

PERNOD RICARD SA FINANCIAL STATEMENTS

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7.1 Pernod Ricard SA income statement

For the financial years ended 30 June 2020 and 30 June 2021

<i>(€ thousand)</i>	30.06.2020	30.06.2021
Net sales	204,800	288,181
Royalties	17,214	18,793
Other products	1,449	155
Reversals of financial provisions and expense transfers	16,328	11,401
OPERATING INCOME	239,791	318,530
Purchases of goods and supplies not for stock and external services	(178,100)	(246,695)
Duties and taxes	(5,731)	(7,925)
Payroll expenses	(87,057)	(117,682)
Depreciation, amortisation and provisions	(24,913)	(29,476)
Other expenses	(4,504)	(4,626)
OPERATING EXPENSES	(300,305)	(406,404)
Operating profit (loss)	(60,514)	(87,874)
Income from investments	1,296,840	887,716
Interest and related income	206,472	71,878
Reversals of financial provisions and expense transfers	325,997	241,982
Foreign exchange gains	70,042	254,816
FINANCIAL INCOME	1,899,351	1,456,392
Provision charges	(266,880)	(232,989)
Interest and related expenses	(391,945)	(219,485)
Foreign exchange losses	(100,843)	(277,951)
FINANCIAL EXPENSES	(759,668)	(730,425)
Financial income/(expense)	1,139,683	725,967
Profit (loss) from continuing operations	1,079,169	638,093
Exceptional items	(64,563)	(111,456)
Net profit/(loss) before tax	1,014,605	526,637
Corporate income tax	163,349	130,649
PROFIT FOR THE FINANCIAL YEAR	1,177,954	657,286

7.2 Pernod Ricard SA balance sheet

For the financial years ended 30 June 2020 and 30 June 2021

Assets

<i>(€ thousand)</i>	Net value at 30.06.2020	Gross value at 30.06.2021	Depreciation, amortisation and provisions	Net value at 30.06.2021	Notes
Concessions, patents and licences	27,933	33,770	(5,419)	28,351	
Other intangible assets	12,557	78,466	(51,760)	26,706	
Advances and down payments	16,430	20,417	-	20,417	
Intangible assets	56,920	132,653	(57,179)	75,474	2
Land	485	485	-	485	
Buildings	25,021	35,102	(3,871)	31,231	
Machinery and equipment	288	860	(235)	625	
Other property, plant and equipment	14,835	34,555	(12,769)	21,786	
Advances and down payments	21,478	867	-	867	
Property, plant and equipment	62,107	71,869	(16,875)	54,994	
Investments	12,773,561	13,125,335	(172,016)	12,953,319	3
Loans and advances to affiliates and associates	257,055	53,536	-	53,536	3 and 4
Other financial assets	566,112	9,248	-	9,248	3 and 4
Financial assets	13,596,729	13,188,119	(172,016)	13,016,103	3
TOTAL FIXED ASSETS	13,715,755	13,392,641	(246,070)	13,146,571	
Advances and supplier prepayments	225	565	-	565	4
Trade receivables	273,788	338,459	(6,127)	332,332	
Other receivables	1,921,251	1,036,227	(3,003)	1,033,224	
Receivables	2,195,040	1,374,686	(9,130)	1,365,556	4
Marketable securities	113,187	126,686	-	126,686	5
Cash	630,753	93,029	-	93,029	
Prepaid expenses	2,433	6,218	-	6,218	6
TOTAL CURRENT ASSETS	2,941,638	1,601,184	(9,130)	1,592,054	
Bond redemption premiums	28,745	24,420	-	24,420	6
Unrealised foreign exchange losses	552,960	182,637	-	182,637	6
TOTAL ASSETS	17,239,098	15,200,882	(255,200)	14,945,682	

Liabilities

<i>(€ thousand)</i>	30.06.2020	30.06.2021	Notes
Capital	411,403	405,909	7
Share premiums	3,039,030	3,039,030	
Statutory reserves	41,140	41,140	
Regulated reserves	179,559	179,559	
Other reserves	195,013	-	
Reserves	415,712	220,699	
Retained earnings	1,768,851	1,928,778	
Profit for the financial year	1,177,954	657,286	
Interim dividends pending allocation	(307,595)	(346,984)	
TOTAL SHAREHOLDERS' EQUITY	6,505,355	5,904,718	8
Provisions for risks and charges	437,635	415,339	9
Bonds	9,325,470	7,205,692	4 and 12
Bank debts	-	-	4 and 13
Other debt	476	80	4
Debts	9,325,946	7,205,772	
Trade payables	95,483	148,218	
Taxes and social payables	35,913	62,721	
Amounts due on non-current assets and related accounts	-	-	
Other payables	348,628	1,065,925	
Trade and other accounts payable	480,024	1,276,864	4
Deferred income	21,719	18,989	4 and 10
TOTAL LIABILITIES	9,827,689	8,501,625	
Unrealised foreign exchange gains	468,419	124,000	10
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	17,239,098	14,945,682	

7.3 Pernod Ricard SA cash flow statement

For the financial years ended 30 June 2020 and 30 June 2021

(€ thousand)	30.06.2020	30.06.2021
Operating activities		
Net profit	1,177,954	657,286
Net depreciation, amortisation and provision charges	39,543	50,064
Changes in provisions	(91,095)	(23,088)
Net (gain)/loss on disposal of assets and other items	-	6,495
Self-financing capacity	1,126,402	690,757
Decrease/(increase) in working capital requirements	44,572	392,715
Change in Net debt from operating activities	1,170,974	1,083,472
Investing activities		
Purchases of non-financial assets (net of disposals)	(26,376)	(33,297)
Purchases of financial assets (net of disposals)	(780,775)	21,368
Change in net debt from investing activities	(807,151)	(11,929)
Financing activities		
Long and medium-term bond issue	1,648,197	(1,455,510)
Loans and medium and long-term debt	(14,202)	4,325
Other changes in shareholders' equity	-	-
Dividends paid	(820,102)	(733,370)
Change in net debt from financing activities	813,893	(2,184,555)
Change in short-term net debt	1,177,715	(1,113,012)
SHORT-TERM NET DEBT AT THE BEGINNING OF PERIOD	(575,610)	602,104
SHORT-TERM NET DEBT AT END OF PERIOD	602,104	(510,908)

Note: Presentation of cash flow statement

Changes in net debt comprise changes in both debt and "cash and cash equivalents".

Net debt breaks down as follows:

(€ thousand)	30.06.2020	30.06.2021
Loans and long-term debts	(475)	(80)
Bonds	(726,658)	(62,390)
Intra-group current account	585,297	(668,152)
Marketable securities	113,187	126,686
Cash	630,753	93,029
SHORT-TERM NET DEBT AT END OF PERIOD	602,104	(510,908)
Bonds	(8,598,812)	(7,143,302)
Loans and long-term debts	28,745	24,420
Intra-group borrowing	-	-
MEDIUM AND LONG-TERM NET DEBT AT END OF PERIOD	(8,570,067)	(7,118,882)
TOTAL NET DEBT AT END OF PERIOD	(7,967,963)	(7,629,790)

7.4 Analysis of Pernod Ricard SA results and balance sheet

7.4.1 Relations between the Parent Company and its affiliates

The main role of Pernod Ricard SA, the Group's Parent Company, is to carry out general interest and coordination activities in strategy, financial control of affiliates, external growth, marketing, development, research, Human Resources and communication. Pernod Ricard SA's financial relations with its affiliates mainly involve the billing of royalties for the operation of brands owned by Pernod Ricard SA, various billings and the receipt of dividends.

7.4.2 Income statement and balance sheet as at 30 June 2021

Analysis of FY21 income statement

Operating income represented an amount of €319 million at 30 June 2021, an increase of €79 million compared to 30 June 2020, which is mainly due to an increase of €83 million in net sales (see Note 17 - *Operating income*).

The amount of operating expenses as at 30 June 2021 was €(406) million compared with €(300) million in the previous year, *i.e.* an increase in expenses of €106 million.

The operating result was a loss of €(88) million in the year ended 30 June 2021, a decrease of €(28) million compared with the year ended 30 June 2020.

Financial income amounted to €726 million at 30 June 2021 compared to €1,140 million at 30 June 2020, a decrease of €(414) million (see Note 18 - *Financial (income)/expenses*).

Exceptional items at 30 June 2021 represent an expense of €(111) million.

The Covid-19 health crisis has not had a material impact on earnings for Pernod Ricard SA.

Lastly, income tax comprised tax income of €131 million related to the effects of the tax consolidation in FY21.

As a result, net profit for FY21 was €657 million.

Analysis of the FY21 balance sheet

Assets

Total net fixed assets stood at €13,147 million at 30 June 2021 compared with €13,716 million for the previous year, *i.e.* a decrease of €(569) million. The main changes observed are as follows:

- an increase of €11 million in property, plant and equipment and intangible assets;
- a decrease of €580 million in financial assets (see Note 3 - *Financial assets*).

Current assets amounted to €1,592 million, *i.e.* a decrease of €(1,349) million compared with 30 June 2020.

Prepaid expenses and deferred charges, amounting to €207 million, consist of the items Unrealised foreign exchange losses and Bond redemption premiums.

Liabilities

Shareholders' equity amounted to €5,905 million at 30 June 2021, compared with €6,505 million at 30 June 2020. The main movements for the period were:

- profit for the financial year of €657 million;
- the payment of the balance of the dividend for FY20 of €386 million;
- the payment of an interim dividend of €1.33 per share in respect of FY21, amounting to €347 million. This interim dividend was paid on 9 July 2021.

The amount of provisions for risks and charges was €415 million, down €(22) million.

During the period, borrowings fell by €(2,120) million. This was mainly due to:

- bond redemption for an amount of \$2,201 million (equivalent to €1,966 million);
- the change in accrued interest for €38 million;
- the impact of foreign exchange on debts in dollars of €115 million.

Operating payables and deferred income amounted to €1,296 million, an increase of €794 million, mainly due to:

- an increase in accounts payable of €53 million and tax and social security liabilities of €27 million;
- the change in miscellaneous debts, including €667 million on the intra-group current account and €39 million on the dividends payable account.

The deferred income and adjustment account of €124 million at 30 June 2021 comprised the €(344) million decrease in the value of unrealised foreign exchange gains compared with 30 June 2020.

7.5 Notes to the Pernod Ricard SA Parent Company financial statements

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Pernod Ricard is a French Company (*Société Anonyme*), subject to all laws governing commercial companies in France, including in particular the provisions of the French Commercial Code. The Company is headquartered at 5, cours Paul Ricard, 75008 Paris, France and is listed on Euronext.

The balance sheet total for the financial year ended 30 June 2021 was €14,945,682 million. The income statement for the year recorded a profit of €657,286 million. The financial year covered the 12-month period from 1 July 2020 to 30 June 2021.

Note 1 Accounting policies

The annual financial statements for the period are prepared in accordance with French GAAP, which apply under Regulation 2014-03 of the French accounting standards body (ANC) of 5 June 2014 and the rules subsequently amended. The general accounting conventions have been applied, in compliance with the principle of prudence, in accordance with the following base assumptions:

- going concern;
- consistency of accounting policies from one financial year to the next;
- accruals basis of accounting;
- and in accordance with the general rules of drawing up and presenting the annual financial statements.

The basic method used to measure items recorded in the balance sheet is based on historical cost.

1. Intangible assets

The brands acquired from the merger of Pernod and Ricard in 1975 and from subsequent mergers are the Company's main intangible assets.

Intangible assets are initially measured at cost; depreciation has been calculated on a straight-line basis over their expected useful life.

As part of its digital transformation, Pernod Ricard has developed tools to use data generated by the Group's various activities. This production of algorithms falls within the scope of the accounting regulations for internally generated intangible assets. Development costs are recognised as intangible assets from the date on which the technical feasibility has been demonstrated and the human and material resources are sufficient to produce these tools. The amount recognised as intangible assets relating to these projects was €5.7 million for FY21. The amortisation period is five years.

2. Property, plant and equipment

Property, plant and equipment is initially measured at cost (purchase price plus ancillary costs but not including fees incurred in connection with asset purchases). Impairment is calculated using the straight-line or declining-balance methods, on the basis of the estimated useful lives of the assets:

- buildings: between 20 and 50 years (straight line);
- fixtures and fittings: 10 years (straight line);
- machinery and equipment: 5 years (straight line);
- office furniture and equipment: 10 years (straight line) or 4 years (reducing balance).

3. Financial assets

The gross value of investments is composed of their acquisition cost, excluding ancillary costs.

If the value in use of investments is lower than their acquisition cost, a provision for impairment is recognised in financial income/(expense) for the amount of the difference.

Pernod Ricard mainly uses two methods to estimate the value in use of its equity investments:

- the enterprise value of the main securities is estimated on the basis of the most recent estimate of the revalued net asset value, by identifying in particular the unrealised capital gains on assets held by the affiliates, such as the brands. The revalued net assets of these entities are estimated using

methods such as discounted future cash flows. The term of the cash flow projections reflects the characteristics of the Group's brands and their production 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;

- for other equity investments, the value in use is estimated based on the share of equity of the affiliate that these securities represent.

4. Receivables

Receivables are recognised at their nominal value. A provision is recognised in the event that their value falls below the net carrying amount at the balance sheet date.

5. Marketable securities

This item includes the treasury shares acquired for the allocation of stock option and performance share plans from the time of acquisition.

A liability is recognised when it becomes probable that the rights to receive the marketable securities concerned under the plans will be exercised. For other marketable securities, an impairment provision is recognised when the cost price is higher than the market price.

6. Bonds

Redemption premiums are amortised over the life of the loans.

7. Provisions for risks and charges

Provisions for risks and charges are recognised in accordance with French Accounting Regulation 2000-06 on liabilities, issued on 7 December 2000 by the French Accounting Regulatory Committee (CRC).

This accounting regulation provides that a liability be recognised when an entity has an obligation towards a third party and that it is probable or certain that this obligation will cause an outflow of resources to the third party without equivalent consideration being received. A present obligation must exist at the balance sheet date for a provision to be recognised.

8. Pensions and other long-term employee benefits

Since the year ended on 30 June 2014, the Company has opted to recognise the full liability for pensions and other long-term employee benefits in the balance sheet, as provided by recommendation 2013-02. At 30 June 2021, the provision for pensions and other long-term employee benefits was €63 million.

9. Translation of foreign currency-denominated items

Payables, receivables and cash balances denominated in foreign currencies are translated into euros as follows:

- translation of all payables, receivables and cash balances denominated in foreign currencies at year-end rates;
- recognition of a provision for currency risk for any unrealised currency losses, after taking into account the effect of any offsetting foreign exchange hedging transactions.

Pernod Ricard has several hedging relationships and generates an overall foreign currency position for the hedging instruments and the covered items that are not part of a hedging relationship in order to calculate the currency risk provision.

10. Forward financial instruments

Differences arising from changes in the value of financial instruments used as hedges are recognised in profit and loss in a manner symmetrical to that in which income and expenses relating to the hedged item are recognised.

11. Corporate income tax

Pernod Ricard SA is subject to the French tax consolidation system defined by the law of 31 December 1987. Under certain conditions, this system allows income taxes payable by profitable companies to be offset against tax losses of other companies. The scheme is governed by articles 223 A et seq. of the French General Tax Code.

Each company in the tax group calculates and accounts for its tax expenses as if it were taxed as a stand-alone entity.

The effects of tax consolidation are recognised in the Pernod Ricard SA financial statements.

12. Related parties

The majority of transactions with related parties are carried out with affiliates held directly or indirectly.

Note 2 Property, plant and equipment and intangible assets

1. Gross value

<i>(€ thousand)</i>	At 30.06.2020	Acquisitions	Disposals	At 30.06.2021
Brands	32,473	-	-	32,473
Brand costs	870	1,408	(981)	1,297
Software	58,319	23,744	(3,596)	78,467
Advances and down payments on intangible assets	16,429	29,383	(25,396)	20,416
TOTAL INTANGIBLE ASSETS	108,091	54,535	(29,973)	132,653
Land	485	-	-	485
Buildings	27,465	7,637	-	35,102
Machinery and equipment	826	693	(659)	860
Other property, plant and equipment	33,971	16,439	(15,855)	34,555
Advances and down payments on property, plant and equipment	21,478	3,745	(24,356)	867
TOTAL PROPERTY, PLANT AND EQUIPMENT	84,225	28,514	(40,870)	71,869

2. Depreciation, amortisation and provisions

<i>(€ thousand)</i>	At 30.06.2020	Allowances	Reversals	At 30.06.2021
Brands	(5,088)	-	-	(5,088)
Brand costs	(322)	(73)	64	(331)
Software	(45,761)	(9,544)	3,545	(51,760)
TOTAL AMORTISATION OF INTANGIBLE ASSETS	(51,171)	(9,617)	3,609	(57,179)
Land	-	-	-	-
Buildings	(2,443)	(1,428)	-	(3,871)
Machinery and equipment	(538)	(174)	477	(235)
Other property, plant and equipment	(19,137)	(4,178)	10,546	(12,769)
TOTAL DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	(22,118)	(5,780)	11,023	(16,875)

Note 3 Financial assets

I. Gross value

(€ thousand)	At 30.06.2020	Acquisitions/ inflows	Capital transaction	Disposals/ outflows	At 30.06.2021
Investments in consolidated entities	12,898,484	213,570	1,815	-	13,113,869
Investments in non-consolidated entities	10,695	200	11	(80)	10,826
Other investments	640	-	-	-	640
Advance on investment	-	-	-	-	-
Investments	12,909,819	213,770	1,826	(80)	13,125,335
Loans and advances to affiliates and associates	257,055	282		(203,801)	53,536
Guarantee deposits	6,692	-		(2,701)	3,991
Liquidity agreement	5,258	-		(1)	5,257
Treasury shares	555,252	-		(555,252)	-
TOTAL	13,734,076	214,051	1,826	(761,835)	13,188,119

The change in the item Investments in consolidated entities is mainly due to the creation of Pernod Ricard International Finance for a total of €213 million.

The change in the item Investments in non-consolidated entities is explained by the creation of Lina 25 to 29, the capital increase of Lina 8 and the disposal of Lina 21 to Pernod Ricard France.

The decrease in the item Treasury shares is due to the cancellation of shares (see Note 8 - Shareholders' equity)

for €525 million and the transfer to marketable securities for €30 million.

In accordance with article L. 225-210 of the French Commercial Code, Pernod Ricard SA holds reserves under liabilities on its balance sheet, in addition to the statutory reserve, of an amount at least equal to the value of all the treasury shares it owns for the amount of €126 million in marketable securities.

2. Provisions

(€ thousand)	At 30.06.2020	Allowances	Reversals	At 30.06.2021
Investments in consolidated entities ⁽¹⁾	(129,916)	(35,758)	-	(165,674)
Investments in non-consolidated entities	(5,702)	-	-	(5,702)
Other investments	(640)	-	-	(640)
Advance on investment	-	-	-	-
Investments	(136,258)	(35,757)	-	(172,016)
Own treasury shares	(1,090)	-	1,090	-
TOTAL	(137,348)	(35,757)	1,090	(172,016)

(1) The change in the provision for investments in consolidated entities corresponds to the additions to House of Campbell securities for €35 million.

Note 4 Maturity of receivables and payables

I. Receivables

(€ thousand)	Gross amount	Due in one year or less	Due in more than one year
Loans and advances to affiliates and associates	53,536	11,120	42,416
Loans	-	-	-
Other financial assets	9,248	5,257	3,991
Receivables and other financial assets	62,784	16,377	46,407
Current assets other than marketable securities and cash	1,375,251	361,139	1,014,113
Prepaid expenses	6,218	6,218	-
TOTAL	1,444,253	383,734	1,060,520

2. Payables

(€ thousand)	Gross amount	Due in one year or less	Due in 1 to 5 years	Due in more than 5 years
Bonds (see Note 12 - Bonds)	7,205,692	62,390	4,428,055	2,715,247
Bank debts	-	-	-	-
Other debt	80	80	-	-
Trade payables	148,218	148,218	-	-
Taxes and social payables	62,721	62,721	-	-
Amounts due on non-current assets and related accounts	-	-	-	-
Other payables ⁽¹⁾	1,065,925	1,065,925	-	-
Deferred income	18,989	18,989	-	-
TOTAL	8,501,625	1,358,323	4,428,055	2,715,247

(1) Mainly intra-group current account for €667 million and dividends payable for €346 million.

Note 5 Marketable securities

(€ thousand or quantities of Pernod Ricard shares)	At 30.06.2020		Acquisitions ⁽¹⁾		Capital transaction		Reclassification		Exercise/disposal ⁽²⁾		At 30.06.2021	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Gross value	975,404	113,187	437,152	60,082			-	-	(447,073)	(46,584)	965,483	126,686
Impairment	-	-	-	-	-	-	-	-	-	-	-	-
NET VALUE	975,404	113,187	437,152	60,082			-	-	(447,073)	(46,584)	965,483	126,686

(1) Of which €29 million for the 2017 plan and €31 million for the 2020 plan.

(2) Of which €(4) million for the exercise of stock options (2015 plan), €(37) million for the vesting of bonus shares (2016 plans) and €(4) million for the exercise of stock options (2016 plan).

Note 6 Prepaid expenses and deferred charges

(€ thousand)	At 30.06.2020	Increases	Decreases	At 30.06.2021
Prepaid expenses	2,433	3,785	-	6,218
Bond redemption premiums	28,745	-	(4,325)	24,420
Unrealised foreign exchange losses ⁽¹⁾	552,960	182,637	(552,960)	182,637
TOTAL	584,138	186,422	(557,285)	213,275

(1) The €183 million in unrealised foreign exchange losses at 30 June 2021 is attributable mainly to the revaluation of assets and liabilities at the closing euro/US dollar exchange rate on 30 June 2021.

Note 7 Composition of share capital

At 30 June 2021, the share capital comprised 261,876,560 shares with a par value of €1.55 per share. The total share capital thus amounted to €405,908,668.

In July 2020, the Company reduced its share capital by cancelling 3,545,032 shares which it had previously held, acquired in particular as part of the Company's share buyback programme.

Note 8 Shareholders' equity

(€ thousand)	At 30.06.2020	Allocation of net profit	Cancellation of shares following buyback	Distribution of dividends	Net profit 2021	At 30.06.2021
Capital	411,403	-	(5,494)	-	-	405,909
Issue, merger and contribution premiums	3,039,030	-	-	-	-	3,039,030
Statutory reserves	41,140	-	-	-	-	41,140
Regulated reserves	179,559	-	-	-	-	179,559
Other reserves	195,013	-	(195,013)	-	-	-
Retained earnings	1,768,851	1,177,954	(324,045)	(693,981)	-	1,928,778
Profit for the financial year	1,177,954	(1,177,954)	-	-	657,286	657,286
Interim dividends to be paid ⁽¹⁾	(307,595)	-	-	(39,389)	-	(346,984)
TOTAL	6,505,355	-	(524,552)	(733,370)	657,286	5,904,718

(1) At its meeting in April 2021, the Board of Directors decided to pay an interim dividend of €1.33 per share in respect of FY21, i.e. a total of €347 million. This interim dividend was paid on 9 July 2021.

Note 9 Provisions

(€ thousand)	At 30.06.2020	Increases in the year	Used reversals	Unused reversals	At 30.06.2021
Provisions for risks and charges					
Provision for currency losses	129,284	96,652	-	(129,284)	96,652
Other provisions for risks ⁽¹⁾	257,492	119,525	(11,462)	(110,313)	255,242
Provisions for pensions and other long-term employee benefits	50,859	13,761	-	(1,175)	63,445
TOTAL 1	437,635	229,938	(11,462)	(240,772)	415,339
Provisions for depreciation and amortisation					
On financial assets ⁽²⁾	137,348	35,758	(1,090)	-	172,016
On trade receivables	6,753	-	(626)	-	6,127
On other receivables	3,168	(166)	-	-	3,003
On marketable securities	-	-	-	-	-
TOTAL 2	147,269	35,591	(1,716)	-	181,145
OVERALL TOTAL	584,902	265,529	(13,178)	(240,772)	596,483

(1) Changes due to provisions for bonus share plans for €(7) million.

(2) Changes related to allowances for impairment of investments.

Provisions for risks and charges

Provision for currency losses

The €96 million provision for currency losses as at 30 June 2021 consists of the unrealised currency loss for unhedged US dollar receivables and payables.

Other provisions for risks

Other provisions for risks correspond to:

- provisions for risks and charges relating to tax consolidation for €132 million;
- various provisions amounting to €122 million.

Provisions for pensions and other long-term employee benefits

Description and recognition of employee benefit obligations

Pernod Ricard SA's employee benefit obligations are composed of:

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

The liability arising as a result of the Company's net employee benefit obligation is recognised in provisions for risks and charges on the balance sheet.

Calculation of the provision with respect to the net benefit obligation

The provision recognised by Pernod Ricard SA is equal to the difference, for each benefit plan, between the present value of the employee benefit obligation and the value of plan assets paid to specialised entities in order to fund the obligation.

The present value of employee benefit obligations is calculated using the prospective method involving the calculation of a projected salary at the retirement date (projected unit credit method). The measurement is made at each balance sheet date and the personal data concerning employees is revised at least every three years. The calculation requires the use of economic assumptions (inflation rate and discount rate) and assumptions concerning employees (mainly average salary increase, rate of employee turnover and life expectancy).

At 30 June 2021, the total amount of benefit obligations was €63 million. These obligations are fully provisioned.

For information, the inflation rate used for the valuation at 30 June 2021 was 1.75% and the discount rate was 0.75%.

Plan assets are measured at their market value at each balance sheet date.

Accounting for actuarial gains and losses

Actuarial gains and losses arise primarily when estimates differ from actual outcomes, or when there are changes in long-term actuarial assumptions (e.g. discount rate, rate of increase of salaries, etc.).

The Company has applied the option set out in recommendation 2013-02, in which the full pension liability is recognised, since the financial year ended 30 June 2014.

Components of the expense recognised for the financial year

The expense recognised in respect of the benefit obligations described above incorporates:

- expenses corresponding to the acquisition of an additional year's rights;
- interest expense arising on the unwinding of the discount applied to vested rights at the start of the year (as a result of the passage of time);
- income corresponding to the expected return on plan assets measured using the discount rate which is used to measure plan liabilities;
- income or expense corresponding to actuarial gains or losses;
- income or expense related to changes to existing plans or the creation of new plans;
- the income or expense related to any plan curtailments or settlements.

Note 10 Deferred income and adjustment accounts

(€ thousand)	At 30.06.2020	Increases	Decreases	At 30.06.2021
Deferred income	21,719	-	(2,730)	18,989
Unrealised foreign exchange gains ⁽¹⁾	468,419	124,000	(468,419)	124,000
TOTAL	490,138	124,000	(471,149)	142,989

(1) The €124 million in unrealised foreign exchange gains at 30 June 2021 is attributable mainly to the revaluation of assets and liabilities at the closing euro/US dollar exchange rate on 30 June 2021.

Note 11 Accrued income and expenses

Accrued income

(€ thousand)	30.06.2020	30.06.2021
Amount of accrued income in the following balance sheet items		
Loans and advances to affiliates and associates	257,055	53,536
Trade receivables	273,788	338,459
Other receivables	1,921,251	1,036,227
Cash	630,753	93,029
TOTAL	3,082,847	1,521,251

Accrued expenses

(€ thousand)	30.06.2020	30.06.2021
Amount of accrued expenses in the following balance sheet items		
Bank debts	-	-
Trade payables	95,483	148,218
Taxes and social payables	35,913	62,721
Other payables	348,628	1,065,925
TOTAL	480,024	1,276,864

Note 12 Bonds

	Amount (US\$ thousand)	Amount (€ thousand)	Maturity date	Accrued interest (€ thousand)	Rate	Total (€ thousand)
Bond of 29.09.2014		650,000	27.09.2024	10,482	Fixed	660,482
USD bond of 07.04.2011	-	-	07.04.2021	-	Fixed	-
USD bond of 25.10.2011	-	-	15.01.2022	-	Fixed	-
USD bond of 12.01.2012	800,000	673,174	15.07.2022	13,199	Fixed	686,373
USD bond of 12.01.2012	850,000	715,247	15.01.2042	18,148	Fixed	733,395
Bond of 28.09.2015		500,000	28.09.2023	7,089	Fixed	507,089
Bond of 24.10.2019		500,000	24.10.2023	-	Fixed	500,000
USD PANDIOS bond of 26.01.2016	-	-	26.01.2021	-	Variable	-
Bond 06.04.2020		1,000,000	07.04.2025	2,620	Fixed	1,002,620
Bond 24.10.2019		500,000	25.10.2027	1,712	Fixed	501,712
Bond 06.04.2020		1,000,000	08.04.2030	4,027	Fixed	1,004,027
Bond 24.10.2019		500,000	24.10.2031	2,997	Fixed	502,997
Bond of 17.05.2016		600,000	18.05.2026	1,085	Fixed	601,085
USD bond of 08.06.2016	600,000	504,881	08.06.2026	1,031	Fixed	505,912
TOTAL		7,143,302		62,390		7,205,692

Pernod Ricard redeemed three Bonds for a total amount of US\$2,201 million during the year.

Note 13 Bank debts

Syndicated loan

On 14 June 2017, Pernod Ricard SA finalised a new 5-year multi-currency Revolving Credit Agreement for €2.5 billion. The new agreement meant that the syndicated loan from April 2012 could be refinanced in full.

On 26 April 2019, in accordance with clause 6.1.6 of the agreement, the term was extended by one year to 14 June 2024.

At 30 June 2021, no drawdowns had been made by Pernod Ricard SA.

Bilateral loan

On 23 March 2020, Pernod Ricard SA finalised a 1-year bilateral loan for €600 million with an optional 1-year extension clause.

An amendment was signed on 8 April 2020, then on 12 February 2021 to extend the term of this facility by one year, i.e. to 23 March 2022.

At 30 June 2021, no drawdowns had been made by Pernod Ricard SA.

Note 14 Breakdown of corporate income tax

(€ thousand)	Total	Profit (loss) from continuing operations	Exceptional items
Net profit/(loss) before tax	526,637	638,093	(111,456)
Tax and withholding tax	(735)		
Tax on tax consolidation	131,384		
PROFIT AFTER TAX	657,286		

Within the framework of the tax consolidation, the tax loss carryforwards (tax basis) of the Pernod Ricard tax group amount to €(185) million.

Note 15 Increases and decreases in future tax liabilities

Type of temporary differences

(€ thousand)	Amount of tax
INCREASES	NIL
Organic and other	224
Other provisions for risk	-
Provision for pensions and other long-term employee benefits	27,270
DECREASES IN FUTURE TAX LIABILITIES	27,494

The tax rate used was 28.41% in the short term and 25.83% in the long term.

Note 16 Compensation

Compensation allocated to Executive Directors and members of the Board of Directors amounted to €2,404,293.

Compensation ⁽¹⁾ paid to Directors	€1,007,293
Compensation ⁽¹⁾ paid to the Chairman and Chief Executive Officer	€1,397,000

(1) Fixed and variable

Note 17 Operating income

Operating income totalled €319 million for FY21, compared to €240 million for FY20. It principally comprised rebilling of overheads to Group affiliates for €288 million in net sales, €19 million in royalties, and €11 million in provision reversals.

The net sales of €288 million comprised €83 million in France and €205 million abroad.

Note 18 Financial (income)/expenses

(€ thousand)	30.06.2020	30.06.2021
Financial income from investments (see Note 22 - Affiliates and associates)	1,296,841	887,716
Income from other fixed asset securities and receivables	-	-
Interest and related income	206,472	71,878
Reversals of financial provisions and expense transfers	325,997	241,982
Foreign exchange gains	70,042	254,816
Net gains on disposals of marketable securities	-	-
TOTAL FINANCIAL INCOME	1,899,351	1,456,392

(€ thousand)	30.06.2020	30.06.2021
Depreciation, amortisation and provision charges	(266,880)	(232,989)
Interest and related expenses	(391,945)	(219,485)
Foreign exchange losses	(100,843)	(277,951)
Net expenses on disposals of marketable securities	-	-
TOTAL FINANCIAL EXPENSES	(759,668)	(730,425)

Note 19 Exceptional items

<i>(€ thousand)</i>	Amount at 30.06.2021
Net profit on management operations	(105,661)
Net profit on capital operations	3
Charges and reversals of financial provisions and expense transfers	(5,798)
EXCEPTIONAL ITEMS	(111,456)

In the year ended 30 June 2021, exceptional items represented an expense of €111 million, mainly reflecting net provisions for risks and charges of €15 million and other non-current income and expenses of €90 million.

Note 20 Off-balance sheet commitments

Guarantees granted

Commitments made

<i>(€ thousand)</i>	Amount
Guarantees on behalf of affiliates	54
Other leases	752
Rents	127,922
TOTAL	128,728

Commitments granted include guarantees, in particular those related to bonds, commercial paper and the syndicated loan.

Derivative instruments

Hedging for Pernod Ricard SA	Nominal value <i>(US\$ thousand)</i>	Fair value at 30 June 2021 <i>(€ thousand)</i>
Interest rate swaps	800,000	21,821
Currency swaps	998,000	75,625
TOTAL	1,798,000	97,446

Interest rate swaps provide hedging for Pernod Ricard SA's external or internal debts that bear fixed-rate interest. At 30 June 2021 these broke down as follows:

USD interest rate hedge	Maturity	Net base <i>(US\$ thousand)</i>
Interest rate swaps	July 2022	600,000
Interest rate swaps	June 2026	100,000
Interest rate swaps	June 2026	100,000

Currency hedge	Maturity	Basis <i>(US\$ thousand)</i>
Currency swaps	December 2022	800,000
Currency swaps	December 2022	400,000
Currency swaps	July 2022	(202,000)
CURRENCY SWAPS		2,998,000
Financial assets		1,227,029
Financial liabilities		(2,288,477)
TOTAL		(63,448)

Payables and receivables denominated in foreign currencies are hedged by currency swaps. The Company had a residual US dollar position of US\$(63) million at 30 June 2021.

Other items

Pernod Ricard SA guaranteed the contributions owed by Allied Domecq Holdings Ltd and its affiliates to the Allied Domecq pension funds.

Pernod Ricard SA, pursuant to Section 357 of the 2014 Companies Act (Republic of Ireland), has irrevocably guaranteed the liabilities of the following affiliates for FY20: Irish Distillers Group Unlimited, Irish Distillers Ltd, Irish Distillers International Ltd, Smithfield Holdings Ltd, Ermine Ltd, Proudlen Liqueurs Ltd, Ind Coope Holding Ltd, The West Coast Cooler Co. Ltd, Comrie Ltd and Eight Degrees Brewing Company Ltd.

Pernod Ricard SA guaranteed Corby Distilleries Ltd the payment of liabilities which are due by the Group's affiliates involved in the representation agreement for Group brands in Canada, signed on 29 September 2006.

Pernod Ricard SA gave the Directors of Goal Acquisitions (Holding) Limited a comfort letter in which the Group undertook to provide financial support to enable Goal Acquisitions (Holding) Limited to honour its short-term intragroup liabilities.

Note 21 Average headcount at 30 June 2021

	Employees	Temporary staff (all reasons)
Managers ⁽¹⁾	450	2
Supervisors and technicians	46	1
Employees	2	-
AVERAGE HEADCOUNT	498	
Work-study contracts	23	-

(1) Including 98 expatriate employees.

Note 22 Affiliates and associates at 30 June 2021

(€ thousand)	Capital	Shareholders' equity before allocation of income	Share of capital (in %)	Carrying amount of investment		Loans	Sureties and endorsements	Net sales excluding taxes	Net profit	Dividends received
				Gross	Net					
Investments whose carrying amount exceeds 1% of Pernod Ricard SA's share capital										
AGROS ⁽¹⁾										
Ul. Chalubinskiego 8 00-613 Warsaw (Poland)	-	194,800	100%	122,008	122,008	-	-	-	-	-
House of Campbell Limited ⁽²⁾										
111/113 Renfrew Road Paisley, PA3 4DY (Scotland)	8,329	77,655	100%	40,538	4,781	-	-	-	-	-
Geo G Sandeman Sons & Co Ltd ⁽³⁾										
400 Capability Green Luton Beds LU1 3AE (England)	-	14,835	30%	9,180	4,150	-	-	1,020	0	-
Pernod Ricard France SA										
Les Docks, 10, place de la Joliette 13002 Marseilles	94,000	225,132	100%	162,171	162,171	0	-	782,196	62,276	19,670
Pernod Ricard Asia SAS										
5, cours Paul Ricard 75008 Paris	4,512	214,822	100%	42,457	42,457	-	-	-	39,659	249,000
Pernod Ricard Central and South America										
5, cours Paul Ricard 75008 Paris	52,198	17,761	100%	210,153	86,802	-	-	-	6,454	-
Pernod Ricard Europe Middle East Africa										
5, cours Paul Ricard 75008 Paris	40,000	368,315	100%	36,407	36,407	0	-	14,578	188,354	400,000
Pernod Ricard North America SAS										
5, cours Paul Ricard 75008 Paris	39,398	42,805	100%	126,735	123,418	-	-	-	(2,691)	-
Pernod Ricard Finance SA										
5, cours Paul Ricard 75008 Paris	232,000	394,639	100%	238,681	238,681	-	-	0	(33,263)	-
Pernod Ricard International Finance LLC										
21 Little Falls Drive Wilmington, Delaware 19808	210,367	210,367	100%	213,530	213,530	-	-	0	0	-
Pernod Ricard Pacific Holdings ⁽⁴⁾										
167 Fullarton Road Dulwich SA 5065 (Australia)	135,860	101,025	100%	151,789	151,789	-	-	353,632	(4,373)	-
Lina 3										
5, cours Paul Ricard 75008 Paris	819,730	16,396,063	100%	11,690,953	11,690,953	-	-	-	(8,463)	-
Lina 5										
5, cours Paul Ricard 75008 Paris	30,640	571,935	100%	30,631	30,631	-	-	-	(49)	-
Yerevan Brandy Company ⁽⁵⁾										
2, Admiral Isakov Avenue, Yerevan 375092, (Republic of Armenia)	19,437	146,465	100%	27,856	27,856	-	-	-	3,972	3,773
Havana Club Holding	7,842	(5,436)	50%	5,592	5,592	-	-	-	(7,151)	-
TOTAL 1				13,108,680	12,941,225				246,267	752,854
Affiliates:										
French				10,689	7,774					
Foreign				5,091	4,129					134,821
Investments:										
French				215	192					41
Foreign				660	1					
TOTAL 2				16,655	12,096					134,862
TOTAL 1 +2				13,125,335	12,953,320					887,716

(1) The AGROS exchange rates correspond to the rate on 30.06.2021.

(2) Information from the House of Campbell Limited financial statements at 30.06.2021.

(3) Information from the Geo G Sandeman Sons & Co Ltd financial statements at 31.12.2020.

(4) Information from the Pernod Ricard Pacific Holdings financial statements at 30.06.2020.

(5) Information from Yerevan Brandy Company's financial statements at 30.06.2020.

Note 23 Tax credits

Pernod Ricard SA has a research tax credit in the amount of €679,570, a tax credit for sponsorship activities in the amount of €1,201,912 and a family tax credit in the amount of €306,793.

Note 24 Subsequent events

We are not aware of any events after the reporting period.

7.6 Other items relating to the financial statements

The Parent Company financial statements detailed in the previous pages are those of Pernod Ricard SA and are the subject of the Statutory Auditor's report on the annual financial statements.

The elements relating to the Company financial statements in the management report of the Board of Directors are included in the following pages. The sections concerned are:

- other financial elements:
 - expenses and charges referred to in article 223 quater of the CGI (French Tax Code),
 - the breakdown of supplier payables set out in articles L. 441-6-1 and D. 441-4 of the French Commercial Code,

- the information on payment terms provided for in article D. 441-4 of the French Commercial Code (*Code de commerce*) in its wording under Decree no. 2015-1553 of 27 November 2015, implemented by the Order of 6 April 2016;
- financial results over the last five financial years;
- dividends paid over the last five financial years;
- inventory of marketable securities.

The amount of the Statutory Auditors' fees was €1,439 thousand.

Expenses and charges referred to in article 223 quater of the CGI (French Tax Code)

It is specified that the total amount of expenses and charges referred to in article 223 quater of the French General Tax Code and the amount of the applicable tax due to these expenses and charges are:

(€)	At 30.06.2021
Expenses and charges	272,940
Corresponding tax	87,395

Supplier payment deadlines

In accordance with the law on the modernisation of the economy of 4 August 2008 and subsequent articles L. 441-6-1 and D. 441-4 of the French Commercial Code, the breakdown of the balance of Pernod Ricard SA's payables to suppliers at the closing date is as follows:

(€ inc. tax)	At 30.06.2021
Trade payables not due	71,336,124
At 30 days	7,356,898
Between 30 and 45 days	60,497,342
Beyond 45 days	3,481,883
Trade payables past due	4,977,182
Recognised and not paid (A)	21,304
Group invoices	4,921,479
Disputes recognised	34,398

7. PERNOD RICARD SA FINANCIAL STATEMENTS
OTHER ITEMS RELATING TO THE FINANCIAL STATEMENTS

In accordance with article D. 441-4 of the French Commercial Code in its wording under Decree no. 2015-1553 of 27 November 2015, implemented by the Order of 6 April 2016, information on supplier payment terms is as follows:

(€)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day and over)
(A) Late payment categories						
Number of invoices concerned	1	2	-	-	-	3
Total amount of invoices concerned excluding taxes	73	21,231	-	-	-	21,304
Percentage of total purchase amount excluding tax for the financial year	-	-	-	-	-	-
(B) Invoices excluded from (A) relating to disputed or unrecognised payables and receivables						
Number of excluded invoices	10	12	2	3	16	43
Total amount of excluded invoices excluding tax	106,336	69,654	7,900	921	78,713	263,525
(C) Reference payment terms used to calculate late payments (article L. 441-6 or article L. 443-1 of the French Commercial Code)						
<input checked="" type="checkbox"/> Contractual payment terms (45 days end of month, 30 days end of month or 15 days end of month)						
<input type="checkbox"/> Statutory time frame						

Trade receivable payment times

As the Company's receivables only consist of receivables from Group companies, certain information required by article D. 441-4 of the French Commercial Code has not been presented below as it is deemed not relevant.

Information on receivables is set out below:

(€ inc. tax)	At 30.06.2021
Trade receivables not due	247,300,794
Trade receivables past due	47,757,374
TOTAL	295,058,168
<i>Of which disputed receivables</i>	6,126,756

7.7 Financial results over the last five financial years

(€)	30.06.2017	30.06.2018	30.06.2019	30.06.2020	30.06.2021
Financial position at year-end					
Share capital	411,403,468	411,403,468	411,403,468	411,403,468	405,908,668
Number of shares outstanding	265,421,592	265,421,592	265,421,592	265,421,592	261,876,560
Operating results					
Net sales (excluding taxes and duties)	147,044,350	154,976,030	179,569,040	204,799,992	288,181,244
Profit before taxes, amortisation, depreciation and allowances to provisions	926,378,106	432,466,377	221,535,314	966,689,347	557,958,295
Corporate income tax	114,461,535	179,468,467	151,988,378	163,348,627	130,649,147
Profit after taxes, amortisation, depreciation and allowances to provisions	966,776,001	565,822,841	325,725,565	1,177,954,098	657,285,969
Dividends paid ⁽¹⁾	536,151,616	626,394,957	828,115,367	700,774,797	-
Earnings per share					
Profit after taxes, but before amortisation, depreciation and allowances to provisions	3.92	2.3	1.41	4.26	2.63
Profit after taxes, amortisation, depreciation and allowances to provisions	3.64	2.13	1.23	4.44	2.51
Dividend paid per share ⁽¹⁾	2.02	2.36	3.12	2.66	-
Personnel					
Number of employees	372	401	422	444	498
Total payroll	52,442,536	64,087,417	70,178,837	60,952,594	82,640,089
Employee-related benefits paid during the year	22,389,498	29,981,592	30,963,383	26,104,626	35,041,823

(1) The amount of dividends for 2021 will be known with certainty after the Shareholders' Meeting of 10 November 2021 (dividends in respect of the financial year from 1 July 2020 to 30 June 2021).

7.8 Dividends paid over the last five financial years

Financial year (€)	Payment date	Net amount	Total amount for the financial year
	07.07.2017	0.94	
FY17	22.11.2017	1.08	2.02
	06.07.2018	1.01	
FY18	05.12.2018	1.35	2.36
	10.07.2019	1.18	
FY19	27.11.2019	1.94	3.12
	10.07.2020	1.18	
FY20	27.11.2020	1.48	2.66
FY21	09.07.2021 ⁽¹⁾	1.33	

(1) An interim dividend for FY21 was paid on 9 July 2021. The balance will be decided by the Shareholders' Meeting of 10 November 2021 called to approve the financial statements for the year ended 30 June 2021.

7.9 Inventory of marketable securities

French investments with a net carrying amount in excess of €100,000 (€)	Number of shares held	Net carrying amount
Lina 3	61,209,716	11,690,953,301
Lina 5	306,400	30,630,500
Pernod Ricard France	1,750,000	162,170,656
Pernod Ricard Asia SAS	2,785,000	42,457,051
Pernod Ricard Central and South America	691,596	86,801,700
Pernod Ricard Europe Middle Africa	1,000,000	36,407,284
Pernod Ricard Finance SA	29,000,000	238,680,987
Pernod Ricard North America SAS	4,377,500	123,417,557
Résidence de Cavalières	205,950	959,350
Lina 20	600	4,071,400
<i>Créateurs de Convivialité Ventures</i>	400	1,800,000
SUBTOTAL	101,326,762	12,418,349,786
Other shareholdings in French companies	201,544	1,134,767
Investments in unlisted foreign companies	25,705,455	533,834,785
TOTAL MARKETABLE SECURITIES AT 30.06.2021	127,233,761	12,953,319,338