Half-Year Financial Report
31 December 2015

Pernod Ricard

Créateurs de convivialité

CONTENTS

1/ Certification by the person assuming responsibility for the half-year financial report

I certify that to the best of my knowledge the condensed financial statements included in this document have been prepared in accordance with the applicable accounting standards and present a true picture of the assets, financial situation and results of all the companies included within the Pernod Ricard Group, and that the enclosed half-year activity report is a true reflection of the important events arising in the first six months of the financial year and their impact on the annual financial statements, a statement of the principal transactions between related parties, as well as a description of the principal risks and uncertainties for the remaining six months of the financial year.

Alexandre Ricard

Chairman & CEO

2/ Half-year activity report

1. Significant event in half year 2015/16

Bond issue

On 28 September 2015, Pernod Ricard issued bonds for a total amount of €500 million with the following characteristics: remaining period to maturity of eight years (maturity date: 28 September 2023) and bearing fixed-rate interest of 1.875%.

2. Key figures and business analysis

In the first half of its 2015/16 financial year (from 1 July to 31 December 2015), Pernod Ricard generated a solid performance. The Group recorded, at constant forex and Group structure, a continued gradual improvement in sales (+3%*; +7% reported) in an environment that remains contrasted. The first half sales growth was consistent with that of the first quarter. Innovation contributed +1%* of sales growth. Market share gains continued in most key markets.

By category, sales of the Top 14 grew +2%*, in line with the full financial year 2014/15, and were value driven thanks to a return to positive pricing (+1%) driven by whiskies.

Pernod Ricard recorded solid growth in Profit from Recurring Operations, up +3%* (+2%* adjusted for the timing of the Chinese New Year). Growth in Profit from Recurring Operations is consistent with guidance of growth between +1%* and +3%* for the 2015/16 full financial year.

Key elements are as follows:

- Continued gradual sales improvement on an organic basis compared to the full financial year 2014/15 ;
- Gross margin ratio of 62.1%, down -25 bps*, showing an easing of gross margin pressure vs. full financial year 2014/15 (-105 bps*). The pricing environment remains challenging, and mix remains negative, although to a lesser extent;
- Increase in Advertising & Promotion (A&P) ratio to 18.3% to support key innovation projects and must-win markets;
- Modest increase in structure costs compared to the first half of the 2014/15 financial year;
- Profit from Recurring Operations totaled €1,438 million, up +3%* organically and +6% in reported terms compared to the first half of the 2014/15 financial year. This reflects the elements stated above;
- Group share of net profit from recurring operations totaled €909 million, a +9% increase compared to the first half of the 2014/15 financial year, due to Profit from Recurring Operations organic growth, positive foreign exchange impact and reduction in financial expenses;
- Improvement in Free Cash Flow from recurring operations (€544 million, +10%);
- Increase in net debt of €237 million to €9,258 million. Strong cash flow generation from Profit from Recurring Operations growth and improvement in strategic inventory variation was offset by cash flow seasonality (full-year dividend payments and more significant working capital need in the first half) and by a mechanical forex impact (€177 million due to variation of EUR/USD parity between 30 June 2015 at 1.12 and 31 December 2015 at 1.09).

* At constant forex and Group structure (organic growth)

A. Profit from Recurring Operations

Group (€ million)	31/12/2014 6 months	31/12/2015 6 months	Reported growth In M€	Reported growth In %	Organic* growth In M€	Organic* growth In %
Net sales	4,621	4,958	336	7%	151	3%
Gross margin after logistics costs	2,889	3,078	188	7%	82	3%
Advertising and promotional (A&P) investments	(819)	(908)	(88)	11%	(45)	6%
Contribution after A&P	2,070	2,170	100	5%	37	2%
Profit from Recurring Operations	**1,358**	**1,438**	**79**	**6%**	**35**	**3%**

Pernod Ricard's 2014/15 first half-year consolidated net sales (excluding tax and duties) increased +3%* to €4,958 million, compared to €4,621 million in the first half-year of the financial year 2014/15. Overall, this was due to:

- Continued gradual improvement:
  - Continuation of full year 2014/15 trends in Asia-Rest of World (+5%* and +4%* adjusted for Chinese New Year phasing compared to the first half of the 2014/15 financial year) with double-digit growth in India, Africa-Middle East and Australia, but a continued tough environment in China and difficulties in Korea;
  - acceleration in Americas (+4%* vs. +2%* in the first half of the 2014/15 financial year) notably driven by the United States;
  - improvement in Europe (+1%* vs. stability* in the first half of the 2014/15 financial year), driven mainly by Spain and the UK.
- Growth driven by Jameson, Martell, The Glenlivet and champagnes Mumm and Perrier-Jouët :
  - Jameson continues to grow double digits (+11%*), driven by the United States and South Africa. In the former, the brand represents close to ¼ of total sales;
  - Martell (+7%*) is showing good growth driven by its international development;
  - Scotch whiskies are in growth (+1%*), driven primarily by The Glenlivet;
  - Absolut saw an improvement in underlying trends in the United States in the half year, in line with the medium-term objective to stabilise the brand. Outside the United States the brand grew in Europe, Africa, Oceania and Brazil, but declined in Travel Retail Americas and Korea.
  - Continued strong development of champagne (+6%*) in Japan, United States and Australia.

Gross margin after logistics costs totalled €3,078 million, representing organic growth for +3%*. Gross margin pressure eased during the period, with a gross margin ratio of 62.1% (-25 bps* vs. -105 bps* for the full-year 2014/15). The pricing environment remains challenging globally, but the Group's pricing gradually improved (+1% in the half year vs. flat for the full year 2014/15). Mix however was negative, due to geographic mix (India growing while China declines), yet to a lesser extent compared to full year 2014/15 thanks to a rebound in the United States in the half year 2015/16. Thanks to operational efficiency initiatives the Group also pursued its tight management of cost of goods sold, which were stable on a constant mix basis.

Advertising and Promotion (A&P) expenses in the first half of the 2015/16 financial year totalled €908 million, an increase of +6%*. The growth was boosted in particular by phasing as well as an increase in support for key innovation projects and must-win markets. The A&P to sales ratio should be close to 19% for the full year 2015/16.

The contribution after advertising and promotion expenditure reached €2,170 million (+2%*). It represented 43.8% of sales, down -64 bps* compared to the first half of the 2014/15 financial year.

Structure costs amount to €732 million. Allegro** savings delivery is on track. For the 2015/16 full financial year structure costs are expected to grow broadly in line with Sales.

Profit from Recurring Operations grew +3%* to €1,438 million. Reported growth (+6%) exceeded organic growth due to a significant foreign exchange impact (the stronger US dollar, Chinese yuan and Indian rupee are somewhat offset by the devaluation of the Russian ruble and many other emerging market currencies). The operating margin amounts to 29.0%, -20 bps* compared to the first half of the 2014/15 financial year.

* At constant forex and Group structure (organic growth)

** Allegro: operational efficiency project launched in 2014

Business activity by geographic area

Asia/Rest of the World

(€ million)	31/12/2014	31/12/2015	Reported growth		Organic* growth	
	6 months	6 months	In M€	In %	In M€	In %
Net sales	1,801	2,019	218	12%	90	5%
Gross margin after logistics costs	1,093	1,229	136	12%	46	4%
A&P inv estments	(296)	(350)	(54)	18%	(28)	9%
Contribution after A&P	797	879	82	10%	18	2%
Profit from Recurring Operations	**570**	**645**	**74**	**13%**	**19**	**3%**

Americas

(€ million)	31/12/2014	31/12/2015	Reported growth		Organic* growth	
	6 months	6 months	In M€	In %	In M€	In %
Net sales	1,242	1,369	128	10%	47	4%
Gross margin after logistics costs	808	890	82	10%	23	3%
A&P inv estments	(242)	(277)	(35)	15%	(16)	7%
Contribution after A&P	566	613	47	8%	6	1%
Profit from Recurring Operations	**375**	**400**	**24**	**7%**	**(1)**	**0%**

Europe

(€ million)	31/12/2014	31/12/2015	Reported growth		Organic* growth	
	6 months	6 months	In M€	In %	In M€	In %
Net sales	1,579	1,570	(9)	-1%	14	1%
Gross margin after logistics costs	988	959	(30)	-3%	14	1%
A&P inv estments	(282)	(281)	1	0%	(1)	0%
Contribution after A&P	706	677	(29)	-4%	12	2%
Profit from Recurring Operations	**412**	**393**	**(19)**	**-5%**	**17**	**4%**

Net sales by region, 1st semester 2014/15 :

Net sales by region, 1st semester 2015/16

Profit from Recurring Operations by region, 1st semester 2014/15 :

Profit from Recurring Operations by region, 1st semester 2015/16 :

* At constant forex and Group structure (organic growth)

Profit from Recurring Operations in the **Asia / Rest of the World** region grew +3%*, driven by sales. Profit from Recurring Operations growth on a reported basis is significantly higher (+13%) due to favourable foreign exchange movements, in particular the Chinese yuan and Indian rupee. Sales grew +5%*, boosted in part by the earlier Chinese New Year. Adjusted for the timing of the Chinese New Year Sales grew +4%*. Gross margin pressure in the Region is easing but still remains due to an adverse geographic mix (strong growth in India and a decline in China). The increase in A&P is partly attributable to phasing as well as to investments in key strategic priorities.

Profit from Recurring Operations in the **Americas** was stable* due to the phasing of investments (A&P investments: +7%*) to drive sales growth (+4%*), which improved across the Region. The gross margin ratio declined due to adverse mix (decline of Travel Retail Americas). On a reported basis Profit from Recurring Operations grew +7%.

In **Europe** Profit from Recurring Operations growth was strong, up +4%*, favoured by a tight management of resources. Sales growth of +1%* was adversely impacted by the timing of the IT switch in France and wholesaler destocking in Russia. The Group displayed a tight management of resources (A&P investments and structure costs). Reported decrease in Profit from Recurring Operations is largely due to the depreciation of the Russian ruble.

B. Group share of net profit from recurring operations

(€ million)	31/12/2014 6 months	31/12/2015 6 months
Profit from recurring operations	1,358	1,438
Financial income/(expense) from recurring operations	(235)	(217)
Corporate income tax on recurring operations	(284)	(302)
Net profit from discontinued operations, non-controlling interests and share of net income from associates	(6)	(10)
Group share of net profit from recurring operations	**834**	**909**
Group net profit per share from recurring operations – diluted (in euro)	**3.13**	**3.42**

Net financial expenses from recurring operations

Net financial expenses from recurring operations totalled €(217) million, €18 million lower than the amount in the comparable period, due to an improvement in the cost of debt due to refinancing (4.2%, -40bps vs. the first half of the 2014/15 financial year). The average cost of debt is still expected to be close to 4.2% for the 2015/16 full financial year.

Net debt

Net debt was €9,258 million at 31 December 2015 compared to €9,021 million at 30 June 2015, an increase of €237 million. Strong cash flow generation from growth in Profit from Recurring Operations and an improvement in the variation of strategic inventories was adversely impacted by seasonality (full-year dividend payments and greater working capital impact) and by an unfavourable forex impact (mechanical translation impact of €177 million).

Income tax on recurring operations

Income tax from recurring operations amounted to €(302) million, equating to a tax rate of 24.7% vs. 25.3% over the first half of 2014/15 financial year. The 2015/16 full financial year tax rate from recurring operations is still expected broadly stable and in-line with expectations ca. 25%.

Group share of net profit from recurring operations

Group share of net profit from recurring operations amounted to €909 million at 31 December 2015, an increase of +9%, above that of Profit from Recurring Operations, due to a reduction in financial expenses and a positive foreign exchange impact.

*At constant forex and Group structure (organic growth)

C. Group share of net profit

(€ million)	31/12/2014 6 months	31/12/2015 6 months
Profit from recurring operations	1,358	1,438
Other operating income and expenses	(28)	(35)
Operating profit	1,330	1,403
Financial income/(expense) from recurring operations	(235)	(217)
Other financial income/(expenses)	(11)	(1)
Income tax	(290)	(289)
Net profit from discontinued operations, non-controlling interests and share of net income from associates	(6)	(10)
Group share of net profit	**788**	**886**

Other operating income and expenses

Other operating income and expenses amounted to €(35) million at 31 December 2015 and included:

- Net restructuring expenses of €(18) million;
- Other non-recurring income and expenses of €(17) million.

Group share of net profit

Group share of net profit was €886 million, an increase of +12%.

3. Major risks and uncertainties for the second half of the financial year

The major risks and uncertainties Pernod Ricard Group faces are listed under chapter "Risk management" of the 2014/15 Registration Document, available from the website of the *Autorité des Marchés Financiers* or from the Pernod Ricard website.

4. Outlook

Pernod Ricard confirms its 2015/16 full financial year guidance of organic growth in Profit from Recurring Operations between +1% and +3%. The Group also forecasts for the 2015/16 financial year a positive forex impact on Profit from Recurring Operations of approximately €20 million (based on average FX rates for full FY 2015/16 projected on 29th January 2016, particularly EUR/USD = 1.10).

5. Main related-party transactions

Information related to related parties transactions are detailed in note 22 of the notes to the condensed consolidated interim financial statements included in this document.

3/ Condensed consolidated interim financial statements

1. Consolidated income statement

(€ million)	31/12/2014	31/12/2015	Notes
Net sales	4,621	4,958	3
Cost of sales	(1,732)	(1,880)	3
Gross margin after logistics costs	**2,889**	**3,078**	3
A&P costs	(819)	(908)	
Contribution after A&P expenses	**2,070**	**2,170**	
Selling, general and administrativ e expenses	(712)	(732)	
Profit from recurring operations	**1,358**	**1,438**	
Other operating income	24	16	5
Other operating expenses	(52)	(50)	5
Operating profit	**1,330**	**1,403**	
Financial expenses	(276)	(255)	4
Financial income	30	38	4
Financial income (expenses)	**(245)**	**(218)**	4
Income tax	(290)	(289)	6
Share of net profit/(loss) of associates	1	0	
Net profit	**795**	**896**	
Including:			
- Attributable to non-controlling interests	7	10	
- Attributable to equity holders of the Parent	788	886	
Earnings per share - basic (in euros)	2.99	3.36	7
Earnings per share - diluted (in euros)	2.96	3.33	7

2. Half-year consolidated statement of comprehensive income

(€ million)	31/12/2014	31/12/2015
Net profit for the period	**795**	**896**
Items not reclassified to profit or loss		
Actuarial gains/(losses) related to employee defined benefit plans	**106**	**43**
Amounts recognised in shareholders' equity	133	55
Tax impact	(27)	(12)
Items that may be reclassified to profit or loss		
Net investment hedges	**(53)**	**-**
Amounts recognised in shareholders' equity	(53)	-
Tax impact	-	-
Cash flow hedges	**(29)**	**25**
Amounts recognised in shareholders' equity	(38)	36
Tax impact	9	(11)
Available-for-sale financial assets	**(1)**	**(0)**
Unrealized gains and losses recognised in shareholders' equity	(1)	(0)
Tax impact	-	-
Exchange differences	**560**	**(129)**
Other comprehensive income, net of tax	**585**	**(61)**
Comprehensive net profit for the period	**1,380**	**835**
Including:		
- Attributable to equity holders of the Parent	1,366	829
- Attributable to non-controlling interests	14	6

3. Consolidated balance sheet

Assets

(€ million)	30/06/2015	31/12/2015	Notes
Net amounts			
Intangible assets	12,212	12,300	8
Goodwill	5,494	5,543	8
Property, plant and equipment	2,200	2,192	
Biological assets	153	153	
Non-current financial assets	512	604	
Investments in associates	16	17	
Non-current derivative instruments	52	57	14
Deferred tax assets	2,339	2,420	6
Non-current assets	**22,978**	**23,286**	
Inventory and work in progress	5,351	5,311	9
Trade receivables	1,152	1,789	
Income taxes receivable	61	82	
Other current assets	260	261	11
Current derivative instruments	50	40	14
Cash and cash equivalents	545	524	13
Current assets	**7,419**	**8,007**	
Assets held for sale	1	1	
Total assets	**30,398**	**31,294**	

Liabilities

(€ million)	30/06/2015	31/12/2015	Notes
Share capital	411	411	17
Share premium	3,052	3,052	
Retained earnings and currency translation adjustments	8,796	9,332	
Group net profit	861	886	
Group shareholders' equity	**13,121**	**13,681**	
Non-controlling interests	167	163	
Total shareholders' equity	**13,288**	**13,843**	
Non-current provisions	400	381	12
Provisions for pensions and other long-term employee benefits	654	667	12
Deferred tax liabilities	3,373	3,517	6
Bonds-non-current	6,958	7,562	13
Non-current derivative instruments	87	55	14
Other non-current financial liabilities	500	315	13
Total non-current liabilities	**11,972**	**12,496**	
Current provisions	173	138	12
Trade payables	1,696	1,887	
Income taxes payable	116	196	
Other current liabilities	920	721	15
Other current financial liabilities	538	447	13
Bonds-current	1,514	1,390	13
Current derivative instruments	181	178	14
Total current liabilities	**5,138**	**4,956**	
Liabilities related to assets held for sale	-	-	
Total liabilities and shareholders' equity	**30,398**	**31,294**	

4. Statement of changes in shareholders' equity

(€ million)	Share capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Currency translation adjustments	Treasury shares	Total attribuable to equity holders of the Parent	Non - controlling interests	Total shareholders' equity
At 01/07/2014	**411**	**3,052**	**8,998**	**(255)**	**(74)**	**(265)**	**(247)**	**11,621**	**157**	**11,778**
Comprehensive income of the period	-	-	788	106	(29)	500	-	**1,366**	14	**1,380**
Capital increase	-	-	-	-	-	-	-	**-**		**-**
Share-based payment	-	-	12	-	-	-	-	**12**	-	**12**
Purchase/sale of treasury shares	-	-	-	-	-	-	1	**1**	-	**1**
Sale and repurchase agreements	-	-	-	-	-	-	-	**-**	-	**-**
Dividends distributed	-	-	(215)	-	-	-	-	**(215)**	(15)	**(230)**
Changes in scope of consolidation	-	-	-	-	-	-	-	**-**	8	**8**
Other movements	-	-	(4)	-	-	-	-	**(4)**	-	**(4)**
At 31/12/2014	**411**	**3,052**	**9,579**	**(148)**	**(103)**	**235**	**(246)**	**12,780**	**165**	**12,945**

(€ million)	Share capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Currency translation adjustments	Treasury shares	Total attribuable to equity holders of the Parent	Non - controlling interests	Total shareholders' equity
At 01/07/2015	**411**	**3,052**	**9,452**	**(230)**	**(83)**	**773**	**(254)**	**13,121**	**167**	**13,288**
Comprehensive income of the period	-	-	886	42	24	(124)	-	**829**	6	**835**
Capital increase	-	-	-	-	-	-	-	**-**	-	**-**
Share-based payment	-	-	15	-	-	-	-	**15**	-	**15**
Purchase/sale of treasury shares	-	-	-	-	-	-	(21)	**(21)**	-	**(21)**
Sale and repurchase agreements	-	-	-	-	-	-	(5)	**(5)**	-	**(5)**
Dividends distributed	-	-	(257)	-	-	-	-	**(257)**	(11)	**(268)**
Changes in scope of consolidation	-	-	-	-	-	-	-	**-**	-	**-**
Other movements	-	-	(0)	-	-	-	-	**(0)**	(0)	**(0)**
At 31/12/2015	**411**	**3,052**	**10,095**	**(188)**	**(58)**	**649**	**(280)**	**13,681**	**163**	**13,843**

5. Consolidated cash flow statement

(€ million)	31/12/2014	31/12/2015	Notes
Cash flow from operating activities			
Net profit attributable to equity holders of the parent	788	886	
Non-controlling interests	7	10	
Share of net profit/(loss) of associates, net of dividends received	(1)	(0)	
Financial (income) expense	245	218	4
Income tax expense	290	289	6
Net profit from discontinued operations	-	-	
Depreciation and amortisation	101	107	
Net changes in provisions	(77)	(77)	
Net change in impairment of goodwill and intangible assets	0	1	
Impact of derivatives hedging trading transactions	(0)	4	
Fair value adjustments on biological assets	0	(0)	
Net (gain)/loss on disposal of assets	(14)	(0)	5
Share-based payment	12	15	18
Self-financing capacity before interest and tax	**1,352**	**1,452**	
Decrease/(increase) in working capital	(444)	(455)	16
Interest paid	(254)	(245)	
Interest received	30	38	
Income tax paid/received	(182)	(183)	
Cash flow from operating activities	**502**	**607**	
Cash flow from investing activities			
Capital expenditure	(139)	(166)	16
Proceeds from disposals of property, plant and equipment and intangible assets	3	7	16
Change in consolidation scope	0	-	
Cash expenditure on acquisition of non-current financial assets and activities	(90)	-	
Cash proceeds from the disposals of non-current financial assets and activities	5	3	
Cash flow from investing activities	**(222)**	**(156)**	
Cash flow from financing activities			
Dividends paid	(445)	(483)	17
Other changes in shareholders' equity	-	-	
Issuance of long term debt	1,173	915	16
Repayment of long term debt	(929)	(859)	16
(Acquisition)/disposal of treasury shares	1	(28)	
Other transactions with non-controlling interests	-	-	
Cash flow from financing activities	**(201)**	**(455)**	
Cash from discontinued activities	-	-	
Increase/(decrease) in cash and cash equivalents (before effect of exchange rate changes)	**79**	**(4)**	
Net effect of exchange rate changes	24	(18)	
Increase/(decrease) in cash and cash equivalents (after effect of exchange rate changes)	**104**	**(22)**	
Cash and cash equivalents at beginning of period	**477**	**545**	
Cash and cash equivalents at end of period	**581**	**524**	

6. Notes to the consolidated financial statements

Pernod Ricard is a French Company (Société Anonyme), subject to all laws governing commercial companies in France, including in particular the provisions of the French Commercial Code. The Company is headquartered at 12, place des Etats-Unis, 75116 Paris - France and is listed on the Euronext exchange. The condensed consolidated interim financial statements reflect the accounting position of Pernod Ricard and its subsidiaries (hereafter the "Group"). They are reported in millions of euros (€), rounded to the nearest million. The Group manufactures and sells wines and spirits.

On 10 February 2016, the Board of Directors approved the condensed consolidated interim financial statements ended 31 December 2015.

Note 1 – Accounting policies

1.1 Principles and accounting standards governing the preparation of the financial statements

Because of its listing in a country of the European Union (EU), and in accordance with EC regulation 1606/2002, the condensed consolidated interim financial statements of the Group for the first half-year ended 31 December 2015 have been prepared in accordance with IAS 34 (interim financial reporting) of the IFRS (International Financial Reporting Standards) as adopted by the European Union.

The IFRS standards and interpretations as adopted by the European Union are available at the following website:

http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm

The Group has not anticipated any standards, amendments or interpretations published by the IASB but not yet approved or not yet mandatory in the European Union, as of 31 December 2015.

Note that:

- the Group's financial year runs from 1 July to 30 June;
- condensed consolidated interim financial statements were prepared in accordance with the same accounting principles and methods as those used in the preparation of the annual consolidated financial statements at 30 June 2015, subject to the changes in accounting standards listed under section 1.3;
- the condensed consolidated interim financial statements do not include all the information required in the preparation of the consolidated financial statements and must be read in conjunction with the consolidated financial statements at 30 June 2015.

Estimates — The preparation of consolidated financial statements in accordance with IFRS requires that Management makes a certain number of estimates and assumptions, which have an impact on the Group's assets, liabilities and shareholders' equity and items of profit and loss during the financial year. These estimates are made on the assumption the company will continue as a going concern, are based on information available at the time of their preparation. Estimates may be revised where the circumstances on which they were based change or where new information becomes available. Future outcomes can differ from these estimates. At 31 December 2015, the Management was not aware of any factors likely to call into question estimates and assumptions used in the preparation of full-year consolidated financial statements at 30 June 2015.

Judgement — In the absence of standards or interpretation applicable to specific transactions, Group management used its own judgement in defining and applying accounting policies which would provide relevant and reliable information within the framework of the preparation of financial statements.

1.2 Seasonality

Wines and spirits sales are traditionally affected by a seasonality factor, in particular products associated with end-of-year celebrations in key markets. Sales in the first six months of the financial year ending 30 June are generally higher than in the second half-year.

1.3 Changes in accounting policies

Standards, amendments and interpretations applied from 1 July 2015

The standards, amendments and interpretations applicable to Pernod Ricard with effect from 1 July 2015, relate to:

- the IFRS improvement cycle 2010–2012;
- the IFRS improvement cycle 2011–2013;
- the amendment to IAS 19 (Employee Benefits), which clarifies the recognition of employee or third-party contributions set out by the provisions of a scheme, in order to help finance the benefits.

The application of those interpretations has no significant impact on the consolidated financial statements.

Standards, amendments and interpretations for which application is mandatory after 1 July 2016

Impacts of IAS 41 (Agriculture) and IAS 16 (Property, Plant and Equipment) amendments are under estimation by the Group. Those amendments state that bearer plants will, from now, be booked under IAS 16 allowing measurements by the cost or the reevaluation model. IAS 41 still applies for agricultural produces growing on a bearer plant.

At 31 December 2015, there is no other accounting standard applicable after the 1 July 2016 with a significant impact on the Group financial statements.

The annual consolidated financial statements do not take into account:

- draft standards and interpretations which still have the status of exposure drafts of the IASB and the IFRIC at the balance sheet date;
- new standards, amendments to existing standards and interpretations published by the IASB but not yet approved by the European Accounting Regulatory Committee at the balance sheet date.

Note 2. – Consolidation scope

In the first half of its 2015/16 financial year, no significant acquisition or disposal was carried out by the Group.

Note 3. – Operating segments

The Group is focused on the single business line of Wines and Spirits sales. The Group is structured into three primary operating segments constituted by the following geographical areas: Europe, Americas and Asia/Rest of World.

The Group Management Team assesses the performance of each segment on the basis of sales and its Profit from Recurring Operations, defined as the gross margin after logistics, advertising, promotional and structure costs. The operating segments presented are identical to those included in the reporting provided to Managing Directors, in particular for the performance analysis.

Items in the income statement and the balance sheet are allocated on the basis of either the destination of sales or profits. Operating segments follow the same accounting policies as those used for the preparation of the consolidated financial statements. Intra-segment transfers are transacted at market prices.

Asia/Rest of World

(€ million)	31/12/2014 6 months	31/12/2015 6 months
Net sales	1,801	2,019
Gross margin after logistics costs	1,093	1,229
A&P investments	(296)	(350)
Contribution after A&P	797	879
Profit from recurring operations	**570**	**645**

Americas

(€ million)	31/12/2014 6 months	31/12/2015 6 months
Net sales	1,242	1,369
Gross margin after logistics costs	808	890
A&P investments	(242)	(277)
Contribution after A&P	566	613
Profit from recurring operations	**375**	**400**

Europe

(€ million)	31/12/2014 6 months	31/12/2015 6 months
Net sales	1,579	1,570
Gross margin after logistics costs	988	959
A&P investments	(282)	(281)
Contribution after A&P	706	677
Profit from recurring operations	**412**	**393**

Total

(€ million)	31/12/2014 6 months	31/12/2015 6 months
Net sales	4,621	4,958
Gross margin after logistics costs	2,889	3,078
A&P investments	(819)	(908)
Contribution after A&P	2,070	2,170
Profit from recurring operations	**1,358**	**1,438**

Breakdown of sales

(€ million)	31/12/2014 6 months	31/12/2015 6 months
Top 14 Spirits & Champagne	2,934	3,170
Priority Premium Wines	243	267
18 key local spirits brands	818	899
Other	627	622
Total	**4,621**	**4,958**

Note 4 – Financial income/(expenses)

(€ million)	31/12/2014 6 months	31/12/2015 6 months
Financial expenses	(250)	(244)
Financial income	30	38
Net financing cost	**(220)**	**(207)**
Structuring and placement fees	(2)	(2)
Net financial impact of pensions and other long-term employee benefits	(10)	(8)
Other financial income (expenses) from recurring operations	(3)	(0)
Financial income (expense) from recurring operations	**(235)**	**(217)**
Foreign currency gains (losses)	(6)	(0)
Other non current financial income (expenses)	(5)	(1)
Financial income (expenses)	**(245)**	**(218)**

At 31 December 2015, the main items making up net financing costs were financial expenses on the syndicated loan of €4 million, bond payments of €184 million, interest rate and currency hedges of €4 million, factoring and securitisation agreements for €6 million and other expenses of €9 million.

Note 5 – Other operating income and expenses

Other operating income and expenses are broken down as follows:

(€ million)	31/12/2014 6 months	31/12/2015 6 months
Restructuring expenses	(19)	(18)
Impairment of assets	-	(1)
Capital gains (losses) on the disposal of assets	14	0
Other non-current expenses	(34)	(24)
Other non-current income	9	8
Other operating income/(expenses)	**(28)**	**(35)**

Note 6 – Income tax

Analysis of the income tax expense:

(€ million)	31/12/2014 6 months	31/12/2015 6 months
Current tax	(238)	(247)
Deferred tax	(52)	(42)
Total	**(290)**	**(289)**

Analysis of the effective tax rate:

(€ million)	31/12/2014 6 months	31/12/2015 6 months
Operating profit	1,330	1,403
Financial income (expense)	(245)	(218)
Taxable profit	**1,085**	**1,185**
Expected income tax charge at the effective rate in France (38%)	**(412)**	**(450)**
Impact of tax rate differences by jurisdiction	154	159
Tax impact of exchange rate fluctuations	11	11
Re-estimation of deferred tax linked to rate changes	(3)	37
Impact of tax losses used	4	2
Impact of reduced/increased tax rates	3	4
Taxes on distributions	(14)	(29)
Other impacts	(34)	(23)
Effective income tax expense	**(290)**	**(289)**
Effective tax rate	**27%**	**24%**

Deferred taxes are broken down as follows by nature:

(€ million)	30/06/2015	31/12/2015
Unrealised margins in inventories	92	95
Value adjustments to assets and liabilities	27	22
Provision for pension benefits	172	178
Deferred tax assets related to losses eligible for carry-forward	1,208	1,274
Provisions (other than provisions for pensions and other long-term employee benefits) and other	839	851
Total deferred tax assets	**2,339**	**2,420**
Accelerated depreciation	76	72
Value adjustments to assets and liabilities	2,621	2,691
Other	676	753
Total deferred tax liabilities	**3,373**	**3,517**

Note 7 – Earnings per share

	31/12/2014 6 months	31/12/2015 6 months
Numerator (€ million)		
Group share of net profit	788	886
Denominator (in number of shares)		
Average number of shares in circulation	263,928,233	263,931,925
Dilutive effect of performance-based shares	973,185	821,971
Dilutive effect of stock options and subscription options	1,141,562	876,336
Average number of outstanding shares—diluted	**266,042,980**	**265,630,231**
Earnings per share (€) – Group share		
Earnings per share – basic	2.99	3.36
Earnings per share – diluted	2.96	3.33

Note 8 – Intangible assets and goodwill

(€ million)	30/06/2015	31/12/2015
Goodwill	5,632	5,680
Brands	13,275	13,393
Other intangible assets	344	344
Gross amounts	**19,251**	**19,417**
Goodwill	(138)	(137)
Brands	(1,176)	(1,196)
Other intangible assets	(231)	(241)
Amortisation	**(1,544)**	**(1,575)**
Net intangible assets	**17,706**	**17,843**

Goodwill mainly comes from the acquisitions of Allied Domecq in July 2005 and of Vin&Sprit (« V&S ») in July 2008.

The main brands recognised in the balance sheet are: Absolut, Ballantine's, Beefeater, Chivas Regal, Kahlúa, Malibu, Martell and Brancott Estate, most of which were recognised upon the acquisition of Seagram, Allied Domecq and V&S.

The variation of the brands and the goodwill is essentially due to the foreign exchange evolutions.

Note 9 – Inventories

The breakdown of the carrying amount of inventories at the balance sheet date is as follows:

(€ million)	30/06/2015	31/12/2015
Raw materials	137	136
Work-in-progress	4,515	4,498
Goods purchased for resale	475	485
Finished goods	281	241
Gross amounts	**5,408**	**5,361**
Raw materials	(12)	(12)
Work-in-progress	(11)	(11)
Goods purchased for resale	(24)	(17)
Finished goods	(10)	(9)
Provision for writedown	**(57)**	**(50)**
Inventories net	**5,351**	**5,311**

At 31 December 2015, 80% of work-in-progress relate to maturing inventories intended to be used for whisky and cognac production. The Group is not significantly dependent on its suppliers.

Note 10 – Transfers of financial assets

In the first half of the period, the Group continued to implement its programs to sell the receivables of several subsidiaries. Receivables sold under these programs totaled €861 million at 31 December 2015 and €591 million at 30 June 2015. As substantially all risks and rewards associated with the receivables were transferred, they were derecognised.

Derecognised assets where there is continuing involvement

(€ million)	Carrying amount of countinuing involvement				Fair value of continuing involvement	Exposition maximale
Continuing involvement	Amortised cost	Held to maturity	Available for sale	Financial liabilities at fair value		
Guarantee deposit – factoring and securisation	**18**	**-**	**-**	**-**	**18**	**18**

Note 11 – Other current assets

Other current assets are broken down as follows:

(€ million)	30/06/2015	31/12/2015
Advances and down payments	23	31
Tax accounts receivable, excluding income tax	129	128
Prepaid expenses	74	71
Other receivables	34	31
Total	**260**	**261**

Note 12 – Provisions

12.1 Breakdown of provisions

The breakdown of provision amounts in the balance sheet is as follows:

(€ million)	30/06/2015	31/12/2015	Notes
Non-current provisions			
Provisions for pensions and other long-term employee benefits	654	667	12.3
Other non-current provisions for liabilities and charges	400	381	12.2
Current provisions			
Provisions for restructuring	65	36	12.2
Other current provisions for liabilities and charges	108	101	12.2
Total	**1,226**	**1,185**	

Some Group companies are involved in disputes as part of their normal business activities. They are also subject to tax audits, some of which may lead to adjustment. The main disputes are described in Note 21 – *Disputes*.

At 31 December 2015, the amount of provisions booked by the Group in respect of all disputes or risks in which it is involved amounted to €482 million. The Group does not provide details (with exceptions), as it believes the disclosure of the amount of any provision booked in consideration of each pending dispute would be likely to cause serious harm to the Group.

12.2 Changes in provisions (excluding provisions for pensions and other long-term employee benefits)

		Movements in the period					
(€ million)	30/06/2015	Allowances	Used	Unused reversals	Translation adjustments	Other movements	31/12/2015
Provisions for restructuring	65	2	(28)	(1)	(1)	-	36
Other current provisions	108	6	(6)	(6)	(2)	1	101
Other non-current provisions	400	20	(2)	(17)	(21)	-	381
Provisions	**573**	**28**	**(37)**	**(24)**	**(23)**	**1**	**519**

12.3 Provisions for pensions and other long-term employee benefits

The Group grants pension and retirement benefits and other post-employment benefits (sickness insurance or life insurance), in the form of defined contribution or defined benefit plans.

The table below presents a roll-forward of the provision between 30 June and 31 December during half-year 2014/15 and half-year 2015/16:

(€ million)	2014	2015
Net liability recognised in the balance sheet at 30 June	**306**	**220**
Expense/(income) for the period	31	33
Employer contributions and benefits paid directly by the employer	(65)	(75)
Change in scope	(0)	0
Foreign currency gains and losses	10	10
Actuarial gains and losses [1]	(133)	(55)
Net liability recognised in the balance sheet at 31 December	**149**	**134**
Amount recognised in assets	441	533
Provision at 31 December	**590**	**667**

[1] *Booked in other comprehensive income.*

The net expense recognised in income in respect of pensions and other long-term employee benefits is broken down as follows:

(€ million)	31/12/2014	31/12/2015
Service cost	23	25
Interest on provisions	4	1
Fees/levies/premiums	5	7
Impact of plan amendments / reduction of future rights	(0)	-
Impact of liquidation of benefits	-	-
Net expense recognised in income	**31**	**33**

Note 13 – Financial liabilities

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

13.1 Breakdown of net financial debt by nature and maturity

	30/06/2015			31/12/2015		
(€ million)	Current	Non-current	Total	Current	Non-current	Total
Bonds	**1,514**	**6,958**	**8,473**	**1,390**	**7,562**	**8,951**
Syndicated loan	-	-	-	0	138	138
Commercial paper	459	-	459	298	-	298
Other loans and long-term debts	79	500	580	149	177	325
Other financial liabilities	**538**	**500**	**1,039**	**447**	**315**	**761**
Gross financial debt	2,052	7,459	9,511	1,836	7,876	9,712
Fair value hedge derivatives – assets	(15)	(51)	(66)	(14)	(57)	(72)
Fair value hedge derivatives	**(15)**	**(51)**	**(66)**	**(14)**	**(57)**	**(72)**
Net assets hedging derivative instruments - liabilities	121	-	121	141	-	141
Net asset hedging derivative instruments	**121**	**-**	**121**	**141**	**-**	**141**
Financial debt after hedges	2,159	7,408	9,566	1,963	7,819	9,782
Cash and cash equivalents	(545)	-	(545)	(524)	-	(524)
Net financial debt	**1,614**	**7,408**	**9,021**	**1,439**	**7,819**	**9,258**

13.2 Breakdown of debt by currency before and after foreign exchange hedge instruments at 30 June 2015 and 31 December 2015

At 30/06/2015 (€ million)	Debt before hedging	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% debt after hedging	% net debt after hedging
EUR	4,656	(394)	4,263	(69)	4,194	45%	46%
USD	4,790	944	5,734	(51)	5,683	60%	63%
GBP	2	(275)	(274)	(26)	(299)	-3%	-3%
SEK	9	(227)	(218)	(31)	(249)	-2%	-3%
Other currencies	54	6	60	(368)	(307)	1%	-3%
Financial debt by currency	**9,511**	**55**	**9,566**	**(545)**	**9,021**	**100%**	**100%**

At 31/12/2015 (€ million)	Debt before hedging	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% debt after hedging	% net debt after hedging
EUR	4,732	(322)	4,411	24	4,435	45%	48%
USD	4,892	964	5,856	(91)	5,765	60%	62%
GBP	1	(435)	(434)	(42)	(476)	-4%	-5%
SEK	10	(233)	(223)	(42)	(264)	-2%	-3%
Other currencies	77	94	172	(372)	(201)	2%	-2%
Financial debt by currency	**9,712**	**69**	**9,782**	**(524)**	**9,258**	**100%**	**100%**

13.3 Breakdown of debt by currency and type of rate hedging at 30 June 2015 and 31 December 2015

Au 30/06/2015 (€ million)	Debt after hedging by currency	Fixed-rate debt [1]	'Capped' floating rate debt	Non-hedged floating rate debt	% (fixed + capped floating rate debt)/ debt after hedging	Cash	% (fixed + capped floating rate debt)/ net debt
EUR	4,263	3,584	-	678	84%	(69)	85%
USD	5,734	5,015	-	719	87%	(51)	88%
GBP	(274)	-	-	(274)	N.M.	(26)	N.M.
SEK	(218)	-	-	(218)	N.M.	(31)	N.M.
Other currencies	60	-	-	60	N.M.	(368)	N.M.
Total	**9,566**	**8,599**	**-**	**967**	**90%**	**(545)**	**95%**

N.M.: not meaningful.

[1] *Hedge accounting and other derivatives*

At 31/12/2015 (€ million)	Debt after hedging by currency	Fixed-rate debt [1]	'Capped' floating rate debt	Non-hedged floating rate debt	% (fixed + capped floating rate debt)/ debt after hedging	Cash	% (fixed + capped floating rate debt)/ net debt
EUR	4,411	3,583	-	828	81%	24	81%
USD	5,856	4,330	-	1,526	74%	(91)	75%
GBP	(434)	-	-	(434)	N.M.	(42)	N.M.
SEK	(223)	-	-	(223)	N.M.	(42)	N.M.
Other currencies	172	-	-	172	N.M.	(372)	N.M.
Total	**9,782**	**7,913**	**-**	**1,869**	**81%**	**(524)**	**85%**

N.M.: not meaningful.

[1] *Hedge accounting and other derivatives*

13.4 Breakdown of fixed-rate/floating rate debt before and after interest rate hedge instruments at 30 June 2015 and 31 December 2015

	30/06/2015				31/12/2015			
(€ million)	Debt before hedging		Debt after hedging		Debt before hedging		Debt after hedging	
Fixed-rate debt	8,118	85%	8,599	90%	8,743	89%	7,913	81%
'Capped' floating-rate debt	-	-	-	-	-	-	-	-
Floating-rate debt	1,448	15%	967	10%	1,039	11%	1,869	19%
Financial debt after hedging by nature of hedges	**9,566**	**100%**	**9,566**	**100%**	**9,782**	**100%**	**9,782**	**100%**

At 31 December 2015, before taking account of any hedges, 89% of the Group's gross debt was fixed-rate and 11% floating-rate. After hedging, the floating-rate part was 19%.

13.5 Schedule of financial liabilities at 30 June 2015 and 31 December 2015

The following table shows the maturity of future financial liability-related cash flows (nominal and interest). Variable interest flows have been estimated on the basis of rates at 30 June 2015 and 31 December 2015.

At 30/06/2015 (€ million)	Balance sheet value	Contractual flows	< 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Interest		(2,526)	(119)	(229)	(299)	(215)	(214)	(214)	(1,235)
Nominal value		(9,398)	(683)	(1,239)	(1,803)	(371)	(14)	(864)	(4,425)
Gross financial debt	**(9,511)**	**(11,924)**	**(803)**	**(1,468)**	**(2,103)**	**(586)**	**(228)**	**(1,078)**	**(5,660)**
Cross currency swaps:	(121)								
Payable flows		(717)	(1)	(716)	-	-	-	-	-
Receivable flows		594	-	594	-	-	-	-	-
Derivative instruments - liabilities	(147)	(154)	(57)	(24)	(21)	(20)	(20)	(20)	7
Derivative instruments - liabilities	**(267)**	**(277)**	**(58)**	**(145)**	**(21)**	**(20)**	**(20)**	**(20)**	**7**
Total financial liabilities	**(9,779)**	**(12,201)**	**(860)**	**(1,613)**	**(2,124)**	**(606)**	**(247)**	**(1,097)**	**(5,653)**

At 31/12/2015 (€ million)	Balance sheet value	Contractual flows	< 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Interest		(2,538)	(232)	(130)	(303)	(228)	(228)	(228)	(1,187)
Nominal value		(9,425)	(1,581)	(68)	(1,885)	(6)	(6)	(856)	(5,022)
Gross financial debt	**(9,712)**	**(11,963)**	**(1,813)**	**(198)**	**(2,188)**	**(235)**	**(235)**	**(1,085)**	**(6,210)**
Cross currency swaps:	(141)								
Payable flows		(736)	(736)	-	-	-	-	-	-
Receivable flows		594	594	-	-	-	-	-	-
Derivative instruments - liabilities	(92)	(144)	(42)	(14)	(21)	(21)	(21)	(21)	(2)
Derivative instruments - liabilities	**(233)**	**(286)**	**(185)**	**(14)**	**(21)**	**(21)**	**(21)**	**(21)**	**(2)**
Total financial liabilities	**(9,945)**	**(12,249)**	**(1,998)**	**(212)**	**(2,209)**	**(256)**	**(256)**	**(1,106)**	**(6,211)**

13.6 Syndicated loan

At 31 December 2015, the drawdown amount of the multi-currency revolving credit facility was US$150 million, for a total amount of €138 million. The undrawn amount of the multi-currency revolving credit facility was €2,362 million.

13.7 Bonds

Nominal amount	Interest rate	Issue date	Maturity	Carrying amount at 31/12/2015 *(€ million)*
1,200 MEUR	4.88%	18/03/2010	18/03/2016	1,249
850 MUSD	2.95%	12/01/2012	15/01/2017	791
1,000 MEUR	5.00%	15/03/2011	15/03/2017	1,038
850 MEUR	2.00%	20/03/2014	22/06/2020	853
1,000 MUSD	5.75%	07/04/2011	07/04/2021	938
1,500 MUSD	4.45%	25/10/2011	15/01/2022	1,420
800 MUSD	4.25%	12/01/2012	15/07/2022	755
500 MEUR	1.88%	28/09/2015	28/09/2023	473
650 MEUR	2.13%	29/09/2014	27/09/2024	649
850 MUSD	5.50%	12/01/2012	15/01/2042	786
Total bonds				**8,951**

Note 14 – Financial instruments

Fair value of financial instruments:

(€ million)	Measurement level	Breakdown by accounting classification				30/06/2015	
		Fair value – profit	Fair value shareholders' equity	Loans and receivables	Liabilities at amortised cost	Balance sheet value	Fair value
Assets							
Available-for-sale financial assets	Level 3	-	19	-	-	19	19
Guarantees, deposits, investment-related receivables		-	-	56	-	56	56
Other non-current financial assets	Level 2	438	-	-	-	438	438
Trade receivables		-	-	1,152	-	1,152	1,152
Other current assets		-	-	260	-	260	260
Derivative instruments – assets	Level 2	102	-	-	-	102	102
Cash and cash equivalents	Level 1	545	-	-	-	545	545
Liabilities							
Bonds		-	-	-	8,473	8,473	8,900
Bank debt		-	-	-	999	999	999
Finance lease obligations		-	-	-	40	40	40
Derivative instruments – liabilities	Level 2	267	-	-	-	267	267

(€ million)	Measurement level	Breakdown by accounting classification				31/12/2015	
		Fair value – profit	Fair value shareholders' equity	Loans and receivables	Liabilities at amortised cost	Balance sheet value	Fair value
Assets							
Available-for-sale financial assets	Level 3	-	18	-	-	18	18
Guarantees, deposits, investment-related receivables		-	-	50	-	50	50
Other non-current financial assets	Level 2	536	-	-	-	536	536
Trade receivables		-	-	1,789	-	1,789	1,789
Other current assets		-	-	261	-	261	261
Derivative instruments – assets	Level 2	98	-	-	-	98	98
Cash and cash equivalents	Level 1	524	-	-	-	524	524
Liabilities							
Bonds		-	-	-	8,951	8,951	9,310
Bank debt		-	-	-	722	722	722
Finance lease obligations		-	-	-	39	39	39
Derivative instruments – liabilities	Level 2	233	-	-	-	233	233

The methods used are as follows:

- debt: the fair value of the debt is determined for each loan by discounting future cash flows on the basis of market rates at the balance sheet date, adjusted for the Group's credit risk; for floating rate bank debt, fair value is approximately equal to carrying amount;
- bonds: market liquidity enabled the bonds to be valued at their fair value using the quoted prices;
- other long-term financial liabilities: the fair value of other long-term financial liabilities is calculated for each loan by discounting future cash flows using an interest rate taking into account the Group's credit risk at the balance sheet date;
- derivative instruments: the market value of instruments recognised in the financial statements at the balance sheet date was calculated on the basis of available market data, using current valuation models.

The hierarchical levels for fair value disclosures below accord with the definitions in the amended version of IFRS 7 (Financial Instruments: Disclosures):

- Level 1: fair value based on prices quoted in an active market;
- Level 2: fair value measured based on observable market data (other than quoted prices included in Level 1);
- Level 3: fair value determined by valuation techniques based on unobservable market data.

In accordance with IFRS 13, derivatives were measured taking into account the Credit Valuation Adjustment (CVA) and the Debt Valuation Adjustment (DVA). The measurement is based on historical data (rating of counterparty banks and probability of default). At 31 December 2015, the impact was not significant.

Note 15 – Other current liabilities

Other current liabilities are broken down as follows:

(€ million)	30/06/2015	31/12/2015
Taxes and social security	604	668
Other operating payables	311	49
Other payables	5	4
Total	**920**	**721**

Note 16 – Notes to the consolidated cash flow statement

16.1 Working capital requirement

The working capital requirement has increased by €455 million due to a usually stronger activity at the end of December compared to the end of June. It is explained as follows:

- inventories: +€43 million;
- trade receivables: +€696 million;
- trade payables: €(223) million;
- others: €(61) million.

16.2 Capital expenditure

Capital expenditures comprise the rise in capacities of production (distilleries) but also new warehouses and the renewal of equipment (wine storehouses, barrels…) in the production subsidiaries.

16.3 Disposals of tangibles and intangible assets

No main disposals carried out during the semester.

16.4 Increase/decrease in loans

The Group issued bonds for a total amount of €500 million in September 2015.

Note 17 – Shareholders' equity

17.1 Share capital

Pernod Ricard's share capital changed as follows between 1 July 2015 and 31 December 2015:

	Number of shares	Amount (€ million)
Share capital at 1 July 2015	265,421,592	411
Share capital at 31 December 2015	**265,421,592**	**411**

All Pernod Ricard shares are issued and fully paid. Only one category of Pernod Ricard shares exists. These shares obtain double voting rights if they have been nominally registered for an uninterrupted period of 10 years.

17.2 Treasury shares

At 31 December 2015, Pernod Ricard SA and its controlled subsidiaries held 1,488,341 Pernod Ricard shares for a value of €107 million.

These treasury shares are reported, at cost, as a deduction from shareholders' equity.

17.3 Dividends paid and proposed

Following the resolution agreed upon during the Shareholders' Meeting of 6 November 2015, the total dividend in respect of the financial year ended 30 June 2015 was €1.80 per share. An interim dividend payment of €0.82 per share having been paid on 8 July 2015, the balance amounting to €0.98 per share has been paid on 18 November 2015.

Note 18 – Share-based payments

The Group recognised an expense of €15.1 million within operating profit relating to the stock option and the free shares plans applicable at 31 December 2015. A liability of €2.2 million was recognised in other current liabilities at 31 December 2015 in respect of the Stock Appreciation Rights programs (SARs).

The stock option and the free shares plans are equity settled. The SARs programs are cash settled options.

The number of options and outstanding free shares changed as follows between 30 June and 31 December:

	Units
Number of outstanding options / shares at 30 June 2015	4,241,382
Number of options exercised / shares acquired during the period	(357,533)
Number of options / shares cancelled ov er the period	(26,183)
Number of options / shares newly granted ov er the period	697,498
Number of outstanding options / shares at 31 December 2015	**4,555,164**

Note 19 – Off-balance sheet commitments

The Group's off-balance sheet commitments given and received, which amounted respectively to €2,187 million and €2,955 million as of 30 June 2015, decreased by €124 million and €135 million in the first half of the 2015/16 financial year. This variation is mainly due to the drawdown on the multi-currency revolving credit facility which undrawn amount was €2,362 million on 31 December 2015 in comparison with €2,500 million on 30 June 2015.

Note 20 – Contingent liabilities

In February 2015, Pernod Ricard received a final tax reassessment for the financial years 2006/07 to 2010/11 for a total amount of INR 6,732 million, including interest, or €93 million. This final order is mainly related to the tax deductibility of advertising and promotion expenses. Pernod Ricard India, after consulting with its tax advisors, disputes the merits of the reassessment proposal and believes it has a probable chance of success in litigation. Accordingly, no provision has been booked for this matter.

Note 21 – Disputes

In the normal course of business, Pernod Ricard is involved in a number of legal, governmental, arbitration and administrative proceedings.

A provision for such procedures is constituted under "Other provisions for risks and charges" (see Note 12) only when it is likely that a current liability stemming from a past event will require the payment of an amount that can be reliably estimated. In the latter case, the provisioned amount corresponds to the best estimation of the risk. The provisioned amount recorded is based on the assessment of the level of risk on a case by case basis, it being understood that any events arising during the proceedings may at any time require that risk to be reassessed.

The provisions recorded by Pernod Ricard as at 31 December 2015, for all litigation and risks in which it is involved, amounted to €482 million, compared to €508 million at 30 June 2015 (see Note 12). Pernod Ricard provides no further details (other than in exceptional circumstances), as disclosing the amount of any provision for ongoing litigation could cause the Group serious harm.

To the Company's best knowledge, there are no other governmental, legal or arbitration proceedings pending or threatened, including any proceeding of which the Company is aware, which may have or have had over the last 12 months a significant impact on the profitability of the Company and/or the Group, other than those described below.

Disputes relating to brands

Havana Club

The Havana Club brand is owned in most countries by a joint venture company called Havana Club Holding SA (HCH), of which Pernod Ricard is a shareholder, and is registered in over 120 countries in which the Havana Club rum is distributed. In the United States, this brand is owned by a Cuban company (Cubaexport). Ownership of this brand is currently being challenged in the United States by a competitor of Pernod Ricard.

In 1998, the United States passed a law relating to the conditions for the protection of brands previously used by companies nationalised by the Castro regime. This law was condemned by the World Trade Organization (WTO) in 2002. However to date, the United States has not amended its legislation to comply with the WTO's decision.

- The United States Office of Foreign Assets Control (OFAC) decided that this law had the effect of preventing any renewal of the US trademark registration for the Havana Club brand, which, in the United States, has been owned by Cubaexport since 1976. In August 2006, the United States Patent and Trademark Office (USPTO) denied the renewal of the said Havana Club registration, following guidance from the OFAC. Cubaexport petitioned the Director of the USPTO to reverse this decision and also filed a claim against the OFAC challenging both the OFAC's decision and the law and regulations applied by the OFAC. In March 2009, the US District Court for the District of Columbia ruled against Cubaexport. In March 2011, in a two-to-one decision, the Court of Appeals blocked Cubaexport from renewing its trademark. A certiorari petition was filed before the US Supreme Court on 27 January 2012, with the support of the French Government, the National Foreign Trade Council and the Washington Legal Foundation. On 14 May 2012, the Supreme Court denied the petition. This decision has no impact on the Group's financial statements. In November 2015, Cubaexport applied again to OFAC for a specific license to renew the US trademark registration. On 11th January 2016, OFAC granted Cubaexport the requested license and on 13th January 2016, the petition before the Director of the USPTO was granted and the trademark was renewed for the 10 year period ending 27th January 2016. A renewal request for the period of 10 years from 27th January 2016 to 2026 has been submitted to the USPTO.
- A competitor of the Group has petitioned the USPTO to cancel the Havana Club trademark, which is registered in the name of Cubaexport. In January 2004, the USPTO denied the petition and refused to cancel the trademark registration. As this decision was appealed, proceedings are now pending before the Federal District Court for the District of Columbia. These proceedings were stayed pending the outcome of Cubaexport's petition to the USPTO. Following the grant of this petition, it is expected that these proceedings will resume.

These risks constitute a potential obstacle to the Group's business development but there are no foreseeable obligations resulting from these events at the present time. The resolution of these disputes would represent a business development opportunity for the Group.

Stolichnaya

Allied Domecq International Holdings BV and Allied Domecq Spirits & Wine USA, Inc., together with SPI Spirits and other parties, are defendants in an action brought in the United States District Court for the Southern District of New York by entities that claim to represent the interests of the Russian Federation on matters relating to the ownership of the trademarks for vodka products in the United States. In the action, the plaintiffs challenged Allied Domecq International Holdings BV's then-ownership of the Stolichnaya trademark in the United States and sought damages and interest based on vodka sales by Allied Domecq in the United States and disgorgement of the related profits. Their claims concerning Allied Domecq International Holdings BV's then-ownership of the Stolichnaya trademark in the United States having been dismissed in March 2006, the plaintiffs subsequently filed an appeal for the portion of the decision dismissing their trademark ownership, trademark infringement and fraud claims (as well as the dismissal of certain claims brought only against the SPI Group entities).

In October 2010, the Court of Appeals (i) affirmed the dismissal of the plaintiffs' fraud and unjust enrichment claims and (ii) reinstated the plaintiffs' claims for trademark infringement, misappropriation and unfair competition related to the use of the Stolichnaya trademarks. The Court of Appeals has remanded the case to the District Court for further proceedings.

The plaintiffs filed their Third Amended Complaint in February 2011, alleging trademark infringement (and related claims) and misappropriation against Allied Domecq, the SPI Group entities and newly-added defendants William Grant & Sons USA and William Grant & Sons, Inc., (the current distributors of Stolichnaya vodka in the United States). All defendants moved to dismiss the plaintiffs' Third Amended Complaint.

On 1 September 2011, the plaintiffs' trademark and unfair competition claims were dismissed with prejudice on the ground that plaintiffs lacked standing to bring these claims on behalf of the Russian Federation. Because he dismissed the federal trademark claims, the judge declined to exercise jurisdiction over the remaining common law misappropriation claim and thus he dismissed that claim without prejudice to the plaintiffs refiling that claim in a state court.

The District Court having entered judgment on 8 September 2011, the plaintiffs filed a notice of appeal in October 2011.

On 5 August 2013, the Court of Appeals confirmed that the plaintiffs lacked standing to bring claims in the name of the Russian Federation and dismissed their Third Amended Complaint. The plaintiffs' petition to the Supreme Court of the United States for a review of the case was denied on 24 February 2014.

On 4 February 2014, and probably in anticipation of the denial of the Supreme Court, the plaintiffs filed a new complaint before the United States District Court for the Southern District of New York. asserting many of the same claims as the previous action and some additional claims arising from the same alleged facts, including common law claims for trademark infringement and unfair competition. Plaintiffs attached to the complaint a purported assignment of the Russian Federation's alleged US trademark rights, and they asserted that the assignment rectified the lack of standing that was the basis for the courts' dismissal of the first action. Defendants filed a motion to dismiss the new action on a number of grounds, including that the assignment is ineffective to confer standing on the plaintiffs, the claims are untimely, and the claims are barred because of the dismissal of the plaintiffs' previous action.

On 25 August 2014, Judge Shira Scheindlin denied defendants' motion to dismiss plaintiffs' federal claims for trademark infringement but granted defendants' motion to dismiss plaintiffs' other claims. Defendants then filed a motion for reconsideration or to authorize an immediate appeal, and plaintiffs filed a cross-motion for reconsideration; Judge Scheindlin denied both motions. Judge Scheindlin, however, allowed defendants to renew their motion to dismiss on the ground that plaintiffs lack standing to pursue their claims. The parties had until 6 October 2014 to submit reports from Russian legal experts on issues relevant to the plaintiffs' standing.

On 24 November 2014, Judge Shira Scheindlin rejected the new complaint lodged by the plaintiffs on the ground that they lacked standing to pursue their claims. The Judge, based on the conclusion of Russian legal experts, ruled that the Russian Civil Code was preventing the plaintiffs from holding intellectual property rights. The plaintiffs appealed against the decision.

On 26 January 2015, the plaintiffs and Allied Domecq signed a settlement agreement to end to their dispute. On 2 February 2015, the New York Court of Appeal ordered that Allied Domecq should withdraw from the proceedings.

Tax disputes

The Group's companies are regularly audited by the tax authorities in the countries in which they are registered. The estimation of the risk concerning each dispute is regularly reviewed by the affiliate or region concerned and by the Group's Tax Department, with the assistance of external counsel for the most significant or complex cases. Provisions are recognised if necessary. Pernod Ricard provides no further details (other than in exceptional circumstances), as disclosing the amount of any provision for ongoing tax litigation could cause the Group serious harm.

India

Pernod Ricard India (P) Ltd has an ongoing dispute with Indian Customs over the declared transaction value of concentrates of alcoholic beverages (CAB) imported into India. Customs are challenging the transaction values, arguing that some competitors used different values for the import of similar goods. This matter was ruled on by the Supreme Court which issued an order in July 2010, setting out the principles applicable for the determination of values which should be taken into account for the calculation of duty. Pernod Ricard India (P) Ltd has already paid the corresponding amounts up to 2001. Regarding the subsequent period up to December 2010, the Company has deposited almost the entire differential duty as determined by customs, although the values adopted by them are being disputed as being on the high side. The Company continues to actively work with the authorities to resolve pending issues.

Furthermore, Pernod Ricard received in February 2015 a final tax reassessment for the financial years 2006/07 to 2010/11, mainly related to the tax deductibility of advertising and promotion expenses (see Note 20 – Contingent liabilities).

The above-mentioned disputes are only the subject of provisions, which, where appropriate, are recorded in Other provisions for risks and charges (see Note 12), when it is likely that a current liability stemming from a past event will require the payment of an amount which can be reliably estimated. The amount of the provision is the best estimate of the outflow of resources required to extinguish this liability.

Note 22 – Related parties

During the first half-year ended 31 December 2015, relations between the Group and its associates remained the same as in the financial year ended 30 June 2015, as mentioned in the annual report. In particular, no transactions considered unusual with regards to their nature or amount occurred over the period.

Note 23 – Subsequent Events

At 29 January 2016, Pernod Ricard, via its German affiliate Pernod Ricard Deutschland, announced the signing of the agreement for the acquisition of a majority share of the dry-gin brand Monkey 47, produced in the Black Forest region in Germany. With this investment, Pernod Ricard expands its portfolio further into the fast growing super premium gin category. Monkey 47 is already a very successful gin having won over many loyal consumers in the past years. The closing of the transaction is subject to approval by the relevant competition authorities.

4/ Statutory auditors' review report on the interim financial statements

Statutory auditors' review report on the first half-yearly financial information for the period from July 1st July to December 31st, 2015

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and it is provided solely for the convenience of English-speaking users. This report also includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

To the shareholders,

In accordance with the assignment entrusted to us by your General Meeting, and in accordance with the requirements of article L.451-1-2 III of the French monetary and financial code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Pernod Ricard for the period from July 1st to December 31st, 2015, and
- the verification on the information contained in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report in respect of the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and its consistency with the condensed half-yearly consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, February 11th, 2016

The statutory auditors

French original signed by

Deloitte & Associés		Mazars
David Dupont-Noel	Isabelle Sapet	Erwan Candau

Pernod Ricard

Pernod Ricard is a French public limited company
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Pernod Ricard
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