6.

Consolidated Financial Statements

Section

The financial statements at 30 June 2019 are not restated for the application of IFRS 16 “Leases” (for more details, see Note 1.1.2.1 to the consolidated financial statements below).

The term “restated” refers solely to the restatement of the balance sheet at 30 June 2019, given the reclassification of uncertain tax positions required under IFRIC 23 (for more details, see Note 1.2.1.2 to the consolidated financial statements below). When information is presented without mentioning restatement, it means that the aggregates in question are not impacted by this interpretation.

6.1 Consolidated income statement

€ million	30.06.2019	30.06.2020	Notes
Net sales	9,182	8,448	2
Cost of sales	(3,533)	(3,361)	2
Gross margin after logistics expenses	**5,648**	**5,086**	**2**
Advertising and promotion expenses	(1,512)	(1,327)	2
Contribution after advertising and promotion	**4,137**	**3,759**	**2**
Structure costs	(1,556)	(1,499)	
Profit from Recurring Operations	**2,581**	**2,260**	
Other operating income/(expenses)	(206)	(1,283)	3.1
Operating profit	**2,375**	**978**	
Financial expenses	(346)	(403)	3.2
Financial income	36	36	3.2
Financial income/(expense)	**(310)**	**(366)**	
Corporate income tax	(582)	(258)	3.3
Share of net profit/(loss) of associates	0	0	
Net profit from assets held for sale	-	(3)	4.12
NET PROFIT	**1,482**	**350**	
o/w:			
• non-controlling interests	27	21	
• Group share	1,455	329	
Earnings per share – basic *(in euros)*	5.51	1.25	3.4
Earnings per share – diluted *(in euros)*	5.48	1.24	3.4

6.2 Consolidated statement of comprehensive income

€ million	30.06.2019	30.06.2020
Net profit for the period	**1,482**	**350**
Non-recyclable items		
Actuarial gains/(losses) related to defined benefit plans	**267**	**(758)**
Amounts recognised in shareholders' equity	*319*	*(919)*
Tax impact	*(52)*	*161*
Equity instruments	**66**	**(119)**
Unrealised gains and losses recognised in shareholders' equity	*67*	*(120)*
Tax impact	*(1)*	*1*
Recyclable items		
Net investment hedges	**(3)**	**10**
Amounts recognised in shareholders' equity	*(3)*	*13*
Tax impact	*-*	*(4)*
Cash flow hedges	**7**	**5**
Amounts recognised in shareholders' equity [(1)]	*11*	*8*
Tax impact	*(4)*	*(3)*
Translation differences	**112**	**(65)**
Other comprehensive income for the period, net of tax	**448**	**(927)**
COMPREHENSIVE INCOME FOR THE PERIOD	**1,930**	**(577)**
o/w: • Group share • non-controlling interests	 1,900 30	 (600) 23

(1) Including €(6) million recycled through profit or loss in respect of FY20.

6.3 Consolidated balance sheet

Assets

€ million	30.06.2019	30.06.2020	Notes
Net amounts			
Non-current assets			
Intangible assets	11,683	10,965	4.1
Goodwill	5,391	5,611	4.1
Property, plant and equipment	2,549	3,095	4.2
Non-current financial assets	1,419	522	4.3
Investments in associates	14	28	
Non-current derivative instruments	20	54	4.3/4.10
Deferred tax assets	1,590	1,678	3.3
TOTAL NON-CURRENT ASSETS	**22,665**	**21,953**	
Current assets			
Inventories and work in progress	5,756	6,167	4.4
Trade receivables and other operating receivables	1,226	906	4.5
Income taxes receivable	105	142	
Other current assets	359	323	4.6
Current derivative instruments	6	12	4.3/4.10
Cash and cash equivalents	923	1,935	4.8
TOTAL CURRENT ASSETS	**8,375**	**9,485**	
Assets held for sale	5	87	4.12
TOTAL ASSETS	**31,045**	**31,525**	

Liabilities

€ million	30.06.2019 Restated	30.06.2020	Notes
Shareholders' equity			
Capital	411	411	6.1
Share premium	3,052	3,052	
Retained earnings and currency translation adjustments	11,069	10,177	
Group net profit	1,455	329	
Group shareholders' equity	**15,987**	**13,968**	
Non-controlling interests	195	243	
TOTAL SHAREHOLDERS' EQUITY	**16,182**	**14,211**	
Total non-current liabilities			
Non-current provisions	269	310	4.7
Provisions for pensions and other long-term employee benefits	559	605	4.7
Deferred tax liabilities	2,756	2,596	3.3
Bonds - non-current	6,071	8,599	4.8
Non-current lease liabilities	-	433	4.8
Other non-current financial liabilities	363	192	4.8
Non-current derivative instruments	16	0	4.10
TOTAL NON-CURRENT LIABILITIES	**10,034**	**12,735**	
Total current liabilities			
Current provisions	149	222	4.7
Trade payables	2,187	1,877	
Income tax payable	307	232	3.3
Other current liabilities	1,058	1,016	4.11
Bonds - current	944	723	4.8
Current lease liabilities	-	88	4.8
Other current financial liabilities	177	380	4.8
Current derivative instruments	5	24	4.10
TOTAL CURRENT LIABILITIES	**4,826**	**4,563**	
Liabilities related to assets held for sale	2	16	4.12
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**31,045**	**31,525**	

6.4 Changes in consolidated shareholders' equity

€ million	Capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Currency translation adjustments	Treasury shares	Equity attributable to equity holders of the Parent	Non-controlling interests	Total shareholders' equity
Opening position on 01.07.2018	**411**	**3,052**	**11,823**	**59**	**(38)**	**(380)**	**(130)**	**14,797**	**181**	**14,978**
IFRS 9 impacts	-	-	(1)	-	-	-	-	(1)	-	(1)
Opening position on 01.07.2018 restated	**411**	**3,052**	**11,823**	**59**	**(38)**	**(380)**	**(130)**	**14,797**	**181**	**14,977**
Comprehensive income for the period	-	-	1,455	268	73	104	-	1,900	30	1,930
Capital increase	-	-	-	-	-	-	-	-	-	-
Expense related to share-based payments	-	-	40	-	-	-	-	40	-	40
(Acquisition)/disposal of treasury shares	-	-	(35)	-	-	-	(25)	(60)	-	(60)
Sale and repurchase agreements	-	-	-	-	-	-	1	1	-	1
Dividends and interim dividends distributed	-	-	(668)	-	-	-	-	(668)	(19)	(687)
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-	-
Other transactions with minority interests	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	(22)	-	-	-	-	(22)	4	(19)
CLOSING POSITION ON 30.06.2019	**411**	**3,052**	**12,592**	**327**	**34**	**(276)**	**(153)**	**15,987**	**195**	**16,182**

€ million	Capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Currency translation adjustments	Treasury shares	Equity attributable to equity holders of the Parent	Non-controlling interests	Total shareholders' equity
Opening position on 01.07.2019	**411**	**3,052**	**12,592**	**327**	**34**	**(276)**	**(153)**	**15,987**	**195**	**16,182**
Comprehensive income for the period	-	-	329	(758)	(114)	(57)	-	(600)	23	(577)
Capital increase	-	-	-	-	-	-	-	-	-	-
Expense related to share-based payments	-	-	22	-	-	-	-	22	-	22
(Acquisition)/disposal of treasury shares	-	-	(56)	-	-	-	(530)	(587)	-	(587)
Sale and repurchase agreements	-	-	-	-	-	-	-	-	-	-
Dividends and interim dividends distributed	-	-	(820)	-	-	-	-	(820)	(22)	(842)
Changes in scope of consolidation	-	-	-	-	-	-	-	-	47	47
Other transactions with minority interests	-	-	(35)	-	-	-	-	(35)	-	(35)
Other movements	-	-	1	-	-	-	-	1	-	1
CLOSING POSITION ON 30.06.2020	**411**	**3,052**	**12,033**	**(431)**	**(79)**	**(333)**	**(684)**	**13,968**	**243**	**14,211**

6.5 Consolidated cash flow statement

€ million	30.06.2019	30.06.2020	Notes
Cash flow from operating activities			
Group net profit	1,455	329	
Non-controlling interests	27	21	
Share of net profit/(loss) of associates, net of dividends received	0	0	
Financial (income)/expenses	310	366	
Tax (income)/expenses	582	258	
Net profit from discontinued operations	-	3	
Depreciation of fixed assets	226	350	
Net change in provisions	7	97	
Net change in impairment of goodwill, property, plant and equipment and intangible assets	69	1,007	
Changes in fair value of commercial derivatives	(3)	0	
Changes in fair value of biological assets	(3)	(3)	
Net (gain)/loss on disposal of assets	0	(27)	
Expenses related to share-based payments	40	23	
Self-financing capacity before financing interest and taxes	**2,711**	**2,423**	
Decrease/(increase) in Working Capital Requirements	(181)	(433)	5.1
Interests paid	(340)	(371)	
Interests received	32	36	
Taxes paid/received	(521)	(474)	
NET CHANGE IN CASH FLOW FROM OPERATING ACTIVITIES	**1,701**	**1,181**	
Cash flow from investing activities			
Capital expenditure	(388)	(365)	
Proceeds from disposals of property, plant and equipment and intangible assets	50	14	
Change in scope of consolidation	-	-	
Purchases of financial assets and activities	(192)	(618)	5.2
Disposals of financial assets and activities	14	34	
NET CHANGE IN CASH FLOW FROM INVESTING ACTIVITIES	**(516)**	**(936)**	
Cash flow from financing activities			
Dividends and interim dividends paid	(645)	(849)	
Other changes in shareholders' equity	-	-	
Issuance of long-term debt	163	3,822	5.3
Repayment of debt	(431)	(1,553)	5.3
Repayment of lease liabilities	-	(100)	
(Acquisitions)/disposals of treasury shares	(121)	(526)	
Other transactions with non-controlling interests	-	-	
NET CHANGE IN CASH FLOW FROM FINANCING ACTIVITIES	**(1,034)**	**795**	
Cash flow from non-current assets held for sale	-	(3)	
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (BEFORE FOREIGN EXCHANGE IMPACT)	**151**	**1,037**	
Restatement for IFRS 15 on opening position	16	-	
Effect of exchange rate changes	1	(26)	
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (AFTER FOREIGN EXCHANGE IMPACT)	**169**	**1,012**	
CASH AND CASH EQUIVALENTS AT START OF PERIOD	**754**	**923**	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**923**	**1,935**	

6.6 Notes to the consolidated financial statements

DETAILED CONTENTS OF THE NOTES

Pernod Ricard SA is a French public limited company (*société anonyme*), subject to all laws governing commercial companies in France, and particularly to the provisions of the French Commercial Code. The Company is headquartered at 5, cours Paul Ricard, 75008 Paris and is listed on Euronext. The consolidated financial statements reflect the accounting position of Pernod Ricard and its subsidiaries (the "Group"). They are presented in euros and rounded to the nearest million.

The Group's business is the production and sale of wines & spirits.

The consolidated financial statements for the financial year ended 30 June 2020 were approved by the Board of Directors on 1 September 2020.

NOTE 1 Accounting principles and significant events

Note 1.1 Accounting policies

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

Because of its listing in a country of the European Union, and in accordance with EC Regulation 1606/02, the Group's consolidated financial statements for the financial year ended 30 June 2020 have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union.

The accounting principles used to prepare the consolidated financial statements to 30 June 2020 are consistent with those used for the consolidated financial statements to 30 June 2019, with the exception of standards and interpretations adopted by the European Union applicable to the Group from 1 July 2019 (see Note 1.1.2 – *Changes in accounting standards*). The Group does not adopt early application of standards or interpretations.

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

2. Changes in accounting standards

Standards, amendments and interpretations for which implementation is mandatory for financial years commencing from 1 July 2019

The standards, amendments and interpretations applicable to Pernod Ricard with effect from 1 July 2019, are as follows:

- IFRS 16 "Leases";
- IFRIC 23 "Uncertainty over Income Tax Treatments";
- amendments to IFRS 9 "Prepayment features with negative compensation";
- amendments to IAS 19 "Employee Benefits: Plan Amendment, Curtailment or Settlement";
- amendments to IAS 28 "Investments in associates and joint ventures";
- the IFRS improvements cycle 2015/17.

Other than IFRS 16 and IFRIC 23, whose impacts are described in Notes 1.1.2.1.1 and 1.1.2.1.2 below, these amendments and interpretations have no impact on the Group's financial statements.

2.1 Impact of the first-time application of IFRS 16 and IFRIC 23

2.1.1 IFRS 16 (Leases)

In January 2016, the IASB (International Accounting Standards Board) published a new standard for the recognition of leases. This mandatory new standard replaces IAS 17 and the associated IFRIC and SIC interpretations. It removes the distinction previously made between finance leases and operating leases by requiring all lease commitments to be recorded in the balance sheet. The Group has therefore reviewed all its leases.

Accounting principles amended following the application of IFRS 16 are presented in Note 4.8 – *Financial liabilities*. The Group also analysed the decision by the IFRS Interpretation Committee in November 2019 with regard to the determination of the enforceable period of contracts and the depreciation period for fixtures and fittings and installations inseparable from the leased property. This decision has no material impact on the Group's consolidated financial statements and the judgements made in determining the term of the leases.

The Group has applied the simplified retrospective transition method to 1 July 2019. The choice of this transition method means that comparative information from prior periods has not been restated.

The standard introduces various simplification measures. In particular, the Group has chosen exemptions from recognition to exclude leases with a term of less than 12 months (including residual period at the transition date) and leases relating to assets with a low replacement value. The value of leases classified as finance leases under IAS 17 remains unchanged.

Variable leases or the provision of lease-related services are not taken into account when determining the amount of the right-of-use asset and lease liability and are recognised as expenses when they are incurred.

In addition, the value of the right-of-use asset is deemed to be equal to the amount of the liability, adjusted for prepaid rents, initial direct costs, benefits received from lessors and, where applicable, remediation costs.

Lease liabilities have been measured at the present value of the lease payments outstanding. The discount rates applied at the transition date are based on the Group's borrowing rate plus a spread to take into account country-specific economic environments. The discount rates were determined taking into account the term of each lease. The weighted average incremental borrowing rate applied to lease liabilities at 1 July 2019 is 3.94%.

The reconciliation between the commitments relating to operating leases, disclosed in Note 6.3 to the consolidated financial statements at 30 June 2019, and the lease liability recognised at 1 July 2019 under the first-time application of IFRS 16, is as follows:

€ million	
Operating lease commitments at 30 June 2019	**555**
Leases exempt from recognition under IFRS 16	(4)
Leases with a commencement date after 1 July 2019	(201)
Finance leases previously recognised under IAS 17	28
Other items	13
Undiscounted lease liabilities at 1 July 2019	**391**
Discounting effect	52
Lease liabilities recognised at 1 July 2019	**339**

At 30 June 2020, following the application of IFRS 16, the Group's balance sheet includes lease liabilities totalling €522 million and right-of-use assets totalling €448 million.

These impacts mainly concern real estate assets, including the offices occupied by the Group. The assumption concerning the lease term corresponds to the non-cancellable period of the lease, if necessary increased by renewal periods where there is an extension option and the management is reasonably certain to exercise that option.

A breakdown of right-of-use assets by category of fixed asset at 1 July 2019 and at 30 June 2020 is also given in Note 4.2 – *Property, plant and equipment*.

The impact on the Group's income statement is non-material. There is zero impact on profit from recurring operations. The impact on financial income/(expense) amounts to €(13) million.

The impacts on the cash flow statement consist of an improvement in cash flow from operating activities of +€96 million and a deterioration in cash flow from financing activities of €(96) million. This corresponds to the reclassification in cash flow from financing activities of the repayment of the nominal amount of lease liabilities relating to leases previously classified as operating leases.

At 1 July 2019, the impacts on the balance sheet are as follows:

€ million	**30.06.2019**	**IFRS 16 impacts**	**01.07.2019**
Intangible assets	11,683		11,683
Goodwill	5,391		5,391
Land	311	53	364
Buildings	757	190	947
Machinery and equipment	808	11	819
Other property, plant and equipment and assets in progress	673	38	711
Property, plant and equipment (1)	2,549	292	2,841
Non-current financial assets (2)	1,419	14	1,432
Investments in associates	14		14
Non-current derivative instruments	20		20
Deferred tax assets	1,590		1,590
Non-current assets	**22,665**	**306**	**22,971**
Inventories and work in progress	5,756		5,756
Receivables	1,226		1,226
Income taxes receivable	105		105
Other current assets	359		359
Current derivative instruments	6		6
Cash and cash equivalents	923		923
Current assets	**8,375**		**8,375**
Assets held for sale	5		5
TOTAL ASSETS	**31,045**	**306**	**31,351**

€ million	**30.06.2019 Restated**	**IFRS 16 impacts**	**01.07.2019**
Total shareholders' equity	**16,182**		**16,182**
Non-current provisions	269	(3)	266
Provisions for pensions and other long-term employee benefits	559		559
Deferred tax liabilities	2,756		2,756
Bonds - non-current	6,071		6,071
Non-current lease liabilities (1)	-	248	248
Other non-current financial liabilities (3)	363	(22)	341
Non-current derivative instruments	16		16
Total non-current liabilities	**10,034**	**223**	**10,257**
Current provisions	149		149
Trade payables	2,187	(3)	2,184
Income taxes payable	307		307
Other current liabilities	1,058		1,058
Bonds - current	944		944
Current lease liabilities (1)	-	91	91
Other current financial liabilities (3)	177	(6)	171
Current derivative instruments	5		5
Total current liabilities	**4,826**	**83**	**4,909**
Liabilities related to assets held for sale	2		2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**31,045**	**306**	**31,351**

(1) I.e. an impact at the beginning of the period of €339 million on lease liabilities and €292 million on right-of-use assets, mainly relating to property leases.
(2) Receivables relating to sublease contracts.
(3) Of which €28 million corresponds to the reclassification in lease liabilities of liabilities for contracts previously classified as finance leases under IAS 17.

2.1.2 IFRIC 23 "Uncertainty over Tax Treatments"

IFRIC 23 clarifies the recognition of uncertain tax positions relating to income taxes. The application of this interpretation has no impact on the value of the Group's tax liabilities and involved the reclassification of €150 million from "Non-current provisions" to "Current tax liabilities" at 30 June 2019. The Group's balance sheet at 30 June 2019 has been restated accordingly:

€ million	30/06/2019 Published	Impacts IFRIC 23	30/06/2019 Restated
Non-current provisions	420	(150)	269
Total non-current liabilities	**10,185**	**(150)**	**10,034**
Income taxes payable	157	150	307
Total current liabilities	**4,676**	**150**	**4,826**

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 brands), the Group carries out spot impairment tests where there is an indication that the value of an intangible asset may have been 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, the rate of 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 2020 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 will be used. The assessment of whether the Group will be able to use these tax losses is largely a matter of judgement. Analyses are carried out to decide whether or not these tax loss carryforwards are likely to be usable in the future.

Provisions

As explained in Note 4.7 – *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 requested by the claimants are significant and the legal proceedings can take several years. In this context, provisions are calculated on the basis of the Group's best estimate of the amount that will be payable based on the information available (notably that provided by the Group's legal 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

In accordance with the provisions of IAS 29, Argentina has been considered a hyperinflationary economy since 1 July 2018.

However, given the contribution of Argentina's business performance 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 as of 30 June 2009. Business combinations after 1 July 2009 are measured and recognised in accordance with the revised version of IFRS 3: the consideration transferred (cost of acquisition) is measured at the fair value of assets given, equity instruments issued and liabilities incurred at the transaction date. Identifiable assets and liabilities belonging to the acquired company are measured at their fair value at the acquisition date. Costs directly attributable to the acquisition, such as legal, due diligence and other professional fees are recognised as other operating expenses incurred.

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

Finally, in accordance with IFRS 3 as revised and IAS 27 as amended, the Group recognised in shareholders' equity the difference between the price paid and the proportional part of non-controlling interests acquired in previously controlled companies.

6. Foreign currency translation

6.1 Reporting currency used in the consolidated financial statements

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

6.2 Functional currency

The functional currency of an entity is the currency of the economic environment in which it mainly operates. In most cases, the functional currency is the entity's local currency. However, in 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. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate applying at the closing date. Foreign currency differences are recognised in profit and loss for the period, except for foreign currency differences arising on debts designated as hedges for the net foreign currency assets of consolidated affiliates. The latter are recognised directly in shareholders' equity, under currency translation adjustments, until the disposal of the net investment. Foreign currency differences related to operating activities are recognised within operating profit for the period; foreign currency differences related to financing activities are recognised within financial income (expense) or in shareholders' equity.

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

The balance sheet is translated into euros at year-end exchange rates. The income statement and cash flows 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, currency translation adjustments previously recognised in shareholders' equity are recognised 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 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 upon if they are significant from a Group perspective.

Note 1.2 Significant events during the financial year

1. Impacts of the Covid-19 epidemic

The global spread of Covid-19 at the beginning of 2020 had a major impact on the Group's business in the second half of the financial year. Many countries have taken strict measures to try to slow the spread of the epidemic and have imposed the closure of establishments open to the public (including bars, hotels, restaurants) as well as lockdown measures and restrictions on international travel (affecting Travel Retail activities in particular).

In this context, net sales for the period amounted to €8,448 million, down 8% compared with FY19. The efforts made by the Group as a whole in terms of advertising and promotional expenditure (down 12% compared with FY19) and structure costs (down 4% compared with FY19), helped to limit the impact of this crisis on Profit from Recurring Operations. The latter amounted to €2,260 million, down 12% compared with FY19.

As part of the management of this crisis, the Group has taken a number of strong measures:

- priority given to the health and safety of its employees and partners;
- active inventory management to maintain a healthy level in main markets, particularly China and the United States;
- active management of resources and cost control to adapt to the crisis;
- dynamic cash management and a strengthened liquidity position thanks to several bond issues over the period (see Note 1.2.2.3 - *Bond issues and redemptions*) and the implementation of a new line of credit, undrawn to date.

Despite the crisis, the Group has continued to implement its Transform & Accelerate agenda, including the finalisation of the Reconquer project in France and the re-organisation of its Wines business in order to improve its performance.

Due to the sudden slowdown in activity and uncertainty of the medium-term outlook brought about by the global health crisis and its economic fallout, the Group has recorded an impairment on the carrying amount of its intangible assets (brands) in the amount of €999 million in other operating income and expenses, *i.e.* €768 million in net profit after tax. This impairment loss mainly impacts the Absolut brand in the amount of €912 million before tax (€702 million after tax) and does not call into question the strategy or operational initiatives relating to the brand (see Note 4.1 - *Intangible assets and goodwill - Impairment of tangible or intangible assets).*

Furthermore, the Group has paid particular attention to the recoverability of its trade receivables in view of the increased credit risk related to the crisis, with the measures implemented enabling optimised management of trade receivables.

2. Other significant events during the financial year

2.1 Acquisitions and disposals

During the first half of the year, the Group finalised several transactions with the aim of strengthening its portfolio of American whiskies through three successive acquisitions: the signing of the partnership with Rabbit Hole Spirits LLC, owner of the Rabbit Hole Bourbon Whiskey brand, the acquisition of Firestone & Robertson Distilling Co., owner of the TX Whiskey brand, and lastly the successful acquisition of the American listed company, Castle Brands Inc., owner of the Jefferson's Bourbon brand in particular. The Group also carried out more targeted acquisitions, such as the signature of a partnership with Laurenskirk (PTY) Ltd., owner of the South African gin brand Inverroche, the acquisition of 34% of the joint venture Seagram Myanmar Company Ltd, owner of the High Class Whisky brand, and the acquisition of the Spanish company Bodeboca SL, owner of the Bodeboca digital platform.

During the second half of the year, the Group continued the same strategy by strengthening its positions through partnerships/acquisitions of super and ultra-Premium brands in fast-growing categories, such as the agreements signed with The Kyoto Distillery, owner of the Japanese gin brand KI NO BI, and Italicus Ltd, owner of the Italian aperitif of the same name. The Group also exercised its call option on the remaining share capital of Black Forest Distillers GmbH, owner of the successful Monkey 47 brand.

These acquisitions represent a total amount of approximately €600 million, mainly allocated to brands for €227 million and to goodwill for €199 million.

Finally, as part of its strategy of dynamic management of its brand portfolio, the Group also sold the Café de Paris brand and the Cubzac production site to the cooperative InVivo.

2.2 Pension fund insurance

The Trustee of the largest Pernod Ricard pension fund in the UK has signed a contract with the insurer Rothesay Life to insure the majority of the fund's pension liabilities through the purchase of an insurance policy, commonly known as "buy-in".

This contract reduces the Group's exposure to a potential shortfall in plan funding that could arise due to fluctuations in market parameters (primarily inflation and interest rates) and changes in longevity.

The buy-in transaction involves the transfer of €4,252 million of pension plan assets to the insurer Rothesay Life, with no impact on the Group's cash flow. As a result of this transaction, the carrying amount of the insurance policy fully covers the carrying amount of the insured pension liabilities, estimated at €3,350 million at the transaction date. The difference of €903 million was recognised by writing down the value of "Non-current financial assets" with the corresponding recognition of shareholders' equity in "Other comprehensive income", with no impact on profit or loss.

2.3 Bond issues and redemptions

During the year, Pernod Ricard issued the following bonds:

- €1.5 billion in three tranches of 4, 8 and 12 years on 24 October 2019, bearing interest at the fixed annual rate of 0.00%, 0.50% and 0.875%, respectively;
- €1.5 billion in two tranches of 5 and 10 years on 1 April 2020, bearing interest at the fixed annual rate of 1.125% and 1.75%, respectively;
- the Group carried out two tap issues for a total of €500 million on 27 April 2020:
  - €250 million, bringing the total amount of the bond maturing in April 2025 to €1 billion,
  - €250 million, bringing the total amount of the bond maturing in April 2030 to €1 billion.

On 23 March 2020, the Group early redeemed a bond with an original maturity of June 2020 in the amount of €850 million, in accordance with the bond's Terms and Conditions.

On 26 May 2020, the Group completed a €7 billion medium-term notes (MTN) issuance programme. To date, no drawdowns have been made under this programme.

On 24 June 2020, the Group early redeemed a bond with an original maturity of April 2021 in the amount of US$500 million, in accordance with the bond's Terms and Conditions.

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. It is 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 promotional 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 costs corresponds to sales (excluding duties and taxes), less costs of sales and logistics expenses. The contribution after advertising and promotion expenses includes the gross margin after deduction of logistics expenses and advertising and promotion expenses. The Group applies recommendation 2013-R03 of the French accounting standards authority (Autorité des normes comptables – ANC), notably as regards the definition of Profit from recurring operations. Profit from recurring operations is the contribution after advertising and 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 or expenses. These other operating income and expenses are excluded from Profit from recurring operations because the Group believes they have little predictive value due to their occasional nature. They are described in detail in Note 3.1 – *Other operating income and expenses*.

The Group is focused on a single activity, the production and sale of wines & spirits, and has three operating segments covering three regions, namely America, Europe and Asia/Rest of the World (RoW).

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 costs, less advertising and promotion investments and structure costs. The operating segments presented are identical to those included in the reporting provided to General Management, in particular for the performance analysis.

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

At 30.06.2019 *€ million*	**Americas**	**Asia/Rest of World**	**Europe**	**Total**
Income statement items				
Segment net sales	3,902	5,891	4,224	14,017
o/w intersegment sales	*1,357*	*1,926*	*1,552*	*4,835*
Net sales (excluding Group)	**2,545**	**3,965**	**2,672**	**9,182**
Gross margin after logistics expenses	1,698	2,308	1,643	5,648
Contribution after advertising and promotion	1,193	1,716	1,228	4,137
Profit from recurring operations	785	1,179	617	2,581
Other information				
Current investments	50	72	277	398
Depreciation, amortisation and impairment	29	47	219	295

At 30.06.2020 *€ million*	**Americas**	**Asia/Rest of World**	**Europe**	**Total**
Income statement items				
Segment net sales	3,747	5,181	4,032	12,960
o/w intersegment sales	*1,298*	*1,715*	*1,500*	*4,512*
Net sales (excluding Group)	**2,449**	**3,467**	**2,532**	**8,448**
Gross margin after logistics expenses	1,599	1,969	1,519	5,086
Contribution after advertising and promotion	1,138	1,452	1,169	3,759
Profit from recurring operations	718	938	605	2,260
Other information				
Current investments	113	233	611	957
Depreciation, amortisation and impairment	972	133	251	1,356

The segment information includes the impacts of IFRS 16 applicable from 1 July 2019, without restatement of the information presented at 30 June 2019. The implementation of IFRS 16 has no material impact on Profit from Recurring Operations.

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

At 30.06.2020 *€ million*	**Americas**	**Asia/Rest of World**	**Europe**	**Total**
Current investments	71	168	355	594
Depreciation, amortisation and impairment	13	43	57	113

Breakdown of net sales

€ million	Net sales at 30.06.2019	Net sales at 30.06.2020	Change *(€m)*	Change *(%)*
Strategic International Brands	5,811	5,268	(543)	-9%
Strategic Local Brands	1,754	1,599	(155)	-9%
Strategic Wines	451	431	(19)	-4%
Specialty Brands	301	373	72	24%
Other products	865	776	(89)	-10%
TOTAL	**9,182**	**8,448**	**(734)**	**-8%**

NOTE 3 Notes to the income statement

Note 3.1 Other operating income and 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 the Profit from Recurring Operations given their unusual, abnormal and infrequent nature, which would distort the reading of the Group's performance.

Other operating income and expenses are broken down as follows:

€ million	30.06.2019	30.06.2020
Impairment of property, plant and equipment and intangible assets	(69)	(1,007)
Gains or losses on asset disposals and acquisition costs	(29)	11
Net restructuring and reorganisation expenses	(77)	(178)
Disputes and risks	3	(47)
Other non-current operating income and expenses	(33)	(63)
OTHER OPERATING INCOME AND EXPENSES	**(206)**	**(1,283)**

At 30 June 2020, other operating income and expenses primarily consisted of:

- impairment losses on property, plant and equipment and intangible assets for €1,007 million, resulting in particular from brand impairment tests, mainly on the Absolut brand for €912 million;
- restructuring expenses relating to various reorganisation projects, including the "Reconquer" project announced on 1 October 2019;
- as well as certain costs generated by the Covid-19 health crisis for approximately €37 million, in particular penalties and costs relating to the cancellation of events or the closure of sales outlets imposed by local authorities for €18 million and donations, the production of hydro-alcoholic gel as part of the fight against the pandemic and employee protection measures for €10 million. These expenses were recorded in accordance with the Group's accounting rules given their unusual, abnormal and infrequent nature and their materiality.

Note 3.2 Financial income/(expense)

€ million	30.06.2019	30.06.2020
Interest expenses on net financial debt	(329)	(340)
Financial expenses on lease liabilities	-	(14)
Interest income on net financial debt	32	36
Net financing cost	**(297)**	**(319)**
Structuring and placement fees	(2)	(2)
Net financial impact of pensions and other long-term employee benefits	(5)	0
Other net current financial income (expense)	(10)	(7)
Financial income/(expense) from recurring operations	**(314)**	**(328)**
Foreign currency gains/(loss)	2	(19)
Other non-current financial income/(expenses)	1	(19)
TOTAL FINANCIAL INCOME/(EXPENSE)	**(310)**	**(366)**

At 30 June 2020, the net cost of financial debt included financial expenses of €273 million on bonds, €5 million on interest rate hedges, €11 million on factoring and securitisation agreements, €14 million on interest on lease liabilities, and €16 million in other expenses. Other financial income and expenses were mainly due to the $500 million bond repurchase, for €19 million, and negative foreign exchange impacts during the period, also for €19 million.

Weighted average cost of debt

The Group's weighted average cost of debt was 3.6% over FY20 compared to 3.9% over FY19. This weighted average cost for FY20 includes the cost of lease liabilities recognised under IFRS 16. Given that the impacts of this standard are relatively minor, as described in Note 1.1.2.1, its implementation has no significant impact on the Group's weighted average cost of debt.

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 income tax expense

€ million	30.06.2019	30.06.2020
Current income tax	(483)	(364)
Deferred income tax	(99)	106
TOTAL	**(582)**	**(258)**

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

€ million	30.06.2019	30.06.2020
Operating profit	2,375	978
Financial income/(expense)	(310)	(366)
Taxable profit	**2,064**	**611**
Theoretical tax charge at the effective income tax rate in France (1)	(711)	(210)
Impact of tax rate differences by jurisdiction	228	111
Tax impact of variations in exchange rates	(1)	0
Re-estimation of deferred tax assets linked to tax rate changes	(9)	(77)
Impact of tax losses used/not used	1	(6)
Impact of reduced/increased tax rates on taxable results	0	0
Taxes on distributions	(47)	(25)
Other impacts	(44)	(52)
EFFECTIVE TAX CHARGE	**(582)**	**(258)**
EFFECTIVE TAX RATE	**28%**	**42%**

(1) At the standard rate of 34.43%.

The increase in the effective tax rate is mainly due to the revaluation of deferred taxes following rate changes in the United Kingdom and India.

Deferred tax is recognised on time 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 reported when they are likely to be recovered, based on projections of taxable income calculated by the Group at the end of each financial year. All assumptions used, including, in particular, growth in operating profit and financial income (expenses), taking into account interest rates, are reviewed by the Group at the end of the financial year based on data determined by the relevant senior management.

Deferred taxes are broken down by nature as follows:

€ million	30.06.2019	30.06.2020
Margins in inventories	99	119
Fair value adjustments on assets and liabilities	21	28
Provisions for pensions and other long-term employee benefits	94	100
Deferred tax assets related to losses eligible for carryforward	908	933
Provisions (other than provisions for pensions benefits) and other items	468	498
TOTAL DEFERRED TAX ASSETS	**1,590**	**1,678**
Accelerated tax depreciation	124	136
Fair value adjustments on assets and liabilities	2,339	2,313
Pension and other hedging assets	294	147
TOTAL DEFERRED TAX LIABILITIES	**2,756**	**2,596**

Tax loss carryforwards (recognised and unrecognised) represent potential tax savings of €1,232 million and €1,202 million at 30 June 2020 and 30 June 2019 respectively. The potential tax savings at 30 June 2020 and 30 June 2019 relate to tax loss carryforwards with the following expiry dates:

FY19

	Tax effect of loss carryforwards *€ million*	
Year	**Losses recognised**	**Losses not recognised**
2019	0	1
2020	0	1
2021	1	1
2022	2	1
2023 and after	737	196
No expiry date	167	93
TOTAL	**908**	**294**

FY20

	Tax effect of loss carryforwards *€ million*	
Year	**Losses recognised**	**Losses not recognised**
2020	0	1
2021	0	1
2022	1	4
2023	1	3
2024 and after	790	192
No expiry date	140	97
TOTAL	**933**	**299**

Following the application of IFRIC 23, described in Note 1.1.2.1.2, the Group's current tax liabilities are as follows:

€ million	30/06/2019 Restated	30/06/2020
Other current tax liabilities	157	108
Uncertain tax positions	150	125
TOTAL CURRENT TAX LIABILITIES	**307**	**232**

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 finance cost, net of tax, relating to these instruments.

Group net profit and net earnings per share from continuing operations

Numerator *(€ million)*	**30.06.2019**	**30.06.2020**
Group net profit	1,455	329
Denominator *(in number of shares)*		
Average number of outstanding shares	264,173,497	262,858,086
Dilutive effect of bonus share allocations	1,043,157	1,063,687
Dilutive effect of stock options and subscription options	202,895	115,058
Average number of outstanding shares—diluted	**265,419,549**	**264,036,831**
Earnings per share *(€)*		
Earnings per share – basic	5.51	1.25
Earnings per share – diluted	5.48	1.24
Earnings per share from continuing operations – basic	5.51	1.26
Earnings per share from continuing operations – diluted	5.48	1.26

Note 3.5 Expenses by type

Operating profit notably includes depreciation, amortisation and impairment expenses as well as personnel expenses as follows:

€ million	**30.06.2019**	**30.06.2020**
Depreciation, amortisation and impairment expense on property, plant and equipment and intangible assets*	**(293)**	**(1,314)**
Salaries and payroll costs	(1,286)	(1,317)
Pensions, medical expenses and other similar benefits under defined benefit plans	(43)	(46)
Expense related to share-based payments	(40)	(22)
TOTAL PERSONNEL EXPENSES	**(1,369)**	**(1,385)**

* *Of which €999 million in impairment of intangible assets and €113 million relating to right-of-use assets as at 30.06.2020.*

Operating profit also includes €5.1 million in lease expenses relating to short-term leases, €1.9 million relating to leases of low-value assets and €2.7 million relating to variable leases.

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 period of use, which is generally less than five years, and are written down when their recoverable amount is less than their net carrying amount. Amortisation of intangible assets is recognised within operating profit 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 in the year					
€ million	**30.06.2018**	**Acquisitions**	**Allowances**	**Disposals**	**Translation adjustments**	**Other movements**	**30.06.2019**
Goodwill	5,456	8	-	(4)	71	(3)	5,528
Brands	12,757	62	-	(34)	169	3	12,957
Other intangible assets	407	42	-	(8)	3	8	452
GROSS VALUE	**18,620**	**112**	**-**	**(45)**	**243**	**8**	**18,937**
Goodwill	(137)	-	-	-	0	0	(137)
Brands	(1,334)	-	(65)	15	(24)	-	(1,408)
Other intangible assets	(291)	-	(30)	6	(2)	(1)	(318)
AMORTISATION/IMPAIRMENT	**(1,762)**	**-**	**(95)**	**21**	**(26)**	**(1)**	**(1,863)**
INTANGIBLE ASSETS, NET	**16,858**	**112**	**(95)**	**(25)**	**217**	**7**	**17,074**

		Movements in the year					
€ million	**30.06.2019**	**Acquisitions**	**Allowances**	**Disposals**	**Translation adjustments**	**Other movements**	**30.06.2020**
Goodwill	5,528	199	-	(1)	21	0	5,747
Brands	12,957	227	-	0	47	0	13,230
Other intangible assets	452	41	-	(20)	(7)	5	471
GROSS VALUE	**18,937**	**467**	**-**	**(21)**	**60**	**5**	**19,448**
Goodwill	(137)	-	-	-	1	0	(136)
Brands	(1,408)	-	(999)	0	9	0	(2,398)
Other intangible assets	(318)	-	(34)	10	6	(1)	(338)
AMORTISATION/IMPAIRMENT	**(1,863)**	**-**	**(1,033)**	**10**	**16**	**(1)**	**(2,872)**
INTANGIBLE ASSETS, NET	**17,074**	**467**	**(1,033)**	**(11)**	**76**	**4**	**16,576**

Goodwill

Goodwill is subject to an impairment test at least once a year and whenever there is an indication that its value may have been impaired. To perform these tests, goodwill is allocated by geographical area on the basis of asset groupings at the date of each business combination. These asset groupings correspond to groups of assets which jointly generate identifiable cash flows that are largely independent. 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 increase in the value of goodwill 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.

Brands

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

The main brands recorded on the balance sheet are: Absolut, Ballantine's, Beefeater, Chivas Regal, Kahlúa, Malibu, Martell and Brancott Estate. Most of these were recognised at the time of the acquisitions of Seagram, Allied Domecq and Vin&Sprit. The increase in the gross value of brands 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 tangible or intangible assets

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

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. It should be noted that, as part of the first-time application of IFRS 16 during FY20, the simplified method of including the net value of right-of-use assets and lease liabilities in the various CGUs was adopted.

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

Value in use is measured based on cash flows projected over a 19-year period. This period reflects the typically long lives of the Group's brands and their productive assets. Discounted projected cash flows are established based on annual budgets and multi-year strategies, extrapolated into subsequent years by gradually converging the figure for the last year of the plan for each brand and market towards a perpetual growth rate. The calculation includes a terminal value derived by capitalising the cash flows generated in the last forecast year. Assumptions applied to sales and advertising and promotional expenditure 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 Requirements and investments, 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, obtained under normal market conditions or earnings multiples observed in recent transactions concerning 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 region, 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 suggest that a potential impairment exists.

Impairment tests for FY20 were carried out in the context of Covid-19. In this exceptional context of high uncertainty and volatility, the Group has had to adjust the approach used for the valuation of its brands and goodwill, adopting the "weighted multi-scenario" approach in line with the recommendations of regulators.

These different scenarios, based on business plans reviewed by Management, represent a panel covering the various ways in which the pandemic and its consequences could unfold in the coming months and years, as described by economists and international financial organisations. Probabilities have been assigned to the scenarios. These estimates were made on the basis of the most recent information available and taking into account the uncertainties associated with the situation. A combination of the following factors has been taken into account in each impairment model:

- the future development of the health crisis, including the duration, extent and geographical scope of the closures of establishments selling our products;
- the extent and expected duration of the economic crisis;
- the weight of the On-trade and Off-trade distribution channels in each key market;
- the increase in the market risk premium in the discount rates used for the calculations, reflecting the unprecedented context of uncertainty and volatility triggered by the Covid-19 crisis.

This approach has not indicated any need for impairment of the Group's goodwill. The impairment losses required for the Group's brands amount to €999 million, of which €912 million relates to the Absolut brand. These impairment losses were recognised during the period (see Note 1.2.1 – *Significant events – Impacts of the Covid-19 epidemic*).

In addition to annual impairment tests applied to goodwill and brands, specific impairment tests are applied where there is an indication that the value of an intangible asset may have been impaired. The data and assumptions used for the impairment tests applied to cash generating units (CGUs) are as follows:

€ million	Method used to determine the recoverable amount	Net carrying amount of goodwill at 30.06.2020	Net carrying amount of brands at 30.06.2020	Value in use		
				Discount rate 2019	Discount rate 2020	Perpetual growth rate
Europe	Value in use based on the discounted cash flow method	1,818	3,789	5.73%	5.80%	-1% to +2.5%
Americas		2,874	5,465	6.74%	6.83%	-1% to +2.5%
Asia/Rest of World		919	1,578	7.83%	7.42%	-1% to +2.5%

The amount of any additional impairment of indefinite-life intangible assets at 30 June 2020 is described below, resulting in:

- a 50 basis point reduction in the growth rate of the contribution after advertising and promotional expenditure;
- 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 reduction in the perpetual rate growth over the duration of the multi-year plans.

€ million	50 basis point decrease in the growth rate of the contribution after advertising and promotional expenditure	50 basis point increase in the after-tax discount rate	100 basis point increase in the after-tax discount rate	50 basis point decrease in the perpetual growth rate
Europe	(25)	(104)	(403)	(66)
Americas	(102)	(700)	(2,031)	(226)
Asia/Rest of World	(9)	(36)	(130)	(16)
TOTAL	**(135)**	**(841)**	**(2,565)**	**(308)**

The various sensitivities presented above include an impairment requirement for the Group's American goodwill of €368 million in the event of an increase in the after-tax discount rate of 50 basis points and €1,411 million in the event of an increase in the after-tax discount rate of 100 basis points.

The other sensitivities presented above would not result in the need for goodwill impairment.

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
Machinery and equipment	5 to 15 years
Other property, plant and equipment	3 to 5 years
Vines	25 to 33 years

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

In accordance with the amendments to standards IAS 41 and IAS 16, vines are, since 1 July 2016, valued at acquisition cost and depreciated over their useful life. 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 profit and loss. 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 of underlying asset to which the right of use relates, with the corresponding recognition of a lease liability. These are mainly offices occupied by the Group and recorded 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 written down when their recoverable amount falls below their net carrying amount.

€ million	30.06.2018	Movements in the year: Acquisitions	Allowances	Disposals	Translation adjustments	Other movements	30.06.2019
Land	341	4	-	(8)	1	5	343
Buildings	1,247	14	-	(33)	(1)	66	1,294
Machinery and equipment	1,883	68	-	(48)	2	103	2,006
Other property, plant and equipment (1)	763	62	-	(38)	(3)	6	790
Assets in progress	233	202	-	(1)	0	(194)	241
Advance on property, plant and equipment	5	4	-	-	0	(1)	8
GROSS VALUE	**4,473**	**353**	**-**	**(128)**	**(1)**	**(16)**	**4,681**
Land	(34)	-	(2)	5	0	0	(32)
Buildings	(522)	-	(44)	29	0	0	(537)
Machinery and equipment	(1,136)	-	(106)	42	0	0	(1,198)
Other property, plant and equipment	(357)	-	(46)	35	1	1	(366)
Assets in progress	-	-	-	-	0	-	0
DEPRECIATION/IMPAIRMENT	**(2,049)**	**-**	**(198)**	**111**	**2**	**1**	**(2,132)**
PROPERTY, PLANT AND EQUIPMENT, NET	**2,424**	**353**	**(198)**	**(17)**	**1**	**(15)**	**2,549**

(1) Including biological assets.

€ million	30.06.2019	IFRS 16 impacts (1)	01.07.2019	Movements in the year: Acquisitions	Allowances	Disposals	Translation adjustments	Other movements	30.06.2020	of which right-of-use assets (1)
Land	343	53	396	3	-	0	(3)	4	399	51
Buildings	1,294	190	1,484	327	-	(19)	(23)	(1)	1,766	407
Machinery and equipment	2,006	11	2,017	92	-	(39)	(26)	140	2,186	41
Other property, plant and equipment	790	38	828	83	-	(36)	(12)	8	870	69
Assets in progress	241		241	161	-	0	(3)	(216)	182	-
Advance on property, plant and equipment	8		8	19	-	-	0	(3)	24	-
GROSS VALUE	**4,681**	**292**	**4,973**	**685**	**-**	**(95)**	**(67)**	**(69)**	**5,427**	**567**
Land	(32)		(32)	-	(9)	0	1	0	(40)	(7)
Buildings	(537)		(537)	(3)	(120)	16	10	12	(621)	(67)
Machinery and equipment	(1,198)		(1,198)	(4)	(123)	35	16	2	(1,272)	(20)
Other property, plant and equipment	(366)		(366)	(1)	(67)	33	5	(3)	(399)	(25)
Assets in progress	-		-	-	-	-	0	-	0	-
DEPRECIATION/IMPAIRMENT	**(2,132)**		**(2,132)**	**(8)**	**(319)**	**84**	**32**	**11**	**(2,332)**	**(119)**
PROPERTY, PLANT AND EQUIPMENT, NET	**2,549**	**292**	**2,841**	**677**	**(319)**	**(10)**	**(36)**	**(58)**	**3,095**	**448**

(1) See Note 1.1.2.1 on the first-time application of IFRS 16.

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).

Equity instruments

Investments in non-consolidated entities are recorded in the Balance sheet at fair value. Fair value results and the disposal gain or loss are recorded, in accordance with the management intention, either (i) in the income statement under the heading "Financial income/Financial expenses – other non-recurring financial items" or (ii) in consolidated shareholders' equity under the heading "Other comprehensive income" and are not recycled through 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 valuation criteria generally used for other non-consolidated investments are share of equity and future profitability.

Loans, guarantees and deposits

Loans, guarantees and deposits are valued at amortised cost.

	30.06.2019		30.06.2020	
€ million	Current	Non-current	Current	Non-current
Net financial assets				
Equity instruments	-	194	-	93
Other financial assets	-	1,096	-	273
Net loans and receivables				
Loans, receivables and deposits*	-	129	-	156
Total net non-current financial assets	**-**	**1,419**	**-**	**522**
Derivative instruments	6	20	12	54
FINANCIAL ASSETS	**6**	**1,438**	**12**	**576**

* *Following the application of IFRS 16 from 1 July 2019 (see Note 1.1.2.1), the category "Loans, receivables and deposits" includes receivables relating to subleases for €14 million at 30 June 2020.*

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

		Movements in the year					
€ million	30.06.2018	Acquisitions	Allowances	Disposals	Translation adjustments	Other movements	30.06.2019
Other financial assets	765	0	0	-	(18)	349	1,097
Available-for-sale financial assets*	19	-	0	-	0	(19)	0
Equity instruments	N/A	110	-	(2)	0	94	202
Investment-related receivables	159	14	-	(9)	4	23	191
GROSS VALUES	**943**	**124**	**0**	**(11)**	**(14)**	**447**	**1,489**
Provisions for other financial assets	(2)	-	0	-	0	2	0
Impairment losses recognised on available-for-sale financial assets	(6)	-	-	-	0	6	-
Provisions for equity instruments	N/A	-	-	0	0	(7)	(7)
Impairment losses recognised on investment-related receivables	(49)	-	-	-	(1)	(11)	(62)
IMPAIRMENT	**(57)**	**-**	**0**	**0**	**(1)**	**(11)**	**(70)**
NON-CURRENT FINANCIAL ASSETS, NET	**886**	**124**	**0**	**(11)**	**(15)**	**436**	**1,419**

* *During FY19, and following the application of IFRS 9, the category "Available-for-sale financial assets" disappeared as at 1 July 2018 and a new category "Equity instruments" was created.*

€ million	30.06.2019	Acquisitions	Allowances	Disposals	Translation adjustments	Other movements	30.06.2020
		Movements in the year					
Other financial assets	1,097	2	-	(6)	13	(832)	273
Equity instruments	202	19	-	(2)	0	(119)	101
Loans, guarantees and deposits*	191	31	-	(9)	(9)	16	219
GROSS VALUE	**1,489**	**52**	**-**	**(17)**	**4**	**(935)**	**593**
Provisions for other financial assets	0	-	0	-	0	0	0
Provisions on equity instruments	(7)	-	-	-	0	-	(7)
Provisions for loans, guarantees and deposits	(62)	-	-	-	(1)	0	(63)
IMPAIRMENT	**(70)**	**-**	**0**	**-**	**(1)**	**0**	**(71)**
NON-CURRENT FINANCIAL ASSETS, NET	**1,419**	**52**	**0**	**(17)**	**3**	**(935)**	**522**

* *Following the application of IFRS 16 from 1 July 2019 (see Note 1.1.2.1.), the category "Loans, receivables and deposits" includes receivables relating to subleases for €14 million at 30 June 2020.*

Other financial assets at 30 June 2020 included €265 million of plan surplus related to employee benefits, compared to €1,083 million at the end of June 2019. This decline is mainly explained by a decrease of €903 million in net assets relating to a pension plan in the United Kingdom that was the subject of a buy-in (see Note 4.7 – *Provisions*).

At 30 June 2020, equity instruments consisted mainly of unconsolidated securities held by the Group and in particular, those of Jumia Technologies AG, measured at fair value through OCI in the amount of €31 million based on the closing share price of €4.90 on 30 June 2020 (compared with €23.33 per share on 30 June 2019).

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 & spirits before being sold.

The breakdown of inventories and work in progress at the balance sheet date is as follows:

€ million	30.06.2018	Change in gross values	Change in impairment	Translation adjustments	Other movements	30.06.2019
		Movements in the year				
Raw materials	136	2	-	0	2	140
Work-in-progress	4,614	269	-	(15)	9	4,877
Goods in inventory	467	38	-	2	(2)	505
Finished products	300	(23)	-	0	3	280
GROSS VALUE	**5,517**	**286**	**-**	**(13)**	**11**	**5,802**
Raw materials	(9)	-	(1)	0	-	(10)
Work-in-progress	(11)	-	1	0	-	(10)
Goods in inventory	(13)	-	0	0	0	(13)
Finished products	(13)	-	0	0	0	(13)
IMPAIRMENT	**(45)**	**-**	**(1)**	**0**	**0**	**(46)**
NET INVENTORIES	**5,472**	**286**	**(1)**	**(13)**	**11**	**5,756**

€ million	30.06.2019	Movements in the year: Change in gross values	Change in impairment	Translation adjustments	Other movements	30.06.2020
Raw materials	140	33	-	(5)	4	173
Work-in-progress	4,877	295	-	(40)	51	5,183
Goods in inventory	505	94	-	(19)	0	580
Finished products	280	12	-	(7)	11	296
GROSS VALUE	**5,802**	**435**	**-**	**(71)**	**66**	**6,232**
Raw materials	(10)	-	(2)	0	0	(11)
Work-in-progress	(10)	-	(13)	0	-	(23)
Goods in inventory	(13)	-	(3)	1	(1)	(16)
Finished products	(13)	-	(4)	1	1	(15)
IMPAIRMENT	**(46)**	**-**	**(21)**	**2**	**0**	**(65)**
NET INVENTORIES	**5,756**	**435**	**(21)**	**(69)**	**66**	**6,167**

At 30 June 2020, ageing inventories intended mainly for use in whisky and cognac production accounted for 79% of work-in-progress. The Group is not significantly dependent on its suppliers.

Note 4.5 Trade receivables and other operating receivables

Trade receivables and other current receivables are recognised initially at their fair value, which usually corresponds to their nominal value. Provisions for impairment 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 as of 30 June 2019 and 30 June 2020 by due date:

€ million	Net carrying amount	Not due	Due in respect of the following terms: < 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 as of 30.06.2019	1,226	985	122	47	23	14	36
o/w impairment	*(67)*	*(13)*	*(1)*	*(4)*	*(2)*	*(2)*	*(43)*
Trade receivables and other operating receivables as of 30.06.2020	906	675	62	79	52	24	14
o/w impairment	*(91)*	*(15)*	*0*	*(3)*	*(8)*	*(11)*	*(55)*

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

€ million	FY19	FY20
At 1 July	**60**	**67**
Allowances during the year	12	37
Reversals during the year	(3)	3
Used during the year	(2)	4
Foreign currency gains and losses	0	(5)
At 30 June	**67**	**105**

At 30 June 2020, there was no reason to question the creditworthiness of non-impaired past due receivables. More specifically, non-impaired receivables with due dates of over 12 months show no additional credit-related risk. There is no significant concentration of risks.

The change in impairment of trade and other operating receivables during FY20 is notably linked to a reassessment of the recoverability of receivables in the context of the Covid-19 pandemic.

In FY19 and FY20, the Group continued to implement its programmes to sell the receivables of several affiliates. Receivables sold under these programmes totalled €674 million at 30 June 2019 and €513 million at 30 June 2020. As substantially all risks and rewards associated with the receivables were transferred, they were derecognised.

Derecognised assets where there is continuing involvement

€ million	Carrying amount of continuing involvement				Fair value of continuing involvement	Maximum exposure
Continuing involvement	**Amortised costs**	**Held to maturity**	**Available for sale**	**Financial liabilities at fair value**		
Guarantee deposit – factoring and securitisation	7	-	7	-	7	7

Note 4.6 Other current assets

Other current assets are broken down as follows:

€ million	30.06.2019	30.06.2020
Advances and down payments	29	40
Tax accounts receivable, excluding income taxes	164	195
Prepaid expenses	85	66
Other receivables	80	22
TOTAL	**359**	**323**

Note 4.7 Provisions

In accordance with IAS 37 (Provisions, contingent liabilities and contingent assets), provisions for risks and contingencies are recognised to cover probable outflows of resources that can be estimated and that result from present obligations relating to past events. In the case where a potential obligation resulting from past events exists, but where 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 litigation (tax other than corporate income tax, legal, employee-related).

Litigation is kept under regular review, on a case-by-case basis, by the Legal Department of each affiliate or region or by the Group's Legal Department, drawing on the help of external legal consultants in the most significant or complex cases. A provision is recorded when it becomes probable that a present obligation arising from a past event will require an outflow of resources whose amount can be reliably estimated. The amount of the provision is the best estimate of the outflow of resources required to settle this obligation.

The cost of restructuring measures is fully provisioned in the financial year, and is recognised in profit and loss under "Other operating income and 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 closing date. This cost mainly involves redundancy payments, early retirement payments, costs of notice periods not served, training costs of departing individuals and costs of site closure. Scrapping of property, plant and equipment, impairment of inventories and other assets, as well as other costs (moving costs, training of transferred individuals, etc.) directly related to the restructuring measures are also recognised in restructuring costs. The amounts provided for correspond to 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

The breakdown of provision at the balance sheet date is as follows:

€ million	30.06.2019 Restated	30.06.2020
Non-current provisions		
Provisions for pensions and other long-term employee benefits	559	605
Other non-current provisions for risks and charges	269	310
Current provisions		
Provisions for restructuring	44	101
Other current provisions for risks and charges	105	121
TOTAL	**978**	**1,138**

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

	Movements in the year							
€ million	30.06.2019 Restated	Allowances	Used	Unused reversals	Translation adjustments	First-time consolidation	Other movements	30.06.2020
Provisions for restructuring	44	107	37	12	(1)	-	0	101
Other current provisions	105	35	10	13	(2)	-	6	121
Other non-current provisions	269	141	8	65	(31)	-	3	310
TOTAL PROVISIONS	**418**	**284**	**55**	**90**	**(34)**	**-**	**9**	**533**

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 tax reassessment. The main disputes are described in Note 6.5 – *Disputes*.

At 30 June 2020, the provisions recorded by the Group for all litigation and risks in which it is involved amounted to €431 million, excluding uncertain tax positions recognised in current tax liabilities. The Group does not provide details (with exceptions), as it believes the disclosure of the amount of any provision booked in consideration of each pending dispute would be likely to cause serious harm to the Group.

The change in "Other current and non-current provisions" during the period is explained as follows:

- allowances stem mainly from proceedings brought against the Company and its affiliates, as part of the normal course of business and the emergence of new risks, including tax 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. Unused reversals primarily concern the re-evaluation or the statute of limitation of certain risks, including tax risks.

3. Provisions for pensions and other long-term employee benefits

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

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

Defined contribution plans

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

Defined benefit plans

For defined benefit plans, the projected unit credit method is used to measure the present value of defined benefit obligations, current service cost and, if applicable, past service cost. The measurement is made at each closing 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 assumptions concerning employees (mainly average salary increase, rate of employee turnover and life expectancy). The assumptions used in FY19 and FY20 and the methods used for their determination are described below.

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

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

- the cost of services is recognised in operating profit. It includes:
  - the cost of services rendered during the period,
  - the cost of past services resulting from the modification or reduction of a plan, fully recognised in profit and loss for the period in which the services were performed,
  - gains and losses resulting from liquidations;
- the financial component, recorded in financial income (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 the liabilities;
- revaluations of liabilities (assets) are recognised as non-recyclable items of comprehensive income, and consist mainly of actuarial differences, namely the change in plan obligations and assets due to changes in assumptions and to experience gains or losses, the latter representing the difference between the expected impact of some actuarial assumptions applied to previous valuations and the actual impact. Depending on the nature of the texts governing the plans in certain zones, if the hedging assets exceed the commitments entered into the accounts, any assets generated may be limited to the present value of the future reimbursements and the expected decreases in future contributions.

The Group provides employee benefits such as pensions and retirement bonuses and other post-employment benefits, such as medical care and life insurance:

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

Defined benefit plans in the Group relate mainly to affiliates in the United Kingdom, in North America and in the rest of Europe. Defined benefit plans are subject to an annual actuarial valuation on the basis of assumptions depending on the country. Under these pension and other benefit plan agreements, employees receive at the date of retirement either a capital lump sum payment or an annuity. These amounts depend on the number of years of employment, final salary and the position held by the employee. At 30 June 2020, fully or partly funded benefit obligations totalled €5,335 million, equivalent to 96% 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 and jubilee awards.

The table below presents a reconciliation of the provision between 30 June 2019 and 30 June 2020:

	30.06.2019			30.06.2020		
€ million	Pension commitments	Medical expenses and other employee benefits	Total	Pension commitments	Medical expenses and other employee benefits	Total
Net (asset)/liability at beginning of period	(375)	148	(227)	(671)	147	(524)
Expenses for the period	72	8	80	26	5	30
Actuarial (gains)/losses [(1)]	(317)	(1)	(318)	916	3	919
Employer contributions	(51)	-	(51)	(53)	-	(53)
Benefits paid directly by the employer	(15)	(10)	(25)	(10)	(10)	(19)
Changes in scope of consolidation	0	0	0	2	0	2
Translation adjustments	15	2	18	(14)	(1)	(15)
Net (asset)/liability at end of period	**(671)**	**147**	**(524)**	**196**	**145**	**341**
Amount recognised in assets [(2)]	(1,083)	-	(1,083)	(265)	-	(265)
AMOUNT RECOGNISED IN LIABILITIES (PROVISION AT END OF PERIOD)	**412**	**147**	**559**	**460**	**145**	**605**

(1) Recognised in "Other comprehensive income".
(2) See Note 4.3 – "Financial assets".

Actuarial gains and losses correspond: (i) to the effects of what is commonly known as a "buy-in" insurance policy, taken out by the Trustee of the largest pension fund of the Pernod Ricard Group in the United Kingdom, for €(903) million; (ii) to other actuarial gains and losses, following the update of actuarial assumptions and plan asset values, for €(16) million.

This policy insures most of the fund's pension liabilities and reduces the Group's exposure to a potential shortfall in plan funding that could arise due to fluctuations in market parameters (mainly inflation and interest rates) and changes in longevity.

The buy-in transaction involves the transfer of €4,252 million of pension plan assets to the insurer Rothesay Life, with no impact on the Group's cash flow. As a result of this transaction, the carrying amount of the insurance policy fully covers the carrying amount of the insured pension liabilities, estimated at €3,350 million at the transaction date. The difference of €903 million was recognised by writing down the value of "Non-current financial assets" with the corresponding recognition of shareholders' equity in "Other comprehensive income", with no impact on profit or loss.

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

	30.06.2019			30.06.2020		
Expense for the period *€ million*	Pension commitments	Medical expenses and other employee benefits	Total	Pension commitments	Medical expenses and other employee benefits	Total
Service cost	40	3	43	42	3	46
Interest on provision	(12)	5	(7)	(17)	4	(13)
• o/w interest on the commitment	139	5	144	118	4	122
• o/w interest on the assets	(151)	-	(151)	(136)	-	(136)
• o/w interest on the limitation of the assets	0	-	0	0	-	0
Fees/levies/premiums	10	-	10	11	-	11
Impact of plan amendments/reduction of future rights	34	0	33	(11)	(5)	(16)
Impact of liquidation of benefits	-	-	-	0	-	0
Actuarial (gains)/losses	-	1	1	-	3	3
Effect of asset ceiling (including the impact of IFRIC 14)	-	-	-	-	-	-
NET EXPENSE/(INCOME) RECOGNISED IN PROFIT AND LOSS	**72**	**8**	**80**	**26**	**5**	**30**

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

Net liabilities recognised in the balance sheet *€ million*	30.06.2019 Pension commitments	30.06.2019 Medical expenses and other employee benefits	30.06.2019 Total	30.06.2020 Pension commitments	30.06.2020 Medical expenses and other employee benefits	30.06.2020 Total
Change in the actuarial value of cumulative benefit obligations						
Actuarial value of cumulative benefit obligations at beginning of period	5,092	148	5,240	4,965	147	5,113
Service cost	40	3	43	42	3	46
Interest cost (effect of unwinding of discount)	139	5	144	118	4	122
Employee contributions	2	1	3	4	1	5
Benefits paid	(262)	(10)	(272)	(257)	(10)	(268)
Administrative fees/premiums/levies	(1)	-	(1)	0	-	0
Plan amendments/reduction of future rights	34	0	33	(11)	(5)	(16)
Liquidation of benefits	-	-	-	0	-	0
Actuarial (gains)/losses	(50)	(1)	(50)	641	6	647
Currency translation adjustments	(30)	2	(27)	(91)	(1)	(92)
Changes in scope of consolidation	0	0	0	28	0	28
ACTUARIAL VALUE OF CUMULATIVE BENEFIT OBLIGATIONS AT END OF PERIOD	**4,965**	**147**	**5,113**	**5,440**	**145**	**5,584**
Change in the fair value of plan assets						
Fair value of plan assets at beginning of period	5,478	-	5,478	5,645	-	5,645
Interest income on plan assets	151	-	151	136	-	136
Experience gains/(losses) on plan assets	265	-	265	(269)	-	(269)
Employee contributions	2	-	2	4	-	4
Employer contributions	51	-	51	53	-	53
Benefits paid	(248)	-	(248)	(248)	-	(248)
Administrative fees/premiums/levies	(10)	-	(10)	(12)	-	(12)
Plan amendments/reduction of future rights	-	-	-	-	-	-
Liquidation of benefits	-	-	-	-	-	-
Currency translation adjustments	(45)	-	(45)	(77)	-	(77)
Changes in scope of consolidation	-	-	-	26	-	26
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	**5,645**	**-**	**5,645**	**5,259**	**-**	**5,259**
Present value of funded benefits	4,844	-	4,844	5,335	-	5,335
Fair value of plan assets	5,645	-	5,645	5,259	-	5,259
Deficit/(surplus) on funded benefits	**(801)**	**-**	**(801)**	**77**	**-**	**77**
Present value of unfunded benefits	121	147	268	104	145	249
Effect of ceiling on plan assets (including the impact of IFRIC 14)	9	-	9	15	-	15
NET (ASSETS)/LIABILITIES RECOGNISED IN THE BALANCE SHEET	**(671)**	**147**	**(524)**	**196**	**145**	**341**

At 30.06.2020	Actuarial value of cumulative benefit obligations (€ million)	%	Fair value of plan assets (€ million)	%	Limitation of plan assets (€ million)	%	Recognised in liabilities and shareholders' equity (€ million)	%	Amount recognised in assets (€ million)	%
United Kingdom	4,326	77%	4,456	85%	0	0%	118	20%	(249)	94%
United States	405	7%	255	5%	0	0%	149	25%	0	0%
Canada	280	5%	268	5%	15	100%	42	7%	(15)	6%
Ireland	292	5%	186	4%	0	0%	106	18%	0	0%
France	129	2%	12	0%	0	0%	117	19%	0	0%
Other countries	152	3%	80	2%	0	0%	73	12%	(1)	0%
TOTAL	**5,584**	**100%**	**5,259**	**100%**	**(15)**	**100%**	**605**	**100%**	**(265)**	**100%**

The breakdown of pension assets between the different asset classes (bonds, shares, etc.) is as follows:

Breakdown of pension assets	30.06.2019 Pension commitments	30.06.2019 Medical expenses and other employee benefits	30.06.2020 Pension commitments	30.06.2020 Medical expenses and other employee benefits
Shares	11%	Not applicable	10%	Not applicable
Bonds	43%	Not applicable	10%	Not applicable
Other money market funds	1%	Not applicable	1%	Not applicable
Property assets	3%	Not applicable	2%	Not applicable
Other items	42%	Not applicable	77%	Not applicable
TOTAL	**100%**	**NOT APPLICABLE**	**100%**	**NOT APPLICABLE**

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

Contributions payable by the Group in FY21 in respect of funded benefits are estimated at €51 million.

Benefits payable in respect of defined benefit plans over the next 10 years are broken down as follows:

Benefits payable in the next 10 years *€ million*	Pension commitments	Medical expenses and other employee benefits
2021	251	8
2022	256	8
2023	263	8
2024	271	8
2025	279	8
2026/30	1,503	39

At 30 June 2019 and 30 June 2020, the main assumptions used for the measurement of pension obligations and other long-term employee benefits were as follows:

Actuarial assumptions in respect of commitments	30.06.2019 Pension commitments	30.06.2019 Medical expenses and other employee benefits	30.06.2020 Pension commitments	30.06.2020 Medical expenses and other employee benefits
Discount rate	2.35%	2.98%	1.65%	2.94%
Average rate of increase in annuities	3.26%	Not applicable	3.15%	Not applicable
Average salary increase	2.63%	3.05%	2.46%	2.62%
Expected increase in medical expenses				
• Initial rate	Not applicable	6.06%	Not applicable	5.72%
• Final rate	Not applicable	4.69%	Not applicable	4.64%

	30.06.2019		30.06.2020	
Actuarial assumptions in respect of the expense for the period	**Pension commitments**	**Medical expenses and other employee benefits**	**Pension commitments**	**Medical expenses and other employee benefits**
Discount rate	2.78%	3.40%	2.35%	2.98%
Average rate of increase in annuities	3.29%	Not applicable	3.26%	Not applicable
Average salary increase	2.60%	3.16%	2.63%	3.05%
Expected increase in medical expenses				
• Initial rate	Not applicable	6.22%	Not applicable	6.06%
• Final rate	Not applicable	4.61%	Not applicable	4.69%

Actuarial assumptions at 30.06.2020 *(pension and other commitments)* **By region**	**United Kingdom**	**United States**	**Canada**	**Eurozone countries**	**Other non-Eurozone countries**
Discount rate	1.53%	2.55%	2.87%	1.08%	3.59%
Average rate of increase in annuities	3.29%	Not applicable	Not applicable	1.55%	1.85%
Average salary increase	2.19%	2.98%	3.00%	2.37%	2.08%
Expected increase in medical expenses					
• Initial rate	5.50%	6.18%	5.18%	3.50%	Not applicable
• Final rate	5.50%	4.50%	4.50%	3.50%	Not applicable

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

- short-term rate (3-5 years): 0.5% to 1%;
- medium-term rate (5-10 years): 1% to 1.25%;
- long-term rate (more than 10 years): 1.00% to 1,50%.

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

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

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

€ million	**Pension commitments**	**Medical expenses and other employee benefits**	**Total**
Commitments at 30.06.2020	5,440	145	5,584
Commitments at 30.06.2020 with a 0.5% decrease in the discount rate	5,910	154	6,064
Commitments at 30.06.2020 with a 0.5% increase in the discount rate	5,024	136	5,160

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

In respect of post-employment medical coverage *€ million*	**With current rate**	**Impact of a change** **1% increase**	**1% decrease**
On the present value of the benefit obligations at 30.06.2020	114	12	(10)
Expense for FY20	5	0	0

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

€ million	30.06.2020 Pension commitments	Medical expenses and other employee benefits
Amounts of experience losses or (gains) on benefit obligations	(11)	7
Percentage compared with amounts of benefit obligations	-0.2%	4.6%
Amounts of financial assumption losses or (gains) on benefit obligations	568	0
Percentage compared with amounts of benefit obligations	10.4%	-0.3%
Amounts of demographic assumption losses or (gains) on benefit obligations	84	0
Percentage compared with amounts of benefit obligations	1.5%	-0.2%
Amounts of experience losses or (gains) on plan assets	269	-
Percentage compared with amounts of plan assets	5.1%	0.0%
Amounts of experience losses or (gains) on the limitation on assets	6	-
Percentage compared with amounts of plan assets	0.1%	0.0%
Average duration	16.28	12.78

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 from 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 change in their value. Cash is composed of cash at bank and on hand, short-term deposits with an initial maturity of less than three months and money market mutual funds that are subject to an insignificant risk of change in their value. Cash equivalents are short-term investments with a maturity of less than three months. Bank overdrafts, which are considered to be equivalent to financing, are excluded from cash and cash equivalents.

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, depending on the term of the lease. 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 4.1 – *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/(expense).

In the cash flow statement, repayments of lease liabilities are reported under "lease repayments" in cash flow from financing activities, while interest payments are reported under "interest paid" in cash flow 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 debt (translated at the closing rate), including lease liabilities and fair value and net foreign currency asset hedged derivatives (hedging of net investments and similar), less cash and cash equivalents.

1. Breakdown of net financial debt by nature and maturity

	30.06.2019			30.06.2020		
€ million	Current	Non-current	Total	Current	Non-current	Total
Bonds	**944**	**6,071**	**7,015**	**723**	**8,599**	**9,322**
Syndicated loan	-	-	-	-	-	-
Commercial paper	-	-	-	299	-	299
Other loans and financial debts	177	363	540	81	192	273
Other financial liabilities	**177**	**363**	**540**	**380**	**192**	**572**
GROSS FINANCIAL DEBT	**1,121**	**6,434**	**7,555**	**1,103**	**8,791**	**9,894**
Fair value hedge derivatives instruments – assets	-	(13)	(13)	(3)	(40)	(44)
Fair value hedge derivatives instruments – liabilities	-	2	2	-	-	-
Fair value hedge derivatives	**-**	**(12)**	**(12)**	**(3)**	**(40)**	**(44)**
Net investment hedging derivative instruments – assets	-	-	-	-	(13)	(13)
Net investment hedging derivative instruments – liabilities	-	-	-	-	-	-
Net investment hedge derivatives	**-**	**-**	**-**	**-**	**(13)**	**(13)**
Net assets hedging derivative instruments – assets	-	-	-	-	-	-
Net assets hedging derivative instruments – liabilities	0	-	0	-	-	-
Net asset hedging derivative instruments	**0**	**-**	**0**	**-**	**-**	**-**
FINANCIAL DEBT AFTER HEDGING	**1,121**	**6,422**	**7,543**	**1,100**	**8,737**	**9,837**
Cash and cash equivalents	**(923)**	**-**	**(923)**	**(1,935)**	**-**	**(1,935)**
NET FINANCIAL DEBT EXCLUDING LEASE LIABILITY	**198**	**6,422**	**6,620**	**(835)**	**8,737**	**7,902**
Lease liabilities*				**88**	**433**	**522**
NET FINANCIAL DEBT	**198**	**6,422**	**6,620**	**(747)**	**9,171**	**8,424**

* *Lease liabilities at 30 June 2020 include contracts previously classified as finance leases. At 30 June 2019, these liabilities totalled €28 million and were presented under "Other loans and financial debts".*

The analysis of the change in net financial debt based on the changes in cash and non-cash is described below:

		Changes in cash flows	Changes in cash flows with no cash impact				
€ million	30.06.2019	Total cash flow	Scope	Foreign Exchange impact	Change in fair value	Other items	30.06.2020
Bonds	**7,015**	**2,211**	**-**	**67**	**29**	**-**	**9,322**
Syndicated loan	-	-	-	-	-	-	-
Commercial paper	-	299	-	-	-	-	299
Other loans and financial debts	540	(241)	-	(1)	-	(24)	273
GROSS FINANCIAL DEBT	**7,555**	**2,269**	**-**	**66**	**29**	**(24)**	**9,894**
Fair value hedge derivatives instruments – assets	(13)	-	-	-	(30)	-	(44)
Fair value hedge derivatives instruments – liabilities	2	-	-	-	(2)	-	-
Fair value hedge derivatives	**(12)**	**-**	**-**	**-**	**(32)**	**-**	**(44)**
Net assets hedging derivative instruments - assets	-	-	-	(13)	-	-	(13)
Net asset hedging derivative instruments	**-**	**-**	**-**	**(13)**	**-**	**-**	**(13)**
FINANCIAL DEBT AFTER HEDGING	**7,543**	**2,269**	**-**	**53**	**(3)**	**(24)**	**9,837**
Cash and cash equivalents	**(923)**	**(1,045)**	**-**	**32**	**-**	**-**	**(1,935)**
NET FINANCIAL DEBT EXCLUDING LEASE LIABILITY	**6,620**	**1,224**	**-**	**85**	**(3)**	**(24)**	**7,902**
Lease liabilities*	**-**	**(112)**	**-**	**8**	**-**	**627**	**522**
NET FINANCIAL DEBT	**6,620**	**1,111**	**-**	**93**	**(3)**	**602**	**8,424**

* *Lease liabilities at 30 June 2020 include contracts previously classified as finance leases. At 30 June 2019, these liabilities totalled €28 million and were presented under "Other loans and financial debts".*

2. Breakdown of debt excluding lease liabilities by currency before and after foreign exchange hedging instruments at 30 June 2019 and 30 June 2020

At 30.06.2019 *€ million*	Gross financial debt	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% debt after hedging	% Net debt after hedging
EUR	3,033	540	3,573	(243)	3,330	47%	50%
USD	4,471	(326)	4,145	(60)	4,085	55%	62%
GBP	6	(3)	3	(48)	(45)	0%	-1%
SEK	8	-	8	(18)	(10)	0%	0%
Other currencies	37	(223)	(186)	(555)	(740)	-2%	-11%
FINANCIAL DEBT BY CURRENCY	**7,555**	**(12)**	**7,543**	**(923)**	**6,620**	**100%**	**100%**

At 30.06.2020 *€ million*	Gross financial debt	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% debt after hedging	% Net debt after hedging
EUR	5,635	(515)	5,120	(1,322)	3,797	52%	48%
USD	4,214	621	4,835	(60)	4,774	49%	60%
GBP	-	(96)	(96)	(37)	(134)	-1%	-2%
SEK	3	(124)	(122)	(31)	(152)	-1%	-2%
Other currencies	42	58	101	(485)	(384)	1%	-5%
FINANCIAL DEBT BY CURRENCY	**9,894**	**(57)**	**9,837**	**(1,935)**	**7,902**	**100%**	**100%**

3. Breakdown of fixed-rate/floating rate debt (excluding lease liabilities) before and after interest rate hedging instruments at 30 June 2019 and 30 June 2020

	30.06.2019				30.06.2020			
€ million	Debt before hedging		Debt after hedging		Debt before hedging		Debt after hedging	
Fixed-rate debt	6,871	91%	6,168	82%	9,146	93%	8,431	86%
Capped floating-rate debt	-	-	-	-	-	-	-	-
Floating-rate debt	672	9%	1,375	18%	691	7%	1,406	14%
FINANCIAL DEBT AFTER HEDGING BY TYPE OF RATE	**7,543**	**100%**	**7,543**	**100%**	**9,837**	**100%**	**9,837**	**100%**

At 30 June 2020, before taking account of any hedges, the Group's gross debt was 93% fixed rate and 7% floating rate. After hedging, the floating-rate part was 14%.

4. Schedule of financial liabilities at 30 June 2020

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 2019 and 30 June 2020.

At 30.06.2019 *€ million*	Balance sheet value	Contractual flows	< 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Nominal value	-	(7,499)	(33)	(995)	(1,070)	(1,593)	(718)	(515)	(2,574)
Interest	-	(1,671)	(125)	(128)	(237)	(179)	(105)	(90)	(806)
GROSS FINANCIAL DEBT	**(7,555)**	**(9,170)**	**(159)**	**(1,124)**	**(1,307)**	**(1,772)**	**(823)**	**(605)**	**(3,380)**
Cross-currency swaps	-	-	-	-	-	-	-	-	-
Flows payable	-	-	-	-	-	-	-	-	-
Flows receivable	-	-	-	-	-	-	-	-	-
Derivative instruments – liabilities	(21)	(23)	(7)	(6)	(4)	(1)	(1)	(1)	(3)
DERIVATIVE INSTRUMENTS LIABILITIES	**(21)**	**(23)**	**(7)**	**(6)**	**(4)**	**(1)**	**(1)**	**(1)**	**(3)**
TOTAL FINANCIAL LIABILITIES	**(7,575)**	**(9,193)**	**(165)**	**(1,130)**	**(1,311)**	**(1,774)**	**(825)**	**(607)**	**(3,383)**

At 30.06.2020 *€ million*	Balance sheet value	Contractual flows	< 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Nominal value	-	(9,804)	(336)	(673)	(1,378)	(753)	(1,038)	(1,688)	(3,939)
Interest	-	(1,740)	(119)	(127)	(217)	(142)	(127)	(118)	(862)
GROSS FINANCIAL DEBT	**(9,894)**	**(11,544)**	**(455)**	**(799)**	**(1,595)**	**(895)**	**(1,165)**	**(1,806)**	**(4,801)**
LEASE LIABILITIES	**(522)**	**(599)**	**(40)**	**(49)**	**(97)**	**(75)**	**(56)**	**(49)**	**(233)**
Cross-currency swaps	-	-	-	-	-	-	-	-	-
Flows payable	-	-	-	-	-	-	-	-	-
Flows receivable	-	-	-	-	-	-	-	-	-
Derivative instruments – liabilities	(24)	(25)	(23)	(2)	-	-	-	-	-
DERIVATIVE INSTRUMENTS – LIABILITIES	**(24)**	**(25)**	**(23)**	**(2)**	**-**	**-**	**-**	**-**	**-**
TOTAL FINANCIAL LIABILITIES	**(10,440)**	**(12,169)**	**(518)**	**(851)**	**(1,692)**	**(970)**	**(1,221)**	**(1,854)**	**(5,034)**

5. Credit lines

At 30 June 2020, credit lines mainly comprised the multi-currency syndicated loan of €2,500 million and a €600 million bilateral line. No drawdowns have been made from these credit lines.

6. Bonds

Nominal amount	Interest rate	Issue date	Maturity	Carrying amount at 30.06.2020 *€ million*
€250 million	1.13%	27.04.2020	07.04.2025	254
€250 million	1.75%	27.04.2020	08.04.2030	266
€750 million	1.13%	01.04.2020	07.04.2025	745
€750 million	1.75%	01.04.2020	08.04.2030	747
€500 million	0.00%	24.10.2019	24.10.2023	498
€500 million	0.50%	24.10.2019	24.10.2027	498
€500 million	0.88%	24.10.2019	24.10.2031	495
$500 million	5.75%	07.04.2011	07.04.2021	451
$201 million	Spread +6-month LIBOR	26.01.2016	26.01.2021	182
$1,500 million	4.45%	25.10.2011	15.01.2022	1,367
$800 million	4.25%	12.01.2012	15.07.2022	748
€500 million	1.88%	28.09.2015	28.09.2023	501
€650 million	2.13%	29.09.2014	27.09.2024	658
€600 million	1.50%	17.05.2016	18.05.2026	599
$600 million	3.25%	08.06.2016	08.06.2026	547
$850 million	5.50%	12.01.2012	15.01.2042	765
TOTAL BONDS				**9,322**

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 offset the recognised amounts, and if it intends to settle the net amount. The assets and liabilities offset stem from the multi-currency cash pooling implemented within the Group.

At 30.06.2019 *€ million*	Gross financial assets	Amounts offset in the balance sheet	Net amounts in the balance sheet	Impact of master netting agreements and similar agreements	Financial instruments received as collateral	Net amounts under IFRS 7
Assets						
Cash and cash equivalents	1,044	(121)	923	-	-	-
Liabilities						
Bank debt	661	(121)	540	-	-	-

At 30.06.2020 *€ million*	Gross financial assets	Amounts offset in the balance sheet	Net amounts in the balance sheet	Impact of master netting agreements and similar agreements	Financial instruments received as collateral	Net amounts under IFRS 7
Assets						
Cash and cash equivalents	2,125	(190)	1,935	-	-	-
Liabilities						
Bank debt	786	(190)	596	-	-	-

Note 4.9 Financial instruments

1. Fair value of financial instruments

		Breakdown by accounting classification				30.06.2019	
€ million	Measurement level	Fair value – profit	Fair value through Equity	Loans and receivables	Liabilities at amortised cost	Balance sheet value	Fair value
Assets							
Equity instruments	Levels 1 and 3	-	194	-	-	194	194
Guarantees, deposits, investment-related receivables		-	-	128	-	128	128
Trade receivables and other operating receivables		-	-	1,226	-	1,226	1,226
Other current assets		-	-	359	-	359	359
Derivative instruments – assets	Level 2	25	-	-	-	25	25
Cash and cash equivalents	Level 1	923	-	-	-	923	923
Liabilities							
Bonds		-	-	-	7,015	7,015	7,229
Bank debt		-	-	-	512	512	512
Finance lease debt		-	-	-	28	28	28
Derivative instruments – liabilities	Level 2	21	-	-	-	21	21

€ million	Measurement level	Breakdown by accounting classification: Fair value – profit	Fair value through Equity	Loans and receivables	Liabilities at amortised cost	30.06.2020: Balance sheet value	Fair value
Assets							
Equity instruments	Levels 1 and 3	-	93	-	-	93	93
Guarantees, deposits, investment-related receivables		-	-	156	-	156	156
Trade receivables and other operating receivables		-	-	906	-	906	906
Other current assets	Level 2	-	-	323	-	323	323
Derivative instruments – assets	Level 1	66	-	-	-	66	66
Cash and cash equivalents		1,935	-	-	-	1,935	1,935
Liabilities							
Bonds		-	-	-	9,322	9,322	9,749
Bank debt		-	-	-	572	572	572
Lease liabilities		-	-	-	522	522	522
Derivative instruments – liabilities	Level 2	24	-	-	-	24	24

The methods used are as follows:

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

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

- level 1: fair value based on prices quoted in an active market;
- level 2: fair value measured on the basis of observable market data (other than quoted prices included in level 1);
- level 3: fair value determined 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 2020, 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 used 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

The exceptional measures taken as part of the response to the Covid-19 virus will have a significant impact on the Group's earnings and cash flow. Pernod Ricard has taken all precautionary measures to ensure sufficient liquidity to meet its needs.

At 30 June 2020, the Group's cash and cash equivalents totalled €1,935 million (compared with €923 million at 30 June 2019). An additional €3,360 million of renewable medium-term credit facilities with banks was confirmed and undrawn. Group funding is provided in the form of long-term debt (bank loans, bonds, etc.) and short-term financing (commercial paper and bank overdrafts) as well as factoring and securitisation, which provide adequate financial resources to ensure the continuity of its business. The Group also set up a €7 billion EMTN (Euro Medium Term Note) programme in May 2020. The Group's short-term financial debt after hedging was €1,100 million at 30 June 2020 (compared to €1,121 million at 30 June 2019).

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

The credit ratings sought by Pernod Ricard from rating agencies on its long- 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 and a financial ratio. Breaches of these covenants or financial ratio could force the Group to make accelerated payments. At 30 June 2020, the Group was in compliance with the covenants under the terms of its syndicated loan, with a solvency ratio (total Net debt converted at the average rate/consolidated EBITDA) of 5.25 or less.

Furthermore, while the vast majority of the Group's cash surplus is placed with branches of global banks enjoying the highest agency ratings, it cannot be ruled out that these Group investments may 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 2020, the delayed availability cash amounted to €135 million, including €131 million relating to Cuba.

Specific terms of financing agreements and the schedule of financial liability maturity are respectively disclosed in the "Material contracts" subsection of the management report and in Note 4.8 – *Financial liabilities* of the Notes 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 risk and translation of results).

While some hedging strategies allow exposure to be limited, there is no absolute protection against exchange rate fluctuations.

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

Movements in currencies against the euro (notably the USD) may impact the nominal amount of these debts and the financial costs published in euro in the consolidated financial statements, and this could affect the Group's 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 invoicing between producer and distributor affiliates is managed *via* a monthly payment centralisation procedure involving most countries with freely convertible and transferable currencies and whose internal legislation allows this participation. This system hedges against net exposure using forward exchange contracts.

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

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

Management of interest rate risk

At 30 June 2020, the Group's debt comprised floating-rate debt (mainly commercial paper and other bank loans) 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 maturity of floating-rate debt and hedging in EUR *(notional value)*

At 30.06.2020 *€ million*	**< 1 year**	**> 1 year and < 5 years**	**> 5 years**	**Total**
Total assets (cash)	1,322	-	-	1,322
Total floating-rate liabilities	(328)	3	0	(325)
NET FLOATING-RATE DEBT BEFORE HEDGING	**995**	**3**	**0**	**998**
Derivative instruments	502	13	-	515
NET FLOATING-RATE DEBT AFTER HEDGING	**1,497**	**16**	**0**	**1,513**

Schedule of floating-rate debt and hedging in USD *(notional value)*

At 30.06.2020 *€ million*	**< 1 year**	**> 1 year and < 5 years**	**> 5 years**	**Total**
Total assets (cash)	60	-	-	60
Total floating-rate liabilities	(251)	(147)	-	(398)
NET FLOATING-RATE DEBT BEFORE HEDGING	**(190)**	**(147)**	**-**	**(337)**
Derivative instruments	(661)	(509)	(164)	(1,335)
NET FLOATING-RATE DEBT AFTER HEDGING	**(851)**	**(656)**	**(164)**	**(1,672)**

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

A 50 basis point increase or decrease in interest rates (USD and EUR) would increase or reduce the cost of net financial debt by €8 million.

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

A relative fluctuation of +/-50 basis points in interest rates (USD and EUR) would generate an equity gain or loss of approximately €0.5 million as a result of changes in the fair value of the derivatives documented as cash flow hedges (swaps).

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

At 30 June 2020, the sensitivity of the portfolio was not significant.

Counterparty risk in financial transactions

The Group could be exposed to counterparty default *via* its cash investments, hedging instruments or the availability of confirmed but undrawn financing lines. In order to limit this exposure, the Group performs a rigorous selection of counterparties according to several criteria, including credit ratings, and depending on the maturity dates of the transactions.

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

Note 4.10 Interest rate, foreign exchange and commodity derivatives

Pursuant to the amended version of IAS 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 shareholders' equity. It is recognised in profit and loss when the hedged item is itself recognised in profit and loss. The change in value of the ineffective component of the derivative is however recognised directly in profit and loss. If the derivative is designated as a hedge of a net foreign currency investment, the change in value of the effective portion of the hedge is recognised in shareholders' equity and the change in value of the "ineffective" portion is recognised in profit and loss.

Hedging instruments (by risk category and nature of hedge)

Type of hedging at 30.06.2019 *€ million*	Description of financial instrument	Notional amount of contracts < 1 year	> 1 year and < 5 years	> 5 years	Total	Fair value Assets	Liabilities
Fair value hedge						**13**	**2**
Interest rate risk hedges	*Swaps*	-	879	176	1,054	13	2
Interest rate and currency risk hedges	*Cross-currency swaps*	-	-	-	-	-	-
Net investment hedge		**-**	**-**	**-**	**-**	**-**	**-**
Currency risk hedges	*NDF & FX options*	130	-	-	130	-	-
Interest rate and currency risk hedges	*Cross-currency swaps*	-	-	-	-	-	-
Net asset hedging		**-**	**-**	**-**	**-**	**-**	**-**
Interest rate and currency risk hedges	*Cross-currency swaps*	-	-	-	-	-	-
DERIVATIVE INSTRUMENTS INCLUDED IN NET DEBT						**13**	**2**
Cash flow hedge						**3**	**4**
Interest rate risk hedges	*Swaps*	-	176	-	176	-	3
Hedging of currency risk on intragroup financing and operational hedging	*Currency swaps*	139	38	-	177	1	1
Commodity risk hedges	*Forwards*	12	3	-	15	2	0
Non hedge accounting		**-**	**-**	**-**	**-**	**9**	**15**
Hedging of currency risk on intragroup financing and operational hedging	*Currency swaps and FX forwards*	1,424	-	-	1,424	4	5
Interest rate risk hedges	*Swaps*	-	1,230	-	1,230	4	11
TOTAL DERIVATIVE INSTRUMENTS						**25**	**21**
TOTAL NON-CURRENT						**20**	**16**
TOTAL CURRENT						**6**	**5**

Type of hedging at 30.06.2020 *€ million*	Description of financial instrument	Notional amount of contracts < 1 year	> 1 year and < 5 years	> 5 years	Total	Fair value Assets	Liabilities
Fair value hedge						**44**	**-**
Interest rate risk hedges	*Swaps*	357	536	179	1,072	44	-
Interest rate and currency risk hedges	*Cross-currency swaps*	-	-	-	-	-	-
Net investment hedge		**-**	**-**	**-**	**-**	**13**	**-**
Currency risk hedges	*FX forwards*	-	-	-	-	-	-
Interest rate and currency risk hedges	*Cross-currency swaps*	-	460	-	460	13	-
Net asset hedging		**-**	**-**	**-**	**-**	**-**	**-**
Interest rate and currency risk hedges	*Cross-currency swaps*	-	-	-	-	-	-
DERIVATIVE INSTRUMENTS INCLUDED IN NET DEBT						**57**	**-**
Cash flow hedge						**0**	**3**
Interest rate risk hedges	*Swaps*	179	-	-	179	-	3
Hedging of currency risk on intragroup financing and operational hedging	*Currency swaps and FX forwards and FX options*	38	-	-	38	0	0
Commodity risk hedges	*Swaps*	7	2	-	9	0	0
Non hedge accounting		**-**	**-**	**-**	**-**	**9**	**21**
Hedging of currency risk on intragroup financing and operational hedging	*Currency swaps and FX forwards*	1,821	-	-	1,821	4	10
Interest rate risk hedges	*Swaps*	1,250	-	-	1,250	5	11
TOTAL DERIVATIVE INSTRUMENTS						**66**	**24**
TOTAL NON-CURRENT						**54**	**0**
TOTAL CURRENT						**12**	**24**

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 rates. Estimated market values are based on information available on the financial markets and valuation methods appropriate to the type of financial instrument concerned. These valuation methods yield results consistent with the valuations provided by bank counterparties.

The Group's hedging instruments at 30 June 2020 are not ineffective.

Hedged items (by category and nature of hedge)

Type of hedging at 30.06.2019 *€ million*	Carrying amount of the hedged item		Cumulative FVH adjustments included in the carrying amount of the hedged item		Balance sheet item in which the hedged item is included	CFH reserves	Change in fair value of CFH derivatives in OCI
	Assets	Liabilities	Assets	Liabilities			
FAIR VALUE HEDGE (FVH)							
Interest rate risk							
Fixed-rate bonds hedged	-	1,069	13	2	Bonds	N/A	N/A
End of hedging	-	-	4	11	Bonds	N/A	N/A
Currency risk							
Firm commitment	-	-	-	-	-	N/A	N/A
CASH FLOW HEDGE (CFH)							
Interest rate risk							
Floating rates of bonds	N/A	N/A	N/A	N/A	N/A	(3)	(2)
End of hedging	N/A	N/A	N/A	N/A	N/A	(16)	10
Currency risk							
Future foreign currency sales hedges	N/A	N/A	N/A	N/A	N/A	(1)	2
End of hedging	N/A	N/A	N/A	N/A	N/A	-	-
Commodity risk							
Commodity risk hedges	N/A	N/A	N/A	N/A	N/A	0	0
NET INVESTMENT HEDGE (NIH)							
Net assets hedged	-	-	N/A	N/A	N/A	N/A	N/A
End of hedging	-	-	N/A	N/A	N/A	N/A	N/A

N/A: not applicable.

Type of hedging at 30.06.2020 *€ million*	Carrying amount of the hedged item		Cumulative FVH adjustments included in the carrying amount of the hedged item		Balance sheet item in which the hedged item is included	CFH reserves	Change in fair value of CFH derivatives in OCI
	Assets	Liabilities	Assets	Liabilities			
FAIR VALUE HEDGE (FVH)							
Interest rate risk							
Fixed-rate bonds hedged	-	1,087	44	-	Bonds	N/A	N/A
End of hedging	-	-	5	11	Bonds	N/A	N/A
Currency risk							
Firm commitment	-	-	-	-	-	N/A	N/A
CASH FLOW HEDGE (CFH)							
Interest rate risk							
Floating rates of bonds	N/A	N/A	N/A	N/A	N/A	(3)	0
End of hedging	N/A	N/A	N/A	N/A	N/A	(6)	11
Currency risk						**-**	**-**
Future foreign currency sales hedges	N/A	N/A	N/A	N/A	N/A	0	0
End of hedging	N/A	N/A	N/A	N/A	N/A	-	-
Commodity risk						**-**	**-**
Commodity risk hedges	N/A	N/A	N/A	N/A	N/A	0	0
NET INVESTMENT HEDGE (NIH)							
Net assets hedged	447	-	N/A	N/A	N/A	N/A	N/A
End of hedging	-	-	N/A	N/A	N/A	N/A	N/A

N/A: not applicable.

Note 4.11 Other current liabilities

Other current liabilities are broken down as follows:

€ million	30.06.2019	30.06.2020
Taxes and social payables	636	628
Other current liabilities	421	388
TOTAL	**1,058**	**1,016**

Other current liabilities at 30 June 2020 mainly comprise the €308 million interim dividend payment on 10 July 2020. Most of these other current liabilities are due within one year.

Note 4.12 Assets held for sale and related liabilities

Assets held for sale mainly correspond to certain assets received in connection with the acquisition of the US listed company Castle Brands Inc., which the Group envisages disposing of within 12 months.

NOTE 5 Notes to the consolidated cash flow statement

1. Working Capital Requirement

Working Capital Requirements increased by €433 million. The change breaks down as follows:

- increase in inventory: +€414 million;
- reduction in operating receivables: €(261) million;
- increase in operating and other payables: +€197 million;
- other movements: +€83 million.

The increase in inventory relates to the build-up of ageing inventories to meet future demand.

2. Purchases of financial assets and activities

Purchases of financial assets and activities had an impact of €618 million, mainly due to the purchases during the period described in Note 1.2 – *Significant events during the financial year.*

3. Issuance/redemption of bonds

During the financial year, the Pernod Ricard Group carried out bond issuance/subscriptions for €3,822 million and bond redemptions for €(1,553) million. These transactions mainly correspond to the bond subscriptions and redemptions described in Note 1.2 – *Significant events during the financial year.*

In addition, the Group increased the stock of commercial paper for €299 million.

The Group also paid €112 million in respect of its lease liabilities, of which €99 million related to repayment of the nominal amount and €13 million to interest payments reported in cash flow from operating activities.

NOTE 6 Additional information

Note 6.1 Shareholders' equity

1. Share capital

The Group's share capital did not change between 1 July 2019 and 30 June 2020:

	Number of shares	Amount *€ million*
Share capital at 30.06.2019	265,421,592	411
Share capital at 30.06.2020	265,421,592	411

All Pernod Ricard shares are issued and fully paid up and have a nominal value of €1.55. Only one category of ordinary Pernod Ricard shares exists. These shares obtain double voting rights if they have been registered in the name of the same shareholder for an uninterrupted period of 10 years.

2. Treasury shares

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

At 30 June 2020, Pernod Ricard and its controlled affiliates held 4,747,585 Pernod Ricard shares worth €668 million, of which €224 million acquired over the period 21 October to 13 December 2019, and €301 million acquired over the period 18 February to 6 April 2020 under the share buyback programme announced on 28 August 2019. These treasury shares are reported, at cost, as a deduction from shareholders' equity.

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

3. Interim dividend

At its meeting of 22 April 2020, the Board of Directors decided to pay an interim dividend of €1.18 per share in respect of FY20, *i.e.* a total of €308 million. The interim dividend was paid on 10 July 2020 and recognised under "Other current liabilities" in the balance sheet at 30 June 2020.

4. Capital management

The Group manages its 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 rating. In this context, the Group may adjust its payment of dividends to shareholders, repay part of its capital, buy back its own shares and authorise share-based payment plans.

5. Liquidity agreement

On 24 May 2012, Pernod Ricard SA put in place a 12-month liquidity agreement, effective from 1 June 2012, through Rothschild & Cie Banque. The agreement is tacitly renewable for successive periods of 12 months. It complies with the French Financial Markets Association (AMAFI) Code of Conduct, which was approved by the French Financial Markets Authority (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 the IFRS 2 (Share-based payment) standard to transactions whose award and settlement are share-based.

Pursuant to this standard, stock options and performance-based 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 and a corresponding double entry is recognised as an increase in shareholders' equity.

This fair value was 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 assumptions.

Description of share-based payment plans

The Group implements stock option and performance-based share plans for Managers with high levels of responsibility, key management personnel for the Group and high-potential Managers. All of the plans are equity-settled.

In the course of FY20, three share allocation plans were set up on 8 November 2019:

- a stock option plan including a performance condition based on the positioning of the overall performance of the Pernod Ricard share (TSR [(1)]) compared with the overall performance of a panel of 12 peers over the period from 8 November 2019 to 8 November 2022 inclusive (three years) and a condition of four years' continuous service;
- a performance-based share plan, including a performance condition based on the average level of Profit from Recurring Operations achieved compared with the budget, measured over three consecutive financial years including the year in which the shares were granted and a condition of four years' continuous service;
- a performance-based share plan including a performance condition based on the positioning of the overall performance of the Pernod Ricard share (TSR[(1)]) compared with the overall performance of a panel of 12 peers over the period from 8 November 2019 to 8 November 2022 inclusive (three years) and a condition of four years' continuous service.

Stock options	Type of options	Presence of performance condition	Number of beneficiaries	Commencement date for exercise of options	Expiry date	Subscription or purchase price *(€)*	Outstanding options at 30.06.20	Stock option expense for FY20 *(€ thousands)*
Plan dated 06.11.2015	Purchase	Conditional	161	07.11.2019	06.11.2023	€102.80	114,893	389
Plan dated 17.11.2016	Purchase	Conditional	16	18.11.2020	17.11.2024	€105.81	124,502	571
Plan dated 09.11.2017	Purchase	Conditional	15	10.11.2021	09.11.2025	€126.53	124,050	587
Plan dated 21.11.2018	Purchase	Conditional	15	22.11.2022	21.11.2026	€137.78	109,492	577
Plan dated 08.11.2019	Purchase	Conditional	14	09.11.2023	08.11.2027	€162.79	131,864	518

(1) Total Shareholder Return.

Performance shares	Type of shares	Presence of performance condition	Number of beneficiaries	Shares acquired from	Shares vested from	Outstanding shares at 30.06.2020	Share expense for FY20 (€ thousands)
Plan dated 06.11.2015	Free	Conditional	1,006	07.11.2019	07.11.2019	0	2,611
Plan dated 17.11.2016	Free	Conditional	997	18.11.2020	18.11.2020	366,417	7,368
				33% 18.11.2017	33% 18.11.2019		
				33% 18.11.2018	33% 18.11.2020		
Plan dated 17.11.2016	Free	Unconditional	6	33% 18.11.2019	33% 18.11.2021	0	0 (1)
Plan dated 09.11.2017	Free	Conditional	1,000	10.11.2021	10.11.2021	200,523	112 (2)
Plan dated 21.11.2018	Free	Conditional	958	22.11.2022	22.11.2022	208,312	3,876 (2)
Plan dated 08.11.2019	Free	Conditional	820	09.11.2023	09.11.2023	175,706	3,735 (2)

(1) For this plan, the Group decided to recognise all expenses in FY17.
(2) Quantities of outstanding shares and share expenses taking into account the adjusted achievement of the performance condition for the 2017 plan and the cap on share vesting under the 2018 and 2019 plans at 66%, in accordance with the decision taken by the Board of Directors, on the recommendation of the Compensation Committee and in compliance with the plan rules.

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

For the vested stock option plan, the total number of options outstanding is 114,893, with an average remaining life of three years and three months.

The Group recognised an expense of €2.6 million as an operating loss for five stock option plans in the process of vesting at 30 June 2020, as well as an expense of €17.7 million in respect of the five performance-based share plans.

Annual expenses *€ million*	30.06.2019	30.06.2020
Stock options – through a double entry to equity	3	3
Performance-based and bonus shares – through a double entry to equity	33	18
TOTAL ANNUAL EXPENSES	**36**	**20**

Changes made to outstanding stock options/shares during the year (period from 1 July 2019 to 30 June 2020) are described below:

	Type of options	Presence of performance condition	Outstanding options at 30.06.2019	Allocated during the period	Cancelled during the period	Exercised during the period	Expired during the period	Outstanding options at 30.06.2020
Plan dated 06.11.2015	Purchase	Conditional	182,507	0	0	67,614	0	114,893
Plan dated 17.11.2016	Purchase	Conditional	150,008	0	25,506	0	0	124,502
Plan dated 09.11.2017	Purchase	Conditional	124,050	0	0	0	0	124,050
Plan dated 21.11.2018	Purchase	Conditional	109,492	0	0	0	0	109,492
Plan dated 08.11.2019	Purchase	Conditional	0	131,864	0	0	0	131,864

	Type of shares	Presence of performance condition	Outstanding shares at 30.06.2019	Allocated during the period	Cancelled during the period	Transferred during the period	Expired during the period	Outstanding shares at 30.06.2020
Plan dated 06.11.2015	Free	Conditional	337,828	0	8,510	329,318	0	0
Plan dated 17.11.2016	Free	Conditional	406,026	0	38,869	740	0	366,417
Plan dated 17.11.2016	Free	Unconditional	24,853	0	0	24,853	0	0
Plan dated 09.11.2017	Free	Conditional	348,742	0	147,627	592	0	200,523 (1)
Plan dated 21.11.2018	Free	Conditional	336,069	0	127,212	545	0	208,312 (1)
Plan dated 08.11.2019	Free	Conditional	N/A	269,474	93,475	293	0	175,706 (1)

N/A: not applicable.
(1) Quantities of outstanding shares and share expenses taking into account the adjusted achievement of the performance condition for the 2017 plan and the cap on share vesting under the 2018 and 2019 plans at 66%, in accordance with the decision taken by the Board of Directors, on the recommendation of the Compensation Committee and in compliance with the plan rules.

The average strike price of options exercised during FY20 was €102.80.

The assumptions used in calculating the fair values of the options and shares allocated 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 options/ shares	Presence of performance condition	Initial share price *(€)*[1]	Strike price *(€)*	Expected volatility	Expected dividend yield	Risk-free interest rate	IFRS 2 fair value *(€)*
Plan dated 08.11.2019	Purchase	Conditional	167.40	162.79	19.70%	2.14%	0.10%	24.4
Plan dated 08.11.2019	Free	Conditional	167.40	N/A	19.10%	2.14%	0.00%	95.14
Plan dated 08.11.2019	Free	Conditional	167.40	N/A	N/A	2.14%	N/A	153.67

N/A: not applicable.

(1) Closing share price at grant date.

The fair values are fixed upon implementation of each plan and do not vary year on year. In addition, only the values relating to the plans allocated during FY20 are presented above (information on previous plans is available in the previous 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.

The possibility of exercising options prior to maturity has been taken into account in the valuation model of the stock option plans by reflecting, *via* an assumption, the behaviour of beneficiaries as regards the anticipated periods (before maturity). In 2017, a new option exercise profile was defined and replaced that established in 2010. It was assumed that 30%, 40% and 30% of the options would be exercised once the share price reached 120%, 150% and 180% of the exercise price respectively. This assumption is based on a recent analysis of behaviour observed on plans awarded before 2017.

Options allocated on 8 November 2019 are all conditional on the positioning of the overall performance of the Pernod Ricard share (TSR [1]) compared with the overall performance of a panel of 12 peers: the stock options will be pre-vested on 8 November 2022, provided that the overall performance of the Pernod Ricard share (TSR [1]) is positioned 7th out of 13 or better (the number will be determined in increments depending on the level of performance achieved). Vesting will be final if the continuous service condition is met on 8 November 2023.

Two performance-based share plans were granted on 8 November 2019. In one case, the fair value corresponds, amongst other things, to the market price of the shares at the grant date, less the loss of expected dividends during the vesting period (*i.e.* four years for all beneficiaries). Lastly, the number of performance-based shares granted will depend on the average level of Group Profit from Recurring Operations for the years ended 30 June 2020, 30 June 2021 and 30 June 2022 compared with budgeted Profit from recurring operations for each of those years, at constant exchange rates and scope of consolidation. The accounting expense for the plan under IFRS 2 will be adjusted for this condition no later than the end of the vesting period.

The fair value of the other plan takes account of the same market performance condition as applied to the stock options allocated on 8 November 2019: positioning of the overall performance of the Pernod Ricard share (TSR[1]) compared with the overall performance of a panel of 12 peers over the period from 8 November 2019 to 8 November 2022 inclusive (three years). Vesting will be final as of 9 November 2023 if the continuous service condition is met on 8 November 2023.

Note 6.3 Off-balance sheet commitments

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments given at 30.06.2019	**2,587**	**863**	**1,356**	**368**
Commitments given in relation to companies within the Group	**7**	**2**	**5**	**-**
Commitments given in relation to the financing of the Company	**23**	**6**	**12**	**6**
Financial guarantees given	23	6	12	6
Other items	-	-	-	-
Commitments relating to the operating activities of the issuer	**2,556**	**855**	**1,339**	**362**
Firm and irrevocable commitments to purchase raw materials	1,744	582	1,087	74
Tax commitments (customs guarantees and others)	243	163	11	68
Operating lease agreements	555	97	239	219
Other items	15	13	2	1

(1) Total Shareholder Return.

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments received at 30.06.2019	**2,593**	**53**	**2,509**	**31**
Commitments received in relation to companies within the Group	**3**	**1**	**2**	**-**
Commitments received in relation to the financing of the Company	**2,544**	**43**	**2,500**	**1**
Lines of credit received and not used	2,500	0	2,500	-
Financial guarantees received	44	43	0	1
Other items	0	0	-	-
Commitments relating to the operating activities of the issuer	**46**	**9**	**6**	**30**
Contractual commitments related to business activity and business development	43	8	6	29
Other items	2	0	1	1

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments given at 30.06.2020	**2,191**	**818**	**1,207**	**166**
Commitments given in relation to companies within the Group	**5**	**3**	**2**	**-**
Commitments given in relation to the financing of the Company	**25**	**8**	**11**	**6**
Financial guarantees given	25	8	11	6
Other items	-	-	-	-
Commitments relating to the operating activities of the issuer	**2,161**	**808**	**1,193**	**160**
Firm and irrevocable commitments to purchase raw materials	1,805	546	1,172	87
Tax commitments (customs guarantees and others)	309	228	9	71
Leases	8	3	3	1
Other items	39	30	8	1

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments received at 30.06.2020	**3,443**	**38**	**3,370**	**35**
Commitments received in relation to companies within the Group	**1**	**0**	**0**	**0**
Commitments received in relation to the financing of the Company	**3,399**	**36**	**3,362**	**1**
Lines of credit received and not used	3,360	0	3,360	-
Financial guarantees received	39	36	2	1
Other items	0	0	-	-
Commitments relating to the operating activities of the issuer	**43**	**2**	**7**	**34**
Contractual commitments related to business activity and business development	41	2	6	33
Other items	2	0	1	1

The decrease in off-balance sheet commitments is mainly due to the implementation of IFRS 16, off-balance sheet commitments on operating leases being replaced by a lease liability in the balance sheet (see Note 1.1.2.1). Non-cancellable commitments relating to short-term or low-value leases exempt from the application of IFRS 16 continue to be presented in off-balance sheet commitments.

1. Lines of credit received and not used

The lines of credit received and not used correspond primarily to the nominal amounts of the syndicated loan and a bilateral credit line not drawn at 30 June 2020 (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 committed €1,762 million under *eaux-de-vie*, grape, base wine and grain supply agreements.

Note 6.4 Contingent liabilities

Pernod Ricard has received several notices of tax adjustment for the financial years 2007 to 2016, specifically concerning, for an amount of 7,963 million Indian rupees (equivalent to €94.1 million, including interest as of 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 FY07 to FY14. These two court decisions further strengthen Pernod Ricard India's position on the tax deductibility of advertising and promotional 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.

Note 6.5 Disputes

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

A provision for such procedures is constituted under "Other provisions for risks and charges" (see Note 4.7 – *Provisions*) only when it is likely that a current liability stemming from a past event will require the payment of an amount that can be reliably estimated. In the latter case, the provisioned amount corresponds to the best estimation of the risk. The provisioned amount recorded is based on the assessment of the level of risk on a case by case basis, it being understood that any events arising during the proceedings may at any time require that risk to be reassessed.

The provisions recorded by Pernod Ricard at 30 June 2020 for all litigation and risks in which it is involved amounted to €431 million, compared with €374 million at 30 June 2019 (see Note 4.7 – *Provisions*), excluding uncertain tax positions recognised in current tax liabilities. 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 governmental, legal or arbitration proceedings pending or threatened, including any proceeding of which the Company is aware, which may have or have had over the last 12 months a significant impact on the profitability of the Company and/or the Group, other than those described below.

Disputes relating to brands

Havana Club

The Havana Club brand is owned in most countries by a joint-venture company called Havana Club Holding SA (HCH), of which Pernod Ricard is a shareholder, and is registered in over 160 countries in which the Havana Club rum is distributed. In the United States, this brand is owned by a Cuban company (Cubaexport). Ownership of this brand is currently being challenged in the United States by a competitor of Pernod Ricard.

In 1998, the United States passed a law relating to the conditions for the protection of brands previously used by 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 brand, 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 the 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 application and on 13 January 2016, the application to the Director of USPTO was declared admissible and the trademark was renewed for the 10-year period ending on 27 January 2016. A request for a further renewal for a period of 10 years from 27 January 2016 was also granted;
2. A competitor of the Group has petitioned the USPTO to cancel the Havana Club trademarks 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 before the Federal District Court for the District of Columbia. These proceedings were stayed pending the outcome of Cubaexport's petition to the USPTO. Following acceptance of the petition by the Director of the USPTO, these judicial proceedings resumed and the plaintiff amended their complaint. In response, Cubaexport and HCH filed two motions: one to dismiss all actions commenced against them and one to expedite proceedings on certain issues.

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

India

Pernod Ricard India (P) Ltd has an ongoing dispute with 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 which should be taken into account for the calculation of duty. Pernod Ricard India (P) Ltd has already paid the corresponding amounts up to 2001. 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. The Company continues to actively work with the authorities and courts to resolve pending issues.

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 jurisdictions.

Moreover, Pernod Ricard India (P) received several notices of tax adjustment for FY07 to FY16 relating to the tax deductibility of advertising and promotional expenses (see Note 6.4 – *Contingent liabilities*). In 2020, Pernod Ricard India (P) obtained two court rulings in its favour for the period from FY07 to FY14, strengthening its position on the tax deductibility of advertising and promotional expenses.

It should be noted that the above-mentioned disputes are only the subject of provisions, which, where appropriate, are recorded in other provisions for risks and charges (see Note 4.7 – *Provisions*) or in current tax liabilities (see Note 3.3 – *Income tax*), when it is probable that a present obligation resulting from a past event will require a settlement the amount of which can be reliably estimated. The amount of the provision is the best estimate of the outflow of resources required to extinguish this liability.

Commercial disputes

Colombia

A complaint was filed before the Colombian Competition Agency (the 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. 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 complaint alleges that the companies have gained an unfair market advantage over local producers through such activity. The plaintiffs seek to reclaim lost profits and taxes for a four year period between 2013 and 2017. Pernod Ricard intends to vigorously defend itself against such allegations. This recent complaint 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 dismissed voluntarily by the parties in 2012.

Note 6.6 Related parties

Transactions with associates and joint ventures were immaterial in the year ended 30 June 2020.

The compensation paid to corporate officers and Executive Committee (COMEX) members in return for their services to the Group is detailed below:

€ million	30.06.2019	30.06.2020
Board of Directors [(1)]	1	1
Group Executive Committee		
• Short-term benefits	14	15
• Post-employment benefits	5	5
• Share-based payments [(2)]	6	5
TOTAL EXPENSES RECOGNISED FOR THE YEAR	**26**	**26**

(1) Directors' compensation.
(2) The cost of share-based payments corresponds to the expenses recognised in profit/loss over the period under stock options and performance-based shares allocated to the members of the Group Executive Committee.

Moreover, the Executive Director is eligible for the following termination compensation (subject to a regulated agreement approved by the Shareholders' Meeting of 17 November 2016):

- one-year non-compete clause, together with a payment corresponding to 12 months' compensation;
- imposed 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 Subsequent events

In July 2020, the Group reduced its share capital by cancelling 3,545,032 shares previously held that were acquired under the Group's share buyback programme. Following this transaction, the share capital was reduced to €405,908,668, divided into 261,876,560 shares with a par value of €1.55 each.

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

	KPMG			Deloitte & Associés			Other items			Total		
	Amount (excluding tax)			Amount (excluding tax)			Amount (excluding tax)			Amount (excluding tax)		
€ million	FY19	FY20	%	FY19	FY20	%	FY19	FY20	%	FY19	FY20	%
Audit												
Statutory Auditors, certification, review of separate and consolidated financial statements[3]												
Issuer[2]	0.6	0.6	15%	0.6	0.7	13%	0	0	0%	1.2	1.2	14%
Fully consolidated affiliates	2.7	2.6	66%	3.2	3.4	68%	0.1	0.2	99%	6.0	6.2	68%
SUBTOTAL	**3.3**	**3.2**	**81%**	**3.8**	**4.0**	**82%**	**0.1**	**0.2**	**99%**	**7.3**	**7.4**	**82%**
Services other than the certification of financial statements[4]												
Issuer[2]	0	0.1	2%	0.4	0.6	13%	0	0	0%	0.4	0.7	8%
Fully consolidated affiliates	0.8	0.7	17%	0.3	0.3	5%	0	0	1%	1.1	0.9	10%
including legal, tax, corporate	*0.7*	*0.5*	*13%*	*0.2*	*0.2*	*3%*	*0*	*0*	*0%*	*0.8*	*0.7*	*8%*
SUBTOTAL	**0.8**	**0.8**	**19%**	**0.7**	**0.9**	**18%**	**0**	**0**	**1%**	**1.4**	**1.7**	**18%**
TOTAL	**4.1**	**4.0**	**100%**	**4.5**	**4.9**	**100%**	**0.1**	**0.2**	**100%**	**8.7**	**9.1**	**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 certify the financial statements.
(4) This section sets out the procedures and 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 undertake to comply with the requirements of independence.

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 at 30 June 2020 are presented in Note 1.2 – *Significant events during the financial year.*

Note 7.2 List of main consolidated companies

Companies	Country	% interest 30.06.2019	% interest 30.06.2020	Consolidation method[3]
Pernod Ricard SA	France	Parent Company	Parent Company	
Laurenskirk (Pty) Ltd	South Africa	0	80	FC
Pernod Ricard South Africa PTY Ltd	South Africa	100	100	FC
Black Forest Distillers GmbH	Germany	60	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[1]	Canada	45.76	45.76	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	0	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
Pernod Ricard Estonia OÜ	Estonia	100	100	FC
Austin, Nichols & Co., Inc.	United States	100	100	FC
Avión Spirits, LLC	United States	100	100	FC
Castle Brands, Inc.	United States	0	100	FC
Del Maguey Inc.	United States	62.36	62.36	FC
Firestone & Robertson Distilling Company LLC	United States	0	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 Assets 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

Companies	Country	% interest 30.06.2019	% interest 30.06.2020	Consolidation method[3]
Pernod Ricard USA, LLC	United States	100	100	FC
PRUSA Acquisitions LLC	United States	100	100	FC
Rabbit Hole Spirits, LLC	United States	0	80	FC
Smooth Ambler Spirits Co.	United States	80	80	FC
Pernod Ricard Finland OY	Finland	100	100	FC
Augier Robin Briand & Cie	France	100	100	FC
Champagne Perrier-Jouët	France	100	100	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 SAS[4]	France	100	100	FC
Ricard SAS[4]	France	100	100	FC
Société des Produits d'Armagnac 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
Number One Drinks Limited[1]	Japan	0	35	FC
Pernod Ricard Japan KK	Japan	100	100	FC

Companies	Country	% interest 30.06.2019	% interest 30.06.2020	Consolidation method[3]
Pernod Ricard Kazakhstan	Kazakhstan	100	100	FC
Pernod Ricard Kenya Limited	Kenya	100	100	FC
Pernod Ricard Lietuva UAB	Lithuania	100	100	FC
Pernod Ricard Malaysia SDN BHD	Malaysia	100	100	FC
Pernod Ricard Maroc	Morocco	100	100	FC
Pernod Ricard Mexico SA de CV	Mexico	100	100	FC
Seagram Myanmar Company Ltd[1]	Myanmar	0	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
Allied Domecq 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
Allied Domecq Westport Limited	United Kingdom	100	100	FC
Chivas Brothers (Holdings) Ltd	United Kingdom	100	100	FC
Chivas Brothers Ltd [2]	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 [2]	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	0	50.1	FC
Pernod Ricard UK Group Ltd	United Kingdom	100	100	FC
Pernod Ricard UK Ltd	United Kingdom	100	100	FC
PR Goal 3 Ltd	United Kingdom	100	100	FC
World Brands Duty Free Ltd	United Kingdom	100	100	FC

Companies	Country	% interest 30.06.2019	% interest 30.06.2020	Consolidation method(3)
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

(1) Corby Spirit and Wine Limited, Number One Drinks Limited and Seagram Myanmar Company Ltd are consolidated using the full consolidation method because of the Group's majority controlling interest in them.

(2) UK 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 partnership accounts have not been prepared as the UK partnerships are consolidated within the Group Pernod Ricard annual consolidated financial statements.

(3) "FC" for fully consolidated companies.

(4) The merger of Pernod SAS and Ricard SAS, announced during the financial year, took effect on 1 July 2020.