6

Annual consolidated financial statements

6.1 Annual consolidated income statement

€ millions	30.06.2022	30.06.2023	Notes
Net sales	10,701	12,137	2
Cost of sales	(4,228)	(4,891)	2
Gross margin after logistics expenses	**6,473**	**7,246**	**2**
Advertising and promotion expenses	(1,698)	(1,939)	2
Contribution after advertising and promotion expenses	**4,775**	**5,307**	**2**
Structure costs	(1,751)	(1,959)	
Profit from recurring operations	**3,024**	**3,348**	
Other operating income/(expenses)	(62)	(83)	3.1
Operating profit	**2,963**	**3,265**	
Financial expenses	(308)	(380)	3.2
Financial income	48	53	3.2
Financial income/(expense)	**(260)**	**(327)**	
Corporate income tax	(676)	(651)	3.3
Share of net profit/(loss) of associates	5	(4)	
Net profit of discontinued and held for sale activities	—	—	
Net profit	**2,031**	**2,283**	
of which:			
• non-controlling interests	35	21	
• attributable to Group shareholders	1,996	2,262	
Earnings per share – basic *(€)*	7.71	8.84	3.4
Earnings per share – diluted *(€)*	7.69	8.81	3.4

6.2 Consolidated statement of comprehensive income

€ millions	30.06.2022	30.06.2023
Net profit for the period	**2,031**	**2,283**
Non-recyclable items	—	—
Actuarial gains/(losses) related to defined benefit plans	**52**	**(34)**
Amounts recognised in shareholders' equity	*63*	*(40)*
Tax impact	*(10)*	*6*
Shareholder equity instruments	**(86)**	**(13)**
Unrealised gains and losses recognised in shareholders' equity	*(72)*	*(14)*
Tax impact	*(14)*	*1*
Recyclable items	—	—
Net investment hedges	**(41)**	**5**
Amounts recognised in shareholders' equity	*(56)*	*7*
Tax impact	*15*	*(2)*
Cash flow hedges	**11**	**(10)**
Amounts recognised in shareholders' equity(1)	*14*	*(13)*
Tax impact	*(3)*	*3*
Translation differences	**880**	**(548)**
Other comprehensive income/(expense) for the period, net of tax	**818**	**(600)**
Comprehensive income for the period	**2,849**	**1,683**
o/w:	—	
• attributable to Group shareholders	2,789	1,709
• non-controlling interests	60	(26)

(1) No impact reclassified to profit or loss for the period.

6.3 Consolidated balance sheet

ASSETS

€ millions	30.06.2022	30.06.2023	Notes
Net amounts			
NON-CURRENT ASSETS			
Intangible assets	11,512	12,250	4.1
Goodwill	6,145	6,750	4.1
Property, plant and equipment	3,591	3,901	4.2
Non-current financial assets	761	855	4.3
Investments in associates	243	37	
Non-current derivative instruments	4	5	4.3/4.10
Deferred tax assets	1,844	1,870	3.3
Total non-current assets	**24,100**	**25,667**	
CURRENT ASSETS			
Inventories and work in progress	7,369	8,104	4.4
Trade receivables and other operating receivables	1,388	1,814	4.5
Income taxes receivable	145	31	
Other current assets	435	435	4.6
Current derivative instruments	32	15	4.3/4.10
Cash and cash equivalents	2,527	1,609	4.8
Total current assets	**11,896**	**12,008**	
Assets held for sale	15	1	
TOTAL ASSETS	**36,012**	**37,676**	

LIABILITIES AND SHAREHOLDERS' EQUITY

€ millions	30.06.2022	30.06.2023	Notes
SHAREHOLDERS' EQUITY			
Share capital	400	396	6.1
Share premium	3,052	3,052	
Retained earnings and translation differences	10,496	10,006	
Group share of net profit	1,996	2,262	
Group shareholders' equity	**15,944**	**15,717**	
Non-controlling interests	309	998	
Total shareholders' equity	**16,253**	**16,715**	
NON-CURRENT LIABILITIES			
Non-current provisions	318	294	4.7
Provisions for pensions and other long-term employee benefits	361	349	4.7
Deferred tax liabilities	3,139	3,134	3.3
Bonds – non-current	9,238	9,678	4.8
Non-current lease liabilities	400	384	4.8
Other non-current financial liabilities	179	173	4.8
Non-current derivative instruments	18	14	4.10
Total non-current liabilities	**13,653**	**14,026**	
CURRENT LIABILITIES			
Current provisions	150	164	4.7
Trade payables	3,019	3,461	
Income taxes payable	263	113	3.3
Other current liabilities	1,311	1,556	4.11
Bonds – current	842	580	4.8
Current lease liabilities	107	99	4.8
Other current financial liabilities	406	956	4.8
Current derivative instruments	9	6	4.10
Total current liabilities	**6,107**	**6,935**	
Liabilities related to assets held for sale	0	0	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**36,012**	**37,676**	

6.4 Annual consolidated statement of changes in shareholders' equity

€ millions	Share capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Cumulative translation differences	Treasury shares	Group shareholders' equity	Non-controlling interests	Total shareholders' equity
Opening position at 1 July 2021	**406**	**3,052**	**12,075**	**(320)**	**70**	**(314)**	**(140)**	**14,829**	**246**	**15,075**
Impact of changes to standards(1)	**—**	**—**	**(17)**	**—**	**—**	**—**	**—**	**(17)**	**—**	**(17)**
Opening position at 1 July 2021 – restated	**406**	**3,052**	**12,058**	**(320)**	**70**	**(314)**	**(140)**	**14,812**	**246**	**15,057**
Comprehensive income for the period	—	—	1,996	52	(74)	814	—	2,789	60	2,849
Change in share capital	(6)	—	—	—	—	—	—	(6)	—	(6)
Share-based payments	—	—	40	—	—	—	—	40	—	40
(Acquisition)/Disposal of treasury shares	—	—	(795)	—	—	—	(12)	(807)	—	(807)
Dividends and interim dividends distributed	—	—	(866)	—	—	—	—	(866)	(10)	(876)
Other transactions with non-controlling interests	—	—	(12)	—	—	—	—	(12)	13	1
Other movements	—	—	(5)	—	—	—	—	(5)	—	(5)
Closing position at 30 June 2022	**400**	**3,052**	**12,416**	**(268)**	**(4)**	**500**	**(152)**	**15,944**	**309**	**16,253**

(1) The opening adjustments relate to the IFRIC interpretation on IAS 19 for €8 million, and the IFRIC interpretation on IAS 38 after the effect of tax, for €(25) million.

€ millions	Share capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Cumulative translation differences	Treasury shares	Group shareholders' equity	Non-controlling interests	Total shareholders' equity
Opening position at 1 July 2022	**400**	**3,052**	**12,416**	**(268)**	**(4)**	**500**	**(152)**	**15,944**	**309**	**16,253**
Comprehensive income for the period	—	—	2,262	(34)	(23)	(498)	—	1,709	(26)	1,683
Change in share capital	(4)	—	—	—	—	—	—	(4)	—	(4)
Share-based payments	—	—	44	—	—	—	—	44	—	44
(Acquisition)/Disposal of treasury shares	—	—	(474)	—	—	—	(309)	(783)	—	(783)
Dividends and interim dividends distributed	—	—	(1,177)	—	—	—	—	(1,177)	(36)	(1,213)
Other transactions with non-controlling interests	—	—	(15)	—	—	—	—	(15)	751	736
Other movements	—	—	(1)	—	—	—	—	(1)	(1)	(2)
Closing position at 30 June 2023	**396**	**3,052**	**13,055**	**(301)**	**(27)**	**3**	**(462)**	**15,717**	**998**	**16,715**

6.5 Annual consolidated cash flow statement

€ millions	30.06.2022	30.06.2023	Notes
CASH FLOWS FROM OPERATING ACTIVITIES			
Group share of net profit	1,996	2,262	
Non-controlling interests	35	21	
Share of net profit/(loss) of associates, net of dividends received	(5)	4	
Financial (income)/expenses	260	327	
Tax (income)/expenses	676	651	
Net profit from discontinued operations	—	—	
Depreciation of fixed assets	381	417	
Net change in provisions	7	(74)	
Net change in impairment of goodwill, property, plant and equipment and intangible assets	10	52	
Changes in fair value of commercial derivatives	2	(7)	
Changes in fair value of biological assets and investments	(4)	(80)	
Net (gain)/loss on disposal of assets	(5)	(74)	
Share-based payments	40	44	
Self-financing capacity before financing interest and taxes	**3,392**	**3,543**	
Decrease/(increase) in working capital requirement	(252)	(568)	5.1
Interest paid	(275)	(292)	
Interest received	48	4	
Tax paid/received	(619)	(654)	
Net cash from operating activities	**2,294**	**2,033**	
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure	(506)	(702)	
Proceeds from disposals of property, plant and equipment and intangible assets	25	100	
Purchases of financial assets and activities	(735)	(1,159)	5.2
Disposals of financial assets and activities	12	30	5.2
Net cash used in investing activities	**(1,203)**	**(1,731)**	
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends and interim dividends paid	(826)	(1,072)	
Other changes in shareholders' equity	—	—	
Issuance of long-term debt	1,564	1,702	5.3
Repayment of debt	(493)	(845)	5.3
Repayment of lease liabilities	(115)	(116)	
(Acquisition)/Disposal of treasury shares	(813)	(786)	
Net cash used in financing activities	**(683)**	**(1,117)**	
Cash flows from non-current assets held for sale	—	—	
Increase/(Decrease) in cash and cash equivalents before foreign exchange impact	**407**	**(815)**	
Translation differences	42	(103)	
Increase/(Decrease) in cash and cash equivalents after foreign exchange impact	**449**	**(918)**	
Cash and cash equivalents at beginning of period	**2,078**	**2,527**	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,527**	**1,609**	

6.6 Notes to the consolidated financial statements

DETAILED CONTENTS FOR THE NOTES

Pernod Ricard SA is a French public limited company *(Société Anonyme)*, subject to all laws governing commercial companies in France, including in particular the provisions of the French Commercial Code *(Code de commerce)*. The Company has its registered office at 5, cours Paul Ricard, 75008 Paris, France, and is listed on the Euronext stock exchange. The annual consolidated financial statements reflect the accounting position of Pernod Ricard and its affiliates (the “Group”). They are reported in millions of euros, rounded to the nearest million.

The Group manufactures and sells wines and spirits.

The Board of Directors authorised the issue of the annual consolidated financial statements for the financial year ended 30 June 2023 on 30 August 2023.

NOTE 1 Accounting policies and significant events

Note 1.1 Accounting policies and principles

1 Principles and accounting standards governing the preparation of the annual consolidated financial statements

Given its listing in a country of the European Union, and in accordance with Regulation (EC) No. 1606/02, the Group's annual consolidated financial statements for the financial year ended 30 June 2023 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The accounting policies used to prepare the FY 2023 annual consolidated financial statements are consistent with those used for the FY 2022 annual consolidated financial statements. The Group does not early adopt standards or interpretations.

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

2 Changes in accounting standards

Standards, amendments and interpretations applicable since 1 July 2022

Since 1 July 2022, the following amendments and interpretations have come into force:

- Amendment to IFRS 3 – References to the Conceptual Framework;
- Amendment to IFRS 16 – Lease Liability in a Sale and Leaseback;
- Amendment to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract;
- Annual Improvements to IFRS Standards 2018-2020 – annual improvements cycle.

The application of these amendments had no material impact on the Group's financial statements at 30 June 2023.

The Group did not anticipate any standard that it was not required to apply in 2023.

Future changes in accounting standards and regulations

OECD Pillar Two rules providing for a 15% minimum tax per jurisdiction for multinational corporations have been adopted by the EU and should therefore apply as from 1 January 2024; however the European directive has not yet been transposed into French law at the date of publication of the financial statements (the Group is closely monitoring the status implementation in the various jurisdictions that have adopted the OECD tax reform).

The Group is working to estimate the subsequent impacts of Pillar Two on the financial statements. No deferred tax was booked in the annual consolidated financial statements at 30 June 2023 with respect to additional future income tax.

3 Measurement basis

The financial statements are prepared in accordance with the historical cost method, except for certain categories of assets and liabilities, which are measured in accordance with the methods provided by IFRS.

4 Principal uncertainties arising from the use of estimates and judgements by management

Estimates

The preparation of consolidated financial statements in accordance with IFRS means that Group management makes a certain number of estimates and assumptions which have an impact on the amount of the Group's assets and liabilities, and items of profit and loss during the financial year. These estimates are made on the assumption that the Company will continue as a going concern, and are based on information available at the time of their preparation. Estimates may be revised where the circumstances on which they were based change or where new information becomes available. Future outcomes can differ from these estimates.

Goodwill and intangible assets

As indicated in Note 4.1 – *Intangible assets and goodwill*, in addition to annual impairment tests applied to goodwill and intangible assets with indefinite useful lives (such as trademarks), the Group carries out spot impairment tests where there is an indication that an intangible asset may be impaired. Any impairment loss is calculated using discounted future cash flows and/or the market values of the assets in question. These calculations require the use of assumptions regarding market conditions and projected cash flows, and any changes in these assumptions may thus lead to results different from those initially estimated.

Provisions for pensions and other post-employment benefits

As indicated in Note 4.7 – *Provisions*, the Group runs defined benefit and defined contribution pension plans. In addition, provisions are also recognised in virtue of certain other post-employment benefits such as life insurance and medical care (mainly in the United States and the United Kingdom). The carrying amount of these provisions at the balance sheet date is set out in Note 4.7 – *Provisions*.

These benefit obligations are based on a number of assumptions such as discount rates, future salary increases, employee turnover and life expectancy.

These assumptions are generally updated annually. The assumptions used in the preparation of the financial statements for the year ended 30 June 2023 and the procedures used in their determination are set out in Note 4.7 – *Provisions*. The Group considers that the actuarial assumptions used are appropriate and justified. However, such actuarial assumptions may change in the future and this may have a material impact on the amount of the Group's benefit obligations and on its profits.

Deferred tax

As indicated in Note 3.3 – *Corporate income tax*, the deferred tax assets recognised result mainly from tax loss carryforwards and from temporary differences between the tax base and the carrying amounts of assets and liabilities. Deferred tax assets in respect of tax losses are recognised if it is probable that the Group will have future taxable profits against which such losses may be used. The assessment of whether the Group will be able to use these tax losses is largely a matter of judgement. Analyses are carried out to decide whether or not these tax loss carryforwards are likely to be usable in the future.

Provisions

As explained in Note 4.7 – *Provisions*, the Group is involved in a number of disputes and claims arising in the ordinary course of its business. In some cases, the amounts sought by the claimants are significant and the legal proceedings can take several years. In this context, provisions are calculated on the basis of the Group's best estimate of the amount that will be payable based on the information available (notably that provided by the Group's legal advisers). Any change to assumptions can have a significant effect on the amount of the provision recognised. The carrying amount of these provisions at the balance sheet date is set out in Note 4.7 – *Provisions*.

Judgements

In the absence of standards or interpretations applicable to a specific transaction, Group management uses its judgement to define and apply accounting policies that provide relevant and reliable information in the context of the preparation of the financial statements.

Hyperinflation

According to the provisions of IAS 29, Argentina and Turkey are considered to be hyperinflationary economies.

However, given the contribution of operations in Argentina and Turkey to the Group's financial statements, the impact of the application of IAS 29 has been deemed non-material, and the corresponding restatements have not been made.

5 Business combinations

Business combinations carried out before 1 July 2009 were recognised using the accounting standards in force at 30 June 2009. Business combinations after 1 July 2009 are measured and recognised in accordance with the revised version of IFRS 3, whereby the consideration transferred (cost of the acquisition) is measured at the fair value of assets transferred, equity interests issued and liabilities incurred at the acquisition date. Identifiable assets and liabilities of the acquiree are measured at fair value at the acquisition date. Costs directly attributable to the acquisition, such as legal, due diligence and other professional fees are recognised as other operating expenses as incurred.

Any consideration transferred in excess of the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities is recognised as goodwill. The option is available for each transaction to apply either proportionate or full goodwill methods. Goodwill arising on the acquisition of foreign entities is denominated in the functional currency of the business acquired. Goodwill is not amortised. Instead, it is subject to an impairment test once a year or more often if there is any indication that it may have been impaired.

Finally, in accordance with IFRS 3 as revised and IAS 27 as amended, the Group recognises in shareholders' equity the difference between the consideration transferred and the proportionate share of non-controlling interests in the fair value of acquired assets and liabilities.

6 Foreign currency translation

6.1 Presentation currency used in the consolidated financial statements

The Group's annual consolidated financial statements are prepared in euros, which is the functional currency and the presentation currency of the Parent Company.

6.2 Functional currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. In most cases, the functional currency is the entity's local currency. However, in a very limited number of entities, a functional currency that is different from the local currency may be used if it reflects the entity's economic environment and the currency in which most of the entity's transactions are denominated.

6.3 Translation of transactions denominated in foreign currencies

Transactions denominated in foreign currencies are generally translated into the functional currency using the exchange rate applicable at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies are recognised at the historical exchange rate applicable at the transaction date. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rate. Any resulting exchange differences are recognised in profit and loss for the period, except for exchange differences arising on debts designated as hedges for the net foreign currency assets of consolidated affiliates. These are recognised directly in shareholders' equity, under translation differences, until the disposal of the net investment. Exchange differences related to operating activities are recognised within operating income and expenses for the period; exchange differences related to financing activities are recognised within financial income and expenses or in shareholders' equity.

6.4 Translation of financial statements of affiliates whose functional currency is different from the euro (the presentation currency)

The balance sheet is translated into euros at the year-end exchange rate. The income statement and cash flow statement are translated on the basis of average exchange rates. The differences resulting from the translation of the financial statements of these affiliates are recognised in translation differences within shareholders' equity under other comprehensive income. On disposal of a foreign entity, the cumulative translation differences recognised in shareholders' equity are reclassified in profit and loss.

7 Assets held for sale and discontinued operations

In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", where they are significant, assets and liabilities held for sale are no longer subject to depreciation or amortisation. They are shown separately in the balance sheet at the lower of the carrying amount or the fair value less costs to sell. An asset is considered as being held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In order for this to be the case, the asset must be available for immediate sale and its sale must be highly probable. Items in the balance sheet related to discontinued operations and assets held for sale are presented under specific lines in the annual consolidated financial statements. Income statement items related to discontinued operations and assets held for sale are presented separately in the financial statements for all periods reported if they are significant from a Group perspective.

8 Consideration of climate risks

In 2023, the Group conducted its first climate scenario analysis following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), for a selection of three risk categories: shortage of agricultural raw materials, business interruption risks on production sites, and strengthening of carbon price mechanisms.

On a long-term perspective, the analysis results show that few terroirs and productions sites, mainly in India and Brazil, are most likely exposed to extreme climate events.

Regarding the impacts of carbon pricing mechanisms, Pernod Ricard believes that reaching its 2030 Science-Based Target (SBT) would avoid major costs, thanks to reduced operating costs related to lower Scope 1 and 2 emissions. The estimation of direct and indirect impacts along Pernod Ricard's value chain is still ongoing due to their complexity. Although still difficult to predict, it is not impossible that this reduction in energy expenditure and the adaptation plan for the risk of increased carbon prices will result in a long-term financial benefit compared with a business-as-usual scenario without the implementation of any additional decarbonisation measure.

Considering the information studied to date, the Group believes that climate change has no short-term impact on the assumptions used to prepare the financial statements, given the nature of its business and its geographical footprint. The Group's consideration of climate change mitigation and adaptation concerns is notably reflected in its "Good Times from a Good Place" strategy through its commitments in terms of "Net Zero Carbon", the supply of sustainable agricultural raw materials, the footprint of its terroirs and the circularity of its packaging and promotional items.

In addition:

- Pernod Ricard has taken into account the future effects deemed most likely in the medium and long term relating to these climate challenges, more responsible consumption habits and the cost of implementing the "Good Times from a Good Place" strategy in its business plans for the preparation of its impairment tests. The Group's exposure to climate impacts could result in price changes of raw materials, energy and freight.
- The implementation of this strategy does not challenge the useful life of its tangible assets. But, in line with the Group's roadmap, it will require additional investments to reduce the climate impact of its activities.
- Pernod Ricard's climate commitments in terms of reducing greenhouse gases and water consumption are also reflected in its financing strategy:
  - Since 2022, the Group has issued sustainability-linked bonds (SLBs) for a total of €1.9 billion, with the interest rates linked to the achievement of the Group's sustainability objectives.
  - Pernod Ricard also entered into its first sustainability-linked revolving credit facilities totalling €2.1 billion to refinance an existing facility expiring in June 2024.

Note 1.2 Significant events during the financial year

1 Acquisitions and disposals

Strengthening of the partnership with Sovereign Brands

On 30 November 2022, Pernod Ricard entered into an agreement strengthening its partnership with Sovereign Brands and leading to a further investment amounting to approximately 23% being made in addition to the 10% stake held since September 2021. Sovereign Brands is a family company founded by brothers Brett and Brian Berish, who are among the industry's most innovative and creative spirits brand builders.

The group has a unique portfolio of forward-thinking brands in their respective categories, with a global presence, especially in the world's leading wine & spirits market, the United States. This acquisition gives Pernod Ricard a c.33% stake in its share capital and voting rights.

Under the agreement, the Group also has various call options, including a first six-year option that is currently exercisable and would enable Pernod Ricard to increase its stake to 50.1% of the share capital and acquire control of the company. In the event of the exercise of this first call option, the partners would have a put option on approximately 10% of the share capital, which is also reflected in the off-balance sheet commitments in Note 6.3 to the consolidated financial statements.

The analysis of the terms for exercising the first call option led Pernod Ricard to fully consolidate Sovereign Brands from 30 November 2022. The Group also has subsequent call options enabling it to gradually acquire up to 100% of the share capital of Sovereign Brands.

In addition, this transaction resulted in the recognition of a gain on disposal on the 10% interest previously held, recognised in other operating income and expenses for €68 million, including €24 million from the reclassification to profit and loss of the cumulative translation differences recognised in shareholders' equity since 1 September 2021.

Acquisition of Código 1530 ultra premium and prestige tequila

On 1 December 2022, Pernod Ricard entered into an agreement to acquire 50.1% of the share capital and voting rights of the companies that make up the Código group, enabling it to strengthen its portfolio of agave-based spirits. These companies are controlled and fully consolidated.

Acquisition of Skrewball, a super-premium peanut-butter-flavoured American whiskey

On 30 April 2023, Pernod Ricard entered into an agreement to acquire 70% of the share capital and 100% of the voting rights of Skrewball LLC. The transaction expands the Group's portfolio of iconic brands in the fast-growing flavoured whiskey category. Skrewball LLC has been fully consolidated since 30 April 2023.

Assets acquired and liabilities assumed as part of the transactions

€ millions	Sovereign Brands
Net assets acquired (100%)*	1,065
Net assets attributable to non-controlling interests**	717
Provisional goodwill, Group share	478
Fair value of consideration transferred and previously held equity interest	**826**

* *Mainly comprising trademarks for €879 million, operating assets and cash.*
** *Non-controlling interests are recognised as their proportionate share in the fair value of the acquiree's assets and liabilities.*

€ millions	Código
Net assets acquired (100%)*	176
Net assets attributable to non-controlling interests**	88
Provisional goodwill, Group share	147
Fair value of consideration transferred	**236**

* *Mainly comprising the trademark for €148 million.*
** *Non-controlling interests are recognised as their proportionate share in the fair value of the acquiree's assets and liabilities.*

€ millions	Skrewball
Net assets acquired (100%)*	83
Net assets attributable to non-controlling interests**	25
Provisional goodwill, Group share	160
Fair value of consideration transferred	**218**

* *Mainly comprising the trademark for €88 million.*
** *Non-controlling interests are recognised as their proportionate share in the fair value of the acquiree's assets and liabilities.*

2 Bond issues and redemption

On 15 July 2022, Pernod Ricard SA redeemed in full a USD 800 million bond that had matured, bearing a coupon of 4.25%. On 2 November 2022, Pernod Ricard SA carried out a sustainability-linked bond issue for an amount of €1,100 million across two tranches: a €600 million six-year tranche and a €500 million ten-year tranche, bearing interest at the fixed annual rate of 3.25% and 3.75%, respectively. The bond is linked to two environmental commitments: a reduction in the Group's absolute greenhouse gas emissions (Scopes 1 and 2), and a reduction in its water consumption per unit of alcohol produced at distilleries. The financial terms of the bond stipulate that (i) failure to achieve the target for either of the two criteria on the first target observation date, i.e., at the end of FY 2025, will result in a coupon step-up of 0.125%; and (ii) failure to achieve the target for either of the two criteria on the second target observation date, i.e., at the end of FY 2030, will result in a coupon step-up of 0.25%. The step-up will apply from the first day of the interest period following the first and second observation dates, through to maturity.

On 27 April 2023, Pernod Ricard signed a new sustainability-linked loan totalling €2.1 billion in order to refinance ahead of term its existing €2.5 billion credit facility maturing in June 2024. The loan has an initial maturity of five years, i.e., 27 April 2028, with two one-year extension options. The facility is linked to two environmental commitments: a reduction in the Group's absolute greenhouse gas emissions (Scopes 1 and 2) on operated sites, and a reduction in its water consumption per unit of alcohol produced at distilleries.

3 Impact of the Russia-Ukraine conflict

In the context of the war between Russia and Ukraine, Pernod Ricard took the decision, at the end of April 2023, to stop all exports of its international brands to Russia. Ceasing the distribution of the Group's portfolio in Russia is a process that will take several months to complete.

Pernod Ricard has adapted its local organisation in light of this decision, and the total impact of winding down operations, mainly severance payments, has been recognised in other operating income and expenses.

Residual assets held by the Group in the country are not material, and primarily relate to inventories and right-of-use assets under leases.

NOTE 2 Segment information

Net sales

The Group's net sales primarily comprise sales of finished products, and are recorded in the income statement upon transfer of control of the products. They are measured at the fair value of the consideration received or to be received, after deducting trade discounts, volume rebates, certain costs associated with business and promotional activity and sales-related taxes and duties, notably excise duties.

Costs of commercial and promotional activity

Pursuant to IFRS 15, certain costs of services rendered in connection with sales, such as advertising programmes in conjunction with distributors, listing costs for new products, promotional activities at point of sale, and advertising and promotion expenses, are deducted directly from net sales if there is no distinct service whose fair value can be reliably measured.

Duties and taxes

In accordance with IFRS 15, certain import duties, in Asia for instance, are classified as cost of sales, as these duties are not specifically re-billed to customers (as is the case for social security stamps in France, for example).

Discounts

In accordance with IFRS 15, early payment discounts are not considered to be financial transactions, but rather are deducted directly from net sales.

Gross margin after logistics expenses, contribution after advertising and promotion expenses, profit from recurring operations and other operating income and expenses

The gross margin after logistics expenses corresponds to net sales (excluding duties and taxes), less cost of sales and logistics expenses. The contribution after advertising and promotion expenses includes the gross margin after logistics expenses and advertising and promotion expenses. The Group applies Recommendation 2013-R03 of the French accounting standards-setter (*Autorité des Normes Comptables* – ANC), notably as regards the definition of profit from recurring operations. Profit from recurring operations is the contribution after advertising and promotion expenses less trading costs and overheads. This is the indicator used internally to measure the Group's operational performance. It excludes other operating income and expenses, such as those related to restructuring, capital gains and losses on disposals, impairment of property, plant and equipment and intangible assets, and other non-recurring operating income and expenses. These other operating income and expenses are excluded from profit from recurring operations given their unusual, abnormal and infrequent nature, which would distort the understanding of the Group's performance. They are described in detail in Note 3.1 – Other operating income/(expenses).

The Group is focused on the business of selling and manufacturing wines and spirits. The Group is structured into three operating segments constituted by the following geographical areas: Americas, Europe, and Asia/Rest of the World.

Group management assesses the performance of each operating segment on the basis of net sales and profit from recurring operations, defined as the gross margin after logistics expenses, less advertising and promotion expenses and structure costs. The segments presented are identical to those included in the reporting provided to General Management, in particular for performance analysis.

Income statement and balance sheet items are allocated among the segments 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. Inter-segment transfers are transacted at market prices.

30.06.2022 **€ millions**	**Americas**	**Asia/Rest of the World**	**Europe**	**Total**
Income statement items				
Segment net sales	4,565	7,049	5,204	16,818
o/w inter-segment sales	*1,432*	*2,611*	*2,074*	*6,116*
Net sales (excluding Group)	**3,133**	**4,438**	**3,130**	**10,701**
Gross margin after logistics expenses	2,059	2,496	1,918	6,473
Contribution after advertising and promotion expenses	1,491	1,862	1,422	4,775
Profit from recurring operations	1,014	1,220	790	3,024
Other information				
Current investments	76	159	382	616
Depreciation, amortisation and impairment	(39)	(114)	(237)	(391)

30.06.2023 € millions	Americas	Asia/Rest of the World	Europe	Total
Income statement items				
Segment net sales	4,076	6,371	9,297	19,744
o/w inter-segment sales	*595*	*1,179*	*5,832*	*7,606*
Net sales (excluding Group)	**3,481**	**5,191**	**3,465**	**12,137**
Gross margin after logistics expenses	2,220	2,969	2,057	7,246
Contribution after advertising and promotion expenses	1,534	2,229	1,544	5,307
Profit from recurring operations	965	1,516	867	3,348
Other information				
Current investments	185	163	486	834
Depreciation, amortisation and impairment	(73)	(104)	(289)	(467)

The impact of right-of-use assets on current investments and depreciation, amortisation and impairment is as follows:

30.06.2023 € millions	Americas	Asia/Rest of the World	Europe	Total
Current investments	17	57	56	129
Depreciation, amortisation and impairment	(14)	(49)	(57)	(120)

Breakdown of net sales

€ millions	30.06.2022	30.06.2023	Change (€ millions)	Change (%)
Strategic International Brands	6,780	7,694	914	13 %
Strategic Local Brands	1,917	2,151	234	12 %
Strategic wines	485	478	(7)	(1)%
Specialty	598	755	157	26 %
Other products	921	1,059	138	15 %
TOTAL	**10,701**	**12,137**	**1,436**	**13 %**

NOTE 3 Notes to the income statement

Note 3.1 Other operating income/(expenses)

Other operating income and expenses include impairment of property, plant and equipment and intangible assets, costs relating to restructuring and integration, capital gains or losses on disposals, as well as other non-recurring operating income and expenses. These other operating income and expenses are excluded from profit from recurring operations given their unusual, abnormal and infrequent nature, which would distort the understanding of the Group's performance.

Other operating income and expenses break down as follows:

€ millions	30.06.2022	30.06.2023
Impairment of property, plant and equipment and intangible assets	(10)	(35)
Gains or losses on asset disposals and acquisition costs	(8)	125
Net restructuring and reorganisation expenses	(23)	(163)
Disputes and risks	(17)	18
Other non-recurring operating income and expenses	(5)	(28)
Other operating income/(expenses)	**(62)**	**(83)**

At 30 June 2023, other operating income and expenses consisted mainly of restructuring expenses for €163 million and income and expenses relating to M&A activities (net income of €125 million), in particular gains on disposals of property, plant and equipment and shares previously accounted for by the equity method (Section 1 of Note 1.2 – *Significant events during the financial year).*

Note 3.2 Financial income/(expense)

€ millions	30.06.2022	30.06.2023
Interest expense on net financial debt	(236)	(267)
Interest expense on lease liabilities	(12)	(12)
Interest income on net financial debt	48	7
Net financing cost	**(200)**	**(272)**
Structuring and placement fees	(2)	(2)
Net financial impact of pensions and other long-term employee benefits	(11)	(11)
Other net financial income/(expense) from recurring operations	(1)	(7)
Financial income/(expense) from recurring operations	**(215)**	**(291)**
Foreign currency gains/(losses)	(20)	(30)
Other non-recurring financial income and expenses	(24)	(5)
TOTAL FINANCIAL INCOME/(EXPENSE)	**(260)**	**(327)**

In the 12 months to 30 June 2023, the net financing cost included financial expenses of €204 million on bonds, factoring and securitisation agreements for €31 million, interest on lease liabilities for €12 million, and other expenses for €25 million.

Weighted average cost of debt

The Group's weighted average cost of debt was 2.6% over FY 2023 compared to 2.3% over FY 2022.

Weighted average cost of debt is defined as net financing costs plus structuring and placement fees as a proportion of average net financial debt outstanding plus the average amount outstanding on factoring and securitisation programmes.

Note 3.3 Corporate income tax

Analysis of the income tax expense

€ millions	30.06.2022	30.06.2023
Current income tax	(580)	(624)
Deferred income tax	(97)	(27)
TOTAL	**(676)**	**(651)**

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

€ millions	30.06.2022	30.06.2023
Operating profit	2,963	3,265
Financial income/(expense)	(260)	(326)
Taxable profit	**2,703**	**2,938**
Theoretical tax expense at the income tax rate in France	(768)	(759)
Impact of tax rate differences by jurisdiction	211	172
Tax impact of changes in exchange rates	(14)	17
Re-estimation of deferred tax assets linked to tax rate changes	5	(1)
Impact of tax losses used/not used	(8)	31
Impact of reduced/increased tax rates on taxable results	—	—
Taxes on distributions	(35)	(40)
Other impacts	(67)	(72)
Effective income tax expense	**(676)**	**(651)**
Effective tax rate	**25 %**	**22 %**

Deferred tax is recognised on temporary differences between the tax and book values of assets and liabilities in the consolidated balance sheet and is measured using the balance sheet approach. Deferred taxes relating to right-of-use assets and lease liabilities are recognised on a net basis. The effects of changes in tax rates are recognised in shareholders' equity or in profit and loss in the year in which the change of tax rates is decided. Deferred tax assets are recognised in the balance sheet when it is more likely than not that they will be recovered in future years. Deferred tax assets and liabilities are not discounted to present value. In order to evaluate the Group's ability to recover these assets, particular account is taken of forecasts of future taxable profits.

Deferred tax assets relating to tax loss carryforwards are only recognised when they are likely to be recovered, based on projections of taxable income calculated by the Group at the end of each financial year. All assumptions used, particularly growth in operating profit and net financial income or expense taking into account interest rates, are updated by the Group at the reporting date based on data determined by the relevant management teams.

Deferred taxes break down by type as follows:

€ millions	30.06.2022	30.06.2023
Margins in inventories	180	200
Fair value adjustments on assets and liabilities	20	25
Provisions for pension benefits	65	59
Deferred tax assets relating to tax loss carryforwards	1,028	1,047
Provisions (other than provisions for pensions benefits) and other items	551	537
TOTAL DEFERRED TAX ASSETS	**1,844**	**1,870**
Accelerated tax depreciation	190	202
Fair value adjustments on assets and liabilities	2,734	2,739
Pension plan assets and other items	215	193
TOTAL DEFERRED TAX LIABILITIES	**3,139**	**3,134**

Tax loss carryforwards (recognised and unrecognised) represented potential tax savings of €1,284 million at 30 June 2023 and €1,298 million at 30 June 2022. The potential tax savings at 30 June 2023 and 30 June 2022 relate to tax loss carryforwards with the following expiry dates:

At 30 June 2022

	Tax effect of tax loss carryforwards € millions	
Year	**Losses recognised**	**Losses not recognised**
2022	—	2
2023	—	4
2024	—	5
2025	1	2
2026 and beyond	836	226
No expiry date	191	31
TOTAL	**1,028**	**270**

At 30 June 2023

	Tax effect of tax loss carryforwards € millions	
Year	**Losses recognised**	**Losses not recognised**
2023	—	5
2024	—	3
2025	—	3
2026	1	4
2027 and beyond	737	211
No expiry date	309	12
TOTAL	**1,047**	**237**

The Group’s income taxes payable break down as follows:

€ millions	30.06.2022	30.06.2023
Other current tax liabilities	151	5
Uncertain tax positions	112	108
TOTAL CURRENT TAX LIABILITIES	**263**	**113**

Note 3.4 Earnings per share

Basic and diluted earnings per share are calculated on the basis of the weighted average number of outstanding shares, less the weighted average number of dilutive instruments.

The calculation of diluted earnings per share takes into account the potential impact of the exercise of all dilutive instruments (such as stock options, convertible bonds, etc.) on the theoretical number of shares. When funds are obtained at the date of exercise of the dilutive instruments, the "treasury stock" method is used to determine the theoretical number of shares to be taken into account. When funds are obtained at the issue date of the dilutive instruments, net profit is adjusted for the financial expense, net of tax, relating to these instruments.

Numerator (€ millions)	30.06.2022	30.06.2023
Group share of net profit	1,996	2,262
Denominator (number of shares)		
Average number of outstanding shares	259,031,734	256,048,280
Dilutive effect of performance share grants	544,063	701,248
Dilutive effect of stock options	143,644	128,725
Average number of outstanding shares – diluted	**259,719,441**	**256,878,253**
Earnings per share (€)		
Earnings per share – basic	7.71	8.84
Earnings per share – diluted	7.69	8.81

Note 3.5 Expenses by type

Operating profit notably includes depreciation, amortisation and impairment expenses as well as employee benefits expense as follows:

€ millions	30.06.2022	30.06.2023
Depreciation, amortisation and impairment expense on property, plant and equipment and intangible assets	**(391)**	**(466)**
Salaries and payroll costs	(1,374)	(1,565)
Pensions, medical expenses and other similar benefits under defined-benefit plans	(45)	(34)
Share-based payments	(40)	(44)
TOTAL EMPLOYEE BENEFITS EXPENSE	**(1,459)**	**(1,643)**

NOTE 4 Notes to the balance sheet

Note 4.1 Intangible assets and goodwill

Intangible assets are measured at cost on initial recognition. With the exception of assets with indefinite useful lives, they are amortised on a straight-line basis over their useful lives, which is generally less than five years, and are impaired when their recoverable amount is less than their carrying amount. Amortisation of intangible assets is recognised within operating items in the income statement.

In the context of the Group's activities, and in accordance with IAS 38 "Intangible Assets", research and development costs are recognised as expenses in the financial year during which they are incurred, except for certain development costs which meet the capitalisation criteria described by the standard.

		Movements during the period					
€ millions	30.06.2021	Acquisitions	Allowances	Disposals	Translation adjustments	Other movements	30.06.2022
Goodwill	5,642	224	—	—	418	—	6,284
Trademarks	12,894	58	—	2	985	—	13,935
Other intangible assets	541	73	—	94	31	14	565
Gross value	**19,076**	**354**	**—**	**95**	**1,434**	**15**	**20,784**
Goodwill	(137)	—	—	—	(2)	—	(139)
Trademarks	(2,369)	—	(10)	(1)	(256)	—	(2,634)
Other intangible assets	(340)	—	(42)	(93)	(20)	(45)	(354)
Amortisation/impairment	**(2,847)**	**—**	**(52)**	**(94)**	**(278)**	**(45)**	**(3,127)**
INTANGIBLE ASSETS, NET	**16,230**	**354**	**(52)**	**1**	**1,156**	**(30)**	**17,657**

		Movements during the period					
€ millions	30.06.2022	Acquisitions	Allowances	Disposals	Translation adjustments	Other movements	30.06.2023
Goodwill	6,284	827	—	—	(211)	(4)	6,896
Trademarks	13,935	1,125	—	—	(459)	(1)	14,600
Other intangible assets	565	48	—	(33)	(18)	9	572
Gross value	**20,784**	**2,000**	**—**	**(33)**	**(688)**	**4**	**22,068**
Goodwill	(139)	—	(12)	—	1	4	(146)
Trademarks	(2,634)	—	(21)	—	105	—	(2,550)
Other intangible assets	(354)	—	(63)	33	11	1	(372)
Amortisation/impairment	**(3,127)**	**—**	**(96)**	**33**	**117**	**5**	**(3,068)**
INTANGIBLE ASSETS, NET	**17,657**	**2,000**	**(96)**	**—**	**(571)**	**9**	**19,000**

Goodwill

Goodwill is tested for impairment at least once a year and whenever there is an indication that it may be impaired. To perform these tests, goodwill is allocated by geographical area on the basis of asset groups at the date of each business combination. These asset groups correspond to groups of assets which jointly generate identifiable cash flows that are largely independent. If impairment is identified, an impairment loss is recognised in profit and loss for the financial year.

Goodwill mainly stems from the acquisitions of Allied Domecq in July 2005 and Vin&Sprit in July 2008. The change in the value of goodwill in the period was mainly due to the acquisitions mentioned in Note 1.2.1 – *Significant events during the financial year – Acquisitions and disposals,* as well as currency fluctuations.

Trademarks

The entry value of acquired trademarks is determined using an actuarial calculation of estimated future profits or using the royalty method and corresponds to the fair value of the trademarks at the date of acquisition. As the Group's trademarks are intangible assets with indefinite useful lives, they are not amortised but are rather subject to an impairment test at least once a year or whenever there is an indication that they may be impaired. Trademarks acquired as a part of acquisitions of foreign entities are denominated in the functional currency of the business acquired.

The main trademarks recognised on the balance sheet are: Absolut, Ballantine's, Beefeater, Bumbu, Chivas Regal, Kahlúa, Luc Belaire, Malibu and Martell. Most of these were recognised at the time of the acquisitions of Seagram, Allied Domecq and Vin&Sprit. The change in the gross value of trademarks for the period was mainly due to the acquisitions mentioned in Note 1.2.1 – *Significant events during the financial year – Acquisitions and disposals,* as well as currency fluctuations.

Impairment of non-current assets

In accordance with IAS 36, intangible assets and property, plant and equipment are subject to impairment tests whenever there is an indication that the asset may be impaired and at least once a year for non-current assets with indefinite useful lives (goodwill and trademarks).

The assets subject to impairment tests are included in cash-generating units (CGUs), corresponding to linked groups of assets which generate identifiable cash flows. The CGUs include assets related to the Group's brands and are allocated in accordance with the three geographical areas defined by the Group, on the basis of the sale destination of the products. Impairment tests on CGUs are carried out in the third quarter and are regularly monitored until the reporting date in order to verify the relevance of the business plans and any changes to the market data underlying the discount rates used.

When the recoverable amount of a CGU is less than its carrying amount, an impairment loss is recognised within operating items. The recoverable amount of the CGU is the higher of its market value and its value in use.

Value in use is measured based on cash flows projected over a 19-year period. This period reflects the characteristics of the Group's brands and their production assets, which typically have long useful lives. Discounted projected cash flows are established based on annual budgets and multi-year business plans, extrapolated to subsequent years by gradually converging growth for the last year of the plan for each brand and market towards a perpetual growth rate. The calculation includes a terminal value derived by capitalising the cash flows generated in the last year of the plan. Assumptions applied to sales and advertising and promotion expenses are determined by management based on previous results and long-term development trends in the markets concerned. The cash flow projection methodology takes into account, with respect to working capital requirement and capital expenditure, the specific features of white spirits and maturing alcohols. The present values of discounted cash flows are sensitive to these assumptions, as well as to consumer trends and economic factors.

Market value is based either on the sale price, net of selling costs, that could be obtained under normal market conditions or earnings multiples observed in recent transactions relating to comparable assets. The discount rate used for these calculations is an after-tax rate applied to after-tax cash flows and corresponds to the weighted average cost of capital. This rate reflects specific rates for each market or geographical area, depending on the risks that they represent. Assumptions made in terms of future changes in net sales and in terms of terminal values are reasonable and consistent with market data available for each of the CGUs. Additional impairment tests are applied where events or specific circumstances indicate potential impairment.

In addition to annual impairment tests applied to goodwill and trademarks, specific impairment tests are applied where there is an indication that an asset may be impaired.

The data and assumptions used for the annual impairment tests applied to cash-generating units (CGUs) are as follows:

€ millions	Method used to determine the recoverable amount	Net carrying amount of goodwill at 30.06.2023	Net carrying amount of trademarks at 30.06.2023	Value in use		
				Discount rate 2022	Discount rate 2023	Perpetual growth rate
Europe	Value in use based on the discounted cash flow method	2,077	4,493	5.66 %	6.85 %	From -1% to +2.5%
Americas		3,802	6,747	7.17 %	8.12 %	From -1% to +2.5%
Asia/Rest of the World		871	810	7.66 %	8.44 %	From -1% to +2.5%

The following table shows the amount of any additional impairment at 30 June 2023 of assets making up the CGUs or goodwill, which would result from:

- a 50 basis point (bp) decrease in the growth rate of the contribution after advertising and promotion expenses;
- a 50 basis point increase in the after-tax discount rate;
- a 100 basis point increase in the after-tax discount rate; or
- a 50 basis point decrease in the perpetual growth rate over the duration of the multi-year business plans.

€ millions	50 bp decrease in growth rate of contribution after advertising and promotion	50 bp increase in after-tax discount rate	100 bp increase in after-tax discount rate	50 bp decrease in perpetual growth rate
Europe	(4)	(8)	(48)	(5)
Americas	—	—	(56)	—
Asia/Rest of the World	—	—	(9)	—
TOTAL	**(4)**	**(8)**	**(113)**	**(5)**

Note 4.2 Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost and broken down by component. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. Useful life is reviewed on a regular basis. The average depreciable lives for the major categories of property, plant and equipment are as follows:

Buildings	15 to 50 years
Plant, equipment and tooling	5 to 15 years
Other non-current assets	3 to 5 years
Vines	25 to 33 years

Depreciation of property, plant and equipment is recognised within operating items in the income statement.

In accordance with the amendments to IAS 41 and IAS 16, vines are, since 1 July 2016, valued at acquisition cost and depreciated over their useful lives. In accordance with IAS 41, agricultural produce (harvests) continues to be recognised at fair value on the balance sheet, after deducting estimated selling costs, as from the date at which it is possible to obtain a reliable assessment of price, for example by referring to an active market. Changes in fair value are recognised in the income statement. Land on which biological assets are planted is measured in accordance with IAS 16.

In accordance with IFRS 16, applicable from 1 July 2019, right-of-use assets for leases are recognised as property, plant and equipment in the class corresponding to the underlying assets, with the corresponding recognition of a lease liability. Leases mainly concern offices occupied by the Group and recognised under Buildings. The value of right-of-use assets is determined on the basis of the amount of the lease liability, adjusted for the amount of prepaid rent, initial direct costs, benefits received from lessors and, where applicable, remediation costs. Right-of-use assets relating to leases are depreciated over the term of the lease. The accounting principles for determining the lease liability are detailed in Note 4.8 – *Financial liabilities*.

Items of property, plant and equipment, including right-of-use assets, are impaired when their recoverable amount falls below their net carrying amount.

		Movements during the period						
€ millions	**30.06.2021**	**Acquisitions**	**Allowances**	**Disposals**	**Translation adjustments**	**Other movements**	**30.06.2022**	***O/w right-of-use assets***
Land	405	96	—	5	8	(1)	503	*62*
Buildings	1,838	110	—	36	53	75	2,040	*497*
Machinery and equipment	2,264	99	—	66	80	131	2,509	*48*
Other property, plant and equipment	923	95	—	37	16	8	1,004	*75*
Property, plant and equipment in progress	220	307	—	1	9	(234)	301	—
Advances on property, plant and equipment	7	5	—	—	1	(4)	9	—
Gross value	**5,658**	**711**	**—**	**146**	**167**	**(24)**	**6,366**	***682***
Land	(48)	—	(10)	(1)	(2)	1	(59)	*(21)*
Buildings	(691)	(1)	(117)	(30)	(22)	(6)	(807)	*(174)*
Machinery and equipment	(1,317)	—	(141)	(61)	(44)	2	(1,439)	*(22)*
Property, plant and equipment in progress	(425)	—	(70)	(29)	(8)	4	(469)	*(41)*
Depreciation/ impairment	**(2,481)**	**(1)**	**(339)**	**(121)**	**(76)**	**1**	**(2,775)**	***(259)***
PROPERTY, PLANT AND EQUIPMENT, NET	**3,177**	**710**	**(339)**	**25**	**91**	**(23)**	**3,591**	***424***

€ millions	30.06.2022	Acquisitions	Allowances	Disposals	Translation adjustments	Other movements	30.06.2023	*O/w right-of-use assets*
		Movements during the period						
Land	503	23	—	(9)	(12)	19	524	*60*
Buildings	2,040	110	—	(42)	(45)	84	2,147	*505*
Machinery and equipment	2,509	119	—	(67)	(63)	68	2,566	*39*
Other property, plant and equipment	1,004	142	—	(41)	(12)	27	1,120	*82*
Property, plant and equipment in progress	301	447	—	(1)	(10)	(260)	477	*—*
Advances on property, plant and equipment	9	9	—	—	(1)	(5)	12	*—*
Gross value	**6,366**	**850**	**—**	**(160)**	**(143)**	**(67)**	**6,845**	***686***
Land	(59)	—	(9)	—	3	(7)	(72)	*(18)*
Buildings	(807)	(2)	(133)	31	21	(1)	(891)	*(210)*
Machinery and equipment	(1,439)	(5)	(148)	60	34	34	(1,464)	*(18)*
Property, plant and equipment in progress	(469)	(1)	(80)	34	10	(10)	(516)	*(43)*
Depreciation/ impairment	**(2,775)**	**(8)**	**(370)**	**125**	**68**	**16**	**(2,944)**	***(290)***
PROPERTY, PLANT AND EQUIPMENT, NET	**3,591**	**842**	**(370)**	**(35)**	**(75)**	**(51)**	**3,901**	***396***

Note 4.3 Financial assets

Financial assets consist mainly of Group interests in non-consolidated companies, loans, sureties and deposits, guarantee deposits required by the tax regulations of certain countries and plan assets for pension obligations (not entering into the scope of IFRS 9).

Shareholders' equity instruments

Investments in non-consolidated entities are recognised in the balance sheet at fair value. Fair value adjustments and the disposal gain or loss are recognised, in accordance with the management intention, either (i) in the income statement under financial income/financial expenses – other non-recurring financial items, or (ii) in consolidated shareholders' equity under other comprehensive income that will not be reclassified to profit or loss.

Fair value is determined on the basis of the financial criteria most appropriate to the specific situation of each company. The fair value of financial assets listed on a financial market is their stock market value. The measurement criteria generally used for other investments in non-consolidated entities are share of shareholders' equity and future profitability.

Loans, guarantees and deposits

Loans, guarantees and deposits are measured at amortised cost.

€ millions	30.06.2022 Current	30.06.2022 Non-current	30.06.2023 Current	30.06.2023 Non-current
Net financial assets				
Shareholders' equity instruments	—	345	—	432
Other financial assets	—	247	—	237
Net loans, guarantees and deposits				
Loans, guarantees and deposits	—	169	—	186
Total net non-current financial assets	**—**	**761**	**—**	**855**
Derivative instruments	32	4	15	5
FINANCIAL ASSETS	**32**	**766**	**15**	**860**

The table below shows the movements of financial assets, excluding derivative instruments:

€ millions	30.06.2021	Movements during the period Acquisitions	Allowances	Disposals	Translation adjustments	Other movements	30.06.2022
Other financial assets	294	—	—	—	3	(49)	247
Shareholders' equity instruments	293	113	—	3	20	(79)	345
Loans, guarantees and deposits	107	57	—	7	10	3	171
Gross value	**694**	**170**	**—**	**10**	**33**	**(125)**	**763**
Provisions for other financial assets	—	—	—	—	—	—	—
Provisions on shareholders' equity instruments	(7)	—	—	—	—	7	—
Provisions for loans, guarantees and deposits	(2)	—	—	—	—	—	(1)
Provisions	**(9)**	**—**	**—**	**—**	**—**	**7**	**(1)**
NON-CURRENT FINANCIAL ASSETS, NET	**685**	**170**	**—**	**9**	**33**	**(118)**	**761**

€ millions	30.06.2022	Movements during the period Acquisitions	Allowances	Disposals	Translation adjustments	Other movements	30.06.2023
Other financial assets	247	2	—	—	(2)	(7)	239
Shareholders' equity instruments	345	119	—	(2)	(16)	(15)	432
Loans, guarantees and deposits	171	51	—	(40)	(1)	6	187
Gross value	**763**	**173**	**—**	**(41)**	**(19)**	**(16)**	**859**
Provisions for other financial assets	—	—	(3)	—	—	—	(3)
Provisions for loans, guarantees and deposits	(1)	—	—	—	—	—	(1)
Provisions	**(1)**	**—**	**(3)**	**—**	**—**	**—**	**(4)**
NON-CURRENT FINANCIAL ASSETS, NET	**761**	**173**	**(3)**	**(42)**	**(19)**	**(16)**	**855**

Other financial assets at 30 June 2023 included €230 million of plan surplus related to employee benefits, compared to €239 million at the end of June 2022. This change is mainly due to changes in actuarial assumptions over the period (see Note 4.7 – *Provisions*).

Shareholders' equity instruments at 30 June 2023 consisted mainly of non-consolidated securities held by the Group, in particular those held by Convivialité Ventures, the Group's private equity arm.

Note 4.4 Inventories and work in progress

Inventories are measured at the lower of either their cost (acquisition cost and cost of production, including indirect production overheads) or their net realisable value. Net realisable value is the selling price less the estimated costs of completion and sale of inventories. Most inventories are valued using the weighted average cost method. The cost of long-cycle inventories is computed using a single method which includes distilling and ageing costs. These inventories are classified in current assets, although a substantial part remains in inventory for more than one year in order to undergo the ageing process used for certain wines and spirits before being sold.

The inventories and work in progress break down as follow:

		Movements during the period				
€ millions	30.06.2021	Change in gross values	Change in impairment	Translation adjustments	Other movements	30.06.2022
Raw materials	177	41	—	11	—	228
Work in progress	5,486	287	—	85	(6)	5,847
Goods in inventory	646	188	—	41	—	876
Finished products	331	143	—	22	(2)	495
Gross value	**6,641**	**659**	**—**	**158**	**(8)**	**7,446**
Raw materials	(16)	—	(9)	(1)	—	(15)
Work in progress	(29)	—	(5)	(1)	2	(24)
Goods in inventory	(23)	—	(14)	(3)	—	(24)
Finished products	(17)	—	—	(1)	—	(14)
Impairment	**(86)**	**—**	**(27)**	**(5)**	**2**	**(77)**
NET INVENTORIES	**6,555**	**659**	**(27)**	**153**	**(6)**	**7,369**

		Movements during the period				
€ millions	30.06.2022	Change in gross values	Change in impairment	Translation adjustments	Other movements	30.06.2023
Raw materials	228	80	—	(10)	4	303
Work in progress	5,847	623	—	(37)	4	6,437
Goods in inventory	876	87	—	(84)	11	890
Finished products	495	79	—	(19)	(17)	538
Gross value	**7,446**	**869**	**—**	**(150)**	**3**	**8,169**
Raw materials	(15)	—	1	1	—	(13)
Work in progress	(24)	—	5	—	—	(19)
Goods in inventory	(24)	—	(2)	2	1	(23)
Finished products	(14)	—	3	1	—	(10)
Impairment	**(77)**	**—**	**7**	**4**	**1**	**(65)**
NET INVENTORIES	**7,369**	**869**	**7**	**(146)**	**4**	**8,104**

At 30 June 2023, ageing inventories intended mainly for use in whisky and cognac production accounted for 82% of work in progress. The Group has no significant dependence on its suppliers.

Note 4.5 Trade receivables and other operating receivables

Trade receivables and other operating receivables are recognised initially at their fair value, which usually corresponds to their nominal value. Impairment allowances are recognised in line with the losses expected over the life of the receivable.

The following tables break down trade receivables and other operating receivables at 30 June 2022 and 30 June 2023 by due date:

			Days past due				
€ millions	Net carrying amount	Not due	<30 days	31 to 90 days	91 to 180 days	181 to 360 days	>360 days
NET CARRYING AMOUNTS							
Trade receivables and other operating receivables at 30 June 2022	1,388	1,181	118	38	31	5	16
o/w impairment	*(127)*	*(25)*	*(3)*	*(19)*	*(9)*	*(8)*	*(63)*
Trade receivables and other operating receivables at 30 June 2023	1,814	1,616	100	42	25	18	11
o/w impairment	*(106)*	*(27)*	*(1)*	*(2)*	*(2)*	*(20)*	*(54)*

Changes in the impairment of trade receivables and other operating receivables were as follows:

€ millions	30.06.2022	30.06.2023
At 1 July	**104**	**127**
Allowances during the year	28	27
Reversals during the year	(9)	(14)
Used during the year	(7)	(24)
Translation adjustments	11	(10)
AT 30 JUNE	**127**	**106**

At 30 June 2023, there was no reason to question the creditworthiness of non-impaired past due receivables. More specifically, non-impaired receivables over 12 months past due showed no additional credit-related risk. There is no significant concentration of risks.

Over the last two financial years, the Group continued to implement its programmes to sell the receivables of several affiliates. Receivables sold under these programmes totalled €749 million at 30 June 2023 and €602 million at 30 June 2022. As substantially all risks and rewards associated with the receivables were transferred, they were derecognised.

Derecognised assets where there is continuing involvement

	Carrying amount of continuing involvement					
€ millions Continuing involvement	**Amortised cost**	**Held to maturity**	**Available for sale**	**Financial liabilities at fair values**	**Fair value of continuing involvement**	**Maximum exposure**
Guarantee deposit – factoring and securitisation	8	—	8	—	8	8

Note 4.6 Other current assets

Other current assets break down as follows:

€ millions	30.06.2022	30.06.2023
Advances and down payments	51	42
Tax accounts receivable, excluding income tax	268	227
Prepaid expenses	83	122
Other receivables	34	44
TOTAL	**435**	**435**

Note 4.7 Provisions

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", provisions for contingencies and losses are recognised to cover probable outflows of resources that can be estimated and that give rise to a present obligation as a result of past events. In the event where a potential obligation as a result of past events exists, but where the occurrence of the outflow of resources is not probable or where the amount cannot be reliably estimated, a contingent liability is disclosed among the Group's commitments. The amounts provided for are measured by taking account of the most probable assumptions or using statistical methods, depending on the nature of the obligations. Provisions notably include:

- provisions for restructuring;
- provisions for pensions and other long-term employee benefits;
- provisions for disputes (tax other than corporate income tax, legal, employee-related).

Disputes are kept under regular review, on a case-by-case basis, by the Legal Department of each affiliate or region or by the Group's Legal Department, drawing on the help of external legal consultants in the most significant or complex cases. A provision is recognised when it is probable that a present obligation arising as a result of a past event will require the payment of an amount that can be estimated reliably. The amount of the provision is the best estimate of the expenditure required to settle the obligation.

The cost of restructuring measures is fully provisioned in the financial year, and is recognised in profit and loss under "Other operating income/(expenses)" when it is material and results from a Group obligation to third parties arising from a decision made by the competent corporate body that has been announced to the third parties concerned before the reporting date. This cost mainly involves redundancy payments, early retirement payments, the cost of notice periods not served, training costs of departing individuals and site closure costs. Retirement of property, plant and equipment, and impairment of inventories and other assets, as well as other costs (moving costs, training of transferred individuals, etc.) directly related to the restructuring measures are also recognised in restructuring costs. The amounts provided for correspond to forecast future payments to be made in connection with restructuring plans, discounted to present value when the payment schedule is such that the effect of the time value of money is significant.

1 Breakdown of provisions

Provisions for contingencies and losses at the reporting date break down as follows:

€ millions	30.06.2022	30.06.2023
Non-current provisions		
Provisions for pensions and other long-term employee benefits	361	349
Other non-current provisions for contingencies and losses	318	294
Current provisions		
Provisions for restructuring	27	68
Other current provisions for contingencies and losses	123	96
TOTAL	**829**	**807**

2 Changes in provisions (other than provisions for pensions and other long-term employee benefits)

		Movements during the period						
€ millions	30.06.2022	Allowances	Reversals – Utilisations	Reversals – Surplus	Reclassific ations	Translation adjustments	Other movements	30.06.2023
Provisions for restructuring	27	65	(13)	(6)	—	(6)	—	68
Other current provisions	123	14	(10)	(19)	—	(8)	(4)	96
Other non-current provisions	318	40	(14)	(42)	5	(18)	5	294
TOTAL PROVISIONS	**468**	**120**	**(37)**	**(66)**	**5**	**(32)**	**1**	**458**

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 an adjustment. The main disputes are described in Note 6.5 – *Disputes*.

At 30 June 2023, the provisions recorded by the Group for all disputes and risks in which it is involved amounted to €390 million, excluding uncertain tax positions recognised in income taxes payable. The Group does not provide details (with exceptions), as it believes the disclosure of the amount of any provision booked in consideration of each pending dispute would be likely to cause serious harm to the Group.

The change in other current and non-current provisions during the period reflects the following:

- allowances stem mainly from proceedings brought against the Company and its affiliates, as part of the normal course of business and the emergence of new risks, including tax risks (other than corporate income tax risks);
- reversals are made at the time of corresponding payments or where the risk is considered to be nil. Reversals of surplus amounts primarily concern the re-evaluation or the statute of limitation of certain risks, including tax risks.

3 Provisions for pension benefits

In accordance with applicable national legislation, the Group's employee benefit obligations are composed of:

- long-term post-employment benefits (retirement bonuses, pensions, medical expenses, etc.);
- long-term benefits payable during the period of employment.

Defined contribution plans

Contributions are recognised as expenses as they are incurred. As the Group is not committed beyond the amount of such contributions, no provision is recognised in respect of defined contribution plans.

Defined benefit plans

For defined benefit plans, the projected unit credit method is used to measure the present value of defined benefit obligations, current service cost and, if applicable, past service cost. The measurement is made at each reporting date and the personal data concerning employees is revised at least every three years. The calculation requires the use of economic assumptions (inflation rate and discount rate) and other assumptions concerning employees (mainly average salary increase, employee turnover and life expectancy). The assumptions used in FY 2022 and FY 2023 and the methods used for their determination are described below.

A provision is recognised in the balance sheet for the difference between the actuarial debt of related obligations (actuarial liabilities) and any assets dedicated to funding the plans, measured at their fair value, and includes past service costs and actuarial gains and losses.

The cost of defined benefit plans has three components, which are accounted for as follows:

- the service cost is recognised in operating income and expenses. It includes:
  - the cost of services rendered during the period (current service cost),
  - the cost of past services resulting from the amendment or curtailment of a plan, recognised in full in profit and loss for the period in which the services were performed (past service cost),
  - gains and losses on settlement;
- the financial component, recorded in financial income and expenses, comprises the impact of discounting the liabilities, net of the expected return on plan assets, measured using the same discount rate as that used to measure plan obligations;
- revaluations of liabilities (assets) are recognised in other comprehensive income not reclassifiable to profit or loss, and consist mainly of actuarial gains and losses, namely the change in plan obligations and assets due to changes in assumptions and to experience gains or losses, the latter representing the difference between the expected impact of some actuarial assumptions applied to previous valuations and the actual impact. Depending on the type of plan and the governing legislation in certain regions, if the plan assets exceed the obligations recognised in the financial statements, any assets generated may be limited to the present value of future refunds from the plan and expected reductions in future contributions (asset ceiling).

The Group grants the following pension and retirement benefits and other post-employment benefits (medical insurance or life insurance):

- in France, benefit obligations mainly comprise arrangements for retirement indemnities (non-funded) and supplementary pension benefits (partly funded);
- in the United States and Canada, benefit obligations include pension plans guaranteed to employees (funded) as well as post-employment medical plans (unfunded);
- in Ireland, the United Kingdom and the Netherlands, benefit obligations mainly consist of pension plans granted to employees.

Defined benefit plans in the Group relate mainly to affiliates in the United Kingdom, North America and the rest of Europe. Defined benefit plans are subject to an annual actuarial valuation on the basis of assumptions depending on the country. Under these pension and other benefit plan agreements, employees receive at the date of retirement either a capital lump sum payment or an annuity. These amounts depend on the number of years of employment, final salary and the position held by the employee. At 30 June 2023, fully or partly funded benefit obligations totalled €3,378 million, equivalent to 95% of the total benefit obligations.

Certain affiliates, mainly those located in North America, also provide their employees with post-employment medical cover. These benefit obligations are unfunded. They are measured using the same assumptions as those used for the pension obligations in the countries in question.

Several affiliates, mainly in Europe, also provide their employees with other long-term benefits. Benefit obligations of this type are mainly in respect of long-service awards.

The table below presents a reconciliation of provisions between 30 June 2022 and 30 June 2023:

	30.06.2022			30.06.2023		
€ millions	Pension obligations	Medical expenses and other employee benefits	Total	Pension obligations	Medical expenses and other employee benefits	Total
Net (asset)/liability at beginning of period	52	140	192	(13)	134	121
Impacts of IFRIC IAS 19 interpretation	(11)	—	(11)	—	—	—
Net expense/(income) for the period	48	6	55	36	5	42
Actuarial (gains)/losses(1)	(47)	(16)	(63)	60	(20)	39
Employer contributions	(48)	—	(48)	(59)	—	(59)
Benefits paid directly by the employer	(9)	(7)	(16)	(9)	(7)	(16)
Changes in scope of consolidation	—	—	—	—	—	—
Translation adjustments	3	10	13	(3)	(5)	(8)
Net (asset)/liability at end of period	**(13)**	**134**	**121**	**12**	**107**	**119**
Amount recognised in assets	(239)	—	(239)	(230)	—	(230)
AMOUNT RECOGNISED IN LIABILITIES	**227**	**134**	**361**	**242**	**107**	**349**

(1) Recognised in "Other comprehensive income".

Actuarial gains and losses correspond mainly to the update of actuarial assumptions and values of plan assets.

The net financial impact recognised in profit and loss in respect of pensions and other long-term employee benefits breaks down as follows:

	30.06.2022			30.06.2023		
Expense for the financial year (€ millions)	Pension obligations	Medical expenses and other employee benefits	Total	Pension obligations	Medical expenses and other employee benefits	Total
Service cost	41	4	45	30	3	34
Interest on the provision	(1)	3	2	(3)	4	1
• o/w interest on the obligation	104	3	107	152	4	156
• o/w interest on the assets	(106)	—	(106)	(158)	—	(158)
• o/w interest on the limitation of the assets	1	—	1	3	—	3
Fees/levies/premiums	9	—	9	9	—	9
Impact of plan amendments/curtailments	—	—	—	—	—	—
Impact of settlements	—	—	—	—	—	—
Actuarial (gains)/losses	—	(1)	(1)	—	(2)	(2)
Effect of the asset ceiling (including the impact of IFRIC 14)	—	—	—	—	—	—
NET EXPENSE/(INCOME) RECOGNISED IN PROFIT AND LOSS	**48**	**6**	**55**	**36**	**5**	**42**

Changes in provisions for pensions and other long-term employee benefits are shown below:

Net liability recognised in the balance sheet (€ millions)	30.06.2022 Pension obligations	30.06.2022 Medical expenses and other employee benefits	30.06.2022 Total	30.06.2023 Pension obligations	30.06.2023 Medical expenses and other employee benefits	30.06.2023 Total
Change in the actuarial value of cumulative benefit obligations						
Actuarial value of cumulative benefit obligations at beginning of period	5,318	140	5,458	4,130	134	4,264
Adjustments to cumulative benefit obligations at beginning of financial year – IFRS IC reform	(11)	—	(11)	—	—	—
Current service cost	41	4	45	30	3	34
Interest cost (effect of discounting)	104	3	107	152	4	156
Employee contributions	4	—	4	5	—	5
Benefits paid	(261)	(7)	(268)	(259)	(7)	(266)
Administrative fees/premiums/levies	(1)	—	(1)	(1)	—	(1)
Plan amendments/curtailments	—	—	—	—	—	—
Settlements	—	—	—	—	—	—
Actuarial (gains)/losses	(1,140)	(17)	(1,157)	(547)	(23)	(570)
Translation differences	75	10	85	(45)	(5)	(50)
Changes in scope of consolidation	1	—	1	2	—	2
Actuarial value of cumulative benefit obligations at end of period	**4,130**	**134**	**4,264**	**3,467**	**106**	**3,574**
Change in the fair value of plan assets						
Fair value of plan assets at beginning of period	5,307	—	5,307	4,198	—	4,198
Interest income on plan assets	106	—	106	158	—	158
Experience gains/(losses) on plan assets	(1,084)	—	(1,084)	(609)	—	(609)
Employee contributions	4	—	4	5	—	5
Employer contributions	48	—	48	59	—	59
Benefits paid	(253)	—	(253)	(251)	—	(251)
Administrative fees/premiums/levies	(9)	—	(9)	(9)	—	(9)
Plan amendments/curtailments	—	—	—	—	—	—
Settlements	—	—	—	—	—	—
Translation differences	77	—	77	(45)	—	(45)
Changes in scope of consolidation	1	—	1	2	—	2
Fair value of plan assets at end of period	**4,198**	**—**	**4,198**	**3,507**	**—**	**3,507**
Present value of funded benefits	4,034	—	4,034	3,378	—	3,378
Fair value of plan assets	4,198	—	4,198	3,507	—	3,507
Deficit/(Surplus) on funded benefits	**(164)**	**—**	**(164)**	**(129)**	**—**	**(129)**
Present value of unfunded benefits	96	134	230	89	106	195
Effect of the asset ceiling (including the impact of IFRIC 14)	56	—	56	52	—	52
NET (ASSETS)/LIABILITIES RECOGNISED IN THE BALANCE SHEET	**(13)**	**134**	**121**	**12**	**106**	**118**

At 30 June 2023	Actuarial value of cumulative benefit obligations (€ millions)	%	Fair value of plan assets (€ millions)	%	Plan asset ceiling (€ millions)	%	Amount recognised in liabilities and shareholders' equity (€ millions)	%	Amount recognised in assets (€ millions)	%
United Kingdom	2,583	72 %	2,730	78 %	—	0 %	63	18 %	(210)	91 %
United States	314	9 %	237	7 %	—	0 %	76	22 %	—	0 %
Canada	211	6 %	250	7 %	52	100 %	33	9 %	(19)	8 %
Ireland	235	7 %	179	5 %	—	0 %	57	16 %	(1)	0 %
France	82	2 %	15	0 %	—	0 %	68	19 %	—	0 %
Other countries	149	4 %	96	3 %	—	0 %	52	15 %	(1)	0 %
TOTAL	**3,574**	**100 %**	**3,507**	**100 %**	**52**	**100 %**	**349**	**100 %**	**(231)**	**100 %**

Plan assets break down between the different asset classes (bonds, shares, etc.) as follows:

Breakdown of plan assets	30.06.2022 Pension obligations	30.06.2022 Medical expenses and other employee benefits	30.06.2023 Pension obligations	30.06.2023 Medical expenses and other employee benefits
Shares	11 %	N/A	10 %	N/A
Bonds	10 %	N/A	9 %	N/A
Other money market funds	1 %	N/A	10 %	N/A
Property assets	3 %	N/A	3 %	N/A
Other	76 %	N/A	68 %	N/A
TOTAL	**100 %**	**N/A**	**100 %**	**N/A**

N/A: not applicable

At 30 June 2023, "Other" assets notably included the value of the insurance policy taken out with Rothesay Life covering the obligations insured as part of the buy-in conducted in FY 2020.

Contributions payable by the Group in FY 2023 in respect of funded benefits are estimated at €54 million.

Benefits payable in respect of defined benefit plans over the next ten years break down as follows:

Benefits payable over the next ten years € millions	Pension obligations	Medical expenses and other employee benefits
2024	241	7
2025	254	7
2026	261	7
2027	273	7
2028	275	8
2029-2033	1,478	37

Changes in retirement age assumptions in France following the 2023 pension reform had a very minor impact.

At 30 June 2022 and 30 June 2023, the main assumptions used for the measurement of pension obligations and other long-term employee benefits were as follows:

Actuarial assumptions in respect of obligations	30.06.2022 Pension obligations	30.06.2022 Medical expenses and other employee benefits	30.06.2023 Pension obligations	30.06.2023 Medical expenses and other employee benefits
Discount rate	3.85 %	3.56 %	5.16 %	5.50 %
Average rate of increase in annuities	3.40 %	N/A	3.43 %	N/A
Average salary increase	3.18 %	3.57 %	3.34 %	3.90 %
Expected increase in medical expenses				
• Initial rate	N/A	5.13 %	N/A	6.14 %
• Final rate	N/A	4.12 %	N/A	4.81 %

N/A: not applicable

Actuarial assumptions in respect of the expense for the financial year	30.06.2022 Pension obligations	30.06.2022 Medical expenses and other employee benefits	30.06.2023 Pension obligations	30.06.2023 Medical expenses and other employee benefits
Discount rate	1.97 %	2.46 %	3.85 %	3.56 %
Average rate of increase in annuities	3.33 %	N/A	3.40 %	N/A
Average salary increase	2.89 %	3.26 %	3.18 %	3.57 %
Expected increase in medical expenses				
• Initial rate	N/A	5.18 %	N/A	5.13 %
• Final rate	N/A	4.00 %	N/A	4.12 %

N/A: not applicable

Actuarial assumptions at 30 June 2023 (pension and other benefit obligations) By region	United Kingdom	United States	Canada	Eurozone countries	Other non-Eurozone countries
Discount rate	5.36 %	4.88 %	5.01 %	3.63 %	6.35 %
Average rate of increase in annuities	3.56 %	N/A	N/A	2.45 %	2.19 %
Average salary increase	2.56 %	2.98 %	3.00 %	3.55 %	7.08 %
Expected increase in medical expenses					
• Initial rate	12.00 %	5.50 %	4.51 %	3.98 %	N/A
• Final rate	5.40 %	4.00 %	3.56 %	3.98 %	N/A

N/A: not applicable

The obligation period-related discount rates used within the Eurozone are as follows:

- short-term rate (3-5 years): 3.50%;
- medium-term rate (5-10 years): 3.50%;
- long-term rate (more than 10 years): 3.60%.

Discount rates are determined by reference to the yield at the reporting date on premium category corporate bonds (if available), or on government bonds, with maturities similar to the estimated duration of the benefit obligations.

The expected rate of return on assets corresponds to the discount rate, in accordance with IAS 19.

The sensitivity of the debt to changes in the discount rate is shown in the table below:

€ millions	Pension obligations	Medical expenses and other employee benefits	Total
Obligations at 30 June 2023	3,467	106	3,573
Obligations at 30 June 2023 with a 0.5% decrease in the discount rate	3,668	112	3,780
Obligations at 30 June 2023 with a 0.5% increase in the discount rate	3,285	101	3,386

The impact of a change in the rate of increase in medical expenses would be as follows:

	Effect of change		
Post-employment medical benefits (€ millions)	With current rate	1% increase	1% decrease
On the present value of the benefit obligations at 30 June 2023	81	8	(6)
On the expense for FY 2023	5	—	—

The experience gains or losses on the benefit obligations and plan assets are set out below:

	30.06.2023	
€ millions	Pension obligations	Medical expenses and other employee benefits
Amounts of experience losses or (gains) on benefit obligations	65	(6)
Percentage compared with amounts of benefit obligations	1.9%	-5.6%
Amounts of financial assumption losses or (gains) on benefit obligations	(528)	(16)
Percentage compared with amounts of benefit obligations	-15.2%	-15.2%
Amounts of demographic assumption losses or (gains) on benefit obligations	(84)	(1)
Percentage compared with amounts of benefit obligations	-2.4%	-0.6%
Amounts of experience losses or (gains) on plan assets	609	—
Percentage compared with amounts of plan assets	17.4%	0.0%
Amounts of experience losses or (gains) on the asset ceiling	(3)	—
Percentage compared with amounts of plan assets	-0.1%	0.0%
Average duration (years)	11.30	10.75

Note 4.8 Financial liabilities

IFRS 9 "Financial Instruments" replaced IAS 39 as of 1 July 2018. IAS 32 has been applied since 1 July 2004. IFRS 7 has been applied since 1 July 2007. The amendment approved by the European Union on 22 November 2011 has been applied since 1 July 2011.

Borrowings and other financial liabilities are recognised, on the basis of their effective interest rates, in accordance with the amortised cost method. The effective interest rate includes all costs, commissions and fees payable under the contract between the parties. Under this method, costs that are directly attributable to the acquisition or issue of the financial liability are recognised in profit and loss on the basis of the effective interest rate.

In accordance with IAS 7 "Statement of Cash Flows", cash and cash equivalents presented in assets and liabilities in the balance sheet and shown in the consolidated cash flow statements include items that are immediately available as cash or are readily convertible into a known amount of cash and which are subject to an insignificant risk of changes in value. Cash is composed of cash at bank and on hand, short-term deposits with an initial maturity of less than three months and money market mutual funds that are subject to an insignificant risk of changes in value. Cash equivalents are short-term investments with a maturity of less than three months. Bank overdrafts, which are considered to be equivalent to financing, are excluded from cash and cash equivalents.

IFRS 16 "Leases"

The Group assesses whether a contract is, or contains, a lease if the contract conveys, at inception, the right to control the use of an identified asset for a set period of time in exchange for consideration.

The lease liability is initially calculated at the present value of the future lease payments. The discount rates are based on the Group's borrowing rate plus a spread to take into account country-specific economic environments. They are estimated in each currency using available market data. They take into account the term of the leases. Lease payments may include fixed or variable payments that depend on a rate or index known at the commencement date of the lease.

The period used to calculate the lease liability corresponds to the non-cancellable term of the contract, unless it is reasonably certain that the Group will exercise a renewal option beyond this period. The probability of exercising an option is determined on a lease-by-lease basis, taking into account management's intentions. This liability is then calculated at amortised cost using the effective interest rate method.

Leases are recognised in the balance sheet from the commencement date. They are presented in "Lease liabilities" with a corresponding entry in "Property, plant and equipment", depending on the nature of the underlying asset (see Note 4.2 – *Property, plant and equipment*). Lease liabilities comprise a current and non-current portion on the basis of the expected future payments.

In the income statement, depreciation expenses are recognised on the basis of the use of the underlying asset and interest expenses are presented in financial income and expenses.

In the cash flow statement, repayments of lease liabilities are reported under "Repayment of lease liabilities" in cash flows from financing activities, while interest payments are reported under "Interest paid" in cash flows from operating activities.

The Group has chosen not to apply IFRS 16 to leases corresponding to assets with a low unit replacement value or to short-term leases. These leases are recognised directly in expenses.

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

1 Analysis of net financial debt by type and maturity

	30.06.2022			30.06.2023		
€ millions	Current	Non-current	Total	Current	Non-current	Total
Bonds	**842**	**9,238**	**10,079**	**580**	**9,678**	**10,258**
Syndicated loan	—	—	—	—	—	—
Commercial paper	180	—	180	801	—	801
Other borrowings and debt	226	179	405	155	173	328
Other financial liabilities	**406**	**179**	**585**	**956**	**173**	**1,129**
Gross financial debt	**1,248**	**9,417**	**10,664**	**1,536**	**9,851**	**11,387**
Fair value hedge derivatives – assets	(5)	—	(5)	—	—	—
Fair value hedge derivatives – liabilities	—	9	9	—	14	14
Fair value hedge derivatives	(5)	9	3	—	14	14
Net investment hedge derivatives – assets	—	—	—	—	(3)	(3)
Net investment hedge derivatives – liabilities	—	9	9	—	—	—
Net investment hedge derivatives	—	9	9	—	(3)	(3)
Financial debt after hedging	**1,242**	**9,435**	**10,677**	**1,536**	**9,862**	**11,398**
Cash and cash equivalents	**(2,527)**	**—**	**(2,527)**	**(1,609)**	**—**	**(1,609)**
Net financial debt excluding lease liabilities	**(1,284)**	**9,435**	**8,150**	**(73)**	**9,862**	**9,789**
Lease liabilities	**107**	**400**	**507**	**99**	**384**	**484**
NET FINANCIAL DEBT	**(1,177)**	**9,835**	**8,657**	**26**	**10,246**	**10,273**

The change in net financial debt by cash and non-cash items is analysed below:

		Changes in cash flows	Changes in cash flows with no cash impact			
€ millions	30.06.2022	Total cash flows	Foreign currency gains and losses	Change in fair value	Other	30.06.2023
Bonds	**10,079**	**303**	**(119)**	**(5)**	**—**	**10,258**
Syndicated loan	—	—	—	—	—	—
Commercial paper	180	621	—	—	—	801
Other borrowings and debt	404	(66)	(10)	—	—	328
Gross financial debt	**10,664**	**858**	**(129)**	**(5)**	**—**	**11,387**
Fair value hedge derivatives – assets	(5)	—	—	5	—	—
Fair value hedge derivatives – liabilities	9	—	—	5	—	14
Fair value hedge derivatives	4	—	—	10	—	14
Economic net investment hedge derivatives – assets	—	—	(3)	—	—	(3)
Economic net investment hedge derivatives – liabilities	9	—	(9)	—	—	—
Economic net investment hedge derivatives – liabilities	**9**	**—**	**(12)**	**—**	**—**	**(3)**
Financial debt after hedging	**10,677**	**858**	**(141)**	**5**	**—**	**11,398**
Cash and cash equivalents	(2,527)	1,028	(110)	—	—	(1,609)
Net financial debt excluding lease liabilities	**8,150**	**1,886**	**(251)**	**5**	**—**	**9,789**
Lease liabilities	507	(116)	(20)	—	113	484
NET FINANCIAL DEBT	**8,657**	**1,770**	**(271)**	**5**	**113**	**10,273**

2 Breakdown of debt excluding lease liabilities by currency before and after foreign exchange hedging instruments at 30 June 2022 and 30 June 2023

At 30 June 2022 *€ millions*	Gross financial debt	Amount hedged	Debt after hedging	Cash at bank and in hand	Net debt after hedging	% debt after hedging	% net debt after hedging
EUR	6,297	410	6,708	(1,627)	5,081	63%	62%
USD	4,236	(96)	4,140	(128)	4,013	39%	49%
GBP	43	32	75	(46)	29	1%	0%
SEK	1	(64)	(63)	(55)	(118)	- 1 %	- 1 %
Other currencies	86	(268)	(182)	(671)	(854)	- 2 %	- 10 %
FINANCIAL DEBT BY CURRENCY	**10,664**	**13**	**10,677**	**(2,527)**	**8,150**	**100%**	**100%**

At 30 June 2023 *€ millions*	Gross financial debt	Amount hedged	Debt after hedging	Cash at bank and in hand	Net debt after hedging	% debt after hedging	% net debt after hedging
EUR	8,094	563	8,657	(517)	8,140	76 %	83 %
USD	3,261	(112)	3,149	(190)	2,959	28 %	30 %
GBP	—	(55)	(55)	(125)	(180)	0 %	-2 %
SEK	1	(101)	(100)	(42)	(141)	-1 %	-1 %
Other currencies	31	(284)	(253)	(736)	(988)	-2 %	-10 %
FINANCIAL DEBT BY CURRENCY	**11,387**	**11**	**11,398**	**(1,609)**	**9,789**	**100 %**	**100 %**

3 Breakdown of fixed-rate/floating-rate debt excluding lease liabilities before and after interest rate hedging instruments at 30 June 2022 and 30 June 2023

	30.06.2022				30.06.2023			
€ millions	Debt before hedging		Debt after hedging		Debt before hedging		Debt after hedging	
Fixed-rate debt	10,398	97 %	9,628	90 %	10,565	93 %	10,380	91 %
Capped floating-rate debt	—	— %	—	— %	—	— %	—	— %
Floating-rate debt	278	3 %	1,049	10 %	834	7 %	1,018	9 %
FINANCIAL DEBT AFTER HEDGING BY RATE TYPE	**10,677**	**100 %**	**10,677**	**100 %**	**11,398**	**100 %**	**11,398**	**100 %**

At 30 June 2023, before taking account of any hedges, the Group's gross debt was 93% fixed rate and 7% floating rate. After hedging, the floating-rate portion was 9%.

4 Schedule of financial liabilities at 30 June 2023

The following table shows the maturity of future financial liability-related cash flows (nominal and interest). Floating-rate interest flows have been estimated on the basis of rates at 30 June 2022 and 30 June 2023.

At 30 June 2022 *€ millions*	Carrying amount	Contractual flows	<6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	>5 years
Nominal value	(10,664)	(10,664)	(1,140)	(49)	(532)	(1,693)	(1,200)	(33)	(6,018)
Interest	—	(1,926)	(87)	(97)	(168)	(168)	(143)	(115)	(1,149)
Gross financial debt	**(10,664)**	**(12,590)**	**(1,226)**	**(146)**	**(700)**	**(1,860)**	**(1,342)**	**(148)**	**(7,167)**
Lease liabilities	**(507)**	**(565)**	**(46)**	**(71)**	**(86)**	**(71)**	**(60)**	**(47)**	**(186)**
Cross-currency swaps	(9)	—	—	—	—	—	—	—	—
Flows payable	—	(513)	—	(11)	(11)	(492)	—	—	—
Flows receivable	—	476	—	5	5	465	—	—	—
Derivatives – liabilities	(18)	(10)	(8)	—	—	—	—	—	—
Derivatives – liabilities	**(27)**	**(47)**	**(8)**	**(6)**	**(6)**	**(27)**	**—**	**—**	**—**
TOTAL FINANCIAL LIABILITIES	**(11,198)**	**(13,202)**	**(1,280)**	**(222)**	**(791)**	**(1,958)**	**(1,402)**	**(195)**	**(7,353)**

At 30 June 2023 *€ millions*	Carrying amount	Contractual flows	<6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	>5 years
Nominal value	(11,387)	(11,321)	(1,398)	(97)	(1,675)	(1,176)	(29)	(1,077)	(5,869)
Interest	—	(1,984)	(107)	(95)	(202)	(177)	(150)	(150)	(1,105)
Gross financial debt	**(11,387)**	**(13,305)**	**(1,504)**	**(192)**	**(1,877)**	**(1,353)**	**(179)**	**(1,226)**	**(6,973)**
Lease liabilities	**(484)**	**534**	**42**	**66**	**80**	**66**	**55**	**44**	**182**
Cross-currency swaps	3	—	—	—	—	—	—	—	—
Flows payable	—	(480)	—	(10)	(470)	—	—	—	—
Flows receivable	—	470	—	5	465	—	—	—	—
Derivatives – liabilities	(23)	(30)	(9)	(4)	(7)	(7)	—	—	—
Derivatives – liabilities	**(20)**	**(40)**	**(9)**	**(9)**	**(12)**	**(7)**	**—**	**—**	**—**
TOTAL FINANCIAL LIABILITIES	**(11,891)**	**(12,811)**	**(1,471)**	**(135)**	**(1,809)**	**(1,294)**	**(124)**	**(1,182)**	**(6,792)**

5 Credit lines

At 30 June 2023, credit lines mainly comprised the multi-currency syndicated loan of €2,100 million, a bilateral line of €500 million and a Champagne loan of €260 million. No drawdowns have been made on these credit lines.

6 Bonds

Nominal amount	Interest rate	Issue date	Maturity	Carrying amount at 30.06.2023 € millions
EUR 500 million	0.00 %	24.10.2019	24.10.2023	500
EUR 650 million	2.13 %	29.09.2014	27.09.2024	660
EUR 250 million	1.13 %	27.04.2020	07.04.2025	252
EUR 750 million	1.13 %	01.04.2020	07.04.2025	749
EUR 600 million	1.50 %	17.05.2016	18.05.2026	600
USD 600 million	3.25 %	08.06.2016	08.06.2026	537
EUR 500 million	0.50 %	24.10.2019	24.10.2027	500
USD 600 million	1.25 %	01.10.2020	01.04.2028	551
EUR 750 million	1.38%*	07.04.2022	07.04.2029	742
EUR 500 million	0.13 %	04.10.2021	04.10.2029	492
EUR 250 million	1.75 %	27.04.2020	08.04.2030	261
EUR 750 million	1.75 %	01.04.2020	08.04.2030	748
USD 900 million	1.63 %	01.10.2020	01.04.2031	823
EUR 500 million	0.88 %	24.10.2019	24.10.2031	497
USD 850 million	5.50 %	12.01.2012	15.01.2042	790
USD 500 million	2.75 %	01.10.2020	01.10.2050	448
EUR 500 million	3.75 %	02.11.2022	02.11.2032	503
EUR 600 million	3.25 %	02.11.2022	02.11.2028	604
Total bonds				**10,258**

* *Subject to the achievement of the key performance indicators to which this bond is linked.*

7 Offsetting of financial assets and financial liabilities

The table below shows the amounts of financial assets and financial liabilities before and after offsetting.

The amounts offset in the balance sheet were established in accordance with IAS 32. Accordingly, financial assets and financial liabilities are offset and the net amount is shown in the balance sheet if and only if the Group has a legally enforceable right to set off the recognised amounts, and if it intends to settle on a net basis. The assets and liabilities offset stem from the multi-currency cash pooling arrangement implemented within the Group.

At 30 June 2022 € millions	Gross financial assets and liabilities	Amounts offset in the balance sheet	Net amounts in the balance sheet	Impact of master netting and similar arrangements	Financial instruments received as collateral	Net amounts under IFRS 7
ASSETS						
Cash and cash equivalents	2,770	(243)	2,527	—	—	—
LIABILITIES						
Bank borrowings and debt	648	(243)	405	—	—	—

At 30 June 2023 € millions	Gross financial assets and liabilities	Amounts offset in the balance sheet	Net amounts in the balance sheet	Impact of master netting and similar arrangements	Financial instruments received as collateral	Net amounts under IFRS 7
ASSETS						
Cash and cash equivalents	1,882	(273)	1,609	—	—	—
LIABILITIES						
Bank borrowings and debt	601	(273)	328	—	—	—

Note 4.9 Financial instruments

1 Fair value of financial instruments

€ millions	Fair value level	Breakdown by accounting classification: Fair value through profit or loss	Fair value through other comprehensive income	Assets at amortised cost	Liabilities at amortised cost	30.06.2022: Carrying amount	Fair value
ASSETS							
Shareholders' equity instruments	Level 1 and 3	—	345	—	—	345	345
Guarantees, deposits, investment-related loans and receivables		—	—	170	—	170	170
Trade receivables and other operating receivables		—	—	1,388	—	1,388	1,388
Other current assets		—	—	435	—	435	435
Derivatives – assets	Level 2	21	15	—	—	37	37
Cash and cash equivalents	Level 1	2,527	—	—	—	2,527	2,527
LIABILITIES							
Bonds		—	—	—	10,079	10,079	9,291
Bank borrowings and debt		—	—	—	585	585	585
Lease liabilities		—	—	—	507	507	507
Derivatives – liabilities	Level 2	18	9	—	—	27	27

€ millions	Fair value level	Breakdown by accounting classification: Fair value through profit or loss	Fair value through other comprehensive income	Assets at amortised cost	Liabilities at amortised cost	30.06.2023: Carrying amount	Fair value
ASSETS							
Shareholders' equity instruments	Level 1 and 3	—	432	—	—	432	432
Guarantees, deposits, investment-related loans and receivables	—	—	—	186	—	186	186
Trade receivables and other operating receivables	—	—	—	1,814	—	1,814	1,814
Other current assets	—	—	—	435	—	435	435
Derivatives – assets	Level 2	13	7	—	—	20	20
Cash and cash equivalents	Level 1	1,609	—	—	—	1,609	1,609
LIABILITIES							
Bonds	—	—	—	—	10,258	10,258	9,308
Bank borrowings and debt	—	—	—	—	1,129	1,129	1,129
Lease liabilities	—	—	—	—	484	484	484
Derivatives – liabilities	Level 2	18	2	—	—	20	20

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 balance sheet date, adjusted for the Group's credit risk. For floating-rate bank debt and bank overdrafts, fair value is approximately equal to the 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;
- derivatives: 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 of the fair value hierarchy below are in line with the definitions in the amended version of IFRS 7 "Financial Instruments: Disclosures":

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

In accordance with IFRS 13, derivatives were measured taking into account the Credit Valuation Adjustment (CVA) and the Debt Valuation Adjustment (DVA). The measurement is based on historical data (rating of counterparty banks and probability of default). At 30 June 2023, the impact was not significant.

2 Risk management

Management and monitoring of financial risks is performed by the Financing and Treasury Department. Reporting to the Group Finance Department, it oversees all financial exposures and processes or validates all financing, investment and hedging transactions, as part of a programme approved by General Management.

All financial instruments hedge existing or forecast hedge transactions or investments. They are contracted with a limited number of counterparties that have a first-class rating.

Management of liquidity risk

At 30 June 2023, the Group's cash and cash equivalents totalled €1,609 million (compared with €2,527 million at 30 June 2022). An additional €2,860 million of medium-term revolving credit facilities with banks was confirmed and undrawn. Group financing is provided in the form of long-term debt (bank loans, bonds, etc.) and short-term borrowings (commercial paper and bank overdrafts) as well as factoring and securitisation programmes, which provide adequate financial resources to ensure business continuity. The Group also set up a €7 billion Euro Medium Term Note (EMTN) programme in May 2020, updated on 11 October 2021 and 24 October 2022. The Group's short-term financial debt after hedging was €1,536 million at 30 June 2023 (compared to €1,242 million at 30 June 2022).

While the Group has not identified any other material cash requirement, it cannot be fully guaranteed that it will be able to continue to access the funding and refinancing needed for its day-to-day operations and capital expenditure on satisfactory terms, given the uncertain economic environment.

The credit ratings sought by Pernod Ricard from rating agencies on its long-term and short-term debt are Baa1/P2 from Moody's and BBB+/A2 from Standard & Poor's, respectively.

The Group's bank and bond debt contracts include covenants that, if breached, could trigger accelerated repayment clauses.

Furthermore, while the vast majority of the Group's cash surplus is placed with affiliates of global banks enjoying the highest agency ratings, it cannot be ruled out that these Group investments may lose some of their liquidity and/or value.

The currency controls in place in certain countries limit the Group's ability to use cash (prohibition on investment with the Group) and, in some cases, delay the possibility of paying dividends (authorisation is required from the relevant authorities, notably in Cuba). At 30 June 2023, cash with delayed availability amounted to €201 million, including €199 million relating to Cuba.

Specific terms of financing agreements and the schedule of financial liability maturity are respectively disclosed in the "Significant contracts" subsection of the management report and in Note 4.8 – *Financial liabilities* to the consolidated financial statements.

Management of currency risk

As the Group consolidates its financial statements in euros, it is exposed to fluctuations against the euro by the currencies in which its assets and liabilities are denominated (asset risk) or in which transactions are carried out (transaction and translation risks).

While some hedging strategies limit exposure, there is no absolute protection against exchange rate fluctuations.

In terms of asset risk, financing foreign currency-denominated assets acquired by the Group with debt in the same currency provides natural hedging. This principle was applied for the acquisition of Seagram, Allied Domecq and Vin&Sprit, with part of the debt being denominated in US dollars, reflecting the importance of cash flows generated in dollars or linked currencies.

Currency fluctuations against the euro (notably the US dollar) may impact the nominal amount of liabilities and the financial expense recorded in euros in the consolidated financial statements, which could affect the Group's reported results.

For operational currency risk, the Group's international operations expose it to currency risks affecting transactions carried out by affiliates in a currency other than their operating currency (transaction accounting risk).

As a rule, it is Group policy to invoice end customers in the functional currency of the distributing entity. Exposure to currency risk on intra-Group invoicing between producer and distributor affiliates is managed via a monthly payment centralisation procedure involving most countries with freely convertible and transferable currencies and whose internal legislation allows this participation. This system hedges against net exposure using forward exchange contracts.

Residual risk is partially hedged by financial derivatives (forward purchases, forward sales or options) intended to hedge certain or highly probable non-Group receivables and payables.

In addition, the Group may use firm or optional hedges with the aim of reducing the impact of currency fluctuations on its operating activities in some Brand Companies that make significant purchases in currencies other than the euro – especially USD, GBP or SEK – or in order to secure the payment of dividends back to the parent.

Management of interest rate risk

At 30 June 2023, the Pernod Ricard Group's debt comprised floating-rate debt (mainly commercial paper and other bank borrowings) and fixed-rate debt (mainly bonds), in addition to a hedging portfolio including USD swaps.

The Group cannot guarantee that these hedges will prove sufficient, or that it will be able to maintain them on acceptable terms.

Schedule of debt and floating-rate EUR hedges (notional value, in € millions)

At 30 June 2023 € millions	< 1 year	> 1 year and < 5 years	> 5 years	Total
Total assets (cash)	515	—	—	515
Total floating-rate liabilities	(809)	4	—	(805)
Net floating-rate debt before hedging	**(294)**	**4**	**—**	**(290)**
Derivatives	(567)	3	—	(563)
NET FLOATING-RATE DEBT AFTER HEDGING	**(861)**	**7**	**—**	**(853)**

Schedule of debt and floating-rate USD hedges (notional value, in USD millions)

At 30 June 2023 $ millions	<1 year	>1 year and <5 years	>5 years	Total
Total assets (cash)	190	—	—	190
Total floating-rate liabilities	—	6	—	6
Net floating-rate debt before hedging	**190**	**6**	**—**	**196**
Derivatives	127	(205)	—	(79)
NET FLOATING-RATE DEBT AFTER HEDGING	**317**	**(199)**	**—**	**118**

Analysis of the sensitivity of financial instruments to interest rate risk (impact on the income statement)

A rise or fall of 50 basis points in interest rates (USD and EUR) would result in an increase or decrease of €6 million in the cost of net debt.

Analysis of the sensitivity of financial instruments to interest rate risk (impact on shareholders' equity)

A relative change of plus or minus 50 basis points in interest rates (USD and EUR) would not generate any gain or loss on shareholders' equity.

Analysis of the sensitivity of financial instruments used to hedge risks related to agricultural raw materials (impact on shareholders' equity)

At 30 June 2023, the sensitivity of the portfolio was not significant.

Counterparty risk in financial transactions

The Group could be exposed to counterparty default via its cash investments, hedging instruments or the availability of committed but undrawn financing lines. In order to limit this exposure, the Group rigorously selects counterparties based on several criteria, including credit ratings, and on repayment schedules.

However, no assurance can be given that this careful selection will be enough to protect the Group against risks of this type, particularly in the current economic environment.

Note 4.10. Interest rate, foreign exchange and commodity derivatives

Pursuant to the amended version of IFRS 9 "Financial Instruments", all derivative instruments must be recognised in the balance sheet at fair value, determined on the basis of standard market valuation models or external prices issued by financial institutions.

Where the derivative has been designated as a fair value hedge, changes in the value of the derivative and of the hedged item are recognised in profit and loss for the same period. If the derivative has been designated as a cash flow hedge, the change in value of the effective portion of the hedge is recognised in other comprehensive income. It is recognised in profit and loss when the hedged item is itself recognised in profit and loss.

However, the change in value of the ineffective component of the derivative is recognised directly in profit and loss. If the derivative is designated as a hedge of a net investment in a foreign operation, the change in value of the effective portion of the hedge is recognised in shareholders' equity and the change in value of the ineffective portion is recognised in profit and loss.

Hedging instruments (by risk category and hedge type)

Hedge type at 30 June 2022 € millions	Description of financial instrument	Notional amount of contracts <1 year	>1 year and <5 years	>5 years	Total	Fair value Assets	Liabilities
Fair value hedges						**5**	**9**
Interest rate hedges	Swaps	578	193	—	770	5	9
Currency and interest rate hedges	Cross-currency swaps	—	—	—	—	—	—
Net investment hedges						**—**	**9**
Currency hedges	FX forwards	—	—	—	—	—	—
Currency and interest rate hedges	Cross-currency swaps	—	460	—	460	—	9
Derivatives included in net debt						**5**	**18**
Cash flow hedges						**15**	**—**
Interest rate hedges	Swaps	—	—	—	—	—	—
Currency hedges on intra-Group financing and operational hedges	Currency swaps & FX forwards & FX options	—	—	—	—	—	—
Commodity hedges	Swaps	12	—	—	12	15	—
Non-hedge accounting						**16**	**9**
Currency hedges on intra-Group financing and operational hedges	Currency swaps & FX forwards	1,625	—	—	1,625	16	9
Interest rate hedges	Swaps	—	—	—	—	—	—
TOTAL DERIVATIVES						**37**	**27**
Total non-current						**4**	**18**
Total current						**32**	**9**

Hedge type at 30 June 2023 € millions	Description of financial instruments	Notional amount of contracts < 1 year	> 1 year and < 5 years	> 5 years	Total	Fair value Assets	Liabilities
Fair value hedges						—	14
Interest rate hedges	Swaps	—	184	—	184	—	14
Currency and interest rate hedges	Cross-currency swaps	—	—	—	—	—	—
Net investment hedges						**3**	**—**
Currency hedges	FX forwards	—	—	—	—	—	—
Currency and interest rate hedges	Cross-currency swaps	—	460	—	460	3	—
Derivatives included in net debt						**3**	**14**
Cash flow hedges						**4**	**2**
Interest rate hedges	Swaps	—	—	—	—	—	—
Currency hedges on intra-Group financing and operational hedges	Currency swaps & FX forwards & FX options	—	—	—	—	—	—
Commodity hedges	Swaps	24	6	—	30	4	2
Non-hedge accounting						**13**	**4**
Currency hedges on intra-Group financing and operational hedges	Currency swaps & FX forwards	2,029	—	—	2,029	13	4
Interest rate hedges	Swaps	—	—	—	—	—	—
Total derivatives						**20**	**20**
Total non-current						**5**	**14**
TOTAL CURRENT						**15**	**6**

The notional amount of these contracts is the nominal value of the contracts. Foreign currency-denominated notional amounts in cross-currency swaps are shown in euros at the exchange rate agreed. For other instruments, notional amounts denominated in foreign currencies are translated into euros at year-end exchange rates. Estimated market values are based on information available on the financial markets and valuation methods appropriate to the type of financial instrument. These valuation methods yield results consistent with the valuations provided by bank counterparties.

The Group's hedging instruments at 30 June 2023 were not ineffective.

Hedged items (by category and hedge type)

Hedge type at 30 June 2022 € millions	Carrying amount of hedged item		Cumulative FVH adjustments included in carrying amount of hedged item		Balance sheet item in which hedged item is included	CFH reserves	Change in fair value of CFH derivatives through OCI
	Assets	Liabilities	Assets	Liabilities			
Fair value hedges (FVHs)							
Interest rate risk							
Fixed-rate bonds hedged	—	781	5	9	Bond issues	N/A	N/A
Discontinuation of hedge accounting	—	—	—	—	Bond issues	N/A	N/A
Currency risk							
Firm commitment	—	—	—	—	—	N/A	N/A
Cash flow hedges (CFHs)							
Interest rate risk							
Floating rates of bonds	N/A	N/A	N/A	N/A	N/A	—	—
Discontinuation of hedge accounting	—	—	—	—	N/A	—	6
Currency risk							
Hedges of future foreign currency sales	N/A	N/A	N/A	N/A	N/A	—	(1)
Discontinuation of hedge accounting	—	—	—	—	N/A	—	—
Commodity risk							
Commodity hedges	N/A	N/A	N/A	N/A	N/A	5	4
Net investment hedges (NIHs)							
Net assets hedged	481	-	N/A	N/A	N/A	N/A	N/A
Discontinuation of hedge accounting	—	—	—	—	N/A	—	—

N/A: not applicable.

Hedge type at 30 June 2023 € millions	Carrying amount of hedged item		Cumulative FVH adjustments included in carrying amount of hedged item		Balance sheet item in which hedged item is included	CFH reserves	Change in fair value of CFH derivatives through OCI
	Assets	Liabilities	Assets	Liabilities			
Fair value hedges (FVHs)					—		
Interest rate risk					—		
Fixed-rate bonds hedged	—	184	—	14	Bond issues	N/A	N/A
Discontinuation of hedge accounting	—	—	—	—	Bond issues	N/A	N/A
Currency risk					—		
Firm commitment	—	—	—	—	—	—	—
Cash flow hedges (CFHs)					—		
Interest rate risk					—		
Floating rates of bonds	N/A	N/A	N/A	N/A	N/A	—	—
Discontinuation of hedge accounting	—	—	—	—	N/A	—	—
Currency risk					—		
Hedges of future foreign currency sales	N/A	N/A	N/A	N/A	N/A	—	—
Discontinuation of hedge accounting	—	—	—	—	N/A	—	—
Commodity risk					—		
Commodity hedges	N/A	N/A	N/A	N/A	N/A	2	(3)
Net investment hedges (NIHs)					—		
Net assets hedged	460	—	N/A	N/A	N/A	N/A	N/A
Discontinuation of hedge accounting	—	—	—	—	N/A	—	—

N/A: not applicable.

Note 4.11 Other current liabilities

Other current liabilities break down as follows:

€ millions	30.06.2022	30.06.2023
Tax and social security payables	786	835
Other current liabilities	526	721
TOTAL	**1,311**	**1,556**

Other current liabilities at 30 June 2023 mainly comprise the interim dividend payment of €521 million on 7 July 2023. Most of these other current liabilities are due within one year.

NOTE 5 Notes to the cash flow statement

1 Working capital requirement

Working capital requirement increased by €568 million. The breakdown is as follows:

- inventory: €748 million;
- trade receivables: €499 million;
- trade payables: €(611) million;
- other: €(68) million.

2 Purchases/Disposals of financial assets and activities

Purchases of financial assets and activities net of disposals generated a cash outflow of €1,129 million, mainly related to acquisitions and disposals of activities in the period, related in particular to the transactions described in Section 1 of Note 1.2 – *Significant events during the financial year*.

3 Issuance/repayment of debt

During the financial year, the Pernod Ricard Group issued €1,702 million in long-term debt, including the increase of the stock of commercial paper for €621 million, and also repaid €845 million in debt. These transactions mainly correspond to the bond issues and redemptions described in Section 2 of Note 1.2 – *Significant events during the financial year*.

The Group also paid €129 million in respect of its lease liabilities, of which €116 million related to repayment of the nominal amount and €13 million to interest payments reported in cash flows from operating activities.

NOTE 6 Additional information

Note 6.1 Shareholders' equity

1. Share capital

In April 2023, the Group carried out a capital reduction by cancelling 2,315,622 shares previously held in treasury and acquired in particular under Group's share buyback programme. Following this transaction, the share capital changed to €396,229,186, divided into 255,631,733 shares with a par value of €1.55 per share:

	Number of shares	Amount (€ millions)
Share capital at 30 June 2022	257,947,355	400
Share capital at 30 June 2023	255,631,733	396

All Pernod Ricard shares are issued and fully paid for a par value of €1.55. Only one type of Pernod Ricard shares exists. These shares obtain double voting rights if they have been registered for an uninterrupted period of ten years.

2 Treasury shares

Treasury shares are recognised on acquisition as a deduction from equity. Subsequent changes in the value of treasury shares are not recognised. When treasury shares are sold, any difference between the acquisition cost and the fair value of the shares at the date of disposal is recognised as a change in shareholders' equity and has no impact on profit and loss for the year.

At 30 June 2023, Pernod Ricard and its controlled affiliates held 1,358,167 Pernod Ricard shares for a value of €455 million. These treasury shares are reported, at cost, as a deduction from shareholders' equity.

As part of its stock option and free share grant plans, Pernod Ricard SA holds shares either directly (treasury shares) or indirectly (calls or repurchase options). These shares may be allocated if options are exercised under the stock option plans or, in the case of free shares, if performance targets are met.

3 Interim dividend

In April 2023, the Board of Directors decided to pay an interim dividend of €2.06 per share for the period 2022/2023, i.e., a total of €521 million. The interim dividend was paid on 7 July 2023 and recognised under "Other current liabilities" in the balance sheet at 30 June 2023.

4 Capital management

The Group manages its share capital in such a way as to optimise its cost of capital and profitability for its shareholders, provide security for all its counterparties and maintain a high credit rating. In this context, the Group may adjust its payment of dividends to shareholders, redeem part of its share capital, buy back its treasury shares and authorise share-based payment plans.

5 Liquidity agreement

On 24 May 2012, Pernod Ricard SA put in place a 12-month liquidity agreement, effective from 1 June 2012, through Rothschild & Cie Banque. The agreement is tacitly renewable for successive periods of 12 months. It complies with the French Financial Markets Association (*Association Française des Marchés Financiers* – AMAFI) Code of Ethics, which was approved by the AMF in its decision of 21 March 2011.

The sum of €5 million was allocated for the implementation of the liquidity agreement.

Note 6.2 Share-based payments

The Group applies IFRS 2 "Share-based Payments" to transactions whose award and settlement are share-based.

Pursuant to this standard, stock options and performance shares granted to employees are measured at fair value. The amount of such fair value is recognised in the income statement over the vesting period of the rights with a corresponding increase in shareholders' equity.

This fair value is calculated using valuation models taking into account the characteristics of the plan and market data at the date of grant and on the basis of Group management's assumptions.

Description of share-based payment plans

The Group grants long-term incentive plans to high-level executives, key Group executives and high-potential managers. As of the grant on 10 November 2021, these plans are granted through shares, whether or not subject to internal or external performance conditions; the stock option mechanism is no longer used for new grants. In addition, for all plans granted since 10 November 2021, the presence condition has been revised to three years instead of four years previously.

In the course of FY 2023, three share grant plans were set up on 10 November 2022:

- a performance share plan including:
  - a performance condition based on the positioning of the overall performance of the Pernod Ricard share (TSR[1]) compared to the overall performance of a panel of 12 peers over the period from 13 October 2022 to 13 October 2025 inclusive (three years),
  - a performance condition based on the average achievement of the profit from recurring operations target (actual/budget) measured over three consecutive financial years, including that in which the shares were granted,
  - a condition relating to the achievement of corporate social responsibility (CSR) targets measured over three consecutive financial years, including that in which the shares were granted;
- a performance share plan including:
  - a performance condition based on the average achievement of the profit from recurring operations target (actual/budget) measured over three consecutive financial years, including that in which the shares were granted,
  - a condition relating to the achievement of CSR targets measured over three consecutive financial years, including that in which the shares were granted,
- a share plan without performance conditions.

The expense recognised for options/shares vested or in the process of being vested during the financial year (period from 1 July 2022 to 30 June 2023) is described below:

Stock options	Type of options	With/without performance conditions	Number of beneficiaries	Commencement date for exercise of options	Expiry date	Subscription or purchase price (€)	Outstanding options at 30/06/2023	Stock option expense for FY 2023 (€ thousands)
Plan dated 21/11/2018	Purchase	With conditions	15	22/11/2022	21/11/2026	€137.78	78,993	214
Plan dated 08/11/2019	Purchase	With conditions	14	09/11/2023	08/11/2027	€162.79	82,884	766
Plan dated 27/11/2020	Purchase	With conditions	14	28/11/2024	27/11/2028	€154.11	136,711	804

Performance shares	Type of shares	With/without performance conditions	Number of beneficiaries	Shares vested from	Shares available from	Outstanding shares at 30/06/2023	Share expense for FY 2023 (€ thousands)
Plan dated 21/11/2018	Free	With conditions	958	22/11/2022	22/11/2022	—	2,135
Plan dated 08/11/2019	Free	With conditions	820	09/11/2023	09/11/2023	146,259	5,702
Plan dated 27/11/2020	Free	With conditions	754	28/11/2024	28/11/2024	242,846	8,476
Plan dated 10/11/2021	Free	With and without conditions	777	12/11/2024	12/11/2024	226,994	13,531
Plan dated 10/11/2022	Free	With and without conditions	810	11/11/2025	11/11/2025	280,763	9,110

The history of stock option plans that have not yet expired is presented in the "Corporate governance" section of the Universal Registration Document.

For vested stock option plans, the total number of options outstanding is 195,153, with an average remaining life of two years and four months.

As at 30 June 2023, the Group recognised an expense of €1.8 million in operating items for the three stock option plans vested or in the process of vesting during the financial year, as well as an expense of €39 million in respect of the five performance share plans.

Annual expenses € millions	30.06.2022	30.06.2023
Stock options – with corresponding adjustment to shareholders' equity	2	2
Performance and free shares – with corresponding adjustment to shareholders' equity	30	39
TOTAL ANNUAL EXPENSES	**32**	**41**

[1] *Total shareholder return.*

Changes made to outstanding stock options/shares during the financial year (period from 1 July 2022 to 30 June 2023) are described below:

Stock options	Type of options	With/without performance conditions	Options outstanding at 30.06.2022	Allocated during the period	Cancelled during the period	Exercised during the period	Expired during the period	Options outstanding at 30.06.2023
Plan dated 06/11/2015	Purchase	With conditions	53,698	—	—	38,683	—	15,015
Plan dated 17/11/2016	Purchase	With conditions	63,570	—	—	15,925	—	47,645
Plan dated 09/11/2017	Purchase	With conditions	56,100	—	—	2,600	—	53,500
Plan dated 21/11/2018	Purchase	With conditions	86,009	—	—	7,016	—	78,993
Plan dated 08/11/2019	Purchase	With conditions	125,578	—	42,694	—	—	82,884
Plan dated 27/11/2020	Purchase	With conditions	136,711	—	—	—	—	136,711

Performance shares	Type of shares	With/without performance conditions	Shares outstanding at 30.06.2022	Allocated during the period	Cancelled during the period	Transferred during the period	Expired during the period	Shares outstanding at 30.06.2023
Plan dated 21/11/2018	Free	With conditions	180,499	—	3,924	176,575	—	—
Plan dated 08/11/2019	Free	With conditions	155,783	—	8,884	640	—	146,259
Plan dated 27/11/2020	Free	With conditions	255,186	—	11,330	1,010	—	242,846
Plan dated 10/11/2021	Free	With and without conditions	235,359	—	7,410	1,188	—	226,761
Plan dated 10/11/2022	Free	With and without conditions	—	284,951	2,634	1,321	—	280,996

The average strike price of options exercised during FY 2023 was €108.33.

The assumptions used in calculating the fair values of the options and shares granted over the financial year, using the binomial or Monte Carlo models and the terms under which the options/shares were granted, are as follows:

	Type of shares	With/without performance conditions	Initial share price (€)(1)	Strike price (€)	Expected volatility	Expected dividend yield	Risk-free interest rate	IFRS 2 fair value (€)
Plan dated 10.11.2022	Free	Without conditions	186.60	N/A	N/A	2.29%	N/A	174.21
Plan dated 10.11.2022	Free	With conditions	186.60	N/A	N/A	2.29%	N/A	174.21
Plan dated 10.11.2022	Free	With conditions	186.60	N/A	26%	2.29%	2.50%	101.72

N/A: not applicable.

(1) Closing rate at grant date.

The fair values are fixed upon implementation of each plan and do not vary year on year. For this reason, only the values relating to the plans granted during 2023 are presented above (information on previous plans is available in the prior-year universal registration documents).

From 2012 onwards, the volatility assumption used for the plans is based on a multi-criteria approach taking into consideration:

- historic volatility over a period equal to the duration of the options;
- implied volatility calculated on the basis of options available in financial markets.

Three share plans were granted on 10 November 2022.

For one of the plans, part of the grant is contingent on the positioning of the overall performance of the Pernod Ricard share (TSR[1]) compared to the overall performance of a panel of 12 peers: the shares will pre-vest provided that the positioning of the overall performance of the Pernod Ricard share (TSR[1]) is equal to or greater than seventh position out of 13 (the number will be determined in bands according to the level of performance achieved).

The other part of the grant is subject to an internal performance condition, the achievement of which will depend on the average achievement of the Group's annual profit from recurring operations target for the financial years ended 30 June 2023, 30 June 2024 and 30 June 2025, at constant exchange rates and scope. The fair value of these plans corresponds to the market price of the share on the grant date, less the loss of dividends expected during the vesting period (i.e., three years for all beneficiaries) and includes the likelihood of achieving the TSR performance condition. The IFRS 2 accounting expense for the plan in relation to this condition will be adjusted at the end of the vesting period at the latest.

The fair value of the other two plans (with and without internal performance conditions) corresponds to the market price of the share at the grant date, less the loss of dividends expected during the vesting period (i.e., three years for all beneficiaries).

For all these plans, vesting is contingent on the presence condition being met on 11 November 2025.

Note 6.3 Off-balance sheet commitments

€ millions	Total	< 1 year	> 1 year and < 5 years	> 5 years
COMMITMENTS GIVEN AT 30.06.2022	2,650	934	1,595	121
Commitments given in connection with the Group's scope of consolidation	***12***	***12***	***1***	—
Investment commitments	12	12	1	—
Commitments given as part of specific transactions	—	—	—	—
Other	—	—	—	—
Commitments given in relation to the financing of the Company	***51***	***26***	***20***	***5***
Financial guarantees given	51	26	20	5
Other	—	—	—	—
Commitments relating to the operating activities of the issuer	***2,587***	***897***	***1,575***	***116***
Firm and irrevocable commitments to purchase raw materials	2,310	724	1,518	67
Tax commitments (customs guarantees and other)	156	97	12	47
Operating lease agreements	9	3	5	1
Other	113	72	40	1

€ millions	Total	<1 year	>1 year and <5 years	>5 years
COMMITMENTS RECEIVED AT 30.06.2022	3,367	300	3,011	56
Commitments received in relation to companies within the Group	—	—	—	—
Commitments received as part of specific transactions in relation to competition and markets	—	—	—	—
Other	—	—	—	—
Commitments received in relation to the financing of the Company	***3,306***	***294***	***3,011***	***1***
Lines of credit received and not used	3,260	260	3,000	—
Financial guarantees received	46	34	11	1
Other	—	—	—	—
Commitments relating to the operating activities of the issuer	***61***	***6***	—	***55***
Contractual commitments relating to business activity and development	60	6		54
Other	1	—	—	1

€ millions	Total	< 1 year	> 1 year and < 5 years	> 5 years
COMMITMENTS GIVEN AT 30.06.2023	3,682	1,413	1,768	501
Commitments given in connection with the Group's scope of consolidation	***237***	***237***	—	—
Investment commitments	20	20	—	—
Commitments given as part of specific transactions	—	—	—	—
Other	217	217	—	—
Commitments given in connection with the financing of the Company	***19***	***14***	***1***	***5***
Financial guarantees given	19	14	1	5
Other	—	—	—	—
Commitments relating to the issuer's operating activities	***3,426***	***1,163***	***1,767***	***496***
Firm and irrevocable commitments to purchase raw materials	3,008	847	1,715	446
Tax commitments (customs and other guarantees)	195	130	17	48
Lease contracts	7	3	3	1
Other	216	183	32	1

€ millions	Total	< 1 year	> 1 year and < 5 years	> 5 years
COMMITMENTS RECEIVED AT 30.06.2023	3,033	356	2,619	58
Commitments received relating to the Group's scope of consolidation	—	—	—	—
Commitments received in specific competitive and market-related transactions	—	—	—	—
Other	—	—	—	—
Financing commitments received	***2,969***	***351***	***2,618***	—
Lines of credit received and not used	2,868	260	2,608	—
Financial guarantees received	101	91	10	—
Other	—	—	—	—
Commitments relating to the issuer's operating activities	***65***	***5***	***2***	***58***
Contractual commitments relating to business activity and development	63	5	1	57
Other	2	—	1	1

1 Lines of credit received and not used

Lines of credit received and not used at 30 June 2023 correspond primarily to the nominal amounts of the syndicated loan and a bilateral credit line (see Note 4.8 – *Financial liabilities*).

2 Firm and irrevocable commitments to purchase raw materials

In the context of their cognac, wine, champagne and whiskies production, the Group's main affiliates have signed raw material supply agreements for *eaux-de-vie*, grapes, base wines and grain in the amount of €3,008 million.

Note 6.4 Contingent liabilities

Contingent tax liabilities

Pernod Ricard has received several notices of tax adjustment for 2007 to 2018, specifically concerning, for an amount of INR 9,490 million (equivalent to €106.4 million, including interest at the date of the reassessment), the tax deductibility of promotion and advertising expenses. It should be noted that the level and amount of this risk have been gradually and significantly reduced in recent years and that the Company obtained two court rulings in its favour in 2020 for the period from 2007 to 2014. These court decisions further strengthen Pernod Ricard India's position on the tax deductibility of advertising and promotion expenses. Reassured by these decisions and after consulting with its tax advisers, Pernod Ricard India will continue to dispute 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.

The tax authorities conducted a special audit for 2017 and made tax adjustments for an amount of INR 1,456 million (equivalent to €16.3 million) on various grounds. Pernod Ricard has challenged the reassessment and believes it has strong chances of relief.

Contingent liabilities related to the change in the legal framework applicable to the Delhi Route to Market

In November 2021, the new Excise Policy applicable in the National Capital Territory of Delhi changed the alcohol distribution system, from government-run corporation model to private distributors and retailers.

The context of the change in route to market is currently under investigation by two government agencies, following potential irregularities in the framing and implementation of the Excise Policy, allegedly committed by a number of Delhi public officials and third-party distributors and retailers.

In that context, on 2 February 2023, a Delhi District Court took cognizance of a charge sheet filed by the Enforcement Directorate of India, claiming that, among others, Pernod Ricard India and one of its employees might have benefited from undue gains under the new Excise Policy, allegedly in breach of certain provisions of the Indian Prevention against Money Laundering Act.

The investigation by the authorities is still ongoing and neither the exact exposure, nor its likelihood, have been able to be assessed.

As a responsible corporate citizen, Pernod Ricard India is committed to comply with the laws of the country and will vigorously defend all allegations made against it.

Note 6.5 Disputes

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

A provision for such proceedings is only recognised under "Other provisions for contingencies and losses" (see Note 4.7 – *Provisions*) when it is probable that a present obligation arising as a result of a past event will require the payment of an amount that can be estimated reliably. In the latter case, the provisioned amount corresponds to the best estimate 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 specified that any events arising during the proceedings may at any time require that risk to be reassessed.

The provisions recorded by Pernod Ricard at 30 June 2023 for all disputes and risks in which it is involved amounted to €390 million, compared with €441 million at 30 June 2022 (see Note 4.7 – *Provisions*), excluding uncertain tax positions recognised in income taxes payable. Pernod Ricard provides no further details (other than in exceptional circumstances), as disclosing the amount of any provision for ongoing litigation could cause the Group serious harm.

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

Disputes relating to trademarks

Havana Club

The Havana Club trademark is owned in most countries by a joint venture called Havana Club Holding SA (HCH), of which Pernod Ricard is a shareholder, and is registered in over 200 countries. In the United States, this trademark has been owned since 1976 by a subsidiary of Pernod Ricard's Cuban partner in the Havana Club joint venture (Cubaexport). Ownership of this trademark 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 trademarks previously used by nationalised companies. This law was condemned by the World Trade Organization (WTO) in 2002. However, to date, the United States has not amended its legislation to comply with the WTO decision:

1. The United States Office of Foreign Assets Control (OFAC) decided that this law had the effect of preventing any renewal of the US trademark registration for the Havana Club trademark, which, in the United States, has been owned by Cubaexport since 1976, without obtaining a specific licence from OFAC. In August 2006, the United States Patent and Trademark Office (USPTO) denied the renewal of the said Havana Club trademark registration, following OFAC's refusal to grant a specific licence. Cubaexport petitioned the Director of the USPTO to reverse this decision and also filed a claim against OFAC, challenging both OFAC's decision and the law and regulations applied by OFAC. In March 2009, the US District Court for the District of Columbia ruled against Cubaexport. In March 2011, in a two-to-one decision, the Court of Appeals blocked Cubaexport from renewing its trademark. A certiorari petition was filed before the US Supreme Court on 27 January 2012, with the support of the French government, the National Foreign Trade Council and the Washington Legal Foundation. On 14 May 2012, the Supreme Court denied the petition. In November 2015, Cubaexport again applied for a specific licence from OFAC to renew the trademark in the United States. On 11 January 2016, OFAC granted Cubaexport's licence and on 13 January 2016, the application to the Director of USPTO was declared admissible and the trademark was renewed for a ten-year period expiring on 27 January 2026.

2. A competitor of the Group (Bacardi) has petitioned the USPTO to cancel the Havana Club trademark registration in the United States. In January 2004, the USPTO denied the petition and refused to cancel the trademark registration. As this decision was appealed, proceedings are now ongoing before the Federal District Court for the District of Columbia (DC Court). These proceedings were stayed pending the outcome of Cubaexport's petition to the USPTO. Following acceptance of the petition by the Director of the USPTO, these judicial proceedings resumed in January 2016 and the plaintiff amended the complaint. In response, Cubaexport and HCH filed two motions in August 2016: one to dismiss all actions commenced against them and one to expedite proceedings on certain issues. These motions were awaiting a decision by the DC Court until 6 March 2023, when the DC Court granted in part and denied in part Cubaexport's motions, referring to an analysis of the merits for the arguments in the denied motions. On 19 April, Cubaexport responded to Bacardi's initial claims and submitted a counterclaim for infringement of its Havana Club trademark. On 23 April, the parties jointly submitted a timetable for the next stages of the proceedings, including any pre-trial measures (i.e., discovery). On 19 May, Bacardi filed a motion with the DC Court to dismiss Cubaexport's counterclaim. Cubaexport's written response to this motion is expected on 23 June 2023.

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

Tax disputes

The Group's companies are regularly audited by the tax authorities in the countries in which they are registered.

The assessment of the risk related to each tax 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 material or complex cases. Provisions are recognised if necessary. Pernod Ricard provides no further details (other than in exceptional circumstances), as disclosing the amount of any provision for ongoing tax litigation could cause the Group serious harm.

India

Pernod Ricard India (P) Ltd has an ongoing dispute with the Indian customs authorities over the declared transaction value of concentrates of alcoholic beverages (CAB) imported into India. Customs are challenging the transaction values, arguing that some competitors used different values for the import of similar goods. This matter was ruled on by the Supreme Court, which issued an order in July 2010, setting out the principles applicable for the determination of values that should be taken into account for the calculation of duty. Pernod Ricard India (P) Ltd has already paid the corresponding amounts up to 2001. For the period between 2001 and December 2010, Pernod Ricard India (P) Ltd has paid almost the entire differential duty as determined by customs in Delhi following the initial adjustment notice received in 2011. A second notice received in 2013 and confirmed by a court on 14 August 2017 has been suspended by the Supreme Court.

As regards the Company's CAB imports since 2011, Indian authorities have issued reports challenging the transaction values as well as three show cause notices dated 2022, but failed to disclose all the data underlying their allegations. The Group has filed court requests to obtain such data and continues to actively work with the authorities and courts to resolve pending issues. In addition, pending resolution of the dispute, the customs authorities have demanded bank guarantees for the additional adjusted duties. The company challenged this request before the Supreme Court and obtained a stay of execution in March 2023.

Pernod Ricard India (P) is also involved in a debate with the Indian customs authorities over the transaction value of international products imported into India. Discussions are ongoing with the relevant authorities and courts.

Moreover, Pernod Ricard India (P) received several notices of tax adjustment for 2007 to 2018 relating to the tax deductibility of advertising and promotion expenses (see Note 6.4 – *Contingent liabilities*). In 2020, Pernod Ricard India (P) obtained two court rulings in its favour for the period from 2007 to 2014, strengthening its position on the tax deductibility of advertising and promotion expenses.

It should be noted that a provision for the above-mentioned disputes is only recognised, as appropriate in other provisions for contingencies and losses (see Note 4.7 – *Provisions*) or in income taxes payable (see Note 3.3 – *Corporate income tax*), when it is probable that a present obligation arising as a result of a past event will require the payment of an amount that can be estimated reliably. The amount of the provision is the best estimate of the expenditure required to settle the liability.

Commercial disputes

Colombia

Two separate complaints were filed jointly before the Colombian Competition Agency (*Superintendencia de Industria y Comercio*) on 14 November 2017 by the department of Cundinamarca and its wholly owned distilling company Empresa de Licores de Cundinamarca against Pernod Ricard SA, Pernod Ricard Colombia SA and a competitor company. In late December 2020, Pernod Ricard Colombia received notice of a similar complaint, initially filed in September 2019 by the departments of Valle and Antioquia (as well as wholly owned distillation companies). The complaint alleges that the defendants have committed violations of the Colombian Unfair Competition Act and, in particular, Articles 7 and 18 thereof, through the illegal import of spirits into Colombia. The complaints allege that the companies have gained an unfair market advantage over local producers through such activity. The plaintiffs seek damages corresponding to the loss of profits and taxes over the period 2013/17 (2019 in the case of Valle and Antioquia).

Pernod Ricard intends to vigorously defend itself against such allegations. These complaints contains allegations that are similar to those made in prior legal proceedings before the New York courts brought by Cundinamarca, the Republic of Colombia and several other Colombian departments in 2004. The New York proceedings were voluntarily discontinued by the parties in 2012.

Note 6.6 Related parties

Transactions with associates and joint ventures were immaterial in the financial year ended 30 June 2023.

The compensation paid to Corporate Officers and Executive Committee members in return for their services to the Group is detailed below:

€ millions	30.06.2022	30.06.2023
Board of Directors[(1)]	1	1
Executive Committee		
• Short-term benefits	16	17
• Post-employment benefits	4	4
• Share-based compensation[(2)]	7	11
TOTAL EXPENSES RECOGNISED FOR THE YEAR	**28**	**33**

(1) Directors' compensation.

(2) The cost of share-based payments corresponds to the expenses recognised in profit and loss over the period in respect of stock options and performance shares granted to members of the Group Executive Committee.

In addition, the Executive Corporate Officer (Chairman and CEO) is eligible for the following severance payments (the subject of a related-party agreement approved by the Shareholders' Meeting of 17 November 2016):

- one-year non-compete clause, together with a payment corresponding to 12 months' compensation;
- forced departure clause subject to performance conditions, together with a maximum payment corresponding to 12 months' compensation.

These clauses were not implemented in the course of the past financial year.

Note 6.7 Events after the reporting period

On 4 July 2023, the Group signed an agreement to acquire, through its affiliate Corby Spirit and Wine, a 90% stake in Ace Beverage Group Inc, the largest independent player in the fast-growing Canadian ready-to-drink (RTD) market, for an enterprise value of CAD 165 million.

Corby will have a path to full ownership of ABG through two call options exercisable in 2025 and 2028.

Note 6.8 Fees of the Statutory Auditors and members of their network for the 12-month financial year[(1)]

	KPMG			Deloitte & Associés			Others			Total		
	Amount (excl. VAT)			Amount (excl. VAT)			Amount (excl. VAT)			Amount (excl. VAT)		
€ millions	2021/22	2022/23	%	2021/22	2022/23	%	2021/22	2022/23	%	2021/22	2022/23	%
AUDIT												
Statutory audit, certification, review of individual and consolidated financial statements[(3)]												
Issuer[(2)]	0.7	0.9	21 %	0.7	0.8	16 %	—	—	—	1.4	1.7	17 %
Fully consolidated affiliates	2.6	2.9	69 %	3.6	3.9	76 %	0.2	0.4	100 %	6.4	7.3	74 %
Subtotal	**3.3**	**3.8**	**90 %**	**4.3**	**4.7**	**92 %**	**0.2**	**0.4**	**100 %**	**7.8**	**9.0**	**91 %**
Services other than certification of financial statements[(4)]												
Issuer[(2)]	0.1	0.2	5 %	0.3	0.2	4 %	—	—	0 %	0.4	0.4	4 %
Fully consolidated affiliates	0.2	0.2	5 %	0.2	0.2	4 %	0.1	—	0 %	0.5	0.4	4 %
Of which legal, tax, social	*0.1*	*0.1*	*2 %*	*0.1*	*0.3*	*6 %*	—	—	*0 %*	*0.2*	*0.4*	*4 %*
Subtotal	**0.3**	**0.4**	**10 %**	**0.5**	**0.4**	**8 %**	**0.1**	**—**	**0 %**	**0.8**	**0.8**	**8 %**
Total	**3.6**	**4.2**	**100 %**	**4.8**	**5.1**	**100 %**	**0.3**	**0.4**	**100 %**	**8.7**	**9.9**	**100 %**

(1) For the period under review, this refers to services provided and recognised in the income statement during a financial year.

(2) The issuer is understood to be the Parent Company.

(3) Including the services of independent experts or members of the Statutory Auditors' network employed to audit the financial statements.

(4) This section sets out the non-audit services provided to the issuer or its affiliates by the Statutory Auditors or the members of their networks. They may be required by law or by the provisions stipulated at the request of the Group or its affiliates and comply with independence requirements.

NOTE 7 Consolidation scope

The annual consolidated financial statements include the financial statements of the Parent Company, Pernod Ricard SA, and those of entities controlled by the Parent Company ("the affiliates"). Control is the power to influence the financial and operating policies of an entity so as to obtain benefits from its activities, irrespective of the percentage held in the entity. Non-controlling interests in the net assets of consolidated affiliates are presented separately from Parent Company shareholders' equity. Non-controlling interests include both the interests of minority shareholders at the date of the original business combination and minority interests in any subsequent changes to shareholders' equity.

Intragroup transactions and internal profits and losses relating to consolidated companies are eliminated.

Companies over which the Group exercises significant influence are accounted for under the equity method.

Note 7.1 Consolidation scope

The main changes to the Group's scope of consolidation in 2023 are presented in Note 1.2 – *Significant events during the financial year*.

Note 7.2 List of main consolidated companies

Company	Country	% interest 30/06/2022	% interest 30/06/2023	Consolidation method***
Pernod Ricard SA	France	Parent company	Parent company	
Laurenskirk (Pty) Ltd	South Africa	80	80	FC
Pernod Ricard South Africa PTY Ltd	South Africa	100	100	FC
Black Forest Distillers GmbH	Germany	100	100	FC
Pernod Ricard Deutschland GmbH	Germany	100	100	FC
Pernod Ricard Andorra, SLU	Andorra	100	100	FC
Pernod Ricard Angola, LDA	Angola	100	100	FC
Pernod Ricard Argentina SRL	Argentina	100	100	FC
Yerevan Brandy Company	Armenia	100	100	FC
Pernod Ricard Pacific Holding Pty Ltd	Australia	100	100	FC
Pernod Ricard Winemakers Pty Ltd	Australia	100	100	FC
Pernod Ricard Austria GmbH	Austria	100	100	FC
Pernod Ricard Belgium SA	Belgium	100	100	FC
Pernod Ricard Brasil Indústria e Comércio ltda.	Brazil	100	100	FC
Pernod Ricard Bulgaria EOOD	Bulgaria	100	100	FC
Corby Spirit and Wine Limited*	Canada	46	46	FC
Hiram Walker & Sons Limited	Canada	100	100	FC
Pernod Ricard Canada Ltée	Canada	100	100	FC
Pernod Ricard Chile SpA	Chile	100	100	FC
Pernod Ricard (China) Trading Co., Ltd	China	100	100	FC
Pernod Ricard Colombia SA	Colombia	100	100	FC
Pernod Ricard Korea Imperial Company Ltd.	South Korea	100	100	FC
Pernod Ricard Korea Ltd	South Korea	100	100	FC
Havana Club International SA	Cuba	50	50	FC
Pernod Ricard Denmark A/S	Denmark	100	100	FC
Bodeboca SL	Spain	100	100	FC
Drinksandco Marketplace, SLU	Spain	100	100	FC
Pernod Ricard España	Spain	100	100	FC
Pernod Ricard Winemakers Espana, SAU	Spain	100	100	FC
Vermuteria de Galicia	Spain	80	80	FC
Pernod Ricard Estonia OÜ	Estonia	100	100	FC
Austin, Nichols & Co., Inc	United States	100	100	FC
Avion Spirits, LLC	United States	100	100	FC
Castle Brands, Inc.	United States	100	100	FC
Código US LLC	United States	0	50	FC

Company	Country	% interest 30/06/2022	% interest 30/06/2023	Consolidation method***
Del Maguey Inc.	United States	62	100	FC
Firestone & Robertson Distilling Company LLC	United States	100	100	FC
Pernod Ricard Americas IP Management LLC	United States	100	100	FC
Pernod Ricard Americas Travel Retail LLC	United States	100	100	FC
Pernod Ricard USA LLC	United States	100	100	FC
Pernod Ricard Kenwood Holding LLC	United States	100	100	FC
Pernod Ricard Marketing USA LLC	United States	100	100	FC
Pernod Ricard USA Finance Inc.	United States	100	100	FC
Pernod Ricard USA, LLC	United States	100	100	FC
PRUSA Acquisitions LLC	United States	100	100	FC
Rabbit Hole Spirits, LLC	United States	80	80	FC
Skrewball LLC	United States	0	70	FC
Smooth Ambler Spirits Co.	United States	80	100	FC
Sovereign Brands LLC	United States	0	33	FC
Pernod Ricard Finland OY	Finland	100	100	FC
Augier Robin Briand & Cie	France	100	100	FC
Champagne Perrier-Jouët	France	100	100	FC
Château Sainte Marguerite	France	60	60	FC
Domaines Jean Martell	France	100	100	FC
Financière Moulins de Champagne	France	100	100	FC
GH Mumm & Cie SVCS	France	100	100	FC
Le Maine au Bois	France	100	100	FC
Lina 16	France	100	100	FC
Lina 3	France	100	100	FC
Lina 5	France	100	100	FC
Martell & Co SA	France	100	100	FC
Martell Mumm Perrier-Jouët	France	100	100	FC
Vignobles Mumm Perrier-Jouët	France	100	100	FC
Pernod Ricard Finance SA	France	100	100	FC
Pernod Ricard Middle East and North Africa	France	100	100	FC
Pernod Ricard North America SAS	France	100	100	FC
Pernod Ricard France SAS****	France	100	100	FC
Société Lillet Frères	France	100	100	FC
Spirits Partners SAS	France	100	100	FC
Théodore Legras	France	100	100	FC
Pernod Ricard Ghana Limited	Ghana	100	100	FC
Pernod Ricard Hellas ABEE	Greece	100	100	FC
Allied Spirits & Wine (China) Ltd	Hong Kong	100	100	FC
Pernod Ricard Asia Duty Free Ltd	Hong Kong	100	100	FC
Pernod Ricard Hong Kong Ltd	Hong Kong	100	100	FC
Peri Mauritius	Mauritius	100	100	FC
Pernod Ricard India Private Limited	India	100	100	FC
Comrie Limited	Ireland	100	100	FC
Irish Distillers Group Unlimited Company	Ireland	100	100	FC
Irish Distillers Ltd	Ireland	100	100	FC
Samuelson International DAC	Ireland	100	100	FC
Irish Distillers International LTD	Ireland	100	100	FC
Pernod Ricard Italia SPA	Italy	100	100	FC
The Kyoto Distillery KK	Japan	100	100	FC
Pernod Ricard Japan KK	Japan	100	100	FC
Pernod Ricard Kazakhstan	Kazakhstan	100	100	FC
Pernod Ricard Kenya Limited	Kenya	100	100	FC
Pernod Ricard Lietuva UAB	Lithuania	100	100	FC
La Hechicera Company Sarl	Luxembourg	51	51	FC
Pernod Ricard Malaysia SDN BHD	Malaysia	100	100	FC
Pernod Ricard Maroc	Morocco	100	100	FC

Company	Country	% interest 30/06/2022	% interest 30/06/2023	Consolidation method***
Pernod Ricard Mexico SA de CV	Mexico	100	100	FC
Seagram Myanmar Company Ltd*	Myanmar	34	34	FC
Pernod Ricard Norway AS	Norway	100	100	FC
Pernod Ricard Winemakers New Zealand Limited	New Zealand	100	100	FC
Allied International Holdings BV	Netherlands	100	100	FC
Pernod Ricard Nederland BV	Netherlands	100	100	FC
PR Goal Nederland BV	Netherlands	100	100	FC
Pernod Ricard Peru SA	Peru	100	100	FC
Pernod Ricard Philippines, Inc.	Philippines	70	70	FC
Agros Holding SA	Poland	100	100	FC
Wyborowa SA	Poland	100	100	FC
Pernod Ricard Portugal – Distribuição, SA	Portugal	100	100	FC
Pernod Ricard Dominicana, SA	Dominican Republic	100	100	FC
Jan Becher – Karlovarska Becherovka, a.s.	Czech Republic	100	100	FC
Pernod Ricard Romania SRL	Romania	100	100	FC
Allied Domecq (Holdings) Limited	United Kingdom	100	100	FC
Allied Domecq Limited	United Kingdom	100	100	FC
AD Overseas (Europe) Limited	United Kingdom	100	100	FC
Allied Domecq Spirits & Wine Holdings Limited	United Kingdom	100	100	FC
Allied Domecq Spirits & Wine Limited	United Kingdom	100	100	FC
AD Westport Limited	United Kingdom	100	100	FC
Chivas Brothers (Holdings) Ltd	United Kingdom	100	100	FC
Chivas Brothers Ltd**	United Kingdom	100	100	FC
Chivas Brothers International Ltd**	United Kingdom	100	100	FC
Chivas Brothers Pernod Ricard	United Kingdom	100	100	FC
Chivas Holdings (IP) Limited	United Kingdom	100	100	FC
Chivas Investments Limited**	United Kingdom	100	100	FC
Coates & Co (Plymouth) Limited	United Kingdom	100	100	FC
Dillon Bass Ltd	United Kingdom	74	74	FC
Edward Dillon (Bonders) Ltd	United Kingdom	100	100	FC
Goal Acquisitions (Holdings) Ltd	United Kingdom	100	100	FC
Goal Acquisitions Ltd	United Kingdom	100	100	FC
Italicus Ltd	United Kingdom	50	50	FC
Pernod Ricard UK Group Limited	United Kingdom	100	100	FC
Pernod Ricard UK Ltd	United Kingdom	100	100	FC
PR Goal 3 Ltd	United Kingdom	100	100	FC
The Whisky Exchange	United Kingdom	100	100	FC
World Brands Duty Free Ltd	United Kingdom	100	100	FC
Pernod Ricard Rouss CJSC	Russia	100	100	FC
Pernod Ricard Singapore PTE Ltd	Singapore	100	100	FC
Pernod Ricard Slovakia s.r.o	Slovakia	100	100	FC
Distilled Innovation AB	Sweden	100	100	FC
Pernod Ricard Sweden AB	Sweden	100	100	FC
The Absolut Company AB	Sweden	100	100	FC
Pernod Ricard Swiss SA	Switzerland	100	100	FC
Pernod Ricard Taiwan Ltd	Taiwan	100	100	FC
Pernod Ricard Thailand Ltd	Thailand	100	100	FC
Pernod Ricard Istanbul Ic ve Dis Ticaret Limited Sirketi	Turkey	100	100	FC
Pernod Ricard Ukraine	Ukraine	100	100	FC
Pernod Ricard Uruguay SA	Uruguay	100	100	FC
Pernod Ricard Vietnam Company Limited	Vietnam	100	100	FC

* *The companies Corby Spirit and Wine Limited and Seagram Myanmar Company Ltd are consolidated using the full consolidation method because of the Group's control over the entities.*

** *Limited companies that are members, or with affiliates that are members, of UK partnerships.*
In accordance with Regulation 7 of The Partnerships (Accounts) Regulations 2008, annual financial statements have not been prepared for the aforementioned companies as said UK companies are consolidated within the Pernod Ricard Group consolidated financial statements.

*** *FC: full consolidation.*

**** *Since the merger of Pernod SAS and Ricard SAS on 1 July 2020.*