Pernod Ricard

Créateurs de convivialité

# 2016/17 FULL-YEAR
## SALES AND RESULTS

31 August 2017

# Contents



All growth data specified in this presentation refers to organic growth, unless otherwise stated.
Data may be subject to rounding.

This presentation can be downloaded from our website: www.pernod-ricard.com
Audit procedures have been carried out on the full-year financial statements. The Statutory Auditors' report will be issued following their review of the management report.

# Executive summary

Pernod Ricard

+3.6%

Sales

+3.3%

PRO

+13%[1]

Net profit

# Strong year with business accelerating, on track to deliver mid-term roadmap

**Top line organic growth accelerating: +3.6%**

- Getting closer to mid-term objective of +4% to +5%

**Profit from Recurring Operations (PRO): solid organic growth, +3.3%, in line with annual guidance**

- In higher part of +2% to +4% bracket despite unexpected regulatory changes in India

**Reported operating margin up +35bps thanks to FX. Near stable organically.**

**Net Profit[1]: +13%**

*1 Reported Group share*

Pernod Ricard

# +22%

## Free Cash Flow

# -0.4

## Net Debt/EBITDA ratio decrease



# Very significant improvement in cash flow and deleveraging

**Excellent and improving cash conversion: 92% cash[1]/PRO (99% Recurring FCF/Recurring Net Profit[2])**

**Very strong Free Cash Flow: +22%, reaching historic high**

**Significant deleveraging: Net Debt/EBITDA ratio at 3.0, -0.4 down vs. FY16**

**Net Debt down -€0.9bn to €7.9bn**

*1 Recurring Operating cash flow*
*2 Group share*

Pernod Ricard

+13%[1]

Net profit[2]

€1,299m

Free Cash Flow

# Key figures

| | FY17 | FY17 vs. FY16 |
|---|---|---|
| Sales | **€ 9,010m** | **+3.6%** reported growth: +4% |
| *Mature markets* | € 5,599m | +3% |
| *Emerging markets* | € 3,410m | +5% |
| PRO | **€ 2,394m** | **+3.3%** reported growth: +5% |
| PRO / Sales | **26.6%** | -6bps reported: +35bps |
| Net Profit from Recurring Operations[2] | **€ 1,483m** | reported growth **+7%** |
| Net Profit[2] | **€ 1,393m** | reported growth **+13%** |
| Free Cash Flow | **€ 1,299m** | reported growth **+22%** |

1 Reported
2 Group share

Pernod Ricard

+3.6%

Organic Sales

+4%

Reported Sales

# Sales acceleration driven by Strategic International Brands

## Strategic International Brands: +4% vs. stable in FY16

- 11 out of 13 brands in growth
- 9 out of 13 brands improving their performance, with in particular a return to growth for **Martell +6%** and **Absolut +2%**

## Improvement driven by USA, China (back to growth), Eastern Europe and Global Travel Retail

- **Americas: acceleration of growth +7%**
- **Asia-Rest of World: +1%**
- **Europe: +3%**

## Innovation driving 1/3 of growth

## Continuation of active portfolio management

- Acquisition of majority stake in promising premium brands: Smooth Ambler, Del Maguey and Ungava
- Disposal of non-core assets (Frïs, Domecq, Glenallachie distillery)

# Approximately ¼ of the savings of the FY16-20 operational excellence roadmap[1] were delivered during FY17

| Roadmap pillar | Project progress | Key initiatives |
| --- | --- | --- |
| **A&P effectiveness** | ◑ | Shift to programmatic **Media**<br>Internalisation of **content production**<br>**POS/VAP** procurement optimisation |
| **Supply chain** | ◑ | **Freight & warehousing** negotiation<br>**S&OP process redesign** for better forecast accuracy<br>**Finished goods stock** optimisation |
| **Direct & indirect procurement** | ◑ | **Value Engineering**<br>**Direct and indirect procurement** (industrial equipment, T&E, IT, General Expenses…) |
| **Manufacturing** | ◑ | **Manufacturing** optimisation (including footprint) |

**SAVINGS DELIVERED IN FY17**

**c. €60m P&L savings, of which around half reinvested**

**+**

**c. €50m Working Capital savings**

**New initiatives to be rolled out from FY18 onwards: Promotional effectiveness…**

1. *Targeting total **gross P&L savings of €200m** over FY16-20, of which around **half will be reinvested in A&P***

\+ *Total **cash savings of €200m** over the period FY16-20, mainly related to supply chain improvements*

# Sales analysis

Pernod Ricard

# +3.6%

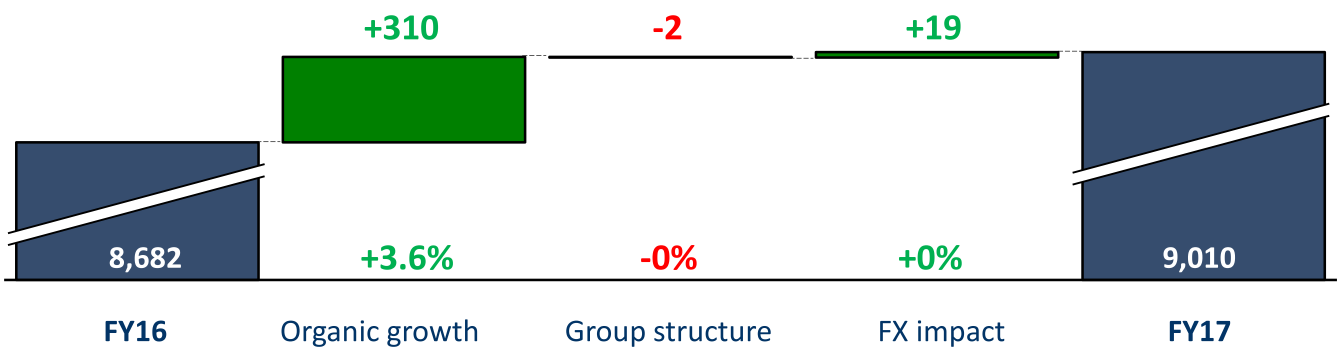
## Organic FY Sales

# +4%

## Reported FY Sales

# Sales growth vs. FY16

## Full year (€m)




**Acceleration driven by Strategic International Brands**

**Modestly Positive** with favourable USD and RUB impacts offset by negative GBP and CNY

## Q4

- **Sales +3%,** broadly consistent with 9-month underlying trends

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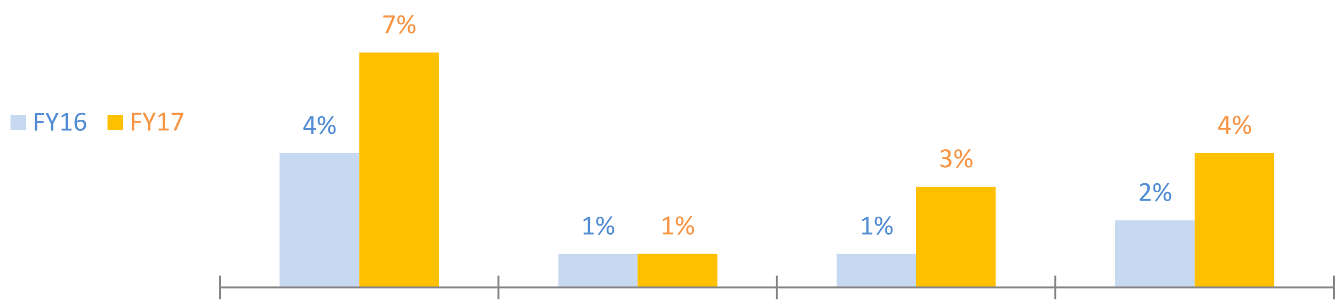
# +3.6%

## Sales

# All Regions growing and improving their Sales growth

## Organic Sales growth by Region

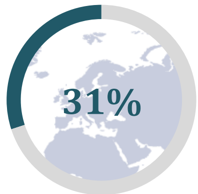
| Americas | Asia-RoW | Europe | World |
|---|---|---|---|




| Americas | Asia-RoW | Europe | World |
|---|---|---|---|
| Acceleration driven by good performance in USA and across South America | Return to growth of China and Travel Retail Asia but temporary disruption in India and continued difficulties in Korea | Strong performance across the Region, with solid growth in Western Europe and very dynamic Eastern Europe | **Significant growth acceleration** |

**%**
of Sales






# Americas

## Growth acceleration: +7%

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+5%

Sales in USA

# Americas

# USA: continued good performance

## Market: Growth still solid but slowing vs. FY16

- Annual Nielsen **value now at +3.1%**[1] vs. +5.9%[2] in FY16
- **Premiumisation** remains, driven by mix

## Pernod Ricard USA

- **Continued strong performance: +5%,** partly enhanced by destocking in FY16
- Value growth mainly driven by mix and operational excellence initiatives
- Annual Nielsen **value +1.9%**[1] and Nabca **value +3.3%**[3]

## Consistent brand portfolio strategy

| Nielsen[1] / NABCA[3] *Annual Value* | **Jameson** | **Absolut** | **Malibu** | **The Glenlivet** | **Martell** | **Altos** |
|---|---|---|---|---|---|---|
| | +15% / +17% | -5% / -3% | +3% / +6% | +2% / +0% | +25% / -1% | +19% / +53% |

- **Jameson:** continued very strong double-digit growth, 3m cases threshold crossed
- **Absolut:**
  - **Still down** in a worsening category
  - **Lime:** successful and promising launch
- **Malibu:** good growth, outperforming its category
- **The Glenlivet:** transition year with introduction of Founder's Reserve
- **Martell:** very strong growth fuelled by increased investment
- **Altos**: continued significant growth
- **M&A:** acquisition of majority stakes in Smooth Ambler and Del Maguey

*1. Nielsen XAOC + liquor Plus 12 months to July 15, 2017; 2. Nielsen XAOC + liquor Plus 12 months to July 16, 2016*
*3. NABCA 12 months to June 2017*

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# +11%

## Sales in Americas excl. USA

# Americas
# Other markets

### Travel Retail Americas

- **Return to growth** driven by Martell, increasing distribution and visibility across region

### Canada: +6%

- **Dynamic growth** driven in particular by Jameson, Wiser's, Absolut and Wines
- Acquisition of **Ungava gin**

### Mexico: +3%

- **Return to growth** driven by Strategic International Brands, in particular Chivas
- **Strategic refocus on international brands** pursuant to the disposal of local brands (Domecq wines and brandies)

### Brazil: -2%

- **Market conditions still adverse**
- **Price increase** on international brands

### Cuba

- **Strong double-digit growth** driven by tourism

### Argentina

- **Continuation of strong growth**, partly favoured by inflation

# Asia-Rest of World

*Modest growth: +1%*

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+1%

Sales in Asia-RoW

# Asia-Rest of World
# Modest Growth

## China: +2% vs. -9% in FY16

- **Rebound of China**, returning to growth for first time since FY13
- **Martell: +6%** with growth across whole range, including a return to growth for Cordon Bleu, driving positive mix for the brand
- **Martell cognac value market share maintained** at 42%[1]
- **Chivas still struggling** but new commercial and marketing strategy being implemented to improve performance in FY18
- **Premium brands continuing to develop**, in particular Absolut and The Glenlivet

## India: +1%

- **Temporary growth deceleration** due to regulatory changes
  - **Demonetisation** impact on Q2 and Q3
  - **Highway ban** dampening effect on Q4 – to continue, to a lesser extent, in H1 FY18
  - **Goods & Services Tax** (GST) in place as of July 1st, 2017, causing margin pressure in FY18, to be offset by price increases
- **Pernod Ricard confirming market leadership**, with over 45% value market share[2]
- **FY18 expected to improve** vs. FY17 starting in Q2

1. *IWSR 2016*
2. *IWSR 2016 Premium Western Style Spirits (>5 €)*

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# +1%

## Sales in Asia-RoW

# Asia-Rest of World

# Modest Growth

### Travel Retail Asia

- **Return to positive trend** after decline in FY16
- Commercial environment remains challenging

### Japan

- **Continued strong growth**
- Double-digit performance of Strategic International Brands, in particular thanks to **Perrier-Jouët**
- **Good pricing**

### Korea: -14%

- **Continued strong decline** in a very difficult market
- New portfolio approach (including Imperial 35 launch) and commercial organisation in place to deliver better performance in FY18

### Africa and Middle East: +1%

- **Growth deceleration** due to macroeconomic and geopolitical context (for example, Sales capped in Angola)
- **Strategic International Brands continuing to develop: +4%**, with particular strong performance from Jameson, Absolut and Chivas

### Australia

- **Growth across whole portfolio,** with particular strong performance from Wines, Absolut, Jameson and Chivas
- Price increases on Strategic International Brands but pressure on Wine category driving **overall price dampening**

# Europe

*Strong growth: +3%*

# Europe

## Western Europe: solid growth

**+2%**

**Sales in Western Europe**

### France

- **+1%** when adjusting for advance shipments at end of FY15[1]
- Market remaining subdued, with a tough pricing environment
- **Maintaining market leading position** with 30% value market share[2]

### Spain: +5%

- **Maintained leadership** at 24% of market[2]
- **Strong performance** driven by gin portfolio, in particular Seagram's Gin

### UK: +7%

- **Dynamic growth across portfolio** with particular strong performance from Jameson, Absolut, Chivas, Perrier-Jouët and Wines
- Targeted price increases, in particular on the international Spirits brands, but continuing pressure on the wine portfolio
- **Continued market share gains**[2]

### Germany

- **Return to good growth**, driven by success in the aperitif segment with Lillet, as well as strong performances from Absolut, Ballantine's and Malibu
- Modestly positive overall pricing impact
- Very successful integration of Monkey 47

### Travel Retail Europe

- **Decline** in a context that remains difficult

*1 Shipments brought forward from July to June 2015 ahead of back-office mutualisation between Ricard and Pernod on 1 July 2015*
*2 Nielsen latest 12 month value available in August 2017*

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**+11%**

**Sales in Eastern Europe**

## Europe

# Eastern Europe: very dynamic

### Russia: +16%

- **Very good performance** in a still difficult but improving market
- **Market share gains**[1]
- **Strong growth driven by Strategic International Brands,** in particular, Ballantine's, Jameson, Absolut, Chivas Regal as well as the Strategic Local Brand Ararat
- **Strong positive pricing**

### Poland

- Pernod Ricard **gaining market share**[1] in a **challenging environment**, in particular in terms of pricing
- **Growth driven by whisky portfolio** (Ballantine's, Jameson and Chivas), Absolut and Wines

*1 Nielsen latest 12 month value available in August 2017*

# Sales analysis

by brand

# Acceleration driven by Strategic International Brands

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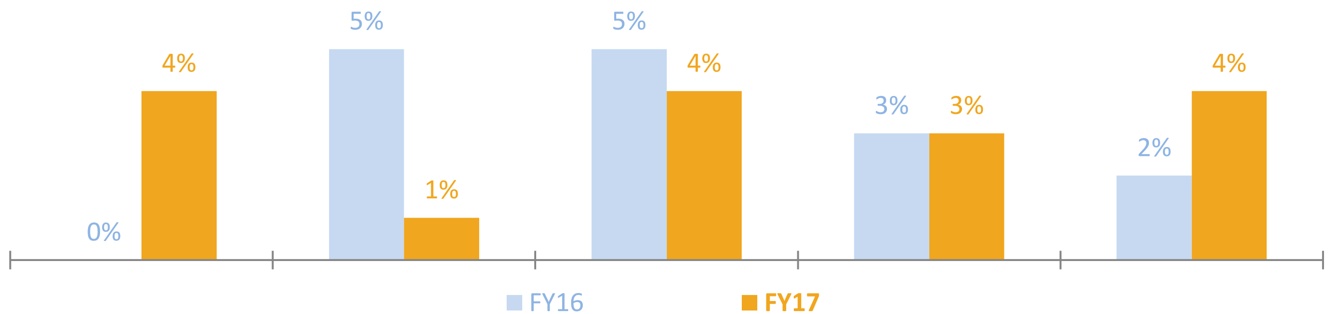
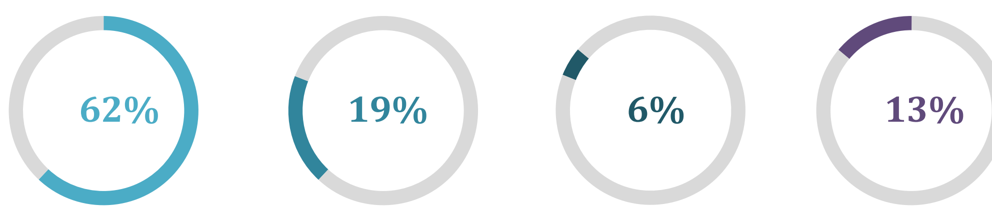
**+3.6%**

**Sales**

| Strategic International Brands | Strategic Local Brands | Strategic Wines | Others | Total |
|---|---|---|---|---|
| Return to healthy growth driven by continued strong performance from Jameson and return to growth of Martell and Absolut | Slowdown due to Indian whiskies (temporary negative impact of demonetisation and highway ban) | Continuation of good growth | Growth driven by innovation | Growth acceleration |




**% of Sales**

**Innovation:** delivering +1% incremental Group top line growth

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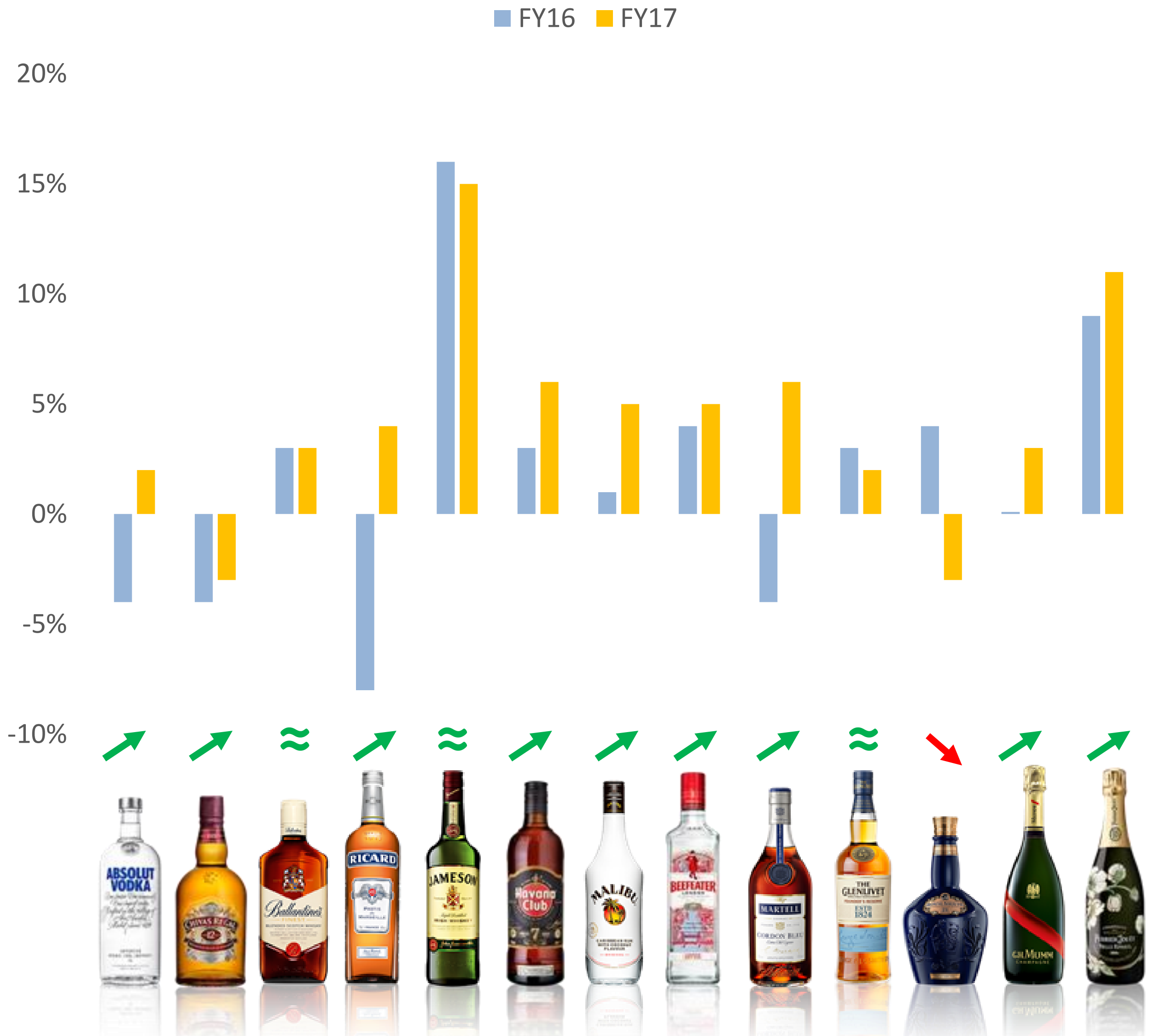
# Acceleration of Strategic International Brands

**+4%**

**Strategic International Brands Sales**



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# +4%

## Strategic International Brands Sales

# Strategic International Brands

## Jameson: +15%, continued very strong performance

- **USA:** +18%, with Jameson Caskmates up +80%
- **Europe:** strong performance, with double-digit growth in both **Russia** and **UK**
- **Africa Middle East**: continued strong development

## Martell: +6%, return to healthy growth

- **China:** +6%, turnaround in performance with growth across range, maintaining value market share[1] at 42%
- **Good growth outside China** fuelled by fast development in USA and Travel Retail

## Absolut: +2%, return to growth

- **USA**: **Absolut shipments decline slowing** (-2% vs. -7% in FY16), boosted by sell-in of Absolut Lime but vodka category remains extremely competitive
- **Outside USA (2/3 of brand volumes): +6%** driven by **Latin America and Europe**, in particular UK, France, Russia and Germany


*1. IWSR 2016*

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**+4%**

**Strategic International Brands**

**Sales**

# Strategic International Brands

## Scotch whiskies: stable

- **Chivas: -3%,** due to China being in double-digit decline. Strong performance in Europe (+4%) and growth in 52 markets.
- **The Glenlivet: +2%,** transitional year following the launch of Founder's Reserve
- **Ballantine's: +3%,** driven by good growth in both the Americas and Europe, with Russia +38% in particular
- **Royal Salute: -3%,** with difficulties in Asia

## Other brands: good overall growth

- **Ricard: +4%,** with market share gain and performance enhanced by favourable technical impact[1]
- **Beefeater: +5%,** good growth across all regions
- **Havana Club: +6%**, with growth acceleration driven by Cuba (increased tourism) and France
- **Malibu: +5%,** driven by USA outperforming category[2] and enjoying continued strong performance following successful Summer activations
- **Mumm: +3%,** driven by France, Australia and New Zealand
- **Perrier-Jouët: +11%,** continued strong performance in Japan and across Western Europe


1. *Shipments brought forward from July to June 2015 ahead of back-office mutualisation between Ricard and Pernod on 1 July 2015*
2. *Nielsen XAOC + liquor plus, 12month value to 15 July 2017*

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**+1%**

**Strategic Local Brands**

**Sales**

# Strategic Local Brands

**Slowdown in Seagram's Indian Whiskies' growth (+3% vs. +13% FY16) following demonetisation and highway ban**

- However Gulf and Africa in very fast growth

**Good growth for Seagram's Gin (Spain), Olmeca Altos (USA), and Ararat (Russia)**

**Decline for Imperial (Korea) and Passport (Angola)**

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+4%

Strategic Wines Sales

# Strategic Wines

## Good performance for second year (FY16: +5%)

- Leveraging growing consumer interest in wine both in emerging and mature markets, in particular with Millennials

## Portfolio driven by Campo Viejo (+8%)

## Negative pricing impacted by tough market conditions

- UK, Australia and New Zealand

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1/3

of overall Group Sales growth

# Innovation delivering +1% incremental Group top line growth

**Significant momentum behind Big Bets such as Jameson Caskmates, Chivas Extra, Olmeca Altos and Absolut Elyx**

**Very successful integration of Monkey 47**

**Premiumising impact of innovation on overall portfolio**

- Sales per case significantly above Group average

# Marketing & Innovation Initiatives

# CONSUMER CENTRIC


## ABSOLUT

**“One Night” new film**

Absolut launches a powerful new film “One Night” as the hero asset of the new campaign “Create a better tomorrow, tonight”.
"One Night” was created by an internationally-acclaimed cinematographer and three-consecutive-time Academy Award winner Emmanuel Lubezki. It tells the story of creativity as key fuel for human progress and celebrates humanity’s biggest moments of creativity, starting with the Big Bang and moving through to the modern day. Absolut has long believed in the power of creativity to instigate progress, and the campaign aims to re-establish Absolut's iconic status through collaborations with creatives who share the brands values and beliefs.

## CHIVAS

**Digital videos - Javier Bardem, Chivas global ambassador, was invited to Strathisla, the home of Chivas Regal**

In a series of videos broadcasted in digital channels, part of the “Win the Right Way” campaign, the Oscar-winning actor shares the Chivas product story and highlights the people behind the brand.

## JAMESON

**“Jameson First Shot” 2017 activation features Dominic West**

For the sixth year of Jameson First Shot, three undiscovered filmmakers are provided with the opportunity to direct award-winning British actor and director Dominic West in a short film that they will write and direct.

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# PORTFOLIO


## DEL MAGUEY MEZCAL

**Acquisition**

Pernod Ricard has signed an agreement to take a majority stake in Del Maguey Single Village Mezcal, the leading producer of artisanal, hand-crafted mezcals and number one mezcal brand in the US.

Del Maguey Single Village Mezcal, founded in 1995 by artist and entrepreneur Ron Cooper, features a range of hand-crafted super-premium mezcals from the Oaxaca region of Mexico, created from a traditional process rooted in Zapotec culture.

# SUSTAINABILITY AND RESPONSIBILITY

Pernod Ricard


Since 2014, Pernod Ricard is recognized to be **the leader in CSR for the alcohol industry by Vigeo Eiris.**

**This leadership was confirmed in 2017 by OEKOM Corporate Rating providing** to Pernod Ricard **the Prime status in the Food & Beverages industry.**

Corporate Responsibility Prime rated by oekom research

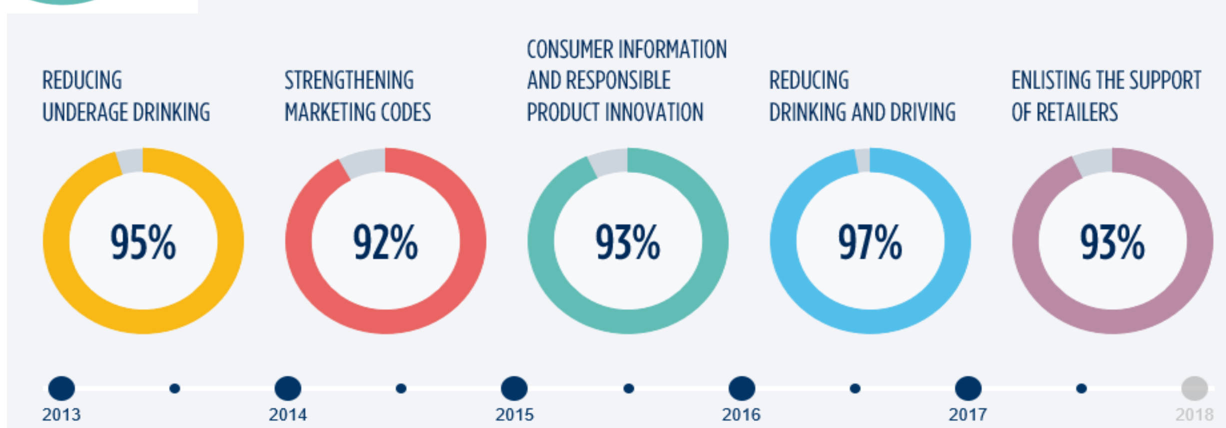
## EMPOWER EMPLOYEES

**Pernod Ricard University**
Opening in September 2017 to provide a Centre of Excellence and Best practice sharing for the Group


## PROMOTE RESPONSIBLE DRINKING

**Pernod Ricard's contribution to the Industry 5 Commitments to tackle the harmful use of alcohol reached a score of 94% in August 2017.**

With a final objective of 95% by 2018, Pernod Ricard engages strong actions to promote responsible drinking in countries where it operates.



# SUSTAINABILITY AND RESPONSIBILITY

**Pernod Ricard progress in implementing its 2020 Environmental roadmap between 2010 and 2020:**

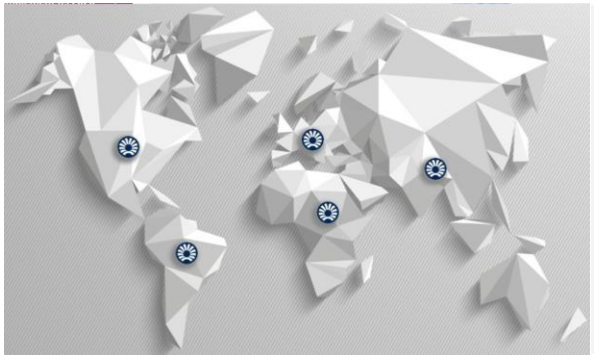
- **17% less water consumed** per unit,
- **26% less $CO_2$ emitted** per unit,
- **66% less waste landfilled** or incinerated per unit,
- **99% of production sites certified** ISO 14001,
- **82% of the Group's vineyards certified** according to environmental standards.

## PROTECT THE PLANET

**Paul Ricard Oceanographic Institute presented at the First United Nations Ocean Conference.**

For the first time, this historical meeting held from June 5 to June 9 gathered UN countries, representatives of the largest international institutions and organizations, and representatives of the civil society from 200 countries around a common cause.


## DEVELOP OUR COMMUNITIES & ENGAGE OUR PARTNERS



**100% of Pernod Ricard affiliates conducted at least 1 project** to develop their local communities and engage their partners in FY 2016/2017.

Since 2016, the event Responsib'ALL Day focuses on bringing *convivialité* into Pernod Ricard communities and, in 2017 only, **150,000+ hours have been dedicated to help 100+ communities**.

# ROUTE TO MARKET

## On Trade

### CHIVAS

**House of Brothers member's club – Turkey**

The House of Brothers is situated at the heart of Istanbul and set up as a private member's club with 400 handpicked advocates, influencers and potential new advocates. Specially designed for Brothers to connect, host their friends or business meetings while developing their passion, knowledge and advocacy on Chivas and Scotch Whisky.

## Travel Trade

### MARTELL

**Martell Cordon Bleu Extra physical and digital activation in Singapore Airport**

Martell won the pop up space in Terminal 1 and was the first to implement innovative digital touchpoints like JC Decaux Wechat shake panels and Ctrip WeChat groups. Martell Cordon Bleu Extra has been warmly welcomed by travelers, already famous for its smoothness and long finish.

# PREMIUMISATION AND LUXURY

## ROYAL SALUTE

**Royal Salute unveils exclusive 30 year old flask edition**

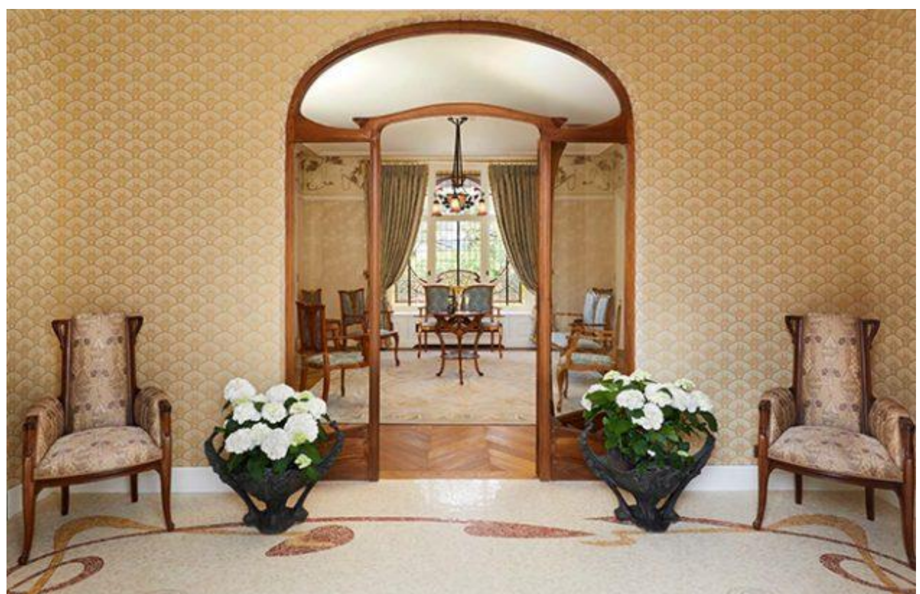
The limited edition package includes a 30-year-old Royal Salute expression plus a porcelain flask, funnel and wooden serving tray designed by award-winning designer Afroditi Krassa. It is available to purchase from select high-end retailers globally for around US$790 (£620).



## HAVANA CLUB

**The Havana Club Icónica Collection joins LeCercle luxury portfolio**

Havana Club Tributo, Unión, and Máximo have joined Pernod Ricard's luxury and prestige portfolio, LeCercle, representing the art and spirit of Cuban rum; a deserved distinction for these exceptional rums made with passion in a country where rum goes beyond the product.



## PERRIER-JOUËT

**Re-opening of Maison Belle Epoque after renovation**

The house has always been linked with the Art Nouveau movement, thanks to the founders, Pierre-Nicolas Perrier and Rose-Adélaïde Jouët, who both loved art and nature.
Maison Belle Epoque also leads to the Perrier-Jouët cellars, one of which is specifically for some of the oldest vintages.

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# INNOVATION

## METHOD AND MADNESS

**Irish Distillers introduces "Method and Madness" new brand**

Method and Madness is designed to reflect a next generation Irish spirit brand with a measure of curiosity and intrigue (MADNESS), while honoring the tradition and expertise grounded in the generations of expertise at the Midleton Distillery (METHOD).


## AVION

**Tequila Avion creates Floyd Mayweather edition**

Pernod Ricard has launched a US$1,500 bottle of Avion Tequila to mark the 50th professional fight of boxer Floyd Mayweather.
Each bottle features an etched likeness of Mayweather and has been hand-signed by the boxer. The decanter itself is made from fire-polished crystal and comes encased in a gift box with a certificate of authenticity.


## L'ORBE

**BIG unveils L'Orbe recipe**

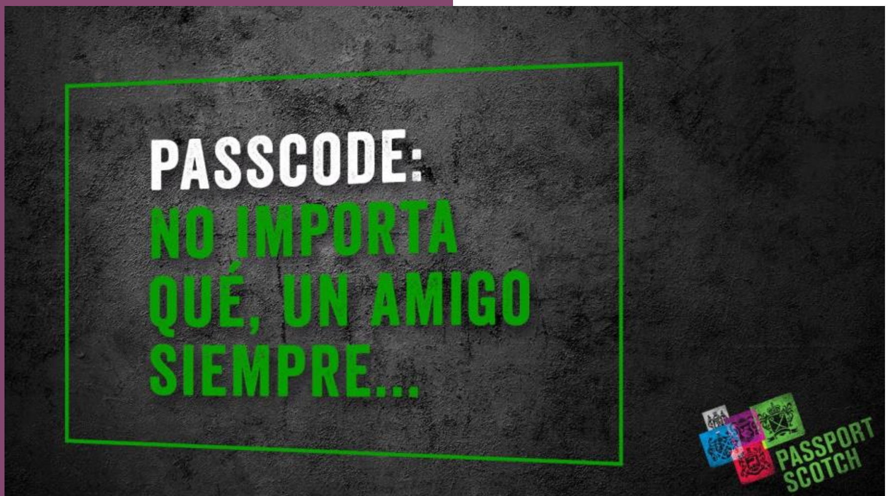
Each L'Orbe recipe has been developed in collaboration with Michelin-starred chefs and visionary mixologists, and offers the unique fusion of a delicate food ingredient and a fine spirit. The first recipe brings caviar from Gironde and Swedish vodka together in one bottle.


## CLAN CAMPBELL

**Clan Campbell Dark - New product**

Clan Campbell Dark is a blend using a higher proportion of whiskies matured in carefully selected first-fill cask, with part of them finished in Caribbean rum casks. These casks provide body and sweet spiced notes in the ageing process, as well as an amber color which reveals its character.

# DIGITAL




## PASSPORT SCOTCH

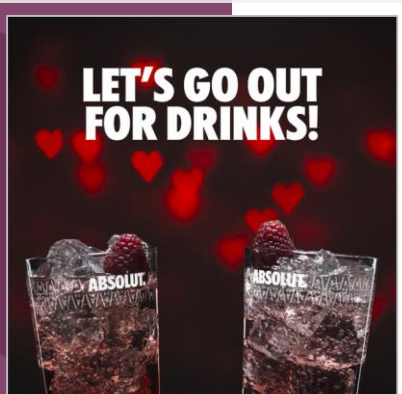
**Mexico – Digital campaign**

Passport rolled out a digital campaign to connect with its consumers through fun, simple, relatable, short and shareable videos named "Passcodes", that depicted funny situations that young millennials experience while growing up.

## ABSOLUT

**Absolut wins Shorty Awards prize for Best use of animated GIFs**

The GIPHY platform allows consumers to communicate with GIFs over a number of services such as Tinder, Gmail, Slack, Apple Messages





## CHINA

**Ask Jerry – New digital platform**

Ask Jerry is a "live-chat" based cocktail service platform that solves your anytime & anywhere needs related to cocktails and bars, not limited to a question that needs an answer, a product or a service that needs to be delivered to you! Jerry has gained many fans in both the bartender and consumer worlds.

# Profit from Recurring Operations

# PRO

## Summary income statement

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**+3.3%**

**PRO**

# Summary income statement

| (€ millions) | FY16 | FY17 | reported Δ | organic Δ |
|---|---|---|---|---|
| Sales | 8,682 | **9,010** | +4% | +3.6% |
| Gross margin after logistics costs (GM) | 5,371 | **5,602** | +4% | +4% |
| *GM / Sales* | *61.9%* | ***62.2%*** | | *stable* |
| Advertising & prom. expenditure (A&P) | (1,646) | **(1,691)** | +3% | +3% |
| *A&P / Sales* | *19.0%* | ***18.8%*** | | *-13bps* |
| Contribution after A&P expenditure (CAAP) | 3,725 | **3,912** | +5% | +4% |
| *CAAP / Sales* | *42.9%* | ***43.4%*** | | *+13bps* |
| Profit from Recurring Operations (PRO) | 2,277 | **2,394** | +5% | +3.3% |
| *PRO / Sales* | *26.2%* | ***26.6%*** | | *-6bps* |

**Reported margins up due to FX. Near stability of Gross margin and Operating margin organically.**

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**62.2%**

**Gross margin**

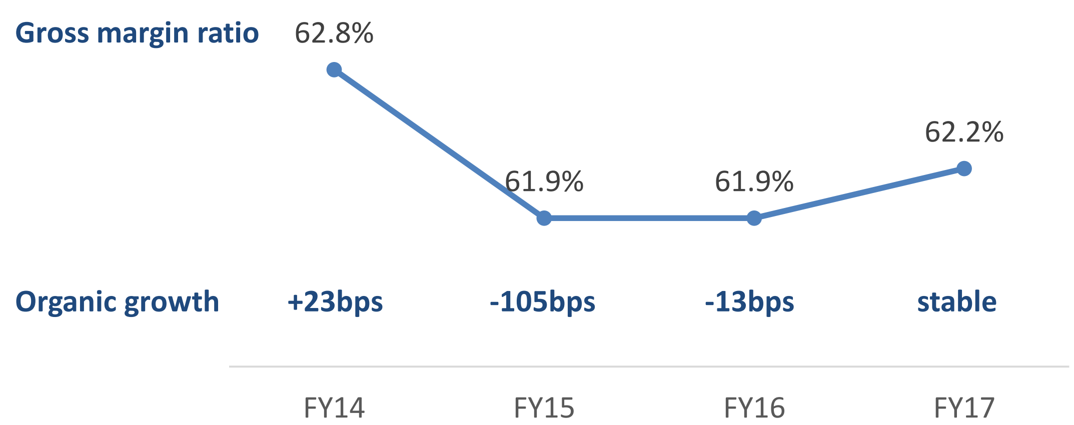
# Gross margin after logistics costs

| € millions | FY16 | FY17 | organic Δ |
|---|---|---|---|
| GM | 5,371 | **5,602** | +4% |
| *GM / Sales* | *61.9%* | ***62.2%*** | *stable* |

## Gross margin ratio up due to FX (stable organically)

- **Mix turning positive** due mainly to Jameson and Martell
- **Pricing** still muted
- **Tight management of Cost Of Goods Sold** thanks to operational efficiency initiatives. Some adverse one-offs: Grain Neutral Spirit and agave cost increases…

## Gross Margin pressure has progressively eased, in particular thanks to operational excellence initiatives



Pernod Ricard

18.8%

A&P ratio broadly stable

# Advertising & promotion expenditure

| € millions | FY16 | FY17 | organic Δ |
|---|---|---|---|
| A&P | (1,646) | **(1,691)** | +3% |
| *A&P / Sales* | *19.0%* | ***18.8%*** | *-13bps* |

## A&P +3%

- Increase in support for **key innovation projects**
- **Focus on key must-win markets, USA** in particular
- Operational excellence initiatives **driving stronger efficiency**

## Stabilisation of the A&P / Sales ratio at approximately 19%

Pernod Ricard

# 16.8%

**Structure cost ratio tightly managed**

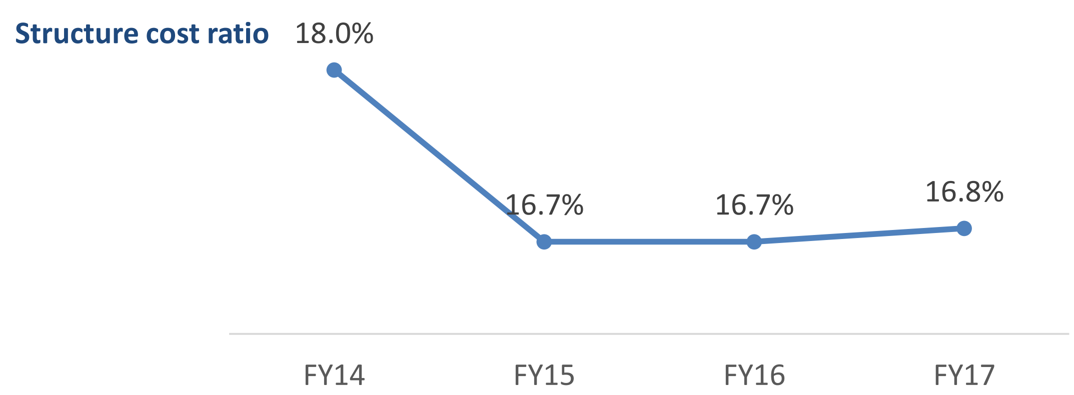
# Structure costs

| € millions | FY16 | FY17 | organic Δ |
|---|---|---|---|
| Structure costs[1] | (1,448) | (1,517) | +5% |
| *Structure / Sales* | *16.7%* | ***16.8%*** | |

## Structure costs excl. Other income and expense: +3%

- Strong discipline
- Operational excellence initiatives **driving stronger efficiency**

## Continued discipline following implementation of Allegro efficiency programme




*1 Structure costs = Selling expenses + General expenses + Other income and expenses from recurring operations*

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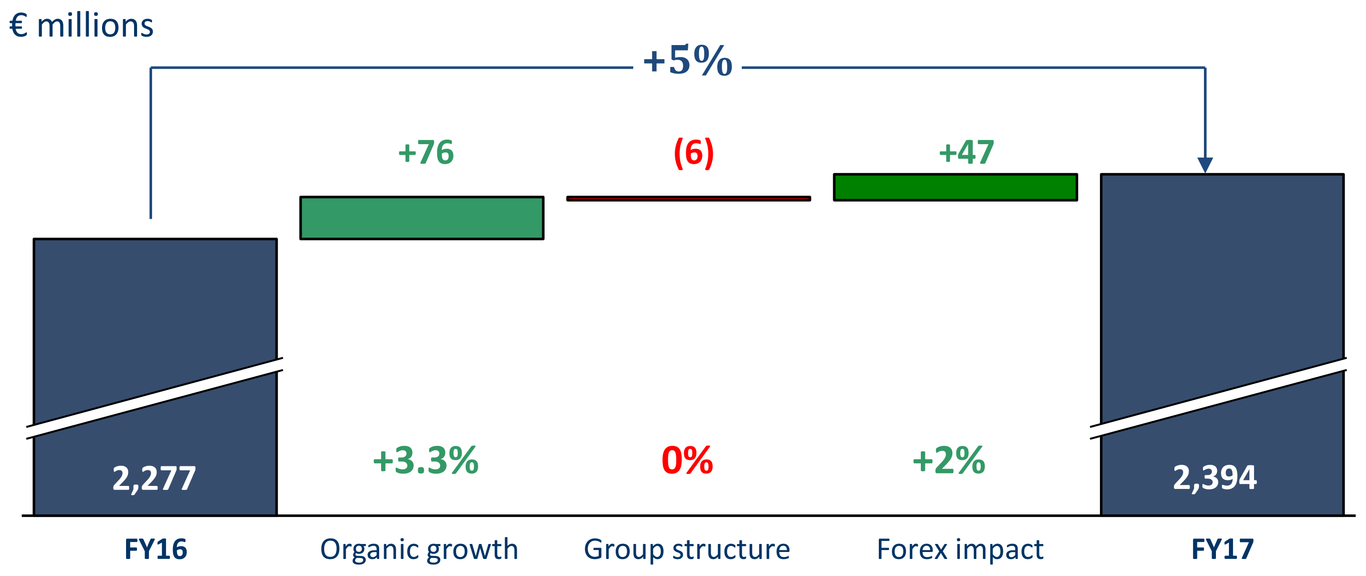
**+3.3%**

**Organic PRO**

**+5%**

**Reported PRO**

# Change in PRO




**PRO growth at higher end of annual guidance range of +2% to +4%**

Positive impact of USD, GBP and RUB offset by CNY

Pernod Ricard

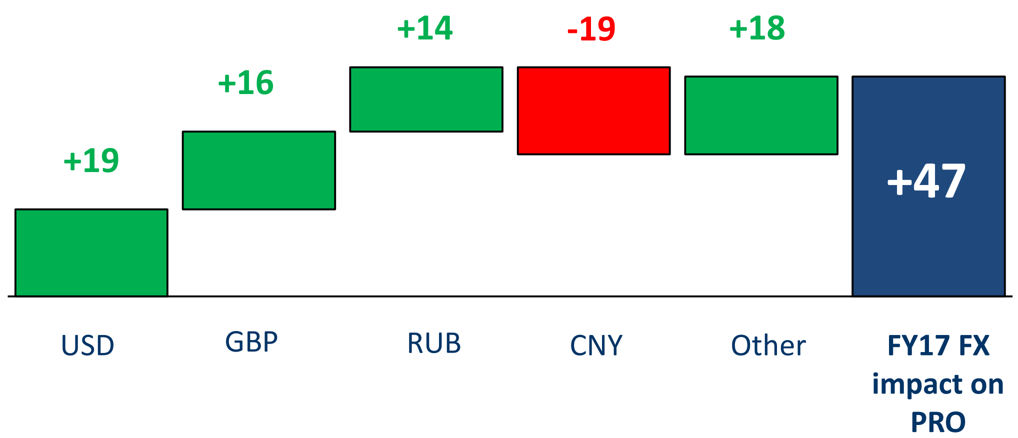
**€47m**

**Positive FX impact on PRO in FY17**

# Change in PRO – FX impact

**For full-year FY17, +€47m FX impact on PRO due to stronger USD and RUB together with a weaker GBP but offset by weaker CNY**

€ millions[1]




**Lower FX impact than Q3 communication estimate of +€80m mainly due to adverse USD and GBP evolution in Q4**

**FY18 FX expected to be c. -€125m mainly due to weakening USD[2]**

*1 Includes impact of strategic hedging on Forex*
*2 Based on average FX rates for full FY18 projected on 22 August 2017, particularly EUR/USD = 1.18*

# PRO

## Analysis by region

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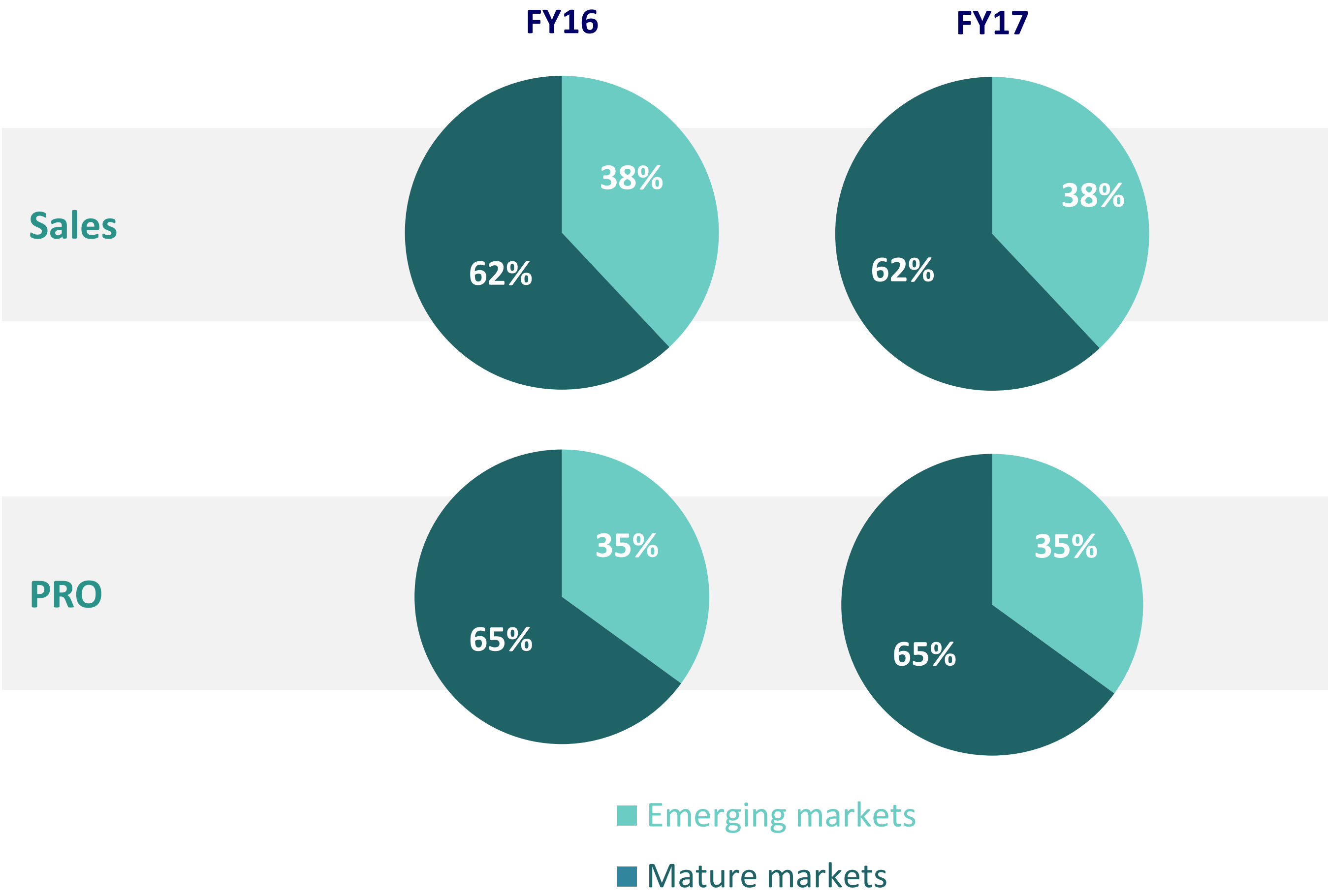
# Unchanged balance between emerging and mature markets vs. FY16

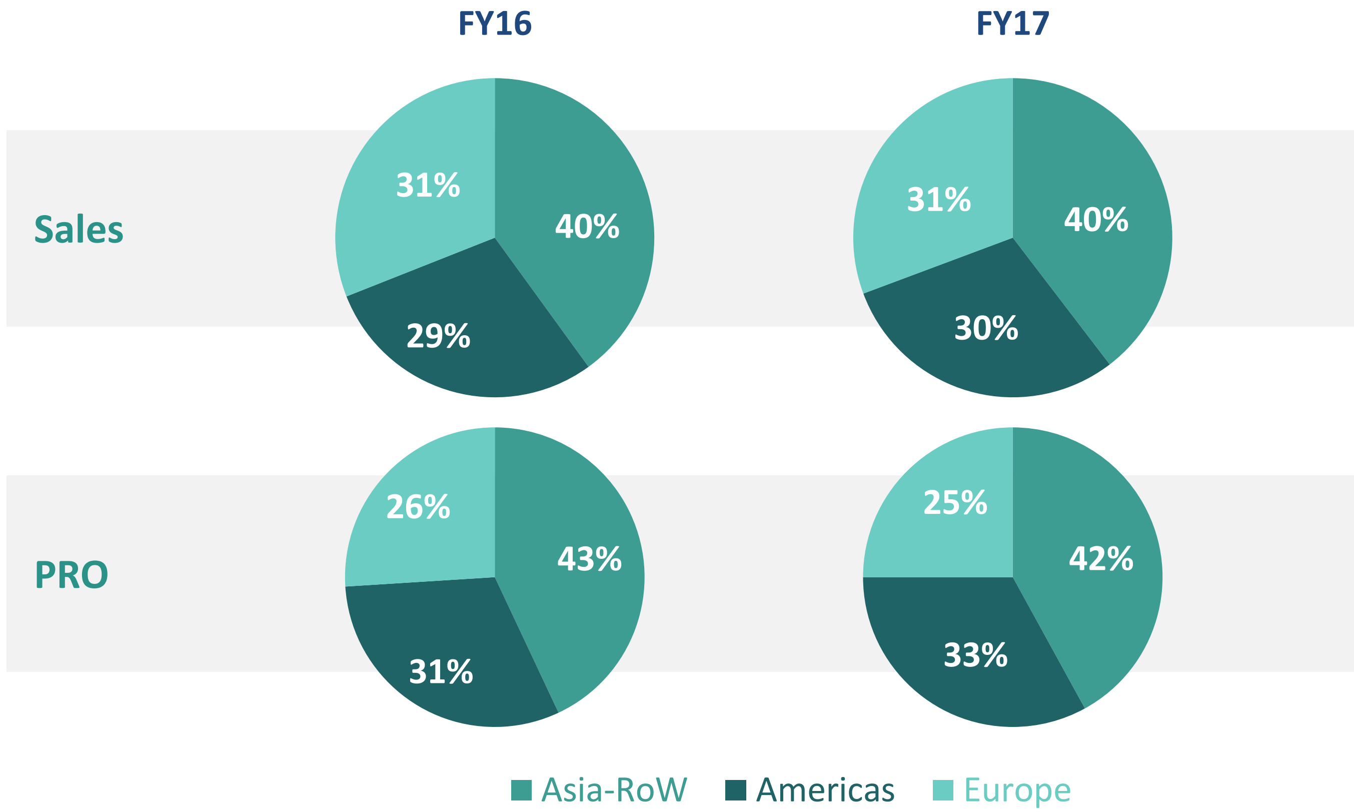
# Analysis by market type




**Both mature and Emerging markets contributing to overall growth**

Healthy geographical balance

# Analysis by region



Pernod Ricard

# +8%

## Americas
## PRO



# Americas
# Good performance further enhanced by FX

| € millions | FY16 | FY17 | reported Δ | organic Δ |
|---|---|---|---|---|
| Sales | 2,476 | **2,661** | +7% | +7% |
| GM | 1,639 | **1,790** | +9% | +7% |
| *GM / Sales* | *66.2%* | ***67.3%*** | | *+1bp* |
| A&P | (509) | **(551)** | +8% | +8% |
| *A&P / Sales* | *20.5%* | ***20.7%*** | | *+13bps* |
| CAAP | 1,130 | **1,239** | +10% | +7% |
| *CAAP / Sales* | *45.6%* | ***46.6%*** | | *-12bps* |
| PRO[1] | 706 | **790** | +12% | +8% |
| *PRO / Sales* | *28.5%* | ***29.7%*** | | *+23bps* |

- **Strong Sales growth across Region** despite a soft year in Brazil
- **Gross margin rate broadly stable** with slightly positive pricing and operational excellence initiatives in USA offset by adverse product and country mix and lower tequila margin
- **Increase of A&P** slightly ahead of Sales driven by the need to support strategic markets
- **Structure cost increase below that of Sales,** with additional investment in USA offset by savings (Americas regional HQ closing)
- **Reported PRO up double-digit** thanks to dynamic organic growth and favourable USD movement

*1 Headquarters, Regional headquarters and Brand company costs allocated in proportion to CAAP*

Pernod Ricard

# +1%

## Asia-RoW PRO

## Asia-Rest of World

# Return to profit growth driven by China in spite of temporary slowdown in India

| € millions | FY16 | FY17 | reported Δ | organic Δ |
|---|---|---|---|---|
| Sales[1] | 3,498 | **3,568** | +2% | +1% |
| GM | 2,071 | **2,102** | +2% | +1% |
| *GM / Sales* | *59.2%* | ***58.9%*** | | *-18bps* |
| A&P | (621) | **(618)** | -1% | stable |
| *A&P / Sales* | *17.8%* | ***17.3%*** | | *-32bps* |
| CAAP | 1,450 | **1,484** | +2% | +2% |
| *CAAP / Sales* | *41.5%* | ***41.6%*** | | *+14bps* |
| PRO[2] | 982 | **1,000** | +2% | +1% |
| *PRO / Sales* | *28.1%* | ***28.0%*** | | *-2bps* |

- **Sales growth +1%** with a return to growth in China and Travel Retail Asia but a temporary slowdown in India and continued difficulties in Korea
- **Gross margin pressure easing to -18bps:** improved margin on Martell and better geographic mix but adverse margin evolution in India
- **A&P stable,** with investment maintained behind key strategic priorities
- **Limited favourable FX impact** resulting from positive movements on certain Emerging market currencies and GBP offset by evolution of Chinese yuan

*1 Including customs duties*
*2 Headquarters, Regional headquarters and Brand company costs allocated in proportion to CAAP*

Pernod Ricard

+1%

Europe

PRO

# Europe

# Good performance in all key markets

| € millions | FY16 | FY17 | reported Δ | organic Δ |
|---|---|---|---|---|
| Sales | 2,709 | **2,781** | +3% | +3% |
| GM | 1,662 | **1,710** | +3% | +3% |
| *GM / Sales* | *61.3%* | ***61.5%*** | | *+2bps* |
| A&P | (516) | **(522)** | +1% | +2% |
| *A&P / Sales* | *19.1%* | ***18.8%*** | | *-21bps* |
| CAAP | 1,145 | **1,188** | +4% | +4% |
| *CAAP / Sales* | *42.3%* | ***42.7%*** | | *+23bps* |
| PRO[1] | 588 | **604** | +3% | +1% |
| *PRO / Sales* | *21.7%* | ***21.7%*** | | *-41bps* |

- **Sales growth at +3%,** driven by solid growth in Western Europe and an acceleration in Russia
- **Gross margin ratio** broadly stable as a result of pressure in Poland and France but positive price/mix in Sweden, Russia and Spain
- **Tight management of resources** (A&P and Structure costs), in line with Group strategy
- **Favourable FX** thanks mainly to Russian Ruble

*1 Headquarters, Regional headquarters and Brand company costs allocated in proportion to CAAP*

# Net profit

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## Continued reduction in financial expense

# Financial income (expense) from recurring operations

| € millions | FY16 | FY17 | reported Δ |
|---|---|---|---|
| Financial income (expense) from recurring operations | (422) | (376) | +46 |
| *Cost of debt* | *4.1%* | ***3.8%*** | |

- **Significant reduction in Financial expense from recurring operations: +€46m due mainly to**
  - Reduction in cost of debt from 4.1% to 3.8% thanks to cost of bond decrease: +€26m
  - Improved cash flow and other: +€24m
  - Negative FX: -€4m
- Expect cost of debt to be stable at c. 3.8% in FY18

Pernod Ricard

# Corporate income tax on recurring items

| € millions | FY16 | FY17 |
|---|---|---|
| Corporate income tax on recurring items | (455) | (509) |
| *Tax rate* | *24.5%* | *25.2%* |

- Tax rate on recurring items close to 25%, slightly above FY16
- For FY18, expected rate of c. 26%, subject to possible evolution of tax regulation, in particular in the USA and France

Pernod Ricard

**+7%**

**EPS growth vs. FY16**

# Group share of Net Profit from Recurring Operations and EPS

| € millions | FY16 | FY17 | Reported Δ |
|---|---|---|---|
| Profit from Recurring Operations | 2,277 | 2,394 | +5% |
| Financial income (expense) from recurring operations | (422) | (376) | -11% |
| Income tax on recurring operations | (455) | (509) | +12% |
| Minority interests and other | (20) | (27) | |
| **Group share of Net Profit from Recurring Operations** | **1,381** | **1,483** | **+7%** |
| Number of shares used in diluted EPS calculation ('000) | 265,633 | 265,478 | |
| **Diluted net earnings per share from recurring operations "EPS" (€/share)** | **5.20** | **5.58** | **+7%** |

- Increase of +7% in Net Profit from Recurring Operations and EPS, due to PRO organic growth and tight management of financial expenses

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# Non-recurring items

| (€ millions) | FY16 | FY17 |
|---|---|---|
| Capital gains/losses and impairment | (54) | (86) |
| Restructuring and reorganisation costs | (98) | (57) |
| Other non-recurring income and expenses | (30) | (19) |
| **Non-recurring operating income and expenses** | **(182)** | **(163)** |
| **Non-recurring financial items** | **(10)** | **3** |
| **Corporate income tax on non-recurring items** | **46** | **71** |

- **Capital gains/losses and Impairment charge**
  - Impairment charge of -€73m linked mainly to Imperial (Korea)
  - Capital gain/losses linked to Domecq and Frïs disposals
- **Restructuring and reorganisation costs linked to organisational changes made to deliver medium-term strategy** (USA, Global Travel Retail, China…)

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# Group share of Net profit

| (€ millions) | FY16 | FY17 | Reported Δ |
|---|---|---|---|
| **Profit from Recurring Operations** | **2,277** | **2,394** | **+5%** |
| Non-recurring operating income and expenses | (182) | (163) | |
| **Operating profit** | **2,095** | **2,232** | **+7%** |
| Financial income (expense) from recurring operations | (422) | (376) | |
| Non-recurring financial items | (10) | 3 | |
| Corporate income tax | (408) | (438) | |
| Non-controlling interests and other | (20) | (27) | |
| **Group share of Net profit** | **1,235** | **1,393** | **+13%** |

- **Strong increase in Group share of Net profit, due to significant increase in PRO and reduction in financial expense**

# Cash flow

# & Debt

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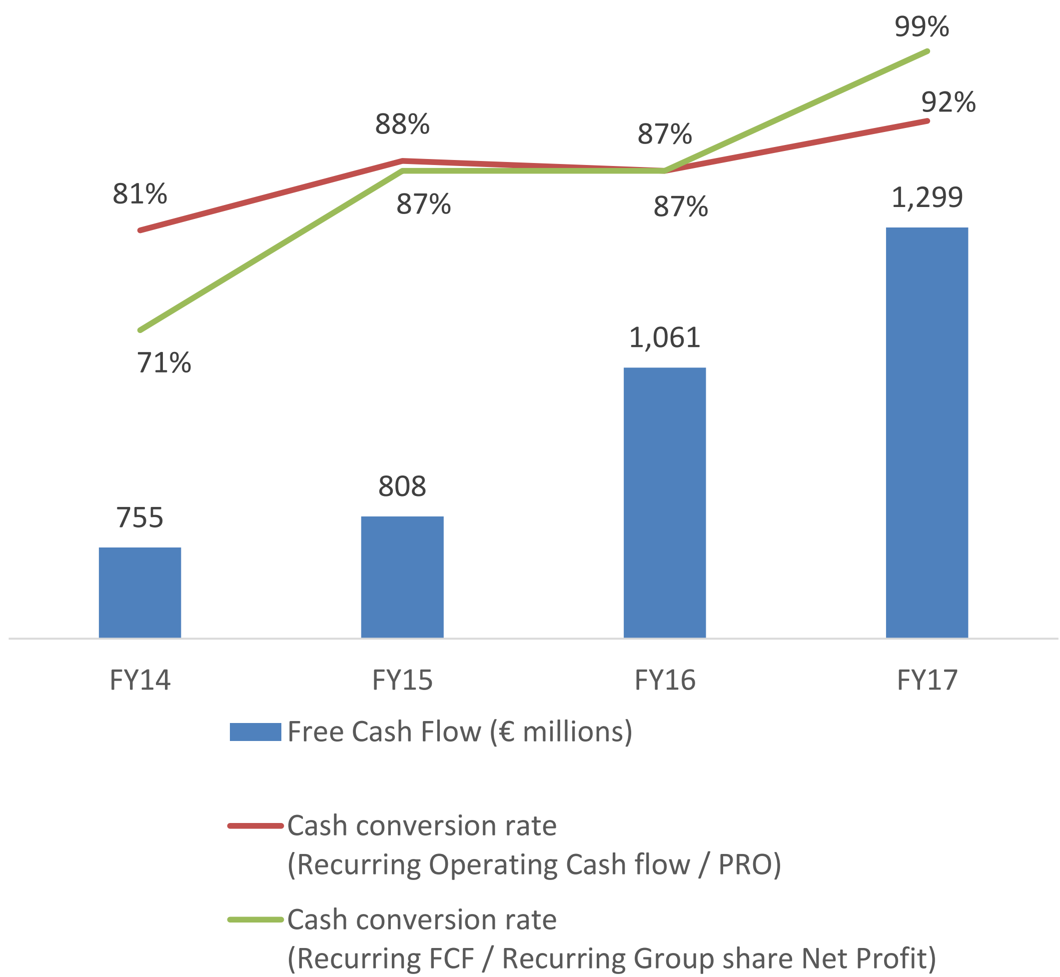
**+€238m**

**Free Cash Flow vs. FY16**

# Very strong increase in Free Cash Flow: +22% vs. FY16, +61% in two years, thanks in particular to operational efficiency initiatives



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# Very strong increase in Free Cash Flow: +22% vs. FY16, +61% in two years, thanks in particular to operational efficiency initiatives

**+€238m**

**Free Cash Flow vs. FY16**

| € millions | FY16 | FY17 | reported Δ | % Δ |
|---|---|---|---|---|
| **Profit from Recurring Operations** | 2,277 | **2,394** | **+118** | **+5%** |
| Amortisation, depreciation and provision movements and other | 252 | **241** | (12) | |
| **Self-financing capacity from recurring operations** | **2,529** | **2,635** | **+106** | **+4%** |
| *Decrease/(increase) in strategic stocks[1]* | *(192)* | ***(168)*** | *+23* | |
| *Decrease/(increase) in operating WCR* | *(20)* | ***103*** | *+123* | |
| Decrease/(increase) in recurring WCR | (211) | **(65)** | +146 | |
| Non-financial capital expenditure | (337) | **(357)** | (20) | |
| Financial income (expense) and taxes | (781) | **(742)** | +40 | |
| **Free Cash Flow from recurring operations (Recurring FCF)** | **1,200** | **1,471** | **+271** | **+23%** |
| Non-recurring items | (138) | **(172)** | (34) | |
| **Free Cash Flow (FCF)** | **1,061** | **1,299** | **+238** | **+22%** |

*(1) Ageing stocks and wine inventories*

# Free Cash Flow at historic high of €1,299m

**+€238m**

**Free Cash Flow vs. FY16**

## FCF +€238m / +22% vs FY16, with high conversion of PRO into Cash[1] (92%)

- **Driven by +3.3% PRO growth and positive FX**
- **Lower growth in strategic inventory build: +€23m (-€168m in FY17 vs. -€192m in FY16)**
  - Continued strategy of adjusting supply to long-term growth
  - Cash-out temporarily down on Scotch, thanks to proactive supply and inventory management
- **Tight management of Operating Working Capital,** reducing by +€123m, thanks to the implementation of operational efficiency initiatives, especially in supply chain (positive impact of c. €50m on working capital in FY17)
- **Capex +€20m**, with Capex/Sales ratio almost stable at 4.0%

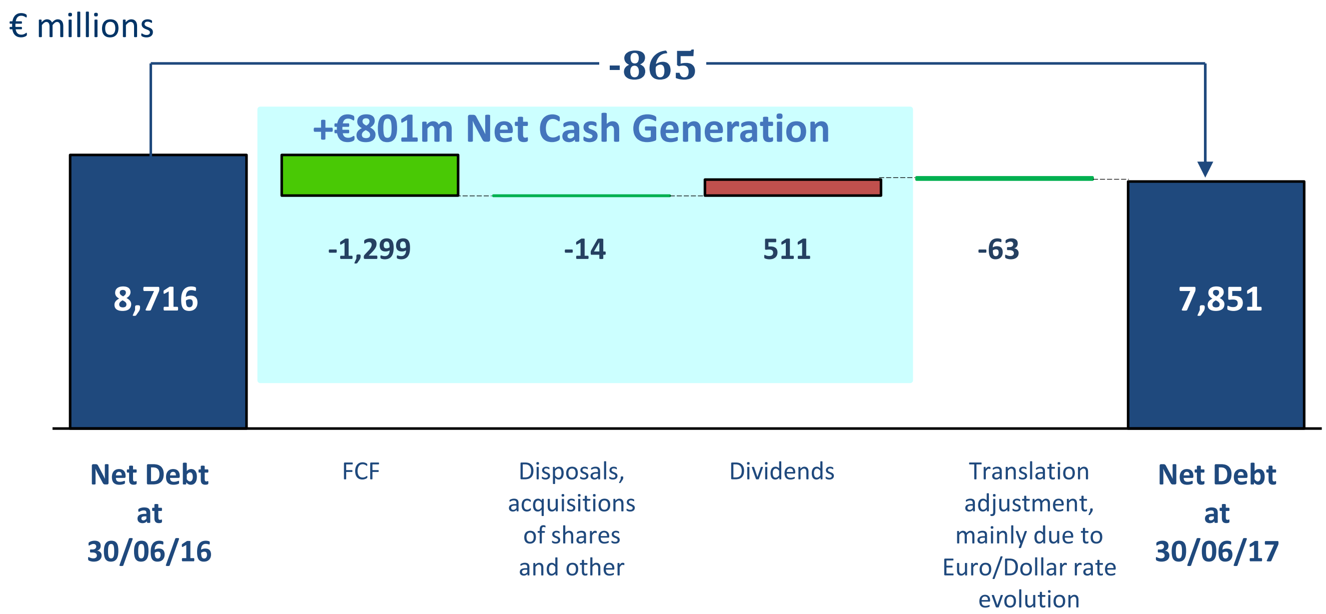
*1 Recurring Operating cash flow*

Pernod Ricard

**-€865m**

**Reduction in Net Debt**

# Net Debt decrease of -€865m, down to €7,851m




- **Very significant improvement in Net Cash Generation: +€801m vs. +€461m in FY16**
- Favourable translation adjustment: €63m mainly due to EUR/USD evolution from 1.11 at 30 June 2016 to 1.14 at 30 June 2017

# Acceleration of deleveraging: Net Debt/EBITDA ratio decrease of -0.4 to 3.0x in FY17

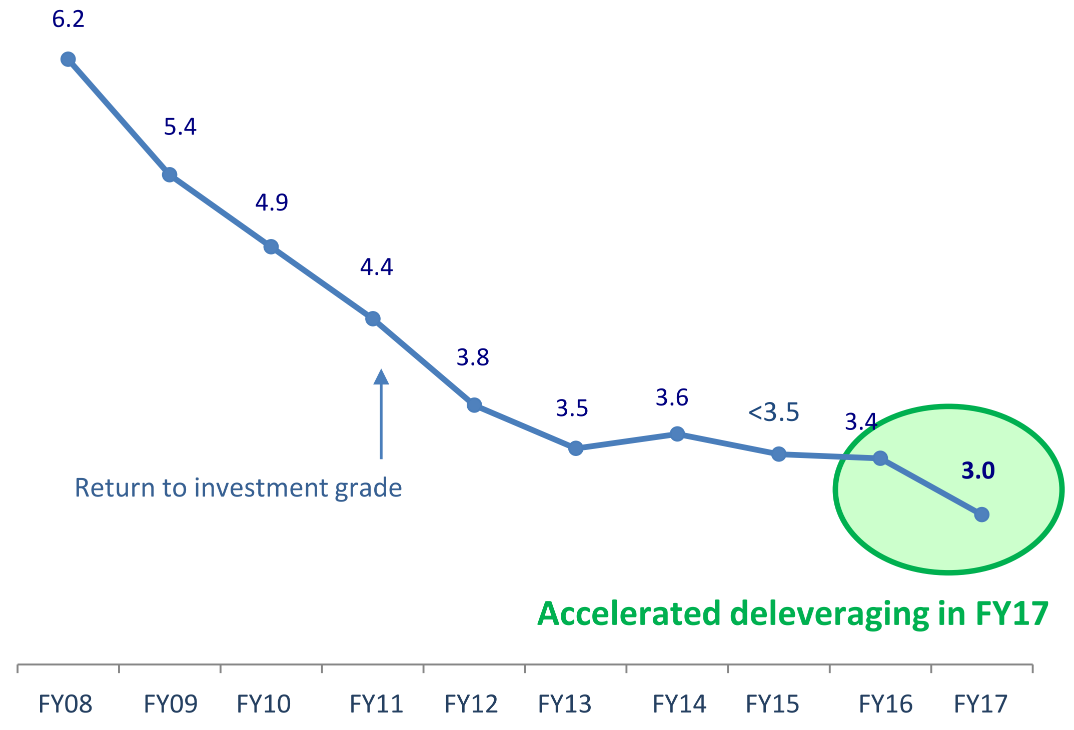
Pernod Ricard

**-€865m**

**Reduction in Net Debt**

**-0.4**

**Net Debt / EBITDA ratio reduction**



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# Proposed dividend: €2.02 per share

| € | FY13 | FY14 | FY15 | FY16 | FY17[1] |
|---|---|---|---|---|---|
| Dividend | 1.64 | 1.64 | 1.80 | 1.88 | **2.02** |

## Proposed dividend increase: +7% vs. FY16

## Pay-out ratio of 36%

- In line with Group's customary policy of cash distribution of approximately one-third of Group Net Profit from Recurring Operations

*1 The FY17 dividend will be submitted for approval to the Annual General Meeting of 9 November 2017*

# Conclusion and outlook

# Conclusion:

## Strong year with business accelerating, consistent with medium-term growth roadmap

Sales acceleration including a return to growth in China, driven by the Strategic International Brands

Diversification of growth in terms of brands and markets, and continued focused investment

Very good progress on implementation of operational excellence roadmap, impacting both profit and cash flow

PRO growth: +3.3%, in upper part of guidance range, despite unforeseen regulatory changes in India

Excellent cash performance resulting in strong acceleration in reduction of Net Debt and deleveraging

# Outlook

**Continued execution of consistent strategy, as outlined during the June 2015 Capital Market Day, and confidence in ability to deliver medium-term objectives:**

- **Topline growth +4% to +5%**
- **PRO margin improvement**

**For FY18, Pernod Ricard expects:**

- **Good Sales growth to continue in USA, China, Europe, Jameson and innovation**
- **Sales to improve vs. FY17 in India and for Chivas**
- **Continued focus on operational efficiency with new initiatives ramping up**
- **Continued strong cash flow generation**
- **Adverse FX impact on PRO[1]**

**FY18 Guidance:**
**Organic growth in Profit from Recurring Operations between +3% and +5%**

*1 Impact of c. -€125m, based on average FX rates for full FY18 projected on 22 August 2017, particularly EUR/USD = 1.18*

# Appendices

# Definitions and additional information related to the use of non-IFRS measures

Pernod Ricard's management process is based on the following non-IFRS measures which are chosen for planning and reporting. The Group's management believes these measures provide valuable additional information for users of the financial statements in understanding the Group's performance. These non-IFRS measures should be considered as complementary to the comparable IFRS measures and reported movements therein.

**Organic growth**

Organic growth is calculated after excluding the impacts of exchange rate movements and acquisitions and disposals.

Exchange rates impact is calculated by translating the current year results at the prior year's exchange rates.

For acquisitions in the current year, the post-acquisition results are excluded from the organic movement calculations. For acquisitions in the prior year, post-acquisition results are included in the prior year but are included in the organic movement calculation from the anniversary of the acquisition date in the current year.

Where a business, brand, brand distribution right or agency agreement was disposed of, or terminated, in the prior year, the Group, in the organic movement calculations, excludes the results for that business from the prior year. For disposals or terminations in the current year, the Group excludes the results for that business from the prior year from the date of the disposal or termination.

This measure enables to focus on the performance of the business which is common to both years and which represents those measures that local managers are most directly able to influence.

**Free cash flow**

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

**"Recurring" indicators**

The following 3 measures represent key indicators for the measurement of the recurring performance of the business, excluding significant items that, because of their nature and their unusual occurrence, cannot be considered as inherent to the recurring performance of the Group:

- **Recurring free cash flow**

Recurring free cash flow is calculated by restating free cash flow from non-recurring items.

- **Profit from recurring operations**

Profit from recurring operations corresponds to the operating profit excluding other non-current operating income and expenses.

- **Group share of net profit from recurring operations**

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

**Net debt**

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

**EBITDA**

EBITDA stands for "earnings before interest, taxes, depreciation and amortization". EBITDA is an accounting measure calculated using the Group's profit from recurring operations excluding depreciation and amortization on operating fixed assets.

# Upcoming communications

| DATE[1] | EVENT |
|---|---|
| Thursday 19 October 2017 | **Q1 2017/18 Sales** |
| Thursday 9 November 2017 | **Annual General Meeting** |
| Thursday 8 February 2018 | **H1 2017/18 Sales & Results** |
| Thursday 19 April 2018 | **Q3 2017/18 Sales** |

*(1) The above dates are indicative and are liable to change*

# Emerging Markets

| Asia-Rest of World | | Americas | Europe |
|---|---|---|---|
| Algeria | Malaysia | Argentina | Albania |
| Angola | Mongolia | Bolivia | Armenia |
| Cambodia | Morocco | Brazil | Azerbaijan |
| Cameroon | Mozambique | Caribbean | Belarus |
| China | Namibia | Chile | Bosnia |
| Congo | Nigeria | Colombia | Bulgaria |
| Egypt | Persian Gulf | Costa Rica | Croatia |
| Ethiopia | Philippines | Cuba | Georgia |
| Gabon | Senegal | Dominican Republic | Hungary |
| Ghana | South Africa | Ecuador | Kazakhstan |
| India | Sri Lanka | Guatemala | Kosovo |
| Indonesia | Syria | Honduras | Latvia |
| Iraq | Tanzania | Mexico | Lithuania |
| Ivory Coast | Thailand | Panama | Macedonia |
| Jordan | Tunisia | Paraguay | Moldova |
| Kenya | Turkey | Peru | Montenegro |
| Laos | Uganda | Puerto Rico | Poland |
| Lebanon | Vietnam | Uruguay | Romania |
| Madagascar | Zambia | Venezuela | Russia |
| | | | Serbia |
| | | | Ukraine |

# Dynamic portfolio management

**Acquisitions**

| Deal | Main market(s) | Date |
|---|---|---|
| *Majority stake in Monkey 47 (gin)* | Main markets: Germany Western Europe, USA | ***March 2016*** |
| *Domaines Pinnacle – owner of Ungava (gin) and Chic Choc (spiced rum)* | Main market: Canada | ***September 2016*** |
| *Majority stake in Smooth Ambler (bourbon)* | Main market: USA | ***January 2017*** |
| *Majority stake in Del Maguey (Mezcal)* | Main market: USA | ***August 2017*** |

**Disposals**

| Date | Deal | Main market(s) |
|---|---|---|
| ***May 2016*** | *Paddy Irish Whiskey* | Main markets: France, Ireland, USA, Bulgaria |
| ***September 2016*** | *Frïs Vodka* | Main market: USA |
| ***March 2017*** | *Mexican brandies Don Pedro, Presidente and Azteca de Oro + Winery* | Main markets: Mexico, US |
| ***July 2017 (signing)*** | *Glenallachie distillery (Scotland) and Glenallachie, MacNair's and White Heather scotch brands* | |

**Targeted M&A with disposal of non-core assets and acquisition of fast-growing premium segments**

# House of Brands effective 1 July 2016

## Strategic International Brands


## Strategic Local Brands


## Strategic Wines


*As of 1 July 2016, the above segmentation is used for Financial Communications. The same perimeter has been applied to FY16 for comparison purposes*

# Strategic International Brands' organic Sales growth

| | Volumes FY17 (in 9Lcs millions) | Organic Sales growth FY17 | Volumes | Price/mix |
|---|---|---|---|---|
| Absolut | 11.2 | 2% | 3% | -1% |
| Chivas Regal | 4.2 | -3% | -2% | -1% |
| Ballantine's | 6.7 | 3% | 4% | -2% |
| Ricard | 4.8 | 4% | 5% | -1% |
| Jameson | 6.5 | 15% | 13% | 2% |
| Havana Club | 4.3 | 6% | 7% | -1% |
| Malibu | 3.6 | 5% | 4% | 1% |
| Beefeater | 2.8 | 5% | 4% | 1% |
| Martell | 2.1 | 6% | 5% | 1% |
| The Glenlivet | 1.0 | 2% | 1% | 1% |
| Royal Salute | 0.2 | -3% | 2% | -5% |
| Mumm | 0.8 | 3% | 2% | 0% |
| Perrier-Jouët | 0.3 | 11% | 8% | 3% |
| Strategic International Brands | 48.6 | 4% | 5% | 0% |

# Sales Analysis by Region

| Net Sales (€ millions) | FY16 | | FY17 | | Change | | Organic Growth | | Group Structure | | Forex impact | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Americas | 2,476 | *28.5%* | 2,661 | *29.5%* | 185 | *7%* | 171 | *7%* | (7) | *0%* | 21 | *1%* |
| Asia / Rest of the World | 3,498 | *40.3%* | 3,568 | *39.6%* | 70 | *2%* | 48 | *1%* | (1) | *0%* | 24 | *1%* |
| Europe | 2,709 | *31.2%* | 2,781 | *30.9%* | 72 | *3%* | 91 | *3%* | 7 | *0%* | (25) | *-1%* |
| **World** | **8,682** | ***100.0%*** | **9,010** | ***100.0%*** | **327** | ***4%*** | **310** | ***4%*** | **(2)** | ***0%*** | **19** | ***0%*** |

| Net Sales (€ millions) | Q4 2016 | | Q4 2017 | | Change | | Organic Growth | | Group Structure | | Forex impact | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Americas | 577 | *30.9%* | 628 | *32.0%* | 50 | *9%* | 33 | *6%* | (1) | *0%* | 18 | *3%* |
| Asia / Rest of the World | 657 | *35.1%* | 690 | *35.2%* | 33 | *5%* | 11 | *2%* | (1) | *0%* | 23 | *3%* |
| Europe | 635 | *34.0%* | 645 | *32.9%* | 10 | *2%* | 8 | *1%* | (3) | *0%* | 5 | *1%* |
| **World** | **1,869** | ***100.0%*** | **1,962** | ***100.0%*** | **93** | ***5%*** | **52** | ***3%*** | **(5)** | ***0%*** | **46** | ***2%*** |

| Net Sales (€ millions) | H2 2016 | | H2 2017 | | Change | | Organic Growth | | Group Structure | | Forex impact | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Americas | 1,106 | *29.7%* | 1,230 | *31.1%* | 124 | *11%* | 76 | *7%* | (2) | *0%* | 49 | *4%* |
| Asia / Rest of the World | 1,479 | *39.7%* | 1,527 | *38.7%* | 48 | *3%* | (4) | *0%* | (1) | *0%* | 53 | *4%* |
| Europe | 1,139 | *30.6%* | 1,192 | *30.2%* | 53 | *5%* | 41 | *4%* | (3) | *0%* | 15 | *1%* |
| **World** | **3,725** | ***100.0%*** | **3,949** | ***100.0%*** | **225** | ***6%*** | **113** | ***3%*** | **(6)** | ***0%*** | **118** | ***3%*** |

*As of 1 July 2016, Bulk Spirits are allocated by Region according to the Regions' weight in the Group*

Pernod Ricard

# Summary Consolidated Income Statement

| (€ millions) | FY16 | FY17 | Change |
|---|---|---|---|
| **Net sales** | **8,682** | **9,010** | **4%** |
| **Gross Margin after logistics costs** | **5,371** | **5,602** | **4%** |
| Advertising and promotion expenses | (1,646) | (1,691) | 3% |
| **Contribution after A&P expenditure** | **3,725** | **3,912** | **5%** |
| Structure costs | (1,448) | (1,517) | 5% |
| **Profit from recurring operations** | **2,277** | **2,394** | **5%** |
| Financial income/(expense) from recurring operations | (422) | (376) | -11% |
| Corporate income tax on items from recurring operations | (455) | (509) | 12% |
| Net profit from discontinued operations, non-controlling interests and share of net income from associates | (20) | (27) | 37% |
| **Group share of net profit from recurring operations** | **1,381** | **1,483** | **7%** |
| Other operating income & expenses | (182) | (163) | NA |
| Financial income/(expense) from non-recurring operations | (10) | 3 | NA |
| Corporate income tax on items from non recurring operations | 46 | 71 | NA |
| **Group share of net profit** | **1,235** | **1,393** | **13%** |
| Non-controlling interests | 20 | 28 | 40% |
| **Net profit** | **1,255** | **1,421** | **13%** |

# Profit from Recurring Operations by Region (1/2)

**World**

| (€ millions) | FY16 | | FY17 | | Change | | Organic Growth | | Group Structure | | Forex impact | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net sales (Excl. T&D) | 8,682 | *100.0%* | 9,010 | *100.0%* | 327 | *4%* | 310 | *4%* | (2) | *0%* | 19 | *0%* |
| Gross margin after logistics costs | 5,371 | *61.9%* | 5,602 | *62.2%* | 231 | *4%* | 192 | *4%* | (4) | *0%* | 42 | *1%* |
| Advertising & promotion | (1,646) | *19.0%* | (1,691) | *18.8%* | (44) | *3%* | (47) | *3%* | (0) | *0%* | 3 | *0%* |
| Contribution after A&P | 3,725 | *42.9%* | 3,912 | *43.4%* | 187 | *5%* | 145 | *4%* | (4) | *0%* | 45 | *1%* |
| **Profit from recurring operations** | **2,277** | ***26.2%*** | **2,394** | ***26.6%*** | **118** | ***5%*** | **76** | ***3%*** | **(6)** | ***0%*** | **47** | ***2%*** |

**Americas**

| (€ millions) | FY16 | | FY17 | | Change | | Organic Growth | | Group Structure | | Forex impact | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net sales (Excl. T&D) | 2,476 | *100.0%* | 2,661 | *100.0%* | 185 | *7%* | 171 | *7%* | (7) | *0%* | 21 | *1%* |
| Gross margin after logistics costs | 1,639 | *66.2%* | 1,790 | *67.3%* | 151 | *9%* | 114 | *7%* | (3) | *0%* | 40 | *2%* |
| Advertising & promotion | (509) | *20.5%* | (551) | *20.7%* | (42) | *8%* | (39) | *8%* | (0) | *0%* | (3) | *1%* |
| Contribution after A&P | 1,130 | *45.6%* | 1,239 | *46.6%* | 109 | *10%* | 75 | *7%* | (3) | *0%* | 37 | *3%* |
| **Profit from recurring operations** | **706** | ***28.5%*** | **790** | ***29.7%*** | **84** | ***12%*** | **55** | ***8%*** | **(4)** | ***-1%*** | **33** | ***5%*** |

*As of 1 July 2016, Bulk Spirits are allocated by Region according to the Regions' weight in the Group*

# Profit from Recurring Operations by Region (2/2)

Pernod Ricard

**Asia / Rest of the World**

| (€ millions) | FY16 | | FY17 | | Change | | Organic Growth | | Group Structure | | Forex impact | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net sales (Excl. T&D) | 3,498 | *100.0%* | 3,568 | *100.0%* | 70 | *2%* | 48 | *1%* | (1) | *0%* | 24 | *1%* |
| Gross margin after logistics costs | 2,071 | *59.2%* | 2,102 | *58.9%* | 31 | *2%* | 22 | *1%* | (0) | *0%* | 9 | *0%* |
| Advertising & promotion | (621) | *17.8%* | (618) | *17.3%* | 3 | *-1%* | 3 | *0%* | 0 | *0%* | 1 | *0%* |
| Contribution after A&P | 1,450 | *41.5%* | 1,484 | *41.6%* | 35 | *2%* | 25 | *2%* | (0) | *0%* | 10 | *1%* |
| **Profit from recurring operations** | **982** | ***28.1%*** | **1,000** | ***28.0%*** | **18** | ***2%*** | **13** | ***1%*** | **(0)** | ***0%*** | **5** | ***1%*** |

**Europe**

| (€ millions) | FY16 | | FY17 | | Change | | Organic Growth | | Group Structure | | Forex impact | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net sales (Excl. T&D) | 2,709 | *100.0%* | 2,781 | *100.0%* | 72 | *3%* | 91 | *3%* | 7 | *0%* | (25) | *-1%* |
| Gross margin after logistics costs | 1,662 | *61.3%* | 1,710 | *61.5%* | 49 | *3%* | 56 | *3%* | (0) | *0%* | (7) | *0%* |
| Advertising & promotion | (516) | *19.1%* | (522) | *18.8%* | (5) | *1%* | (11) | *2%* | 0 | *0%* | 6 | *-1%* |
| Contribution after A&P | 1,145 | *42.3%* | 1,188 | *42.7%* | 43 | *4%* | 45 | *4%* | (0) | *0%* | (2) | *0%* |
| **Profit from recurring operations** | **588** | ***21.7%*** | **604** | ***21.7%*** | **16** | ***3%*** | **8** | ***1%*** | **(1)** | ***0%*** | **9** | ***2%*** |

*As of 1 July 2016, Bulk Spirits are allocated by Region according to the Regions' weight in the Group*

# Foreign Exchange Impact

| Forex impact FY17 (€ millions) | | Average rates evolution FY16 | FY17 | % | On Net Sales | On Profit from Recurring Operations |
|---|---|---|---|---|---|---|
| Pound sterling | GBP | 0.75 | 0.86 | 14.8% | (60) | 16 |
| US dollar | USD | 1.11 | 1.09 | -1.7% | 40 | 19 |
| Chinese yuan | CNY | 7.15 | 7.42 | 3.8% | (28) | (19) |
| Russian rouble | RUB | 74.91 | 66.39 | -11.4% | 23 | 14 |
| Other | | | | | 45 | 18 |
| **Total** | | | | | **19** | **47** |

*Note : Impact on PRO includes strategic hedging on Forex*

*For FY18, the estimated FX impact on PRO is c. -€125m, based on average FX rates for full FY18 projected on 22 August 2017, particularly EUR/USD = 1.18*

# Sensitivity of profit and debt to EUR/USD exchange rate

FY17 Estimated impact of a **1% appreciation of the USD** and linked currencies[1]

| Impact on the income statement[2] | (€ millions) |
|---|---|
| Profit from recurring operations | +17 |
| Financial expenses | (3) |
| **Pre-tax profit from recurring operations** | **+15** |

| Impact on the balance sheet | (€ millions) |
|---|---|
| **Increase/(decrease) in net debt** | **+52** |

*(1) CNY, HKD* *(2) Full-year effect*

# Balance Sheet: Assets

| Assets<br>(€ millions) | 30/06/2016 | 30/06/2017 |
|---|---|---|
| **(Net book value)** | | |
| **Non-current assets** | | |
| Intangible assets and goodwill | 17,572 | 17,152 |
| Tangible assets and other assets | 3,233 | 3,028 |
| Deferred tax assets | 2,505 | 2,377 |
| **Total non-current assets** | **23,310** | **22,557** |
| | | |
| **Current assets** | | |
| Inventories | 5,294 | 5,305 |
| *of which aged work-in-progress* | *4,364* | *4,416* |
| *of which non-aged work-in-progress* | *73* | *72* |
| Receivables (*) | 1,068 | 1,134 |
| *Trade receivables* | *998* | *1,059* |
| *Other trade receivables* | *70* | *74* |
| Other current assets | 251 | 270 |
| *Other operating current assets* | *240* | *264* |
| *Tangible/intangible current assets* | *11* | *6* |
| Tax receivable | 92 | 111 |
| Cash and cash equivalents and current derivatives | 577 | 700 |
| **Total current assets** | **7,282** | **7,521** |
| | | |
| Assets held for sale | 6 | 10 |
| | | |
| **Total assets** | **30,598** | **30,088** |
| | | |
| (*) after disposals of receivables of: | **520** | **557** |

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# Balance Sheet: Liabilities and Shareholders' Equity

| Liabilities and shareholders' equity (€ millions) | 30/06/2016 | 30/06/2017 |
|---|---|---|
| **Group Shareholders' equity** | **13,337** | **13,706** |
| Non-controlling interests | 169 | 180 |
| *of which profit attributable to non-controlling interests* | *20* | *28* |
| **Total Shareholders' equity** | **13,506** | **13,886** |
| | | |
| Non-current provisions and deferred tax liabilities | 4,718 | 4,524 |
| Bonds non-current | 7,078 | 6,900 |
| Non-current financial liabilities and derivative instruments | 341 | 522 |
| **Total non-current liabilities** | **12,137** | **11,946** |
| | | |
| Current provisions | 167 | 159 |
| Operating payables | 1,688 | 1,826 |
| Other operating payables | 909 | 935 |
| *of which other operating payables* | *592* | *619* |
| *of which tangible/intangible current payables* | *317* | *316* |
| Tax payable | 101 | 156 |
| Bonds - current | 1,884 | 94 |
| Current financial liabilities and derivatives | 207 | 1,087 |
| **Total current liabilities** | **4,955** | **4,256** |
| | | |
| Liabilities held for sale | 0 | 0 |
| **Total liabilities and shareholders' equity** | **30,598** | **30,088** |

# Analysis of Working Capital Requirement

| (€ millions) | June 2015 | June 2016 | June 2017 | FY16 WC change* | FY17 WC change* |
|---|---|---|---|---|---|
| Aged work in progress | 4,430 | 4,364 | 4,416 | 190 | 148 |
| Advances to suppliers for wine and ageing spirits | 8 | 5 | 5 | (2) | |
| Payables on wine and ageing spirits | 107 | 109 | 107 | 4 | 1 |
| **Net aged work in progress** | **4,331** | **4,260** | **4,314** | **184** | **147** |
| Trade receivables before factoring/securitization | 1,674 | 1,517 | 1,617 | (98) | 127 |
| Advances from customers | 3 | 2 | 16 | (1) | 14 |
| Other receivables | 305 | 305 | 333 | 27 | 60 |
| Other inventories | 847 | 857 | 818 | 43 | (3) |
| Non-aged work in progress | 73 | 73 | 72 | 4 | (1) |
| Trade payables and other | 2,208 | 2,168 | 2,323 | 44 | 191 |
| **Gross operating working capital** | **689** | **582** | **502** | **(68)** | **(22)** |
| Factoring/Securitization impact | 591 | 520 | 557 | 61 | (46) |
| **Net Operating Working Capital** | **98** | **62** | **(56)** | **(7)** | **(68)** |
| **Net Working Capital** | **4,428** | **4,322** | **4,258** | **178** | **79** |
| Of which recurring variation | | | | **211** | **65** |
| Of which non recurring variation | | | | **(34)** | **14** |

* at constant FX rate and reclassifications

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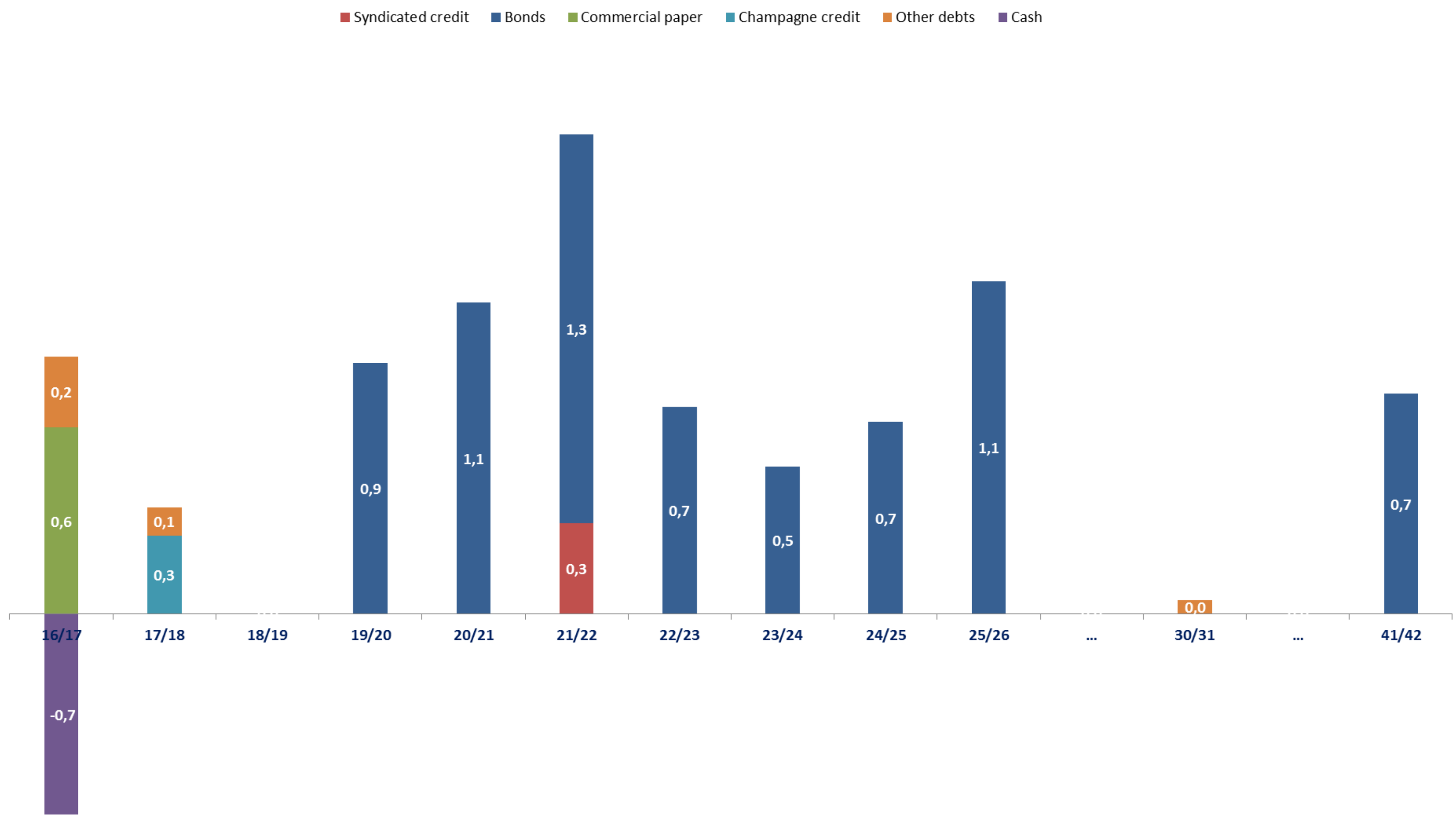
# Net Debt

| (En millions d'euros) | 30/06/2016 | | | 30/06/2017 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| **Bonds** | **1,884** | **7,078** | **8,962** | **94** | **6,900** | **6,993** |
| Syndicated loan | - | - | - | - | 319 | 319 |
| Commercial paper | 45 | - | 45 | 630 | - | 630 |
| Other loans and long-term debts | 98 | 257 | 355 | 441 | 161 | 601 |
| **Other financial liabilities** | **143** | **257** | **400** | **1,071** | **480** | **1,551** |
| **GROSS FINANCIAL DEBT** | **2,027** | **7,335** | **9,362** | **1,165** | **7,379** | **8,545** |
| Fair value hedge derivatives – assets | - | (77) | (77) | (6) | (17) | (22) |
| Fair value hedge derivatives – liabilities | - | - | - | - | 7 | 7 |
| **Fair value hedge derivatives** | **-** | **(77)** | **(77)** | **(6)** | **(9)** | **(15)** |
| Net investment hedge derivatives – assets | - | - | - | - | - | - |
| Net investment hedge derivatives – liabilities | - | - | - | - | - | - |
| **Net investment hedge derivatives** | **-** | **-** | **-** | **-** | **-** | **-** |
| Net asset hedging derivative instruments – assets | - | - | - | (2) | - | (2) |
| Net asset hedging derivative instruments – liabilities | - | - | - | - | - | - |
| **Net asset hedging derivative instruments** | **-** | **-** | **-** | **(2)** | **-** | **(2)** |
| **Financial debt after hedging** | **2,027** | **7,258** | **9,285** | **1,158** | **7,370** | **8,528** |
| **Cash and cash equivalents** | **(569)** | **-** | **(569)** | **(677)** | **-** | **(677)** |
| **Net financial debt** | **1,458** | **7,258** | **8,716** | **481** | **7,370** | **7,851** |

# Change in Net Debt

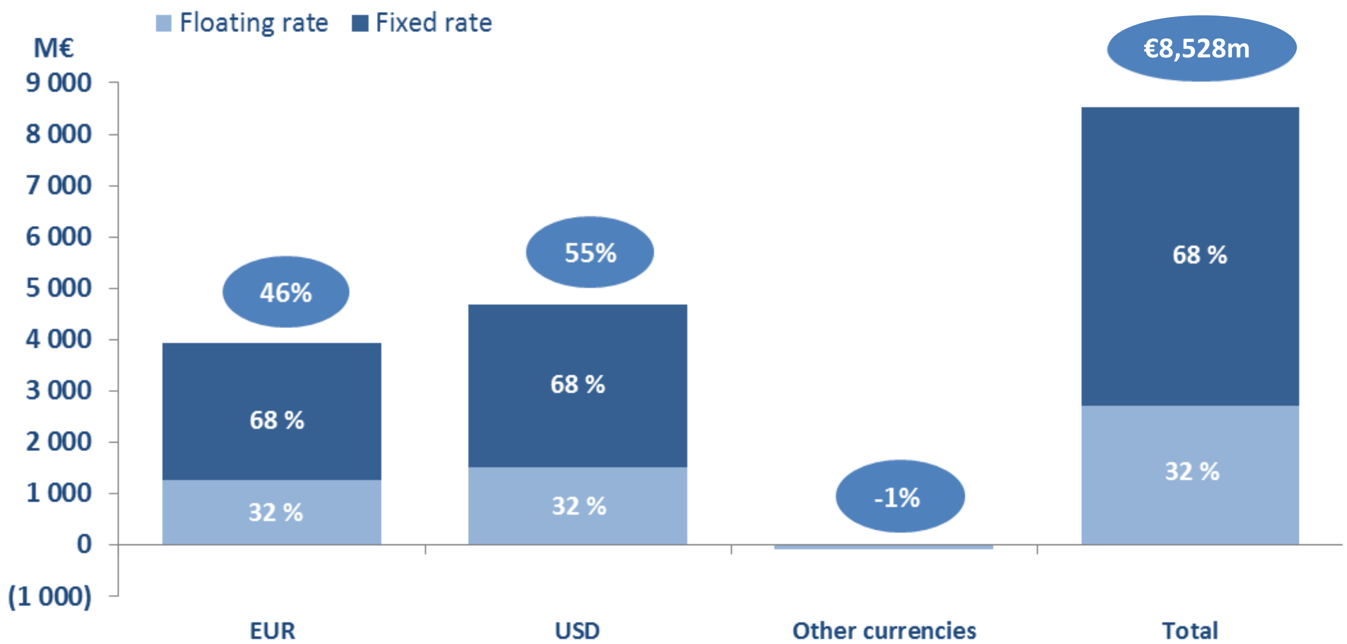
| (€ millions) | 30/06/2016 | 30/06/2017 |
|---|---|---|
| Operating profit | 2,095 | 2,232 |
| Depreciation and amortisation | 219 | 219 |
| Net change in impairment of goodwill, PPE and intangible assets | 107 | 75 |
| Net change in provisions | (76) | (59) |
| Retreatment of contributions to pension plans acquired from Allied Domecq | 43 | 7 |
| Changes in fair value on commercial derivatives and biological assets | (4) | (14) |
| Net (gain)/loss on disposal of assets | (59) | 6 |
| Share-based payments | 32 | 34 |
| **Self-financing capacity before interest and tax** | **2,358** | **2,499** |
| Decrease / (increase) in working capital requirements | (178) | (79) |
| Net interest and tax payments | (801) | (771) |
| Net acquisitions of non financial assets and others | (317) | (350) |
| **Free Cash Flow** | **1,061** | **1,299** |
| ***of which recurring Free Cash Flow*** | ***1,200*** | ***1,471*** |
| Net disposal of financial assets and activities, contributions to pension plans acquired from Allied Domecq | (85) | 50 |
| Dividends paid | (497) | (511) |
| (Acquisition) / Disposal of treasury shares and others | (18) | (36) |
| **Decrease / (increase) in net debt (before currency translation adjustments)** | **461** | **802** |
| Foreign currency translation adjustment | (157) | 62 |
| **Decrease / (increase) in net debt (after currency translation adjustments)** | **305** | **865** |
| Initial net debt | (9,021) | (8,716) |
| Final net debt | (8,716) | (7,851) |

# Debt Maturity at 30 June 2017




Note: Available credit facilities at 30 June 2017 of €2.2bn (syndicated credit not used)

# Gross Debt Hedging at 30 June 2017




**Natural debt hedging maintained: EUR/USD breakdown close to that of EBITDA**

**68% of Gross debt at fixed rates**

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# Bond Details

| Currency | Par value | Coupon | Issue date | Maturity date |
|---|---|---|---|---|
| EUR | € 850 m | 2.000% | 20/03/2014 | 22/06/2020 |
| | € 650 m | 2.125% | 29/09/2014 | 27/09/2024 |
| | € 500 m | 1.875% | 28/09/2015 | 28/09/2023 |
| | € 600 m | 1.500% | 17/05/2016 | 18/05/2026 |
| USD | $ 1,000 m | 5.750% | 07/04/2011 | 07/04/2021 |
| | $ 1,500 m | 4.450% | 25/10/2011 | 15/01/2022 |
| | $ 1,650 m o/w:<br>$ 800 m at 10.5 years<br>$ 850 m at 30 years | <br>4.250%<br>5.500% | 12/01/2012 | <br>15/07/2022<br>15/01/2042 |
| | $ 201 m | Libor 6m + spread | 26/01/2016 | 26/01/2021 |
| | $ 600 m | 3.250% | 08/06/2016 | 08/06/2026 |

# Deleveraging

| | Closing rate | Average rate |
|---|---|---|
| *EUR/USD rate: FY16 → FY17* | *1.11 → 1.14* | *1.11 → 1.09* |
| **Ratio at 30/06/2016** | **3.4** | **3.4**[1] |
| EBITDA & cash generation excl. Group structure effect and forex impact | **(0.4)** | **(0.4)** |
| Group structure and forex impacts | (0.1) | 0.0 |
| **Ratio at 30/06/2017** | **3.0** | **3.0** |

*1 Syndicated credit spreads and covenants are based on the same ratio at the average rate*

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# Diluted EPS calculation

| (x 1,000) | FY16 | FY17 |
|---|---|---|
| Number of shares in issue at end of period | 265,422 | 265,422 |
| Weighted average number of shares in issue (pro rata temporis) | 265,422 | 265,422 |
| Weighted average number of treasury shares (pro rata temporis) | (1,427) | (1,189) |
| Dilutive impact of stock options and performance shares | 1,638 | 1,245 |
| **Number of shares used in diluted EPS calculation** | **265,633** | **265,478** |

| (€ millions and €/share) | FY16 | FY17 | reported △ |
|---|---|---|---|
| Group share of net profit from recurring operations | 1,381 | 1,483 | +7% |
| **Diluted net earnings per share from recurring operations** | **5.20** | **5.58** | **+7%** |