

THOMSON REUTERS STREETEVENETS

EDITED TRANSCRIPT

RI.PA - Pernod Ricard SA Annual Shareholders Meeting

EVENT DATE/TIME: NOVEMBER 08, 2019 / 1:00PM GMT



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

CORPORATE PARTICIPANTS

Alexandre Ricard *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Antoine Brocas

Esther Berrozpe Galindo

Hélène de Tissot *Pernod Ricard SA - Member of Executive Board and Director of Finance, IT & Operations*

Nicole Bouton *Pernod Ricard SA - Independent Director*

Patricia Marie Marguerite Barbizet *Pernod Ricard SA - Lead Independent Director*

Philippe Petitcolin

CONFERENCE CALL PARTICIPANTS

Eric Ropert

Jean-Claude Lorente

Marie-Jeanne Pasquette

Roger Tran

PRESENTATION

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

[Presentation]

Ladies and gentlemen, dear shareholders, I'm very happy to greet you here this year, as in previous years, all the more so that I've had the opportunity to have a cup of coffee with some of you just before today's AGM. This is a moment of conviviality, a moment for exchanging and when we talk about the results, you'll see that the results are up to expectations.

Just a few words before we start because this is the 10th year that we've done our annual report with a number of photographers. And with these photographers, we take photographs. So a number of our employees and colleagues at Pernod Ricard. In fact, a total of 200 have been photographed, usually by drawing lots, photographed and included in our annual report. And of course, Pernod Ricard has a wonderful story of men and women and what better than to highlight and then to show their photographs in our own report, through our story and through our partnership we have with a number of photographers. Every year, we call on a famous photographer who photographs them.

So I'd like to take this opportunity to declare today's AGM underway, thanking the 19,000 creators of conviviality, our 19,000 employees for their commitment, for everything they do because, as you'll see, the results are up to expectations. Thanks to their efforts, thanks to their work. So I'd like to thank all of our employees, if you would, please.

Now I just want to remind you that this Annual General Meeting has been convened in compliance with all legal provisions in force. There have been no requests to include draft resolutions or items on the agenda. Nothing has been received since the publication of the Notice of Meeting on the 2nd of October last -- in the official gazette, the BALO. We've drawn up an attendance sheet, which has been signed by the shareholders present and their proxies as prescribed by law.

Now as chair of today's AGM, I propose to set up the bureau. As follows, I'd like to ask Paul-Charles Ricard, representing Société Pernod Ricard; and Priscilla Maters of the Bruxelles Lambert Group, to act as tellers for today's AGM; and would appoint Antoine Brocas, Secretary of the Board as Secretary for today's Annual General Meeting.



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

On the central desk, you will also see Patricia Barbizet, who is the Lead Independent Director; H el ene de Tissot, who is Director of Finance, IT & Operations. Our statutory auditors are represented by Eric Ropert from KPMG; and David Dupont-Noel from Deloitte & Associates.

I see that the provisional quorum is 77.44%, representing over 204 million shares present or represented, 204,437,192 to be exact, owned by 3,905 shareholders. We'll give you the final quorum before voting on the resolutions a little bit later on. The -- today's combined AGM that's ordinary and extraordinary general meeting have the quorum required by law.

I'm putting here on the desk, at the disposal of the members, the legal documents, which have been sent out or made available to the shareholders as required by law. This Annual General Meeting is therefore declared regularly constituted and can duly conduct its business with regard to all resolutions on the agenda.

May I remind you that today's AGM is convened to deliberate on the resolutions on the agenda that you will find on the notice on Pages 29 and 30 of the Notice of Meeting.

I'm now going to give you the group's management report. Now when we presented our results for the financial period ended June 30, 2019, that was on the 29th of August last. We qualified our performance as excellent. Well, excellent because we performed to expectations, and this, of course, 2 things.

First of all, the resilience of our business model which we have transformed, which we continue to transform, which we've transformed over the last 4 years but continue to transform.

The relevance of our strategy, as illustrated by Transform & Accelerate our strategic plan. We are nearing the end of the first -- of the 3 years of this strategic plan.

And finally, this -- the implementation of this business model and the success of the strategic plan are all geared towards one single thing, namely to create value, sustainably, over the long-term and for all stakeholders. Of course, our shareholders, yourselves, our employees, the people who consume our brands, our partners, our suppliers and of course, our fellow citizens.

So as I said, we have transformed our business model to be totally focused, totally driven by our consumers. Everything we do at every level of our organization is done with our consumers in mind. Consumers have changed radically in recent years and continue to change over time. Consumers are much more versatile and much more demanding than in the past. And it's important to better understand -- better -- our consumers. This is all geared, as I said, towards growth.

In 2015, I told you that my top priority was growth. My second priority was growth. And my third priority was also growth. I'd like to confirm that in order to address the new consumer state of mind, we will grasp all opportunities, and this will enable us to grasp opportunities for Pernod Ricard.

Now to do so, we have set up what we call our 4 Essentials: Operational excellence; greater efficiency and greater speed; talent management to attract and retain the talent; sustainability and social responsibility, for more sustainable, inclusive growth; and what we call our route to market. This is our global platform, a global Pernod Ricard platform.

At the same time, we identified a certain number of accelerators, 4 in all. Namely, portfolio management; premiumization and luxury; innovation course; and digital. We will, of course, be covering all these items, the Essentials and accelerators, in the next few slides.

Now we just ended the first year of our strategic plan called Transform & Accelerate. This strategic plan was the upshot of 6 months' work put in by 1,000 senior managers in the group on June 2018. The plan was then presented to all our staff in October of last year, October 2018. We then announced it almost a full year ago at last year's AGM, and we then explained the details when we communicated with the financial community in February of this year at the time of our interim results.



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

So this strategic plan is articulated around 2 axes. The first of these is through assets, to get the very best out of these essentials as we call them. The idea is to transform our working methods to gain right across the board in agility, in terms of speed and efficiency and to ensure that our growth is even more profitable.

The second axis concerns the future. The idea is to prepare the future by investing, to prepare tomorrow's growth now. Today, this will entail investments. This will involve long-term projects. We're actually considering reinventing conviviality in the future, the bar of the future. And of course, there will be 5-, 10- or even 15- to 20-year growth areas. I'm thinking, for example, Sub-Saharan Africa. All of this geared towards a single ambition, that is to become the leader of our sector.

Now if we achieve our goal, if we fulfill our vision of being creators of conviviality with a brand for each moment of sharing, for each genuine moment of celebration, if we succeed in having one at the heart of each of these special moments in all 4 corners of the globe, then we will become the de facto industry leader in wines and spirits.

So with this first chapter, we're going to come back and review our -- the first year of our strategic plan, which has led to a clear acceleration of our business. That's the first part of today's presentation. After that, we will talk about the reasons behind this acceleration, which of course, stand directly from the transformation of our business model. This is a transformation we've been implementing in recent years. And then thirdly, we will talk about our future growth, about the long-term growth we're making here and now to ensure future growth. Pernod Ricard is all about building value over time.

So in a macroeconomic environment, which is very clearly uncertain, as it has been in recent years, we have nonetheless succeeded in accelerating our growth. The growth of our sales, of course, which is -- in the space of 5 years from 2% growth to 6% growth over the last 2 financial periods. But even stronger growth of our profit from recurring operations, which over the same period has been multiplied by 4 or even by a little more than 4, up to -- close to 9% in more specifically, 8.7% growth for the period just ended.

We have reached all our targets, achieved all our ambitions. In June 2015, we announced these ambitions, we have since revised them upwards. This is what the ambitions in our Transform & Accelerate plan. In 2015, we evoked growth of 4% to 5%. We revised that upwards, telling you that we could aim at between 4% and 7% growth. But over the last 2 financial periods, our growth has been 6%, 6% of sales growth for operational excellence.

In September 2016, and we announced an initiative that would free up EUR 200 million in savings on the P&L. A EUR 200 million improvement of our cash flow, well, we had achieved that goal a year ahead of schedule, which has led us to announce another operational excellence program which began this year and which we'll follow through into next year.

And of course, in terms of operating margin, when we announced the Transform & Accelerate plan, we found that we would generate an additional [60 basis points] annually. On the last financial period, we outperformed our own ambitions with a 74 basis point improvement in our operating margin. But H  l  ne de Tissot will tell you more about that very shortly.

Well, this acceleration is an evidence in all our key markets. In -- within Transform & Accelerate, we identified 4 priority markets: U.S.A., China, India and Global Travel Retail. That's not to say the rest of the world is -- of course it does. But these are breakthrough markets. These are disruptive markets for Pernod Ricard. But if we look at how we transformed our business model in the U.S.A. in recent years, what we see is that this is the second year that our growth has been broadly in line with the sector growth in the U.S. with [sellout up approximately 4%] (corrected by company after the call).

Turning to China and India, which are one of the more unique aspects of Pernod Ricard. We are the only company, not just in wines and spirits, but we are probably the only company in all sectors to have a very strong leading position in both China and India.

In our sector, these are 2 countries that are really driving growth in the short, medium and long term in our sector. We have a market share of almost 50% in both these countries, and all the last -- our growth rates have been remarkable, 21% in China and plus 20% in India. I've called this



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

remarkable growth. I could tease this out, but I could even call that exceptional, it's outstanding growth, maybe not something that we can reproduce every year. It is, indeed, quite remarkable.

Obviously, we're very happy because in China, we have reviewed or revised our business model with a second network. We've reinforced.

Turning to Global Travel Retail, which we have reorganized and centralized it. Our growth was over 6%, driven by all regions. Our Strategic International brands have achieved strong growth of 7%. Let me mention about 1 or 2 of the better-performing -- 26%, a remarkable performance of Martell, up 18% of very good of our portfolio of scotch whiskies, which rose in the range of 7%.

For those of you who want all the details on volumes figures, price/mix, you have all that on Slide 53 of our presentation, of our -- on Page 148 of the registration document, which is also available.

Our local strategic brands have also performed well, up 12%, thanks mainly to the very good performance of our Indian whiskies, the really strong acceleration of our growth. Another reason for this acceleration is innovation. Innovation and of course, Luxury sector. These are 2 of our big performance accelerators.

Our innovation portfolio, actually grew by 26%. This is in line with what we aimed at. This is 1/4 of our overall growth. And as for what we call Le CIRCLE, which is the name of our luxury portfolio. Well, Le CIRCLE, so it's growth rose by 14% on the previous year. It was already up 10% last year, but that has grown a further 14%. The CIRCLE represents a little over 13% of our global business. This performance is the direct outcome of 25 people -- 25 teams trained and working, dedicated to working in the luxury goods sector.

Just to dwell on innovation for a minute. We're very proud of our performance in terms of innovation. We have a brand in our portfolio that has achieved wonderful success in the field of innovation, even though it's been in existence since 1872. This is because it's a brand that we've completely transformed. It used to be a very parochial French brand. In fact, a very much from the Bordeaux region. But we are making this a global innovation. So let's take a look at a short video. The brand is Lillet. Video, please.

(presentation)

Alexandre Ricard - Pernod Ricard SA - Chairman, CEO & Member of Executive Board

Well, Lillet has become one of our global priorities in terms of innovation because Lillet is in line with one of the many consumer trends - alcoholic beverages that are [lower in alcohol, very refreshing, and authentic with real roots] (corrected by company after the call). And so over the last year, Lillet has seen its sales grow by 30%, 3-0. Almost 700,000 case, more than 10x the volume of Lillet 10 years ago when we bought the brand.

So double-digit growth in North America, in the U.S. and Canada and Latin America. Also double-digit growth in Western Europe, double-digit growth in Eastern Europe, too. Triple-digit growth in Asia. Double-digit growth in Africa, too. Only in Oceania, Australia and New Zealand is our growth as low as 9.4%. Very, very close to double-digit growth throughout the world, but this is really a growth driver -- focus, maybe one day, we will be proud of having one big Bordeaux brand among our spirits worldwide.

So I'm just going to wrap up this first chapter. But I couldn't not mention the strong growth of our performance without talking about the involvement of our employees. This is all thanks to the input of our employees. Every 2 years, over the last 10 years, we conducted a survey. We have it organized by an independent third-party, Willis Towers Watson. So we run a survey on our 19,000 employees, and I'm very proud to be able to share these figures with you.

First of all, the participation rate was 85%, 85% answered the questionnaire and of these 85%, 98% responded online, which just goes to show how digital Pernod Ricard has become.

The commitment rate was 88%. It's one of the highest rates of commitment in the world, much higher than the various benchmarks in the sector. [95%] (corrected by company after the call) of our employees say that they are proud to belong to the Pernod Ricard Group.



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

And 2 other figures I'd like to draw your attention to. 83% of our employees believe that it's conviviality that makes the Group so unique. In our vision that we call Creators of Conviviality, but as some people call it (foreign language), as the French would like to say. Well, this is very much a reality. This is anchored in reality at Pernod Ricard, not just our consumers who see it and feel it. It's more than walking the walk or talking the talk, it's a reality.

Finally, one last figure. I think in terms of in-house confidence, 89% of our employees say they have a good understanding of the group's strategy and our objectives. So the Transform & Accelerate strategic plan. Our strategy, our ambitions are well understood throughout the group, which obviously helps a lot.

I propose to show you another video that sums up the main findings of this survey called iSay that we just receive the results very, very recently. So if you would please, video?

(presentation)

Alexandre Ricard - Pernod Ricard SA - Chairman, CEO & Member of Executive Board

I now propose to tell you how, in practice, we have implemented the means to achieve this acceleration. This acceleration results from the deep transformation have undertaken throughout our company.

First of all, we transformed our House of Brands to be even closer to our consumers. This enables us to allocate resources much more specifically, in a much more targeted way. For each particular moment of conviviality, with much greater efficiency. You know our strategic international brands. These are the strong global premium brands. They're also our wines, wines are surfing on the edge of less strong alcoholic beverages in countries like China, India or even Russia.

Luxury brands I mentioned earlier on. But you may not recognize a new room here, it's what we call the Specialty segment. This is a category that's surfing on a different consumer trend, one that likes smaller brands. Obviously, much -- very profitable brands, too. This is a very, very vibrant section with the -- for [off-trade] (corrected by company after the call), for instance. This is a segment, last year grew by in the region of 12%. So that's the House of Brands.

In addition to that, we have reinforced our routes to market in all our markets, mainly in our key markets. I believe that this notion of route to market or distribution platform trends, the Pernod Ricard network could be compared to a vertically-integrated platform because we distribute our brands with a very clear vision.

Good brands, in the right place, at the right time, targeting the right consumers. It's a very specific approach, a very clinical, detailed approach. Pinpointed. And so we have a number of very large distribution contracts in the U.S. with our 2 main partners. This gives us much greater granularity and has freed up investments for our brands.

Global Travel Retail. This is the third year we've been working on our Global Travel Retail segment. We are capable of organizing global campaigns and entering into partnerships with global airports. But China and India have already referred to them.

All these transformation initiatives have only been possible because we have changed the way we work. We can, in order to be more efficient, more agile in all areas and all of the echelons of our organization. This is the whole purpose of all our initiatives in terms of operational efficiency.

Now there's an advertising efficiency with the drastic downturn in our agency fees because we have taken a lot of advertising in-house to better control the way we activate digital advertising.

As from direct and indirect purchasing, we're better coordinated than we were. We've done a lot of the centralizing of our purchasing. We're still centralizing for greater efficiency. In terms of the supply chain, well, we use technology, including things that enable us to improve the efficiency of the Pernod Ricard Group right along the supply chain.



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

We've also taken quite a lot of local initiatives, all in an entrepreneurial spirit. So as I said in my introductory comments, we have carried out our first -- the first part of our operational efficiency plan a year ahead of schedule.

Second plan underway, aimed at EUR 100 million [of efficiencies] (added by company after the call) is part of our strategic plan called Transform & Accelerate.

This brings us to a very important issue in Pernod Ricard, not something new. I'd be tempted to say it goes right back to our origins at Pernod Ricard.

We have completed our first social responsibility project. Our first roadmap, a year ahead of schedule. In 2010, we committed to reducing our carbon footprint, carbon emissions, if you prefer. Put a lever of our carbon produced by 30% before 2020. Well, we've already achieved that. We also said we will reduce our water consumption by -- that's also been achieved, 20% as we said. We also committed to reduce our waste in landfills by 100%. We've already achieved 93%, and we'll have completed that by the end of the year. Likewise, we made a number of commitments in terms of certification for compliance with the very -- most demanding standards. ISO 14001, for those of you are familiar with it, but also in terms of our vineyards. Vineyards will be fully certified. We have almost completed that undertaking.

So for us, this has been an opportunity to drop a new roadmap aimed at 2030. So this is all spanning the long term.

We did this directly in the cognac with our partners, wine-growing partners. We presented that last April. We presented the new roadmap that we've called Good Times from a Good Place.

Good times from a Good Place is in English because Pernod Ricard is a global group. We wanted a single signature, a single slogan, that's why it's in English. This is articulated around 4 key areas: first of all, preserving our terroirs; secondly, emphasis on our human beings; thirdly, acting in a circular manner; and fourthly, given our businesses, to be responsible or responsible business. There is -- we have taken a total of 8 commitments, 2 for each of these sectors. But these 8 commitments merit that we review them.

First of all, as regards our terroirs. We have a strategic project concerning biodiversity in all of our subsidiaries, each and everyone.

Secondly, we have 8 pilot programs in all our wine region, France, of course, the U.S.A. 5,000 partnerships with farmers between now and 2030 in order to promote regenerative farming.

As for our employees, well, parity from our employees, a good balance between men and women and top management, and the commitment to train our people in new skill sets every 3 years for all our -- for everyone, always with the view to placing emphasis on human beings, the sharing of knowledge, not just inside Pernod Ricard, but also outside of the group. This includes, for instance, the training of 10,000 bartenders in the Bar world of tomorrow. These techniques will take a sustainable development approach with responsible consumption, zero waste, zero plastics.

As for acting a circular economy, well, the idea is to not have any single-use plastics and all our packaging will be recyclable, compostable, reusable or otherwise, and we are working on 5 pilot projects on the circular ways to distribute our products.

All our water consumption will be balanced in all high-risk watersheds, and I have 2 examples to give you, India, which is very often affected by drought or Australia. And of course, after the 30% we've achieved to date, we aim to achieve a further reduction of our carbon footprint intensity by 2030.

As for being responsible, well, each and every subsidiary worldwide, will have a major program aimed at fighting against alcohol misuse.

Finally, we have also taken to extend our very successful program called Responsible Party to reach out to 1 million young adults throughout the world. This is a program that's now been running for 10 years. We celebrated the tenth anniversary, not so very long ago, [and I was present for the celebration of the program, in partnership with] (added by company after the call) Erasmus. So far, we've reached out to some 400,000 students throughout Europe.



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

Let's be clear. This road map represents a major investment, not that we have any fears, but we're talking about several hundred million euro over the next 10 years. These are 8 very concrete, measurable commitments, ambitious commitments. But it's a road map that's absolutely an essential part of our strategy. That's what it means, building sustainable growth.

I propose a very short video that we showed, if you would, please, at the time we presented our news.

(presentation)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

The film was directed with Pernod Ricard employees and the voiceover was done by one of our female employees. So the key wealth of our group is its women and men. And we've also revamped our HR platform so that our people, prime players of our transformation. So this makes a general accelerator of growth. I'm talking about our culture, conviviality. Conviviality is so straightforward, full of common sense and so on.

This eases decision-making. We revamped our leadership model with the support of a major consulting firm, Korn Ferry, and we identified 6 items that we wish to grow with our people. Diversity, of course; boldness; authenticity; open-mindedness; the desire to learn; consumer obsession, I need not elaborate on that, the obsession -- not elaborate on that either; and finally, the collective mindset. Individualists on a team are not productive.

By sharing the results of Accelerate, which is a very first employee shareholding plan -- long term. The participation rate is nearly 42%, which is huge, by the way and it merely reflects the exceptional engagement of our people. And it does show how confident they are in our strategy.

If -- so if every other employee in China wants to be a shareholder. And why is that? Well, because they feel confident. Not to mention India, 75% and France, 57% of our employees decided to join the employee shareholding plan. So these are pretty remarkable numbers. And if you align the interests of the employees with those of our shareholders, well, you're in a win-win situation, right? Which is what we're striving for.

This transformation at the root of our acceleration cannot be achieved without tomorrow in mind, without the future on the horizon.

My Uncle Patrick used to say that Pernod Ricard is something that is built over time and the construction process involves investments. Pride of place, investment in our brands, as we shall see later. We invest roughly 17% of our sales in our brands, one of the highest investment rates in our industry.

We invest all over the world, 1/3 of our investments are in -- through our media, although virtually all investments are in digital because even conventional media have turned digital. And we also invest in our capacity in strategic stocks, the [ageing] (added by company after the call) eaux-de-vie, the brandy that ages, whether it be cognac, champagne, in Scotland, in Champagne and Cognac regions and so on.

We have EUR 4.6 billion in strategic assets on our balance sheet. That's how we call them, strategic stocks and they are indeed assets. And we also significantly invest in our production facilities, either to extend our distilling or aging capacity, as is the case in Ireland or in order to be far more efficient, with GBP 43 million invested in Scotland, where we are completing the construction of a bottling site, which is one of the most efficient in the world and it's definitely the most efficient bottling site for Pernod Ricard.

So transforming means focusing on our historical market, France, to recreate what it takes to grow sustainably, and that is why we launched the [Reconquete] Reconquer! Project. And it serves 3 purposes. First, reconquer consumers with a unified portfolio on a bold plan; second, reinvent our sales model in order to better respond to our customers' expectations with a structured business, focused on B2B, luxury stores, convenience stores, consumption moments of conviviality and so on; and bringing together our 2 networks, which have a greater impact with a single entity, which allows for a more efficient and more agile management. That is what we submitted to the trade unions of the companies concerned, and the sincerity, openness of the labor relations that we've always sought at Pernod Ricard will be instrumental in achieving this.

Further, in investments. It's very important to invest in research and development, in innovation, in order to take consumer trend opportunities.



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

There's one trend, which is the natural trend, an example of which is Absolut Juice, that was introduced in quite a few European countries as well as in the U.S. more recently. So natural is, and there is a local, if I may say so, trend. This holds true for our specialty wines. But even our key strategic brands can use that. Take Jameson Caskmates. It's Jameson, but it's finished in local craft beer barrels.

Further, when it comes to investment, there's innovation on the one hand, but there's also acquisitions. So we are also investing in our existing portfolio of brands, but we are investing in new brands, but we also invest in platforms. In that regard, the investment strategy is quite clear in 3 areas: one, we wish to use segments such as gin. Remember Monkey 47? And recently, we acquired an Italian super premium gin, Malfy. Also, we wish to have a stronger position in our key markets. Here, you have 3 acquisitions on the same priority market, the U.S. with the bourbon brand from Kentucky, Rabbit Hole; the American Whiskey brand, TX from Texas; and more recently, following the amicable takeover bid that we completed a few weeks ago, we acquired Castle Brands, in particular, the super premium bourbon brand, Jefferson's.

So earlier, I was saying that we invest in networks and platforms. Last year, we announced the acquisition of Uvinium, an e-commerce platform in Spain. We bought an e-commerce platform, which is a wine spirits leader here in Spain, which is deploying on other markets and it will accelerate our digital strategy with e-commerce, but we are also entering partnerships and going ahead with acquisitions there. For example, the JV we set up in Myanmar.

And in closing on investments, we announced a major investment in China which is a pretty good reflection of Pernod Ricard's pioneering spirit in China. Pernod Ricard is the first international group -- well, we will be, I should say. It's not yet the case because this thing is under construction. We will be the first to open a malt distillery. And by doing that, we intend, within the largest category of international western-style spirits, and we should create a segment next to Scotch, bourbon, Canadian or Japanese whiskey. We wish to create a new category, new segment, Chinese Malt. It will open up in 2021 and we'll start distilling that. A few years later, we shall be able to taste the Chinese single malt. It's based in Emeishan, in the province of Sichuan, in the heart of China and I suggest we take a look at a quick movie to show you what it's about.

(presentation)

Alexandre Ricard - Pernod Ricard SA - Chairman, CEO & Member of Executive Board

It's true that when you taste a 25-year-old or for a 38-year old royal salute, you think of former generations who have distilled them, right? And someday, eventually, some people will be fortunate enough to taste a 10-year or 12-year-old Chinese malt.

Anyway, I will close on my part of this presentation by speaking about a transformational move. When I say move, it is indeed a move, and it does reflect everything that's going on here in terms of transformation in Pernod Ricard. We have decided to bring together the 7 Parisian sites we have. The headquarters of Pernod Ricard World, the headquarters of Pernod Ricard EMEA/LATAM, of Africa/Middle East, Head Office of Martell Mumm Perrier-Jouët and the head office of Havana Club International, and the Head Offices of Pernod and the seventh is the Regional Sales Division of Ricard in Paris.

Anyway, we have decided to bring them all together in the heart of Paris, in a bustling area where there are 83 bars. Couldn't be better, right? We're looking at -- we are looking at that. It's very exciting.

So in this story I've been telling you, I hope that you've understood that we are in a position to show how confident we are in the future and how able we are to make the most of an uncertain environment. And as you shall see in a minute, it does show up in our numbers, and our numbers will be presented with -- by H el ene de Tissot.

Oh, excuse me. The head office will be between Rue d'Amsterdam and Rue de Londres in the Saint-Lazare neighborhood, and we shall move in the spring of 2020. We forgot to mention that. I apologize.



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

Hélène de Tissot - Pernod Ricard SA - Member of Executive Board and Director of Finance, IT & Operations

Thank you, Alexandre. Good afternoon, ladies and gentlemen. I'm going to present the accounts of fiscal '18/'19. We achieved a very good year with sharp acceleration in our business performance. Very strong results. PRO up 8.7% organically, as already mentioned. Sales were up 6%, with strong pricing effect. On strategic brands, plus 2%. We achieved our EUR 200 million in operational excellence efficiencies one year in advance. And we improved PRO, profit from recurring operations, margin by 7 -- 74 basis points. Also, we generated a lot of cash. Cash conversion reached 88% and recurring free cash flow grew 4%.

In this context, we are proposing a dividend increase to 50% payout. That is the proposal that you will have to vote upon and the dividend would be EUR 3.12 per share. And we also announced the launch of a share buyback program, up to EUR 1 billion between this FY '18/'19 and the next fiscal year, 2021.

Okay. Let me come back to sales growth. Here, you have the breakdown by region, a very good year indeed. Americas are up 2%, as you can see. You see the respective weights of the various regions. Americas account for 28% of group sales, up 2%, therefore, with depletions in the U.S. in line with the market. And sales dampened by the wholesaler inventory management plan that we unleashed.

Acceleration in Canada and strong growth in Latin America. Asia/Rest of the World, grew 12%, Asia/Rest of World has 43% of our sales, with a strong acceleration driven mainly by China and India, but there's also Turkey, which was a driving force. And we enjoyed continued strong growth in Japan. And Europe, which accounts for 29% of sales, grew 1% with continued strong growth in Eastern Europe, headwinds in France and commercial disputes in France and in Germany.

Now let's take a look at sales growth by category. A very good year with strong sales growth across all key spirits categories. Strategic International Brands, as already mentioned, grew 7%. They account for 63% of our sales with continued strong growth, notably for Jameson, acceleration of Martell and Scotch whiskeys despite the negative impact of our American Inventory Optimization program.

Strategic Local Brands account for 19% of our sales. They grew 12% with an acceleration that was notably driven by Seagram's Indian whiskeys.

Specialty Brands, the new family category in our House of Brands, account for 3% of our sales. They grew 12% with ongoing buoyancy with Lillet, Altos, Monkey 47 and the ultra-premium Irish whiskey range and Smooth Ambler in the U.S.

Strategic Wines account for 5% of our sales. They declined 5% in the fiscal year with the impact of our value strategy in the U.K., which is a deliberate one, and the impact of the inventory management program in the U.S. We mentioned, innovation, well, it contributed to 25% of the Group's top line growth. And we, therefore, achieved a 2% increase in pricing.

Okay. Let's take a look at our P&L. You see sales, EUR 8.722 billion, up 6%, plus -- you see the reported growth. Gross margin is up 39 basis points, up 7%. I'll come back to that in a moment. 61.5% in gross margin after logistics costs -- gross margin over sales, that is. And we have a 16.5%, our A&P over sales ratio, which is quite in line with sales; and PRO, EUR 2.358 billion in '18, EUR 2.581 billion in '19, up 74 basis points as far as the ratio over sales is concerned.

Let's quickly come back to the various items in the P&L. The improvement in gross margin, 39 basis points, owing to strong pricing at plus 2%; the acceleration of our Operational Excellence program, which was also mentioned; and in spite of rising costs of goods sold and negative mix. A&P was broadly in line with sales, so it was up in line with sales, with strong arbitration focus behind strategic priorities. Particularly as far as China and India were concerned, strong discipline was exercised on our structural costs. They grew a mere 4% with a strong resource allocation discipline focused on our key priorities. All this leads to a sharp improvement in our margin of -- Profit from Recurring Operations, 74 basis points.

Now let's take a look at net attributable profit. Our [Operating profit] (corrected by company after the call) is up 3%. We have an 8% decline in group share of net profit despite the sharp growth in operating profit. And this is due to the negative comparatives because in the previous fiscal year, '17/'18, we had very significant sales of bulk whiskey, and we also had significant tax benefits that are not seen in this year's accounts.



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

Okay. Now let's move on to our debt, our net debt, which amounts to EUR 6.620 billion as at the 30th of June, down EUR 342 million with free cash flow of EUR 1.366 billion, which has enabled us to finance EUR 300 million worth of acquisitions to pay EUR 645 million worth of dividends and to cut our net debt by EUR 342 million where net debt over EBITDA as at 30th of June is 2.3x compared with 2.6x at the opening of the fiscal year.

Okay. I suggest we now look at the parent company account of Pernod Ricard SA. Net -- EUR 326 million in net profit, down EUR 240 million from last year essentially due to a drop in financial interest because of high dividends that we accounted for in the previous fiscal year.

Today, we are submitting a dividend of EUR 3.12 to your votes. Here, you have the historical evolution of the dividend over the past 4 years, which reflects the increase in our payout over the period. So based on your vote, the balance, that is EUR 1.94, would be payment on the 27 November.

Now I suggest we look at the results of the first quarter of the fiscal year. We shared this -- we disclosed this a few weeks ago. Q1 sales amounted to EUR 2.483 billion. That is to say organic growth of 1.3% and reported growth of 4%. We say it's moderate growth in line with expectations. There was a very strong Q1 last year with 10.4% growth. There was a good start in the U.S., plus 6%, thanks, in particular, to innovation. And this was bolstered by advance shipments. There was also strong growth on 2 other key markets, China and India, plus 6% and plus 3%, respectively, with a very high comparison basis. Last year, over the same period, we recorded sales growth of 27% in China and 34% in India. Global Travel Retail in Q1 dropped 6% because of high comparatives as well in the Q1 '19. Good growth in Europe, plus 3%, thanks to strong sales in Eastern Europe and return to growth in Western Europe. And in the quarter, there was also a positive impact of pricing, 2% -- a 2% increase.

We also continue to dynamically manage our balance sheet. Rating agencies have upgraded us. They have upgraded us 1 notch. Standard & Poor's, we are now rated BBB+ with a stable outlook. And Moody's rate us Baa1 with a stable outlook. We also launched the first tranche of our share buyback program. This was on the 18th of October, amounting to EUR 150 million as announced. And we also successfully placed a EUR 1.5 billion bond issue in 3 tranches of EUR 500 million each with -- 4, 8 and 12 years of maturity, with an average coupon of 0.46%.

And I give the floor back to Alexandre Ricard for the outlook.

Alexandre Ricard - Pernod Ricard SA - Chairman, CEO & Member of Executive Board

Thank you, H el ene. So against an environment that's particularly uncertain, we shall stick to our Transform & Accelerate strategic plan. In terms of the execution, this is year 2. We're also anticipating further growth in dynamic sales with growth rates expected to be moderate in China and India versus the exceptional growth rates last year. Dynamic growth in the U.S., following the wholesaler optimization program and the integration of our American whiskeys in the portfolio that we're building up. Increased investments behind key CapEx and strategic inventory priorities. And based on current foreign exchange rates, we're looking at a significantly positive impact on our Profit from Recurring Operations. That is what we are contemplating at this point essentially due to the dollar. Therefore, we are confirming our annual guidance: organic growth in Profit from Recurring Operations between 5% and 7%.

Okay. Let's move on to the Board of Directors. As you can see, we have 15 members on the Board of Directors. We have 2 directors who represent the employees. There are 3 directors who are stepping down from the Board today. And on behalf of everyone, on behalf of the Group, I wish to briefly pay tribute to them. Each one of them are not just directors, and I'm not just being polite.

Let me begin with Martina Gonzalez-Gallarza who has been on the Board since 2012. She embodied the continuity and loyalty to our values in the footsteps of her father who had built a very strong relationship with my uncle Patrick. She's a consumer expert, and she's an expert on consumer trends, and she contributed a great deal in reshaping our strategic consumer-centric model. She was both kind and attentive. And thank you so much, Martina.

Nicole Bouton who joined the Board in 2007. Nicole attended all the decisions that were key to our development. She played a critical role, she was instrumental in taking us to where we are now. And as shown of the Nominations Committee as of 2010, and we owe her a great deal to her for having such a great Board. Nicole Bouton spoke many times to you, shareholders. I'm certain that you will join me and everyone to pay her a tribute. Thank you, Nicole.



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

And finally, Pierre, Pierre Pringuet, who joined Pernod Ricard in 1987. Difficult to pay tribute to a gentleman with a fantastic career. He was CEO, Vice Chairman of the Board of Pernod Ricard. On a very personal note, I'd like to pay a special tribute to my mentor and who spared no effort to allow me to walk in his footsteps successfully. He handed down to me a team that he had brilliantly set up and managed over the years and a Group which had, of course, already started the transformation process. Pierre, you have placed our professional collaboration under the sign of 3 values that fit you very well: vision, of course; ambition; and conviction. Thank you so much, Pierre. On behalf of the Board, on behalf of the 19,000 employees of Pernod Ricard and on behalf of our shareholders, thank you so much, for what Pernod Ricard has accomplished. Thanks to you. Thank you.

Okay. At this point, I give the floor to Patricia Barbizet, our Lead Independent Director.

Patricia Marie Marguerite Barbizet - Pernod Ricard SA - Lead Independent Director

Thank you, Alexandre. Thank you. First of all, on behalf of the entire Board, I'd like to thank you for your thanks to the 3 outgoing directors. I'd like to assure you that the entire Board in its new composition will have it at heart to pursue your undertakings with the same ambition and the same level of commitment that you have always instilled in us.

Dear shareholders, I'm taking the floor today as Lead Independent Director on this Board and the Chair of the Nominations, Governance and CSR or SRI Committees. I was appointed as a Director at last year's AGM, in November of last year and as Lead Independent Director at the Board meeting last January. In that capacity, I have several roles, several missions on the Board that are explained in the Board's bylaws and that concerns being consulted on the agenda for the Board's meetings. It also consists of conducting the annual assessment that we carry out on the Board's operations, conducting executive sessions, that is, without the Chairman. And finally, to prevent any conflicts of interest. Another task entrusted to me, which consists in meeting investors and shareholders to talk with them about problems arising, particularly in the field of governance. This is something that I do with the people in charge of Financial Communications.

Since taking up this job last January, I have taken part in several governance road shows. I have met investors and shareholders to talk about the company's governance. I have also met with staff, operational staff in the group in France and abroad. This year, I carried out the Board's annual assessment, which was done in-house 2 times out of 3, and with the help of independent consultants every third year. This year was an in-house survey with all the directors. We then discussed this survey and draw up a report to see what can be improved to enable our Board to work even better in a group that's undergoing deep transformation with all the innovations and the developments that Alexandre referred to earlier on.

The Board of Directors is supported by a number of committees, 4 in all. But before talking to you about the committees, 53.8% of our directors are independent directors in compliance with the AFEP-MEDEF France. There are 7 lady directors. In addition, 6 directors are non-French nationals, which makes for a great diversity in terms of experience which, of course, contribute considerably to our work.

The Board meets 8 times a year. In 2018/19, the attendance rate was 98.09%. We're trying to do better, but it's going to be difficult. And during the year, the Board is entrusted with, first of all, drawing up the annual and half yearly financial statements; reviewing the budget; preparing for the AGM, and particularly the draft resolutions put before you; entrusted with reviewing and approving the Group strategy; assessing the Chairman and CEO's compensation for the period for the '18 and '19 and the compensation policy for fiscal '19/'20 without him being in attendance at the Board meeting, of course; also entrusted with holding an executive session that is without the presence of the Chairman and CEO and directors who are also executive directors in order to review the Board's work and the work of its committees; we also examine governance issues and review the annual assessment of Board operations.

As I said, the Board delegates some of its work to 4 specialized committees. This is to prepare for the various issues that we discuss at the plenary meetings of the Board. The degree of independence and the missions entrusted to 2 of these committees are in compliance with the employee federation's recommendations but, in fact, even go beyond those recommendations.

Beginning with the Audit Committee, which is comprised of 3 directors, 3 directors who are all independent. You see the names and faces on the screen. This Audit Committee met 4 times this year. The attendance rate was 100%. The main roles were to review the annual and half yearly statements, to ensure the integrity of the financial reporting system, to review all significant risks and assess the management of these risks by the



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

group and to review all matters of a financial or accounting nature submitted to the Board. This is essential in preparing for the plenary meetings of the Board of Directors.

The next committee is the Nominations, Governance and CSR Committee, which includes 4 directors. You see them on the screen here. Three are independent directors. During the last year, the committee met 4 times. Attendance rate was 100%. Its main roles are to review the composition of the Board and the independence of the directors. Secondly, to monitor the group's commitments, S&R commitments, to define a succession plan for executive directors and the members of the Board and to select and propose a selection of new directors for the Board of Directors. It's because of this, we will be putting 2 new proposals to your vote, Esther and Philippe in particular.

The Compensation Committee has 5 members. You see them on the screen, including 1 director representing the employees. Three of the 4 members of this committee, that is not including the staff representative, are independent. During the last financial year, the Compensation Committee met 6 times. The attendance rate was 96.67%. Its main roles were to propose the compensation to be paid to the Executive Director for the current financial period and his variable component for the 2018, '19 financial period; secondly, to propose a general policy for the allocation of stock options and performance-based shares; and to approve the information provided to you on the compensation of the Executive Director.

Finally, the fourth committee is the Group's Strategic Committee. This committee was set up at the initiative of Alexandre Ricard when he took over as the Chairman and CEO in February 2015. Now this committee is comprised of 6 directors, of whom 3 are independent. They met once in the last year with an attendance rate of 83.33%. The main roles of the Strategic Committee are to review the key strategic issues for the group, to draw up and give its prior opinion on any significant partnership transactions or indeed sales or acquisitions and to deal with any strategic issues affecting the group's or the company's financial policy. These are all issues that are discussed then at the plenary meetings of the Board.

I'm now going to call on Nicole Bouton who's Chair of the Compensation Committee. Nicole will tell you about the Compensation Committee concerning the Chairman and CEO.

Nicole Bouton - Pernod Ricard SA - Independent Director

Thank you. Good afternoon, everybody. As Chair of the Compensation Committee, I am going to tell you about the components of Alexandre Ricard's compensation in respect of the financial period ended but also compensation policy for the Executive Director. We will ask you to approve these 2 aspects by a voting on the 9th and 10th resolutions. You will find all this information in the universal document on Pages 68 and 69.

Let me begin by telling you about the components of Alexandre Ricard's compensation for the period ended, which will be covered by the resolution #9. So in respect of 2018, 2019, these various components are as follows: annual fixed compensation of EUR 1.1 million, which is unchanged compared with the previous period; variable compensation of EUR 1,745,810, which is the equivalent of 158.71% of his fixed compensation. The target was 110% and the maximum was capped at 180%. You'll find the details of these assessment criteria and the degree of achievement of each of these criteria on Page 68 of the registration document.

11,111 performance-based shares were attributed and 26,143 stock options. All of this attribution is subject to performance criteria and represent 3.6% in value of the entire plan, which concerns 958 beneficiaries in all. As part of his supplementary pension scheme, here is proposed that he be granted over 1,000 shares and EUR 131,738 -- EUR 131,708. The details are to be found on Page 69 of the registration document. I'd like to further point out that Alexandre Ricard does not receive director fees as a member of the Board.

Let me now move on to the compensation policy for the Executive Director. This is covered by resolution #10. The Board, on the recommendation of the Compensation Committee, ensures that the compensation policy is balanced and a source of motivation for its Executive Director and, of course, ensures you that it's also consistent with the compensation policy in force within the group. The fixed compensation, which is set forth in detail on Page 61 et seq of the registration document and comprises the following components: first of all, a fixed compensation component; an annual variable compensation target, which is 110% of the fixed compensation if the objectives are achieved, and this variable compensation is capped at a maximum of 180%. You'll find the details regarding the achievement criteria on Page 61 and 62 of the registration document.



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

Performance-based shares and stock options, all subject to performance criteria, are proposed but shall not exceed 150% of his fixed annual compensation. This compensation structure is similar to the -- similar principles in previous periods. The Board of Directors, on the recommendations of the Compensation Committee, has decided to adjust the quantitative criteria governing variable compensation, which includes 4 and no longer 3 criteria in compliance with the ambitions of the Transform & Accelerate plan. Furthermore, the Board of Directors has authorized in pursuance of regulated agreements a noncompete clause, an imposed departure clause, again, subject to performance criteria. The combination -- these 2 clauses shall not exceed 24 months compensation. That is a combination of fixed and variable compensation.

Finally, the Executive Director has an additional pension scheme, which is 10% of his fixed and variable compensation. It is comprised half and half of performance-based shares and the other half in cash, cash, which must be invested in investment vehicles aimed at funding his supplementary pension scheme. In light of the aforesaid components, we propose that you approve both the 9th and 10th resolutions.

However, as I have the floor, and if the chair authorizes me, I would like to say a few words on a more personal note. As you've heard, this is the last time that I will be presenting the compensation policy of the Executive Director as Chair of the Compensation Committee. So after 12 years on your Board of Directors, I have decided to stand down and not to stand for reelection. The Board meeting that will be held immediately after this AGM will be appointing my successor from among the directors who I'm sure he or she will pursue this task with determination, determined objectivity and professionalism as we have always tried to do ourselves.

Over the last 12 years on the Board, I had moments of great joy but also more difficult times. And I'd like to share a thought regarding Patrick Ricard who took me onto the Board and who left us too soon and too young. I'd also like to contribute to the courage of the entire Ricard family, which with determination and conviction, has pursued the task of leading the group, in particular, Daniele. I don't know where Daniele Ricard is. Daniele, who leaving aside her taste for discretion, took over the reins of the group with the full support of Pierre Pringuet. A final word to thank all my colleagues on the Board and on the various committees who have enabled me to grow with the Group.

Finally, I would like to thank the 2 CFOs that I knew and the 2 HR Directors as well as all the staff at Pernod Ricard that I worked with and met who enable the committees and the Board to work so efficiently. One parting thought for Alexandre Ricard, a single word, thank you. Thanks for your confidence in me. The group is in your hands, but it's in a very safe pair of hands. Thank you.

Alexandre Ricard - Pernod Ricard SA - Chairman, CEO & Member of Executive Board

Patricia and Nicole, I'd like to thank you both for your presentations. I'd now like to call on Eric Ropert from KPMG to speak on behalf of the college of auditors and to talk to you about the reports put before the Board of Directors.

Eric Ropert

Ladies and gentlemen, dear shareholders, on behalf of the college of statutory auditors, I'm going to report on our mandate for the period ended June 30, 2019. As is customary at this AGM, I propose to summarize our mission and our reports as a figure in the registration document.

First of all, our report on the -- our reports on the consolidated financial statements and on the statutory financial statements, which are at your disposal -- have been actual disposal and are found on 207 to 210 and 232 to 234 of the registration document. I'd like to remind you that our work consisted obtaining reasonable assurance as regards the sincerity, to give fair -- a true and fair view of the assets and liabilities, with no significant anomalies included. We have submitted our findings to the Financial Director and to the Board, the Audit Committee and Board of Directors of your Group.

Our report on the consolidated statutory financial statements mention the main points of our audit and what we have covered in this audit. With regards to consolidated accounts, the main points are, first of all, the assessment of the brands, the tax risks, the recoverability of losses carried forward, commitments regarding advantages after employments. Our audit report is detailed in the report. The consolidated financial statements present a sincere view in every respect. And under IFRS, as represented in Europe, of the assets and financial situation of the group as at June 30, 2019, and the results for this period, we have given an unqualified opinion on the parent company financial statements and also on the first



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

application on July 1 of IFRS 9 on financial instruments and on IFRS 15, which is the revenue from contracts with customers. As for the statutory financial statements, the key point was participatory instruments.

At the end of our task, we unreservedly certify the annual accounts of your company. We have also checked that these are a true and fair view of the -- they give a true and fair view of the asset and liabilities as do the other documents submitted to the shareholders. We can attest the accuracy and the fair presentation of disclosures on compensation and benefits paid to the corporate officers, also the fair and true view of consistency with annual accounts and information regarding to terms and conditions of payment.

This brings you to our special report on regulated agreements and commitments to be found on pages 235 and 236 of the registration document. They refer to -- this special report refers to no new regulated agreements or commitments submitted to the approval of the shareholders' meeting. And furthermore, our special report mentions regulated agreements and commitments previously approved by previous shareholders' meetings in previous periods. These agreements and commitments have continued to be enforced during the last year, in particular, the loan to Havana Club Holding and the credit agreement for EUR 2.5 billion, referred to as a multicurrency revolving facility agreement. Finally, our special report also presents commitments previously approved by the AGM

(technical difficulty)

This brings me to our special reports regarding the extraordinary shareholders' meeting presented on Page 258 to 264 of the registration document. We have issued the following 6 reports: report on share capital reduction up to a maximum of 10% of the share capital by a 24-month period, that's the 12th resolution; secondly, report on the issue of ordinary shares and/or various securities with preferential subscription rights retained or canceled, this is covered in resolutions 13, 14, 15, 16, 17 and 18; thirdly, the report on the authorization to grant free performance shares to employees and executive officers, covered in the 20th resolution; fourthly, the report on the authorization to grant share subscription or purchase option -- stock options, this is the 21st resolution; fifthly, the report on the issuance of ordinary shares or securities conferring entitlement to share capital, reserved for members of a company savings plan, that's the 22nd resolution; and finally, the report on the issuance of ordinary shares or securities conferring entitlement to share capital with cancellation or -- of preferential subscription rights, that's resolution #23.

We further specify that the transactions covered in these reports are as set out by law and do not, in any way, jeopardize the equal rights of employees. All the information required for you to assess, the cancellation of preferential subscription rights, all this information has been brought to your attention. The Board of Directors' report does not specify the methods of determining the issue price of future securities issued under the 13th, 17th and 18th resolutions. And in that respect, we cannot express an opinion on the items used to calculate this issue price.

It's also pointed out that the final terms and conditions of issuance have not yet been determined, so we cannot express an opinion on these terms and conditions. As a result, we cannot express an opinion on the issuance that will be made with or without cancellation of preferential subscription rights. Finally, we will issue an additional report, as required, if Board of Directors decides to use the authorization to issue ordinary shares or securities.

Ladies and gentlemen, dear shareholders, thank you for your attention.

Alexandre Ricard - Pernod Ricard SA - Chairman, CEO & Member of Executive Board

Thank you. So now I would now like Antoine Brocas, the Secretary of the Board and Secretary of the AGM, to present the resolutions that will be submitted to your voting later on.

Antoine Brocas

Thank you, Alexandre. Unless there's any objection, I will give you a summary presentation of the 25 resolutions. The full text of the resolution is available on Page 37 and the following pages of the brochure handed out and the registration document as well.



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

Let me begin with the presentation of the resolutions in the ordinary Annual Shareholder Meeting. The first resolution has to do with the approval of the parent company financial statements for the financial year 2018, 2019.

The second resolution has to do with the approval of the consolidated financial statements of Pernod Ricard for the financial year ended 30th of June 2019.

The third resolution has to do with the allocation of the net result and to set the dividend for fiscal '18/'19 at EUR 3.12 per share. An interim dividend payment of EUR 1.18 was paid on the 10th of July 2019. Therefore, the balance amounting to EUR 1.94 per share would be detached on the 25th of November and paid on the 27th of November 2019. So the dividend increase is 32.22%.

Resolution 4 deals with the approval of the regulated agreements and commitments referred to in articles L.225-38 et seq of the French Commercial Code, which was mentioned by the statutory auditor.

In resolution 5, we are dealing with the renewal of the directorship of Ms. Kory Sorenson for 4 years.

Resolution 6 deals with the appointment of Mrs. Esther Berrozpe Galindo as a director for a 4-year term.

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Could Mrs. Esther Berrozpe Galindo please introduce herself?

Esther Berrozpe Galindo

Good afternoon. My name is Esther Berrozpe Galindo, I'm 49 years old. I am Spanish, but I spent my whole career abroad. My French is not very good. Therefore, in order to introduce myself, I must speak in English.

I have 26 years of experience in the consumer goods sector. I have worked both in fast-moving consumer goods and durable goods industries.

I started my career in Italy working for Paglieri in the personal care industry. Then I worked for Sara Lee, an American company, in their textile division. And lastly, I worked for the German Wella Group in their luxury brands, perfumes and cosmetics, and I had the chance to manage their different luxury brands.

I spent my last 20 years working for Whirlpool Corporation in the appliances industry. I had the chance to have different roles in different geographies but especially in Europe, Middle East and Africa and North America. My last role at Whirlpool, I was the President and CEO of the EMEA region. And I was a member of the Executive Committee of the corporation.

At the beginning of this year, I decided to leave Whirlpool, and I am now a director of several international companies. I am delighted to be joining Pernod Ricard, the Board of Directors, to be part of achieving its mission of bringing people together and also to be part of the future growth and development of the company.

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Thank you, Esther.

Antoine Brocas

Resolution 7, ladies and gentlemen, has to do with the appointment of Mr. Philippe Petitcolin as a director for a term of 4 years.

NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Mr. Petitcolin, could you kindly rise and introduce yourself?

Philippe Petitcolin

Good afternoon, ladies and gentlemen. Let me introduce myself. My name is Philippe Petitcolin. I am 67 years old. And I am the CEO of Safran. Safran is an aeronautics group that produces engines and equipment. Last year, our sales amounted to EUR 21 billion, and we employ 95,000 people. I won't go through my whole career. But over the past 20 years, I was with Snecma in 1999 where I was in charge of Labinal, the electrical equipment. Then Snecma and SAGEM merged to create Safran. I was appointed Chairman and Chief Executive Officer of Snecma Engines up until 2011. In 2011, I was appointed the Head of SAGEM and then, in 2013, Chairman and CEO of Security at Safran. In April 2015, I was appointed as Chief Executive Officer of the group, and that is my current position.

When you look at Pernod Ricard and Safran, there are some commonalities, not the products, of course, an aircraft engine and bottle of Chivas don't really -- aren't really synonymous, but we do have similar values. Safran and Pernod Ricard both rank second worldwide in our respective industries. We have experienced tremendous growth through acquisition. Our latest acquisition was Zodiac Aerospace. Also, the -- we have international values. Over 90% of Pernod Ricard sales are outside France, and we sell over 90% of our products outside France.

But apart from these common values, we also have similar objectives. Well, first of all, total shareholder return, profitability, profitability through productivity, how you can improve continuously, continuous improvement in productivity to enhance your performance day after day. There are other criteria as well that make us companies with similar objectives. Innovation is one. There's a lot of innovation at Pernod Ricard, a lot of innovation at Safran, and the development of talent, which is crucial in groups such as ours.

I do have one regret. When I take a look at the profitability of Safran compared with Pernod Ricard's, I thought that we were good performers. I was always told that Safran was a group whose profitability was very good at around 15%. Here, well, I met my match, didn't I? And therefore, this leads me to becoming more ambitious moving forward. And I would like to close by saying that I would be very happy to join the Board of Directors of Pernod Ricard and to provide my experience and to take part in the work to be done on the Board. Thank you.

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Thank you very much.

Antoine Brocas

Resolution 8 has to do with setting the annual amount of directors' fees, setting them and maintaining them at EUR 1,250,000.

In resolution 9, we are submitting to your approval the components of the compensation due or granted for fiscal '18/'19 to Mr. Alexandre Ricard, Chairman and CEO. The components are presented in the Universal Registration Document in pages 67 to 69.

Resolution 10 has to do with the approval of the compensation policy items applicable to Mr. Alexandre Ricard for fiscal '19/'20. The information can be found on pages 61 to 67 of the Universal Registration Document.

Resolution 11 has to do with the authorization to be granted to the Board of Directors to repurchase its own shares with a limit of 10% of the share capital. The authorization will be given for a period of 18 months at a maximum purchase price of EUR 260 per share.



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

Now moving on to the presentation of the resolutions under the extraordinary Annual General Meeting in resolution 12. We are dealing with the reduction of the share capital by canceling treasury stocks, the cap being 10% of share capital. The authorization will be given for a period of 26 months.

Resolution 13 has to do with share capital increases, with the maintenance of preferential subscription rights amounting to EUR 135 million. That's a nominal amount. That is, say, roughly 33% of the share capital. This is the maximum overall limit for all share capital increases with or without preferential subscription rights. The authorization would be given for a period of 26 months.

Resolution 14 would allow the Board to increase share capital without any preferential subscription rights. The maximum nominal amount would be EUR 41 million. That is, say, roughly 10% of the share capital. The period of validity would be 26 months.

Resolution 15 would allow the Board to increase the number of shares to be issued in the event of a share capital increase with or without presidential subscription rights realized in accordance with resolutions 13, 14 and 16. It would also have a period of validity of 26 months.

Resolution 16 would allow the Board to increase share capital through a private placement in favor of qualified investors or a restricted circle of investors with cancellation of the preferential subscription rights. Nominal maximum amount, EUR 41 million. That's, say, roughly 10% of the share capital. The period of validity would also be 26 months.

Resolution 17 would allow the Board to increase the share capital with a view to remunerating contributions in kind granted to the company with a limit at 10% of the share capital. The period of validity would also be 26 months.

Resolution 18 would allow the Board to increase share capital in the event of a public exchange offer initiated by the company with a limit of 10% of share capital at the time of the issue. The period of validity would also be 26 months.

Resolution 19 would allow the Board to increase the company's share capital by capitalization of premiums, reserves, profits or other items for a nominal amount of EUR 135 million. That is to say roughly 1/3 of the capital. The period of validity would be 26 months.

Resolution 20 has to do with the authorization to be granted to the Board of Directors to freely allocate performance shares with an overall limit of 1.5% of the share capital, and the sublimit would be 0.06% of our share capital for the company's executive directors. Their performance conditions will prevail, notably attendance. The period of validity would be 38 months.

Resolution 21 has to do with the authorization to be granted to the Board to grant options to employees and executive directors to subscribe for or purchase shares. The overall limit is 1.5% of share capital, sublimit is 0.21% of the share capital for the executive directors. Performance conditions apply, notably attendance. Period of validity is 38 months.

The 22nd resolution has to do with allowing the Board to increase share capital for members of company savings plans. This is capped at 2% of the shared capital. The period of validity would be 26 months.

The 23rd resolution has to do with share capital increases reserved for certain categories of beneficiaries. The cap is 2% of the share capital, and this would be for a period of 18 months.

Resolution, last but one resolution, would have to do with an amendment to Article 16 of the company's bylaws relating to the number of directors representing the employees in accordance with the French legislation dated on May 22, 2019.

Resolution 25, powers to carry out the required legal formalities.

I give the floor back to Alexandre Ricard.



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Well, thank you very much, Antoine, for this exhaustive summary, if you will excuse the oxymoron. But I suggest we move on to the questions of the shareholders.

QUESTIONS AND ANSWERS

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Number three.

Unidentified Participant

I thought I was number one, excuse me. I have 2 questions. My questions don't have to do with the dispute with Leclerc at the beginning of the year, which has been solved, nor will it deal with the American threat upon companies that work with Cuba, which is being solved, nor will my question have to do with Elliot. My first question has to do with the construction of your new headquarters. And my second question has to do with Pernod Ricard as a luxury stock. The Breakthrough Innovation Group. So Malka, the architect firm has been trusted with the design of your new headquarters on rue d'Amsterdam in Paris.

So this is a new venue. It will bring together 7 entities that were previously separated. Why is it a breakthrough with the conventional working spaces? And what do you expect from these new headquarters in terms of efficiency in the workplace? And what do you expect in terms of increasing value creation, new companies all are for premiumization in luxury, and you're focusing on that. And you are strengthening your global leadership position in these segments, so much so that Pernod Ricard stock is traded at multiples similar to those in the luxury industry. So my question has to do with the super and ultra-premium brands that you have brought together in a specific entity called Le Cercle by Pernod Ricard. So how is the network organized? What are the support services? And how do you recruit, if I may say so, customers who are prepared to pay \$2,000 for Havana Club Máximo or Royal Salute, 50-year-old Royal Salute, \$277,000.

Let me close with 2 events that took place last October. The first one is the bond issue of EUR 1 billion in 3 tranches, 4 8 and 12 years in maturity. Apart from the underwriting that was exceeded almost 7x, which is -- what is notable is the coupon, which is the lowest ever rate for a bond issue by Pernod Ricard, including a 0% coupon with 4-year maturity. So we -- and the average is at 0.46% for the bond issue. Also, Standard and Poor's and Moody's have upgraded you at BBB+ with a stable outlook and BAA+ (sic) [Baa1] with a stable outlook in the case of Moody's. So when are you going to be upgraded?

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Thank you for your 3 questions. I shall answer the first 2, and Hélène will answer the third. Regarding headquarters, the architect firm is Saguez. It's a French firm that's well-known in Paris. And I think the word you used is correct, you said that it's a breakthrough. Indeed, we have put in a lot of work on future working methods and bringing together all these entities under the same roof, serves the purpose of fostering unlikely encounters. So we looked at flows between the 18,000 square meters and 8 floors, there were 2 main buildings, to create streams, flows, exchanges between people in marketing, sales, human resources, IT, finance, you name it. The idea is to foster the most unlikely encounters possible. There will be bars. This is Pernod Ricard. Whether it be at the bars, in cafeterias or whatever the most beautiful floors, the top floor, and it's not reserved, it's open to everyone. And there will be areas where you can work confidentially in silence, or open spaces as well. But there will [not] (added by company after the call) be a single closed office.

Then the employees have the individual liberty of deciding whether or not they want a desk in the same spot or to work next to someone else once in a while, which is what I will do. The purpose of that is to generate more creativity and to break down the silos. And as I said earlier, when I spoke about leadership -- leadership, it doesn't have to do with controlling information. With digital, anybody can access information. It's how you use information that matters, and it's collaboration and communication with information. And having our brands people next to our markets



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

people makes sense. So all that is part and parcel of this desire of ours to transform, and it is a reflection of what is going on throughout the group. Okay, that answers your first question about the headquarters.

Now regarding luxury. As I said earlier, luxury accounts for a little over 13%, 1-3, of our business. Luxury has been growing twice as fast as the rest of the group, 14% growth in the last fiscal year with a slight acceleration because last year, we grew 10%. You're quite right in saying that we have specific networks. We have teams out in the field who have been trained to work with our luxury portfolio called Le Cercle. We have training courses that we have developed with some consulting firms as well. So online training courses in our Pernod Ricard University. We have a luxury strategy that we developed here in Paris with a global business development staff. But on roughly 25 markets, we have 25 dedicated -- luxury-dedicated teams. And these teams identify consumer profiles and they enrich our consumer database. Notably, when it comes to ultra-high net worth individuals, people who can afford a bottle of 50-year-old Royal Salute at EUR 250,000. You said 277,000, it's dollars. Yes, we do sell a few. Well, we don't sell truckloads, but we do sell a few here and there. Enough, I should say, but there's more to luxuries than that. We have EUR 100, EUR 150 bottles as well in the luxury category and the -- what we have in our database is critical because sometimes we offer customized services. Our brand ambassadors are in charge of addressing our VIPs. On certain markets, we invite our high net worth individuals to an outstanding experience. In China, we organized splendid dinner parties. Some of them are free of charge, others involve a charge, but at the end of the dinners, at any rate, people buy our product. So that works quite well indeed.

And this confirms that premiumization is here to stay. There will be ups and downs as in the past, but there is a genuine premiumization trend. More strategically speaking, we have a portfolio of brands where the value brands are -- you said EUR 5 a bottle, Indian whiskeys, up to EUR 250,000 a bottle. So you see, we can address all our customers' needs all over the world.

And moving on to our bond issue, H el ene?

H el ene de Tissot - Pernod Ricard SA - Member of Executive Board and Director of Finance, IT & Operations

You're talking about big figures, I'm talking about EUR 1.5 billion. Thank you for underlining the great success of our bond issue on the 21 of October last. I think it was on very good terms and conditions for the Group, which are a reflection of just how good our profile is. Of course, very good market conditions as well. The raising of our rating is also a recognition of our good cash generation and, of course, the deleveraging of the group.

As for the future, we intend to remain investment-grade while continuing to focus on cash conversion. Cash conversion is critical if we are to continue to invest in our organic growth and our strategic investments, and particularly, stocks of alcohol for aging, particularly in whiskey and [cognac] (corrected by company after the call).

But also to continue to invest in acquisitions, external growth, while paying out a good dividend with the payout ratio has been increased. So for the next few years, we will also be buying back shares for up to EUR 1 billion. That's the purpose.

Alexandre Ricard - Pernod Ricard SA - Chairman, CEO & Member of Executive Board

Thank you. #6, [possibly].

Roger Tran

Thank you, Chairman. My name is Roger Tran, and I have 3 questions. Our house is on fire. Our house is on fire. My question is, what are your priorities? What do you want to -- as regards to greenhouse gases, especially in terms of water and waste, what are your priorities? I also get the impression that you answered Mr. Elliott because you've increased the dividend by 50%. At the same time, you're buying back shares for up to EUR 1 billion. Personally, with EUR 1 billion, I would have bought another champagne brand. You only have 2 brands of champagne at the moment. If you want to be in luxury products, I think you need 3 or 4 brands of champagne at the very least. Now insofar as you've been Chairman and CEO since 2015, are there any limitations on your function? Has anybody ever said no to you?



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Well, your first point as regards climate and the direct link between global warming and our business, I need hardly to remind you that wines and spirits are natural products that come from grain or from grapes or from water. So we are directly concerned. We can actually measure the impact of climate change, the duration of a wine harvesting, the qualities in terms of sugar content, acidity and so on, so that we can directly measure the impact of climate change.

We also have a road map geared towards 2030. It's a 10-year road map as regards to climate. And after reducing our carbon footprint by 30%, the intensity of our carbon footprint anyway, we intend to continue our efforts and to reduce that carbon footprint intensity by a further 50%. We have already reduced our water consumption in the region of 20%, something we intend to continue. And in certain countries, such as India or Australia, where there's a shortage of water, we consider water to be a rare resource and are very careful about it, recycling, the recycling of our waste. So we have a very ambitious road map, and the 8 commitments that I talked to you about earlier on are very ambitious commitments.

Obviously, the goal is to play our part as major economic players because we are concerned and because all our stakeholders are concerned. Our own people are raising more and more questions about these issues. They're very motivated by the climate. Our shareholders, too, are quite rightly so raising more and more questions. And indeed, our consumers, too, who prefer products that are environment-friendly, responsible and sustainable products. Maybe I might take this opportunity to mention the new launch of a bottle of Absolut, which is one of the most highly recycled bottles. It's 41% recycled, and it's called the Comeback edition. So each of our brands, in its own right, has its own environment-friendly road map.

Now Absolut is the only major distillery to be carbon neutral. And we must continue along this route. It's going to cost us money, but to us, it's a real investment in the future way of retaining talent and way of gaining customer approval.

As for our dividends and share buybacks, I'd say just 2 things. Dividend policy we announced back in April 2018. The excellent performance in terms of cash flow have simply enabled us to accelerate our dividend policy by a year. So this is something we decided a long way back. However, our priority in terms of the allocation of financial resources has a very clearly established order. First and foremost, our top priority is to fund internal growth. Our own advertising and promotional expenses, our investments in our brands, if you prefer, but also our investments in strategic stock for distillation and distillation capacity. That is our top priority.

Our second priority is acquisitions. I have to be very clear about this. It's -- EUR 1 billion in share buybacks will not prevent us making acquisitions. We have never made as many acquisitions as this year. We've already announced 4 or 5, and we will continue. We could make larger acquisitions. It's not a financial issue. The problem is the scarcity of assets in the market.

Now there are assets for sale, and sometimes they're not of great quality, but the right assets at the right price tend to be rare. Now we're working on this, but that is our second priority.

The third priority is shareholder return. The dividend, of course. And fourthly, only fourthly, comes share buybacks. Which I need hardly remind you, is something that we can cancel at any point if we wish.

I'm not sure I fully understood your question as regards the limitations on my function as Chairman and CEO. Maybe our Senior Independent Director would like to say a few words on that particular point.

Patricia Marie Marguerite Barbizet - *Pernod Ricard SA - Lead Independent Director*

I'd just like to say that the idea of a Chairman and CEO is really all about making the best possible decisions. As Lead Independent Director and a member of the Board of Directors, I can bear witness to the way that Alexandre Ricard takes our opinions into account to ensure that he makes the best decisions. The first people he talks to is the management team, and I know that our Chairman spends a huge amount of time all over the world meeting our people, listening to what they have to say. He travels a lot, he spends a lot of time in the field, and it's much more than just meeting people. He actually meets people in the field, in the flesh.



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

So over and beyond the management side, there's the Board of Directors, whose role it is to support the Chairman in his decision-making. Again, we attach great importance to the composition of the Board to ensure that we have strong, experienced directors with a very diversified experience, 2 new members today, very different people. You see just how diversified we are in terms of our profiles and our experience. This is all aimed at ensuring that we can put forward a maximum of considerations in our decision-making.

So our job is to accompany the top management to ensure that we have the best possible analysis, best possible risk management, best possible decision-making in drawing up our strategic plans and, of course, in implementing these plans day in and day out.

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Next question, please.

Marie-Jeanne Pasquette

Thank you. My name is Marie-Jeanne Pasquette. I'm the founder of [minorities.com], a shareholders' website, which is involved governance, activism and financial governance. My question focuses on your relations with Elliott. I have dealings with individual shareholders, but I also have a number of shareholders who have called me to ask, "Why don't you draft an article to explain what's happening between Elliott and Pernod Ricard? What is the situation? What is Elliott requesting?" I've tried to obtain information, but haven't succeeded. So this is the opportunity for me to ask you to give us a brief update on the situation. I'm very surprised by the lack of transparency about the relations between activists and companies.

So I'd like to know how your dealings with Elliott have been organized and I have a number of very specific questions that I'd like you to answer as accurately as possible. I'd like to know who met the -- Elliott's representatives? Was it the Board of Directors who met them? Was it Patricia Barbizet? Did you meet them, Mr. Ricard, when Elliott had questions about you? I also want to know if Elliott had access to privileged information. In other words, if you got them to sign a confidentiality agreement or a nondisclosure agreement. This is something that is, I believe, customary with activists and is intended to ensure that they do not take advantage of the information they have at their disposal.

I'd also like to know if Elliott made suggestions. If so, what suggestions in the field of governance, how -- the composition of the Board, the appointment of directors, the choice of directors? Did they take part in this in any way? Did they make proposals, did they voice opinions as regards to composition of members of the Board? Was the Board informed of all your dealings with Elliott? Concerning compensation and the compensation of the Chairman and the CEO, were Elliott consulted? And most importantly, because we read recently that they have reached an agreement, or if there is any agreement in process with Elliott, particularly regarding share buybacks and shareholder return, or the return to shareholders? I know that if you want to preserve your rating, I don't see why you're buying back shares, if not to be more accretive in the eyes of certain shareholders and, particularly, members of the family. If you could answer all these questions.

But I have one other question I'm intrigued by. There's a brand that is doing very well called Aperol. It's a spritz. Spritz are very -- are trending. I think it's like a lot of other aperitifs. I'd like to know if you have contacted, I think it's Campari or Campari owns the brand. I just wondered if you have discussed anything with Campari about this Aperol.

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Thank you for your very, very brief question. Let me begin by saying that we never comment, we'll keep it simple, we never comment on mergers and acquisitions.

Concerning Elliott, I'm afraid you -- we may be about to disappoint you, but for us, Pernod Ricard, Elliott is just another investor. Some may be more vocal than others, that's the case of Elliott, others are more active, but it's not the first time we have had activist shareholders at Pernod Ricard. We've had several in the past, but the term activist is not negative in any way. They just ask a lot of questions. Maybe the right questions. The truth is that there is no lack of transparency whatsoever. It's simply that we have a very simple policy that we ensure that our discussions with all our



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

shareholders are confidential. As for who met Elliott, that's not an issue, insofar as I meet other shareholders. I meet or have met with Elliott in the same number of times about as frequently as are the other members of our top 15 or 20 shareholders.

So no special treatment. Similarly, Patricia Barbizet, who is our Lead Independent Director. By the way, she explained that she had attended a number of road shows on governance in her presentation earlier on. She has met with 15 or 20 investors, among whom Elliott figures. So when our investors, be they Elliott or others, have questions and we are not during a [quiet] (corrected by company after the call) period -- there are periods when we're not entitled to communicate. When they phone in and ask our Investor Relations department, we answer their questions, of course.

As for inside information, no, there has been none. In most cases, activists do not want to have access to inside information because that would prevent them from buying or selling shares. In all events, as far as we are concerned, there has been no exchanges of inside information with Elliott.

The Board of Directors is kept regularly informed of all feedback regarding all our shareholders. So when we conduct a road show be it on governance or after results, be they interim or annual results, obviously, our Head of Investor Relations, who's with us here today, comes along and gives the Board a feedback from these discussions with shareholders. As for Elliott's suggestions, it's hard to be more transparent on that, because they published their questions in the form of a -- I think it was a press release that dates back to last December.

They had 2 issues that they raised. They said, first of all, that they felt our governance could be improved. Our reply was, yes, and we improve every year. We've been improving it every year for 4 years and more, and we will continue to regularly improve our governance. It's an ongoing process. An organization like Pernod Ricard is a living organism that's constantly adapting to its environment, its market, its consumers and so on.

The second issue was that we feel you can improve your margins. And the answer to that was yes, we do, too. Not only did we do that, but that is part and parcel of our Transform & Accelerate plan. When we improved our operating margin by 74 basis points over the last year, that is evidence of that.

So I think it's hard to be more transparent than that. I don't think you can be more transparent than that.

I think there's a question from the very back of the room. Sorry, there's the last question on Aperol. As I said, we don't comment on rumors in the field of M&A. And by definition, we have -- don't comment any rumors in mergers and acquisitions.

Jean-Claude Lorente

Good afternoon. My name is Jean-Claude Lorente, I'm an individual shareholder. The share price opened at EUR 164.60 this morning, up 16% since the 1st of January. The 10-year highs and lows were EUR 179.60, EUR 54.89. Shareholders can only be happy about that.

My first question is as follows. Do you intend to move the AGM to your new buildings? Secondly, the French state is trying to sell us [France's du jour] with an IPO price of approximately EUR 20. Do you not feel that if your share price were to be divided by 2 or 3, that would enable a number of young graduates to invest in Pernod Ricard?

Alexandre Ricard - Pernod Ricard SA - Chairman, CEO & Member of Executive Board

As for moving the AGM to our new head office in Saint Lazare, unfortunately -- well, first of all, we don't own this building. We will be renting. We've already started paying rent. The architect's name, by the way, is Jacques Ferrier, and the firm that we work with on is the firm we work on the interior fittings is Saguez but the architect is Jacques Ferrier. Now unfortunately, we will not be able to hold our Annual General Meetings at head office. We do not have facilities big enough to accommodate all of you. We could possibly organize all the bars in the district with closed circuit television, but I imagine our communications people will have something of a nightmare. I'm going to ask H el ene de Tissot to answer your second question.



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

Hélène de Tissot - *Pernod Ricard SA - Member of Executive Board and Director of Finance, IT & Operations*

I imagine you are talking about -- when you say young graduates, young adults, I presume, adults be they young or not. First of all, regarding a division of the nominal value share price. This would not have an impact in terms of portfolio valuation. It's a simple purchase price. This is why we have not decided to split the share price.

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Maybe a question from the front here.

Unidentified Participant

I have a comment I'd like to make, and I'd like to ask you to do something. Over and beyond your commitments under your Transform & Accelerate plan, you are building up the fundamentals required for the Pernod Ricard Group to succeed and to meet future and present customers' expectations by inviting them to share moments of conviviality. In doing so, I think you are satisfying stakeholders, be they customers, shareholders, or employees. Continue, please, for the greater satisfaction of one and all. I think you're heading in the right direction.

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Maybe one last question? One last question, please.

Unidentified Participant

Chairman, Desoulanges from the [APAI], individual shareholders. Very often, it's a matter of seeking out what you're looking for in the right place. This morning, on Boursorama, there was a wire mentioning the departure of a person in the U.S. heading for Ireland and of another about to return. It's true that you have a lot of talented people in the group. I was reading, or trying to read on a screen here. So there is, of course, the plan that you talked to us about. But at the end, I see the founding family owns close to 16% of the shares and almost 22% of voting rights, with the group headed by Daniele Ricard, and it's a nephew, Alexandre Alexander as CEO. Maybe this needs updating. I think AOF (sic) [AFP], which is the French news agency, needs updating.

The second thing I wanted to point out is that you talked about the founding of a large single-malt distillery in Sichuan, near the 4 sacred mountains, sacred to Buddhists, anyway, above the clouds. You also told us that the group's future is in Africa. Could you tell us a little bit more about your visions regarding Africa? And let me end by congratulating you on your employee shareholding plan. I think it's an important undertaking. You have involved among your main shareholders, all your main stakeholders, I should say, customers, suppliers, shareholders and employees. But it seems to me that you might have overlooked the state. The state, which is possibly the most demanding stakeholder in your sector. I believe that I read in your registration documents that the state receives approximately EUR 6.5 billion. And the figure is not certified by the auditors, but I think it would be a good thing to add this particular stakeholder, which is a fully-fledged stakeholder in your business.

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

I can confirm the figure of over EUR 6 billion, which includes excise rights, corporate income tax, transfer fees and whatever. It's a little over EUR 6 billion. I can confirm that. Concerning your various questions, first of all, we have 2 eminent members of our executive committee who are leaving us, yes, for personal reasons. In one case, Bruno, who's retiring after 32 years loyalty to the Pernod Ricard Group. He has decided that it's time to retire. He'll be replaced by Bryan Fry, who's an Australian and who's been with us for a very long time, too. Bryan was -- he's the #2 in Australia. He will be heading up Pernod Ricard's Wines business, as we announced yesterday. So yes, I can see that news is traveling.



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

Secondly, Paul Duffy, who's younger, is leaving us for personal reasons. He told me, "Alexandre, I'm 50 years of age. I have 25-year seniority in the Group, that's half of my life." He was based in New York. For reasons of his own, which I can only understand, his family was eager to go back to Ireland. So he's leaving Pernod Ricard. He will be replaced by Ann Mukherjee, who is American and who has about 10 years experience with Kraft Heinz, another 10 years with Pepsi and S. C. Johnson, a few years more, whose global division generated about EUR 12 billion in revenue. So she will be taking over from Paul Duffy. The top priorities are, of course, growth, consumers, and I think she is an embodiment of these priorities. This is why we chose her.

As for Boursorama and Agence France-Presse, the wire you talked about, that's not us. Some of the websites are not up-to-date, I'm afraid. But we will get in touch with them to see if we can get them to issue -- you have no idea how many websites are not up-to-date. But at Pernod Ricard, may I say in passing, that we have developed digital tools that enable us to update packaging of our products for all clients who so wish. That has an impact on our e-commerce.

As for our distillery in China, this is the whole story for Pernod Ricard. It's today's growth while thinking about tomorrow's growth. The reason we have the growth rates we have in countries like China and India is because of 10, 15, 20 years ago, previous generations invested in these markets. Our current growth engines and maybe our growth engines for the next 10, 20 years, are going to be -- are and will be India, China, Eastern Europe, Russia, and to a lesser extent, the U.S. For a market as mature as the U.S., 4%, 5% growth rates, these are very high rates. So we're investing in medium-term growth relays such as Brazil, Mexico, and of course, Southeast Asia. Basically, everything between China and India, Malaysia, Indonesia and so on. That's the medium term. This is how we plan to drive growth. This is on top of China and India, our crown jewels over the next 10 years or so.

But we're also thinking further afield again. The very long term is, as we've said on a number of occasions, Africa, and particularly, Sub-Saharan Africa. And Sub-Saharan Africa will be the Asia of 20 years' time. So we are looking at Africa, particularly Sub-Saharan Africa, where we've opened a number of a -- a certain number of subsidiaries over the last 10 years.

We've opened up 8 subsidiaries in Sub-Saharan Africa. I'm not going to name them all, but we're investing in our future, 20 years down the road. So we have our current growth relays, the growth relays for tomorrow, the next 10 years, next 20 years. This is how we organize our investment.

So I propose that we leave the Q&A session at that and move on to the voting of the resolutions, if you agree.

As was the case last year, we are voting on tablets, and we'll begin with a short film to show you how these tablets work.

(presentation)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Okay. I suggest we vote on the resolutions. The quorum, the final quorum is 77.69%.

So Resolution 1, approval of the parent company financial statements for the financial year ended June 30, 2019. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

The resolution is carried. Resolution 2, approval of the consolidated financial statements for the financial year ended June 30, 2019. Please vote.

(Voting)



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. The resolution is carried. Resolution 3, allocation of the profit for the financial year ended June 30, 2019, and setting of the dividend. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. The resolution is carried. Resolution 4, the approval of the related party agreements and commitments referred to in Articles L.20 -- 225-38 et seq of the French Commercial Code. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. The resolution is carried. Resolution 5, renewal of the directorship of Ms. Kory Sorenson. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. The resolution is carried. Resolution 6, appointment of Ms. Esther Berrozpe Galindo as a director. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. The resolution is carried. Congratulations. Welcome, Esther. Resolution 7, appointment of Mr. Philippe Petitcolin as a director. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. The resolution is carried. Welcome, congratulations. Resolution 8, setting of the annual amount of directors' fees. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. The resolution is carried. Resolution 9, approval of the components of the compensation due or granted for fiscal '18-'19 to Mr. Alexandre Ricard, Chairman and Chief Executive Officer. Please vote.

(Voting)



NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. The resolution is carried. Resolution 10, approval of the compensation policy items applicable to Mr. Alexandre Ricard, Chairman and Chief Executive Officer. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. The resolution is carried. Resolution 11, authorization to be granted to the Board to repurchase the shares of the company. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. The resolution is carried. We now move on to the resolutions of the Extraordinary Annual General Meeting. Resolution 12, reduction of the share capital by canceling treasury stock. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. The resolution is carried. Resolution 13, increase of the share capital, with maintenance of preferential subscription rights. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

The time is up. The resolution is carried. Resolution 14, share capital increases with cancellation of preferential subscription rights. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. The resolution is carried. Resolution 15, increase in the number of shares to be issued in the event of a share capital increase with or without preferential subscription rights in accordance with Resolutions 13, 14 and 16. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Vote is closed -- sorry, time is up. The resolution is carried. Resolution 16, capital increase through a private placement in favor of qualified investors or a restricted circle of investors, with cancellation of the preferential subscription rights. Please vote.

(Voting)

NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. The resolution is carried. Resolution 17, share capital increase with the view to remunerating contributions in kind granted to the company. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. The resolution is carried. Resolution 18, share capital increase in the event of a public exchange offer initiated by the company. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. The resolution is carried. Resolution 19, share capital increase by capitalization of premiums, reserves, profits or other items. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. The resolution is carried. Resolution 20, authorization to be granted to the Board to freely allocate performance shares. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

The resolution is carried. Resolution 21, authorization to be granted to the Board to grant options to employees and executive directors to subscribe for or purchase shares. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. Resolution is carried. Resolution 22, share capital increase reserved for members of company savings plans. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. The resolution is carried. Resolution 23, share capital increase reserved for certain categories of beneficiaries. Please vote.

(Voting)

NOVEMBER 08, 2019 / 1:00PM, RI.PA - Pernod Ricard SA Annual Shareholders Meeting

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. The resolution is carried. Resolution 24, amendment to Article 16 of the company's bylaws relating to the number of directors representing the employees. In accordance with the PACTE legislation of dated 22 of May, 2019. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. The resolution is carried. Resolution 25, this is the last resolution, powers to carry out the required legal formalities. Please vote.

(Voting)

Alexandre Ricard - *Pernod Ricard SA - Chairman, CEO & Member of Executive Board*

Time is up. The resolution is carried.

As there is no more business on the agenda, I hereby announce that the meeting is closed at 4:45 p.m. Ladies and gentlemen, dear shareholders, thank you.

[Statements in English on this transcript were

Spoken by an interpreter present on the live call.]

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2019, Thomson Reuters. All Rights Reserved.