REGISTRATION DOCUMENT

2013/2014

Pernod Ricard

Créateurs de convivialité

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Pernod Ricard

2013
2014

This Registration Document was filed with the French Financial Markets Authority on 24 September 2014, in accordance with article 212-13 of its General Regulations. It may be used in support of a financial transaction if it is supplemented by a prospectus approved by the French Financial Markets Authority. This document has been prepared by the issuer under the liability of the signatories.

Key figures

No. 1	18,523	80	101	19
worldwide in Premium and Prestige spirits [1]	**employees**	**Market** Companies in 3 Regions [2]	**production** sites	**brands** amongst the world's top 100 [3]

Three regions [2] for worldwide leadership

The decentralised business model which characterises Pernod Ricard is a major strategic advantage, enabling the Group to profit from growth in all countries in which it is present. This highly flexible organisation, based on proximity to consumers, has proven its effectiveness.

Three regions [2] to profit from growth opportunities everywhere

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

In just a few years, Pernod Ricard has become leader in its sector [4] in Asia with leadership in China and in India. The Group is making excellent progress in emerging markets and continues to grow in mature markets.

AMERICAS

No. 3 in the United States
No. 3 in Brazil
No. 2 in Canada
No. 2 in Mexico
No. 1 in Argentina
No. 1 in Chile
No. 3 in Venezuela

(1) Source: The Pernod Ricard Market View, based on IWSR, volume data at year-end 2013 – Premium spirits: retail sale price ≥ USD17 and < USD26; Prestige spirits: retail sale price ≥ USD84. Portfolio at 30 June 2014.
(2) France is now integrated into the Europe operating segment.
(3) Source: Impact Databank 2013, published in February 2014.
(4) Source: The Pernod Ricard Market View, based on IWSR, volume data at year-end 2013 - "Western-style" spirits, excluding ready-to-drink, wines and wine-based aperitifs. Ranking among international groups. Portfolio at 30 June 2014.

EUROPE

No. 1 in France
No. 1 in Spain
No. 1 in Germany
No. 1 in Poland
No. 1 in the Nordic countries
No. 4 in the United Kingdom
No. 3 in Italy
No. 2 in Eastern Europe
No. 1 in the Czech Republic
No. 2 in Russia
No. 2 in Greece
No. 2 in Ireland

ASIA/REST OF WORLD

No. 1 in China
No. 1 in India
No. 2 in Thailand
No. 2 in South Korea
No. 2 in Japan
No. 1 in Malaysia
No. 3 in Australia
No. 2 in South Africa
No. 1 in Angola
No. 2 in Turkey

Performance in line with objectives outlined in February 2014 and sales growth expected to gradually improve

Pierre Pringuet, Vice Chairman of the Board of Directors and Chief Executive Officer of Pernod Ricard, stated: *"Despite an environment that was more difficult than anticipated, we have delivered the guidance announced in February, proof of everyone's commitment, which I would like to commend. We are seriously committed to the Allegro project: this operational efficiency project must enable us to maximise our future growth while generating a hard figure of €150 million of savings."*

Alexandre Ricard, Deputy CEO & Chief Operating Officer of Pernod Ricard, added: *"In this context which will remain challenging, we anticipate a gradual improvement in our sales growth, and we will increase the investment behind our brands and priority innovations in order to sustain long-term growth."*

NET SALES
(In millions of euros)

2012/2013	Currency and scope of consolidation effects	Organic growth	2013/2014
8,575	-7%	0%	7,945

PROFIT FROM RECURRING OPERATIONS (PRO)
(In millions of euros)

2012/2013	Currency and scope of consolidation effects	Organic growth	2013/2014
2,231	-9%	+2%	2,056

OPERATING MARGIN
(PRO/Net sales)

2012/2013	Currency and scope of consolidation effects	Organic growth	2013/2014
26.0%	-65 pb	+52 pb	25.9%

GROUP NET PROFIT FROM RECURRING OPERATIONS
(In millions of euros)

2012/2013	Currency and scope of consolidation effects	Organic growth	2013/2014
1,228	-12%	+9%	1,185

GROUP NET PROFIT AND PROPOSED DIVIDEND
(In millions of euros)

2012/2013	2013/2014
1,172	1,016
€1.64 per share	€1.64 per share

“ Despite an environment that was more difficult than anticipated, we have delivered the guidance announced in February, ***proof of everyone’s commitment, which I would like to commend*** *”*

Pierre PRINGUET
Vice Chairman of the Board of Directors and Chief Executive Officer of Pernod Ricard

1

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History and organisation

KEY DATES

1975

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

1988

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

1993

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

2001

Acquisition of **Seagram**. The Group now occupies key positions with strong brands such as **Chivas Regal**, **The Glenlivet** and **Royal Salute** in the whisky segment, and with **Martell** in the cognac segment

2005

Acquisition of **Allied Domecq**.
Pernod Ricard doubles in size and becomes world number 2 in Wines & Spirits, with, in particular, **Mumm** and **Perrier-Jouët** champagnes, **Ballantine's** whisky, **Kahlúa** and **Malibu** liqueurs and **Beefeater** gin

2008

Acquisition of **Vin&Sprit**, owner of **ABSOLUT** vodka, making Pernod Ricard global co-leader in Wines & Spirits

2010

Asia/Rest of World becomes the Group's top region

2011

The Group's credit rating is upgraded to **investment grade**

Launch of the first edition of **Responsib'All Day**, an event dedicated to promoting responsible drinking

2014

The wine portfolio is strengthened with the acquisition of **Kenwood**, a premium California wine. A tactical acquisition fully in line with the Group's multi-origin strategy for its wine portfolio

Pernod Ricard successfully launches an €850 million six-year bond issue on very favourable terms (the 2% interest coupon being the Group's lowest ever)

More than 30 years of continuous growth

Creation of Pernod Ricard (hereinafter referred to as "Pernod Ricard" or the "Group") and first international acquisitions

Pernod Ricard was born in **1975** out of the link-up of two companies, **Pernod SA** and **Ricard SA**, long-time competitors in the French anise-based spirits market. The Group that resulted was able to take advantage of new resources to develop its distribution network and its brand portfolio (Ricard, Pernod, Pastis 51, Suze, Dubonnet, etc.) in France and other countries.

In making its initial acquisitions, Pernod Ricard gave priority to whisky, a spirit with one of the highest levels of worldwide consumption, and the United States, the world's biggest market for the Wines & Spirits segment. This led to the Group acquiring Campbell Distillers, a Scotch whisky producer, in 1975, followed by Austin Nichols, the producer of Wild Turkey American bourbon, in 1981.

Laying the foundations of the worldwide network

The Group continued its growth outside France with the start-up of operations in Asia, and more importantly, the creation of a dense distribution network in Europe. Over a period of ten years, the Group extended its coverage to all 15 European Union member countries, establishing a strong brand presence: Pernod in the United Kingdom and Germany and Ricard in Spain and Belgium. A number of local acquisitions also helped to enhance the network's portfolio (Mini ouzo in Greece, Zoco pacharán in Spain, etc.).

In 1985, Pernod Ricard acquired Ramazzotti, the company which had been producing Amaro Ramazzotti, a well-known bitter, since 1815. This acquisition brought with it an extensive sales and distribution structure in Italy.

In **1988**, the Group took over **Irish Distillers**, the main Irish whiskey producer and owner of the prestigious Jameson, Bushmills, Paddy and Powers brands. Jameson provided the Group with a high-potential brand. Thus, from the acquisition in 1988 through to 2014, the brand has delivered average annual growth volume 10%, rising from 0.4 million to 4.7 million 9-litre cases.

In 1989, the Group extended its network to Australia by purchasing Orlando Wines, Australia's number 2 wine producer. The company went on to form the Orlando Wyndham group with Wyndham Estate, in 1990. Jacob's Creek has become the most exported Australian wine brand, and a market leader in the United Kingdom, New Zealand, Ireland, Scandinavia and Asia.

In **1993**, Pernod Ricard and the Cuban company Cuba Ron created **Havana Club International**. This joint venture markets and sells Havana Club rum, which has since been one of the fastest growing spirits brands in the world.

Consolidation and organisation

In 1997, the Group added to its white spirits portfolio through the acquisition of Larios gin, the number 1 gin in Continental Europe. The company producing Larios at the time merged with Pernod Ricard's local distributor, PRACSA, which had been well-established in Spain since 1978. Pernod Ricard thereby acquired a prominent position in Spain, one of the world's biggest spirits markets, allowing it to distribute both its international products and local brands.

Following these acquisitions, the Group embarked on a reorganisation, aimed primarily at decentralising its activities. Pernod Ricard created a regional structure with four direct affiliates, each responsible for one continent. Separately the Group was structured to also comprise "Market Company" affiliates (with their own sales presence in local markets) and "Brand Companies" (charged with overseeing production and global strategy for brands). The latter mainly distribute to the Group's affiliates and do not generally have their own sales force. Pernod Ricard was able to ensure global consistency in its brand management, while adapting its strategy to the specific features of local markets.

During the period from 1999 to 2001, the Group consolidated its positions in Eastern Europe through the acquisition of Yerevan Brandy Company (Armenian brandies, including the ArArAt brand), Wyborowa (Polish vodka) and Jan Becher (Czech bitter). With ArArAt to boost the Tamada and Old Tbilisi Georgian wines (which were sold in June 2011), the Group was able to build a position in Russia where most of this brand's sales are made, while the Group's strong sales presence provided opportunities for Wyborowa to develop internationally.

Refocusing the business strategy

In **2001**, the Group doubled its size in the Wines & Spirits sector with the purchase of part of **Seagram's** Wines & Spirits business. Pernod Ricard acquired 39.1% of these business activities for an investment of US$3.15 billion. This made the Group one of the top three global Wines & Spirits operators and consolidated its position in the Americas and Asia, while remaining the leader in Europe. The year 2002 also saw the successful integration of 3,500 Seagram employees.

The Group thus held key positions with strong brands such as Chivas Regal and The Glenlivet in the whisky segment, Martell in the cognac segment, and Seagram's Gin in the white spirits segment. The Group also integrated leading local brands such as Montilla in Brazil and Royal Stag in India.

Following this major acquisition, the Group decided to refocus on its core business, and started to withdraw from the non-alcoholic food and beverage sector. Between 2001 and 2002, the Group sold: Orangina, which it had purchased in 1984; SIAS-MPA, the world leader in fruit preparations for yoghurts and dairy-based desserts; BWG, a wholesaler in Ireland and the United Kingdom; and CSR-Pampryl.

The year 2003 saw the Group re-enter the CAC 40 stock market index in Paris, thanks to the success of the Seagram acquisition and the Group's new strategic focus. In 2004, sales of its non-alcoholic products dropped to just 2% of Pernod Ricard's

consolidated net sales, a clear signal of its intention to focus on a single business.

In July **2005**, Pernod Ricard acquired part of **Allied Domecq** for €10.7 billion. The aim of this acquisition was to enable the Group to strengthen its presence in markets with high-growth potential (North America in particular) and to round out its portfolio by adding a number of new white spirits and liqueurs. Pernod Ricard financed its €6.6 billion investment with a capital increase of €2 billion and a €4.6 billion cash payment.

Financial years 2005/2006 and 2006/2007 were marked by the success of Allied Domecq's integration and the continued strong growth of the Group's historical brands.

Pernod Ricard then decided to dispose of the non-core activities acquired through the purchase of Allied Domecq, mainly Dunkin' Brands Inc. and the interest in Britvic Plc. The following assets and brands were sold to other actors in the sector: the Old Bushmills Distillery and the Bushmills brands, bought in 1988, as well as the Glen Grant, Old Smuggler and Larios brands. These disposals allowed the Group to accelerate its debt reduction.

Separately, Pernod Ricard signed an agreement with SPI Group for the distribution of the Stolichnaya brand and gradually implemented new global marketing strategies for all the brands from the acquisition of Allied Domecq, including Ballantine's, Beefeater, Malibu, Kahlúa, Mumm and Perrier-Jouët.

Despite the global economic and financial crisis spurred by the subprime debacle in the United States, 2007/2008 was an outstanding year for Pernod Ricard, with continued business growth in all Regions, a further upturn in results and margins and ongoing improvement in debt ratios.

In addition to this strong commercial and financial performance, 2007/**2008** will remain marked by preparations for the acquisition of **Vin&Sprit**, owner of ABSOLUT premium vodka, the world leader in its segment (11.1 million 9-litre cases in the financial year 2013/2014).

The effectiveness of Pernod Ricard's growth model was demonstrated unequivocally by its ability to overcome the worldwide economic and financial crisis in 2008/2009, due to its:

- rounded portfolio of premium brands;
- global sales network and leading positions in emerging markets.

Despite this difficult context, Pernod Ricard's profits continued to rise, while the Company successfully integrated Vin&Sprit's business and, in particular, the ABSOLUT brand.

Organic growth and debt reduction

In order to accelerate its debt reduction and improve its debt ratios, Pernod Ricard launched a €1 billion capital increase in **2008/2009** and announced the launch of a €1 billion asset disposal programme. As part of this programme, the Cruzan rum brand was sold in August 2008, and Wild Turkey bourbon in May 2009.

In **2009/2010**, Pernod Ricard saw a return to organic growth thanks to its activities and profits, despite the ongoing uncertainty in the global economic environment. This performance is even more remarkable considering the return to pre-crisis levels of advertising and promotional investment, continued debt reduction and the improvement in debt ratios. Furthermore, in October 2009 Pernod Ricard launched a Group-wide programme named Agility, designed to boost performance across all functions while drawing on the Group's strengths: decentralisation, Premiumisation and its people.

Strategic refocusing continued in 2010/2011 with a series of asset disposals, particularly in wine. In July 2010, the Group sold the Spanish wine brands Marquès de Arienzo and Viña Eguía, as well as the bodega, vineyards and associated land. In August 2010, Pernod Ricard sold the Spanish company Ambrosio Velasco, whose main brands include Zoco pacharán and Palacio de la Vega wine. In December 2010, the Group sold the Renault cognac brand as well as a share of the inventories of finished products to the Scandinavian group Altia. This was followed by the sale of New Zealand wine portfolio, including the sparkling wine brand Lindauer, together with related inventories and production assets.

Pernod Ricard also continued with its refinancing plan and improved the profile of its balance sheet with a series of bond issues (€1 billion in March 2011 and US$1 billion in April 2011).

Stemming from the conclusions of the Agility project, a total of 30 initiatives, including several organisational changes, were implemented in **2010/2011**. In particular:

- creation of a new Brand Company called Premium Wine Brands [1], which covers all of the Group's priority wine brands;
- expansion of the remit of The ABSOLUT Company to cover all international vodkas in the Group's portfolio;
- creation of Pernod Ricard Sub-Saharan Africa: a new region operating as a sub-division of Pernod Ricard Europe, Middle East and Africa.

In May 2011, Pernod Ricard launched the first edition of Responsib'All Day, an event dedicated to fighting alcohol abuse. This first edition mobilised all the Group's employees worldwide in the fight against drink driving. This initiative has continued each year, dealing with themes such as "alcohol and youth" and "promoting the five industry commitments for responsible drinking".

In **2011/2012**, Pernod Ricard completed the refinancing of its debt by:

- issuing bonds amounting to US$1.5 billion and US$2.5 billion, in October 2011 and January 2012 respectively;
- signing a new multi-currency revolving syndicated loan agreement for US$2.5 billion.

The same year also saw the acceleration of the Group's debt reduction and the upgrade of its rating to investment grade.

The **2012/2013** financial year was marked by the Group's continued debt reduction and its strategy of focusing on its priority brands. As part of this, in January 2013 Pernod Ricard announced the sale to Arcus-Gruppen of the Danish aquavit brands Aalborg and Brøndums, the German aquavit brand Malteserkreuz and the Danish bitter brand Gammel Dansk.

(1) Premium Wine Brands was renamed Pernod Ricard Winemakers in 2014.

Highlights of financial year 2013/2014

Despite global economic conditions remaining difficult in 2013/2014, the Group's performance was in line with the guidance issued in February 2014, while maintaining healthy inventory levels and a strict pricing policy. The Group also seized several opportunities to pursue its growth.

Focus on operational efficiency: the Allegro project

On the occasion of the half-year results, the Group unveiled the launch of Allegro, a project aimed at improving its operational efficiency. Allegro focuses on three key principles:

- Prioritisation: clarifying roles and responsibilities;
- Simplification: of the organisation and processes;
- Mutualisation: pooling resources.

The objective of Allegro is to make the organisation more efficient for generating future growth, seizing new opportunities, particularly in innovation and digital communication, and improving the speed of execution. The project will allow the Group to continue to be supported by its decentralised model, based on direct relationships between Brand Companies and Market Companies. Over three years, the Allegro project will generate recurring savings of €150 million, at least a third of which will be reinvested in brand development.

Debt issuance

Successful completion of Pernod Ricard's €850 million 6-year bond issue: Pernod Ricard, whose long-term senior debt is rated Baa3 by Moody's and BBB- by Standard & Poor's, set the terms of its new bond issue denominated in euros in March 2014. The transaction was well received by the market and generated orders in excess of €3.3 billion, enabling the Group to benefit from improved funding conditions available in the capital markets, the 2% coupon being the lowest ever of any of the Group's bond issuances.

The net proceeds of the issue will be used in particular to pay down bond debt, thus extending the maturity profile of the Group's debt.

Kenwood acquisition

On 24 April 2014, Pernod Ricard strengthened its wine portfolio with the acquisition of Kenwood. This tactical acquisition adds the Kenwood vineyards, which produce a premium Californian wine, allowing the Group to reach critical mass in wines in the United States, a key market for the development of this category, and fits perfectly into the Group's multi-origin strategy for its wine portfolio.

Additionally, Pernod Ricard USA, the Group's US affiliate, signed agreements with its two main distributors (Southern Wine & Spirits and Republic National Distributing Co.). The agreements strengthen the partnerships between Pernod Ricard and these distributors, both by increasing the number of sales people dedicated to the Group brands and by aligning distributors more closely with the Group's strategic goals. The aim is excellence in sales execution. The roll out will gradually occur throughout 2014/2015.

Events occurring after the end of the financial year 2013/2014

On 11 July 2014, the Group announced that Pernod Ricard USA had completed the acquisition of a significant majority stake in Avión Spirits LLC from its joint-venture partner Tequila Avión. With the completion of this transaction, Pernod Ricard USA holds a large majority of the company that owns the ultra-premium tequila brand Avión.

This transaction reflects Pernod Ricard's confidence in Avión's brand equity and growth potential as well as the brand's important role in Pernod Ricard's growth ambitions in the United States, the Group's largest market. It also illustrates the capacity of Pernod Ricard to seize targeted external growth opportunities in the super-premium+ segment in the United States as a complement to the Group's innovation strategy.

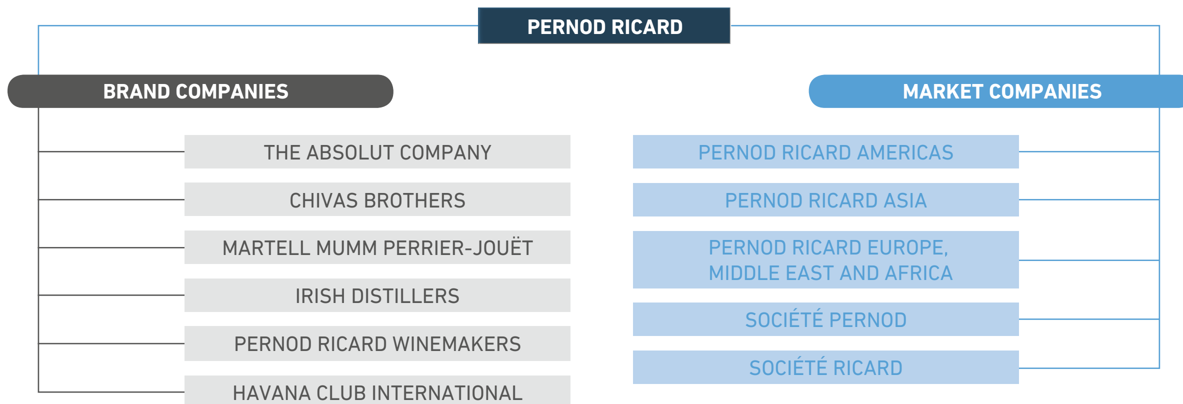
Some marketing and product initiatives during the financial year 2013/2014

Creativity and innovation, resulting from a strategy of sustained marketing investment, continued to be the watchwords during the financial year. The creation of limited editions and new products along with an emphasis on heritage and craftsmanship, digital communication, partnerships and responsible communication played a major role for all the brands in the Group's portfolio.

- **Ricard** unveiled its summer bottle. Modern and colourful, its design evokes Ricard cocktail options such as Perroquet, Tomate and Mauresque.
- **ABSOLUT** expanded its range by launching ABSOLUT Craft, a vodka developed in collaboration with mixologist Nick Strangeway to strengthen the brand's relationship with on-premise decision makers.
- **Chivas** showcased its know-how in Japanese craft whisky distillation with the brand Mizunara aged in Japanese oak barrels.
- **Martell** featured its unique heritage with a limited edition Tribute to Cellar Masters in homage to its historic distillers.
- **Ballantine's** innovated with the launch of the spirit Ballantine's Brasil, combining Scotch whisky with the freshness of lime peel.
- **Havana Club** promoted the art of mojito cocktails with its Mojito Tricks digital videos.
- **Jacob's Creek** boosted its range with the launch of Double Barrel, a super-premium wine aged in whiskey barrels.

A decentralised business model

Summary description of the Group



General organisation

The general organisation of the Group is based around Pernod Ricard (hereinafter the "**Holding Company**") which holds companies referred to as "**Brand Companies**" and "**Market Companies**", through holding companies called "**Regions**". Some companies combine both Brand Company and Market Company activities.

In Pernod Ricard's decentralised business model, the Holding Company plays several roles. It manages certain specific functions such as:

- overall Group strategy, particularly organic and external growth;
- management of equity investments, in particular any merger, acquisition or resale of any appropriate assets;
- management of the financial policy for the entire Group, including financing resources;
- tax policy and its implementation;
- management and protection of the Group's intellectual property;
- definition of remuneration policies, management of international executives and development of skills and competencies;
- approval of new advertising campaigns prior to launch;
- approval of key features of strategic brands;
- corporate communications and investor, analyst and shareholder relations;
- shared resources, notably through the Purchasing Division;
- major applied research programmes.

The Holding Company's financial relations with its affiliates mainly involve the billing of royalties for the operation of brands owned by the Holding Company, rebilling for services, and the receipt of dividends.

The Holding Company monitors and controls its affiliates' performance and prepares and communicates Group accounting and financial information.

Lastly, the Holding Company is in charge of implementing policy and measures in key areas. It must ensure that its vision of the Company is shared, that the Group's business model is understood and that best practices are fully available to every member of the organisation. As such, the exchange of knowledge and mutual support between affiliates are vital to the success of the Group's decentralised business model.

The **Chief Executive Officer** performs **Group General Management**, assisted by one **Deputy Chief Executive Officer & Chief Operating Officer** (also responsible for Distribution Network entities) and three **Managing Directors**, respectively:

- MD – Finance;
- MD – Brands;
- MD – Human Resources and Corporate Social Responsibility.

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

The Company's General Management relies on the **Holding Company Management** to prepare and coordinate the decisions and actions to be taken by the Holding Company.

The **Regions** are autonomous affiliates to which powers have been delegated by the Holding Company. They have operational and financial control of their affiliates. They comprise affiliates present in the same Region (Europe, Middle East and Africa, Americas and Asia).

The **Brand Companies** are autonomous affiliates to which powers have been delegated by the Holding Company. They have responsibility for managing strategy and brand development and for production.

The **Market Companies** are autonomous affiliates to which powers have been delegated by the Holding Company or by a Region. They have responsibility for managing the distribution and development of brands in local markets.

Procurement and production

To guarantee that its products are of the highest quality, the Group does the majority of its product manufacturing in-house and may occasionally use subcontractors. This is particularly the case in India, where the Pernod Ricard affiliate uses around 20 sites belonging to subcontractors.

Brand creation and marketing

The Group's Premiumisation strategy is developed per brand by the Brand Companies, and then adapted by the Market Companies' marketing departments. The production of media activities and advertising merchandise is outsourced.

Distribution

The Group's strategy is to control its Distribution Network as closely as possible to best promote its portfolio of brands. This is the case for all significant markets in which the Group has an affiliate that makes or imports products developed by another company in the Group and distributes them in the market through third parties (wholesalers, retailers or specialised networks).

List of significant affiliates

The list of significant affiliates is set out in Note 7.2 entitled "*List of main consolidated companies*", of the Notes to the consolidated financial statements in Section 5 of this document.

Operation and strategy

Main business activities

Main businesses

Pernod Ricard was born in 1975 out of the link-up of Pernod SA and Ricard SA and has since expanded through both organic and external growth. The acquisitions of part of Seagram (in 2001), part of Allied Domecq (2005) and Vin&Sprit (2008) have made the Group the global co-leader in Wines & Spirits.

Pernod Ricard owns one of the industry's most prestigious brand portfolios, which includes: ABSOLUT vodka, Ricard pastis, Ballantine's, Chivas Regal and The Glenlivet Scotch whiskies, Jameson Irish whiskey, Martell cognac, Havana Club rum, Beefeater gin, Kahlúa and Malibu liqueurs, Mumm and Perrier-Jouët champagnes, and Jacob's Creek, Brancott Estate, Campo Viejo and Graffigna wines.

Pernod Ricard relies on a decentralised organisational structure, based around "Brand Company" and "Market Company" affiliates. The organisation employs some 18,000 people in 80 countries.

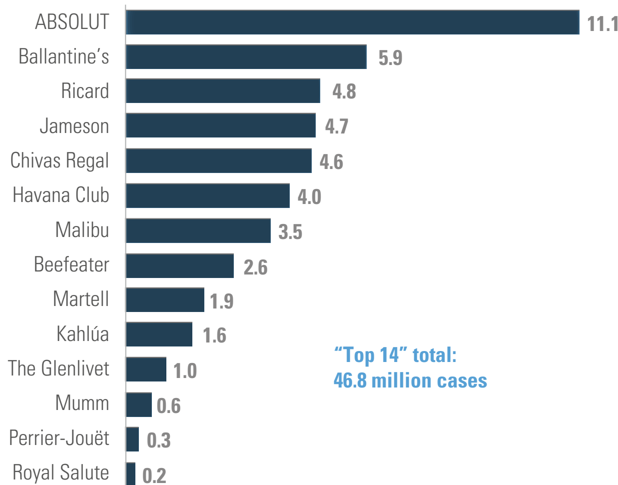
Pernod Ricard's strategy is organised around five key areas:

- investing first and foremost in world-class strategic brands;
- premiumising brands to position the Company at the high end of the market and so accelerate growth and boost profitability;
- expanding in emerging markets, which offer the strongest prospects for growth;
- targeting new consumption occasions;

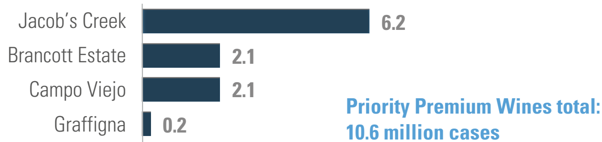
- continuing to grow through acquisition, once leverage has been reduced, to remain a dynamic player in the consolidation of the Wines & Spirits segment.

Lastly, the Group is a strong advocate of sustainable development and encourages responsible consumption of it products.

TOP 14: STRATEGIC BRANDS
(2013/2014 volumes in millions of 9-litre cases)



PRIORITY PREMIUM WINES
(2013/2014 volumes in millions of 9-litre cases)



Key markets (3 strategic regions)

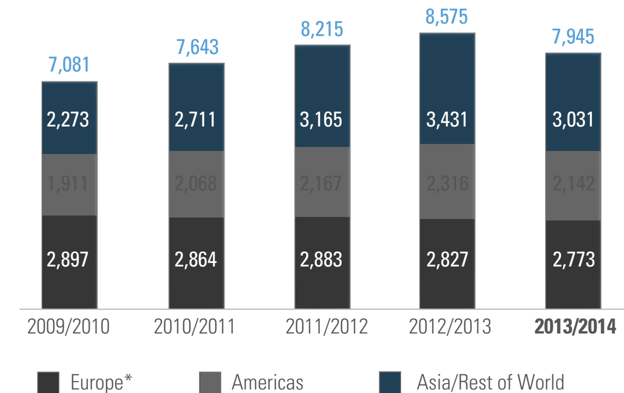
The Group's segmentation of its geographic markets and development Regions reflects its historical roots and strategy of growth through acquisition.

France is the Company's birthplace, with the two major anise-based spirits brands, Ricard and Pastis 51 (Pernod), which gave their name to the Group. Over the course of time, the Group expanded its presence into other European markets. Pernod Ricard used these solid foundations as a springboard to conquer North and South America, Asia and the Rest of World.

In 2009/2010, Asia/Rest of World took over as the Group's biggest region by net sales and profit from recurring operations. In 2013/2014, it accounts for 38% of Group net sales and 43% of profit from recurring operations, remaining the most important region despite a slowdown in growth and adverse currency effects.

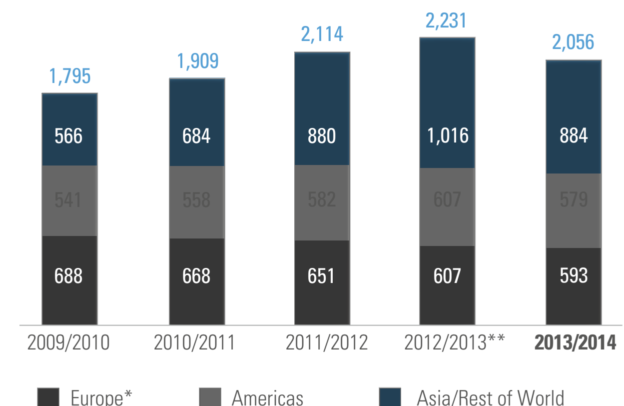
The emerging markets of Europe, the Americas, Asia/Rest of World represent a significant proportion of the Group business (41% of Group profit from recurring operations in 2013/2014), providing significant opportunities for growth in the next few years.

NET SALES BY GEOGRAPHICAL REGION
(in millions of euros)



* France is now integrated into the Europe operating segment.

PROFIT FROM RECURRING OPERATIONS BY GEOGRAPHICAL REGION
(in millions of euros)



* France is now integrated into the Europe operating segment.
** As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1 – Accounting Principles of the Notes to the consolidated financial statements. As a result the financial statements for the 2012/2013 financial year have been restated.

Competitive position

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

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

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

- large multinationals in the Wines & Spirits segment, such as Diageo, Bacardi-Martini, Beam Suntory, Brown-Forman, Campari, Moët-Hennessy, Rémy Cointreau and Constellation Brands for international brands;
- smaller companies or producers of local brands (for example, Sazerac in the US, Altia in the Nordic countries and Stock Spirits in Poland).

Company 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. In financial year 2013/2014, the Group's five main industrial suppliers were Ardagh Glass (glass bottles), Guala (closures), O-I (glass bottles), Saver Glass (glass bottles) and Verallia (Saint-Gobain – glass bottles).

Property, plant and equipment

Significant existing property, plant and equipment

As at 30 June 2014, the Group's manufacturing base comprises 101 production sites operated directly by the affiliates, in 23 countries. The activities at these sites are typically bottling (at 51 sites), maturing (49 sites, either wine or spirits), distilling (34 sites) and vinification (26 sites).

Three new sites have been acquired since 30 June 2013: the new Dungourney whiskey maturing site in Ireland to ensure the continued growth of Jameson, and two wine production sites in California following the acquisition of the Kenwood brand. Also, two sites regarded as dependent on those included in the inventory of active production sites as at 30 June 2013 are now identified as sites in their own right (one in Scotland and one in China). This increases the total number of active production sites by five as at 30 June 2014.

To guarantee that its products are of the highest quality, the Group does the majority of its product manufacturing in-house and may ocasionally use subcontractors. This is the case in India, where the Pernod Ricard affiliate uses approximately 20 subcontractor sites.

In addition to its production sites, Pernod Ricard also owns several farm estates covering nearly 5,850 hectares of vineyards, located primarily in New Zealand, Australia, Argentina, France, Spain and China.

In the 2013/2014 financial year, the volumes produced by the industrial sites covered by the Group's environmental reporting totalled 1,066 million litres of finished bottled goods or goods sent in bulk, remaining largely unchanged from the figure for 2012/2013.

(1) Source IWSR 2013 (calendar year).

Country	Number of industrial sites as at 30 June 2014	Main industrial sites	Principal activity	Distillation	Vinification	Production and bottling	Maturing
France	16	Cognac	Cognac			x	x
		Rouillac	Cognac	x	x	x	x
		Chanteloup	Cognac				x
		Gallienne	Cognac	x			x
		Bessan	Anise-based spirits	x		x	
		Lormont	Anise-based spirits			x	
		Vendeville	Anise-based spirits			x	
		Cubzac	Sparkling wines			x	
		Thuir	Wine-based aperitifs			x	x
		Marseille	Anise-based spirits			x	
		Reims	Champagne		x	x	x
		Épernay	Champagne		x	x	x
Sweden	3	Ahus	Vodka			x	
		Nöbbelöv	Vodka	x			
		Satellite	Vodka			x	
Finland	1	Turku	Spirits			x	
Scotland	25	Balgray	Whisky				x
		Braeval	Whisky	x			
		Dalmuir	Whisky				x
		Dumbuck	Whisky				x
		Paisley	Whisky			x	
		Strathclyde	Whisky	x			
		Kilmalid	Whisky			x	
		Keith Bond	Whisky				x
		Mulben	Whisky				x
		Miltonduff	Whisky	x			x
		Glenlivet	Whisky	x			x
England	2	Plymouth	Gin	x			
		Kennington	Gin	x			
Ireland	3	Midleton	Whiskey	x			x
		Fox and Geese	Whiskey			x	
		Dungourney	Whiskey				x
Spain	9	Manzanares	Rum, liqueurs			x	
		Ruavieja	Liqueurs	x		x	
		Age	Wine		x	x	
		Logrono	Wine		x	x	
Italy	1	Canelli	Bitters			x	
Greece	2	Pireus	Various			x	
		Mytilène	Ouzo	x		x	
Poland	2	Poznan	Vodka	x		x	
		Zielona Gora	Vodka			x	
Czech Republic	1	Bohatice	Bitters			x	x

Country	Number of industrial sites as at 30 June 2014	Main industrial sites	Principal activity	Distillation	Vinification	Production and bottling	Maturing
Armenia	4	Yerevan	Brandy			x	x
		Armavir	Brandy	x	x		x
		Aygavan	Brandy	x	x		x
		Berd	Brandy	x	x		
United States	4	Fort Smith	Spirits, liqueurs			x	
		Napa	Sparkling wines		x	x	x
		Kenwood	Wine		x	x	x
Canada	2	Walkerville	Spirits, liqueurs	x		x	x
		Pike Creek	Spirits				x
Mexico	4	Los Reyes	Brandy, coolers, liqueurs			x	x
		Arandas	Tequila	x		x	x
		Ensenada	Wine		x		
		Hermosillo	Tequila	x			
Brazil	2	Suape	Spirits			x	
		Resende	Spirits	x		x	x
Argentina	4	Bella Vista	Spirits			x	x
		Cafayate	Wine		x	x	
		San Raphael	Wine		x	x	
		San Juan	Wine		x	x	
Cuba	1	San José	Rum	x		x	x
Australia	3	Rowland Flat	Wine		x	x	
		Morris	Wine		x		
		Richmond Grove	Wine		x		
New Zealand	3	Brancott	Wine		x		
		Church Road	Wine		x		
		Tamaki	Wine			x	
India	6	Daurala	Whisky			x	
		Behror	Whisky	x		x	
		Kolhapur	Whisky			x	
		Nashik (2 sites)	Whisky and wine	x	x	x	
		Rocky Punjab	Whisky			x	
China	2	Helan Mountain	Wine		x		
		Yinchuan	Wine			x	
South Korea	1	Echon	Whisky			x	
TOTAL	**101**						

Investments

During 2013/2014, the Group's total capital expenditure on production sites stood at €199 million (excluding IT, administrative infrastructures and visitor centres). This represents a decline from €228 million the previous year, which had been marked by the construction of the new Midleton distillery in Ireland.

Most of the capital expenditure in 2013/2014 related to *eaux-de-vie* maturing capacity for whisky and cognac, which involved building new cellars and buying storage casks totalling approximately €70 million.

The Group also continued to invest in its distilling capacity, gradually bringing the Midleton distillery extension in Ireland into service, as well as starting on construction of the Imperial distillery in Scotland. Other significant investment projects involved bottling plants, which require regular refurbishment to handle new products or improve their performance.

Research and Development

Since its creation, the Group has been equipped with a specialised Research and Development structure, the Pernod Ricard Research Centre (CRPR). The activities of the CRPR are grouped into three task areas:

- involvement in protecting strategic brands by ensuring their compliance with the Group's quality criteria and the continuity of their organoleptic profiles;
- proposal and coordination, in collaboration with Brand Owners, of research projects that will generate new expertise in the strategic areas where the Group could build a competitive edge. These research projects focus on the following issues:
  - understanding and management of the organoleptic profiles of products,
  - breakthrough innovation (content and packaging),
  - understanding of product/consumer interaction;
- organisation of scientific and technical knowledge-sharing through a variety of publications, training programmes, communications, coordination of networks of experts and organisation of meetings between affiliates. It also manages the technical aspects of the Group's patent policy, in conjunction with the Holding Company's Legal Department.

The CRPR, which has technical expertise and material resources (analysis equipment, pilot workshop) that is unrivalled in the spirits industry, is also available to provide direct technical support for affiliates, the Holding Company and the Group's innovation structures (BIG, Kangaroo Fund) for the development of new products, process improvements and food safety.

In addition, the Brand Companies and some Market Companies have internal structures that are responsible for the development of their new products and ongoing process optimisation. In this respect, the main focus of efforts is on reducing the environmental impact of our businesses: reducing energy and water consumption, agricultural inputs and packaging.

The Pernod Ricard group employs the equivalent of about 100 full-time employees in R&D. The Group also finances various research projects at public research institutions in France (Bordeaux, Dijon, Montpellier, Paris) and elsewhere: Scotland (Edinburgh), New Zealand (Auckland and Christchurch), Australia (Adelaide), Italy (Genoa), most notably through the funding of doctoral theses. The Group also supports the R&D work of several professional bodies worldwide such as the Australian Wine Research Institute in Australia, the Scotch Whisky Research Institute in Scotland and the Cognac producers' organisation (Bureau national interprofessionnel du cognac) in France.

2

Corporate governance and internal control

Report from the Chairman of the Board of Directors of the Company on the composition of the Board and the implementation of the principle of balanced representation of women and men on the Board, and on the conditions governing the preparation and organisation of the work performed by the Board of Directors **21**

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Statutory Auditors' report prepared in accordance with article L. 225-235 of the French Commercial Code (Code de commerce) on the report prepared by the Chairman of the Board of Directors of Pernod Ricard **46**

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

It describes, in the context of the preparation of the financial statements for the 2013/2014 financial year, the conditions governing the preparation and organisation of the work performed by the Board of Directors and its Committees, the powers entrusted to the Chief Executive Officer and Deputy Chief Executive Officer & Chief Operating Officer, the principles and rules used to determine the compensation and benefits of any kind granted to Corporate Officers, and the internal control procedures implemented by Pernod Ricard.

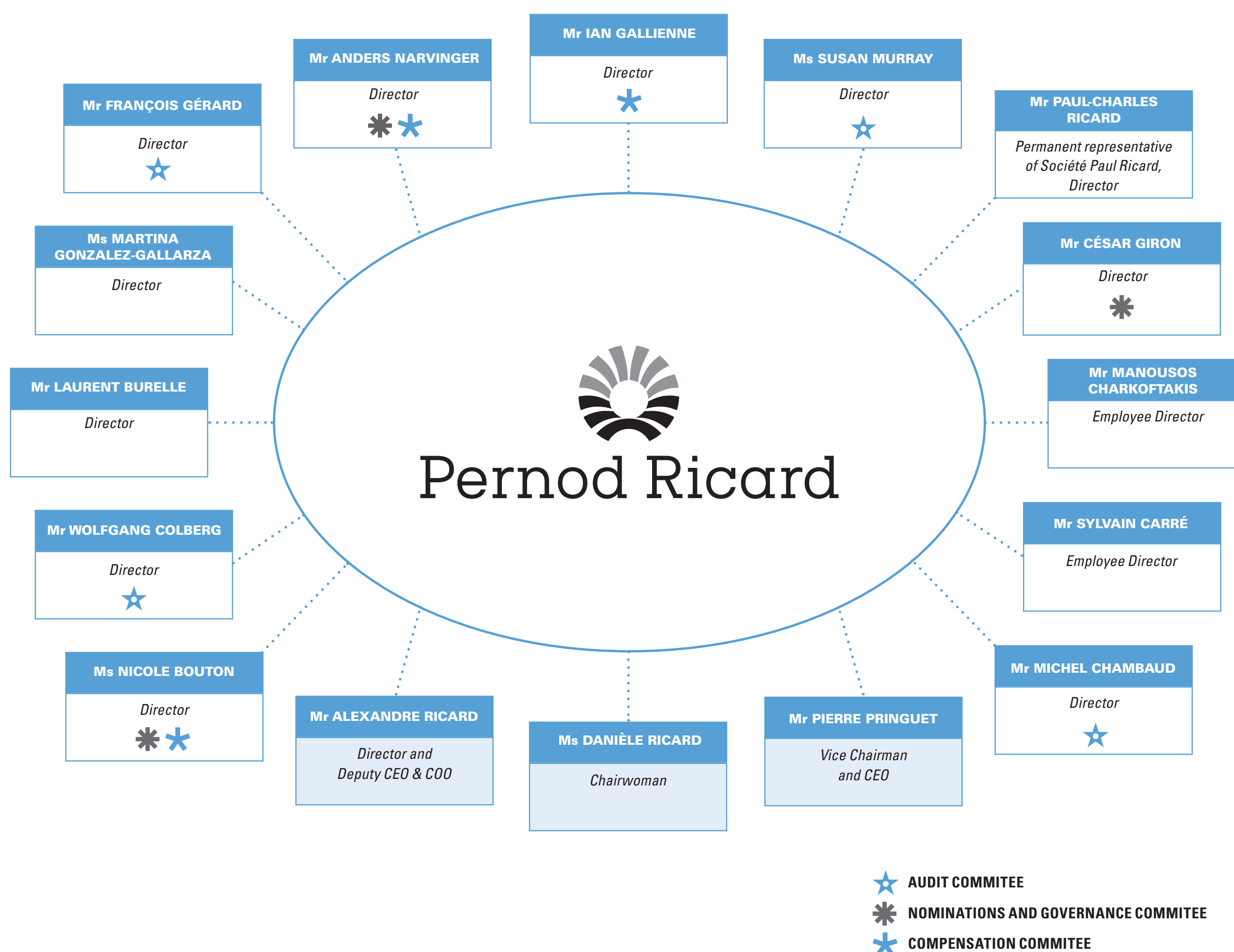
You are advised that the principles and rules used to determine the compensation and benefits of any kind granted to Corporate Officers are detailed in Section 4, "Management report – Compensation policy", under the paragraph entitled "Corporate Officers' compensation". Moreover, in accordance with article L. 225-100-3 of the French Commercial Code, the items that may have an impact in the event of a public offer are detailed in Section 8 of this Registration Document, "About the Company and its Share Capital", under the paragraph "Items likely to have an impact in the event of a public offer".

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

This report was approved by the Board of Directors on 27 August 2014, after the Board's Committees had each examined the sections relating to their area of competence, and was forwarded to the Statutory Auditors.

Report from the Chairman of the Board of Directors of the Company on the composition of the Board and the implementation of the principle of balanced representation of women and men on the Board, and on the conditions governing the preparation and organisation of the work performed by the Board of Directors

Composition of the Board of Directors



AUDIT COMMITEE
NOMINATIONS AND GOVERNANCE COMMITEE
COMPENSATION COMMITEE

Duties performed by the Directors

Ms Danièle RICARD

Chairwoman of the Board of Directors
75 years old
French citizen

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

Date of first appointment:
16.06.1969

Date of latest renewal:
06.11.2013

Date of expiry of term of office:
AGM 2017

Number of shares held at 30 June 2014:
264,542

Member of the Management team and Director of Société Ricard between 1967 and 1975, Ms Danièle Ricard has sat on the Board of Directors of Société Ricard, now Pernod Ricard, since 1969. She was Chairwoman and Chief Executive Officer of Société Paul Ricard until 2004 and became Chairwoman of Société Paul Ricard's Management Board in 2005.

Ms Danièle Ricard is one of the daughters of Mr Paul Ricard, the founder of the Société Ricard.

Ms Danièle Ricard was appointed Chairwoman of the Board of Directors of Pernod Ricard by the Board of Directors on 29 August 2012.

Mr Pierre PRINGUET

Vice Chairman of the Board of Directors and Chief Executive Officer
64 years old
French citizen

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

Date of first appointment:
17.05.2004

Date of last renewal:
09.11.2012

Date of expiry of term of office:
AGM 2016

Number of shares held at 30 June 2014:
263,000

A graduate of the École polytechnique and the École des Mines, Mr Pierre Pringuet started his career in the French civil service. He was Advisor to government minister Michel Rocard from 1981 to 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 and CEO of Pernod Ricard Europe (1997-2000). In 2000, he joined Mr Patrick Ricard at the Holding Company as one of Pernod Ricard's two joint CEOs, together with Richard Burrows. He was appointed Director of Pernod Ricard in 2004 and led the successful acquisition of Allied Domecq in 2005 and its subsequent integration. In December 2005, he became the Group's sole Managing Director. In 2008, he 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 CEO of Pernod Ricard on 5 November 2008, and was also appointed Vice Chairman of the Board of Directors by the Board on 29 August 2012.

Mr Pierre Pringuet is also Chairman of the Sully Committee, which promotes the French food processing industry, and was appointed Chairman of the *Association française des entreprises privées* (AFEP) (French Association of Private Enterprises) on 29 June 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*.

Mr Alexandre RICARD

Director and Deputy Chief Executive Officer & Chief Operating Officer
42 years old
French citizen

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

Date of first appointment:
29.08.2012

Date of last renewal:
09.11.2012

Date of expiry of term of office:
AGM 2016

Number of shares held at 30 June 2014:
32,544

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

Mr Alexandre Ricard is one of the grandsons of Mr Paul Ricard, the founder of Société Ricard.

Mr Paul-Charles RICARD,

Permanent representative of Société Paul Ricard [1]

Director
32 years old
French citizen

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

Société Paul Ricard:

Date of first appointment:
09.06.1983

Date of last renewal:
06.11.2013

Date of expiry of term of office:
AGM 2017

Number of shares held by Mr Paul-Charles Ricard at 30 June 2014:
181,304

Number of shares held by Société Paul Ricard at 30 June 2014:
22,298,469

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's 2 in Communications (Media Law) and a Master's in Business Law. He joined Pernod Ricard in 2008 as Internal Auditor in the Audit and Business Development Department of the Holding Company. In 2010, Mr Paul-Charles Ricard was appointed G.H. Mumm International Brand Manager at Martell Mumm Perrier-Jouët and became Marketing Manager in 2014.

Mr Paul-Charles Ricard is one of the grandsons of Mr Paul Ricard, the founder of Société Ricard.

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

(1) Unlisted company, shareholder of Pernod Ricard.

Mr César GIRON

Director
52 years old
French citizen

Business address:
Pernod
120, avenue du Maréchal-Foch
94015 Créteil Cedex (France)

Date of first appointment:
05.11.2008

Date of last renewal:
09.11.2012

Date of expiry of term of office:
AGM 2016

Number of shares held at 30 June 2014:
7,077

A graduate of the École supérieure de commerce de Lyon, Mr César Giron joined the Pernod Ricard group in 1987 where he has spent his entire career. In 2000, he was appointed CEO of Pernod Ricard Swiss before becoming Chairman and CEO of Wyborowa SA in Poland in December 2003.

Since 1 July 2009, Mr César Giron has been Chairman and CEO of Pernod, a French affiliate of Pernod Ricard.

Mr César Giron is the son of Ms Danièle Ricard, Chairwoman of the Board of Directors of Pernod Ricard.

Mr François GÉRARD

Director
74 years old
French citizen

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

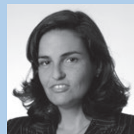
Date of first appointment:
10.12.1974

Date of last renewal:
10.11.2010

Date of expiry of term of office:
AGM 2014

Number of shares held at 30 June 2014:
14,217

A graduate of ESSEC (1962) and holder of an MBA from Columbia University (1964), Mr François Gérard exercised his skills as a financial analyst with Lazard France (Paris) from 1965 to 1968. He then entered the Wines & Spirits sector when he joined Dubonnet Cinzano. Between 1976 and 1985, he was CEO and then Chairman and CEO of Cusenier. In 1986, he became Chairman and CEO of SIAS MPA, a position he held until 2001.



Ms Martina GONZALEZ-GALLARZA

Director
45 years old
Spanish citizen

Business address:
Pernod Ricard España
C/Manuel Marañon 8
28043 Madrid (Spain)

Date of first appointment:
25.04.2012

Date of last renewal:
09.11.2012

Date of expiry of term of office:
AGM 2014

Number of shares held at 30 June 2014:
1,100

Ms Martina Gonzalez-Gallarza is a graduate of the ICADE Jesuit Business School in Madrid and holds a PhD in Marketing from Valencia University. From 1991 to 1992, she worked in the Marketing Department of KP Foods (part of the British United Biscuits group). She then pursued her career in the academic world and held various roles in the Faculty of Business Studies at the Universidad Politecnica of Valencia, including Director of the Marketing Department and Head of the International Bureau. In 2004, she joined the Catholic University of Valencia where she held the position of Dean of the Faculty of Business Studies until 2008. Since November 2008, Ms Martina Gonzalez-Gallarza has been a researcher in consumer behaviour and a lecturer on international masters programmes (MBA) and other diploma courses in the Marketing Department of Valencia University.

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

Ms Nicole BOUTON

Independent Director
66 years old
French citizen

Business address:
Friedland Gestion
90, avenue des Ternes
75017 Paris (France)

Date of first appointment:
07.11.2007

Date of last renewal:
15.11.2011

Date of expiry of term of office:
AGM 2015

Number of shares held at 30 June 2014:
1,150

Ms Nicole Bouton is a graduate of the Institut d'études politiques in Paris. From 1970 to 1984, she held the positions of Sub-Manager and then Deputy Manager in the Central Administration function of Crédit Commercial de France. From 1984 to 1996, Ms Nicole Bouton went on to hold the positions of Deputy Manager, Manager and finally Managing Director of Lazard Frères et Cie and Lazard Frères Gestion. In 1996, she was appointed member of the Executive Committee of Banque NSMD (ABN AMRO France group) and became Vice Chairman responsible for Institutional and Bank Clients before being appointed as 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 appointed Chairman of the Management Board and then Vice Chairman of the Supervisory Board of Asset Allocation Advisors and Chairman 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 Financière Centuria Group, 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 in the Financière Centuria group. At the end of June 2010, she sold her shares in Centuria and remains Chairman of Financière Accréditée. She was appointed Chairman of the Strategy Committee of Friedland Gestion, an investment management company, alongside two new partners.

Mr Laurent BURELLE

Independent Director
64 years old
French citizen

Business address:
Compagnie Plastic Omnium
1, rue du Parc,
92593 Levallois Cedex (France)

Date of first appointment:
04.05.2011

Date of last renewal:
06.11.2013

Date of expiry of term of office:
AGM 2017

Number of shares held at 30 June 2014:
1,000

Mr Laurent Burelle holds a degree in engineering from the Zurich Federal Polytechnic School (Switzerland) and a Master of Sciences from MIT (United States). He spent his entire career with Compagnie Plastic Omnium, including as Chairman and CEO of Plastic Omnium Spain from 1977 to 1981 and Vice Chairman and CEO of Compagnie Plastic Omnium from 1981 to 2001. In 2001, Mr Laurent Burelle was appointed Chairman and CEO of Compagnie Plastic Omnium. He is also a Director of the Jacques Chirac Foundation for disabled children.

Mr Michel CHAMBAUD

Independent Director
62 years old
French citizen

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

Date of first appointment:
02.11.2009

Date of last renewal:
06.11.2013

Date of expiry of term of office:
AGM 2017

Number of shares held at 30 June 2014:
1,050

A graduate of the École des hautes études commerciales (1973) and the Paris Institut d'études politiques (1975) with a PhD in Tax Law (1977), Mr Michel Chambaud was a Strategic Consultant at Arthur D. Little and held different teaching positions in Finance until 1978. From then until 1982, he was a consultant for African development banks under contract with the World Bank, concurrently founding Surf System (press group including the magazines Surf Session, Body Board Air Force and Surfer's Journal).

In 1982, he joined the Schlumberger Group, where he was Chief Financial Officer in France, the United States and then Japan.

Mr Michel Chambaud has contributed to the development of the Pargesa-GBL group since 1987, holding positions in the holding companies alternately with operational positions in affiliates. Until 1996 he was Deputy Managing Director in charge of equity investment at Parfinance (Holding Company listed in France, affiliate of Pargesa), and from 1996 to 2003, he was a member of the Management Board of Imerys, in charge of finance and strategy. He was Investments Manager of Groupe Bruxelles Lambert until 31 May 2014. He is currently Manager of the private limited company Nyala and a Senior Advisor to Ergon Capital Partners.

Mr Wolfgang COLBERG

Independent Director
54 years old
German citizen

Business address:
Industrial Partner – CVC Capital Partners
WestenDuo, Bockenheimer Landstrasse 24
60323 Frankfurt am Main (Germany)

Date of first appointment:
05.11.2008

Date of last renewal:
09.11.2012

Date of expiry of term of office:
AGM 2016

Number of shares held at 30 June 2014:
1,076

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

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 to CVC Capital Partners since 2013.

Mr Ian GALLIENNE

Independent Director
43 years old
French citizen

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

Date of first appointment:
09.11.2012

Date of last renewal:
N/A

Date of expiry of term of office:
AGM 2014

Number of shares held at 30 June 2014:
1,000

Mr Ian Gallienne has been Managing Director of Groupe Bruxelles Lambert since January 2012. He graduated in Management and Administration, with a major in Finance, from the ESDE Business School in Paris and obtained an MBA from INSEAD in Fontainebleau. From 1998 to 2005, he was Manager of the Rhône Capital LLC private equity funds in New York and London. In 2005, he founded the private equity funds Ergon Capital Partners I, II and III, of which he was Managing Director until 2012. He has been a Director of Groupe Bruxelles Lambert since 2009, Imerys since 2010, Lafarge since 2011 and SGS since 2013.

Ms Susan MURRAY

Independent Director
57 years old
British citizen

Business address:
Bodicote Mill – Church Street, Bodicote, Nr Banbury, Oxon OX15 4DR (United Kingdom)

Date of first appointment:
10.11.2010

Date of last renewal:
N/A

Date of expiry of term of office:
AGM 2014

Number of shares held at 30 June 2014:
1,000

Ms Susan Murray is an Independent Non-Executive Director of Imperial Tobacco Group Plc, Compass Group Plc and Enterprise Inns Plc. Ms Susan Murray was a member of the Board of Littlewoods Limited from October 1998 until January 2004, and then CEO of Littlewoods Stores Limited. Previously, she was Worldwide Chairman and CEO of The Pierre Smirnoff Company, part of Diageo Plc. Whilst at Diageo, she was the first Chairman of the International Center for Alcohol Policies in Washington DC. Ms Susan Murray is also a former Non-Executive Director of WM Morrison Supermarkets Plc, SSL International Plc and a former Director and council member of the Advertising Standards Authority and the Portman Group complaints panel. She is a fellow of the Royal Society of Arts.

Mr Sylvain CARRÉ

Employee Director
48 years old
French citizen

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

Date of first appointment:
02.12.2013

Date of last renewal:
N/A

Date of expiry of term of office:
02.12.2017

Mr Sylvain Carré joined the Pernod Ricard group in 1988 with its affiliate Pernod as a highly skilled worker in 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 designated as an Employee Director by the Group Committee (France) on 2 December 2013.

Mr Anders NARVINGER

Independent Director
65 years old
Swedish citizen

Business address:
Östermalmsgatan, 94
SE-114-59 Stockholm (Sweden)

Date of first appointment:
02.11.2009

Date of last renewal:
06.11.2013

Date of expiry of term of office:
AGM 2015

Number of shares held at 30 June 2014:
1,020

Mr Anders Narvinger, former CEO of ABB Sweden and the Association of Swedish Engineering Industries, is Chairman of the Board of Directors of Alfa Laval AB (Swedish engineering company), ÅF AB (technology consulting), Coor Service Management Group AB (service management) and Capio AB (healthcare). Mr Anders Narvinger holds degrees in engineering and economics and is a member of the Board of Directors of JM AB (building and construction), and Deputy Chairman of the International Chamber of Commerce (ICC) (Sweden).

Mr Manousos CHARKOFTAKIS

Employee Director
44 years old
Greek citizen

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

Date of first appointment:
28.11.2013

Date of last renewal:
N/A

Date of expiry of term of office:
28.11.2017

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

Mr Manousos Charkoftakis was designated as an Employee Director by the European Works Council on 28 November 2013.

Offices held outside the Group at 30 June 2014

The table below lists the offices outside the Group held by members of the Board of Directors at 30 June 2014.

Director's first name and surname or Company name	Date of first appointment as Director	Date of expiry of term of office (1)	Offices and main positions held outside the Group at 30.06.2013 or at the date of resignation where applicable	Offices held outside the Group that have expired during the last 5 years
CHAIRWOMAN OF THE BOARD OF DIRECTORS				
Ms DANIÈLE RICARD	16.06.1969	2016/2017	Chairwoman of the Management Board of Société Paul Ricard Non-associate Manager of Le Garlaban Chairwoman of the Board of Directors of Bendor SA (Luxembourg) Chairwoman of Les Embiez Non-associate Manager of Tabac des Îles de Bendor et des Embiez	None
VICE CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO				
Mr PIERRE PRINGUET	17.05.2004	2015/2016	Director of Iliad* Director of Cap Gemini*	None
DIRECTOR AND DEPUTY CEO & COO				
Mr ALEXANDRE RICARD	29.08.2012	2015/2016	Member of the Management Board of Société Paul Ricard Chairman and CEO of Le Delos Invest II Chairman and CEO of Lirix Director of Le Delos Invest I Director of Bendor SA (Luxembourg)	Chairman and CEO of Le Delos Invest I
DIRECTORS				
SOCIÉTÉ PAUL RICARD (2) REPRESENTED BY MR PAUL-CHARLES RICARD	09.06.1983	2016/2017	Chairman of Le Delos Invest III (Société Paul Ricard) Member of the Supervisory Board of Société Paul Ricard (Mr Paul-Charles Ricard)	None
Mr CÉSAR GIRON	05.11.2008	2015/2016	Member of the Management Board of Société Paul Ricard Director of Lirix Director of Le Delos Invest I Director of Le Delos Invest II Director of Bendor SA (Luxembourg)	None
Mr FRANÇOIS GÉRARD	10.12.1974	2013/2014	None	None
Ms MARTINA GONZALEZ-GALLARZA	25.04.2012	2013/2014	None	None

* *Listed company.*
(1) *The term of office expires at the close of the Shareholders' Meeting held to approve the financial statements for the financial year cited.*
(2) *Unlisted company, shareholder of Pernod Ricard.*

Director's first name and surname or Company name	Date of first appointment as Director	Date of expiry of term of office (1)	Offices and main positions held outside the Group at 30.06.2013 or at the date of resignation where applicable	Offices held outside the Group that have expired during the last 5 years
INDEPENDENT DIRECTORS				
Ms NICOLE BOUTON	07.11.2007	2014/2015	Chairman of Financière Accréditée (affiliate of Centuria Capital) Chairman of the Strategy Committee of Friedland Gestion Director of AMOC (Opéra Comique)	Chairman of Centuria Capital Chairman of Centuria Luxembourg (affiliate of Centuria Capital) Chairman of Financière Centuria Asset Management (affiliate of Centuria Capital) Chairman of Centuria Accréditation (affiliate of Centuria Capital)
Mr LAURENT BURELLE	04.05.2011	2016/2017	Chairman and CEO of Compagnie Plastic Omnium SA* Deputy CEO and Director of Burelle SA* Deputy CEO and Director of Sogec 2 SA Director of Burelle Participations SA Chairman and Member of the Supervisory Board of Sofiparc SAS Chairman and Member of the Supervisory Board of Plastic Omnium Environnement SAS Chairman of Plastic Omnium Auto Exteriors SAS Chairman of Inergy Automotive Systems SAS Director of Lyonnaise de Banque Chairman of Cie Financière de la Cascade SAS Member of the Supervisory Board of Labruyère Eberlé SAS Member of the Supervisory Board of Wendel SA* Manager of Plastic Omnium GmbH (Germany) Chairman and CEO of Plastic Omnium Holding (Shanghai) Co Ltd (China) Chairman and Managing Director of Compania Plastic Omnium SA (Spain) Chairman of Plastic Omnium Inc. (United States) Chairman of Plastic Omnium International BV (Netherlands) Director of Signal AG (Switzerland)	Chairman of Compagnie Signature SAS Chairman of Plastic Omnium Auto SAS Legal representative of Plastic Omnium Auto Exteriors, co-Manager of Valeo Plastic Omnium SNC Chairman of Epsco International Inc. (United States) Chairman of Performance Plastics Products - 3P Inc. (United States) Chairman of Plastic Omnium Auto Exteriors LLC (United States) Chairman of Plastic Omnium Industries Inc. (United States) Chairman of Plastic Omnium Automotive Services Inc. (United States) Director of Inergy Automotive Systems LLC (United States) Chairman of Plastic Omnium Ltd (United Kingdom) Chairman of Plastic Omnium AG (Switzerland)

* *Listed company.*
(1) *The term of office expires at the close of the Shareholders' Meeting held to approve the financial statements for the financial year cited.*

Director's first name and surname or Company name	Date of first appointment as Director	Date of expiry of term of office (1)	Offices and main positions held outside the Group at 30.06.2013 or at the date of resignation where applicable	Offices held outside the Group that have expired during the last 5 years
Mr MICHEL CHAMBAUD	02.11.2009	2016/2017	Member of the Supervisory Board of Filhet Allard Director of Steel Partners NV (Belgium)	Managing Director of GBL TC (Belgium) Director of Ergon Capital Partners III (Belgium)
Mr WOLFGANG COLBERG	05.11.2008	2015/2016	Member of the Regional Board of Deutsche Bank AG (Germany)	Member of the Supervisory Board of Roto Frank AG, Stuttgart (Germany) Vice Chairman of the Board of Directors of STEAG GmbH (Germany) Member of the Board of THS GmbH (Germany) Member of the Board of Directors of Vivawest Wohnen GmbH (Germany)
Mr IAN GALLIENNE	09.11.2012	2013/2014	Managing Director of Groupe Bruxelles Lambert SA* (Belgium) Director of Lafarge* Director of Imerys* Director of SGS* 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 Ergon Capital SA (Belgium) Director of Steel Partners NV (Belgium) Director of Erbe SA (Belgium) Director of Gruppo Banca Leonardo SpA (Italy) Manager of Ergon Capital II Sarl (Luxembourg)	Director of Central Parc Villepinte SA Director of ELITech Group SAS Director of the Fonds de dotation du Palais Director of PLU Holding SAS Director of Boeck SA group (Belgium) Director of the Gardenia Beauty Spa (Italy) Director of Seves Spa (Italy) Director of Arno glass SA (Luxembourg) Manager of Egerton Sarl (Luxembourg)
Ms SUSAN MURRAY	10.11.2010	2013/2014	Non-Executive Chairman of Farrow & Ball (United Kingdom) Chairman of Corporate Social Responsibility of Compass Group Plc* (United Kingdom) Non-Executive Director of Imperial Tobacco Group Plc* (United Kingdom)	Non-Executive Director of WM Morrison Supermarkets Plc (United Kingdom) Non-Executive Director of The Advertising Authority (Broadcast) Ltd (United Kingdom) Non-Executive Director and Council Member of the Advertising Standards Authority (United Kingdom) Chairman of Remuneration Committee of Enterprise Inns Plc* (United Kingdom)

* *Listed company.*
(1) *The term of office expires at the close of the Shareholders' Meeting held to approve the financial statements for the financial year cited.*

Director's first name and surname or Company name	Date of first appointment as Director	Date of expiry of term of office [1]	Offices and main positions held outside the Group at 30.06.2013 or at the date of resignation where applicable	Offices held outside the Group that have expired during the last 5 years
Mr ANDERS NARVINGER	02.11.2009	2014/2015	◻ Chairman of the Board of Directors of Alfa Laval AB* (Sweden) ◻ Member of the Board of Directors of ÅF AB* (Sweden) ◻ Member of the Board of Directors of JM AB* (Sweden) ◻ Chairman of Coor Service Management Group AB (Sweden) ◻ Deputy Chairman of the International Chamber of Commerce (ICC) (Sweden) ◻ Chairman of Capio AB (Sweden)	◻ Chairman of the Board of Directors of Telia Sonera AB* (Sweden) ◻ Chairman of the Board of Directors of Trelleborg AB* (Sweden) ◻ Chairman of Swedish Trade (Sweden) ◻ Chairman of Invest in Sweden Agency (Sweden) ◻ Chairman of the Lund Institute of Technology (Sweden) ◻ Chairman of Vin&Sprit AB (Sweden) ◻ Chairman of Ireco Holding AB (Sweden) ◻ Member of the Board of Directors of Volvo Car Corporation (Sweden) ◻ Managing Director of the Association of Swedish Engineering Industries (Sweden)
EMPLOYEE DIRECTORS				
Mr SYLVAIN CARRÉ	02.12.2013 [2]	02.12.2017	◻ None	◻ None
Mr MANOUSOS CHARKOFTAKIS	28.11.2013 [2]	28.11.2017	◻ None	◻ None

** Listed company.*
(1) The term of office expires at the close of the Shareholders' Meeting held to approve the financial statements for the financial year cited.
(2) Date of appointement by the group committee (France) and the European works council respectively.

The Directors have no other employee positions in the Group, with the exception of Messrs Sylvain Carré and Manousos Charkoftakis, Employee Directors, who are, respectively, Production Team Manager at Pernod and Area Sales Manager for Crete and the Aegean Islands, Mr César Giron, Chairman and CEO of Pernod, and Mr Paul-Charles Ricard (permanent representative of Société Paul Ricard, a Director of the Company), Marketing Manager at Martell Mumm Perrier-Jouët.

Offices held within the Group at 30 June 2014

The table below lists the offices held within the Group by members of the Board of Directors at 30 June 2014.

Director's first name and surname	Nationality of company	Position	Company name
Ms DANIÈLE RICARD Chairwoman of the Board of Directors	French companies	Director	Ricard
Mr PIERRE PRINGUET Vice Chairman of the Board of Directors and Chief Executive Officer	French companies	Chairman of the Board of Directors	Pernod Ricard Finance SA
		Chairman	Lina 5
			Lina 7
			Lina 8
			Pernod Ricard Central and South America
			Pernod Ricard North America
			Pernod Ricard Asia
		Director	Martell & Co
			G.H. Mumm & Cie, Société Vinicole de Champagne, Successeur
			Champagne Perrier-Jouët
		Permanent representative of Pernod Ricard on the Board of Directors	Pernod
			Ricard
		Permanent representative of Pernod Ricard on the Supervisory Board	Pernod Ricard Europe, Middle East and Africa
		Member of the Management Board	Pernod Ricard Asia
			Pernod Ricard North America
	Non-French companies	Director	Comrie Ltd
			Irish Distillers Group
			Geo. G. Sandeman Sons & Co. Ltd
			Pernod Ricard Pacific Holding Pty Ltd
			Suntory Allied Ltd
			Havana Club Holding SA
			Havana Club International
			The ABSOLUT Company AB
		Manager	Havana Club Know-How Sàrl
Mr ALEXANDRE RICARD Director and Deputy CEO & COO	French companies	Director	Martell & Co
			Pernod
			Ricard
		Member of the Supervisory Board	Pernod Ricard Europe, Middle East and Africa
		Member of the Management Board	Pernod Ricard Asia
			Pernod Ricard North America
	Non-French companies	Director	Irish Distillers Group
			Suntory Allied Ltd
Mr CÉSAR GIRON Director	French companies	Chairman and CEO	Pernod
		Permanent representative of Pernod on the Board of Directors	Société des Produits d'Armagnac

Renewal of the term of office of two Directors and appointment of one Director

On the recommendations of the Nominations and Governance Committee, it will be proposed to renew the directorships of Ms Martina Gonzalez-Gallarza and Mr Ian Gallienne which are due to expire at the close of the Shareholders' Meeting of 6 November 2014. The terms of office would be renewed for a term of four years expiring at the close of the Shareholders' Meeting to be held in 2018 to approve the financial statements for the previous financial year.

Moreover, Mr Michel Chambaud informed the Board of Directors of his decision to resign from his position as a Company Director from 6 November 2014.

On the recommendation of the Nominations and Governance Committee, the Board of Directors has decided to propose to the Shareholders' Meeting of 6 November 2014 that Mr Gilles Samyn be appointed as a Director to replace Mr Michel Chambaud, for a term of four years expiring at the close of the Shareholders' Meeting to be held in 2018 to approve the financial statements for the previous financial year.

The Nominations and Governance Committee reviewed the candidate and determined that Mr Gilles Samyn fully met the independence criteria set by the AFEP-MEDEF Code, to which the Company refers.

Thus, at the close of the Shareholders' Meeting of 6 November 2014, the Board of Directors would comprise 14 members (two of whom are Employee Directors), including six Independent Directors and three women [1].

Mr Gilles Samyn is introduced below.

Mr Gilles Samyn

64 years old, French and Belgian citizen.

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

Gilles Samyn is a Commercial Engineer and a graduate of the University of Brussels (ULB) - Solvay Business School, where he has held research and teaching posts since 1969. He began his professional career as an advisor to the Belgian Co-operative Movement before joining Groupe Bruxelles Lambert in 1974. After a year as an independent consultant, in 1983 he joined the Frère-Bourgeois group, where he is currently Managing Director.

Gilles Samyn holds the following positions:

- Chairman: Transcor, Groupe Flo*
- Managing Director: Groupe Frère (Frère-Bourgeois, Erbe, CNP)
- Director: Groupe Bruxelles Lambert (GBL)*, Métropole Télévision (M6)*, APG/SGA* and Pargesa Holding*
- Manager: Sienna Capital

Convictions, bankruptcies, conflicts of interest and other information

No conviction for fraud, association with bankruptcy or any offence and/or official public sanction

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

- no conviction for fraud has been issued against the members of the Company's Board of Directors or General Management over the course of 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 any body responsible for corporate governance, the Supervisory Board or Board of Directors or as a CEO;
- no conviction and/or official public sanction has been issued over the last five years against the 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 General Management has, over the last five years, been prohibited by a court of law from being a member of a Board of Directors, a management body or Supervisory Board or from being involved in the management or conduct of the business of a company.

Service agreements

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

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 a Corporate Officer and their private interests and/or other duties.

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

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

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

** Listed companies.*

In accordance with the Board's Internal Regulations [1] and in order to prevent any risk of conflict of interest, every 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.

Employee representatives

Since the designation of the two Employee Directors at the end of 2013, Pernod Ricard SA's employees are now represented on Board of Directors by only one person, Ms Amélie Virat.

Governance structure

Corporate Governance 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 2013 (hereinafter referred to as the "AFEP-MEDEF Code"), available on the AFEP and MEDEF websites, is applied by Pernod Ricard, including in preparing the report required by article L. 225-37 of the French Commercial Code.

Implementation of the "Comply or Explain" rule

In accordance with the **"Comply or Explain" rule** set forth in article L. 225-37 of the French Commercial Code and referred to in article 25.1 of the AFEP-MEDEF Code, the Company believes that its practices comply with the recommendations of the Code. However, the Company has deviated from certain provisions for the following reasons explained in the following table:

Provisions of the AFEP-MEDEF Code from which the Company has deviated	Explanation
Criteria for the independence of Directors Article 9.4 states that independent Directors should not be employed by or be an Executive Director of the Company, nor be employed by or be a Director of the Parent Company or a company included in its scope of consolidation and should not have held any such position in the previous five years.	Independence of Mr Anders Narvinger: the Swedish State appointed Mr Anders Narvinger as Non-Executive Chairman of the Board of Directors of Vin&Sprit (V&S) in March 2007. This appointment was made specifically in relation to the privatisation of V&S: the Swedish State needed a neutral and independent guarantor during this phase, a role held by Mr Anders Narvinger. Mr Anders Narvinger had never been employed or held any executive position in V&S before his appointment, roles which would have impeded his independence. It was only following his resignation as Chairman of the Board of Directors of V&S that Mr Anders Narvinger joined the Board of Directors of Pernod Ricard. Having reviewed these circumstances and based on article 9.3 of the AFEP-MEDEF Code, the Nominations and Governance Committee and the Board of Directors confirmed the status of Mr Anders Narvinger as an Independent Director.
Review of the Board of Directors Article 10.4 recommends that Non-Executive Directors meet regularly without the presence of executive or internal Directors. The Code specifies that the Board of Directors' Internal Regulations should provide for an annual meeting of this nature, during which the performance of the Chairman, Chief Executive Officer and Deputy Chief Executive Officer(s) would be assessed and which would provide the opportunity for periodic reflection on the Company's future management.	Questions relating to the performance of the Chairwoman of the Board of Directors, the Vice Chairman of the Board and Chief Executive Officer and the Deputy Chief Executive Officer are dealt with, where appropriate, by the Nominations and Governance Committee as part of the regular review of the operation of the Board of Directors, or by the Compensation Committee during the annual compensation review. For these reasons, and due to the collegiate nature of the Board of Directors (set out in article 1.1 of the AFEP-MEDEF Code), no formal meeting of Non-Executive Directors is held without the presence of executive or internal Directors, nor is it provided for in the Board of Directors' Internal Regulations.
Audit Committee Article 16.2.1 recommends that the financial statements should be reviewed sufficiently in advance (at least two days before they are reviewed by the Board of Directors).	For practical reasons, linked in particular to the fact that the Committee comprises a majority of members not residing in France, the Audit Committee generally examines the financial statements the day before the Board of Directors. However, the members of the Audit Committee receive the documents and information required to perform their work with sufficient time to review them satisfactorily.

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

Dissociating the functions of Chairman and CEO

To adapt the governance of the Group and to allow for natural and operational transition in the Company's Senior Management, the Board of Directors met following the Shareholders' Meeting of 5 November 2008 and decided to separate the functions of Chairman of the Board of Directors and CEO.

During its meeting of 29 August 2012, the Board of Directors, on the recommendation of the Nominations and Governance Committee, appointed Ms Danièle Ricard as Chairwoman of the Board of Directors, following the death of Mr Patrick Ricard, and Mr Pierre Pringuet as Vice Chairman of the Board of Directors; Pierre Pringuet retained his position as Chief Executive Officer, which was renewed during the Board meeting of 9 November 2012.

Powers of the Chairman of the Board of Directors

The Chairman of the Board of Directors organises and directs the Board's work, which is reported at the Shareholders' Meeting. He oversees the proper functioning of the Company's managing bodies and in particular, ensures that the Directors are in a position to fulfil their duties. He can also request any document or information that can be used to help the Board in preparing its meetings.

Powers of the CEO

The 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 the law to Shareholders' Meetings and to the Board, and within the limits of internal rules as defined by the Board of Directors and its Internal Regulations (see the paragraph on "Limitation on the powers of the CEO" below).

Limitation on the powers of the CEO

For internal purposes, following the decision made by the Board of Directors on 29 August 2012 and in accordance with article 2 of the Board's Internal Regulations [1], prior to making a commitment on behalf of the Company, the CEO must first ascertain that the Board of Directors agrees to 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 more than €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. 233-3 of the French Commercial Code);
- making any investments or taking any shareholding in any company, partnership or investment vehicle, whether established or yet to be established, through subscription or contribution in cash or in kind, through the purchase of shares, ownership rights or other securities, and more generally in any form whatsoever, for an amount of more than €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. 233-3 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. 233-3 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 6 November 2013, the Board of Directors authorised the CEO to grant pledges, sureties or guarantees in the name of the Company within the limit of a total amount of €100 million, for a period of one year.

The Board of Directors authorised the CEO, for a period of one year, to grant charges, sureties or guarantees to tax and customs authorities in the name of the Company. No limit is placed on the amount of such guarantees.

Powers of the Deputy Chief Executive Officer & Chief Operating Officer

On 29 August 2012, the Board of Directors, on the recommendation of the Nominations and Governance Committee, co-opted Mr Alexandre Ricard as Director; Mr Ricard was appointed Deputy Chief Executive Officer & Chief Operating Officer on the proposal of Mr Pierre Pringuet, CEO.

The Deputy Chief Executive Officer & Chief Operating Officer 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 Shareholders' Meetings and to the Board of Directors, and within the limits of internal rules as defined by the Board of Directors and its Internal Regulations [1] (see "Limitation on the powers of the Deputy Chief Executive Officer & Chief Operating Officer" below).

Limitation on the powers of the Deputy Chief Executive Officer & Chief Operating Officer

For internal purposes, following the decision made by the Board of Directors on 29 August 2012, and in accordance with article 2 of its Internal Regulations, the Deputy Chief Executive Officer & Chief Operating Officer must first ensure that the Board of Directors agrees to all significant transactions that fall outside the

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

strategy announced by the Company as well as to the following transactions:

- carrying out acquisitions, transfers of ownership or disposals of assets and property rights and making investments for an amount of more than €50 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. 233-3 of the French Commercial Code);
- making any investments or taking any shareholding in any company, partnership or investment vehicle, whether established or yet to be established, through subscription or contribution in cash or in kind, through the purchase of shares, ownership rights or other securities, and more generally in any form whatsoever, for an amount of more than €50 million per transaction;
- granting loans, credits and advances in excess of €50 million per borrower, except when the borrower is an affiliate of Pernod Ricard (as defined in article L. 233-3 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 €100 million in the same financial year, except from affiliates of Pernod Ricard (as defined in article L. 233-3 of the French Commercial Code), for which there is no limit;
- granting pledges, sureties or guarantees, subject to a delegation of authority from the CEO, in accordance with the 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;
- selling shareholdings with an enterprise value in excess of €50 million.

Structure and operation of the Board of Directors

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

The members of the Board of Directors are listed in the section entitled "Composition of the Board of Directors and duties performed by the Directors".

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

The members of the Board of Directors are appointed at the Ordinary Shareholders' Meeting based on proposals from the Board of Directors following recommendations by the Nominations and Governance Committee. They can be dismissed at any time by a decision of the Shareholders' Meeting.

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

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

On the date hereof, the Board of Directors comprises 16 members, including two Employee Directors. With four female Directors, Pernod Ricard exceeds the minimum requirements set out in the law of 27 January 2011 on parity (for the Board to comprise a minimum of 20% women [3] before the Shareholders' Meeting in 2014) and the AFEP-MEDEF Code (a minimum of 20% women [3] as from the Shareholders' Meeting in 2013).

The Board has seven Independent Directors [3]. Moreover, 5 Directors are of foreign nationality.

The Board of Directors may, upon 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, on 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.

Changes in the composition of the Board of Directors during the 2013/2014 financial year

During the 2013/2014 financial year, the Shareholders' Meeting of 6 November 2013 renewed the directorships of Ms Danièle Ricard, Mr Laurent Burelle, Mr Michel Chambaud and of Société Paul Ricard, represented by Mr Paul-Charles Ricard, for a term of four years. It also renewed the directorship of Mr Anders Narvinger for a term of two years.

Independence of Directors

The Company applies criteria of independence as expressed in the AFEP-MEDEF Code. A member of the Board of Directors is considered "independent" when he/she has no relationships of any kind with the Company, its Group or its Management, which

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

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

(3) In accordance with the AFEP-MEDEF Code, the Employee Directors are not taken into account when determining the percentage of independence of the Board of Directors or the proportion of women sitting on the Board.

could impair the free exercise of his/her judgment (article 3 of the Internal Regulations of the Board of Directors [1]).

This is the basis on which the Board of Directors and the Nominations and Governance Committee assess the independence of Directors in their annual review and also whenever appointments are proposed or renewed. The Board of Directors and the Nominations and Governance Committee consider whether the Director:

- performs any management duties in the Company or the Group or has any special ties with its Executive Directors;
- is or has been at any point in the past five years an employee or Executive Director or Director of the Company or of a Group company;
- is or has been an Executive Director of a company in which the Company holds a directorship, directly or indirectly, or in which an employee or Executive Director of the Company (currently or in the past five years) holds the office of Director;
- is a significative client, supplier, banker or commercial/ investment banker of the Company or its Group or for which the Company or its Group represents a significant part of its business;
- has close family ties with a Corporate Officer;
- has been a Statutory Auditor of the Company in the past five years;
- has been a member of the Company's Board of Directors for more than 12 years;
- is a major or majority shareholder in the Company or the Parent Company controlling the Company. If this shareholder owns more than 10% of the share capital or voting rights in the Company, the Nominations and Governance Committee and Board will systematically review his/her independence in consideration of the Company's share ownership structure and the potential conflict of interest.

With respect in particular to the criterion regarding business relationships, the Nominations and Governance Committee and the Board of Directors found that, to their knowledge, no business relationship existed between the Directors and the Company or its Group.

The Board of Directors held on 23 July 2014 confirmed that 7 out of the 14 members of the Board of Directors (excluding the 2 Employee Directors [2]) are deemed to be independent: Ms Nicole Bouton, Ms Susan Murray and Messrs Laurent Burelle, Michel Chambaud, Wolfgang Colberg, Ian Gallienne and Anders Narvinger.

Directors' Code of Conduct

Article 4 of the Internal Regulations [1] and article 17 of the bylaws stipulate the rules of conduct that apply to Directors and their permanent representatives. Every Director acknowledges that he/she has read and understood these obligations prior to accepting the office.

Moreover, the Board of Directors' meeting of 16 February 2011 adopted a Code of Conduct to prevent insider trading and misconduct.

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

Operation and activity

The method of operation of the Board of Directors is set forth in the legal and regulatory provisions, by the bylaws and by its Internal Regulations [1] adopted by the Board of Directors at its meeting on 17 December 2002, as amended and supplemented in 2008, 2009, 2011 and most recently, on 29 August 2012. The Internal Regulations of the Board of Directors specify the rules and methods for operation of the Board, which supplement the law, regulations and the bylaws. In particular, they remind Directors of the rules on diligence, confidentiality and disclosure of conflicts of interest.

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, the obligations to make declarations, and publication requirements relating thereto.

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

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

Furthermore, at least once every three years, it performs or arranges for performance of a formal review of its work. A review was conducted during financial year 2011/2012 and the main conclusions from it are set out in the section on the Board of Directors' review of this report.

Meetings of the Board of Directors

It is the responsibility of the Chairman to call meetings of the Board of Directors either at regular intervals, 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 its 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 for the purpose of approving the financial statements.

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

(2) In accordance with the AFEP-MEDEF Code, the Employee Directors are not taken into account when determining the percentage of independence of Board of Directors or the proportion of women sitting on the Board.

Board meetings are called by the Chairman. The notice of the Board meeting, which is 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 in principle be the Company's registered office. Board meetings may also be held by video conference or telecommunication, under the conditions provided for in the applicable regulations and the Internal Regulations.

Information to the Directors

The Directors receive the information they require to fulfil their role. The documents in support of matters on the agenda are sent to them far enough in advance to enable them to prepare effectively for each meeting, and, generally, eight days before the meeting, pursuant to the Internal Regulations.

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

As the Directors have insider information on a regular basis, they must refrain from using this information to buy or sell shares of the Company and from carry out stock market transactions in the 30 days prior to publication of the annual and half-year results and 15 days prior to publication of quarterly net sales. They are also asked to seek the advice of the Ethics Committee before all stock market transactions on the shares of the Company or its derivatives (as indicated in paragraph "Directors' Code of Conduct").

Responsibilities of the Board of Directors and activity in 2013/2014

In the exercise of its legal prerogatives, the Board of Directors:

- rules on all decisions relating to the major strategic, economic, social and financial directions of the Company and sees to it that they are implemented by 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 verifications that it considers appropriate, including the review of the management of the Company;
- approves investment projects and any transaction, more specifically, acquisition or disposal transaction, that is 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 Corporate Officers 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 the publication of the annual report and reports the outcome of this review to the shareholders in order to identify the Independent Directors;
- approves the report from the Chairman of the Board of Directors on the composition of the Board and the implementation of the principle of balanced representation of women and men on 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.

During the 2013/2014 financial year, the Board of Directors met eight times with an attendance rate of 97.5%. Meetings lasted approximately three-and-a-half hours on average.

The Directors were regularly informed of developments in the competitive environment, and the operational Directors of the main affiliates described 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 the progress of the Company's shares and the main ratios for market capitalisation were noted.

The Board of Directors approved the annual and interim financial statements and the terms of financial communications, reviewed the budget, prepared the Combined (Ordinary and Extraordinary) Shareholders' Meeting and, in particular, approved the draft resolutions.

As recommended, the Board of Directors became more closely involved in discussions regarding the Group's strategy, including examining a strategic analysis of the Group in its competitive environment and reviewing the strategic plan and its implementation.

The Board of Directors devotes a significant part of its agenda to reporting on and discussing projects entrusted to the different Committees and their recommendations.

On the proposal of the Compensation Committee and in accordance with the recommendations of the AFEP-MEDEF Code, revised in June 2013, the Board established the terms for compensation for the Chairwoman of the Board of Directors, the Vice Chairman and Chief Executive Officer as well as of the Deputy Chief Executive Officer & Chief Operating Officer.

The Board also examined governance issues, including the composition of the Board of Directors with respect to the recommendations of the AFEP-MEDEF Code and new legislation (designation of two Employee Directors).

The Board of Directors carried out an annual review of its operations at its meeting of 23 July 2014, the conclusions of which are set out below. A formal, three-year assessment will be conducted in the 2014/2015 financial year with the support of an external consultant.

Board of Directors Self-review

In accordance with the AFEP-MEDEF Code and with its Internal Regulations, during the first quarter of 2012 the Board carried out the review of the conditions governing its operation, which it conducts formally every three years. The study was conducted by an external consultant and was based on a questionnaire and interview with each of the Directors.

Although it is widely considered that the Board of Directors is very dynamic and that its operation is on the whole satisfactory, the Directors did make the following recommendations by way of constructive criticism:

- more documents should be translated into English so that meetings can be prepared more efficiently;
- more time should be given to Committee reports;
- increased participation of Directors in Corporate Social Responsibility;
- collective review of the Group's Corporate Risk Management policy.

As part of its annual self-review, and whilst emphasising that its members believe that the Board is still very dynamic and functions harmoniously, professionally and transparently, the meeting of the Board of Directors of 23 July 2014 reviewed the actions undertaken in respect of the areas for improvement identified by the Directors during the formal assessment. Since that date, the Board of Directors has become more involved in discussions regarding the Group's strategy; the Board noted the greater role of the Nominations and Governance Committee in issues relating to governance and also appreciated the increased time given to Committee reports.

Shareholders' Meetings and attendance procedures

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

Corporate governance bodies

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.

Three 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 and Governance Committee and the Compensation Committee.

Audit Committee

At 27 August 2014, the Audit Committee comprises:

Chairman:

Mr Michel Chambaud (Independent Director)

Members:

Ms Susan Murray (Independent Director)

Mr Wolfgang Colberg (Independent Director)

Mr François Gérard

Three out of the four Directors who are members of the Audit Committee are Independent Directors (*i.e.* 75%). The members of the Audit Committee were specifically chosen for their expertise in accounting and finance, based on their training and professional experience.

The Internal Regulations of the Audit Committee were updated during the financial year and were adopted at the meeting of the Board of Directors of 21 January 2014. During the 2013/2014 financial year, the Audit Committee met four times, with an attendance rate of 94%.

Main roles of the Audit Committee

The main roles of the Audit Committee are as follows:

- 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;
- ensuring the appropriate accounting treatment of complex and/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 they are handled 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 legal control of the Company and consolidated financial statements and the amounts of their fees, while ensuring the compliance with the rules that guarantee the Statutory Auditors' independence and objectivity;
- supervising the procedure for the selection of Statutory Auditors.

Report on the work carried out during the 2013/2014 financial year

In accordance with its Internal Regulations and in liaison with the Statutory Auditors and the Consolidation, Treasury and Internal Audit Departments of the Company, the work of the Audit Committee relates mainly to 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 2013 during the meeting of 11 February 2014;
- review of the consolidated financial statements at 30 June 2014 (these financial statements were reviewed at the Audit Committee meeting on 26 August 2014): the Audit Committee met with Management and with 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 presentation of financial reporting;
- monitoring of the Group's cash flow and debt;
- risk management: the Group's main risks are regularly assessed in a detailed presentation to the Audit Committee (the meetings held on 10 December 2013 and 16 June 2014 were devoted mainly to risk management). In addition, cross-business reviews were carried out in 2013/2014 on credit risk management procedures and on the monitoring of business continuity plans, in order to strengthen the processes in place in the Group's affiliates. The Internal Regulations of the Audit Committee were updated during the financial year, as was the Internal Audit Charter;
- approval of the Group internal audit plan for 2014/2015 at the meeting of 16 June 2014. The audit plan was prepared and approved taking into account the Group's main risks;
- 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 latter'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 on 26 August 2014;
- examination of the internal audit reports: in addition to the audits and controls carried out by the various affiliates on their own behalf, 23 Internal Audits were performed in 2013/2014 by the audit teams. A full report was drawn up for each audit covering the types of risks identified – operational, financial, legal or strategic – and how they are managed. Recommendations are issued when deemed necessary. The Audit Committee approves the recommendations of all the audit reports issued and checks on the progress made in implementing the recommendations from previous audits.

Outlook for 2014/2015

In 2014/2015, the Audit Committee will continue with the task it is carrying out for the Board of Directors in line with current regulations. In addition to the risks associated with preparing financial information, 2014/2015 will be devoted to reviewing the management of the Group's major risks, as well as analysing reports on Internal Audits and the cross-business themes set out in the 2014/2015 audit plan. In particular, an update will be made to the Group's risk mapping, involving the main affiliates and the main Holding Company management.

The Nominations and Governance Committee

At 27 August 2014, the Nominations and Governance Committee comprises:

Chairman:

Ms Nicole Bouton (Independent Director)

Members:

Mr Anders Narvinger (Independent Director)

Mr César Giron (Director)

Two out of the three Directors who are members of the Nominations and Governance Committee are Independent Directors (*i.e.* 66.67%). Mr Pierre Pringuet, CEO, is associated with the work of the Committee in matters relating to the appointment of Directors.

In 2013/2014, the Nominations and Governance Committee met five times, with an attendance rate of 100%.

Main roles of the Nominations and Governance Committee

The roles of this Committee, formalised in its Internal Regulations amended on 25 June 2014, include:

- drawing up proposals concerning the selection of new Directors and proposing research and renewal procedures;
- periodically, and on at least an annual basis, discussing whether Directors and candidates for the post of Director or for membership of a Committee of the Board of Directors qualify as independent in light of the independence criteria of the AFEP-MEDEF Code;
- ensuring the continuity of Management bodies by defining a succession plan for Executive Director(s) and Director(s) 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.

Report on the work carried out during the 2013/2014 financial year

In 2013/2014, the activities of the Nominations and Governance Committee included:

- formalisation of the timetable and process for designation of the Employee Directors;
- annual examination of the independence of Board members;
- self-assessment of the Board and proposal of areas for improvement;
- study of and proposal for the composition of the Board with regard to the criteria on the representation of women;
- review and analysis of the insurance policy for Executive Directors and Corporate Officers;
- meeting with the newly designated Employee Directors;
- study on a future smaller Board of Directors;
- updating the Internal Regulations of the Nominations and Governance Committee;
- annual review of Pernod Ricard S.A.'s policy on equal opportunities and pay;
- review of the Group's Talent Management policy and presentation of the succession plans for the Group's main Directors.

Outlook for 2014/2015

- Renewal of the members of the Board of Directors with a view to further enhancing the Board's diversity and the representation of women.

Compensation Committee

At 27 August 2014, the Compensation Committee comprises:

Chairman:

Ms Nicole Bouton (Independent Director)

Members:

Mr Anders Narvinger (Independent Director)

Mr Ian Gallienne (Independent Director)

Mr Manousos Charkoftakis (Employee Director)

All of the Directors who are members of the Compensation Committee, excluding the Employee Director [(1)], are Independent Directors (100%).

In 2013/2014, the Compensation Committee met six times with an attendance rate of 100%.

Main roles of the Compensation Committee

The roles of the Compensation Committee, as confirmed by the Board on 12 February 2014, include:

- reviewing and proposing to the Board of Directors the compensation to be paid to the Executive Director(s), their retirement schemes and any other benefits granted to them;
- proposing rules to this effect, and reviewing them on an annual basis, to determine the variable portion of the compensation of Executive Director(s) and ensure that the criteria applied are in line with the Company's short-, medium- and long-term strategies;
- 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, in the presence of the Executive Director(s), of the compensation policy of the senior managers of Pernod Ricard group companies;
- ensuring that the compensation policy for senior managers is consistent with the policy for Executive Director(s);
- 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 shareholders in the annual report on the compensation of Executive Directors (in particular, the elements of compensation submitted to the shareholders' advisory vote under the Say on Pay) and the policy for allocation of stock options and performance-based shares as well as, more generally, the other work of the Compensation Committee.

Report on the work carried out during the 2013/2014 financial year

Further details of the work of the Compensation Committee are provided in the paragraph "Corporate officers' compensation" in Section 4 of this document, "Management Report".

Outlook for 2014/2015

Ongoing analysis of the compensation policy for Executive Directors with respect to the AFEP-MEDEF Code recommendations updated in June 2013 and, in particular, preparing the elements of compensation due or granted in respect of financial year 2013/2014 to each Executive Director and to be submitted to the shareholders' advisory vote at the Shareholders' Meeting of 6 November 2014 ("Say on Pay").

(1) In accordance with the AFEP-MEDEF Code, the Employee Directors are not taken into account when determining the percentage of independence of the Board of Directors and its committees.

Management structure

General Management

General Management of the Group is carried out, at 30 June 2014, by the Chief Executive Officer, Mr Pierre Pringuet, assisted by the Deputy Chief Executive Officer & Chief Operating Officer, Mr Alexandre Ricard, and three Managing Directors at 30 June 2014. They form the Group's permanent body for coordinating the management of the Group.

The Executive Board is composed of Group General Management and the General Counsel.

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

Composition of the Executive Board:

- **Chief Executive Officer**, Pierre Pringuet, Corporate Officer;
- **Deputy Chief Executive Officer & Chief Operating Officer**, Alexandre Ricard, Corporate Officer also responsible for the Distribution Network entities;
- **three Managing Directors**, respectively:
  - **Thierry Billot**, Managing Director, Brands,
  - **Gilles Bogaert**, Managing Director, Finance,
  - **Bruno Rain**, Managing Director, Human Resources and Corporate Social Responsibility;
- **Ian FitzSimons**, General Counsel.

The Group Communication Department also reports to the Chief Executive Officer.

Executive Committee

The Executive Committee is the management unit of the Group comprising General Management, the General Counsel and the Managers of the main affiliates.

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

In this capacity, the Executive Committee:

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

The Executive Committee meets 8 to 11 times a year.

The Executive Committee is made up of:

- the Executive Board;
- the Brand Companies:
  - Chivas Brothers, Laurent Lacassagne, Chairman and CEO,
  - Martell Mumm Perrier-Jouët, Philippe Guettat, Chairman and CEO,
  - Pernod Ricard Winemakers, Jean-Christophe Coutures, Chairman and CEO,
  - Irish Distillers Group, Anna Malmhake, Chairman and CEO,
  - The ABSOLUT Company, Paul Duffy, Chairman and CEO;
- the Market Companies:
  - Pernod Ricard Americas, Philippe Dréano, Chairman and CEO,
  - Pernod Ricard Asia, Pierre Coppéré, Chairman and CEO,
  - Pernod Ricard Europe, Middle East and Africa, Christian Porta, Chairman and CEO,
  - Pernod, César Giron, Chairman and CEO,
  - Ricard, Philippe Savinel, Chairman and CEO.

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

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

Definition of internal control

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

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

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

Description of the internal control environment

Components of the internal control system

The principal bodies responsible for internal control are as follows:

At Group level

The **Executive Board** is the permanent coordination unit for General Management of the Group. It comprises Group General Management and Group General Counsel. The Executive Board prepares, examines and approves all decisions relating to the functioning of the Group or submits them to the Board of Directors when the latter's approval is required. It organises the work of the Executive Committee.

The **Executive Committee** comprises Group General Management, the Group General Counsel and the CEOs of the Brand and Market Companies. The Executive Committee ensures that the Group's operations are carried out and that its main policies are applied. The Executive Committee meets 8 to 11 times a year.

The Group's **Internal Audit Department** sits within the Group's Finance Department and reports to General Management and the Audit Committee. The internal audit team of the Holding Company is in charge of implementing the Audit plan, with the support of the Audit teams in the Regions and the IT teams. The Audit plan is drawn up once the Group's main risks have been identified and analysed. It is validated by General Management and the Audit Committee and presents the different cross-business 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, General Management and Statutory Auditors for examination and analysis.

External Auditors: the selection and appointment of joint Statutory Auditors proposed at the Shareholders' Meeting is performed by the Board of Directors on the basis of recommendations from the Audit Committee.

The Group has selected joint 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 Holding Company or by a Region and is composed of the affiliate's Chairman and CEO and its senior managers. The Management Committee is responsible for managing the main risks that could affect the affiliate.

The affiliate's **Chief Finance Officer** is tasked by the affiliate's Chairman and CEO with establishing appropriate internal control systems for the prevention and control of risks arising from the affiliate's operations, in particular, accounting and finance risks, including error and fraud.

Identification and management of risks

The 2013/2014 financial year focused on:

- reviewing the business continuity plans for four selected Brand Companies, as well as defining the action plans aimed at strengthening the monitoring of business plans for all affiliates;
- carrying out a study of how the affiliates manage credit risk, followed by the communication of a digital tool aimed at helping affiliates improve their management of this risk;

- implementing the self-assessment questionnaire on internal control and risk management. This questionnaire, which was updated during the 2013/2014 financial year, complies with the AMF reference framework for risk management and internal control, as does its application guide, itself updated in July 2010;
- performing audits: 23 Internal Audits were conducted in 2013/2014. 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 two cross-business areas: purchasing contracting framework and monitoring our clients' stocks.

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 General Management and the Audit Committee. Their implementation is regularly assessed by the Group's Internal Audit Department.

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

Key components of internal control procedures

The key components of internal control procedures are as follows:

The **Pernod Ricard Charter** specifies the rights and responsibilities of every employee with regard to the Group's fundamental values, in particular its sense of 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, issued by the Board of Directors, sets out the powers of the CEO, the Deputy Chief Executive Officer & Chief Operating Officer, as well as those of the Managing Directors and Group General Counsel.

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 covered by:

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

The **Internal Audit Charter**, updated in 2013/2014, is for 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 Industrial Operations Department of the Group is in charge of 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 four-year strategic plan. Budgetary control is exercised by the management control teams attached to the Finance Departments of the Holding Company, the Regions and the affiliates. It operates as follows:

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

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

Legal and operational control of the Holding Company over its affiliates

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

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

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

The role of the Holding Company, as described in the paragraph on "A decentralised business model" in Section 1 of this document, "Presentation of the Pernod Ricard group", is an important component of the control of affiliates.

Financial and accounting reporting

Preparation of the Group's consolidated financial statements

In addition to the management information described above, the Group prepares half-year and annual consolidated financial statements. This process is managed by the Consolidation Department of 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 information provided, to cover the entire scope of consolidation;
- use of a single software package by Group affiliates. The maintenance of this software package and user training are carried out by the Group's Finance Department, with occasional assistance from external consultants.

In addition, consolidated affiliates sign a letter of representation addressed to the Statutory Auditors, which is also sent to the Holding Company. 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 Holding Company in respect of the consolidation process.

Preparation of Pernod Ricard 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, 27 August 2014

Danièle Ricard

Chairwoman of the Board of Directors

Statutory Auditors' report prepared in accordance with article L. 225-235 of the French Commercial Code (Code de commerce) on the report prepared by the Chairman of the Board of Directors of Pernod Ricard

To the Shareholders,

In our capacity as Statutory Auditors of Pernod Ricard and in accordance with Article L. 225-235 of the French Commercial Code (Code de commerce), we hereby present our report on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code (*Code de commerce*) for the financial year ended 30 June 2014.

The Chairman is responsible for preparing and submitting to the approval of the Board of Directors, a report presenting the internal control and risk management procedures implemented by the Company and disclosing other information as required by Article L. 225-37 of the French Commercial Code (*Code de commerce*) dealing in particular with corporate governance.

Our own responsibility is to:

- notify you of any observations we may have as to the information contained in the Chairman's report and relating to the Company's internal control and risk management procedures with respect to the preparation and processing of financial and accounting information; and
- attest that the report includes the other disclosures required by Article L. 225-37 of the French Commercial Code (*Code de commerce*). It should be noted that we are not responsible for verifying the fair presentation of those other disclosures.

We have performed our work in accordance with the professional standards applicable in France.

Information relating to the Company's internal control and risk management procedures with respect to the preparation and processing of financial and accounting information

Our professional standards require the implementation of procedures designed to assess the fair presentation of the information contained in the Chairman's report and relating to the Company's internal control and risk management procedures with respect to the preparation and processing of financial and accounting information.

Those procedures involve in particular:

- gain an understanding of the internal control and risk management procedures with respect to the preparation and processing of financial and accounting information presented in the Chairman's report, and of the related documentation;
- gain an understanding of the work performed as a basis for preparing that information and the existing documentation;
- determine if any major internal control weaknesses with respect to the preparation and processing of financial and accounting information identified by us in the course of our engagement have been appropriately disclosed in the Chairman's report.

Based on the procedures performed, we have nothing to report on the information relating to the Company's internal control and risk management procedures with respect to the preparation and processing of financial and accounting information contained in the report of the Chairman of the Board of Directors prepared in accordance with Article L. 225-37 of the French Commercial Code (*Code de commerce*).

Other disclosures

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

Courbevoie and Neuilly-sur-Seine, 17 September 2014

The Statutory Auditors,

MAZARS	DELOITTE & ASSOCIES
Isabelle Sapet	Marc de Villartay

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France.

3

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Sharing a tangible commitment

Declaration by Pierre Pringuet, Chief Executive Officer and Vice Chairman of the Board of Directors; Communication on our progress, United Nations Global Compact – 2013/2014

I am convinced that Corporate Social Responsibility (CSR) and Economic Performance are closely linked, and that in order to succeed, both today and in the long term, companies must be exemplary in this area.

Pernod Ricard has placed CSR at the heart of its strategy, identifying it as one of its 5 drivers of performance. We have committed to CSR because we feel it is a natural dimension of our Company's business, and not just a way of meeting the expectations of our various stakeholders.

For many years now, the Group has been committed to sustainable development, and believes in the need for a proactive approach to CSR to help rise to the major challenges faced by the food-processing industry, particularly with regard to stringent consumer requirements and growing pressure on natural resources.

In 2013, in order to meet these challenges to the best of our ability and to be more effective, we reviewed our CSR model, which was refocused around the Group's values.

Our Corporate Social Responsibility is deeply rooted in the concept of conviviality, which is at the heart of the Pernod Ricard culture: sharing, respect and dialogue are essential principles that the Group seeks to promote in order to ensure its long term success. Responsibility also implies being fully aware of the impact of our activities, addressing the concerns and requirements of each stakeholder and encouraging individuals and groups to take responsibility.

Our new CSR model is focused around four areas of commitment, each imbued with this mindset: Empower our employees, Promote responsible drinking, Protect our planet and finally, Develop our communities and engage our partners.

Sustainable development cannot be taken for granted. As a result, we are constantly looking to strengthen our CSR vision and practices, with the aim of continuous improvement.

This CSR model will help give new momentum to our projects, so we can go even further and strengthen what the Group has already built up over the years, particularly through its support for the United Nations Global Compact and the CEO Water Mandate.

I am wholly convinced of the strength of Pernod Ricard's commitment and that of its employees in relation to these key issues. Alexandre Ricard, who will take over the management of our Group in 2015, is already deeply committed to our CSR policy, as his family, to whom we owe our beliefs and convictions in this respect. He will help all of us, and our company, to become leaders in Corporate Social Responsibility.

Pierre Pringuet, Chief Executive Officer and Vice Chairman of the Board of Directors

A historical approach rooted in the Group's culture

For Pernod Ricard, Corporate Social Responsibility involves reconciling economic efficiency, social equity and environmental protection in a process of continuous improvement. It contributes to sustainable development. The Group has often been a pioneer in its actions, has grown in the respect of people and their cultures and has always been looking to the long term.

Pernod Ricard puts CSR at the heart of its vision and values (entrepreneurial spirit, mutual trust and sense of ethics), as summed up in its tagline "Créateurs de convivialité". Its 18,523 employees are ambassadors and key players of its CSR policy.

Pernod Ricard's approach and performance have been recognised and rewarded by the FTSE4Good and Ethibel's Excellence investment labels, in particular.

Historically, Pernod Ricard's corporate culture has been marked by strong Corporate Social Responsibility (CSR):

- employee shareholding in Ricard since 1938;
- creation of the Oceanographic Institute by Paul Ricard in 1966;
- creation of the Institute for Scientific Research on Beverages (IREB) in 1971;
- founding of Pernod Ricard in 1975, while preserving the specificity of Pernod and Ricard;
- in 1981, joint development of Inipol EAP 22 by the Paul Ricard Oceanographic Institute and Elf Aquitaine: this product accelerates the natural process of offshore hydrocarbon breakdown, and made a significant contribution to the clean-up of the coast of Alaska in 1989 following the Exxon Valdez disaster;
- introduction of a process for employees to express their collective views directly in France in 1982;
- founding member of the "Enterprise & Prevention" (E&P) association to combat excessive or inappropriate consumption of alcohol in 1990. Today, this association brings together the principal French producers of wines, beers and spirits;
- in 1990 the Group was a founding member of the European Forum for Responsible Drinking (EFRD), now SpiritsEUROPE, which promotes responsible drinking and encourages companies in the industry to adopt self-regulatory standards for their commercial communications;
- cultural sponsorship of the Georges Pompidou Centre since 1997;
- every year since 1999, the *Prix Fondation d'Entreprise Ricard* has been awarded to an emerging young artist on the French arts scene;
- signatory of the United Nations Global Compact since 2003;
- integrated "Quality, Safety, Environment policy" (QSE) since 2004;
- Pernod Ricard has been a member of ICAP (International Center for Alcohol Policies) since 2005;
- Pernod Ricard has been included in the FTSE4Good extra-financial analysis index since 2005;
- Sustainable Development Charter since 2006, updated in 2013 to became "the Pernod Ricard Commitments to sustainable development" (www.pernod-ricard.com);
- introduction of the pictogram for the prevention of alcohol consumption by pregnant women in 2006 in all European Union countries; decision to extend to all countries in which Pernod Ricard is present in 2013 (notwithstanding any regulatory constraints);
- adoption of a Code for Commercial Communication in 2007;
- ISO 14001 and ISO 9001 certification for over 80% of industrial production sites in 2009, covering 90% of production volume;
- in 2010, the Group joined the CEO Water Mandate;
- the CSR policy was formalised in 2010, leading to the creation of the "CSR platform", updated in 2013 to become the CSR model;
- in 2011, the annual global CSR day event was introduced, mobilising all of the Group's employees: Responsib'All Day;
- 2012 saw the signing of the industry's five commitments to promote responsible drinking;
- 2013: new CSR model, refocused around the Group's values with four areas of commitment: empower our employees, promote responsible drinking, protect our planet and finally, develop our communities and engage our partners;
- the Group became a member of Transparency International in 2013;
- a new environmental policy was established in 2013;
- 2014: signing of the European CSR Agreement with EFFAT (the European Federation of Food, Agriculture and Tourism Trade Unions), and in collaboration with the European Works Council (EWC).

An appropriate governance [1]

Pernod Ricard is a decentralised Group: its structure gives it unequalled strength to conduct its business all around the world. As a result, affiliates are responsible for their own businesses.

In 2009, the Group launched a group-wide project called Agility, designed to update the corporate model and thus improve the Group's performance. On this occasion, through consultation with internal and external stakeholders, the Group's CSR strategy was formalised and specific governance was put in place:

- **a high level organisation dedicated to CSR:**
  - responsibilities of the Managing Director in charge of Human Resources extended to include CSR,
  - a CSR Advisory Committee created at Group level, gathering people from all regions and functions. Its main roles are to facilitate the implementation of CSR, to offer support to affiliates and provide analyses and recommendations on strategic CSR issues,
  - a network of CSR leaders was developed, comprising employees from more than 80 countries, who operate under the management of their affiliate and whose main role is to implement the CSR strategy at a local level;
- **a CSR strategy founded on three conditions:**
  - CSR activities should be linked with the Group's business,
  - they should take root in the Group's culture and identity,
  - they should involve all employees.

In 2012, three years after the formalisation of its CSR strategy, Pernod Ricard wished to evaluate its relevance and its effectiveness. The Group therefore decided to act as the pilot company for a new experimental French standard. This standard evaluates the credibility of CSR measures with regard to ISO 26000. Over a period of five months, independent experts conducted internal interviews in different affiliates and with external stakeholders to assess the Group's CSR strategy.

This pioneering approach led to the creation of a credibility report, which highlights the strong commitment of the Group and its Directors and the reality of its actions. It also enables Pernod Ricard to identify areas for improvement (http://pernod-ricard.fr/49/la-rse/strategie).

In 2013, in order to include the areas for improvement identified by the credibility report and strengthen our actions, the Group's CSR strategy was reviewed. A new model was created, focused around four areas of commitment:

- **empower our employees**: because they are our best ambassadors, they are at the heart of the model. We encourage their involvement and strive to create a collaborative and convivial working environment;
- **promote responsible drinking**: to ensure that consuming our products is an enjoyable and safe experience, we promote moderate alcohol consumption, and work to combat excessive consumption through awareness-raising and education campaigns, undertaken individually or in partnership with the industry, associations and public authorities;
- **protect our planet**: leadership cannot exist in the absence of environmental excellence. Since all our products are derived from agricultural raw materials, protecting the planet is not only a good business practice; it is fundamental and strategic to securing our future. We continuously improve our environmental performance by analysing and adjusting our economic models, practices and processes along the entire value chain;
- **develop our local communities and engage our partners**: due to the diversity of its brands and its decentralised model, Pernod Ricard is deeply rooted in local communities. We want our business to contribute to their development, particularly through the promotion of entrepreneurship, which is a source of value creation, and by sharing local cultures, which is a means of supporting openness and respect. We also want to involve our partners in our approach to responsibility, based on mutual respect.

The 2014/2015 financial year will be a great opportunity to provide all employees with CSR training according to the system set up in 2011 (all Group employees received training via a cascade process. CSR leaders were the first to receive training, before passing this training on to Group employees).

Dedicated supervisory bodies

On 16 February 2011, the Board of Directors, whose composition and functions are described in Section 2 "Corporate governance and internal control", decided to create a Business Ethics Code and Committee to prevent insider trading.

The Audit Committee, whose composition and missions are also described in Section 2 "Corporate governance and internal control", exercises an extended role in supervising internal and external control.

Operational and CSR risks are covered by the Company'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 issued, the Group has instigated a progressive system of verification of some of these environmental, social and societal indicators by its Statutory Auditors. The first Statutory Auditors' report on this matter was published in respect of the 2009/2010 financial year.

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

External benchmarks

Pernod Ricard adheres to and intends to respect the internationally recognised principles and guidelines set out in authoritative texts such as:

- the OECD Guidelines for Multinational Enterprises;
- the ten principles set out in the United Nations Global Compact for businesses;
- the ISO 26000 standard providing guidelines for CSR and the XP X30 027 standard;
- the International Labour Organization's (ILO) tripartite declaration on the United Nations guiding principles concerning multinational enterprises and social policy;
- the United Nations guiding principles on Business and Human Rights.

In particular, the Group confirms its compliance with ILO conventions governing fundamental rights at work:

- elimination of discrimination regarding employment and occupation (Convention nos. 100 & 111);
- prohibition of child labour (Convention nos. 138 & 182);
- elimination of forced or mandatory labour (Convention nos. 29 & 105);
- freedom of association and the right to collective bargaining (Convention nos. 87 & 98);
- protection and facilities to be afforded to workers' representatives in the undertaking (Convention no. 135);
- equal opportunities and equal treatment for men and women workers: workers with family responsibilities and for expectant or breast-feeding mothers (Convention no. 156).

Pernod Ricard also seeks to comply with the following texts:

- on Human Rights: the Universal Declaration of Human Rights, the Declaration on the Elimination of All Forms of Discrimination against Women, the Declaration of the Rights of the Child and the OHSAS 18001 standard (Occupational Health and Safety Management);
- on the environment: the GHG Protocol, the CEO Water Mandate, the ISO 14001 standard (environment), the Millennium Ecosystem Assessment;
- on product quality: the ISO 9001 (Quality Management) and ISO 22000 (Food Safety Management) standards;
- the Group applies the recommendations of the GRI (Global Reporting Initiative) to the implementation and monitoring of these indicators.

Human Resources

Challenges and policy

Strengthening the organisational model in support of leadership

The Allegro operational efficiency project was launched throughout the Group in 2013/2014.

In a difficult economic climate, this project seeks to strengthen Pernod Ricard's organisational model to enable it to seize all opportunities for growth. It is based on three key principles: prioritisation, simplifying processes and structures, and mutualising expertise and resources. All of the affiliates were involved in defining and implementing the new organisational model and deploying social initiatives. In total, some 900 employees could be affected, but the exact impacts are not yet known due to ongoing discussions with social partners in some countries.

The launch of the Allegro project also involves changes in our ways of working on a daily basis. Pernod Ricard is providing support during this transition period by rolling out training programmes for managers and teams in order to explain these new ways of working.

The Group's men and women are at the heart of its strategy, and Pernod Ricard is therefore committed to undertaking this project with the greatest respect for its employees.

Collective and individual performance

As a result of its decentralised economic model, Pernod Ricard's culture is based on three core values shared by all 18,523 employees: entrepreneurial spirit, mutual trust and sense of ethics. It is accompanied on a day-to-day basis by a collective attitude, which drives commitment: conviviality and team spirit, which can be seen in the ease of interactions and the recognition of success.

Performance is encouraged throughout the Group *via* favourable profit-sharing policies. Moreover, the policies governing the allocation of performance-based shares and stock options reached almost 1,000 employees in 2013.

Ambitious HR tools and processes

Pernod Ricard's culture drives its creativity and permanent innovation. The Group has formalised the main principles of its culture, in terms of work organisation, attitude, leadership and talent development, in its Charter which was updated in early 2011 and sent to all employees.

In order to support and optimise this dynamic model, effective HR management tools and processes common to the entire Group were developed, based on work carried out in consultation with all the affiliates. These efforts were rewarded by the *Trophée du Capital Humain* (Human Capital Trophy) in 2013 for all its HR work in the following five areas: "Youth: Recruitment and Integration policy", with regional Graduate Programmes, "Display of Management Model Values" with Pernod Ricard's Leadership Model, "Social Relations as part of International Development" with the European Committee, "Corporate Agility: Managerial and Organisational Innovations" with Pernod Ricard Chatter® (Corporate social network) and "Training: Corporate Transformation Tool" with Pernod Ricard University.

In order to measure the effectiveness of its HR policy on employee engagement, in June 2013 Pernod Ricard relaunched its "I Say" opinion poll, carried out for the first time in 2011 in conjunction with Towers Watson. The results of this year's study once again show the pride and high levels of commitment of the Group's employees, with scores on the up and well above the average for the Fast Moving Consumer Goods sector. The second "I Say" opinion poll, conducted among all Pernod Ricard employees, once again showed their unprecedented commitment: the participation rate in this survey was 87%, up 7% on 2011. Despite a more difficult economic climate, all the items measured were higher, showing that teams understood the strategy followed by Pernod Ricard and their attachment to the corporate culture: 94% of employees are proud to belong to the Group, and fully adhere to its values, up one percentage point on 2011. In these areas, the scores obtained by Pernod Ricard are 10 points higher than the sector average (FMCG). Following the results of the "I Say" opinion poll, 91% of affiliates implemented an action plan for 2013/2014.

Concertation [1]

The Company has a tradition of concertation and promotes freedom of association. In addition, it firmly believes in the importance of providing a working environment which optimises working conditions. The Group's corporate report has a section which assesses the quality of concertation.

The Group, with more than 50% of its staff based in Europe, has mainly been focusing its actions on the European trade unions, through the Pernod Ricard European Works Council (EWC), which gathers together representatives from every European affiliate with more than 75 employees. The EWC's latest renewal also enabled the election of a selected Committee which can act on its own initiative to respond to any social measure that might be taken in Europe involving two or more European countries in which Pernod Ricard has local teams. Moreover, every year a brochure summarising the content of the three-day annual

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

meeting is made available to all the Group's European employees. This programme contains specific training offered to all our trade union representatives.

In January 2014, Pernod Ricard and EFFAT (the European Federation for Food, Agriculture and Tourism Trade Unions) signed a European agreement on Corporate Social Responsibility (CSR). Drafted in collaboration with the European Committee, the agreement is part of a voluntary approach shared by all three stakeholders. It aims to develop an engaging CSR policy: this therefore applies equally to all Group affiliates in the European Union, going further than current local legislation and collective agreements, specifically in health and safety at work, concertation, death cover, contributing to economic and social development and reducing environmental impacts. In addition, Pernod Ricard invites the non-European affiliates and those not wholly owned by Pernod Ricard to formalise their participation in the agreement and implement it gradually over time.

In France, the Group Committee (France) meets at least once a year. The Committee brings together employees' representatives appointed by the largest trade union organisations in the French affiliates. The Group's financial statements are presented during meetings of the Group Committee (France), and employment and its forecasted change over the year to come are analysed.

Note on the methodology used to compile corporate indicators

Tools used

The Hyperion Financial Management (HFM) consolidation software has been used to gather and process corporate data for 2013/2014, supplied by local entities. Controls are performed by combining the HFM package with the query editor features of the Smart View data retrieval tool.

Corporate indicators in this report are based on all Group entities that have reported on their employees for the period concerned.

When a company joins the Group scope in the period concerned and is subject to Group control, its corporate data is immediately and fully included in the figures, whatever the equity stake held by Pernod Ricard.

Consolidation scope for data retrieval

The consolidation scope and level of detail for corporate data has changed slightly since 2013, following the integration of Le Maine au Bois within Martell Mumm Perrier-Jouët; the establishment of the Pernod Ricard Maroc entity, the addition of separate entities for the various affiliates in Africa, Pernod Ricard Kenya, Pernod Ricard Angola, Pernod Ricard Nigeria and Pernod Ricard Ghana, and the establishment of the Pernod Ricard Slovakia entity in the Pernod Ricard Europe, Middle East and Africa region (Pernod Ricard EMEA); along with the establishment of two separate entities for Pernod Ricard Travel Retail Americas in the United States and the Dominican Republic, and the establishment of two entities for Chile and Peru under the name Pernod Ricard Andes within Pernod Ricard Americas; as well as the transfer of the Pernod Ricard Helan Mountain entity to the Pacific region, this year renamed Pernod Ricard Winemakers. However, this report could not include all the corporate data for Kenwood Vineyards, acquired by Pernod Ricard in May 2014, with 40 employees.

The Asia-Pacific region covers the Distribution Network business in Asia and the Group wines business, including the affiliate Pernod Ricard Winemakers España in Spain (343 employees at 30 June 2014) and Pernod Ricard Winemakers Helan Mountain in China (94 employees at 30 June 2014). Pernod Ricard's African activities are managed by Pernod Ricard's Europe, Middle East and Africa region and the related data are therefore included in this region.

The indicators are mostly given for a global consolidation scope. However, for some indicators, such as the absenteeism rate including maternity, paternity and parental leave, which are difficult to standardise at a global level, a separate analysis was preferred on two scopes: France and World.

This methodology, while allowing a breakdown of data by geographical region, is nevertheless limited as there are no universally recognised definitions at local or international level for some indicators (professional categories, corporate social performance).

The requests made to affiliates in respect to social indicators are influenced by a number of reference texts to which Pernod Ricard refers: the list of information required by the *Grenelle 2* law, which provides a list of indicators to which Pernod Ricard has been subject since the 2012/2013 financial year (in accordance with article L. 225-102-1 of the French Commercial Code) and ISO 26000, have provided a working framework.

Method of consolidation of indicators

After being input by the entities, data is gathered at cluster level, then at Regional level to be sent to the Holding Company. At each level, the data is processed and consolidated following a clearly defined procedure and criteria. Each entity that gathers and includes data is responsible for the indicators supplied and certifies the data as well as its control. Once all the data is gathered, the Holding Company performs a comprehensive audit of the data and thus guarantees its accuracy and consistency as a whole.

To improve the reliability of the reporting process, a glossary is updated every year, providing precise definitions of each indicator, illustrated by specific cases. A user guide for the reporting tool is also available for contributors. Automatic consistency controls (which sometimes have a blocking effect) have also been in use since 2010, with additions made in 2012 and 2013.

The Pernod Ricard group constantly seeks to improve its collection and analysis of corporate data and therefore regularly develops its work to adapt its tools, glossary and user guide to the changing needs of the Group.

This year, in-house training was provided to key users at Regional and Brand levels, to recap on the principles of corporate social reporting and provide training on the tools used, specifically in relation to a new data-entry document which improves

the reliability of data recorded whilst maintaining the same format as previous years. Consistency checks were also integrated in this new data-entry document to allow self-checking at a local level.

All of the corporate data is consolidated by aggregation.

Additional information

Professional categories are a specifically French concept which Pernod Ricard group entities in other countries find hard to apply. With the aim of improving the reliability of data, the Group has expanded this concept by retaining the four categories used in the France scope and allocating two categories for the World scope: managers and non-managers. The Group entities have been explicitly notified of the categories.

Recruitment and departures, age and seniority are calculated based on staff with indefinite-term contracts.

Average workforce is calculated on a full-time equivalent basis, without taking into account long and short-term absences.

Pernod Ricard China employees are accounted for as staff with indefinite-term contracts (842 at 30 June 2014). Chinese employment contracts actually comprise a statutory duration and are only transformed into indefinite-term contracts after several years. However, given the specificities of employment legislation in China, the Pernod Ricard group considers its personnel to be staff with indefinite-term contracts.

In 2012, it was specified that expatriates and transferred employees are to be accounted for by the host company, including all corresponding costs (training, salary, etc.).

Maternity/paternity/parental leave are included in the absenteeism rate.

Under French legislation, apprentices are accounted for as staff with fixed-term contracts for issues such as the absenteeism rate, but are not accounted for as such in threshold calculations. Pernod Ricard has chosen to fully integrate apprentices into staff with fixed-term contracts, as in the previous financial years.

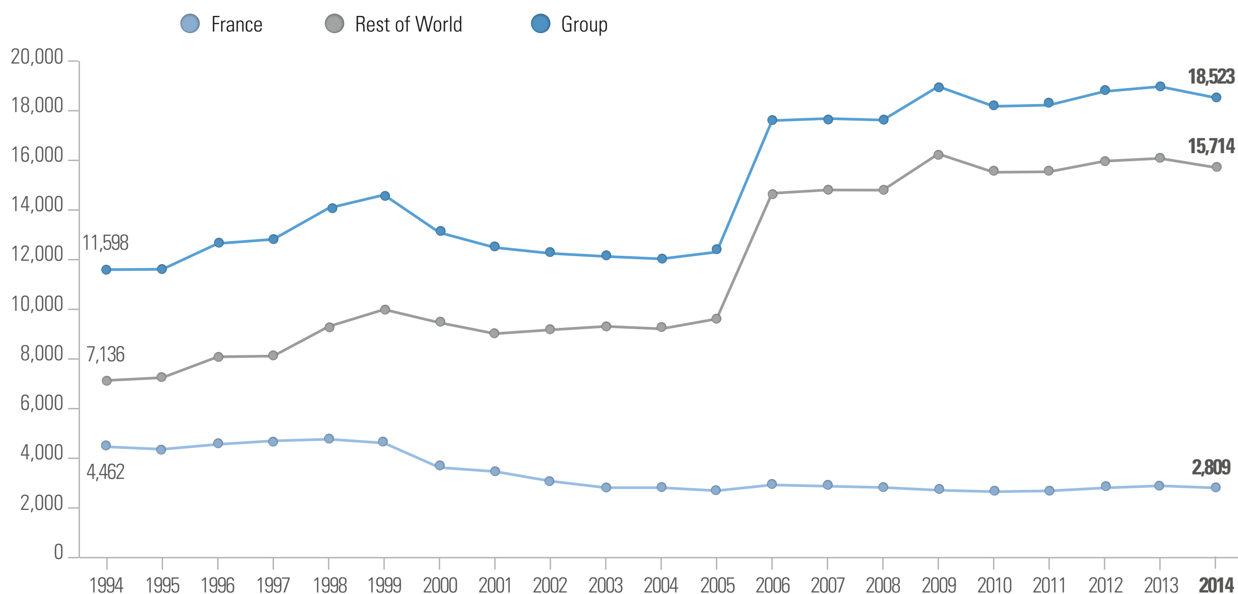
Working time, the absenteeism rate and the frequency and severity rates of accidents at work are calculated on the basis of the theoretical number of hours or days worked per year and in working days.

All training hours effectively completed by employees are recognised, including both face-to-face training and e-learning hours. They are all included in the same indicator.

The Group's social report

The Group's social report, drawn up annually using contributions from the affiliates, reveals Pernod Ricard's company profile. To improve the transparency and reliability of the corporate data communicated, starting in 2010, the Statutory Auditors have verified certain Group data on the workforce (overall, fixed-term contracts and indefinite-term contracts), the ratio of men to women, voluntary turnover, average workforce by region and staff movements. With effect from 2013, the Group's data for all indicators are verified. The Statutory Auditors' report, detailing the work performed as well as their comments and conclusions, appears on page 88.

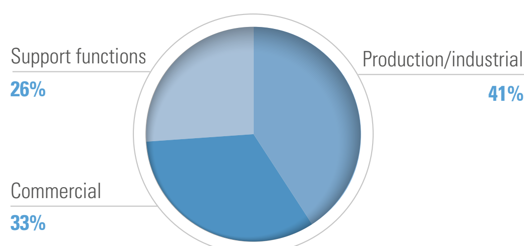
Trends in worldwide workforce at 30 June



Group employee numbers increased 60% between 1994 and 2014, symbolising, through its development, the global ambitions of the Group and the relevance of its business model.

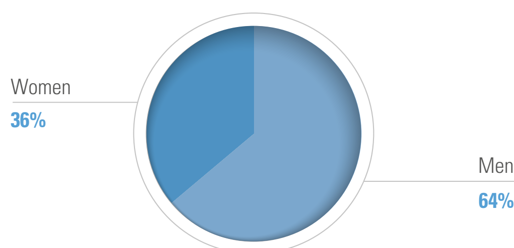
This end-of-year snapshot shows a slight drop of 2% in the workforce between 30 June 2013 and 30 June 2014, mainly as a result of restructurings linked to the early stages of the Allegro project: in particular Mexico (outsourcing of the Merchandising teams), Thailand, Venezuela and Australia. In an uncertain global economic climate, the Group is committed to limiting the social impact as much as possible when reorganising, by promoting mobility, and in the spirit of its culture: trust and mutual respect.

Breakdown of average workforce by sector of activity



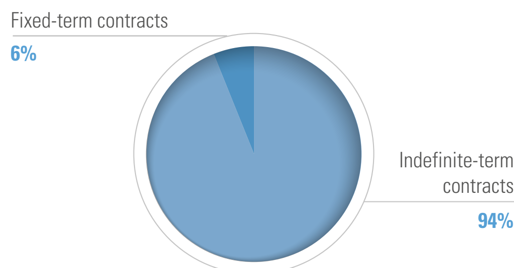
The employee breakdown by sector of activity shows that 41% work in the industrial sector (distilleries, bottling sites, logistics centres, ageing warehouses, wine making, procurement, supply chain, QSE), 33% in sales and 26% in support functions. The growth in sales positions should be noted, accounting for 33% of the workforce in 2013/2014 compared to 30% in 2008/2009, while the support functions remained stable and the number of employees working in industrial activities now account for 41% of the workforce, vs. 47% in 2008/2009.

Breakdown of workforce by gender at 30 June 2014



Women represent more than one-third of Pernod Ricard's workforce and this number has been growing since 2010. In 2013/2014, the proportion of external recruits that were women was over 41%, stable compared to 2012/2013.

Breakdown of workforce by type of employment contract at 30 June 2014



The Group favours indefinite-term contracts and internal mobility, reflecting its commitment to developing long-term relationships with its employees and offering them stable employment.

The proportion of fixed-term contracts remains more or less stable compared with the previous year.

Across the Group, 4.7% of the workforce work part-time.

The number of theoretical hours worked per employee in 2013/2014 averages 1,776. The number of theoretical hours worked per day in the Group averages 7.75 hours or around 229 days worked per year (excluding weekends, public holidays, legal or contractual annual leave, additional holidays and compensation days for reduction in working hours legislation (RTT)).

Average workforce by region

	2011/2012		2012/2013		2013/2014	
	Average annual workforce		Average annual workforce		Average annual workforce	
	Total all categories	In %	Total all categories	In %	Total all categories	In %
Group	18,308	100%	18,608	100%	18,596	100%
Europe & Africa	9,397	51%	9,673	52%	9,834	53%
France	*2,713*	*15%*	*2,865*	*15%*	*2,820*	*15%*
Europe excluding France & Africa	*6,683*	*36%*	*6,808*	*37%*	*7,013*	*38%*
Americas	4,236	23%	4,207	23%	4,050	22%
Asia-Pacific	4,675	26%	4,728	25%	4,713	25%

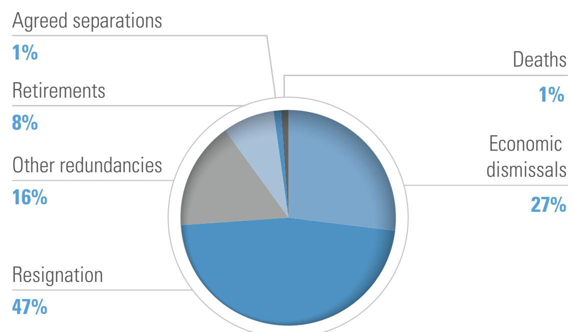
The average workforce is stable in relation to the previous year.

The Group is present internationally *via* affiliates located in 80 countries (53% of staff are located in Europe and Africa, 22% in the Americas and 25% in the Asia-Pacific region). This diversity contributes to the Group's performance and reflects its capacity to integrate employees from different cultural backgrounds. France, the birthplace of Pernod Ricard, is home to 15% of the Group's total workforce.

The main variations in the workforce compared to the previous year were:

- growth in Africa (growth of the sales network in sub-Saharan Africa);
- significant decline in Wines (reduction in the goods network workforce in Australia, Spain and New Zealand);
- decline in the Americas (partial outsourcing of the sales network in Mexico, reorganisation in Venezuela, reduction in the workforce in Argentina, mutualisation of IT support functions in the Americas region);
- slight upturn in Asia (growth of sales networks in most affiliates);
- stability in Europe, where movements balanced out (growth of the sales network in Russia and Kazakhstan; integration of a new company in France within Martell Mumm Perrier-Jouët, closure of a site in Poland).

Employee departures by reason (employees with indefinite-term contracts)



The number of Group employee departures is up (2,295 in 2013/2014 compared to 2,126 in 2012/2013) due to increased redundancies for economic reasons after restructuring in some countries to improve operational efficiency as part of the Allegro project.

Resignations, which are the main reason for departures from the Group, remained stable compared to the previous year (47% of departures). Individual departures (excluding resignation) fell in 2013/2014, with 394 departures (compared to 494 in 2012/2013). The number of redundancies for economic reasons increased between 2012/2013 and 2013/2014, from 20% to 27%. In a more challenging economy, the Group has implemented social initiatives to limit the number of departures for economic reasons, specifically by minimising the need for external recruitment so as to facilitate internal transfers. As a result, external recruitment has fallen significantly, now accounting for 1,856 recruits in 2013/2014 compared to 2,352 in 2012/2013.

Only staff with indefinite-term contracts are accounted for in recruitments and departures. This allows the Group to have an accurate view of the reasons leading to an employee leaving the Group, since it excludes employment contracts reaching their contractual end.

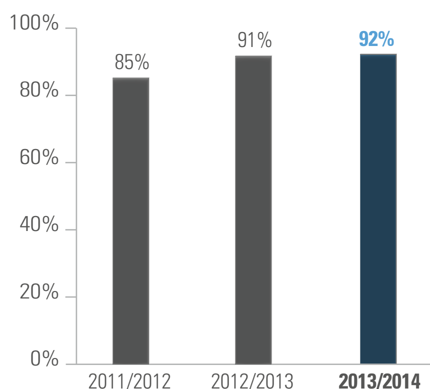
Staff movements

	Resignations	Annualised workforce on indefinite-term contracts	Rate of voluntary departures
Managers	243	4,329	5.6%
Non-managers	846	13,255	6.4%
TOTAL	**1,089**	**17,584**	**6.2%**

1,089 resignations were recorded during the period, compared to 1,006 last year. The rate of voluntary departures remained low, despite a rise over the last two years (5.8% in 2012/2013 and 6.2% in 2013/2014).

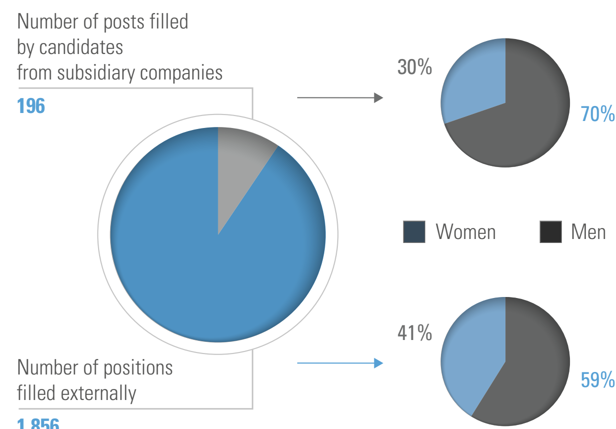
Recruitment and annual performance reviews

CHANGE IN ANNUAL PERFORMANCE REVIEW RATE



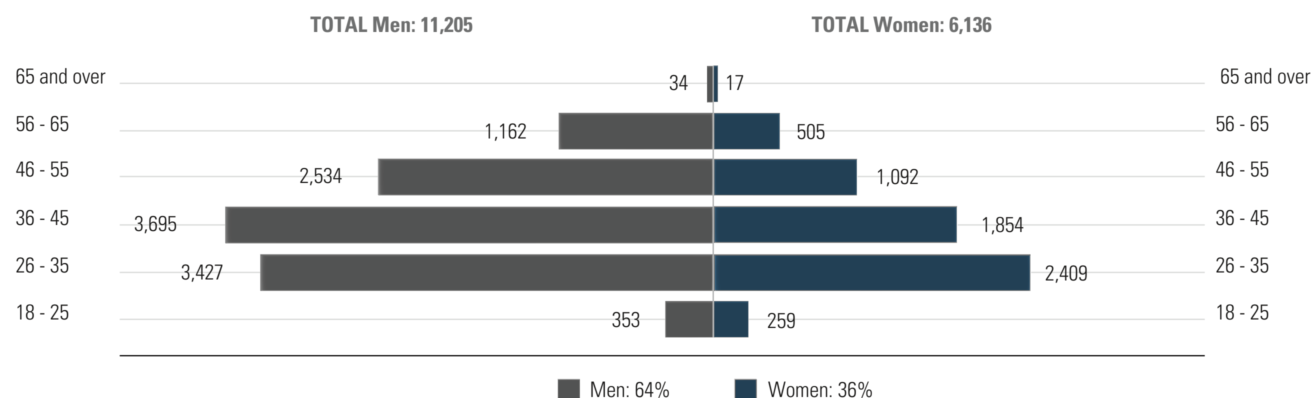
Pernod Ricard encourages organising annual performance and development reviews for all of its fixed-term employees. The rate of annual performance reviews continues to increase: 92% of fixed-term employees within the Company as of 30 June received a performance review during the year.

BREAKDOWN OF POSITIONS FILLED IN FINANCIAL YEAR 2013/2014



196 positions were filled by candidates from affiliate companies (*i.e.* 10% of new indefinite-term contracts during the period, up slightly by 8% compared to 2012/2013). 1,856 external recruitments were reported over the period. 75 international moves (from one country to another) were recorded in the expatriate population during the period.

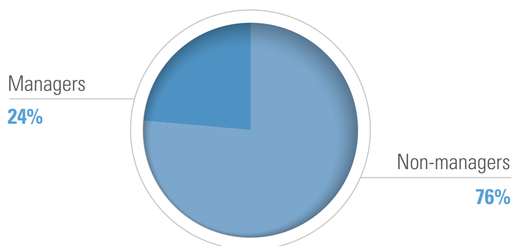
Average age and length of service



The average age of Group employees on indefinite-term contracts is 40.5 years. In France, the average age is 43.4 years.

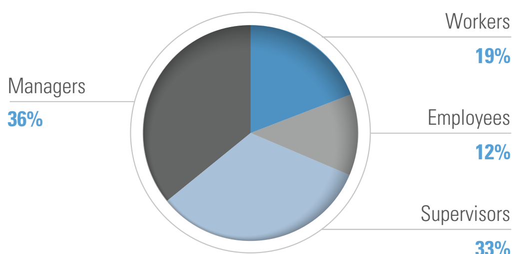
The average length of service of Group employees on indefinite-term contracts is 10 years. This figure is stable compared to the previous period. In France, the average length of service is 16 years.

Breakdown of Group average workforce by category



Worldwide, 24% of employees hold a managerial position (internal definition: notions of autonomy, responsibility and strategic level of the employee's post).

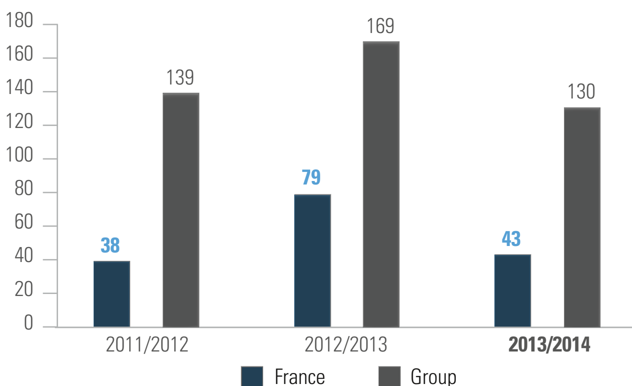
Breakdown of average workforce in France by category



Out of the 2,820 employees (average workforce) in France, 64% are workers, employees or supervisors and 36% are managers.

Company Agreements [(1)]

CHANGE IN THE NUMBER OF COMPANY AGREEMENTS SIGNED



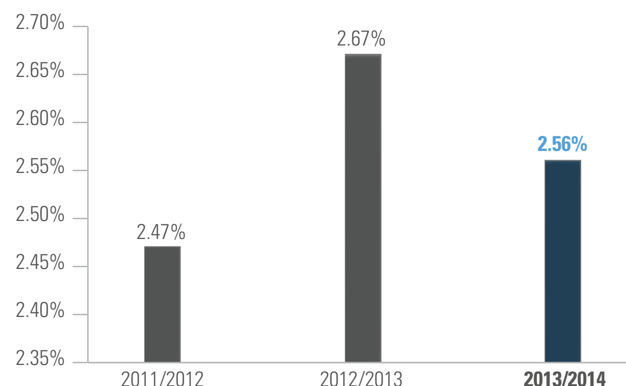
The Group favours the enhancement of concertation with 130 agreements signed with different social partners worldwide during the past year. In France, 43 Company Agreements were signed by Group affiliates in 2013/2014. The agreements covered issues such as profit-sharing, salaries, health cover, equal opportunities, profit-sharing bonus, employment of senior employees and stress.

In total, trade unions are present in 31% of the Group's entities. There are also non-union employee representation groups in the majority of Group affiliates: 31 Group affiliates (accounting for 57% of the Group's workforce) signed at least one Company Agreement during the year.

Several agreements were signed in relation to collective benefit schemes: 19 agreements in 2013/2014, in France, Italy, the Netherlands, the Czech Republic, Ireland, Brazil, Venezuela, Uruguay, Canada, South Korea and Australia. Outside France, negotiations covered such issues as workplace health and safety (Czech Republic, Brazil, Canada, Cuba, South Korea, Australia, New Zealand and Spain) and on equal opportunities (Czech Republic, Brazil, Venezuela, Canada and Australia).

Training

TRENDS IN TRAINING INVESTMENT WITHIN THE GROUP
(as a percentage of total payroll)



With 429,566 training hours this year, the Group was able to offer training to over 15,249 employees, accounting for 82% of the total average workforce. This figure, up 2% on the previous year, was backed by an optimisation of the financial investment in training which fell 9% in 2013/2014.

The employees trained received on average 28 hours of training.

Training programmes are aimed at adapting employees' skills to the requirements of their current position and also preparing them for their future assignments. Pernod Ricard has developed seminars to develop employees' skills. These programmes cover such subjects as management and technical skills in marketing, finance, sales, industry, communication, CSR and legal issues.

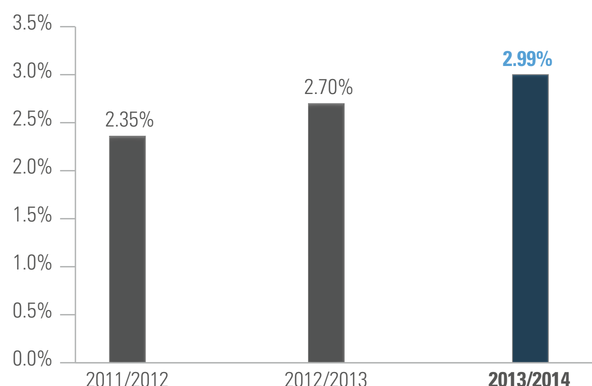
The Group created Pernod Ricard University in 2011 in order to support talent development and train its future leaders while encouraging diversity. Through long-term training programmes, it supports employees throughout their professional careers.

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

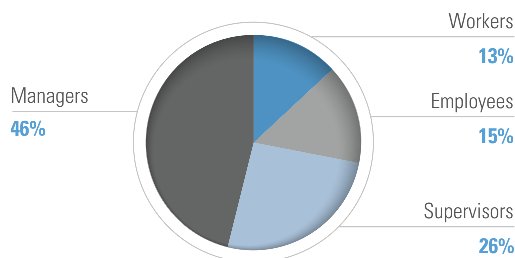
Pernod Ricard University offers a wide range of training courses, open to all employees worldwide (27 programmes, 40 sessions taught in French, English and Spanish, offered to 635 people in 2013/2014).

This year, the Leadership programmes (level 1: "Mixers" and level 2: "Shakers") – which are designed to be "transformational experiences" – were attended by 101 and 32 people respectively, and by a total of 265 people since their launch two years ago.

TRENDS IN TRAINING INVESTMENT IN FRANCE



BREAKDOWN OF TRAINING HOURS IN FRANCE BY PROFESSIONAL CATEGORY

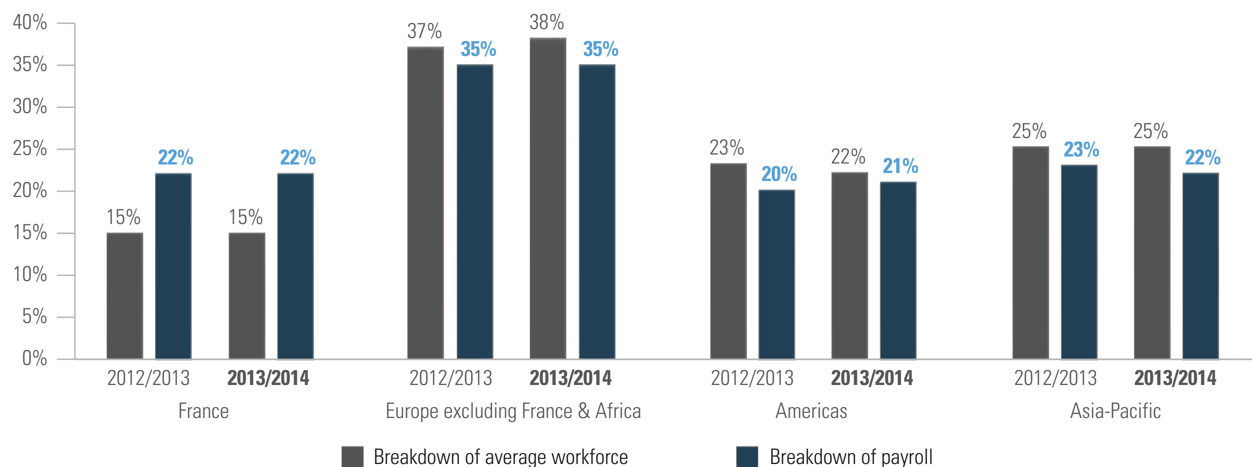


Recognising and developing employee potential

With an integration policy, annual development and performance reviews, and training sessions, etc., Pernod Ricard's HR procedures encourage employees' personal and professional development. In 2011 the Group introduced a talent promotion scheme called iLead. This initiative, which is common across the Group, is based on a leadership model defined by a benchmark of skills and formalised in a talent evaluation tool. Together with management reviews and succession planning for key Group posts, it is an essential method for recognising and selecting prospective talent.

Payroll and workforce by region

BREAKDOWN OF AVERAGE WORKFORCE AND PAYROLL BY GEOGRAPHICAL REGION FOR 2013/2014



Several headquarters, including that of the Group, are located in France, the Group's birthplace, consequently representing a higher proportion of the payroll.

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

Health and safety in the workplace [1]

At Group level, 90% of employees are covered by health insurance (social security cover is defined as the regime which is compulsory at local level, with or without a company plan) and 79% have major risks protection (death and invalidity).

Pernod Ricard made a formalised commitment to health and safety issues in its Sustainable Development Charter (now "Pernod Ricard's Sustainable Development Commitment"). This commitment applies throughout the Group, and is supported by senior management.

The Company has allocated resources to address these issues, including a certified health and safety system involving training and awareness-raising programmes, internal monitoring, internal H&S audits and OHSAS 18001 certification. Pernod Ricard has been a signatory to the European Road Safety Charter since 2007, a European Community initiative.

Pernod Ricard monitors the accident frequency rate and accident severity rate throughout the Company. Health and safety is among the aspects covered by internal audits. 96% of the Group's production sites operate under OHSAS 18001 certification.

Group Workplace Accidents

	2011/2012	2012/2013	2013/2014
Number of lost-time accidents	245	199	211
Frequency rate	7	6	6
Severity	0.21	0.12	0.14

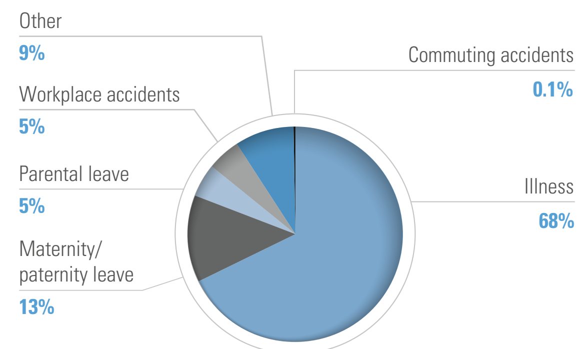
From 2013/2014, commuting accidents are included in the number of accidents, and are used in calculating the frequency and severity rates, resulting in a slight increase in this data.

Group absenteeism

	2011/2012	2012/2013	2013/2014
Absenteeism rate	3.45%	3.37%	3.42%

Occupational illnesses are included in illnesses for the purposes of calculating 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.

BREAKDOWN OF REASONS FOR ABSENTEEISM IN FRANCE DURING 2013/2014
(as a percentage)



Human Rights [1]

The Group has supported the United Nations Global Compact since 2003. The 10 principles, including those linked to Human Rights (businesses should support and respect the protection of internationally proclaimed Human Rights and make sure that they are not complicit in Human Rights abuses), are fully accessible to its employees worldwide on the Group's intranet.

Respect for Human Rights and prevention of abuses

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

As a decentralised organisation, Pernod Ricard hands responsibility to its affiliates for the adoption, respect and promotion of the content of its Charters locally. However, dedicated departments at Group level regularly evaluate compliance with those principles (through internal audit and local initiatives aimed at developing or monitoring the Company's commitment to ethical practices).

Market visits by cross-functional internal audit teams also cover social aspects, which allows them to examine the issue of Human Rights. Since the Management Committee is responsible for ensuring respect of the law, our internal audits may focus on more specific topics.

Managing Directors are evaluated on social aspects as well as economic performance. All activities are covered, although targets may vary from one affiliate to another.

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

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

Pernod Ricard outlines freedom of association and the right to collective bargaining in its Sustainable Development Charter (now "Pernod Ricard's Sustainable Development Commitment") as a signatory company.

Non-discrimination [(2)]

Pernod Ricard made a formalised commitment to non-discrimination in its Sustainable Development Charter (now "Pernod Ricard's Sustainable Development Commitment"). The Company is a signatory to the Global Compact and communicates on this principle. In 2003, Pernod Ricard also signed the "Business Workplace Diversity Charter", whose aim is to encourage the employment of different members in French society. This Charter bans all forms of discrimination when recruiting, during training and in professional development.

In its fight against discrimination, Pernod Ricard has set up a dedicated structure to study diversity, to improve the ratio of men and women and the variety of the profiles on internal recruitment shortlists. In particular, the Group has conducted an in-depth analysis of factors affecting the development of women's careers, thus allowing the gradual implementation of measures to promote equal opportunities.

The Group's affiliates have also initiated a large number of practices to promote diversity. In the United States for example, Pernod Ricard USA has undertaken a plan for specific actions, such as the appointment of a diversity officer, the creation of a diversity charter and raising awareness among its teams *via* training.

The number of women in Management Committees in the affiliates is now 21.3%.

With regard to disability, although Group affiliates do comply with local legal requirements in this respect, where these exist, there is still work to be done to improve the insertion of disabled workers. In 2013/2014, 21 affiliates carried out work to adapt their premises for disabled people and 17 affiliates invested in appropriate equipment. 16 Group affiliates conducted disability training and/or awareness actions for their employees. Other measures implemented in 2013/2014 included joint work with specialist establishments (launched by 16 affiliates), participation in dedicated forums (provided by 8 affiliates), and the distribution of information brochures (in 6 affiliates). The recruitment of disabled employees was reported in 16 different affiliates located in France, Europe (excluding France), Asia, the Americas and Africa.

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

As in its fight against discrimination, Pernod Ricard is committed *via* the United Nations Global Compact to eliminate forced or compulsory labour and to effectively abolish child labour. The Pernod Ricard Charter sets out the Group's commitments to comply with the International Labour Organisation standards. Pernod Ricard also requires its suppliers and subcontractors to respect these principles (see "Involvement of the Group's partners in its CSR commitments", page 84).

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

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

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

Environment

A long-standing commitment

Pernod Ricard was built on the development of brands with deep roots in the land and from the transformation of farm raw materials. As such, it has made preserving the environment a top priority. Since the 1960s, Paul Ricard was a pioneer and visionary in environmental protection, having created a marine observatory in 1966 which went on to become the Paul Ricard Oceanographic Institute. Almost half a century later, the Group has developed very strong relationships with the agricultural regions from where it sources its raw materials and where it produces many of its brands, thus linking the Group's development with that of the areas where the Company's roots were established.

Every stage of the life cycle of our products affects the natural environment and available resources in different ways. The table below shows the main direct and indirect impacts of the Group's activities on the environment along the product life cycle.

Priorities based on the environmental impacts generated along the product life cycle

	Production of raw materials	Manufacture of products	Packaging	Distribution and logistics	Consumption
Activities	Agricultural production	Pressing, vinification, distilling, maturing, blending	Bottling, packaging	Transport by road, sea, rail	Product end of life
Main environmental impacts	Irrigation water Biodiversity	Energy consumption Water consumption Organic waste Waste water Greenhouse gas emissions	Energy consumption Packaging waste Waste water	Greenhouse gas emissions	Packaging waste

The Group's five main commitments result from these impacts and cover the following thematic areas:

- deployment of efficient environmental governance;
- promotion of sustainable agriculture and biodiversity protection;
- preservation of water resources;
- reduction in energy consumption and carbon footprint;
- promotion of a sustainable approach in developing our products and reducing the impact of waste.

Environmental governance [(1)]

In 2013, General Management adopted a new Environmental Policy with the aim of renewing its commitment and communicating this to all of its stakeholders, starting with its nearly 18,500 employees as well as its numerous suppliers and partners. This policy covers the Group's entire value chain and activities, from upstream procurement, production, market distribution to the end of the product's life.

A 2010-2015 environmental road map details the guidelines and priority actions and targets for each of the five major areas for all affiliates, regardless of whether these are involved in the production or distribution businesses.

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

The table below summarises the main commitments for each of these areas, the corresponding targets for 2010-2015 and the results at the end of the 2013/2014 financial year. The actions behind these commitments will be detailed in later chapters.

Areas	Commitments	2010/2015 targets	Results at 30 June 2014
Governance	Roll out an efficient **environmental management** system	100% of sites certified ISO 14001	96%
Agriculture and biodiversity	Promote **sustainable agriculture** and protection of biodiversity	80% of vineyards belonging to the Group certified to environmental standards	77%*
Water	Conserve **water resources** locally	Fall of 5% in water consumption per unit manufactured at production sites	10%
Energy and greenhouse gas emissions	Reduce **energy consumption** Measure and **reduce greenhouse gas emissions** along the entire production chain	Fall of 10% in energy consumption and CO_2 emissions per unit manufactured at production sites	12% (energy) 22% (CO_2)
Eco-design and waste	Reduce the impact of **waste** Promote **eco-design**	Fall of 40% in solid waste sent to landfill or incinerated per unit produced	76%

* *Excluding vineyards in Kenwood, USA, which are not yet included in the reporting scope.*

At 30 June 2014, the targets set for 2015 have in essence been achieved or exceeded in terms of water, energy and waste. A new environmental roadmap is currently being drawn up. It is based on the commitments contained in the new Environmental Policy, and will set targets to be achieved by 2020. This will be the subject of a subsequent statement.

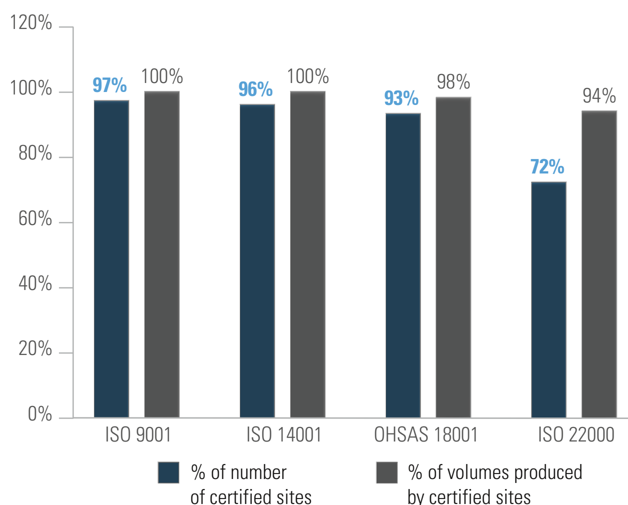
Moreover, to support this project and help employees implement this road map, collaborative tools and awareness-raising modules are available: e-learning, training seminars, intranet community and an inventory of best practices. The new corporate social network set up in 2013, Chatter®, provides a discussion forum for all employees actively involved in protecting the environment, and once again this year, it enabled all Group employees to share their practices and experience in this area, thus raising the awareness of as many employees as possible and promoting the emergence of new ideas.

Organisation and certification

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

- promoting the responsibility of affiliates: each affiliate is fully responsible for determining how to reduce its own environmental impact and how to apply the Group's policy locally. The Holding Company's Sustainable Performance Division oversees and coordinates measures at Group level, notably by performing regular audits and the sharing of best practices;
- the ISO 14001 (Environmental Management) certification policy: at 30 June 2014, 95.9% of the production sites are ISO 14001 certified, representing 99.7% of the Group's production volume;
- this measure is in line with the Group's integrated Quality/Safety/Environment management policy, which is based on extending the certification of production sites in these different fields (see chart). At 30 June 2014, 100% of the affiliates are covered by environmental reporting and 96.9% of the Group's production sites have a Quality Management System certified to ISO 9001, the common ground for risk prevention and continued improvement for industrial affiliates throughout the Group. The ISO 14001 certification is complemented by the ISO 22000 certification (Food Safety) and OHSAS 18001 (Occupational Health and Safety).

PERCENTAGE OF CERTIFIED SITES AT 30.06.2014



Environmental performance

Scope of environmental reporting 2013/2014

Pernod Ricard's environmental reporting relates to production sites under operational control at 30 June of the financial year in question and which have been in operation throughout the entire year. It does not cover administrative sites (headquarters or sales offices) nor logistics warehouses when these are located outside industrial sites (this corresponds to only a few isolated warehouses), since their environmental impacts are

not significant compared to those of industrial sites. Vineyards operated directly by affiliates are also excluded from the scope of publication. They were subject to reporting for the first time in 2012/2013, and this was repeated in 2013/2014, from which some of the results are presented in the section entitled "Sustainable agriculture and performance of our vineyards". The full results (specifically the data relating to the consumption of water, energy and inputs, as well as the volumes of waste) will be published next year once they have been audited by the Pernod Ricard group's Statutory Auditors.

For 2013/2014, this reporting covers the activity of 97 industrial sites, compared to 93 the previous year. This figure was achieved as a result of four new sites being integrated or put into service: these include two production sites in China (the Helan Mountain wine production site, and the bottling site in Yinchuan), the Maine au Bois distillery acquired in spring 2013 by Martell in Charente and finally a malt distillery recently opened by Chivas in Scotland. The industrial scope taken into account for this financial year therefore covers a production volume of 1,066 million litres (bottled or bulk finished products) compared to 1,072 million in 2012/2013 and a volume of distilled alcohol of 242 million litres (measured as pure alcohol) compared to 235 million in 2012/2013. The farm estates covered by the reporting account for 5,850 hectares of vineyards, chiefly located in New Zealand, Australia, Argentina, France, Spain and China.

Methodology

The chosen indicators make it possible to monitor the Group's environmental performance on the basis of indicators that are relevant to its industrial activity. They are drawn up based on requirements set out in the implementing decree of the *Grenelle 2* Law and the recommendations and principles of the GRI (Global Reporting Initiative, version G4), and are adapted to the Group's specific activity where necessary.

The main categories of data collected concern: water management (consumption and discharge), energy consumption, the management of by-products and waste (organic, solids, hazardous, etc.), the consumption of packaging materials, direct and indirect CO_2 emissions, environmental management, sanctions and incidents reported to the authorities and complaints from third parties.

To ensure transparency and guarantee the reliability of the data communicated, since 2009/2010 the Group has, on a voluntary basis, required its Statutory Auditors to verify some of this environmental data. In order to meet the requirements of the *Grenelle 2* Law, all environmental information is now subject to an in-depth review by the Statutory Auditors. Their report, detailing the work performed as well as their comments and conclusions, appears in Section 3 "Corporate Social Responsibility".

Furthermore, in order to ensure consistent results throughout the scope, a manual defining each indicator was sent to all the Environment Managers in charge of consolidating data. This manual is updated on an annual basis. Data is collected by the Environment Managers of each affiliate. The Group then analyses these data and runs consistency checks to identify any reporting or input errors. When there are significant gaps in the data, the Group checks with the affiliates to ensure the data is valid. The data is then formally approved by the affiliates. Finally, the Group consolidates the data by analysing the progress in environmental performance, both globally and by business activities.

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. This is the case for water consumption at the Walkerville site in Canada, which has a significant impact on the Group's water consumption. This year, the method used to estimate and extrapolate water consumption at this site was made more reliable, leading to a readjustment of the data for 2013 and thus allowing the reservation expressed by the Statutory Auditors in the 2012/2013 Registration Document to be lifted.

Performance monitoring

The environmental performance of sites is expressed using several ratios, based on the categories of activities in which the Group has classified them:

- for distilleries: data broken down by volumes of pure distilled alcohol;
- for bottling sites: data broken down by volumes of bottled finished products;
- for wineries: data broken down by volumes of wine made.

At Group level, consolidated performance is expressed based on:

- either the amount of distilled alcohol for the environmental impacts due primarily to distillation (*e.g.*: water or energy consumption), expressed in units per thousand litres of pure distilled alcohol (kl PA);
- or the volume of finished products manufactured when bottling is the main source of the environmental impact (*e.g.*: solid waste), expressed in units per thousand litres (kl).

This distinction is sometimes complex, as some sites have several activities. Similarly, as 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 one year to the next. 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.

Environmental compliance

All certified sites are subject to internal and external audits, during which any failures to comply are reviewed. Sites are also regularly audited as part of the QSE (Quality, Safety, Environment) audits performed by the Group.

No administrative non-conformity was identified this year. However, one environmental incident was reported to the local

authorities. It concerns a tap water pipeline that was breached at a winery in Australia, resulting in a leak of 390 m^3 in the stream adjacent to the site.

This incident had no significant impact on the environment and once analysed, an action plan was drawn up to correct the consequences and eliminate the causes, with a view to continuing improvement.

Nuisances to neighbours

During 2013/2014, the production site at Midleton, Ireland received three complaints from neighbours due to noise pollution generated in connection with the extension work performed at this distillery.

In general, noise pollution generated by the Group's industrial sites is limited. Distillation, vinification and bottling generate little noise for neighbours and are subject to preventative measures where necessary. Only distillation operations are generally performed in continuous 24 hour cycles, however these processes do not generate significant noise.

Provisions for environmental risk

The amount of provisions for environmental risk was €2.9 million at 30 June 2014. In addition, some affiliates had to provide guarantees when applying for operating permits from the authorities. These do not correspond to specific amounts but ensure the affiliates' solvency to deal with any consequences of pollution or any other environmental accident.

Promoting sustainable agriculture [(1)]

Challenges and targets

Pernod Ricard is a major partner of agriculture, as all the Group's products are manufactured with farm raw materials. As such, it promotes sustainable agriculture, using natural resources responsibly, respecting the environment, and is concerned about preserving water and soil quality, biodiversity and human health.

In 2013/2014, direct purchases of agricultural products represented 953,000 tonnes, mainly in the form of grapes, must and wines (353,000 tonnes) and grain for distillation (600,000 tonnes).

Including transformed products (alcohol, wines, sugar, aromatic plant extracts, etc.), the Group buys the equivalent of 2.2 million tonnes of raw agricultural products, representing in total more than 222,000 hectares of grains, vines, sugar cane, sugar beet and other crops.

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:

- reduction of fertilisers usage, selection and use of pesticides that are less hazardous for the environment;
- control of water consumption, in particular using drip irrigation techniques where possible;
- preservation of soil and biodiversity;
- training and assistance in sustainable agriculture practices provided for farmers.

Sustainable agriculture and performance of our vineyards

The Group's vineyard estates cover 5,956 hectares in seven main countries: New Zealand (44%), Australia (18%), Argentina (13%), France (12%), Spain (6%), China (5%) and the United States (3%). The majority of these vineyards are certified to environmental standards, representing 77% of surfaces covered by reporting:

- in New Zealand, all the vineyards run by the Group's affiliate are certified as "Sustainable Wine Growing New Zealand", of which Pernod Ricard New Zealand was one of the founding members in 1995; 101 hectares are managed in line with organic standards;
- in Australia, Pernod Ricard is a member of "EntWine Australia", an environmental assurance programme for vineyards and winemaking sites. Since 2002, all of its vineyards are ISO 14001 certified;
- in France, the Martell & Co and Mumm Perrier-Jouët vineyards follow the integrated viticulture principles developed by Cognac and Champagne industry bodies. The Martell vineyards are ISO 14001 certified and those of Mumm Perrier-Jouët will obtain this certification in 2015;
- in Spain, management of the vineyards is carried out according to the guidelines of the Sinergia standard, developed under the European Life programme, and all vineyards are certified as compliant with ISO 14001. 15 hectares are managed according to organic farming principles.

Since 2012/2013, specific annual environmental reporting has been in place for all vineyards. This monitors their practices and measures different performance indicators. It covers 5,851 hectares of vineyards, accounting for 66,625 tonnes of grapes harvested, or 19% of the grapes, must and wines purchased by the Group in 2014. On these 5,851 hectares of vineyards operated by the Group falling within the scope of the reporting (excluding Kenwood Vineyards in the United States):

- around 75% of the land uses drip irrigation; this technique both significantly reduces the water supplied to the plant and optimises the fertiliser supply and reduces the need for weeding;

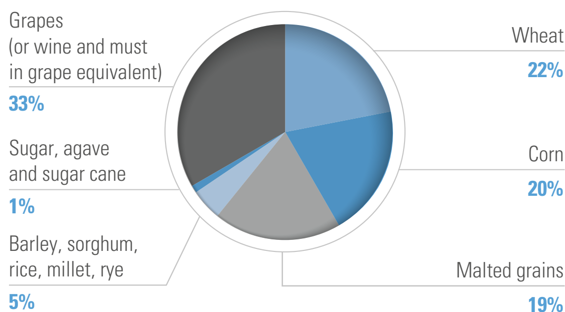
(1) *In accordance with Principles 8 & 9 of the United Nations Global Compact: "to undertake initiatives to promote greater environmental responsibility" and "to encourage the development and diffusion of environmentally friendly technologies", respectively.*

- a portion of the water used in Argentina, France and Australia comes from waste water from winemaking sites located close to vineyards;
- the annual energy consumption of the Group's vineyards accounts for approximately 1% of that of industrial production sites;
- weeding between rows is performed over about 70% of the surface area. This reduces the amount of herbicide used as well as the risk of soil erosion. It also promotes the development of beneficial organisms which protect the vines from pests. In New Zealand, sheep are used instead of chemical or mechanical weeding, thus reducing the use of pesticides, and allowing the removal of weeds as well as better stripping of excess leaves;
- in France and Spain, the use of insecticides is reduced by means of the "sexual confusion" technique. This technique consists of disrupting the reproduction of vine parasites by using pheromones, thereby limiting the need for pesticides applications. In addition, crop protection products are used in a localised manner to ensure the appropriate dose is applied;
- controlling fertilisation by soil and plant analysis allows fertiliser doses to be adapted to the exact plant requirements;
- around 120 hectares of vineyards are managed according to organic farming standards.

Partnership with suppliers of agricultural products

Direct purchases of agricultural products consist mainly of grapes, wine and must (33%), wheat (22%), corn (20%) and malted grains (19%).

DISTRIBUTION OF FARM RAW MATERIALS PURCHASED



Several steps have been undertaken with the Group's agricultural suppliers, in order to encourage them to work towards sustainable agriculture:

- in Australia, some 200 wine growers supplying Pernod Ricard Winemakers Australia are members of the "EntWine Australia Scheme". In 2013, 91% of Pernod Ricard Australia supplies are covered by this programme, which requires that its members are ISO 14001 or Freshcare certified and requires reporting on the consumption of energy, water, fertilisers, and environmental management practices (biodiversity, soil and water conservation);
- in New Zealand, with all its vineyards now certified in accordance with the "Sustainable Winegrowing New Zealand" standard, Pernod Ricard Winemakers New Zealand has helped its grape growers to obtain this certification. 100% of vineyards are accredited according to the sustainable agriculture standard;
- in Spain, Pernod Ricard Winemakers Spain encourages its suppliers to adopt organic practices against pests, avoiding the use of pesticides, and particularly those practices which reduce the pest population by sexual confusion;
- in Armenia, Yerevan Brandy Company helps wine growers to manage their crop protection products: the affiliate supplies wine growers with products that comply with the environmental standards in France as well as efficient sprayers that enable them to use the precise required amount of crop protection products to treat their plants. It then collects packaging waste, which is destroyed by an approved company. Through the PlaNet Finance NGO, it also provides help with establishing a cooperative, the goal of which is to develop the business capacity of small producers;
- in Sweden, The ABSOLUT Company is supplied exclusively with locally-produced wheat, in line with stringent sustainable agriculture standards;
- in France, the majority of the fennel used for the production of Ricard is grown by farmers in Provence in accordance with sustainable agriculture principles: this very fragrant plant has favoured the development of insect populations, in particular bees, thus participating in maintaining biodiversity.

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. It also encourages all of its affiliates to undertake projects to preserve biodiversity in line with their activities. In this respect, the Group supported the French National Biodiversity Strategy in June 2011. The Group has identified 31 protected or sensitive natural areas close to its production sites throughout the world. These areas are mainly located in Scotland, Ireland, France and Sweden.

Some affiliates have been conducting particularly significant biodiversity measures for several years now:

- in Scotland, Chivas used an interactive tool to map sensitive ecosystems located close to its industrial sites. The Company can thus ensure that potential impacts of its activities on these ecosystems are understood and that measures necessary to protect environmental quality and biodiversity are applied;
- in France a detailed map of the biodiversity of the vineyards operated by Martell & Co was undertaken. This highlighted the importance of non-cultivated land (borders, groves, ditches, etc.) which represent 8 to 15% of the land and play an essential role as a habitat for many wildlife species. This study identified specific measures to reinforce the land's biodiversity. This subject was also discussed with the affiliate's wine suppliers, *i.e.*, 1,200 wine growers who could potentially deploy scaled versions of the measures on their plots. The Group acted by subscribing to this voluntary commitment as part of the National Biodiversity Strategy in May 2014;

- in France, the culture of yellow gentian, whose root is a key ingredient in the Suze recipe, has been the subject of research programmes to enable its production in specialised farms, thus ensuring the protection of 50,000 wild plants every year;
- in New Zealand, in the humid regions of Kaituna, the Group's affiliate has conducted a programme to regenerate nine hectares of land, aiming to establish the original ecosystem (restoration of soil, reintroduction of local species, etc.). The affiliate has also contributed to the protection of the 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 range series;
- in Australia, for many years now Pernod Ricard Winemakers has supported a significant programme aimed at protecting the biodiversity of the Barossa Valley. The affiliate continues to expand its actions in support of reforestation and the preservation of indigenous ecosystems in the Jacob's Creek river basin. These include, for instance, more than 700 indigenous trees planted on World Rivers Day to replace invasive species, thus contributing to improved biodiversity and the return of frogs, fish and birds. This iconic project has become a reference model for Pernod Ricard throughout the world;
- the Pernod Ricard group through the "Beverage Industry Environmental Roundtable" (BIER) association, has also contributed to the development of a technical white paper to assess the impacts of the beverage industry on water resources along the entire supply chain. This paper, produced with the expert assistance of "The Nature Conservancy" (TNC), gives a detailed perspective on the relationship between the beverage industry and the environment, taking into account raw materials, production facilities, transport, sale and consumption;
- finally, the Paul Ricard Oceanographic Institute would not have been able to play its essential research and public education role for the protection of marine ecosystems and aquatic biodiversity without the material and financial support of the Société Paul Ricard and the Group.

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. As such, a robust traceability system has been implemented for grains used in the production of Irish whiskey, alongside audits aimed at guaranteeing that there is no cross-contamination. All affiliates conduct risk assessments to identify any potential sources of GMO raw materials in order to comply with local regulations regarding the labelling of products containing GMOs.

Preserving and saving water resources (1)

Challenges and strategy

Water is an essential component in the products manufactured by Pernod Ricard. It is used at every stage in the life cycle of the Group's products: irrigating crops, processing raw materials, distilling, blending spirits and formulating products.

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

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

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

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

Another aspect of the impact of the Group's activities on water resources is that of indirect consumption generated by the production of farm raw materials, packaging materials or electricity consumed by the Group. These impacts generated by our suppliers are covered using methodologies known as the water footprint.

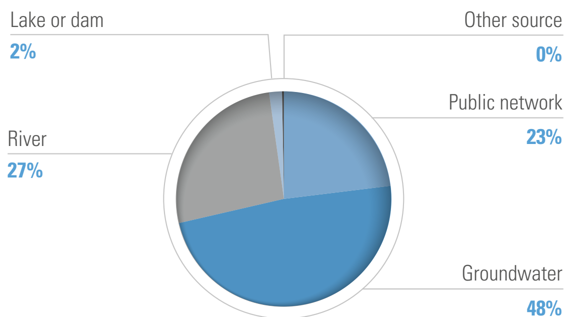
Water consumption and production site performance (excluding vineyards)

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 its eventual purpose, and water consumption, which only covers the amount of water used with a measurable impact on the environment. As such, the use of river water to cool a distillery still, 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.

48% of water consumed by the Group is sourced from the underground water table, 23% from the public network and 29% from surface water sources (rivers, lakes, etc.).

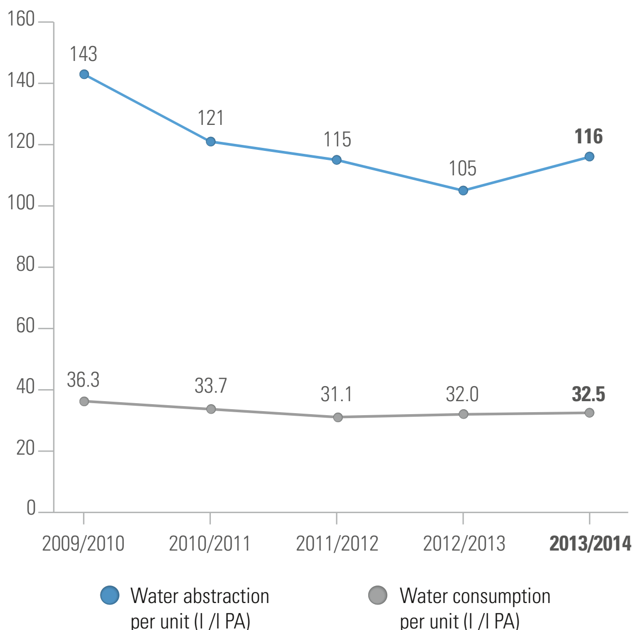
(1) *In accordance with Principles 8 & 9 of the United Nations Global Compact: "to undertake initiatives to promote greater environmental responsibility" and "to encourage the development and diffusion of environmentally friendly technologies", respectively.*

ORIGIN OF WATER CONSUMPTION (EXCLUDING VINEYARDS)



In 2013/2014, 28 million m³ of water was used by the Group's industrial sites. Only 7.9 million m³ constitutes water consumption as defined above, the rest being exclusively used for the cooling of distilleries and restored without disturbing the environment. Around 80% 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.* 6% of the Group's total consumption). Adjusted for volume produced (m³/kl PA), the quantity of water taken and the quantity consumed have been falling since 2009/2010, by 20% and 10% respectively. It should be noted that 83% of the volume of water consumed comes from meter measurements, while the remaining 17% is estimated.

TRENDS IN WATER CONSUMPTION AND WATER ABSTRACTION (EXCLUDING VINEYARDS)



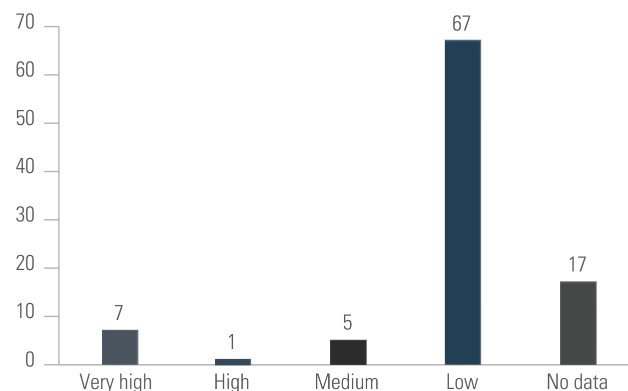
This reduction in water consumption is the result of improvement actions undertaken by all production sites, in particular distilleries. In order to identify new opportunities to reduce water consumption, detailed water flow mapping work has been conducted on affiliates' main production sites: these studies list all of the input flows (collection of underground water, surface pumping, network consumption, etc.) and output flows (water added to products, waste water, evaporation, water present in by-products, etc.) in order to accurately measure each individual flow for optimisation of the site. Currently, these measures cover approximately 81% of the Group's water consumption.

Water management tailored to meet local challenges

Because water resources are unevenly distributed throughout the world, particular attention is paid to water management on sites located in geographical regions where water is a sensitive resource.

Thirteen of Pernod Ricard's total production units are located in or immediately next to regions with average or high water stress as measured by the Mean Annual Relative Water Stress Index and the Global Water Tool developed by the World Resource Institute. This index shows the proportion of resources that are withdrawn for human use, in relation to the amount of renewable water available produced by the local environment. These 13 sites represent 5% of the Group's total consumption and are spread across 6 countries (Argentina, India, Australia, Spain, Armenia and Mexico). The other sites, accounting for 95% of Group consumption, are located in areas considered as subject to a low level of water stress (or the information is not available in some cases). Of the 13 sites considered as most sensitive, 7 are located in areas where water is very scarce, and account for 2% of the Group's water consumption. Since 2009/2010, the total volume of water consumed by these 13 sites has decreased significantly: it has fallen from around 475,000 to 367,000 m³, representing a saving of 23%.

BREAKDOWN OF NUMBER OF GROUP PRODUCTION SITES ACCORDING TO THE INTENSITY OF WATER STRESS IN THE REGION (EXCLUDING VINEYARDS)



The good performances for water consumption recorded are the result of efforts made by all these sites, the most notable of which are as follows:

- since 2008, the Behror site has reduced its water consumption per unit produced by 26%: the production site situated in the dry region of Rajasthan in India, including a whisky distillery and a bottling plant, has been significantly modified with the aim of being able to reuse and recycle water at all stages of production. With the exception of water which is recycled for the irrigation of green spaces, the site no longer emits effluent;
- in Mexico, the vinification site at Ensenada and the Hermosillo distillery have reduced their water consumption per unit

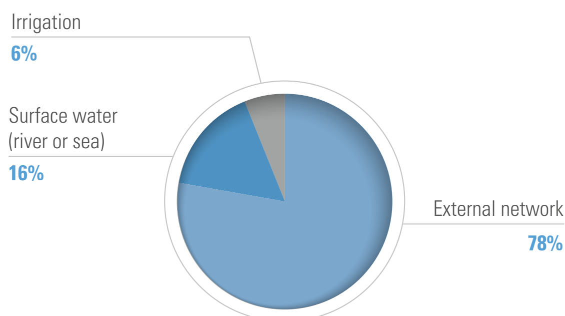
produced by 82% and 30% respectively since 2007/2008 through several measures including the optimisation of the output of reverse osmosis units, high pressure cleaning of distilling equipment and the recovery of condensates.

Treatment of waste water

During 2013/2014, the volume of waste water released was 5.5 million m^3 compared to 5.3 million m^3 in 2012/2013. More than 82% of the volume of waste water was measured accurately, the remainder was estimated.

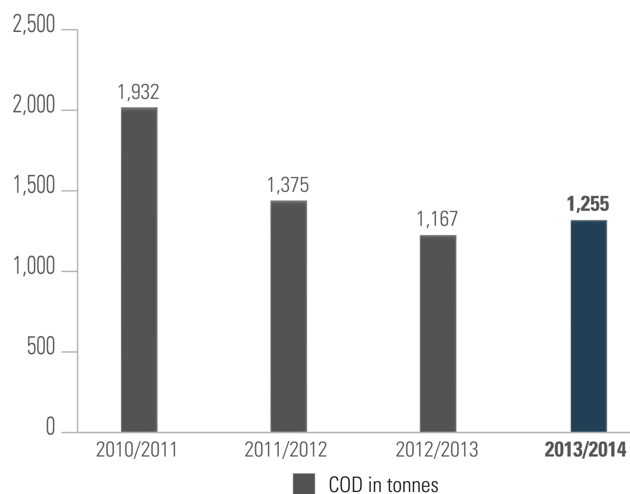
78% of waste water was released into a public sewer system and 16% was released into the environment (rivers, lakes, seas) under permits delivered by local authorities and in accordance with the imposed discharge criteria. The remaining 6% of waste water was recycled and used to irrigate crops (vineyards), after appropriate treatment.

WASTE WATER DESTINATION



The pollutant load linked to the organic matter contained in this water is expressed by the Chemical Oxygen Demand (COD) measured after treatment and before release into the natural environment. In 2013/2014, this was estimated at a total of approximately 1,255 tonnes of COD for the Group.

CHANGE IN CHEMICAL OXYGEN DEMAND (COD) RELEASED INTO THE NATURAL ENVIRONMENT



Several types of processes are used by the Group's factories to reduce the water organic load and make it suitable for reuse or even to be released into the environment: these include methane generated by microorganisms enabling biogas to be produced, aerobic lagoon treatment, membrane filtration, or even the use of plants to purify the water in the so-called "filter gardens", such as those created in Spain and Argentina.

Contributing to reducing the Group's water footprint

In addition to the direct consumption of Pernod Ricard's production sites, water is also a large challenge for suppliers upstream from the Group's activities: for this reason a larger study was conducted in 2012 using methodologies known as the Water Footprint. These consist of identifying the water resources used not only by the direct activities of the affiliates concerned, but also by the products and services they purchase, such as farm raw materials, packaging materials used or energy.

This study identified the main challenges linked to the water resource along the production chain. In the end, the Group's water footprint is equal to 675 million m^3 per year, of which 99% is related to supplies of farm raw materials. Other elements of the production chain – including direct water consumption on industrial sites – only represent approximately 1% of the total. Globally, the challenges for Pernod Ricard relating to the availability of water relate primarily to our agricultural suppliers: these vary significantly from one region to the other and should therefore be dealt with at local level, taking specific climatic conditions into account.

Contributing to reducing climate change [1]

Challenges and strategy

CO_2 emissions increase the greenhouse effect and thus contribute to climate change. Pernod Ricard's activities emit greenhouse gases in several ways:

- directly, due to the combustion of fossil fuel sources, notably at distilleries: these are so-called "Scope 1" emissions [2];
- through the electricity consumed, which generates CO_2 emissions when produced upstream: "Scope 2" emissions [2];
- indirectly, through products (agricultural products, packaging materials, etc.) and services (transport, etc.) purchased by affiliates: "Scope 3" emissions [2].

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

(2) In accordance with the Greenhouse Gas Protocol (GHG Protocol).

Climate change presents several risks for Pernod Ricard's businesses, linked, for instance, to the supply of agricultural raw materials and water to affiliates, exceptional meteorological events that may affect production sites and changes in regulations in countries where the Group operates. Conscious of these risks, Pernod Ricard takes them into account so that it can anticipate and gradually adapt its operational activities. These risks, and the measures to prevent them, are detailed in Section 4 of this Registration Document ("Risk Factors" section).

In order to help reducing these changes, the Group continues to adopt an approach, within its sphere of influence, based on two stages:

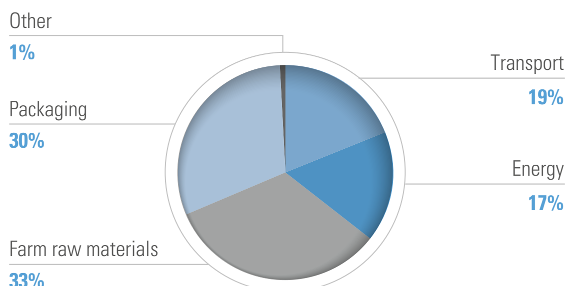
- assessing its carbon footprint throughout its production chain;
- implementing measures to reduce greenhouse gas emissions: directly on its production sites, and indirectly with its suppliers, based on the eco-design of products and the optimisation of the logistics chain.

Measuring our carbon footprint

During 2013, the Group reassessed the overall carbon footprint of its activities using the GHG Protocol methodology. These assessments covered the entire volume produced by the Group, including the three scopes described above, from production of agricultural raw materials and packaging to the shipping of finished products to export markets. The emissions generated by the following activities are not taken into account: fleet of commercial vehicles, administrative and distribution sites excluding production sites, and the distribution of finished products from the warehouse to the first customers.

This evaluation confirmed the major role of purchases of agricultural raw materials (grains, grapes, wines, spirits, etc., which account for 33% of the total footprint), and purchases of packaging (chiefly glass and cardboard, accounting for 30% of the total). Transport accounts for 19% of the total. Finally, emissions linked to energy consumption at production sites (Scopes 1 and 2) are only responsible for 17% of the Group's total footprint.

CARBON FOOTPRINT LINKED TO DIRECT AND INDIRECT EMISSIONS ALONG THE PRODUCTION CHAIN



Reducing CO_2 emissions at our production sites

In 2013/2014, emissions from Pernod Ricard's industrial sites (Scopes 1 and 2) totalled 343,257 tonnes CO_2 equivalent, compared to 335,456 tonnes CO_2 equivalent for 2012/2013. Adjusted for units produced, these emissions amount to 1.42 kg of CO_2 equivalent per litre of pure alcohol, compared to 1.83 kg of CO_2 equivalent in 2009/2010. This fall of 22% is due firstly to the policy implemented to improve the energy efficiency of production sites, and secondly to the gradual move towards an energy mix containing less carbon.

Improving the energy efficiency of production sites

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

- continuous monitoring of energy consumption and implementation of energy management systems.

  In Sweden, the Nöbbelöv distillery has a certified energy management system, guaranteeing its high energy performance;
- in-depth energy assessments, with the setting of energy-efficiency targets.

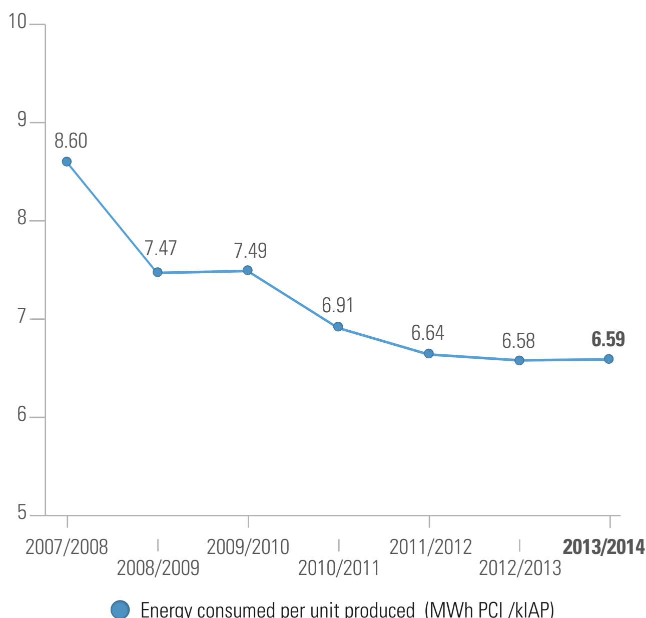
  To date, the consumption at production sites that have carried out such assessments represents 84% of the total energy consumed by the Group. These assessments are used to draft action plans targeting organisation, equipment and contracts with service providers, in order to optimise energy management;
- roll-out of consumption reduction programmes requiring the management of processes and uses, and which may result in significant investment.

  For instance in Scotland, since 2006 Chivas Brothers has undertaken an ambitious plan to reduce consumption at all its sites by investing in more efficient equipment (third-generation thermo-compressors, etc.) and by implementing energy recycling measures in its processes. Irish Distillers, meanwhile, took advantage of the extension of its Midleton distillery to optimise its processes and select the best available technologies, enabling it to reduce its energy consumption by 10% per unit produced for the 2013/2014 distilling campaign.

During 2013/2014, total energy consumption of Group production sites amounted to 1,592 GWh, compared to 1,543 GWh in 2012/2013. Adjusted for production volume, the average consumption per litre of pure distilled alcohol was 6.59 kWh per litre, a 12% reduction on 2009/2010. This performance is explained mainly by the improvement in the efficiency of distilleries, which represent 84% of the Group's total energy consumption.

For the 2009/2010 to 2014/2015 period, the Group has set a target of 10% reduction in consumption per unit produced. By the end of 2013/2014, this target had already been achieved. New targets for the longer term will therefore be set during this financial year.

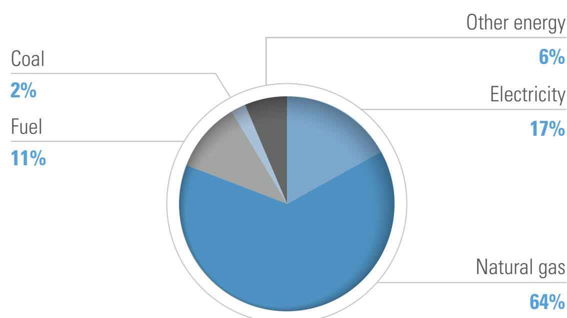
TRENDS IN ENERGY CONSUMPTION



Prioritising cleaner, more sustainable energy sources

Pernod Ricard's industrial activities use energy in different forms. The majority comes from natural gas (64%), then electricity (17%), fuel oil (11%) and coal (2%) as well as other sources (6%).

BREAKDOWN OF ENERGY CONSUMPTION



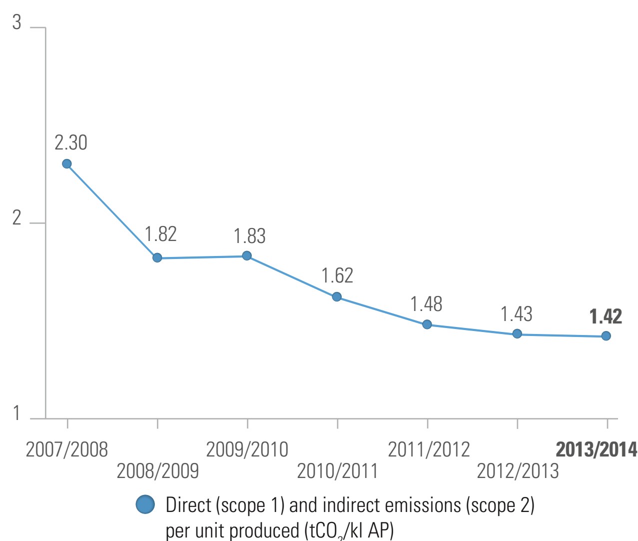
The overall share of renewable energies in this energy mix is 13%, of which 10% is electricity and 3% biogas, wood and other renewable energies. As regards electricity used by the Group's factories, 61% of it came from renewable sources in 2013/2014, compared to 57% the previous year: 27 of the production sites are exclusively supplied with "green electricity". It is to be noted that to assess the Group's direct emissions, the CO_2 emissions linked to the consumption of renewable energy (green electricity, biomass, etc.) are calculated based on a CO_2 emission factor equal to zero and that the percentages of renewable energies are partly based on bills.

In order to reduce its carbon footprint, the Group is working to replace heavy fuel oil and coal with other, cleaner sources of energy. The consumption of fuel oil and coal have thus decreased by 48% and 55% respectively since 2007/2008, contributing to a fall in CO_2 emissions corresponding to 40%.

The Behror distillery, in Rajasthan in India, contributed to this reduction by replacing 90% of the coal it used with the shells of mustard seeds and rice husks, two agricultural residues that are widely available in the region. It was thus able to increase its proportion of renewable energy from 21% in 2009/2010 to 82% in 2013/2014.The Nashik distillery, located near Mumbai, has followed the example set at Behror and now uses 21% of biomass to supply its boiler, which previously used 100% fossil energy.

Another example of the change to a cleaner energy source is the Glenlivet distillery in Scotland, which this year completed the construction of a pipeline now supplying it with natural gas. The distillery, whose previous energy source was mainly fuel oil, now uses a fuel that is both cleaner and more efficient. As a result, it has reduced its CO_2 emissions by 27% per thousand litres of pure distilled alcohol.

CO_2 EMISSIONS AT PRODUCTION SITES (SCOPES 1 AND 2)

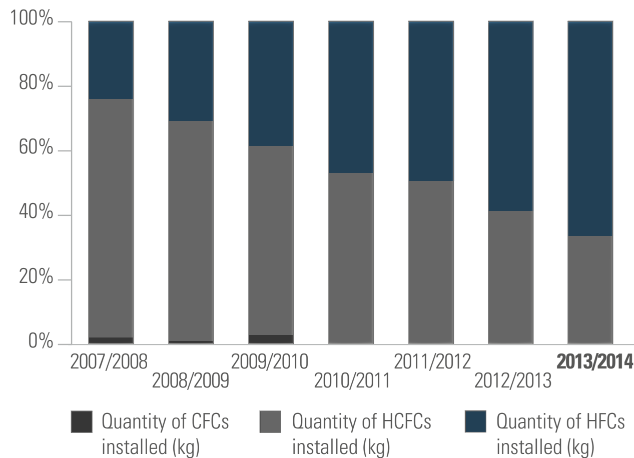


Reducing emissions of other gases harmful to the environment

Other gas emissions in the atmosphere likely to affect our environment include those from cooling gas, some of which damage the ozone layer. Some of these gases also increase the greenhouse effect: these were not taken into account when calculating the Group's direct emissions since they account for less than 1%.

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 also aims to reduce the proportion of HCFC gases, with the aim of eliminating these in Europe by 2015 and in the rest of the world by 2020. At 30 June 2014, of the 17,108 kg of fluorinated gases present on all of the industrial sites, HCFCs accounted for 33% and HFCs 67%.

CHANGES IN THE DISTRIBUTION OF CFC / HCFC / HFCS INSTALLED



Two examples illustrate the remarkable steps taken by production sites in terms of their climate commitment:

- in Sweden, The ABSOLUT Company has for many years continued to work towards achieving environmental excellence. Initially, the distillery's industrial process was subject to every type of optimisation, making the Nöbbelöv distillery one of the most efficient in the world in energy terms. Subsequently, the affiliate replaced its carbon energy sources with cleaner 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, thus leading to a four-fold reduction in site emissions. Finally, in order for the distillery to become carbon neutral, the affiliate committed to a carbon offsetting programme, thus helping to reduce the volume of CO_2 emissions equivalent to its own residual scope 1 and 2 emissions;
- in Spain, Pernod Ricard Winemakers chose to offset their CO_2 emissions linked to electricity consumption and the transport of its employees at the Campo Viejo production site by participating in a United Nations project (production of hydroelectric power in the province of Gansu in China). As a result of this action, last year the site obtained the CarbonNeutral® certification awarded by The Carbon Neutral Company.

Helping to reduce indirect CO_2 emissions from our suppliers

"Indirect" emissions are those caused by the suppliers of products and services purchased (mainly packaging, raw materials and logistics services).

The eco-design of products

The Group's eco-design process, which has been in place since 2008, helps to reduce CO_2 emissions linked to packaging but also those related to the logistics chain. Details of this approach are provided in the following section dedicated to this issue in the present report.

The optimisation of logistics and transport

The logistics teams are actively involved in reducing the Group's environmental impacts. They work at several levels: choosing the type of transport, planning and finally the optimisation of loads.

- Choice of transport type

  The Group estimates that nearly 80% of all transport involved in producing and distributing its products from the factory to the first customer is by sea (expressed in tonne-kilometres). As this method of transport consumes a particularly low amount of energy, it generates only about one-quarter of the greenhouse gas emissions related to the logistics businesses. Continental transport, which represents the remaining 20%, is optimised thanks to planning of loads and routes. Multi-modal transport (notably a combination of boat and rail) is used when available and financially profitable.

- Planning

  It allows for a more stable production planning to be established over a longer time horizon. This represents an important gain due to the reduction in the stock of finished goods, the reduction in losses (obsolete stock) and the optimisation of transport flows.

- Load optimisation

  The size and format of containers are selected and harmonised in order to facilitate optimisation in loading vehicles. Load sharing is also favoured in order to increase lorry load rates.

There are a number of initiatives, which are illustrated by the following examples:

- having significantly reduced the weight of the Jacob's Creek bottle, Pernod Ricard Winemakers Australia took this a stage further by organising the bottling of its main volumes for Europe in England rather than Australia. These initiatives have optimised sea and land transport, thus reducing the logistics carbon footprint by 25%;
- as a member of the Smart Way Transport Partnership programme launched by the Environmental Protection Agency, Pernod Ricard USA has collaborated closely with its transport suppliers: 99% of these are now members of Smart Way. CO_2 emissions generated by transporting the affiliate's products fell 13% (17,000 tonnes per year) and multi-modal transport accounts for 45% of all transport;
- Martell Mumm Perrier-Jouët now transports its champagnes and cognacs from its warehouses to export ports by river;
- The ABSOLUT Company's contracts with wheat suppliers in 2014 stipulate that 25% of journeys must be made using biofuels. The Swedish affiliate encourages the use of sea transport (75% of its transportation is carried out by boat) and supports alternative energies. Since 2007 it has been a member of the Clean Shipping Project, a Swedish group that brings together large manufacturers to develop cleaner, more efficient shipping solutions.

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

Developing sustainable products and reducing the impact of waste (1)

Challenges and strategy

The impact of our activities on the environment begins with the design of its products and continues throughout their life cycle. For this reason, Pernod Ricard implements eco-design principles during the development of new products or packaging materials 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:

- optimisation of the amount of material used (glass, cardboard, plastic);
- choice of sustainable packaging and design of fully recyclable products, thus contributing to a new life cycle;
- participation in systems for the collection of used packaging in support of recycling;
- at production sites, waste recovery and recycling with the goal of achieving zero waste sent to landfill sites or incinerated.

Promoting eco-design of packaging

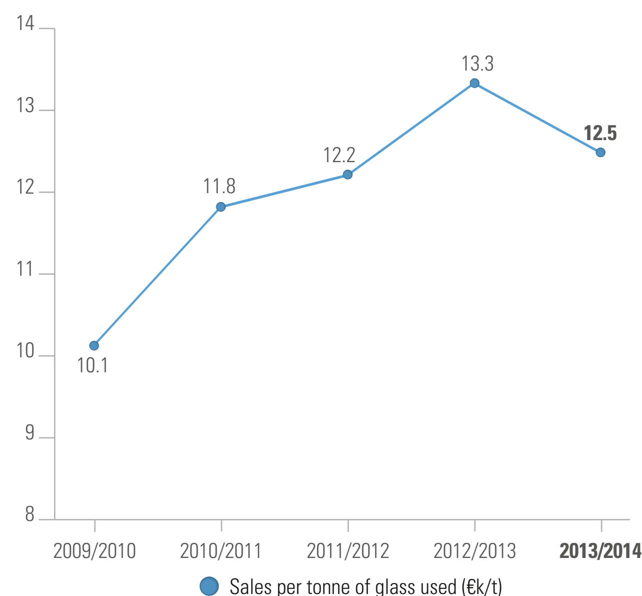
The Group's eco-design approach was started in 2006 and is now rolled out across the following levers:

- management of the process: a Steering Committee comprised of members of the main departments involved in eco-design (CSR, Operations, Marketing) was formed in order to define the Group's eco-design commitments, selecting key indicators to monitor their implementation and ensure that they are circulated to all affiliates;
- tools: since 2010, the Group's main Brand Companies have had access to software allowing them to analyse the environmental impact of packaging using the method known as Product Life Cycle analysis. This year, an interactive platform was implemented to provide the Marketing, Product Development and Procurement teams with eco-design tools;
- skills: a review of the various training courses available within the Group was undertaken and those that require the eco-design concept to be integrated into them were identified with a view to adapting their content;
- communication: all tools created during the year were communicated internally *via* existing meetings.

In terms of the use of resources, glass and cardboard are the main materials used as packaging for the Group's products. In 2013/2014, the total amount of glass used was estimated at 636,494 tonnes. The amount of cardboard/paper totalled 76,675 tonnes.

Between 2009/2010 and 2013/2014, the average ratio of packaging consumed per unit produced increased from 591 g/l to 597 g/l for glass: it was relatively stable despite the change in the mix towards premium products, whose packaging is generally heavier. As regards cardboard, the indicator increased over the same period from 54.2 g/l to 71.9 g/l, since premium products are most often packed in individual cases. This indicator does not reflect the progress made in terms of the reduced weight of the packaging, since it does not take into account the gradual change in the mix towards more premium products. In order to gain a better understanding of the efforts made in terms of eco-design, the ratio between the quantity of glass used and net sales generated should be examined, as this reflects the value created per unit of resource used. The net sales generated by each kg of glass used increased from €10.1 to €12.5/kg of glass between 2009/2010 and 2013/2014, an improvement of 23%.

CHANGE IN NET SALES GENERATED BY QUANTITY OF GLASS USED



Among the Group's brands, those representing wine and Champagne have spearheaded many optimisations in terms of glass weight. The weight of the bottle has therefore been reduced, with effect from 2008/2009 by: -7% for the Mumm and Perrier-Jouët standard champagne bottle, -25% for Café de Paris at Pernod, -30% for Campo Viejo wine, -12% for Mumm Napa in California and -28% for Jacob's Creek.

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

At the end of June 2014, the glass weight reduction projects led since 2008 by all Group affiliates have allowed a cumulative saving of 85,000 tonnes of glass since 2008/2009.

In parallel to these weight reduction projects, other eco-design initiatives are carried out to reduce the environmental footprint of products by other means. These include:

- the development of the use of alternative materials: in Finland, the proportion of bottles made from PET, an ultra-lightweight recyclable plastic, has increased from 16% to 70% of the affiliate's production volume in four years, resulting in a -25% reduction in CO_2 emissions and a -70% reduction in waste;
- the work performed on secondary packaging: Pernod Ricard Mexico has opted for recyclable kraft cases, with single colour printing and the "Pernod Ricard, promoting environmental care" logo on the cases. Jan Becher has modified the shape of its cases with the goal of increasing the number of bottles per case and the number of cases per pallet, while Pernod Ricard Brazil transports PET bottles in returnable cardboard boxes.

Most packaging waste produced by the Group's activities is generated after the consumption of products on the markets (end-of-life waste for products sold). It is for this reason that, for 20 years, Pernod Ricard has been committed to financing the French system enabling consumers to recycle their packaging. Thanks to contributions from companies as seen in the well-known "Point Vert" (Green Dot) companies Eco Emballages and Adelphe, they have been able to collect and recycle various materials: glass, metal, paper, cardboard, plastics, and so on. Similar systems exist in other European Union countries, as well as in numerous other countries. Efforts to continue to improve the average recycling rate for materials are being undertaken thanks to the development of eco-design, one of the targets of which is to ensure that all packaging is fully recyclable.

Reducing waste on industrial sites

On our production sites, waste is classified as follows:

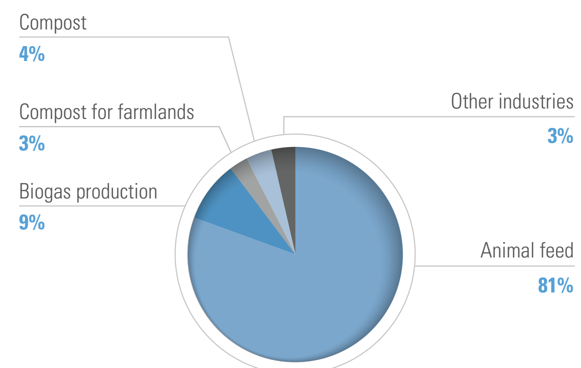
- organic waste, principally arising from the transformation of farm raw materials; grape marc, stalks, sediment, etc;
- solid wastes, mostly arising from packaging: glass, paper, cardboard and plastics;
- environmentally hazardous waste: solvents, pesticides, oils, etc.

Organic by-products

The processing of our raw materials produces different types of organic by-products: spent grains, vinasses, grape marc, etc. More than 99% of these by-products are recovered and used as follows: to manufacture animal feed, to produce biogas, to make farm compost or for other industrial purposes:

- the majority of the Group's grain distilleries transform the spent grain obtained from distilling into distillers' dark grains, a dehydrated feed for livestock, rich in protein and easy to store. This is the case notably in Scotland, Ireland, Canada and India;
- in Sweden, the vinasses from the ABSOLUT distillery supplies the pig farms in the Ahus region directly as part of a genuine "industrial ecosystem";
- in Scotland, the Glenlivet distillery (Chivas Brothers Limited) was equipped with a new evaporator used to concentrate the vinasses produced by distilling malt. The resulting syrup is rich in nutrients and is also used in animal feed;
- the sites in Walkerville (Canada), Behror (India), and Thuir (France) transform their liquid effluents into biogas, a source of renewable energy;
- in France, the company REVICO recovers the vinasses produced at Martell & Co.'s cognac distilleries to transform it into biogas.

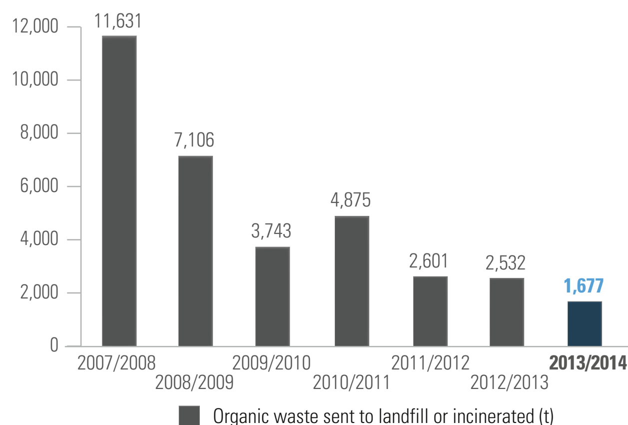
BREAKDOWN OF THE USE OF RECOVERED ORGANIC BY-PRODUCTS BY FINAL DESTINATION
(in % of total weight)



Due to the recovery of by-products, only 0.2% of all the organic by-products generated in 2013/2014 was sent to landfills or incinerated, *i.e.* a total volume of 1,677 tonnes. Since 2007/2008, this volume has been reduced by 76%, notably due to the recovery of by-products as compost or organic fertiliser:

- in Spain, the grape stalks are recovered after vinification to make compost;
- in India, the residue produced at the Nashik vinification site is recovered to extract grape seed oil;
- in Mexico, the Arandas distillery has developed an original process for the treatment of agave residues generated from the distilling of tequila, enabling them to be transformed into compost and organic fertiliser. The Los Reyes distillery recovers coffee residues in an external biomass boiler.

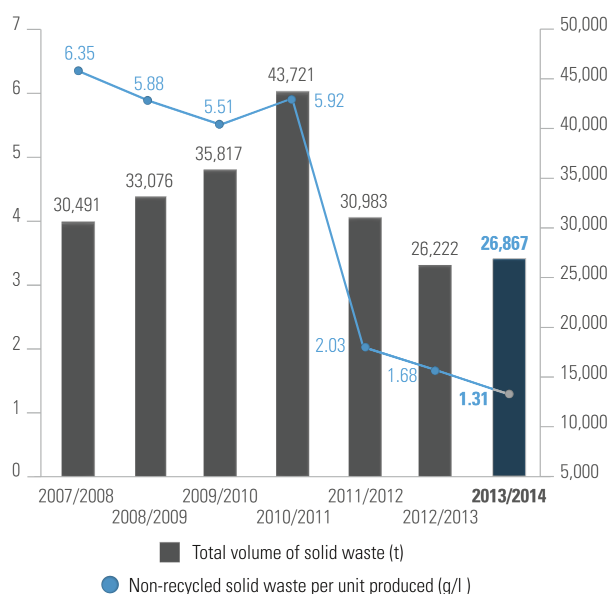
QUANTITY OF ORGANIC WASTE SENT TO LANDFILL OR INCINERATED



Solid waste

In 2013/2014, the Group's production sites generated 26,867 tonnes of solid waste, compared to 26,222 tonnes in 2012/2013 (waste evacuated from the sites during the year). 25,474 tonnes of this waste was recycled *via* different processes – a recycling rate of 95%. Furthermore, 1,393 tonnes were sent to landfill or incinerated (compared to 1,800 tonnes in 2012/2013). A total of 56% of this non-recycled waste was generated by bottling sites, 22% by distilling sites and 22% by other sites.

CHANGE IN THE PRODUCTION OF NON-RECYCLED SOLID WASTE



The indicator used to measure the final impact of solid waste on the environment is the quantity of non-recycled waste, sent to landfill or incinerated, per litre of finished product. Since 2009/2010, this has fallen from 5.51 g/l to 1.31 g/l, demonstrating the efforts made by the affiliates to reduce the quantity of such waste and identify recovery processes. In 2013/2014, further progress was made, particularly in Scotland where Chivas Brothers recycled an additional 270 tonnes of waste compared to the previous year. As such, the bottling site at Kilmalid, which sent over 350 tonnes *per annum* to landfill a few years ago, now recovers 100% of its waste.

For the period from 2009/2010 to 2014/2015, the Group had set itself the target of reducing the quantity of waste landfilled or incinerated per unit produced by 40%. At the end of 2013/2014, this target had been met by a comfortable margin, with an average reduction of 76%. New, longer-term targets will be set during the current financial year.

Hazardous waste

Any waste that requires a specific treatment process due to the risks it represents to the environment is considered as hazardous waste. The Group's production sites generate different types of hazardous waste: 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 2013/2014, the volume of hazardous waste collected was 570 tonnes, compared to 291 tonnes in 2012/2013. 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 size, this waste is most often stored on site for a certain time. In addition, this waste may also be generated during *ad hoc* cleaning operations. For these reasons, this data item does not strictly represent a performance indicator for the current year. The increase in the quantity of this waste observed this year was mainly due to destocking on the production sites at Richmond Grove in Australia, Midleton in Ireland, Willowyard and Paisley in Scotland and Age in Spain.

Summary table of environmental indicators

Category	Definition	Unit	Total Pernod Ricard 2005/2006	...	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
Number of sites	Number of reporting sites		99		108	99	98	93	97
ISO 14001 (At 30 June)	Number of ISO 14001 certified sites	%	-		90	91	94	96	96
	Proportion of ISO 14001 certified sites in total production	%	-		96	96	98	100	100
Investments	Amount of investment for environmental protection	€ M	13.04		7.30	8.32	12.60	14.48	18.17
Business compliance	Fines or penalties related to the environment	Number	0		2	0	1	0	0
Production volume	Total production a) distilled alcohol	kl PA	202,518		195,689	211,106	237,371	234,518	241,664
	b) finished product	kl	1,145,225		1,182,500	1,176,385	1,182,446	1,072,320	1,066,252
Water	Total volume used	m^3	7,182,064		7,095,145	7,118,930	7,393,874	7,498,606	7,856,996 (1)
	Total volume taken (consumption and cooling water)	m^3	-		28,052,000	25,473,000	27,411,000	24,671,813	28,130,655 (1)
Waste water	Total volume of waste water released	m^3	5,460,197		5,445,849	4,931,666	4,993,818	5,288,496	5,450,755 (1)
COD	Quantity of COD released into the natural environment	t	-		-	1,932	1,375	1,167	1,255
Energy	Total energy consumed	MWh LHV	2,029,538		1,465,872	1,459,501	1,575,545	1,543,149	1,591,567
	o/w: Natural gas	MWh LHV	-		783,127	823,031	911,387	891,773	1,016,805
	o/w: Electricity	MWh LHV	-		267,652	258,976	262,606	269,084	272,551
CO_2 emissions	Direct emissions (Scope 1) + indirect emissions (Scope 2)	CO_2 teq	-		357,654	341,559	352,060	335,456	343,257
	Direct emissions (Scope 1)	CO_2 teq	455,222		259,896	264,481	280,470	267,619	273,314
	Indirect emissions (Scope 2)	CO_2 teq	-		97,758	77,078	71,590	67,837	69,943
Refrigerant gases	Quantity of fluorinated gases installed	kg	14,394		19,353	18,022	18,056	17,148	17,108
	% of HFCs amongst the fluorinated gases installed	%	23.6		37.5	46.9	49.45	58.75	66.5
Packaging materials	Glass consumption	t	-		698,948	661,746	682,576	652,021	636,494
	Cardboard consumption	t	-		64,074	67,537	75,576	70,714	76,675
Organic waste	Quantity of organic waste dumped or incinerated	t	66,015		3,743	4,875	2,601	2,532	1,677
Solid waste	Total quantity of solid waste	t	36,198		35,817	43,721	30,983	26,222	26,867
	Quantity of solid waste dumped or incinerated	t	8,646		6,510	6,966	2,406	1,800	1,393
	% of solid waste recycled or recovered	%	1		82	84	92	93	95
Hazardous waste	Quantity of hazardous waste treated externally	t	363		626	541	545	291	570

(1) The volume of water consumed in 2012/2013 was corrected following the increase in data reliability for 2013/2014.

		a) Ratio for 1,000 l of pure alcohol (kl PA) b) Ratio for 1,000 l of finished product (kl)							
Unit		2005/2006	...	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	G4 GRI Index
-	-	-		-	-	-	-	-	-
-	-	-		-	-	-	-	-	-
-	-	-		-	-	-	-	-	
-	-	-		-	-	-	-	-	EN30
-	-	-		-	-	-	-	-	EN28
-		-		-	-	-	-	-	-
-		-		-	-	-	-	-	-
m^3/kl	a)	35.46		36.26	33.72	31.15	31.97	32.51	EN8
	b)	6.27		6.00	6.05	6.25	6.99	7.37	
m^3/kl	a)	-		143.35	120.66	115.48	105.20	116.40	
	b)	-		23.72	21.65	23.18	23.01	26.38	
m^3/kl	a)	26.96		27.83	23.36	21.04	22.55	22.56	EN21
	b)	4.77		4.61	4.19	4.22	4.93	5.11	
-	-	-		-	-	-	-	-	-
MWh/kl	a)	10.02		7.49	6.91	6.64	6.58	6.59	EN3
	b)	1.77		1.24	1.24	1.33	1.44	1.49	EN4
MWh/kl	a)	-		-	-	-	-	-	
MWh/kl	a)	-		-	-	-	-	-	
CO_2 teq/kl	a)	-		1.83	1.62	1.48	1.43	1.42	EN16
CO_2 teq/kl	a)	2.25		1.33	1.25	1.18	1.14	1.13	
CO_2 teq/kl	a)	-		0.50	0.37	0.30	0.29	0.29	
-	-	-		-	-	-	-	-	EN19
-	-	-		-	-	-	-	-	
g/l	b)	-		591	563	577	608	597	EN1
	b)	-		54.2	57.4	63.9	65.9	71.9	
g/l	a)	326.0		19.1	23.1	11.0	10.8	6.9	EN22
	b)	57.64		3.17	4.14	2.20	2.36	1.57	
g/l	b)	31.6		30.3	37.2	26.2	24.5	25.2	EN22
	b)	7.55		5.51	5.92	2.03	1.68	1.31	
-	-	-		-	-	-	-	-	
g/l	b)	0.32		0.53	0.46	0.46	0.27	0.53	EN24

Commitment to Society

Commitment to society and ethics is deeply rooted in Pernod Ricard's history and culture. The Group is aware of the role it can play as a major operator in the Wines & Spirits industry.

- community involvement: Pernod Ricard participates in society with the goal of respecting stakeholders and promoting local development;
- impact on society of its products and services: the Group prides itself on developing products of high quality whilst ensuring that they are consumed in a responsible manner. This is the Group's key CSR priority;
- responsible communication: Pernod Ricard is aware that responsible drinking cannot exist without communication that follows high ethical standards. The Group has therefore adopted its own Code for Commercial Communication;
- fair operating practices: the Group conducts its activities in a fair, transparent and honest manner;
- involvement of all its partners in its CSR commitments.

The Group's societal report

The Group's societal report is linked to its social report. It covers all Pernod Ricard affiliates (Brand Companies and Market Companies) that are required to include their societal information in the social report. For some entities, deployment of the CSR model and the associated action plans are managed by another affiliate. These entities are not obliged to include their societal information in the Group's reporting system, since the affiliates in question include their data in their own reporting.

Community involvement [1]

Respect for stakeholders

Pernod Ricard's philosophy was reaffirmed through its new CSR model "*Everyone is responsible*", which is shared by all employees and stakeholders and is embodied by the Group's CSR commitment, "Responsib'ALL".

Pernod Ricard's CSR strategy is based on respect for all stakeholders: employees (see "Human Resources", page 52), consumers (see "Societal impact of the Company's products and services", page 79), shareholders (see page 248), partners (see "Involvement of the Group's partners in its CSR commitments", page 84) and local communities (see below).

In 2012, in order to gain a better understanding of stakeholders' expectations and incorporate them into its CSR strategy and initiatives, Pernod Ricard developed a dedicated project. The goal is to help affiliates to:

- identify all of their stakeholders;
- draw up a mapping of stakeholders;
- facilitate dialogue with them;
- incorporate stakeholders' expectations into their CSR strategy.

To achieve these aims, the Group has created dedicated tools and guides, accompanied by a training course. In early 2013, four pilot countries tested these tools, which will be improved for wider rollout in 2014/2015.

Promoting social and economic development

Development of local communities

Pernod Ricard is committed to sharing the value and income generated by the development of its activities with local communities and its partners, in order to build lasting relationships that benefit everyone.

Due to the diversity of its brands and its decentralised model, Pernod Ricard is deeply rooted in local communities. We want our business to contribute to their development. 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.

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

Pernod Ricard's worldwide affiliates:

- provide employment to local economies, especially in agriculture, through the purchase of around 2.2 million tonnes of raw and transformed agricultural products (around €840 million per year);

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

- develop the skills of their employees and provide them with fair, just and rewarding remuneration;
- 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 CEO of each affiliate is responsible for implementing this policy.

Patronage and Solidarity

A tradition of sponsorship

Pernod Ricard's commitment to all forms of art and, in particular, contemporary art, is the result of a long tradition of artistic partnership. Pernod Ricard strives to promote the culture of the countries in which it operates worldwide: 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.

To take another example, Pernod Ricard is a major sponsor of the Virtual Pompidou Centre which was officially launched to the public in October 2012 with 450,000 digital works and documents.

Entrepreneurial and international solidarity

Another key area in Pernod Ricard's commitment to communities is to encourage efforts which support entrepreneurs and enable them to realise their projects. For example, the Group supports the Appel aid association in its programme to help young company founders in Vietnam, financing their studies and initial set-up costs. 40 young people have benefited from this programme.

Another example is the Pernod Ricard group's continuing commitment to PlaNet Finance, an association for the development of micro-credit, supporting a pilot cooperative of wine growers in Armenia, set to be deployed in 2015.

In 2013/2014, 49 affiliates held at least one initiative to promote the development of local communities through the sharing of cultures and entrepreneurship (in both the traditional sense of helping young entrepreneurs and by helping people without access to education: scholarships, training, etc.).

Societal impact of the Company's products and services [(1)]

Product health and safety (production and consumption)

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

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 go ahead with the gradual certification of its facilities in accordance with ISO 22000 "Food safety management systems". At 30 June 2014, 72.2% of production sites were certified, representing 94.2% of volumes produced and including all the major sites.

The internal standards established by Pernod Ricard for its industrial activities include different specific guidelines, the aim of which is to control risks such as for example the accidental contamination of a product or the presence of a foreign body in a bottle. These standards are regularly audited by the Group's Technical Division.

In addition, a Group intranet site called 'Complaint Management System' has been developed to track customer complaints and any other quality problems in real time and immediately inform the affiliate concerned for corrective action. In the case of a serious product health and safety concern, the system also informs the Holding Company instantly, and allows for very rapid reaction. 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, the training of people involved and updates.

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

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

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

Transparent labelling and responsible advertising/marketing practices

Through its Code for Commercial Communication (see details on page 81), Pernod Ricard assumes its main responsibilities as a producer of alcoholic beverages and includes ethics within all of its commercial communications.

In addition, the Group is committed to transparent labelling of its products. The Human Resources department is responsible for informing employees and ensuring that each of them follows the Company's policy.

Pernod Ricard has allocated significant resources to:

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

With regard to transparent labelling, 100% of affiliates incorporate the "pregnant lady" warning logo on all bottles distributed in European Union countries. In 2013, the decision was taken to gradually extend this logo to all bottles distributed by Pernod Ricard worldwide, and affiliates have until June 2015 to apply it (notwithstanding any regulatory constraints).

In addition, 100% of affiliates include a responsible drinking message in advertising and promotional material (new media, television, cinema, posters and press). The field of sponsorship is excluded, since this falls outside the traditional framework of advertising.

Prevention of high-risk drinking habits

Pierre Pringuet, Chief Executive Officer and Vice Chairman of the Board of Directors, has always been firmly committed to a responsible drinking policy. The Chief Executive Officers of the affiliates also uphold this commitment. Their annual bonus calculation now includes CSR criteria, including one related to responsible drinking, proof of the strategic importance given to this policy.

The Group's strategy against alcohol abuse is focused on drink driving and education and covers the following five areas:

- advocating consumption in moderation, in particular *via* its Code for Commercial Communication (see hereafter);
- combating drink driving; Pernod Ricard recommends abstaining from drinking before driving and develops dedicated initiatives, for example the "designated driver" initiative;
- education: 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;
- education: dissuading pregnant women, for whom Pernod Ricard recommends abstinence;
- making staff aware of their responsibilities through training, awareness-raising and the Responsib'All Day.

The Group has allocated significant resources to making this commitment a reality: dissemination of the results of research, support for medical research, prevention campaigns and programmes involving stakeholders (non-governmental organisations, public authorities, partners, and so on).

Pernod Ricard is, for example, a founding member of IREB (*Institut de Recherches Scientifiques sur les Boissons*), an independent research organisation dedicated to alcohol and its societal impacts, which publishes and finances studies on these subjects.

A number of initiatives are also performed at local level by the affiliates. In 2013/2014, 93% of affiliates implemented at least one initiative to promote responsible drinking.

In 2011, the Group chose to go a step further with the introduction of a special event for the entire Group: Responsib'All Day. This event aims to promote the sharing of best practices and to undertake concrete actions, mobilising all of the Group's affiliates and employees around a common CSR theme during the event. The aim is to make its employees ambassadors of Pernod Ricard's CSR policy:

- the first Responsib'All Day took place in May 2011. It was dedicated to combating drink driving, together with the simultaneous launch by the UN of the first Decade of Action for Road Safety. This day was also the starting point for new initiatives, campaigns and events to be launched throughout the world;
- the second edition took place on 7 June 2012 and dealt with alcohol and youth. The aim was to promote, both internally and externally, a clear message: no alcohol for minors and responsible drinking for young adults;
- the third and fourth editions, held in June 2013 and May 2014, focused on promoting the five industry commitments for responsible drinking (see below).

In order to make its responsible drinking policy and good practices public and easily accessible, in 2013 the Group published a brochure on the subject entitled "Wise Drinking, The Art of Conviviality", available online at: http://pernod-ricard.com/5970/csr/responsible-drinking/wise-drinking.

The industry's five commitments

At the ICAP (International Center for Alcohol Policies) conference held in October 2012, Pierre Pringuet, Chief Executive Officer and Vice Chairman of the Board of Directors of Pernod Ricard, announced, on behalf of the world's leading producers of beers, wines and spirits, the signing of five commitments covering 10

action areas, with a view to reducing 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 information and details on the progress made are available at http://www.producerscommitments.org/default.aspx.

Stakeholders' feedback

A review of relevant stakeholder sources did not reveal any allegations against the Group in terms of its management of health and social problems caused by the consumption of its products.

Responsible communication

The Pernod Ricard Code for Commercial Communication

All advertising campaigns run by Pernod Ricard throughout the world must comply with the Code for Commercial Communication. This Code was adopted in 2007 and was updated in 2010, 2012 and 2013 to incorporate the use of new media and provide more effective management of product innovations. It can be accessed by all employees on the Pernod Ricard intranet site and on the Group's website (see the Code at http://pernod-ricard.com/734/csr/responsible-drinking/promoting-moderate-drinking/responsible-product-marketing).

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

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

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

Employee training in the Code for Commercial Communication

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

The following issues are dealt with during this training: the importance of internal control of campaigns, the main provisions of the Code and the review procedure; particular attention is given to new media ("Digital Marketing"). 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 Communication.

During the 2013/2014 financial year, 180 employees and 8 suppliers were trained *via* dedicated training sessions. For each training course, an attendance list is produced in order to monitor the names and number of participants.

In June 2014, Pernod Ricard released its new e-learning course related to the Code. This is a fun, interactive training course lasting 60 minutes. Following the course, employees will have enhanced knowledge of Pernod Ricard's Code for Commercial Communication. It tackles changes in alcohol advertising and presents the Code. This e-learning is compulsory for all marketing staff and their agencies, and is open to all.

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

Internal Approval Panel

Ethical control over advertising is the responsibility of the Internal Approval Panel, which comprises five members: Audrey Yayon-Dauvet, Vice President, Legal and Public Affairs (Pernod Ricard Americas), Jenny To, Vice President, Talent and Recruitment (Pernod Ricard Asia), Rick Connor, Vice President, International Public Affairs (Chivas Brothers), Armand Hennon, Vice President, Public Affairs France (Pernod Ricard) and Brian Chevlin, General Counsel (Pernod Ricard USA). The Panel is independent from the Marketing Department and reports directly to the Pernod Ricard Executive Committee. Its decisions are binding throughout the Group and provide "case law" for the application of the Pernod Ricard Code for Commercial Communication. This Panel is required to hand down its decisions within a maximum of seven days. Its decisions are taken in a collegiate manner.

In the event of doubts pertaining to a campaign, the Internal Approval Panel 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 – French Advertising Standards Authority) is consulted regularly.

For each campaign submitted, the Panel issues formal opinions: approval of the campaign, approval subject to modification,

or rejection, in which case a substitute campaign must be devised and submitted.

Some affiliates, such as The ABSOLUT Company, Pernod Ricard Nordic and Pernod Ricard Pacific, have introduced similar local control procedures. The implementation of such procedures, which are conducted prior to submission to the Internal Approval Panel, is strongly recommended.

Scope of controls

Controls are mandatory for the 14 strategic Spirits and Champagne brands [(1)] and four Priority Premium Wine Brands [(2)] (which represent 77% of media spending). Since February 2013, they have also been mandatory for the 18 local brands [(3)] (which represent 16% of media spending). Controls encompass advertising, the Internet and sponsorship. Since September 2013, the Panel has reviewed the Code's compliance with all new products.

Like all Group advertising, promotions must also comply with the Code.

In cases of ethical issues, it is recommended that marketing teams submit their proposed promotions and packaging materials to the Panel.

Reporting

The Internal Approval Panel reports directly to the Group Executive Committee. A report on all advertising campaigns is submitted to the Executive Committee at each of its meetings. Nine such reports were submitted during the 2013/2014 financial year.

Results of controls in 2013/2014

During the 2013/2014 financial year, the Panel examined 221 campaigns and product innovations. Only two of these campaigns have been subject to a modification request (orange ruling). The first covered a video showing scenes of festive consumption in a potentially dangerous setting and the association of consumption with attractiveness. The second was a visual potentially in breach of the Code's provisions on the image of the human person (female representation). The Committee also gave confidential advice (copy advice procedure) for 160 campaign proposals and product innovations. In total, the Panel examined 381 advertising campaigns during financial year 2013/2014 [(4)].

Since the Panel was set up in 2005, just one of the 1,821 campaigns examined by the Internal Approval Panel has been cancelled following a complaint.

The Group's ethical practices [(5)]

Prevention of corruption

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

- Pernod Ricard's Charter, in particular the business model chapter, which specifies that all employees must abide by the legislation in their market and by the Group's policies and procedures;
- Pernod Ricard's Procurement Code of Ethics, which contains prohibitions on offering or giving improper inducements to public officials;
- 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".

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.

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 Procurement Code of Ethics and the Ten Principles of the United Nations Global Compact. Pernod Ricard sends all affiliates a self-assessment questionnaire every year, in which they must state whether they are compliant with Group policies. The reliability of the responses to these questionnaires is confirmed in a letter of representation signed by the CEO and Chief Financial Officer of each entity.

Prevention of anti-competitive practices

Pernod Ricard's policy is to always act and do business in compliance with applicable laws and regulations.

(1) ABSOLUT, Chivas Regal, Ballantine's, Jameson, Kahlúa, Beefeater, Malibu, Ricard, Havana Club, Martell, Perrier-Jouët, The Glenlivet, Royal Salute, Mumm.
(2) Jacob's Creek, Brancott Estate, Campo Viejo, Graffigna.
(3) 100 Pipers, Olmeca, Clan Campbell, Seagram's Gin, Ramazzotti, Blenders Pride, Pastis 51, Wiser's, Something Special, Royal Stag, ArArAt, Ruavieja, Montilla, Becherovka, Passport, Wyborowa, Suze, Imperial.
(4) Note on methodology: advice issued between the final Executive Committee meeting of the financial year (18 June 2014) and the balance sheet date (30 June 2014) has not been included and will be included in financial year 2014/2015.
(5) In accordance with Principles 2 & 10 of the United Nations Global Compact: "to make sure that they are not complicit in Human Rights abuses" and "to work against corruption in all its forms, including extortion and bribery".

This policy is included in the Pernod Ricard Charter. With regards to compliance with competition laws in particular, 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 almost certainly apply to the way the Group conducts its business.

Specifically, it is prohibited to fix selling or purchase prices with our competitors or any other terms on which we trade. It is not only an explicit agreement between competitors which will amount to price fixing, but also an informal co-ordination of price level increases and the exchange of price information. Similarly, agreements or understandings with competitors to divide up markets or territories are also illegal."

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. Pernod Ricard sends all affiliates a self-assessment questionnaire every year in which they must state whether they are compliant with Group policies. The reliability of the responses to these questionnaires is confirmed in a letter of representation signed by the CEO and Chief Financial Officer of each entity.

Transparency and integrity of strategies and influencing practices

All Pernod Ricard employees are subject to the provisions of the Pernod Ricard Charter and specifically its rules of ethics (in the Business model section 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 legislation in force 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 [(1)] conforms to professional (EPACA in Europe, Association pour les relations avec les Pouvoirs publics in France, etc.) and institutional codes (see: http://ec.europa.eu/). Jean Rodesch, Vice President Government Affairs and Corporate Social Responsibility, is responsible for the oversight and implementation of this policy. The main lobbying actions are approved by the Group CEO and the rest of senior management is kept informed of the status of the projects.

The organisation chart of the Institutional Affairs team, guidelines on lobbying and the main stances on current issues in this area are available from the Pernod Ricard website: http://pernod-ricard.com/9473/csr/lobbying-at-pernod-ricard.

A "lobbying" training course, part of which focuses on ethical issues, has been set up, and can be found in the Pernod Ricard University brochure under "Lobbying, the art of influencing". Part of this course is delivered by Transparency International (http://www.transparency.org), of which Pernod Ricard has been a member since early 2013. Its aim is 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 CSR commitments.

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

In France, Pernod Ricard is a signatory of the joint declaration on Lobbying presented by Transparency International's corporate members (http://www.transparency-france.org/ewb_pages/div/Declaration_commune_lobbying.php).

As regards interactions with public authorities, the requirement for high ethical standards is enshrined in the Group's Charter, which, as set out above, covers all of the Group's activities and not just lobbying. Details, such as the maximum permitted amount of gifts, are subject to legislation in each country.

It should be noted that as regards 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 a range of useful information on the team, its budget, its areas of interest, its membership of associations, etc. (see http://ec.europa.eu/transparencyregister/public/consultation/displaylobbyist.do?id=352172811-92&isListLobbyistView=true).

In France, Pernod Ricard is also registered on the National Assembly's list of representatives of interests (http://www2.assemblee-nationale.fr/representant/representant_interet_liste).

Lobbying activities in the United States are highly regulated at federal level and also 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,

(1) Pernod Ricard uses the definition of "lobbying" established by Quebec: "any communication, written or oral, between a representative or an interest group and a public decision-maker in order to influence decision-making".

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 with the Federal Election Commission. These reports are available for public examination at:

- Secretary of the Senate: http://www.senate.gov/legislative/Public_Disclosure/LDA_reports.htm;
- Federal Election Commission: http://query.nictusa.com/cgi-bin/dcdev/forms/C00380527/.

Stances on regulatory issues

Generally speaking, Pernod Ricard has no particular stance on regulatory issues, other than those taken officially and communicated by our professional associations worldwide. In some cases, the Group may take a specific position on issues of particular interest. For example, Pernod Ricard contributed to the consultation on the European Commission Green Paper on agricultural product quality, available at http://ec.europa.eu/agriculture/quality/policy/opinions_en.htm. However, in general, the policies we uphold are covered on the websites of our professional associations, for example:

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

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

The main stances adopted by Pernod Ricard are available on the Group's website: http://pernod-ricard.fr/10321/la-rse/affaires-publiques-et-lobbying/les-positions-principales-de-pernod-ricard.

Involvement of the Group's partners in its CSR commitments (1)

Sustainable relationships with suppliers and subcontractors

Pernod Ricard has had sustainable relationships with its suppliers and subcontractors for a long time, particularly *via* its affiliates, and relies upon them to convey its values and share its CSR 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.

For some years, Pernod Ricard has sought to increase the involvement of its suppliers and subcontractors: a working group was created to formalise Pernod Ricard's commitment to Responsible Procurement with documents and tools to consolidate the existing actions.

Documents and tools were established by this working group, in the following iterative process:

- **Responsible Procurement Policy** for products and services, covering all purchases made by all employees. Published in December 2011, it is now available on the Pernod Ricard intranet in English, French, Spanish, Portuguese and Mandarin;
- **Supplier CSR Commitment**, launched in October 2013. This document is also aimed at subcontractors. It is available in English, French, Spanish, Portuguese and Mandarin.

  This document is to be signed by suppliers and subcontractors. In order to avoid duplication and to promote sharing, a copy of each signed Supplier CSR Commitment is uploaded to the Pernod Ricard intranet. At the end of June 2014, 376 signed documents had been uploaded;
- **CSR Risk Mapping Tool** to allow affiliates to identify which suppliers and subcontractors should be assessed as a priority (see following point).

  During 2013/2014, 906 suppliers were assessed using this tool;
- **CSR Assessment** of suppliers and subcontractors using the EcoVadis platform. At the end of June 2014, 262 suppliers or subcontractors had been assessed using EcoVadis;
- **harmonisation of CSR audit standards** for suppliers and subcontractors. Pernod Ricard selected SMETA standards, which also means it is in line with the "Mutual Recognition" programme established by AIM Progress.

  CSR audits of suppliers and subcontractors should be organised from next financial year.

(1) *In accordance with Principles 2, 4 & 5 of the United Nations Global Compact: "to make sure that they are not complicit in Human Rights abuses", "elimination of all forms of forced and compulsory labour" and "effective abolition of child labour", respectively.*

Pernod Ricard maintains close partnerships with its suppliers and subcontractors in order to ensure ethical business practices and sustainable development of its activities. In all Group affiliates, these partnerships are built on specific requirements and regular controls.

The actions the Company takes to ensure that relationships with suppliers and subcontractors are managed responsibly include the following:

- in the Pernod Ricard internal training course on procurement, a section addresses the selection of suppliers and partnerships;
- Pernod Ricard Holding has close relationships with ten main suppliers, who represent 65% of packaging spend. These relationships are regularly examined from a commercial standpoint;
- deployment of the **Self-Assessment Checklist** (SAC, formerly Supplier Audit Checklist) including around 100 criteria, of which some 20 refer to social and environmental responsibility. This tool is used to monitor the main suppliers and to reference new suppliers. In spring 2014, a campaign was launched to systematically widen its use to include packaging suppliers. At the end of June 2014, 189 completed SACs had been shared on the Pernod Ricard intranet;

  Parts of the Self-Assessment Checklist are repeated in Pernod Ricard's guidelines for selecting third party contract packers;
- establishment of a digital training course entitled "Smart and safe POS purchasing" targeting the Marketing and Communication population likely to develop and purchase point of sale materials (POS).

In addition to the results published for previous years, some recent results should be highlighted:

- Pernod Ricard Brasil has established partnerships with local companies specialising in finished goods and packaging, as well as with shipping companies to set up collaborative logistics circuits and enable mutually beneficial optimisation;
- The ABSOLUT Company has launched a specific digital training course to improve knowledge of safety rules, intended for both employees and contractors. After this training course, an "ENTRE Passport" is issued to the contractors, giving them the opportunity to work for a specific time period on the company's premises.

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

Moreover, the Pernod Ricard Procurement Code of Ethics establishes rules for balanced and healthy relationships with suppliers and the basic CSR principles. The Procurement Code of Ethics is now available in English, French, Spanish and Mandarin.

Integration of environmental factors in the supply chain

Pernod Ricard has made a formal commitment to include environmental factors in its supply chain management into its Responsible Procurement Policy and its Procurement Code of Ethics.

This commitment applies throughout the Group and is supported by General Management. The CEO of each affiliate is responsible for implementing this policy.

Pernod Ricard has set up at least five measures to enable the inclusion of environmental factors in its supply chain management:

- integration of environmental issues into tenders and some contractual clauses;
- raising awareness among suppliers and subcontractors about environmental protection through Pernod Ricard's Responsible Procurement Policy and the Supplier CSR Commitment;
- assessment of some suppliers and subcontractors on environmental factors using EcoVadis;
- supplier support (*e.g.*: training, technical assistance, etc.);
- training and awareness-raising of employees in charge of procurement. Buyers must acknowledge and respect the Procurement Code of Ethics, which specifically includes environmental issues.

In addition, the affiliates help suppliers and subcontractors to achieve ISO 14001 or equivalent certification. The Pernod Ricard point of sale material (POS) procurement co-ordination team has drawn up a list of Group-wide referenced POS suppliers. All these referenced suppliers have been assessed using EcoVadis, specifically in terms of environmental aspects.

Integration of social factors in the supply chain

Pernod Ricard has made a formal commitment to include social factors in supply chain management into its Responsible Procurement Policy and its Procurement Code of Ethics.

The Group's social requirements for suppliers and sub-contractors refer to the United Nations Global Compact and the International Labour Organisation (ILO) fundamental conventions and address the most relevant issues in the sector: trade union rights, abolition of child labour, non-discrimination and equality of remuneration.

Pernod Ricard has set up four measures for ensuring that social factors are included in its supply chain management:

- integration of social issues into tenders and some contractual clauses;
- raising awareness among suppliers and subcontractors about social issues through Pernod Ricard's Responsible Procurement Policy and the Supplier CSR Commitment;
- assessment of some suppliers and subcontractors on social factors using EcoVadis;

- buyers receive guidelines to ensure that they comply with the Pernod Ricard Procurement Code of Ethics in their dealings with suppliers and subcontractors.

This commitment applies throughout the Group, supported by General Management. The CEO of each affiliate is responsible for implementing this policy.

The Pernod Ricard point of sale material (POS) procurement co-ordination team has drawn up a list of Group-wide referenced POS suppliers. All these referenced suppliers have been assessed using EcoVadis, specifically in terms of social aspects.

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Report of one of the Statutory Auditors, appointed as independent third-party, on the consolidated environmental, social and societal information published in the management report

To the Shareholders,

In our capacity as Statutory Auditor of Pernod Ricard, and appointed as independent third-party, for whom the certification request has been approved by the French National Accreditation Body (COFRAC) under the number 3-1048 [1], we hereby present you with our report on the social, environmental and societal information prepared for the year ended 30 June, 2014 presented in the management report (hereinafter the "CSR Information"), pursuant to Article L. 225-102-1 of the French Commercial Code.

Responsibility of the company

The Board of Directors of Pernod Ricard is responsible for preparing a management report including CSR Information in accordance with the provisions of Article R. 225-105-1 of the French Commercial Code, prepared in accordance with the reporting protocols used by Pernod Ricard (hereafter the "Reporting Protocols"), which are available for consultation at the headquarters of the company and for which a summary is presented in the chapter titled "Corporate social responsibility" of the management report.

Independence and quality control

Our independence is defined by regulatory texts, the profession's Code of Ethics as well as by the provisions set forth in Article L. 822-11 of the French Commercial Code. Furthermore, we have set up a quality control system that includes the documented policies and procedures designed to ensure compliance with rules of ethics, professional auditing standards and the applicable legal texts and regulations.

Responsibility of the Statutory Auditors

Based on our work, our responsibility is:

- to attest that the required CSR Information is presented in the management report or, in the event of omission, is explained pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code (Statement of completeness of the CSR information);
- to express limited assurance on the fact that, taken as a whole, the CSR Information is presented fairly, in all material aspects, in accordance with the adopted Reporting Protocols (formed opinion on the fair presentation of the CSR Information).

Our work was carried out by a team of thirteen people between May and September 2014. To assist us in conducting our work, we referred to our corporate responsibility experts.

We conducted the following procedures in accordance with professional auditing standards applicable in France, with the order of 13 May, 2013 determining the methodology according to which the independent third party entity conducts its assignment and, with regard to the formed opinion on the fair presentation of the Information, with the ISAE (International Standard on Assurance Engagements) 3000 [2].

(1) *the scope of which is available at www.cofrac.fr.*

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

1. Statement of completeness of the CSR Information

Based on interviews with management, we familiarised ourselves with the Group's sustainable development strategy, with regard to the social and environmental impacts of the company's business and its societal commitments and, where appropriate, any resulting actions or programs.

We have compared the CSR Information presented in the management report with the list set forth in Article R. 225-105-1 of the French Commercial Code.

In the event of omission of certain consolidated information, we have verified that explanations were provided in accordance with the third paragraph of the Article R. 225-105 of the French Commercial Code.

We have verified that the CSR Information covered the consolidated scope, *i.e.*, the company and its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code and the companies that it controls within the meaning of Article L. 233-3 of the French Commercial Code, subject to the limits presented in the chapter titled "Corporate social responsibility" of the management report.

Based on these procedures and considering the limitations mentioned above, we attest that the required CSR Information is presented in the management report.

2. Reasoned opinion on the fair presentation of the CSR Information

Nature and scope of procedures

We conducted around thirty interviews with the people responsible for preparing the CSR Information in the departments in charge of the CSR Information collection process and, when appropriate, those responsible for internal control and risk management procedures, in order to :

- assess the suitability of the Reporting Protocols with respect to their relevance, completeness, reliability, neutrality and understandability, taking into consideration, when relevant, the sector's best practices;
- verify that a data-collection, compilation, processing and control procedure has been implemented to ensure the completeness and consistency of the CSR Information and review the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of the tests and controls according to the nature and significance of the CSR Information with regard to the company's characteristics, the social and environmental challenges of its activities, its sustainable development strategies and the sector's best practices.

Concerning the CSR Information that we have considered to be most important [(1)]:

- for the consolidating entity, we consulted the documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), we performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the data consolidation, and we verified their consistency with the other information presented in the management report;

(1) ***Social information:*** *Worldwide workforce at 30 June; Breakdown of workforce by gender and sex; Average workforce by region; Employees departures and recruitments; Rate of voluntary departures based on average workforce; Percentage of the workforce working part time; Theoretical hours worked; Absenteeism rate; Information relative to the organisation of social dialogue; Outcome of collective agreements signed (concertation, health, safety at work, etc.); Frequency rate of work accidents; Severity rate of work accidents; Total number of training hours; Percentage of the workforce trained; Gender equality (only in France); Information relative to the compliance with the provisions of the ILO's fundamental conventions.*
Environmental information: *Percentage of sites ISO 14001 certified; Part of the ISO 14001 certified sites in the Group's production volume; Fines or penalties related to the environment; Waste water released; Tons of COD released; Percentage of solid waste recycled or recovered; Quantity of organic waste dumped or incinerated; Hazardous wastes; Solid wastes; Water consumption (including water abstraction); Quantity of packaging glass and cardboard used; Total energy consumed (including Natural gas consumption and Electricity consumption); Renewable energy consumption; Percentage of renewable energies in the energy mix; Greenhouse gas emissions from industrial sites (Scope 1); Greenhouse gas emissions from industrial sites (Scope 2); Emission rate of refrigerant gases; Volume of distilled alcohol; Volume of finished product sent to bulk; Volume of bottled finished product.*
Societal information: *Percentage of subsidiaries holding cultural-sharing initiative; Percentage of subsidiaries holding initiatives to promote entrepreneurship; Number of marketing campaigns investigated by the Internal Approval Panel; Repartition of ruling given by the Internal Approval Panel on marketing campaigns; Number of employees and suppliers trained to the Code for Commercial Communication; Percentage of subsidiaries including a responsible drinking message in advertising and promotional material; Percentage of subsidiaries incorporating the "pregnant lady" warning logo on bottles distributed in European Union countries; Percentage of subsidiaries implementing at least one initiative to promote responsible drinking; Percentage of subsidiaries with an alcohol charter.*

- for a representative sample of entities that we have selected [1] according to their activity, their contribution to the consolidated indicators, their location and a risk analysis, we held interviews to verify the correct application of the procedures and performed substantive tests using sampling techniques, consisting in verifying the calculations made and reconciling the data with supporting evidence. The selected sample represented 23% of the Group headcount and between 13% and 53% of the environmental quantitative information.

Regarding the other consolidated CSR Information, we have assessed its consistency in relation to our understanding of the Group.

Finally, we have assessed the relevance of the explanations relating to, where necessary, the total or partial omission of certain information.

We believe that the sampling methods and sizes of the samples we have used in exercising our professional judgment enable us to express limited assurance; a higher level of assurance would have required more in-depth verifications. Due to the use of sampling techniques and the other limits inherent to the operations of any information and internal control system, the risk that a material anomaly be identified in the CSR Information cannot be totally eliminated.

Conclusion

Based on our work, we did not identify any material anomalies likely to call into question the fact that the CSR Information, taken as a whole, is presented fairly, in accordance with the Reporting Protocols.

Neuilly-sur-Seine, 17 September, 2014.

French original signed by one of the Statutory Auditors:

DELOITTE & ASSOCIES

Marc de Villartay

(1) ***Sites having been the object of tests on the social information:*** *Centre de recherches PR, Hiram Walker and Corby, Pernod SA, PR Argentina, PR Espana, PR India, PR Nordic, PR UK, PR Sweden, PR Winemakers Spain, TAC Ahus, TAC Stockholm.*
Sites having been the object of tests on the environmental information: *Ahus, Arandas, Glenburgie, Janikowska, Kilmalid, Los Reyes, Nobbelöv, Manzanares, Walkerville.*

This is a free translation into English of the original 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 auditing standards applicable in France.

4

Management report

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Key figures from the consolidated financial statements for the year ended 30 June 2014

Key income statement figures

In millions of euros	30.06.2012	30.06.2013 (1)	30.06.2014
Net sales	8,215	8,575	7,945
Gross margin after logistics expenses	5,047	5,351	4,987
Advertising and promotional expenses	(1,571)	(1,644)	(1,503)
Contribution after advertising and promotional expenses	3,476	3,707	3,484
Profit from recurring operations	2,114	2,231	2,056
Operating profit	1,969	2,119	1,817
GROUP NET PROFIT	**1,146**	**1,172**	**1,016**
Group net profit per share – diluted *(in euros)*	4.32	4.40	3.82
GROUP NET PROFIT FROM RECURRING OPERATIONS	**1,201**	**1,228**	**1,185**
Group net profit per share from recurring operations *- diluted (in euros)*	4.53	4.61	4.46

(1) On 1 July 2013 with retroactive effect from 1 July 2012, Pernod Ricard applied the amendments to international accounting standard IAS 19 (Employee Benefits) adopted by the European Union and mandatorily applicable from that date: see Note 1.1 – Accounting principles of the Notes to the consolidated financial statements. As a result the financial statements for the 2012/2013 financial year have been restated: see Note 8 of the Notes to the consolidated financial statements, "Restatement of comparative information".

Key balance sheet figures

In millions of euros	01.07.2012 (1)	30.06.2013 (1)	30.06.2014
Assets			
Non-current assets	21,770	21,030	20,968
of which intangible assets	*17,360*	*16,753*	*16,449*
Current assets	6,522	6,499	6,646
Assets held for sale	52	8	2
TOTAL ASSETS	**28,343**	**27,537**	**27,616**
Liabilities and shareholders' equity			
Consolidated shareholders' equity	10,719	11,179	11,778
Non-current liabilities	13,910	11,940	11,933
Current liabilities	3,707	4,418	3,905
Liabilities held for sale	7	0	0
TOTAL LIABILITIES	**28,343**	**27,537**	**27,616**

(1) On 1 July 2013 with retroactive effect from 1 July 2012, Pernod Ricard applied the amendments to international accounting standard IAS 19 (Employee Benefits) adopted by the European Union and mandatorily applicable from that date: see Note 1.1 – Accounting principles of the Notes to the consolidated financial statements. As a result the financial statements for the 2012/2013 financial year have been restated: see Note 8 of the Notes to the consolidated financial statements, "Restatement of comparative information".

Key net financial debt figures

In millions of euros	30.06.2012	30.06.2013	30.06.2014
Gross non-current financial debt	9,296	7,712	7,673
Gross financial debt from recurring operations	880	1,568	1,219
Non-current hedging instruments – assets	(101)	(56)	(63)
Hedging instruments from recurring operations – assets	-	(3)	(1)
Non-current derivative instruments – liabilities	75	36	1
Derivative instruments from recurring operations – liabilities	-	67	-
Cash and cash equivalents	(787)	(597)	(477)
NET FINANCIAL DEBT	**9,363**	**8,727**	**8,353**
Free cash flow [(1)]	955	924	755

(1) The calculation of free cash flow is set out in the Notes to the cash flow statement and shareholders' equity in the management report.

Key cash flow statement figures

In millions of euros	30.06.2012	30.06.2013	30.06.2014
Self-financing capacity before interest and tax	1,984	2,243	2,089
Net interest paid	(516)	(519)	(428)
Net income tax paid	(287)	(385)	(413)
Decrease (increase) in working capital needs	(55)	(255)	(308)
Net change in cash flow from operating activities	**1,126**	**1,085**	**940**
Net change in cash flow from investment activities	**(241)**	**(191)**	**(311)**
Net change in cash flow from financing activities	**(1,099)**	**(1,208)**	**(632)**
Cash flow from discontinued operations	(11)	(0)	0
Net effect of exchange rate changes	237	125	(117)
Cash and cash equivalents at the beginning of period	774	787	597
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**787**	**597**	**477**

Analysis of business activity and results

In 2013/2014, Pernod Ricard delivered performance in line with the guidance issued in February 2014, both quantitatively:

- organic growth in profit from recurring operations of 2% (the target being between 1% and 3%);

and qualitatively:

- healthy year-end stock levels;
- a strict pricing policy (2% pricing for the Top 14).

Pernod Ricard net sales were broadly stable [(1)] with:

- 1% organic growth [(1)] in mature markets;
- organic growth [(1)] of -2% in emerging markets, mainly driven by China (organic growth [(1)] of -23%) as a result of a general macroeconomic slowdown and measures to curb conspicuous consumption. Excluding China, organic sales growth [(1)] in emerging markets was 7%;
- organic growth [(1)] of -2% for the Top 14 strategic brands, but with a solid pricing of 2%. This reflected the strict pricing policy despite a more challenging trading environment. Excluding China, organic sales growth [(1)] for the Top 14 strategic brands was 3%.

The weakening of some currencies against the euro had an adverse impact on business. The currency effect of -6% weighed on sales, producing reported growth of -7%.

For the 2013/2014 financial year, the Group also announced:

- an increase in organic growth [(1)] of profit from recurring operations in every Region (except in Asia/Rest of World where it was -3%, impacted by difficulties in China), with the Americas reporting 8% and Europe 3%;
- the best reported growth in operating margin in four years (+52 bp in organic growth [(1)]) due to the combined effect of ongoing Premiumisation and good cost control;
- a €374 million decline in net debt. The net debt/EBITDA ratio was 3.6 at the end of June 2014, compared with 3.5 at the end of the previous year, the slight rise being entirely due to currency effects;
- a proposed dividend per share of €1.64, in line with that of the previous year. The proposed amount represents a pay-out rate of 36.7%, in line with the customary policy and cash payment of approximately one-third of net profit from recurring operations.

Presentation of results

In millions of euros	30.06.2013 [(2)]	30.06.2014
Net sales	8,575	7,945
Gross margin after logistics expenses	5,351	4,987
Contribution after advertising and promotional expenses	3,707	3,484
Profit from recurring operations	2,231	2,056
Operating margin	26.0%	25.9%
Group net profit from recurring operations [(1)]	1,228 [(1)]	1,185
Group net profit	1,172	1,016
Group net profit per share from recurring operations – diluted *(in euros)*	4.61	4.46
GROUP NET PROFIT PER SHARE FROM CONTINUING OPERATIONS (EXCLUDING DISCONTINUED OPERATIONS) – DILUTED *(in euros)*	**4.40**	**3.82**

(1) Profit from recurring operations adjusted for net interest expense relating to ordinary activities, corporate income tax, profits of equity-method companies and profit from assets held for sale.
(2) On 1 July 2013 with retroactive effect from 1 July 2012, Pernod Ricard applied the amendments to international accounting standard IAS 19 (Employee Benefits) adopted by the European Union and mandatorily applicable from that date: see Note 1.1 – Accounting principles of the Notes to the consolidated financial statements. As a result the financial statements for the 2012/2013 financial year have been restated: see the Note on "Restatement of comparative information in the management report" in this document and Note 8 of the Notes to the financial statements, "Restatement of comparative information".

(1) Organic growth at constant exchange rates and scope of consolidation.

Group net profit per share from recurring operations – diluted

In millions of euros	30.06.2013 [1]	30.06.2014
Profit from recurring operations	2,231	2,056
Financial (expense) income from recurring operations	(542)	(444)
Corporate income tax on recurring operations	(442)	(416)
Non controlling interests, profit from discontinued operations and share of net income from associates	(19)	(11)
Group net profit from recurring operations	1,228	1,185
Number of shares in circulation – diluted	266,352,885	265,816,388

In euros	30.06.2013 [1]	30.06.2014
Group net profit per share from recurring operations – diluted	4.61	4.46

(1) On 1 July 2013 with retroactive effect from 1 July 2012, Pernod Ricard applied the amendments to international accounting standard IAS 19 (Employee Benefits) adopted by the European Union and mandatorily applicable from that date: see Note 1.1 – Accounting principles of the Notes to the consolidated financial statements. As a result the financial statements for the 2012/2013 financial year have been restated: see the Note on "Restatement of comparative information in the management report" in this document.

Asia/Rest of World

In millions of euros	30.06.2013	30.06.2014	Organic growth [3]	
Net sales	3,431	3,031	(128)	-4%
Gross margin after logistics expenses	2,120	1,848	(99)	-5%
Advertising and promotional expenses	(663)	(550)	75	-11%
Contribution after advertising and promotional expenses	1,457	1,298	(23)	-2%
PROFIT FROM RECURRING OPERATIONS	**1,016**	**884**	**(31)**	**-3%**

Americas

In millions of euros	30.06.2013	30.06.2014	Organic growth [3]	
Net sales	2,316	2,142	47	2%
Gross margin after logistics expenses	1,490	1,394	51	3%
Advertising and promotional expenses	(454)	(412)	10	-2%
Contribution after advertising and promotional expenses	1,036	982	61	6%
PROFIT FROM RECURRING OPERATIONS	**607**	**579**	**49**	**8%**

Europe [2]

In millions of euros	30.06.2013	30.06.2014	Organic growth [3]	
Net sales	2,827	2,773	47	2%
Gross margin after logistics expenses	1,741	1,745	46	3%
Advertising and promotional expenses	(527)	(541)	(24)	5%
Contribution after advertising and promotional expenses	1,213	1,204	22	2%
PROFIT FROM RECURRING OPERATIONS	**607**	**593**	**17**	**3%**

(2) France is now included in the Europe operating segment.
(3) Organic growth at constant exchange rates and scope of consolidation.

Total

In millions of euros	30.06.2013	30.06.2014	Organic growth (1)	
Net sales	8,575	7,945	(34)	0%
Gross margin after logistics expenses	5,351	4,987	(1)	0%
Advertising and promotional expenses	(1,644)	(1,503)	61	-4%
Contribution after advertising and promotional expenses	3,707	3,484	60	2%
PROFIT FROM RECURRING OPERATIONS	**2,231**	**2,056**	**34**	**2%**

(1) Organic growth at constant exchange rates and scope of consolidation.

Net sales growth and volumes of strategic brands

In millions of 9-litre cases	30.06.2013	30.06.2014	Organic net sales growth (1)	Volume growth	Price/ mix
ABSOLUT	11.6	11.1	-1%	-4%	3%
Chivas Regal	4.9	4.6	-4%	-7%	3%
Ballantine's	5.9	5.9	-5%	0%	-5%
Ricard	4.6	4.8	4%	4%	0%
Jameson	4.3	4.7	12%	9%	3%
Havana Club	3.9	4.0	5%	3%	2%
Malibu	3.7	3.5	-4%	-6%	1%
Beefeater	2.6	2.6	0%	-1%	0%
Kahlúa	1.6	1.6	-7%	-5%	-2%
Martell	2.0	1.9	-9%	-6%	-4%
The Glenlivet	1.0	1.0	8%	2%	6%
Royal Salute	0.2	0.2	-8%	-7%	-1%
Mumm	0.6	0.6	2%	1%	0%
Perrier-Jouët	0.2	0.3	16%	9%	7%
14 STRATEGIC BRANDS (TOP 14)	**47.3**	**46.8**	**-2%**	**-1%**	**-1%**
Jacob's Creek	6.6	6.2	-6%	-6%	0%
Brancott Estate	1.9	2.1	9%	8%	2%
Campo Viejo	1.9	2.1	10%	10%	0%
Graffigna	0.3	0.2	-3%	-10%	7%
PRIORITY PREMIUM WINES	**10.7**	**10.6**	**0%**	**-1%**	**1%**

(1) Organic growth at constant exchange rates and scope of consolidation.

Full-year sales [2] were €7,945 million (excluding duties and taxes), a reported decline of -7%, as a result of:

- broadly stable organic growth overall [1], reflecting organic growth [1] of 1% in mature markets and organic growth of -2% in emerging markets;
- a highly adverse currency effect of €(535) million, or -6% over the full year, mainly due to the weakening of the Indian rupee and US dollar against the euro;
- and a scope effect of €(60) million, equating to an unfavourable impact of -1%, primarily linked to the sale of certain Scandinavian activities in 2012/2013.

With the exception of Asia/Rest of World, all Regions experienced positive growth [1]:

- Asia/Rest of World reported negative growth [1] of -4% attributable to China as a result of a particularly difficult economic environment (macroeconomic slowdown and measures to curb conspicuous consumption). Excluding China, organic growth [1] in the Region was 5%. India, the second-largest market in the Region, posted an excellent performance of 17% [1] due to local whiskies and the Top 14 strategic brands, in particular Chivas, ABSOLUT and The Glenlivet. Growth was also resilient in other markets such as Japan, Australia, Africa/Middle East and Travel Retail. Some markets remain difficult, particularly South Korea and Thailand, where the Group is gearing the organisation to market conditions;
- Americas grew 2% [1]. The United States market proved to be less dynamic in 2013/2014 than in 2012/2013 with, notably, a slowdown in the on-trade channel. The 1% organic growth [1] in net sales was driven by Premiumisation and pricing discipline, with particularly strong resilience among the Top 14 strategic brands. The slowdown in growth was also attributable to the Group's desire to maintain healthy stock levels. On the whole, the other markets in the Region posted solid growth. The year was difficult for Travel Retail;
- Europe delivered a net improvement in organic growth of net sales (2%) compared with the previous year (-2%), with growth [1] now stable in Western Europe and steady growth [1] (8%) in Eastern Europe. Over the full year, the Region posted a -2% reported decline in business. France posted good performance in a stabilising market, while net sales in Spain continued to decline, reflecting the downward trend in the market despite an improvement in macroeconomic indicators. Russia reported a slowdown in organic growth [1] of net sales to 5%, in a less dynamic market.

Contribution after advertising and promotional expenses

Gross margin (after logistics costs) was stable [1] at €4,987 million. The ratio of gross margin to net sales was 62.8% in 2013/2014, an improvement on 62.4% the previous year (up +23 bp [1]).

These results were the combination of on going Premiumisation, a favourable pricing (2% for the Top 14) due to numerous price rises and strict pricing discipline, and good cost control (costs increasing less than 2% excluding mix). In contrast, adverse quality mix on net sales (down 5%) due to the decline of Martell in China negatively impacted net sales.

Advertising and promotional expenditure was down -4% [1] at €1,503 million. This adjustment was based on competitive intensity and leverage critical mass in certain markets. Advertising and promotional expenditure was down in particular in China. The ratio of advertising and promotional expenditure to net sales was broadly stable at 18.9%.

Profit from recurring operations

Profit from recurring operations grew 2% [1] to €2,056 million. Operating margin rose to 25.9%, up 52 bp on the previous year, reflecting the best performance in four years thanks to the benefits of Premiumisation and good control of advertising and promotional expenditure and structure costs.

Over the full year 2013/2014, the -8% decline in profit from recurring operations compared with the previous year was largely the result of the highly adverse currency effect (-9% or €(199) million), mainly reflecting the weakening of the US dollar and the Indian rupee against the euro. The impact of changes in the scope of consolidation was limited to €(10) million.

Financial results

Financial expense from recurring operations totalled €(444) million, compared with €(542) million the previous year. This was the result of a very significant decline in the cost of debt to 4.6% for the year versus 5.3% for 2012/2013. For 2014/2015, the average cost of debt should be approximately 4.5%.

The debt structure at 30 June 2014 was as follows:

- the bond portion was approximately 87% of gross debt;
- the fixed rate portion was 85% of total debt;
- the maturity of gross debt at the end of June 2014 was five years and 11 months;
- the Group had €0.5 billion in cash and €2.1 billion in available credit facilities;
- structuring the debt by currency (USD: 57%) provides a natural hedging mechanism with debt by currency matched with cash flow by currency.

(1) Organic growth at constant exchange rates and scope of consolidation.

(2) Sales excluding excise duties (see section "Net sales" in the Note 1.1 "Accounting principles" of the Notes of the consolidated financial statements).

Group net profit from recurring operations

Income tax on recurring items was €(416) million, amounting to a current effective tax rate of 25.8%, close to the 2012/2013 rate of 26.2%. Non-controlling interests amounted to €(11) million.

In total, Group net profit from recurring operations was €1,185 million, down -3% from 2012/2013. This decline was less than the reported decline in profit from recurring operations, thanks to the sharp reduction in financial expenses and the stabilisation of the current effective tax rate. Net profit per share (diluted) from recurring operations was €4.46, down 3%.

Group net profit

Other non-current operating income and expenses amounted to €(240) million. Non-current financial income (expense) amounted to a net expense of €(41) million. Corporate income tax on non recurring items amounted to net income of €111 million.

As a result, Group net profit totalled €1,016 million, down 13% from 2012/2013.

Cash and capital

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:

In millions of euros	30.06.2013 [1]	30.06.2014
Profit from recurring operations	**2,231**	**2,056**
Other operating income and expenses	(21)	(84)
◻ Depreciation of fixed assets	185	203
◻ Net changes in provisions, excluding investments in the pension funds acquired from Allied Domecq	(5)	48
◻ Net change in impairment of goodwill and intangible assets	68	64
◻ Fair value adjustments on commercial derivatives and biological assets	(17)	(9)
◻ Net (gain)/loss on disposal of assets	(65)	(4)
◻ Share-based payments	38	38
◻ Non-cash impact from other operating income and expenses	(91)	(156)
Sub-total of depreciation of fixed assets, change in provisions and others	**113**	**185**
SELF FINANCING CAPACITY BEFORE INTEREST AND TAX [2]	**2,323**	**2,157**
Decrease/(increase) in working capital needs	(255)	(308)
Net interest and tax payments	(903)	(841)
Net acquisitions of non-financial assets and other	(241)	(253)
FREE CASH FLOW	**924**	**755**
Net disposals of financial assets, investments in the pension funds acquired from Allied Domecq and others	(31)	(126)
Change in the scope of consolidation	(8)	0
◻ Capital increase and other changes in shareholders' equity	3	0
◻ Dividends paid	(435)	(448)
◻ (Acquisitions)/disposals of treasury shares	21	(16)
Sub-total dividends, purchase of treasury shares and other	**(411)**	**(464)**
INCREASE/(DECREASE) IN DEBT BEFORE FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	**474**	**165**
Foreign currency translation adjustments	161	209
DECREASE/(INCREASE) IN DEBT AFTER FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	**635**	**374**

(1) On 1 July 2013 with retroactive effect from 1 July 2012, Pernod Ricard applied the amendments to international accounting standard IAS 19 (Employee Benefits) adopted by the European Union and mandatorily applicable from that date: see Note 1.1 – Accounting principles of the Notes to the consolidated financial statements. As a result the financial statements for the 2012/2013 financial year have been restated: see the Note on "Restatement of comparative information" in this management report.

(2) Excluding investments in the pension funds acquired from Allied Domecq.

Outlook

In 2013/2014, in a more challenging environment, Pernod Ricard:

- achieved its target of 2% organic growth in profit from recurring operations, announced in February 2014;
- improved its operating margin once again (up 52 bp);
- continued to reduce its debt.

The Group delivered this performance in uncompromising fashion, thanks mainly to its strict pricing policy and its healthy stock levels.

Pernod Ricard expects a gradual improvement in sales growth with:

- a gradual improvement in the Chinese market in particular;
- a comparison base that will be more favourable in the second half of the 2014/2015 financial year;
- but a global trading environment that will continue to be challenging, particularly in terms of pricing and in the US market, which remains soft.

Exchange rates should be more favourable, particularly in terms of the US dollar.

The roll out of the Allegro operational efficiency project will continue. Its objectives are:

- annual savings of €150 million in structure costs [1] over three years, with half of this amount in 2014/2015;
- the stabilisation of structure costs until the end of the 2015/2016 financial year.

The savings will allow the Group to increase advertising and promotional expenditure on its brands and its priority innovations. The Group aims to reinvest at least one-third of the savings generated by Allegro, which will be at least €50 million, over two years (2014/2015 and 2015/2016).

The main portion of the implementation costs, estimated at €180 million, will be cashed out in 2014/2015.

(1) Excluding other income and expenses of recurring operations.

Restatement of comparative information in the management report

On 1 July 2013 with retroactive effect from 1 July 2012, Pernod Ricard applied the amendments to international accounting standard IAS 19 (Employee Benefits) adopted by the European Union and mandatorily applicable from that date: see Note 1.1 – *Accounting principles* of the Notes to the consolidated financial statements.

As a result, the income statement and the table presenting the cash and capital for the 2012/2013 financial year have been restated as follows:

Income statement

In millions of euros	Published 30.06.2013	Application of amended IAS 19	Restated 30.06.2013
Net sales	**8,575**		**8,575**
Gross margin after logistics expenses	**5,351**		**5,351**
Advertising and promotional expenses	(1,644)		(1,644)
Contribution after advertising and promotional expenses	**3,707**		**3,707**
Structure costs	(1,477)	1	(1,476)
Profit from recurring operations	**2,230**	**1**	**2,231**
Financial (expense) income from recurring operations	(527)	(15)	(542)
Corporate income tax on recurring operations	(430)	(12)	(442)
Net income from discontinued operations, non-controlling interests and share of income from associates	(19)	0	(19)
Group net profit from recurring operations	**1,255**	**(27)**	**1,228**
Other operating income and expenses	(124)	12	(112)
Non recurring financial (expense)/income	(12)		(12)
Corporate income tax on non recurring operations	71	(2)	68
Group net profit	**1,189**	**(17)**	**1,172**
Non-controlling interests	19	(0)	19
Net profit	**1,208**	**(17)**	**1,191**
Group net profit per share from recurring operations – diluted *(in euros)*	4.71	(0.10)	4.61
Net earnings per share from continuing operations (excluding discontinued operations) – diluted *(in euros)*	4.46	(0.06)	4.40

Cash and capital

In millions of euros	Published 30.06.2013	Application of amended IAS 19	Restated 30.06.2013
Profit from recurring operations	**2,230**	**1**	**2,231**
Other operating income and expenses	(21)		(21)
◻ Depreciation of fixed assets	185		185
◻ Net changes in provisions, excluding investments in the pension funds acquired from Allied Domecq	8	(13)	(5)
◻ Net change in impairment of goodwill and intangible assets	68		68
◻ Fair value adjustments on commercial derivatives and biological assets	(17)		(17)
◻ Net (gain)/loss on disposal of assets	(65)		(65)
◻ Share-based payments	38		38
◻ Non-cash impact from other operating income and expenses	(103)	12	(91)
Sub-total of depreciation of fixed assets, change in provisions and others	**114**	**(1)**	**113**
SELF FINANCING CAPACITY BEFORE INTEREST AND TAX [(1)]	**2,323**	-	**2,323**
Decrease/(increase) in working capital requirements	(255)		(255)
Net interest and tax payments	(903)		(903)
Net acquisitions of non-financial assets and other	(241)		(241)
FREE CASH FLOW	**924**		**924**
Net disposals of financial assets, investments in the pension funds acquired from Allied Domecq and others	(31)		(31)
Change in the scope of consolidation	(8)		(8)
◻ Capital increase and other changes in shareholders' equity	3		3
◻ Dividends paid	(435)		(435)
◻ (Acquisitions)/disposals of treasury shares	21		21
Sub-total dividends, purchase of treasury shares and other	**(411)**		**(411)**
INCREASE/(DECREASE) IN DEBT BEFORE FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	**474**		**474**
Foreign currency translation adjustments	161		161
DECREASE/(INCREASE) IN DEBT AFTER FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	**635**		**635**

(1) Excluding investments in the pension funds acquired from Allied Domecq.

Compensation policy

Corporate officers' compensation

This section has been drawn up 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.

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 Compensation Committee and the Nominations and Governance Committee. The Chairman of the Audit Committee receives an additional allowance of €6,000, while the Chairmen of the Compensation Committee and the Nominations and Governance Committee each receive an additional €3,000.

Directors are also eligible for a variable portion, calculated on the basis of their presence at Board and Committee meetings. The variable portion is €4,000 per meeting.

Furthermore, in order to take into account travel constraints, an additional allowance of €1,500 is paid to Directors who are not French residents when they attend Board meetings. Directors who take part in Board meetings by videoconference or conference call are not eligible for this additional amount.

Directors representing employees receive, in the form of Directors' fees, a fixed annual sum of €15,000 for their attendance at meetings of the Board of Directors and of its Committees, if any. This amount was calculated *pro rata* for this financial year.

The Chairwoman of the Board of Directors, the Vice Chairman and Chief Executive Officer and the Deputy Chief Executive Officer & Chief Operating Officer do not receive Directors' fees.

Of the €910,000 allocated by the Shareholders' Meeting of 6 November 2013, a total of €817,000 in Directors' fees was paid to members of the Board of Directors in the 2013/2014 financial year, in accordance with the rules set out above.

Table of Directors' fees and other compensation received by Non-Executive Corporate Directors* (in euros) (Table 3 AMF nomenclature):

Members of the Board	Amounts paid in 2012/2013	Amounts paid in 2013/2014
Ms Nicole Bouton	90,708	99,500
Mr Laurent Burelle	39,500	39,500
Mr Michel Chambaud	86,000	80,500
Mr Wolfgang Colberg	80,000	80,000
Mr Gérald Frère (1)	26,542	N/A
Mr Ian Gallienne (2)	36,667	82,500
Mr François Gérard	74,500	74,500
Mr César Giron (3)	53,000	66,500
Ms Martina Gonzalez-Gallarza	55,500	55,500
Ms Susan Murray	66,250	74,500
Mr Anders Narvinger	81,500	105,500
Ms Danièle Ricard (4)	14,417	N/A
Mr Alexandre Ricard (3) (5)	9,917	N/A
Société Paul Ricard represented by Mr Paul-Charles Ricard (3) (6)	33,583	43,500
Mr Sylvain Carré (3) (7)	N/A	7,500
Mr Manousos Charkoftakis (3) (7)	N/A	7,500
TOTAL	**748,084**	**817,000**

* *Directors' fees were paid to Ms Danièle Ricard and Mr Alexandre Ricard in respect of their positions as Director and permanent representative of Société Paul Ricard (a Director of the Company) respectively. Since their appointment as Executive Directors on 29 August 2012, they no longer receive Directors' fees.*

(1) *Until 9 November 2012.*

(2) *From 9 November 2012.*

(3) *In addition to Directors' fees, Messrs César Giron and Paul-Charles Ricard received compensation in their respective capacities as Chairman & CEO of Pernod and Marketing Manager of G.H. Mumm, as did Mr Alexandre Ricard as Managing Director, Distribution Network, until his appointment as Deputy Chief Executive Officer & Chief Operating Officer on 29 August 2012. Messrs Sylvain Carré and Manousos Charkoftakis, Employee Directors, also received compensation in their respective capacities as Production Team Leader at Pernod and Area Sales Manager for Crete and the Aegean Islands.*

(4) *Until 29 August 2012, the date on which she was appointed Chairwoman of the Board of Directors.*

(5) *Permanent representative of Société Paul Ricard (a Director of the Company), until 29 August 2012.*

(6) *From 29 August 2012, the date on which he was appointed as permanent representative of Société Paul Ricard (a Director of the Company).*

(7) *From 21 January 2014, the date they took up their duties as Directors representing employees.*

Compensation policy for Executive Directors

1. Overall criteria of the policy

The compensation policy for Executive Directors of Pernod Ricard is established by the Board of Directors on the basis of recommendations from the Compensation Committee. This policy is regularly reviewed and discussed by the Board of Directors. During the 2013/2014 financial year, the Board reviewed more closely the criteria for the variable annual portion payable to Executive Directors, as well as the performance conditions for stock options and performance-based shares and the lock-in rules for holding the shares acquired.

In its analysis and proposals to the Board, the Compensation Committee is careful to follow the recommendations of the AFEP-MEDEF Code as revised in June 2013, which the Group uses as reference. The Board takes particular care to adhere to the following core principles:

Overview and balance

All the elements comprising the compensation package for Executive Directors are reviewed annually and their respective weightings are considered for each Director: fixed and variable compensation, volumes and value of any stock option and/or performance-based share allocations as well as the criteria for definitive allocation, social security benefits and deferred commitments such as the supplementary pension scheme.

Simplicity and consistency

Based on the recommendations of the Compensation Committee, the Board of Directors has always sought to conduct a compensation policy for Executive Directors that is straightforward, easy to understand and consistent over time. As an example, the decision was therefore made some years ago not to pay Directors' fees to Executive Directors, ensuring impartiality.

The compensation for each Executive Director comprises the following elements:

- the compensation of the Non-Executive Chairwoman of the Board of Directors consists of a fixed portion, with no other elements;
- the compensation of the Vice Chairman of the Board of Directors and Chief Executive Officer and that of the Deputy Chief Executive Officer & Chief Operating Officer comprises a fixed and a variable annual portion, plus, where applicable, an allocation of stock options and/or performance-based shares, subject to certain performance conditions.

Motivation and performance

In its recommendations to the Board of Directors, the Compensation Committee aims to propose a compensation policy commensurate with the responsibilities of each recipient and in line with the practices of large international corporations.

The Executive Directors of Pernod Ricard receive annual compensation (fixed and variable) that is competitive in comparison with the amounts paid to their counterparts in French corporations with comparable net sales and workforce. In addition, the variable portion granted in the form of stock options and performance-based shares is historically reasonable. Increases in compensation paid to Executive Directors, and to key managers, are made by regularly applying the remuneration mechanisms, which allow individual performance to be rewarded in the medium and long term while enabling the Group to maintain its results over time.

In its recommendations, the Compensation Committee is careful to maintain this balance between motivation and performance, while also taking into consideration executive compensation in other spirits corporations around the world.

Lastly, the policy on variable compensation (setting the criteria for the annual variable portion and the performance conditions for stock options and performance-based shares) is reviewed on an annual basis, based on the Group's strategic priorities.

Moreover, the Compensation Committee and the Board of Directors take regular steps to ensure that the elements of the compensation policy for Executive Directors are fully consistent with the policy for all members of the Group's Management team. Such consistency helps unite players who are to key the Group's development around shared criteria that are known to all.

2. Fixed portion

The amount of the fixed portion is determined on the basis of the respective responsibilities of each Executive Director. This analysis of respective responsibilities is reviewed on a regular basis.

Every year, a study is carried out with the help of specialist firms on the positioning of compensation for every Executive Director in relation to the practices of other CAC 40-listed French companies for similar positions.

3. Variable portion

Several years ago, the Board of Directors defined a method for calculating the variable portion of Executive Directors' compensation that was designed to provide a significant incentive. The procedure is based on ambitious quantitative and qualitative criteria in order to align Directors' annual financial compensation with Group performance. The method and criteria used for calculating this element apply in identical fashion to both the Vice Chairman of the Board of Directors and Chief Executive Officer and the Deputy Chief Executive Officer & Chief Operating Officer, in accordance with the principles of collective management.

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 targets are achieved (target level), and can rise to a maximum of 180% if the Group records exceptional financial performance in relation to the targets. The criteria are reviewed regularly and modified on an occasional basis. During the 2013/2014 financial year, on the recommendation of the Compensation Committee, the Board reviewed the criteria and adopted the following:

- **achievement of 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 foster an incentive to exceed the target for profit from recurring operations, restated

for the effects of the change in the scope of consolidation, is one of the key elements of the Group's decentralised structure. The concept of a commitment to the operating profit budget helps bring together the Group's various departments, who 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 Executive Directors;

- **achievement of 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 the effects of the change in the scope of consolidation, takes into account all the Group's financial items over the financial year and thus helps improve the alignment of Executive Directors' compensation with shareholders' remuneration;
- **reduction in Group debt (net debt/EBITDA ratio)**: the weight of this criterion may vary between 0 and 30% if the target is achieved and up to 55% if significantly exceeded. The inclusion of this criterion in the calculation of the variable portion paid to Executive Directors is in line with the Group's target. It also applies to operating affiliates' Management Committees by way of a net cash position target for the close of the financial year. This evaluation of debt reduction is restated for the effects of a change in the scope of consolidation;
- **qualitative criteria**: these criteria may vary from 0 to a maximum of 30% of the fixed annual compensation. The individual performance of each Executive Director is assessed annually by the Board of Directors on the recommendation of the Compensation Committee. The qualitative criteria assessed are reviewed annually according to the Group's strategic priorities.

Given the structure of the quantitative and qualitative criteria, the degree to which targets are achieved and details of qualitative targets cannot be made public for reasons of confidentiality about Group strategy.

The Non-Executive Chairwoman of the Board of Directors does not receive this variable portion.

4. Stock option and performance-based share allocation policy

A combined allocation plan was approved at the meeting of the Board of Directors of 6 November 2013, under authorisations to allocate stock options and performance-based shares that had been renewed for a period of 18 months at the Shareholders' Meeting of 9 November 2012.

Under this plan, the Board of Directors has implemented **the following principles**:

- the Non-Executive Chairwoman of the Board of Directors is not eligible for the plan;
- all allocations made to Executive Directors are subject to performance criteria. These conditions will be reviewed every time an allocation is made. The conditions may be internal or external performance conditions, or a combination of the two if this is possible and appropriate;
- the market value of the total allocation made to Executive Directors is limited to 5% of the plan's total market value (the plan's total market value comprises all elements distributed);
- the financial amount of the allocation to Executive Directors is proportional to their individual annual compensation, and adds to their motivation to achieve medium and long-term financial performance for the Group;
- the total volume of conditional stock options granted to Executive Directors must not exceed the specific ceiling of 0.07% of share capital on the allocation date as provided in the 18th resolution of the Shareholders' Meeting of 9 November 2012;
- the total volume of performance-based shares granted to Executive Directors must not exceed the specific ceiling of 0.02% of share capital on the allocation date as provided in the 17th resolution of the Shareholders' Meeting of 9 November 2012;
- the Board of Directors requires every Executive Director:
  - at the end of his or her term of office, to continue to hold in registered form a quantity of shares corresponding to (i) 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 (ii) in respect of performance-based shares, 20% of the volume of the performance-based shares that will be actually transferred to him or her,
  - to undertake to buy a number of additional shares equal to 10% of the performance-based shares transferred, at the time that the performance-based shares are actually transferred to him or her,
  - once an Executive Director's holding of registered Company shares equates to more than three times his or her gross fixed annual compensation at that time, the 30% lock-in requirement cited above will be reduced to 10% for stock options and for performance-based shares and the Executive Director concerned will no longer be required to acquire additional shares. If, in the future, his or her registered holdings fall below the three-times ratio, the lock-in and acquisition requirements cited above will again apply;
- in accordance with the Code of Conduct approved by the Board of Directors (see Part 2 "Corporate governance and internal control", paragraph "Directors' Code of Conduct"), Executive Directors have formally committed to refrain from using hedging mechanisms for any stock options and performance-based shares which they receive from the Company.

The terms and conditions, including the volumes granted under the Plan of November 2013 for each Executive Director, are disclosed in the details of their respective individual compensation below.

5. Policy on deferred commitments

In accordance with the recommendations of the AFEP-MEDEF Code, Mr Pierre Pringuet resigned in February 2009 from his suspended contract of employment. Consequently, he also waived his right to the elements attached to the suspended contract, namely a non-compete clause and the promise of a payment in the event of his departure.

Since that date, Mr Pierre Pringuet no longer has a contract of employment with Pernod Ricard. His compensation relates entirely to his directorship.

During the Board meeting held on 12 February 2009, Mr Pierre Pringuet was allowed to retain the benefits of the supplementary and conditional collective defined-benefit pension scheme described in the paragraph below, as well as the collective healthcare and welfare schemes he enjoyed prior to his appointment as an Executive Director. The Board of Directors held in February 2009 also introduced a two-year non-compete clause, linked to Mr Pierre Pringuet's directorship, in exchange for an indemnity equivalent to one year's fixed and variable compensation.

At the Shareholders' Meeting of 9 November 2012 and subject to the Board of Directors' decision to renew his Chief Executive Officer's term of office, the shareholders agreed, by way of a vote on the 5th resolution and in accordance with the procedure regarding regulated agreements and commitments, to maintain all these commitments in favour of Mr Pierre Pringuet for the duration of his new term of office.

At the meeting of Pernod Ricard's Board of Directors on 29 August 2012, Mr Alexandre Ricard was appointed Deputy CEO & Chief Operating Officer and a compensation and benefits package was granted to him. In connection with the regulated agreements and commitments, the same meeting of the Board of Directors approved the commitments in favour of Mr Alexandre Ricard, in the form of a two-year non-compete clause related to his corporate mandate, accompanied by an indemnity of one year's compensation (fixed and variable), and continued membership of the supplementary defined-benefit pension scheme and the collective healthcare and welfare schemes granted by the Company under the same terms as those that apply to the category of employees with which he is assimilated, with respect to welfare benefits and other accessory items of his compensation.

The maximum total payment that Mr Alexandre Ricard may receive in the event of his leaving and the termination of his employment contract (which is suspended), including the counterparty of the non-compete clause, is capped at 24 months of fixed and variable compensation.

At the Shareholders' Meeting of 9 November 2012 and subject to the Board of Directors' decision to renew his term of office as Deputy Chief Executive Officer & Chief Operating Officer, the shareholders agreed, under the 6th resolution and in accordance with the procedure regarding regulated agreements and commitments, that all of these commitments would be maintained in favour of Mr Alexandre Ricard for the duration of his new term of office.

Supplementary defined-benefit pension scheme for Executive Directors

The benefit of membership of the supplementary pension scheme is one of the elements taken into account in determining the total compensation for the Executive Directors of Pernod Ricard.

Executive Directors and Senior Managers of Pernod Ricard qualify for a supplementary defined-benefit pension scheme provided that they:

- meet a number of conditions relating primarily to their length of their service and the amount of their compensation;
- end their career with the Group.

The aim of the scheme is to allow the Group's Senior Managers to supplement the pension provided by France's mandatory state-run pension scheme. It offers retired beneficiaries a life pension that can be passed on to their spouse and/or ex-spouse in the event of death.

The scheme is collective, conditional and supplementary. Potential beneficiaries must have spent at least ten years within the Group. 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 pension is calculated by applying the following coefficients to the base calculation:

- for the portion 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 is the sum of the three amounts above.

The supplementary defined-benefit pension scheme for which the Executive Directors qualify thus complies with the recommendations of the AFEP-MEDEF Code, revised in June 2013:

- minimum length of service: 10 years (vs. 2 years recommended);
- rate of increase: proportional to the length of service, capped at 20 years, and around 1% to 2% per year depending on the compensation brackets (vs. maximum 5% recommended).

In addition to these conditions, the Senior Manager must be employed by the Group on the day that he or she retires. In accordance with regulations, employees aged over 55 years whose contract is terminated and who do not take up another job are deemed to have retired.

The Board of Directors has consistently chosen to treat the Group's Executive Directors in the same way as its Senior Managers, especially with regard to elements comprising compensation and advantages, including supplementary pensions. It therefore signalled at its meeting of 12 February 2009 that the termination of an Executive Director's mandate can be assimilated with the termination of a contract of employment, subject to the aforementioned conditions regarding age and failure to take up another job.

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 (while the Executive Director is active) and, when the beneficiary claims his or her pension, the capital is transferred to an insurer and thus entirely externalised.

Ms Danièle Ricard, Chairwoman of the Board of Directors

Ms Danièle Ricard was appointed non-executive Chairwoman of the Board of Directors on 29 August 2012 and the amount of her compensation set at that date was a fixed sum of €110,000 gross per year.

At its meeting of 28 August 2013, the Board of Directors decided to maintain Ms Danièle Ricard's fixed compensation at €110,000 gross for the 2013/2014 financial year.

Furthermore, it is reiterated that, in compliance with the Policy on Compensation for Executive Directors, Ms Danièle Ricard no longer receives any Directors' fees since her appointment as Chairwoman of the Board of Directors.

Moreover, the Board of Directors' meeting of 28 August 2013 also confirmed the following elements of compensation:

- no variable, annual or multi-year portion;
- no special bonus;
- no rights to stock options or performance-based shares;
- no welcome bonus or payment for termination of service.

In addition, Ms Danièle Ricard does not qualify for Pernod Ricard's supplementary defined-benefit pension scheme, nor the collective healthcare and welfare schemes offered by the Company. Ms Danièle Ricard does not qualify for a company car or the services of a chauffeur.

At its meeting of 27 August 2014, the Board of Directors decided to maintain Ms Danièle Ricard's fixed compensation at €110,000 gross for the 2014/2015 financial year.

Summary table of compensation paid and options and shares granted to Ms Danièle Ricard (Table 1 AMF nomenclature)

In euros	2012/2013	2013/2014
Compensation due for the financial year (1) (2)	92,587	110,000
Value of multi-year variable compensation allocated during the financial year	N/A	N/A
Value of options granted during the financial year	N/A	N/A
Value of performance-based shares granted during the financial year	N/A	N/A
TOTAL	**92,587**	**110,000**

N/A: not applicable.
(1) The compensation due for the financial year 2012/2013 was calculated pro rata *with effect from 29 August 2012.*
(2) Prior to her appointment as Chairwoman of the Board of Directors on 29 August 2012, Ms Danièle Ricard received €14,417 in Directors' fees as a Company Director for the year 2012/2013 (see Table 3 above).

Summary table of compensation paid to Ms Danièle 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)

	2012/2013		2013/2014	
In euros	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation (1)	92,587	92,587	110,000	110,000
Annual variable compensation	N/A	N/A	N/A	N/A
Multi-year variable compensation	N/A	N/A	N/A	N/A
Special bonus	N/A	N/A	N/A	N/A
Directors' fees (2)	N/A	N/A	N/A	N/A
Benefits in kind	N/A	N/A	N/A	N/A
TOTAL	**92,587**	**92,587**	**110,000**	**110,000**

N/A: not applicable.
(1) The fixed compensation due and paid for the financial year 2012/2013 was calculated pro rata *with effect from August 2012 (annual basis: €110,000).*
(2) Prior to her appointment as Chairwoman of the Board of Directors on 29 August 2012, Ms Danièle Ricard received €14,417 in Directors' fees as a Company Director for the year 2012/2013 (see Table 3 above).

Stock options granted to Ms Danièle Ricard by the Company and any Group companies during the two last financial years (Table 4 AMF nomenclature)

	Date of plan	Type of option (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
2012/2013 financial year	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2013/2014 financial year	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A: not applicable.

Stock options exercised by Ms Danièle Ricard during the financial year (Table 5 AMF nomenclature)

	Date of plan	Number of options exercised during the financial year	Strike price *(in euros)*
2013/2014 financial year	N/A	N/A	N/A

N/A: not applicable.

Performance-based shares granted to Ms Danièle Ricard by the Company and any Group companies during the financial year (Table 6 AMF nomenclature)

	Date of plan	Number of shares granted during the financial year	Value of shares according to the method used for the consolidated financial statements (IFRS)	Acquisition date	Vesting date	Performance conditions
2013/2014 financial year	N/A	N/A	N/A	N/A	N/A	N/A

N/A: not applicable.

Performance-based shares vested to Ms Danièle Ricard during the financial year (Table 7 AMF nomenclature)

	Date of plan	Number of shares vested during the financial year	Terms of acquisition
2013/2014 financial year	N/A	N/A	N/A

N/A: not applicable.

Mr Pierre Pringuet, Vice Chairman of the Board of Directors and Chief Executive Officer

Fixed compensation

At its meeting on 28 August 2013, the Board of Directors decided to grant Mr Pierre Pringuet a 2.5% rise in his fixed compensation, thus increasing his gross fixed compensation for the 2013/2014 financial year to €1,127,500.

As in the past, the Board, on the recommendation of the Compensation Committee, was careful to adhere to the following principles:

- annual rise in keeping with the change in compensation for all French employees of the Group (in accordance with the recommendations of the AFEP-MEDEF Code as revised on June 2013 for companies that choose to review on an annual basis the fixed compensation paid to Executive Directors);
- consistency with the compensation practices and levels for Directors of other CAC 40 corporations.

Mr Pierre Pringuet does not receive any Directors' fees in his capacity as a Director of the Company.

At its meeting on 27 August 2014, the Board of Directors, on the recommendation of the Compensation Committee, decided not to increase the fixed compensation for Mr Pierre Pringuet for the 2014/2015 financial year and to maintain it at €1,127,500.

Variable compensation

At its meeting on 27 August 2014, the Board of Directors assessed the amount of the variable portion of Mr Pierre Pringuet's compensation for the 2013/2014 financial year, on the recommendation of the Compensation Committee and after approval of the financial elements by the Audit Committee.

Considering the quantitative and qualitative criteria set by the Board meeting of 28 August 2013 and the achievements recorded as at 30 June 2014, the amount of the variable portion was evaluated as follows:

- applying the quantitative criteria (profit from recurring operations, Group net profit from recurring operations and net debt/EBITDA ratio), the variable portion amounted to 25.40% of Mr Pierre Pringuet's fixed annual compensation. The reduction in this percentage compared with the previous year (48.20%) reflects the deterioration in the economic environment during the 2013/2014 financial year and in particular the market conditions in China;
- applying the qualititative criteria, the amount of the variable portion was 30% of Mr Pierre Pringuet's fixed annual compensation. The Board of Directors deemed that Mr Pierre Pringuet's performance in the 2013/2014 financial year, which was particularly difficult, had been very satisfactory considering: the overall quality of Group's General Management in an economically sensitive environment; the work done to maintain the motivation of all teams during this period attests to the strength of the Group's culture and values; the reorganisation of the Group to tackle the particularly complex economic challenges and difficulties facing it; and maintaining the Group's commitments on societal issues.

Therefore, the total amount of variable compensation for the 2013/2014 financial year for Mr Pierre Pringuet as Vice Chairman of the Board of Directors and Chief Executive Officer was set at €624,635, which is 55.40% of his fixed annual compensation for the 2013/2014 financial year, compared with €860,200 for the 2012/2013 financial year and €1,607,366 for the 2011/2012 financial year.

Mr Pierre Pringuet does not qualify for any multi-year variable compensation.

Special bonus

No special bonuses were awarded or paid in respect of 2013/2014.

Allocation of stock options and performance-based shares

On 6 November 2013, the Board of Directors authorised a combined stock option and performance-based share allocation plan for the benefit of the Group's 1,089 employees around the world.

Under this plan, Mr Pierre Pringuet received the following allocations:

- **stock options:** 26,000 stock options, exercise price: €88.11
  - Performance condition: The options will be exercisable at the end of a four-year period provided that the following external comparison criterion is achieved: the overall performance of Pernod Ricard shares (Total Shareholder Return or TSR) compared with the overall performance of the Food & Beverage Eurostoxx 600 index (SX3R) over a three-year period (6 November 2013 to 6 November 2016 inclusive). The number of exercisable stock options will be set at the end of this period, based on the relative performance of the two indices by applying a linear progression formula explained in the section on the "Policy governing the allocation of stock options and performance-based shares" in this Management Report;
- **Performance-based shares:** 9,500 shares
  - Performance condition: The number of performance-based shares that will be confirmed to Mr Pierre Pringuet will be determined by applying:
    - firstly, the internal performance criterion based on achieving the target for Group net profit from recurring operations in the financial year ended June 2014 (for half the number of shares) and in the financial year ended June 2015 (for the other half). The progression formula is identical to that applied to allocations for all beneficiaries of performance-based shares as described in the section on the "Policy governing the allocation of stock options and performance-based shares" in this Management Report,
    - secondly, the volume of performance-based shares resulting from the application of the above internal performance criterion will be dependent on the same external performance criterion as that applicable to stock options: the volume will be based on the overall performance of Pernod Ricard shares (TSR) compared with the overall performance of the Food & Beverage Eurostoxx 600 index (SX3R) over a three-year period (6 November 2013 to 6 November 2016 inclusive).

Indemnity payments for termination of service

No indemnity for termination of service was paid to Mr Pierre Pringuet during the financial year.

As set out in point 5 above, Mr Pierre Pringuet is subject to a two-year non-compete clause related to his corporate mandate, in exchange for an indemnity payment of one year's compensation (fixed and variable).

Following the meeting of the Board of Directors on 27 August 2014, Mr Pierre Pringuet stated that he was waiving, explicitly and definitively, the payment of a financial settlement for the non-compete clause while maintaining his non-compete obligation for two years following his departure from Pernod Ricard.

Supplementary pension scheme

Rights under this scheme are supplementary and cannot be individualised, but are based on shared criteria measured at the time that a beneficiary terminates his or her executive functions.

The collective defined-benefit supplementary pension scheme of which Pierre Pringuet is a member complies with the recommendations of the AFEP-MEDEF Code, revised in June 2013:

- minimum length of service: 10 years (vs. 2 years recommended);
- rate of increase: proportional to the length of service, capped at 20 years, and around 1% to 2% per year depending on the compensation brackets (vs. maximum 5% recommended);
- total amount of the annuity: 20% of the benchmark compensation (vs. maximum 45% recommended).

In accordance with the regulations for collective supplementary pension schemes applicable to the Company, the annual annuity amount calculated on the basis of annual compensation (fixed and variable) for the last three years prior to the retirement date that would be paid on liquidation of the rights to Mr Pierre Pringuet's entitlements was estimated at about €411,500 gross. This amount would represent 19.30% of the average total compensation for the last three years of service; this is lower than previous estimates due to the reduction in the variable portion in the last two financial years.

Collective healthcare and welfare schemes

Mr Pierre Pringuet 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 employee benefits and other additional elements of his compensation.

In compliance with the procedure for regulated agreements and commitments, this commitment was authorised by the Board meeting of 29 August 2012 and approved by the Shareholders' Meeting of 9 November 2012 (5th resolution).

Other benefits

In respect of 2013/2014, Mr Pierre Pringuet qualified for a company car and the services of a private chauffeur.

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

In euros	2012/2013	2013/2014
Compensation due for the financial year	1,964,631	1,756,647
Value of multi-year variable compensation allocated during the financial year	N/A	N/A
Value of options granted during the financial year	None granted (1)	394,940
Value of performance-based shares granted during the financial year	None granted (1)	446,880
TOTAL	**1,964,631**	**2,598,467**

(1) During the 2012/2013 financial year, it was decided to now postpone the date of allocation of the plans from June to November.

Summary table of compensation paid to Mr Pierre Pringuet (by the Company, 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)

In euros	2012/2013		2013/2014	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	1,100,000	1,100,000	1,127,500	1,127,500
Variable annual compensation (1)	860,200	1,607,366	624,635	860,200
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)	4,431	4,431	4,512	4,512
TOTAL	**1,964,631**	**2,711,797**	**1,756,647**	**1,992,212**

N/A: not applicable.
(1) The variable compensation due in year N-1 is paid in year N.
(2) Company car.

Stock options granted to Mr Pierre Pringuet by the Company and any Group companies during the two last financial years (Table 4 AMF nomenclature)

	Date of plan	Type of option (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
2012/2013 financial year			no allocation plan in 2012/2013, deferred to second half of 2013				
2013/2014 financial year	06.11.2013	purchase	€394,940	26,000	€88.11	The confirmed quantity will depend on the stock market performance of Pernod Ricard shares (TSR) compared with the performance of the Food & Beverage Eurostoxx 600 index over the period 6 November 2013 to 6 November 2016 inclusive (3 years)	07.11.2017 to 06.11.2021

Stock options exercised by Mr Pierre Pringuet during the financial year (Table 5 AMF nomenclature)

Date of plan	Number of options exercised during the financial year	Strike price *(in euros)*
17.11.2004	12,458	42.30
11.08.2005	9,542	52.59

Performance-based shares granted to Mr Pierre Pringuet by the Company and any Group companies during the financial year (Table 6 AMF nomenclature)

Date of plan	Number of shares granted during the financial year	Value of shares according to the method used for the consolidated financial statements (IFRS)	Acquisition date	Vesting date	Performance conditions
06.11.2013	9,500	€446,880	07.11.2016	07.11.2018	* Achievement of the forecast Profit from recurring operations N and N+1 * Stock market performance of Pernod Ricard shares (TSR) compared with that of the Food & Beverage Eurostoxx 600 index over 3 years

Performance-based shares vested to Mr Pierre Pringuet during the financial year (Table 7 AMF nomenclature)

Date of plan	Number of shares vested during the financial year	Terms of acquisition
N/A	N/A	N/A

N/A: not applicable.

Mr Alexandre Ricard, Deputy Chief Executive Officer & Chief Operating Officer

Fixed compensation

At the meeting of the Board of Directors on 28 August 2013, the Compensation Committee proposed to the Board that it grant Mr Alexandre Ricard, Deputy Chief Executive Officer & Chief Operating Officer, fixed compensation of €750,000 gross for the 2013/2014 financial year, 7.1% more than for 2012/2013.

The reasoning behind this compensation, presented and discussed by the Compensation Committee, is as follows:

- the change in the composition and scope of his responsibilities;
- the level of compensation for similar positions occupied in other CAC 40-listed companies.

Mr Alexandre Ricard does not receive any Directors' fees in his capacity as a Director.

At its meeting on 27 August 2014, the Board of Directors, on the recommendation of the Compensation Committee, decided not to increase the fixed compensation for Mr Alexandre Ricard for the 2014/2015 financial year and to maintain it at €750,000.

Variable compensation

At its meeting on 27 August 2014, the Board of Directors assessed the amount of the variable portion of Mr Alexandre Ricard's compensation for the 2013/2014 financial year, on the recommendation of the Compensation Committee and after approval of the financial elements by the Audit Committee.

Considering the quantitative and qualitative criteria set by the Board held on 28 August 2013 and the achievements recorded as at 30 June 2014, the amount of the variable portion was evaluated as follows:

- applying the quantitative criteria (profit from recurring operations, Group net profit from recurring operations and the net debt/EBITDA ratio), the amount of the variable portion was 25.40% of Mr Alexandre Ricard's fixed annual compensation. The reduction in this percentage compared with the previous year (48.20%) reflects the deterioration in the economic environment during the 2013/2014 financial year and in particular the market conditions in China;
- applying the qualititative criteria, the amount of the variable portion was 30% of Mr Alexandre Ricard's fixed annual compensation. The Board of Directors deemed that Mr Alexandre Ricard's performance in the 2013/2014 financial year, which was particularly difficult, had been very satisfactory considering: the overall quality of Group's General Management in an economically sensitive environment; the work done to maintain the motivation of all teams during this period attests to the strength of the Group's culture and values; the reorganisation of the Group to tackle the particularly complex economic challenges and difficulties facing it; and maintaining the Group's commitments on societal issues.

Therefore, the total variable compensation for the 2013/2014 financial year for Mr Alexandre Ricard as Deputy Chief Executive Officer & Chief Operating Officer was set at €415,500, which is 55.40% of his fixed annual compensation for the 2013/2014 financial year, compared with 78.20% for the 2012/2013 financial year.

Mr Alexandre Ricard does not qualify for any multi-year variable compensation.

Special bonus

No special bonuses were awarded or paid in respect of 2013/2014.

Allocation of options and performance-based shares

On 6 November 2013, the Board of Directors authorised a combined stock option and performance-based share allocation plan for the benefit of the Group's 1,089 employees around the world.

Under this plan, Mr Alexandre Ricard received the following allocations:

- **stock options:** 16,500 stock options, exercise price: €88.11
  - Performance condition: the options will be exercisable at the end of a four-year period. provided the following external comparison criterion is achieved: the overall performance of Pernod Ricard shares (Total Shareholder Return or TSR) compared with the overall performance of the Food & Beverage Eurostoxx 600 index (SX3R) over a three-year period (6 November 2013 to 6 November 2016 inclusive). The number of exercisable stock options will be set at the end of this period, based on the relative performance of the two indices by applying a linear progression formula explained in the section on the "Policy governing the allocation of stock options and performance-based shares" in this Management Report;
- **performance-based shares:** 6,100 performance-based shares
  - Performance condition: the number of performance-based shares that will be confirmed to Mr Alexandre Ricard will be determined by applying:
    - firstly, the internal criterion based on achieving the target for Group net profit from recurring operations in the financial year ended June 2014 (for half the number of shares) and in the financial year ended June 2015 (for the other half). The progression formula is identical to that applied to allocations for all beneficiaries of performance-based shares as described in the section on the "Policy governing the allocation of stock options and performance-based shares" in this Management Report,
    - secondly, the volume of performance-based shares resulting from the application of the above internal performance criterion will be dependent on the same external performance criterion as that applicable to stock options: the volume will be performance based on the overall performance of Pernod Ricard shares (TSR) compared with the overall performance of the Food & Beverage Eurostoxx 600 index (SX3R) over a three-year period (6 November 2013 to 6 November 2016 inclusive).

Indemnity payments for termination of service

No indemnity for termination of service was paid to Mr Alexandre Ricard during the financial year.

As set out in point 5 above, Mr Alexandre Ricard is subject to a two-year non-compete clause related to his corporate mandate, in exchange for an indemnity payment of one year's compensation (fixed and variable).

The maximum total payment that Mr Alexandre Ricard may receive in the event of his leaving and the termination of his employment contract (which is suspended), including the counterparty of the non-compete clause, is capped at 24 months of fixed and variable compensation.

Supplementary pension scheme

Rights under this scheme are supplementary and cannot be individualised, but are based on shared criteria measured at the time that a beneficiary terminates his or her executive functions. By way of illustration, if these rights were calculated on the basis of the fixed and variable compensation due in respect of the last two financial years, the annuity paid to Mr Alexandre Ricard under this scheme would represent approximately 10% of this total compensation.

The collective defined-benefit supplementary pension scheme of which Mr Alexandre Ricard is a member thus complies with the recommendations of the AFEP-MEDEF Code, revised in June 2013:

- minimum length of service: 10 years (vs. 2 years recommended);
- rate of increase: proportional to the length of service, capped at 20 years, and around 2% to 1% per year depending on the compensation brackets (vs. maximum 5% recommended);
- total amount of the annuity: approximately 10% of compensation (fixed and variable) for the last two financial years and forecast to be approximately 20% in 20 years (vs. maximum 45% recommended).

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 employee benefits and other additional elements of his compensation.

In compliance with the procedure for regulated agreements and commitments, this commitment was authorised by the Board meeting of 29 August 2012 and approved by the Shareholders' Meeting of 9 November 2012 (6th resolution).

Other benefits

Mr Alexandre Ricard qualified for a company car for the 2013/2014 financial year.

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

In euros	2012/2013	2013/2014
Compensation due for the financial year [1] [2]	1,080,338	1,168,772
Value of multi-year variable compensation allocated during the financial year	N/A	N/A
Value of options granted during the financial year	None granted [3]	250,635
Value of performance-based shares granted during the financial year	None granted [3]	286,944
TOTAL	**1,080,338**	**1,706,351**

N/A: not applicable.

(1) The compensation due for the financial year 2012/2013 was calculated pro rata *with effect from 29 August 2012.*

(2) Prior to his appointment as Deputy Chief Executive Officer & Chief Operating Officer on 29 August 2012, Mr Alexandre Ricard received €9,917 in Directors' fees for the year 2012/2013 for his role as permanent representative of Société Paul Ricard, a Director of the Company (see Table 3 above).

(3) During the 2012/2013 financial year, it was decided to now postpone the date of allocation of the plans from June to November.

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)

In euros	2012/2013		2013/2014	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation [(1)]	604,720	604,720	750,000	750,000
Variable annual compensation [(2)]	472,891	-	415,500	472,891
Multi-year variable compensation	N/A	N/A	N/A	N/A
Special bonus	N/A	N/A	N/A	N/A
Directors' fees [(3)]	N/A	N/A	N/A	N/A
Benefits in kind [(4)]	2,727	2,727	3,272	3,272
TOTAL	**1,080,338**	**607,447**	**1,168,772**	**1,226,163**

N/A: not applicable.
(1) The fixed compensation due and paid for financial year 2012/2013 was calculated pro rata*, since Mr Alexandre Ricard was appointed Deputy Chief Executive Officer & Chief Operating Officer with effect from 29 August 2012 (annual basis: €700,000).*
(2) The variable compensation due in year N-1 is paid in year N.
(3) Prior to his appointment as Deputy Chief Executive Officer & Chief Operating Officer on 29 August 2012, Mr Alexandre Ricard received €9,917 in Directors' fees for the year 2012/2013 for his role as permanent representative of Société Paul Ricard, a Director of the Company (see Table 3 above).
(4) Company car.

Stock options granted to Mr Alexandre Ricard by the Company and any Group companies during the two last financial years (Table 4 AMF nomenclature)

	Date of plan	Type of option (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
2012/2013 financial year			No allocation plan in 2012/2013, deferred to second half of 2013				
2013/2014 financial year	06.11.2013	Purchase	€250,635	16,500	€88.11	The confirmed quantity will depend on the stock market performance of Pernod Ricard shares (TSR) compared with the performance of the Food & Beverage Eurostoxx 600 index over the period 6 November 2013 to 6 November 2016 inclusive (3 years)	07.11.2017 to 06.11.2021

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

Date of plan	Number of options exercised during the financial year	Strike price *(in euros)*
24.06.2010	11,016	64.00

Performance-based shares granted to Mr Alexandre Ricard by the Company and any Group companies during the financial year (Table 6 AMF nomenclature)

Date of plan	Number of shares granted during the financial year	Value of shares according to the method used for the consolidated financial statements (IFRS)	Acquisition date	Vesting date	Performance conditions
06.11.2013	6,100	€286,944	07.11.2016	07.11.2018	* Achievement of the forecast Profit from recurring operations N and N+1 * Stock market performance of Pernod Ricard shares (TSR) compared with that of the Food & Beverage Eurostoxx 600 index over 3 years

Performance-based shares vested to Mr Alexandre Ricard during the financial year (Table 7 AMF nomenclature)

Date of plan	Number of shares vested during the financial year	Terms of acquisition
N/A [1]	N/A [1]	N/A [1]

N/A: not applicable.

(1) The performance-based shares vested to Mr Alexandre Ricard during the financial year are not listed here because they were allocated to him prior to his appointment as Executive Director.

Contract of employment/term of office

Contract of employment/term of office (Table 11 AMF nomenclature)

	Contract of employment		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
Ms Danièle Ricard, Chairwoman of the Board of Directors		X		X		X		X
Mr Pierre Pringuet, Chief Executive Officer, Vice Chairman of the Board of Directors		X	X			X	X	
Mr Alexandre Ricard, Deputy Chief Executive Officer & Chief Operating Officer [1]	X		X			X	X	

(1) The contract of employment with Pernod Ricard has been suspended.

Compensation elements due or granted for the 2013/2014 financial year to each of the Company's Executive Directors, submitted to the shareholders' advisory vote

In accordance with the recommendations of the AFEP-MEDEF Code revised in June 2013 (Article 24.3), to which the Company refers in line with Article L. 225-37 of the French Commercial Code, the following elements of compensation due or granted to each of the Company's Executive Directors in respect of the 2013/2014 financial year are submitted to the shareholders' advisory vote:

- fixed portion;
- 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 long-term incentives;
- welcome bonus or severance benefits;
- supplementary pension scheme;
- any other benefits.

The Shareholders' Meeting of 6 November 2014 (see the 9th, 10th and 11th resolutions in Section 7, "Combined (Ordinary & Extraordinary) Shareholders' Meeting") is called upon to **give a favourable opinion on the elements of compensation due or granted in respect of the 2013/2014 financial year to each of the Company's Executive Directors**, namely:

- **Ms Danièle Ricard, Chairwoman of the Board of Directors;**
- **Mr Pierre Pringuet, Vice Chairman of the Board of Directors and Chief Executive Officer; and**
- **Mr Alexandre Ricard, Deputy Chief Executive Officer & Chief Operating Officer.**

The Shareholders' Meeting of 6 November 2014 in its **9th resolution** is therefore called upon to **give a favourable opinion on the following elements of compensation due or granted to Ms Danièle Ricard, Chairwoman of the Board of Directors, in respect of the 2013/2014 financial year**:

Elements of compensation due or granted to Ms Danièle Ricard, Chairwoman of the Board of Directors, in respect of the 2013/2014 financial year, submitted to the shareholders' advisory vote

Compensation elements	Amounts	Remarks
Fixed compensation	€110,000	Fixed compensation of €110,000 gross for the 2013/2014 financial year, decided by the Board of Directors on 28 August 2013 as recommended by the Compensation Committee.
Variable compensation	N/A	Ms Danièle Ricard does not qualify for any variable compensation.
Multi-year variable compensation	N/A	Ms Danièle Ricard does not qualify for any multi-year variable compensation.
Directors' fees	N/A	As is the case for all of the Company's Executive Directors, Ms Danièle Ricard, Chairwoman of the Board of Directors, does not receive any Directors' fees.
Special bonus	N/A	Ms Danièle Ricard does not qualify for any special bonus.
Allocation of stock options and/or performance-based shares	N/A	Ms Danièle Ricard does not qualify for any allocation of stock options or performance-based shares.
Welcome bonus or severance benefits	N/A	Ms Danièle Ricard does not qualify for any welcome bonus or severance benefits.
Supplementary pension scheme	N/A	Ms Danièle Ricard does not qualify for the supplementary pension scheme in place within the Company.
Collective healthcare and welfare schemes	N/A	Ms Danièle Ricard does not qualify for the collective healthcare and welfare schemes in place within the Company.
Other benefits	N/A	Ms Danièle Ricard does not qualify for any other benefits.

The Shareholders' Meeting of 6 November 2014 in its **10th resolution** is therefore called upon to **give a favourable opinion on the following elements of compensation due or granted to Mr Pierre Pringuet, Vice Chairman of the Board of Directors and Chief Executive Officer, in respect of the 2013/2014 financial year**:

Elements of compensation due or granted to Mr Pierre Pringuet, Vice Chairman of the Board of Directors and Chief Executive Officer, in respect of the 2013/2014 financial year, submitted to the shareholders' advisory vote

Compensation elements	Amounts	Remarks
Fixed compensation	€1,127,500	◻ Fixed compensation of €1,127,500 gross for the 2013/2014 financial year, decided by the Board of Directors on 28 August 2013, as recommended by the Compensation Committee.
Variable compensation	€624,635	◻ During its meeting on 27 August 2014, the Board of Directors assessed the amount of the variable portion of Mr Pierre Pringuet's compensation for the 2013/2014 financial year, as recommended by the Compensation Committee and after the financial elements had been approved by the Audit Committee. ◻ Considering the quantitative and qualitative criteria set by the Board of Directors held on 28 August 2013, and the achievements recorded as at 30 June 2014, the amount of the variable portion was evaluated as follows: ▫ applying the quantitative criteria (profit from recurring operations, Group net profit from recurring operations and net debt/EBITDA ratio), the amount of the variable portion was 25.40% of Mr Pierre Pringuet's fixed annual compensation. The reduction in this percentage compared with the previous year (48.20%) reflects the deterioration in the economic environment during the 2013/2014 financial year and in particular the market conditions in China; ▫ applying the qualitative criteria, the amount of the variable portion was 30% of Mr Pierre Pringuet's fixed annual compensation. The Board of Directors deemed that Mr Pierre Pringuet's performance in the 2013/2014 financial year, which was particularly difficult, had been very satisfactory, considering: the overall quality of the Group's General Management in an economically sensitive environment; the work done to keep all the teams motivated during this period attests to the strength of the Group's culture and values; the reorganisation of the Group to tackle the particularly complex economic challenges and difficulties facing it; and maintaining the Group's commitments on societal issues. ◻ As a result, the total amount of the variable compensation for the 2013/2014 financial year for Mr Pierre Pringuet as Vice Chairman of the Board of Directors and Chief Executive Officer was set at €624,635, which is 55.40% of his fixed annual compensation for the 2013/2014 financial year, compared with €860,200 for the 2012/2013 financial year and €1,607,366 for the 2011/2012 financial year.
Multi-year variable compensation	N/A	◻ Mr Pierre Pringuet does not qualify for any multi-year variable compensation.
Directors' fees	N/A	◻ As is the case for all of the Company's Executive Directors, Mr Pierre Pringuet, Vice Chairman of the Board of Directors and Chief Executive Officer, does not receive any Directors' fees.
Special bonus	N/A	◻ Mr Pierre Pringuet does not qualify for any special bonus.

Compensation elements	Amounts	Remarks
Allocation of stock options and/or performance-based shares	€394,940 (total value (IFRS) of stock options) €446,880 (total value (IFRS) of performance-based shares)	◻ During the 2013/2014 financial year, the Board of Directors decided during its meeting on 6 November 2013, as recommended by the Compensation Committee, to grant Mr Pierre Pringuet: ◻ 26,000 stock options, all subject to performance conditions and able to be exercised at the end of a four-year period. The number of stock options able to be exercised will be determined based on the achievement of the following external comparison criterion: the overall performance of Pernod Ricard shares (TSR) compared with the overall performance of the Food & Beverage Eurostoxx 600 index (SX3R) over a three-year period (6 November 2013 to 6 November 2016 inclusive). The progression formula is described in the section "Policy governing the allocation of stock options and performance-based shares" in the Management Report from the 2013/2014 Registration Document; ◻ 9,500 performance-based shares, all subject to the following performance conditions. The number of performance-based shares that will be confirmed for Mr Pierre Pringuet will be determined by applying: – firstly, the internal performance criterion based on achieving the target for Group net profit from recurring operations in the financial year ended June 2014 (for half the number of shares) and in the financial year ended June 2015 (for the other half). The progression formula is identical to that applied for allocations of performance-based shares for all beneficiaries as described in the section on the "Policy governing the allocation of stock options and performance-based shares" in the Management Report from the 2013/2014 Registration Document, – secondly, the volume of performance-based shares resulting from the application of the above internal performance criterion will be dependent on the same external performance criterion as that applicable for stock options (see above).
Welcome bonus or severance benefits	No payment	◻ Mr Pierre Pringuet was not paid any severance benefits during the financial year. ◻ Mr Pierre Pringuet is subject to a two-year non-compete clause related to his corporate office, in exchange for benefits corresponding to one year's compensation (fixed and variable). ◻ This commitment was authorised by the Board of Directors held on 29 August 2012 and approved by the Shareholders' Meeting on 9 November 2012 (5th resolution), in accordance with the procedure for regulated agreements and commitments. ◻ Following the Board of Directors' meeting on 27 August 2014, Mr Pierre Pringuet stated that he was explicitly and definitively waiving the payment of any financial compensation for the non-compete clause, while maintaining his non-compete obligation for two years following his departure from Pernod Ricard.
Supplementary pension scheme	No payment	◻ Mr Pierre Pringuet qualifies for the collective defined-benefit supplementary pension scheme offered by the Company under the same terms as those applicable for the category of employees to which he belongs for the determination of his employee benefits and other additional elements of his compensation. ◻ In accordance with the procedure for regulated agreements and commitments, this commitment was authorised by the Board of Directors held on 29 August 2012 and approved by the Shareholders' Meeting on 9 November 2012 (5th resolution). ◻ In accordance with the regulations for collective supplementary pension schemes applicable for the Company, the annual annuity amount calculated based on the annual compensation (fixed and variable) for the last three years prior to his retirement date that would be paid on the liquidation of Mr Pierre Pringuet's entitlements was estimated at approximately €411,500 gross. This amount would represent 19.30% of the average total compensation for the last three years of service; this is lower than previous estimates due to the reduction in the variable portion for the last two financial years.
Collective healthcare and welfare schemes		◻ Mr Pierre Pringuet qualifies for the collective healthcare and welfare schemes offered by the Company under the same terms as those applicable for the category of employees to which he belongs for the determination of his employee benefits and other additional elements of his compensation. ◻ In accordance with the procedure for regulated agreements and commitments, this commitment was authorised by the Board of Directors held on 29 August 2012 and approved by the Shareholders' Meeting on 9 November 2012 (5th resolution).
Other benefits	€4,512	◻ Mr Pierre Pringuet qualifies for a chauffeur-driven company car.

Lastly, the Shareholders' Meeting of 6 November 2014 in its **11th resolution** is called upon to **give a favourable opinion on the following elements of compensation due or granted in respect of the 2013/2014 financial year to Mr Alexandre Ricard, Deputy Chief Executive Officer & Chief Operating Officer**:

Elements of compensation due or granted in respect of the 2013/2014 financial year to Mr Alexandre Ricard, Deputy Chief Executive Officer & Chief Operating Officer, submitted to the shareholders' advisory vote

Compensation elements	Amounts	Remarks
Fixed compensation	€750,000	◻ Fixed compensation of €750,000 gross for the 2013/2014 financial year, decided by the Board of Directors on 28 August 2013, as recommended by the Compensation Committee.
Variable compensation	€415,500	◻ During its meeting on 27 August 2014, the Board of Directors assessed the amount of the variable portion of Mr Alexandre Ricard's compensation for the 2013/2014 financial year, as recommended by the Compensation Committee and after the financial elements had been approved by the Audit Committee. ◻ Considering the quantitative and qualitative criteria set by the Board of Directors held on 28 August 2013, and the achievements recorded as at 30 June 2014, the amount of the variable portion was evaluated as follows: ◻ applying the quantitative criteria (profit from recurring operations, Group net profit from recurring operations and net debt/EBITDA ratio), the amount of the variable portion was 25.40% of Mr Alexandre Ricard's fixed annual compensation. The reduction in this percentage compared with the previous year (48.20%) reflects the deterioration in the economic environment during the 2013/2014 financial year and in particular the market conditions in China; ◻ applying the qualitative criteria, the amount of the variable portion was 30% of Mr Alexandre Ricard's fixed annual compensation. The Board of Directors deemed that Mr Alexandre Ricard's performance in the 2013/2014 financial year, which was particularly difficult, had been very satisfactory, considering: the overall quality of the Group's General Management in an economically sensitive environment; the work done to keep all the teams motivated during this period attests to the strength of the Group's culture and values; the reorganisation of the Group to tackle the particularly complex economic challenges and difficulties facing it; and maintaining the Group's commitments on societal issues. ◻ As a result, the total amount of Mr Alexandre Ricard's variable compensation for the 2013/2014 financial year, as Deputy Chief Executive Officer & Chief Operating Officer, was set at €415,500, which is 55.40% of his fixed annual compensation for the 2013/2014 financial year, compared with 78.20% in the 2012/2013 financial year.
Multi-year variable compensation	N/A	◻ Mr Alexandre Ricard does not qualify for any multi-year variable compensation.
Directors' fees	N/A	◻ As is the case for all of the Company's Executive Directors, Mr Alexandre Ricard, Deputy Chief Executive Officer & Chief Operating Officer, does not receive any Directors' fees.
Special bonus	N/A	◻ Mr Alexandre Ricard does not qualify for any special bonus.

Compensation elements	Amounts	Remarks
Allocation of stock options and/or performance-based shares		◻ During the 2013/2014 financial year, the Board of Directors decided during its meeting on 6 November 2013, as recommended by the Compensation Committee, to grant Mr Alexandre Ricard:
	€250,635 (total value (IFRS) of stock options)	◻ 16,500 stock options, all subject to performance conditions and able to be exercised at the end of a four-year period. The number of stock options able to be exercised will be determined based on the achievement of the following external comparison criterion: the overall performance of Pernod Ricard shares (TSR) compared with the overall performance of the Food & Beverage Eurostoxx 600 index (SX3R) over a three-year period (6 November 2013 to 6 November 2016 inclusive). The progression formula is described in the section "Policy governing the allocation of stock options and performance-based shares" in the Management Report from the 2013/2014 Registration Document;
	€286,944 (total value (IFRS) of performance-based shares)	◻ 6,100 performance-based shares, all subject to the following performance conditions. The number of performance-based shares that will be confirmed for Mr Alexandre Ricard will be determined by applying: – firstly, the internal performance criterion based on achieving the target for Group net profit from recurring operations in the financial year ended June 2014 (for half the number of shares) and in the financial year ending June 2015 (for the other half). The progression formula is identical to that applied for allocations of performance-based shares for all beneficiaries as described in the section on the "Policy governing the allocation of stock options and performance-based shares" in the Management Report from the 2013/2014 Registration Document, – secondly, the volume of performance-based shares resulting from the application of the above internal performance criterion will be dependent on the same external performance criterion as that applicable for stock options (see above).
Welcome bonus or severance benefits	No payment	◻ Mr Alexandre Ricard is subject to a two-year non-compete clause, in exchange for benefits capped at a maximum of one year's compensation (fixed and variable). ◻ In accordance with the procedure for regulated agreements and commitments, this commitment was authorised by the Board of Directors held on 29 August 2012 and approved by the Shareholders' Meeting on 9 November 2012 (6th resolution). ◻ The maximum total payment that Mr Alexandre Ricard may receive in the event of his departure and the termination of his employment contract (which is suspended), including the non-compete clause, is capped at 24 months of fixed and variable compensation.
Supplementary pension scheme	No payment	◻ Mr Alexandre Ricard benefits from the collective defined-benefit supplementary pension scheme offered by the Company under the same terms as those applicable for the category of employees to which he belongs for the determination of his employee benefits and other additional elements of his compensation. ◻ In accordance with the procedure for regulated agreements and commitments, this commitment was authorised by the Board of Directors held on 29 August 2012 and approved by the Shareholders' Meeting on 9 November 2012 (6th resolution). ◻ For example, if the calculation was made based on Mr Alexandre Ricard's fixed and variable compensation for the last two financial years, the annuity paid to Mr Alexandre Ricard under this scheme would be approximately 10% of this compensation.
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 for the category of employees to which he belongs for the determination of his employee benefits and other additional elements of his compensation. ◻ In accordance with the procedure for regulated agreements and commitments, this commitment was authorised by the Board of Directors held on 29 August 2012 and approved by the Shareholders' Meeting on 9 November 2012 (6th resolution).
Other benefits	€3,272	◻ Mr Alexandre Ricard qualifies for a company car.

Other aspects of the compensation policy

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 Board (the Managing Directors and General Counsel) and the members of the Executive Committee, the Chairmen of direct affiliates.

In 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 Directors is consistent with the policy applied to the Group's Senior Managers both in France and elsewhere.

The compensation of the Managing Directors, 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 with the Chief Executive Officer and the Deputy Chief Executive Officer and Chief Operating Officer. Qualitative criteria are also used to evaluate individual performance for the variable financial portion.

The Chairmen of 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 chiefly depend on the financial performance of the subsidiary managed and partly on the results of the Group, 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, every member of the Executive Committee has also been evaluated on the basis of their people development and management performance and the implementation of Corporate Social Responsibility (CSR) projects.

The total amount of the fixed compensation allocated for the 2013/2014 financial year to the 16 members of the Executive Committee, including the Chief Executive Officer and the Deputy Chief Executive Officer & Chief Operating Officer, was €8.7 million (compared with €8.4 million in N-1). In addition to this, variable compensation of €6.2 million (variable portion calculated for 2012/2013) was also paid (compared with €7.8 million in N-1).

The total expense in respect of pension commitments for Executive Committee members was €5.5 million (vs. €5.8 million) in the financial statements for the year ended 30 June 2014.

Policy governing the allocation of stock options and performance-based shares

During the 2013/2014 financial year, the Board of Directors reaffirmed its desire to give the Group's key personnel an interest in the performance of Pernod Ricard shares by introducing a new stock option and performance-based share plan, during its meeting on 6 November 2013.

The Board's aim is therefore to continue to align the interests of Pernod Ricard employees with those of the shareholders, by encouraging them to hold shares of the Company.

As in the past, more than 1,000 employees were rewarded, so that the Company could target not only senior managers but also foster the loyalty of young managers with potential (identified as "new talents") in the Group's affiliates worldwide.

The 6 November 2013 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:

- all allocations (stock options and performance-based shares) are subject to performance criteria;
- performance-based shares continue to be a significant portion of individual allocations;
- the performance criteria for stock options to be modified as follows:
  - the TSR performance will be compared with that of the standard benchmark index for performance in the Wines & Spirits sector: the Food & Beverage Eurostoxx 600 index (SX3R),
  - introduce a formula to determine the gradual increase in volume of performance-based stock options when compared and evaluated over a three-year period;
- retain the internal performance criterion for granting bonus shares, *i.e.* the degree to which the target for profit from recurring operations is achieved, evaluated for one-half each in respect of the 2013/2014 and 2014/2015 financial years;
- for the first time ever, allocate performance-based shares to Executive Directors in addition to stock options. These performance-based shares are subject to a dual performance condition: internal (the achievement of a level of profit from recurring operations) and external (Total Share Return (TSR) performance of Pernod Ricard compared with the Food & Beverage Eurostoxx 600 index);
- Managers in the most senior positions receive a mixed award comprising a balance between stock options and performance-based shares, which provides a fair reward when the external and internal criteria have been met;
- for staff at lower levels, the plan continues with performance-based share awards, with the number of shares varying depending on the classification of the employee's position within the Group.

As explained previously, the total allocation to the Vice Chairman of the Board of Directors and the Chief Executive Officer and the allocation to the Deputy Chief Executive Officer & Chief Operating Officer consist of conditional stock options plus performance-based shares subject to internal and external performance criteria.

A new Pernod Ricard performance measurement indicator

On 6 November 2013, the Compensation Committee suggested that the Board of Directors change the benchmark from the CAC 40 index to the standard index for the Wines & Spirits sector: the Food & Beverage Eurostoxx 600 index (SX3R).

This index is made up of a basket of some 30 European companies in the Food and Beverage sector. The Board of Directors has chosen to adopt this index because (i) it is a public index whose source is not debatable and (ii) major shareholders of Pernod Ricard use this index to assess the Company's performance over time.

Based on an in-depth comparative analysis of the performance of Pernod Ricard TSR and the Food & Beverage Eurostoxx 600 index with dividends reinvested (SX3R), the Board of Directors has adopted a progressive allocation formula.

Allocation of stock options with performance conditions

On 6 November 2013, the Board of Directors allocated 349,640 conditional stock options (of which 26,000 to Mr Pierre Pringuet and 16,500 to Mr Alexandre Ricard).

All stock options under the plan are subject to an external performance condition and will be exercisable starting November 2017 based on the performance of Pernod Ricard (TSR) compared with the overall performance of the Food & Beverage Eurostoxx 600 index adjusted to include reinvestment of dividends (SX3R). This condition will be evaluated over a three-year period following the plan allocation, *i.e.*, 6 November 2013 to 6 November 2016 inclusive.

The confirmed volumes will be calculated by applying the following formula:

- if Pernod Ricard overall performance is better than or equal to the overall performance of the Food & Beverage index +10 pts: 100% of the options can be exercised;
- if Pernod Ricard overall performance is less than or equal to the overall performance of the Food & Beverage index -15 pts: no options can be exercised;
- if Pernod Ricard overall performance is between -15 pts and +10 pts of the overall performance of the Food & Beverage index: the number of exercisable options will be determined by applying a linear progressive percentage between 0 and 100%.

Allocation of performance-based shares

On 6 November 2013, the Board of Directors allocated 570,880 bonus performance-based shares (of which 9,500 to Mr Pierre Pringuet and 6,100 to Mr Alexandre Ricard).

The Board of Directors retained the performance condition requiring the achievement of the target for profit from recurring operations, restated for changes in the scope of consolidation and currency fluctuations, for the financial years 2013/2014 and 2014/2015. If operating profit does not reach 95% of the target level, no shares will be awarded. An intermediate volume calculation is carried out if operating profit is between 95% and 100% of the forecast amount. This condition is assessed at two distinct times, each bearing on half the volume of shares, in the two relevant years.

Performance-based shares awarded to beneficiaries residing in France at the time of the allocation have a three-year vesting period, followed by a mandatory two-year lock-in period, while beneficiaries who are non-tax residents of France at the time of the allocation are subject to a four-year vesting period, with no 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 2014 (Table 8 AMF nomenclature)

	Plan dated 18.12.2003	Plan dated 17.11.2004	Plan dated 11.08.2005	Plan dated 14.06.2006	Plan dated 21.06.2007	Plan dated 18.06.2008
Date of authorisation by Shareholders' Meeting	03.05.2001	17.05.2004	17.05.2004	17.05.2004	07.11.2006	07.11.2006
Date of Board of Directors' meeting	18.12.2003	02.11.2004	25.07.2005	14.06.2006	21.06.2007	18.06.2008
Type of options	Purchase	Purchase	Purchase	Purchase	Purchase	Purchase
Total number of options that can be subscribed or purchased	1,637,890	1,962,738	981,206	2,279,214	985,292	1,273,556
of which by Executive Directors of Pernod Ricard SA	106,822	148,162	115,945	205,140	125,078	141,258
of which by Mr Patrick Ricard	41,085	56,984	44,595	113,966	74,552	84,196
of which by Mr Pierre Pringuet	32,869	45,589	35,675	91,174	50,526	57,062
of which by Mr Alexandre Ricard	-	-	-	-	-	-
Commencement date for exercise of options	19.12.2007	18.11.2008	12.08.2009	15.06.2010	22.06.2011	19.06.2012
Expiry date	18.12.2013	17.11.2014	11.08.2015	14.06.2016	21.06.2015	18.06.2016
Subscription or purchase price *(in euros)*	33.83	42.30	52.59	58.41	74.73	66.16
Number of shares subscribed or purchased	1,609,105	1,637,116	634,313	1,255,729	325,666	465,225
Total number of stock options cancelled or lapsed [(1)]	28,785	96,855	73,986	132,770	123,341	99,823
Subscription or purchase options remaining	-	228,767	272,907	890,715	536,285	708,508

(1) Options cancelled after the beneficiaries failed to meet the continued employment condition or performance condition (June 2011 plan and June 2012 plan).

	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
Date of authorisation by Shareholders' Meeting	02.11.2009	02.11.2009	02.11.2009	02.11.2009	09.11.2012
Date of Board of Directors' meeting	24.06.2010	01.09.2010	15.06.2011	27.06.2012	06.11.2013
Type of options	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
of which by Executive Directors of Pernod Ricard SA	-	70,000	65,220	60,000	42,500
of which by Mr Patrick Ricard	-	-	-	-	
of which by Mr Pierre Pringuet	-	70,000	65,220	60,000	26,000
of which by Mr Alexandre Ricard	-	-	-	-	16,500
Commencement date for exercise of options	25.06.2014	16.09.2014	16.06.2015	28.06.2016	07.11.2017
Expiry date	24.06.2018	15.09.2018	15.06.2019	27.06.2020	06.11.2021
Subscription or purchase price *(in euros)*	64.00	64.00	68.54	78.93	88.11
Number of shares subscribed or purchased	52,595	0	4,000	0	0
Total number of stock options cancelled or lapsed [(1)]	44,081	0	39,712	8,300	0
Subscription or purchase options remaining	804,927	70,000	904,338	407,100	349,640

(1) Options cancelled after the beneficiaries failed to meet the continued employment condition or performance condition (June 2011 plan and June 2012 plan).

At 30 June 2014, 5,173,187 stock options (all for share purchases) were in circulation, or 1.95% of the Company's share capital, of which 4,823,547 options were in the money and 349,640 out of the money (at the Pernod Ricard share closing price at 30 June 2014 of €87.70).

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

History of allocations of performance-based shares – Situation as of 30 June 2014 (Table 10 AMF nomenclature)

	Plan dated 21.06.2007	Plan dated 18.06.2008	Plan dated 24.06.2010	Plan dated 15.06.2011	Plan dated 27.06.2012	Plan dated 06.11.2013
Date of authorisation by Shareholders' Meeting	10.11.2005	07.11.2007	07.11.2007	10.11.2010	10.11.2010	09.11.2012
Date of Board of Directors' meeting	21.06.2007	18.06.2008	24.06.2010	15.06.2011	27.06.2012	06.11.2013
Total number of performance-based shares allocated	335,458	411,634	572,119	578,759	654,750	570,880
of which to Executive Directors of Pernod Ricard SA	N/A	N/A	N/A	N/A	N/A	15,600
of which to Mr Pierre Pringuet	N/A	N/A	N/A	N/A	N/A	9,500
of which to Mr Alexandre Ricard	N/A	N/A	N/A	N/A	N/A	6,100
Vesting date of the performance-based shares	22.06.2009 (FRA) 22.06.2011 (ROW)	19.06.2010 (FRA) 19.06.2012 (ROW)	25.06.2013 (FRA) 25.06.2014 (ROW)	16.06.2014 (FRA) 16.06.2015 (ROW)	28.06.2015 (FRA) 28.06.2016 (ROW)	07.11.2016 (FRA) 07.11.2017 (ROW)
End date for share lock-in period	22.06.2011 (FRA) 22.06.2011 (ROW)	19.06.2012 (FRA) 19.06.2012 (ROW)	25.06.2015 (FRA) 25.06.2014 (ROW)	16.06.2016 (FRA) 16.06.2015 (ROW)	28.06.2017 (FRA) 28.06.2016 (ROW)	07.11.2018 (FRA) 07.11.2017 (ROW)
Presence of Performance condition	Yes	Yes	Yes	Yes	Yes	Yes
Total number of performance-based shares cancelled or lapsed (1)	53,558	237,110	89,751	88,412	199,114	142,638
Performance-based shares vested (2)	281,900	174,524	482,368	121,020	750	-
Unvested performance-based shares (3)	0	0	0	369,327	454,886	428,242

All performance-based shares are subject to performance conditions and the beneficiaries must still be working for the Company. Performance-based shares become available after four or five years on condition that the beneficiaries are still working for the Company on the date of vesting. The vesting period is two years (for 2007 and 2008 plans) or three years (plans after 2008) for tax residents of France (FRA) (followed by a two year lock-in period) and four years for non-tax residents of France (ROW) (no lock-in period).

(1) Performance-based shares cancelled after the beneficiaries ceased to meet the condition of continued employment (through resignation or redundancy) or failed to meet the performance condition (June 2008, June 2011, June 2012 and November 2013 plans).

(2) Allocated shares that were transferred to the beneficiaries meeting the condition of continued employment. The 2012 plan shares were transferred early, to heirs following the death of a beneficiary.

(3) For the June 2011 plan, this consists of performance-based shares for beneficiaries who are non-tax residents of France, with a transfer date of 16 June 2015. For the June 2012 and November 2013 plans, it consists of all performance-based shares under these plans for which the performance condition was evaluated in full for the June 2012 plan and evaluated for one-half for the November 2013 plan (the second half will be confirmed at the close of the 2014/2015 financial year).

Stock options granted to the Group's top ten employees other than Directors and options exercised by the Group's top ten employees other than Directors during the 2013/2014 financial year (Table 9 AMF nomenclature)

	Number of options granted/shares subscribed or purchased	Weighted average price *(euros)*	Plans
Options granted during the financial year by the Company and any companies within its Group granting options, to the top ten employees of the Company and any such Group company, receiving the highest number of options	101,300	88.11	06.11.2013
Options exercised during the financial year by the top ten employees of the Company and all companies within its Group granting options, with the highest number of options thus exercised	71,465	55.65	17.11.2004/11.08.2005/ 14.06.2006/21.06.2007/ 18.06.2008/24.06.2010

Pernod Ricard has not issued any other option instruments granting access to shares reserved for its Executive Directors or the top ten employees of the Company and all companies within its Group granting options.

Employee profit-sharing plans

All employees of the Group's French companies benefit from profit-sharing and incentive agreements based on the results of each specific entity. In line with the Group's decentralised structure, the terms and conditions of each of these agreements are negotiated at the level of each entity concerned.

Similarly, outside France, the Group encourages all affiliates to implement local agreements enabling employees to share in the profits of the entity to which they belong.

Profit-sharing agreements of this type exist in countries including Ireland and the United Kingdom. In each of these countries, employees may potentially receive Pernod Ricard shares based on their entity's annual results.

Provisions for pension benefits

Details of the total amount of provisions recorded or otherwise recognised by the Company for the payment of pensions are set out in Note 4.7 – *Provisions* of the Notes to the consolidated financial statements.

Transactions involving Pernod Ricard shares made by Directors in 2013/2014 (article 223-26 of the AMF General Regulations)

First name, surname, Company name	Function	Financial instrument	Type of transaction	Date	Price *(euros)*	Amount of transaction *(euros)*
Mr Pierre Pringuet	Vice Chairman of the Board of Directors and CEO	Stock options	Exercise of stock options	30.09.2013	42.30	526,973
		Stock options	Exercise of stock options	10.12.2013	52.59	159,979
		Stock options	Exercise of stock options	26.06.2014	52.59	341,835
Mr Alexandre Ricard	Director and Deputy CEO & Chief Operating Officer	Stock options	Exercise of stock options	30.06.2014	64.00	705,024
Mr César Giron	Director	Stock options	Exercise of stock options	25.03.2014	58.41	354,607
		Stock options	Exercise of stock options	25.03.2014	74.73	203,938
		Stock options	Exercise of stock options	25.03.2014	66.16	203,839
		Shares	Transfer	25.03.2014	81.24	965,207
		Stock options	Exercise of stock options	25.06.2014	64.00	270,016
		Shares	Transfer	25.06.2014	87.98	371,191
		Stock options	Exercise of stock options	27.06.2014	64.00	435,008
		Shares	Transfer	27.06.2014	87.35	593,751

Directors’ equity investments in the share capital of the Company (position at 27 August 2014)

Members of the Board of Directors	Number of shares at 27.08.2014	Percentage of share capital at 27.08.2014	Number of voting rights at 27.08.2014	Percentage of voting rights at 27.08.2014
Executive Directors				
Ms Danièle Ricard (Chairwoman of the Board of Directors)	264,542	0.10%	448,643	0.15%
Mr Pierre Pringuet (Vice Chairman of the Board of Directors and Chief Executive Officer)	263,000	0.10%	300,528	0.10%
Mr Alexandre Ricard, Deputy Chief Executive Officer & Chief Operating Officer	32,544	0.01%	32,544	0.01%
Directors				
Mr François Gérard	14,217	0.01%	20,370	0.01%
Mr César Giron	7,077	N.M.	9,984	N.M.
Ms Martina Gonzalez-Gallarza	1,100	N.M.	1,100	N.M.
Société Paul Ricard represented by Mr Paul-Charles Ricard (1)	34,866,200	13.14%	55,553,450	19.17%
Independent Directors				
Ms Nicole Bouton	1,150	N.M.	1,150	N.M.
Mr Laurent Burelle	1,000	N.M.	1,000	N.M.
Mr Michel Chambaud	1,050	N.M.	1,050	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 Susan Murray	1,000	N.M.	1,000	N.M.
Mr Anders Narvinger	1,020	N.M.	1,020	N.M.

N.M. = not meaningful.

(1) This includes the shares held by Société Paul Ricard and by Lirix, Le Garlaban, Le Delos Invest I, Le Delos Invest II and Le Delos Invest III (the 8,392,096 Pernod Ricard shares held by Le Delos Invest III were transferred as collateral for the full performance of its obligations under the terms of a financial futures contract entered into on 10 April 2009), related to Société Paul Ricard as defined in article L. 621-18-2 of the French Monetary and Financial Code.

Risk factors

Risks in connection with business activity

Risks relating to the global economic environment

Pernod Ricard is co-leader of the global Wine & Spirits market. It sells products in more than 80 countries.

The Group's business is sensitive to general economic conditions in its key markets, in particular in the United States, France and China. In most countries, the consumption of Wines & Spirits, which is closely linked to the broader economic environment, tends to decline during periods of economic recession, unemployment, reductions in consumer spending levels, and increases in the cost of living. Furthermore, currency fluctuations against the euro may impact the Group's financial results. Thus, the weakening of some currencies against the euro during the 2013/2014 financial year adversely impacted business and profit: over the full year 2013/2014, the 8% decline in profit from recurring operations compared with the previous year was largely the result of the highly adverse currency effect (9)% or €(199) million), mainly reflecting the weakening of the US dollar and the Indian rupee against the euro (see "*Analysis of business activity and results*" in this Management Report).

While the Group's business has held up well during the economic and financial crisis, the Group believes that it remains exposed to the consequences of economic downturns and the possibility of more limited growth in consumption.

In addition, Wines & Spirits consumers, including consumers of Pernod Ricard's products, also have the option of trading down to less costly products ("standard" as opposed to "premium" products), particularly during economic declines, or, for example, in the case of China in 2013/2014, as the result of governmental measures to curb conspicuous consumption.

The diversified geographical spread of the Group's activities allows it to seize all growth opportunities and helps mitigate difficulties encountered, particularly in certain markets. Thus, the Group succeeded in maintaining a stable level of sales during the 2013/2014 financial year (at constant exchange rates) despite the sharp drop in net sales in China (-23%). Nevertheless, global recessions or severe or continued contractions in the Group's key markets could have an adverse impact on its sales, sparking a deterioration in the Group's consolidated earnings and outlook.

Risks relating to seasonal trends

Pernod Ricard makes an above-average portion of its sales during the Christmas and New Year season and the Chinese New Year. The last calendar quarter of the year traditionally accounts for about a third of full-year sales. Any major unexpected adverse event occurring during these periods, 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.

Risks relating to competition

The Group operates in fiercely competitive markets, where brand recognition, corporate image, price, innovation, product quality, the breadth of distribution networks and services provided to consumers are differentiating factors among competitors.

The Group constantly aims to strengthen the recognition of its brands, particularly its strategic brands, through advertising and promotional campaigns, enhancing the quality of its products and optimising its distribution and service networks. Nevertheless, it must also face heightened competition from major international players on its international brands and from smaller groups or local producers on its local brands.

The fierce competition prevailing in the mature markets and the increasingly competitive nature of the emerging markets could require the Group to boost its advertising and promotional expenditure, or even reduce its prices, or keep them stagnant, in order to protect its market share.

The Group's advertising expenditure was maintained at a historically high level throughout 2013/2014, at close to 19% of net sales.

Risks relating to further consolidation in the Wines & Spirits segment, as well as to retailers in general

The Group's industry has witnessed a trend toward the consolidation of distributors and merchants, which, in the past, has not had an adverse impact on the Group's business, due in part to the Group's strong brand portfolio and its own extensive distribution network.

However, further consolidation among spirits producers and merchants in the Group's key markets could negatively impact the sale of the Group's products as a result of, for example, less attention and fewer resources being 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 merchants' strategies, including a reduction in the number of brands they carry, the allocation of shelf space for our competitors' brands or private label products (including "store brands") may adversely affect the Group's sales, outlook and market share.

Risks relating to the Group's geographic footprint

The Group derives a considerable portion (39% of net sales in 2013/2014) of its sales from emerging markets in Asia, Eastern Europe and Latin America (China, India, Russia and Brazil, for example).

Although any country in the world could be affected, the Group's activities in the emerging countries are more particularly exposed to political and economic risks, including risks resulting from changes in government or regulatory policy.

These risks were apparent in China in 2013/2014: the government policy had the effect of imposing measures to curb conspicuous consumption which caused a marked decline in sales of upscale Martell brand products in particular.

These risks include risks stemming from exchange rate controls, inflation, problems with the repatriation of foreign earnings, dividends and investment capital, exchange rate fluctuations, changes in tax regimes, implementation of restrictions on imports, and political instability. Moreover, the Group may find itself unable to defend its rights appropriately before the courts of some of these countries, particularly in litigation with the state or state-controlled entities. (see "Risks relating to litigation" in this Management Report).

In addition, acts of terrorism or a declaration of war, the impact on consumer sentiment and tourism from threats of terrorism or war, 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 product ranges of the Group's key product categories, in Travel Retail stores and in other markets. Such disruptions or other economic and political upheavals in the Group's markets could spark heightened volatility in the Group's sales, with a negative impact on its results and outlook in these markets.

Risk relating to changes in consumer tastes and preferences

Pernod Ricard holds a core portfolio of 14 strategic spirits and champagne brands and 4 Priority Premium Wine Brands, as well as 18 key local spirits brands that are leaders in their particular category or in the premium segments of the respective local markets. The Group's performance is dependent on its capacity to satisfy consumer expectations and desires. However, change in consumer expectations and desires is difficult to anticipate, and in many cases is beyond the Group's control. As a result, negative changes in consumer demands could affect its sales and market share.

In addition, the increasing number of campaigns aimed at discouraging the consumption of alcoholic beverages, as well as changes in lifestyle 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.

Risks relating to the Group's industrial sites

The Group has a substantial inventory of aged product categories, principally Scotch whisky, Irish whiskey, cognac, rum, brandy and fortified wine, which mature over periods which can go beyond 30 years. The Group's maturing inventory (representing 79% of work in progress, as cited in Note 4.4 – *Inventory and work in progress* of the Notes to the consolidated financial statements), is stored at numerous locations around the world. However, the loss of all or part of the maturing inventory or the loss of all or some of the production, distilling, blending or packaging sites as a result of negligence, an act of malice, contamination, fire or natural disaster could lead to a significant fall in or prolonged interruption to the supply of certain products, precluding the Group from satisfying consumer demand for the said products. In addition, there is an inherent risk of forecasting error in determining the quantity of maturing stock to store in a given year for future consumption. This could lead to either an inability to meet future demand or a future surplus of inventory resulting in write-downs in the value of maturing stocks. Finally, there also can be no assurance that insurance proceeds would be sufficient to cover the replacement value of lost maturing inventory or assets in the event of their loss or destruction.

The Group's industrial risks are described in detail in the section of this Management Report on "*Presentation of industrial and environmental risks*".

Risks relating to raw materials and energy prices

Certain of the raw materials that the Group uses for the production of its products are commodities that are subject to price volatility caused by changes in global supply and demand, weather conditions, agricultural uncertainty or governmental controls. An unexpected rise in the cost of raw materials or packaging materials could significantly increase our operating costs. Similarly, shortages of such materials could have a negative effect on our business.

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 farm raw materials, hedge agreements have been entered into with banks to secure the price of a portion of wheat supplies and to limit production cost volatility. These hedges involve no physical delivery (see Note 4.10 – *Interest rate, foreign exchange and commodity derivatives* of the Notes to the consolidated financial statements). Moreover, the Group has entered into physical supply contracts with some suppliers in order to secure

the delivery price of certain grains (see Note 6.3 – *Off -balance sheet commitments* of the Notes to the consolidated financial statements).

Risks relating to acquisitions

The Group has made major acquisitions in the past, such as the joint acquisition with Diageo of the Seagram's Wines & Spirits business in 2001, the joint acquisition with Fortune Brands of Allied Domecq in 2005 and the acquisition of the Vin&Sprit group, owner of ABSOLUT vodka, in 2008. Pernod Ricard believes that it has successfully integrated these acquisitions.

In the event that Pernod Ricard decides to conduct a major acquisition in the future, successful integration of the target into the Group cannot be guaranteed. In addition to the fact that acquisitions require General Management to devote a significant amount of time to resolving organisational issues, they also require the integration of new businesses, employees and products belonging to newly acquired companies. The integration process involves a great many unknowns, including the impact of the integration of new entities into a new structure and the management of the Human Resources of merged businesses. The Group's financial position, reported results and outlook could be affected should it be unable to make a success of the integration of newly acquired companies.

The Group has made no major acquisitions since 2008.

Risks relating to the Group's image and reputation

The success of the Group's brands depends upon the positive image that consumers have of those brands. The Group's reputation and image may at any time be significantly undermined by one-off incidents at an industrial facility or relating to a specific product. For example, contamination, whether arising accidentally, or through an act of malice, or other events that harm the integrity of or consumer support for their brands, could adversely affect the sales of the Group's products. The Group purchases most of the raw materials for the production of its wines and 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 low 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 "look alike" 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 section on "*Risks relating to Intellectual Property*"), there can be no guarantee that problems arising from industrial accidents, contamination and other factors will not compromise the Group's reputation and image on a global scale. Reputational damage could potentially have negative effects on the Group's image, financial position, reported results and outlook.

The net carrying value of brands and goodwill recorded in the Group's balance sheet at 30 June 2014 was €16.3 billion.

Risks relating to personnel

The Group's success is dependent on the loyalty of its employees, and in particular of key employees, as well as its ability to continue to attract and retain highly qualified personnel. Difficulties hiring or retaining key personnel, or the unexpected departure of experienced employees, including among acquired companies, could 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 addition, the Group cannot guarantee the absence of strikes or other types of labour disputes. Any extended labour disputes could have an impact on the Group's sales. To date, Pernod Ricard has not had to face prolonged industrial action that could significantly impact Group sales.

Risks relating to a breakdown of the Group's information technology systems

Pernod Ricard uses information technology systems for the processing, transmission and storage of electronic data relating to the Group's operations and financial reporting. A significant portion of communications among the Group's personnel, clients and suppliers relies on the efficient performance of the Group's information technology systems.

In addition, 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 heavily in the maintenance and protection of its information systems, unexpected major breakdowns of one or more systems or any significant interruptions could disrupt the normal functioning of the Group, which could result in a negative impact on the Group's business, operations, operating profit, cash flow and financial position.

Risks relating to the Group's indebtedness

The Group reduced its indebtedness in 2013/2014, due in particular to free cash flow of €755 million. However, the Group's net debt/EBITDA ratio rose from 3.5 at 30 June 2013 to 3.6 at 30 June 2014 (net debt translated at the average rate). This rise was entirely the result of the adverse impact of currency movements. 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:

- limiting the Group's ability to obtain additional financing for working capital, capital expenditure, acquisitions or general corporate purposes, and increasing 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.

Risks relating to the Group's pension plans

The Group's unfunded pension obligations amounted to €252 million at 30 June 2014. During the 2013/2014 financial year, the Group made total contributions to Group pension plans of €115 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.

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 measures in this area. It has formulated an intellectual property policy implemented by a team of nearly 30 specialists working in six separate locations (to whom specific brand portfolios are allocated), coordinated by the Intellectual Property Department, which is part of the Holding Company. This team is responsible for the administrative management of the Group's brands, designs and models, copyright, domain names and patents (part of the Group's innovation policy). The team is in charge of coordinating litigation (counterfeits, unfair competition, forfeiture and opposition, etc.) and contracts (sale, licensing and coexistence) involving intellectual property issues.

The defence of such property is a mission involving all of the Group's personnel, who are aware of the importance of this crucial asset; 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, as any owner of intellectual property rights, is not in a position to guarantee that such measures will be fully sufficient to force third parties to respect its rights. In some non-European Union countries, particularly in Asia (China, Thailand, Vietnam, etc.), even though satisfactory legal options generally exist, it can be difficult to persuade the local authorities to apply dissuasive sanctions on counterfeiters that reproduce in full or in part the Group's most popular brands in these countries. Yet those illicit acts are likely to have unfavourable consequences for the image of the relevant products. The Group therefore takes specific action, with objectives determined on the basis of the market and the brand, bringing together various internal departments so as to take a cross-functional approach to the problem of counterfeiting. These actions include coordinated legal responses and operations aimed at raising awareness among local authorities, field and online surveys, and technical and technological measures aimed at improving the protection of the Group's products.

Third parties can also contest the Group's ownership of certain brands.

Legal decisions could therefore affect the Group's brand portfolio, potentially having negative effects on its financial position, reported results and outlook.

For instance, the Group is currently involved in litigation on the Havana Club brand (see Note 6.5 – *Disputes relating to brands* of the Notes to the consolidated financial statements). In this case, an unfavourable ruling would not adversely impact the Group's current financial position, as the brand is not currently marketed in the United States, but it could constitute a lost opportunity.

Risks relating to change in the regulatory environment

The Group's businesses throughout the world are subject to a growing number of bodies of regulations, in particular with respect to the sale of alcoholic beverages. The regulatory environment governing the production and marketing of alcoholic

beverages could undergo change in France, in the European Union or in the rest of the world. Similarly, advertising and promotions of alcoholic beverages are subject to increasingly stringent rules aimed at changing consumer behaviour and reducing alcohol consumption.

In particular, in its capacity as a distributor of international beverage brands, the Group is subject, in the various countries in which it trades, to numerous regulatory requirements concerning production, product responsibility, distribution, marketing, advertising, labelling and imports. More broadly speaking, it is also subject to issues relating to competition and consolidation, commercial and pricing policies, pensions, labour law and environmental concerns. In addition, the Group's products are subject to import and indirect taxes in the various countries in which it trades.

Regulatory decisions and changes in legal and regulatory requirements in these markets could have a negative impact on Pernod Ricard's business:

- **product recalls**: regulatory authorities in the countries in which the Group trades could be given coercive powers and subject the Group to measures including product recalls, product seizures and other sanctions, any of which could have an adverse effect on its trading or harm its reputation, with subsequent negative effect on its operating profit;
- **advertising and promotions**: regulatory authorities in the countries in which the Group trades could impose restrictions on advertising for alcoholic beverages, for instance by banning television advertisements or the sponsoring of sporting events, or by restricting the use of these media. Furthermore, the Group has signed several voluntary self-regulation codes, which impose restrictions on the advertising of and promotions for alcoholic beverages. These limits could have the effect of (i) hindering or restricting the Group's capacity to maintain or reinforce consumer behaviour in relation to its brands and their recognition on major markets and (ii) significantly affecting the Group's trading environment;
- **labelling**: regulatory authorities in the countries in which the Group trades could impose new or different requirements in terms of labelling and production. Changes to labelling requirements for alcoholic beverages, including the Group's portfolio of Premium Wines & Spirits, could diminish the appeal of these products in the eyes of consumers, thereby leading to a fall in the sales of these beverages. Furthermore, such changes could have the consequence of increasing costs, thereby affecting the Group's results;
- **import taxes and excise duties**: the Group's products are subject to import taxes and excise duties in most markets. An increase in import taxes and excise duties or a change in the legislation relative to duty free sales could lead to an increase in the price of its products as well as a reduction in the consumption of its Premium Wine & Spirits brands or an increase in costs for the Group;
- **access to market companies**: regulatory authorities in the countries in which the Group trades could seek to restrict consumers' access to Group products, for instance by limiting the trading hours of establishments serving alcoholic beverages or increasing the legal age for alcohol consumption.

Aside from the fact that change in local laws and regulations could in some cases restrict the Group's growth capacity by changing consumer behaviour, compliance with new laws and regulations could also require substantial investments. This could potentially have a significant negative impact on the Group's reported results and outlook.

Similar to other businesses, the Wine & Spirits business is highly sensitive to changes in tax regulations. In addition, in the current macroeconomic climate, governmental entities may resort to increasing taxes on alcoholic beverages in order to raise funds. The effect of any future tax increases on the Group's sales in a given jurisdiction cannot be precisely measured. However, significant increases in import and excise duties on alcoholic beverages and in other taxes could have a significant adverse impact 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 (including tax rates), accounting policies and accounting standards could have a material impact on the Group's results.

In addition, as an international group, Pernod Ricard can be subject to tax audits in several jurisdictions. The Group takes tax positions that it believes are correct and reasonable in the course of its business with respect to various tax matters. However, there is no assurance that tax authorities in the jurisdictions in which the Group operates will agree with its tax positions. In the event that the tax authorities successfully challenge the Group on any material positions, the Group may be subject to additional tax liabilities that may have an adverse effect on the Group's financial position if they are not covered by provisions or if they otherwise trigger a cash payment.

Risks relating to litigation

In common with other companies in the Wines & Spirits segment, the Group is occasionally subject to class action or other litigation and complaints from consumers or government authorities. In addition, the Group routinely faces litigation in the normal course of business. If such litigation were to result in fines, monetary damages or reputational damage to the Group or its brands, its business could be materially adversely affected.

The provisions recorded by Pernod Ricard at 30 June 2014, for all litigation and risks in which it is involved, amounted to €714 million, compared with €727 million at 30 June 2013 (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 twelve months, other than those described in Note 6.5 – *Litigation* of the Notes to the consolidated financial statements.

Presentation of industrial and environmental risks

Prevention of industrial and environmental risks

Pernod Ricard's management of industrial and environmental risks is based on an approach to QSE (Quality, Safety, Environment) management which is common to the entire Group and has been implemented in all production affiliates worldwide.

It is coordinated by the Group's Sustainable Performance Division, and is based on internal Pernod Ricard standards inspired by systematic risk analysis, and by Guidelines aimed at ensuring the adoption of best practice and minimum requirements in each of the areas covered: product quality, safety of personnel, environment, and capital protection (from fire, explosions, etc.). It is implemented in each of the affiliates, each one being entirely responsible for identifying and controlling its risks and its environmental impact, within the framework of the Group's decentralised organisation.

This risk management policy is accompanied by an ambitious QSE certification initiative for the Group's production sites, in accordance with international standards. At the end of June 2014, the following proportions of the Group's global industrial facilities had been certified:

- for quality management (ISO 9001): 96.9% of sites, or 99.6% of production;
- for food safety (ISO 22000): 72.2% of sites, or 94.2% of production;
- for environmental management (ISO 14001): 95.9% of sites;
- for safety management (OHSAS 18001): 92.8% of sites.

At each of the Group's production affiliates, a QSE representative is responsible for the application of this policy. Led by the QSE team, which is part of the Holding Company's Sustainable Performance Division, the QSE network is consulted once or twice a year to identify and approve priority areas for action, and to further develop risk prevention requirements. This also enables best practices to be identified and shared with a view to continuous improvement. Covering around 15% of the Group's production sites each year, audits known as "cross-audits" involve the auditors of several affiliates, together with a specialised auditor from the Group's Sustainable Performance Division, in order to endorse risk analysis done by the affiliates and the measures taken to reduce these risks. This helps to boost knowledge-sharing, enhance the skills of internal experts, and improve internal standards by adding new Guidelines on an ongoing basis.

With specific regard to capital protection and major industrial risks, an Operations Risk Manager attached to the Sustainable Performance Division coordinates the work done by affiliates in the area of risk reduction. The Risk Manager mainly focuses on prevention measures (design and maintenance of facilities, training, operating procedures, etc.) and protection systems (automatic fire extinguishing systems, water retention facilities, emergency procedures, etc.). He or she makes regular visits to assess the sites, in conjunction with the insurer, with each site being attributed a risk score, along with technical recommendations. The Risk Manager is consulted on projects relating to the construction or extension of these facilities. In agreement with the insurer's experts he or she also recommends the most appropriate solution for the risk in question in each case.

In addition, a programme devoted to implementing Business Continuity Management Systems (BCMS) has been initiated as a priority for the most strategic affiliates. It is aimed at protecting the Group's operations from the consequences of a major disaster with catastrophic consequences, such as a fire. To this end, the programme sets out the various scenarios liable to affect a site, and looks for ways to reduce the impact on business. It leads to the preparation of a business recovery plan including the implementation of emergency solutions and access to alternative means of production. In 2013/2014, the affiliates presenting the most severe risks for the Group (The ABSOLUT Company, Martell & Co, Chivas Brothers, Irish Distillers) had their BCMSs audited. These audits confirmed the good level of maturity of the systems in place and identified priorities for improvement.

Major risks identified and specific risk prevention measures

Various types of risks have been identified in relation to the level of the Group's industrial activities, for which specific preventative measures or monitoring procedures have been implemented.

Fire hazard

As alcohol is highly flammable, fire is the main risk to our staff and facilities, particularly the sites where spirits are produced and stored. This risk is also present at sites where blending and bottling of alcohol take place. In certain cases, this fire risk may be accompanied by the risk of explosion, particularly if alcohol vapours come into contact with a heat source.

Of the 101 industrial sites operating as at 30 June 2014, eight sites (one in Ireland, one in France and six in Scotland) were classified as high-threshold Seveso due to the volumes stored there, higher than 50,000 tonnes (classification by the European Directive Seveso II for the prevention of major accidents). In the rest of the world, only one site, in Canada, was above this threshold.

These sites are systematically subject to a high level of protection and prevention, which can be seen in the use of fire-resistant materials, the presence of automatic fire-extinguishing systems (sprinklers) and water reserves, training and the implementation of rigorous working procedures. Moreover, the recommendations of the ATEX Directive on explosive atmospheres have been reflected in the Group's internal guidelines, which are applicable to all affiliates.

Since May 2000, when a fire led to the loss of a bourbon cellar in Kentucky, no major fires or explosions have occurred on the Group's sites. One outbreak of fire was reported in the year 2013/2014: it was quickly brought under control with no significant consequences for business.

Risk of accidental spillage

The accidental spillage of product (wine, alcohol or other) into the environment is liable to pollute the soil, a river or water tables. This risk is of particular concern in cases of fire following a leak or spillage of alcohol and its extinction using water and foam. The risk of pollution is part of risk surveys and prevention measures at the Group's sites, and is the object of significant preventative measures: water retention facilities in storage and unloading areas, construction of drainage systems, and drainage to storage basins.

Risk of natural disasters

Several facilities are located in areas known to be at significant risk of earthquake. This includes facilities located in New Zealand, Armenia, California and Mexico. In July and August 2013, the Brancott's wine production facility in New Zealand, was hit by two successive earthquakes. This caused substantial material damage to storage vats, for which a claim has been lodged with the Group's insurer.

Some areas are exposed to hurricane risk. The San José plant in Cuba has taken preventative measures to cover this eventuality.

There is also a risk of flooding at certain sites. Cellars were affected in Scotland in 2009, but there was no significant damage. Flooding is not considered to be a particularly high risk at any of the Group's facilities.

Lastly, in January 2010, exceptionally heavy snowfalls in the northern part of Scotland caused the roofs of 40 ageing cellars at the Mulben facility to collapse. A weather event of this nature had never previously been seen in this Region and was deemed extremely unlikely. The damage only concerned the buildings, as the collapse did not affect inventories of spirits. The damaged cellars were rebuilt and reinforced.

Risks relating to climate change and other environmental aspects

Climate change poses a variety of risks to the Group's business activities.

In terms of physical consequences, the major risk relates to the impact of climate change on the supply of farm raw materials. Increasingly irregular crop yields, climatic events such as frost, hail and drought and shifting climatic boundaries can affect the 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 vine sorts, 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 major part of the Group's environmental management policy: every site has to ensure that the use of groundwater or river water and the release of waste water back into the environment do not cause harm to nature. Sites located in areas identified as high-risk in terms of their water supply are subject to enhanced monitoring so as to ensure the sustainability of the resources used (see the "Environment" paragraph in Section 3, "*Corporate Social Responsibility*").

Another risk relating to climate change is that of the increasingly frequent occurrence of extreme weather events liable to damage production facilities or affect the supply chain, such as cyclones, floods or exceptional levels of snowfall. This risk is taken into account in the Group's insurance strategy and in the critical scenarios for our Business Continuity Management Systems.

From a regulatory point of view, climate-related issues are also 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 in the next few years.

Finally, climate change also represents a challenge due to the increasing awareness on the part of consumers and public opinion in general, whose expectations in terms of sustainable consumption are growing rapidly: this reality is taken into account by the marketing teams and is becoming one of the elements in the Group's marketing strategy. It is reflected mainly in the focus on eco-design of products, and incorporating the CSR dimension into brand platforms.

The existence of these climate-related risks has given rise to the inclusion of specific actions on energy and carbon in the Group's environmental road map. The actions undertaken are set out in the paragraph on "Environment" in Section 3 of this Registration Document, "*Corporate Social Responsibility*".

The amount of provision for environmental risk was €2.9 million at 30 June 2014. In addition, 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.

Risks for consumers

The Group has noted the health risk involved in the inappropriate consumption of alcoholic beverages and accordingly has a very strong ethical commitment to encouraging responsible drinking (see specific comments on this subject).

The other risks for consumers relate to product quality. They mainly concern the presence of foreign bodies in bottles (glass fragments) or contamination by an undesirable component, which are the subject of specific internal guidelines. The control of these risks is based on the application of the HACCP method, which aims to identify risks involved in the manufacturing process and to bring them under control. 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.

As mentioned above, this approach is accompanied by the gradual certification of the Group's production sites in accordance with ISO 22000 on Food Safety, which is aimed specifically at managing such risks. At 30 June 2014, 72.2% of production sites representing 94.2% of finished product volumes had been certified under this standard.

To date, Pernod Ricard is not aware of any litigation or significant incident involving consumer safety, connected with the quality of the Group's products.

Liquidity risk

At 30 June 2014, the Group's cash and cash equivalents totalled €477 million (compared with €597 million at 30 June 2013). An additional €2,154 million of medium-term credit facilities with banks was confirmed and remained undrawn at this date. Group funding is provided in the form of long-term debt (syndicated loans, bonds, etc.) and short-term financing (commercial paper, bank overdrafts) as well as factoring and securitisation, which provide adequate financial resources to ensure the continuity of its business. Short-term financial debt after hedging was €1,218 million (compared with €1,632 million at 30 June 2013).

While the Group has not identified any other significant short-term 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 climate.

The short- and long-term credit ratings requested by Pernod Ricard from rating agencies are Baa3/P3 from Moody's and BBB-/A3 from Standard & Poor's respectively.

The Group's bank and bond debt contracts include covenants. Breaches of these covenants could force the Group to make accelerated payments. At 30 June 2014, the Group was in compliance with the covenant under the terms of its syndicated loan: solvency ratio (total net debt/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 experience reduced liquidity and/or value.

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

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.

Market risks (currency and interest rates)

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 risk).

While some hedging strategies limit exposure, 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 and *via* the implementation of part of the debt in USD for a portion close to 55% of total debt, reflecting the importance of cash flows generated in dollars or linked currencies.

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

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

In all cases, it is Group policy to invoice end customers in the functional currency of the distributing entity. Exposure to exchange rate 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 buying, forward selling 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.

Interest rate risk

At 30 June 2014, Pernod Ricard group debt comprised floating-rate debt (mainly the syndicated loan and other bank loans) and fixed-rate debt (mainly bonds), in addition to a hedging portfolio including swaps in EUR and USD.

The Group cannot guarantee that these hedges will prove sufficient, nor that it will be able to maintain them on acceptable terms.

Additional information on currency and interest rate risks is provided in Notes 4.8 – *Financial liabilities*, 4.9 – *Financial instruments* and 4.10 – *Interest rate and foreign exchange derivatives* of the Notes to the consolidated financial statements.

Insurance and risk coverage

For Pernod Ricard, use of insurance is a solution for the financial transfer of the major risks facing the Group. This transfer is accompanied by a policy of prevention for the purpose of reducing risk as far as possible. The Group evaluates its risks with care in order to fine-tune the level of coverage of the risks it incurs.

The Group has two types of cover: Group insurance programmes and local policies. The programmes at Group level are monitored by an insurance manager who coordinates the insurance and risk management policy and also by a person in charge of monitoring industrial risk prevention.

Insurance policies

In order to cover the main risks, Pernod Ricard has set up international insurance programmes for all Group affiliates, barring exceptions due to local regulatory constraints in certain countries or as a result of more attractive conditions offered by the local market. These programmes provide the following cover:

- property damage and business interruption losses;
- operating and product liability;
- environmental liability;
- costs and losses incurred by the Group due to accidental and/or criminal contamination;
- Directors' civil liability;
- damage during transport (and storage);
- fraud.

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 [1]
Property damage and business interruption losses	◻ Coverage: fully comprehensive (except for 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 book value plus a fixed margin (tailored to each company); ◽ business operating losses with a compensation period of between 12 and 36 months depending on the company. ◻ Limits on compensation: ◽ main compensation limit of €550 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.
General environmental liability	◻ Coverage for environmental damage of €25 million.
Product contamination	◻ Coverage for recall outlay, the cost of the relevant products, loss of business and outlay on rebuilding Pernod Ricard's image following contamination of products delivered that present a threat of harm to persons or property: coverage of up to €45 million per year.
Directors' civil liability	◻ Coverage of up to €150 million per year of insurance.
Transport	◻ Coverage of up to €25 million per claim.
Computer fraud / hacking	◻ Coverage of up to €35 million per year.
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.

(1) The figures shown are the main limits for the year ended 30 June 2014. Changes may have been negotiated for the 2014/2015 financial year. Some contracts provide specific limits for certain aspects of coverage.

Resources provided by the Group to manage the consequences of a claim, especially in the case of an industrial accident

If a claim were to be filed affecting Pernod Ricard or a Group company, especially in the case of an industrial accident, it would rely on its brokers and insurers and all service providers as required to ensure the effective management and resolution of the claim. All these players have the experience and means required for managing exceptional situations.

Risks and disputes: provisioning procedure

As part of its commercial activities, the Pernod Ricard group is involved in legal actions and subject to tax, customs and administrative audits. The Group only records provisions for risks and charges when it is likely that a current obligation stemming from a past event will require the payment of an amount that may have been underestimated. Provisions represent the best estimate of the amount of resources required to extinguish said obligation. Provisions accordingly involve an assessment by Group Management.

Significant contracts

Significant contracts not related to financing

Suntory

In 1988, Allied Domecq entered into a series of agreements with Suntory Ltd, one of Japan's leading producers and distributors of spirits. One of the provisions of these agreements concerned the creation of a joint venture company in Japan called Suntory Allied Ltd, in which 49.99% of the capital and voting rights are owned by Allied Domecq and 50.01% by Suntory Limited. Suntory Allied Ltd was granted the exclusive distribution rights for certain Allied Domecq brands in Japan until 31 March 2029.

The management of Suntory Allied Ltd is jointly controlled by Pernod Ricard, as successor-in-interest to Allied Domecq, and Suntory Ltd.

Sale and repurchase agreements

In relation to sale and repurchase agreements, in 2013/2014 Pernod Ricard resold 574,399 treasury shares which had been purchased to cover the 2010 stock option plans. For these transactions, the shares held to cover these plans were transferred to three banks, although Pernod Ricard reserved the right through a repurchase clause to "cancel" the sale of these shares during the exercise of options, at the option exercise price. From a legal point of view these transactions are viewed as sales carried out under a dissolving condition (exercise of the repurchase option): when the option is exercised, the initial sale is considered as never having taken place and it is deemed that the shares involved were the property of the assignor from the outset.

Financing contracts

Credit Agreement of November 2010

Pernod Ricard signed a Credit Agreement for €150 million with a banking institution, with effect from 26 November 2010, the amount of which was allocated in full to the reimbursement of the 2008 syndicated loan. This will be repaid on 26 November 2015 (15%) and 26 November 2016 (20%), with the remainder due on 26 November 2017. This Credit Agreement contains the customary representations, warranties and early repayment undertakings, as well as the usual restrictive covenants and commitments contained in such contracts. It also requires compliance with a solvency ratio at each half-year end – *i.e.* total consolidated net debt/consolidated EBITDA – being a more flexible indicator than the ratios applied to the syndicated loan.

2012 Credit Agreement (syndicated credit)

In relation to the refinancing of the 2008 bank debt, Pernod Ricard and a number of its affiliates signed a new, five-year €2.5 billion revolving credit facility (the "Credit Agreement") on 25 April 2012. The initial term of the Credit Agreement was extended by 18 months by an addendum dated 23 October 2013, with the effect of reducing its interest rate and extending its maturity.

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 *(sûreté réelle)*, 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 has to be 5.25:1 or less. At 30 June 2014, the Group was compliant with this solvency ratio (see "*Liquidity Risks*" in this Management Report).

The Credit Agreement incorporates the main terms of the 2008 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.

Bond issue of December 2006

On 6 December 2006, Pernod Ricard issued a series of floating-rate bonds which were fully repaid in June 2011 as well as fixed-rate bonds (hereafter the “Bonds”) traded on the Luxembourg regulated Stock Exchange.

The Bonds each had a nominal value of €50,000, with the total nominal value issued amounting to €550 million.

The Bonds bore interest at an annual fixed rate of 4.625%, payable annually in arrears on 6 December of each year.

The Bonds were repaid in full on 6 December 2013.

The proceeds of this bond issue were allocated to the repayment of the shortest-term facilities of the 2005 syndicated loan, itself refinanced by the 2008 syndicated loan.

Bond issue of June 2009

In mid-June 2009, Pernod Ricard issued €800 million of fixed-rate bonds, maturing on 15 January 2015. The Bonds have a nominal value of €50,000 and are traded on the Luxembourg regulated Stock Exchange.

The Bonds bear interest at an annual fixed rate of 7%, payable annually in arrears on 15 January.

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.

The proceeds of this bond issue were allocated to the repayment of the shortest-term facilities of the 2008 syndicated loan in order to extend the Group’s debt maturity.

This bond issue includes 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 in 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.

Bond issue of March 2010

In March 2010, Pernod Ricard issued €1.2 billion of fixed-rate bonds, maturing on 18 March 2016. The Bonds have a nominal value of €50,000 and are traded on the Luxembourg regulated Stock Exchange.

The Bonds bear interest at an annual fixed rate of 4.875%, payable annually in arrears on 18 March.

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.

The proceeds of this bond issue were allocated to the repayment of the shortest-term facilities of the 2008 syndicated loan.

This bond issue includes 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 in 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.

Bond issue of December 2010

At the end of December 2010, Pernod Ricard issued US$201 million of floating-rate bonds, maturing on 21 December 2015. The Bonds have a nominal value of US$1 million and were subscribed in full by a single counterparty.

The Bonds bear floating-rate interest, payable quarterly as from 21 March 2011.

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.

The proceeds of this bond issue were allocated to the repayment of the shortest-term facilities of the 2008 syndicated loan in order to extend the Group’s debt maturity.

This bond issue includes 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 in 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 upon the occurrence of certain customary events of default as well as at the request of the Company or the holder, as appropriate, in particular in certain cases of a change in the Company's situation or a change in taxation.

Bond issue of March 2011

In March 2011, Pernod Ricard issued €1 billion of fixed-rate bonds, maturing on 15 March 2017. The Bonds have a nominal value of €100,000 and are traded on the Luxembourg regulated Stock Exchange.

The Bonds bear interest at an annual fixed rate of 5%, payable annually in arrears on 15 March.

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.

The net proceeds of this bond issue were allocated to the repayment of the 2008 syndicated loan in order to extend the Group's debt maturity.

This bond issue includes 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 in 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.

Bond issue of April 2011

In April 2011, Pernod Ricard issued US$1 billion of fixed-rate bonds, maturing on 7 April 2021, through a private placement for institutional investors, and subject to New York State (United States) law. The Bonds have a nominal value of US$150,000 (with multiples of US$1,000 in excess of this amount).

The Bonds bear interest at an annual fixed rate of 5.75%, payable semi-annually in arrears on 7 April and 7 October as from 7 October 2011.

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.

The net proceeds of this bond issue were allocated to the repayment of part of the 2008 syndicated loan denominated in US dollars.

This bond issue includes 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 in 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.

Bond issue of October 2011

In October 2011, Pernod Ricard issued US$1.5 billion of fixed-rate bonds, maturing on 15 January 2022, through a private placement for institutional investors, and subject to New York State (United States) law. The Bonds have a nominal value of US$150,000 (with multiples of US$1,000 in excess of this amount).

The Bonds bear interest at an annual fixed rate of 4.45%, payable semi-annually in arrears on 15 January and 15 July as from 25 October 2011.

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.

The net proceeds of this bond issue were allocated to the repayment of part of the 2008 syndicated loan denominated in US dollars.

This bond issue includes 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 in 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.

Bond issue of January 2012

In January 2012, Pernod Ricard issued US$2.5 billion of bonds through a private placement for institutional investors, and subject to New York State (United States) law. The issue has three facilities: a 5-year facility of US$850 million, a 10.5-year facility of US$800 million and a 30-year facility of US$850 million. The Bonds have a nominal value of US$150,000 (with multiples of US$1,000 in excess of this amount).

The Bonds for the first facility bear interest at an annual fixed rate of 2.95%, payable semi-annually in arrears on 15 January and 15 July, as from 12 January 2012.

The Bonds for the second facility bear interest at an annual fixed rate of 4.25%, payable semi-annually in arrears on 15 January and 15 July, as from 12 January 2012.

The Bonds for the third facility bear interest at an annual fixed rate of 5.50%, payable semi-annually in arrears on 15 January and 15 July, as from 12 January 2012.

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.

The net proceeds of this bond issue were allocated to the repayment of part of the 2008 syndicated loan denominated in US dollars.

This bond issue includes 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 in 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.

Bond issue of March 2014

In March 2014, Pernod Ricard issued €850 million of fixed-rate bonds, maturing on 22 June 2020. The Bonds have a nominal value of €100,000 and are traded on the regulated Euronext Paris Stock Exchange.

The Bonds bear interest at an annual fixed rate of 2%, payable annually in arrears on 20 March.

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.

The net proceeds of this bond issue were allocated to the repayment of the bond debt in order to extend the Group's debt maturity.

This bond issue includes 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 in 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.

Allied Domecq Bond issue of 2002

On 10 June 2002, Allied Domecq Financial Services issued fixed-rate bonds, maturing on 12 June 2014, with a total nominal value of £250 million. The Bonds each had a nominal value of £1,000, £10,000 or £100,000 and were traded on the regulated London Stock Exchange. Allied Domecq Financial Service's payment obligations under the Bonds are guaranteed by Allied Domecq Limited (formerly Allied Domecq Plc) and, since 28 April 2006, by Pernod Ricard.

The Bonds bear interest at an annual fixed rate of 6.625%, payable annually in arrears on 12 June.

Factoring agreement Europe

On 15 December 2008, certain affiliates of Pernod Ricard and Pernod Ricard Finance signed a Factoring Framework Agreement with BNP Paribas Factor, to set up a pan-European factoring programme in the gross amount of €350 million, which was increased to €400 million by an addendum dated 23 June 2009. The factoring programme, which was initially for a three-year period, was extended by an addendum dated 16 December 2011 for a further three-year period and was then renewed by an addendum dated 25 June 2014 for a four-year period from 1 January 2015. The agreed total for this programme was €400 million, increasing to €450 million for the month of December 2014. The receivables are sold under the contractual subrogation regime under French law, except where certain local legal restrictions are in force. As substantially all of the risks and rewards related to the receivables are transferred to the purchaser in accordance with this factoring programme, transferred receivables are deconsolidated.

Securitisation (Master Receivables Assignment Agreement)

On 24 June 2009, certain affiliates of Pernod Ricard entered into an international securitisation programme arranged by Crédit Agricole CIB. The purpose of the programme was the transfer of eligible commercial receivables to Ester, in accordance with the provisions of a framework agreement dated 24 June 2009 and country-specific agreements entered into at the time that each relevant affiliate joined the programme. This programme was renewed on 19 June 2014 under the terms of an addendum to the framework agreement. The initial amount assigned to the programme was €45 million, US$130 million and £120 million.

This five-year programme includes a change of control clause that applies to each affiliate participating in the programme as a seller, which could lead to the early repayment of the programme by the affiliate concerned by such change of control. ‘Change of control’ is defined as Pernod Ricard ceasing to hold, directly or indirectly, at least 80% of the share capital or voting rights of an affiliate participating in the programme as a seller, unless (i) Pernod Ricard continues to hold, directly or indirectly, 50% of the share capital or voting rights of such affiliate and (ii) issues, at the request of Crédit Agricole CIB, a guarantee in terms that Crédit Agricole CIB deems satisfactory (acting reasonably) for the purpose of securing the obligations of such affiliate under the securitisation transaction documents.

Factoring agreement Pacific

On 18 March 2013, a new agreement for the sale of receivables was signed between Premium Wine Brands Pty [1], Pernod Ricard New Zealand Limited and the Royal Bank of Scotland plc. This factoring agreement covers Australia and New Zealand.

Additional information on the impact of these financing agreements on the Group’s financial statements is disclosed in Note 4.8.1 – *Breakdown of net financial debt by type and maturity* and Note 4.8.7 – *Bonds* of the Notes to the consolidated financial statements.

(1) Renamed Pernod Ricard Winemakers Pty.

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Annual consolidated income statement

In millions of euros	30.06.2013 [1]	30.06.2014	Notes
Net sales	8,575	7,945	
Cost of sales	(3,224)	(2,958)	
Gross margin after logistics expenses	**5,351**	**4,987**	
Advertising and promotion expenses	(1,644)	(1,503)	
Contribution after advertising & promotion expenses	**3,707**	**3,484**	
Structure costs	(1,476)	(1,428)	
Profit from recurring operations	**2,231**	**2,056**	
Other operating income	101	60	3.2
Other operating expenses	(214)	(300)	3.2
Operating profit	**2,119**	**1,817**	
Financial expenses	(579)	(561)	3.1
Financial income	25	76	3.1
Interest (expense) income	**(554)**	**(485)**	
Corporate income tax	(374)	(305)	3.3
Share of net profit/(loss) of associates	1	0	
Net profit from continuing operations	**1,191**	**1,027**	
Net profit from discontinued operations	-	-	
NET PROFIT	**1,191**	**1,027**	
Including:			
▫ attributable to non-controlling interests	19	11	
▫ attributable to equity holders of the Parent	1,172	1,016	
Earnings per share – basic *(in euros)*	4.45	3.86	3.4
Earnings per share – diluted *(in euros)*	4.40	3.82	3.4
Net earnings per share from continuing operations (excluding discontinued operations) – basic *(in euros)*	4.45	3.86	3.4
Net earnings per share from continuing operations (excluding discontinued operations) – diluted *(in euros)*	4.40	3.82	3.4

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for financial year 2012/2013 have been restated: see Note 8.

Consolidated statement of comprehensive income

In millions of euros	30.06.2013 [1]	30.06.2014
Net profit for the financial year	**1,191**	**1,027**
Non-recyclable items		
Actuarial gains (losses) related to the defined benefit plan	**93**	**(96)**
Amount recognised in shareholders' equity	*125*	*(115)*
Tax impact	*(33)*	*19*
Recyclable items		
Net investment hedges	**72**	**104**
Amount recognised in shareholders' equity	*72*	*104*
Tax impact	*-*	*-*
Cash flow hedges	**79**	**25**
Amount recognised in shareholders' equity	*125*	*39*
Tax impact	*(47)*	*(14)*
Available-for-sale assets	**-**	**(1)**
Unrealised gains and losses recognised in shareholders' equity	*-*	*(1)*
Tax impact	*-*	*0*
Translation differences	**(585)**	**(28)**
Items reclassified to profit and loss		
Cash flow hedges	**(6)**	**(3)**
Amount recycled in net profit	*(12)*	*(7)*
Tax impact	*6*	*4*
Available-for-sale assets	**-**	**-**
Reclassified from equity to profit and loss following a disposal	*-*	*-*
Tax impact	*-*	*-*
Other comprehensive income, net of tax	**(349)**	**2**
Comprehensive income for the period	**843**	**1,028**
Including:		
◻ attributable to equity holders of the Parent	830	1,022
◻ attributable to non-controlling interests	13	6

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for financial year 2012/2013 have been restated: see Note 8.

Annual consolidated balance sheet

Assets

In millions of euros	30.06.2013 [1]	30.06.2014	Notes
Net amounts			
Non-current assets			
Intangible assets	11,780	11,542	4.1
Goodwill	4,973	4,907	4.1
Property, plant and equipment	1,942	2,016	4.2
Biological assets	133	150	
Non-current financial assets	357	349	4.3
Investments in associates	16	15	
Non-current derivative instruments	59	63	4.10
Deferred tax assets	1,771	1,926	3.3
NON-CURRENT ASSETS	**21,030**	**20,968**	
Current assets			
Inventories and work in progress	4,484	4,861	4.4
Trade receivables	1,159	1,051	4.5
Income taxes receivable	27	37	
Other current assets	209	194	4.6
Current derivative instruments	23	26	4.10
Cash and cash equivalents	597	477	4.8
CURRENT ASSETS	**6,499**	**6,646**	
Assets held for sale	8	2	
TOTAL ASSETS	**27,537**	**27,616**	

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for financial year 2012/2013 have been restated: see Note 8.

Liabilities and shareholders' equity

In millions of euros	30.06.2013 [1]	30.06.2014	Notes
Shareholders' equity			
Share capital	411	411	6.1
Share premium	3,052	3,052	
Retained earnings and currency translation adjustments	6,379	7,142	
Group net profit	1,172	1,016	
Group shareholders' equity	**11,014**	**11,621**	
Non-controlling interests	165	157	
TOTAL SHAREHOLDERS' EQUITY	**11,179**	**11,778**	
Non-current liabilities			
Non-current provisions	587	564	4.7
Provisions for pensions and other long-term employee benefits	565	569	4.7
Deferred tax liabilities	2,924	3,041	3.3
Bonds – non-current	6,949	6,844	4.8
Non-current derivative instruments	152	85	4.10
Other non-current financial liabilities	763	830	4.8
TOTAL NON-CURRENT LIABILITIES	**11,940**	**11,933**	
Current liabilities			
Current provisions	163	251	4.7
Trade payables	1,546	1,463	
Income tax payable	127	56	
Other current liabilities	924	887	4.11
Other current financial liabilities	567	290	4.8
Bonds – current	1,001	929	4.8
Current derivative instruments	89	29	4.10
TOTAL CURRENT LIABILITIES	**4,418**	**3,905**	
Liabilities related to assets held for sale	0	0	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**27,537**	**27,616**	

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for financial year 2012/2013 have been restated: see Note 8.

Changes in shareholders' equity

In millions of euros	Share capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Currency translation adjustments	Treasury shares	Equity attributable to equity holders of the Parent	Non-controlling interests	Total shareholders' equity
At 30.06.2012	**411**	**3,049**	**7,604**	**-**	**(167)**	**160**	**(254)**	**10,803**	**169**	**10,972**
Restatement for amended IAS 19	-	-	-	(251)	-	-	-	(251)	(3)	(254)
At 01.07.2012 – restated	**411**	**3,049**	**7,604**	**(251)**	**(167)**	**160**	**(254)**	**10,553**	**166**	**10,719**
Comprehensive income for the period	-	-	1,172	93	72	(507)	-	830	13	843
Capital increase	0	3	-	-	-	-	-	3	-	3
Share-based payment	-	-	39	-	-	-	-	39	-	39
(Disposal)/acquisition of treasury shares	-	-	-	-	-	-	19	19	-	19
Sale and repurchase agreements	-	-	-	-	-	-	1	1	-	1
Dividends distributed	-	-	(435)	-	-	-	-	(435)	(14)	(449)
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	4	-	-	-	-	4	0	4
AT 30.06.2013 – RESTATED	**411**	**3,052**	**8,384**	**(158)**	**(95)**	**(347)**	**(234)**	**11,014**	**165**	**11,179**

In millions of euros	Share capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Currency translation adjustments	Treasury shares	Equity attributable to equity holders of the Parent	Non-controlling interests	Total shareholders' equity
At 01.07.2013 – restated	**411**	**3,052**	**8,384**	**(158)**	**(95)**	**(347)**	**(234)**	**11,014**	**165**	**11,179**
Comprehensive income for the period	-	-	1,016	(97)	21	82	-	1,022	6	1,028
Capital increase	-	-	-	-	-	-	-	-	(2)	(2)
Share-based payment	-	-	38	-	-	-	-	38	-	38
(Disposal)/acquisition of treasury shares	-	-	-	-	-	-	(7)	(7)	-	(7)
Sale and repurchase agreements	-	-	-	-	-	-	(6)	(6)	-	(6)
Dividends distributed	-	-	(440)	-	-	-	-	(440)	(12)	(452)
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	(0)	-	-	-	-	(0)	0	(0)
AT 30.06.2014	**411**	**3,052**	**8,998**	**(255)**	**(74)**	**(265)**	**(247)**	**11,621**	**157**	**11,778**

Annual consolidated cash flow statement

In millions of euros	30.06.2013 [(1)]	30.06.2014	Notes
Cash flow from operating activities			
Group net profit	1,172	1,016	
Non-controlling interests	19	11	
Share of net profit/(loss) of associates, net of dividends received	(1)	(0)	
Financial (income)/expense	554	485	
Tax (income)/expense	374	305	
Net profit from discontinued operations	-	-	
Depreciation of fixed assets	185	203	
Net change in provisions	(85)	(20)	
Net change in impairment of goodwill, property, plant and equipment and intangible assets	68	64	
Changes in fair value of commercial derivatives	4	(3)	
Fair value adjustments on biological assets	(22)	(6)	
Net (gain)/loss on disposal of assets	(65)	(4)	
Share-based payment	38	38	
Self-financing capacity before interest and tax	**2,243**	**2,089**	
Decrease/(increase) in working capital needs	(255)	(308)	5
Interest paid	(536)	(504)	
Interest received	17	76	
Tax expense	(406)	(413)	
Tax income	22	0	
CASH FLOW FROM OPERATING ACTIVITIES	**1,085**	**940**	
Cash flow from investing activities			
Capital expenditure	(304)	(273)	5
Proceeds from disposals of property, plant and equipment and intangible assets	50	20	5
Change in the scope of consolidation	0	-	
Purchases of financial assets	(53)	(79)	
Disposals of financial assets	116	21	
CASH FLOW FROM INVESTING ACTIVITIES	**(191)**	**(311)**	
Cash flow from financing activities			
Dividends paid	(435)	(448)	
Other changes in shareholders' equity	3	-	
Issuance of long-term debt	1,176	3,292	5
Repayment of long-term debt	(1,973)	(3,460)	5
(Acquisitions)/disposals of treasury shares	21	(16)	
Other transactions with non-controlling interests	-	-	
CASH FLOW FROM FINANCING ACTIVITIES	**(1,208)**	**(632)**	
Cash flow from non-current assets held for sale	(0)	-	
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (BEFORE FOREIGN CURRENCY TRANSLATION ADJUSTMENTS)	**(315)**	**(3)**	
Foreign currency translation adjustments	125	(117)	
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (AFTER FOREIGN CURRENCY TRANSLATION ADJUSTMENTS)	**(190)**	**(120)**	
CASH AND CASH EQUIVALENTS AT START OF PERIOD	**787**	**597**	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**597**	**477**	

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for financial year 2012/2013 have been restated: see Note 8.

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Pernod Ricard SA is a French public limited company *(Société Anonyme)*, subject to all laws governing commercial companies in France, and particularly to the provisions of the French Commercial Code. The Company is headquartered at 12 place des États-Unis, 75016 Paris, France and is listed on the NYSE Euronext Stock Exchange. The consolidated financial statements reflect the accounting position of Pernod Ricard and its affiliates (the "Group"). They are presented in euros rounded to the nearest million.

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

The annual consolidated financial statements for the financial year ended 30 June 2014 were approved by the Board of Directors on 27 August 2014.

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 (EC), and in accordance with EC Regulation 1606/2002, the Group's consolidated financial statements for the financial year ending 30 June 2014 have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union. These standards include the standards approved by the International Accounting Standards Board (IASB), these being IFRS, IAS (International Accounting Standards) and their interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or its predecessor, the Standing

Interpretations Committee (SIC). The accounting principles used to prepare the consolidated financial statements at 30 June 2014 are consistent with those used for the consolidated financial statements at 30 June 2013, with the exception of standards and interpretations adopted by the European Union applicable to the Group from 1 July 2013 (see Note 1.1.2.).

IFRS standards and interpretations as adopted by the European Union are available on the website: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

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

2. Changes in accounting standards

Standards, amendments and interpretations for which application is mandatory from 1 July 2013

The new standards, amendments and interpretations applicable to the Pernod Ricard group from 1 July 2013 are:

- amendments to IAS 19 (Employee Benefits), published by the IASB on 16 June 2011, adopted by the EU on 5 June 2012, and published in the Official Journal of the EU on 6 June 2012. These amendments are mandatory for the Group from 1 July 2013, with retroactive effect from 1 July 2012. The main effects for Pernod Ricard are:
  - elimination of the corridor method in respect of the recognition in profit and loss of the amortisation of actuarial gains and losses on defined benefits plans: accordingly, actuarial gains and losses not yet recognised at 30 June 2012 were recorded in shareholders' equity at 1 July 2012,
  - in addition, actuarial gains and losses generated after 1 July 2012 are recognised immediately in other comprehensive income and will never be recycled to profit and loss. As a result, the consolidated financial statements for 2012/2013 have been restated for the elimination from Other operating income and expenses of the amortisation of actuarial gains and losses, and for the recognition of actuarial gains and losses generated in 2012/2013 in other non-recyclable comprehensive income,
  - past service costs resulting from the modification or reduction of a defined-benefit plan occurring on or after 1 July 2012 are fully recognised in profit and loss, under Other operating income and expenses, with the share of obligations not yet vested no longer being amortised over the vesting period. Therefore, past service costs not yet recognised at 30 June 2012 were recorded against consolidated equity at 1 July 2012, and the consolidated financial statements for the 2012/2013 were adjusted for the elimination of the amortisation of past service costs from Other operating income and expense,
  - the expected return on pension plan assets is measured using the same discount rate as for plan liabilities.

  The retroactive application of the amendments to IAS 19 (Employee Benefits) resulted in the restatement of the consolidated financial statements for 2012/2013 for comparison purposes. Detailed impacts related to these amendments are presented in Note 8;
- IFRS 13, which sets out the rules for fair value measurement and disclosures of methodology to be included in Notes to financial statements when fair value measurements are used. The application of this interpretation has no significant impact on the consolidated financial statements. See Note 4.9;
- amendment to IFRS 7 (Offsetting Financial Assets and Financial Liabilities), which requires new disclosures in Notes to financial statements to help users of financial statements assess the current or potential impact of netting agreements on the financial position. The effects of the application of this amendment are presented in Note 4.8.

Standards, amendments and interpretations for which application is mandatory after 1 July 2014

Standards, amendments and interpretations that will apply to Pernod Ricard from 1 July 2014 or later, the effects of which are being analysed, were not applied prospectively in the 2013/2014 financial year. These are namely:

- the amendment to IAS 32 (Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities), which clarifies the concept of "legal right to offset". Impacts are expected on transactions carried out *via* clearing houses. The effects of the application of this amendment are being analysed;
- interpretation of IFRIC 21 (Levies). The effects of the application of this interpretation are being analysed.

The standards applicable to Pernod Ricard from 1 July 2014 or later, which will not have a significant impact on the Group's financial statements, are:

- revisions to IFRS 10, IFRS 11 and IFRS 12 on consolidation, which redefine the concept of the control exercised over an entity, remove the possibility of using proportional consolidation to consolidate jointly-controlled entities, with only the equity method permitted, and supplement the disclosures required in the Notes to the financial statements. The application of these standards is not expected to have a significant impact on the financial statements;
- revision of IAS 27 (Separate Financial Statements);
- revision of IAS 28 (Investments in Associates and Joint Ventures).

The annual consolidated financial statements do not take into account:

- draft standards and interpretations which still have the status of exposure drafts of the IASB and the IFRIC at the balance sheet date;
- new standards, amendments to existing standards and interpretations published by the IASB but not yet approved by the European Accounting Regulatory Committee in the annual consolidated financial statements at the balance sheet date.

3. Consolidation scope and methods

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

the date of the original business combination and non controlling 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.

4. 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 for by IFRS.

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

Estimates

The preparation of consolidated financial statements in accordance with IFRS requires that Group Management makes a certain number of estimates and assumptions which have an impact on the amount of the Group's assets, liabilities, shareholders' equity, and items of profit and loss during the financial year. These estimates are made on the assumption 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 outcomes can differ from these estimates.

Goodwill and intangible assets

As indicated in Note 1.1.7, in addition to annual impairment tests applied to goodwill and intangible assets with indefinite useful lives (such as brands), specific impairment tests are applied where there is an indication that the value of an intangible asset may have been impaired. Any impairment loss recognised is calculated using discounted future cash flows and/or the market values of the assets in question. These calculations require the use of assumptions regarding market conditions and any changes in these assumptions may thus lead to outcomes different from those initially estimated.

Provisions for pensions and other post-employment benefits

As indicated in Note 1.1.18, 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.

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

These assumptions are generally updated annually. Assumptions used in the preparation of the financial statements for the year ended 30 June 2014 and their methods of determination are set out in Note 4.7. 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 1.1.21, the deferred tax assets recognised result mainly from tax loss carryforwards and from temporary differences between the tax base and carrying amount 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, 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 advisors). 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.

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.

6. Business combinations

Business combinations carried out before 1 July 2009 were recognised using the accounting standards in force at 30 June 2009. Business combinations after 1 July 2009 are measured and 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 expenses as incurred.

Any surplus consideration in excess of the Group's share in the fair value of the acquired company's identifiable assets and liabilities is recognised as goodwill. The option is available for each transaction to apply either proportionate or full goodwill methods. Goodwill arising on the acquisition of foreign entities is denominated in the functional currency of the business acquired. Goodwill is not amortised. Instead, it is subject to an impairment

test once a year or more often if there is any indication that its value may have been impaired.

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

7. Goodwill and intangible assets

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. The methods and assumptions used for impairment tests in respect of these asset groupings are set out in Note 1.1.9. If impairment is identified, an impairment loss is recognised in profit and loss for the financial year.

Intangible assets

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 carrying amount. Amortisation of intangible assets is recognised within operating profit in the income statement.

Brands recognised in the context of business combinations

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.

8. Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost and broken down by component. Depreciation is calculated on a straight-line basis or, in certain cases, using the diminishing balance method over the estimated useful life of the assets. Useful life is reviewed regularly. Items of property, plant and equipment are written down when impaired, *i.e.*, when their recoverable amount falls below their 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

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

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

9. Impairment of non-current assets

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

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

When the recoverable amount of a CGU is less than its 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. Projected cash flows are discounted to present based on annual budgets and multi-year strategies, extrapolated into subsequent years by gradually increasing 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 spending are determined by the Management based on previous results and long-term development trends in the markets concerned. The present values of discounted cash flows are sensitive to these assumptions as well as to consumer fashions and economic factors.

Fair value is based either on the sale price, net of selling costs, obtaining under normal market conditions or earnings multiples observed in recent transactions concerning similar 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 sales and of terminal values are reasonable and in accordance 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.

10. Foreign currency translation

10.1. 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.

10.2. 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 certain entities, a functional currency 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.

10.3. Translation of transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rate applying 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 balance sheet 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. These latter differences are recognised directly in 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 interest (expense) income or in shareholders' equity.

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

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

11. Research and Development costs

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 prescribed by the standard.

12. Assets held for sale and discontinued operations

In accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), where they are significant, assets and liabilities held for sale are not subject to depreciation or amortisation. They are shown separately in the balance sheet at the lower of carrying amount or 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 captions in the consolidated financial statements. Income statement items related to discontinued operations and assets held for sale are separately presented in the financial statements for all periods reported upon if they are important from a Group perspective.

13. Inventories

Inventories are measured at the lowest of either cost (acquisition cost and cost of production, including indirect production overheads) or net realisable value. Net realisable value is the selling price less the estimated costs of completion and sale of inventories. Most inventories are valued using the weighted average cost method. The cost of long-cycle inventories is calculated 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.

14. Agriculture

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

15. Financial liabilities and derivative instruments

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

15.1. Derivative instruments

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

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

15.2. Financial liabilities

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.

16. Financial assets

Financial assets are recognised on the transaction date.

16.1. Available-for-sale financial assets

These include the Group's investments in non-consolidated companies and in securities which do not satisfy the criteria for classification as short-term investments included in cash equivalents. On initial recognition, these assets are measured at 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. Unlisted available-for-sale financial assets are generally measured using the following criteria: the proportion of shareholders' equity held and expected future profitability.

16.2. Investment-related loans and receivables

This category mainly includes receivables related to investments, current account advances granted to non-consolidated entities or associates and guarantee deposits. They are measured at amortised cost.

16.3. Trade receivables

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

16.4. Cash and cash equivalents

In accordance with IAS 7 (Cash flow statements), cash and cash equivalents presented in assets and liabilities in the balance sheet and shown in the statement of cash flows 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.

17. 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.

18. Provisions

18.1. Nature of provisioned liabilities

In accordance with IAS 37 (Provisions, contingent liabilities and contingent assets), provisions 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 occurrence of the outflow of resources is not probable or where the amount cannot be reliably estimated, a contingent liability is disclosed among the Group's commitments. The amounts provided are measured taking account of the most probable assumptions or using statistical methods, depending on the nature of the obligations. Provisions notably include:

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

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

18.2. Provisions for restructuring

The cost of restructuring measures is fully provisioned in the financial year, and is recognised in profit and loss under Other income and expenses, when it is material and results from a Group obligation to third parties arising from a decision taken by the competent corporate body that has been announced to the third parties concerned before the balance sheet 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 forecasted 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.

18.3. Provisions for pensions and other long-term employee 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 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, discount rate, expected return on plan assets) and assumptions concerning employees (mainly: average salary increase, rate of employee turnover, life expectancy). The assumptions used in 2012/2013 and 2013/2014 and how they were determined are described in Note 4.7. 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 income. 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 comprises the impact of discounting the liabilities, net of the expected return on plan assets, measured using the same discount rate as that used to measure the liabilities;
- revaluations of liabilities (assets) are recognised as non-recyclable items of comprehensive income, and consist mainly of actuarial differences, namely the change in plan obligations and assets due to changes in assumptions and to experience gains or losses, the latter representing the difference between the expected impact of some actuarial assumptions applied to previous valuations and the actual impact. If the plan assets exceed recognised obligations, a financial asset is generated equal to the present value of future refunds and expected reductions in future contributions.

19. Net sales

Revenue is measured at the fair value of the consideration received or to be received, after deducting trade discounts, volume rebates 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 ownership title.

19.1. Cost of services rendered in connection with sales

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

19.2. 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).

19.3. Discounts

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

20. Gross margin after logistics costs, contribution after advertising & promotion expenses, profit from recurring operations and other income and expenses

Gross margin after logistics costs refers to sales (excluding duties and taxes), less cost of sales and logistics costs. The contribution after advertising and promotional expenses is the gross margin after deducting logistics, advertising and promotional costs. 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 promotional expenses less trading costs and overheads. This is the indicator used internally to measure the Group's operational performance. It excludes other income and expenses, such as those relating to restructuring and integration, capital gains and losses on disposals and other non-recurring income and 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 3.2.

21. Deferred tax

Deferred tax is recognised on temporary differences between the tax and book value 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. In order to evaluate the Group's ability to recover these assets, account is notably 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 net interest income, 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.

22. Share-based payment

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

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

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

23. 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 and 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.

Note 1.2 - Significant events during the financial year

1. Bond issues

On 13 March 2014, Pernod Ricard SA issued bonds for a total amount of €850 million with the following characteristics: remaining period to maturity of six years (maturity date: 22 June 2020) and bearing fixed-rate interest of 2%.

2. Acquisition

On 24 April 2014, the Group announced the agreement between its affiliate Pernod Ricard USA and F. Korbel & Bros. to acquire Kenwood Vineyards, located in California's Sonoma Valley. Kenwood produces a range of premium wines under the Sonoma appellation, mainly distributed in the United States and Canada.

This acquisition reflects Pernod Ricard's confidence in the growth potential of its wine portfolio and its ambitions in the United States, the Group's largest market.

3. Efficiency project

This year, the Group launched the Allegro project, a programme to boost operational efficiency based on three objectives: prioritisation, simplification and mutualisation. This project covers all affiliates as well as the Group's support functions. It is expected to generate annual structural cost savings of around €150 million over three years. It entails restructuring costs, which began to be incurred during the current financial year.

NOTE 2 Segment reporting

The Group is focused on a single activity: Wines and Spirits sales, and is organised into three operating segments covering the regions of Europe, the Americas and Asia/Rest of World.

Group Management assesses the performance of each operating segment on the basis of sales and its contribution after advertising & promotion expenses, defined as the gross margin after logistics, advertising, promotional and structure costs. The segments presented are identical to those used in reporting to General Management.

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 30.06.2013 (1) *(in millions of euros)*	Europe (2)	Americas	Asia - Rest of World	Elimination of intragroup accounts	Unallocated	Total
Income statement items						
Segment net sales	4,157	3,195	4,928	-	-	12,281
Intersegment sales	1,330	879	1,497	-	-	3,706
Net sales	**2,827**	**2,316**	**3,431**	**-**	**-**	**8,575**
Gross margin after logistics expenses	1,741	1,490	2,120	-	-	5,351
Contribution after advertising & promotion expenses	1,213	1,036	1,457	-	-	3,707
Profit from recurring operations	607	607	1,016	-	-	2,231
Other information						
Current investments	222	42	45	-	-	308
Depreciation, amortisation and impairment	125	32	102	-	-	259
Balance sheet items						
Segment assets	24,899	12,014	10,639	-	-	47,551
Unallocated assets*	-	-	-	(20,023)	9	(20,014)
TOTAL ASSETS	**24,899**	**12,014**	**10,639**	**(20,023)**	**9**	**27,537**
Segment liabilities	25,270	4,569	6,533	(20,023)	9	16,358
NET ASSETS	**(371)**	**7,444**	**4,106**	**-**	**-**	**11,179**

* *The unallocated assets item includes mainly non-current financial assets and assets and liabilities held for sale.*

(1) *As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for financial year 2012/2013 have been restated: see Note 8.*

(2) *France is now integrated into the Europe operating segment.*

At 30.06.2014 *(in millions of euros)*	Europe	Americas	Asia - Rest of World	Elimination of intragroup accounts	Unallocated	Total
Income statement items						
Segment net sales	4,158	2,978	4,256	-	-	11,392
Intersegment sales	1,386	836	1,225	-	-	3,447
Net sales	**2,773**	**2,142**	**3,031**	**-**	**-**	**7,945**
Gross margin after logistics expenses	1,745	1,394	1,848	-	-	4,987
Contribution after advertising & promotion expenses	1,204	982	1,298	-	-	3,484
Profit from recurring operations	593	579	884	-	-	2,056
Other information						
Current investments	200	32	34	-	-	266
Depreciation, amortisation and impairment	127	47	190	-	-	365
Balance sheet items						
Segment assets	12,058	17,927	8,881	-	-	38,866
Unallocated assets*	0	0	0	(11,252)	3	(11,250)
TOTAL ASSETS	**12,058**	**17,927**	**8,881**	**(11,252)**	**3**	**27,616**
Segment liabilities	11,621	10,864	4,603	(11,252)	3	15,838
NET ASSETS	**437**	**7,062**	**4,279**	**-**	**-**	**11,778**

* *The unallocated assets item includes mainly non-current financial assets and assets and liabilities held for sale.*

Breakdown of sales

In millions of euros	Net sales at 30.06.2013	Net sales at 30.06.2014
Top 14 Spirits & Champagne	5,312	4,960
Priority Premium Wines	449	418
18 Key Local Brands	1,504	1,423
Other income	1,310	1,145
TOTAL	**8,575**	**7,945**

NOTE 3 Notes on the income statement

Note 3.1 - Financial income (expense)

In millions of euros	30.06.2013 [1]	30.06.2014
Interest expense on net financial debt	(535)	(499)
Interest income on net financial debt	17	76
Net financing costs	**(518)**	**(423)**
Structuring and placement fees	(4)	(3)
Net financial impact of pensions and other long-term employee benefits	(26)	(17)
Other net current financial income (expense)	5	(1)
Interest (expense) income from recurring operations	**(542)**	**(444)**
Foreign currency gains (loss)	(15)	(41)
Other non-current financial income (expense)	3	-
TOTAL INTEREST (EXPENSE) INCOME	**(554)**	**(485)**

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for financial year 2012/2013 have been restated: see Note 8.

At 30 June 2014, the main items making up net financing costs were financial expenses on the syndicated loan of €12 million, bond payments of €381 million, commercial paper payments of €1 million, interest rate and currency hedges of €6 million, factoring and securitisation agreements for €13 million and other expenses of €10 million.

Weighted average cost of debt

The Group's weighted average cost of debt was 4.6% at 30 June 2014, compared to 5.3% at 30 June 2013. Weighted average cost of debt is defined as net financing costs plus structuring and placement fees as a proportion of average net debt outstanding and the average amount outstanding on factoring and securitisation programmes.

Note 3.2 - Other operating income and expenses

Other operating income and expenses are broken down as follows:

In millions of euros	30.06.2013 [1]	30.06.2014
Restructuring expenses	(46)	(122)
Capital gains (losses) on asset disposals	65	4
Impairment of property, plant and equipment and intangible assets	(68)	(64)
Other non-current operating expenses	(99)	(114)
Other non-current operating income	37	57
OTHER OPERATING INCOME AND EXPENSES	**(112)**	**(240)**

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for financial year 2012/2013 have been restated: see Note 8.

At 30 June 2014, other operating income and expenses included:

- restructuring charges mainly linked to the Allegro efficiency project;
- impairment of tangible and intangible assets arising mainly from brand impairment tests, including on Kahlúa for €120 million, as well as on Lamb's Navy Rum, Hiram Walker and some Mexican brands. In addition, a €100 million impairment charge was reversed on Spanish wine brands;
- other operating expenses relating to various non-current provisions for risks and charges, mainly associated with tax risks;
- other operating income linked primarily to various provisions for risks and charges.

Note 3.3 - Income tax

Analysis of income tax expense

In millions of euros	30.06.2013 (1)	30.06.2014
Tax payable	(386)	(337)
Deferred tax	12	32
TOTAL	(374)	(305)

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for the year 2012/2013 have been restated as shown below: see Note 8.

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

In millions of euros	30.06.2013 (1)	30.06.2014
Operating profit	2,119	1,817
Interest (expense) income	(554)	(485)
Taxable profit	**1,564**	**1,332**
Theoretical tax charge at the effective income tax rate in France (38%)	(594)	(506)
Impact of tax rate differences by jurisdiction	265	182
Tax impact of variations in exchange rates	12	12
Re-estimation of deferred tax assets linked to rate changes and other	44	82
Impact of tax losses used/not used	(1)	(0)
Impact of differences between the carrying amounts and tax bases of assets sold	7	-
Impact of reduced tax rates	9	5
Withholding tax	(29)	(26)
Other impacts	(88)	(53)
EFFECTIVE TAX CHARGE	(374)	(305)
EFFECTIVE TAX RATE	24%	23%

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for financial year 2012/2013 have been restated: see Note 8.

Deferred taxes are broken down by nature as follows:

In millions of euros	30.06.2013 (1)	30.06.2014
Unrealised margins in inventories	90	83
Fair value adjustments on assets and liabilities resulting from business combinations	24	22
Provisions for pension benefits	157	138
Deferred tax assets related to losses eligible for carryforward	891	931
Provisions (other than provisions for pension benefits) and other items	610	751
TOTAL DEFERRED TAX ASSETS	1,771	1,926
Special depreciation change	60	55
Fair value adjustments on assets and liabilities resulting from business combinations	2,494	2,492
Other	370	495
TOTAL DEFERRED TAX LIABILITIES	2,924	3,041

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for financial year 2012/2013 have been restated: see Note 8.

Breakdown of tax allocated to other comprehensive income

In millions of euros	30.06.2013 [1] Before tax	30.06.2013 [1] Tax	30.06.2013 [1] After tax	30.06.2014 Before tax	30.06.2014 Tax	30.06.2014 After tax
Actuarial gains and losses	125	(33)	**93**	(115)	19	**(96)**
Net investment hedge	72	-	**72**	104	-	**104**
Cash flow hedges	113	(40)	**72**	32	(10)	**23**
Assets held for sale	-	-	**-**	(1)	0	**(1)**
Translation differences	(585)	-	**(585)**	(28)	-	**(28)**
Other comprehensive income for the period	**(275)**	**(73)**	**(349)**	**(7)**	**9**	**2**

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: See Note 1.1. As a result the financial statements for the year 2012/2013 have been restated as shown below: see Note 8.

Tax losses carryforwards (used or unused) represented a potential tax saving of €1,006 million at 30 June 2014 and €966 million at 30 June 2013. The potential tax savings at 30 June 2014 and 30 June 2013 relate to tax loss carryforwards with the following expiry dates:

2012/2013 financial year

Years	Tax effect of loss carryforwards *(in millions of euros)* Losses used	Losses unused
2013	2	0
2014	-	1
2015	-	2
2016	0	2
2017 and after	499	31
No expiry date	389	39
TOTAL	**891**	**75**

2013/2014 financial year

Years	Tax effect of loss carryforwards *(in millions of euros)* Losses used	Losses unused
2014	3	0
2015	-	2
2016	1	0
2017	0	-
2018 and after	576	36
No expiry date	351	37
TOTAL	**931**	**76**

Note 3.4 - Earnings per share

Earnings per share and net earnings per share from continuing operations:

	30.06.2013 [(1)]	30.06.2014
Numerator *(in millions of euros)*		
Group net profit	1,172	1,016
Group net profit from continuing operations	1,172	1,016
Denominator *(in number of shares)*		
Average number of outstanding shares	263,389,515	263,314,457
Dilutive effect of bonus share allocations	1,136,855	1,200,533
Dilutive effect of stock options and subscription options	1,826,516	1,301,397
Average number of outstanding shares – diluted	**266,352,885**	**265,816,388**
Earnings per share *(in euros)*		
Earnings per share – basic	4.45	3.86
Earnings per share – diluted	4.40	3.82
Net earnings per share from continuing operations (excluding discontinued operations) – basic	4.45	3.86
Net earnings per share from continuing operations (excluding discontinued operations) – diluted	4.40	3.82

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for financial year 2012/2013 have been restated: see Note 8.

Note 3.5 - Expenses by type

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

In millions of euros	30.06.2013	30.06.2014
Total depreciation, amortisation and impairment expenses	**(259)**	**(365)**
Salaries and payroll costs	(1,166)	(1,126)
Pensions, medical expenses and other similar benefits under defined benefit plans	(46)	(45)
Expenses related to stock options and share appreciation rights	(37)	(37)
Total personnel expenses	**(1,249)**	**(1,208)**

NOTE 4 Notes on the balance sheet

Note 4.1 - Intangible assets and goodwill

		Movements in the year					
In millions of euros	30.06.2012	Acquisitions	Provisions	Disposals	Foreign currency gains and losses	Other movements	30.06.2013
Goodwill	5,276	-	-	(10)	(158)	7	5,114
Brands	12,451	0	-	(0)	(417)	(0)	12,034
Other intangible assets	253	35	-	(7)	(11)	17	287
GROSS VALUE	**17,979**	**35**	**-**	**(17)**	**(586)**	**23**	**17,435**
Goodwill	(150)	-	-	-	3	5	(142)
Brands	(317)	-	(64)	-	12	(0)	(369)
Other intangible assets	(153)	-	(29)	5	6	(1)	(171)
AMORTISATION/IMPAIRMENT	**(619)**	**-**	**(93)**	**5**	**21**	**4**	**(682)**
INTANGIBLE ASSETS, NET	**17,360**	**35**	**(93)**	**(12)**	**(565)**	**28**	**16,753**

		Movements in the year					
In millions of euros	30.06.2013	Acquisitions	Provisions	Disposals	Foreign currency gains and losses	Other movements	30.06.2014
Goodwill	5,114	1	-	-	(72)	4	5,047
Brands	12,034	8	-	-	(177)	0	11,865
Other intangible assets	287	22	-	(5)	(4)	(2)	298
GROSS VALUE	**17,435**	**31**	**-**	**(5)**	**(253)**	**3**	**17,210**
Goodwill	(142)	-	-	-	2	0	(140)
Brands	(369)	-	(160)	-	(2)	100	(431)
Other intangible assets	(171)	-	(31)	5	1	7	(189)
AMORTISATION/IMPAIRMENT	**(682)**	**-**	**(191)**	**5**	**1**	**107**	**(761)**
INTANGIBLE ASSETS, NET	**16,753**	**31**	**(191)**	**(1)**	**(253)**	**110**	**16,449**

Goodwill

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

Brands

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 V&S.

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 test applied to cash generating units (CGUs) are as follows:

In millions of euros	Method used to determine the recoverable amount	Carrying amount of goodwill at 30.06.2014	Net carrying amount of brands at 30.06.2014	Value in use		
				Discount rate 2013	Discount rate 2014	Perpetual growth rate
Europe	Value in use based on the discounted cash flow method	1,796	4,186	6.78%	6.93%	From -1% to +2.5%
Americas		2,248	5,791	7.02%	7.52%	From -1% to +2.5%
Asia/Rest of World		862	1,457	8.17%	7.94%	From -1% to +2.5%

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

The amount of the brand-related intangible assets at 30 June 2014 and the amount of any impairment that would result from a 50 bp increase in the after-tax discount rate, from a 50 bp decrease in the perpetual growth rate and from a 50 bp decrease in the growth rate of the contribution after advertising and promotional expenditure over the duration of the multi-year plans are detailed below:

Amount of potential impairment on brands

In millions of euros	50 bp decrease in the growth rate of the contribution after advertising and promotional expenditure	50 bp increase in the after-tax discount rate	50 bp decrease in the perpetual growth rate
Europe	(20)	(91)	(27)
Americas	(8)	(211)	(10)
Asia/Rest of World	(3)	(46)	(14)
TOTAL	**(31)**	**(348)**	**(51)**

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

The Group believes that variations in excess of the levels indicated above would lead to assumption and sensitivity levels that would be deemed not pertinent.

Note 4.2 - Property, plant and equipment

In millions of euros	30.06.2012	Movements in the year: Acquisitions	Amortisation	Disposals	Foreign currency gains and losses	Other movements	30.06.2013
Land	324	0	-	(7)	(9)	3	312
Buildings	985	22	-	(10)	(33)	47	1,012
Machinery and equipment	1,653	65	-	(100)	(77)	75	1,615
Other property, plant and equipment	455	46	-	(13)	(20)	2	470
Assets in progress	140	152	-	(3)	(5)	(153)	130
Advance on property, plant and equipment	1	1	-	(0)	(0)	(0)	2
GROSS VALUE	**3,558**	**287**	**-**	**(133)**	**(144)**	**(27)**	**3,541**
Land	(23)	-	(3)	0	2	0	(25)
Buildings	(405)	-	(35)	5	13	7	(416)
Machinery and equipment	(970)	-	(101)	92	47	15	(917)
Other property, plant and equipment	(235)	-	(26)	9	11	1	(240)
Assets in progress	(2)	-	(0)	-	0	0	(2)
AMORTISATION/IMPAIRMENT	**(1,635)**	**-**	**(166)**	**107**	**72**	**22**	**(1,600)**
PROPERTY, PLANT AND EQUIPMENT, NET	**1,923**	**287**	**(166)**	**(26)**	**(72)**	**(4)**	**1,942**

In millions of euros	30.06.2013	Movements in the year: Acquisitions	Amortisation	Disposals	Foreign currency gains and losses	Other movements	30.06.2014
Land	312	1	-	(4)	2	15	325
Buildings	1,012	10	-	(6)	10	48	1,074
Machinery and equipment	1,615	28	-	(54)	(0)	115	1,704
Other property, plant and equipment	470	53	-	(18)	9	3	517
Assets in progress	130	148	-	(0)	0	(164)	115
Advance on property, plant and equipment	2	3	-	(0)	(0)	(1)	4
GROSS VALUE	**3,541**	**243**	**-**	**(83)**	**20**	**17**	**3,739**
Land	(25)	-	(2)	0	0	(0)	(26)
Buildings	(416)	-	(35)	4	(4)	(0)	(451)
Machinery and equipment	(917)	-	(102)	47	(1)	(7)	(981)
Other property, plant and equipment	(240)	-	(34)	16	(4)	(0)	(262)
Assets in progress	(2)	-	-	-	0	-	(2)
AMORTISATION/IMPAIRMENT	**(1,600)**	**-**	**(173)**	**67**	**(9)**	**(7)**	**(1,722)**
PROPERTY, PLANT AND EQUIPMENT, NET	**1,942**	**243**	**(173)**	**(16)**	**11**	**10**	**2,016**

Note 4.3 - Financial assets

In millions of euros	30.06.2013 (1)		30.06.2014	
	Current	Non-current	Current	Non-current
Financial assets				
Available-for-sale financial assets	-	20	-	19
Other financial assets	-	275	-	267
Loans and receivables				
Guarantees and deposits	-	62	-	63
Investment-related receivables	-	0	-	0
Total non-current financial assets	**-**	**357**	**-**	**349**
Derivative instruments	**23**	**59**	**26**	**63**
FINANCIAL ASSETS	**23**	**417**	**26**	**412**

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for financial year 2012/2013 have been restated: see Note 8.

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

In millions of euros	30.06.2012	Movements in the year					30.06.2013 (1)
		Acquisitions	Provisions	Disposals	Foreign currency gains and losses	Other movements	
Other financial assets	208	-	-	(0)	(0)	68	276
Available-for-sale financial assets	36	1	-	(26)	(1)	20	31
Guarantees and deposits	66	6	-	(6)	(4)	0	62
Investment-related receivables	0	-	-	-	(0)	-	0
GROSS VALUE	**310**	**7**	**-**	**(32)**	**(4)**	**89**	**369**
Provisions for other financial assets	(1)	-	(0)	-	-	-	(2)
Impairment losses recognised on available-for-sale financial assets	(14)	-	-	-	0	4	(11)
Provisions for guarantees and deposits	(0)	-	-	-	0	-	(0)
Impairment losses recognised on investment-related receivables	(0)	-	-	-	0	-	(0)
PROVISIONS	**(16)**	**-**	**(0)**	**-**	**0**	**4**	**(13)**
NON-CURRENT FINANCIAL ASSETS, NET	**294**	**7**	**(0)**	**(32)**	**(4)**	**92**	**357**

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for financial year 2012/2013 and for the first half of 2012-2013 have been restated: see Note 8.

In millions of euros	30.06.2013	Movements in the year					30.06.2014
		Acquisitions	Provisions	Disposals	Foreign currency gains and losses	Other movements	
Other financial assets	276	(2)	-	(0)	2	(9)	268
Available-for-sale financial assets	31	2	-	(6)	(0)	(0)	26
Guarantees and deposits	62	22	-	19	(1)	(1)	63
Investment-related receivables	0	-	-	-	0	-	0
GROSS VALUE	**369**	**22**	**-**	**13**	**1**	**(10)**	**358**
Provisions for other financial assets	(2)	-	(0)	-	(0)	0	(1)
Impairment losses recognised on available-for-sale financial assets	(11)	-	(0)	-	(0)	4	(7)
Provisions for guarantees and deposits	(0)	-	-	-	0	-	(0)
Impairment losses recognised on investment-related receivables	(0)	-	-	-	0	-	(0)
PROVISIONS	**(13)**	**-**	**(0)**	**-**	**0**	**4**	**(9)**
NON-CURRENT FINANCIAL ASSETS, NET	**357**	**22**	**(0)**	**13**	**1**	**(6)**	**349**

Other financial assets at 30 June 2014 include €263 million of plan surplus related to pensions (see Note 4.7).

Provisions on available-for-sale financial assets relate mainly to the Seagram joint ventures (39% Pernod Ricard/61% Diageo) whose shares have been fully or partly written down for impairment since 2002.

Note 4.4 - Inventory and work in progress

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

In millions of euros	30.06.2012	Movements in the year				30.06.2013
		Change in gross value	Change in impairment	Foreign currency gains and losses	Other movements	
Raw materials	140	(2)	-	(5)	2	135
Work-in-progress	3,518	266	-	(121)	40	3,703
Goods in inventory	434	31	-	(21)	1	445
Finished products	264	4	-	(11)	(2)	255
GROSS VALUE	**4,356**	**299**	**-**	**(159)**	**41**	**4,537**
Raw materials	(12)	-	1	0	(1)	(12)
Work-in-progress	(24)	-	5	0	2	(17)
Goods in inventory	(16)	-	(2)	1	(0)	(17)
Finished products	(9)	-	0	0	1	(7)
PROVISION FOR WRITE-DOWN	**(61)**	**-**	**5**	**2**	**2**	**(53)**
INVENTORIES NET	**4,295**	**299**	**5**	**(157)**	**43**	**4,484**

In millions of euros	30.06.2013	Movements in the year				30.06.2014
		Change in gross value	Change in impairment	Foreign currency gains and losses	Other movements	
Raw materials	135	(0)	-	(2)	(1)	132
Work-in-progress	3,703	252	-	73	12	4,039
Goods in inventory	445	43	-	(18)	1	471
Finished products	255	12	-	(5)	11	272
GROSS VALUE	**4,537**	**306**	**-**	**48**	**24**	**4,915**
Raw materials	(12)	-	(2)	(0)	1	(12)
Work-in-progress	(17)	-	5	0	(0)	(12)
Goods in inventory	(17)	-	(4)	0	(0)	(21)
Finished products	(7)	-	(2)	0	(0)	(9)
PROVISION FOR WRITE-DOWN	**(53)**	**-**	**(2)**	**1**	**1**	**(54)**
INVENTORIES NET	**4,484**	**306**	**(2)**	**48**	**25**	**4,861**

At 30 June 2014, 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 - Breakdown of trade receivables

The following table breaks down trade receivables at 30 June 2013 and 30 June 2014 by due date:

In millions of euros	Net carrying amount	Not impaired and not due	Not impaired and due on the following dates				
			Less than 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days
Net carrying amounts							
Trade receivables	1,159	995	91	38	10	11	14
TOTAL AT 30.06.2013	**1,159**	**995**	**91**	**38**	**10**	**11**	**14**
including Depreciation	*93*						
Trade receivables	1,051	885	85	47	10	5	19
TOTAL AT 30.06.2014	**1,051**	**885**	**85**	**47**	**10**	**5**	**19**
including Depreciation	*81*						

Changes in the impairment of trade receivables were as follows:

In millions of euros	2012/2013	2013/2014
At 1 July	**95**	**93**
Allowances during the year	76	18
Reversals during the year	(41)	(13)
Used during the year	(35)	(15)
Foreign currency gains and losses	(3)	(2)
At 30 June	**93**	**81**

At 30 June 2014, there was no reason to question the creditworthiness of non-depreciated past due receivables. More specifically, non-depreciated receivables with due dates of over 12 months show no additional credit-related risk. There is no significant concentration of risks.

In financial years 2013 and 2014 the Group continued to implement its programmes to sell the receivables of several affiliates. Receivables sold under these programmes totalled €479 million at 30 June 2014 and €505 million at 30 June 2013. As substantially all risks and rewards associated with the receivables were transferred, they were derecognised.

Derecognised assets where there is continuing involvement

In millions of euros	Carrying amount of continuing involvement				Fair value of continuing involvement	Maximum exposure
Continuing involvement	Amortised costs	Held to maturity	Available for sale	Financial liabilities at fair value		
Guarantee deposit – factoring and securitisation	27	-	-	-	27	27

Note 4.6 - Other current assets

Other current assets are broken down as follows:

In millions of euros	30.06.2013	30.06.2014
Advances and down-payments	14	17
Tax accounts receivable, excluding income taxes	113	98
Prepaid expenses	58	58
Other receivables	24	21
TOTAL	**209**	**194**

Note 4.7 - Provisions

1. Breakdown of balance sheet amounts

The breakdown of provisions in the balance sheet is as follows:

In millions of euros	30.06.2013 (1)	30.06.2014
Non-current provisions		
Provisions for pensions and other long-term employee benefits	565	569
Other non-current provisions for risks and charges	587	564
Current provisions		
Provisions for restructuring	23	101
Other current provisions for risks and charges	140	150
TOTAL	**1,316**	**1,384**

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for financial year 2012/2013 have been restated: see Note 8.

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

In millions of euros	30.06.2012	Movements in the year						30.06.2013
		Provisions	Used	Reversal of surplus provisions	Foreign currency gains and losses	Other movements		
Provisions for restructuring	18	26	(20)	(0)	(1)	(1)		23
Other current provisions	160	27	(14)	(19)	(14)	1		140
Other non-current provisions	641	139	(6)	(143)	(38)	(5)		587
PROVISIONS	**819**	**192**	**(39)**	**(162)**	**(53)**	**(6)**		**751**

In millions of euros	30.06.2013	Movements in the year						30.06.2014
		Provisions	Used	Reversal of surplus provisions	Foreign currency gains and losses	Other movements		
Provisions for restructuring	23	93	(23)	(1)	0	10		101
Other current provisions	140	65	(22)	(16)	(2)	(15)		150
Other non-current provisions	587	67	(16)	(69)	(1)	(3)		564
PROVISIONS	**751**	**224**	**(61)**	**(87)**	**(4)**	**(8)**		**815**

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 adjustment. The main disputes are described in Note 6.5.

At 30 June 2014, the amount of provisions booked by the Group in respect of all disputes or risks in which it is involved amounted to €714 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;
- reversals are made at the time of corresponding payments or where the risk is considered to be nil. Reversals of surplus provisions primarily concern the re-evaluation or the limitation of some risks, mainly tax;
- other movements primarily reflect reclassifications and consolidation entries and exits.

3. Provisions for pension benefits

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. At 30 June 2014, fully or partly funded benefit obligations totalled €4,790 million, equivalent to 95% of total benefit obligations.

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

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

The table below presents a roll-forward of the provision between 30 June 2013 and 30 June 2014:

In millions of euros	30.06.2013 [1]			30.06.2014		
	Pension benefits	Medical expenses and other employee benefits	Total	Pension benefits	Medical expenses and other employee benefits	Total
Net liability at beginning of period	333	173	507	136	159	294
Expense/(income) for the period	58	12	69	44	10	54
Actuarial gains and losses	(117)	(8)	(125)	120	(4)	115
Employer contributions	(132)	-	(132)	(115)	-	(115)
Benefits paid directly by the employer	(9)	(12)	(21)	(11)	(9)	(20)
Change in scope	-	-	-	-	-	-
Foreign currency gains and losses	3	(8)	(5)	(18)	(4)	(22)
Net liability at end of period	**136**	**159**	**294**	**156**	**150**	**306**
Amount recognised in assets (plan surplus)	(271)	-	(271)	(263)	-	(263)
AMOUNT RECOGNISED IN LIABILITIES (PROVISION AT END OF PERIOD)	**406**	**159**	**565**	**419**	**150**	**569**

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for financial year 2012/2013 have been restated: see Note 8.

The net expense (income) recognised in profit and loss in respect of pensions and other long-term employee benefits is broken down as follows:

Expense for the period (in millions of euros)	30.06.2013 [1]			30.06.2014		
	Pension benefits	Medical expenses and other employee benefits	Total	Pension benefits	Medical expenses and other employee benefits	Total
Service cost	42	3	46	42	3	45
Interest on provision	11	7	17	(1)	6	6
Fees/levies/premiums	6	-	6	9	-	9
Impact of plan amendments/reduction of future rights	(1)	(1)	(2)	(4)	-	(4)
Impact of liquidation of benefits	-	-	-	(2)	-	(2)
Amortisation of actuarial (gains) losses	-	3	3	-	1	1
Effect of asset ceiling (including the impact of IFRIC 14)	-	-	-	-	-	-
NET EXPENSE/(INCOME) RECOGNISED IN PROFIT AND LOSS	**58**	**12**	**69**	**44**	**10**	**54**

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for financial year 2012/2013 have been restated: see Note 8.

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

Net liabilities recognised in the balance sheet *(in millions of euros)*	30.06.2013 [1]			30.06.2014		
	Pension benefits	Medical expenses and other employee benefits	Total	Pension benefits	Medical expenses and other employee benefits	Total
Change in the actuarial value of cumulative benefit obligations						
Actuarial value of cumulative benefit obligations at beginning of period	4,650	174	**4,824**	4,435	159	**4,593**
Service cost	42	3	**46**	42	3	**45**
Interest cost (effect of unwinding of discount)	196	7	**203**	193	6	**199**
Employee contributions	2	1	**3**	2	1	**3**
Benefits paid	(217)	(12)	**(229)**	(218)	(9)	**(227)**
Administrative fees/premiums/levies	(1)		**(1)**	(1)	(1)	**(2)**
Plan amendments/reduction of future rights	-	(1)	**(1)**	(4)	-	**(4)**
Liquidation of benefits	(2)	-	**(2)**	(2)	-	**(2)**
Actuarial (gains)/losses	11	(5)	**6**	235	(4)	**231**
Currency translation adjustments	(247)	(8)	**(255)**	218	(5)	**213**
Changes in scope of consolidation	-	-	**-**	(7)	-	**(7)**
Other	-	-	**-**	-	-	**-**
ACTUARIAL VALUE OF CUMULATIVE BENEFIT OBLIGATIONS AT END OF PERIOD	**4,435**	**159**	**4,593**	**4,892**	**150**	**5,042**
Change in the fair value of plan assets						
Fair value of plan assets at beginning of year	4,317	0	**4,317**	4,299	-	**4,299**
Interest income on plan assets	185	0	**185**	194	-	**194**
Experience gains (losses) on plan assets	124	-	**124**	115	-	**115**
Employee contributions	2	-	**2**	2	-	**2**
Employer contributions	132	-	**132**	115	-	**115**
Benefits paid	(208)	(0)	**(208)**	(209)	-	**(209)**
Administrative fees/premiums/levies	(1)	-	**(1)**	(9)	-	**(9)**
Plan amendments/reduction of future rights	(1)	-	**(1)**	-	-	**-**
Liquidation of benefits	-	-	**-**	-	-	**-**
Currency translation adjustments	(250)	0	**(250)**	236	-	**236**
Changes in scope of consolidation	-	(0)	**-**	(7)	-	**(7)**
Other	-	-	**-**	-	-	**-**
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	**4,299**	**-**	**4,299**	**4,736**	**-**	**4,736**
Present value of funded benefits	4,329	-	**4,329**	4,790	-	**4,790**
Fair value of plan assets	4,299	-	**4,299**	4,736	-	**4,736**
Deficit/(surplus) on funded benefits	**30**	**-**	**30**	**54**	**-**	**54**
Present value of unfunded benefits	106	159	**264**	102	150	**252**
Effect of ceiling on plan assets (including the impact of IFRIC 14)	-	-	**-**	-	-	**-**
NET LIABILITY RECOGNISED IN THE BALANCE SHEET	**136**	**159**	**294**	**156**	**150**	**306**

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for financial year 2012/2013 have been restated: see Note 8.

At 30.06.2014	Actuarial value of cumulative benefit obligations (in millions of euros)	%	Fair value of plan assets (in millions of euros)	%	Gross provisions under balance sheet assets (in millions of euros)	%	Balance sheet assets (in millions of euros)	%
United Kingdom	3,919	78%	4,079	86%	100	18%	(259)	99%
United States	321	6%	194	4%	126	22%	-	0%
Canada	301	6%	250	5%	53	9%	(3)	1%
Ireland	195	4%	125	3%	69	12%	-	0%
France	201	3%	29	1%	172	30%	-	0%
Other countries	105	3%	58	1%	48	8%	(1)	0%
TOTAL	**5,042**	**100%**	**4,736**	**100%**	**569**	**100%**	**(263)**	**100%**

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

Breakdown of plan assets	30.06.2013 Pension benefits	30.06.2013 Medical expenses & other employee benefits	30.06.2014 Pension benefits	30.06.2014 Medical expenses & other employee benefits
Shares	25%	Not applicable	22%	Not applicable
Bonds	49%	Not applicable	44%	Not applicable
Other money-market funds	11%	Not applicable	0%	Not applicable
Property assets	5%	Not applicable	6%	Not applicable
Other	10%	Not applicable	28%	Not applicable
TOTAL	**100%**	**Not applicable**	**100%**	**Not applicable**

The expected rate of return on assets corresponds to the discount rate in accordance with the revised version of IAS 19, which the Group has applied from 1 July 2013.

Contributions payable by the Group in financial year 2014/2015 in respect of funded benefits are estimated at €111 million.

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

Benefits payable in the next 10 years *(in millions of euros)*	Pension benefits	Medical expenses and other employee benefits
2015	232	9
2016	225	9
2017	237	9
2018	242	9
2019	252	9
2020-2024	1,348	52

At 30 June 2013 and 30 June 2014, 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	30.06.2013 [(1)]		30.06.2014	
	Pension benefits	Medical expenses and other employee benefits	Pension benefits	Medical expenses and other employee benefits
Discount rate	4.38%	4.07%	4.13%	4.00%
Average rate of increase in annuities	3.28%	Not applicable	3.36%	Not applicable
Average salary increase	3.52%	3.10%	3.36%	3.10%
Expected increase in medical expenses				
◻ Initial rate	Not applicable	7.35%	Not applicable	6.84%
◻ Final rate	Not applicable	5.53%	Not applicable	5.03%

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for financial year 2012/2013 have been restated: see Note 8.

Actuarial assumptions in respect of benefit obligations	30.06.2013 [(1)]		30.06.2014	
	Pension benefits	Medical expenses and other employee benefits	Pension benefits	Medical expenses and other employee benefits
Discount rate	4.23%	4.27%	4.38%	4.07%
Average rate of increase in annuities	2.98%	1.75%	3.28%	Not applicable
Average salary increase	3.54%	3.21%	3.52%	3.10%
Expected return on plan assets	Not applicable	Not applicable	Not applicable	Not applicable
Expected increase in medical expenses				
◻ Initial rate	Not applicable	6.51%	Not applicable	7.35%
◻ Final rate	Not applicable	4.86%	Not applicable	5.53%

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for financial year 2012/2013 have been restated: see Note 8.

Actuarial assumptions at 30.06.2014 *(pensions and other commitments)* By region	United Kingdom	United States	Canada	Euro zone countries	Other non-Euro zone countries
Discount rate	4.24%	4.46%	4.24%	2.80%	3.82%
Average rate of increase in annuities	3.54%	Not applicable	1.25%	1.73%	1.75%
Average salary increase	3.31%	3.75%	3.03%	3.25%	3.54%
Expected increase in medical expenses					
◻ Initial rate	5.50%	7.50%	6.14%	5.00%	Not applicable
◻ Final rate	4.75%	4.75%	4.60%	5.00%	Not applicable

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

- short-term rate (3-5 years): 1.75%;
- medium-term rate (5-10 years): 2.25%;
- long-term rate (more than 10 years): 2.75% to 3.30%.

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 revised version of IAS 19, which the Group has applied from 1 July 2013.

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

In millions of euros	Pension benefits	Medical expenses and other employee benefits	Total
Commitments at 30 June 2014	4,892	150	5,042
Commitments at 30 June 2014 with a 0.25% drop in the discount rate	5,082	155	5,237
Commitments at 30 June 2014 with a 0.25% rise in the discount rate	4,704	145	4,849

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

In respect of post-employment medical coverage *(in millions of euros)*	With current rate	Effect of a change	
		1% increase	1% decrease
On the present value of the benefit obligation at 30 June 2014	110	12	(9)
Charge for the period	6	1	(0)

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

In millions of euros	30.06.2014	
	Pension benefits	Medical expenses and other employee benefits
Amount of experience losses or (gains) on benefit obligations	(9)	(6)
Percentage compared with amount of benefit obligations	(0.19)%	6.21%
Amount of financial assumption losses or (gains) on benefit obligations	219	(0)
Percentage compared with amount of benefit obligations	4.93%	(0.22)%
Amount of demographic assumption losses or (gains) on benefit obligations	25	3
Percentage compared with amount of benefit obligations	0.56%	2.29%
Amount of experience losses or (gains) on plan assets	(115)	-
Percentage compared with amount of plan assets	(2.67)%	Not applicable
Average duration	15.47	11.57

Note 4.8 - Financial liabilities

Net debt, as defined and used by the Group, corresponds to total gross debt (translated at closing rate), including fair value and net investment hedge derivatives, less cash and cash equivalents.

1. Breakdown of net financial debt by nature and maturity

In millions of euros	30.06.2013			30.06.2014		
	Current	Non-current	Total	Current	Non-current	Total
Bonds	**1,001**	**6,949**	**7,950**	**929**	**6,844**	**7,773**
Syndicated loan	-	250	**250**	-	346	**346**
Commercial paper	467	-	**467**	191	-	**191**
Other loans and long-term debts	100	513	**613**	99	483	**582**
Other financial liabilities	**567**	**763**	**1,330**	**290**	**830**	**1,119**
GROSS FINANCIAL DEBT	**1,568**	**7,712**	**9,280**	**1,219**	**7,673**	**8,893**
Fair value hedge derivatives – assets	(3)	(56)	**(59)**	-	(56)	**(56)**
Fair value hedge derivatives – liabilities	67	19	87	-	1	1
Fair value hedge derivatives	**64**	**(36)**	**28**	**-**	**(54)**	**(54)**
Net investment hedge derivatives – assets	-	-	**-**	(1)	(7)	**(8)**
Net investment hedge derivatives – liabilities	-	16	**16**	-	-	**-**
Net investment hedge derivatives	**-**	**16**	**16**	**(1)**	**(7)**	**(8)**
FINANCIAL DEBT AFTER HEDGES	**1,632**	**7,692**	**9,324**	**1,218**	**7,612**	**8,830**
Cash and cash equivalents	**(597)**	**-**	**(597)**	**(477)**	**-**	**(477)**
NET FINANCIAL DEBT	**1,035**	**7,692**	**8,727**	**741**	**7,612**	**8,353**

2. Breakdown of debt by currency before and after foreign exchange hedging instruments at 30 June 2013 and 30 June 2014

At 30.06.2013 *(in millions of euros)*	Debt before hedging	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% debt after hedging	% net debt after hedging
EUR	4,846	(218)	4,628	(186)	4,442	50%	51%
USD	4,049	1,226	5,274	(23)	5,252	57%	60%
GBP	308	(477)	(169)	(16)	(184)	(2)%	(2)%
SEK	11	(217)	(206)	(13)	(218)	(2)%	(3)%
Other currencies	66	(270)	(204)	(360)	(564)	(2)%	(6)%
FINANCIAL DEBT BY CURRENCY	**9,280**	**44**	**9,324**	**(597)**	**8,727**	**100%**	**100%**

At 30.06.2014 *(in millions of euros)*	Debt before hedging	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% debt after hedging	% net debt after hedging
EUR	4,778	(335)	4,442	(90)	4,353	50%	52%
USD	4,053	1,001	5,054	(48)	5,006	57%	60%
GBP	2	(256)	(254)	(41)	(295)	(3)%	(4)%
SEK	10	(203)	(193)	(58)	(251)	(2)%	(3)%
Other currencies	50	(269)	(219)	(240)	(460)	(2)%	(6)%
FINANCIAL DEBT BY CURRENCY	**8,893**	**(63)**	**8,830**	**(477)**	**8,353**	**100%**	**100%**

3. Breakdown of debt by currency and type of rate hedging at 30 June 2013 and 30 June 2014

At 30.06.2013 *(in millions of euros)*	Debt after hedging by currency	Fixed-rate debt*	"Capped" floating-rate debt	Non-hedged floating rate debt	% (fixed + capped floating-rate debt)/ debt after hedging	Cash	% (fixed + capped floating-rate debt)/ net debt
EUR	4,628	3,686	-	942	80%	(186)	83%
USD	5,274	4,565	-	710	87%	(23)	87%
GBP	(169)	-	-	(169)	N.M.	(16)	N.M.
SEK	(206)	-	-	(206)	N.M.	(13)	N.M.
Other	(204)	-	-	(204)	N.M.	(360)	N.M.
TOTAL	**9,324**	**8,251**	**-**	**1,073**	**88%**	**(597)**	**95%**

* *Hedge accounting and other derivatives.*

At 30.06.2014 *(in millions of euros)*	Debt after hedging by currency	Fixed-rate debt*	"Capped" floating-rate debt	Non-hedged floating rate debt	% (fixed + capped floating-rate debt)/ debt after hedging	Cash	% (fixed + capped floating-rate debt)/ net debt
EUR	4,442	3,233	-	1,209	73%	(90)	74%
USD	5,054	4,263	-	791	84%	(48)	85%
GBP	(254)	-	-	(254)	N.M.	(41)	N.M.
SEK	(193)	-	-	(193)	N.M.	(58)	N.M.
Other	(219)	-	-	(219)	N.M.	(240)	N.M.
TOTAL	**8,830**	**7,497**	**-**	**1,333**	**85%**	**(477)**	**90%**

* *Hedge accounting and other derivatives.*

4. Breakdown of fixed-rate/floating-rate debt before and after interest rate hedging instruments at 30 June 2013 and 30 June 2014

	30.06.2013				30.06.2014			
In millions of euros	Debt before hedging		Debt after hedging		Debt before hedging		Debt after hedging	
Fixed rate debt	7,611	82%	8,251	88%	7,456	84%	7,497	85%
Capped floating-rate debt	-	-	-	-	-	-	-	-
Floating-rate debt	1,713	18%	1,073	12%	1,374	16%	1,333	15%
FINANCIAL DEBT AFTER HEDGING BY TYPE OF RATE	**9,324**	**100%**	**9,324**	**100%**	**8,830**	**100%**	**8,830**	**100%**

At 30 June 2014, before taking account of any hedges, 84% of the Group's gross debt was fixed-rate and 16% floating-rate. After hedging, the floating rate portion was 15%.

5. Schedule of financial liabilities at 30 June 2013 and 30 June 2014

The following table shows the maturity of future financial liability-related cash flows (nominal and interest). Variable interest flows have been estimated on the basis of rates at 30 June 2013 and 30 June 2014.

At 30.06.2013 *(in millions of euros)*	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
Interest		(2,739)	(118)	(276)	(349)	(290)	(239)	(157)	(1,311)
Nominal value		(9,159)	(1,093)	(313)	(840)	(1,383)	(1,937)	(365)	(3,229)
GROSS FINANCIAL DEBT	**(9,280)**	**(11,899)**	**(1,211)**	**(589)**	**(1,188)**	**(1,674)**	**(2,176)**	**(522)**	**(4,539)**
Cross currency swaps	(83)								
◻ Payable flows	-	(991)	(4)	(372)	(1)	(613)	-	-	-
◻ Receivable flows	-	902	-	308	-	594	-	-	-
Derivative instruments – liabilities	(157)	15	(39)	(23)	(35)	(10)	22	23	77
DERIVATIVE INSTRUMENTS – LIABILITIES	**(240)**	**(73)**	**(43)**	**(87)**	**(36)**	**(28)**	**22**	**23**	**77**
TOTAL FINANCIAL LIABILITIES	**(9,520)**	**(11,972)**	**(1,254)**	**(676)**	**(1,224)**	**(1,702)**	**(2,154)**	**(499)**	**(4,462)**

At 30.06.2014 *(in millions of euros)*	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
Interest		(2,375)	(88)	(274)	(301)	(250)	(171)	(168)	(1,122)
Nominal value		(8,790)	(220)	(869)	(1,380)	(1,663)	(368)	(357)	(3,934)
GROSS FINANCIAL DEBT	**(8,893)**	**(11,164)**	**(308)**	**(1,143)**	**(1,681)**	**(1,913)**	**(539)**	**(525)**	**(5,056)**
Cross currency swaps									
◻ Payable flows	-	-	-	-	-	-	-	-	-
◻ Receivable flows	-	-	-	-	-	-	-	-	-
Derivative instruments – liabilities	(114)	(155)	(32)	(26)	(32)	(18)	(17)	(17)	(12)
DERIVATIVE INSTRUMENTS – LIABILITIES	**(114)**	**(155)**	**(32)**	**(26)**	**(32)**	**(18)**	**(17)**	**(17)**	**(12)**
TOTAL FINANCIAL LIABILITIES	**(9,007)**	**(11,319)**	**(340)**	**(1,169)**	**(1,713)**	**(1,931)**	**(556)**	**(542)**	**(5,068)**

6. Syndicated loan

The €2.5 billion multi-currency revolving credit facility was the subject of an amendment in October 2013 which, among other things, extended its maturity by 18 months and reduced margins.

At 30 June 2014:

- the drawdown of the multi-currency revolving credit facility was €200 million and US$200 million, for a total amount of €346 million. The revolving drawdowns, denominated in euros, US dollars or multi-currency, incur interest at the applicable LIBOR (or, for euro-denominated drawdowns, EURIBOR), plus a predetermined spread and mandatory costs;
- the undrawn amount of the multi-currency revolving credit facility was €2,154 million.

7. Bonds

Nominal amount	Interest rate	Issue date	Maturity	Carrying amount at 30.06.2014 *(in millions of euros)*
EUR 850 million	2.00%	20.03.2014	22.06.2020	847
EUR 800 million	7.00%	15.06.2009	15.01.2015	825
EUR 1,200 million	4.88%	18.03.2010	18.03.2016	1,237
USD 201 million	Spread + 3-month LIBOR	21.12.2010	21.12.2015	147
EUR 1,000 million	5.00%	15.03.2011	15.03.2017	1,010
USD 1,000 million	5.75%	07.04.2011	07.04.2021	750
USD 1,500 million	4.45%	25.10.2011	15.01.2022	1,119
USD 850 million	2.95%	12.01.2012	15.01.2017	629
USD 800 million	4.25%	12.01.2012	15.07.2022	587
USD 850 million	5.50%	12.01.2012	15.01.2042	623
TOTAL BONDS				**7,773**

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 (Disclosures: Offsetting Financial Assets and Financial Liabilities), mandatory since 1 January 2013.

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

At 30.06.2013 *(in millions of euros)*	Gross financial assets	Amounts offset in the balance sheet	Net amount 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	597	-	597	-	-	-
Liabilities and shareholders' equity						
Bank debt	1,330	-	1,330	-	-	-

At 30.06.2014 *(in millions of euros)*	Gross financial assets	Amounts offset in the balance sheet	Net amount 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	623	(146)	477	-	-	-
Liabilities and shareholders' equity						
Bank debt	1,265	(146)	1,119	-	-	-

Note 4.9 - Financial instruments

1. Fair value of financial instruments

In millions of euros	Measurement level	Breakdown by accounting classification: Fair value – profit	Fair value shareholders' equity	Loans and receivables	Liabilities at amortised cost	30.06.2013 [1]: Balance sheet value	Fair value
Assets							
Available-for-sale financial assets	Level 3	-	20	-	-	20	20
Guarantees, deposits, investment-related receivables		-	-	62	-	62	62
Other non-current financial assets	Level 2	276	-	-	-	276	276
Trade receivables		-	-	1,159	-	1,159	1,159
Other current assets		-	-	209	-	209	209
Derivative instruments – assets	Level 2	82	-	-	-	82	82
Cash and cash equivalents	Level 1	597	-	-	-	597	597
Liabilities and shareholders' equity							
Bonds		-	-	-	7,950	7,950	8,419
Bank debt		-	-	-	1,330	1,330	1,330
Finance lease obligations		-	-	-	46	46	46
Derivative instruments – liabilities	Level 2	241	-	-	-	241	241

(1) As from 1 July 2013, with retroactive effect from 1 July 2012, Pernod Ricard has applied the amendments to IAS 19 (Employee Benefits) as adopted by the European Union and mandatory for the Group since that date: see Note 1.1. As a result the financial statements for financial year 2012/2013 and for the first half of 2012-2013 have been restated: see Note 8.

In millions of euros	Measurement level	Breakdown by accounting classification: Fair value – profit	Fair value shareholders' equity	Loans and receivables	Liabilities at amortised cost	30.06.2014: Balance sheet value	Fair value
Assets							
Available-for-sale financial assets	Level 3	-	19	-	-	19	19
Guarantees, deposits, investment-related receivables		-	-	63	-	63	63
Other non-current financial assets	Level 2	267	-	-	-	267	267
Trade receivables		-	-	1,051	-	1,051	1,051
Other current assets		-	-	194	-	194	194
Derivative instruments – assets	Level 2	89	-	-	-	89	89
Cash and cash equivalents	Level 1	477	-	-	-	477	477
Liabilities and shareholders' equity							
Bonds		-	-	-	7,773	7,773	8,346
Bank debt		-	-	-	1,119	1,119	1,119
Finance lease obligations		-	-	-	45	45	45
Derivative instruments – liabilities	Level 2	114	-	-	-	114	114

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 balance sheet 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 is calculated for each loan by discounting future cash flows using an interest rate taking into account the Group's credit risk at the balance sheet date;
- derivative instruments: the market value of instruments recognised in the financial statements at the balance sheet date was calculated on the basis of available market data, using current valuation models.

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

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

In accordance with IFRS 13, derivatives were measured taking into account the Credit Valuation Adjustment (CVA) and the Debt Valuation Adjustment (DVA). The measurement is based on historical data (rating of counterparty banks and probability of default). At 30 June 2014, the impact was not significant.

2. Risk management

Management and monitoring of financial risks is performed by the Financing and Treasury Department, which has 14 staff members. This Department, which is part of the Group Finance Department, manages all financial exposures and prepares monthly reporting for General Management. It processes or validates all financing, investment and hedging transactions in the context 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 who benefit from a first class rating from specialised rating agencies.

Management of liquidity risk

At 30 June 2014, cash and cash equivalents totalled €477 million (compared with €597 million at 30 June 2013). An additional €2,154 million of medium-term credit facilities with banks was confirmed and remained undrawn at that date. Group funding is provided in the form of long-term debt (syndicated loans, bonds, etc.) and short-term financing (commercial paper, bank overdrafts), as well as securitisation and factoring programmes, which provide adequate financial resources to ensure the continuity of its business. The Group's short-term debt after hedging was €1,218 million (compared to €1,632 million at 30 June 2013).

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

Credit ratings sought by Pernod Ricard from rating agencies on its long- and short-term debt are respectively Baa3/P3 from Moody's and BBB-/A3 from Standard & Poor's.

The Group's bank and bond debt contracts include covenants. Breaches of these covenants could force the Group to make accelerated payments. At 30 June 2014, the Group was in compliance with the covenants under the terms of its syndicated loan: solvency ratio (total net debt/consolidated EBITDA) of 5.25 or below.

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 experience reduced liquidity and/or value.

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

Management of currency risk

As the Group consolidates its financial statements in euro, 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 assets from Seagram, Allied Domecq and Vin&Sprit, with part of the debt being in USD for a portion close to 55% of total debt, reflecting the importance of cash flows generated in dollars or linked currencies

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

Operational currency risk:

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

In all cases, it is Group policy to invoice end customers in the functional currency of the distributing entity. Exposure to exchange rate 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 buying, forward selling or options) to hedge certain highly probable non-Group operating receivables and payables.

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

Management of interest rate risk

At 30 June 2014, Group debt comprised floating-rate debt (mainly the syndicated loan and other bank loans) and fixed-rate debt (mainly bonds), in addition to a hedging portfolio including swaps in EUR and USD.

The Group cannot guarantee that these hedges will prove sufficient nor that it will be able to maintain them on acceptable terms.

Schedule of floating-rate debt and hedging in EUR *(notional value in millions of euros)*

At 30 June 2014 *(in millions of euros)*	< 1 year	> 1 year and < 5 years	> 5 years	Total
Total assets (cash)	90			90
Total floating-rate liabilities	(294)	(651)	-	(944)
NET FLOATING-RATE DEBT BEFORE HEDGING	**(204)**	**(651)**	**-**	**(854)**
Derivative instruments	(307)	34	9	(265)
NET FLOATING-RATE DEBT AFTER HEDGING	**(511)**	**(617)**	**9**	**(1,119)**

Schedule of floating-rate debt and hedging in USD *(notional value in millions of euros)*

At 30 June 2014 *(in millions of euros)*	< 1 year	> 1 year and < 5 years	> 5 years	Total
Total assets (cash)	48	-	-	48
Total floating-rate liabilities	(77)	(353)	-	(430)
NET FLOATING-RATE DEBT BEFORE HEDGING	**(29)**	**(353)**	**-**	**(382)**
Derivative instruments	165	646	(1,171)	(361)
NET FLOATING-RATE DEBT AFTER HEDGING	**136**	**293**	**(1,171)**	**(742)**

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

A 50 bp increase or decrease in (USD and EUR) interest rates would increase or reduce the cost of net financial debt by €5 million.

Analysis of the sensitivity of financial instruments to interest rate risks (impact on equity)

A relative fluctuation of +/-50 bp in (USD and EUR) interest rates would generate an equity gain or loss of approximately €55 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 farm raw materials risks (impact on equity)

At 30 June 2014, 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 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 climate.

Note 4.10 - Interest rate, foreign exchange and commodity derivatives

Type of hedge at 30.06.2013 *(in millions of euros)*	Description of 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						**59**	**87**
Interest rate risk hedges	Swaps	268	868	1,223	2,358	59	19
Interest rate and currency hedges	Cross currency swaps	292	-	-	292	-	67
Hedge of a net investment						**-**	**16**
Currency risk hedges	Currency swaps	-	-	-	-	-	-
Interest rate and currency hedges	Cross currency swaps	-	612	-	612	-	16
DERIVATIVE INSTRUMENTS INCLUDED IN NET DEBT						**59**	**103**
Cash flow hedges						**2**	**63**
Interest rate risk hedges	Swaps	-	1,300	-	1,300	-	59
Hedging of foreign exchange-risk on intragroup financing	Currency swaps	360	60	-	419	2	3
Commodity risk hedges	Forward	7	-	-	7	-	0
Outside hedge accounting						**22**	**75**
Hedging of foreign exchange-risk on intragroup financing	Currency swaps and forwards	2,076	-	-	2,076	12	7
Interest rate risk hedges	Swaps	1,250	1,625	-	2,875	9	68
TOTAL DERIVATIVE INSTRUMENTS						**82**	**241**
TOTAL NON-CURRENT						**59**	**152**
TOTAL CURRENT (LESS THAN ONE YEAR)						**23**	**89**

Type of hedge at 30.06.2014 *(in millions of euros)*	Description of 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						**56**	**1**
Interest rate risk hedges	Swaps	-	856	1,171	2,028	56	1
Interest rate and currency hedges	Cross currency swaps	-	-	-	-	-	-
Hedge of a net investment						**8**	**-**
Currency risk hedges	Currency swaps	-	-	-	-	1	-
Interest rate and currency hedges	Cross currency swaps	-	580	-	580	7	-
DERIVATIVE INSTRUMENTS INCLUDED IN NET DEBT						**64**	**1**
Cash flow hedges						**19**	**72**
Interest rate risk hedges	Swaps	-	1,245	1,232	2,477	-	66
Hedging of foreign exchange-risk on intragroup financing	Currency swaps	483	97	-	580	19	5
Commodity risk hedges	Forward	7	2	-	9	-	-
Outside hedge accounting						**6**	**40**
Hedging of foreign exchange-risk on intragroup financing	Currency swaps and forwards	-	-	-	-	3	7
Interest rate risk hedges	Swaps	165	659	-	824	3	33
TOTAL DERIVATIVE INSTRUMENTS						**89**	**114**
TOTAL NON-CURRENT						**63**	**85**
TOTAL CURRENT (LESS THAN ONE YEAR)						**26**	**29**

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 euro at year-end rates. Estimated values are based on information available on the financial markets and valuation methods appropriate to the type of financial instrument concerned. These valuation methods were subjected to a dedicated review during the year and found to yield results consistent with the valuations provided by bank counterparties.

Note 4.11 - Other current liabilities

Other current liabilities are broken down as follows:

In millions of euros	30.06.2013	30.06.2014
Taxes and Social security	609	576
Other operating payables	305	302
Other payables	9	9
TOTAL	**924**	**887**

Most other operating payables are due within one year.

NOTE 5 Notes to the consolidated cash flow statement

1. Working capital requirements

Working capital requirements increased by €308 million. The change breaks down as follows:

- increase in inventory: +€304 million;
- decrease in trade receivables: €(58) million;
- decrease in operating and other payables: +€62 million.

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

2. Capital expenditure

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

3. Bond issues/repayment of long-term debt

The Group made repayments net of drawdowns from the syndicated loan of €99 million and redeemed two bond issues of €550 million and £250 million sterling (€334 million).

In addition, it conducted an €850 million bond issue in March 2014.

NOTE 6 Additional information

Note 6.1 - Shareholders' equity

1. Share capital

Pernod Ricard's share capital changed as follows between 1 July 2012 and 30 June 2014:

	Number of shares	Amount *(in millions of euros)*
Share capital at 30 June 2012	**265,310,605**	**411**
Exercise of stock options (plan of 17 December 2002)	110,987	0
Share capital at 30 June 2013	**265,421,592**	**411**
SHARE CAPITAL AT 30 JUNE 2014	**265,421,592**	**411**

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

2. Treasury shares

At 30 June 2014, Pernod Ricard and its controlled affiliates held 1,589,452 Pernod Ricard shares worth €112 million. These treasury shares are presented, at cost, as a deduction from shareholders' equity.

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

3. Interim dividend

The Board of Directors' meeting of 25 June 2014 decided to pay an interim dividend of €0.82 per share with respect to 2013/2014, for a total of €217,646 thousand. This interim dividend was paid on 8 July 2014 and recognised under Other operating payables in the balance sheet at 30 June 2014.

4. Share capital management

The Group manages its share capital in such a way as to optimise its cost of capital and profitability for its shareholders, provide security for all its counterparts and maintain a high rating. In this context, the Group may adjust its payment of dividends to shareholders, repay part of its share 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 subsequent periods of 12 months and complies with the AMAFI French financial markets association Code of Conduct, which was approved by the French Financial Markets Authority (*Autorité des marchés financiers* – AMF) in its decision of 24 March 2011.

The sum of €5 million was allocated to the implementation of the liquidity agreement (no securities).

Note 6.2 - Share-based payments

Description of share-based payment plans

All of the plans are equity-settled, except for the plans granted on 14 June 2006, 18 January 2007 and 21 June 2007, which also included awards of Share Appreciation Rights (SARs) to Group employees. Moreover, with respect to plans granted since 2007, a performance-based share plan with performance and continuous service conditions was also granted.

On the exercise of their rights, the beneficiaries of the SARs will receive a cash payment based on the Pernod Ricard share price equal to the difference between the Pernod Ricard share price at the date of the exercise and the exercise price set at the date of grant.

During the 2013/2014 financial year, the plan granted on 18 December 2003 reached maturity.

Information relating to stock option and performance-based share plans

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

During the financial year 2013/2014, three allocation plans were put in place:

- stock option plan of 6 November 2013:
  - a stock option plan including a performance condition based on the market performance of the Pernod Ricard share compared to that of the Food & Beverage Eurostoxx 600 index for the period from 6 November 2013 to 6 November 2016 inclusive (three years) and a continuous service condition after four years;
- performance-based share plan of 6 November 2013:
  - a performance-based share plan, including a performance criterion based on the level of profit from recurring operations achieved compared to the budget, measured over the two years following the year in which the shares were granted and dependent on the beneficiaries' continuous service within the Group on the vesting date,
  - a performance-based share plan, including several levels of performance criteria, with the first based on level of profit from recurring operations achieved compared to the budget, measured over the two years following the year in which the shares were granted, and the second based on the market performance of the Pernod Ricard share compared to that of the Food & Beverage Eurostoxx 600 index for the period from 6 November 2013 to 6 November 2016 inclusive (three years) and a continuous service condition upon vesting.

	Plan dated 17.11.2004	Plan dated 11.08.2005	Plan dated 14.06.2006	Plan dated 14.06.2006	Plan dated 18.01.2007	Plan dated 21.06.2007
Type of options/shares	Purchase	Purchase	Purchase	SARs	SARs	Purchase
Performance conditions	Unconditional	Unconditional	Unconditional	Unconditional	Unconditional	Unconditional
Number of beneficiaries	459	485	555	49	1	515
Acquisition of options/vesting date of shares	18.11.2008	12.08.2009	15.06.2010	15.06.2009	18.01.2010	22.06.2011
Exercisable from	18.11.2008	12.08.2009	15.06.2010	15.06.2009	18.01.2010	22.06.2011
Expiry date	17.11.2014	11.08.2015	14.06.2016	14.06.2016	18.01.2017	21.06.2015
Subscription or purchase price in euros at 30.06.2014	42.30	52.59	58.41	58.41	N/A	74.73
Outstanding options and shares at 30.06.2014	228,767	272,907	890,715	89,931	-	458,039
Stock option/share expense 2013/2014 *(in thousands of euros)*	0	0	0	99	0	0

	Plan dated 21.06.2007	Plan dated 21.06.2007	Plan dated 21.06.2007	Plan dated 18.06.2008	Plan dated 18.06.2008	Plan dated 18.06.2008
Type of options/shares	SARs	Purchase	Free	Purchase	Purchase	Free
Performance conditions	Unconditional	Conditional	Conditional	Unconditional	Conditional	Conditional
Number of beneficiaries	56	13	731	598	13	804
Acquisition of options/vesting date of shares	22.06.2010	22.06.2011	21.06.2009 (FRA) 21.06.2011 (ROW)	19.06.2012	19.06.2012	19.06.2010 (FRA) 19.06.2012 (ROW)
Exercisable from	22.06.2010	22.06.2011	22.06.2011	19.06.2012	19.06.2012	19.06.2012 (FRA and ROW)
Expiry date	21.06.2015	21.06.2015	N/A	18.06.2016	18.06.2016	N/A
Subscription or purchase price in euros at 30.06.2014	74.73	74.73	N/A	66.16	66.16	N/A
Outstanding options and shares at 30 June 2014	45,520	78,246	0	613,497	95,011	0
Stock option/share expense 2013/2014 *(in thousands of euros)*	(97)	0	0	0	0	0

	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 24.06.2010
Type of options/shares	Purchase	Purchase	Purchase	Free
Performance conditions	Unconditional	Conditional	Conditional	Conditional
Number of beneficiaries	705	133	133	980
Acquisition of options/vesting date of shares	24.06.2014	24.06.2014	24.06.2014	25.06.2013 (FRA) 25.06.2014 (ROW)
Exercisable from	25.06.2014	25.06.2014	25.06.2014	25.06.2015 (FRA) 25.06.2014 (ROW)
Expiry date	24.06.2018	24.06.2018	24.06.2018	N/A
Subscription or purchase price in euros at 30.06.2014	64.00	64.00	64.00	N/A
Outstanding options and shares at 30 June 2014	538,546	133,191	133,191	0
Stock option/share expense 2013/2014 *(in thousands of euros)*	2,456	0	463	4,414

	Plan dated 15.09.2010	Plan dated 15.06.2011	Plan dated 15.06.2011	Plan dated 15.06.2011	Plan dated 15.06.2011
Type of options/shares	Purchase	Purchase	Purchase	Purchase	Free
Performance conditions	Conditional	Unconditional	Conditional	Conditional	Conditional
Number of beneficiaries	1	713	144	144	1,029
Acquisition of options/vesting date of shares	15.09.2014	15.06.2015	15.06.2015	15.06.2015	16.06.2014 (FRA) 16.06.2015 (ROW)
Exercisable from	16.09.2014	16.06.2015	16.06.2015	16.06.2015	16.06.2016 (FRA) 16.06.2015 (ROW)
Expiry date	15.09.2018	15.06.2019	15.06.2019	15.06.2019	N/A
Subscription or purchase price in euros at 30.06.2014	64.00	68.54	68.54	68.54	N/A
Outstanding options and shares at 30 June 2014	70,000	570,680	166,829	166,829	369,327
Stock option/share expense 2013/2014 *(in thousands of euros)*	142	2,040	412	422	6,570

	Plan dated 27.06.2012	Plan dated 27.06.2012	Plan dated 27.06.2012	Plan dated 27.06.2012	Plan dated 27.06.2012
Type of options/shares	Purchase	Purchase	Purchase	Purchase	Free
Performance conditions	Conditional	Conditional	Conditional	Conditional	Conditional
Number of beneficiaries	158	158	1	1	1,059
Acquisition of options/vesting date of shares	27.06.2016	27.06.2016	27.06.2016	27.06.2016	28.06.2015 (FRA) 28.06.2016 (ROW)
Exercisable from	28.06.2016	28.06.2016	28.06.2016	28.06.2016	28.06.2017 (FRA) 28.06.2016 (ROW)
Expiry date	27.06.2020	27.06.2020	27.06.2020	27.06.2020	N/A
Subscription or purchase price in euro at 30.06.2014	78.93	78.93	78.93	78.93	N/A
Outstanding options and shares at 30 June 2014	192,150	192,150	11,400	11,400	454,886
Stock option/share expense 2013/2014 *(in thousands of euros)*	695	726	53	55	10,572

	Plan dated 06.11.2013	Plan dated 06.11.2013	Plan dated 06.11.2013
Type of options/shares	Purchase	Free	Free
Performance conditions	Conditional	Conditional	Conditional
Number of beneficiaries	168	2	1,087
Acquisition of options/vesting date of shares	06.11.2017	07.11.2016	07.11.2016 (FRA) 07.11.2017 (ROW)
Exercisable from	07.11.2017	07.11.2018	07.11.2018 (FRA) 07.11.2017 (ROW)
Expiry date	06.11.2021	N/A	N/A
Subscription or purchase price in euros at 30.06.2014	88.11	N/A	N/A
Outstanding options and shares at 30 June 2014	349,640	12,091	416,151
Stock option/share expense 2013/2014 *(in thousands of euros)*	830	158	6,949

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

Other stock options plans that have not yet expired are explained in the "Management report" section of the Registration Document.

Regarding stock options already vested, the total number of options outstanding is 3,442,109, for which the average remaining life is two years and one month.

The Group recognised an expense of €8.3 million in operating profit in respect of the 11 stock option plans in operation at 30 June 2014, an expense of €28.7 million in respect of the five performance-based share plans, and a virtually nil charge in respect of the SARs programmes. A liability of €3.2 million was recognised in other current liabilities at 30 June 2014 in respect of the SARs programmes.

Annual expenses *(in millions of euros)*	30.06.2013	30.06.2014
Stock options (equity settled) – through a double entry to equity	8.4	8.3
SARs (cash settled) – through a double entry to other current liabilities	(0.2)	0
Performance–based shares (equity settled) – through a double entry to equity	29.0	28.7
TOTAL ANNUAL EXPENSES	**37.2**	**37.0**

Changes made to outstanding stock options/shares during the year are described below:

	Plan dated 17.11.2004	Plan dated 11.08.2005	Plan dated 14.06.2006	Plan dated 14.06.2006	Plan dated 18.01.2007	Plan dated 21.06.2007
Type of options/shares	Purchase	Purchase	Purchase	SARs	SARs	Purchase
Performance conditions	Unconditional	Unconditional	Unconditional	Unconditional	Unconditional	Unconditional
Outstanding options/shares at 30.06.2013	**421,255**	**389,500**	**1,013,886**	**116,378**	**0**	**528,225**
Granted between 01.07.2013 and 30.06.2014	-	-	-	-	-	-
Cancelled between 01.07.2013 and 30.06.2014	5,087	1,808	11,722	-	-	3,120
Exercised between 01.07.2013 and 30.06.2014	187,401	114,785	111,449	26,447	-	67,066
Expired between 01.07.2013 and 30.06.2014	-	-	-	-	-	-
OUTSTANDING OPTIONS/SHARES AT 30.06.2014	**228,767**	**272,907**	**890,715**	**89,931**	**0**	**458,039**

	Plan dated 21.06.2007	Plan dated 21.06.2007	Plan dated 21.06.2007	Plan dated 18.06.2008	Plan dated 18.06.2008	Plan dated 18.06.2008
Type of options/shares	SARs	Purchase	Free	Purchase	Purchase	Free
Performance conditions	Unconditional	Conditional	Conditional	Unconditional	Conditional	Conditional
Outstanding options/shares at 30.06.2013	**50,890**	**78,246**	**0**	**680,209**	**95,011**	**0**
Granted between 01.07.2013 and 30.06.2014	-	-	-	-	-	-
Cancelled between 01.07.2013 and 30.06.2014	-	-	-	2,324	-	-
Exercised between 01.07.2013 and 30.06.2014	5,370	-	-	64,388	-	-
Expired between 01.07.2013 and 30.06.2014	-	-	-	-	-	-
OUTSTANDING OPTIONS/SHARES AT 30.06.2014	**45,520**	**78,246**	**0**	**613,497**	**95,011**	**0**

	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 15.09.2010
Type of options/shares	Purchase	Purchase	Free	Purchase
Performance conditions	Unconditional	Conditional	Conditional	Conditional
Outstanding options/shares at 30.06.2013	**588,054**	**280,983**	**396,637**	**70,000**
Granted between 01.07.2013 and 30.06.2014	-	-	-	-
Cancelled between 01.07.2013 and 30.06.2014	13,520	-	33,991	-
Exercised between 01.07.2013 and 30.06.2014	35,988	14,602	362,646	-
Expired between 01.07.2013 and 30.06.2014	-	-	-	-
OUTSTANDING OPTIONS/SHARES AT 30.06.2014	**538,546**	**266,381**	**0**	**70,000**

	Plan dated 15.06.2011	Plan dated 15.06.2011	Plan dated 15.06.2011	Plan dated 27.06.2012
Type of options/shares	Purchase	Purchase	Free	Purchase
Performance conditions	Unconditional	Conditional	Conditional	Conditional
Outstanding options/shares at 30.06.2013	**585,180**	**333,658**	**538,432**	**384,300**
Granted between 01.07.2013 and 30.06.2014	-	-	-	-
Cancelled between 01.07.2013 and 30.06.2014	14,500	-	49,025	-
Exercised between 01.07.2013 and 30.06.2014	-	-	120,080	-
Expired between 01.07.2013 and 30.06.2014	-	-	-	-
OUTSTANDING OPTIONS/SHARES AT 30.06.2014	**570,680**	**333,658**	**369,327**	**384,300**

	Plan dated 27.06.2012	Plan dated 27.06.2012	Plan dated 06.11.2013	Plan dated 06.11.2013	Plan dated 06.11.2013
Type of options/shares	Purchase	Free	Purchase	Free	Free
Performance conditions	Conditional	Conditional	Conditional	Conditional	Conditional
Outstanding options/shares at 30.06.2013	**29,550**	**637,256**	**-**	**-**	**-**
Granted between 01.07.2013 and 30.06.2014	-	-	349,640	15,600	555,280
Cancelled between 01.07.2013 and 30.06.2014	6,750	182,370	-	3,509	139,129
Exercised between 01.07.2013 and 30.06.2014	-	-	-	-	-
Expired between 01.07.2013 and 30.06.2014	-	-	-	-	-
OUTSTANDING OPTIONS/SHARES AT 30.06.2014	**22,800**	**454,886**	**349,640**	**12,091**	**416,151**

The average exercise price of options exercised during the financial year was €55.37.

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

The fair values shown above for SARs granted in June 2006 and June 2007 have been re-estimated at 30 June 2014 in accordance with IFRS 2.

	Plan dated 17.11.2004	Plan dated 11.08.2005	Plan dated 14.06.2006	Plan dated 14.06.2006	Plan dated 18.01.2007	Plan dated 21.06.2007
Type of options/shares	Purchase	Purchase	Purchase	SARs	SARs	Purchase
Performance conditions	Unconditional	Unconditional	Unconditional	Unconditional	Unconditional	Unconditional
Initial share price *(in euros after adjustments)* [3]	44.15	55.22	56.83	87.70 [1]	87.70 [1]	73.98
Exercise price *(in euros after adjustments)*	42.30	52.59	58.41	58.41	N/A	74.73
Expected volatility [2]	30%	30%	30%	22%	22%	22%
Expected dividend yield [2]	2%	2%	2%	2%	2%	2%
Risk free rate [2]	3.85%	3.25%	4.00%	4.50%	4.50%	4.50%
IFRS 2 FAIR VALUE AT 30.06.2014	**15.13**	**18.40**	**18.47**	**28.59** [4]	**-** [4]	**19.25**

	Plan dated 21.06.2007	Plan dated 21.06.2007	Plan dated 21.06.2007	Plan dated 18.06.2008	Plan dated 18.06.2008	Plan dated 18.06.2008
Type of options/shares	SARs	Purchase	Free	Purchase	Purchase	Free
Performance conditions	Unconditional	Conditional	Conditional	Unconditional	Conditional	Conditional
Initial share price *(in euros after adjustments)* [3]	87.70 [1]	73.98	73.98	63.29	63.29	63.29
Exercise price *(in euros after adjustments)*	74.73	74.73	N/A	66.16	66.16	N/A
Expected volatility [2]	22%	22%	N/A	21%	21%	N/A
Expected dividend yield [2]	2%	2%	2%	2%	2%	2%
Risk free rate [2]	4.50%	4.50%	4.50%	4.83%	4.83%	4.83%
IFRS 2 FAIR VALUE AT 30.06.2014	**13.73** [4]	**14.92**	**68.87 (FRA)** **68.13 (ROW)**	**15.76**	**12.07**	**54.23 (FRA)** **57.39 (ROW)**

	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 24.06.2010	Plan dated 15.09.2010	Plan dated 15.09.2010
Type of options/shares	Purchase	Purchase	Purchase	Free	Purchase	Purchase
Performance conditions	Unconditional	Conditional	Conditional	Conditional	Conditional	Conditional
Initial share price *(in euros after adjustments)* [3]	65.16	65.16	65.16	65.16	59.91	59.91
Exercise price *(in euros after adjustments)*	64.00	64.00	64.00	N/A	64.00	64.00
Expected volatility [2]	28%	28%	28%	N/A	23%	23%
Expected dividend yield [2]	2%	2%	2%	2%	2%	2%
Risk free rate [2]	3.41%	3.41%	3.41%	2.28%	2.93%	2.93%
IFRS 2 FAIR VALUE AT 30.06.2014	**18.39**	**12.45**	**13.04**	**60.15 (ROW)** **59.27 (FRA)**	**8.02**	**8.23**

	Plan dated 15.06.2011	Plan dated 15.06.2011	Plan dated 15.06.2011	Plan dated 15.06.2011	Plan dated 27.06.2012	Plan dated 27.06.2012
Type of options/shares	Purchase	Purchase	Purchase	Free	Purchase	Purchase
Performance conditions	Unconditional	Conditional	Conditional	Conditional	Conditional	Conditional
Initial share price *(in euros after adjustments)* (3)	66.74	66.74	66.74	66.74	79.51	79.51
Exercise price *(in euros after adjustments)*	68.54	68.54	68.54	N/A	78.93	78.93
Expected volatility (2)	23%	23%	23%	N/A	27%	27%
Expected dividend yield (2)	2%	2%	2%	2%	2%	2%
Risk free rate (2)	3.37%	3.37%	3.37%	3.12%	3.28%	3.28%
IFRS 2 FAIR VALUE AT 30.06.2014	**15.12**	**10.09**	**10.33**	**61.61 (ROW) 60.02 (FRA)**	**14.62**	**15.27**

	Plan dated 27.06.2012	Plan dated 27.06.2012	Plan dated 27.06.2012	Plan dated 06.11.2013	Plan dated 06.11.2013	Plan dated 06.11.2013
Type of options/shares	Purchase	Purchase	Free	Purchase	Free	Free
Performance conditions	Conditional	Conditional	Conditional	Conditional	Conditional	Conditional
Initial share price *(in euros after adjustments)* (3)	79.51	79.51	79.51	86.75	86.75	86.75
Exercise price *(in euros after adjustments)*	78.93	78.93	N/A	88.11	N/A	N/A
Expected volatility (2)	27%	27%	N/A	24%	24%	N/A
Expected dividend yield (2)	2%	2%	2%	2%	2%	2%
Risk free rate (2)	3.28%	3.28%	2.31%	2.25%	1.3%	1.3%
IFRS 2 FAIR VALUE AT 30.06.2014	**14.62**	**15.27**	**73.40 (ROW) 74.88 (FRA)**	**15.19**	**47.04**	**80.08 (ROW) 79.06 (FRA)**

FRA: French tax residents; ROW: non-French tax residents.
N/A: Not applicable.
(1) Share price at 30.06.2014.
(2) Assumptions used for initial measurement.
(3) Share price at grant date after value adjustment.
(4) Restated fair value at 30.06.2014 for accounting purposes in 2013/2014.

For the 2002/2006 plans, the volatility assumption was determined on the basis of the historical daily share price over a period equivalent to the maturity of the options.

For the 2007 and 2008 plans, the volatility assumption was determined using a multi-criteria approach taking into consideration:

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

The volatility assumption used for the 2008 and 2009 measurements was based on an analysis of historic volatility.

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

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

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

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

The options granted 6 November 2013 are all subject to the market performance of the Pernod Ricard share compared to that of the Food & Beverage Eurostoxx 600 index: stock options will be pre-vested as from 6 November 2016 provided that the overall performance of the Pernod Ricard share is between -15 pts and +10 pts in comparison with the Total Performance of the Food & Beverage Index (the number will be determined by linear progression based on the level of performance achieved).

Vesting will be final if the continuous service condition is met at 6 November 2017.

Two performance-based share plans were awarded on 6 November 2013. In both cases, their fair value corresponds to the market price of the shares at the grant date, less the loss of expected dividends during the vesting period (*i.e.* three years for tax residents of France and four years for non-tax residents of France). French tax residents are subject to a retention period of two years, however, as the borrowing rate is assumed to be lower than the risk-free rate, the cost of the retention is zero.

The fair value of one of the two plans also takes into account the market performance condition as applied to the stock options granted on 6 November (see description above).

Lastly, the number of performance-based shares granted will depend on the level of the Group profit from recurring operations for the years ended 30 June 2014 and 2015 compared with budgeted profit from recurring operations at constant exchange rates and scope of consolidation. The accounting expense for the plan under IFRS 2 will be adjusted for this condition at the end of the vesting period at the latest.

Note 6.3 - Off-balance sheet commitments

In millions of euros	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments granted at 30 June 2013	**2,702**	**1,599**	**881**	**223**
Off-balance sheet commitments given in relation to companies within the Group	**-**	**-**	**-**	**-**
Commitments to acquire equity interests	-	-	-	-
Commitments given in the context of specific operations	-	-	-	-
Other	-	-	-	-
Off-balance sheet commitments given in relation to the financing of the Company	**902**	**894**	**1**	**7**
Financial guarantees given	902	894	1	7
Other	0	0	-	-
Commitments related to operating activities of the issuer	**1,800**	**704**	**880**	**216**
Firm and irrevocable commitments to purchase raw materials	1,238	446	726	67
Tax commitments	254	177	4	73
Operating lease agreements	282	62	144	75
Other	26	20	6	1

In millions of euros	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments granted at 30 June 2013	**2,445**	**188**	**2,255**	**1**
Off-balance sheet commitments received in relation to companies within the Group	**-**	**-**	**-**	**-**
Commitments received in specific operations connected with competitors and markets	-	-	-	-
Other	-	-	-	-
Off-balance sheet commitments received in relation to the financing of the Company	**2,439**	**183**	**2,255**	**1**
Credit lines received and not used	2,407	153	2,255	-
Financial guarantees received	31	30	0	1
Other	-	-	-	-
Commitments related to operating activities of the issuer	**6**	**6**	**-**	**0**
Contractual commitments related to business activity and business development	3	3	-	0
Other	2	2	-	-

In millions of euros	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments given at 30 June 2014	**1,865**	**731**	**925**	**208**
Off-balance sheet commitments given in relation to companies within the Group	-	-	-	-
Commitments to acquire equity interests	-	-	-	-
Commitments given in the context of specific operations	-	-	-	-
Other	-	-	-	-
Off-balance sheet commitments given in relation to the financing of the Company	**44**	**36**	**0**	**8**
Financial guarantees given	43	36	0	8
Other	0	0	-	-
Commitments relating to the operating activities of the issuer	**1,821**	**696**	**925**	**201**
Firm and irrevocable commitments to purchase raw materials	1,256	413	766	77
Tax commitments	237	170	6	62
Operating lease agreements	291	83	146	62
Other	37	30	7	1

In millions of euros	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments given at 30 June 2014	**2,466**	**267**	**2,176**	**22**
Off-balance sheet commitments received in relation to companies within the Group	-	-	-	-
Commitments received in specific operations connected with competitors and markets	-	-	-	-
Other	-	-	-	-
Off-balance sheet commitments received in relation to the financing of the Company	**2,429**	**253**	**2,166**	**11**
Credit lines received and not used	2,410	235	2,166	10
Financial guarantees received	19	18	-	1
Other	-	-	-	-
Commitments relating to the operating activities of the issuer	**37**	**15**	**10**	**12**
Contractual commitments related to business activity and business development	34	12	10	12
Other	2	2	-	-

1. Details of main financial commitments

The lines of bank financing are mainly commitments linked to the Group's financing and financial investments, and in particular, to the nominal amount of the undrawn portion of the syndicated loan at 30 June 2014 (see Note 4.8).

In the context of the acquisition of Allied Domecq, warranties with respect to the adequacy of liabilities, notably of a tax-related nature, were granted. Provisions have been recognised to the extent of the amount of the risks as estimated by the Group (see Note 4.7).

2. Contractual commitments

In the context of their wine and champagne production operations, the Group's Australian affiliate Pernod Ricard Australia, its New Zealand affiliate Pernod Ricard New Zealand, and its French affiliate Mumm Perrier-Jouët, are committed, respectively, in amounts of €60 million, €24 million and €302 million under grape supply agreements. In the context of its cognac production activity, the Group's French affiliate Martell is committed in an amount of €609 million under maturing *eaux-de-vie* supply agreements.

Note 6.4 - Contingent liabilities

In March 2014, Pernod Ricard India received a tax reassessment proposal for the financial years 2006/2007 to 2010/2011 of an estimated amount of INR 7,785 million, including interest, or €95 million. This proposed reassessment mainly relates to the tax deductibility of advertising and promotion expenses.

After consulting with its tax advisors, 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) 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 as at 30 June 2014, for all litigation and risks in which it is involved, amounted to €714 million, compared to €727 million at 30 June 2013 (see Note 4.7). Pernod Ricard provides no further details (other than in exceptional circumstances), as disclosing the amount of any provision for ongoing litigation could cause the Group serious harm.

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

Disputes relating to brands

Havana Club

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

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

1. The United States Office of Foreign Assets Control (OFAC) decided that this law had the effect of preventing any renewal of the US trademark registration for the Havana Club brand, which, in the United States, has been owned by Cubaexport since 1976. In August 2006, the United States Patent and Trademark Office (USPTO) denied the renewal of the said Havana Club registration, following guidance from the OFAC. Cubaexport petitioned the Director of the USPTO to reverse this decision and also filed a claim against the OFAC challenging both the OFAC's decision and the law and regulations applied by the 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. This decision has no impact on the Group's accounts. The USPTO must now decide whether or not it should cancel Cubaexport's registration. In the meantime, Pernod Ricard has announced the launch of a Cuban rum, produced using the same processes as the Havana Club range, and which will be distributed in the United States once the embargo is lifted. This product will be sold under the Havanista® trademark, registered with the USPTO since August 2011.
2. A competitor of the Group has petitioned the USPTO to cancel the Havana Club trademark, which is registered in the name of Cubaexport. In January 2004, the USPTO denied the petition and refused to cancel the trademark registration. As this decision was appealed, proceedings are now pending before the Federal District Court for the District of Columbia. These proceedings have been stayed pending the outcome of Cubaexport's petition to the USPTO.

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

Stolichnaya

Allied Domecq International Holdings BV and Allied Domecq Spirits & Wine USA, Inc., together with SPI Spirits and other parties, are defendants in an action brought in the United States District Court for the Southern District of New York by entities that claim to represent the interests of the Russian Federation on matters relating to the ownership of the trademarks for vodka products in the United States. In the action, the plaintiffs challenged Allied Domecq International Holdings BV's then-ownership of the Stolichnaya trademark in the United States and sought damages and interest based on vodka sales by Allied Domecq in the United States and disgorgement of the related profits. Their claims concerning Allied Domecq International Holdings BV's then-ownership of the Stolichnaya trademark in the United States having been dismissed in March 2006, the plaintiffs subsequently filed an appeal for the portion of the decision dismissing their trademark ownership, trademark infringement and fraud claims (as well as the dismissal of certain claims brought only against the SPI Group entities).

In October 2010, the Court of Appeals (i) affirmed the dismissal of the plaintiffs' fraud and unjust enrichment claims and (ii) reinstated the plaintiffs' claims for trademark infringement, misappropriation and unfair competition related to the use of the Stolichnaya trademarks. The Court of Appeals has remanded the case to the District Court for further proceedings.

The plaintiffs filed their Third Amended Complaint in February 2011, alleging trademark infringement (and related claims) and misappropriation against Allied Domecq, the SPI Group entities and newly-added defendants William Grant & Sons USA and William Grant & Sons, Inc., (the current distributors of Stolichnaya vodka in the United States). All defendants moved to dismiss the plaintiffs' Third Amended Complaint.

On 1 September 2011, the plaintiffs' trademark and unfair competition claims were dismissed with prejudice on the ground that the plaintiffs lacked standing to bring these claims in the name of the Russian Federation. Because he dismissed the federal trademark claims, the judge declined to exercise jurisdiction over the remaining common law misappropriation claim and thus he dismissed that claim without prejudice to the plaintiffs refiling that claim in a state court.

The District Court having entered judgment on 8 September 2011, the plaintiffs filed a notice of appeal in October 2011.

On 5 August 2013, the Court of Appeals confirmed that the plaintiffs lacked standing to bring claims in the name of the Russian Federation and dismissed their Third Amended Complaint. The plaintiffs' petition to the Supreme Court for review of the case was denied on 24 February 2014.

On 4 February 2014 and certainly in anticipation of the Supreme Court denial the plaintiffs filed a new action in the United States District Court for the Southern District of New York, asserting many of the same claims as the previous action and some additional claims arising from the same alleged facts, including common law claims for trademark infringement and unfair competition. Plaintiffs attached to the complaint a purported assignment of the Russian Federation's alleged US trademark rights, and they asserted that that assignment cured the lack of standing that was the basis for the courts' dismissal of the first action. Defendants filed a motion to dismiss the new action on a number of grounds, including that the assignment is ineffective to confer standing on the plaintiffs, the claims are untimely, and the claims are barred because of the dismissal of the plaintiffs' previous action.

On 25 August 2014, Judge Shira Scheindlin denied defendants' motion to dismiss plaintiffs' federal claims for trademark infringement but granted defendants' motion to dismiss plaintiffs' other claims. Defendants then filed a motion for reconsideration or to authorize an immediate appeal, and plaintiffs filed a cross-motion for reconsideration; Judge Scheindlin denied both motions. Judge Scheindlin, however, allowed defendants to renew their motion to dismiss on the ground that plaintiffs lack standing to pursue their claims. The parties have until 6 October 2014, to submit reports from Russian law experts on issues relevant to the plaintiffs' standing; a hearing on these issues is expected later in October and a decision is expected by the end of 2014.

Defendants also filed, on 15 September 2014, a petition in the United States Court of Appeals for the Second Circuit seeking a writ of mandamus directing the District Court to dismiss the action on the ground that it is barred by the judgments in the previous action. That petition remains pending.

Commercial disputes

Claim brought by the Republic of Colombia against Pernod Ricard, Seagram and Diageo

In October 2004, the Republic of Colombia, as well as several Colombian regional departments, brought a lawsuit before the United States District Court for the Eastern District of New York against Pernod Ricard SA, Pernod Ricard USA LLC, Diageo Plc, Diageo North America Inc., United Distillers Manufacturing Inc., IDV North America Inc. and Seagram Export Sales Company Inc.

The plaintiffs' claims are that these companies have committed an act of unfair competition against the Colombian government and its regional departments (which hold a constitutional monopoly on the production and distribution of spirits) by selling their products through illegal distribution channels and by receiving payments from companies involved in money laundering. Pernod Ricard contests these claims.

The defendants moved to dismiss the lawsuit on a variety of grounds, including that the Court is not competent to hear this dispute, that Colombia is a more convenient forum, and that the complaint fails to state a legal claim. In June 2007, the District Court granted in part and denied in part the defendants' motions to dismiss.

In January 2008, the United States Court of Appeals for the Second Circuit refused to review the District Court's decision.

After a period of discovery regarding the plaintiffs' claims that were not dismissed, in March 2011 Pernod Ricard filed a new motion to dismiss based on recent case law regarding the extraterritorial application of the "RICO" law. The discovery has been stayed in its entirety until the Court rules on this motion.

In September 2009, Pernod Ricard and Diageo, in exchange for a payment of US$10 million made to each of Diageo and Pernod Ricard, released Vivendi SA and Vivendi I Corp. from any obligation to indemnify Pernod Ricard and Diageo for certain Colombia litigation losses based on conduct of Seagram that pre-dates its acquisition by Pernod Ricard and Diageo.

On 8 November 2012, the plaintiffs voluntarily dismissed all their remaining claims without prejudice, and the Court so ordered. Pernod Ricard will continue to work with the Colombian Regional Departments in a cooperative effort to fight against smuggling and counterfeit products and to promote competitive markets that benefit consumers and producers alike.

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

In March 2014, Pernod Ricard India received a tax reassessment proposal for the financial years 2006/2007 to 2010/2011 mainly relating to the tax deductibility of advertising and promotion expenses (see Note 6.4 – *Contingent liabilities*).

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

Note 6.6 - Related parties

Transactions with associates and joint ventures were immaterial in the year ended 30 June 2014.

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

In millions of euros	30.06.2013	30.06.2014
Board of Directors [(1)]	1	1
Group Executive Committee		
□ Short-term benefits	16	15
□ Post-employment benefits	6	6
□ Share-based payments [(2)]	2	3
TOTAL EXPENSES RECOGNISED FOR THE YEAR	**25**	**24**

(1) *Directors' fees.*
(2) *The cost of stock option plans is the fair value of the options granted to Group Executive Committee members, and is recognised in the income statement over the vesting period of the options for plans 24.06.2010 to 06.11.2013.*

Note 6.7 - Post-balance sheet events

On 10 July 2014, Pernod Ricard announced the acquisition by Pernod Ricard USA of a block of shares in Avión Spirits LLC with its partner, Tequila Avión. Following this transaction, Pernod Ricard USA holds a large majority of the company that owns Avión, the ultra-premium tequila brand.

This transaction reflects Pernod Ricard's confidence in Avión's growth potential and the importance given to the brand to support the Group's ambitions in the United States, its largest market. This acquisition further illustrates Pernod Ricard's ability of to seize tactical acquisition opportunities in the super-premium+ segment in the United States, complementing its innovation strategy.

NOTE 7 Scope of consolidation

Note 7.1 - Scope of consolidation

The main changes to Group's scope of consolidation at 30 June 2014 are presented above in Note 1.2 – *Significant events during the financial year*.

Note 7.2 - List of main consolidated companies

Incorporated bodies	Country	% held at 30.06.2013	% held at 30.06.2014	Consolidation method
Pernod Ricard SA	France	Parent Company	Parent Company	
Pernod Ricard Finance SA	France	100	100	F.C.
Ricard	France	100	100	F.C.
Pernod	France	100	100	F.C.
Société des Produits d'Armagnac	France	100	100	F.C.
Société Lillet Frères	France	100	100	F.C.
Spirits Partners SAS	France	100	100	F.C.
Pernod Ricard Europe, Middle East and Africa	France	100	100	F.C.
La Casa dels Licors SL	Andorra	100	100	F.C.
Yerevan Brandy Company	Armenia	100	100	F.C.
Pernod Ricard Austria GmbH	Austria	100	100	F.C.
Pernod Ricard Belgium SA	Belgium	100	100	F.C.
Pernod Ricard Bulgaria EOOD	Bulgaria	100	100	F.C.
Jan Becher – Karlovarska Becherovka, A.S.	Czech Republic	100	100	F.C.
Pernod Ricard Denmark A/S	Denmark	100	100	F.C.
Pernod Ricard Finland OY	Finland	100	100	F.C.
Tinville SAS	France	100	100	F.C.
Pernod Ricard Deutschland GmbH	Germany	100	100	F.C.
Pernod Ricard Hellas ABEE	Greece	100	100	F.C.
Pernod Ricard Hungary Ltd	Hungary	100	100	F.C.
Comrie Ltd	Ireland	100	100	F.C.
Pernod Ricard Italia SPA	Italy	100	100	F.C.
Pernod Ricard Kazakhstan	Kazakhstan	100	100	F.C.
Pernod Ricard Nederland BV	Netherlands	100	100	F.C.
AS Premium Brands Norway	Norway	100	100	F.C.
Pernod Ricard Norway AS	Norway	100	100	F.C.
Pernod Ricard Portugal – Distribuição, S.A.	Portugal	100	100	F.C.
Pernod Ricard Romania SRL	Romania	100	100	F.C.
Pernod Ricard Rouss CJSC	Russia	100	100	F.C.
Pernod Ricard Slovenija d.o.o.	Slovenia	100	100	F.C.
Pernod Ricard South Africa PTY Ltd	South Africa	100	100	F.C.
Pernod Ricard España	Spain	100	100	F.C.
Pernod Ricard Sweden AB	Sweden	100	100	F.C.
Pernod Ricard Swiss SA	Switzerland	100	100	F.C.
Allied Domecq Istanbul Ic ve Dis Ticaret Ltd. Sti.	Turkey	100	100	F.C.
Pernod Ricard Ukraine	Ukraine	100	100	F.C.

Incorporated bodies	Country	% held at 30.06.2013	% held at 30.06.2014	Consolidation method
Pernod Ricard UK Ltd**	United Kingdom	100	100	F.C.
World Brands Duty Free Ltd	United Kingdom	100	100	F.C.
Pernod Ricard Argentina S.R.L.	Argentina	100	100	F.C.
Pernod Ricard Brasil Indústria e Comércio ltda.	Brazil	100	100	F.C.
Corby Spirit and Wine Limited*	Canada	45.76	45.76	F.C.
Hiram Walker & Sons Limited	Canada	100	100	F.C.
Pernod Ricard Canada Ltée	Canada	100	100	F.C.
Pernod Ricard Chile SA	Chile	100	100	F.C.
Pernod Ricard Colombia S.A.	Colombia	100	100	F.C.
Pernod Ricard Dominicana, S.A.	Dominican Republic	100	100	F.C.
Pernod Ricard Central and South America	France	100	100	F.C.
Pernod Ricard North America	France	100	100	F.C.
Industrias Vinicolas Pedro Domecq SA de CV	Mexico	100	100	F.C.
Pernod Ricard Mexico S.A. de C.V.	Mexico	100	100	F.C.
Pernod Ricard Peru S.A.	Peru	100	100	F.C.
Pernod Ricard Americas Travel Retail LLC	United States	100	100	F.C.
Austin, Nichols & Co., Inc.	United States	100	100	F.C.
Pernod Ricard USA, LLC	United States	100	100	F.C.
Pernod Ricard USA Bottling, LLC	United States	100	100	F.C.
Pernod Ricard Uruguay S.A.	Uruguay	100	100	F.C.
Pramsur SA	Uruguay	100	100	F.C.
Pernod Ricard Venezuela C.A.	Venezuela	100	100	F.C.
Pernod Ricard Margarita C.A.	Venezuela	100	100	F.C.
Pernod Ricard Asia	France	100	100	F.C.
Pernod Ricard (China) Trading Co., Ltd	China	100	100	F.C.
Allied Domecq Spirits & Wine (China) Ltd.	Hong Kong	100	100	F.C.
Pernod Ricard Asia Duty Free Ltd	Hong Kong	100	100	F.C.
Pernod Ricard Hong Kong Ltd	Hong Kong	100	100	F.C.
Pernod Ricard India Private Limited	India	100	100	F.C.
Pernod Ricard Japan KK	Japan	100	100	F.C.
Pernod Ricard Korea Imperial Company Ltd	South Korea	100	100	F.C.
Pernod Ricard Korea Ltd	South Korea	100	100	F.C.
Pernod Ricard Malaysia SDN BHD	Malaysia	100	100	F.C.
Peri Mauritius	Mauritius	100	100	F.C.
Pernod Ricard Singapore PTE Ltd	Singapore	100	100	F.C.
Pernod Ricard Taiwan Ltd	Taiwan	100	100	F.C.
Pernod Ricard Thailand Ltd	Thailand	100	100	F.C.
Pernod Ricard Vietnam Company Limited	Vietnam	100	100	F.C.
The Absolut Company AB	Sweden	100	100	F.C.
Distilled Innovation AB	Sweden	100	100	F.C.
Havana Club International SA	Cuba	50	50	F.C.
Chivas Brothers (Americas) Ltd	United Kingdom	100	100	F.C.
Chivas Brothers (Europe) Ltd	United Kingdom	100	100	F.C.
Chivas Brothers (Holdings) Ltd**	United Kingdom	100	100	F.C.
Chivas Brothers (Japan) Ltd	United Kingdom	100	100	F.C.
Chivas Brothers Ltd**	United Kingdom	100	100	F.C.

Incorporated bodies	Country	% held at 30.06.2013	% held at 30.06.2014	Consolidation method
Chivas Brothers Pernod Ricard	United Kingdom	100	100	F.C.
Chivas Holdings (IP) Limited	United Kingdom	100	100	F.C.
Chivas Investments Limited	United Kingdom	100	100	F.C.
V&S Plymouth Limited	United Kingdom	100	100	F.C.
Irish Distillers Ltd	Ireland	100	100	F.C.
Edward Dillon (Bonders) Ltd	United Kingdom	100	100	F.C.
Watercourse Distillery Ltd	Ireland	100	100	F.C.
Dillon Bass Ltd	United Kingdom	74	74	F.C.
Agros Holding SA	Poland	100	100	F.C.
Wyborowa S.A.	Poland	100	100	F.C.
Augier Robin Briand & Cie	France	100	100	F.C.
Martell & Co SA	France	100	100	F.C.
Martell Mumm Perrier-Jouët	France	100	100	F.C.
Domaines Jean Martell	France	100	100	F.C.
Le Maine au Bois	France	100	100	F.C.
Champagne Perrier-Jouët	France	100	100	F.C.
Financière Moulins de Champagne	France	100	100	F.C.
G.H. Mumm & Cie S.V.C.S.	France	100	100	F.C.
Mumm Perrier-Jouët Vignobles et Recherches	France	100	100	F.C.
Théodore Legras	France	99.5	99.5	F.C.
Pernod Ricard Winemakers Spain, S.A.	Spain	98.46	98.46	F.C.
Pernod Ricard Winemakers Pty Ltd	Australia	100	100	F.C.
Pernod Ricard Winemakers New Zealand Limited	New Zealand	100	100	F.C.
Pernod Ricard Kenwood Holding LLC	United States	100	100	F.C.
Les Résidences de Cavalière SARL	France	100	100	F.C.
Allied Domecq International Holdings B.V.	Netherlands	100	100	F.C.
Allied Domecq (Holdings) Limited**	United Kingdom	100	100	F.C.
Allied Domecq Pensions Limited	United Kingdom	100	100	F.C.
Allied Domecq Financial Services Limited	United Kingdom	100	100	F.C.
Allied Domecq Limited	United Kingdom	100	100	F.C.
Allied Domecq Medical Expenses Trust Limited	United Kingdom	100	100	F.C.
Allied Domecq Overseas (Europe) Limited	United Kingdom	100	100	F.C.
Pernod Ricard UK Holdings Limited	United Kingdom	100	100	F.C.
Allied Domecq Spirits & Wine Limited	United Kingdom	100	100	F.C.
Goal Acquisitions (Holdings) Ltd	United Kingdom	100	100	F.C.
Goal Acquisitions Ltd	United Kingdom	100	100	F.C.
PR Goal 3 Ltd	United Kingdom	100	100	F.C.

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

** *Incorporated bodies with subsidiaries or who themselves are members of UK partnerships.*

In accordance with Regulation 7 of The Partnership (Accounts) Regulations 2008, annual partnership accounts have not been prepared as the UK partnerships are consolidated within the Pernod Ricard group annual consolidated financial statements.

FC: Fully Consolidated.

NOTE 8 Restatement of comparative information

On 1 July 2013 with retroactive effect from 1 July 2012, Pernod Ricard applied the amendments to international accounting standard IAS 19 (Employee Benefits) adopted by the European Union and mandatorily applicable from that date: see Note 1.1 to the consolidated financial statements.

As a result, the financial statements for the year 2012/2013 have been restated as shown below:

Note 8.1 - Restated main aggregates of the income statement

In millions of euros	Reported 30.06.2013	Adjustments related to the application of IAS 19 as amended	Restated 30.06.2013
Net sales	8,575		8,575
Cost of sales	(3,224)		(3,224)
Gross margin after logistics expenses	**5,351**		**5,351**
Advertising and promotion expenses	(1,644)		(1,644)
Contribution after advertising & promotion expenses	**3,707**		**3,707**
Trading costs and overheads	(1,477)	1	(1,476)
Profit from recurring operations	**2,230**	**1**	**2,231**
Other operating income	100	1	101
Other operating expenses	(225)	11	(214)
Operating profit	**2,106**	**13**	**2,119**
Financial expenses	(564)	(15)	(579)
Financial income	25		25
Interest (expense) income	**(539)**	**(15)**	**(554)**
Corporate income tax	(359)	(15)	(374)
Share of net profit/(loss) of associates	1		1
Net profit from continuing operations	**1,208**	**(17)**	**1,191**
Net profit from discontinued operations	-		-
NET PROFIT	**1,208**	**(17)**	**1,191**
Including:			
◻ Attributable to non-controlling interests	19	(0)	19
◻ Attributable to equity holders of the Parent	1,189	(17)	1,172
Earnings per share basic *(in euros)*	4.51	(0.06)	4.45
Earnings per share diluted *(in euros)*	4.46	(0.06)	4.40
Net earnings per share from continuing operations (excluding discontinued operations) basic *(in euros)*	4.51	(0.06)	4.45
Net earnings per share from continuing operations (excluding discontinued operations) diluted *(in euros)*	4.46	(0.06)	4.40

Note 8.2 - Restated income and expenses recognised directly in equity

In millions of euros	Reported 30.06.2013	Adjustments related to the application of IAS 19 as amended	Restated 30.06.2013
Net profit for the period	**1,208**	**(17)**	**1,191**
Non-recyclable items			
Actuarial gains (losses) related to the defined benefit plan	**-**	**93**	**93**
Amount recognised in shareholders' equity	*-*	*125*	*125*
Tax impact	*-*	*(33)*	*(33)*
Recyclable items			
Net investment hedge	**72**		**72**
Amount recognised in shareholders' equity	*72*		*72*
Tax impact	*-*		*-*
Cash flow hedges	**79**		**79**
Amount recognised in shareholders' equity	*125*		*125*
Tax impact	*(47)*		*(47)*
Available-for-sale assets	**-**		**-**
Unrealised gains and losses recognised in shareholders' equity	*-*		*-*
Tax impact	*-*		*-*
Translation differences	**(592)**	**7**	**(585)**
Items reclassified from equity to profit and loss			
Cash flow hedges	**(6)**		**(6)**
Amount recycled to net profit (loss)	*(12)*		*(12)*
Tax impact	*6*		*6*
Available-for-sale assets	**-**		**-**
Amount reclassified from equity to profit and loss following a disposal	*-*		*-*
Tax impact	*-*		*-*
Other comprehensive income for the period, net of tax	**(448)**	**99**	**(349)**
Comprehensive income for the period	**761**	**82**	**843**
Including:			
attributable to equity holders of the Parent	748	82	830
attributable to non-controlling interests	13	0	13

Note 8.3 - Restated consolidated balance sheet

Assets *(in millions of euros)*	Reported 30.06.2012	Adjustments related to the application of IAS 19 as amended	Restated 01.07.2012	Reported 30.06.2013	Adjustments related to the application of IAS 19 as amended	Restated 30.06.2013
Net amounts						
Non-current assets						
Intangible assets	12,234		12,234	11,780		11,780
Goodwill	5,126		5,126	4,973		4,973
Property, plant and equipment	1,923		1,923	1,942		1,942
Biological assets	126		126	133		133
Non-current financial assets	294	(102)	192	358	(1)	357
Investments in associates	18		18	16		16
Non-current derivative instruments	116		116	59		59
Deferred tax assets	1,965	70	2,035	1,721	50	1,771
NON-CURRENT ASSETS	**21,802**	**(32)**	**21,770**	**20,981**	**49**	**21,030**
Current assets						
Inventories and work in progress	4,295		4,295	4,484		4,484
Trade receivables	1,197		1,197	1,159		1,159
Income taxes receivable	29		29	27		27
Other current assets	179		179	209		209
Current derivative instruments	34		34	23		23
Cash and cash equivalents	787		787	597		597
CURRENT ASSETS	**6,522**		**6,522**	**6,499**		**6,499**
Assets held for sale	52		52	8		8
TOTAL ASSETS	**28,375**	**(32)**	**28,343**	**27,488**	**49**	**27,537**

Liabilities and shareholders' equity *(in millions of euros)*	**Reported 30.06.2012**	**Adjustments related to the application of IAS 19 as amended**	**Restated 01.07.2012**	**Reported 30.06.2013**	**Adjustments related to the application of IAS 19 as amended**	**Restated 30.06.2013**
Shareholders' equity						
Share capital	411		411	411		411
Share premium	3,049		3,049	3,052		3,052
Retained earnings and currency translation adjustments	6,197	(251)	5,947	6,530	(151)	6,379
Group net profit	1,146		1,146	1,189	(17)	1,172
Group shareholders' equity	**10,803**	**(251)**	**10,553**	**11,183**	**(169)**	**11,014**
Non-controlling interests	169	(3)	166	168	(3)	165
TOTAL SHAREHOLDERS' EQUITY	**10,972**	**(254)**	**10,719**	**11,351**	**(172)**	**11,179**
Non-current liabilities						
Non-current provisions	641		641	587		587
Provisions for pensions and other long-term employee benefits	367	240	607	355	210	565
Deferred tax liabilities	3,126	(19)	3,107	2,913	11	2,924
Bonds – non-current	8,044		8,044	6,949		6,949
Non-current derivative instruments	259		259	152		152
Other non-current financial liabilities	1,252		1,252	763		763
TOTAL NON-CURRENT LIABILITIES	**13,689**	**221**	**13,910**	**11,719**	**221**	**11,940**
Current liabilities						
Current provisions	178		178	163		163
Trade payables	1,526		1,526	1,546		1,546
Income tax payable	129		129	127		127
Other current liabilities	896		896	924		924
Other current financial liabilities	727		727	567		567
Bonds – current	153		153	1,001		1,001
Current derivative instruments	97		97	89		89
TOTAL CURRENT LIABILITIES	**3,707**		**3,707**	**4,418**		**4,418**
Liabilities held for sale	7		7	0		0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**28,375**	**(32)**	**28,343**	**27,488**	**49**	**27,537**

Note 8.4 - Restated cash flow statement

In millions of euros	Reported 30.06.2013	Adjustments related to the application of IAS 19 as amended	Restated 30.06.2013
Cash flow from operating activities			
Group net profit	1,189	(17)	1,172
Non-controlling interests	19	0	19
Share of net profit/(loss) of associates, net of dividends received	(1)		(1)
Financial (income)/expense	539	15	554
Tax (income)/expense	359	15	374
Net profit from discontinued operations	-		-
Depreciation of fixed assets	185		185
Net change in provisions	(72)	(13)	(85)
Net change in impairment of goodwill and intangible assets	68		68
Changes in fair value of commercial derivatives	4		4
Change in the fair value of biological assets	(22)		(22)
Net (gain)/loss on disposal of assets	(65)		(65)
Share-based payments	38		38
Self-financing capacity before financing interest and taxes	**2,243**	-	**2,243**
Decrease/(increase) in working capital needs	(255)		(255)
Interest paid	(536)		(536)
Interest received	17		17
Tax expense	(406)		(406)
Tax receipts	22		22
CASH FLOW FROM OPERATING ACTIVITIES	**1,085**		**1,085**
Cash flow from investing activities			
Capital expenditure	(304)		(304)
Proceeds from disposals of property, plant and equipment and intangible assets	50		50
Change in the scope of consolidation	0		0
Purchases of financial assets	(53)		(53)
Disposals of financial assets	116		116
CASH FLOW FROM INVESTING ACTIVITIES	**(191)**		**(191)**
Cash flow from financing activities			
Dividends paid	(435)		(435)
Other changes in shareholders' equity	3		3
Issuance of long-term debt	1,176		1,176
Repayment of long-term debt	(1,973)		(1,973)
(Acquisition) disposal of treasury shares	21		21
CASH FLOW FROM FINANCING ACTIVITIES	**(1,208)**		**(1,208)**
Net cash from discontinued operations	(0)		(0)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (BEFORE FOREIGN CURRENCY TRANSLATION ADJUSTMENTS)	**(315)**		**(315)**
Foreign currency translation adjustments	125		125
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (AFTER FOREIGN CURRENCY TRANSLATION ADJUSTMENTS)	**(190)**		**(190)**
CASH AND CASH EQUIVALENTS AT START OF PERIOD	**787**		**787**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**597**		**597**

Statutory Auditors' report on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the financial year ended 30 June 2014, on:

- the audit of the accompanying consolidated financial statements of Pernod Ricard;
- the basis for our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit so as to obtain reasonable assurance that the consolidated financial statements are free of material misstatements. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and information disclosed in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities as well as of the financial position of the Group and of the results of its operations for the year ended on 30 June 2014, in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in Notes 1.1.2 and 8 to the consolidated financial statements which expose the impact of the first application of IAS 19 amended "Employee Benefits" from 1 July 2013.

II – Basis of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- goodwill and brands are subject to an impairment test at least once a year and whenever there is an indication that their value may have been impaired, in accordance with the principles and methods detailed in Notes 1.1.5, 1.1.7 and 1.1.9 to the consolidated financial statements. We assessed the data and assumptions on which the estimates are based, particularly the cash flow forecasts used, reviewed the calculations performed by the Company, evaluated the principles and methods used to determine fair values, compared the accounting estimates made in prior years with corresponding outcomes and verified that Note 4.1 to the consolidated financial statements gives appropriate information;
- the Company has recorded provisions for pensions and other post-employment benefits, deferred tax assets and liabilities and others contingencies, as described in Note 1.1.5 to the consolidated financial statements. We have assessed the basis on which these provisions were recognised and reviewed the disclosures concerning risks in Notes 3.3 and 4.7 to the consolidated financial statements;
- as described in Note 1.1.2 to the consolidated financial statements, in accordance with IAS 8, the comparative information for the year 2012/2013 presented in the consolidated financial statements has been restated to take into account the retrospective application of IAS 19 amended. Accordingly, the comparative information differs from the published consolidated financial statements for the year 2012/2013. As part of our assessment of the accounting principles applied by your Company, we have examined the correct restatement of the consolidated financial statements for the year 2012/2013 and the information provided in this respect in Note 8 of the notes to consolidated financial statements.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to our opinion expressed in the first part of this report.

III – Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, 17 September 2014

The Statutory Auditors,

MAZARS	DELOITTE & ASSOCIES
Isabelle Sapet	Marc de Villartay

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.
This report also includes information relating to the specific verification of information given in the Group's management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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Pernod Ricard SA income statement

For the financial years ending 30 June 2013 and 30 June 2014

In thousands of euros	30.06.2013	30.06.2014
Royalties	31,068	32,514
Other income	57,507	65,185
Reversals of financial provisions and expense transfers	5,925	7,026
OPERATING INCOME	**94,499**	**104,725**
Purchases of goods and supplies not for stock and external services	(123,140)	(112,310)
Duties and taxes	(5,544)	(6,163)
Payroll expenses	(79,464)	(81,220)
Depreciation, amortisation and provision charges	(11,558)	(13,846)
Other expenses	(5,075)	(11,247)
OPERATING EXPENSES	**(224,780)**	**(224,786)**
Operating profit (loss)	**(130,281)**	**(120,061)**
Income from investments	486,923	622,074
Other interest and related income	241,488	150,353
Reversals of financial provisions and expense transfers	202,680	201,120
Foreign exchange gains	75,189	153,028
FINANCIAL INCOME	**1,006,279**	**1,126,575**
Provision charges	(165,152)	(205,790)
Interest and related expenses	(606,781)	(442,304)
Foreign exchange losses	(90,979)	(13,646)
FINANCIAL EXPENSES	**(862,913)**	**(661,740)**
Interest (expense) income	**143,367**	**464,835**
Profit (loss) from continuing operations	**13,086**	**344,774**
Exceptional items	**68,858**	**(49,904)**
Net profit (loss) before income tax	**81,944**	**294,870**
Corporate income tax	299,025	167,808
PROFIT FOR THE FINANCIAL YEAR	**380,969**	**462,678**

Pernod Ricard SA balance sheet

For the financial years ending 30 June 2013 and 30 June 2014

Assets

In thousands of euros	Net value 30.06.2013	Gross value 30.06.2014	Depreciation, amortisation & provisions	Net value 30.06.2014	Notes
Concessions, patents and licences	33,020	33,139	(59)	33,080	
Other intangible assets	5,555	23,032	(16,820)	6,212	
Advances and down payments	5,232	4,833	-	4,833	
Intangible assets	**43,807**	**61,004**	**(16,879)**	**44,125**	**2**
Land	587	587	-	587	
Buildings	327	504	(187)	317	
Machinery and equipment	115	284	(152)	132	
Other property, plant and equipment	4,695	12,370	(7,971)	4,399	
Advances and down payments	845	1,873	-	1,873	
Property, plant and equipment	**6,567**	**15,618**	**(8,310)**	**7,308**	
Investments	12,100,440	12,831,055	(11,327)	12,819,728	3
Loans and advances to affiliates and associates	57,105	48,562	-	48,562	3 and 4
Other financial assets	7,851	9,643	-	9,643	3 and 4
Financial assets	**12,165,396**	**12,889,260**	**(11,327)**	**12,877,933**	**3**
TOTAL FIXED ASSETS	**12,215,771**	**12,965,882**	**(36,516)**	**12,929,366**	
Advances and supplier prepayments	**401**	**50**	**-**	**50**	**4**
Trade receivables	32,105	34,963	(1,023)	33,940	
Other receivables	1,972,901	1,191,793	(2,652)	1,189,141	
Receivables	**2,005,005**	**1,226,756**	**(3,675)**	**1,223,081**	**4**
Marketable securities	**135,260**	**109,733**	**-**	**109,733**	**5**
Cash	**145,301**	**15,755**	**-**	**15,755**	
Prepaid expenses	**28,469**	**28,869**	**-**	**28,869**	**6**
TOTAL CURRENT ASSETS	**2,314,438**	**1,381,163**	**(3,675)**	**1,377,488**	
Bond redemption premiums	**23,574**	**23,568**	**-**	**23,568**	**6**
Currency translation adjustment – Assets	**136,352**	**93,720**	**-**	**93,720**	**6**
TOTAL ASSETS	**14,690,135**	**14,464,333**	**(40,191)**	**14,424,142**	

Liabilities and shareholders' equity

In thousands of euros	30.06.2013	30.06.2014	Notes
Capital	**411,403**	**411,403**	**7**
Share premium	**3,039,030**	**3,039,030**	
Legal reserves	41,123	41,140	
Regulated reserves	179,559	179,559	
Other reserves	195,013	195,013	
Reserve	**415,695**	**415,712**	
Retained earnings	**559,065**	**454,410**	
Profit for the financial year	**380,969**	**462,678**	
Interim dividends	**(209,683)**	**(217,646)**	
TOTAL SHAREHOLDERS' EQUITY	**4,596,478**	**4,565,587**	**8**
Provisions for risks and charges	**342,839**	**477,109**	**9**
Bonds	7,669,141	7,788,205	4 and 13
Bank debt	152,243	169,619	4 and 14
Other debt	741,303	591,215	4
Debt	**8,562,687**	**8,549,039**	
Trade payables	53,676	49,948	
Taxes and social charges	51,968	36,641	
Amounts due on non-current assets and related accounts	414	7	
Other debts	574,345	425,842	
Trade and other accounts payable	**680,404**	**512,438**	**4**
Deferred income	**29,655**	**25,349**	**4 and 11**
TOTAL LIABILITIES	**9,615,585**	**9,563,935**	
Currency translation adjustment – Liabilities	**478,072**	**294,620**	**11**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**14,690,135**	**14,424,142**	

Pernod Ricard SA cash flow statement

For the financial years ending 30 June 2013 and 30 June 2014

In thousands of euros	30.06.2013	30.06.2014
Operating activities		
Net profit	380,969	462,678
Net depreciation, amortisation and provision charges	(74,181)	(35,337)
Changes in provisions	(21,877)	134,860
Net (gain)/loss on disposal of assets and other items	32,601	3,682
Cash flow	**317,512**	**565,883**
Decrease/(increase) in working capital requirements	(47,972)	770,906
Change in net debt from operating activities	**269,540**	**1,336,789**
Investing activities		
Capital expenditure (net of disposal)	24,223	(5,749)
Purchases of financial assets net of disposals	116,468	(676,596)
Change in net debt from investment activities	**140,691**	**(682,345)**
Financing activities		
Long-term and medium-term bond issue	(151,258)	131,731
Loans and medium- and long-term debt	(277,998)	(150,000)
Other changes in shareholders' equity	3,155	(53,843)
Dividends paid	(415,866)	(431,763)
Change in net debt from financing activities	**(841,967)**	**(503,875)**
Change in short-term net debt	**(431,737)**	**150,568**
Short-term net debt at beginning of year	211,755	(219,982)
Short-term net debt at year end	(219,982)	(69,414)

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:

In thousands of euros	30.06.2013	30.06.2014
Loans and long-term debts	(2,243)	(19,619)
Bonds	(142,841)	(130,181)
Net balance on current account with Pernod Ricard Finance	(355,459)	(45,102)
Marketable securities	135,260	109,733
Cash	145,301	15,755
SHORT-TERM NET DEBT AT THE END OF THE YEAR	**(219,982)**	**(69,414)**
Bonds	(7,526,300)	(7,658,025)
Loans and long-term debts	(150,000)	(150,000)
Pernod Ricard Finance loan	(740,860)	(590,860)
MEDIUM AND LONG-TERM NET DEBT AT THE END OF THE YEAR	**(8,417,160)**	**(8,398,885)**
TOTAL NET DEBT AT THE END OF THE YEAR	**(8,637,142)**	**(8,468,299)**

Analysis of Pernod Ricard SA results

Relations between the Parent Company and its affiliates

The main role of Pernod Ricard SA, the Group's Parent Company, is to carry out general interest and coordination activities in the areas of 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 billing of royalties for the operation of brands owned by Pernod Ricard SA, rebilling for research services relating to product innovation and receipt of dividends.

Highlights of the financial year

1. Bond redemption and new issue

On 6 December 2006, Pernod Ricard SA issued €850 million in bonds, in two tranches. Tranche 1 of €300 million was redeemed on 6 June 2011. Tranche 2 of €550 million and bearing interest at a fixed rate of 4.625% matured on 6 December 2013. This redemption was made through an increase of the outstanding balance on the Pernod Ricard Finance current account.

On 20 March 2014, Pernod Ricard SA issued an €850 million bond with a fixed interest rate of 2% and a maturity date of 22 June 2020.

2. Sale and repurchase agreements for Pernod Ricard shares

In relation to sale and repurchase agreements, Pernod Ricard resold 574,399 treasury shares, which had been purchased to cover the 2010 stock option plans. For these transactions, the shares held to cover these plans were transferred to two banks, although Pernod Ricard reserved the right through a repurchase clause to "cancel" the sale of these shares during the exercise of options, at the option exercise price. From a legal point of view these transactions are viewed as sales carried out under a dissolving condition (exercise of the repurchase option); when the option is exercised the initial sale is considered as never having taken place and it is deemed that the shares involved were the property of the assignor from the outset.

3. Changes in accounting policies

On 7 November 2013, the French accounting standards authority, the *Autorité des normes comptables* (ANC), issued recommendation 2013-02 on the recognition of pension liabilities in financial statements. This recommendation allows companies that previously applied the corridor method – if they choose the option provided in the recommendation – to recognise the full pension liability in the balance sheet, with the provision for pension liabilities being equal to the total commitment.

Pernod Ricard SA, which previously applied the corridor method, chose to apply the option provided in recommendation 2013-02 to recognise the full pension liability. This application had the following impacts:

- the provision for pension liabilities is now recognised in an amount equal to the commitment. The difference between the commitment and the provision for pension liabilities at 30 June 2013 was recognised as a reduction of shareholders' equity of €53.8 million, in accordance with opinion 97-06 of the French Accounting Board, the *Conseil national de comptabilité* (CNC) on changes in accounting policies;
- the full pension liability is now recognised in the balance sheet for a total of €97.4 million.

4. Restructuring project

This year, the Group launched the Allegro project, a programme to boost operational efficiency based on three objectives: prioritisation, simplification and mutualisation. The programme is expected to generate annual structural cost savings of around €150 million in the next three years.

Pernod Ricard SA's estimated cost was recorded in provisions for risks and charges in the Parent Company financial statements.

Income statement and balance sheet at 30 June 2014

Analysis of the 2013/2014 income statement

Operating income of €104.7 million was up €10.2 million against 30 June 2013, mainly due to rebillings to affiliates.

Operating expenses were stable year-on-year for a total of €(224.8) million at 30 June 2014. The main changes were generated by:

- a €4.7 million decline in Purchases of goods and supplies not for stock, external services and other expenses, mainly due to the decline in travel expenses;
- a €(0.6) million rise in duties and taxes;
- a €(1.8) million increase in personnel expenses;
- a €(2.3) million provision for depreciation and amortisation of intangible assets and provisions for retirement commitments.

An operating loss of €(120.1) million was recorded at 30 June 2014, up €10.2 million compared to 30 June 2013, due to the increase in Group rebillings.

Interest income was €464.8 million at 30 June 2014, compared to €143.4 million at 30 June 2013. The increase of €321.5 million was mainly attributable to:

- income from exchange rate transactions in 2013/2014 of €81.8 million, compared with income of €7.7 million the previous year. This positive foreign exchange impact of €74.1 million was due to fluctuations in the dollar;
- the €(29.3) million rise in expenses related to stock option and bonus share plans. This was mainly attributable to the implementation of a new bonus share plan in November 2013;
- a reduction in financial interest income of €57.3 million due to fluctuations in the dollar on the Austin Nichols' loan as well as the redemption of Tranche 2 of the €550 million bond and the new bond issue of €850 million;
- the increase in dividends received from affiliates of €135.2 million;
- an increase in other financial expenses of €84.2 million, mainly caused by reversals of provisions on shares in Agros, Geo Sandeman, Treat Venture Holdings Ltd and Seagram Anadolou.

Operating result before tax amounted to a profit of €344.8 million.

At 30 June 2014, exceptional items included a €(49.9) million charge mainly related to an €(35) million provision for risks and restructuring, an €(8.0) million supplemental provision for loss-making affiliates in the French tax group and €(6.9) million in other non-current charges.

Lastly, the income tax item is made up of:

- a tax gain of €181.0 million related to the impact of tax consolidation;
- a charge of €(13.2) million related to the additional 3% tax on dividends.

As a result, the net profit for financial year 2013/2014 was €462.7 million.

Analysis of the 2013/2014 balance sheet

Assets

Total net fixed assets stood at €12,929.4 million, compared with €12,215.8 million the previous financial year. The increase of €713.6 million was mainly attributable to:

- the increase in the value of the Lina 3 shares held by Pernod Ricard SA of €648.2 million following the affiliate's capital increase, decided by the sole shareholder on 23 June 2014;
- the increase in the value of the Agros shares of €35.2 million following the affiliate's capital increase, decided by the sole shareholder on 17 February 2014; This resulted in the reversal of the provision on these shares of €36.0 million;
- the decrease in loans following repayments from affiliates for €(8.5) million;
- the increase in other financial assets of €1.8 million, mainly for treasury shares resulting from cancellations;
- €1.0 million in capital investments in intangible assets and property, plant and equipment.

Current assets decreased by €937.0 million during the year. The main movements include:

- a €116.0 million increase in Pernod Ricard Finance loan;
- repayment of the Austin Nichols debt for €(721.0) million;
- a €(181.0) million reduction in current income tax liability;
- a €(129.5) million reduction in the Cash item generated by cash instruments (currency derivatives);
- a €(25.5) million decrease in Marketable securities, due mainly to the exercise of stock options;
- a €2.9 million increase in trade receivables and other receivables;
- a €1.2 million increase in other loans to affiliates.

Prepaid expenses and deferred charges, amounting to €117.3 million, mainly comprise Currency translation adjustments, which fell due to the effects of the revaluation of the exchange rate for receivables and payables denominated mainly in US dollars.

Liabilities and shareholders' equity

Shareholders' equity stood at €4,565.6 million, compared with €4,596.5 million at 30 June 2013. The main movements for the period were:

- profit for the financial year of €462.7 million;
- the payment of the balance of the dividend for 2012/2013 of €222.1 million;
- the payment of an interim dividend of €0.82 per share in respect of 2013/2014, amounting to €(217.6) million. The interim dividend was paid on 8 July 2014;
- a reduction of €(53.8) million related to the change in the accounting policy for pension liabilities.

On 7 November 2013, the French accounting standards authority (ANC), issued recommendation 2013-02 on the recognition of pension liabilities in financial statements. This recommendation allows companies that previously applied the corridor method – if they choose the option provided in the recommendation – to recognise the full pension liability in the balance sheet, with the provision for pension liabilities being equal to the total commitment.

The Company, which previously applied the corridor method, chose to apply the option provided in recommendation 2013-02

to recognise the full pension liability. This application had the following impacts:

- the provision for pension liabilities is now recognised in an amount equal to the commitment. The difference between the commitment and the provision for pension liabilities at 30 June 2013 was recognised as a reduction of shareholders' equity of €(53.8) million, in accordance with opinion 97-06 of the CNC on changes in accounting policies;
- the full pension liability is now recognised in the balance sheet for a total of €97.4 million.

Provisions for risks and charges fell by €134.3 million. This change was attributable to:

- a €57.7 million increase in the provision for currency losses (dollar fluctuations);
- a €(7.8) million reduction in provisions for risks and charges relating to stock option and bonus share plans. This change was due to: the termination of the bonus share plans of 2010 for non-resident employees and of 2011 for resident employees; the new bonus share plan of November 2013; and share resale to repurchase transactions to cover the 2010 stock option plans;
- a €41.4 million increase in provisions for retirement commitments and medical expenses. This change is mainly due to the implementation of ANC recommendation 2013-02 resulting in the recognition of the difference between the pension liability and the provision at the opening date of 30 June 2013 – *i.e.* an increase of €53.8 million;
- a €35 million provision for risks and restructuring;
- an €8.0 million allowance for the losses of affiliates in the tax consolidation group.

During the year, financial debt decreased by €(13.6) million following:

- the repayment of the Pernod Ricard Finance loan for €(150.1) million;
- the net increase in bonds of €119.1 million (redemption of Tranche 2 of the bond for €(550.0) million, redemption of other bonds for €(180.9) million and issuance of a new bond for €850.0 million);
- the change in cash instruments for €17.4 million.

The decrease in operating liabilities of €(168.0) million is due to:

- a €(310.3) million reduction of the Pernod Ricard Finance current account;
- a €154.4 million increase in current income tax liability;
- a €(12.1) million decrease in other debts.

Prepaid expenses and deferred charges, amounting to €294.6 million, mainly comprise currency translation adjustments, which fell due to the effects of the revaluation of the exchange rate for receivables and payables denominated mainly in US dollars.

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Pernod Ricard SA is a French public limited company *(Société Anonyme)*, subject to all laws governing commercial companies in France, and particularly to the provisions of the French Commercial Code. The Company is headquartered at 12, place des États-Unis, 75016 Paris, France and is listed on the Paris Stock Exchange.

The balance sheet total for the financial year which ended 30 June 2014 was €14,424,141,904.45. The income statement records a profit for the year of €462,677,928.39. The financial year covered the 12-month period from 1 July 2013 to 30 June 2014.

NOTE 1 Accounting policies

The annual financial statements for 2012/2013 were prepared in accordance with the provisions of CRC regulation 99.03 of 29 April 1999 relating to the revised French General Accounting Standards and the new accounting rules CRC 2002-10 on assets, as amended by CRC regulations 2003-07 and 2004-06. 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 assumptions are:

- going concern;
- consistency of accounting policies from one financial year to the next;
- accruals basis of accounting.

Balance sheet assets and liabilities are measured, depending on the specific items, at their historical cost, contribution cost or market value.

1. Intangible assets

The brands acquired from the merger of Pernod and Ricard in 1975 and from subsequent mergers are the Company's main intangible assets.

Intangible assets are valued at acquisition cost.

2. Property, plant and equipment

Property, plant and equipment is 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 lower than their net carrying amount, a provision for impairment is recognised for the difference.

Value in use is determined based on 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 being made to the market value of its net assets.

The treasury shares item includes own shares held by Pernod Ricard SA which are available to be awarded to employees.

4. Receivables

Receivables are recognised at their nominal value. A provision is recognised in the event that their value at the balance sheet date falls below net carrying amount.

5. Marketable securities

This item includes treasury shares acquired for the allocation of stock option plans from the time of acquisition.

A liability is recognised when it becomes probable that the rights to receive the securities concerned under the plans will be exercised. For other marketable securities, an impairment provision is taken when the cost price is higher than the market price.

6. 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 *(Comité de réglementation comptable* - CRC).

This accounting regulation provides that a liability is 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.

7. Pension benefits

On 7 November 2013, the French accounting standards authority (ANC) issued recommendation 2013-02 on the recognition of pension liabilities in financial statements. This recommendation allows companies that previously applied the corridor method – if they choose the option provided in the recommendation – to recognise the full pension liability in the balance sheet, with the provision for pension liabilities being equal to the total commitment.

The Company, which previously applied the corridor method, chose to apply the option provided in recommendation 2013-02 to recognise the full pension liability. This application had the following impacts:

- the provision for pension liabilities is now recognised in an amount equal to the commitment. The difference between the commitment and the provision for pension liabilities at 30 June 2013 was recognised as a reduction of shareholders' equity of €53.8 million, in accordance with opinion 97-06 of the French Accounting Board (CNC), on changes in accounting policies;
- the full pension liability is now recognised in the balance sheet for a total of €97.4 million.

8. Translation of foreign currency denominated items

Payables, receivables and cash balances denominated in foreign currencies are translated into euro as follows:

- translation of all payables, receivables and cash balances denominated in foreign currencies at year-end rates;
- recognition of differences compared to the amounts at which these items were initially recognised as currency translation adjustment assets or liabilities in the balance sheet;
- recognition of a provision for any unrealised currency losses, after taking into account the effect of any offsetting foreign exchange hedge transactions.

9. Derivative financial instruments

Differences arising from changes in the value of financial instruments used as hedges are recognised in profit and loss in a manner symmetrical to the manner in which income and expenses relating to the hedged item are recognised.

10. Corporate income tax

Pernod Ricard SA is subject to the French tax consolidation system defined by the law of 31 December 1987. Under certain conditions, this system allows income taxes payable by profitable companies to be offset against tax losses of other companies. The scheme is governed by articles 223 A *et seq.* of the French Tax Code.

Each company in the tax group calculates and accounts for its tax expenses as if it were taxed as a standalone entity.

The effects of tax consolidation are recognised in the Pernod Ricard SA financial statements.

NOTE 2 Intangible assets

1. Gross value

In thousands of euros	At 01.07.2013	Acquisitions	Disposals	At 30.06.2014
Brands	32,560			32,560
Brand costs	492	87		579
Software	18,986	4,046		23,032
Advances and down payments on intangible assets	5,232	5,305	(5,704)	4,833
TOTAL	**57,270**	**9,438**	**(5,704)**	**61,004**

2. Amortisation

In thousands of euros	At 01.07.2013	Allowances	Reversals	At 30.06.2014
Brands	-			-
Brand costs	(31)	(28)		(59)
Software	(13,431)	(3,389)		(16,820)
TOTAL	**(13,462)**	**(3,417)**		**(16,879)**

NOTE 3 Financial assets

1. Gross value

In thousands of euros	At 01.07.2013	Acquisitions	Capital transaction	Disposals	At 30.06.2014
Investments in consolidated entities	12,133,931	683,351		(118)	12,817,164
Investments in non-consolidated entities	9,500				9,500
Other investments	7,973			(3,582)	4,391
Advance on investment	-				
Investments	**12,151,404**	**683,351**		**(3,700)**	**12,831,055**
Loans and advances to affiliates and associates	57,105	4,055		(12,598)	48,562
Loans	-				-
Guarantee deposits	2,333	342		(13)	2,662
Liquidity agreement	5,040	32			5,072
Treasury shares	479	1,430			1,909
TOTAL	**12,216,361**	**689,210**		**(16,311)**	**12,889,260**

The change in the Investments in consolidated entities item was mainly due to:

- the increase in the value of the Lina 3 shares following the company's €648.2 million capital increase, decided by the sole shareholder on 23 June 2014;
- the increase in the value of the Agros shares following the company's €35.2 million capital increase, decided by the sole shareholder on 17 February 2014;
- the divestment of all Galibert & Varon shares at a loss of €0.1 million following the company's sale to Ricard SA.

The divestment of Seagram Anadolou and Treat Ventures Holdings Ltd shares at a loss of €(1.8) million each explains the change in Other investments.

The change in treasury shares is due to:

- shares resulting from the cancellations on current stock option plans (64,750 shares) for €4.0 million;
- the allocation of shares to the 2011 stock option plan and the 2010 bonus share plan for €(2.6) million.

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 subsequent periods of 12 months and complies with the AMAFI Code of Conduct, which was approved by the AMF in its decision of 24 March 2011.

The sum of €5.0 million was allocated to the implementation of the liquidity agreement (no securities).

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 legal reserve, of an amount at least equal to the value of all the shares it owns.

2. Provisions

In thousands of euros	At 01.07.2013	Allowances	Reversals	At 30.06.2014
Investments in consolidated entities [1]	(40,436)	-	36,135	(4,301)
Investments in non-consolidated entities [2]	(3,364)	(3,330)	3,280	(3,414)
Other investments [3]	(7,164)	-	3,552	(3,612)
Advance on investment	-	-	-	-
Investments	**(50,964)**	**(3,330)**	**42,967**	**(11,327)**
Treasury shares	-	-	-	-
TOTAL	**(50,964)**	**(3,330)**	**42,967**	**(11,327)**

(1) Change due to the reversal of provisions for Agros shares in the amount of €36.0 million, and for Galibert & Varon shares, in the amount of €0.1 million.
(2) Change in the provision for Geo Sandeman shares.
(3) Reversal of provisions for Treat Venture Holdings Ltd. shares for €1.8 million and for Seagram Anadolou shares for €1.8 million.

NOTE 4 Maturity of receivables and payables

1. Receivables

In thousands of euros	Gross amount	Due in one year or less	Due in more than one year
Loans and advances to affiliates and associates	48,562	3,545	45,017
Loans	-	-	-
Other financial assets	9,643	6,981	2,662
Receivables and other financial assets	**58,205**	**10,526**	**47,679**
Current assets other than marketable securities and cash	1,226,806	83,432	1,143,374
Prepaid expenses	28,869	28,869	-
TOTAL	**1,313,880**	**122,827**	**1,191,053**

2. Liabilities

In thousands of euros	Gross amount	Due in one year or less	Due in one to five years	Due in more than five years
Bonds	7,788,205	930,181	2,969,512	3,888,512
Bank debt	169,619	19,619	150,000	-
Other debt	591,215	355	590,860	-
Trade payables	49,948	49,948	-	-
Taxes and social charges	36,641	36,641	-	-
Amounts due on non-current assets and related accounts	7	7	-	-
Other payables	425,842	375,411	50,431	-
Deferred income	25,349	321	25,028	-
TOTAL	**9,086,826**	**1,412,483**	**3,785,831**	**3,888,512**

NOTE 5 Marketable securities

In thousands of euros or in quantities	At 01.07.2013		Acquisitions (1)		Capital transaction		Reclassification		Exercises/ Disposals (2)		At 30.06.2014	
	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value
Pernod Ricard shares												
Gross value	2,178,914	135,260	230,000	20,172	-	-	(64,750)	(4,036)	(782,866)	(41,663)	1,561,298	109,733
Impairment	-	-										
NET VALUE	**2,178,914**	**135,260**	**230,000**	**20,172**	**-**	**-**	**(64,750)**	**(4,036)**	**(782,866)**	**(41,663)**	**1,561,298**	**109,733**

(1) Including €20.2 million for repurchase under the November 2013 bonus share plan.
(2) Including €(12.3) million for exercised stock options (2003, 2004 and 2005 plans) and €(29.4) million for fully vested shares (2010 and 2011) during the period.

NOTE 6 Prepaid expenses and deferred charges

In thousands of euros	At 01.07.2013	Increases	Decreases	At 30.06.2014
Prepaid expenses [1]	28,469	10,211	(9,811)	28,869
Bond redemption premiums	23,574	3,418	(3,424)	23,568
Currency translation adjustment – Assets [2]	136,352	93,720	(136,352)	93,720
TOTAL	**188,395**	**107,349**	**(149,587)**	**146,157**

(1) The increase in Prepaid expenses is mainly due to the implementation of a new repurchase agreement on 23 May 2014.
(2) The €93.7 million asset arising from currency translation adjustments at 30 June 2014 is mainly due to the restatement of assets and liabilities at the closing EUR/US dollar exchange rate on 30 June 2014.

NOTE 7 Composition of share capital

At 30 June 2014, the share capital comprised 265,421,592 shares with a par value of €1.55 per share. Total share capital thus amounted to €411,403,467.60.

NOTE 8 Shareholders' equity

In thousands of euros	At 01.07.2013	Appropriation of profit	Changes in accounting policies (2)	Distribution of dividends	2014 profit	At 30.06.2014
Capital	411,403					411,403
Share premiums	3,039,030					3,039,030
Legal reserves	41,123	17				41,140
Regulated reserves	179,559					179,559
Other reserves	195,013					195,013
Retained earnings	559,065	380,951	(53,843)	(431,763)		454,410
Profit for the financial year	380,969	(380,969)			462,678	462,678
Interim dividends to be paid (1)	(209,683)			(7,963)		(217,646)
TOTAL	**4,596,478**	**0**	**(53,843)**	**(439,726)**	**462,678**	**4,565,587**

(1) The Board of Directors' meeting of 25 June 2014 decided to pay an interim dividend of €0.82 per share with respect to 2013/2014, i.e. a total of €217,646 thousand. The interim dividend was paid on 8 July 2014.

(2) Following the implementation of the ANC recommendation 2013-02, the difference between the pension liability and the provision at the opening date of 30 June 2013 was recognised as a reduction of shareholders' equity. (See "Pension benefits" section of Note 1 – Accounting policies).

NOTE 9 Provisions

In thousands of euros	At 01.07.2013	Increases in the year	Changes in accounting policies	Reversals on use	Reversals of unused provisions	At 30.06.2014
Provisions for risks and charges						
Provision for currency losses	3,190	60,854		(3,190)	-	60,854
Other provisions for risks and charges (1)	283,645	189,802		(23,482)	(131,092)	318,873
Provisions for pensions and other long-term employee benefits (2)	56,004	9,606	53,842	(22,070)	-	97,382
TOTAL 1	**342,839**	**260,262**	**53,842**	**(48,742)**	**(131,092)**	**477,109**
Provisions for depreciation and amortisation						
On financial assets (3)	50,964	3,330		-	(42,967)	11,327
On trade receivables	131	1,023		-	(131)	1,023
On other receivables	2,954	-		-	(302)	2,652
On marketable securities	-	-		-	-	-
TOTAL 2	**54,049**	**4,353**	**0**	**-**	**(43,400)**	**15,002**
OVERALL TOTAL	**396,888**	**264,615**	**53,842**	**(48,742)**	**(174,492)**	**492,111**

(1) Changes reflect: €(7.8) million in provisions for stock option plans and bonus share plan; €35 million in provisions for risks and restructuring and an €8.0 million provision for losses of affiliates in the tax consolidation group.

(2) Following the implementation of the ANC recommendation 2013-02, the provision for pension liabilities was increased by €53.8 million. (See "Pension benefits" section of Note 1 – Accounting policies).

(3) Changes related to reversals of provisions for affiliates Agros, Galibert & Varon, Treat Venture Holdings Ltd and Seagram Anadolou as well as the updating of the provision for Geo Sandeman shares.

Provisions for risks and charges

Provision for currency losses

The €60.9 million provision for currency losses at 30 June 2014 mainly consists of the unrealised currency loss for unhedged US dollar receivables.

Other provisions for risks and charges

Other provisions for risks and charges correspond to:

- provisions for risks attached to:
  - stock options relating to the plans of June 2011, June 2012 and November 2013, maturing in June 2015, 2016 and 2017, respectively, for €20.9 million,
  - bonus shares relating to the plans of June 2011, June 2012 and November 2013, maturing in June 2015, 2016 and 2017, respectively, for €98.8 million,
  - losses on repurchase agreements relating to the 2008 and 2011 plans maturing in 2015 and 2016, respectively, for €18.4 million;
- various other provisions amounting to €43.6 million;
- provisions for risks and charges relating to tax consolidation for €137.1 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 in respect of 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 calculating a projected salary at date of retirement (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, discount rate, expected return on plan assets) and assumptions concerning employees (mainly: average salary increase, rate of employee turnover, life expectancy).

At 30 June 2014, the total amount of benefit obligations was €97.4 million. These obligations are fully provisioned.

By way of indication, the inflation rate used for the valuation at 30 June 2014 was 2% and the discount rate was 2.75%.

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, future salary levels, etc.).

Accounting treatment until 30 June 2013: Actuarial gains and losses were only recognised when, for a given plan, they represented more than 10% of the greater of the present value of the benefit obligation and the fair value of plan assets (the corridor method). Recognition of the provision is on a straight-line basis over the average number of remaining years' service of the employees in the plan in question.

Accounting treatment since 1 July 2013: On 7 November 2013, the French accounting standards authority (ANC) issued recommendation 2013-02 on the recognition of pension liabilities in financial statements. This recommendation allows companies that previously applied the corridor method – if they choose the option provided in the recommendation – to recognise the full pension liability in the balance sheet, with the provision for pension liabilities being equal to the total commitment.

The Company, which previously applied the corridor method, chose to apply the option provided in recommendation 2013-02 to recognise the full pension liability. This application had the following impacts:

- the provision for pension liabilities is now recognised in an amount equal to the commitment. The difference between the commitment and the provision for pension liabilities at 30 June 2013 was recognised as a reduction of shareholders' equity of €53.8 million, in accordance with opinion 97-06 of the CNC on changes in accounting policies;
- the full pension liability is now recognised in the balance sheet for a total of €97.4 million.

Components of the expense recognised for the financial year

The expense recognised in respect of the benefit obligations described above incorporates the following:

- expenses corresponding to the acquisition of an additional year's rights;
- interest expense arising on the unwinding of 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 of other long-term benefits;
- income or expense related to changes to existing plans or the creation of new plans;
- income or expense related to any plan curtailments or settlements.

NOTE 10 Transactions and balances with affiliates and associates and other invested entities

In thousands of euros	Amount concerning			
Item	Affiliates and associates 30.06.2013	Other invested entities 30.06.2013	Affiliates and associates 30.06.2014	Other invested entities 30.06.2014
Investments	**12,134,016**	**17,388**	**12,817,249**	**13,805**
Loans and advances to affiliates and associates	**57,105**	**-**	**48,562**	-
Due in one year or less	13,794	-	8,806	-
Due in more than one year	43,311	-	39,756	-
Trade receivables	**32,236**	**-**	**34,963**	-
Due in one year or less	32,236	-	31,637	-
Due in more than one year	0	-	3,326	-
Other receivables	**1,936,797**	**-**	**1,151,903**	-
Due in one year or less	200,485	-	17,827	-
Due in more than one year	1,736,312	-	1,134,076	-
Other debt	**741,303**	**-**	**591,215**	-
Due in one year or less	444	-	355	-
Due in more than one year and less than five years	740,860	-	590,860	-
Trade payables	**-**	**-**	**2,022**	-
Due in one year or less	-	-	2,022	-
Due in more than one year and less than five years	-	-	-	-
Other payables	**358,287**	**-**	**202,383**	-
Due in one year or less	3,993	-	157,681	-
Due in more than one year and less than five years	354,294	-	44,702	-
Expenses from recurring operations	**28,948**	**-**	**33,920**	-
Group seconded personnel	13,743	-	13,800	-
Other Group management expenses	15,205	-	20,120	-
Operating income	**81,251**	**-**	**97,684**	-
Group royalties	31,068	-	32,514	-
Group management income	53	-	0	-
Transfer of Group expenses	50,130	-	65,170	-
Financial expenses	**175,258**	**-**	**44,773**	-
Financial income	**680,514**	**113**	**762,097**	**28**
Exceptional items	**68,449**	**-**	**5,160**	**(779)**

No significant transactions took place with related parties that were not carried out under normal market conditions.

NOTE 11 Deferred income and adjustment accounts

In thousands of euros	At 01.07.2013	Increases	Decreases	At 30.06.2014
Deferred income [(1)]	29,655	-	(4,306)	25,349
Currency translation adjustment – Liabilities [(2)]	478,072	294,620	(478,072)	294,620
TOTAL	**507,727**	**294,620**	**(482,378)**	**319,969**

(1) Decrease related to the exercise of stock options on the 2005, 2006, 2007 and 2010 stock option plans during the period.
(2) The €294.6 million liability arising from currency translation adjustments at 30 June 2014 is mainly due to the restatement of assets and liabilities at the closing euro/US dollar exchange rate on 30 June 2014.

NOTE 12 Accrued income and expenses

Accrued income

In thousands of euros	Amount
Amount of accrued income in the following balance sheet items	
Loans and advances to affiliates and associates	12,351
Trade receivables	442
Other receivables	2,671
Cash	13,715
TOTAL	**29,179**

Accrued expenses

In thousands of euros	Amount
Amount of accrued expenses in the following balance sheet items	
Bank debt	133,893
Trade payables	34,184
Taxes and social charges	30,876
Other payables	45
TOTAL	**198,998**

NOTE 13 Bonds

	Amount *(in thousands of US dollars)*	Amount *(in thousands of euros)*	Maturity date	Accrued interest *(in thousands of euros)*	Rate	Total *(in thousands of euros)*
Bond of 20.03.2014		850,000	22.06.2020	4,797	Fixed	854,797
Bond of 15.06.2009		800,000	15.01.2015	25,622	Fixed	825,622
Bond of 18.03.2010		1,200,000	18.03.2016	16,829	Fixed	1,216,829
USD PANDIOS bond of 21.12.2010	201,000	147,166	21.12.2015	70	Variable	147,236
Bond of 15.03.2011		1,000,000	15.03.2017	14,795	Fixed	1,014,795
USD bond of 07.04.2011	1,000,000	732,172	07.04.2021	9,777	Fixed	741,949
USD bond of 25.10.2011	1,500,000	1,098,257	15.01.2022	22,546	Fixed	1,120,803
USD bond of 12.01.2012	850,000	622,346	15.01.2017	8,470	Fixed	630,816
USD bond of 12.01.2012	850,000	622,346	15.01.2042	15,791	Fixed	638,137
USD bond of 12.01.2012	800,000	585,737	15.07.2022	11,484	Fixed	597,221
TOTAL		**7,658,024**		**130,181**		**7,788,205**

On 6 December 2006, Pernod Ricard SA issued bonds of a total amount of €850 million, in two tranches with the following characteristics:

- tranche 1: €300 million redeemed on 6 June 2011;
- tranche 2: €550 million bearing interest at a fixed rate of 4.625%, redeemed on 6 December 2013.

On 15 June 2009, Pernod Ricard SA issued bonds for a total amount of €800 million, with the following characteristics: remaining period to maturity at 30 June 2014 of six months (maturity date: 15 January 2015) and bearing interest at a fixed rate of 7%.

On 18 March 2010, Pernod Ricard SA issued bonds for a total amount of €1,200 million, with the following characteristics: remaining period to maturity at 30 June 2014 of one year and nine months (maturity date: 18 March 2016) and bearing interest at a fixed rate of 4.875%.

On 21 December 2010, Pernod Ricard SA carried out a US$201 million bond issue. This bond has the following characteristics: remaining period to maturity at 30 June 2014 of one year and six months (maturity date: 21 December 2015) and bearing variable-rate interest (3-month LIBOR + spread).

On 15 March 2011, Pernod Ricard SA issued bonds for a total amount of €1.0 billion, with the following characteristics: remaining period to maturity at 30 June 2014 of two years and nine months (maturity date: 15 March 2017) and bearing fixed-rate interest of 5%.

On 7 April 2011, Pernod Ricard SA carried out a US$1.0 billion bond issue. This bond has the following characteristics: remaining period to maturity at 30 June 2014 of six years and nine months (maturity date: 7 April 2021) and bearing fixed-rate interest of 5.75%.

On 25 October 2011, Pernod Ricard SA carried out a US$1.5 billion bond issue. This bond has the following characteristics: remaining period to maturity at 30 June 2014 of seven years and six months (maturity date: 15 January 2022) and bearing fixed-rate interest of 4.45%.

On 12 January 2012, Pernod Ricard SA carried out a US$2.5 billion bond issue. This bond issue has three tranches with the following characteristics:

- US$850 million with remaining period to maturity at 30 June 2014 of two years and six months (maturity date: 15 January 2017) and bearing fixed-rate interest of 2.95%;
- US$800 million with remaining period to maturity at 30 June 2014 of eight years (maturity date: 15 July 2022) and bearing fixed-rate interest of 4.25%;
- US$850 million with remaining period to maturity at 30 June 2014 of twenty-seven years and six months (maturity date: 15 January 2042) and bearing fixed-rate interest of 5.5%.

On 20 March 2014, Pernod Ricard SA issued bonds for a total amount of €850 million with the following characteristics: remaining period to maturity at 30 June 2014 of six years (maturity date: 22 June 2020) and bearing fixed-rate interest of 2%.

NOTE 14 Bank debt

Syndicated loan

On 25 April 2012, Pernod Ricard SA finalised a new, revolving five-year multi-currency loan agreement for €2.5 billion. The new agreement enabled Vin&Sprit's syndicated loan to be refinanced in full.

At 30 June 2012, it had drawn down from this credit facility US$350 million, equivalent to €278 million.

Pernod Ricard SA's drawdown related to the syndicated loan was fully repaid during the 2012/2013 financial year, following three successive payments of US$50 million on 31 August 2012, US$250 million on 28 September 2012, and finally US$50 million on 30 November 2012.

On 23 October 2013, an amendment to the syndicated loan was signed, impacting its duration. Therefore, the maturity date (originally 2 April 2017) was extended by 18 months to 23 October 2018.

Fees related to the signing of this amendment were €3.9 million.

At 30 June 2014, no drawdowns had been made by Pernod Ricard SA.

NOTE 15 Breakdown of income tax

In thousands of euros	Total	Profit (loss) from continuing operations	Exceptional items
Net profit/loss before income tax	294,871	344,775	(49,904)
Additional contribution	(13,249)	-	-
Income tax prior to consolidation	-	-	-
Net impact of tax consolidation	181,055	-	-
PROFIT AFTER TAX	**462,677**	**344,775**	**(49,904)**

The French second amending finance law of 2012 introduced a contribution of 3% on dividends paid out to shareholders, applicable to amounts distributed that were paid after 17 August 2012. The contribution relating to the dividends approved at the Shareholders' Meeting of 6 November 2013 was thus €6.7 million and the contribution relating to the interim dividend approved at the Board of Directors' meeting on 25 June 2014 was €6.5 million.

Within the framework of tax consolidation, the tax loss carry-forwards of the Pernod Ricard tax group amount to €(826,491 thousand), down €44,067 thousand year-on-year.

NOTE 16 Increases and decreases in future tax liabilities

Type of temporary differences

In thousands of euros	Amount of tax
INCREASES	**NONE**
"Organic" local tax and other	141
Other provisions for risks and charges	6,251
Provisions for pensions and other long-term employee benefits	33,528
DECREASES IN FUTURE TAX LIABILITIES	**39,920**

The tax rate used is the rate in force in 2014, *i.e.* 34.43%.

NOTE 17 Remuneration

Remuneration paid to Executive Directors and members of the Board of Directors amounted to €4,210,043.

NOTE 18 Income

Operating income was €104,725 thousand compared to €94,499 thousand in 2013, and mainly comprised royalties of €32,514 thousand and rebilling of overheads to the Group's affiliates of €64,486 thousand.

NOTE 19 Financial income and expenses

In thousands of euros	Amount at 30.06.2014
Income from investments	622,074
Income from other fixed asset securities and receivables	-
Other interest and related income	150,353
Reversals of financial provisions and expense transfers	201,120
Foreign exchange gains	153,028
Net gains on sale of marketable securities	-
TOTAL FINANCIAL INCOME	**1,126,575**

In thousands of euros	Amount at 30.06.2014
Depreciation, amortisation and provision charges	(205,790)
Interest and related expenses	(442,304)
Foreign exchange losses	(13,646)
Net expenses on marketable security disposals	
TOTAL FINANCIAL EXPENSES	**(661,740)**

NOTE 20 Exceptional items

In thousands of euros	Amount at 30.06.2014
Net profit on management operations	15
Net profit on capital operations	(4,445)
Charges and reversals of financial provisions and expense transfers	(45,474)
EXCEPTIONAL ITEMS	**(49,904)**

Exceptional items at 30 June 2014 comprises a charge of €(49.9) million, mainly related to a €(35) million provision for risks and restructuring, and an €(8.0) million provision for loss-making affiliates in the tax consolidation group.

NOTE 21 Off-balance sheet commitments

Guarantees granted

Commitments made

In thousands of euros	Amount
Guarantees on behalf of affiliates	537,489
Rent	31,267
TOTAL	**568,756**

Commitments made include guarantees, in particular those related to:

- the syndicated loan. Borrowings drawn by affiliates of the Pernod Ricard group that had not been repaid at 30 June 2014 amounted to €346.4 million;
- bonds and commercial paper.

Derivative instruments

Hedging for Pernod Ricard SA	Nominal value *(in thousands of US dollars)*	Fair value at 30 June 2014 *(in thousands of euros)*	Nominal value *(in thousands of euros)*	Fair value at 30 June 2014 *(in thousands of euros)*
Interest rate swaps	950,000	18,241	600,000	27,148
Currency swaps	3,857,800	1,219	-	-
TOTAL	**4,807,800**	**19,460**	**600,000**	**27,148**

Interest rate swaps provide hedging for Pernod Ricard SA's external or internal debts that bear fixed-rate interest. At 30 June 2014 these broke down as follows:

USD interest rate hedge	Maturity	Net base *(in thousands of US dollars)*
Interest rate swap	April 2018	350,000
Interest rate swap	July 2022	600,000

The fair value of financial instruments hedging US dollar denominated fixed-rate debt at 30 June 2014 was €18,241 thousand.

EUR interest rate hedge	Maturity	Net base *(in thousands of euros)*
Interest rate swap	March 2016	600,000

The fair value of financial instruments hedging euro-denominated fixed-rate debt at 30 June 2014 was €27,148 thousand.

Currency hedge	Maturity	Base *(in thousands of US dollars)*
Currency swap	April 2021	1,000,000
Currency swap	January 2022	1,500,000
Currency swap	December 2022	800,000
Currency swap	January 2017	400,000
Currency swap	December 2014	82,800
Currency swap	July 2014	75,000
Currency swaps		**3,857,800**
Financial assets		1,428,901
Financial liabilities		(5,355,142)
TOTAL		**(68,441)**

Payables and receivables denominated in foreign currencies are hedged by currency swaps. The Company had a residual US dollar position of minus US$(68,441 thousand) at 30 June 2014.

The fair value of currency swaps at the end of the year was €1,219 thousand.

Other

Pernod Ricard SA guaranteed the contributions owed by Allied Domecq Holdings Ltd and its affiliates to the Allied Domecq pension funds.

Pernod Ricard SA, pursuant to Section 17 of the Companies (Amendment) Act, 1986 (Republic of Ireland), irrevocably guaranteed the liabilities of the following affiliates for the 2013/2014 financial year: Irish Distillers Group Ltd, Irish Distillers Ltd, Watercourse Distillery Ltd, Smithfield Holdings Ltd, Proudlen & Co. Ltd, Ermine Ltd, Proudlen Liqueurs Ltd, Ind Coope Holding Ltd and The West Coast Cooler Co. Ltd.

Pernod Ricard SA guaranteed to Corby Distilleries Ltd the payment of liabilities which are due by the Group 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.

Within the framework of the right to individual training in France, the aggregate number of training hours corresponding to acquired rights for the 2013 calendar year is 16,360 hours. As no training requests were made, the remaining total training hours at 31 December 2013 totalled 16,360.

NOTE 22 Average headcount at 30 June 2014

	Employees	Temporary employees (for all reasons)
Managers [1]	297	3
Supervisors and technicians	44	2
Employees	8	-
AVERAGE HEADCOUNT	**349**	**5**
Apprenticeship contracts	11	

(1) Including 114 expatriate employees.

NOTE 23 Affiliates and associates at 30 June 2014

In thousands of euros	Capital	Shareholder equity before appropriation of results	Interest in entity's share capital *(in %)*	Carrying amount of investment – Gross	Carrying amount of investment – Net	Loans	Guarantees	Sales (excluding taxes and duties)	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)	5,293	37,038	100	122,008	122,008	-	-	6	671	-
House of Campbell Limited [(2)] 111/113 Renfrew Road Paisley, PA34DY (Scotland)	9,328	33,626	100	40,538	40,538	-	-	-	722	-
Geo G Sandeman Sons & Co Ltd [(3)] 400 Capability Green Luton Bedfordshire LU13AE (England)	2	356	30	9,180	5,850	-	-	1,488	354	-
Pernod 120, avenue du Maréchal-Foch 94015 Créteil (France)	40,000	133,167	100	94,941	94,941	-	-	508,653	12,456	18,705
Pernod Ricard Asia 12 place des États-Unis 75116 Paris (France)	4,512	119,500	100	42,457	42,457	-	-	-	33,342	189,000
Pernod Ricard CESAM 12 place des États-Unis 75116 Paris (France)	52,198	34,189	100	131,040	131,040	-	-	-	(23,383)	18,000
Pernod Ricard EMEA 12 place des États-Unis 75116 Paris (France)	40,000	695,562	100	36,407	36,407	-	-	99,363	234,478	132,700
Pernod Ricard North America 12 place des États-Unis 75116 Paris (France)	39,398	27,450	100	126,735	126,735	-	-	-	(166)	-
Pernod Ricard Finance 12 place des États-Unis 75116 Paris (France)	232,000	356,633	100	238,681	238,681	-	537,434	-	(786)	-
Pernod Ricard Pacific Holdings [(4)] 33 Exeter Terrace Devon Park SA 5008 (Australia)	148,353	112,885	100	151,789	151,789	-	-	-	(361)	-
Ricard 4 and 6 rue Berthelot 13014 Marseille (France)	54,000	139,350	100	67,227	67,227	-	-	503,812	51,790	51,380
Lina 3 12 place des États-Unis 75116 Paris (France)	819,730	15,072,021	100	11,690,953	11,690,953	-	-	-	156,081	-
Lina 5 12 place des États-Unis 75116 Paris (France)	30,640	150,263	100	30,631	30,631	-	-	-	115,708	137,880
Yerevan Brandy Company [(5)] 2 Admiral Isakov Avenue, Yerevan 375092, (Republic of Armenia)	19	132	100	27,856	27,856	-	-	49	15	-
TOTAL 1				**12,810,442**	**12,807,112**	-	**537,434**			**547,665**
Affiliates:										
French				5,304	1,516	-	-	-	-	200
Foreign				10,684	10,106	-	-	-	-	74,181
Associates:										
French				215	215	-	-	-	-	28
Foreign				4,410	779	-	-	-	-	-
TOTAL 2				**20,613**	**12,616**	-	-	-	-	**74,409**
TOTAL 1 + 2				**12,831,055**	**12,819,728**	-	**537,434**	-	-	**622,074**

(1) Information from the Agros financial statements at 30 June 2013.
(2) Information from Campbell's financial statements at 30 June 2013.
(3) Information from Geo G Sandeman Sons & Co Ltd's financial statements at 30 June 2013.
(4) Information from Pernod Ricard Pacific Holdings' financial statements at 30 June 2013.
(5) Information from Yerevan Brandy Company's financial statements at 30 June 2013.

Financial results over the last five financial years

In euro	30.06.2010	30.06.2011	30.06.2012	30.06.2013	30.06.2014
Financial position at year-end					
Share capital	409,560,085	410,318,795	411,231,438	411,403,468	411,403,468
Number of shares outstanding	264,232,313	264,721,803	265,310,605	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)	5,174,153	-	-	-	
Operating results					
Sales (excluding taxes and duties)	-	911,320	994,247	1,457,195	699,007
Profit before taxes, amortisation, depreciation and allowances to provisions	(13,227,907)	219,167,315	(29,548,724)	(6,575,949)	343,291,521
Corporate income tax	74,090,535	153,278,897	152,497,031	299,024,699	167,807,564
Profit after taxes, amortisation, depreciation and allowances to provisions	89,124,864	238,559,275	51,414,891	380,968,585	462,677,928
Dividends distributed (1)	354,071,299	378,185,009	415,866,359	431,763,486	-
Earnings per share					
Profit after taxes, but before amortisation, depreciation and allowances to provisions	0.23	1.41	0.46	1.10	1.93
Profit after taxes, amortisation, depreciation and allowances to provisions	0.34	0.90	0.19	1.44	1.74
Dividend paid per share	1.34	1.44	1.58	1.64	-
Personnel					
Number of employees	147	164	198	327	349
Total payroll	22,172,089	26,922,176	30,118,294	50,668,738	53,399,561
Employee-related benefits paid during the year	14,765,751	17,444,761	20,388,936	28,795,172	27,819,911

(1) The amount of dividends for 2014 will be known with certainty after the Shareholders' Meeting of 6 November 2014. (Dividends relating to the financial year from 1 July 2013 to 30 June 2014)

Dividends distributed over the last five years

In euro Year	Payment date	Net amount	Total dividend for the year
2009/2010	07.07.2010	0.61	-
	17.11.2010	0.73	1.34
2010/2011	06.07.2011	0.67	-
	17.11.2011	0.77	1.44
2011/2012	04.07.2012	0.72	-
	19.11.2012	0.86	1.58
2012/2013	04.07.2013	0.79	-
	06.11.2013	0.85	1.64
2013/2014	08.07.2014 (1)	0.82	

(1) An interim dividend in respect of 2013/2014 was paid on 8 July 2014. The balance will be decided by the Shareholders' Meeting of 6 November 2014 called to approve the financial statements for the year ended 30 June 2014.

Inventory of marketable securities at 30 June 2014

In euro 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
Lina 7	401	299,550
Pernod	2,580,000	94,940,630
Pernod Ricard Asia	2,785,000	42,457,051
Pernod Ricard Cesam	386,650	131,040,000
Pernod Ricard EMEA	1,000,000	36,407,284
Pernod Ricard Finance	29,000,000	238,680,987
Pernod Ricard North America	4,377,500	126,734,557
Ricard	1,750,000	67,227,093
Sopebsa	232,000	221,769
Résidence de Cavalières	205,950	974,350
SUBTOTAL	**103,833,617**	**12,460,567,072**
Other shareholdings in French companies	15,561	235,571
Investments in unlisted foreign companies	25,705,455	358,925,306
TOTAL MARKETABLE SECURITIES AT 30.06.2014	**129,554,633**	**12,819,727,949**

Statutory Auditors' report on the annual financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the financial year ended 30 June 2014, on:

- the audit of the accompanying annual financial statements of Pernod Ricard;
- the basis of our assessments;
- the specific verifications and disclosures required by law.

These annual financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the annual 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 2014, and of the results of its operations for the financial year then ended in accordance with French accounting principles.

Without qualifying the above opinion, we draw your attention to Note 1.7 to the financial statements "Accounting policies – retirement obligations", disclosing a change in accounting method resulting from the Recommendation 2013-02 published by the French Accounting Standards Authority (*Autorité des Normes Comptables*) on 7 November 2013 and concerning the measurement and recognition of retirement obligations.

II. Basis of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the basis of our assessments, we hereby inform you that our assessments covered the appropriateness of the accounting principles adopted and the reasonableness of the significant estimates made, particularly:

- Investments were measured in accordance with the accounting policies described in Note 1.3 to the financial statements "Accounting policies – Financial assets". As part of our work, we reviewed the appropriateness of these accounting policies and looked at the methods adopted by the Company as well as the resulting measurements.
- As indicated in the first part of this report, Note 1.7 to the financial statements "Accounting policies – retirement obligations" discloses a change in accounting method concerning the measurement and recognition of retirement obligations. As part of our assessment of the accounting policies and methods adopted by your Company, we satisfied ourselves as to the appropriateness of this change and the presentation thereof.

These assessments were made as part of our audit of the annual financial statements taken as a whole, and therefore contributed to the opinion we expressed in the first part of this report.

III. Specific verifications and disclosures

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the annual financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code relating to the compensation and benefits received by corporate officers and any other commitments made in their favour, we have verified its consistency with the annual financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Courbevoie and Neuilly-sur-Seine, 17 September 2014

The Statutory Auditors

MAZARS	DELOITTE & ASSOCIES
Isabelle Sapet	Marc de Villartay

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.
This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statutory Auditors' special report on regulated agreements and commitments

Shareholders' Meeting held to approve the financial statements for the financial year ended 30 June 2014

To the Shareholders,

As your Company's Statutory Auditors, we hereby present our report on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on the information provided to us, the principal terms and conditions of the agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements and 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 assignment. These procedures consisted in cross-checking the information provided to us with the relevant source documents.

Agreements and commitments submitted to the approval of the Shareholders' Meeting

Agreements and commitments authorised or renewed during the financial year

Pursuant to Article L. 225-40 of the French Commercial Code, we have been notified of the following agreements and commitments previously authorised by your Board of Directors.

1. Amendment to the €2,500,000,000 Multicurrency Revolving Facility Agreement

The Board of Directors' meeting held on 25 April 2012 authorised the signature of a loan agreement in English entitled "€2,500,000,000 Multicurrency Revolving Facility Agreement" with, amongst others, BNP Paribas and J.P. Morgan Ltd as Mandated Lead Arrangers and Bookrunners and BNP Paribas and J.P. Morgan Chase Bank N.A. 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 line of credit 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.

The loan agreement was signed on 25 April 2012.

The Board of Directors' meeting held on 23 October 2013 authorised the signature of an amendment to the loan agreement, primarily reducing the agreement margin and extending its maturity.

Pernod Ricard did not draw any amounts under this loan agreement during the financial year ended 30 June 2014 and no financial expense was born in this respect.

Pernod Ricard invoices a guarantee commission at market rates to Group companies exercising their drawing rights in respect of the guarantee granted by Pernod Ricard to certain of its subsidiaries; the amount of this commission is likely to vary in line with market conditions.

Accordingly, Pernod Ricard invoiced €991,113 to Pernod Ricard Finance in the financial statements for the year ended 30 June 2014.

Corporate officers involved:

- Mr Pierre Pringuet, also Chairman of the Pernod Ricard Finance Board of Directors;
- Mr Wolfgang Colberg, member of the Deutsche Bank AG Regional Board (party to the loan agreement).

2. Brand licensing agreements

The Board of Directors' meeting held on 23 October 2013 authorised the renewal of the brand licensing agreements granted to Pernod SA and Ricard SA for a period of 5 years as from 1 January 2014.

The brand licensing agreements granted by the Company to Pernod SA and Ricard SA were harmonised (royalty calculation method proportional to turnover), gathered (single licensing agreement for all brands concerned and particularly Dubonnet and Dorville), and were renewed on 1 January 2009 for a period of 5 years.

- Brand license granted to Ricard SA

  Royalties invoiced in respect of these licenses by Pernod Ricard to Ricard SA amounted to €22,231,608 for the financial year ended 30 June 2014.

- Brand license granted to Pernod SA

  Royalties invoiced in respect of these licenses by Pernod Ricard to Pernod SA amounted to €10,233,689.70 for the financial year ended 30 June 2014.

Agreements and commitments previously approved by the Shareholders' Meeting

1. Agreements and commitments previously approved 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 past financial year.

1.1 Loan granted by Pernod Ricard Finance to Pernod Ricard

In the context of the recapitalisation of Lina 3, the Board of Directors' meeting held on 24 June 2010 authorised the signature of a loan from Pernod Ricard Finance to Pernod Ricard for €590.9 million. The Board of Directors' meeting held on 24 April 2013 renewed this loan for a period of five years.

Financial expenses incurred by Pernod Ricard in respect of the loan agreement for the financial year ended 30 June 2014 amounted to €12,044,380.79.

Corporate officer involved:

- Mr Pierre Pringuet, also Chairman of the Board of Directors of Pernod Ricard Finance.

1.2 Loan granted by Pernod Ricard Finance to Pernod Ricard

In the context of the recapitalisation of Pernod Ricard Finance, the Board of Directors' meeting held on 27 June 2012 authorised the signature of a loan by Pernod Ricard Finance for €150 million.

This loan was fully repaid in March 2014.

Financial expenses incurred by Pernod Ricard in respect of the loan agreement for the financial year ended 30 June 2014 amounted to €2,178,283.33.

Corporate officer involved:

- Mr Pierre Pringuet, also Chairman of the Board of Directors of Pernod Ricard Finance.

1.3 Loan from Pernod Ricard to Havana Club Holding (HCH) in connection with the restructuring of HCH

In the context of the financial restructuring of HCH, the Board of Directors' meeting held on 20 October 2010 authorised Pernod Ricard to grant HCH a loan for a maximum amount of between USD 50 million and USD 60 million. A loan of the same amount was also granted to HCH by the Cuban partners.

The final loan amount was USD 53,839,374.

Financial income invoiced to HCH by Pernod Ricard in respect of this loan for the financial year ended 30 June 2014 amounted to USD 8,437,227.77 (equivalent to €6,217,046.60).

Corporate officer involved:

- Mr Pierre Pringuet, also Director of Havana Club Holding.

1.4 Signature of a FBF master agreement

The Board of Directors' meeting held on 19 October 2011 authorised the signature of a FBF master agreement with Pernod Ricard Finance regulating all transactions in derivative financial instruments.

This agreement now encompasses all transactions in derivative financial instruments entered into between the Company and Pernod Ricard Finance and, more particularly, those performed in the context of the Austin, Nichols & Co, Inc. debt reduction plan, the redemption of the 2009 Allied Domecq bonds and the swap agreement managing the Company's foreign exchange exposure.

As at 30 June 2014, ongoing foreign exchange transactions under this agreement amounted to, for currency swaps, USD 157,799,840.26 (equivalent to €115,802,369.24) and for cross-currency swaps, USD 3,700,000,000 (equivalent to €2,725,031,484.30). In addition, an interest-rate swap of USD 600,000,000 was set up pursuant to this agreement on 20 June 2012 expiring on 15 July 2022.

Corporate officer involved:

- Mr Pierre Pringuet, also Chairman of the Board of Directors of Pernod Ricard Finance.

1.5 Cash pooling agreement with Pernod Ricard France

Pernod Ricard signed a cash pooling agreement with Pernod Ricard Finance, effective 1 January 2004, designed to bring under a single agreement all pre-existing bilateral cash pooling agreements between Pernod Ricard Finance and Pernod Ricard Group companies not included in the automated cash pooling system, to standardise them, and to update and specify the interest terms and conditions of loans and borrowings resulting from the cash pooling mechanism.

An interest expense of €8,239,762 concerning Pernod Ricard Finance was recorded in respect of this agreement for the financial year ended 30 June 2014 along with cash management fees of €11,055.

Corporate officer involved:

- Mr Pierre Pringuet, also Chairman of the Board of Directors of Pernod Ricard Finance.

2. Agreements and commitments previously approved that were not executed during the financial year

In addition, we have been informed of the continuation of the following agreements, previously approved by prior Shareholders' Meetings, and that were not executed during the past financial year.

2.1 Authorised commitments in favour of Mr Pierre Pringuet, Chief Executive Officer

As part of the review of the compensation package attached to the corporate office of Mr Pierre Pringuet, CEO, conducted in light of the AFEP-MEDEF Code recommendations, the Board of Directors' meeting held on 12 February 2009 authorised, in the event of the termination of his corporate office, the introduction of a two-year non-compete clause accompanied by an indemnity of one year's gross remuneration (fixed and variable compensation received in respect of the twelve (12) months preceding the termination of the corporate office); following the Board of Directors' meeting of 27 August 2014, Mr Pierre Pringuet announced that he expressly and definitively renounced the payment of any financial compensation tied to his non-compete clause, while retaining the non-compete obligation for a period of 24 months following his departure from Pernod Ricard.

In addition, the Board of Directors' meeting held on 12 February 2009 authorised Mr Pierre Pringuet's continued membership of the supplementary defined-benefit pension scheme, as well as of healthcare and welfare schemes on the same terms as those applying to members of Group Senior Management, as set up within Pernod Ricard since 1990.

This supplementary defined-benefit pension scheme benefits members of Group Senior Management who satisfy a number of conditions relating mainly to length of service and compensation levels, and who end their career at Pernod Ricard.

This scheme provides, under certain circumstances, for the payment of a life annuity to the retired beneficiary and the payment of a reversionary annuity to the spouse and/or ex-spouse in the event of the beneficiary's death, calculated on the following basis:

(i) the beneficiary must have a minimum length of service of 10 years in the Group;

(ii) the basis for calculating the annuity is the average of the beneficiary's final 3 years' compensation (gross + variable);

(iii) annuities paid are proportional to the length of service, capped at 20 years;

(iv) the amount of the supplementary annuity is calculated by applying the following coefficients to the above calculation basis (see (ii) above):

  - for the portion of the compensation between 8 and 12 times the French social security cap, a coefficient of 2% per year of service is applied (capped at 20 years, i.e. 40%),
  - for the portion of the compensation between 12 and 16 times the French social security cap, a coefficient of 1.5% per year of service is applied (capped at 20 years, i.e. 30%), and finally,
  - for the portion of the compensation exceeding 16 times the French social security cap, a coefficient of 1% per year of service is applied (capped at 20 years, i.e. 20%).

  The supplementary annuity is equal to the sum of the above three amounts;

(v) the annuity paid under this plan, added to those of other pensions, cannot exceed two-thirds of the basic gross annual remuneration of the beneficiary.

In addition to these conditions, the executive must be working in the Group on the day he retires. Pursuant to regulations, redundancy after the age of 55, without resumption of paid work, is deemed equivalent to finishing a career. To the extent that the Board of Directors has a common policy as regards additional elements of compensation and benefits of executive corporate officers, particularly with regard to supplementary pensions, treating them as members of Pernod Ricard Senior Management and granting them the same benefits as the latter, it was specified during the Board of Directors' meeting on 12 February 2009 that the forced dismissal of an executive corporate officer falls into the same category as redundancy, subject to satisfaction of the aforementioned conditions as regards age and non-resumption of professional activities.

On the renewal of Mr Pierre Pringuet's corporate office as Chief Executive Officer, the Board of Directors' meeting held on 29 August 2012 confirmed all these commitments under the same terms and conditions.

The Shareholders' Meeting of 9 November 2012 approved these commitments in full.

2.2 Authorised commitments in favour of Mr Alexandre Ricard, Deputy Chief Executive Officer

Following the appointment of Mr Alexandre Ricard as Deputy CEO of Pernod Ricard, the Board of Directors' meeting held on 29 August 2012 authorised the commitments in favour of Mr Alexandre Ricard consisting of a two-year non-compete clause related to his corporate office accompanied by an indemnity of one year's gross compensation (fixed and variable), and continued membership of the supplementary defined-benefit pension scheme and collective healthcare and welfare schemes granted by the Company under the same terms as those applicable to the category of employees to which he is assimilated for the setting of benefits and other additional items of compensation.

The employment contract signed between Pernod Ricard and Mr Alexandre Ricard is suspended.

The maximum cumulative amount of the indemnity that may be received by Mr Alexandre Ricard in the event of departure and termination of his employment contract (including under the non-compete clause) is capped at 24 months fixed and variable compensation.

The Shareholders' Meeting of 9 November 2012 approved these commitments in full.

2.3 Joint and several guarantee commitments

Agreements with Pernod Ricard Finance

Pernod Ricard granted Pernod Ricard Finance, for holders of commercial paper, an irrevocable and unconditional guarantee for which it charges a commission. Average outstandings of €305,400,000 were guaranteed as at 30 June 2014.

Pernod Ricard invoiced a commission of €375,324.20 for the financial year ended 30 June 2014.

Agreements with Comrie

Pernod Ricard provided a guarantee to Société Générale for loan notes amounting to €54,184.17 as at 30 June 2014.

Courbevoie and Neuilly-sur-Seine, 17 September 2014

The Statutory Auditors

MAZARS	DELOITTE & ASSOCIES
Isabelle Sapet	Marc de Villartay

This is a free translation into English of the Statutory Auditors' special report issued in French and is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

7

Combined (Ordinary and Extraordinary) Shareholders' Meeting

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Agenda of the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2014

Items on the agenda for the Ordinary Shareholders' Meeting

1. Approval of the Parent Company financial statements for the financial year ended 30 June 2014;
2. Approval of the consolidated financial statements for the financial year ended 30 June 2014;
3. Allocation of the net result for the financial year ended 30 June 2014 and setting of the dividend;
4. Approval of regulated agreements and commitments referred to in article L. 225-38 *et seq*. of the French Commercial Code;
5. Renewal of the directorship of Ms Martina Gonzalez-Gallarza;
6. Renewal of the directorship of Mr Ian Gallienne;
7. Appointment of Mr Gilles Samyn as a Director;
8. Setting of the annual amount of Directors' fees allocated to the members of the Board of Directors;
9. Advisory vote on the elements of compensation due or granted for the 2013/2014 financial year to Ms Danièle Ricard, Chairwoman of the Board of Directors;
10. Advisory vote on the elements of compensation due or granted for the 2013/2014 financial year to Mr Pierre Pringuet, Vice Chairman of the Board of Directors and Chief Executive Officer;
11. Advisory vote on the elements of compensation due or granted for the 2013/2014 financial year to Mr Alexandre Ricard, Deputy Chief Executive Officer and Chief Operating Officer;
12. Authorisation to be granted to the Board of Directors to trade in the Company's shares.

Items on the agenda for the Extraordinary Shareholders' Meeting

13. Authorisation to be granted to the Board of Directors to freely allocate performance-based shares to employees and Executive Directors of the Company and Group companies;
14. Authorisation to be granted to the Board of Directors to grant options to employees and Executive Directors of the Company and Group companies entitling beneficiaries to subscribe for Company shares to be issued or purchase existing Company shares;
15. Delegation of authority to be granted to the Board of Directors to decide on a share capital increase within the limit of 2% of the share capital through issues of shares or securities granting access to the share capital, reserved for members of company savings plans, with preferential subscription rights cancelled for these beneficiaries;
16. Powers to carry out the necessary legal formalities.

Presentation of the resolutions

Resolutions presented to the Ordinary Shareholders' Meeting

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 the 2013/2014 financial year, which show a net profit of €462,677,928.39.

The purpose of the **2nd resolution** is to approve the consolidated financial statements for the 2013/2014 financial year.

The purpose of the **3rd resolution** is to allocate the results. It is proposed to set the dividend for the 2013/2014 financial year at €1.64 per share. Following an interim dividend payment of €0.82 per share on 8 July 2014, the balance of €0.82 per share would be detached on 13 November 2014 and paid on 17 November 2014, subject to the implementation of the new settlement cycle in France, scheduled for 6 October 2014. If this reform were postponed, the balance of the dividend would be paid on 18 November 2014 according to the current regulations.

Approval of regulated agreements and commitments

It is proposed that, by voting on the **4th resolution**, you approve the regulated agreements and commitments concluded or still in force during the 2013/2014 financial year, as described in the Statutory Auditors' special report (see Section 6 "Pernod Ricard SA financial statements" in the 2013/2014 Registration Document). These relate mainly to agreements concluded in the context of Group internal reorganisations or financing transactions between the Company and some of its affiliates with which it has one or more Directors in common. This resolution also covers commitments – already approved by the Shareholders' Meeting on 9 November 2012 (5th and 6th resolutions) – benefiting Mr Pierre Pringuet, Vice Chairman of the Board of Directors and Chief Executive Officer, and Mr Alexandre Ricard, Deputy Chief Executive Officer & Chief Operating Officer, relating to a non-compete clause and their continued membership of the supplementary pension scheme and collective healthcare and welfare schemes offered by the Company.

Renewal/Appointment of Directors

Information regarding the Directors whose renewal of the term of office or appointment is proposed, appears in Section 2 of the 2013/2014 Registration Document.

As recommended by the Nominations and Governance Committee, it is proposed to renew the directorships of Ms Martina Gonzalez-Gallarza and Mr Ian Gallienne (Independent Director) whose directorships expire at the close of this Shareholders' Meeting.

It is therefore proposed that, by voting on the **5th and 6th resolutions**, you renew the directorships of Ms Martina Gonzalez-Gallarza and Mr Ian Gallienne for a term of four years expiring at the close of the Shareholders' Meeting held in 2018 to approve the financial statements for the previous financial year.

We also propose that, by voting on the **7th resolution**, you appoint Mr Gilles Samyn as a Director to replace Mr Michel Chambaud who resigned from his position as a Company Director from 6 November 2014. Mr Gilles Samyn would be appointed for a term of four years expiring at the close of the Shareholders' Meeting held in 2018 to approve the financial statements for the previous financial year.

The Nominations and Governance Committee has reviewed the candidate and determined that the Board of Directors could benefit from Mr Gilles Samyn's expertise in economics and finance. The Committee also determined that Mr Gilles Samyn fully meets the independence criteria set by the AFEP-MEDEF Code, revised in June 2013, to which the Company refers.

At the close of the Shareholders' Meeting, the Board of Directors would therefore comprise 14 members (two of whom being Directors representing the employees), including 6 Independent Directors and 3 women [(1)].

Directors' fees

The purpose of the **8th resolution** is to set the aggregate amount of Directors' fees allocated to the Board of Directors. It is proposed that the Board of Directors' total compensation for the 2014/2015 financial year be set at €910,000.

(1) In accordance with the AFEP-MEDEF Code, the Directors representing the employees are not taken into account to determine the independence percentage of the Board of Directors or the representation of women.

Advisory vote on the elements of compensation due or granted for the 2013/2014 financial year to each of the Company's Executive Directors

In accordance with the recommendations of the AFEP-MEDEF Code revised in June 2013 (article 24.3), to which the Company refers in line with article L. 225-37 of the French Commercial Code, the following elements of compensation due or granted to each of the Company's Executive Directors in respect of the 2013/2014 financial year are submitted to the shareholders' advisory vote:

- fixed portion;
- 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 long-term incentives;
- welcome bonus or severance benefits;
- supplementary pension scheme;
- any other benefits.

By voting on the **9th, 10th and 11th resolutions** you are called upon to **give a favourable opinion on the elements of compensation due or granted in respect of the 2013/2014 financial year to each of the Company's Executive Directors**, namely:

- **Ms Danièle Ricard, Chairwoman of the Board of Directors;**
- **Mr Pierre Pringuet, Vice Chairman of the Board of Directors and Chief Executive Officer; and**
- **Mr Alexandre Ricard, Deputy Chief Executive Officer & Chief Operating Officer.**

Therefore, it is proposed in the **9th resolution** that you **give a favourable opinion on the following elements of compensation due or granted to Ms Danièle Ricard, Chairwoman of the Board of Directors, in respect of the 2013/2014 financial year**:

Elements of compensation due or granted to Ms Danièle Ricard, Chairwoman of the Board of Directors, in respect of the 2013/2014 financial year, submitted to the shareholders' advisory vote

Compensation elements	Amounts	Remarks
Fixed compensation	€110,000	Fixed compensation of €110,000 gross for the 2013/2014 financial year, decided by the Board of Directors on 28 August 2013 as recommended by the Compensation Committee.
Variable compensation	N/A	Ms Danièle Ricard does not qualify for any variable compensation.
Multi-year variable compensation	N/A	Ms Danièle Ricard does not qualify for any multi-year variable compensation.
Directors' fees	N/A	As is the case for all of the Company's Executive Directors, Ms Danièle Ricard, Chairwoman of the Board of Directors, does not receive any Directors' fees.
Special bonus	N/A	Ms Danièle Ricard does not qualify for any special bonus.
Allocation of stock options and/or performance-based shares	N/A	Ms Danièle Ricard does not qualify for any allocation of stock options or performance-based shares.
Welcome bonus or severance benefits	N/A	Ms Danièle Ricard does not qualify for any welcome bonus or severance benefits.
Supplementary pension scheme	N/A	Ms Danièle Ricard does not qualify for the supplementary pension scheme in place within the Company.
Collective healthcare and welfare schemes	N/A	Ms Danièle Ricard does not qualify for the collective healthcare and welfare schemes in place within the Company.
Other benefits	N/A	Ms Danièle Ricard does not qualify for any other benefits.

It is also proposed in the **10th resolution** that you **give a favourable opinion on the following elements of compensation due or granted to Mr Pierre Pringuet, Vice Chairman of the Board of Directors and Chief Executive Officer, in respect of the 2013/2014 financial year**:

Elements of compensation due or granted to Mr Pierre Pringuet, Vice Chairman of the Board of Directors and Chief Executive Officer, in respect of the 2013/2014 financial year, submitted to the shareholders' advisory vote

Compensation elements	Amounts	Remarks
Fixed compensation	€1,127,500	◻ Fixed compensation of €1,127,500 gross for the 2013/2014 financial year, decided by the Board of Directors on 28 August 2013, as recommended by the Compensation Committee.
Variable compensation	€624,635	◻ During its meeting on 27 August 2014, the Board of Directors assessed the amount of the variable portion of Mr Pierre Pringuet's compensation for the 2013/2014 financial year, as recommended by the Compensation Committee and after the financial elements had been approved by the Audit Committee. ◻ Considering the quantitative and qualitative criteria set by the Board of Directors held on 28 August 2013, and the achievements recorded as at 30 June 2014, the amount of the variable portion was evaluated as follows: ◻ applying the quantitative criteria (profit from recurring operations, Group net profit from recurring operations and net debt/EBITDA ratio), the amount of the variable portion was 25.40% of Mr Pierre Pringuet's fixed annual compensation. The reduction in this percentage compared with the previous year (48.20%) reflects the deterioration in the economic environment during the 2013/2014 financial year and in particular the market conditions in China; ◻ applying the qualitative criteria, the amount of the variable portion was 30% of Mr Pierre Pringuet's fixed annual compensation. The Board of Directors deemed that Mr Pierre Pringuet's performance in the 2013/2014 financial year, which was particularly difficult, had been very satisfactory, considering: the overall quality of the Group's General Management in an economically sensitive environment; the work done to keep all the teams motivated during this period attests to the strength of the Group's culture and values; the reorganisation of the Group to tackle the particularly complex economic challenges and difficulties facing it; and maintaining the Group's commitments on societal issues. ◻ As a result, the total amount of the variable compensation for the 2013/2014 financial year for Mr Pierre Pringuet as Vice Chairman of the Board of Directors and Chief Executive Officer was set at €624,635, which is 55.40% of his fixed annual compensation for the 2013/2014 financial year, compared with €860,200 for the 2012/2013 financial year and €1,607,366 for the 2011/2012 financial year.
Multi-year variable compensation	N/A	◻ Mr Pierre Pringuet does not qualify for any multi-year variable compensation.
Directors' fees	N/A	◻ As is the case for all of the Company's Executive Directors, Mr Pierre Pringuet, Vice Chairman of the Board of Directors and Chief Executive Officer, does not receive any Directors' fees.
Special bonus	N/A	◻ Mr Pierre Pringuet does not qualify for any special bonus.

Compensation elements	Amounts	Remarks
Allocation of stock options and/or performance-based shares		◻ During the 2013/2014 financial year, the Board of Directors decided during its meeting on 6 November 2013, as recommended by the Compensation Committee, to grant Mr Pierre Pringuet:
	€394,940 (total value (IFRS) of stock options)	◻ 26,000 stock options, all subject to performance conditions and able to be exercised at the end of a four-year period. The number of stock options able to be exercised will be determined based on the achievement of the following external comparison criterion: the overall performance of Pernod Ricard shares (TSR) compared with the overall performance of the Food & Beverage Eurostoxx 600 index (SX3R) over a three-year period (6 November 2013 to 6 November 2016 inclusive). The progression formula is described in the section "Policy governing the allocation of stock options and performance-based shares" in the Management Report from the 2013/2014 Registration Document;
	€446,880 (total value (IFRS) of performance-based shares)	◻ 9,500 performance-based shares, all subject to the following performance conditions. The number of performance-based shares that will be confirmed for Mr Pierre Pringuet will be determined by applying: – firstly, the internal performance criterion based on achieving the target for Group net profit from recurring operations in the financial year ended June 2014 (for half the number of shares) and in the financial year ended June 2015 (for the other half). The progression formula is identical to that applied for allocations of performance-based shares for all beneficiaries as described in the section on the "Policy governing the allocation of stock options and performance-based shares" in the Management Report from the 2013/2014 Registration Document, – secondly, the volume of performance-based shares resulting from the application of the above internal performance criterion will be dependent on the same external performance criterion as that applicable for stock options (see above).
Welcome bonus or severance benefits	No payment	◻ Mr Pierre Pringuet was not paid any severance benefits during the financial year. ◻ Mr Pierre Pringuet is subject to a two-year non-compete clause related to his corporate office, in exchange for benefits corresponding to one year's compensation (fixed and variable). ◻ This commitment was authorised by the Board of Directors held on 29 August 2012 and approved by the Shareholders' Meeting on 9 November 2012 (5th resolution), in accordance with the procedure for regulated agreements and commitments. ◻ Following the Board of Directors' meeting on 27 August 2014, Mr Pierre Pringuet stated that he was explicitly and definitively waiving the payment of any financial compensation for the non-compete clause, while maintaining his non-compete obligation for two years following his departure from Pernod Ricard.
Supplementary pension scheme	No payment	◻ Mr Pierre Pringuet qualifies for the collective defined-benefit supplementary pension scheme offered by the Company under the same terms as those applicable for the category of employees to which he belongs for the determination of his employee benefits and other additional elements of his compensation. ◻ In accordance with the procedure for regulated agreements and commitments, this commitment was authorised by the Board of Directors held on 29 August 2012 and approved by the Shareholders' Meeting on 9 November 2012 (5th resolution). ◻ In accordance with the regulations for collective supplementary pension schemes applicable for the Company, the annual annuity amount calculated based on the annual compensation (fixed and variable) for the last three years prior to his retirement date that would be paid on the liquidation of Mr Pierre Pringuet's entitlements was estimated at approximately €411,500 gross. This amount would represent 19.30% of the average total compensation for the last three years of service; this is lower than previous estimates due to the reduction in the variable portion for the last two financial years.
Collective healthcare and welfare schemes		◻ Mr Pierre Pringuet qualifies for the collective healthcare and welfare schemes offered by the Company under the same terms as those applicable for the category of employees to which he belongs for the determination of his employee benefits and other additional elements of his compensation. ◻ In accordance with the procedure for regulated agreements and commitments, this commitment was authorised by the Board of Directors held on 29 August 2012 and approved by the Shareholders' Meeting on 9 November 2012 (5th resolution).
Other benefits	€4,512	◻ Mr Pierre Pringuet qualifies for a chauffeur-driven company car.

Finally, it is proposed in its **11th resolution** that you **give a favourable opinion on the following elements of compensation due or granted in respect of the 2013/2014 financial year to Mr Alexandre Ricard, Deputy Chief Executive Officer & Chief Operating Officer**:

Elements of compensation due or granted in respect of the 2013/2014 financial year to Mr Alexandre Ricard, Deputy Chief Executive Officer & Chief Operating Officer, submitted to the shareholders' advisory vote

Compensation elements	Amounts	Remarks
Fixed compensation	€750,000	◻ Fixed compensation of €750,000 gross for the 2013/2014 financial year, decided by the Board of Directors on 28 August 2013, as recommended by the Compensation Committee.
Variable compensation	€415,500	◻ During its meeting on 27 August 2014, the Board of Directors assessed the amount of the variable portion of Mr Alexandre Ricard's compensation for the 2013/2014 financial year, as recommended by the Compensation Committee and after the financial elements had been approved by the Audit Committee. ◻ Considering the quantitative and qualitative criteria set by the Board of Directors held on 28 August 2013, and the achievements recorded as at 30 June 2014, the amount of the variable portion was evaluated as follows: ▫ applying the quantitative criteria (profit from recurring operations, Group net profit from recurring operations and net debt/EBITDA ratio), the amount of the variable portion was 25.40% of Mr Alexandre Ricard's fixed annual compensation. The reduction in this percentage compared with the previous year (48.20%) reflects the deterioration in the economic environment during the 2013/2014 financial year and in particular the market conditions in China; ▫ applying the qualitative criteria, the amount of the variable portion was 30% of Mr Alexandre Ricard's fixed annual compensation. The Board of Directors deemed that Mr Alexandre Ricard's performance in the 2013/2014 financial year, which was particularly difficult, had been very satisfactory, considering: the overall quality of the Group's General Management in an economically sensitive environment; the work done to keep all the teams motivated during this period attests to the strength of the Group's culture and values; the reorganisation of the Group to tackle the particularly complex economic challenges and difficulties facing it; and maintaining the Group's commitments on societal issues. ◻ As a result, the total amount of Mr Alexandre Ricard's variable compensation for the 2013/2014 financial year, as Deputy Chief Executive Officer & Chief Operating Officer, was set at €415,500, which is 55.40% of his fixed annual compensation for the 2013/2014 financial year, compared with 78.20% in the 2012/2013 financial year.
Multi-year variable compensation	N/A	◻ Mr Alexandre Ricard does not qualify for any multi-year variable compensation.
Directors' fees	N/A	◻ As is the case for all of the Company's Executive Directors, Mr Alexandre Ricard, Deputy Chief Executive Officer & Chief Operating Officer, does not receive any Directors' fees.
Special bonus	N/A	◻ Mr Alexandre Ricard does not qualify for any special bonus.

Compensation elements	Amounts	Remarks
Allocation of stock options and/or performance-based shares		◻ During the 2013/2014 financial year, the Board of Directors decided during its meeting on 6 November 2013, as recommended by the Compensation Committee, to grant Mr Alexandre Ricard:
	€250,635 (total value (IFRS) of stock options)	◻ 16,500 stock options, all subject to performance conditions and able to be exercised at the end of a four-year period. The number of stock options able to be exercised will be determined based on the achievement of the following external comparison criterion: the overall performance of Pernod Ricard shares (TSR) compared with the overall performance of the Food & Beverage Eurostoxx 600 index (SX3R) over a three-year period (6 November 2013 to 6 November 2016 inclusive). The progression formula is described in the section "Policy governing the allocation of stock options and performance-based shares" in the Management Report from the 2013/2014 Registration Document;
	€286,944 (total value (IFRS) of performance-based shares)	◻ 6,100 performance-based shares, all subject to the following performance conditions. The number of performance-based shares that will be confirmed for Mr Alexandre Ricard will be determined by applying: – firstly, the internal performance criterion based on achieving the target for Group net profit from recurring operations in the financial year ended June 2014 (for half the number of shares) and in the financial year ending June 2015 (for the other half). The progression formula is identical to that applied for allocations of performance-based shares for all beneficiaries as described in the section on the "Policy governing the allocation of stock options and performance-based shares" in the Management Report from the 2013/2014 Registration Document, – secondly, the volume of performance-based shares resulting from the application of the above internal performance criterion will be dependent on the same external performance criterion as that applicable for stock options (see above).
Welcome bonus or severance benefits	No payment	◻ Mr Alexandre Ricard is subject to a two-year non-compete clause, in exchange for benefits capped at a maximum of one year's compensation (fixed and variable). ◻ In accordance with the procedure for regulated agreements and commitments, this commitment was authorised by the Board of Directors held on 29 August 2012 and approved by the Shareholders' Meeting on 9 November 2012 (6th resolution). ◻ The maximum total payment that Mr Alexandre Ricard may receive in the event of his departure and the termination of his employment contract (which is suspended), including the non-compete clause, is capped at 24 months of fixed and variable compensation.
Supplementary pension scheme	No payment	◻ Mr Alexandre Ricard benefits from the collective defined-benefit supplementary pension scheme offered by the Company under the same terms as those applicable for the category of employees to which he belongs for the determination of his employee benefits and other additional elements of his compensation. ◻ In accordance with the procedure for regulated agreements and commitments, this commitment was authorised by the Board of Directors held on 29 August 2012 and approved by the Shareholders' Meeting on 9 November 2012 (6th resolution). ◻ For example, if the calculation was made based on Mr Alexandre Ricard's fixed and variable compensation for the last two financial years, the annuity paid to Mr Alexandre Ricard under this scheme would be approximately 10% of this compensation.
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 for the category of employees to which he belongs for the determination of his employee benefits and other additional elements of his compensation. ◻ In accordance with the procedure for regulated agreements and commitments, this commitment was authorised by the Board of Directors held on 29 August 2012 and approved by the Shareholders' Meeting on 9 November 2012 (6th resolution).
Other benefits	€3,272	◻ Mr Alexandre Ricard qualifies for a company car.

For reference, the general compensation policy for the Company's Executive Directors is presented in Section 4 "Management report", under "Compensation policy for the Executive Directors" of the 2013/2014 Registration Document.

Repurchase of shares

As the authorisation granted to the Board of Directors by the Shareholders' Meeting of 6 November 2013 to trade in the Company's shares is due to expire on 5 May 2015, it is proposed, in the **12th resolution**, that you renew the authorisation for the Board of Directors to trade in the Company's shares for a period of 18 months **at a maximum purchase price of €120 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**, notably with a view to:

- allocating or transferring them to employees and Executive Officers of the Company and/or Group companies (including the allocation of stock options and performance-based shares);
- using them in connection with external growth transactions (up to a maximum of 5% of the number of shares comprising the share capital);
- delivering shares when rights are exercised in relation to securities granting access to the share capital;
- cancelling them;
- stabilising the share price through liquidity agreements.

Resolutions presented to the Extraordinary Shareholders' Meeting

As the authorisations granted to the Board of Directors by the Shareholders' Meeting on 9 November 2012 to grant stock options and performance-based shares expired on 8 May 2014, it is proposed that you renew these authorisations.

The delegations of authority will therefore be submitted to your vote and if approved would cancel, from the date of the present Shareholders' Meeting, any previous delegations approved and having the same purpose.

Authorisation granted to the Board of Directors to freely allocate performance-based shares to employees and Executive Directors of the Company and Group companies

The purpose of the **13th resolution** is to authorise the Board of Directors to allocate performance-based shares to employees and Executive Directors of the Company and Group companies.

The definitive allocation of all performance-based shares would be subject to performance and presence conditions, as has always been the case for all shares freely allocated by the Company.

Under the previous allocation plan, the Board of Directors of 6 November 2013 determined that the definitive allocation of the performance-based shares allocated on this date was subject to the following performance conditions: (a) allocation of half of the shares provided that the 2013/2014 Group profit from recurring operations represents at least 95% of the Group profit from recurring operations budgeted for this financial year, and (b) allocation of the other half provided that the 2014/2015 Group profit from recurring operations represents at least 95% of the Group profit from recurring operations budgeted for this financial year. For each half, the number of shares allocated is determined by applying a percentage of between 25% and 50%, based on a linear progression, where 25% of the total number of shares are allocated if the 95% target has been reached and 50% of the total number of shares are allocated if the 100% target has been reached.

With regard to the allocation of performance-based shares to the Company's Executive Directors, it has been subjected to two performance conditions: 1) application of the internal performance condition explained above and 2) application of an external condition based on comparing the average Total Shareholder Return (TSR) for Pernod Ricard and the performance of the Food & Beverage Eurostoxx 600 (SX3R) index (hereafter "the Index") over the period from 6 November 2013 to 6 November 2016 inclusive (three years), as follows: (i) if the Pernod Ricard share's overall performance is greater than or equal to the overall performance of the Index +10 pts: 100% of the shares can be definitely allocated, (ii) if the Pernod Ricard share's overall performance is less than or equal to the overall performance of the Index -15 pts: no shares will be allocated, and (iii) if the Pernod Ricard share's overall performance is comprised between -15 pts and +10 pts compared with the overall performance of the Index: the number of shares that can be definitively allocated will be determined based on a linear progression percentage between 0 and 100%.

For the shares to be allocated on the basis of this 13th resolution, it is proposed **to subject them to the performance conditions described above or to performance conditions of the same nature**. It is specified that, in determining the final number of shares allocated, the internal performance condition would now be **assessed, for 100% of the shares allocated, over a minimum period of two years**, as indicated in the resolution.

The vesting period for the shares will be a minimum of three years. The shares will be subject to a two-year minimum lock-up period, unless the vesting period is a minimum of four years, in which case the shares may be transferred at the end of the four-year vesting period.

This authorisation would be valid for a period of **38 months** from the date of this Shareholders' Meeting. This authorisation would allow the allocation of shares representing up to 1.5% of the Company's share capital on the date of the Board of Directors' decision to allocate such shares. Moreover, the number of shares allocated to the Company's Executive Directors may not exceed 0.06% of the Company's share capital on the date of the Board of Directors' decision to allocate such shares. This amount will be deducted from the overall limit of 1.5% of the Company's share capital mentioned above.

Delegation of authority for the Board of Directors to grant options to employees and Executive Directors of the Company and Group companies entitling beneficiaries to subscribe for or purchase shares

The purpose of the **14th resolution** is to enable the Board of Directors to grant stock options to employees and Executive Directors of the Company and Group companies.

The exercising of the stock options would be subject to performance and presence conditions, as has been the case for most of the stock options granted by the Company in previous years.

Under the previous allocation plan, the Board of Directors of 6 November 2013 determined that the exercising of the stock options granted on this date was subject to the following external performance conditions: the Pernod Ricard share's overall performance (TSR) is compared with the overall performance of the Food & Beverage Eurostoxx 600 (SX3R) index (hereafter "the Index") over the period from 6 November 2013 to 6 November 2016 inclusive (three years). If (i) the Pernod Ricard share's overall performance is greater than or equal to the overall performance of the Index +10 pts: 100% of the shares can be definitely allocated, (ii) if the Pernod Ricard share's overall performance is less than or equal to the overall performance of the Index -15 pts: no shares will be allocated, and (iii) if the Pernod Ricard share's overall performance is comprised between -15 pts and +10 pts compared with the overall performance of the Index: the number of shares that can be definitively allocated will be determined based on a linear progression percentage between 0 and 100%.

The exercising of all the stock options granted to Executive Directors on 6 November 2013 is subject to the external performance condition described above.

For allocations to be made on the basis of this 14th resolution, it is proposed **to subject the exercising of the stock options to the external performance condition described above or to a performance condition of the same nature**.

The exercise price for the stock options will be determined in accordance with the French Commercial Code and no discount will be applied.

The stock options will only be able to be exercised for a four-year period from the end of the fourth year following the date on which they were granted.

This authorisation would be valid for a period of **38 months** from the date of this Shareholders' Meeting. The shares resulting from the exercising of the stock options may represent no more than 1.5% of the Company's share capital at the date of the Board of Directors' decision to grant stock options. Moreover, the number of stock options granted to the Executive Directors of the Company may represent no more than 0.21% of the Company's share capital on the date of the decision to grant stock options. This amount would be deducted from the overall limit of 1.5% of the Company's share capital mentioned above.

Delegation of authority to increase the share capital through issues of shares or securities granting access to the share capital, reserved for members of a Company savings plan

As the Shareholders' Meeting is requested to vote on delegations of authority to the Board of Directors that might entail future share capital increases, it is proposed that, by voting on the **15th resolution**, you delegate authority to the Board of Directors to decide to increase the share capital for a **maximum nominal amount corresponding to 2% of the share capital** at the close of this Shareholders' Meeting, by issuing shares or securities granting access to the share capital, reserved for members of one or more employee savings plans set up within the Company or the Group. This limit would be deducted from the share capital increase limit set in the 17th resolution, as well as from the maximum Overall Limit set in the 16th resolution for the Shareholders' Meeting on 6 November 2013.

The issue price for the new shares or securities granting access to the share capital may be no more than 20% lower than the average listed prices for Pernod Ricard's share on the NYSE Euronext Paris market over the twenty trading sessions preceding the date of the decision setting the opening date for the subscription period, nor may the issue price exceed this average.

This authorisation would be valid for a period of **26 months** from the date of this Shareholders' Meeting.

Powers to carry out the necessary legal formalities

By voting on the **16th resolution**, the Shareholders' Meeting is asked to authorise the Board of Directors to carry out the required legal formalities, where applicable.

Draft resolutions

Resolutions presented to the Ordinary Shareholders' Meeting

First resolution

(Approval of the Parent Company financial statements for the financial year ended 30 June 2014)

Having reviewed the Parent Company financial statements for the financial year ended 30 June 2014, the Board of Directors' management report and the Statutory Auditors' report 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 2014, as well as all transactions recorded in the financial statements or summarised in these reports, which show a net profit of €462,677,928.39 for the aforementioned financial year.

The Shareholders' Meeting takes note of the report of the Chairman of the Board of Directors on the Board's composition and the implementation of the principle for the balanced representation of women and men within the Board, the conditions governing the preparation and organisation of the Board of Directors' work, as well as the internal control and risk management procedures implemented by the Company, in addition to the Statutory Auditors' report on this report.

Pursuant to article 223 *quater* of the French 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 Tax Code amounted to €227,693 for the past financial year, and that the future tax payable with regard to these costs and expenses amounts to €78,395.

Second resolution

(Approval of the consolidated financial statements for the financial year ended 30 June 2014)

Having reviewed the Board of Directors' report on the Group's management included in the management report in accordance with article L. 233-26 of the French Commercial Code and the Statutory Auditors' report 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 2014 as presented to it, as well as the transactions recorded in the financial statements or summarised in the report on the Group's management.

Third resolution

(Allocation of the net result for the financial year ended 30 June 2014 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 2014 shows a net profit of €462,677,928.39.

As proposed by the Board of Directors, it decides to allocate and divide this profit as follows:

Profit	€462,677,928.39
Appropriation to the legal reserve	€0 [1]
Balance	€462,677,928.39
Previous retained earnings	€454,410,359.17
Distributable profit	€917,088,287.56
Dividend distributed	€435,291,410.88
Balance allocated to retained earnings	€481,796,876.68

(1) As the amount of the legal reserve has reached the threshold of 10% of the share capital, no appropriation has been made.

It should be noted that in the event of a change between the number of shares entitled to a dividend and the 265,421,592 shares making up the share capital as of 30 June 2014, the total amount of the dividend will be adjusted accordingly and the amount allocated to retained earnings will be determined based on dividends actually paid.

A dividend of €1.64 will be paid out for each of the Company's shares.

Following an interim dividend payment of €0.82 per share on 8 July 2014, the balance of €0.82 per share would be detached on 13 November 2014 and paid on 17 November 2014, subject to the implementation of the new settlement cycle in France, scheduled for 6 October 2014. If this reform were postponed, the balance of the dividend would be paid on 18 November 2014 according to the current regulations.

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 €1.64 per share will be 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 Tax Code.

Shareholders' equity represents a total of €4,347,941,780.69 after allocation of the net result for the financial year.

For reference, dividends for the past three financial years were as follows:

	2010/2011	2011/2012	2012/2013
Number of shares	264,721,803	265,310,605	265,421,592
Dividend per share *(in euros)*	1.44 [1]	1.58 [1]	1.64 [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 Tax Code.

Fourth resolution

(Approval of regulated agreements and commitments referred to in articles L. 225-38 et seq. of the French Commercial Code)

Having reviewed the Statutory Auditors' special report on the regulated agreements and commitments referred to in articles 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, notes the conclusions of said report and approves the agreements and commitments referred to therein.

Fifth resolution

(Renewal of the directorship of Ms Martina Gonzalez-Gallarza)

Having reviewed the Board of Directors' report, 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 held in 2018 to approve the financial statements for the previous financial year.

Sixth resolution

(Renewal of the directorship of Mr Ian Gallienne)

Having reviewed the Board of Directors' report, 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 held in 2018 to approve the financial statements for the previous financial year.

Seventh resolution

(Appointment of Mr Gilles Samyn as a Director)

Having reviewed the Board of Directors' report, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, decides to appoint Mr Gilles Samyn 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 held in 2018 to approve the financial statements for the previous financial year.

Eighth 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, as proposed by the Board of Directors, decides to set the aggregate annual amount of Directors' fees for the 2014/2015 financial year at €910,000.

Ninth resolution

(Advisory vote on the elements of compensation due or granted for the 2013/2014 financial year to Ms Danièle Ricard, Chairwoman of the Board of Directors)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, gives a favourable opinion on the elements of compensation due or granted for the 2013/2014 financial year to Ms Danièle Ricard, Chairwoman of the Board of Directors, as described in the 2013/2014 Registration Document, Section 4 "Management report", paragraph "*Elements of compensation due or granted in respect of the 2013/2014 financial year to Ms Danièle Ricard, Chairwoman of the Board of Directors, submitted to the shareholders' advisory vote*".

Tenth resolution

(Advisory vote on the elements of compensation due or granted for the 2013/2014 financial year to Mr Pierre Pringuet, Vice Chairman of the Board of Directors and Chief Executive Officer)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, gives a favourable opinion on the elements of compensation due or granted for the 2013/2014 financial year to Mr Pierre Pringuet, Vice Chairman of the Board of Directors and Chief Executive Officer, as described in the 2013/2014 Registration Document, Section 4 "Management report", paragraph "*Elements of compensation due or granted in respect of the 2013/2014 financial year to Mr Pierre Pringuet, Vice Chairman of the Board of Directors and Chief Executive Officer, submitted to the shareholders' advisory vote*".

Eleventh resolution

(Advisory vote on the elements of compensation due or granted for the 2013/2014 financial year to Mr Alexandre Ricard, Deputy Chief Executive Officer and Chief Operating Officer)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, gives a favourable opinion on the elements of compensation due or granted for the 2013/2014 financial year to Mr Alexandre Ricard, Deputy Chief Executive Officer and Chief Operating Officer, as described in the 2013/2014 Registration Document, Section 4 "Management report", paragraph "*Elements of compensation due or granted in respect of the 2013/2014 financial year to Mr Alexandre Ricard, Deputy Chief Executive Officer & Chief Operating Officer, submitted to the shareholders' advisory vote*".

Twelfth resolution

(Authorisation to be granted to the Board of Directors to trade in the Company's shares)

Having reviewed the Board of Directors' report, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, authorises the Board of Directors, with the possibility 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 European Commission Regulation 2273/2003 of 22 December 2003, to purchase Company shares 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 options with cash payments concerning positive 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) freely allocate 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, while noting 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, for up to 5% of the number of shares comprising the share capital; or

(v) deliver shares when rights are exercised in relation to securities granting access to the share capital through reimbursement, conversion, exchange, presentation of a warrant or in any other manner; or

(vi) cancel some or all 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 Extraordinary Shareholders' Meeting of 6 November 2013 in its 15th resolution; or

(vii) allow an investment services provider to act on the secondary market or to ensure the liquidity of the Company's share under 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 Company to trade in the Company's shares for any other authorised purpose or any purpose that would come to be authorised by law or the regulations in force. In such a case, the Company would notify its shareholders *via* a press release.

The Company would be able to purchase a number of shares such that:

- the Company does not purchase more than 10% of the shares comprising its 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, the number of shares taken into account for calculating the 10% limit equates to the number of shares purchased, less the number of shares sold during the authorisation period, in particular when shares are repurchased to support the share's liquidity under the conditions set out by the AMF's General Regulations; 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 market 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.

The Shareholders' Meeting decides that the maximum purchase price per share shall be equal to €120, excluding acquisition costs.

Under article R. 225-151 of the French Commercial Code, the Shareholders' Meeting sets the total maximum amount allocated to the above authorised share buyback programme at €3,185,059,080, corresponding to a maximum number of 26,542,159 shares purchased at the maximum unit price of €120 as authorised above.

The Shareholders' Meeting delegates authority to the Board of Directors, with the possibility 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 share's par value, a share capital increase through the capitalisation of reserves, a free grant of shares, a stock split or reverse stock split, to adjust the above-mentioned maximum purchase price in order to take into account the impact of such transactions on the share value.

The Shareholders' Meeting grants the Board of Directors full powers, with the possibility 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 possibility to delegate implementation of the share buyback programme, under the conditions provided for by law, and in particular to place all stock exchange orders, enter into any agreements, with a view to keeping registers of share purchases and sales, make all declarations to the AMF and to any other authority 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 Ordinary Shareholders' Meeting of 6 November 2013 in its 14th resolution.

Resolutions presented to the Extraordinary Shareholders' Meeting

Thirteenth resolution

(Authorisation to be granted to the Board of Directors to freely allocate performance-based shares to employees and Executive Directors of the Company and Group companies)

Having reviewed the Board of Directors' report and the Statutory Auditors' special report, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings and in accordance with the provisions of articles L. 225-197-1 *et seq.* of the French Commercial Code:

1. authorises the Board of Directors to allocate existing ordinary Company shares or ordinary Company shares to be issued, on one or more occasions, to eligible Executive Directors and employees (as defined in article L. 225-197-1 II paragraph 1 of the French Commercial Code) of the Company and related companies or groups as defined by article L. 225-197-2 of the French Commercial Code, or to certain categories of them;
2. decides that the maximum number of existing shares or shares to be issued that may be allocated under this authorisation shall represent no more than 1.5% of the Company's share capital on the day of the decision by the Board of Directors to allocate them. This number shall not include any adjustments that may be made to maintain the rights of beneficiaries in the event of financial transactions or transactions on the Company's share capital or shareholders' equity;
3. decides that the allocations made pursuant to this authorisation may benefit, in accordance with the applicable law, the Company's eligible Executive Directors, provided that the definitive allocation of the shares is subject to one or more performance conditions determined by the Board of Directors on the day of the decision to allocate them. This number shall not represent more than 0.06% of the Company's share capital on the day of the decision by the Board of Directors to allocate them (subject to the possible adjustments mentioned in the previous paragraph). This sub-limit shall be deducted from the overall limit of 1.5% of the share capital mentioned above;
4. decides that:
   - (i) the allocation of shares to the beneficiaries shall become definitive after a vesting period to be set by the Board of Directors, it being understood that it may be no less than three years,
   - (ii) the lock-up period during which the beneficiaries must hold their shares shall be set by the Board of Directors and shall be no less than two years from the end of the vesting period for the shares, and
   - (iii) the Board of Directors may, provided that it sets the vesting period to at least four years, decide not to set a lock-up period for the shares concerned;
5. decides that if the beneficiary should suffer second or third degree disability as defined in article L. 341-4 of the French Social Security Code, the shares shall vest and become transferable immediately;
6. expressly determines that the definitive allocation of shares under this authorisation will be dependent on the achievement of one or more performance conditions determined by the Board of Directors and assessed over a minimum period of two years when deciding on the allocation, while noting that the final allocation of the shares to the Company's eligible Executive Directors will be subject to one internal and one external performance condition, which will be determined by the Board of Directors when deciding on this award;
7. acknowledges that, under this authorisation, the shareholders expressly waive their preferential subscription rights over ordinary shares that may be issued to beneficiaries of the performance-based share allocation under the terms of this authorisation;
8. grants the Board of Directors full powers, within the limits set above, with the possibility for it to delegate these powers in turn under the conditions provided for by law, in order to implement this authorisation and, notably, to:
   - determine whether the performance-based shares shall be existing shares or shares to be issued,
   - set, within the legal limits, the dates on which the shares will be allocated,
   - determine the identity of the beneficiaries or the category or categories of beneficiaries of the allocation of shares, as well as the number of shares allocated to each,
   - determine the criteria, the conditions and the terms for allocating said shares, especially their vesting period, lock-up period and performance conditions, as set forth in this authorisation,
   - determine the vesting date (even retroactive) for the new shares to be issued,
   - allow for the option of temporarily suspending allocation rights in accordance with applicable law and regulations,
   - register the allocated shares in registered form under their owner's name at the end of the vesting period, specifying, where applicable, that they are locked-up and the period for which this restriction will remain in force, as well as waiving this lock-up restriction in any of the circumstances envisaged by this resolution or by the regulations in force,
   - decide that the Company's eligible Executive Directors must either decide that the shares may not be sold before the end of the term of office of said Executive Directors, or set the quantity of shares to be retained in registered form until the end of their term of office,

- provide for the option, if it deems it necessary, to adjust the number of performance-based shares allocated in order to preserve the rights of beneficiaries in the event of any transactions affecting the Company's share capital or shareholders' equity during the vesting period as set out in article L. 225-181 paragraph 2 of the French Commercial Code, under terms that it shall determine,
- deduct, if applicable, from reserves, earnings or issue premiums, the sums necessary to pay up the shares, record the definitive completion of share capital increases carried out under this authorisation, make any subsequent amendments to the bylaws and, generally, carry out all necessary acts and formalities,
- and, generally, to enter into all agreements, draw up all documents, carry out all formalities and make all declarations to any official bodies and to do whatever else may be necessary; and

9. sets the validity of this authorisation for a 38-month period from the date of this Shareholders' Meeting, cancelling, as from such date, the authorisation granted by the Shareholders' Meeting of 9 November 2012 in its 17th resolution.

The Board of Directors shall report annually to the Ordinary Shareholders' Meeting on the allocations made within the framework of this resolution, in accordance with article L. 225-197-4 of the French Commercial Code.

Fourteenth resolution

(Authorisation to be granted to the Board of Directors to grant options to employees and Executive Directors of the Company and Group companies entitling beneficiaries to subscribe for Company shares to be issued or purchase existing Company shares)

Having reviewed the Board of Directors' report and the Statutory Auditors' special report, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings and in accordance with articles L. 225-177 *et seq.* of the French Commercial Code:

1. authorises the Board of Directors to grant, on one or more occasions, at its sole discretion, to eligible Executive Directors and employees (as defined in article L. 225-185 paragraph 4 of the French Commercial Code) of the Company and companies or economic interest groups that are linked to it under the conditions set out in article L. 225-180 of the French Commercial Code, options entitling beneficiaries to subscribe for new shares to be issued or purchase existing Company shares;
2. decides that the stock options granted under this authorisation will not entitle beneficiaries to subscribe for or purchase a total number of shares exceeding 1.5% of the share capital on the date of the Board of Directors' decision to grant such options. This number shall not include any adjustments that may be made to preserve the rights of beneficiaries in the event of transactions described in article L. 225-181 of the French Commercial Code;
3. decides that the options granted pursuant to this authorisation, under the conditions provided for by law, may benefit the Company's eligible Executive Directors, provided that the exercising of all the options granted is subject to the achievement of one or more performance conditions determined by the Board of Directors on the day of the decision to grant the shares. The number of shares allocated shall not represent more than 0.21% of the Company's share capital on the date of the Board of Directors' decision to grant such options (subject to the possible adjustments mentioned above). This sub-limit will be deducted from the overall limit of 1.5% of the share capital mentioned above;
4. decides that:
   - pursuant to the provisions of article L. 225-177 of the French Commercial Code, in the event that subscription options are granted, the price of the shares subscribed for by beneficiaries will be set by the Board of Directors on the day the options are allocated, with this price to be no less than the average listed prices for Pernod Ricard's share over the twenty trading sessions preceding the day on which the options are allocated,
   - pursuant to article L. 225-179 of the French Commercial Code, in the event that purchase options are granted, the price of shares purchased by beneficiaries will be set by the Board of Directors on the day the options are allocated. This price will be neither less than the average listed prices for Pernod Ricard's share over the twenty trading sessions preceding the day on which the options are allocated, nor less than the average purchase price of the Pernod Ricard shares held by the Company in accordance with articles L. 225-208 and L. 225-209 of the French Commercial Code;
5. decides that the time period for exercising the options shall not exceed eight years from the date on which the options are granted by the Board of Directors;
6. expressly determines that the exercising of options granted under this authorisation will be dependent on the achievement of one or more performance conditions determined by the Board of Directors on the day on which it decides to grant the options and assessed over a minimum period of three years, notably including those allocated to the Company's eligible Executive Directors;
7. acknowledges that, under this authorisation, the shareholders expressly waive their preferential subscription rights over the subscription of shares that may be issued as options are exercised in favour of the beneficiaries of the options, and that the share capital increase resulting from the exercising of share subscription options will be definitively carried out upon declaration that the option has been exercised, accompanied by the subscription form and payment in cash or by offsetting the corresponding sum against receivables;
8. decides that the price and/or number of shares to be subscribed and/or purchased may be adjusted in order to preserve the rights of beneficiaries if the Company carries out a transaction described in article L. 225-181 of the French Commercial Code;

9. delegates full powers to the Board of Directors, with the possibility for it to delegate these powers in turn within the limits set by the bylaws and by law, to implement this authorisation and determine, within the legal or regulatory limits, all the other conditions and terms for options to be granted and exercised, and particularly to:
   - determine the period(s) for exercising the options within the aforementioned limit, set the share subscription or purchase price pursuant to the terms set out above, determine the list of beneficiaries for the options, determine the number of options allocated to each of them as well as the performance conditions which the exercising of options will be subject to,
   - decide whether the immediate resale of shares subscribed for and/or purchased will be forbidden, while noting that for the options granted to the Company's eligible Executive Directors, the Board of Directors must either decide that options shall not be exercised before the end of the term of office of said Executive Directors, or set the quantity of shares to be retained in registered form until the end of their term of office,
   - determine the vesting date (even retroactive) for the new shares resulting from the exercising of options to subscribe for the Company's shares,
   - provide for the option to temporarily suspend the exercising of options in the event of financial transactions or transactions on securities,
   - deduct, if it deems necessary, the costs of the share capital increases resulting from the exercise of share subscription options from the share premiums related to these share capital increases, and deduct from this amount the sums required to raise the legal reserve to one-tenth of the new share capital resulting from each increase,
   - amend the bylaws subsequently and, generally, do whatever is appropriate and necessary to implement this authorisation.

During its first meeting following the end of each financial year, the Board of Directors will record, if applicable, the number and amount of the shares issued during the financial year, will make any subsequent amendments to the bylaws, and will perform all the formalities required.

As provided for in article L. 225-184 of the French Commercial Code, the Board of Directors, in a special report, shall notify the shareholders each year, during the Ordinary Shareholders' Meeting, of the transactions carried out under this resolution.

This authorisation, granted for a period of 38 months from this Shareholders' Meeting, cancels as from such date the authorisation granted by the Shareholders' Meeting of 9 November 2012 in its 18th resolution.

Fifteenth resolution

(Delegation of authority to be granted to the Board of Directors to decide on a share capital increase within the limit of 2% of the share capital through issues of shares or securities granting access to the share capital, reserved for members of company savings plans with preferential subscription rights cancelled for those beneficiaries)

Having reviewed the Board of Directors' report and the Statutory Auditors' special report, the Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, and in accordance with the provisions of articles L. 225-129, L. 225-129-2 to L. 225-129-6, L. 225-138 and L. 225-138-1 of the French Commercial Code and articles L. 3332-1 *et seq*. of the French Employment Code:

1. delegates authority to the Board of Directors, with the possibility for it to delegate these powers in turn under the conditions set by law, to decide to increase the share capital, on one or more occasions, through issues of shares or securities granting access to the share capital reserved for members of one or more company savings plans (or any other member plans for which article L. 3332-18 of the French Employment Code would authorise a reserved share capital increase under equivalent terms) set up within the Group consisting of the Company and the French or foreign entities included in the Company's consolidated financial statements pursuant to article L. 3344-1 of the French Employment Code;
2. 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, while noting that:
   - this maximum limit does not take into account the par value of the Company's ordinary shares that may be issued with respect to adjustments made to protect, in accordance with law and regulations and, where applicable, contractual stipulations providing for other adjustments, the rights of holders of securities granting access to the capital, as well as recipients of stock options or of the free allocation of shares,
   - the nominal amount of capital increases carried out under this authorisation will be deducted from the overall limit set by the Shareholders' Meeting of 6 November 2013 in its 16th resolution, as well as from the maximum amount of share capital increases set in its 17th resolution;
3. decides that the issue price for new shares or securities granting access to the share capital will be determined under the conditions provided for in article L. 3332-19 of the French Employment Code and may not be more than 20% lower than the average listed prices for Pernod Ricard's share over the twenty trading sessions preceding the date of the decision setting the opening date of the subscription period for the share capital increase reserved for 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 the legal, accounting, tax and social security treatments that apply locally in particular;

4. decides that the Board of Directors will have full powers to grant, free of charge, the aforementioned beneficiaries, in addition to the shares or securities granting access to the capital to be subscribed for in cash, shares or securities granting access to the capital to be issued or already issued, to replace all or part of the discount on the Reference Price and/or the company contribution, while noting that the benefit resulting from this allocation may not exceed the legal or regulatory limits pursuant to articles L. 3332-1 and L. 3332-19 of the French Employment Code;
5. decides to cancel shareholders' preferential subscription rights to the shares subject to this authorisation for the aforementioned beneficiaries, with these shareholders also waiving all rights to the free allocation of shares or securities granting access to the share capital issued under this resolution;
6. sets the validity of this delegation of authority for a 26-month period as from the date of this Shareholders' Meeting and notes that this delegation cancels, as from such date, the delegation of authority granted by the Shareholders' Meeting of 6 November 2013 in its 23rd resolution;
7. decides that the Board of Directors shall have full powers to implement this delegation, with the possibility for it to delegate these powers in turn under the conditions provided for by law, within the limits and under the conditions specified above, in particular to:
   - determine, under the conditions provided for by law, the list of companies for which members of an employee savings plan may subscribe for shares or securities granting access to the capital issued in this way, and benefit, where applicable, from the free allocation of shares or securities granting access to the capital,
   - decide whether subscriptions may be carried out directly or through company mutual funds or other structures or entities permitted by the applicable legal or regulatory provisions,
   - determine the conditions, particularly in respect of length of service, to be met by the beneficiaries of share capital increases,
   - set the start and end dates for subscription periods,
   - set the amounts of the issues of shares or securities that will be made under this authorisation and, in particular, decide on the issue prices, dates, time periods, terms and conditions for subscription, payment, delivery and vesting (which may be retroactive) for the shares or securities, as well as the other terms and conditions of the issues, within the legal and regulatory limits 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 for allocating such shares or securities granting access to the share capital within the legal and regulatory limits applicable 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 company contribution, or to use a combination of these two possibilities,
   - 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),
   - offset, where applicable, the costs of the share capital increases against the amount of the related share premiums and deduct from the amount of such share premiums the sums required to raise the legal reserve to one-tenth of the new share capital following these capital increases, and
   - 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, 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 required for the issue, listing and financial servicing of the shares or securities issued under this delegation of authority and the exercising of the rights attached thereto, and all formalities resulting from the capital increases carried out.

Sixteenth resolution

(Powers to carry out the necessary legal formalities)

The Shareholders' Meeting grants full powers to the bearer of a copy of or extract from the minutes of this meeting to carry out, wherever they may be required, all filings and all legal publication or other formalities, as necessary.

Statutory Auditors' report on the authorisation to freely allocate shares (existing or to be issued)

Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2014

13th resolution

To the Shareholders,

As Statutory Auditors of your Company and pursuant to the assignment set forth in Article L. 225-197-1 of the French Commercial Code (*Code de commerce*), we hereby present our report on the proposed authorisation to freely allocate shares, existing or to be issued, to eligible employees and Executive Directors (as defined in Article L. 225-197-1 II paragraph 1 of the French Commercial Code) of your Company and related companies or economic interest groupings under the conditions set out in Article L. 225-197-2 of the French Commercial Code, or certain categories thereof, a transaction that you are being asked to approve.

The allocations made pursuant to this authorisation may not concern a total number of shares existing or to be issued representing more than 1.5% of the Company's share capital on the day the decision to allocate them is taken by the Board of Directors. In addition, the definitive allocation of shares shall be dependent on the achievement of one or more performance conditions determined by the Board of Directors when deciding the allocation and assessed over a minimum period of two years, it being specified that the definitive allocation of shares to eligible Executive Directors shall be subject to two performance conditions, both internal and external, determined by the Board of Directors when deciding the allocation. The number of shares granted may not exceed 0.06% of the Company's share capital on the day the allocation decision is taken by the Board of Directors.

Based on its report, the Board of Directors is asking for authorisation, for a period of 38 months from the date of this Shareholders' Meeting, to freely allocate shares, existing or to be issued.

The Board of Directors is responsible for preparing a report on the transaction it wishes to perform. Our role is to express our comments, if any, on the information that is given to you on the planned transaction.

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 particularly consisted in verifying that the proposed terms and conditions presented in the Board of Directors' report comply with applicable legal provisions.

We have no comment to make on the information presented in the Board of Directors' report on the proposed authorisation to freely allocate shares.

Courbevoie and Neuilly-sur-Seine, 17 September 2014

The Statutory Auditors

MAZARS	DELOITTE & ASSOCIES
Isabelle Sapet	Marc de Villartay

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statutory Auditors' report on the authorisation to grant options for the subscription of shares to be issued, or the purchase of existing shares

Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2014

14th resolution

To the Shareholders,

As Statutory Auditors of your Company and pursuant to the assignment set forth in Articles L. 225-177 and R. 225-144 of the French Commercial Code (*Code de commerce*), we hereby present our report on the authorisation to grant options for the subscription of shares or the purchase of existing shares to the eligible employees and Executive Directors (as defined in Article L. 225-185 paragraph 4 of the French Commercial Code) of the Company and related companies and economic interest groupings under the conditions set out in Article L. 225-180 of the French Commercial Code, a transaction that you are being asked to approve.

The options for the subscription and purchase of existing shares granted pursuant to this authorisation:

- may not confer entitlement to subscribe or purchase a total number of shares representing more than 1.5% of the Company's share capital on the day the decision to grant such options is taken by the Board of Directors, it being specified that options granted to Executive Directors may not represent more than 0.21% of the Company's share capital on the day the decision is taken by the Board of Directors;
- may be granted to employees and particularly eligible Executive Directors of the Company, provided that the exercise of all options granted is dependent on the achievement of one or more performance conditions determined by the Board of Directors when deciding the grant.

Based on its report, the Board of Directors is asking for authorisation, for a period of 38 months commencing on the date of this Shareholders' Meeting, to grant options for the subscription of shares to be issued, or the purchase of existing shares.

The Board of Directors is responsible for preparing a report on the reasons for the plan and the proposed process for setting the subscription or purchase price. Our role is to express our opinion on the proposed processes for setting the share subscription or purchase price.

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 particularly consisted in verifying that the proposed processes for setting the share subscription or purchase price is detailed in the Board of Directors' report and that it complies with applicable legal and regulatory provisions.

We have no comments to make on the proposed processes for setting the share subscription or purchase price.

Courbevoie and Neuilly-sur-Seine, 17 September 2014

The Statutory Auditors

MAZARS	DELOITTE & ASSOCIES
Isabelle Sapet	Marc de Villartay

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Statutory Auditors' report on the issue of shares or securities granting access to the share capital, reserved for members of company savings plans

Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2014

15th resolution

To the Shareholders,

As Statutory Auditors of your Company and pursuant to the assignment set forth in Articles L. 228-92 and L. 225-135 et seq. of the French Commercial Code (*Code de commerce*), we hereby present our report on the proposed delegation of authority to your Board of Directors to decide an increase in the share capital, through issues of shares or securities granting access to the share capital, with cancellation of preferential subscription rights, reserved for members of one or more company savings plans implemented within the Group, comprising the Company and the French and foreign companies falling within the consolidation scope of the Company financial statements pursuant to Article L. 3344-1 of the French Labour Code (*Code du travail*), a transaction that your are being asked to approve.

This transaction may lead to a share capital increase up to a maximum par value amount of 2% of the share capital at the close of this Shareholders' Meeting, it being specified that this amount is deductible from the overall limit set by the Combined Shareholders' Meeting of 6 November 2013 in the 16th resolution and the share capital increase limit set in the 17th resolution.

This share capital increase is subject to your approval in accordance with the provisions of Article L. 225-129-6 of the French Commercial Code and Articles L. 3332-18 et seq. of the French Labour Code.

Based on its report, the Board of Directors is asking that you grant it full powers, for a period of twenty-six months commencing the date of this shareholders' meeting, with the possibility for it to delegate these powers, to decide issues of shares or securities granting access to the share capital, with cancellation of your preferential subscription rights to the shares to be issued. When appropriate, it will set the final terms and conditions of these issues.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113, et seq. of the French Commercial Code. Our role is to express an opinion on the fair presentation of the quantified financial information extracted from the accounts, on the proposal to cancel preferential subscription rights and on certain other information concerning this issue, contained in this report.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in verifying the contents of the Board of Directors' report on this transaction and the process for setting the issue price of the future securities.

Subject to reviewing at a future date the terms and conditions of any issues of shares or securities granting access to the share capital that may be decided upon, we have no comments to make on the process for setting the issue price of the future securities, set out in the report of the Board of Directors.

As the definitive terms and conditions of the share capital increase have not been set, we do not express an opinion thereon and, as such, on the proposed cancellation of preferential subscription rights on which you are asked to decide.

Pursuant to Article R. 225-116 of the French Commercial Code, we will prepare an additional report, as required, when the Board of Directors makes use of this authorisation.

Courbevoie and Neuilly-sur-Seine, 17 September 2014

The Statutory Auditors

MAZARS	DELOITTE & ASSOCIES
Isabelle Sapet	Marc de Villartay

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Information about Pernod Ricard

Company name and trading name

Pernod Ricard

Head office

12 place des États-Unis, 75116 Paris (France)

Tel.: +33 (1) 41 00 41 00

Legal form

Pernod Ricard is a French public limited company (*Société Anonyme* – SA) governed by a Board of Directors.

Applicable law

Pernod Ricard is a company subject to French law, governed by the French Commercial Code.

Date of formation and duration

The Company was formed on 13 July 1939 for a period of 99 years.

The Shareholders' Meeting of 9 November 2012 extended the life of the Company by 99 years to 2111.

Corporate purpose

The corporate purpose, as provided for in article 2 of the Company's bylaws, is set forth below in its entirety:

"The Company's purpose is directly or indirectly:

- the manufacture, purchase and sale of all wines, spirits and liqueurs, of alcohol and food products, the use, conversion and trading in all forms of finished or semi-finished products, by-products and substitutes generated by the main operations carried out in the distilleries or other industrial establishments of the same type. The above operations may be carried out on a wholesale, semi-wholesale or retail basis and in all locations, in France or outside France. Storage, purchases and sales fall within the above list;
- the representation of any French or foreign entities, producing, manufacturing or selling products of the same type;
- investments in any businesses or operations whatsoever, which may be related to the production and the trading of similar products in any form whatsoever, and the creation of new companies, contributions, subscriptions, purchases of securities or ownership rights under any form, etc.;
- any transactions connected with the hotel industry and the leisure industry in general, notably the 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 the purchase of securities or ownership rights, etc.;
- investments in any industrial, commercial, agricultural, real estate, financial or other companies, whether existing or to be formed, and whether French or foreign;
- the acquisition, disposal, exchange 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 and property rights whatsoever;
- any agricultural, farming, arboriculture, breeding, wine-growing operations, etc., as well as any associated or derivative agricultural or industrial operations relating thereto;
- and generally, all industrial, commercial, financial, movable or real property or securities operations related directly or indirectly to the above purposes or being capable of favouring their development."

RCS registration number and NAF business activity code

The Company is registered in the Paris Trade and Companies Register under number 582 041 943.

Pernod Ricard's business activity (NAF) code is 7010Z. It corresponds to: Head Office Operations.

Financial year

From 1 July to 30 June of each year.

Entitlement to dividends – Entitlement to share in the issuer's profits

Net profits are made up of the Company's income as derived from the income statement after deduction of overheads and any other social contributions, depreciation of assets, and all provisions for commercial or industrial risks, if any.

From these net profits (reduced when necessary by prior losses) at least 5% is withheld for transfer to the legal reserve. The deduction is no longer mandatory when the legal reserve reaches an amount equal to one-tenth of the share capital. It once again becomes mandatory in the event that, for whatever reason, this reserve falls below one-tenth of the share capital.

From the distributable profit, as determined by law, the amount required to pay an initial dividend of 6% of the fully paid-up, unredeemed value of the shares is deducted, subject to the possibility that the Board of Directors authorises shareholders who request to do so to pay up their shares in advance, where the payments made cannot give rise to entitlement to the aforementioned initial dividend.

This initial dividend is not cumulative, *i.e.* if profits for the financial year are not sufficient to make this payment or are only sufficient to make the payment in part, the shareholders cannot claim this on profits generated in the following financial year.

From the available surplus, the Ordinary Shareholders' Meeting may decide to deduct all amounts it considers appropriate, either to be carried forward to the following financial year or to be transferred to extraordinary or special reserves, with or without special allocations.

The balance is distributed among shareholders as an additional dividend.

The Ordinary Shareholders' Meeting is authorised to deduct from non-statutory reserves set up in previous years any amounts that it considers should be either:

- distributed to the shareholders or allocated to total or partial depreciation of the shares; or
- accumulated or used for the repurchase and cancellation of shares.

Wholly depreciated shares are replaced by dividend right certificates granting the same rights as the existing shares, with the exception of entitlement to the initial statutory dividend and capital repayment.

Dividend payment terms and conditions are fixed by the Ordinary Shareholders' Meeting or, failing that, by the Board of Directors within the maximum period set by law.

In deliberating on the financial statements for the financial year, the Ordinary Shareholders' Meeting has the option to grant each shareholder the choice between a cash or stock dividend, for all or part of a dividend or interim dividend payment.

Dividends must be paid within a maximum of nine months following the year end. This period may be extended by court ruling. Dividends will be transferred to the French State after the statutory period, *i.e.* five years.

Changes in the share capital and the rights attached to shares

Any changes in the share capital or the voting rights attached to the shares making up the share capital shall be governed by the standard legal provisions as the bylaws do not contain any specific provisions in this respect.

Shareholders' Meetings

The shareholders meet every year at a Shareholders' Meeting.

Notice to attend meetings

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 head office or at any other place stated in the notice of meeting.

Decisions by the shareholders are taken at Ordinary, Extraordinary or Combined (Ordinary and Extraordinary) Shareholders' Meetings depending on the nature of the resolutions they are being asked to adopt.

Participation in Shareholders' Meetings

All shareholders have the right to attend the Company's Shareholders' Meetings and to participate in the deliberations, either in person or by proxy, regardless of the number of shares they hold. In order for a shareholder to have the right to participate in Ordinary or Extraordinary Shareholders' Meetings, the shares must be registered in the name of the shareholder or in the name of the financial intermediary acting on the shareholder's behalf at 00:00 (Paris time) three 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 share accounts kept by the authorised financial intermediary is acknowledged *via* a share certificate issued by the financial intermediary and attached as an appendix to a postal voting form, to a proxy form or to the 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 midnight (Paris time) three 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/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 has entered into a civil union agreement, or to any other person;
- vote by post or *via* the Internet.

Any shareholder who has already cast a postal or Internet vote, sent in a proxy form or applied for an admission card or a certificate of shareholding 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 certificate of shareholding may sell all or some of his shares at any time. However, if the sale takes place before 00:00 (Paris time) on the third 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 the certificate of shareholding. 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 midnight (Paris time) on the third business day prior to the Shareholders' Meeting, regardless of the means used, will be notified by the authorised financial intermediary or taken into consideration by the Company, notwithstanding any agreement to the contrary.

Voting conditions

The voting right attached to the shares is proportional to the share capital they represent. Each share grants the right to at least one vote (article L. 225-122 of the French Commercial Code).

Restrictions on voting rights

However, each member of the Shareholders' Meeting has as many votes as shares he/she possesses and represents, up to 30% of the total voting rights.

Multiple voting rights

A voting right double that granted to other shares (in light of the fraction of the authorised share capital they represent) is granted 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 and commencing on 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/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 form or if its ownership is transferred. Nevertheless, transfer following the division of an estate or the liquidation of assets between spouses and inter vivos donation to a spouse or relation close enough to inherit will not result in the loss of the acquired right and will not interrupt the aforementioned 10-year period.

Declaration of statutory thresholds

Any individual or corporate body acquiring a shareholding greater than 0.5% of the share capital must inform the Company of the total number of shares held by registered letter, with return receipt requested, within a period of 15 days from the date on which this threshold is exceeded. This notification must be repeated, under the same conditions, each time the threshold is exceeded by an additional 0.5%, up to and including 4.5%.

In the event of non-compliance with the obligation mentioned in the previous paragraph, shares in excess of the undeclared amount shall be stripped of their voting rights, at the request, as set forth in the minutes of the Shareholders' Meeting, of one or more shareholders holding at least 5% of the share capital, for any Shareholders' Meeting held until the expiry of the period stipulated in article L. 233-14 of the French Commercial Code following the date when the notification is made.

Modification of shareholders' rights

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

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

In accordance with article L. 225-100-3 of the French Commercial Code, the items that may have an impact in the event of public offer are as follows:

The Company's share capital structure

The Company's share capital structure is indicated in the table hereafter, "Allocation of share capital and voting rights at 27 August 2014", within "Information about its share capital".

The crossings of thresholds declared during the 2013/2014 financial year are also indicated in the table "Allocation of share capital and voting rights at 27 August 2014" in the subsection on "Information about the share capital" hereafter.

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

The Company's bylaws provide for a limit on voting rights. This system is described under "Voting conditions" above.

Furthermore, certain Company shares have a double voting right as described under "Voting conditions" above.

Agreements between shareholders of which the Company has knowledge

The Company's Shareholders' agreement between shareholders of the Company (agreement between Mr Rafaël Gonzalez-Gallarza and Société Paul Ricard, the Ricard family's Holding Company) is described under "Shareholders' agreements" in the subsection on "Information about the share capital" and is also included on the AMF website (www.amf-france.org).

Agreements entered into by the Company which were modified or become void as a result of a change of control of the Company

The clauses relating to a change in control of the Company as set out in its main financing contracts, presented under "Significant contracts" in Section 4 "Management report" of this document (these clauses are described below) provide for the possibility of the early repayment of these loans and bonds under certain conditions.

Credit Agreement of November 2010

The Credit Agreement also provides for voluntary or compulsory early repayment obligations, depending on circumstances, which are standard practice in this kind of credit agreement (*e.g.*, compliance with commitments, change of control, cross default). The Credit Agreement 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.

Credit Agreement of April 2012

The Credit Agreement also provides for voluntary or compulsory early repayment obligations, depending on circumstances, which are standard practice in this kind of credit agreement (*e.g.*, compliance with commitments, change of control, cross default). The Credit Agreement 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.

Bond issue of June 2009

This bond issue includes a clause relating to change of control, which could lead to the compulsory early repayment of the Bonds upon request of each bondholder in the event of a change in 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.

Bond issue of March 2010

This bond issue includes a clause relating to change of control, which could lead to the compulsory early repayment of the Bonds upon request of each bondholder in the event of a change in 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.

Bond issue of December 2010

This bond issue includes a clause relating to change of control, which could lead to the compulsory early repayment of the Bonds upon request of each bondholder in the event of a change in 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.

Bond issue of March 2011

This bond issue includes a clause relating to change of control, which could lead to the compulsory early repayment of the Bonds upon request of each bondholder in the event of a change in 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.

Bond issue of April 2011

This bond issue includes a clause relating to change of control, which could lead to the compulsory early repayment of the Bonds upon request of each bondholder in the event of a change in 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.

Bond issue of October 2011

This bond issue includes a clause relating to change of control, which could lead to the compulsory early repayment of the Bonds upon request of each bondholder in the event of a change in 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.

Bond issue of January 2012

This bond issue includes a clause relating to change of control, which could lead to the compulsory early repayment of the Bonds upon request of each bondholder in the event of a change in 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.

Bond issue of March 2014

This bond issue includes a clause relating to change of control, which could lead to the compulsory early repayment of the Bonds upon request of each bondholder in the event of a change in 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.

Securitisation (Master Receivables Assignment Agreement)

This programme includes a change of control clause that applies to each affiliate participating in the programme as a seller. The change of control of a seller constitutes an early amortisation event in respect of such seller. For the purposes of the agreement, a "change of control" occurs when Pernod Ricard ceases to hold, directly or indirectly, at least 80% of the share capital or voting rights of a seller, unless Pernod Ricard (i) continues to hold,

directly or indirectly, 50% of the share capital or voting rights of such seller and (ii) at the request of Crédit Agricole CIB, has issued a guarantee in terms reasonably satisfactory to Crédit Agricole CIB for the purpose of securing the obligations of the said seller under the securitisation transaction documents.

Other items

The Company's bylaws are modifiable in accordance with the applicable legal and regulatory provisions in France.

There is no specific agreement providing for indemnities in the event of the termination of the position of a member of the Board of Directors.

Rules applicable to the appointment and replacement of members of the Company's Board of Directors

The legal and statutory rules established in articles 16 *et seq.* of the bylaws govern the appointment and dismissal of members of the Board of Directors. These are described in the "General rules concerning the composition of the Board and the appointment of Directors" paragraph in Section 2 "Corporate governance and internal control" of this Registration Document.

The Statutory Auditors

Principal Statutory Auditors

Deloitte & Associés, member of the Compagnie régionale des Commissaires aux comptes de Versailles (Versailles regional auditors' association), represented by Mr Marc de Villartay, whose head office is at 185 avenue Charles de Gaulle, 92524 Neuilly-sur-Seine, whose term of office was renewed at the Shareholders' Meeting of 15 November 2011 for a period of six years ending after the Ordinary Shareholders' Meeting convened to approve the financial statements for the 2016/2017 financial year.

Société Mazars, member of the Compagnie régionale des Commissaires aux comptes de Versailles (Versailles regional auditors' association), represented by Ms Isabelle Sapet, whose head office is at Exaltis, 61 rue Henri Regnault, 92075 Paris La Défense, whose term of office was renewed by the Shareholders' Meeting of 10 November 2010 for a period of six years ending after the Ordinary Shareholders' Meeting convened to approve the financial statements for the 2015/2016 financial year.

Substitute Statutory Auditors

BEAS, whose head office is at 7-9 Villa Houssay, 92524 Neuilly-sur-Seine, substitute for Deloitte & Associés, and whose term of office was renewed at the Shareholders' Meeting of 15 November 2011 for a period of six financial years ending after the Ordinary Shareholders' Meeting convened to approve the financial statements for the 2016/2017 financial year.

Mr Patrick de Cambourg, whose address is Exaltis, 61 rue Henri Regnault, 92075 Paris La Défense, substitute for Mazars, was appointed at the Shareholders' Meeting of 10 November 2010 for a period of six years. His term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the 2015/2016 financial year.

Statutory Auditors' fees and members of their networks for the 12-month financial year [a]

In thousands of euros	Mazars			Deloitte & Associés			Other			Total		
	Amount (excluding tax)			Amount (excluding tax)			Amount (excluding tax)			Amount (excluding tax)		
	2012/2013	2013/2014	%	2012/2013	2013/2014	%	2012/2013	2013/2014	%	2012/2013	2013/2014	%
Audit												
Statutory Auditors, certification, review of separate and consolidated financial statements [b]												
Issuer [1]	551	554	15%	595	598	14%	-	-	-	1,146	1,152	14%
Fully consolidated affiliates	2,962	2,862	79%	3,211	3,193	75%	433	357	86%	6,606	6,412	77%
Other procedures and services directly linked to the duties of the Statutory Auditors [c]												
Issuer	75	35	1%	75	185	4%	-	-	-	150	220	3%
Fully consolidated affiliates	147	12	0%	130	82	2%	-	-	-	277	94	1%
AUDIT SUB-TOTAL	**3,735**	**3,463**	**96%**	**4,011**	**4,058**	**95%**	**433**	**357**	**86%**	**8,180**	**7,878**	**95%**
Other services provided by the networks to the fully consolidated affiliates [d]												
Legal, tax, corporate	0	42	1%	85	154	4%	-	60	14%	85	256	3%
Other (to be specified if > 10% of audit fees)	0	101	3%	23	65	2%	-	-	-	23	166	2%
SUB-TOTAL OF OTHER SERVICES	**0**	**143**	**4%**	**107**	**219**	**5%**	**-**	**60**	**14%**	**107**	**422**	**5%**
TOTAL	**3,735**	**3,606**	**100%**	**4,118**	**4,277**	**100%**	**433**	**417**	**100%**	**8,287**	**8,300**	**100%**

(a) With regard to the period in review, this refers to services provided and recognised in the income statement during a financial year.
(b) Including independent experts or members of the Statutory Auditors' network whose services they have used in certifying the accounts.
(c) This section includes the procedures and services provided directly in relation to audit of the Company's accounts or those of its affiliates:
– by the Statutory Auditor in accordance with article 10 of the Code of Conduct;
– by a member of the network in accordance with articles 23 and 24 of the Code of Conduct.
(d) This section includes non-audit services provided in accordance with article 24 of the Code of Conduct, by a member of the Statutory Auditors' network to the Company's affiliates whose accounts are certified.
(1) The Company is understood to be the Parent Company.

Information about its share capital

The conditions under which the bylaws submit changes to the share capital and the rights attached thereto are compliant in every aspect with legal stipulations in France. The bylaws do not provide for any overriding provisions and do not impose any special contingencies.

Amount of paid-up capital at 30 June 2014

On 21 July 2010, the Board of Directors recorded that, on 30 June 2010, the share capital had increased by a nominal amount of €543,222.30 following the exercise, since 12 November 2009, of 350,466 stock options granting entitlement to the same number of Pernod Ricard shares.

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 amounted to €411,403,467.60 at 30 June 2014, divided into 265,421,592 shares with a nominal value of €1.55 each.

Shares not representing capital

There are no shares that do not represent the Company's share capital.

Pernod Ricard shares held by Le Delos Invest I and Lirix (companies 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.

Financial authorisations and delegations

All current delegations and financial authorisations granted to the Board of Directors by the Shareholders' Meetings of 9 November 2012 and 6 November 2013 and the uses thereof during financial year 2013/2014 are summarised in the following tables.

General delegations

The Combined (Ordinary and Extraordinary) Shareholders' Meetings of 9 November 2012 and 6 November 2013 granted the Board of Directors a number of financial authorisations, of which the main terms are outlined hereafter.

Securities representing capital

(i) Issues of shares or securities with preferential subscription rights

The Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2013 authorised the Board of Directors to perform one or more capital increases *via* the issue of ordinary shares and/or securities granting access to the share capital, with preferential subscription rights, for a period of 26 months.

The share capital increase likely to be conducted under this authorisation was set at €205 million. This is the maximum overall limit from which would also be deducted the amount of any share issues with cancellation of the preferential subscription right by public offer, in remuneration of contributions in kind, under a public offer initiated by the Company, either by incorporation of additional paid-in capital, reserves, profits or other, or by share capital increases reserved for employees who are members of a Company savings plan.

If necessary, a supplementary amount will be added to this limit for shares to be issued, in accordance with the law, to preserve the rights of holders of securities or rights granting access to share capital.

The maximum nominal amount of debt securities representing receivables giving access to the share capital of the Company that may be issued under this delegation was set at €5 billion (from this amount, will be deducted the nominal amount of debt securities representing receivables giving access to the share capital of the Company that will be issued by public offer by virtue of the delegation with cancellation of preferential subscription rights).

The Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2013 authorised the Board of Directors to increase the number of shares or securities issued in the event of

a share capital increase with or without preferential subscription rights by public offer at the same price as the initial issue, within the regulatory periods and limits applicable at the issue date (*i.e.* currently within 30 days of the close of the subscription period and limited to 15% of the initial issue) and subject to the overall limit described above.

This delegation was granted for a period of 26 months, and will expire on 5 January 2016.

(ii) Issue of shares or securities without preferential subscription rights

The Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2013 authorised the Board of Directors to:

- carry out one or more capital increases by issuing ordinary shares and/or securities granting access to the share capital with cancellation of preferential subscription rights, *via* public offer, up to a maximum nominal amount of €41 million (the Board of Directors is bound by legal and regulatory constraints in terms of the issue price). This amount will be deducted from the limit of €205 million set for issues carried out with preferential subscription rights. Furthermore, this amount is shared with other issues without preferential subscription rights, namely: remuneration of contributions in kind, public exchange offers initiated by the Company and capital increases reserved for employees who are members of a Company savings plan.

  The Board of Directors may establish a priority subscription period in favour of shareholders that may or may not be reduced under the conditions outlined by the regulations.

  The maximum nominal amount of securities representing debts granting access to the share capital of the Company that may be issued within this framework was set at €4 billion (this amount is deducted from the nominal maximum amount of €5 billion that may be issued by virtue of authorisations with preferential subscription rights);
- carry out one or more capital increases, up to the limit of 10% of the share capital, in consideration, except in a public exchange, of contributions in kind granted to the Company and comprising capital shares or securities granting access to the share capital of other companies;
- carry out one or more capital increases for remuneration of securities contributed to a public offer launched by the Company relating to the securities of another company, up to the limit of 10% of the Company's share capital at the time of the issue.

This delegation was granted for a period of 26 months, and will expire on 5 January 2016.

(iii) Capital increase *via* the incorporation of additional paid-in capital, reserves, profits or other

The Board of Directors was authorised by the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2013 to decide to increase the share capital by incorporating additional paid-in capital, reserves, profits or other, which it will be possible to capitalise under the law and the bylaws, or by allocating bonus shares or raising the par value of the existing shares or combining these two possibilities. The maximum nominal amount of capital increases likely to be realised in this way is €205 million, it being specified that this limit will be deducted from the overall limit of €205 million set for capital increases with preferential subscription rights.

This delegation was granted for a period of 26 months, and will expire on 5 January 2016.

Other securities

The Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2013 authorised the Board of Directors to issue debt securities granting entitlement to the allocation of debt securities (such as bonds, related securities, perpetual or non-perpetual subordinated notes or any other securities granting the same entitlement to recover debt against the Company in the same issue) up to the ceiling of €5 billion (this limit having been established independently of any other limit relating to the issue of debt securities authorised by the Shareholders' Meeting and the issue of bonds authorised or decided by the Board of Directors).

This delegation was granted for a period of 26 months, and will expire on 5 January 2016.

Specific authorisations and delegations in favour of employees and Executive Directors

Stock options and performance-based shares

The Combined (Ordinary and Extraordinary) Shareholders' Meeting of 9 November 2012 authorised the Board of Directors, for a period of 18 months, to grant stock options in favour of employees and/or Executive Directors of the Company and/or the Group's companies, up to a limit of 0.7% of the Company's share capital on the day the decision to allocate them is taken by the Board of Directors and 0.07% for Executive Directors.

The Combined (Ordinary and Extraordinary) Shareholders' Meeting of 9 November 2012 also authorised the Board of Directors, for a period of 18 months, to allocate bonus performance-based shares in favour of employees and Executive Directors of the Company and/or the Group's companies, up to a limit of 0.7% of the Company's share capital on the day the decision to allocate them is taken by the Board of Directors and 0.02% for Executive Directors.

As these authorisations expired on 8 May 2014, their renewal for a period of 38 months will be put to the vote at the next Shareholders' Meeting of 6 November 2014, according to the terms outlined in Section 7 of this Registration Document, "Combined (Ordinary and Extraordinary) Shareholders' Meeting".

Share capital increase reserved for employees of the Group

The Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2013 delegated its authority to the Board of Directors to issue ordinary shares and/or securities granting access to the share capital, reserved for members of employee savings plans, up to the limit of 2% of the Company's share capital. This delegation was granted for a period of 26 months.

As the Shareholders' Meeting of 6 November 2014 is to vote on the delegation of authority to the Board of Directors to grant stock options, and since this delegation may involve a future increase in share capital, it will also have to vote on the renewal of the delegation relating to capital increases reserved for members of employee savings plans, in accordance with article L. 225-129-6 of the French Commercial Code.

The terms of renewal of this authority are outlined in Section 7 of this Registration Document, "Combined (Ordinary and Extraordinary) Shareholders' Meeting".

Authorisation to repurchase shares

The Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2013 renewed, in favour of the Board of Directors, the authorisation allowing the Company to repurchase its own shares, in accordance with articles L. 225-209 *et seq.* of the French Commercial Code, up to the limit of 10% of the total number of shares comprising the share capital. The same meeting also set the maximum purchase price at €140 per share.

The details of transactions carried out under the share buyback programme in force during the previous financial year are set out under "Share buyback programme" below.

Since this authorisation expires on 5 May 2015, its renewal will be put to the vote at the next Shareholders' Meeting of 6 November 2014, according to the terms outlined in Section 7 of this Registration Document, "Combined (Ordinary and Extraordinary) Shareholders' Meeting".

Cancellation of Company shares

The Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2013 granted the Board of Directors authorisation to cancel shares of the Company held under share buyback programmes authorised by the shareholders, up to 10% of the share capital per period of 24 months, and to reduce the share capital accordingly.

This delegation was granted for a period of 26 months, and will expire on 5 January 2016.

General financial authorisations and delegations

Nature of the delegation or authorisation	Date of the delegation or authorisation (resolution)	Term	Expiry 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 June 2014 and up to 27 August 2014	Features/Terms
SECURITIES REPRESENTING CAPITAL: ISSUES OF SHARES OR SECURITIES WITH PREFERENTIAL SUBSCRIPTION RIGHTS							
Ordinary shares and/or securities granting access to the share capital with preferential subscription rights	AGM of 06.11.2013 (16th)	26 months	5 January 2016	€5 billion (1)	€205 million	-	The amount of capital increases carried out under the 17th, 18th, 19th, 20th, 22nd and 23rd resolutions of the AGM of 06.11.2013 will be deducted from the overall limit of €205 million set in the 16th resolution. The nominal amount of debt securities issued under the 17th resolution of the AGM of 06.11.2013 will be deducted from the limit of €5 billion set in the 16th resolution. These amounts may be increased by a maximum of 15%, in the event of additional requests when a capital increase takes place (18th resolution)
Additional paid-in capital, reserves, earnings and other	AGM of 06.11.2013 (22nd)	26 months	5 January 2016	N/A	€205 million	-	Will be deducted from the overall limit set for capital increases in the 16th resolution of the AGM of 06.11.2013
SECURITIES REPRESENTING CAPITAL: ISSUE OF SHARES OR SECURITIES WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS							
Ordinary shares and/or securities granting access to the share capital by public offer without preferential subscription rights	AGM of 06.11.2013 (17th)	26 months	5 January 2016	€4 billion (1)	€41 million	-	Shares and debt securities giving access to the share capital will be deducted from the limits provided for in the 16th resolution of the AGM of 06.11.2013. All capital increases carried out under the 18th, 19th, 20th and 23rd resolutions will be deducted from the limit of €41 million set in the 17th resolution In the event of additional requests, these amounts may be increased by a maximum of 15% (18th resolution)
Shares and/or securities granting access to the share capital in consideration for contributions in kind granted to the Company	AGM of 06.11.2013 (19th)	26 months	5 January 2016	N/A	10% of the share capital at the time of issue	-	Will be deducted from the limits set for capital increases in the 16th and 17th resolutions of the AGM of 06.11.2013
Shares and/or securities granting access to the Company's share capital, now or in the future, in the event of a public offer launched by the Company	AGM of 06.11.2013 (20th)	26 months	5 January 2016	N/A	10% of the share capital at the time of issue	-	Will be deducted from the limits set for capital increases in the 16th and 17th resolutions of the AGM of 06.11.2013
OTHER SECURITIES							
Debt instruments granting entitlement to the allocation of debt securities	AGM of 06.11.2013 (21st)	26 months	5 January 2016	€5 billion	N/A	-	Independent limit

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

Specific authorisations and delegations to the benefit 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 June 2014 and up to 27 August 2014	Features/Terms
Stock options	AGM of 09.11.2012 (18th)	18 months	8 May 2014	0.7% of share capital on the date of Board of Directors' decision to allocate	-	Independent limit (sub-limit for Executive Directors of 0.07% of the capital which is deducted from the limit of 0.7%)
Performance-based shares	AGM of 09.11.2012 (17th)	18 months	8 May 2014	0.7% of share capital on the date of Board of Directors' decision to allocate	-	Independent limit (sub-limit for Executive Directors of 0.02% of the capital which is deducted from the limit of 0.7%)
Shares or securities granting access to share capital, reserved for members of employee savings plans	AGM of 06.11.2013 (23rd)	26 months	5 January 2016	2% of share capital at the date of the Shareholders' Meeting	-	Will be deducted from the limits set for capital increases in the 16th and 17th resolutions of the AGM of 06.11.2013

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 June 2014 and up to 27 August 2014	Features/Terms
Repurchase of shares	AGM of 09.11.2012 (16th)	18 months	8 May 2014	10% of the share capital	- (1)	Maximum purchase price: €135
Repurchase of shares	AGM of 06.11.2013 (14th)	18 months	5 May 2015	10% of the share capital	Purchase of 230,000 shares (2)	Maximum purchase price: €140
Cancellation of treasury shares	AGM of 06.11.2013 (15th)	26 months	5 January 2016	10% of the share capital	-	-

(1) Period from 1 July 2013 to 5 November 2013.
(2) Period from 6 November 2013 to 27 August 2014.

Contingent share capital

Stock options

Refer to the paragraph on "Policy governing the allocation of stock options and performance-based shares" under "Compensation policy" in Section 4, "Management report".

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	Ratio	Effective date	Shares issued/ cancelled	Issue/conversion premium	Number of shares after transaction	Amount of share capital after transaction
€409,016,862.85	263,881,847	2010	Exercise of options [1]	N/A [2]	21.07.2010	350,466	€22.20/€23.59/€26.87	264,232,313	€409,560,085.15
€409,560,085.15	264,232,313	2011	Exercise of options [1]	N/A [2]	20.07.2011	489,490	€22.20/€23.59/€26.87	264,721,803	€410,318,794.65
€410,318,794.65	264,721,803	2012	Exercise of options [1]	N/A [2]	18.07.2012	588,802	€22.20/€23.59/€26.87	265,310,605	€411,231,437.75
€411,231,437.75	265,310,605	2013	Exercise of options [1]	N/A [2]	24.07.2013	110,987	€26.87	265,421,592	€411,403,467.60
€411,403,467.60	265,421,592	2014	-	-	-	-	-	265,421,592	€411,403,467.60

(1) The shares resulting from the exercise of stock options were created as and when the stock options were exercised. The dates shown are the dates on which the Board of Directors placed on record the corresponding increases in the share capital.
(2) N/A = not applicable.

Changes in voting rights over the past five years

Years [1]	Number of voting rights
Position at 01.09.2010	289,084,636
Position at 31.08.2011	289,607,231
Position at 29.08.2012	289,996,062
Position at 28.08.2013	289,870,020
Position at 27.08.2014	289,842,931

(1) The data provided are from the date of the breakdown of share capital and voting rights.
(2) The information concerns the total number of voting rights of the Company, including suspended voting rights.

Allocation of share capital and voting rights at 27 August 2014

Shareholders	Position at 27.08.2014			Position at 28.08.2013			Position at 29.08.2012		
	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]	34,866,200	13.14%	19.17%	34,866,200	13.14%	19.13%	34,866,200	13.14%	18.88%
Mr Rafaël Gonzalez-Gallarza [2]	1,477,603	0.56%	0.51%	1,477,603	0.56%	0.51%	1,477,603	0.56%	0.51%
Directors and Management of Pernod Ricard	771,080	0.29%	0.39%	735,013	0.28%	0.38%	2,099,985	0.79%	1.33%
Shares held by Pernod Ricard employees	3,099,054	1.17%	1.65%	3,176,940	1.2%	1.69%	3,278,068	1.24%	1.77%
Capital Group Companies (United States) [3]	26,414,463	9.95%	9.11%	29,135,823	10.98%	10.05%	14,868,290	5.6%	5.13%
MFS Investment Management (United States) [4]	25,746,516	9.7%	8.88%	13,069,435	4.92%	4.51%	6,674,776	2.51%	2.3%
Groupe Bruxelles Lambert	19,890,820	7.49%	6.86%	19,890,820	7.49%	6.86%	19,890,770	7.5%	6.86%
OppenheimerFunds, Inc. [5]	8,105,783	3.05%	2.8%	2,981,000	1.12%	1.03%	-	-	-
Harris Associates L.P. [6]	7,944,094	2.99%	2.74%	2,736,050	1.03%	0.94%	-	-	-
Norges Bank Investment Management [7]	6,629,742	2.50%	2.29%	-	-	-	-	-	-
State Street [8]	4,147,419	1.56%	1.43%	-	-	-	-	-	-
Amundi Asset Management [9]	3,983,026	1.5%	1.38%	4,322,707	1.63%	1.49%	5,468,037	2.06%	1.89%
La Caisse des Dépôts et Consignation (CDC Ixis) [10]	3,981,979	1.5%	1.38%	4,327,265	1.63%	1.5%	5,270,298	1.98%	1.82%
Natixis Asset Management [11]	2,639,654	0.99%	0.91%	3,110,259	1.17%	1.08%	3,110,259	1.18%	1.07%
CNP Assurances [12]	2,539,116	0.96%	0.88%	2,539,116	0.95%	0.89%	2,634,737	0.99%	0.91%
UBS AG (United Kingdom) [13]	2,458,464	0.92%	0.85%	2,654,399	1%	0.92%	-	-	-
Allianz Vie [14]	1,883,310	0.71%	0.65%	-	-	-	-	-	-
Citigroup Global Markets Limited [15]	1,562,115	0.59%	0.54%	-	-	-	-	-	-
Aviva plc [16]	1,537,131	0.58%	0.53%	-	-	-	-	-	-
Covéa Finance [17]	1,429,340	0.54%	0.49%	-	-	-	-	-	-
BNP Paribas Investment Partners [18]	1,404,467	0.53%	0.48%	-	-	-	-	-	-
Banque Nationale Suisse [19]	1,325,271	0.5%	0.46%	1,395,983	0.53%	0.48%	-	-	-
Farallon Capital Management, L.L.C [20]	1,319,000	0.5%	0.46%	-	-	-	-	-	-
Schroders plc [21]	-	-	-	1,424,852	0.53%	0.49%	-	-	-
Treasury shares:									
◻ Shares held by affiliates	-	-	-	-	-	-	-	-	-
◻ Own shares	1,585,218	0.6%	0%	2,167,235	0.82%	0 %	1,818,141	0.69%	0 %
Others and public	98,680,727	37.18%	35.16%	135,410,892	51.02%	48.05%	163,875,407	61.76%	57.53%
TOTAL	**265,421,592**	**100%**	**100%**	**265,421,592**	**100%**	**100%**	**265,332,571**	**100%**	**100%**

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.*

(1) Société Paul Ricard is wholly owned by the Ricard family. The declaration covers a total of 2,281,093 shares held by Lirix; 169,868 shares held by SNC Le Garlaban; 1,352,650 shares held by Le Delos Invest I; 372,024 shares held by Le Delos Invest II and 8,392,096 shares held by Le Delos Invest III. These five companies are controlled by Société Paul Ricard, within the meaning of 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 13 May 2014.

(4) Declaration of 6 August 2014.

(5) Declaration of 7 August 2014.

(6) Declaration of 15 May 2014.

(7) Declaration of 31 October 2011.

(8) Declaration of 8 January 2014.

(9) Declaration of 24 July 2014.

(10) Declaration of 19 March 2014.

(11) Declaration of 25 September 2013.

(12) Declaration of 23 November 2012.

(13) Declaration of 13 June 2014.

(14) Declaration of 29 November 2013.

(15) Declaration of 18 July 2014.

(16) Declaration of 23 June 2014.

(17) Declaration of 15 November 2013.

(18) Declaration of 21 August 2014.

(19) Declaration of 12 March 2014.

(20) Declaration of 19 May 2014.

(21) Declaration of 27 November 2013.

Certain Company shares have a double voting right as described in the paragraph entitled "Voting conditions" of the subsection "About the Company". Of the 265,421,592 shares comprising the Company's capital as of 27 August 2014, 24,421,339 shares had a double voting right.

On the same date, employees held 3,099,054 shares representing 1.17% of the share capital and 1.65% of the voting rights of the Company.

The Paul Ricard concert party (comprising Société Paul Ricard, Lirix, Le Delos Invest I, Le Delos Invest II, Le Delos Invest III, Le Garlaban and Rigivar, as well as Ms Danièle Ricard and Messrs Rafaël Gonzalez-Gallarza, César Giron, François-Xavier Diaz, Alexandre Ricard and Paul-Charles Ricard, the latter since his membership was notified to the Company on 27 August 2013) holds 36,855,476 Company shares representing 57,870,846 voting rights, *i.e.* 13.89% of the share capital and 19.97% of the voting rights of the Company.

The shareholder agreement between shareholders of the Company (between Mr Rafaël Gonzalez-Gallarza and Société Paul Ricard, which is the Ricard family Holding Company), is described below and is also available on the AMF website (www.amf-france.org).

Shareholdings exceeding the thresholds for share capital or voting rights

In a letter received on 5 September 2013, the US company Massachusetts Financial Services (MFS) Company (111 Huntington Avenue, Boston MA 02199, USA), acting on behalf of clients and funds that it manages, declared that on 30 August 2013 it had exceeded, directly and indirectly through the companies that it controls, the threshold of 5% of the share capital of Pernod Ricard, holding 13,323,790 Pernod Ricard shares representing the same number of voting rights, *i.e.* 5.02% of the share capital and 4.60% of the voting rights of the Company.

In a letter received on 4 November 2013, the US company Massachusetts Financial Services (MFS) Company, acting on behalf of clients and funds that it manages, declared that on 30 August 2013 it had exceeded, directly and indirectly through the companies that it controls, the threshold of 5% of the share capital of Pernod Ricard, holding 14,545,048 Pernod Ricard shares representing the same number of voting rights, *i.e.* 5.48% of the share capital and 5.02% of the voting rights of the Company.

In a letter received on 25 March 2014, The Capital Group Companies (CGC), Inc. (333 South Hope Street, 55th Floor, Los Angeles, CA 90071-1406, USA) declared that on 21 March 2014 it had fallen below the threshold of 10% of the share capital of Pernod Ricard, holding 28,846,742 Pernod Ricard shares and the same number of voting rights, *i.e.* 10.87% of the share capital and 9.96% of the voting rights.

In a letter received on 14 May 2014, The Capital Group Companies, Inc. declared that on 12 May 2014 it had fallen below the threshold of 10% of the share capital of Pernod Ricard, holding 26,414,463 shares and the same number of voting rights, *i.e.* 9.95% of the share capital and 9.12% of the voting rights.

Shareholders' agreements

Pernod Ricard was notified on 8 February 2006 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.

Additional information on the shareholders

The number of Pernod Ricard shareholders who have registered securities is estimated at approximately 12,100.

Allocation of share capital (nominative data from the Company's survey on identifiable bearer shares carried out at 30.06.2014)	*(in %)*
Société Paul Ricard	13.1
Board + Management + Employees + Treasury shares	2.1
Groupe Bruxelles Lambert	7.5
US institutional investors	39.0
French institutional investors	8.9
British institutional investors	6.2
Other foreign institutional investors	17.2
Individual shareholders	6.0
TOTAL	**100**

To Pernod Ricard's knowledge, there are no shareholders with direct or indirect holdings of more than 5% of the share capital or voting rights who are not included in the table on the "Allocation of share capital and voting rights at 27 August 2014" shown above.

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, "Allocation of share capital and voting rights at 27 August 2014".

Pernod Ricard is the only Group company listed on a Stock Exchange (NYSE-Euronext Paris).

However, the Pernod Ricard group now controls Corby Spirit and Wine Limited, holding 45.76% of its share capital and 51.61% of voting rights. Corby Spirit and Wine Limited is listed on the Toronto Stock Exchange, Canada.

Equity investments and stock options

Corporate officers' equity investments in the Company's share capital

Detailed information is provided under "Compensation Policy" in Section 4 of this document, "Management report".

Transactions involving Pernod Ricard shares made by Corporate officers in the financial year

Detailed information is provided under "Compensation Policy" in Section 4 of this document, "Management report".

Stock options exercised by Executive Directors during the 2013/2014 financial year

Detailed information is provided in the "Summary table of stock options exercised by the Executive Directors in 2013/2014" under "Compensation Policy" in Section 4 of this document, "Management report".

Stock options granted to the Group's top ten employees other than Corporate officers and options exercised by the Group's top ten employees other than Corporate Officers during the 2013/2014 financial year

Detailed information is provided in "Stock options granted to the Group's top ten employees other than Corporate Officers and options exercised by the Group's top ten employees other than Corporate Officers during the 2013/2014 financial year" under "Compensation Policy" in Section 4 of this document, "Management report".

Stock market information on Pernod Ricard shares

Pernod Ricard shares (ISIN: FR 0000 120693) are traded on the NYSE Euronext regulated market in Paris (Compartment A) (Deferred Settlement Service).

Stock market information on Pernod Ricard shares over 18 months (source NYSE Euronext Paris)

Date	Volume *(in thousands)*	Capital *(in millions of euros)*	Average price *(in euros)*	Highest *(in euros)*	Lowest *(in euros)*	Price at end of month *(in euros)*
January 2013	9,263	832	89.84	92.30	86.98	92.20
February 2013	12,703	1,209	95.13	99.44	90.05	99.39
March 2013	11,502	1,132	98.90	101.15	94.77	97.21
April 2013	12,599	1,194	94.94	98.43	91.34	94.00
May 2013	11,884	1,118	94.15	98.97	91.96	92.69
June 2013	13,774	1,217	88.54	93.40	83.99	85.19
July 2013	11,801	1,039	88.03	90.20	85.38	89.50
August 2013	9,411	867	92.09	93.62	87.60	87.84
September 2013	10,800	979	90.66	94.83	85.88	91.79
October 2013	13,687	1,210	88.40	91.41	86.02	88.50
November 2013	13,196	1,145	86.78	89.31	83.32	83.43
December 2013	12,273	994	81.03	83.85	78.84	82.81
January 2014	18,103	1,479	81.69	84.99	79.01	79.64
February 2014	12,227	1,026	83.89	86.99	78.82	85.29
March 2014	15,783	1,306	82.75	85.45	79.56	84.50
April 2014	11,284	963	85.36	88.06	81.72	86.51
May 2014	9,770	858	87.80	90.20	85.28	89.95
June 2014	9,382	829	88.31	90.14	87.03	87.70

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 relating to the description of the share buyback programme in accordance with article 241-2 of the French Financial Markets Authority (AMF) General Regulations.

Transactions performed by the Company on its own shares during the 2013/2014 financial year

Authorisations granted to the Board of Directors

During the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 9 November 2012, 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 €135 per share and the Company was not authorised to purchase any more than 10% of the shares making up the Company's capital; additionally, the number of shares held by the Company could not, at any time, exceed 10% of the shares comprising the Company's capital.

Furthermore, the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2013 authorised the Board of Directors to trade in the Company's shares under the same conditions and at a maximum purchase price set at €140 per share, for a period of 18 months. This authorisation cancelled the authorisation granted by the Shareholders' Meeting of 9 November 2012 with effect from 6 November 2013, 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 2014 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 6 November 2013, in force on the date this Registration Document was filed, will expire on 5 May 2015. The Shareholders' Meeting of 6 November 2014 will be called upon to authorise the Board of Directors to trade in the Company's shares under a new share buyback programme described below under "Details of the new programme to be submitted for authorisation to the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2014".

Summary of transactions performed by the Company on its own shares during the 2013/2014 financial year

	American call options	American call options	Sale and repurchase agreements	Sale and repurchase agreements	Sale and repurchase agreements	Exercise of calls	Purchases of securities	Exercise of the repurchase option on its behalf	Exercise of the repurchase option on its behalf	Exercise of the repurchase option on its behalf	Exercise of the repurchase option on its behalf	Exercise of the repurchase option on its behalf
Number of shares	250,000	300,000	200,000	200,000	174,399	574,399	230,000	100,569	111,449	67,066	64,388	49,585
Maximum term	08.11.2017	03.11.2017	23.06.2017	25.06.2018	24.06.2016	20.06.2014	13.11.2013	11.08.2015	14.06.2016	22.06.2015	10.06.2015	25.06.2018
Average transaction price	N/A	N/A	62.745	61.8318	63.8722	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average strike price	€88.11	€88.11	€64.00	€64.00	€64.00	€64.00	€87.70	€52.59	€58.41	€74.73	€66.16	€64.00
Amounts	€22,027,500	€26,433,000	€12,800,000	€12,800,000	€11,161,536	€36,761,536	€20,171,000	€5,288,924	€6,509,736	€5,011,842	€4,259,910	€3,173,440

N/A: not applicable.
The total amount of trading fees incurred during the 2013/2014 financial year for authorised programmes was €20,172.
The shares held by the Company have not been reallocated for other purposes since the last authorisation granted by the Shareholders' Meeting.

Summary table at the close of the 2013/2014 financial year

Position at 30 June 2014	
Percentage of direct and indirect treasury shares	0.60%
Number of shares cancelled in the last 24 months	None
Number of shares held in portfolio	1,589,452
Portfolio gross carrying amount	€111,642,339
Portfolio market value*	€139,394,940

* *Based on the closing price at 30.06.2014, i.e. €87.70.*

Current share buyback programme

Results of current programme

The following table details the transactions performed by the Company on treasury shares within the scope of the programme authorised by the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2013 (period from 6 November 2013 to 27 August 2014).

	Total gross flows from 06.11.2013 to 27.08.2014			Open positions at 27.08.2014			
				Long positions		Short positions	
	Purchases	Sales	Transfers	Call options purchased*	Forward purchases	Call options sold	Forward sales
Number of shares	451,934	221,934	482,726 [(a)]	1,124,399	None	None	None
Maximum term	N/A	N/A	N/A	25.06.2018	-	-	-
Average transaction price	€85.94	€84.21	€66.52	N/A	-	-	-
Average strike price	N/A	N/A	N/A	€76.06	-	-	-
Amounts	€38,840,561.71	€18,688,184.26	€32,110,933	-	-	-	-

N/A: not applicable.

* *And cancellation clauses attached to sale and repurchase agreements ("vente à réméré").*

(a) *These shares were vested in employees who are not tax residents of France at the end of a four-year vesting period, as part of the performance-based share allocation plan of 24 June 2010, and vested in employees who are tax residents of France at the end of a three-year vesting period, as part of the performance-based share allocation plan of 15 June 2011.*

Summary of transactions carried out in accordance with the purposes and aims of the current share buyback programme

Under the share buyback programme authorised by the Shareholders' Meeting of 6 November 2013 and implemented by the Board of Directors on the same date, 230,000 shares were purchased on the market between 8 November 2013 and 13 November 2013 at an average weighted price of €87.70 per share. Furthermore, a total of 550,000 options hedges were acquired *via* the purchase of the same number of three-year American call options. The Company also sold under sale and repurchase agreements ("vente à réméré") 574,399 treasury shares.

Pursuant to authorisations granted by the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 9 November 2012, the Board of Directors of 6 November 2013 set out a new Pernod Ricard stock options allocation plan and a performance-based shares allocation plan.

The 230,000 shares acquired on the market were allocated to cover the part of the performance-based shares allocation plan. The 550,000 American call options, allowing the purchase of the same number of Pernod Ricard shares, were allocated to a reserve set aside to cover the stock options under performance conditions allocation plan and the balance is allocated to the performance-based shares allocation plan.

Treasury shares constitute reserves covering the various stock options and performance-based shares plans still in force. Transfers were made within these reserves of treasury shares:

- 362,646 shares allocated to non-tax residents of France benefiting from the performance-based share plan of 24 June 2010 (at the end of the four-year vesting period);
- 120,080 shares allocated to tax residents of France benefiting from the performance-based share plan of 15 June 2011 (at the end of the three-year vesting period).

Options hedges linked to American call options or cancellation clauses attached to shares sold under sale and repurchase agreements ("vente à réméré") were transferred as rights were exercised. During the period, 393,057 shares were repurchased *via* the exercise of the cancellation clauses attached to shares sold under sale and repurchase agreements ("vente à réméré") at an average price of €61.68. No shares were repurchased using American call options.

Under the liquidity agreement signed with Rothschild & Cie Banque, during the period from 6 November 2013 to 27 August 2014 the Company:

- purchased 221,934 shares for a total amount of €18,668,671.71; and
- sold 221,934 shares for a total amount of €18,688,185.26.

Distribution of treasury shares at 27 August 2014

Treasury shares are all allocated as reserves for different stock options and performance-based shares allocation plans.

Details of the new programme to be submitted for authorisation to the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2014

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

As the authorisation granted by the Shareholders' Meeting on 6 November 2013, allowing the Board of Directors to trade in the Company's shares, is due to expire on 5 May 2015, a resolution will be proposed to the Shareholders' Meeting of 6 November 2014 (12th resolution – see Section 7 of this document, "Combined (Ordinary and Extraordinary) Shareholders' Meeting") to grant a further authorisation to the Board of Directors to trade in the Company's shares at a maximum purchase price of €120 per share, excluding acquisition costs.

This authorisation would enable the Board of Directors to purchase Company shares representing a maximum of 10% of the Company's share capital. In accordance with the law, the Company may not, at any time, hold a number of shares representing more than 10% of its share capital.

As the Company may not hold more than 10% of its share capital, and given that it held 1,585,218 shares as at 27 August 2014 (*i.e.* 0.60% of the share capital), the maximum number of shares that can be bought will be 24,956,941 shares (*i.e.* 9.4% of the share capital), unless it sells or cancels shares that 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 6 November 2014. The share buyback programme would enable the Company to acquire the Company's shares or to have them acquired for the purpose of:

- allocating or transferring them to employees and Executive Directors of the Company and/or of Group companies (allocation of stock options and performance-based shares, coverage of its commitments pursuant to options with cash payments);
- using them within the scope of external growth transactions (for up to 5% of the number of shares comprising the share capital);
- delivering shares upon the exercise of rights attached to securities granting access to the share capital;
- cancelling them;
- stabilising the share price through liquidity agreements.

Purchases, sales, transfers or exchanges of shares may be made, on one or more occasions, by any means authorised pursuant to the regulations in force. These means include, in particular, private transactions, sales of blocks of shares, sale and repurchase agreements ("vente à réméré") and the use of any financial derivative instruments traded on a regulated market or over-the-counter or setting up options strategies.

Transactions involving blocks of shares may account for the entire share buyback programme.

The maximum total amount which could be allocated to the share buyback programme would be €3,185,059,080, corresponding to a maximum number of 26,542,159 shares purchased on the basis of a maximum unit price of €120, excluding acquisition costs.

This authorisation would cancel any authorisation given to the Board of Directors by the Shareholders' Meeting of 6 November 2013 for the purpose of dealing in the Company's shares, as from the Combined (Ordinary and Extraordinary) Shareholders' Meeting of 6 November 2014. It would be granted for a period of 18 months, *i.e.* until 5 May 2016.

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 document) as well as in Note 10 – *Transactions and balances with affiliates and associates and other invested entities* in the Notes to the Parent Company financial statements (Section 6 of this document).

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Persons responsible

Names and positions

Person responsible for the Registration Document

Mr Pierre Pringuet

Vice Chairman of the Board of Directors and CEO

Person responsible for the information

Mr Jean Touboul

Vice President, Financial Communication & Investor Relations

Tel: + 33 (0)1 41 00 41 71

Declaration by the person responsible for the Registration Document and the annual financial report

I 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 developments in the business, financial results and financial position of the Company and all the other companies included within the scope of consolidation, together with a description of the main risks and uncertainties that they face.

I have obtained an audit completion letter from the Statutory Auditors in which they state that they have verified the information relating to the financial position and the financial statements set out in this document and have read the document in its entirety.

The historical financial information relating to the consolidated and parent company financial statements for the year ended 30 June 2014 presented in this document is discussed in the statutory auditors reports found on page 206 and page 234, respectively, each of which contains a comment on a change in accounting policy. The historical financial information relating to the consolidated and parent company financial statements for the years ended 30 June 2012 and 2013, incorporated by reference in this document, were also the subject of statutory auditors' reports which contain no comments.

Pierre Pringuet

Vice Chairman of the Board of Directors and CEO

Documents available to the public

Corporate documents (financial statements, minutes of Shareholders' Meetings, attendance registers for Shareholders' Meetings, list of Directors, Statutory Auditors' reports, bylaws, etc.) relating to the last three financial years may be consulted at Pernod Ricard's registered office at 12 place des États-Unis, 75116 Paris, France.

The "Regulatory information" section of the Company's website is available at the following URL:

http://www.pernod-ricard.com/200/investors/regulatory-information

This website contains all the regulatory information provided by Pernod Ricard pursuant to the provisions of articles 221-1 *et seq.* of the French Financial Markets Authority (AMF) General Regulation.

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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.

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Management reports, Parent Company and consolidated financial statements and Statutory Auditors' reports for the financial years ended 30 June 2013 and 30 June 2012

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 Parent Company financial statements and on the consolidated financial statements for the financial year ended 30 June 2013, as presented on pages 45-208 and filed on 25 September 2013 under no. D.13-0925;
- the Group's management report, the Parent Company and Group consolidated financial statements and the Statutory Auditors' reports on the Parent Company financial statements and on the consolidated financial statements for the financial year ended 30 June 2012, as presented on pages 73-188 and filed on 26 September 2012 under no. D.12-0869.

The information included in these three Registration Documents, other than that mentioned above, has been replaced and/or updated, as applicable, with the information contained in this Registration Document.

Financial Communication & Investor Relations

Pernod Ricard - 12 place des États-Unis – 75116 Paris – France

Pernod Ricard

Pernod Ricard
Pernod Ricard is a French public limited company (*Société Anonyme* – SA) with share capital of €411,403,467.60
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