,075	913,900	1,534,155 [3]	1,243,075
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]	4,110	4,110	6,355	6,355
TOTAL	**2,197,185**	**1,868,010**	**2,490,510**	**2,199,430**

N/A: Not applicable
(1) The variable compensation due in respect of the prior year is paid in the current year.
(2) Company car.
(3) The amount of the bonus due in respect of the year will be subject to the ex-post vote of the shareholders.

Stock options granted to Mr Alexandre RICARD by the Company and any Group company 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
FY18	09/11/2017	Purchase	€473,195	25,050	€126.53	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 10.11.2021 to 09.11.2025

Stock options exercised by Mr Alexandre RICARD during the financial year (Table 5 AMF nomenclature)

Date of plan	Number of options exercised during the year	Strike price
Mr Alexandre Ricard exercised no options during FY18	-	-

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 awarded during the period	Valuation of shares pursuant to the method used for the consolidated financial statements (IFRS)	acquisition date	vesting date	Performance conditions
09.11.2017	4,000	€476,600	10.11.2021	10.11.2021	Average achievement of the annual budget targets in respect of Profit from Recurring Operations in the current and subsequent two years (three consecutive years).
09.11.2017	460 (1)	€54,809	10.11.2021	10.11.2021	Average achievement of the annual budget targets in respect of Profit from Recurring Operations in the current and subsequent two years (three consecutive years).
09.11.2017	6,600	€475,134	10.11.2021	10.11.2021	Average achievement of the annual budget targets in respect of Profit from Recurring Operations in the current and subsequent two years (three consecutive years). Positioning of the overall performance of the Pernod Ricard share compared with the overall performance of a panel of 12 companies over three years.
09.11.2017	760 (1)	€54,712	10.11.2021	10.11.2021	Average achievement of the annual budget targets in respect of Profit from Recurring Operations in the current and subsequent two years (three consecutive years). Positioning of the overall performance of the Pernod Ricard share compared with the overall performance of a panel of 12 companies over three years.

(1) Allocation under the supplementary pension scheme

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 period	Terms of acquisition
N/A	-	-

N/A: Not applicable

2.1.8.6 Components of the compensation due or granted in respect of FY18 to Mr Alexandre RICARD, Chairman & CEO, subject to the shareholders' approval

The law on transparency, the fight against corruption and the modernisation of economic life (known as "Sapin II"), promulgated on 9 December 2016, requires that the fixed, variable and exceptional components constituting the total compensation and other benefits paid or granted to the Corporate Officers for the prior financial year be submitted each year, starting in 2018, to the Ordinary Shareholders' Meeting for approval (11th resolution submitted to the Shareholders' Meeting of 21 November 2018 and appearing in Section 7 "Combined Shareholders' Meeting" of this Registration Document). This vote is binding (as opposed to the advisory vote previously provided for by the AFEP-MEDEF Code).

The components of compensation paid or granted in respect of FY18 to Mr Alexandre Ricard, Chairman & CEO, were approved by the Board of Directors at its meetings of 30 August 2017, 9 November 2017 and 28 August 2018, on the recommendation of the Compensation Committee, in application of the compensation policy – namely the principles and criteria for determining, allocating and granting components of compensation – applicable to the Chairman & CEO and approved by the Shareholders' Meeting of 9 November 2017 (10th resolution).

Components of compensation	Amounts	Remarks
Fixed compensation	€950,000	• At its meeting held on 30 August 2017, the Board of Directors, on the recommendation of the Compensation Committee, decided to maintain the amount of Mr Alexandre Ricard's gross fixed annual compensation at €950,000 for FY18.

Variable compensation	€1,534,155	• At its meeting held on 28 August 2018, 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 FY18.
		• Considering the quantitative and qualitative criteria set by the Board meeting on 30 August 2017 and the achievements recognised as of 30 June 2018, the amount of the variable portion was assessed as follows:
		  • for the quantitative criteria, the variable portion amounted to 131.49% of Mr Alexandre Ricard's fixed annual compensation, versus a target of 80% and a maximum of 150%, breaking down as follows:
		  – achievement of the budgeted Profit from Recurring Operations (target 30%, maximum 55%): 40.92%;
		  – achievement of the budgeted Net Profit from Continuing Operations attributable to equity holders of the Parent (target 20%, maximum 40%): 35.57%;
		  – deleveraging (Net debt/EBITDA) (target 30%, maximum 55%): 55%;
		  • for the qualitative criteria, the variable portion approved amounted to 30% of Mr Alexandre Ricard's annual fixed compensation, versus a target of 30% and a maximum of 45%, breaking down as follows:
		  – grow in value at the same pace as the US market (6%/9%): 6%;
		  – return to growth of Chivas (6%/9%): 6%,
		  – implementation of the operational efficiency plan (6%/9%): 6%;
		  – strengthen the culture of commitment and performance within the Group (6%/9%): 6%;
		  – honour the five CSR commitments made by the industry for December 2017 (Smart Barometer reading of 95% at the end of December 2017) (6%/9%): 6%;
		• Consequently, the total amount of Mr Alexandre Ricard's variable compensation for FY18 as Chairman & CEO was set at €1,534,155, *i.e.* 161.49% of his fixed annual compensation for FY18 (vs. a target of 110%). The variable compensation in respect of the FY17 and FY16 respectively represented 130.85% and 96.20% of his annual fixed compensation.

Multi-year variable compensation	N/A	• Mr Alexandre Ricard does not qualify for any multi-year variable cash compensation.
Directors' fees	N/A	• As an Executive Director of the Company, Mr Alexandre Ricard does not receive any Directors' fees.
Special bonus	N/A	• Mr Alexandre Ricard does not qualify for any special bonus.

Allocation of stock options and/or performance-based shares	€473,195
	(total IFRS value of stock options with external performance condition)
	
	€476,600
	(total IFRS value of performance-based shares with internal performance condition)
	
	€475,134
	(total IFRS value of performance-based shares with internal and external performance conditions)
		• During FY18, the Board of Directors' meeting held on 9 November 2017 decided, on the recommendation of the Compensation Committee, to grant Mr Alexandre Ricard:
		  • **25,050 stock options** (*i.e.* approx. 0.009% of the Company's share capital) all subject to the external performance condition specified in the subsection "Allocation of stock options" in section 2.1.8.4 above;
		  • **4,000 performance-based shares** (*i.e.* approx. 0.0015% of the Company's share capital) all subject to the internal performance condition specified in the subsection "Allocation of performance-based shares" in section 2.1.8.4 above;
		  • **6,600 performance-based shares** (representing approximately 0.0025% of the Company's share capital), fully subject to the internal and external performance conditions specified above in the subsections "Allocation of stock options" and "Allocation of performance-based shares" in section 2.1.8.4 above;
		• the same presence condition applies to Mr Alexandre Ricard and the other beneficiaries of the allocation plan.
		• it is noted that Executive Directors are subject to lock-in obligations in respect of shares resulting from the exercise of stock options and the effective transfer of performance-based shares (see subsection "Stock option and performance-based share allocation policy" in section 2.1.8.4 above).

Components of compensation	Amounts	Remarks

Welcome bonus or compensation for termination of office	No payment	• Mr Alexandre Ricard, as Chairman & CEO, benefits from:
		  ● a one-year non-compete clause specified in the subsection "Non-compete clause" in section 2.1.8.4 above;
		  ● an imposed departure clause (maximum of 12 months' compensation) specified in the subsection "Imposed departure clause" in section 2.1.8.4 above.
		• In accordance with the AFEP-MEDEF Code, the overall amount of the non-compete clause and the imposed departure clause (sum of both clauses) will be capped at 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).

Supplementary pension scheme	€109,521 (total IFRS value of performance-based shares with internal and external performance conditions)
	
	€109,653 (payment in cash of 5% of the fixed and variable annual compensation)
		• In consideration for the elimination of the supplementary defined-benefit pension scheme, the Board of Directors at its meeting of 31 August 2016 decided to allocate to Mr Alexandre Ricard, starting in 2017, an annual component equal to 10% of his fixed and variable annual compensation in the form of a grant of performance-based shares (5%) and cash (5%). This decision was approved by the Shareholders' Meeting of 17 November 2016 (16th resolution).
		• Grant of:
		  ● 460 performance-based shares, subject to an internal condition; and
		  ● 760 performance-based shares, subject to internal and external conditions.
		The performance, presence and lock-in conditions applicable to these allocations are the same as those provided for in the Group's overall performance-based share allocation plan in force on the grant date (described in the subsections "Allocation of stock options" and "Allocation of performance-based shares" in section 2.1.8.4 above).
		On the same principle as for grants of performance-based shares, Mr Alexandre Ricard is subject to lock-in obligations (see the subsection "Stock option and performance-based share allocation policy" in section 2.1.8.4 above).
		• Mr Alexandre Ricard has undertaken to invest the cash payment, net of social security contributions and tax, in investment vehicles dedicated to financing his supplementary pension.

Collective healthcare and welfare schemes		• 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 components 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	€6,355	• Mr Alexandre Ricard benefits from a company car.

N/A : Not applicable.

2.1.8.7 Other aspects of the compensation policy

Overall stock option and performance-based share allocation policy

During FY18, the Board of Directors reaffirmed its desire to give key personnel an interest in the performance of Pernod Ricard shares, and during its meeting of 9 November 2017, 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, some 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 9 November 2017 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; and
- 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 9 November 2017 stood at 124,050 stock options.

All of the stock options under the plan are subject to an external performance condition and will become exercisable from November 2021 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 9 November 2017 to 9 November 2020 inclusive.

The number of shares that will ultimately be granted will be determined by comparing the overall performance of the Pernod Ricard share and the overall performance of a Panel from 9 November 2017 to 9 November 2020 inclusive (three years). Accordingly, if the overall performance of the Pernod Ricard shares (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: AB InBev, Brown Forman, Campari, Carlsberg, Coca-Cola, Constellation Brands, Danone, Diageo, Heineken, LVMH, PepsiCo and Rémy Cointreau.

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

At its meeting of 9 November 2017, the Board of Directors granted 6,600 performance-based shares with internal and external performance conditions (excluding shares related to the supplementary pension scheme).

All of the performance-based shares under the plan are subject to internal and external performance conditions and will vest from November 2021 depending on the internal performance condition over three consecutive FY (18, 19 and 20 - 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 benchmark condition will be evaluated over a three-year period following the plan allocation, *i.e.* from 9 November 2017 to 9 November 2020 inclusive.

The volumes subject to the external performance condition will be those determined at the close of the 2019/20 accounts after applying the internal condition. Final volumes will be determined at the end of the external benchmark condition evaluation period in accordance with subsection "Allocation of stock options" in section 2.1.8.4.

Allocation of performance-based shares with internal condition

A total of 363,691 performance-based shares (excluding shares related to the supplementary pension scheme) were awarded by the Board of Directors at its meeting of 9 November 2017, all 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 the Group's Profit from Recurring Operations, adjusted for currency effects and changes in the scope of consolidation as compared with the Group's budgeted Profit from Recurring Operations over three consecutive FY (18, 19 and 20).

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 2018
(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	Plan dated 09.11.2017
Date of authorisation by Shareholders' Meeting	02.11.2009	02.11.2009	02.11.2009	02.11.2009	09.11.2012	06.11.2015	06.11.2015	06.11.2015
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	09.11.2017
Type of options	Purchase	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	124,050
of which by Executive Directors of Pernod Ricard SA	11,016	70,000	77,450	71,000	51,700	28,200	39,445	39,445
of which by Mr Pierre Pringuet [1]	-	70,000	65,220	60,000	26,000	N/A	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	25,050
of which by Mr César Giron	11,016	-	12,230	11,000	9,200	7,500	8,045	7,000
Commencement date of options	25.06.2014	16.09.2014	16.06.2015	28.06.2016	07.11.2017	07.11.2019	18.11.2020	10.11.2021
Expiry date	24.06.2018	15.09.2018	15.06.2019	27.06.2020	06.11.2021	06.11.2023	17.11.2024	09.11.2025
Subscription or purchase price *(in euros)*	64	64	68.54	78.93	88.11	102.80	105.81	126.53
Number of shares subscribed or purchased	849,100	70,000	659,277	-	-	-		
Total number of stock options cancelled or lapsed [3]	52,503	-	52,852	415,400	349,640	2,050		
of which allocated to Mr Pierre Pringuet [1]	-	-	978	60,000	26,000	N/A	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	-	-	235,921	-	-	276,525	150,008	124,050

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 2018, 786,504 options (all for share purchases) were in circulation, corresponding to approximately 0.30% of the Company's share capital; all these options were "in the money" (at the Pernod Ricard share closing price on 29 June 2018 = €139.9).

At present, there are no Pernod Ricard "subscription" stock options in circulation.

History of allocations of performance-based shares – Situation as at 30 June 2018 (Table 10 AMF nomenclature)

	Plan dated 06.11.2013	Plan dated 06.11.2014	Plan dated 06.11.2015	Plan dated 17.11.2016	Plan dated 09.11.2017
Date of authorisation by Shareholders' Meeting	09.11.2012	06.11.2014	06.11.2015	06.11.2015	06.11.2015
Date of Board of Directors' meeting	06.11.2013	06.11.2014	06.11.2015	17.11.2016	09.11.2017
Number of performance-based shares allocated	570,880	583,240	418,923	461,376	371,511
of which to Executive Directors of Pernod Ricard SA	17,550	34,000	10,650	15,815	13,820
of which to Mr Pierre Pringuet (1)	9,500	18,200	N/A	N/A	N/A
of which to Mr Alexandre Ricard (2)	6,100	11,600	8,500	13,200	11,820
of which to Mr César Giron (3)	1,950	4,200	2,150	2,615	2,000
Vesting date of the performance-based shares	07.11.2016 (FRA) 07.11.2017 (ROW)	07.11.2018	07.11.2019	18.11.2020	10.11.2021
End date for share lock-in period	07.11.2018 (FRA) 07.11.2017 (ROW)	07.11.2018	07.11.2019	18.11.2020	10.11.2021
Presence of performance condition	Yes	Yes	Yes	Yes	Yes
Number of performance-based shares cancelled (1)	273,275	223,092	59,430	31,800	5,062
of which allocated to Mr Pierre Pringuet	9,500	7,445	-	-	-
of which allocated to Mr Alexandre Ricard	6,100	4,745	-	-	-
of which allocated to Mr César Giron	585	1,217	-	-	-
Vested performance-based shares (2)	297,605				
Unvested performance-based shares (3)	0	360,148	359,493	429,576	366,449

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 vest after four or five years subject to the continued presence of the beneficiaries in the Company at the vesting date. For the 2013 plan, the vesting period was three years for tax residents of France (followed by a two-year lock-in period (FRA)), and four years for non-tax residents of France (without a lock-in period (ROW)). For plans awarded from 2014, the vesting period is four years with no lock-in period for any beneficiaries.

(1) 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.

(2) Allocated shares that vested and were transferred to the beneficiaries.

(3) For the November 2014 and 2015 plans, the performance condition was evaluated in full. For the November 2016 and November 2017 plans, it will only be evaluated at the close of the FY19 and FY20 respectively.

Stock options granted to the Group's top 10 employees other than corporate officers and options exercised by the Group's top 10 employees other than corporate officers during FY18 (Table 9 AMF nomenclature)

	Number of options allocated/shares subscribed or purchased	Weighted average price *(€)*	Plans
Options granted during the financial year by the issuer 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)]	43,000	126.53	09.11.2017
Options held on the issuer and the companies included in the scope of allocation of the options exercised, during the year by the top 10 employees of the issuer and any company included in this scope, exercising the highest number of options	118,967	66.05	24.06.2010/ 15.06.2011

(1) During FY18, only six people within Pernod Ricard SA were affected by these allocations.

Pernod Ricard has not issued any other options granting access to the capital reserved for its Executive Directors or the top 10 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 issuer for the payment of pensions are set out in Note 4.7 "Provisions" in 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 fixed compensation awarded to the members of the Executive Committee, including the Executive Director, amounted to €7.7 million for FY18 (compared with €7.5 million in FY17). In addition to this, variable compensation (relating to FY17) of €6.4 million was paid (compared with €4.8 million in FY17).

The total recurring expense in respect of pension commitments for members of the Executive Committee, including the Executive Director, was €4.4 million in the financial statements for the year ended 30 June 2018 (compared with €2.6 million as at 30 June 2017).

Transactions involving Pernod Ricard shares made by corporate officers in FY18 (article 223-26 of the AMF General Regulation)

First name, surname, Company name	Position	Financial instrument	Type of transaction	Date	Price *(in euros)*	Amount of transaction *(in euros)*
Mr Alexandre Ricard	Chairman & CEO	Shares	Acquisition	01.09.2017	113.10	3,054
		Shares	Acquisition	01.09.2017	113.3222	1,019,900
		Shares	Acquisition	18.11.2017	127.00	1,141,603
Mr Pierre Pringuet	Vice-Chairman of the Board	Shares	Disposal	09.02.2018	126.50	6,391,539
		Stock options	Exercise of *stock options*	13.02.2018	64.00	4,320,000
		Shares	Disposal	16.05.2018	140.00	65,800
		Shares	Disposal	18.05.2018	140.00	6,197,940
		Shares	Disposal	21.05.2018	140.00	1,724,940
		Stock options	Exercise of *stock options*	28.05.2018	68.54	4,403,147
Ms Nicole Bouton	Director	Shares	Acquisition	13.02.2018	129.4092	38,823
Mr César Giron	Director	Shares	Disposal	19.09.2017	115.00	284,510
		Shares	Disposal	21.03.2018	133.8541	118,595
		Shares	Disposal	21.03.2018	133.75	15,248
Ms Veronica Vargas	Director	Shares	Acquisition	18.07.2017	116.9929	204,738
Société Paul Ricard	Director	Stock options	Transfer of stock put options	25.04.2018	0.5108	304,069.16
		Stock options	Transfer of stock put options	18.06.2018	0.2760	213,934.17

Corporate officers' equity investments in the Company's share capital (situation at 30 June 2018)

Members of the Board of Directors	Number of shares at 30.06.2018	Percentage of share capital at 30.06.2018	Number of voting rights at 30.06.2018	Percentage of voting rights at 30.06.2018
Executive Directors				
Mr Alexandre Ricard (Chairman & CEO)	75,572	0.03%	75,572	0.02%
Mr Pierre Pringuet (Vice-Chairman of the Board of Directors)	404,242	0.15%	519,286	0.17%
Directors				
Mr César Giron	2,113	N.M.	2,113	N.M.
Ms Martina Gonzalez-Gallarza	1,100	N.M.	1,100	N.M.
Société Paul Ricard represented by Mr Paul-Charles Ricard (1)	37,686,104	14.20%	62,559,332	20.11%
Ms Veronica Vargas	8,570	N.M.	8,570	N.M.
Independent Directors				
Ms Nicole Bouton	1,450	N.M.	1,650	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.
Directors representing the employees (2)				
Mr Stéphane Emery	-	N.M.	-	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 within the meaning of article L. 621-18-2 of the French Monetary and Financial Code.

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

2.1.9 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 9 November 2017 and, where applicable, the uses thereof during FY18 are summarised in the following tables.

2.1.9.1 General financial authorisations and delegations

All general financial authorisations and delegations mentioned below were approved by the Shareholders' Meeting of 9 November 2017 for a period of 26 months [(1)]. These authorisations will expire on 8 January 2020.

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 30.06.2018	Features/Terms
Ordinary shares and/or securities granting access to the share capital with preferential subscription rights (14th resolution)	€10 billion *	€135 million	None	The amount of capital increases carried out under the 15th, 16th, 17th, 18th, 19th, 20th and 21st resolutions of the AGM of 09.11.2017 will be deducted from the overall limit of €135 million set in this 14th resolution. The nominal amount of debt securities issued under the 15th resolution of the AGM of 09.11.2017 will be deducted from the limit of €10 billion set in this 14th resolution. These amounts may be increased by a maximum of 15%, in the event of additional requests on the occasion of a capital increase (16th resolution)
Ordinary shares and/or securities granting access to the share capital by public offer without preferential subscription rights (15th resolution)	€4 billion *	€41 million	None	Shares and debt security issues giving access to the share capital will be deducted from the limits provided for in the 14th resolution of the AGM of 09.11.2017. All of the capital increases carried out under the 16th, 17th, 18th, 19th and 21st resolutions will be deducted from the limit of €41 million set in this 15th resolution. These amounts may be increased by a maximum of 15%, in the event of additional requests (16th resolution)
Equity securities and/or securities giving access to equity securities to be issued without preferential subscription rights (17th resolution)	€4 billion *	€41 million	None	Will be deducted from the limits set for capital increases in the 14th and 15th resolutions of the AGM of 09.11.2017
Shares and/or securities granting access to the share capital in consideration for contributions in kind granted to the Company (18th 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 14th and 15th resolutions of the AGM of 09.11.2017
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 (19th 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 14th and 15th resolutions of the AGM of 09.11.2017
Capitalisation of premiums, reserves, profits and other items (20th resolution)	N/A	€135 million	None	Will be deducted from the overall limit set for capital increases in the 14th resolution of the AGM of 09.11.2017

* *Maximum nominal amount of Company debt instruments granting access to ordinary shares.*
N/A: Not applicable.

(1) In addition, the Board of Directors has been authorised to buy back shares within the limit of 10% of the share capital. This authorisation was approved on 9 November 2017 for a period of 18 months. All information relating to the buyback programme is in the following section.

2.1.9.2 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 30.06.2018	Features/Terms
Performance-based shares	AGM of 06.11.2015 (22nd)	38 months	05.01.2019	1.5% of the share capital on the date of Board of Directors' decision to allocate	371,511 (0.14% of 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	AGM of 06.11.2015 (23rd)	38 months	05.01.2019	1.5% of the share capital on the date of Board of Directors' decision to allocate	124,050 (0.05 % of 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	AGM of 09.11.2017 (21st)	26 months	08.01.2020	2% of the share capital on the date of the Shareholders' Meeting	None	Will be deducted from the limits set for capital increases in the 14th and 15th resolutions of the AGM of 09.11.2017

2.1.9.3 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 30.06.2018	Features/Terms
Share buyback	AGM of 09.11.2017 (12th)	18 months	08.05.2019	(10% of share capital)	(1)	Maximum purchase price: €200
Share buyback	AGM of 17.11.2016 (15th)	18 months	16.05.2018	(10% of share capital)	(1)	Maximum purchase price: €150
Cancellation of treasury shares	AGM of 09.11.2017 (13th)	26 months	08.01.2020	(10% of share capital)	None	-

(1) A summary of Company transactions carried out during FY18 as part of the share buyback programme is shown below in the paragraph on the "Share buyback programme".

2.1.10 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 Regulation.

Transactions performed by the Company on its own shares during FY18 (1 July 2017 – 30 June 2018)

Authorisations granted to the Board of Directors

During the Combined Shareholders' Meeting of 17 November 2016, 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 Shareholders' Meeting of 9 November 2017 authorised the Board of Directors to trade in the Company's shares under the same conditions and at a maximum purchase price set at €200 per share, for a period of 18 months. This authorisation cancelled the authorisation granted by the Shareholders' Meeting of 17 November 2016 with effect from 9 November 2017, 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 2018 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 9 November 2017, which remains in force at the date this document was filed, will expire on 8 May 2019. The Shareholders' Meeting of 21 November 2018 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 Shareholders' Meeting of 21 November 2018".

Situation at 30.06.2018	
% of direct and indirect treasury shares	0.45%
Number of shares held	1,195,168
Number of shares cancelled in the last 24 months	None
Nominal value	1,852,510
Gross carrying amount	€110,689,955
Portfolio market value [1]	€167,204,003

(1) Based on the closing price at 30.06.2018, i.e. €139.90.

Summary of transactions performed by the Company on its own shares during FY18

The following table details the transactions performed by the Company on treasury shares within the scope of the share buyback programme during FY18.

	Total gross flows from 01.07.2016 to 30.06.2017										Positions open at 30.06.2017			
	Liquidity agreement		Transactions carried out (excluding liquidity agreement)								Long positions		Short positions	
Operations	Purchase	Sale	Purchase of securities	Call options purchased	Call options exercised	Exercise of the cancel-lation clause	Exercise of the cancel-lation clause	Sale of secu-rities	Sale and repur-chase agree-ments	Transfers [1]	Call options [2]	For-ward pur-chases	Put options	For-ward sales
Number of shares	483,721	490,221	135,632	260,000	100,000	197,525	211,008	-	-	410,332	950,000	-	-	-
Maximum term	-	-	-	15.12.2020	15.11.2018	14.06.2018	21.06.2019	-	-	-	15.12.2020	-	-	-
Average price *(in euros)*	128.74	129.47	128.19	-	-	-	-	-	-	87.90	109.37	-	-	-
Average price over the period *(in euros)*	-	-	-	126.53	102.80	64.00	68.54	-	-	-	-	-	-	-
Amount *(in euros)*	62,273,274	63,469,403	17,387,200	32,897,800	10,280,000	12,641,600	14,462,488	-	-	36,067,232	103,897,000	-	-	-

(1) Transfers of treasury shares.
(2) American call option and sale and repurchase agreement.

Under the share buyback programme authorised by the Shareholders' Meeting of 9 November 2017 and implemented by the Board of Directors, 135,632 shares were purchased on the market at a weighted average price of 128.19 euros per share. In addition, an optional hedge was subscribed for 260,000 shares by acquiring the same number of three-year American call options. The company also purchased 100,000 shares through the exercise of American call options.

Pursuant to authorisations granted by the Combined Shareholders' Meeting of 9 November 2017, the Board of Directors implemented a stock option allocation plan and a performance-based share allocation plan on 9 November 2017.

The 135,632 shares bought on the stock market and the 260,000 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: 223,742 shares were allocated to non-French tax residents benefiting from the performance-based share plan of 6 November 2013 (at the end of the four-year vesting period), and 24,849 shares were allocated to beneficiaries of the bonus share allocation plan of 17 November 2016 (vesting of the first third of the shares allocated), in addition to 161,741 shares transferred to cover the rights of beneficiaries who had exercised stock options.

The 100,000 Pernod Ricard SA shares resulting from the exercise of the American call options, which serve to cover the various plans, were sold off-market to an investment services provider at an average price of €102.80, with a repurchase option (cancellation clause), which allows the Company to recover the shares to be delivered to the beneficiaries of the various plans if necessary.

Cancellation clauses attached to shares sold under sale and repurchase agreements were transferred as and when rights were exercised (or performance-based shares vested). During the period, 408,553 shares were cancelled pursuant to these clauses at an average price of €66.34.

Under the liquidity agreement signed with Rothschild & Cie Banque, during the period, the Company:

- purchased 483,721 shares for a total amount of €62,273,274€; and
- sold 490,221 shares for a total amount of €63,469,403.

Distribution of treasury shares on 30 June 2018

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 Shareholders' Meeting of 21 November 2018

The description of this programme (see below), which was established in accordance with article 241-3 of the AMF's General Regulation, will not be published separately.

As the authorisation granted by the Shareholders' Meeting of 9 November 2017 allowing the Board of Directors to trade in the Company's shares is due to expire on 8 May 2019, a resolution will be proposed at the Shareholders' Meeting of 21 November 2018 (12th resolution – see Section 7 of this Registration Document "Combined Shareholders' Meeting") to grant a further authorisation to the Board to trade in the Company's shares at a maximum purchase price of €240 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. Thus, 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 1,195,168 shares (*i.e.* 0.45% of the share capital) at the time of the declaration relating to the number of shares and voting rights on 30 June 2018, the maximum number of shares that can be bought will be 25,346,991 (*i.e.* 9.55% 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 21 November 2018. The share buyback programme would enable the Company to purchase the Company's shares or have them purchased for the purpose of:

(i) allocating shares or transferring 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) covering its commitments pursuant to financial contracts or options with cash payments relating to rises in the stock market price of the Company's shares, 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) making 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) retaining them and subsequently tendering 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) delivering 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) cancelling 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 granted by the Combined Shareholders' Meeting of 9 November 2017 in its 13th resolution; or

(vii) allowing an investment services provider to act on the secondary market or to ensure liquidity of the Company's shares 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
- 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 would be valid for a period of 18 months from the Shareholders' Meeting of 21 November 2018 and would cancel, 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 9 November 2017 in its 12th resolution.

2.1.11 Items liable to have an impact in the event of a public offer

In accordance with article L. 225-37-5 of the French Commercial Code, the items liable to have an impact on the Company's securities in the event of a public offer are set out below.

2.1.11.1 The Company's share capital structure

The Company's share capital structure is shown in the table "Allocation of share capital and voting rights on 30 June 2018" in Section 8 "About the Company and its share capital", in the subsection "Information about its share capital".

Threshold crossings declared during FY18 are also indicated in the table entitled "Allocation of share capital and voting rights on 30 June 2018" in Section 8 "About the Company and its share capital" of this Registration Document, in the sub-section "Information about its share capital".

2.1.11.2 Statutory restrictions on the exercise of voting rights and double voting rights

The Company's bylaws provide for a limit on voting rights. This mechanism is described in subsection 2.1.12.3 "Voting conditions" below.

In addition, certain shares of the Company have double voting rights as described in subsection 2.1.12.3 "Voting conditions" below.

2.1.11.3 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, owned by the Ricard family) is described under "Shareholders' agreements" in the subsection 2.1.5 "Composition of the Board of Directors" of this Registration Document and also appears on the AMF website (www.amf-france.org).

2.1.11.4 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.

2.1.11.5 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, with the exception of the commitments to the Executive Director described in the paragraph "Policy on deferred commitments" in subsection 2.1.8.4 "Compensation policy for the Executive Director".

2.1.12 Shareholders' Meetings and attendance procedures

Article 32 of the bylaws sets out the procedures that shareholders must follow in order to attend Shareholders' Meetings.

The shareholders meet every year at a Shareholders' Meeting.

2.1.12.1 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 Shareholders' Meetings depending on the nature of the resolutions they are being asked to adopt.

2.1.12.2 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 are 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; or
- 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.

2.1.12.3 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.

Double 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 ten 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%. The Shareholders' Meeting of 21 November 2018 (resolutions 15 and 16 appearing in Section 7 "Combined Shareholders' Meeting" of this Registration Document) will be asked to modify the Company's bylaws in order to align the methods for calculating the crossing of statutory thresholds and the time limit for notification with the applicable legal rules on crossing thresholds.

In the event of non-compliance with the notification 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.

2.1.12.4 Modification of shareholders' rights

The Extraordinary Shareholders' Meeting has the power to modify shareholders' rights, under the conditions defined by law.

2.1.13 Management structure

2.1.13.1 General Management

On 30 June 2018, 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 2018:

- **Alexandre Ricard, Chairman & CEO,** Executive Director;
- **Gilles Bogaert,** Managing Director, Finance & Operations;
- **Ian FitzSimons,** General Counsel;
- **Conor McQuaid,** Global Business Development Director;

- **Cédric Ramat,** EVP Human Resources, Sustainability & Responsibility.

Note that as of the filing date of this Registration Document, the composition of the Executive Board was as follows:

- **Alexandre Ricard, Chairman & CEO,** Executive Director;
- **Hélène de Tissot,** EVP Finance, IT and Operations;
- **Amanda Hamilton-Stanley,** General Counsel;
- **Christian Porta,** Managing Director, Global Business Development;
- **Cédric Ramat,** EVP 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.

2.1.13.2 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; and
- 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 and 11 times a year.

Composition of the Executive Committee on 30 June 2018:

- the Executive Board; and
- 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; and
- 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.

Note that as of the filing date of this Registration Document, the composition of the Executive Committee was as follows:

- the Executive Board;
- the Chairmen of the Brand Companies:
  - Chivas Brothers, Jean-Christophe Coutures, Chairman & CEO,
  - Martell Mumm Perrier-Jouët, César Giron, Chairman & CEO,
  - Pernod Ricard Winemakers, Bruno Rain, Chairman & CEO,
  - Irish Distillers Group, Conor McQuaid, 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, Gilles Bogaert, Chairman & CEO,
  - Pernod Ricard Global Travel Retail, Mohit Lal, Chairman & CEO,
  - Ricard SAS and Pernod SAS, Philippe Savinel, Chairman & CEO.

2.2 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.

2.2.1 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 company 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; and 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.

2.2.2 Description of the internal control environment

2.2.2.1 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 body 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 & 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 & 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.

2.2.2.2 Identification and management of risks

FY18 focused on:

- the update of the Group's risk mapping, a process that involved the Group's main affiliates and functions;
- various approaches aimed at strengthening internal control within the Group, including the continued development of data analytics 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; and
- performing audits: 33 internal audits were conducted in FY18. 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 (digital marketing, use of cloud computing).

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.

2.2.2.3 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 & 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; and
- a letter of representation from every affiliate to the Chairman & CEO of their Parent Company and a letter of representation from the various Parent Companies to the Chairman & 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 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 multi-year strategic plan is established for the Group's main brands every three years; and
- 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.

2.2.2.4 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.

2.3 FINANCIAL AND ACCOUNTING REPORTING

2.3.1 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; and
- 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.

2.3.2 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, 28 August 2018

Mr Alexandre Ricard

Chairman & CEO

3

SUSTAINABILITY & RESPONSIBILITY

COMMITTED TO THE FUTURE WHILE EMBRACING OUR PAST

Today, there is no question that sustainability has come of age. Companies are increasingly finding themselves in the spotlight in a world which is highly connected, increasingly transparent and much more socially and environmentally conscious.

Since our early beginnings, we have recognised the importance of sustainability and responsibility and the need for it to sit at the heart of our business strategy – driving innovation, brand differentiation and talent attraction. This commitment to sustainability can be seen throughout our history as a true cornerstone of our approach deeply embedded in our business. Over 50 years ago for example, the Paul Ricard Oceanographic Institute was founded, ahead of its time and leading the charge still today for ocean preservation and conservation.

We believe there can be no conviviality with excess and no true prosperity if not shared. As "Créateurs de Convivialité", we genuinely live by these convictions. We value our partners and the communities we work and operate in, taking an open and convivial approach in every society we are a part of around the world. We take pride in respecting, nurturing and protecting the environment we live and work in, recognising that all our products come from nature. We care how our products are created and manufactured, adopting new practices to continually improve how we imagine them and take positive actions to ensure that our consumers enjoy our products responsibly.

Fully aligned with this strategy and vision, we have reinforced our commitment to the United Nations Sustainable Development Goals and continue to reaffirm our support for the CEO Water Mandate and the 10 fundamental principles of the United Nations Global Compact. These shared global pledges, working with others, are essential to ensure that we collectively move forward, maximising growth while minimising impact. Commitments are not enough however to truly lead the way for positive change, our goals and ambitions are found in the hearts of each and every one of our employees. Without their conviction and belief in our shared vision and passion for all that they do, none of what makes Pernod Ricard so special would be possible. Colleagues sharing ideas, giving back to the community, supporting each other, making conscious decisions while focusing on quality and innovation – all these things are seen throughout the daily actions Pernod Ricard employees take and for that I sincerely thank them.

Alexandre Ricard,

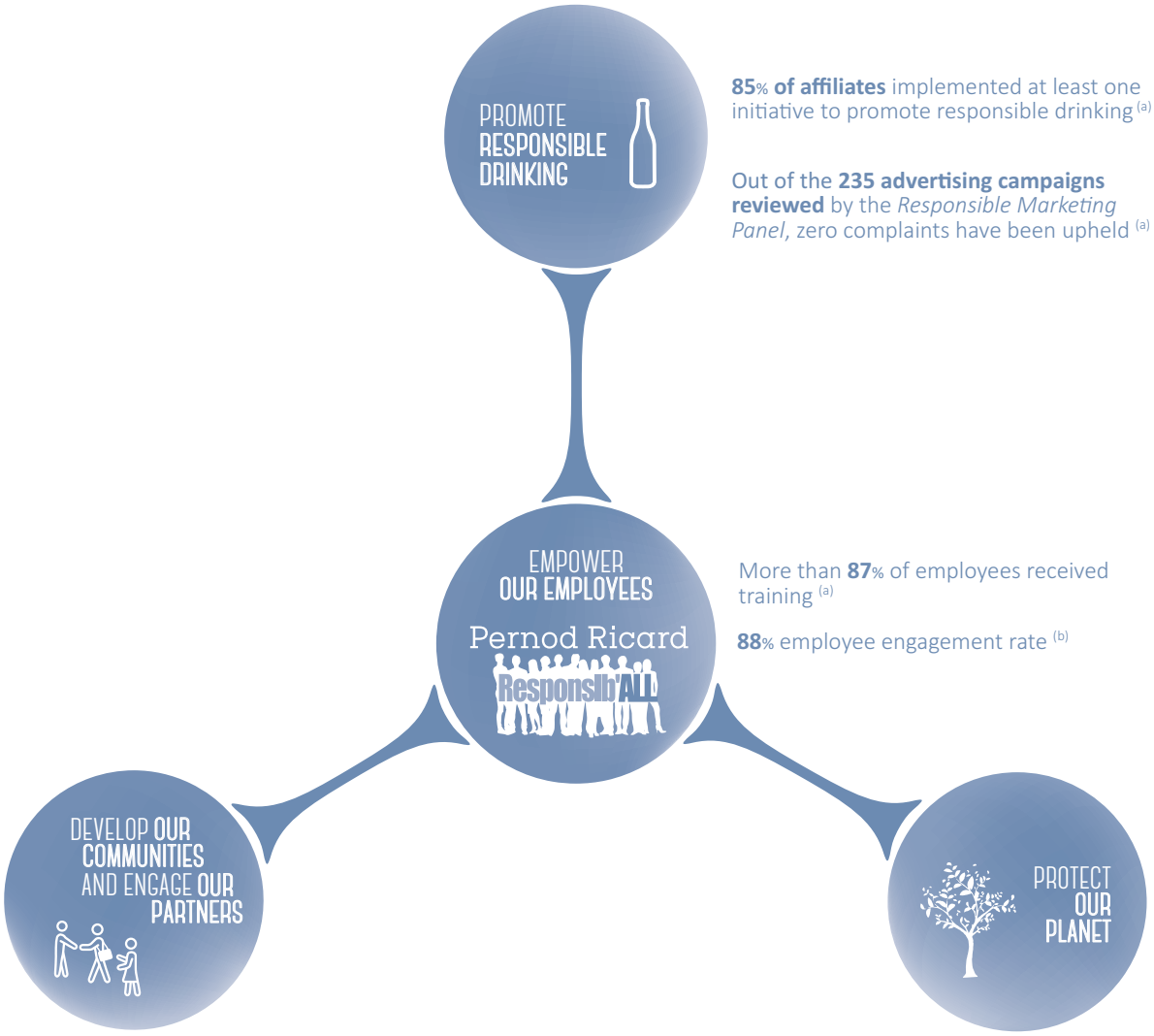
Chairman & CEO

3.1 A STRATEGY BUILT AROUND THE CONCEPT OF "CRÉATEURS DE CONVIVIALITÉ"

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 without excess. The Group operates with the conviction that true success is only achieved when shared, for the benefit of all communities. This process of generating collective value can only be carried out over time. Pernod Ricard is able to embrace this long-term perspective thanks to its family roots, reflected in the legacy the Group passes on to future generations. The phrase "*Créateurs de convivialité*" embodies Pernod Ricard's S&R commitment.

3.1.1 Responsibility based on four areas of commitment

Pernod Ricard's S&R commitment revolves around four areas and is based, first and foremost, on the commitment of its 18,914 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.



96% of affiliates implemented at least one initiative for local community development and partner engagement (a)

2,483 suppliers analysed *via* the CSR Risk Mapping Tool (d)

30% reduction in CO_2 emissions **(scope 1+2)** (c)

20% reduction in water consumption (c)

(a) In FY18.
(b) According to the 2017 "iSay" survey.
(c) Per production unit between FY10 and FY18.
(d) Since 2012.

3.1.2 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 include S&R.
- A S&R Strategic Committee 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 proper implementation of S&R initiatives and to validate the assessment of the progress made each year.
- A network of S&R leaders from more than 86 countries operate under the management of their affiliate to implement the strategy at a local level.

3.1.3 Materiality matrix

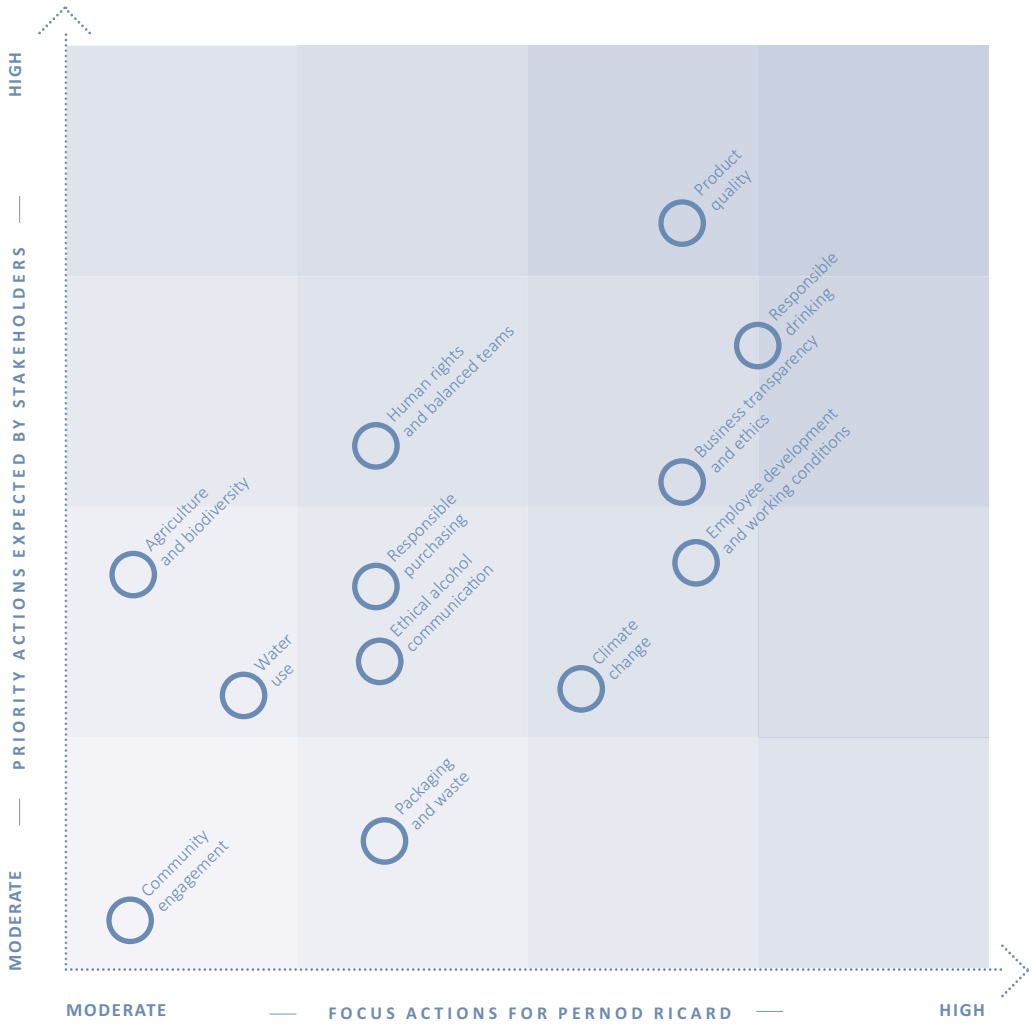
Pernod Ricard creates value by maintaining an active dialogue with its stakeholders in order to develop a better understanding of their expectations. Its S&R strategy is based on the identification, understanding and prioritisation of the themes covered during this dialogue, which are deemed to have a major impact on the Group's ability to create short, medium 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 prioritisation by external stakeholders, in accordance with the importance of subjects to be addressed by a Group such as Pernod Ricard, and by internal stakeholders, in line with 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 be serve as a dialogue tool for future stakeholders' consultations, linked with the S&R strategies and the actions to act upon.



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

Stakeholders	Our Commitment	Methods of Engagement
Employees	A collaborative and convivial work environment where talents can develop.	"iSay" opinion survey, Intranet, internal social network (Chatter), European Works Council, employee representation, Responsib'All Day.
Consumers	Quality of products, consumer information, particularly on responsible drinking.	Complaint management system, consumer research, websites and social media.
Investors	Create long-term value for investors with transparency and responsibility.	Annual Shareholders' Meetings, investor conferences, ad hoc meetings.
Public authorities	Transparent dialogue with local, regional and international authorities.	Meetings, participation in public consultations.
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.
Experts	Collaboration with experts, more specifically scientific experts.	Ongoing dialogue, conferences, partnerships.
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.
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 expectations into account.	Meetings, multi-stakeholder forums, ongoing dialogue.

3.1.4 Dedicated supervisory bodies

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

The Audit Committee has a central 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 societal data disclosed, the Group has its procedures, reporting system and some of its environmental, social and societal indicators audited by its Statutory Auditors.

3.2 EMPOWER OUR EMPLOYEES

3.2.1 The women and men of Pernod Ricard

3.2.1.1 Group culture

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

This culture is shared by all 18,914 employees and is combined with a convivial attitude that generates commitment. Ease of interactions and recognition of success make it possible to break down boundaries by increasing collaboration.

3.2.1.2 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

	FY17					FY18				
		Managers		Non-Managers			Managers		Non-Managers	
		Women	Men	Women	Men		Women	Men	Women	Men
Group employees	**18,442**	**1,646**	**2,949**	**5,033**	**8,814**	**18,914**	**1,713**	**2,916**	**5,198**	**9,087**
Operations	39%	1%	3%	9%	26%	38%	1%	3%	9%	25%
Sales	31%	2%	7%	7%	15%	31%	2%	6%	8%	16%
Support	31%	6%	6%	11%	7%	31%	6%	6%	11%	7%
TOTAL	**100%**	**9%**	**16%**	**27%**	**48%**	**100%**	**9%**	**15%**	**27%**	**48%**

Of the 18,914 employees as of 30 June 2018, 93.6% were on permanent contracts, and 6.4% 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 (5.6% during the last financial year).

Women now represent 37% 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 male-dominated, such as in India, where men make up more than 94% of the workforce. In FY18, almost 44% of external recruits were women (up slightly on FY17).

In the managerial population (internal definition: autonomous, level of responsibility and strategic position), the proportion of women has been constantly increasing for six years: 37% of Managers are women, compared with 29% in 2011. Women also currently hold 24.4% of positions on the Management Committees of affiliates.

Average workforce by region

	FY17		FY18	
	Annual average headcount		Annual average headcount	
Group	**18,328**	**100%**	**18,481**	**100%**
Europe & Africa & Latin America	11,469	63%	11,418	61%
France	*2,660*	*15%*	*2,687*	*15%*
Europe & Africa & Latin America excluding France	*8,809*	*48%*	*8,731*	*47%*
North America	2,017	11%	2,049	11%
Asia & Pacific	4,842	26%	5,014	27%

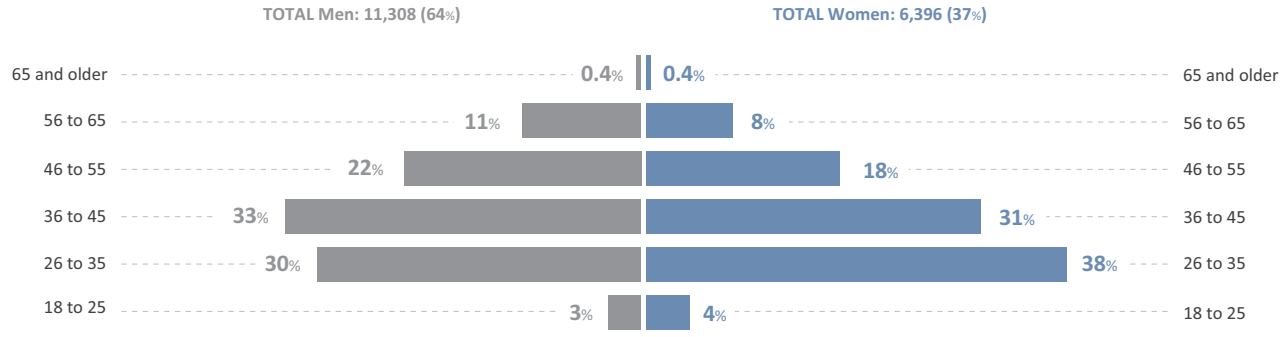
The Group has a strong international presence, with affiliates in 86 countries.

Overall, the number of employees remained stable compared to last year. Nevertheless, an increase in headcount was recorded in North America and Asia & Pacific, due to a rise in the workforce in most of the Asian entities.

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

Of the average workforce in FY18, 1,076 were on fixed-term contracts.

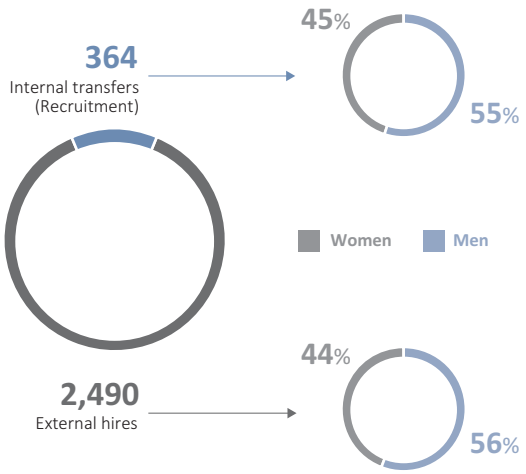
Average age and seniority of staff with permanent contracts at the end of the period



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.

3.2.1.3 Recruitment

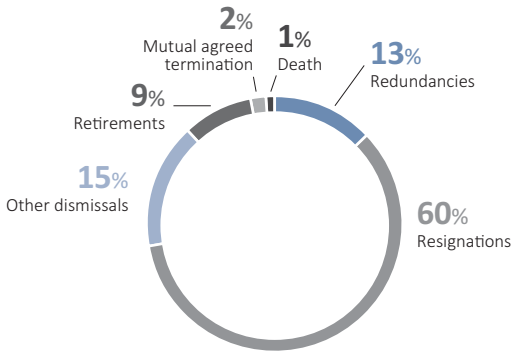
Breakdown of positions with permanent contracts filled in FY18



The number of positions filled as a result of transfers between affiliates rose slightly compared to 2016/17 to 13% of new permanent contracts during the period. The Group encourages internal mobility, which is testament to its engagement and long-term commitment to its employees.

Furthermore, over the period, there were 2,737 new staff members on fixed-term contracts. The main reasons for using fixed-term contracts are a 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 Group personnel on permanent contracts was stable compared to last year (2,205 in FY18 versus 2,208 in FY17).

Furthermore, over the period, there were 2,542 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.

3.2.2 Employee development and employability

3.2.2.1 Leadership culture

To accelerate the development of performance and leadership, which are inherent in 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 to offer two-day sessions during which participants take part in individual interviews, undertake case studies and benefit from extensive feedback sessions. This year, 177 employees participated in these Development Centers, compared with 94 in 2016/17.

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 now comprises three programmes: "Mixers", for Managers with potential (Management Committee) who need to strengthen leadership aspects in comparison to the operational element of their role; "Shakers", for confirmed leaders some of whom already serve on the Management Committee, with potential for more general roles. In June 2018, the course was extended with the introduction of a third programme, "Blenders", for the Group's top 140 executives, including the Executive Committee. Since the implementation of these programmes, 560 employees have benefited from the "Mixers" programme, and 180 from the "Shakers" programme.

3.2.2.2 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, focused on nationality and gender. It is understood as a real performance driver for the Company, which wishes to reflect the diversity of its consumers (93% 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 the introduction of targets, awareness-raising workshops, which more than 1,000 Managers have attended so far, mentoring programmes, leadership training, Development Centers, and the introduction of flexibility measures across the affiliates. These global initiatives are implemented through local programmes specific to each affiliate.

3.2.2.3 Training and skills development

This year, the Group invested 2.1% of the payroll in training.

With 417,831 training hours this year, the Group was able to offer training to 16,411 employees (fixed-term and permanent contracts), accounting for around 89% of the total average workforce (compared with 85% in 2016/17).

Trained employees received 25 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.

Pernod Ricard has developed programmes aimed at developing its employees' behavioural (management and especially leadership) and operational skills (marketing, finance, HR, sales, manufacturing, communication, legal and regulatory, S&R and public affairs) through Pernod Ricard University.

After two years of renovations, Pernod Ricard University reopened its campus at 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 take 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. The site has obtained HQE (high environmental quality) certification for its fixtures, and BREEAM (Building Research Establishment Environmental Assessment Method) "Very Good" certification. In its first year of operation, the Pernod Ricard University campus welcomed over 5,500 participants, including more than 3,600 external participants through the site's operating partnership with Châteauform.

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 the 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 Environment 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 launched in September 2017, allowing emerging leaders to gain international exposure earlier in their career. To expose them to international corporate and societal challenges, their next trip will be to "One Young World" in The Hague, Netherlands, in October 2018. After that, they will attend the Group's Top Management Seminar held on the Pernod Ricard University campus.

The Group invested 2.1% of its payroll in training; 89% of the overall average workforce received training, with an average of 25 hours per employee.

3.2.2.4 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 327 individuals on a work-study basis (in apprenticeships, training contracts, or other forms of contracts depending on the country) and 799 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.

3.2.2.5 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 the process of digitising of its HR tools and processes. This is taking place by means of a number of initiatives.

The Group has now reached a key point in its HR and digital transformation. A comprehensive programme (TransfoRHm) was launched a few months ago with a view to reviewing the internal HR strategy and processes as well as the introduction of a Group HR reporting system for next year.

The digitisation also relates 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 people since its launch and is available in six languages: English, Portuguese, Korean, Japanese, Chinese and French. In terms of recruitment, Pernod Ricard has introduced a pre-selection interview tool using pre-recorded video, which was rolled out across the Group last year.

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.

3.2.2.6 Annual performance reviews

Pernod Ricard requires annual performance and development reviews to be held for all of its permanent contract employees at least once per year. As of 30 June 2018, 91% of permanent contract employees received at least one performance review during the year. 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 the past five years, the rate of annual performance reviews has been 90% or higher for employees on permanent contracts.

3.2.3 Welfare, social protection and working conditions

3.2.3.1 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 motivating 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 net sales (unchanged from the previous year).

Performance is encouraged through favourable profit-sharing and incentive policies. The total gross amount paid as profit-sharing and incentive plans to over 5,000 employees amounted to more than €36 million, to which matching contributions were added (additional sum paid to employees for investments in the Company savings plan) amounting to nearly €4 million.

Finally, long-term profit-sharing policies (such as allocating performance-based shares) have been implemented again in FY18 for 1,000 employees across all of the countries in which the Group operates.

3.2.3.2 Working time

Across the Group, 4% of the workforce work part-time.

The average number of theoretical hours worked per employee in FY18 was approximately 1,777. The number of theoretical hours worked per day in the Group averages 7.8 hours and around 228 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]).

3.2.3.3 Occupational health and safety

In accordance with the Group's commitment, all employees are offered a welfare protection plan covering major risks (death and invalidity) and 94.2% of employees benefit from this type of coverage (some people chose not to be covered or are covered by their partner's employer). In addition, 95.9% of employees benefit from health insurance (health insurance is defined as the regime that is compulsory at local level, whether or not supplemented by a company plan).

Pernod Ricard is officially committed to matters of health and safety as part of its commitments to sustainable development. This commitment applies throughout the Group, and is supported by Senior Management.

In 2017, more than 90% of workplace accidents were linked to Pernod Ricard's industrial and agricultural operations.

Although 92% of its industrial sites are OHSAS 18001 certified and have a health and safety management system in place, in late 2017 Pernod Ricard began preparing a full list of the industrial sites with the greatest potential for improvement.

These assessments were carried out by a third party, with precise expectations both at a cultural level and concerning the OHSAS 18001 management system for occupational health and safety.

In the future, this approach will be extended to all industrial sites (see "Risk management" section in Part 4 "Management report").

Group workplace accidents

	FY17	FY18
Number of lost-time (workplace and commuting) accidents	188	156
Frequency rate*	6	5
Severity rate*	0.13	0.08

* 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.

The number of workplace and commuting accidents with lost time (as well as the frequency and severity rates of these accidents) fell compared to 2016/17.

However, this year there was a fatality following a work-related accident.

3.2.3.4 Employee engagement

The Group has a very high level of engagement 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, 82% 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 commitment of 88%, far surpassing 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 2017 edition of the survey were implemented, reaching around 94% of employees. The main areas for action are "Organisational Efficiency", "Career Development" and "Diversity".

1,322 resignations were recorded over the year, resulting in a low, stable voluntary departure rate of 7.6%. The rate of voluntary departure is obtained by dividing the number of resignations by the average workforce with permanent contracts.

	FY17	FY18
Absenteeism rate	3.73%	3.65%

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 engagement has risen to 88%.

3.2.4 Labour relations

3.2.4.1 Social dialogue

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 people, and totals 24 representatives in FY18.

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

In an effort to share information, a mini-site has been developed with content co-written by delegates and the HR Department. Each year it summarises the content of the Annual Meeting and publishes specific information. This communication tool is available on the Intranet for all of the Group's European employees.

The renewal of the European Works Council in November 2014 allowed for 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 Meeting held in November 2017, delegates prepared for the review of the European Works Council's operating agreement ahead of the re-election of representatives in November 2018. They were assisted in this by experts from the European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT). The delegates were also presented with examples of good practices to ensure a better work/life balance (Smart Ways of Working), where they were able to share their local experiences, in addition to the results of the "iSay" engagement survey that was distributed to all Group employees in June 2017.

The France Group Committee meets once a year. This Committee brings together employee 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 & CEO, Alexandre Ricard, and moderated by the Human Resources Department.

3.2.4.2 Company agreements

Each year, the affiliates sign roughly one 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 115.

A total of 29 Group affiliates signed at least one company agreement during the year.

Various agreements were signed in relation to compensation and profit-sharing in FY18, including 40 agreements in France, Italy, Sweden, Mexico, Brazil, Argentina, Uruguay, Ireland, Canada, Cuba, Korea and Vietnam. In addition, 26 agreements were signed on collective welfare schemes (in France, the Netherlands, Italy, Finland, Brazil, Uruguay, Canada, Korea and Vietnam) and on occupational health and safety (in France, Austria, Brazil, Uruguay, Canada and Cuba).

In France, 42 company agreements were signed by Group affiliates in FY18. 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 29% 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.

3.3 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 educational 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.

3.3.1 Societal impact of the Company's products and services

3.3.1.1 Product health and safety for consumers

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 a 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". By 30 June 2018, 78% of the sites were ISO 22000 certified, representing 99% of the volumes produced and covering all the Group's strategic brands. Certified distilleries account for 90% 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 4,500 complaints were recorded in this way during the FY18, 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. The Committee relies upon an annual Group analysis plan, which in 2017 covered 72 finished products with a total of 2,400 analyses.

To our knowledge, the Group's products do not contain nano-ingredients.

3.3.1.2 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 drinking and 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: the dissemination of research results, support for medical research, prevention campaigns and programmes involving stakeholders.

Pernod Ricard is, for example, a founding 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 FY18, 85% 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, Responsib'All Day. This event aims to promote the sharing of best practices and to take concrete action, 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.

3.3.1.3 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 www.producerscommitments.org.

Pernod Ricard has set precise and ambitious goals in order to gauge and monitor its contribution. The achievement of these goals is recorded in the Smart Barometer (www.smartbarometer.pernod-ricard.com/), an innovative interactive tool set up for real-time monitoring of the progress made and to share initiatives by country.

Our actions are currently being evaluated by the IARD, which is working on a consolidated report covering five years of collective effort. This report is due out in late September 2018.

3.3.1.4 Stakeholder 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.

3.3.2 Responsible communications

3.3.2.1 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. Another review of articles on sexual success, motorsport, digital and sponsorship was carried out in 2015. The Code also introduced a new provision on the non-representation of stereotypes or degrading situations in our advertisements. 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 drinking and 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.

3.3.2.2 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.

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, 1,798 people from the Group, mostly from the Marketing Department, have passed the e-learning module and received their certificate.

3.3.2.3 The Responsible Marketing Panel and results of controls in FY18

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 reviews the compliance of all new products with the Code.

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 professionelle 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. They are also consulted on any changes to the Code or the drafting of implementing guidelines.

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 Executive Committee are now archived on this RMP platform.

The RMP is independent from the Marketing Department and reports directly to the Pernod Ricard Executive Committee. A report on all advertising campaigns examined is submitted to the Executive Committee at each of its meetings. Nine such reports were submitted during FY18 financial year.

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

During FY18, the RMP examined 119 campaigns and product innovations. Of these campaigns, only one was the subject of a change request (orange notice) in order to be fully compliant with article 4 of the Code for Commercial Communications. The last scene in a video showed people drinking alcohol in a spa, thus associating alcohol consumption with a potentially dangerous activity. The video was modified accordingly. The Panel also gave confidential advice (copy advice procedure) for 116 campaign proposals and product innovations. In total, the Panel examined 235 advertising campaigns during FY18.

Six complaints have been made in the current financial year, only two of which concerned campaigns reviewed by the Panel. Both complaints were rejected. Of the four not reviewed by the Panel, two complaints were upheld. One was a short video posted on Facebook and featured models who appeared to be under 25. The other complaint was filed in the United States against Pernod Ricard and 10 other companies. This complaint concerned the blog of a well-known whisky enthusiast who had featured some of our brands together with Star Wars figurines on his website test pages.

Since the Panel was set up in 2005, only two of the 2,566 campaigns examined by the Panel have been cancelled following a complaint.

3.3.2.4 Transparency of Labelling and Responsible Marketing

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 woman" 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, 99% of affiliates 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, 90% 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.responsibledrinking.org. The website www.wise-drinking.com also allows them to download the application of the same name.

- In 2017, the Group gave consumers around the world access to nutritional information for its strategic brands (all global brands and major local brands) *via* the digital tool. A brand website, often together with a QR Code or barcode, that provides access to nutritional information is included or will gradually be included on the labels of all bottles. At Group level, 100% of these brand website pages have been online since 20 June 2017.

Finally, 100% 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.

3.4 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 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 FY18, 96% 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 in local economies, especially in agriculture, through the production and purchase of raw and processed agricultural products corresponding to around 2.6 million tonnes of equivalent raw agricultural products per year (around €968 million per year);
- develop the skills of their employees and provide them with fair, just and motivating 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.

3.4.1 Community involvement

3.4.1.1 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;
- also, the Group strives to improve health and social conditions by funding social projects and organising volunteering programmes. In India, for example, Pernod Ricard helps set up clinics providing free medical services, delivering prevention programmes at the same time.

3.4.1.2 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 supports young people from the local communities surrounding its production sites in developing their business skills;
- Group Pernod Ricard'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 2018, all Group employees actively participated in local community initiatives. As water and biodiversity are fundamental aspects in Pernod Ricard's business, the eighth Responsib'All Day focused on two of the United Nations Sustainable Development Goals (SDGs): SDG 15 ("Life on Land") and SDG 6 ("Clean Water and Sanitation"). A total of more than 100 projects were undertaken in just one day.

3.4.1.3 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.

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 Vassilieff to create the Pernod Ricard Fellowship, a grant aimed at supporting four international artists, curators and or researchers in residence every year.

3.4.1.4 Encourage our partners to respect sustainable development principles

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 Pernod Ricard's 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 2018, 1,693 signed 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 which should be assessed as a priority. The supplier or subcontractor is evaluated by the affiliate working directly with it, 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, critical nature of the product, social, environmental and supply chain risks of the supplier.

At the end of June 2018, 2,483 supplier analyses had been carried out 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. 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.

At the end of June 2018, following the use of the risk mapping tool, 465 suppliers, identified as high-risk, had been assessed or re-assessed using EcoVadis. To date, we have carried out 1,022 EcoVadis assessments since 2012.

63% of our suppliers and subcontractors saw their assessment score increase.

- **S&R audits of suppliers and subcontractors.** Pernod Ricard chose the SMETA (Sedex Members Ethical Trade Audit) standards for this, which means that it is in line with the AIM Progress "Mutual Recognition" programme. Furthermore, AIM Progress and EcoVadis have formed a partnership whereby they share assessments among AIM-Progress members. Pernod Ricard actively participated in drafting this initiative.

At the end of June 2018, 130 S&R audits of suppliers had been completed, mostly in Asia for the point of sale material (POS) category. These audits will be rolled out to more affiliates in the coming months.

During FY19, in the interests of continuous improvement, the **Blue Source** process will be reviewed and digitised to allow better monitoring.

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

- the fact that Headquarters has close relationships with around 20 of its top 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 detailed specifications and regular monitoring. The introduction of the Self-Assessment Checklist (SAC) with 100 or so criteria, around 20 of which cover Corporate Social Responsibility. This tool is used to monitor the main suppliers and to approve new suppliers. This tool was also used in bid processes;
- the implementation of digital training in Smart and Safe POS purchasing, linked to the CSR 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 CSR principles. This Code, the latest version dated from 2015, is shared with the departments concerned and is available in French, English, Spanish and Portuguese;
- the CSR model clauses, 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.

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

3.4.1.5 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.

3.4.2 The Group's ethical practices

3.4.2.1 Corruption prevention

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 currently 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) and which will shortly be enhanced by two new chapters entitled "Trade sanctions" and "Doing business with integrity". 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: 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 (www.oecd.org/daf/inv/mne/48004323.pdf).

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 as often as is necessary. 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 and the Procurement Code of Ethics. 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 Chief Executive Officer 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 modules are now accessible to all Group employees. These training courses, delivered as MOOCs (Massive Online Open Courses), cover:

- the current 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.

3.4.2.2 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 purchasing 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."

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 accordingly prevent any anti-competitive practice.

3.4.2.3 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 is 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 on 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 Chief Executive Officers, 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-desgn.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 has also been registered on the list of representatives of interests established by the High Authority for Transparency in Public Life since the list's creation in 2017. See file https://www.hatvp.fr/fiche-organisation/?organisation=582041943##. This discloses Pernod Ricard's affiliations to organisations that are themselves representatives of interests, the funding set aside for lobbying and other measures taken in general. The positions defended on this occasion can be found on the Pernod Ricard website, as indicated below. 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: www.senate.gov/legislative/lobbyingdisc.htm #lobbyingdisc=lda;
- Federal Election Commission: www.fec.gov/data/.

3.4.2.4 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: spirits EUROPE (www.spirits.eu); Comité européen des entreprises vins (www.ceev.eu/); 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 (https://aware.org.za/); Association of Canadian Distillers (www.spiritscanada.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.

3.4.2.5 Tax policy

A significant contribution to local communities

Pernod Ricard is one of the world leaders in the Wine & Spirits industry, with a unique portfolio of Premium international brands among the most comprehensive in the market. As such, the Group complies with all laws and regulations in force in each of the countries in which it operates, as well as the applicable international standards.

In 2018, the Group Pernod Ricard's income tax charge on recurring items (profit from recurring operations and financial result from recurring operations) was €520 million.

In addition to corporate income tax, Pernod Ricard pays and collects numerous other taxes and contributions, including sales taxes, customs and excise duties, payroll taxes, property taxes and other local taxes specific to each country, as part of the Group's economic contribution to the communities in which it operates. Pernod Ricard's total contribution is estimated at around €5.9 billion (unaudited data).

Our approach to taxation

We apply the following principles in tax matters:

- Support for operational activity in compliance with applicable regulations;
- Integrity in the conduct of tax matters;
- Tax management that is both proactive and efficient in order to preserve and maximise the value generated for the Group and its shareholders.

The Group Pernod Ricard has a number of subsidiaries in some 85 countries in which it operates. Whenever possible, management makes every effort to liquidate any dormant or quasi-dormant subsidiary inherited from past acquisitions.

Pernod Ricard is vigilant as to the operational and commercial reality of its transactions and refuses to take part in any artificial tax arrangements. The Group will only use tax incentives after taking into account their impact on our brands, our reputation and our corporate social responsibility.

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 solutions and ways to activate them. The Market Companies implement this strategy at local level.

Related party transactions are carried out in accordance with the Group's transfer pricing policy, which is based on the arm's length principle (i.e. on terms that would have been agreed between independent parties).

An efficient organisation

The Group Pernod Ricard has a team of qualified and well-trained tax specialists working under the supervision of the EVP Finance, IT and Operations. We have established clear internal control principles on tax matters available to all employees on the Intranet.

The tax legislation in the countries where Pernod Ricard operates is complex and can be subject to interpretation. Pernod Ricard manages these uncertainties with the help of internal and external tax experts. Tax provisions are measured on the basis of the Group's best estimate based on the information available (in particular that provided by the Group's legal and tax advisors) and presented regularly 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 the tax authorities of the countries in which the Group operates in order to build honest and sustainable relationships and to be able to resolve potential disputes quickly.

Pernod Ricard respects the obligations of country-by-country reporting.

We also participate in the development of corporate tax policies, tax transparency initiatives and tax legislation by taking part in public consultations.

3.4.3 Commitment to respecting 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. Pernod Ricard recognises the UN Guiding Principles on Human Rights, as well as the eight fundamental conventions of the International Labour Organization and the OECD Guidelines for Multinational Enterprises.

3.4.3.1 Respect for Human Rights and abuse prevention

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 Commitments. 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 (www.chivasbrothers.com/media/1725/chivas-anti-slavery-statement-signed-version.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 societal and economic aspects of performance. The targets considered are specific to each affiliate.

3.4.3.2 Respect for freedom of association and the right to collective bargaining

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".

3.4.3.3 Non-discrimination

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 FY18, 19 affiliates carried out work to adapt their premises for disabled people and 19 affiliates invested in appropriate equipment. 17 Group affiliates conducted disability training and/or awareness actions for their employees. Other measures implemented in FY18 included joint work with specialised establishments (launched by 20 affiliates), participation in dedicated forums (provided by 10 affiliates), and the distribution of information brochures (in seven affiliates). In countries where it is authorised and possible to gather this information, a dozen affiliates hired disabled workers this year.

3.4.3.4 Elimination of forced labour and effective abolition of child labour

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 asks its suppliers and subcontractors to respect these principles.

3.5 PROTECTING THE PLANET

Pernod Ricard was built upon the development of brands deeply rooted in land and derived from the transformation of agricultural raw materials. As such, preserving the environment is a top priority. Since the 1960s, 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.

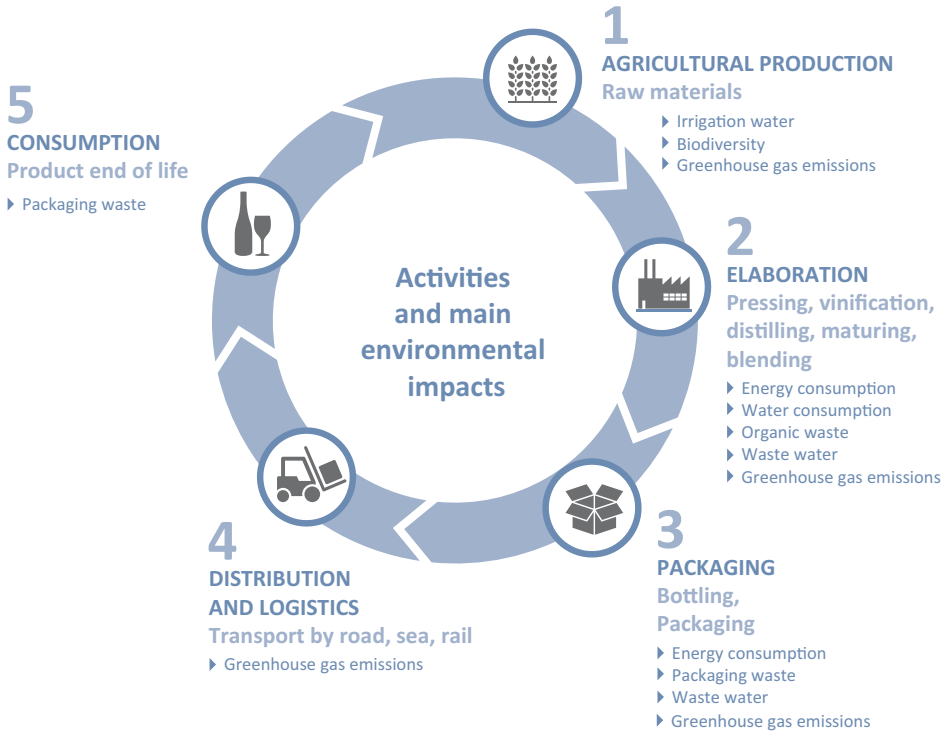
3.5.1 Environmental management

3.5.1.1 A policy based on environmental risks and impacts

Pernod Ricard's environmental policy seeks to mitigate the risks facing the Group as a result of environmental factors and to reduce the environmental impact of its business.

The risk factors are primarily linked to climate change. These include the availability of water, the supply of agricultural raw materials and the occurrence of extreme weather events which could potentially affect production sites. Environmental risks may also lead to regulatory changes in countries where the Group operates, whether in the form of operating restrictions or taxes. These risks, and the measures to prevent them, are detailed in Section 4 "Management report" subsection "Risk management".

In addition, each stage in the life cycle of our products has a direct and indirect impact on the environment, from ecosystems to water resources and the climate:



Pernod Ricard's environmental policy is based on the analysis of these risks and impacts. It seeks to anticipate and adapt operations so as to move towards a more circular, resource-saving and environmentally-friendly model.

The 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 the Group's **carbon footprint**;
- development of **sustainable products** and a reduction in the impact of **waste**.

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

3.5.1.2 A goal for 2020

The 2020 environmental roadmap details the Group's guidelines, priority action areas 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
Governance pillar		
Manage our long-term environmental risks and put the environment at the heart of our business.	100% of our Brand Companies have conducted an assessment of their long-term environmental risks.	100% 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 demonstrates their involvement.	According to the results of the "iSay" survey in 2017, 71% 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.	More than 50% of employees at administrative sites work in offices conforming to the internal Green Office guidelines.
	Indicators that are material to the Group's business are defined and used for decision-making.	The performance steering dashboards reviewed by top management include key environmental indicators.
Supply chain pillar		
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.	95% of the vineyards (by area) are certified according to environmental standards.
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 covers 100% of the Group's purchases of agricultural raw materials.
	80% of the Group's purchases are covered by our responsible procurement policy.	As of 30 June 2018: • 1,693 partners had signed up to our Supplier CSR Commitment; • 2,483 suppliers had been analysed using the CSR risk analysis tool; • 465 suppliers or subcontractors identified as at risk had been assessed using EcoVadis. (see subsection "Monitoring law 2017-399 on the duty of vigilance" in this Section).

Ambition	2020 targets	Progress
Management of resources pillar		
Conserve water resources locally.	100% of the irrigated vineyards used by the Group are equipped with a drip irrigation system.	100% of vineyards were irrigated by drip irrigation at the end of June 2018.
	20% reduction in water consumption per unit produced at production sites between 2009/10 and 2019/20.	From FY10 to FY18, reduction of 20% in water consumption per unit produced.
	100% of sites located in high water risk areas have implemented an action plan for managing water resources.	The sites at risk were mapped, and an action plan has been established for the seven sites deemed high-risk.
Reduce energy consumption and 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.	From FY10 to FY18, a 17% reduction in energy consumption and a 30% reduction in CO_2 emissions per unit.
Reduce the impact of waste.	Aim for zero waste to landfill at production sites by 2020.	In FY18, 748 tonnes – or just 2% of total waste – were sent to landfill.
	Aim for 100% recyclable packaging at consumer level.	More than 99% of our primary and secondary packaging is recyclable according to the CITEO recyclability criteria (see www.citeo.com).
Brands and consumers pillar		
Place environmental concerns at the heart of our brands and meet our consumers' expectations in this regard.	The Group's priority brands incorporate eco-design principles into their product development.	A new guide is being developed to help marketing teams integrate eco-design into their development. This will be rolled out in 2019.
	The Group's priority brands have conducted a life-cycle analysis and are in a position to provide information regarding their impacts to consumers.	16 of the Group's priority brands have conducted a life-cycle analysis in compliance with the environmental labelling regulations.

Some of the targets of the 2020 Roadmap have already been achieved. The Group will pursue its efforts to exceed them over the next two years, while setting ambitious new targets for 2030.

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

3.5.2 Efficient management system

3.5.2.1 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, monitoring the performance of affiliates, circulating guidelines that include minimum requirements and sharing best practices. Each Brand Company is required to evaluate its performance annually against these requirements, and to put in place compliance action plans if the requirements are not met;
- the policy of ISO 14001 certification (Environmental Management): as of 30 June 2018, 93% of the production sites operated by the Group were certified to ISO 14001, which corresponds to 99.5% of the Group's total production of finished products.

In 2018, a new "environment" guideline was issued to implement the Group's environmental policy outside of its production sites. It outlines the best practices and minimum environmental requirements applicable to all of the Group's activities, both for the Brand Companies and the Market Companies.

In addition, "Green Office" guidelines has been specifically developed for administrative sites to engage all employees on the subject of the environment. The Group's target is that all Group employees at its office sites (administrative sites, head offices, etc) meet the minimum requirements of these guidelines by 2020. This year, an internal competition coordinated by the Youth Action Council (YAC) network enabled 21 affiliates to engage with this issue. Representatives from the affiliate that won the challenge (Pernod Ricard India) were rewarded with a visit to the coffee plantations that supply the Kahlúa brand in Mexico. A new challenge will be launched in 2018 to engage other administrative sites. Currently, more than 50% of the Group's employees work in offices where the Green Office rules are in effect.

3.5.2.2 Environmental compliance and pollutants

This year, four environmental incidents were reported to local authorities, no administrative non-compliance was found, and no complaints were received from third parties. This includes all types of potential impact that a manufacturing site may exert in particular odours and noise.

The four environmental incidents reported to the authorities relate to:

- a leak from a wine tank into the external treatment plant of a production site in France;
- contamination of a watercourse in Scotland by waste water from a distillery;

- effluent from a distillery in Ireland which exceeded temperature limits for more than a month due to a fault in the cooling unit;
- a fire in Ireland, which was brought under control and had no major consequences.

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.

3.5.2.3 Provisions for environmental risk

As of 30 June 2018, no provisions have 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.

3.5.3 Promoting sustainable agriculture

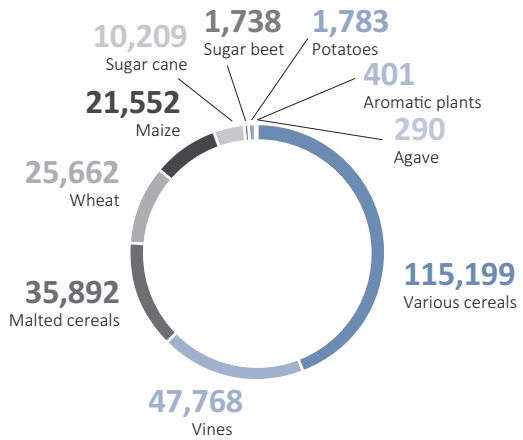
3.5.3.1 Challenges and strategy

Pernod Ricard is a major partner in agriculture, sourcing all of its products from agricultural raw materials. The main agricultural raw materials used by the Group are grains 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 FY18, the raw materials used by the Group equated to 2,597,700 tonnes of agricultural products, representing both in-house production from our vineyards and farms (60,170 tonnes), direct purchases of raw agricultural products (584,010 tonnes), or purchases of processed products such as sugar and alcohol (equivalent to 1,953,520 tonnes of agricultural products).

In farming terms, in FY18 this output represented the equivalent of around 260,490 hectares of crops, from Europe (grain, grapes), Asia (grain, aromatic plants), the Americas (sugar cane, grain, agave) and Oceania (grapes).

Agricultural land corresponding to raw materials used (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.

3.5.3.2 Sustainable agriculture and performance of our vineyards

The vineyards run directly by the Group cover 5,913 hectares in seven main countries: New Zealand (42%), Australia (23%), Argentina (13%), France (12%), Spain (5%), the United States (3%) and China (2%). The majority of these vineyards are subject to certification according to environmental standards (see table below), representing 95% of the land used by the Group. The objective for 2020 is to obtain environmental certifications for all our vineyards.

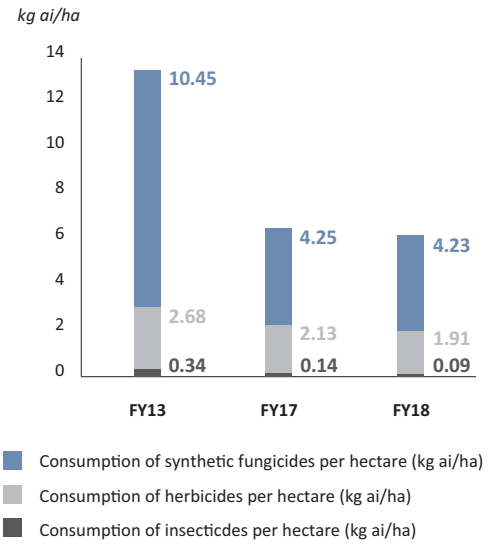
Country	Environmental standard
New Zealand	Sustainable Wine Growing New Zealand
Australia	Entwine Australia ISO 14001
Reims, France	ISO 14001/*Haute Valeur Environnementale* (HVE/High Environmental Value)/Sustainable winegrowing standards in Champagne
Cognac, France	ISO 14001/BNIC (Cognac producers organisation)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

From FY13 to FY18, the number of synthetic crop protection products (fungicides, insecticides, herbicides) used per hectare was reduced by 54%. The total consumed was 36.9 tonnes of active ingredients for the entire Group.

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

- maintaining grass between vine rows instead of weeds;
- the use of pheromones to combat insects (sexual confusion);
- the use of mineral fungicides which are less hazardous to the environment (155 tonnes of sulphur and 5.7 tonnes of copper used in FY18).

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



In FY18, the average amount of synthetic crop protection products per hectare was 6.24kg of active ingredient per hectare, down 4% from the previous year and 55% from 2012/13.

257 hectares of vineyards, or 4.3% of the Group's land, is managed according to organic agriculture standards that do not use any synthetic herbicides or pesticides.

In FY18, the vineyards operated by the Group used 11.4 million m^3 of water, mainly for irrigation purposes. This is done using the drip irrigation technique, which is now used for 100% 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 16,382 MWh, representing less than 1% of the consumption of the Group's production sites.

3.5.3.3 Partnership with suppliers of agricultural products

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

- 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 CSR, 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 activities in terms of their risk level. For the activities 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 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 Entwine Australia scheme which requires that its members hold ISO 14001 certification or Freshcare.
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.
Ireland	100% of the barley (malted or non-malted) purchased by Irish Distillers conforms to the IGAS (Irish Grain Assurance Scheme) standard, which is equivalent to "silver" level of the "SAI Platform's Farm Sustainability Assessment Tool". Around 20% of this barley is also "Origin Green" certified.
Scotland	100% of the barley purchased by Chivas Brothers is certified to "Scottish Quality Cereals" or "Red Tractor" standards.
Mexico	Kahlúa has worked with the NGO Fondo Para La Paz and Ocotempa, a Mexican coffee community, to develop a sustainable model for coffee production. This "coffee for change" programme comprises social, economic and environmental criteria to ensure that coffee growing is sustainable. Within four years, 100% of the coffee sourced by Kahlúa will be sustainably grown.
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 lesser developed 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 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.

3.5.3.4 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. 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 32 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 related to biodiversity.

Country	Examples of biodiversity programmes set up by affiliates
Scotland	Mapping of sensitive ecosystems located near its industrial sites and participation in local reforestation programmes.
France	A research programme aiming at producing yellow gentian from 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 to protect marine ecosystems and aquatic biodiversity.
France	Implementation of a biodiversity programme on uncultivated land of Cognac vineyards and making around 1,200 wine growers aware of this programme. Martell also obtained a 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 areas of land of 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 by the rainwater collection pond for the new whisky maturing cellars.
Russia	A partnership agreement with the World Wide Fund (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.

3.5.4 Preserving and saving water resources

3.5.4.1 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 *eaux-de-vie* and formulating products, etc. The Group's water footprint, 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 m^3 of water per year, and indicates that 99% of consumption relates to the supply of agricultural raw materials. Other elements of the production chain – including direct water consumption in 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 released into the environment.

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

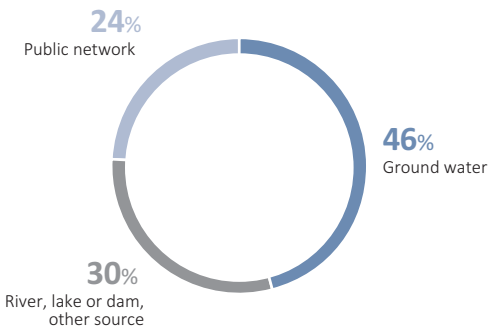
Indirect water consumption caused primarily by the production of farm raw materials varies significantly from one region to another. They should therefore be dealt with at local level with the suppliers of affiliates, taking specific climatic conditions into account either through sustainable agriculture 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 made water management as one of the five strategic focuses in its environmental policy. The Group has been a member of the United Nations Chief Executive Officer Water Mandate since September 2010, reinforcing its commitment to the protection of the planet's water resources.

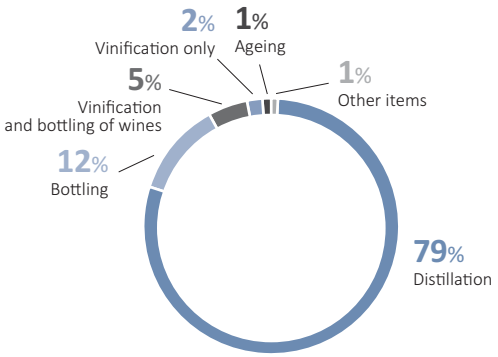
3.5.4.2 Water consumption and industrial site performance

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 taken 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

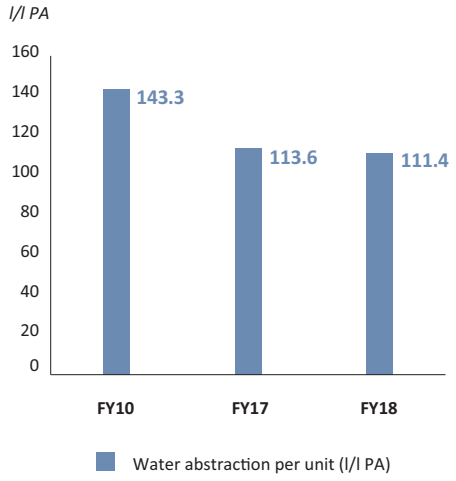


Distribution of water consumption by activity

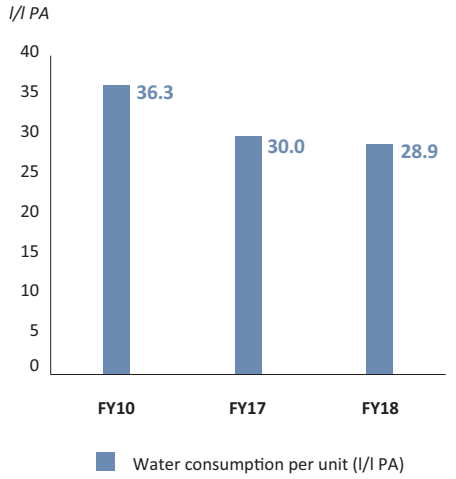


In FY18, 25.9 million m³ of water was taken by the Group's industrial sites. Only 6.7 million m³ constitute water consumption as defined above, the rest being exclusively used by cooling facilities and restored without any impact on the environment. Around 79% of this volume was consumed by the distilleries, 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.* 7.3% of the Group's total consumption). Adjusted for units produced (m³/kl PA), both the quantity of water taken and water consumption have fallen by 22% and 20% respectively compared with 2009/10, thus achieving the 20% reduction targeted by the 2020 Roadmap two years ahead of schedule. The Group will pursue its efforts to exceed this target over the next two years, while setting ambitious new targets for 2030.

Water abstraction from industrial sites per unit (distilled alcohol)



Water consumption from industrial sites per unit (distilled alcohol)



3.5.4.3 Water management tailored to meet local challenges

Because water resources are unevenly distributed throughout the world, particular attention is paid to water management in sites located in geographical regions where water is a sensitive resource. To identify these geographical 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. In 2015, all of the Group's production affiliates submitted data for these tools. Based on the results, the sites can be categorised as high, significant or low risk. As such, of Pernod Ricard's total production units:

- seven sites are located in or in the immediate vicinity of high-risk areas. These seven 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 decreased by 36% between 2008 and 2018;

- ten sites are located in or in the immediate vicinity of significant risk areas. These ten sites account for 5.5% 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 decreased by 35% between 2008 and 2018;
- the other 76 sites, accounting for 89% of the Group's consumption, are located in areas considered to be at a low risk.

For each category, the Group has determined a water management strategy based on the risk level. Sites where the risk is low must as a minimum manage water resources efficiently on their premises. Sites where the risk is considered significant must also perform studies of their water catchment areas to ensure there is a balance, monitor any change in 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. By 2020, all sites located in or close to areas with a high or significant risk will need to have an ambitious water management plan in place that integrates the Group's recommendations. To date, the Indian and Australian sites have defined a water management strategy and are at the action implementation phase.

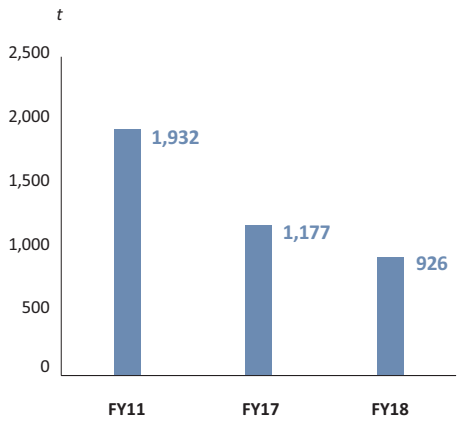
The survey will be repeated every five years to take into account the modifications made to the Aqueduct tool and changes in the different production areas.

Some affiliates have already been working on this issue for several years. This is the case in Australia as well as India, where water is a major local issue. Pernod Ricard India applies the principle of the 4Rs: reduction, reuse, recycling and recovery. To date, the affiliate has thereby reduced its water consumption by 36% since 2010. It has also built 13 facilities for rainwater collection and storage, 13 dams, 40 recharge wells and 16 dredging projects corresponding to 365 million litres of water, equivalent to two years of water consumption for all the Indian sites.

3.5.4.4 Treatment of waste water

In FY18, pollutants released into the atmosphere by the Group's plants amounted to 926 tonnes of COD (chemical oxygen demand). There has been a significant decrease in this size compared to the previous year, partly as a result of the new waste water purification plant built at the San Raphael site in Argentina, and the waste water treatment plant which came into operation at the Glenlivet site in Scotland in 2017. In terms of volume, waste water accounts for approximately 4.4 million m^3. Of this, 77% was discharged into a public sewer system, 17% was discharged into the environment following treatment, and 6% was recycled for vineyard irrigation.

Chemical oxygen demand (COD) released into the natural environment



3.5.5 Contributing to reducing climate change

3.5.5.1 Challenges and strategy

The activities of Pernod Ricard generate CO_2 emissions in several ways, and these contribute to climate change:

- directly, due to the use at our sites of fossil fuels (known as "Scope 1" emissions);
- due to the electricity consumed, which generated CO_2 emissions when produced by our suppliers: (known as "Scope 2" emissions);
- indirectly, through products (farm materials, packaging, etc.) and services (transport, etc.) purchased ("Scope 3" emissions).

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 at production sites, and
  - indirectly with suppliers, based on the eco-design of products and the optimisation of the logistics chain.

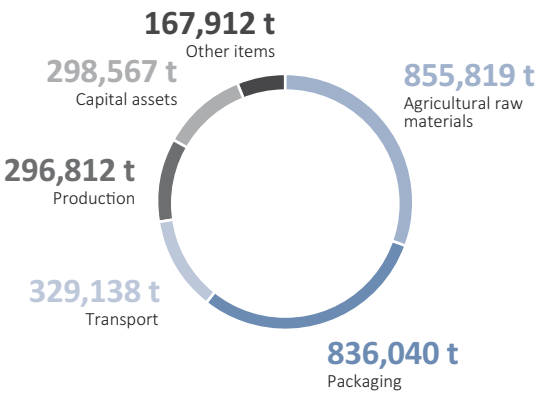
In 2017, Pernod Ricard demonstrated its commitment to a low-carbon economy by signing the French Business Climate Pledge together with 90 French companies. The Group also scored a B from the Carbon Disclosure Project (CDP) for its climate change management strategy. This score was received as part of the CDP's Management level scoring, based on the medium and long-term targets set, the progress achieved, and the actions taken to reduce emissions. The Group has also joined the Science Based Targets initiative. This joint initiative between the CDP, United Nations Global Compact, World Resources Institute and WWF sets long-term targets compatible with a 2°C reduction by 2050.

In a symbolic yet crucial gesture for employee engagement, in 2018 Pernod Ricard offset the CO_2 emissions stemming from its annual seminar held on the island of Embiez near Toulon. The seminar was attended by nearly 1,000 Group executives and Managers, who were asked to vote for the project that would offset the 3,000 tonnes of CO_2 emissions generated by the event.

3.5.5.2 Assessment of the Group's carbon footprint

Pernod Ricard's overall carbon footprint is assessed using the GHG Protocol method. It amounted to 2.8 million tonnes of CO_2 equivalent for the entire Group in FY18.

Carbon footprint of the Group (Scopes 1, 2 and 3; in tonnes of CO_2)



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

- products and services purchased: agricultural raw materials and the purchase of glass and cardboard;
- upstream and downstream transport of finished products;
- the operation of all production sites;
- Group fixed assets;
- other categories such as waste generated at production sites, business travel, employee commuting, end-of-life of products sold, and extraction and transportation of energy sources used by production sites (not taken into account in Scopes 1 and 2).

Emissions related to the following factors are not taken into account in this assessment due to their minor significance and the relative uncertainty of the data: purchases of packaging excluding glass and cardboard (less than 1%), purchases of promotional merchandise (less than 5%), delivery from direct customers to the end user, vineyard energy consumption (less than 1%), refrigerant gas leakage (less than 1%). 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 11% of its overall footprint (Scopes 1 and 2). The majority of emissions came from Scope 3, which amounted to 2.5 million tonnes of CO_2 equivalent from four main elements: agricultural raw materials (31%), packaging (30%, 27% of which was for glass), transport (12%) and fixed assets (11%).

The main options available to the Group to reduce its carbon footprint are directly controlled production sites and packaging, followed by logistics and agricultural raw materials. Due to the lack of reliable data, fixed assets give a less accurate cost-based estimate.

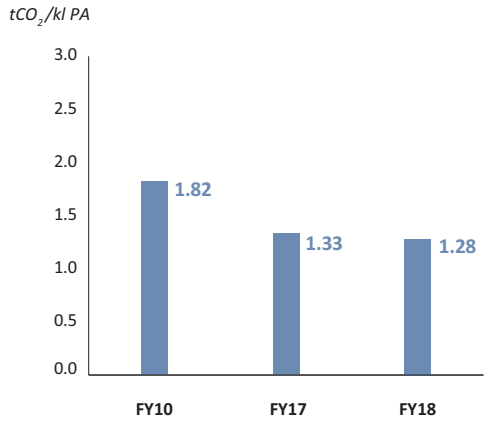
3.5.5.3 Reduction of CO_2 emissions at production sites

Monitoring CO_2 emissions at our production sites (Scopes 1 and 2)

In FY18, emissions from production sites (Scopes 1 and 2) amounted to 296,812 tonnes of CO_2 equivalent, compared to 357,654 tonnes in 2009/10. Adjusted for units produced (litre of distilled alcohol), this represents a 4% decrease on 2016/17, or 30% on the 2009/10 baseline year. The 30% reduction targeted by the 2020 Roadmap has therefore been achieved. 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.

The Group intends to pursue its efforts to cut emissions even further over the next two years, while setting an ambitious new target for 2030.

CO_2 emissions at production sites (Scopes 1 and 2)



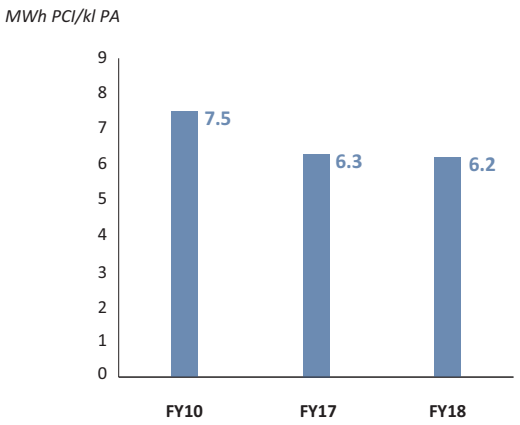
Improving the energy efficiency of industrial facilities

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

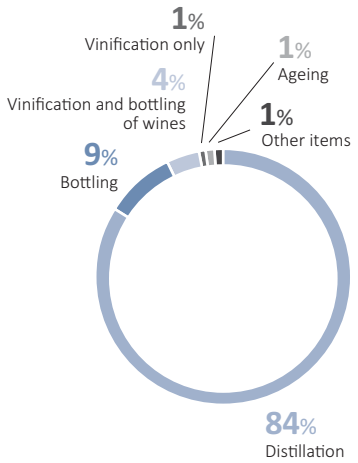
- continuous monitoring of energy consumption;
- in-depth energy assessments, with the setting of energy-efficiency targets;
- roll-out of consumption reduction programmes requiring the management of processes and utilities, and which may involve significant investment;
- implementation of energy management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

In FY18, energy consumption per unit produced amounted to 6.2 kWh per litre of pure distilled alcohol, down 1% on the previous year and 17% on 2009/10, aiming for a 20% reduction by 2019/20. This represents a total consumption of 1,447 GWh, 84% of which is used by distilleries.

Energy consumption per unit (distilled alcohol)



Distribution of energy consumption by activity



Between FY10 and FY18, renewable electricity used by the production sites rose from 29% to 74.5%. Around 90% of this electricity is covered by renewable energy certificates (42 sites use 100% renewable electricity), while 10% reflects the national 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 energy mix increased by 13% to 14% between FY17 and FY18.

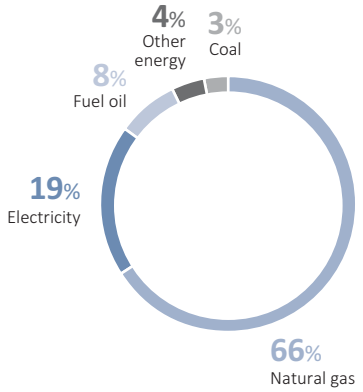
In order to reduce its carbon footprint, the Group is also working to replace heavy fuel oil and coal with other, cleaner sources of energy. Energy consumption from fuel oil has fallen by 54% since 2009/10, and that from coal by 15%, with these sources being replaced by natural gas.

The following table shows various examples of initiatives taken to reduce CO_2 emissions, in some cases achieving carbon neutrality.

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



Country	Actions to reduce Scope 1 or 2 CO_2 emissions
Australia	Installation of 2.8 MW of solar panels by May 2019, reducing CO_2 emissions by 2,600 tonnes per year.
Scotland	Replacement of heavy fuel with natural gas at the Glenlivet distillery, reducing the site's direct CO_2 emissions by 30% per unit of pure alcohol produced.
India	Installation of 5,000 m^2 of solar panels on the roofs of production buildings, which generated 168 MWh of renewable energy in 2018.
Ireland	Selecting new brewing and distillation technologies during the extension of the Midleton distillery will reduce energy consumption by 30% per unit produced.
Sweden	Energy optimisation resulting in a 45% reduction in 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 Ahus bottling site was replaced by the use of district heating. Achieving carbon neutral production sites with a residual CO_2 emissions offsetting programme.

This year, the Group introduced an internal carbon price of 50 euros per tonne of CO_2 to encourage affiliates to invest in emission-reducing technology, and to expedite its transition to less carbon-intensive solutions.

3.5.5.4 Reducing the indirect CO_2 emissions of our suppliers (Scope 3)

As packaging accounts for 30% of the Group's CO_2 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 helps to reduce its indirect emissions is transport. It is estimated that around 80% of the transport used to distribute products from the Brand Company warehouses to direct customers is by sea. Optimising land transport reduces the impact of the business activities, for example by implementing 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.

The Group plans to continue these initiatives in the future, particularly by strengthening its eco-design actions along the supply chain.

3.5.5.5 Other emissions into the atmosphere

Other gas emissions in the atmosphere likely to affect our environment:

- these include emissions from cooling gases, some of which damages 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 (NOx and SOx) 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.

3.5.6 Acting for the circular economy

3.5.6.1 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 to optimise packaging and reduce unnecessary consumption;
- 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.

The circular economy is a key area of Pernod Ricard's environmental strategy. In 2017, the Group made a commitment to the French Association of Private Enterprises (Association française des entreprises privées – AFEP) to take concrete measures to address this issue alongside around 30 other companies.

3.5.6.2 Limit food waste

The Group estimates 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, enabling us to make use of 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 pomace. More than 99% of these are recycled to manufacture animal feed, produce biogas, make farm compost or for other industrial purposes;
- at the 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.

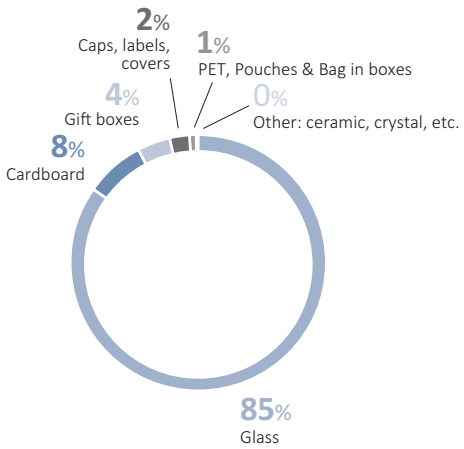
3.5.6.3 Implementing eco-design principles

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. In FY18, the total amount of glass purchased totalled 902,879 tonnes and cardboard was 82,657 tonnes. These figures are significantly higher than those reported in previous years, which did not include glass and cardboard for third-party contract packers.

Breakdown of packaging weight (tonnes)



The first focus of eco-design is to optimise the quantity of packaging used. The Group's wine and Champagne brands have been at the forefront of numerous achievements in terms of reducing glass weight. The weight of the bottle has thus been reduced 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, when compared to 2008/2009. 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, while at the same time increasing the level of quality as perceived by the consumer. In addition, 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. Since 2016, a Value Engineering project has been in progress for packaging. This identified ways of improving the environmental footprint of packaging, which should ultimately reduce the packaging weight of the Group's main brands. Ballantines has already reduced the weight of its bottle by 15% (50 cl), Altos by 22% (75 cl) and Imperial Blue by 6% (18 cl).

A second focus of eco-design is to select recyclable packaging materials. By nature, 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 its main characteristics. As part of the implementation of its Environmental Roadmap, the Group identified all non-recyclable primary packaging and packaging components that might compromise the recycling of primary packaging according to the recyclability criteria of CITEO, the environmental body that oversees and supports the recycling of household packaging in France. More than 99% of the Group's packaging (by weight) is recyclable. Next year, actions will be taken on non-recyclable or potentially disruptive packaging, looking at alternative solutions with a view to achieving 100% recyclable packaging. However, although the packaging is recyclable, in practice not all packaging is recycled because the recycling infrastructure in some countries does not always allow this. The Group is therefore committed to participating in systems for the collection of packaging in support of recycling (see the following section).

The third aspect is to incorporate more recycled material into packaging. For example, Absolut has increased the percentage of cullet in its glass bottles from 48% to 54%.

The fourth aspect 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.

Apart from packaging, other items also consume resources and are a possible source of pollution, and must be designed to minimise their impact on the environment. This is particularly the case with promotional merchandise and drinks accessories such as cocktail straws. In January 2018, the Group banned the use of non-biodegradable plastic straws and cocktail stirrers by eliminating them or replacing the straws with biodegradable versions.

3.5.6.4 Participation in systems for the collection of packaging in support of recycling and reuse

Most packaging waste produced by the Group's activities is generated after final consumption of the products in the markets (end-of-life waste for products sold). It is therefore vital that consumers or clients can sort their packaging so that it can be recycled or reused. In Europe, Pernod Ricard contributes around €6 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, the Group affiliate joined the "Glass is Good" project, whose purpose is also to increase the rate of glass recycled by involving all players in the sector. In India, empty bottles are collected in cafés, hotels and restaurants and washed before being reused at production sites, saving between 10,000 and 20,000 tonnes of glass each year.

3.5.6.5 Reduce and recycle waste on industrial sites

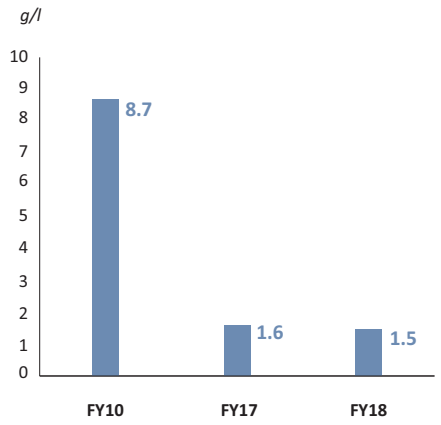
The production sites generate various kinds of waste:

- 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 FY18, the Group's production sites generated 37,242 tonnes of hazardous solid waste, compared to 33,993 tonnes in FY17 (waste collected from sites during the year). Of this, 35,729 tonnes were recycled using various processes, equivalent to a recycling rate of 96%, and 765 tonnes were incinerated. In addition, 748 tonnes had to be landfilled, compared with 10,253 tonnes in FY10: the Group's goal is to move towards zero landfill waste by 2020.

Another 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 FY10, this has fallen by 83%, 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)



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 FY18, the volume of hazardous waste collected was 505 tonnes, compared to 246 tonnes in FY17. 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.

3.5.7 Summary table of environmental indicators

Definition	Unit	Total Pernod Ricard FY10	FY17	FY18	Unit	a) Ratio for 1,000 litres of pure alcohol b) Ratio for 1,000 litres of finished product c) Ratio for 1,000 litres of bottled product	FY10	FY17	FY18	G4 GRI Index
Number of reporting sites	Number	108	93	90	-		-	-	-	-
Number of ISO 14001 certified sites (at 30 June)	%	90	89	93	-		-	-	-	-
Proportion of ISO 14001 certified sites in total production		96	99	99	-		-	-	-	
Amount of investment for environmental protection	(€m)	7	14	10	-		-	-	-	EN31
Fines or penalties related to the environment	Number	2	1	0	-		-	-	-	EN29
a) distilled alcohol (total production)	kl PA	195,689	232,650	232,707	-		-	-	-	-
b) finished product (total production)	kl	1,182,500	1,025,746	1,029,718	-		-	-	-	-
Total volume of water used		7,095,145	6,969,684	6,726,120		a)	36.26	29.96	28.90	
Total volume of water abstracted	m^3	28,052,000	26,418,338	25,913,313	m^3/kl	a)	143.35	113.55	111.36	EN8
Total volume of waste water released		5,445,849	4,013,675	4,390,900		a)	27.83	17.25	18.87	
Quantity of COD released into the natural environment	t	-	1,177	926	-		-	-	-	EN22
Total energy consumed	MWh LHV	1,465,872	1,463,088	1,447,315	MWh/kl	a)	7.49	6.29	6.22	EN3
% of renewable energy	%	7%	13%	14%			-	-	-	EN5
% of renewable electricity	%	29%	71%	75%			-	-	-	EN6
Direct CO_2 emissions (Scope 1) + indirect emissions (Scope 2)		357,654	310,458	296,812		a)	1.83	1.33	1.28	EN15
Direct CO_2 emissions (Scope 1)	t CO_2e	259,896	254,818	250,542	t CO_2e per kl	a)	1.33	1.10	1.08	EN16
Indirect CO_2 emissions (Scope 2)		97,758	55,639	46,270		a)	0.50	0.24	0.20	EN18 EN19
Indirect CO_2 emissions (Scope 3)		0	2,124,421	2,492,641		b)	-	2.07	2.42	
Glass consumption on production sites	t	698,948 (1)	636,844 (1)	902,879 (2)	g/l	0	673.19	667.85	-	EN1
Cardboard consumption on production sites		64,074 (1)	73,085 (1)	82,657 (3)		0	61.71	76.64	-	
Quantity of waste landfilled	t	10,253	913	748	g/l	b)	8.67	0.89	0.73	EN23
Quantity of waste incinerated			730	765		b)		0.71	0.74	
Quantity of waste recycled		25,564	32,350	35,729		b)	21.62	31.54	34.70	
Total quantity of waste		35,817	33,993	37,242		b)	30.29	33.14	36.17	
% of solid waste recycled or recovered	%	71%	95%	96%			-	-	-	
Quantity of hazardous waste treated externally	t	626	246	505	g/l	b)	0.53	0.24	0.49	EN25

(1) Glass and cardboard consumption of bottled products at the Group's production sites only (excluding consumption by subcontractors).
(2) Quantity of glass purchased for the bottling of products at the Group's production sites and at subcontractors (which were excluded prior to 2018).
(3) Quantity of cardboard purchased on the basis of consumption at the Group's production sites and purchases made for subcontractors in India.

3.6 PRESENTATION AND IMPLEMENTATION OF THE MONITORING PLAN

To comply with Law 2017-399 of 27 March 2017, Pernod Ricard has embarked on a plan to monitor the risks relating to the business activities of the Group and its main suppliers and subcontractors during the financial year. The monitoring plan covers the following three areas: environment, health and safety and Human Rights. Several working groups made up of representatives from the Sustainability & Responsibility, Purchasing, Human Resources, Internal Audit, Production and Legal departments are involved in developing and implementing this plan.

The Group Pernod Ricard had already put in place various tools and procedures, while some of the information is contained elsewhere in Chapter 3, as well as in Chapters 2 and 4.

The current chapter summarises Pernod Ricard's monitoring plan and its implementation through the following five measures: (i) risk identification and mapping, (ii) introduction of measures to mitigate risk and prevent serious harm, (iii) risk assessment procedures, (iv) introduction of an early warning and whistleblowing system, and (v) monitoring system for the measures implemented.

3.6.1 Risk identification and mapping

Identification of the Group's major risks relating to due diligence

	Human Rights	Health and safety	Environment
Activities of the Company	The internal audit team based at 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. Some risks are operational and some relate to CSR. The plan outlines the various cross-cutting issues that will be addressed. The findings of the work are then submitted to the Audit Committee, the Statutory Auditors and the Executive Board for examination and analysis. (see p. 99)		
	Materiality analysis conducted in 2016 (see p. 86)	Materiality analysis conducted in 2016 (see p. 86)	Materiality analysis conducted in 2016 (see p. 86)
	Global "iSay" survey canvassing the views of employees on 14 topics (see p. 93)	Global "iSay" survey showcasing the views of employees on 14 topics (see p. 93) Risks for employees: workplace risk analysis conducted by the Brand Company affiliates as part of their OHSAS 18001 certification	Identification of geographical areas at risk using the WRI Aqueduct Water Risk Assessment tool for water management and an internally developed questionnaire covering physical, regulatory, social and reputational risks (see p. 109)
		Risks for consumers: product quality risk analysis conducted by the Brand Company affiliates as part of their ISO 22000 certification (see p. 141)	Long-term environmental risk analysis conducted by Brand Companies for the 2020 Environmental Roadmap (see p. 105)
Activities of suppliers and subcontractors	Proactive supplier analysis based on the multi-part Blue Source process, which includes the Risk Mapping Tool (see p. 98) Identification of environmental and social risks in agricultural activities, conducted in 2017 by the Brand Companies for the 2020 Environment Roadmap, allowing activities to be ranked by level of risk. Action plans must be put in place by affiliates and are undertaken to mitigate risks or secure supplies. (see p. 107)		
	During FY19, a study based on the United Nations Guiding Principles on Business and Human Rights (UNGPs) will be conducted on the Group's supply chain to improve its due diligence on Human Rights		

Mapping the Group's major risks relating to due diligence

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". The mapping processes described below were drawn from Pernod Ricard's existing risk management tools, such as those described earlier.

Risks of serious violations of Human Rights and fundamental freedoms

Operating in more than 70 different countries and mindful of the new challenges posed by globalisation, Pernod Ricard advocates respect for all internationally recognised Human Rights and fundamental freedoms (see p. 101). The Group's success is intrinsically linked to the way in which Pernod Ricard manages its activities, acting responsibly throughout the value chain and guided by its values: entrepreneurial spirit, mutual trust and a strong sense of ethics.

On that basis, Pernod Ricard has identified two levels of threat to Human Rights and fundamental freedoms.

Internally, Pernod Ricard takes into account the principles of fundamental rights at work. Specifically:

- the elimination of discrimination in respect of employment and occupation;
- the elimination of all forms of forced or compulsory labour;
- respect for the freedom of association and the right to collective bargaining.

Externally, Pernod Ricard is in constant contact with a large number of suppliers in various business sectors: agricultural raw materials, packaging, maintenance and co-packing, marketing services, etc. The Group endeavours to be vigilant in identifying the potential negative impacts, direct or indirect, of its business in order to prevent them and, if necessary, remedy them. The Group requires each affiliate to work with suppliers who agree to comply with **the Supplier CSR Commitment**. The following rules define the exemplary Human Rights record expected from suppliers:

- prohibition of discrimination;
- prohibition of child labour;
- prohibition of forced and compulsory labour and disciplinary measures;
- freedom of movement;
- occupational health and safety;
- working time;
- compensation;
- freedom of association and right to collective bargaining.

Risks of serious harm to the environment

Environmental protection seeks to conserve natural resources, preserve the environment in its current state and, where possible, reverse environmental damage. These measures are intended to prevent serious harm to the environment caused by the following:

- pollution: gradual or accidental pollution of the air, soil, surface water and groundwater due to the production process and non-compliance with regulatory discharge limits;
- consumption of resources: excessive consumption of water (distilleries), fossil fuels or packaging materials (glass, cardboard, etc.);
- climate change: unpredictable harvests of crops used as a raw material, climate events and increased carbon taxation.

For its suppliers and subcontractors, environmental threats mainly include the risks of pollution, damage to ecosystems, depletion of natural resources and dependence on fossil fuels.

Risks of serious injury

Health and safety risks can occur at all levels of the value chain. Potential victims of health and safety risks include employees in the workplace as well as final consumers. Examples of health and safety risks include:

Dangers to consumer health and safety:

- risks of contaminant poisoning;
- risks related to excessive and inappropriate alcohol use.

For employee health and safety:

- industrial accidents;
- risks of workplace accidents or occupational illness;
- workplace safety.

3.6.2 Deployment of measures to mitigate risk and prevent serious harm

The Group Pernod Ricard has introduced risk mitigation measures tailored to the different situations resulting from its activities. These measures may be introduced for the entire Group or for an affiliate, either individually or in association with other industry players, competitors or suppliers. The measures are adapted to the risk situations identified *via* the early warning systems and the audits carried out.

	Human Rights	Health and safety	Environment
Company activities	Code of Business Conduct (see p. 99) Pernod Ricard Charter and Business Workplace Diversity Charter European CSR agreement signed between Pernod Ricard and EFFAT (see p. 93) Better Balance Initiative (see p. 90) Training programme (see p. 90) Social dialogue and company agreements (see p. 93)	Code of Business Conduct (see p. 99) Pernod Ricard Charter European CSR agreement signed between Pernod Ricard and EFFAT (see p. 93) European Road Safety Charter Health and safety management system for industrial sites in accordance with the OHSAS 18001 standard (see p. 92) Key principles for managing working conditions that define the minimum requirements to be applied throughout the organisation (see p. 92) QSE Guidelines: product quality, personnel safety, environmental impact management, protection of insured capital (see p. 140) HACCP method and ISO 22000 certification (see p. 94) Five industry pledges and the Pernod Ricard Code on Commercial Communications (see p. 95)	Code of Business Conduct (see p. 99) Pernod Ricard Charter Group Environmental Policy (see p. 103) 2020 Environment Roadmap (see p. 104) ISO 14001 certification policy QSE Guidelines: product quality, personnel safety, environmental impact management, protection of insured capital (see p. 140)
Supplier and subcontractor activities	Proactive supplier analysis based on Blue Source process, allowing affiliates to introduce a responsible procurement strategy locally: Responsible Procurement Policy, Supplier CSR Commitment, CSR Risk Mapping Tool, Supplier S&R Assessment, SMETA audits (see p. 98) Action plan following SMETA audits Dialogue with suppliers During FY19: • mobilisation of teams internally to develop a Group-wide Human Rights policy; • integration of the Blue Source process within a digital platform enabling each Group employee to analyse the current risk exposure of its commercial counterparties, including suppliers (direct/indirect purchases) and subcontractors.		

3.6.2.1 Risk assessment procedures

The Group has introduced evaluation procedures for its affiliates and suppliers, carried out by the Group's teams or in association with independent bodies, to identify and prevent the risk of serious violations of Human Rights and fundamental freedoms and health and safety breaches.

	Human Rights	Health and safety	Environment
Company activities	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. 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 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 Chief Executive Officer 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. With the "iSay" survey, Pernod Ricard can measure the effectiveness of its action plans for all Group employees (see p. 93).		
		Protection of insured capital and the prevention of major industrial risks: more than 60 industrial sites audited each year (see p. 117) Complaints handling system (see p. 94) External audit of the five industry pledges and the Responsible Marketing Panel (see p. 95) Annual audit of Brand Companies as part of their OHSAS 18001 (Occupational Health and Safety) and ISO 22000 (Food Safety) certification.	Annual audit of Brand Companies as part of their ISO 14001 certification.
Supplier and subcontractor activities	Proactive supplier analysis across multiple priority levels and SMETA audit for high priorities. (see Blue Source process, p. 98)		

3.6.2.2 Introduction of an early warning and whistleblowing system

To provide employees with day-to-day support, Pernod Ricard encourages dialogue and trust, allowing everyone to express their point of view and voice their concerns. The Group's Code of Business Conduct advocates a "Speak-up policy", calling on all employees to inform management (their Line Manager, Legal Department, HR Department, etc.) of any suspicions they might have regarding a practice or situation deemed to be contrary to or inconsistent with this Code, the associated policies or any legal or regulatory standard.

During FY19, Pernod Ricard will launch a Group-wide early warning system as an alternative to the "Speak-Up" procedure described above. This will allow people who so wish to warn the Group in a safe and confidential manner.

Hosted by a third party, Speak-Up will be available 24 hours a day, seven days a week. Each country will have its own dedicated telephone number for reports, which can also be submitted using an online form. Any report deemed to be serious will be the subject of an internal analysis and investigation conducted under the aegis of an Integrity Committee comprising the following Group-level functions: Legal, Internal Audit, Human Resources and CSR. If any violations are identified, the Integrity Committee will examine their severity and decide on the measures to be taken.

Pernod Ricard will ensure that no disciplinary action is taken against anyone reporting a violation in good faith.

3.6.2.3 Monitoring system for the measures implemented

Pernod Ricard has monitoring procedures and systems in place for Human Rights and health and safety and the environment. The aim is to ensure that the monitoring plan is properly implemented and continually updated:

- internal reporting system and indicators for monitoring the implementation of the actions undertaken. The results have already been extensively published and audited with complete transparency in this report (see Chapters 2, 3 and 4 in particular).
- the European Works Council meets every year and follows up on the implementation of the European agreement between Pernod Ricard and EFFAT. It also identifies employment best practices and areas for improvement (see p. 93).
- the role of the Nominations, Governance and CSR Committee is to assess the relevance of the Group's S&R commitments and to oversee their implementation.

3.7 VERIFYING NON-FINANCIAL INFORMATION

3.7.1 Note on methodology relating to non-financial reporting

3.7.1.1 Period & scope of reporting

Reporting of corporate, environmental and societal data is performed annually and relates to the period from 1 July 2017 to 30 June 2018. Unless otherwise stated, this data relate to activities under the Group's operational control.

3.7.1.2 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 FY18, reporting covers 111 entities.

The consolidation scope and level of detail for corporate data have changed since FY18:

- in France, a new entity has been created, Pernod Ricard La Voisine, where a large part of Pernod Ricard University's training courses are taught;
- GTR Headquarters, based in London, has been added to the Global Travel Retail scope, while Travel Retail Europe is now Travel Retail EMEA. Under the terms of their employment contracts, GTR employees must now be accounted for by the local legal entity in the country where they provide most of their services. PR Travel Retail Pacific and PR Travel Retail India are now part of PRW Australia and PR India respectively;
- in Europe, PR Bosnia closed this year and is no longer part of PR Adriatics;
- in Asia and the Pacific, PR Singapore Rep Office Cambodia is now PR Cambodia; Helan Mountain is now part of PR Asia, while Seagram China, whose core business is the sale of Helan Mountain wines to Chinese consumers, began trading this year;
- there were no changes for Pernod Ricard North America in FY18.

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.

3.7.1.3 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 brands (which account for around 78% of advertising and promotion investments). Since February 2013, they have also been mandatory for Strategic Local Brands (which account for around 12% of advertising and promotion investments). 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.

3.7.1.4 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.

The FY18 reporting covers:

- 90 manufacturing sites. This figure is lower than in 2016/17 following the disposal or closure of five sites in France, Spain, China and Scotland, and the inclusion in the reporting scope of two production sites in Germany and the United States. The industrial scope taken into account for this financial year therefore covers a production volume of 1,030 million litres (finished product either bottled or in bulk), compared with 1,026 million in 2016/17, and a volume of distilled alcohol of 233 million litres (measured as pure alcohol), unchanged from 2016/17. Comments on the results are provided in the different sections of the subsection "Protect the planet" in this document;
- 5,913 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".

3.7.2 Clarification relating to indicators

3.7.2.1 Social indicators

New appointments and departures on fixed-term contracts have been published since 2015/16. To make it easier to record these, particularly in the case of seasonal workers in vineyards, it was decided that only one appointment and departure would be recorded for employees on several successive fixed-term contracts over the reference period (with the appointment date being the date of the first contract and the departure date being the departure date of the last contract).

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 reinvoiced 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 Group Pernod Ricard considers its employees 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.

3.7.2.2 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.

3.7.3 Collection, consolidation and monitoring of data

3.7.3.1 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 Group Pernod Ricard 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 FY18, supplied by local entities.

3.7.3.2 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.

3.7.3.3 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.

3.8 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			
Principle 1: Businesses should support and respect the protection of internationally proclaimed Human Rights	Welfare, social protection and working conditions	91	1 NO POVERTY; 3 GOOD HEALTH AND WELL-BEING
	Societal impact of the Company's products and services	94	
	Community involvement	97	4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH
	The Group's ethical practices	99	
Principle 2: Businesses should make sure that they are not complicit in Human Rights abuses	Commitment to respecting Human Rights	101	
	Monitoring law 2017-399 on the duty of vigilance	117	10 REDUCED INEQUALITIES
Employment law			
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Labour relations	93	5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour	Commitment to respecting Human Rights	101	
Principle 5: Effective abolition of child labour	Non-discrimination	101	10 REDUCED INEQUALITIES
Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation	Monitoring law 2017-399 on the duty of vigilance	117	
Environment			
Principle 7: Businesses should support a precautionary approach to environmental challenges	Environmental management	103	6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY
	Efficient management system	105	
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility	Promoting sustainable agriculture	106	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION
	Preserving and saving water resources	108	
	Contributing to reducing climate change	110	
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies	Acting for the circular economy	113	14 LIFE BELOW WATER; 15 LIFE ON LAND
	Monitoring law 2017-399 on the duty of vigilance	117	
Anti-corruption			
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	The Group's ethical practices	99	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	Monitoring law 2017-399 on the duty of vigilance	117	

3.9 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

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.

For the year ended June 30th, 2018

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, 2018 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"), 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)'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).

It is not our responsibility to provide any conclusion on the compliance with other applicable legal expectations, in particular those concerning article L.225-102-4 of the French code of commerce (duty of care) or the French law 2016-1691 (fight against corruption).

Our work involved eight persons and was conducted between April and September 2018 during an eight weeks 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 thirty interviews with the persons responsible for preparing the CSR Information in the departments in charge of

(1) Whose scope is available at www.cofrac.fr

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

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 ;
- 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 Apprendix):

- 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 and 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 20% of headcount and between 12% 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.

Paris La Défense, 19 September 2018

One of the Statutory Auditors

Deloitte & Associés

David Dupont Noel
Partner

Julien Rivals
Partner, Sustainability Services

(1) Entities and sites covered by testing on social information: Pernod SA, Ricard SA, TAC Stockholm, TAC Ahus, PR Rouss, Hiram Walker & Corby, PRW Australia.
Entities and sites covered by testing on environmental information: Nöbbelöv, Ahus, Satellite, Mumm & Kenwood wineries, Rowland flat, Walkerville, Midleton (hazardous waste only), Glenburgie and Longmorn (COD only), Vineyards New-Zealand, Vineyards Australia, Vineyards Mumm and USA.

Appendix

Social information:

- **Quantitative information**: Group employees as at 30 June; Breakdown of positions filled (permanent and fixed-term contracts) in FY18; Departures of personnel (permanent and fixed-term contracts) by reason; Average number of theoretical hours worked per employee; Number of theoretical hours worked per day; Absenteeism rate; Number of lost-time accidents; Frequency rate; Severity rate; Occupational illness (included in absenteeism rate); Total number of training hours; Total number of training beneficiaries; Part of the payroll invested in training; Part of employees benefiting from health insurance; Number of Group affiliates having conducted disability training and/or awareness actions for their employees.
- **Qualitative information**: Presentation of "iSay" opinion survey describing the level of commitment of the employees.

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; Total energy consumption; Share of renewable electricity consumed by the production sites; Part of the electricity consumption covered by renewable electricity certificates; CO_2 emissions from productions sites (Scope 1 and 2); 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 quantity of waste; Quantity of waste recycled; Quantity of waste landfilled and incinerated; Total volume of hazardous waste; Total amount of glass used; Quantity of agricultural products used; Agricultural land corresponding to used raw materials (hectares); Consumption of synthetic crop protection by hectare (active ingredient).
- **Qualitative information**: Assessment of the Group's carbon footprint (Scope 1, 2 and 3); "Green Office" challenge for administrative sites to engage all employees on the subject of the environment; Water management tailored to meet local challenges; Sustainable agriculture and performance of our vineyards ; Actions for the protection of biodiversity.

Societal information:

- **Quantitative information**: Percentage of affiliates holding at least one initiative to promote the development of local communities; Part of bottling sites certified ISO 22 000; Percentage of Brand Companies which have assessed the social and environmental conditions under which their agricultural raw materials are produced.
- **Qualitative information**: Consumer product health and safety (HACCP method, intranet site called " Compliant Management System ", Health Risk Management Committee).

4

MANAGEMENT REPORT

4.1 KEY FIGURES FROM THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

4.1.1 Income statement

€ million	30.06.2016	30.06.2017	30.06.2018
Net sales	8,682	9,010	8,987
Gross margin after logistics expenses	5,371	5,602	5,604
Advertising and promotion expenses	(1,646)	(1,691)	(1,720)
Contribution after advertising & promotion investments	3,725	3,912	3,884
Profit from recurring operations	2,277	2,394	2,358
Operating profit	**2,095**	**2,232**	**2,296**
Financial income/(expense) from recurring operations	(432)	(374)	(301)
Corporate income tax	(408)	(438)	(392)
Share of net profit/(loss) of associates	0	1	0
NET PROFIT	**1,255**	**1,421**	**1,603**
O/w:			
• non-controlling interests	20	28	26
• Group share	1,235	1,393	1,577
EARNINGS PER SHARE – BASIC *(IN EUROS)*	**4.68**	**5.27**	**5.97**
EARNINGS PER SHARE – DILUTED *(IN EUROS)*	**4.65**	**5.25**	**5.94**

4.1.2 Balance sheet

€ million	30.06.2016	30.06.2017	30.06.2018
Assets			
Non-current assets	23,310	22,557	21,737
Of which intangible assets	*17,572*	*17,152*	*16,858*
Current assets	7,282	7,521	7,821
Assets held for sale	6	10	-
TOTAL ASSETS	**30,598**	**30,088**	**29,558**
Liabilities and shareholders' equity			
Consolidated shareholders' equity	13,506	13,886	14,978
Non-current liabilities	12,137	11,946	10,838
Current liabilities	4,955	4,256	3,743
Liabilities held for sale	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**30,598**	**30,088**	**29,558**

4.1.3 Net financial debt

€ million	30.06.2016	30.06.2017	30.06.2018
Gross non-current financial debt	7,335	7,379	7,239
Gross financial debt from recurring operations	2,027	1,165	452
Non-current hedging instruments - assets	(77)	(9)	-
Hedging Instruments from recurring operations - assets	-	(6)	(1)
Non-current derivative instruments - liabilities	-	-	25
Derivative instruments from recurring operations - liabilities	-	(2)	-
Cash and cash equivalents	(569)	(677)	(754)
NET FINANCIAL DEBT	**8,716**	**7,851**	**6,962**
Free Cash Flow*	1,061	1,299	1,433

* *The calculation of Free Cash Flow is set out in the note 4.3 entitled "Net debt" of the Management Report.*

4.1.4 Cash flow statement

€ million	30.06.2016	30.06.2017	30.06.2018
Self-financing capacity before financing interest and taxes	2,315	2,493	2,535
Net interest paid	(408)	(363)	(288)
Net income tax paid	(393)	(408)	(371)
Decrease/(increase) in working capital requirement	(178)	(79)	(100)
Net change in cash flow from operating activities	**1,336**	**1,642**	**1,776**
Net change in cash flow from investment activities	**(359)**	**(293)**	**(404)**
Net change in cash flow from financing activities	**(928)**	**(1,156)**	**(1,287)**
Cash flow from discontinued operations	-	-	-
Foreign currency translation adjustments	(25)	(86)	(8)
Cash and cash equivalents at start of period	**545**	**569**	**677**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**569**	**677**	**754**

4.2 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 137.

In FY18, Pernod Ricard delivered a very strong year.

Clear Sales acceleration; +6.0% vs. +3.7% in FY17, thanks to consistent strategy implementation:

- strong diversified growth, with all Regions and key brands performing well;
- improving price/mix.

Very strong financial delivery:

- Profit from Recurring Operations (PRO): +6.3%, in line with revised annual guidance;
- PRO margin improvement: +14bps, while increasing investment behind must-win brands/markets to drive future growth;
- FX mainly impacted by USD, as expected, with -€180m impact on PRO but €91m favourable impact on Net debt;
- Net Profit : +13% thanks in particular to reduction in financial expenses;
- very strong Free Cash Flow (+10%) leading to Net debt decrease of c. €0.9bn to €7.0bn and Net debt / EBITDA at 2.6x.

Dividend increased to 41% payout.

4.2.1 Presentation of results

4.2.1.1 Group Net profit per share from Recurring Operations – diluted

€ million	30.06.2017	30.06.2018
Number of shares in circulation - diluted	265,477,729	265,543,003
Profit from recurring operations	2,394	2,358
Operating margin	26.6%	26.2%
Financial income/(expense) from recurring operations	(376)	(301)
Corporate income tax on recurring operations	(509)	(520)
Non-controlling interests, discontinued operations and share of net profit from equity associates	(27)	(26)
GROUP NET PROFIT FROM RECURRING OPERATIONS	**1,483**	**1,511**
GROUP NET EARNINGS PER SHARE FROM RECURRING OPERATIONS – DILUTED *(IN EUROS)*	**5.58**	**5.69**

4.2.1.2 Profit from Recurring Operations

Group

€ million	30.06.2017	30.06.2018	Reported growth		Organic growth*	
Net sales	9,010	8,987	(23)	0%	533	6%
Gross margin after logistics expenses	5,602	5,604	1	0%	345	6%
Advertising and promotion expenses	(1,691)	(1,720)	(29)	2%	(120)	7%
Contribution after advertising & promotion expenses	3,912	3,884	(28)	-1%	225	6%
PROFIT FROM RECURRING OPERATIONS	**2,394**	**2,358**	**(37)**	**-2%**	**155**	**6%**

* *Organic growth is defined on page 137.*

America

€ million	30.06.2017	30.06.2018	Reported growth		Organic growth*	
Net sales	2,661	2,546	(114)	-4%	159	6%
Gross margin after logistics expenses	1,790	1,690	(99)	-6%	92	5%
Advertising and promotion expenses	(551)	(533)	18	-3%	(29)	5%
Contribution after advertising & promotion expenses	1,239	1,157	(81)	-7%	64	5%
PROFIT FROM RECURRING OPERATIONS	**790**	**735**	**(55)**	**-7%**	**55**	**7%**

* *Organic growth is defined on page 137.*

Asia/Rest of World

€ million	30.06.2017	30.06.2018	Reported growth		Organic growth*	
Net sales	3,568	3,648	80	2%	324	9%
Gross margin after logistics expenses	2,102	2,164	62	3%	207	10%
Advertising and promotion expenses	(618)	(662)	(44)	7%	(82)	13%
Contribution after advertising & promotion expenses	1,484	1,502	18	1%	125	8%
PROFIT FROM RECURRING OPERATIONS	**1,000**	**996**	**(4)**	**0%**	**74**	**7%**

* *Organic growth is defined on page 137.*

Europe

€ million	30.06.2017	30.06.2018	Reported growth		Organic growth*	
Net sales	2,781	2,792	11	0%	50	2%
Gross margin after logistics expenses	1,710	1,749	39	2%	46	3%
Advertising and promotion expenses	(522)	(525)	(3)	1%	(9)	2%
Contribution after advertising & promotion expenses	1,188	1,224	36	3%	36	3%
PROFIT FROM RECURRING OPERATIONS	**604**	**626**	**22**	**4%**	**26**	**4%**

* *Organic growth is defined on page 137.*

4.2.2 Organic net sales growth of Strategic International Brands

In millions of 9-litre cases	Volume 30.06.2017	Volume 30.06.2018	Organic growth* in net sales	Volume growth	Price/mix
Absolut	11.2	11.4	2%	2%	0%
Chivas Regal	4.2	4.4	5%	5%	0%
Ballantine's	6.7	7.1	5%	5%	0%
Ricard	4.8	4.5	-6%	-5%	-1%
Jameson	6.5	7.3	14%	12%	1%
Havana Club	4.3	4.6	6%	5%	0%
Malibu	3.6	3.8	6%	5%	1%
Beefeater	2.8	2.9	4%	4%	0%
Martell	2.1	2.4	14%	12%	2%
The Glenlivet	1.0	1.1	5%	5%	0%
Royal Salute	0.2	0.2	-2%	1%	-2%
Mumm	0.8	0.8	1%	-1%	2%
Perrier-Jouët	0.3	0.3	6%	1%	6%
STRATEGIC INTERNATIONAL BRANDS	**48.6**	**50.7**	**7%**	**4%**	**3%**

* *Organic growth is defined on page 137.*

Full-year sales were €8,987 million, representing reported decline of -0.3%, as a result of:

- organic growth of +6.0%, an acceleration vs. FY17 driven mainly by Asia;
- a currency effect of €(530) million over the year, driven primarily by the weaker US Dollar, Indian Rupee and Chinese Renminbi against the Euro;
- a negative scope effect of €(26) million.

FY18 Sales growth was broad-based and delivered by all Regions:

- Americas continued their dynamism, up 6%, with USA now growing broadly in line with the market (+4%). Within the US, Jameson continued its very strong double-digit growth (now c.3.5m cases), Malibu outperformed its category, The Glenlivet stabilised following its transition year, Martell grew very strongly and gained share, the tequila brands (Avion and Altos) as well as Del Maguey continued their strong dynamism, but Absolut remained in decline in a very difficult Vodka category. Sales in the Americas excluding the US grew +10%, thanks to Travel Retail, Mexico and Brazil;
- Asia/Rest of World accelerated, up 9%, thanks to China, India and Travel Retail. China confirmed a strong return to growth (+17%) driven by Martell (+17%), Chivas' return to growth and strong double-digit growth from Premium Brands. India had a strong performance across the portfolio (+14%), enhanced by a favourable basis of comparison. Travel retail's growth accelerated vs. FY17 (+8%) driven by Strategic International Brands, in particular Martell;

- Europe posted modest growth, up 2%, with continued dynamism in Eastern Europe (+10%) and stability in Western Europe. In Eastern Europe, Russia continued its momentum, growing double-digits in FY18 and Poland had a good performance across the portfolio. In Western Europe, Germany and the UK delivered good performances, Travel Retail returned to growth but France and Spain were difficult, declining -4% and -5% respectively.

… and a wide spectrum of brands:

- Strategic International Brands' acceleration: +7% vs. +4% in FY17;
- 11 out of 13 Strategic International Brands in growth, 6 of which improving vs. FY17;
- very strong performance from Martell (+14%) and Jameson (+14%);
- improving trends for overall Scotch portfolio (+3% vs. stable in FY17) and return to growth for Chivas (+5%);
- Absolut +2%, thanks to success outside USA (+6%), although USA still in decline;
- innovation contributing significantly to topline growth.

4.2.3 Contribution after advertising & promotion investments

The gross margin (after logistics expenses) amounted to €5,604 million, with an increase of +6% [(1)] (+15bps), due to:

- pricing improving;
- operational excellence savings limiting the impact of cost of goods' increases (in particular on Agave and GST in India);
- strong growth from Martell and Jameson but negative mix from the growth of Seagram's Indian Whiskies and the decline of Ricard.

Advertising and Promotion investments were up +7% [(1)] to €1,720 million, to prepare for future growth, with A&P/Sales ratio stable at c.19%:

- support for key innovation projects;
- internationalisation of Martell;
- support of new Chivas platform in China;
- operational excellence savings reinvested.

4.2.4 Profit from Recurring Operations

Profit from Recurring Operations was up +6.3% [(1)], or €155 million, to reach €2,358 million. Structure costs increased by 5% [(1)], (+4% [(1)] excluding Other income and expenses) thanks to strong discipline leading to an increase below that of the top line and with targeted investment in Emerging markets and growth relays to drive future growth . The currency effect (-8%, or €(180) million) was primarily due to the weaker US Dollar but also a weaker Chinese Renminbi and Indian Rupee. The scope effect remained limited (-0%, or €(11) million). Due to the impact of FX, Profit from Recurring Operations declined on a reported basis by 2%.

4.2.5 Financial income/(expense) from recurring operations

Financial expenses from recurring operations were €(301) million, compared with €(376) million the previous period. The cost of debt stood at 3.5% for the year, compared with 3.8% in FY17. For FY19, the cost of debt is expected to be 3.9%.

The debt structure at 30 June 2018 was as follows:

- the bond portion was approximately 89% of gross debt;
- the fixed rate portion was 79% of total debt;
- the maturity of gross debt at the end of June 2018 was six years and seven months;
- the Group had €0.8 billion in cash and €2.5 billion in undrawn syndicated credit facility as of 30 June 2018;
- structuring the debt by currency (USD: 53%) provides a natural hedging mechanism with debt by currency matched with cash flow by currency.

4.2.6 Group Net Profit from Recurring Operations

Tax on Profit from Recurring Operations stood at €(520) million, giving a current effective rate of tax of close to 25%, in line with FY17. Non-controlling interests amounted to €(26) million.

Group Net Profit from Recurring Operations increased by 2% to reach €1,511 million. Diluted Net Profit per share from Recurring Operations stood at €5.69, up +2%.

4.2.7 Group Net Profit

Other non-recurring operating income and expenses amounted to €(62) million. Non-current financial income (expense) amounted to a net expense of €(1) million. Corporate income tax on non-recurring item as amounted to Net income of €129 million.

Accordingly, Group Net Profit stood at €1,577 million, up +13% on FY17.

(1) Organic growth is defined on page 137.

4.3 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	30.06.2017	30.06.2018
Profit from recurring operations	**2,394**	**2,358**
Other operating income and expenses	(163)	(62)
• Depreciation of fixed assets	219	216
• Net change in impairment of goodwill and property, plant and equipment and intangible assets	75	73
• Net change in provisions	(59)	(35)
• Restatement of contributions to pension funds acquired from Allied Domecq and others **	7	14
• Fair value adjustments on commercial derivatives and biological assets	(14)	(1)
• Net (gain)/loss on disposal of assets	6	(48)
• Share-based payments	34	35
Sub-total of depreciation and amortisation, change in provisions and other	**268**	**254**
SELF-FINANCING CAPACITY BEFORE FINANCING INTEREST AND TAX*	**2,499**	**2,549**
Decrease/(increase) in working capital requirements	(79)	(100)
Net interest and tax payments	(771)	(659)
Net acquisitions of non-financial assets and other	(350)	(358)
FREE CASH FLOW	**1,299**	**1,433**
Of which recurring Free Cash Flow	1,471	1,422
Net disposal of financial assets and activities, contributions to pension plans acquired from Allied Domecq and others **	50	(60)
Change in the scope of consolidation	-	-
• Capital increase and other changes in shareholders' equity	-	-
• Dividends and interim dividends paid	(511)	(551)
• (Acquisition)/disposal of treasury shares	(36)	(23)
Sub-total dividends, purchase of treasury shares and other	**(547)**	**(575)**
DECREASE/(INCREASE) IN DEBT (BEFORE FOREIGN EXCHANGE IMPACT)	**802**	**798**
Foreign currency translation adjustments	62	91
DECREASE/(INCREASE) IN DEBT (AFTER FOREIGN EXCHANGE IMPACT)	**865**	**889**
Net debt at beginning of period	(8,716)	(7,851)
Net debt at end of period	(7,851)	(6,962)

* *Excluding investments in pension funds acquired from Allied Domecq.*
** *Of which €5 million related to pension funds acquired from Allied Domecq and €9 million related to tax on disposals in FY17 paid in FY18.*

4.4 OUTLOOK

Pernod Ricard will pursue the execution of a consistent strategy with clear resource allocation and support for must-win brands and markets.

For FY19, in an uncertain geopolitical and monetary environment, the Group expects:

- broad-based sales growth to continue;
- improved pricing;
- growing pressure on Input costs;
- very strong Q1 given the favourable base of comparison in India and an earlier Mid-Autumn Festival.

The guidance for FY19 is organic growth in Profit from Recurring Operations of between +5% and +7%.

4.5 DEFINITIONS AND RECONCILIATION 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.

4.5.1 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 excludes in the organic movement calculations 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 the Group 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.

4.5.2 Free Cash Flow

Free Cash Flow comprises the net cash flow from operating activities excluding the contributions to the Allied Domecq pension plans acquired, aggregated with the proceeds from disposals of property, plant and equipment and intangible assets and after deduction of the capital expenditures.

4.5.3 "Recurring" indicators

The following three 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 net profit from recurring operations**

Group net profit from recurring operations corresponds to the Group net profit excluding other non-current operating income and expenses, non-recurring financial items and corporate income tax on non-recurring items.

4.5.4 Net debt

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.

4.5.5 EBITDA

EBITDA stands for "earnings before interest, taxes, depreciation and amortisation". EBITDA is an accounting measure calculated using the Group's Profit from Recurring Operations excluding depreciation and amortisation on operating fixed assets.

4.6 RISK MANAGEMENT

4.6.1 Introduction

Pernod Ricard faces a range of internal and external risks that may impact 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 the Sub-Section 2.2 "*Internal control and risk management*" of the Section 2 "*Corporate governance and internal control*" of this document. As part of the Group's decentralised structure, each function and each affiliate contributes on an ongoing basis to 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 that other risks not currently known or considered insignificant could negatively affect the Group.

4.6.2 Risks relating to business activities

4.6.2.1 Risks relating to the global economic environment and geographic presence

The Group's business is sensitive to general economic conditions in its key markets, in particular the United States, China and India. 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, reduction 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"), particularly during economic downturns or as a result of government measures as was the case in the Chinese market following measures to dampen conspicuous consumption in 2013/14, which hampered sales growth over several financial years.

Furthermore, the Group derives a considerable portion of its business (40% of net sales in FY18) from emerging markets in Asia, Eastern Europe and Latin America (such as China, India, and Russia). Although any country in the world can be affected, the Group's activities in emerging markets are more exposed to political and economic risks, including those resulting from regulatory changes, protectionism or changes in government or monetary policy. These risks specifically include risks stemming from inflation, problems with the repatriation of foreign earnings, dividends and investment capital, fluctuations in and management of exchange rates, 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 confidence 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 heighten volatility in 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 on the Group's overall sales and adversely affect its consolidated results and outlook.

4.6.2.2 Risks relating to further consolidation in the Wines & Spirits segment

The industry is witnessing a trend towards the consolidation of distributors and retailers.

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, margins, market share and outlook.

4.6.2.3 Risks relating to image due 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 image of their brands, could adversely affect Group sales. The Group purchases most raw materials for the production of its Wine & 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, results and outlook.

The net carrying value of brands and goodwill recorded in the Group's balance sheet at 30 June 2018 was €17 billion.

4.6.2.4 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 International 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 Strategic International Brands and from smaller groups or local producers on its Strategic 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 mature markets and the increasingly competitive nature of emerging markets could require the Group to boost its advertising and promotional expenditure, or even reduce or freeze prices, in order to protect market share.

Competitive environment

Competitive position

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 2017/18 financial year were Verallia, Ardagh Glass, O-I, Saver Glass (glass bottles) and Guala (corks).

4.6.2.5 Risks relating to innovation and consumer expectations

The Group's performance is dependent on its capacity to satisfy consumer expectations and desires. However, changes 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 demand could affect 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 innovations (Chivas Extra, Jameson Caskmates, etc.) and new growth opportunities (digital communications, Sub-Saharan Africa). Innovations contributed significantly to organic growth in net sales in FY18, generating incremental Group growth of approximately +2 points.

4.6.2.6 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 from 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 have significantly impacted Group sales.

4.6.2.7 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 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 malfunction or malicious intent, either internal or 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 "Risks relating to image due to product quality" of this management report.

4.6.2.8 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 and governmental controls.

An unexpected rise in the cost of raw materials or packaging materials could significantly increase its 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, hedging agreements have been entered into with banks to secure prices of a portion of wheat supplies and to limit production cost volatility. These hedges do not involve 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).

4.6.2.9 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 "Extracts from the Integrated Annual Report"). Pernod Ricard believes it successfully integrated these acquisitions.

In the event that Pernod Ricard decides to conduct a major acquisition in the future, successful integration of the target 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 integration of new businesses, employees and products belonging to the 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, results and outlook could be affected should it be unable to successfully integrate the acquired companies.

The Group has made no major acquisitions since 2008.

4.6.2.10 Risks relating to seasonal trends

Pernod Ricard makes an significant 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.

4.6.3 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 2018, 90% of bottling sites were quadruple QSE-certified in accordance with these four standards, covering 99% of total bottled production.

4.6.3.1 Risks relating to industrial sites and inventory management

As for prevention of major industrial risks, an Operations Risk Manager is responsible for coordinating actions of affiliates in the implementation of preventive measures (design and maintenance of facilities, training, operating procedures, etc.) and protection mechanisms (automatic extinguishing, retentions, emergency procedures, etc.).

In cooperation with the insurer, more than 60 industrial sites are audited each year, leading to an assessment of the quality of risk and as such recommendations for improvement for each of them.

In addition, a Group monitoring programme for Business Continuity Management Systems is in place. The most strategic affiliates have identified the various scenarios that could affect their activities and have drawn up business continuity plans including the implementation of emergency solutions and access to alternative means of production.

To date, 19 industrial affiliates have established business continuity management systems. They are also regularly audited by third parties and are monitored by the Group Operations Department.

Fire hazards

As alcohol is highly flammable, fire is one of the main risks to our staff and facilities, particularly at production sites where *eaux-de-vie* are produced and stored. This risk is also present at sites where blending and bottling of alcohol take place. In some cases, a fire may be accompanied by the risk of explosion, especially if alcohol vapours come into contact with a heat source. This is a particular point of attention, and is monitored every year as part of the audit programme for our industrial sites carried out in partnership with our insurer (see previous paragraph).

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 related to inventory management

The Group has a substantial inventory of matured products, 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 "Extracts from the Integrated Annual Report").

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. 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.

4.6.3.2 Risks for consumers

Inappropriate consumption of alcohol is a health risk to the consumer. It is behind the Group's commitment to responsible drinking (see Part 3 "Sustainability & Responsibility").

Other risks for consumers relate to product quality. They mainly concern the presence of foreign objects in bottles (glass fragments) or intentional or accidental contamination by an undesirable component.

Control of these risks is based both on the application of the HACCP method, which aims to identify risks involved in the manufacturing process and to bring them under control, as well as on the implementation of specific internal guidelines. 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. The Group conducts a programme of in-depth analyses covering all contaminants deemed possible. In 2017, it focused on all Strategic International Brands and the biggest Strategic Local Brands.

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.

4.6.3.3 Risks for employees

Ensuring the health and safety of its employees and on-site contractors is Pernod Ricard's top priority. Today, more than 90% of Pernod Ricard's work-related accidents result from its industrial and agricultural activities.

The Group has therefore embarked on a process to reduce workplace accidents by launching a comprehensive inventory of industrial sites with the greatest potential for improvement at the end of 2017. To date, eight sites have been assessed by an external company focusing on specific points covering both the safety culture and the OHSAS 18001 occupational health and safety management system.

These assessments have served to draft improvement plans aimed at sustainably reducing workplace accidents and developing a safety culture.

This approach will be extended to all industrial affiliates with the implementation of an internal framework built on 13 pillars such as the commitment of Management, the management of subcontractors and the investigation of accidents.

4.6.3.4 Environmental risks

Risk of accidental spillage

Accidental spillage of product (wine, alcohol or other) into the environment is liable to pollute soil, rivers 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. They include 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 *eaux-de-vie*. 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 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 harm 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 "Protect the planet" paragraph in Section 3, "Sustainability & Responsibility").

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 CO_2 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 agricultural 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.

4.6.4 Legal and regulatory risks

4.6.4.1 Risks relating to changes in the regulatory environment

The Group's businesses throughout the world are subject to a growing number 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 promotion 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 operates, 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 duties and indirect taxes in the various countries in which it operates.

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 reputation, with subsequent negative consequences on its operating profit;
- **advertising and promotions:** regulatory authorities in the countries in which the Group operates 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 and promotion of alcoholic beverages. These limits could hinder or restrict the Group's capacity to maintain or reinforce consumer behaviour in relation to its brands and their recognition on major markets and significantly affect the Group's operating 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 raise the price of its products as well as lower the consumption of its Wines and Spirits brands or an increase in costs for the Group;
- **access to distribution:** regulatory authorities in the countries in which the Group operates could seek to restrict consumers' access to Group products, for instance by limiting operating 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 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.

4.6.4.2 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 in 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, similar to any other 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, 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, 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.

4.6.4.3 Risks relating to litigation

In common with other companies in the Wines & Spirits sector, 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 2018 for all litigation and risks in which it is involved, amounted to €548 million, compared with €566 million at 30 June 2017 (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.

4.6.5 Financial risks

4.6.5.1 Risks relating to the Group's indebtedness

The Net debt/EBITDA ratio was 2.6 at 30 June 2018, a decline of (0.4) compared to 30 June 2017 (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.

4.6.5.2 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.

4.6.5.3 Liquidity risks

The liquidity risks are set out in Note 4.9 – *Financial Instruments* of the Notes to the consolidated financial statements.

4.6.5.4 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.

4.6.5.5 Risks relating to the Group's pension plans

The Group's unfunded pension obligations amounted to €259 million on 30 June 2018. During FY18, the Group made total contributions to Group pension plans of €57 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.

4.6.6 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 much 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 coverage: 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.

4.6.6.1 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 coverage:

- property damage and business interruption losses;
- operating/product liability, including costs and losses incurred by the Group due to accidental and/or criminal contamination;
- environmental liability;
- 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.).

Coverage

Type of insurance	Coverage and limits on the main insurance policies*

Property damage and business interruption losses	• Coverage: fully comprehensive (except exclusions)
	• Basis of compensation:
	  ● 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 interruption losses with a compensation period generally between 12 and 36 months depending on the Company.
	• Limits on compensation:
	  ● 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)	• Fully comprehensive coverage (except for exclusions) for damage caused to third parties for up to €220 million per year of insurance.
Product contamination	• Coverage in the general civil liability programme for recall outlay, the cost of the relevant products, business interruption 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.
General environmental liability	• Coverage for environmental damage of €35 million
Directors' civil liability	• Coverage of up to €150 million per year of insurance.
Transport	• Coverage of up to €20 million per claim.
Fraud/cyber	• Coverage of up to €35 million per year, with a cyber-insurance sub-limit of €15 million.
Credit	• 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.

* *The figures shown are the main limits for the year ended 30 June 2018. Changes may have been negotiated for FY19. Some contracts provide specific limits for certain aspects of coverage.*

4.6.6.2 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.

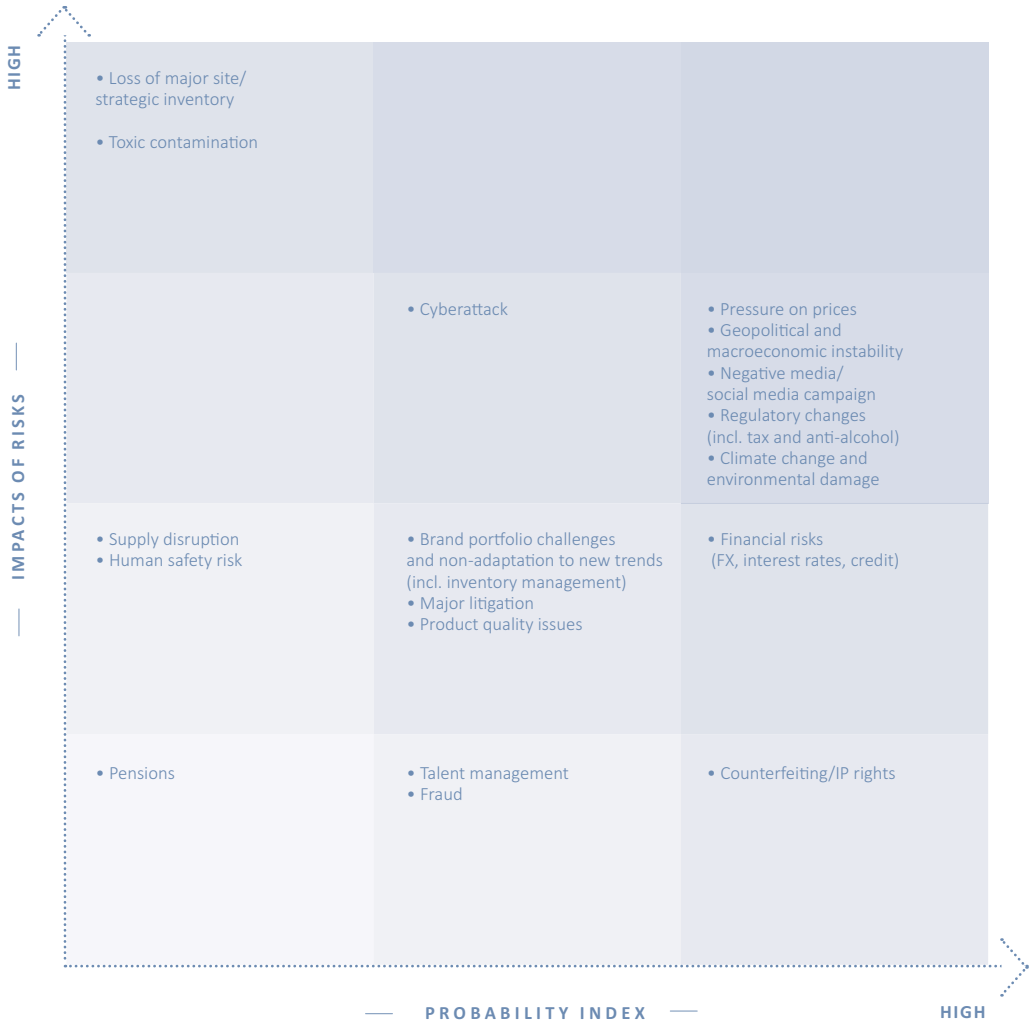
4.6.7 Risks and disputes: provisioning procedure

As part of its commercial activities, the Group Pernod Ricard 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.

4.6.8 2018 Risk matrix

The Group's risk matrix was updated in 2018. Every three years, the main risks facing Pernod Ricard are mapped for all Group subsidiaries and functions. The different risks are classified according to their potential impact and likelihood of occurrence. This matrix is a key risk management tool.



4.7 SIGNIFICANT CONTRACTS

4.7.1 Significant contracts not related to financing

4.7.1.1 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.

4.7.1.2 Sale and repurchase agreements

During FY18, Pernod Ricard did not conclude any sale and repurchase agreements. For further details on transactions relating to sale and repurchase agreements, please consult Note 2.1.10 "Share buyback programme", in section 2 "Corporate governance and internal control".

4.7.2 Financing contracts

4.7.2.1 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. It was partially repaid on 26 November 2015 (15%) and 31 October 2016 (20%); the remainder was repaid on 29 September 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.

4.7.2.2 2017 Credit Agreement (syndicated credit)

As part of 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, one of which has been activated.

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 2018, 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.

4.7.2.3 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 *(US$ thousand)*	Amount *(€ thousand)*	Place of issue	Nominal value *(thousands of currency)*	Maturity date	Repayment dates	Allocation of net proceeds of the issue	Rate
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).	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	Regulated market of Euronext Paris	100	22.06.2020	Payable annually in arrears on 20 March	Repayment of bond debt to extend the maturity of the Group's debt	Annual fixed rate of 2%
Bond of 29.09.2014		650,000	Regulated market of Euronext Paris	100	27.09.2024	Payable annually in arrears on 27 September	Repayment of bond debt to extend the maturity of the Group's debt	Annual fixed rate of 2.13%
Bond of 28.09.2015		500,000	Regulated market of Euronext Paris	100	28.09.2023	Payable annually in arrears on 28 September	Repayment of bond debt to extend the maturity of the Group's debt	Annual fixed rate of 1.88%
USD PANDIOS bond of 26.01.2016	201,000		A single counterparty	1,000	26.01.2021	Payable each half-year from 26 July 2016	Repayment of bond debt to extend the maturity of the Group's debt	Floating rate
Bond of 17.05.2016		600,000	Regulated market of Euronext Paris	100	18.05.2026	Payable annually in arrears on 18 May	Repayment of bond debt to extend the maturity of the Group's debt	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 from 8 December 2016	Repayment of short-term debt and bond debt to extend the maturity of the Group's debt	Annual fixed rate of 3.25%

4.7.2.4 Europe Factoring Agreement

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.

4.7.2.5 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.

4.7.2.6 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 contracts on the Group's financial statements is provided in Note 4.8.1 – *Debt analysis*.

(1) Renamed Pernod Ricard Winemakers Pty.

5

CONSOLIDATED FINANCIAL STATEMENTS

5.1 CONSOLIDATED INCOME STATEMENT

€ million	30.06.2017	30.06.2018	Notes
Net sales	9,010	8,987	2
Cost of sales	(3,407)	(3,383)	2
Gross margin after logistics expenses	**5,602**	**5,604**	**2**
Advertising and promotion expenses	(1,691)	(1,720)	2
Contribution after advertising & promotion expenses	**3,912**	**3,884**	**2**
Structure costs	(1,517)	(1,526)	
Profit from recurring operations	**2,394**	**2,358**	
Other operating income and expenses	(163)	(62)	3.1
Operating profit	**2,232**	**2,296**	
Financial expenses	(427)	(375)	3.2
Financial income	53	74	3.2
Net Financial income/(expense)	**(374)**	**(301)**	
Corporate income tax	(438)	(392)	3.3
Share of net profit/(loss) of associates	1	0	
NET PROFIT	**1,421**	**1,603**	
O/w:			
• Non-controlling interests	28	26	
• **Group share**	**1,393**	**1,577**	
Earnings per share – basic *(in euros)*	5.27	5.97	3.4
Earnings per share – diluted *(in euros)*	5.25	5.94	3.4

5.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ million	30.06.2017	30.06.2018
Net profit for the period	**1,421**	**1,603**
Non-recyclable items		
Actuarial gains/(losses) related to defined benefit plans	**(63)**	**257**
Amount recognised in shareholders' equity	*(65)*	*321*
Tax impact	*2*	*(64)*
Recyclable items		
Net investment hedges	**2**	**1**
Amount recognised in shareholders' equity	*2*	*1*
Tax impact	-	-
Cash flow hedges [(1)]	**38**	**18**
Amount recognised in shareholders' equity	*56*	*26*
Tax impact	*(18)*	*(8)*
Available-for-sale assets	**0**	**0**
Unrealised gains and losses recognised in shareholders' equity	*1*	*0*
Tax impact	*0*	*0*
Translation differences	**(390)**	**(178)**
Other comprehensive income for the period, net of tax	**(413)**	**99**
COMPREHENSIVE INCOME FOR THE PERIOD	**1,008**	**1,701**
O/w:		
• Group share	982	1,680
• Non-controlling interests	26	21

(1) Including €(1) million recycled to net profit for FY18.

5.3 CONSOLIDATED BALANCE SHEET

Assets

€ million	30.06.2017	30.06.2018	Notes
Net amounts			
Non-current assets			
Intangible assets	11,755	11,539	4.1
Goodwill	5,397	5,319	4.1
Property, plant and equipment	2,336	2,424	4.2
Non-current financial assets	650	886	4.3
Investments in associates	15	11	
Non-current derivative instruments	26	2	4.3/4.10
Deferred tax assets	2,377	1,556	3.3
TOTAL NON-CURRENT ASSETS	**22,557**	**21,737**	
Current assets			
Inventories and work in progress	5,305	5,472	4.4
Trade and other operating receivables	1,134	1,122	4.5
Income taxes receivable	111	177	
Other current assets	270	280	4.6
Current derivative instruments	24	17	4.3/4.10
Cash and cash equivalents	677	754	4.8
TOTAL CURRENT ASSETS	**7,521**	**7,821**	
Assets held for sale	10	0	
TOTAL ASSETS	**30,088**	**29,558**	

Liabilities and shareholders' equity

€ million	30.06.2017	30.06.2018	Notes
Shareholders' equity			
Capital	411	411	6.1
Share premium	3,052	3,052	
Retained earnings and currency translation differences	8,849	9,757	
Group net profit	1,393	1,577	
Group shareholders' equity	**13,706**	**14,797**	
Non-controlling interests	180	181	
TOTAL SHAREHOLDERS' EQUITY	**13,886**	**14,978**	
Non-current liabilities			
Non-current provisions	453	448	4.7
Provisions for pensions and other long-term employee benefits	649	526	4.7
Deferred tax liabilities	3,421	2,593	3.3
Bonds – non-current	6,900	6,777	4.8
Other non-current financial liabilities	480	463	4.8
Non-current derivative instruments	42	31	4.10
TOTAL NON-CURRENT LIABILITIES	**11,946**	**10,838**	
Current liabilities			
Current provisions	159	143	4.7
Trade payables	1,826	1,951	
Income tax payable	156	225	
Other current liabilities	935	960	4.11
Bonds – current	94	93	4.8
Other current financial liabilities	1,071	360	4.8
Current derivative instruments	15	11	4.10
TOTAL CURRENT LIABILITIES	**4,256**	**3,743**	
Liabilities related to assets held for sale	-	-	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**30,088**	**29,558**	

5.4 CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

€ million	Capital	Premiums	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Currency translation adjustments	Treasury shares	Equity attributable to equity holders of the Parent	Non-controlling interests	Total shareholders' equity
Opening position on 01.07.2016	**411**	**3,052**	**10,198**	**(133)**	**(95)**	**177**	**(273)**	**13,337**	**169**	**13,506**
Restatement for 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 non-controlling 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 the amendments to IAS 16 and IAS 41

€ million	Capital	Premiums	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Currency translation adjustments	Treasury shares	Equity attributable to equity holders of the Parent	Non-controlling interests	Total shareholders' equity
Opening position on 01.07.2017	**411**	**3,052**	**11,014**	**(198)**	**(56)**	**(208)**	**(309)**	**13,706**	**180**	**13,886**
Comprehensive income for the period	-	-	1,577	257	18	(172)	-	1,680	21	1,701
Capital increase	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	34	-	-	-	-	34	-	34
(Acquisition)/disposal of treasury shares	-	-	-	-	-	-	8	8	-	8
Sale and repurchase agreements	-	-	-	-	-	-	(28)	(28)	-	(28)
Dividends and interim dividends distributed	-	-	(551)	-	-	-	-	(551)	(23)	(574)
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	(52)	-	-	-	-	(52)	2	(50)
CLOSING POSITION ON 30.06.2018	**411**	**3,052**	**12,022**	**59**	**(38)**	**(380)**	**(329)**	**14,797**	**181**	**14,978**

5.5 CONSOLIDATED CASH FLOW STATEMENT

€ million	30.06.2017	30.06.2018	Notes
Cash flow from operating activities			
Group net profit	1,393	1,577	
Non-controlling Interests	28	26	
Share of net profit/(loss) of associates, net of dividends received	(1)	0	
Financial (income)/expenses	374	301	
Tax (income)/expenses	438	392	
Net profit from discontinued operations	-	-	
Depreciation of fixed assets	219	216	
Net change in provisions	(59)	(35)	
Net change in impairment of goodwill, property, plant and equipment and intangible assets	75	73	
Changes in fair value of commercial derivatives	(11)	3	
Changes in fair value of biological assets	(3)	(4)	
Net (gain)/loss on disposal of assets	6	(48)	
Share-based payments	34	35	
Self-financing capacity before financing interest and taxes	**2,493**	**2,535**	
Decrease/(increase) in working capital requirements	(79)	(100)	5
Interest paid	(410)	(361)	
Interest received	46	73	
Tax paid/received	(408)	(371)	
NET CHANGE IN CASH FLOW FROM OPERATING ACTIVITIES	**1,642**	**1,776**	
Cash flow from investing activities			
Capital expenditure	(367)	(374)	5
Proceeds from disposals of property, plant and equipment and intangible assets	17	17	
Change in the scope of consolidation	-	-	
Purchases of financial assets and activities	(35)	(109)	
Disposals of financial assets and activities	92	62	
NET CHANGE IN CASH FLOW FROM INVESTING ACTIVITIES	**(293)**	**(404)**	
Cash flow from financing activities			
Dividends and interim dividends paid	(511)	(551)	
Other changes in shareholders' equity	-	-	
Issuance of long-term debt	1,608	320	5
Repayment of long-term debt	(2,217)	(1,033)	5
(Acquisitions)/disposals of treasury shares	(36)	(23)	
Other transactions with non-controlling interests	-	-	
NET CHANGE IN CASH FLOW FROM FINANCING ACTIVITIES	**(1,156)**	**(1,287)**	
Cash flow from non-current assets held for sale	-	-	
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE FOREIGN EXCHANGE IMPACT	**194**	**85**	
Foreign currency translation adjustments	(86)	(8)	
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS AFTER FOREIGN EXCHANGE IMPACT	**107**	**77**	
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**569**	**677**	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**677**	**754**	

5.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contents

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 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 2018 were approved by the Board of Directors on 28 August 2018.

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 2018 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 2018 are consistent with those used for the consolidated financial statements on 30 June 2017, with the exception of standards and interpretations adopted by the European Union applicable to the Group from 1 July 2017 (see Note 1.1.2 – *Changes in accounting standards*). The Group does not adopt early application of standards or interpretations.

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

2. Changes in accounting standards

Standards, amendments and interpretations for which implementation is mandatory for financial years commencing from 1 July 2017

The standards, amendments and interpretations applicable to Pernod Ricard from 1 July 2017 are as follows:

- 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;
- the amendment to IAS 12 (Income taxes) on the recognition of deferred tax assets in respect of unrealised losses.

The implementation of these amendments has no material impact at Group level, except for the change to the presentation of the information on liabilities from financing activities introduced by the amendment to IAS 7. A reconciliation table between the opening and closing balances of the Group's main financial liabilities, separating changes due to cash flows from changes without cash impact, is presented in Note 4.8 – *Financial liabilities*.

Standards, amendments and interpretations to be applied after 30 June 2018

The standards, amendments and interpretations applicable to Pernod Ricard from 30 June 2018 are as follows:

- IFRS 15 (Revenue from contracts with customers);
- IFRS 9 (Financial instruments);
- IFRS 16 (Leases);
- amendments to IAS 28 (Investments in associates and joint ventures);
- amendments to IFRS 2 (Classification and measurement of share-based payment transactions);
- amendments to IFRS 9 (Prepayment Features with Negative Compensation);
- the IFRS improvements cycle 2014-2016;
- IFRIC 22 (Foreign currency transactions and advance consideration).

The main expected impacts of the standards applicable as of 1 July 2018 are detailed below:

- **IFRS 15 (Revenue from contracts with customers):**

The Group will apply the full retrospective approach transitioning to the new standard.

Based on preliminary analysis, no impact is expected:

- on profit from recurring operations,
- on revenue recognition standards.

Two mains topics have been identified with the following anticipated impacts:

- services paid to direct or indirect customers on visibility or promotional arrangements: reclassification from Advertising and Promotion expenses as a deduction from Net Sales,
- third-party bottling contracts for Group products in India: increase in Net Sales and Cost of Goods following the analysis of agent vs principal considerations.

These reclassifications represent:

- a decrease of c. 3% in Net Sales,
- a negative impact on the gross margin ratio of c. 170 basis points,
- a decrease of c. 270 basis points in the advertising and promotion investments/net sales ratio to 16%,
- a favourable impact on the PRO margin of c. +80 basis points.

- **IFRS 9 (Financial instruments):**

Based on a preliminary analysis, the Group does not expect any material impact on the financial statements due to the application of this standard.

The Group will apply the retrospective method without presenting a comparable financial year concerning the classification and impairment of the financial assets. The prospective method will be applied as regards the provisions relating to hedge accounting, without presenting a comparable financial year.

Furthermore, the impacts of applying the following standards are currently being assessed:

- IFRS 16 (Leases) applicable to financial years beginning on or after 1 July 2019 for Pernod Ricard. The contracts containing a lease within the meaning of IFRS 16 are being identified and the first financial estimates are expected in the course of the coming financial year.

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 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. The assumptions used in the preparation of the financial statements for the year ended 30 June 2018 and the procedures used in their 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. The differences resulting from the translation of the financial statements of these affiliates are recognised in translation differences within shareholders' equity under other comprehensive income. 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 no longer 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. Acquisitions

On 1 August 2017, Pernod Ricard, through Pernod Ricard USA's New Brand Ventures division, announced the completion of the acquisition of a majority stake in Del Maguey Single Village Mezcal. Consolidation using the full consolidation method is effective from that date.

2. Disposals

On 2 October 2017, Pernod Ricard and Chivas Brothers Limited announced the completion of the sale of the Glenallachie Distillery to Billy Walker, Graham Stevenson and Trisha Savage, comprising The GlenAllachie Consortium.

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, impairment 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.

At 30.06.2017 *€ million*	America	Asia/Rest of the World	Europe	Total
Income statement items				
Segment net sales	3,889	5,228	4,203	13,320
o/w intersegment sales	*1,228*	*1,661*	*1,422*	*4,310*
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 and 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

At 30.06.2018 *€ million*	America	Asia/Rest of the World	Europe	Total
Income statement items				
Segment net sales	3,730	5,427	4,325	13,482
o/w intersegment sales	*1,183*	*1,779*	*1,533*	*4,496*
Net sales	**2,546**	**3,648**	**2,792**	**8,987**
Gross margin after logistics expenses	1,690	2,164	1,749	5,604
Contribution after advertising and promotion expenses	1,157	1,502	1,224	3,884
Profit from recurring operations	736	996	626	2,358
Other information				
Current investments	59	48	283	390
Depreciation, amortisation and impairment	29	47	206	282

Breakdown of sales

€ million	Net sales on 30.06.2017	Net sales on 30.06.2018	Change *€ million*	Change (%)
Strategic International Brands	5,555	5,623	68	1%
Strategic Local Brands	1,717	1,717	0	0%
Strategic Wines	496	480	-16	-3%
Other products	1,241	1,166	-75	-6%
TOTAL	**9,010**	**8,987**	**-23**	**0%**

Note 3 Notes to the income statement

Note 3.1 Other operating income and expenses

Other operating income and expenses include impairment of property, plant and equipment and intangible assets, costs relating to restructuring and integration, capital gains or losses on disposals, as well as other non-recurring operating income and 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	30.06.2017	30.06.2018
Impairment of property, plant and equipment and intangible assets	(74)	(73)
Gains or losses on asset disposals and acquisition costs	(13)	29
Net restructuring and reorganisation expenses	(57)	(38)
Disputes and risks	(34)	(1)
Other non-current operating income and expenses	15	22
OTHER OPERATING INCOME AND EXPENSES	**(163)**	**(62)**

On 30 June 2018, other operating income and expenses included:

- impairment of property, plant and equipment and intangible assets, resulting primarily from brand impairment tests for €73 million, of which €30 million on the Wyborowa brand and €30 million on the Brancott Estate brand;
- capital gains or losses on disposals, related in particular to the disposals of the distillery and brand Glenallachie and the Spanish wines Siglo, Aura and Navarra;
- 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	30.06.2017	30.06.2018
Interest expense on net financial debt	(403)	(357)
Interest income on net financial debt	46	73
Net cost of debt	**(357)**	**(284)**
Structuring and placement fees	(3)	(2)
Net financial impact of pensions and other long-term employee benefits	(15)	(14)
Other net current financial income (expense)	(1)	0
Financial income/(expense) from recurring operations	**(376)**	**(301)**
Foreign currency gains/(loss)	7	1
Other non-current financial income/(expense)	(5)	(1)
TOTAL FINANCIAL INCOME/(EXPENSE)	**(374)**	**(301)**

On 30 June 2018, the net cost of debt included financial expenses of €244 million relating to bonds, €8 million on interest rate and currency hedges, €12 million on factoring and securitisation agreements, €4 million on the syndicated loan and other expenses of €16 million.

Weighted average cost of debt

The Group's weighted average cost of debt was 3.5% over FY18 compared to 3.8% over FY17. 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	30.06.2017	30.06.2018
Current income tax	(400)	(382)
Deferred income tax	(37)	(10)
TOTAL	**(438)**	**(392)**

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

€ million	30.06.2017	30.06.2018
Operating profit	2,232	2,296
Financial income/(expense)	(374)	(301)
Taxable profit	**1,858**	**1,994**
Theoretical tax charge at the effective income tax rate in France [(1)]	(640)	(687)
Impact of tax rate differences by jurisdiction	211	276
Tax impact of variations in exchange rates	29	1
Re-estimation of deferred tax assets linked to tax rate changes	37	86
Impact of tax losses used/not used	(8)	2
Impact of reduced/increased tax rates on taxable results	2	0
Taxes on distributions	(54)	24
Other impacts	(15)	(94)
EFFECTIVE TAX CHARGE	**(438)**	**(392)**
EFFECTIVE TAX RATE	**24%**	**20%**

(1) At the standard rate of 34.43%

The US tax reform "Tax Cuts and Jobs Act" enacted on 22 December 2017 has triggered a revaluation of the tax assets and liabilities due to the decrease in the US Federal tax rate from 35% to 21%. The net impact is tax income of €55 million.

In October 2017, the French Constitutional Court declared invalid the French system for taxing dividends, introduced in 2012, which required French companies to pay a tax in an amount equivalent to 3% of dividends paid. The total reimbursement received represents income of €71 million.

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	30.06.2017	30.06.2018
Margins in inventories	91	87
Fair value adjustments on assets and liabilities	96	22
Provisions for pension benefits	140	90
Deferred tax assets related to losses eligible for carryforward	1,314	870
Provisions (other than provisions for pension benefits) and other items	736	487
TOTAL DEFERRED TAX ASSETS	**2,377**	**1,556**
Accelerated tax depreciation	107	116
Fair value adjustments on assets and liabilities	2,750	1,936
Other items	565	541
TOTAL DEFERRED TAX LIABILITIES	**3,421**	**2,593**

Tax loss carryforwards (recognised and not recognised) represented a potential tax saving of €1,165 million on 30 June 2018 and €1,431 million on 30 June 2017. The potential tax savings on 30 June 2018 and 30 June 2017 relate to tax loss carryforwards with the following expiry dates:

FY17

	Tax effect of loss carryforwards *€ million*	
Year	Losses recognised	Losses not recognised
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**

FY18

	Tax effect of loss carryforwards *€ million*	
Year	Losses recognised	Losses not recognised
2018	1	1
2019	0	0
2020	1	0
2021	2	0
2022 and after	682	190
No expiry date	184	103
TOTAL	**870**	**296**

For the sake of prudence, the tax asset relating to a foreign exchange loss in the United States for €168 million has not been recognised on the balance sheet and income statement.

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

	30.06.2017	30.06.2018
Numerator *(€ million)*		
Group net profit	1,393	1,577
Denominator *(in number of shares)*		
Average number of outstanding shares	264,232,623	264,113,889
Dilutive effect of performance-based share allocations	845,727	1,062,410
Dilutive effect of stock options and subscription options	399,380	366,703
Average number of outstanding shares – diluted	**265,477,729**	**265,543,003**
Earnings per share *(€)*		
Earnings per share - basic	5.27	5.97
Earnings per share - diluted	5.25	5.94

Note 3.5 Expenses by type

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

€ million	30.06.2017	30.06.2018
Depreciation, amortisation and impairment on property, plant and equipment and intangible assets	**(292)**	**(288)**
Salaries and payroll costs	(1,257)	(1,260)
Pensions, medical expenses and other similar benefits under defined benefit plans	(50)	(47)
Expenses related to stock options and share appreciation rights	(33)	(33)
Total personnel expenses	**(1,340)**	**(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	30.06.2016	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)	21	30	0	(1,294)
Other intangible assets	(246)	-	(33)	7	4	(2)	(270)
AMORTISATION/IMPAIRMENT	**(1,655)**	**-**	**(105)**	**28**	**33**	**(2)**	**(1,702)**
INTANGIBLE ASSETS, NET	**17,572**	**53**	**(105)**	**(47)**	**(325)**	**5**	**17,152**

		Movements in the year					
€ million	30.06.2017	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	Other movements	30.06.2018
Goodwill	5,535	17	-	(1)	(94)	0	5,456
Brands	12,937	33	-	(3)	(209)	0	12,757
Other intangible assets	382	33	-	(1)	(10)	2	407
GROSS VALUE	**18,854**	**82**	**-**	**(5)**	**(314)**	**3**	**18,620**
Goodwill	(138)	-	-	-	1	0	(137)
Brands	(1,294)	-	(71) [1]	1	31	0	(1,334)
Other intangible assets	(270)	-	(29)	1	7	0	(291)
AMORTISATION/IMPAIRMENT	**(1,702)**	**-**	**(101)**	**2**	**39**	**0**	**(1,762)**
INTANGIBLE ASSETS, NET	**17,152**	**82**	**(101)**	**(3)**	**(274)**	**2**	**16,858**

(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).

The 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 30.06.2018	Carrying amount of brands on 30.06.2018	Value in use		
				Discount rate 2017	Discount rate 2018	Perpetual growth rate
Europe	Value in use based on the discounted cash flow method	1,802	3,856	5.81%	5.87%	From -1% to +2.5%
America		2,626	5,897	6.34%	6.87%	From -1% to +2.5%
Asia/Rest of the World		891	1,670	7.61%	7.71%	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 2018 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;

is 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	(39)	(113)	(243)	(81)
America	(30)	(306)	(654)	(188)
Asia/Rest of the World	(17)	(62)	(101)	(39)
TOTAL	**(87)**	**(481)**	**(998)**	**(309)**

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.

		Movements in the year					
€ million	30.06.2016	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	Other movements	30.06.2017
Land	342	6	-	(5)	0	3	346
Buildings	1,168	42	-	(9)	(24)	29	1,206
Machinery & equipment	1,847	55	-	(46)	(33)	60	1,882
Other property, plant and equipment [(1)]	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 & equipment	(1,084)	-	(107)	43	21	11	(1,116)
Other property, plant and equipment	(287)	-	(39)	27	9	(48)	(338)
Assets in progress	-	-	-	-	-	-	-
DEPRECIATION/IMPAIRMENT	**(1,893)**	**-**	**(187)**	**78**	**38**	**(32)**	**(1,995)**
PROPERTY, PLANT AND EQUIPMENT, NET	**2,386**	**338**	**(187)**	**(13)**	**(41)**	**(148)**	**2,336**

(1) Including biological assets

		Movements in the year					
€ million	30.06.2017	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	Other movements	30.06.2018
Land	346	6	-	(1)	(8)	(1)	341
Buildings	1,206	25	-	(17)	(23)	56	1,247
Machinery & equipment	1,882	52	-	(57)	(52)	57	1,883
Other property, plant and equipment	713	62	-	(18)	(13)	20	763
Assets in progress	146	191	-	0	(5)	(99)	233
Advance on property, plant and equipment	38	10	-	-	0	(44)	5
GROSS VALUE	**4,331**	**346**	**-**	**(93)**	**(102)**	**(10)**	**4,473**
Land	(34)	-	(3)	1	2	0	(34)
Buildings	(507)	-	(41)	14	10	2	(522)
Machinery & equipment	(1,116)	(1)	(101)	53	29	0	(1,136)
Other property, plant and equipment	(338)	0	(43)	17	7	1	(357)
Assets in progress	-	-	0	-	0	-	0
DEPRECIATION/IMPAIRMENT	**(1,995)**	**(1)**	**(188)**	**84**	**47**	**3**	**(2,049)**
PROPERTY, PLANT AND EQUIPMENT, NET	**2,336**	**345**	**(188)**	**(8)**	**(55)**	**(7)**	**2,424**

Note 4.3 Financial assets

Available-for-sale financial assets include the Group's investments in non-consolidated companies and 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.

	30.06.2017		30.06.2018	
€ million	Current	Non-current	Current	Non-current
Net financial assets				
Available-for-sale financial assets	-	17	-	13
Other financial assets	-	522	-	763
Net loans and receivables				
Loans, receivables and deposits	-	111	-	108
Total net non-current financial assets	**-**	**650**	**-**	**886**
Derivative instruments	24	26	17	2
FINANCIAL ASSETS	**24**	**676**	**17**	**888**

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

		Movements in the year					
€ million	30.06.2016	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	Other movements	30.06.2017
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**

		Movements in the year					
€ million	30.06.2017	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	Other movements	30.06.2018
Other financial assets	528	34	-	(1)	(4)	208	765
Available-for-sale financial assets	23	0	-	(1)	0	(2)	19
Guarantees and deposits	112	10	-	(6)	(6)	47	157
Investment-related receivables	0	1	-	-	0	-	1
GROSS VALUE	**663**	**46**	**-**	**(8)**	**(10)**	**253**	**943**
Provisions for other financial assets	(6)	-	0	-	0	4	(2)
Impairment losses recognised on available-for-sale financial assets	(6)	-	-	-	0	-	(6)
Provisions for guarantees and deposits	(1)	-	3	-	(1)	(50)	(49)
Impairment losses recognised on investment-related receivables	0	-	-	-	0	-	0
IMPAIRMENT	**(13)**	**-**	**3**	**-**	**(1)**	**(46)**	**(57)**
NON-CURRENT FINANCIAL ASSETS, NET	**650**	**46**	**3**	**(8)**	**(11)**	**207**	**886**

Other financial assets on 30 June 2018 included €754 million of plan surplus related to employee benefits, compared to €521 million at the end of June 2017 (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:

		Movements in the year				
€ million	30.06.2016	Change in gross value	Change in impairment	Foreign currency gains and losses	Other movements	30.06.2017
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**

€ million	30.06.2017	Movements in the year: Change in gross value	Change in impairment	Foreign currency gains and losses	Other movements	30.06.2018
Raw materials	125	16	-	(5)	0	136
Work-in-progress	4,500	162	-	(50)	1	4,614
Goods in inventory	451	30	-	(16)	2	467
Finished products	275	38	-	(13)	0	300
GROSS VALUE	**5,351**	**245**	**-**	**(83)**	**3**	**5,517**
Raw materials	(10)	-	1	0	0	(9)
Work-in-progress	(13)	-	2	0	(1)	(11)
Goods in inventory	(13)	-	0	0	0	(13)
Finished products	(10)	-	(3)	1	0	(13)
IMPAIRMENT	**(46)**	**-**	**0**	**2**	**(1)**	**(45)**
NET INVENTORIES	**5,305**	**245**	**0**	**(82)**	**3**	**5,472**

On 30 June 2018, ageing 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 operating 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 operating receivables as of 30 June 2017 and 30 June 2018 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 as of 30/06/2017	1,134	902	132	57	19	9	16
o/w impairment	*65*						
Trade receivables and other operating receivables as of 30/06/2018	1,122	884	137	53	27	5	16
o/w impairment	*60*						

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

€ million	FY17	FY18
On 1 July	**72**	**65**
Allowances during the year	9	13
Reversals during the year	(6)	(8)
Used during the financial year	(10)	(7)
Foreign currency gains and losses	(1)	(3)
ON 30 JUNE	**65**	**60**

On 30 June 2018, there was no reason to question the creditworthiness of non-impaired past due receivables. More specifically, non-impaired receivables with due dates of over 12 months show no additional credit-related risk. There is no significant concentration of risks.

In FY17 and FY18 the Group continued to implement its programmes to sell the receivables of several affiliates. Receivables sold under these programmes totalled €557 million on 30 June 2017 and €610 million on 30 June 2018. As substantially all risks and rewards associated with the receivables were transferred, they were derecognised.

Derecognised assets where there is continuing involvement

€ million	Carrying amount of continuing involvement				Fair value of continuing involvement	Maximum exposure
Continuing improvement	Amortised costs	Held to maturity	Available for sale	Financial liabilities at fair value		
Guarantee deposit- factoring and securitisation	10	-	10	-	10	10

Note 4.6 Other current assets

Other current assets are broken down as follows:

€ million	30.06.2017	30.06.2018
Advances and down payments	25	27
Tax accounts receivable, excluding income taxes	146	153
Prepaid expenses	72	77
Other receivables	27	23
TOTAL	**270**	**280**

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 for risks and charges in the balance sheet is as follows:

€ million	30.06.2017	30.06.2018
Non-current provisions		
Provisions for pensions and other long-term employee benefits	649	526
Other non-current provisions for risks and charges	453	448
Current provisions		
Provisions for restructuring	46	43
Other current provisions for risks and charges	113	100
TOTAL	**1,261**	**1,117**

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

		Movements in the year						
€ million	30.06.2017	Allowances	Reversals (used)	Reversals (not used)	Foreign currency gains and losses	Scope changes	Other movements	30.06.2018
Provisions for restructuring	46	31	(31)	(2)	0	-	(1)	43
Other current provisions	113	21	(18)	(13)	1	-	(3)	100
Other non-current provisions	453	81	(14)	(44)	1	-	(30)	448
TOTAL PROVISIONS	**612**	**132**	**(63)**	**(59)**	**2**	**-**	**(34)**	**591**

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 2018, the amount of provisions booked by the Group in respect of all disputes or risks in which it is involved amounted to €548 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). The assumptions used in FY17 and FY18 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. Depending on the nature of the texts governing the plans in certain zones, if the hedging assets exceed the commitments entered into the accounts, any assets generated may be limited to the present value of the future reimbursements and the expected decreases 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 2018, fully or partly funded benefit obligations totalled €4,981 million, equivalent to 95% of the 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 2017 and 30 June 2018:

	30.06.2017			30.06.2018		
€ million	Pension benefits	Medical expenses and other employee benefits	Total	Pension benefits	Medical expenses and other employee benefits	Total
Net (asset)/ liability at beginning of period	(66)	179	113	(37)	165	128
Expenses for the period	(7)	12	5	41	9	50
Actuarial (gains) and losses [1]	76	(11)	65	(312)	(12)	(324)
Employer contributions	(51)	-	(51)	(57)	-	(57)
Benefits paid directly by the employer	(14)	(11)	(26)	(9)	(10)	(19)
Changes in the scope of consolidation	-	-	-	0	0	0
Foreign currency gains and losses	25	(3)	21	(1)	(5)	(6)
Net (asset)/ liability at end of period	**(37)**	**165**	**128**	**(375)**	**148**	**(227)**
Amount recognised in assets [2]	(521)	-	(521)	(754)	-	(754)
AMOUNT RECOGNISED IN LIABILITIES (PROVISION AT END OF PERIOD)	**484**	**165**	**649**	**379**	**148**	**526**

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

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

	30.06.2017			30.06.2018		
Expense for the period *€ million*	Pension benefits	Medical expenses and other employee benefits	Total	Pension benefits	Medical expenses and other employee benefits	Total
Service cost	46	4	50	44	3	47
Interest on provision	(4)	6	2	(2)	5	3
• o/w interest on the commitment	-	-	-	137	5	143
• o/w interest on the assets	-	-	-	(140)	-	(140)
• o/w interest on the limitation of the assets	-	-	-	-	-	-
Fees/levies/premiums	10	-	10	9	-	9
Impact of plan amendments/Reduction of future rights [1]	(59)	1	(58)	(6)	(1)	(8)
Impact of liquidation of benefits	(1)	-	(1)	(3)	-	(3)
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	**(7)**	**12**	**5**	**41**	**9**	**50**

(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*	30.06.2017 Pension benefits	Medical expenses and other employee benefits	Total	30.06.2018 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	5,615	179	5,794	5,480	165	5,645
Service cost	46	4	50	44	3	47
Interest cost (effect of unwinding of discount)	151	6	157	137	5	143
Employee contributions	2	1	3	2	1	3
Benefits paid	(273)	(12)	(285)	(302)	(10)	(312)
Administrative fees/premiums/levies	0	-	0	(1)	-	(1)
Plan amendments/reduction of future rights	(59)	1	(58)	(6)	(1)	(8)
Liquidation of benefits	(1)	-	(1)	(3)	-	(3)
Actuarial (gains)/losses	288	(10)	277	(202)	(10)	(212)
Currency translation adjustments	(290)	(3)	(294)	(58)	(5)	(62)
Changes in the consolidation perimeter	-	-	-	0	0	0
ACTUARIAL VALUE OF CUMULATIVE BENEFIT OBLIGATIONS AT END OF PERIOD	**5,480**	**165**	**5,645**	**5,092**	**148**	**5,240**
Change in the fair value of plan assets						
Fair value of plan assets at beginning of period	5,681	-	5,681	5,517	-	5,517
Interest income on plan assets	155	-	155	140	-	140
Experience gains/(losses) on plan assets	212	-	212	122	-	122
Employee contributions	2	-	2	2	-	2
Employer contributions	51	-	51	57	-	57
Benefits paid	(258)	-	(258)	(293)	-	(293)
Administrative fees/premiums/levies	(11)	-	(11)	(9)	-	(9)
Plan amendments/reduction of future rights	-	-	-	-	-	-
Liquidation of benefits	-	-	-	-	-	-
Currency translation adjustments	(315)	-	(315)	(56)	-	(56)
Changes in the consolidation perimeter	-	-	-	-	-	-
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	**5,517**	**-**	**5,517**	**5,478**	**-**	**5,478**
Present value of funded benefits	5,366	-	5,366	4,981	-	4,981
Fair value of plan assets	5,517	-	5,517	5,478	-	5,478
Deficit/(surplus) on funded benefits	**(151)**	**-**	**(151)**	**(497)**	**-**	**(497)**
Present value of unfunded benefits	113	165	279	111	148	259
Effect of ceiling on plan assets (including the impact of IFRIC 14)	-	-	-	11	-	11
NET (ASSETS)/ LIABILITIES RECOGNISED IN THE BALANCE SHEET	**(37)**	**165**	**128**	**(375)**	**148**	**(227)**

At 30.06.2018	Actuarial value of cumulative benefit obligations		Fair value of plan assets		Limitation of plan assets		Recognised in liabilities and shareholders' equity		Amount recognised in assets	
	€ million	*%*	*€ million*	*%*	*€ million*	*%*	*€ million*	*%*	*€ million*	*%*
United Kingdom	4,122	79%	4,771	87%	0	0%	88	17%	(737)	98%
United States	356	7%	212	4%	0	0%	144	27%	0	0%
Canada	268	5%	255	5%	(11)	0%	39	7%	(15)	2%
Ireland	239	5%	167	3%	0	0%	72	14%	0	0%
France	139	3%	15	0%	0	0%	123	23%	0	0%
Other countries	116	2%	58	1%	0	0%	60	11%	(1)	0%
TOTAL	**5,240**	**100%**	**5,478**	**100%**	**(11)**	**0%**	**526**	**100%**	**(754)**	**100%**

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

Breakdown of plan assets	30.06.2017		30.06.2018	
	Pension benefits	Medical expenses and other employee benefits	Pension benefits	Medical expenses and other employee benefits
Shares	18%	Not applicable	18%	Not applicable
Bonds	36%	Not applicable	35%	Not applicable
Other money market funds	0%	Not applicable	0%	Not applicable
Property assets	7%	Not applicable	6%	Not applicable
Other items	39%	Not applicable	40%	Not applicable
TOTAL	**100%**	**NOT APPLICABLE**	**100%**	**NOT APPLICABLE**

Contributions payable by the Group in FY19 in respect of funded benefits are estimated at €52 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
2019	259	8
2020	266	8
2021	272	8
2022	285	8
2023	286	8
2024-2028	1,571	41

On 30 June 2017 and 30 June 2018, the main assumptions used for the measurement of pension obligations and other long-term employee benefits were as follows:

Actuarial assumptions in respect of commitments	30.06.2017		30.06.2018	
	Pension benefits	Medical expenses and other employee benefits	Pension benefits	Medical expenses and other employee benefits
Discount rate	2.62%	3.50%	2.78%	3.40%
Average rate of increase in annuities	3.34%	Not applicable	3.29%	Not applicable
Average salary increase	2.81%	3.39%	2.60%	3.16%
Expected increase in medical expenses				
• Initial rate	Not applicable	6.65%	Not applicable	6.22%
• Final rate	Not applicable	4.75%	Not applicable	4.61%

Actuarial assumptions in respect of the expenses for the period	30.06.2017		30.06.2018	
	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 on 30.06.2018 *(pension benefits and other)* By region	United Kingdom	United States	Canada	Eurozone countries	Other non-eurozone countries
Discount rate	2.72%	4.16%	3.56%	1.69%	3.59%
Average rate of increase in annuities	3.44%	Not applicable	Not applicable	1.39%	1.75%
Average salary increase	2.02%	3.50%	3.00%	2.47%	4.01%
Expected increase in medical expenses					
• Initial rate	5.50%	7.15%	5.37%	3.50%	Not applicable
• Final rate	5.50%	4.50%	4.50%	3.48%	Not applicable

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

- short-term rate (3-5 years): 0.50%;
- medium-term rate (5-10 years): 1%;
- long-term rate (more than 10 years): 1.5% to 1.90%.

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 2018	5,092	148	5,240
Commitments on 30 June 2018 with a 0.5% decrease in the discount rate	5,521	157	5,678
Commitments on 30 June 2018 with a 0.5% increase in the discount rate	4,712	139	4,851

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

In respect of post-employment medical coverage *€ million*	With current rate	Effect of a change	
		1% increase	1% decrease
On the present value of the benefit obligations on 30 June 2018	113	10	(8)
Expense for FY18	6	0	(1)

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

	30.06.2018	
€ million	Pension benefits	Medical expenses and other employee benefits
Amount of experience losses or (gains) on benefit obligations	2	0
Percentage compared with amount of benefit obligations	0.0%	-0.3%
Amount of financial assumption losses or (gains) on benefit obligations	(202)	(9)
Percentage compared with amount of benefit obligations	-4.0%	-6.3%
Amount of demographic assumption losses or (gains) on benefit obligations	(2)	(1)
Percentage compared with amount of benefit obligations	0.0%	-0.4%
Amount of experience losses or (gains) on plan assets	(122)	-
Percentage compared with amount of plan assets	-2.2%	0.0%
Amount of experience losses or (gains) on the limitation on assets	11	-
Percentage compared with amount of plan assets	0.2%	0.0%
Average duration	15.86	12.45

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

	30.06.2017			30.06.2018		
€ million	Current	Non-current	Total	Current	Non-current	Total
Bonds	**94**	**6,900**	**6,993**	**93**	**6,777**	**6,869**
Syndicated loan	-	319	319	-	-	-
Commercial paper	630	-	630	280	-	280
Other loans and financial debts	441	161	601	80	463	542
Other financial liabilities	**1,071**	**480**	**1,551**	**360**	**463**	**822**
GROSS FINANCIAL DEBT	**1,165**	**7,379**	**8,545**	**452**	**7,239**	**7,691**
Fair value hedging derivative instruments – assets	(6)	(17)	(22)	-	-	-
Fair value hedging derivative instruments – liabilities	-	7	7	-	25	25
Fair value hedge derivatives	**(6)**	**(9)**	**(15)**	**-**	**25**	**25**
Net investment hedging derivative instruments – assets	-	-	-	-	-	-
Net investment hedging derivative instruments – liabilities	-	-	-	-	-	-
Net investment hedge derivatives	**-**	**-**	**-**	**-**	**-**	**-**
Net asset hedging derivative instruments - assets	(2)	-	(2)	(1)	-	(1)
Net asset hedging derivative instruments-liabilities	-	-	-	-	-	-
Net asset hedging derivative instruments	**(2)**	**-**	**(2)**	**(1)**	**-**	**(1)**
FINANCIAL DEBT AFTER HEDGING	**1,158**	**7,370**	**8,528**	**452**	**7,265**	**7,716**
Cash and cash equivalents	(677)	-	(677)	(754)	-	(754)
NET FINANCIAL DEBT	**481**	**7,370**	**7,851**	**(303)**	**7,265**	**6,962**

The analysis of the change in net financial debt based on the changes in cash and non-cash is described below:

		Changes in cash flows	Changes in cash flows with no cash impact				
€ million	30.06.2017	Total cash flow	Scope	Foreign exchange impact	Change in fair value	Other items	30.06.2018
Bonds	**6,993**	**6**	**-**	**(91)**	**(38)**	**-**	**6,870**
Syndicated loan	319	(318)	-	0	-	-	0
Commercial paper	630	(350)	-	-	-	-	280
Other loans and financial debts	601	(50)	-	(12)	-	-	540
GROSS FINANCIAL DEBT	**8,545**	**(713)**	**-**	**(103)**	**(38)**	**-**	**7,691**
Fair value hedging derivative instruments - assets	(22)	-	-	-	22	-	-
Fair value hedging derivative instruments - liabilities	7	-	-	-	18	-	25
Fair value hedging derivative instruments	**(15)**	**-**	**-**	**-**	**41**	**-**	**25**
Net asset hedging derivative instruments - assets	(2)	-	-	-	1	-	(1)
Net asset hedging derivative instruments	**(2)**	**-**	**-**	**-**	**1**	**-**	**(1)**
FINANCIAL DEBT AFTER HEDGING	**8,528**	**(713)**	**-**	**(103)**	**4**	**-**	**7,716**
Cash and cash equivalents	(676)	(69)	-	(8)	-	-	(754)
NET FINANCIAL DEBT	**7,851**	**(782)**	**-**	**(112)**	**4**	**-**	**6,962**

2. Breakdown of debt by currency before and after foreign exchange hedging instruments on 30 June 2017 and 30 June 2018

At 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)		
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%**

At 30.06.2018 *€ million*	Gross financial debt	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% debt after hedging	% Net debt after hedging
EUR	3,521	281	3,802	(221)	3,580	49%	51%
USD	4,174	(98)	4,076	(8)	4,068	53%	58%
GBP	(25)	(92)	(117)	(1)	(118)	-2%	-2%
SEK	(9)	-	(9)	0	(9)	-0%	-0%
Other currencies	31	(67)	(36)	(523)	(559)	0%	-8%
FINANCIAL DEBT BY CURRENCY	**7,691**	**25**	**7,716**	**(754)**	**6,962**	**100%**	**100%**

3. Breakdown of debt by currency and type of rate hedging on 30 June 2017 and 30 June 2018

At 30.06.2017 *€ million*	Debt after hedging by currency	Fixed-rate debt [1]	Capped floating-rate debt	Floating-rate debt	% (fixed-rate + capped floating-rate debt)/ debt after hedging	Cash	% (fixed-rate + capped 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%**

(1) Hedges for accounting purposes and other derivatives.
N.M.: not material.

At 30.06.2018 *€ million*	Debt after hedging by currency	Fixed-rate debt [1]	Capped floating-rate debt	Floating-rate debt	% (fixed-rate + capped floating-rate debt)/ debt after hedging	Cash	% (fixed-rate + capped floating-rate debt)/ Net debt
EUR	3,802	2,655	-	1,147	70%	(221)	74%
USD	4,076	3,406	-	670	84%	(8)	84%
GBP	(117)	-	-	(117)	N.M.	(1)	N.M.
SEK	(9)	-	-	(9)	N.M.	0	N.M.
Other currencies	(36)	22	-	(58)	N.M.	(523)	N.M.
TOTAL	**7,716**	**6,084**	**-**	**1,633**	**79%**	**(754)**	**87%**

(1) Hedges for accounting purposes and other derivatives.
N.M.: not material.

4. Breakdown of fixed-rate/floating-rate debt before and after interest rate hedging instruments on 30 June 2017 and 30 June 2018

	30.06.2017				30.06.2018			
€ million	Debt before hedging		Debt after hedging		Debt before hedging		Debt after hedging	
Fixed-rate debt	6,827	80%	5,819	68%	6,770	88%	6,084	79%
Capped floating-rate debt	-	-	-	-	-	-	-	-
Floating-rate debt	1,701	20%	2,709	32%	946	12%	1,633	21%
FINANCIAL DEBT AFTER HEDGING BY TYPE OF RATE	**8,528**	**100%**	**8,528**	**100%**	**7,716**	**100%**	**7,716**	**100%**

On 30 June 2018, before taking account of any hedges, the Group's gross debt was 88% fixed rate and 12% floating rate. After hedging, the floating-rate portion was 21%.

5. Schedule of financial liabilities on 30 June 2017 and 30 June 2018

The following table shows the maturity of future financial liability-related cash flows (nominal and interest). Floating-rate interest flows have been estimated on the basis of rates on 30 June 2017 and 30 June 2018.

At 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)**

At 30.06.2018 *€ 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	-	(7,679)	(323)	(38)	(891)	(1,071)	(1,587)	(727)	(3,042)
Interest	-	(1,886)	(123)	(126)	(249)	(232)	(176)	(104)	(876)
GROSS FINANCIAL DEBT	**(7,691)**	**(9,565)**	**(447)**	**(164)**	**(1,140)**	**(1,303)**	**(1,763)**	**(830)**	**(3,918)**
Cross currency swaps	-	-	-	-	-	-	-	-	-
• Flows payable	-	-	-	-	-	-	-	-	-
• Flows receivable	-	-	-	-	-	-	-	-	-
Derivative instruments – liabilities	(43)	(33)	(15)	(2)	(7)	(5)	(1)	(1)	(2)
DERIVATIVE INSTRUMENTS LIABILITIES	**(43)**	**(33)**	**(15)**	**(2)**	**(7)**	**(5)**	**(1)**	**(1)**	**(2)**
TOTAL FINANCIAL LIABILITIES	**(7,734)**	**(9,598)**	**(461)**	**(166)**	**(1,147)**	**(1,308)**	**(1,764)**	**(831)**	**(3,921)**

6. Syndicated loan

At 30 June 2018, no drawdowns had been made from the multi-currency syndicated loan of €2,500 million.

7. Bonds

Nominal amount	Interest rate	Issue date	Maturity	Carrying amount on 30.06.2018 *€ million*
EUR 850 million	2.00%	20/03/2014	22/06/2020	848
USD 1,000 million	5.75%	07/04/2011	07/04/2021	865
USD 201 million	Spread + 6-month LIBOR	26/01/2016	26/01/2021	175
USD 1,500 million	4.45%	25/10/2011	15/01/2022	1,320
USD 800 million	4.25%	12/01/2012	15/07/2022	685
EUR 500 million	1.88%	28/09/2015	28/09/2023	491
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	496
USD 850 million	5.50%	12/01/2012	15/01/2042	734
TOTAL BONDS				**6,869**

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.

At 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 and shareholders' equity						
Bank debt	1,649	(98)	1,551	-	-	-

At 30.06.2018 *€ 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	1,026	(272)	754	-	-	-
Liabilities and shareholders' equity						
Bank debt	1,094	(272)	822	-	-	-

Note 4.9 Financial instruments

1. Fair value of financial instruments

		Breakdown by accounting classification				30.06.2017	
€ million	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 and shareholders' equity							
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

		Breakdown by accounting classification				30.06.2018	
€ million	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	-	13	-	-	13	13
Guarantees, deposits, investment-related receivables		-	-	108	-	108	108
Trade receivables and other operating receivables		-	-	1,122	-	1,122	1,122
Other current assets		-	-	280	-	280	280
Derivative instruments – assets	Level 2	19	-	-	-	19	19
Cash and cash equivalents	Level 1	754	-	-	-	754	754
Liabilities and shareholders' equity							
Bonds		-	-	-	6,869	6,869	7,175
Bank debt		-	-	-	791	791	791
Finance lease debt		-	-	-	31	31	31
Derivative instruments – liabilities	Level 2	43	-	-	-	43	43

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 2018, 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 2018, the Group's cash and cash equivalents totalled €754 million (compared with €677 million on 30 June 2017). An additional €2,760 million of renewable medium-term credit facilities with banks was confirmed and drawn at €260 million. 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 financial debt after hedging was €452 million on 30 June 2018 (compared to €1,158 million on 30 June 2017).

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/A2 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 2018, 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 the Group) and, in some cases, delay the possibility of paying dividends (authorisation is required from the relevant authorities, notably in Cuba). On 30 June 2018, the delayed availability cash amounted to €126 million, including €116 million relating to 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 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 2018, the Group Pernod Ricard'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)*

At 30 June 2018 *€ million*	< 1 year	> 1 year and < 5 years	> 5 years	Total
Total assets (cash)	221	-	-	221
Total floating-rate liabilities	(528)	(337)	0	(866)
NET FLOATING-RATE DEBT BEFORE HEDGING	**(307)**	**(337)**	**0**	**(644)**
Derivative instruments	(281)	-	-	(281)
NET FLOATING-RATE DEBT AFTER HEDGING	**(588)**	**(337)**	**0**	**(925)**

SCHEDULE OF FLOATING-RATE DEBT AND HEDGING IN USD *(NOTIONAL VALUE IN € MILLION)*

At 30 June 2018 *€ million*	< 1 year	> 1 year and < 5 years	> 5 years	Total
Total assets (cash)	8	-	-	8
Total floating-rate liabilities	80	(162)	-	(81)
NET FLOATING-RATE DEBT BEFORE HEDGING	**88**	**(162)**	**-**	**(73)**
Derivative instruments	123	(523)	(188)	(589)
NET FLOATING-RATE DEBT AFTER HEDGING	**211**	**(685)**	**(188)**	**(662)**

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 €12 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 €2 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 2018, 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.

		Notional amount of contracts				Fair value	
Type of hedge on 30.06.2017 *€ million*	Description of the financial instrument	< 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	Forwards	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**

Type of hedge on 30.06.2018 *€ 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						**-**	**26**
Interest rate risk hedges	Swaps	-	858	172	1,029	-	26
Interest rate and currency risk hedges	Cross-currency swaps	-	-	-	-	-	-
Net investment hedge		**-**	**-**	**-**	**-**	**1**	**-**
Currency risk hedges	NDF & FX options	65	-	-	65	1	-
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						**1**	**26**
Cash flow hedge						**3**	**4**
Interest rate risk hedges	Swaps	-	172	-	172	-	1
Hedging of currency risk on intragroup financing and operational hedging	Currency swaps	65	-	-	65	0	3
Commodity risk hedges	Forwards	16	7	-	23	3	0
Non-hedge accounting		**-**	**-**	**-**	**-**	**15**	**13**
Hedging of currency risk on intragroup financing and operational hedging	Currency swaps and forwards	1,748	-	-	1,748	15	8
Interest rate risk hedges	Swaps	-	1,201	-	1,201	-	5
TOTAL DERIVATIVE INSTRUMENTS						**19**	**43**
TOTAL NON-CURRENT						**2**	**31**
TOTAL CURRENT						**17**	**11**

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 market 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	30.06.2017	30.06.2018
Taxes and social charges	611	613
Other operating payables	324	347
Other payables	0	0
TOTAL	**935**	**960**

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 €100 million. The change breaks down as follows:

- increase in inventory: + €245 million;
- increase in trade receivables: + €28 million;
- increase in operating and other payables: €(137) million;
- Other movements: €(36) million.

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

2. Acquisitions of property, plant and equipment and intangible assets

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 neither issued, nor redeemed any bonds in the course of FY18.

Furthermore, the Group made repayments net of drawdowns of the syndicated loan of €319 million and decreased the stock of commercial paper by €350 million.

Note 6 Additional information

Note 6.1 Shareholders' equity

1. Share capital

The Group's share capital did not change between 1 July 2017 and 30 June 2018:

	Number of Shares	Amount *€ million*
Share capital on 30 June 2017	265,421,592	411
Share capital on 30 June 2018	265,421,592	411

All Pernod Ricard shares are issued and fully paid up and have a nominal value of €1.55. Only one category of ordinary Pernod Ricard shares exists. These shares obtain double voting rights if they have been registered in the name of the same shareholder 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 2018, Pernod Ricard and its controlled affiliates held 1,195,168 Pernod Ricard shares worth €111 million. These treasury shares are shown at acquisition 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 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 and recognised under "Other operating payables" in the balance sheet on 30 June 2018.

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 Group management personnel and high-potential Managers. All of the plans are equity-settled.

In the course of FY18, three share allocation plans were set up on 9 November 2017:

- 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 9 November 2017 to 9 November 2020 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 9 November 2017 to 9 November 2020 inclusive (three years) and a continuous service condition upon vesting (four years).

	Type of options	Presence of performance condition	Number of beneficiaries	Commencement date for exercise of options	Expiry date	Subscription or purchase price In euros	Outstanding options on 30 June 2018	Expense for stock options for FY18 *€ thousand*
Plan dated 24.06.2010	Purchase	Unconditional	705	25.06.2014	24.06.2018	€64.00	0	0
Plan dated 24.06.2010	Purchase	Conditional	133	25.06.2014	24.06.2018	€64.00	0	0
Plan dated 15.09.2010	Purchase	Conditional	1	16.09.2014	15.09.2018	€64.00	0	0
Plan dated 15.06.2011	Purchase	Unconditional	713	16.06.2015	15.06.2019	€68.54	154,546	0
Plan dated 15.06.2011	Purchase	Conditional	144	16.06.2015	15.06.2019	€68.54	81,375	0
Plan dated 06.11.2013	Purchase	Conditional	168	07.11.2017	06.11.2021	€88.11	0	481
Plan dated 06.11.2015	Purchase	Conditional	161	07.11.2019	06.11.2023	€102.80	276,525	1,142
Plan dated 17.11.2016	Purchase	Conditional	16	18.11.2020	17.11.2024	€105.81	150,008	569
Plan dated 09.11.2017	Purchase	Conditional	15	10.11.2021	09.11.2025	€126.53	124,050	374

(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 2018	Expense for shares for FY18 *€ 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)	0	935
Plan dated 06.11.2014	Free	Conditional	1,007		07.11.2018		07.11.2018	360,148	6,507
Plan dated 06.11.2015	Free	Conditional	1,006		07.11.2019		07.11.2019	359,493	7,769
Plan dated 17.11.2016	Free	Conditional	997		18.11.2020		18.11.2020	429,576	8,994
Plan dated 17.11.2016	Free	Unconditional	6		33% 18.11.2017 33% 18.11.2018 33% 18.11.2019		33% 18.11.2019 33% 18.11.2020 33% 18.11.2021	49,704	0 (1)
Plan dated 09.11.2017	Free	Conditional	1,000		10.11.2021		10.11.2021	366,449	6,094

FRA:French tax residents; ROW: non-French tax residents.
(1) For this plan, the Group took the decision to exceptionally recognise all expenses over the 2016/17 year.

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 235,921, for which the average remaining life is one year.

The Group recognised an expense of €2.6 million as an operating loss for four stock option plans in the process of vesting on 30 June 2018, as well as an expense of €30.3 million in respect of the five performance-based share plans.

Annual expenses *€ million*	30.06.2017	30.06.2018
Stock options – through a double entry to equity	3	3
Performance-based and bonus shares – through a double entry to equity	30	30
TOTAL ANNUAL EXPENSES	**33**	**33**

Changes made to outstanding stock options/shares during the year (period from 01.07.2017 to 30.06.2018) are described below:

	Type of options	Presence of performance condition	Outstanding options on 30.06.2017	Allocated during the period	Cancelled during the period	Exercised during the period	Expired during the period	Outstanding options on 30.06.2018
Plan dated 24.06.2010	Purchase	Unconditional	148,599	0	0	148,599	0	0
Plan dated 24.06.2010	Purchase	Conditional	143,342	0	0	143,342	0	0
Plan dated 15.09.2010	Purchase	Conditional	67,500	0	0	67,500	0	0
Plan dated 15.06.2011	Purchase	Unconditional	215,266	0	0	60,720	0	154,546
Plan dated 15.06.2011	Purchase	Conditional	231,663	0	0	150,288	0	81,375
Plan dated 06.11.2013	Purchase	Conditional	0	0	0	0	0	0
Plan dated 06.11.2015	Purchase	Conditional	277,975	0	1,450	0	0	276,525
Plan dated 17.11.2016	Purchase	Conditional	150,008	0	0	0	0	150,008
Plan dated 09.11.2017	Purchase	Conditional	0	124,050	0	0	0	124,050

	Type of shares	Presence of performance condition	Outstanding shares on 30.06.2017	Allocated during the period	Cancelled during the period	Transferred during the period	Expired during the period	Outstanding shares on 30.06.2018
Plan dated 06.11.2013	Free	Conditional	233,299	0	223,567	9,732	0	0
Plan dated 06.11.2014	Free	Conditional	399,243	0	39,095	0	0	360,148
Plan dated 06.11.2015	Free	Conditional	388,103	0	28,610	0	0	359,493
Plan dated 17.11.2016	Free	Conditional	456,066	0	26,490	0	0	429,576
Plan dated 17.11.2016	Free	Unconditional	74,553	0	0	24,849	0	49,704
Plan dated 09.11.2017	Free	Conditional	N/A	371,511	5,062	0	0	366,449

The average strike price of options exercised during FY18 was €65.68.

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	Expected dividend yield	Risk-free interest rate	IFRS 2 fair value
Plan dated 09.11.2017	Purchase	Conditional	128.35	126.53	19%	1.86%	0.65%	18.89
Plan dated 09.11.2017	Free	Conditional	128.35	N/A	18%	1.86%	0.00%	71.99
Plan dated 09.11.2017	Free	Conditional	128.35	N/A	N/A	1.86%	N/A	119.15

N/A: not applicable.
(1) Share price at grant date.

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 FY18 (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 exercise of options before maturity has been taken into account in the stock option plan evaluation model (with or without performance conditions linked to the market), by making assumptions about the beneficiaries' behaviour as regards early exercise (before maturity). In 2017, a new option exercise profile was defined and replaced that established in 2010. It was assumed that 30%, 40% and 30% of the options would be exercised once the share price reached 120%, 150% and 180% of the exercise price respectively. This assumption is based on a recent analysis of behaviour observed on plans awarded before 2017.

Options allocated on 9 November 2017 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 9 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 in increments depending on the level of performance achieved). Vesting will be final if the continuous service condition is met on 9 November 2021.

Two performance-based share plans were granted on 9 November 2017. 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 2018, 30 June 2019 and 30 June 2020 compared with the 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 9 November 2017, 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 9 November 2017 to 9 November 2020 inclusive (three years). The performance-based shares, the number of which will be determined by applying the internal condition, will be vested, 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 increments based on the level of performance achieved). Vesting will be final as of 10 November 2021 if the continuous service condition is met on 9 November 2021.

(1) Total shareholder return.

Note 6.3 Off-balance sheet commitments

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments given on 30 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 items	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 items	50	33	16	1

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments received 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 items	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 items	4	1	1	2

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments given on 30 June 2018	**2,463**	**888**	**1,260**	**314**
Commitments given in relation to companies within the Group	**-**	**-**	**-**	**-**
Commitments given in relation to the financing of the Company	**18**	**6**	**5**	**6**
Financial guarantees given	18	6	5	6
Other items	-	-	-	-
Commitments relating to the operating activities of the issuer	**2,445**	**882**	**1,255**	**308**
Firm and irrevocable commitments to purchase raw materials	1,631	586	998	46
Tax commitments (customs guarantees and others)	253	172	12	69
Operating lease agreements	522	94	236	192
Other items	39	29	9	1

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments received on 30 June 2018	**2,574**	**40**	**2,506**	**28**
Commitments received in relation to companies within the Group	**4**	**1**	**3**	**-**
Commitments received in relation to the financing of the Company	**2,536**	**35**	**2,500**	**1**
Lines of credit received and not used	2,500	-	2,500	-
Financial guarantees received	36	35	0	1
Other items	-	-	-	-
Commitments relating to the operating activities of the issuer	**33**	**3**	**3**	**27**
Contractual commitments related to business activity and business development	31	3	2	26
Other items	3	1	1	1

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 2018 (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 €1,533 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 FY07 to FY14, specifically concerning, for an amount of 6,833 million Indian rupees (equivalent to €86 million, including interest), the tax deductibility of promotion and advertising expenses. It should be noted that the level and the amount of this risk have been progressively reduced over the past few years. Supported by 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 2018 for all litigation and risks in which it is involved amounted to €548 million, compared to €566 million on 30 June 2017 (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 160 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 ongoing 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 its 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 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 on 14 August 2017 was stayed by the Supreme Court. The Company is actively pursuing its discussions with the authorities and jurisdictions.

Moreover, Pernod Ricard India received several notices of tax adjustment for FY07 to FY14 relating to the tax deductibility of advertising and promotional expenses (see Note 6.4 – *Contingent liabilities*) with lower reassessment amounts for the last years audited.

It should be noted that 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.

Commercial disputes

Colombia

A complaint was filed before the Colombian Competition Agency (the Superintendencia De Industria Y Comercio) on 14 November 2017 by the Department of Cundinamarca (Colombia) and its wholly owned distilling company Empresa de Licores de Cundinamarca against Pernod Ricard SA, Pernod Ricard Colombia SA and a competitor company. The complaint alleges that the defendants have committed violations of the Colombian Unfair Competition Act and, in particular, articles 7 and thereof, through the illegal import of spirits into Colombia. The complaint alleges that the defendant companies have gained an unfair market advantage over local producers through such activity. The plaintiffs seek to reclaim lost profits and taxes for a four year period between 2013 and 2017. Pernod Ricard intends to vigorously defend itself against such allegations. This recent complaint contains allegations that are similar to those made in prior legal proceedings before the New York courts brought by Cundinamarca, the Republic of Colombia and several other Colombian departments in 2004. The New York proceedings were dismissed voluntarily by the parties in 2012.

Note 6.6 Related parties

Transactions with associates and joint ventures were immaterial in the year ended 30 June 2018.

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

€ million	30.06.2017	30.06.2018
Board of Directors [1]	1	1
Group Executive Committee		
• Short-term benefits	12	14
• Post-employment benefits	3	4
• Share-based payments [2]	12	5
TOTAL EXPENSES RECOGNISED FOR THE YEAR	**28**	**24**

(1) Directors' fees.

(2) The cost of share-based payments corresponds to the expenses recognised in profit/loss over the period under stock options and performance-based shares allocated to the members of the Group Executive Committee. Concerning the financial year ended on 30 June 2017, the amount takes into account the exceptional allocation of bonus shares for which the Group recognised the total expense over FY17 (see page 169 of the 2016/17 Registration Document).

Moreover, the Executive Director are eligible for the following termination compensation (subject to a regulated agreement approved by the Shareholders' Meeting of 17 November 2016):

- one-year non-compete clause, together with a payment corresponding to 12 months' compensation;
- imposed departure clause subject to performance conditions, together with a maximum payment corresponding to 12 months' compensation.

These clauses were not implemented in the course of the past financial year.

Note 6.7 Subsequent events

There are no post-balance sheet events that could have a material impact on the Group's financial statements.

Note 6.8 Fees of Statutory Auditors and members of their networks for the 12-month financial year [1]

	KPMG			Deloitte & Associés			Other			Total		
	Amount (excluding tax)			Amount (excluding tax)			Amount (excluding tax)			Amount (excluding tax)		
€ million	FY17	FY18	%	FY17	FY18	%	FY17	FY18	%	FY17	FY18	%
Audit												
Statutory Auditors, certification, review of separate and consolidated financial statements [3]												
Issuer [2]	0.5	0.6	15%	0.5	0.6	12%	0	0	0%	1.1	1.2	13%
Fully consolidated affiliates	2.0	2.4	66%	3.2	3.1	64%	0.7	0.2	100%	5.9	5.7	66%
SUBTOTAL	**2.5**	**2.9**		**3.7**	**3.7**		**0.7**	**0.2**		**6.9**	**6.9**	
Services other than the certification of financial statements [4]												
Issuer [2]	0	0.1	2%	0.2	0.5	9%	0.1	0	0%	0.2	0.5	6%
Fully consolidated affiliates	0.3	0.6	16%	0.5	0.7	14%	0.6	0	0%	1.3	1.3	15%
including legal, tax, corporate	*0.3*	*0.4*	*11%*	*0.2*	*0.1*	*3%*	*0.4*	*0*	*0%*	*0.9*	*0.5*	*6%*
SUBTOTAL	**0.3**	**0.7**		**0.6**	**1.1**		**0.6**	**0**	**0**	**1.6**	**1.8**	
TOTAL	**2.8**	**3.6**	**100%**	**4.4**	**4.8**	**100%**	**1.3**	**0.2**	**100%**	**8.5**	**8.7**	**100%**

(1) With regard to the period under review, this refers to services provided and recognised in the income statement during a financial year.
(2) The Issuer is understood to be the Parent Company.
(3) Including the services of independent experts or members of the Statutory Auditors' network employed to certify the financial statements.
(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.

Deloitte & Associés and KPMG SA have been the Principal Statutory Auditors of the Group Pernod Ricard since the Shareholders' Meetings of 13 May 2003 and 17 November 2016, respectively.

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 influence 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 2018 are presented in Note 1.2 – Significant events during the financial year.

Note 7.2 List of main consolidated companies

Companies	Country	% interest on 30.06.2017	% interest on 30.06.2018	Consolidation method [3]
Pernod Ricard SAS	France	Parent Company	Parent Company	
Pernod Ricard South Africa PTY Ltd	South Africa	100	100	FC
Black Forest Distillers GmbH	Germany	60	60	FC
Pernod Ricard Deutschland GmbH	Germany	100	100	FC
Pernod Ricard Andorra, S.L.U.	Andorra	100	100	FC
Pernod Ricard Angola, LDA.	Angola	100	100	FC
Pernod Ricard Argentina SRL	Argentina	100	100	FC
Yerevan Brandy Company	Armenia	100	100	FC
Pernod Ricard Pacific Holding Pty Ltd	Australia	100	100	FC
Pernod Ricard Winemakers Pty Ltd	Australia	100	100	FC
Pernod Ricard Austria GmbH	Austria	100	100	FC
Pernod Ricard Belgium SA	Belgium	100	100	FC
Pernod Ricard Brasil Indústria e Comércio ltda.	Brazil	100	100	FC
Pernod Ricard Bulgaria EOOD	Bulgaria	100	100	FC
Corby Spirit and Wine Limited [1]	Canada	45.76	45.76	FC
Hiram Walker & Sons Limited	Canada	100	100	FC
Pernod Ricard Canada Ltée	Canada	100	100	FC
Pernod Ricard Chile SA	Chile	100	100	FC
Pernod Ricard (China) Trading Co., Ltd	China	100	100	FC
Pernod Ricard Colombia SA	Colombia	100	100	FC
Pernod Ricard Korea Imperial Company Ltd.	South Korea	100	100	FC
Pernod Ricard Korea Ltd	South Korea	100	100	FC
Havana Club International SA	Cuba	50	50	FC
Pernod Ricard Denmark A/S	Denmark	100	100	FC
Pernod Ricard España	Spain	100	100	FC
Pernod Ricard Winemakers Spain, SA	Spain	100	100	FC
Pernod Ricard Estonia OÜ	Estonia	100	100	FC
Austin, Nichols & Co., Inc.	United States	100	100	FC
Avión Spirits, LLC	United States	84.3	100	FC
Del Maguey Inc.	United States	62.36	62.36	FC
Pernod Ricard Americas I.P. Management LLC	United States	100	100	FC
Pernod Ricard Americas Travel Retail LLC (dba Pernod Ricard Travel Retail Americas)	United States	100	100	FC
Pernod Ricard Assets USA LLC	United States	100	100	FC
Pernod Ricard Kenwood Holding LLC	United States	100	100	FC
Pernod Ricard Marketing USA LLC	United States	100	100	FC
Pernod Ricard USA Finance Inc.	United States	100	100	FC
Pernod Ricard USA Bottling, LLC	United States	100	100	FC
Pernod Ricard USA, LLC	United States	100	100	FC
PRUSA Acquisitions LLC	United States	100	100	FC
Smooth Ambler Spirits Co.	United States	80	80	FC
Pernod Ricard Finland OY	Finland	100	100	FC
Augier Robin Briand & Cie	France	100	100	FC
Champagne Perrier-Jouët	France	100	100	FC
Domaines Jean Martell	France	100	100	FC
Financière Moulins de Champagne	France	100	100	FC
G.H. Mumm & Cie S.V.C.S.	France	100	100	FC
Le Maine au Bois	France	100	100	FC
Lina 16	France	100	100	FC
Lina 3	France	100	100	FC
Lina 5	France	100	100	FC
Martell & Co SA	France	100	100	FC

Companies	Country	% interest on 30.06.2017	% interest on 30.06.2018	Consolidation method [3]
Martell Mumm Perrier-Jouët	France	100	100	FC
Vignobles Mumm Perrier-Jouët	France	100	100	FC
Pernod Ricard Finance SA	France	100	100	FC
Pernod Ricard Middle East and North Africa	France	100	100	FC
Pernod Ricard North America SAS	France	100	100	FC
Pernod SAS	France	100	100	FC
Ricard SAS	France	100	100	FC
Société des Produits d'Armagnac SAS	France	100	100	FC
Société Lillet Frères	France	100	100	FC
Spirits Partners SAS	France	100	100	FC
Théodore Legras	France	100	100	FC
Pernod Ricard Ghana Limited	Ghana	100	100	FC
Pernod Ricard Hellas ABEE	Greece	100	100	FC
Allied Domecq Spirits & Wine (China) Ltd.	Hong Kong	100	100	FC
Pernod Ricard Asia Duty Free Ltd	Hong Kong	100	100	FC
Pernod Ricard Hong Kong Ltd	Hong Kong	100	100	FC
Peri Mauritius	Mauritius	100	100	FC
Pernod Ricard India Private Limited	India	100	100	FC
Comrie Limited	Ireland	100	100	FC
Irish Distillers Group Unlimited Company	Ireland	100	100	FC
Irish Distillers Ltd	Ireland	100	100	FC
Watercourse Distillery Ltd	Ireland	100	100	FC
Pernod Ricard Italia SPA	Italy	100	100	FC
Pernod Ricard Japan KK	Japan	100	100	FC
Pernod Ricard Kazakhstan	Kazakhstan	100	100	FC
Pernod Ricard Kenya Limited	Kenya	100	100	FC
Pernod Ricard Lietuva	Lithuania	100	100	FC
Pernod Ricard Malaysia SDN BHD	Malaysia	100	100	FC
Pernod Ricard Maroc	Morocco	100	100	FC
Pernod Ricard Mexico SA de C.V.	Mexico	100	100	FC
Pernod Ricard Norway AS	Norway	100	100	FC
Pernod Ricard Winemakers New Zealand Limited	New Zealand	100	100	FC
Allied International Holdings B.V.	Netherlands	100	100	FC
Pernod Ricard Nederland BV	Netherlands	100	100	FC
PR Goal Nederland B.V.	Netherlands	100	100	FC
Pernod Ricard Peru SA	Peru	100	100	FC
Pernod Ricard Philippines, Inc.	Philippines	100	100	FC
Agros Holding SA	Poland	100	100	FC
Wyborowa SA	Poland	100	100	FC
Pernod Ricard Portugal - Distribuição, SA	Portugal	100	100	FC
Pernod Ricard Dominicana, SA	Dominican Republic	100	100	FC
Jan Becher - Karlovarska Becherovka, a.s.	Czech Republic	100	100	FC
Pernod Ricard Romania SRL	Romania	100	100	FC
Allied Domecq (Holdings) Limited	United Kingdom	100	100	FC
Allied Domecq Limited	United Kingdom	100	100	FC
Allied Domecq Overseas (Europe) Limited	United Kingdom	100	100	FC
Allied Domecq Spirits & Wine Holdings Limited	United Kingdom	100	100	FC
Allied Domecq Spirits & Wine Limited	United Kingdom	100	100	FC
Allied Domecq Westport Limited	United Kingdom	100	100	FC
Chivas Brothers (Holdings) Ltd	United Kingdom	100	100	FC
Chivas Brothers Ltd [2]	United Kingdom	100	100	FC
Chivas Brothers Pernod Ricard	United Kingdom	100	100	FC

Companies	Country	% interest on 30.06.2017	% interest on 30.06.2018	Consolidation method [3]
Chivas Holdings (IP) Limited	United Kingdom	100	100	FC
Chivas Investments Limited	United Kingdom	100	100	FC
Coates & Co (Plymouth) Limited	United Kingdom	100	100	FC
Dillon Bass Ltd	United Kingdom	74	74	FC
Edward Dillon (Bonders) Ltd	United Kingdom	100	100	FC
Goal Acquisitions (Holdings) Ltd	United Kingdom	100	100	FC
Goal Acquisitions Ltd	United Kingdom	100	100	FC
Pernod Ricard UK Holdings Limited	United Kingdom	100	0	FC
Pernod Ricard UK Group Ltd	United Kingdom	0	100	FC
Pernod Ricard UK Ltd	United Kingdom	100	100	FC
PR Goal 3 Ltd	United Kingdom	100	100	FC
World Brands Duty Free Ltd	United Kingdom	100	100	FC
Pernod Ricard Rouss CJSC	Russia	100	100	FC
Pernod Ricard Singapore PTE Ltd	Singapore	100	100	FC
Pernod Ricard Slovakia s.r.o	Slovakia	100	100	FC
Distilled Innovation AB	Sweden	100	100	FC
Pernod Ricard Sweden AB	Sweden	100	100	FC
The Absolut Company AB	Sweden	100	100	FC
Pernod Ricard Swiss SA	Switzerland	100	100	FC
Pernod Ricard Taiwan Ltd	Taiwan	100	100	FC
Pernod Ricard Thailand Ltd	Thailand	100	100	FC
Pernod Ricard Istanbul Ic ve Dis Ticaret Limited Sirketi	Turkey	100	100	FC
Pernod Ricard Ukraine	Ukraine	100	100	FC
Pernod Ricard Uruguay SA	Uruguay	100	100	FC
Pernod Ricard Vietnam Company Limited	Vietnam	100	100	FC

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

(2) 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 Group Pernod Ricard annual consolidated financial statements.

(3) "FC" for fully consolidated companies.

5.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2018

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 required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

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

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 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 30 June 2018 and of the results of its operations for the year then ended 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.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 July 2017 to the 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 inform you of 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 how we addressed 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 items of the consolidated financial statements.

Key Audit Matters	Responses as part of our audit
Brands' valuation *(Notes 1.1.4 and 4.1 to the consolidated financial statements)* As of 30 June 2018, indefinite-life brands were recorded in the balance sheet for a net carrying amount of €11,423 million, i.e. 39% of total assets. An impairment loss is recorded 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 €71 million for the year ended 30 June 2018, as disclosed in Note 4.1 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.	Our procedures mainly consisted in: • assessing the principles and methods of calculating brands' recoverable amounts ; • testing the operation of Group controls covering the calculation of 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.
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 2018, 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.	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; • assessed whether 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.

Key Audit Matters	Responses as part of our audit
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 2018, a deferred tax expense of €10 million was recorded in the income statement, while deferred tax assets of €1,556 million (including €870 million relating to tax loss carryforwards) and deferred tax liabilities of €2,593 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.	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.
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 €5,240 million as of 30 June 2018. These liabilities are covered by plan assets with a fair value of €5,478 million, resulting in a net asset as of 30 June 2018 amounted to €227 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.	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 with the applicable accounting standards, to assess 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.

Verification of the information pertaining to the Group presented in the Management Report

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Board of Directors.

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 held on 13 May 2003 for Deloitte & Associés and on 17 November 2016 for KPMG S.A.

As at 30 June 2018, Deloitte & Associés and KPMG S.A. were in the 14th period and 2nd 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 were 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 objective is 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 in Article L.823-10-1 of the French Commercial Code ("Code de commerce"), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the entity.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his 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.
- Obtains 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.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses 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. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

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 the results of our audit. We also report, if 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, that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by articles L.822-10 to L.822-14 of the French Commercial Code ("*Code de commerce*") 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 the related safeguards.

Paris La Défense, 19 September 2018

The Statutory Auditors

French original signed by

KPMG Audit ***Division of KPMG S.A***	**Deloitte & Associés**
Eric Ropert	David Dupont-Noel
Partner	*Partner*

6

PERNOD RICARD SA FINANCIAL STATEMENTS

6.1 PERNOD RICARD SA INCOME STATEMENT

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

€ thousand	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
OPERATING INCOME	**182,940**	**210,626**
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)
OPERATING EXPENSES	**(256,476)**	**(284,660)**
Operating profit (loss)	**(73,536)**	**(74,034)**
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
FINANCIAL INCOME	**1,809,672**	**1,164,727**
Provision charges	(375,206)	(331,718)
Interest and related expenses	(398,205)	(343,525)
Foreign exchange losses	(239,498)	(7,765)
FINANCIAL EXPENSES	**(1,012,909)**	**(683,008)**
Financial income/(expense)	**796,763**	**481,719**
Profit (loss) from continuing operations	**723,227**	**407,685**
Exceptional items	**129,087**	**(21,330)**
Net profit/(loss) before tax	**852,314**	**386,355**
Corporate income tax	114,462	179,468
PROFIT FOR THE FINANCIAL YEAR	**966,776**	**565,823**

6.2 PERNOD RICARD SA BALANCE SHEET

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

Assets

€ thousand	Net value 30.06.2017	Gross value 30.06.2018	Depreciation, amortisation and provisions	Net value 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	
Intangible assets	**41,556**	**87,624**	**(40,870)**	**46,754**	**2**
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	
Property, plant and equipment	**43,774**	**61,032**	**(13,882)**	**47,150**	**2**
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
Financial assets	**12,809,199**	**12,940,705**	**(107,992)**	**12,832,713**	**3**
TOTAL FIXED ASSETS	**12,894,529**	**13,089,362**	**(162,744)**	**12,926,618**	
Advances and supplier prepayments	**71**	**347**	**-**	**347**	**4**
Trade receivables	155,651	236,406	(4,303)	232,103	
Other receivables	1,646,735	1,608,727	(3,055)	1,605,672	
Receivables	**1,802,386**	**1,845,133**	**(7,358)**	**1,837,775**	**4**
Marketable securities	**117,590**	**110,690**	**-**	**110,690**	**5**
Cash	**494,290**	**438,614**	**-**	**438,614**	
Prepaid expenses	**11,032**	**4,065**	**-**	**4,065**	**6**
TOTAL CURRENT ASSETS	**2,425,369**	**2,398,849**	**(7,358)**	**2,391,491**	
Bond redemption premiums	**20,181**	**17,362**	**-**	**17,362**	**6**
Unrealized foreign exchange loss	**605,338**	**561,596**	**-**	**561,596**	**6**
TOTAL ASSETS	**15,945,418**	**16,067,168**	**(170,102)**	**15,897,066**	

Liabilities and shareholders' equity

€ thousand	30.06.2017	30.06.2018	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	**1,891,345**	**2,324,713**	
Profit for the financial year	**966,776**	**565,823**	
Interim dividends pending allocation	**(249,496)**	**(266,870)**	
TOTAL SHAREHOLDERS' EQUITY	**6,474,770**	**6,489,811**	**8**
Provisions for risks and contingencies	**480,147**	**494,666**	**9**
Bonds	7,032,122	6,939,443	4 and 12
Bank debt	97,502	-	4 and 13
Other debt	-	327	4
Debt	**7,129,624**	**6,939,769**	
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	
Trade and other accounts payable	**1,373,416**	**1,530,484**	**4 and 11**
Deferred income	**188**	**144**	**4 and 10**
TOTAL LIABILITIES	**8,503,228**	**8,470,397**	
Unrealized foreign exchange gains	**487,272**	**442,192**	**10**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**15,945,418**	**15,897,066**	

6.3 PERNOD RICARD SA CASH FLOW STATEMENT

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

€ thousand	30.06.2017	30.06.2018
Operating activities		
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
Self-financing capacity	**1,036,732**	**608,548**
Decrease/(increase) in working capital requirements	(640,908)	8,756
Change in net debt from operating activities	**395,825**	**617,304**
Investing activities		
Capital expenditure	(21,315)	(16,095)
Purchases of financial assets (net of disposals)	(9,683)	(43,364)
Change in net debt from investing activities	**(30,998)**	**(59,459)**
Financing activities		
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)
Change in net debt from financing activities	**(722,610)**	**(639,509)**
Change in short-term net debt	**(357,783)**	**(81,664)**
SHORT-TERM NET DEBT AT BEGINNING OF PERIOD	**(192,009)**	**(549,792)**
SHORT-TERM NET DEBT AT END OF PERIOD	**(549,792)**	**(631,456)**

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	30.06.2018
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
SHORT-TERM NET DEBT AT END OF PERIOD	**(631,456)**
Bonds	(6,846,869)
Loans and long-term debts	17,362
Pernod Ricard Finance loan	-
MEDIUM- AND LONG-TERM NET DEBT AT END OF PERIOD	**(6,829,507)**
TOTAL NET DEBT AT END OF PERIOD	**(7,460,963)**

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

Contents

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
TOTAL INTANGIBLE ASSETS	**78,196**	**15,759**	**(6,331)**	**87,624**
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
TOTAL PROPERTY, PLANT AND EQUIPMENT	**54,694**	**48,548**	**(42,210)**	**61,032**

2. Depreciation, amortisation and provisions

€ thousand	At 01.07.2017	Allowances	Reversals	At 30.06.2018
Brands [(1)]	(3,670)	(1,418)	-	(5,088)
Brand costs	(153)	(39)	-	(191)
Software	(32,817)	(2,774)	-	(35,591)
TOTAL AMORTISATION OF INTANGIBLE ASSETS	**(36,640)**	**(4,231)**	**-**	**(40,870)**
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
TOTAL DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	**10,918**	**3,050**	**(86)**	**13,882**

(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/ Inflows	Capital 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	-	-	-	-	-
Investments	**12,827,390**	**-**	**41,475**	**-**	**12,868,865**
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	-	-	-	-	-
TOTAL	**12,897,341**	**23,847**	**41,475**	**(21,959)**	**12,940,705**

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 [1]	(82,605)	(19,850)	-	(102,455)
Investments in non-consolidated entities	(4,897)	-	-	(4,897)
Other investments	(640)	-	-	(640)
Advance on investment	-	-	-	-
Investments	**(88,142)**	**(19,850)**	**-**	**(107,992)**
Own shares	-	-	-	-
TOTAL	**(88,142)**	**(19,850)**	**-**	**(107,992)**

(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
Receivables and other financial assets	**71,840**	**8,511**	**63,329**
Current assets other than marketable securities and cash	1,845,480	308,859	1,536,621
Prepaid expenses	4,065	4,065	-
TOTAL	**1,921,385**	**321,435**	**1,599,950**

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	-	-
TOTAL	**8,470,397**	**1,623,529**	**3,853,088**	**2,993,781**

Note 5 Marketable securities

€ thousand or in quantities	At 01.07.2017		Acquisitions [1]		Capital transaction		Reclassification		Exercises/disposals [2]		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	-	-	-	-	-	-	-	-	-	-	-	-
NET VALUE	**1,369,868**	**117,590**	**675,816**	**64,947**	**-**	**-**	**-**	**-**	**850,516**	**71,847**	**1,195,168**	**110,690**

(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 [1]	11,032	(571)	(6,396)	4,065
Bond redemption premiums	20,181	-	(2,819)	17,362
Unrealized foreign exchange losses [2]	605,338	561,596	(605,338)	561,596
TOTAL	**636,551**	**561,025**	**(614,553)**	**583,023**

(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 [1]	(249,496)	-	-	(17,374)	-	(266,870)
TOTAL	**6,474,770**	**-**	**-**	**(550,782)**	**565,823**	**6,489,811**

(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
Provisions for risks and charges						
Provision for currency losses	161,160	161,441	-	(161,160)	-	161,441
Other provisions for risks [1]	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
TOTAL 1	**480,147**	**442,855**	**-**	**(428,337)**	**-**	**494,666**
Provisions for depreciation and amortization						
On financial assets [2]	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	-	-	-	-	-	-
TOTAL 2	**94,664**	**24,153**	**-**	**(3,467)**	**-**	**115,350**
OVERALL TOTAL	**574,811**	**467,008**	**-**	**(431,804)**	**-**	**610,015**

(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 [1]	487,272	442,192	(487,272)	442,192
TOTAL	**487,460**	**442,192**	**(487,316)**	**442,336**

(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
Amount of accrued income in the following balance sheet items	
Loans and advances to affiliates and associates	63,618
Trade receivables	232,103
Other receivables	1,605,672
Cash	438,614
TOTAL	**2,340,007**

Accrued expenses

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

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	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 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
TOTAL		**6,846,869**		**92,574**		**6,939,443**

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

€ thousand	Total	Profit (loss) from continuing 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		
PROFIT AFTER TAX	**565,823**	**407,685**	**(21,330)**

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

€ thousand	Amount of tax
INCREASES	**NONE**
"Organic" local tax and other	205
Other provisions for risk	-
Provision for pensions and other long-term employee benefits	57,152
DECREASES IN FUTURE TAX LIABILITIES	**57,357**

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

€ thousand	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	-
TOTAL FINANCIAL INCOME	**1,164,727**

€ thousand	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	-
TOTAL FINANCIAL EXPENSES	**(683,008)**

Note 19 Exceptional items

€ thousand	Amount on 30.06.2018
Net profit on management operations	(8,536)
Net profit on capital operations	713
Charges and reversals of financial provisions and expense transfers	(13,507)
EXCEPTIONAL ITEMS	**(21,330)**

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

€ thousand	Amount
Guarantees on behalf of affiliates	280,054
Other leases	901,418
Rent	151,720
TOTAL	**1,333,192**

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 on 30 June 2018 *€ thousand*
Interest rate swaps	800,000	(22,680)
Currency swaps	3,098,000	443,150
TOTAL	**3,898,000**	**420,470**

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:

USD interest rate hedge	Maturity	Net base *US$ thousand*
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 *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)
Currency swaps		**3,098,000**
Financial assets		1,872,854
Financial liabilities		(5,045,159)
TOTAL		**(74,305)**

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 (all categories combined)
Managers [1]	345	-
Supervisors and technicians	54	5
Employees	2	-
AVERAGE HEADCOUNT	**401**	**5**
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 Gross	Carrying amount of investment Net	Loans	Guarantees and endorsements	Net sales excluding levies	Net profit	Dividends received
Investments whose carrying amount exceeds 1% of Pernod Ricard SA's share capital										
AGROS [1] Ul. Chalubinskiego 8 00-613 Warsaw (Poland)	-	147,300	100%	122,008	122,008	-	-	-	-	-
House of Campbell Limited [2] 111/113 Renfrew Road Paisley, PA3 4DY (Scotland)	8,516	77,676	100%	40,538	40,538	-	-	-	-	-
Geo G Sandeman Sons & Co Ltd [3] 400 Capability Green, Luton, Bedfordshire, LU1 3AE (England)	-	16,558	30%	9,180	4,955	-	-	1,275	-	80
Pernod SA 120, avenue du Maréchal-Foch 94015 Créteil (France)	40,000	95,093	100%	94,941	94,941	227	-	383,819	19,182	37,720
Pernod Ricard Asia SAS 12, place des États-Unis 75116 Paris (France)	4,512	91,467	100%	42,457	42,457	-	-	-	130,562	162,000
Pernod Ricard Central and South America 12, place des États-Unis 75116 Paris (France)	52,198	35,257	100%	172,208	72,448	-	-	-	(14,922)	-
Pernod Ricard Europe Middle East Africa 12, place des États-Unis 75116 Paris (France)	40,000	267,693	100%	36,407	36,407	32	-	11,772	72,138	-
Pernod Ricard North America SAS 12, place des États-Unis 75116 Paris (France)	39,398	43,337	100%	126,735	126,735	-	-	-	(853)	52,537
Pernod Ricard Finance SA 12, place des États-Unis 75116 Paris (France)	232,000	352,701	100%	238,681	238,681	-	-	-	33,484	203,000
Pernod Ricard Pacific Holding [4] 167 Fullarton Road, Dulwich SA 5065 (Australia)	139,729	126,692	100%	151,789	151,789	-	-	375,881	(24,223)	-
Ricard SA 4 and 6, rue Berthelot 13014 Marseille (France)	54,000	63,972	100%	67,227	67,227	-	-	495,513	43,237	65,572
Lina 3 12, place des États-Unis 75116 Paris (France)	918,730	15,218,760	100%	11,690,953	11,690,953	-	-	-	493,926	-
Lina 5 12, place des États-Unis 75116 Paris (France)	30,640	572,058	100%	30,631	30,631	-	-	-	(62)	-
Yerevan Brandy Company [5] 2, Admiral Isakov Avenue, Yerevan 375092, (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)	-
TOTAL 1				**12,857,203**	**12,753,218**				**759,468**	**527,165**
Affiliates:										
French				4,406	2,673					197
Foreign				5,091	4,129					75,887
Associates:										
French				1,506	853					32
Foreign				20	-					
TOTAL 2				**11,023**	**7,655**					**76,116**
TOTAL 1 + 2				**12,868,226**	**12,760,873**					**603,281**

(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
Trade payables not due	**27,643,974**
at 30 days	27,498,275
between 30 and 45 days	13,147
beyond 45 days	132,552
Trade payables past due	**1,020,812**
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 (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day and over)
(A) Late payment categories						
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) Invoices excluded from (A) relating to disputed or unrecognised payables and receivables						
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
TOTAL	**189,180,269**
O/w disputed receivables	*4,303,145*

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
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)	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 (1)	432,824,096	474,999,305	496,766,932	536,151,616	-
Earnings per share					
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 (1)	1.63	1.80	1.88	2.02	-
Personnel					
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 €	Date of payment	Net amount	Overall amount for 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 (1)	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 €	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
SUBTOTAL	**103,916,262**	**12,403,015,735**
Other shareholdings in French companies	201,944	990,245
Investments in unlisted foreign companies	25,705,455	356,867,484
TOTAL MARKETABLE SECURITIES AT 30.06.2018	**129,823,661**	**12,760,873,464**

6.10 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Year ended 30 June 2018

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.

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 2018.

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 2018 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.

Our responsibilities under those standards are further described in the "Statutory Auditors' 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 2017 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 inform you of 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 how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Key Audit Matters	Responses as part of our audit
Valuation of investments *(Notes 1.3 and 3 to the financial statements)* As at 30 June 2018, consolidated and non-consolidated investments are recorded in the balance sheet at a net carrying amount of €12,761 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 represented by the investment, 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 are 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.	We tested the operation of the Company's controls covering the process for determining the value in use of investments. Our procedures primarily consisted in: • Verifying, based on information communicated to us, that the values in use for investments 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 our 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.

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.

Information given in the management report and in the other documents addressed to Shareholders with respect to the financial position and the financial statements

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.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance contains the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 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.

Concerning the information relating to items your Company considers likely to have an impact in the event of a public tender offer or public exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code, we have agreed these to the source documents communicated to us. Based on our work, we have no observations to make on this information.

Other informations

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 17 November 2016 for KPMG S.A.

As at 30 June 2018, Deloitte & Associés and KPMG S.A. were in the 15th year and second year 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 objective is 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.

As part of an audit in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses 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;
- obtains 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;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses 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. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 that we are required to describe in this 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, 19 September 2018

The Statutory Auditors

KPMG Audit
Division of KPMG S.A.

Eric Ropert

Partner

Deloitte & Associés

David Dupont-Noel

Partner

6.11 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

Shareholders' Meeting held to approve the financial statements for the year ended 30 June 2018

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 and commitments 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 and commitments 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.

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 or commitments, 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

We hereby inform you that we have not been advised of any agreement or commitment authorised during the year to be submitted to the approval of the Shareholders' Meeting pursuant to Article L. 225-38 of the French Commercial Code.

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. The final loan amount was USD 53,839,374.

The amounts invoiced by Pernod Ricard to HCH in respect of this loan for the year ended 30 June 2018 totalled USD 7,473,138 (euro equivalent of €6,201,602).

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.

€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 signed on 14 June 2017 reduces the contract margin and extends its maturity.

Non-use fees for the syndicated loan facility totalled €2,410,862.45 for the year ended 30 June 2018.

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.

During the year ended 30 June 2018, Pernod Ricard Finance carried out three drawdowns under this agreement, which were repaid prior to 30 June 2018.

Accordingly, Pernod Ricard invoiced €654,193.98 to Pernod Ricard Finance in the financial statements for the year ended 30 June 2018.

Your Board of Directors considered that this loan agreement provides Pernod Ricard, Pernod Ricard Finance and the other Group companies 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).

B. Agreements and commitments approved in prior years, without effect during the financial year

In addition, we have been informed of the following commitments and agreements, previously approved by Shareholders' Meetings of prior years, which had no effect during the year.

Commitments authorised for Mr. Alexandre Ricard, Chairman & CEO

On 31 August 2016, the Board of Directors authorised the renewal of the following commitments undertaken for Mr. Alexandre Ricard, as Chairman & CEO of Pernod Ricard, which were approved by the Shareholders' Meeting of 17 November 2016:

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)]) (total of the two compensations) may not exceed 24 months' remuneration[(1)].

Your Board of Directors considered that these commitments served to safeguard your Company in the event of the Executive Corporate Officer's departure 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. **Collective healthcare and welfare schemes authorised for Mr. Alexandre Ricard, Chairman & CEO**

Mr. Alexandre Ricard, who no longer has an employment contract with the Company in accordance with the Afep-Medef Code, benefits from 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.

On 31 August 2016, the Board of Directors authorised the renewal of this agreement, which was approved by the Shareholders' Meeting of 17 November 2016 (5th resolution).

Paris La Défense, 19 September 2018

The Statutory Auditors

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

COMBINED SHAREHOLDERS' MEETING

7.1 COMBINED SHAREHOLDERS' MEETING HELD ON 21 NOVEMBER 2018 - AGENDA

7.1.1 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 2018.
2. Approval of the consolidated financial statements for the financial year ended 30 June 2018.
3. Allocation of the net result for the financial year ended 30 June 2018 and setting of the dividend.
4. Approval of the 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 Martina Gonzalez-Gallarza.
6. Renewal of the directorship of Mr Ian Gallienne.
7. Renewal of the directorship of Mr Gilles Samyn.
8. Appointment of Ms Patricia Barbizet as a Director.
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. Approval of the components of the compensation due or granted for FY18 to Mr Alexandre Ricard, Chairman & CEO.
12. Authorisation to be granted to the Board of Directors to repurchase the shares of the Company.

7.1.2 Items on the agenda presented to the Extraordinary Shareholders' Meeting

13. Delegation of authority to be granted to the Board of Directors to decide to increase the share capital 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.
14. Delegation of authority to be granted to the Board of Directors to decide to increase the share capital 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 certain categories of beneficiaries with cancellation of the preferential subscription right.
15. Amendment to article 11, III of the Company's bylaws relating to the notification period in the event of a statutory threshold crossing of 0.5% of the share capital to align this period with the period for legal thresholds crossing notification as provided by article 223–14 of the General Regulation of the French Financial Markets Authority (AMF).
16. Amendment to article 11, III of the Company's bylaws to include in the statutory threshold notifications the shares deemed to be held by the person required to provide information in accordance with the legal rules regarding share assimilation.
17. Amendment to article 29 of the Company's bylaws in order to remove the reference to the alternate Statutory Auditors in accordance with the law of 9 December 2016 on transparency, fight against corruption and modernisation of the economy.
18. Powers to carry out the necessary legal formalities.

7.2 PRESENTATION OF THE RESOLUTIONS OF THE COMBINED SHAREHOLDERS' MEETING HELD ON 21 NOVEMBER 2018

7.2.1 Resolutions presented to the Ordinary Shareholders' Meeting

First to third resolutions

Approval of the annual financial statements and allocation of the results

The purpose of the **1st resolution** is to approve the Parent Company financial statements for FY18, which show a net profit of €565,822,840.50.

The purpose of the **2nd resolution** is to approve the Pernod Ricard consolidated financial statements for FY18.

The purpose of the **3rd resolution** is to allocate the net result. It is proposed that the dividend for FY18 be set at €2.36 per share. An interim dividend payment of €1.01 per share having been paid on 6 July 2018, the balance, amounting to €1.35 per share, would be detached on 28 November 2018 (with a "record date" of 29 November 2018) and paid on 30 November 2018.

Fourth resolution

Approval of regulated agreements and commitments

It is proposed that, by voting on the **4th resolution**, you approve the regulated agreements and commitments authorised or still in force during FY18, 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 Executive Director.

Fifth to eighth resolutions

Composition of the Board: renewal and appointment of Directors

Information regarding the Directors whose renewal of the term of office or appointment are proposed, appears in Section 2 "Corporate governance and internal control" of the Registration Document.

The directorship of Ms Martina Gonzalez-Gallarza 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 2022 to approve the financial statements for the previous financial year.

The directorship of Mr Ian Gallienne expires at the close of this Shareholders' Meeting. It is thus proposed that, by voting on the **6th resolution**, you renew his directorship for a term of four years expiring at the close of the Shareholders' Meeting to be held in 2022 to approve the financial statements for the previous financial year.

The directorship of Mr Gilles Samyn expires at the close of this Shareholders' Meeting. It is thus proposed that, by voting on the **7th resolution**, you renew his directorship for a term of four years expiring at the close of the Shareholders' Meeting to be held in 2022 to approve the financial statements for the previous financial year.

Finally, it is proposed that, by voting on the **8th resolution**, you appoint as Director Ms Patricia Barbizet for a term of four years expiring at the close of the Shareholders' Meeting to be held in 2022 to approve the financial statements for the previous financial year.

The Nominations, Governance and CSR Committee and the Board of Directors reviewed the candidate and determined that Ms Patricia Barbizet could share her experience as a CEO and her expertise in the areas of luxury goods, retail and corporate governance with the Board of Directors. Additionally, they reviewed and confirmed that Ms Patricia Barbizet fully met the independence criteria set by the AFEP-MEDEF Code to which the Company refers.

Thus, at the close of the Shareholders' Meeting, the Board of Directors would comprise for a transitory period (this transitory composition is proposed since the directorship of one Independent Director will not be renewed at the Shareholders' Meeting held in November 2019, which will lead to a Board comprising 12 Directors excluding the Director(s) representing the employees), fourteen members (including one Director representing the employees), including seven Independent Directors (53.8%) and six women (46.1%), in accordance with the recommendations of the AFEP- MEDEF Code and the law. It is specified that a second Director representing the employees will be appointed following this Shareholders' Meeting in accordance with the Company's bylaws.

Ninth resolution

Directors' fees

The purpose of the **9th resolution** is to set the aggregate amount of Directors' fees allocated to the Board of Directors. This year, the Board of Directors decided, on the recommendation of the Compensation Committee, to review the aggregate annual amount of the Directors' fees, it being specified that it has remained unchanged for several years. Accordingly, it is proposed to set the Board of Directors' total compensation for FY19 at €1,250,000 in order to enable the Board of Directors to have the flexibility to hold further Board of Directors or Committee meetings, to anticipate the appointment of any additional Directors, to maintain the attractiveness of the Board of Directors and to align the Company with CAC40 practices.

Tenth resolution

Approval of the compensation policy items applicable to Mr Alexandre Ricard, Chairman & CEO of the Company

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.

Items of the compensation policy are described in detail in Section 2 "Corporate governance and internal control," under the "Compensation Policy for the Executive Director" subsection of the Registration Document.

Eleventh resolution

Approval of the components of the compensation due or granted to Mr Alexandre Ricard, Chairman & CEO of the Company, for FY18

The purpose of the **11th resolution** is to submit for your approval the components of the compensation due or granted in respect of FY18 to Mr Alexandre Ricard, Chairman & CEO of the Company, in accordance with article L. 225-37-2 of the French Commercial Code. The components of the compensation due or granted to the Executive Director of the Company for the financial year ended and which are to be submitted for approval by the shareholders are as follows:

- 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;
- Directors' fees; and
- any other benefits.

All these elements are described in detail in Section 2 "Corporate governance and internal control" of the Registration Document, under the "Components of the compensation due or granted in respect of FY18 to Alexandre Ricard, Chairman & CEO, subject to the shareholders' approval" subsection.

Twelfth resolution

Repurchase of shares

The Shareholders' Meeting of 9 November 2017 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 2 "Corporate governance and internal control" of the Registration Document. This authorisation is due to expire on 8 May 2019. It is thus 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 €240 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; and
- 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.

7.2.2 Resolutions presented to the Extraordinary Shareholders' Meeting

The **13th and 14th resolutions** propose delegations of authority granted to the Board of Directors by the Shareholders' Meeting in order to allow the Board of Directors to set up an employee shareholding plan in France and abroad.

Such a shareholding plan would be set up in particular to facilitate the access to the share capital of the Company to a large number of the Group's employees and to align their interests with those of the shareholders.

More precisely, the **13th resolution** allows capital increases reserved for employees and/or Executive Directors, who are members of a company savings plan in the Group. The purpose of the **14th resolution** is to allow the employees and corporate officers in certain countries outside of France to subscribe to the shares of the Company with similar benefits, in terms of economic profile, to those offered to the employees in the **13th resolution**, in particular, when legal and/or tax local constraints make the implementation of the employee shareholding plan in the context of the **13th resolution** impossible or difficult.

It is stated that these delegations of authority allow share capital increases and that they could not be used during a public offer for the shares of the Company.

Thirteenth resolution

Delegation of authority to increase the share capital through the issue of shares or securities granting access to the share capital, with cancellation of the preferential subscription right, reserved for members of a company saving plan (13th resolution)

The 13th resolution seeks to allow the Board of Directors to decide on share capital increases reserved for employees and/or Executive Officers who members of company savings plans within the Group Pernod Ricard.

As the Shareholders' Meeting is requested, in accordance with the provisions of the French Commercial Code, to vote on delegations of authority to the Board of Directors permitting future share capital increases, it is proposed that, by voting on the **13th 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. **The cap of 2% of the share capital of this resolution is common with the cap of the 14th resolution below. This limit would be deducted from the Overall Limit set in the 14th resolution of the Shareholders' Meeting of 9 November 2017 and from the share capital increase limit set in the 15th resolution of the Shareholders' Meeting of 9 November 2017.**

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 shares on the regulated Euronext Paris market during the 20 trading sessions prior to the date of the decision setting the opening date for the subscription period, nor may the issue price exceed this average.

This delegation of authority will be valid until the expiry date of the 15th resolution of the Shareholders' Meeting of 9 November 2017, *i.e.* until 8 January 2020.

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 takeover bid 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.

Fourteenth resolution

Delegation of authority to be granted to the Board of Directors to decide on a share capital increase through the issue of shares or securities granting access to the share capital, reserved for certain categories of beneficiaries with cancellation of the preferential subscription right

By voting on the **14th resolution**, it is proposed that, in accordance with the provisions of the French Commercial Code, you consent to 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, reserved for certain categories of beneficiaries with cancellation of the preferential subscription right, in favour of such beneficiaries. **The cap of 2% of the share capital of this resolution is common with the cap of the 13th resolution above. This limit would be deducted from the Overall Limit set in the 14th resolution of the Shareholders' Meeting of 9 November 2017 and from the share capital increase limit set in the 15th resolution of the Shareholders' Meeting of 9 November 2017.**

The 14th resolution seeks to adapt the conditions of the employee shareholding plan implemented in the 13th resolution to the local legal and/or tax locals constraints to allow the employees and/or corporate officers in certain countries outside of France to subscribe to the shares of the Company with similar benefits, in terms of economic profile, to those given to the employees in the 13th resolution.

The share capital increase may be reserved for (i) categories of employees and/or Executive Directors or (ii) any entity or banking institution with exclusive purpose to subscribe the shares of the Company or any financial instrument in order to facilitate access to the capital of the Company for employees and/or Executive Directors outside France or to similar investment formulas.

The subscription price of the shares or securities granting access to the share capital will be fixed by the Board of Directors and (a) may not be more than 20% below the average of the listed prices of the Pernod Ricard share recorded on the regulated Paris market over the 20 trading sessions preceding the date of the decision setting the opening date of the subscription period as part of this resolution, nor exceed such average or (b) will be equal to the price set for the shares issued as part of the capital increase reserved for members of company savings plans pursuant to the 13th resolution of this Shareholders' Meeting.

This delegation of authority will be valid until the expiry date of the 15th resolution of the Shareholders' Meeting of 9 November 2017, *i.e.* until 8 January 2020.

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 takeover bid 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.

Fifteenth resolution

Amendment to article 11 of the Company's bylaws relating to the notification period in the event of a statutory threshold crossing of 0.5% of the share capital to align this period with the period for the legal threshold crossings as provided by article 223-14 of the General Regulation of the French Financial Markets Authority (AMF)

By voting on the **15th resolution**, it is proposed that you amend article 11, III of the bylaws relating to the information obligation when crossing a statutory shareholding threshold (article 11, III) in order to align the statutory notification period with the legal threshold notification period set by the General Regulation of the French Financial Markets Authority (AMF).

It is thus proposed to replace the current 15 trading sessions' notification period with a new notification period of four trading sessions.

Sixteenth resolution

Amendment to article 11 of the Company's bylaws to include in the statutory threshold crossing notifications the shares deemed to be held by the person required to provide the information in accordance with articles L. 233-7 and L. 233-9 of the French Commercial Code

By voting on the **16th resolution**, it is proposed that you amend the bylaws relating to the information obligation when crossing a statutory threshold (article 11, III) to include the shares deemed to be held by the person required to provide information in accordance with the legal rules on assimilation of shareholdings.

Accordingly, the shares held by the same person, along with the shares assimilated in accordance with articles L. 233-7 and L. 233-9 of the French Commercial Code, will be included in the participation threshold calculations. These include notably the shares held by companies which are controlled by this person, shares owned by a third party with whom this person is acting in concert, or shares corresponding to any financial agreement or instrument.

Seventeenth resolution

Amendment to article 29 of the Company's bylaws in order to remove the reference to the alternate Statutory Auditors in accordance with the so-called "Sapin 2" law of 9 December 2016 on transparency, the fight against corruption and modernisation of the economy

By voting on the **17th resolution**, it is proposed that you amend article 29 of the bylaws relating to the appointment of the Statutory Auditors to comply with the so-called "Sapin 2" law of 9 December 2016.

Accordingly, it is proposed to delete the reference to the alternate Statutory Auditors and to only keep the reference to the Statutory Auditors chosen from the list prescribed by law.

Eighteenth resolution

Powers to carry out the required legal formalities

By voting on the **18th resolution**, the Shareholders' Meeting is asked to authorise the Board of Directors to carry out the required legal formalities, where applicable.

7.3 DRAFT RESOLUTIONS OF THE COMBINED SHAREHOLDERS' MEETING HELD ON 21 NOVEMBER 2018

7.3.1 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 FY18 and to allocate the net result for said year. It is proposed **to set the dividend at** €2.36 per share, following the allocation of an interim dividend of €1.01 per share on 6 July 2018.

First resolution

(Approval of the Parent Company financial statements for the financial year ended 30 June 2018)

Having reviewed the Parent Company financial statements for the financial year ended 30 June 2018, the 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 2018 as well as all transactions recorded in the financial statements or summarised in these reports, which show a net profit of €565,822,840.50 for the aforementioned financial year.

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 €280,637 for the past financial year, and that the future tax payable with regard to these costs and expenses amounts to €96,623.

Second resolution

(Approval of the consolidated financial statements for the financial year ended 30 June 2018)

Having reviewed the report of the Board of Directors on the management of the Group 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 2018 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 2018 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 2018 shows a net profit of €565,822,840.50.

It decides, on the proposal of the Board of Directors, to allocate and divide this profit as follows:

Profit	€565,822,840.50
Allocation to the legal reserve	-(1)
Balance	€565,822,840.50
Previous retained earnings	€2,324,713,495.95
Distributable profit	€2,890,536,336.45
Distributed dividend	€626,394,957.12
Balance allocated to retained earnings	€2,264,141,379.33

(1) The amount of the legal reserve having reached the threshold of 10% of the share capital threshold.

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 2018, 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 €2.36 will be distributed for each Company share.

An interim dividend payment of €1.01 per share having been paid on 6 July 2018, the balance amounting to €1.35 per share will be detached on 28 November 2018 (with a record date of 29 November 2018) and paid on 30 November 2018.

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 €2.36 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 €6,130,286,283.34 after allocation of the net result for the financial year.

Dividends distributed over the past three financial years are as follows:

	2014/15	2015/16	2016/17
Number of shares	265,421,592	265,421,592	265,421,592
Dividend per share *(€)*	1.80 (1)	1.88 (1)	2.02 (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 agreements 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 8th 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 Martina Gonzalez-Gallarza, Messrs. Ian Gallienne and Gilles Samyn and to appoint Ms Patricia Barbizet as Director.

Fifth resolution

(Renewal of the directorship of Ms Martina Gonzalez-Gallarza)

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 Ms Martina Gonzalez-Gallarza.

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 2022 to approve the financial statements for the previous financial year.

Sixth resolution

(Renewal of the directorship of Mr Ian Gallienne)

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 Mr Ian Gallienne.

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 2022 to approve the financial statements for the previous financial year.

Seventh resolution

(Renewal of the directorship of Mr Gilles Samyn)

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 Mr Gilles Samyn.

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 2022 to approve the financial statements for the previous financial year.

Eighth resolution

(Appointment of Ms Patricia Barbizet as a Director)

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 appoint Ms Patricia Barbizet as a Director.

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 2022 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 the current financial year. It is noted that the Board of Directors, on the proposal of the Compensation Committee, has decided to increase the aggregate annual amount of the Directors' fees in order to have flexibility if further Board of Directors or Committees' meetings were to be held, to anticipate the appointment of any additional Directors, to maintain its attractiveness and to align the Company with CAC40 practices.

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 2018/19 financial year at €1,250,000.

The 10th and 11th resolutions relate to the compensation of the Executive Director and respectively, aim at approving (i) the FY18 compensation policy items applicable to the Chairman & CEO, Mr Alexandre Ricard and (ii) the components of the compensation due or granted to him for FY18.

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 reviewed the 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 other benefits granted to the Chairman & CEO by virtue of his mandate, as detailed in Section 2 "Corporate governance and internal control" of FY18 Registration Document, under the "Compensation policy for the Executive Director" subsection.

Eleventh resolution

(Approval of the components of the compensation due or granted for FY18 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 report of the Board of Directors established in accordance with article L. 225-37-2 of the French Commercial Code, approves the components of the compensation due or granted for FY18 to Mr Alexandre Ricard, Chairman & CEO. These components are described in the FY18 Registration Document, in Section 2 "Corporate governance and internal control" and more specifically in the table entitled "Components of the compensation due or granted in respect of FY18 to Mr Alexandre Ricard, Chairman & CEO, subject to the shareholders' approval."

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 on 9 November 2017 in its 13th resolution; 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 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% cap equals to the number of shares purchased, less the number of shares sold during the authorisation period; and
- 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 items (i) to (v) above; and
- cannot cause the offer to fail.

The Shareholders' Meeting decides that the maximum purchase price per share shall be €240, 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 €6,370,118,160, corresponding to a maximum number of 26,542,159 shares purchased at the maximum unit price of €240 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 bonus 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 notably to the French Financial Markets Authority (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 9 November 2017 in its 12th resolution.

7.3.2 Resolutions presented to the Extraordinary Shareholders' Meeting

The 13th and 14th resolutions relate to financial delegations of authority granted to the Board of Directors permitting it to deploy a global shareholding plan.

Please note that these delegations authorising share capital increases without preferential subscription right may not be used during a public offer on the shares of the Company.

Thirteenth resolution

(Delegation of authority to be granted to the Board of Directors to decide to increase the share capital 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)

The Shareholders' Meeting, voting in accordance with quorum and majority rules for Extraordinary Shareholders' Meetings, having reviewed the Board of Directors' report and the Statutory Auditors' special report and in accordance with article L. 225-129, L. 225-129-2 to L. 225-129-6 and L. 225-138 of the French Commercial Code and articles L. 3332-1 *et seq.* of the French Employment Code:

- delegates its authority to the Board of Directors, with the power 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 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:
  - this cap is shared with the one of the 14th resolution of this Shareholders' Meeting,
  - to this maximum cap 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 with cancellation of the preferential subscription set by the Shareholders' Meeting of 9 November 2017 in its 15th resolution, as well as from the overall cap set by the Shareholders' Meeting of 9 November 2017 in its 14th resolution;
- decides that the issue price of new shares or securities granting access to the share capital will be determined in accordance with 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 20 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;
- decides that the Board of Directors will have all powers to grant to 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 to L. 3332-19 of the French Employment Code;
- decides to cancel, in favour of the aforementioned beneficiaries, the shareholders' preferential subscription right 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 all powers to implement this delegation with the option for it to subdelegate 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, when 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 dividend entitlement (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, when 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;

- acknowledges that, if this delegation were to be used by the Board of Directors, the Board of Directors will report to the next Shareholders' Meeting, in accordance with laws and regulations, about the use made of the authorisation granted in this resolution;
- 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 public offer launched on 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; and
- sets the period of validity of this delegation of authority from the date of this Shareholders' Meeting until the expiry date of the delegation of authority granted by the Shareholders' Meeting of 9 November 2017 in its 15th resolution, *i.e.* until 8 January 2020.

Fourteenth resolution

(Delegation of authority to be granted to the Board of Directors to decide to increase the share capital 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 certain categories of beneficiaries with cancellation of the preferential subscription right)

The Shareholders' Meeting, voting in accordance with quorum and majority rules for Extraordinary Shareholders' Meetings, having reviewed the Board of Directors' report and the Statutory Auditors' special report and in accordance with article L. 225-129, L. 225-129-2 to L. 225-129-6, L. 225-138 of the French Commercial Code:

- delegates its authority to the Board of Directors to decide to increase the share capital, 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 the categories of beneficiary designated below;
- 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:
  - this limit is shared with that of the 13th resolution of this Shareholders' Meeting,
  - to this maximum cap shall be added, if need be, 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 with cancellation of the preferential subscription set by the Shareholders' Meeting of 9 November 2017 in its 15th resolution, as well as from the overall cap set by the Shareholders' Meeting of 9 November 2017 in its 14th resolution;
- acknowledges that this delegation of authority entails, by operation of law, to the benefit of the bearers issues of securities under this resolution and granting access to the share capital, waiver by the shareholders of their preferential subscription right to the shares to which such securities will give right, either immediately or in the future;
- decides to cancel, in favour of the shareholders, their shareholders' preferential subscription right of the shares which may be issued pursuant to this delegation, and to limit the right to subscribe to beneficiaries satisfying the following criteria:

(a) employees and Executive Directors of non-French companies of the Group Pernod Ricard which are related to the Company in accordance with article L. 225-180 of the French Commercial Code and article L. 3344-1 of the French Employment Code to enable them to subscribe to the Company's' share capital under conditions that are economically equivalent to those that may be offered to the members of one or more company savings plans in accordance with a share capital increase pursuant to the 13th resolution of this Shareholders' Meeting, and/or

(b) UCITS or other entities, employee shareholdings, with or without an independent legal personality, which are invested in securities of the Company, and whose unitholders or shareholders are comprised of individuals described in (a) above, and/or

(c) any banking institution or subsidiary of such an institution involved at the Company's request for the purposes of implementing a shareholding or savings plan for the benefit of persons mentioned in (a) of this paragraph, insofar as recourse to the subscription of the person authorised in accordance with this resolution would be necessary or desirable to allow employees or Executive Directors mentioned above to benefit from employee shareholdings or savings formulae equivalent or comparable in terms of economic advantage to those from which the employees would benefit as part of a company savings plan in accordance with the 13th resolution of this Shareholders' Meeting;

- decides that the issue price of new shares or securities granting access to the share capital of the Company will be determined by the Board of Directors and (a) may not be more than 20% lower than the average of the first listed prices of the Pernod Ricard share recorded on Euronext Paris over the 20 trading sessions preceding the date of the decision setting the opening date of the subscription period as part of this resolution, nor exceed such average or (b) will be equal to the price of the share issued as part of a share capital increase reserved for members of company savings plans, in accordance with the 13th resolution of this Shareholders' Meeting; and
- decides that the Board of Directors will have all powers 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 Reference Price discount and/or special contribution, it being specified that the benefit resulting from this allocation may not exceed the limits set by law or regulations pursuant to articles L. 3332-1 to L. 3332-19 of the French Employment Code.

However, the Shareholders' Meeting expressly authorises the Board of Directors, if it deems appropriate, to reduce or cancel the aforementioned discount, in order to take into account, in particular, the legal, accounting, tax and social security treatments that apply locally;

In case of an offer made in favour of the beneficiaries mentioned in paragraph (a) above residing in the United Kingdom, in the context of "Share Incentive Plan", the Board of Directors could decide that the subscription price of the shares or securities granting access to the share capital may equal the lower share price between (i) the listed price of the share on the regulated market of Euronext Paris at the opening of the reference period of this plan and (ii) the share price recorded following the close of such period within a given timeframe determined in accordance with local regulations. The price shall be set out without a discount in relation to the retained share price;

- decides that the Board of Directors may, with the option for it to subdelegate these powers in turn under the conditions provided for by law, determine the subscription formulae that will be presented to the employees in each relevant country, in accordance with the applicable local law, and select the countries among those in which the Group has affiliates inside the consolidation scope of the Company, in accordance with article L. 3344-1 of the French Employment Code, as well as those for said affiliates in which employees could take part in the transaction;
- decides that the amount of the share capital increase or of each share capital increase will be, when applicable, limited to the amount of each subscription received by the Company, in accordance with the applicable laws and regulations;
- decides that the Board of Directors shall have full powers to implement this delegation of authority, with the option for it to subdelegate these powers in turn under the conditions provided for by law, within the limits and under the conditions specified above in order, notably:
  - to decide the beneficiary or list of beneficiaries who will benefit from the cancellation of the preferential subscription right within the category defined above, along with the number of shares or securities granting access to the Company's share capital to be subscribed by such beneficiary (or each beneficiary),
  - to set the start and end dates of the subscription periods,
  - to set the maximum number of shares or securities granting access to the share capital to be subscribed by each beneficiary,
  - 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 dividend entitlement (which may be retroactive) it being specified that the reduction rules in the event of over-subscription as well as the other terms and conditions of the issues of shares or securities, within the limits set by law and the regulations in force,
  - to record the completion of the increases in the share capital for the amount corresponding to the shares or securities granting access to the share capital subscribed (after any reduction in the event of over-subscription),
  - to offset, when 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, 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;
- acknowledges that, if this delegation is used by the Board of Directors, the Board of Directors will report to the next Ordinary Shareholders' Meeting, in accordance with laws and regulations, on the use made of the authorisations granted in this resolution; and
- 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 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.

The period of validity of this delegation of authority is from the date of this Shareholders' Meeting until the expiry date of the delegation of authority granted by the Shareholders' Meeting of 9 November 2017 in its 15th resolution, *i.e.* until 8 January 2020.

The **15th to 17th resolutions** are to amend the articles 11 and 29 of the bylaws in order to align said bylaws with new laws and regulations.

Fifteenth resolution

(Amendment to article 11, III of the Company's bylaws relating to the notification period in the event of a statutory threshold crossing of 0.5% of the share capital to align this notification period with the period for legal thresholds' crossings' notification period as provided in article 223-14 of the General Regulations of the French Financial Markets Authority (AMF))

Having reviewed the report of the Board of Directors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, decides to amend article 11, III of the bylaws, "Transfer of shares – Obligation to provide information", to align the notification period in the event of a statutory threshold crossing of 0.5% of the share capital with the notification period for legal threshold crossings (amended parts are shown in bold):

"Article 11 – Transfer of shares [...]

III – Obligation to Provide Information:

Any individual or legal entity that holds an ownership interest greater than 0.5% of share capital shall inform the Company of the total number of shares he/she/it holds in a letter sent by recorded delivery with advice of receipt, within ***a period of four (4) trading days*** *as from the date on which such threshold is exceeded. Such notice shall be renewed in the same manner each time each additional percentage of 0.5% of share capital is exceeded, up to and including the threshold of 4.5%.*

In the event of non-compliance with the obligation described in the preceding paragraph, at the request of one or more shareholders holding at least 5% of the share capital, with such request having been recorded in the minutes of a General Shareholders' Meeting, shares that exceed the undeclared percentage of share capital shall be deprived of voting rights at all shareholders' meetings held prior to the expiry of the time period set out in Article L. 233-14 of the French Commercial Code as from the date on which the required notice was given."

Sixteenth resolution

(Amendment to article 11, III of the Company's bylaws to include in the statutory threshold crossing notification the shares deemed to be held by the person required to provide information in accordance with the legal rules regarding assimilation of shareholdings)

Having reviewed the report of the Board of Directors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, decides to amend article 11, III of the bylaws, "Transfer of shares – Obligation to provide information" to include in the shares held by the person required to provide information, the shares deemed to be held by such person in accordance with the assimilation principles as provided by articles L. 223-7 and L. 233-9 of the French Commercial Code, (amended parts are shown in bold:

"Article 11 – Transfer of shares [...]

III – Obligation to Provide Information:

Any individual or legal entity that holds an ownership interest greater than 0.5% of share capital shall inform the Company of the total number of shares he/she/it holds in a letter sent by recorded delivery with advice of receipt within a period of four (4) stock market trading days[(1)] as from the date on which such threshold is exceeded. Such notice shall be renewed in the same manner each time each additional percentage of 0.5% of share capital is exceeded, up to and including the threshold of 4.5%.

For the determination of the thresholds, the shares indirectly held and the shares deemed to be held by the person required to provide information are taken into consideration in accordance with the provisions of articles L. 233-7 and L. 233-9 of the French Commercial Code.

In the event of non-compliance with the obligation described in the preceding paragraph, at the request of one or more shareholders holding at least 5% of the share capital, with such request having been recorded in the minutes of a General Shareholders' Meeting, shares that exceed the undeclared percentage of share capital shall be deprived of voting rights at all shareholders' meetings held prior to the expiry of the time period set out in article L. 233-14 of the French Commercial Code as from the date on which the required notice was given."

Seventeenth resolution

(Amendment to article 29 of the bylaws in order to remove the reference to the alternate Statutory Auditors in accordance with the law of 9 December 2016 on transparency, the fight against corruption and modernisation of the economy)

Having reviewed the report of the Board of Directors, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, decides to amend article 29 of the bylaws, "Appointment" to remove the reference to the alternate Statutory Auditors (amended parts are shown in bold and are crossed):

"Article 29 – Appointment

The Company shall be audited by at least two Statutory Auditors ***~~and two alternate Statutory Auditors~~*** *chosen from the list prescribed by law. They shall be appointed for six financial years by an Ordinary General Shareholders' Meeting and are eligible for reappointment."*

The purpose of the **18th resolution** is to authorize the Board of Directors to carry out the required legal formalities, when applicable.

Eighteenth 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.

(1) Subject to the approval of the previous resolution by the Shareholders' meeting of 21 November 2018.

7.4 STATUTORY AUDITORS' REPORT ON THE ISSUANCE OF ORDINARY SHARES OR SECURITIES CONFERRING ENTITLEMENT TO SHARE CAPITAL, RESERVED FOR MEMBERS OF COMPANY SAVING PLANS

Combined Shareholders' Meeting of 21 November 2018

13th resolution

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.

To the Shareholders' Meeting of Pernod Ricard,

As Statutory Auditors of your Company (hereinafter the "Company"), and in accordance with our engagement pursuant to 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 the Board of Directors to issue, on one or more occasions, ordinary shares or securities conferring entitlement to share capital, with cancellation of preferential subscription rights, reserved for members of one or more company savings plans set up by the Group, which comprises the Company and the French or overseas companies included in the Company's consolidation scope, in accordance with Article L. 3344-1 of the French Labour Code (*Code de travail*), a transaction on which you are asked to vote.

The nominal amount of immediate or future capital increases that may be carried out following this Shareholders' Meeting may not exceed 2% of the Company's share capital, which is also the limit provided for in the 14th resolution submitted at this Shareholders' Meeting. The nominal amount of the share capital increase will be deducted from the maximum amount of share capital increases with cancellation of preferential subscription rights set by the Shareholders' Meeting of 9 November 2017 in its 15th resolution, and from the overall cap set by this same Shareholders' Meeting in its 14th resolution.

This transaction is submitted for your approval in accordance with Articles L. 225-129-6 of the French Commercial Code and L. 3332-18 *et seq.* of the French Labour Code.

Based on its report, your Board of Directors proposes that you authorise it from the date of this Shareholders' Meeting until the expiry date of the 15th resolution of the Shareholders' Meeting of 9 November 2017, which is 8 January 2020, to issue, on one or more occasions, ordinary shares or securities and to cancel your preferential subscription rights to the ordinary shares or securities to be issued. Where appropriate, the Board of Directors shall determine the final conditions for this transaction.

The Board of Directors is responsible for preparing a report in accordance with Articles R. 225-113 *et seq.* of the French Commercial Code. Our responsibility is to express an opinion on the fair presentation of the figures derived from the Company's financial statements, on the proposal to cancel preferential subscription rights and on other information relating to the share issues presented in this report.

We conducted the procedures we deemed necessary in accordance with the professional guidelines issued by the French Institute of Statutory Auditors (CNCC) relating to this engagement. Those procedures entailed reviewing the content of the Board of Directors' report relating to the transaction and the methods used to determine the share issue price.

Subject to a subsequent examination of the terms and conditions of the issuances to be decided, we have no matters to report as regards the methods used to set the issue price provided in the Board of Directors' report.

As the final terms and conditions of the issuances have not yet been determined, we do not express an opinion on the terms and conditions under which the issuances will be made, or on the proposed cancellation of preferential subscription rights.

In accordance with Article R. 225-116 of the French Commercial Code, we will issue an additional report, if necessary, when your Board of Directors uses the authorisation to issue ordinary shares, securities that are equity securities conferring entitlement to share capital, or other securities conferring entitlement to equity securities to be issued.

Paris La Défense, 19 September 2018

The Statutory Auditors

KPMG Audit ***Division of KPMG S.A.***	**Deloitte & Associés**
Eric Ropert	David Dupont-Noel
Partner	*Partner*

7.5 STATUTORY AUDITORS' REPORT ON THE ISSUANCE OF ORDINARY SHARES ORSECURITIES CONFERRING ENTITLEMENT TO SHARE CAPITAL, WITH CANCELLATION OF PREFERENTIAL SUBSCRIPTION RIGHTS

Combined Shareholders' Meeting of 21 November 2018

14th Resolution

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.

To the Shareholders' Meeting of Pernod Ricard,

As Statutory Auditors of your Company (hereinafter "the Company") and in accordance with our engagement pursuant to 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 the Board of Directors to issue, on one or more occasions, ordinary shares or securities conferring entitlement to share capital, with cancellation of preferential subscription rights, reserved for:

(a) employees and executive officers of non-French companies of the Pernod Ricard group that are related to the Company under Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labour Code (Code de travail), to enable them to subscribe to the Company's share capital under conditions that are economically equivalent to those that may be offered to members of one or more company savings plans, in connection with the share capital increase pursuant to the 13th resolution of this Shareholders' Meeting, and/or

(b) undertakings for collective investment in transferable securities (UCITS) or other entities, with or without legal personality, that manage employee shareholdings invested in the Company's securities, for unit-holders or shareholders that are persons mentioned in (a) above, and/or

(c) any banking institution or subsidiary of such an institution involved at the Company's request in implementing a shareholding or savings plan for the benefit of the persons mentioned in (a) above, insofar as the subscription of the person authorised under this resolution would be necessary or desirable to enable the employees or executive officers mentioned above to benefit from employee shareholding or savings schemes equivalent or comparable in terms of economic advantages to those from which employees would benefit as part of a company savings plan under the 13th resolution of this Shareholders' Meeting,

a transaction on which you are asked to vote.

The nominal amount of immediate or future capital increases that may be carried out following this Shareholders' Meeting may not exceed 2% of the Company's share capital, which is also the limit provided for in the 13th resolution submitted at this Shareholders' Meeting. The nominal amount of the share capital increase will be deducted from the maximum amount of share capital increases with cancellation of preferential subscription rights set by the Shareholders' Meeting of 9 November 2017 in its 15th resolution, and from the overall cap set by this same Shareholders' Meeting in its 14th resolution.

Based on its report, your Board of Directors proposes that you authorise it from the date of this Shareholders' Meeting until the expiry date of the 15th resolution of the Shareholders' Meeting of 9 November 2017, which is 8 January 2020, to issue, on one or more occasions, ordinary shares or securities and to cancel your preferential subscription rights to the ordinary shares or securities to be issued. Where appropriate, the Board of Directors shall determine the final conditions for the transaction.

The Board of Directors is responsible for preparing a report in accordance with Articles R. 225-113 *et seq.* of the French Commercial Code. Our responsibility is to express an opinion on the fair presentation of the figures derived from the Company's financial statements, on the proposal to cancel preferential subscription rights and on other information relating to the share issues presented in this report.

We conducted the procedures we deemed necessary in accordance with the professional guidelines issued by the French Institute of Statutory Auditors (CNCC) relating to this engagement. Those procedures entailed reviewing the content of the Board of Directors' report relating to the transaction and the methods used to determine the share issue price.

Subject to a subsequent examination of the terms and conditions of the issuances to be decided, we have no matters to report as regards the methods used to set the issue price provided in the Board of Directors' report.

As the final terms and conditions of the issuances have not yet been determined, we do not express an opinion on the terms and conditions under which the issuances will be made, or on the proposed cancellation of preferential subscription rights.

In accordance with Article R. 225-116 of the French Commercial Code, we will issue an additional report, if necessary, when your Board of Directors uses the authorisation to issue ordinary shares, securities that are equity securities conferring entitlement to share capital, or other securities conferring entitlement to equity securities to be issued.

Paris La Défense, 19 September 2018

The Statutory Auditors

KPMG Audit ***Division of KPMG S.A.***	**Deloitte & Associés**
Eric Ropert	David Dupont-Noel
Partner	*Partner*

8

ABOUT THE COMPANY AND ITS SHARE CAPITAL

8.1 INFORMATION ABOUT PERNOD RICARD

8.1.1 Company name and trading name

Pernod Ricard

8.1.2 Registered office

12, place des États-Unis, 75116 Paris (France)

Tel.: +33 (1) 41 00 41 00

8.1.3 Legal form

Pernod Ricard is a French public limited company (*Société Anonyme – SA*) governed by a Board of Directors.

8.1.4 Applicable law

Pernod Ricard is a company subject to French law, governed by the French Commercial Code.

8.1.5 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.

8.1.6 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."

8.1.7 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.

8.1.8 Financial year

From 1 July to 30 June of each year.

8.1.9 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.

8.1.10 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.

8.1.11 The 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 TSA 20303, 92030 La Défense CEDEX, reappointed by the Shareholders' Meeting of 19 November 2017 for a term of six financial years, which will end after the Shareholders' Meeting to be convened in 2023 to approve the preceding year's financial statements.

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 Eqho, 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 Shareholders' Meeting to be convened 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.

8.2 INFORMATION ABOUT THE 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.

8.2.1 Amount of paid-up capital on 30 June 2018

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.

8.2.2 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 third parties.

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.

8.2.3 Contingent share capital

Stock options

At 30 June 2018, there were no outstanding Company stock options.

8.2.4 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	Share/-conversion premium	Number of shares after transaction	Amount of share capital after transaction
€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
€411,403,467.60	265,421,592	2018	-	-	-	-	-	265,421,592	€411,403,467.60

8.2.5 Changes in voting rights over the last five years

Year [1]	Number of voting rights [2]
Position on 30.06.2014	289,793,913
Position on 30.06.2015	289,870,113
Position on 30.06.2016	291,851,991
Position on 30.06.2017	307,831,293
Position on 30.06.2018	311,072,670

(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.

8.2.6 Allocation of share capital and voting rights on 30 June 2018

	Position on 30.06.2018			Position on 30.06.2017			Position on 30.06.2016		
Shareholders	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	20.11	37,686,104	14.20	19.76	35,031,887	13.20	19.16
Mr Rafaël Gonzalez-Gallarza [2]	1,477,603	0.56	0.92	1,477,603	0.56	0.93	1,477,603	0.56	0.98
Directors and Management of Pernod Ricard	679,446	0.26	0.30	638,753	0.24	0.29	632,441	0.24	0.29
Shares held by Pernod Ricard employees	2,673,627	1.01	1.39	2,827,965	1.06	1.42	2,973,715	1.12	1.55
Capital Group Companies (USA) [3]	26,432,808	9.96	8.50	26,939,624	10.15	8.75	26,414,463	9.95	9.05
MFS Investment Management (USA) [4]	24,035,625	9.06	6.79	26,051,805	9.82	7.31	25,824,096	9.73	8.85
Groupe Bruxelles Lambert [5]	19,891,870	7.49	11.28	19,891,870	7.49	10.95	19,891,870	7.49	6.82
La Caisse des Dépôts et Consignation (CDC Ixis) [6]	3,958,979	1.49	1.29	3,958,979	1.49	1.29	3,958,979	1.49	1.36
Amundi Asset Management [7]	3,116,657	1.17	1.00	2,632,635	0.99	0.85	3,016,340	1.14	1.03
UBS AG (United Kingdom) [8]	2,649,652	1.00	0.85	3,988,830	1.50	1.30	-	-	-
Harris Associates L.P. [9]	2,574,800	0.97	0.83	3,935,800	1.48	1.28	2,562,115	0.97	0.88
Oppenheimer International Growth Fund [10]	2,433,882	0.92	0.78	-	-	-	1,328,812	0.50	0.46
Invesco [11]	2,343,566	0.88	0.75	-	-	-	-	-	-
Legal & General Investment Management [12]	1,616,580	0.61	0.41	1,662,742	0.63	0.54	-	-	-
Lyxor Asset Management [13]	-	-	-	2,752,725	1.03	0.89	-	-	-

	Position on 30.06.2018			Position on 30.06.2017			Position on 30.06.2016		
Shareholders	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*
CNP Assurances (14)	-	-	-	2,653,032	1.00	0.86	2,664,355	1.00	0.91
Royal Bank of Canada (15)	-	-	-	1,371,234	0.52	0.45	-	-	-
BNP Paribas Investment Partners (16)	-	-	-	1,327,272	0.50	0.44	1,314,526	0.50	0.45
Banque Nationale Suisse (17)	-	-	-	1,326,075	0.50	0.43	1,357,635	0.51	0.47
BNP Paribas Asset Management (18)	-	-	-	1,319,092	0.50	0.44	-	-	-
Norges Bank Investment Management (19)	-	-	-	-	-	-	3,974,109	1.50	1.36
Threadneedle Asset Management Holdings Ltd (20)	-	-	-	-	-	-	2,644,251	1.00	0.91
Oppenheimer Funds Inc. (21)	-	-	-	-	-	-	2,480,072	0.93	0.85
Citigroup Global Markets Limited (22)	-	-	-	-	-	-	2,114,208	0.79	0.72
Credit Suisse Group (23)	-	-	-	-	-	-	1,707,236	0.64	0.57
Alecta (24)	-	-	-	-	-	-	1,354,000	0.51	0.46
Natixis Asset Management (25)	-	-	-	-	-	-	1,325,172	0.50	0.45
Oppenheimer Developing Market Fund (26)	-	-	-	-	-	-	1,309,730	0.49	0.45
Treasury shares:									
• Shares held by affiliates	-	-	-	-	-	-	-	-	-
• Own shares	1,195,168	0.45	0	1,376,368	0.52	0	995,594	0.38	0
Others and public	132,655,225	49.98	44.79	121,603,084	45.82	41.82	119,068,383	44.86	41.97
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 311,072,670 "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 Société 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 18 May 2018.

(4) Declaration of 2 March 2018.

(5) Declaration of 22 June 2017.

(6) Declaration of 25 September 2014.

(7) Declaration of 15 May 2018.

(8) Declaration of 12 January 2018.

(9) Declaration of 20 March 2018.

(10) Declaration of 10 October 2017.

(11) Declaration of 22 June 2018.

(12) Declaration of 18 December 2017.

(13) Declaration of 27 June 2017.

(14) Declaration of 23 March 2017.

(15) Declaration of 28 March 2017.

(16) Declaration of 22 May 2017.

(17) Declaration of 31 January 2017.

(18) Declaration of 6 June 2017.

(19) Declaration of 12 February 2016.

(20) Declaration of 6 June 2016.

(21) Declaration of 29 September 2015.

(22) Declaration of 24 November 2015.

(23) Declaration of 20 November 2015.

(24) Declaration of 18 February 2016.

(25) Declaration of 1 July 2015.

(26) Declaration of 3 September 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 2018, 45,651,078 shares had a double voting right.

On the same date, employees held 2,673,627 shares representing 1.01% of the share capital and 1.39% 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 39,724,736 Company shares representing 66,311,890 voting rights, *i.e.* 14.97% of the share capital and 21.32% of the voting rights of the Company as at 30 June 2018.

The shareholders' agreement between shareholders of the Company (agreement between Mr Rafaël Gonzalez-Gallarza and Société Paul Ricard, owned by the Ricard family), is described in "Shareholders' agreement" under subsection 2.1.5 "Composition of the Board of Directors" in this Registration Document and is also available on the AMF website (www.amf-france.org).

8.2.6.1 Shareholdings exceeding the legal thresholds for share capital or voting rights

In a letter received on 21 May 2018, The Capital Group Companies, Inc. (333 South Hope Street, 55th Floor, Los Angeles, CA 90071-1406, USA) declared that on 17 May 2018 it had dropped below the threshold of 10% of the share capital of the Company, holding 26,432,808 Pernod Ricard shares, *i.e.* 9.96% of the share capital and 8.53% of the voting rights. This threshold was crossed as the result of a sale of Pernod Ricard shares on the market.

8.2.6.2 Additional information on the shareholders

The number of Pernod Ricard shareholders who have registered securities is estimated at approximately 11,360.

Allocation of share capital (Company analysis using identifiable bearer shares at 31.03.2018 and nominative data)	(in %)
Paul Ricard concert party	15.0
Board + Management + Employees + Treasury shares	2.1
Groupe Bruxelles Lambert	7.5
US institutional investors	40.2
French institutional investors	9.0
British institutional investors	10.9
Other foreign institutional investors	11.5
Individual shareholders	3.8
TOTAL	**100**

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 2018".

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.

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 2018".

Pernod Ricard is the only company of the Group listed on a stock exchange (Euronext Paris).

However, the Group Pernod Ricard 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).

8.2.6.3 Equity investments and stock options

Detailed information is provided under subsection 4 "Management report" of this Registration Document, in relation to the following:

- corporate officers' 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 FY18;
- 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 FY18.

8.2.7 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).

Paris stock exchange volume and share price information over 18 months (source: Euronext Paris)

Date	Volume *thousand*	Capital *€ million*	Average price €	Highest €	Lowest €	Price at end of month €
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
July 2017	7,609	889	116.82	120.00	114.40	117.25
August 2017	8,035	939	117.33	120.00	112.10	114.80
September 2017	8,772	1,012	115.38	117.85	112.90	117.05
October 2017	9,178	1,140	123.55	129.75	116.95	128.75
November 2017	9,651	1,241	128.63	131.35	125.00	131.05
December 2017	7,444	970	130.71	132.75	127.40	131.95
January 2018	9,281	1,212	130.52	133.60	127.65	128.30
February 2018	9,452	1,225	130.68	136.25	120.05	135.00
March 2018	9,648	1,283	133.19	135.90	130.00	135.25
April 2018	9,929	1,371	138.36	141.90	134.15	137.55
May 2018	8,343	1,175	140.62	146.45	136.80	143.70
June 2018	10,180	1,448	142.09	147.75	138.20	140.25

8.2.8 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).

9

ADDITIONAL INFORMATION TO THE REGISTRATION DOCUMENT

9.1 PERSONS RESPONSIBLE

9.1.1 Names and positions

9.1.1.1 Person responsible for the Registration Document

Mr Alexandre Ricard

Chairman & CEO of Pernod Ricard

9.1.1.2 Person responsible for the information

Ms Julia Massies

Vice-President, Financial Communication & Investor Relations

Tel.: +33 (0)1 41 00 41 07

9.1.2 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.

Mr Alexandre Ricard

Chairman & CEO of Pernod Ricard

9.2 DOCUMENTS ON DISPLAY

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:

https://www.pernod-ricard.com/en/investors/our-financial-informations/#field-contenus-dense-3586

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.

9.3 REFERENCE TABLES

9.3.1 Registration Document

In accordance with Annex I to EC Regulation No. 809/2004.

Information	Page
1. Persons responsible	**258**
2. Statutory Auditors	**251**
3. Selected financial information	
3.1 Historical financial information	130-131; 152-199; 206-227; 264
3.2 Interim financial information	N/A
4. Risk factors	**117- 120; 138-146; 185-186; 194-195**
5. Information about Pernod Ricard	
5.1 History and development of the Issuer	
5.1.1 Legal and commercial names of the issuer	250
5.1.2 Place of registration of the issuer and its registration number	250
5.1.3 Date of incorporation and the length of life of the issuer	250
5.1.4 Domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office	250
5.1.5 Important events in the development of the issuer's business	8-9 ; 160
5.2 Investments	10-11; 166-168
6. Business overview	
6.1 Principal activities	2-3
6.2 Principal markets	10-11
6.3 Exceptional factors	8-9
6.4 Dependence on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes	139
6.5 Competitive position	139
7. Organisational structure	
7.1 Brief description of the Group	8-29
7.2 List of significant subsidiaries	197-199; 223
8. Property plant and equipment	
8.1 Material existing or planned tangible fixed assets	10-11; 168
8.2 Environmental issues that may affect the issuer's utilisation of the tangible fixed assets	10-11; 103-116; 121-124; 140-142
9. Operating and financial review	
9.1 Financial condition	2-3; 130-136; 152-157; 206-209
9.2 Operating results	2-3; 130-136; 161-165; 210-211
10. Capital resources	
10.1 Information on capital resources	72-77; 130; 154-156; 189-192; 207-208; 252-256
10.2 Cash flow	131; 135; 157; 189; 209
10.3 Information on borrowing requirements and funding structure	147-149; 179-188; 219
10.4 Restriction on the use of capital resources	147-149; 179-188; 219
10.5 Anticipated sources of funding	147-149; 179-188; 219
11. Research and development, patents and licences	**18-19; 139**
12. Trend information	**136**
13. Profit forecasts or estimates	**N/A**
14. Administrative, management and supervisory bodies and senior management	
14.1 Members of the administrative, management and supervisory bodies and senior management	33-51; 78-79
14.2 Conflicts of interest affecting administrative, management and supervisory bodies and senior management	48
15. Remuneration and benefits	
15.1 Remuneration and benefits in kind	56-71; 237-238; 241
15.2 Amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or other benefits	62-63; 67-68; 174-179;195; 216-217

Information	Page
16. Board practices	
16.1 Expiry date of current terms of office	34
16.2 Service contracts	49
16.3 Committees	52-56
16.4 Corporate governance	31-79
17. Employees	
17.1 Number of employees and breakdown of persons employed	3 ; 88-89
17.2 Shareholdings and stock options held by Directors	67-71; 190-192
17.3 Employee involvement in the capital of the issuer	74; 75-77; 252-256
18. Major shareholders	
18.1 Notifiable interests in share capital or voting rights	255
18.2 Existence of specific voting rights	78
18.3 Control of the issuer	49; 75-77; 253-256
18.4 Agreement known to Pernod Ricard which could lead to a change in control, if implemented	73-74; 253-256
18.5 Allocation of share capital and voting rights	75-77; 253-256
19. Related-party transactions	**N/A**
20. Financial information concerning Pernod Ricard's assets and liabilities, financial position and profits and losses	
20.1 Historical financial information	130-131; 152-199; 206-227; 264
20.2 Pro forma financial information	N/A
20.3 Financial statements	152-157; 206-209
20.4 Auditing of annual historical financial information	200-203; 229-233; 258
20.5 Date of latest financial information	30 June 2018
20.6 Interim and other financial information	N/A
20.7 Dividend policy	132; 189; 208; 237; 240; 250-251
20.8 Legal and arbitration proceedings	142-144; 146; 194-195; 216-217
20.9 Significant change in the issuer's financial or trading position	N/A
21. Additional information	
21.1 Share capital	
21.1.1 Amount of issued capital	252
21.1.2 Shares not representing capital	252
21.1.3 Treasury shares	75-77
21.1.4 Convertible securities, exchangeable securities or securities with warrants	228
21.1.5 Information about and terms of any acquisition rights and/or obligations	73-74; 252
21.1.6 Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option	73-74; 67-71; 190-192; 252-255
21.1.7 History of share capital	253
21.2 Memorandum of association and bylaws	
21.2.1 Description of the issuer's objects and purposes	250
21.2.2 Summary of any provisions of the issuer's articles of association and statutes, with respect to the members of the administrative, management and supervisory bodies	43-56; 78-79
21.2.3 Description of the rights, preferences and restrictions attaching to each class of the existing shares	77-78
21.2.4 Description of what action is necessary to change the rights of holders of the shares	78
21.2.5 Description of the conditions governing the manner in which Annual General Meetings and Extraordinary General Meetings of Shareholders are called	77-78
21.2.6 Description of any provision that would have the effect of delaying, deferring or preventing a change in control	78
21.2.7 Indication of any provision governing the threshold above which shareholder ownership must be disclosed	78
21.2.8 Description of the conditions imposed by the memorandum and articles of association, statutes, charter or bylaws governing changes in the capital	78
22. Material contracts	**147-149**
23. Third-party information, statements by experts and declarations of interest	**N/A**
24. Documents on display	**258**
25. Information on holdings	**197-199; 223**

N/A: Not applicable

9.3.2 Management report

This Registration Document contains all elements of the management report as required by articles L. 225-100 *et seq.*, L. 232-1, II and R. 225-102 *et seq.* of the French Commercial Code.

Information	Page
Position and activity of the Company during the past financial year	130-137
Advances made or difficulties encountered	130-137
Results	130-137
Research and Development activities	139
Forecast developments in the Company's position and outlook	136
Landmark events that occurred between the balance sheet date and the writing of this document	195
Objective and exhaustive review of the development of the business, financial position and financial results of the Company (particularly its financial debt) and non-financial performance indicators (particularly concerning the environment and personnel)	85-124; 130-137
Description of the main risks and uncertainties faced by the Company, and notes concerning the Company's use of financial instruments, when the use of such instruments is pertinent to the evaluation of its assets, liabilities, financial position and gains or losses	80-82 ; 138-146 ; 185-186
Report on employee profit-sharing plans (as well as those for Directors), transactions that took place as part of stock options plans reserved for salaried employees and Directors, transactions that took place as part of bonus share plans reserved for salaried employees and Directors	57; 63-67; 72; 190-192
Activity of the Company's affiliate`s	10-11; 14-17; 78-79
Significant shareholdings in companies based in France	N/A
Disposal of shares in order to ensure that cross-holdings are compliant with the rules	N/A
Information related to the allocation of share capital	75-77; 252-256
Dividends distributed during the last three years	227
Changes made to the format of the financial statements	N/A
Injunctions or financial penalties for antitrust practices	N/A
Information relating to the Company's approach to managing the environmental and social impact of its activities	84-124; 140-142
Information relating to interest and exchange rate risks, as well as risks linked to changes in Stock Market prices	185-186
Information required by article L. 225-211 of the French Commercial Code in cases of transactions carried out by the Company on its treasury shares	75-77
Transactions relating to shares held by Managers	72
Statement of Company results for the last five years	226
Expenses and charges referred to in Article 223 *quater* of the CGI (French Tax Code)	225
The breakdown of supplier payables set out in articles L. 441-6-1 and D. 441-4 of the French Commercial Code	225
The information on the supplier payment deadlines set out in article L. 441-6-1 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	225-226
Inventory of marketable securities	228
Internal control and risk management	80-82

9.3.3 Corporate governance report

This Registration Document contains contains all elements of the corporate governance report as required by articles L. 225-37 *et seq*. of the French Commercial Code.

Corporate governance report	Pages
Body chosen to serve as the Company's General Management (if the Management structure has changed)	43-56; 78-79
List of offices or positions held by each of the Executive Directors in all companies	35-42
Compensation and benefits of any kind for each of the Executive Directors	56-72
Statement and report on the delegations for a share capital increase	73-74
Information required by article L. 225-37-5 of the French Commercial Code that may have an impact on a public offer	44; 73-77; 78
Shareholders' Meeting and how to take part	77-78
Rights attached to shares	77-78

9.3.4 Management report – environmental, social and societal information

Articles L. 225-102-1, R. 225-104 and R. 225-105-1 of the French Commercial Code (*Code de commerce*) amended by decree no. 2012-557 of 24 April 2012 – article 1.

Social information	Page
Employment	
Total workforce (breakdown of employees by gender and geographical region)	88-89
New hires (fixed-term and permanent contracts, recruitment difficulties)	89
Redundancies (reasons, retraining, rehiring and support)	89
Compensation (change, social charges, profit-sharing, incentives and employee savings schemes)	91; 165
Work organisation	
Working time organisation (working hours for full-time and part-time employees, additional hours, external manpower)	92
Absenteeism (reasons)	92
Labour relations	
Organisation of social dialogue (rules and procedures for informing, consulting and negotiating with personnel)	93
Outcome of collective agreements	93
Health and safety	
Health and safety conditions	92
Agreements signed with trade union organisations or employee representatives regarding occupational health and safety	92-93
Frequency and severity rates of workplace accidents and occupational illnesses	92
Training	
Total number of training hours	90
Specific employee training programmes	90
Diversity and equal opportunities (policy implemented and measures taken)	
Gender equality	88-90
Employment and integration of disabled people	101-102
Combating discrimination and promoting diversity	90
Prevention and compliance with the provisions of the ILO's fundamental conventions	**85-123**

Environmental information	Page
General policy on environmental matters	
Organisation of the Company and assessment or certification	103-105
Training and information for employees on environmental protection	18-19; 103-105
Means devoted to the prevention of environmental risks and pollution	116; 140-142
Amount of provisions and guarantees for environment-related risks	106
Pollution and waste management	
Prevention, reduction or compensation of emissions into the air, water and ground which seriously affect the environment	103-116; 140-141
Waste prevention, recycling and waste reduction measures	113-115
Recognition of noise pollution and of any other pollution related to a specific activity	105-106
Sustainable usage of resources	
Water consumption and water procurement on the basis of local constraints	108-110
Consumption of raw materials and measures undertaken to improve efficiency of usage	106-113
Energy consumption, measures undertaken to improve energy efficiency and use of renewable energies	111-113
Land use	106-108
Measures taken to adapt to and combat global warming	
Greenhouse gas emissions	110-112
Assessing the impact of global warming	110-113; 140-142
Biodiversity protection	
Measures taken to limit damage to the biological balance, natural habitats and protected species of flora and fauna	108-110

Societal information	Pages
Territorial, economic and social impact of the Company's activity	
In terms of employment and regional development	97-98
On local and neighbouring communities	97-98
Relations with stakeholders	
Dialogue with stakeholders	86-87
Philanthropic or sponsorship activities	97-98
Subcontracting and suppliers	
Incorporating of social and environmental concerns in the purchasing policy	117-118
Importance of subcontracting	97-98
Social and environmental responsibility in relationships with suppliers and sub-contractors	97-98; 107; 113
Fair operating practices	
Action undertaken to prevent any kind of corruption	99-101
Measures implemented to promote consumer health and safety	94-95; 141
Human Rights initiatives	**101-102**

9.3.5 Annual financial report

This Registration Document includes all elements of the financial report as set forth in articles L. 451-1-2 of the French Monetary and Financial Code and 222-3 of the AMF General Regulation.

Information	Pages
Group consolidated financial statements	151-199
Statutory Auditors' report on the consolidated financial statements	200-203
Company annual financial statements	205-224
Statutory Auditors' report on the annual financial statements	229-231
Management report	80-149; 225-228
Declaration by the person responsible for the annual financial report	258
Statutory Auditors' fees	196

9.3.6 Management reports, Parent Company financial statements, Group consolidated financial statements and Statutory Auditors' reports for financial years ended 30 June 2017 and 30 June 2016

The following information is included in this Registration Document for reference purposes:

- the Group's management report, the Parent Company and Group consolidated 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 2017, as set out on pages 49–212 of the 2016-2017 Registration Document filed on 27 September 2017 under no. D.17-0937;
- the Group's management report, the Parent Company and Group consolidated 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 of the 2015-2016 Registration Document filed on 28 September 2016 under no. D.16-0867.

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.

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Pernod Ricard

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