part

6. Annual **consolidated** financial statements

6.1 Annual consolidated income statement

€ million	30.06.2021	30.06.2022	Notes
Net sales	8,824	10,701	2
Cost of sales	(3,531)	(4,228)	2
Gross margin after logistics expenses	**5,293**	**6,473**	**2**
Advertising and promotion expenses	(1,393)	(1,698)	2
Contribution after advertising and promotion	**3,900**	**4,775**	**2**
Structure costs	(1,477)	(1,751)	
Profit from recurring operations	**2,423**	**3,024**	
Other operating income/(expenses)	(62)	(62)	3.1
Operating profit	**2,361**	**2,963**	
Financial expenses	(410)	(308)	3.2
Financial income	39	48	3.2
Financial income/(expense)	**(371)**	**(260)**	
Corporate income tax	(667)	(676)	3.3
Share of net profit/(loss) of associates	(4)	5	
Net profit of discontinued and held for sale activities	0	-	
Net profit	**1,318**	**2,031**	
o/w:	-	-	
• non-controlling interests	13	35	
• attributable to owners of the parent	1,305	1,996	
Earnings per share – basic (in euros)	5.00	7.71	3.4
Earnings per share – diluted (in euros)	4.99	7.69	3.4

6.2 Consolidated statement of comprehensive income

€ million	30.06.2021	30.06.2022
Net profit for the period	**1,318**	**2,031**
Non-recyclable items		
Actuarial gains/(losses) related to defined benefit plans	**114**	**52**
Amounts recognised in shareholders' equity	*125*	*63*
Tax impact	*(11)*	*(10)*
Shareholder equity instruments	**143**	**(86)**
Unrealised gains and losses recognised in shareholders' equity	*144*	*(72)*
Tax impact	*(1)*	*(14)*
Recyclable items		
Net investment hedges	**18**	**(41)**
Amounts recognised in shareholders' equity	*27*	*(56)*
Tax impact	*(9)*	*15*
Cash flow hedges	**7**	**11**
Amounts recognised in shareholders' equity[1]	*10*	*14*
Tax impact	*(3)*	*(3)*
Translation differences	**(7)**	**880**
Other comprehensive income for the period, net of tax	**275**	**818**
Comprehensive income for the period	**1,593**	**2,849**
o/w:		
• attributable to owners of the parent	1,585	2,789
• non-controlling interests	8	60

(1) No impact recycled through profit or loss for the period.

6.3 Consolidated balance sheet

Assets

€ million	30.06.2021	30.06.2022	Notes
Net amounts			
Non-current assets			
Intangible assets	10,725	11,512	4.1
Goodwill	5,505	6,145	4.1
Property, plant and equipment	3,177	3,591	4.2
Non-current financial assets	685	761	4.3
Investments in associates	36	243	
Non-current derivative instruments	65	4	4.3/4.10
Deferred tax assets	1,623	1,844	3.3
Total non-current assets	**21,816**	**24,100**	
Current assets			
Inventories and work in progress	6,555	7,369	4.4
Trade receivables and other operating receivables	1,126	1,388	4.5
Income taxes receivable	141	145	
Other current assets	413	435	4.6
Current derivative instruments	8	32	4.3/4.10
Cash and cash equivalents	2,078	2,527	4.8
Total current assets	**10,321**	**11,896**	
Assets held for sale	11	15	
Total assets	**32,147**	**36,012**	

Liabilities

€ million	30.06.2021	30.06.2022	Notes
Shareholders' equity			
Capital	406	400	6.1
Share premium	3,052	3,052	
Retained earnings and translation differences	10,066	10,496	
Group share of net profit	1,305	1,996	
Group shareholders' equity	**14,829**	**15,944**	
Non-controlling interests	246	309	
Total shareholders' equity	**15,075**	**16,253**	
Non-current liabilities			
Non-current provisions	253	318	4.7
Provisions for pensions and other long-term employee benefits	477	361	4.7
Deferred tax liabilities	2,825	3,139	3.3
Bonds – non-current	8,787	9,238	4.8
Non-current lease liabilities	405	400	4.8
Other non-current financial liabilities	108	179	4.8
Non-current derivative instruments	0	18	4.10
Total non-current liabilities	**12,854**	**13,653**	
Current liabilities			
Current provisions	163	150	4.7
Trade payables	2,337	3,019	
Income tax payable	282	263	3.3
Other current liabilities	1,134	1,311	4.11
Bonds – current	70	842	4.8
Current lease liabilities	103	107	4.8
Other current financial liabilities	122	406	4.8
Current derivative instruments	6	9	4.10
Total current liabilities	**4,218**	**6,107**	
Liabilities related to assets held for sale	0	0	
Total liabilities and shareholders' equity	**32,147**	**36,012**	

6.4 Statement of changes in annual consolidated shareholder equity

€ million	Capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Translation differences	Treasury shares	Shareholder equity attributable to owners of the Parent	Non-controlling interests	Total shareholder equity
Opening position on 01.07.2020	**411**	**3,052**	**12,033**	**(431)**	**(79)**	**(333)**	**(684)**	**13,968**	**243**	**14,211**
Comprehensive income for the period	-	-	1,305	111	150	19	-	1,585	8	1,593
Capital variation	(5)	-	(519)	-	-	-	525	0	-	0
Share-based payments	-	-	28	-	-	-	-	28	-	28
(Acquisition)/disposal of treasury shares	-	-	(39)	-	-	-	19	(20)	-	(20)
Dividends and interim dividends distributed	-	-	(733)	-	-	-	-	(733)	(8)	(742)
Changes in scope of consolidation	-	-	1	-	-	-	-	1	3	5
Closing position on 30.06.2021	**406**	**3,052**	**12,075**	**(320)**	**70**	**(314)**	**(140)**	**14,829**	**246**	**15,075**

€ million	Capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Translation differences	Treasury shares	Shareholder equity attributable to owners of the Parent	Non-controlling interests	Total shareholder equity
Opening position on 01.07.2021	**406**	**3,052**	**12,075**	**(320)**	**70**	**(314)**	**(140)**	**14,829**	**246**	**15,075**
Impact of changes in standards[(1)]	-	-	(17)	-	-	-	-	(17)	-	(17)
Opening position restated on 01.07.2021	**406**	**3,052**	**12,058**	**(320)**	**70**	**(314)**	**(140)**	**14,812**	**246**	**15,057**
Comprehensive income for the period	-	-	1,996	52	(74)	814	-	2,789	60	2,849
Capital variation	(6)	-	-	-	-	-	-	(6)	-	(6)
Share-based payments	-	-	40	-	-	-	-	40	-	40
(Acquisition)/disposal of treasury shares	-	-	(795)	-	-	-	(12)	(807)	-	(807)
Dividends and interim dividends distributed	-	-	(866)	-	-	-	-	(866)	(10)	(876)
Other transactions with non-controlling interests	-	-	(12)	-	-	-	-	(12)	13	1
Other movements	-	-	(5)	-	-	-	-	(5)	0	(5)
Closing position on 30.06.2022	**400**	**3,052**	**12,416**	**(268)**	**(4)**	**500**	**(152)**	**15,944**	**309**	**16,253**

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

6.5 Annual consolidated cash flow statement

€ million	30.06.2021	30.06.2022	Notes
Cash flows from operating activities			
Group share of net profit	1,305	1,996	
Non-controlling interests	13	35	
Share of net profit/(loss) of associates, net of dividends received	4	(5)	
Financial (income)/expenses	371	260	
Tax (income)/expenses	667	676	
Net profit from discontinued operations	0	-	
Depreciation of fixed assets	367	381	
Net change in provisions	(80)	7	
Net change in impairment of goodwill, property, plant and equipment and intangible assets	78	10	
Changes in fair value of commercial derivatives	4	2	
Changes in fair value of biological assets and investments	(4)	(4)	
Net (gain)/loss on disposal of assets	(16)	(5)	
Share-based payment	28	40	
Self-financing capacity before financing interest and taxes	**2,738**	**3,392**	
Decrease/(increase) in working capital requirements	(54)	(252)	5.1
Interest paid	(350)	(275)	
Interest received	35	48	
Tax paid/received	(371)	(619)	
Net change in cash flows from operating activities	**1,999**	**2,294**	
Cash flows from investing activities			
Capital expenditure	(433)	(506)	
Proceeds from disposals of property, plant and equipment and intangible assets	63	25	
Change in scope of consolidation	0	-	
Purchases of financial assets and activities	(131)	(735)	5.2
Disposals of financial assets and activities	15	12	5.2
Net change in cash flows from investing activities	**(486)**	**(1,203)**	
Cash flows from financing activities			
Dividends and interim dividends paid	(704)	(826)	
Other changes in shareholder equity	0	0	
Issuance of long-term debt	1,788	1,564	5.3
Repayment of debt	(2,379)	(493)	5.3
Repayment of lease liabilities	(97)	(115)	
(Acquisition)/disposal of treasury shares	(20)	(813)	
Net change in cash flows from financing activities	**(1,412)**	**(683)**	
Cash flows from non-current assets held for sale	0	-	
Increase/(decrease) in cash and cash equivalents before foreign exchange impact	**100**	**407**	
Foreign currency translation adjustments	43	42	
Increase/(decrease) in cash and cash equivalents after foreign exchange impact	**143**	**449**	
Cash and cash equivalents at beginning of period	**1,935**	**2,078**	
Cash and cash equivalents at end of period	**2,078**	**2,527**	

6.6 Notes to the consolidated financial statements

Detailed contents for the notes

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

The Group manufactures and sells wines and spirits.

The Board of Directors approved the annual consolidated financial statements for the financial year ended 30 June 2022 on 31 August 2022.

Note 1 Accounting policies and significant events

Note 1.1 Accounting policies and principles

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

Because of its listing in a country of the European Union, and in accordance with EC Regulation 1606/02, the Group's annual consolidated financial statements for the financial year ended 30 June 2022 have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union.

The accounting policies used to prepare the annual consolidated financial statements to 30 June 2022 are consistent with those used for the annual consolidated financial statements to 30 June 2021, with the exception of standards and interpretations adopted by the European Union applicable to the Group from 1 July 2021 (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 whose implementation has been mandatory since 1 July 2021

During the first half of the year, the Group finalised the calculation of the impacts related to the decision published by the IFRIC in April 2021 on IAS 19 "Employee benefits" and regarding attribution of employee benefits to periods of service. This decision clarifies the periods over which employee benefits should be attributed in allocating the IAS 19 expense.

This decision impacts few plans, mainly in France, and reduces the amount of the retirement provision in the Group's consolidated financial statements by €11 million (before deferred tax of €3 million). It has no material effect on the cost of services recognised on an annual basis. As the impact of this decision is relatively insignificant, the Group has not restated its financial statements for past periods and has recognised this amount directly in the Group's consolidated reserves. The impact of this decision on Group shareholder equity is identified separately in 6.4 – *Statement of changes in consolidated shareholder equity for the period*.

The Group applies the changes made by the IFRIC decision of April 2021 relating to the customisation and configuration costs of SaaS (Software as a Service) software from 1 July 2021.

The latter clarifies:

- the rules for recognising this type of expense as intangible assets or expenses, considering in particular that, in the event that the Company does not have control of the underlying assets, these costs do not meet the definition of non-current assets;
- the rules for recognising these expenses, limiting the possibility of spreading them over several financial years to the sole case of customisation services provided by the supplier of the SaaS software and not distinct from the services of supplying the software.

The implementation of this decision has no material impact on the Group's financial statements. As such, the Group has not applied this decision to the comparative financial statements. The costs of configuring and customising SaaS software that had previously been capitalised were restated at 1 July 2021 as a counterparty to shareholder equity for €25 million after tax, with the exception of costs eligible for spreading over several financial years, in accordance with the provisions of the IFRIC decision (see Note 6.4 – *Statement of changes in consolidated shareholder equity for the period*).

As of 1 July 2021, the Group has applied the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 as part of the phase 2 benchmark interest rate reform, which were published by the IASB in August 2020 and adopted by the European Union. The Group has finalised negotiations with the counterparties to make the transition to the new indices for the currencies concerned (GBP, CHF, JPY and EUR). At closing, the Group's exposure to financial instruments indexed to floating rates with a maturity date beyond implementation of the reform is limited.

No other new standards, amendments or interpretations are applicable to Pernod Ricard as of 1 July 2021.

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 reporting 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 2022 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 reporting date is set out in Note 4.7 – *Provisions*.

Judgements

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

Hyperinflation

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

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

5. Business combinations

Business combinations carried out before 1 July 2009 were recognised using the accounting standards in force 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, shareholder 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 shareholder 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 annual 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 shareholder equity, under translation differences, 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 shareholder 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 shareholder equity under other comprehensive income. On disposal of a foreign entity, translation differences previously recognised in shareholder 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 annual consolidated financial statements. Income statement items related to discontinued operations and assets held for sale are presented separately in the financial statements for all periods reported upon if they are significant from a Group perspective.

8. Consideration of climate risks

Climate scenarios are currently being analysed, and will set out the climate change challenges for the Pernod Ricard Group. Considering the information studied to date, the Group believes that climate change has no short-term impact on the assumptions used to prepare the financial statements, given the nature of its activities and its geographical location. The consideration of the effects of climate change is notably reflected in Pernod Ricard's "Good times from a Good Place" strategy through its commitments in terms of "Net zero Carbon", the supply of sustainable agricultural raw materials, the footprint on its terroirs and the circularity of its packaging and promotional items.

In addition:

- Pernod Ricard has taken into account the future effects deemed most likely in the medium and long term relating to these climate challenges, more responsible consumption and costs aimed at implementing the "Good times from a Good Place" strategy in its business plans for the preparation of its impairment tests. The Group's exposure to climate impacts could result in changes in the price of raw materials, energy and transport;
- the implementation of this strategy does not call into question the useful life of its tangible assets. Nevertheless, in order to comply with its roadmap, the Pernod Ricard Group invests in additional assets aimed at reducing the climate impact of its activities;
- Pernod Ricard's climate commitments in terms of reducing greenhouse gases and its water consumption are also reflected in its financing strategy, through the issuance in 2022 of a "sustainability-linked" bond for €750 million, the interest rates of which will depend on the achievement of ambitious objectives as part of its sustainable development strategy.

Note 1.2 Significant events during the financial year

1. Acquisitions and disposals

During the financial year, the Group pursued its strategy by strengthening its positions, in particular through partnerships/acquisitions of super and ultra-premium brands in booming categories such as the acquisition of minority stakes in the Company Sovereign Brands, owner in particular of the Bumbu Rum brand and of the French sparkling wine brand Luc Belaire. The Group also strengthened its positions in e-commerce through the 100% acquisition of The Whisky Exchange, as well as its luxury offering through the acquisition of a majority stake in Château Sainte Marguerite, a Côtes-de-Provence *Cru Classé* since 1955.

Acquisitions and partnerships concluded during the financial year represented a total amount of around €550 million, included in "Purchases of financial assets and activities" in the cash flow statement.

As part of its dynamic brand portfolio management strategy, the Group also sold the Armagnac Montesquiou brand in France. It also entered into an agreement to sell the Tormore Scotch Whisky brand and its distillery.

2. Bond issues and redemption

On 4 October 2021, the Pernod Ricard Group, through one of its wholly owned subsidiaries, issued a bond issue of €500 million over an eight-year tranche, bearing interest at the fixed annual rate of 0.125%.

On 21 October 2021, Pernod Ricard SA redeemed the full €500 million bond bearing a coupon of 1.875% maturing in September 2023 in accordance with the optional redemption clause set out in the terms and conditions of this bond. This early redemption gave rise to the payment of an exceptional balance (known as make-whole call) of €24 million.

On 7 April 2022, Pernod Ricard carried out a Sustainability-linked bond issue denominated in euros, with a maturity of seven years, for an amount of €750 million and bearing interest at a fixed annual rate of 1.375%. Two environmental commitments have been indexed to this obligation: the reduction in the absolute amount of the Group's greenhouse gas emissions (Scopes 1 and 2) and the reduction in its water consumption per unit of alcohol produced in the distilleries. The financial conditions of this bond will be impacted by an adjustment of the coupon rate of 0.25% per objective in the event the failure to achieve the target for either one of the two criteria selected on the date the targets are measured, *i.e.* at the end of the 2025 financial year. This adjustment will apply from the first day of the interest period following the first measurement date and until the maturity of the bond.

3. Employee share ownership plan

During FY22, the Group set up an employee share ownership plan for the second time in its history. Details of this plan, as well as its impact on the Group's consolidated financial statements, are provided in Note 6.2 – *Employee Share Ownership Plan*, to the annual consolidated financial statements.

4. Impact of the Russian-Ukrainian conflict

In February 2022, the conflict between Russia and Ukraine escalated dramatically into a situation of war.

In this context, the health and safety of Pernod Ricard employees remain the Group's primary concern, leading to the provision of assistance to local teams and their families. Pernod Ricard made a donation of €1 million to support the work of the High Commission for Refugees (UNHCR) and, to meet the requests of many employees who wished to contribute to this, pledged to double the amount of their individual donations.

The Group generated approximately 3% of its net sales in Russia and Ukraine before the conflict. It does not hold any significant assets in the region. Analysis of these assets, in these exceptional circumstances, led the Group to recognise impairments of receivables. No other impairments were identified. A cautious approach was used in performing brand impairment tests and goodwill, consisting mainly of excluding future cash flows from the region, given the high level of uncertainty.

Note 2 Segment information

Net sales

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

Costs of commercial and promotional activity

Pursuant to IFRS 15, certain costs of services rendered in connection with sales, such as advertising programmes in conjunction with distributors, listing costs for new products, promotional activities at point of sale, and advertising and 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 expenses corresponds to net sales (excluding duties and taxes), less costs of sales and logistics expenses. The contribution after advertising and promotion expenses includes the gross margin after logistics expenses and advertising and promotion expenses. The Group applies recommendation 2013-R03 of the French accounting standards 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/(expenses).*

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

The Group Management Team assesses the performance of each segment on the basis of net sales and its profit from recurring operations, defined as the gross margin after logistics expenses, advertising, promotional and structure costs. The operating segments presented are identical to those included in the reporting provided to Senior 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 30.06.2021 € million	Americas	Asia/Rest of the World	Europe	Total
Income statement items				
Segment net sales	3,794	5,494	4,185	13,473
o/w intersegment sales	1,167	1,854	1,628	4,649
Net sales (excluding Group)	**2,627**	**3,640**	**2,557**	**8,824**
Gross margin after logistics expenses	1,699	2,060	1,534	5,293
Contribution after advertising and promotion expenses	1,229	1,518	1,153	3,900
Profit from recurring operations	803	996	624	2,423
Other information				
Current investments	106	109	316	531
Depreciation, amortisation and impairment	42	165	236	444

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

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

At 30.06.2022 € million	Americas	Asia/Rest of the World	Europe	Total
Current investments	4	54	52	110
Depreciation, amortisation and impairment	11	45	50	106

Breakdown of net sales

€ million	30.06.2021 published	30.06.2021 restated	30.06.2022	Variation (€ million)	Variation (%)
Strategic International Brands	5,544	5,544	6,780	1,237	22%
Strategic Local Brands	1,576	1,576	1,917	341	22%
Strategic wines	425	484	485	1	0%
Speciality	472	472	598	126	27%
Other products	807	748	921	173	23%
Total	**8,824**	**8,824**	**10,701**	**1,877**	**21%**

Since FY22, the “Strategic wines” segment has changed to reflect our wine strategy and prioritisation. This segmentation change has been applied to the period ended 30 June 2021 for comparison purposes.

Note 3 Notes to the income statement

Note 3.1 Other operating income/(expenses)

Other operating income and expenses include impairment of property, plant and equipment and intangible assets, costs relating to restructuring and integration, capital gains or losses on disposals, as well as other non-recurring operating income and expenses. These other operating income and expenses are excluded from 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	30.06.2021	30.06.2022
Impairment of property, plant and equipment and intangible assets	(78)	(10)
Gains or losses on asset disposals and acquisition costs	(34)	(8)
Net restructuring and reorganisation expenses	(64)	(23)
Disputes and risks	141	(17)
Other non-recurring operating income and expenses	(26)	(5)
Other operating income/(expenses)	**(62)**	**(62)**

At 30 June 2022, other operating income and expenses mainly consisted of restructuring expenses for €23 million and expenses for disputes and risks for €17 million.

6.

Note 3.2 Financial income/(expense)

€ million	30.06.2021	30.06.2022
Interest expense on net financial debt	(261)	(236)
Interest expense on lease liabilities	(13)	(12)
Interest income on net financial debt	36	48
Net financing cost	**(238)**	**(200)**
Structuring and placement fees	(3)	(2)
Net financial impact of pensions and other long-term employee benefits	(17)	(11)
Other net current financial income (expense)	(3)	(1)
Financial income/(expense) from recurring operations	**(262)**	**(215)**
Foreign currency gains/(losses)	(37)	(20)
Other non-current financial income/(expenses)	(73)	(24)
Total financial income/(expenses)	**(371)**	**(260)**

At 30 June 2022, the net cost of financial debt included financial expenses of €192 million on bonds, partially offset by the positive impact of interest rate hedges for €20 million, factoring and securitisation agreements for €8 million, interest on lease liabilities for €12 million, and €8 million in other expenses.

The financial income/(expense) was also impacted by the early redemption of the bond debt detailed in Note 2.1 – *Significant events during the financial year* for €24 million, negative foreign exchange impacts for €20 million, and the net impact of pensions and other long-term employee benefits for €11 million.

Weighted average cost of debt

The Group's weighted average cost of debt was 2.3% over FY22 compared to 2.8% over FY21.

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

Note 3.3 Corporate income tax

Analysis of the income tax expense

€ million	30.06.2021	30.06.2022
Current income tax	(425)	(580)
Deferred income tax	(242)	(97)
Total	**(667)**	**(676)**

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

€ million	30.06.2021	30.06.2022
Operating profit	2,361	2,963
Financial income/(expense)	(371)	(260)
Taxable profit	**1,990**	**2,703**
Theoretical tax charge at the income tax rate in France	(637)	(768)
Impact of tax rate differences by jurisdiction	218	211
Tax impact of variation in exchange rates	7	(14)
Re-estimation of deferred tax assets linked to tax rate changes	(193)	5
Impact of tax losses used/not used	40	(8)
Impact of reduced/increased tax rates on taxable results	0	0
Taxes on distributions	(31)	(35)
Other impacts	(72)	(67)
Effective income tax expense	**(667)**	**(676)**
Effective tax rate	**34%**	**25%**

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 shareholder 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 updated by the Group at the reporting date based on data determined by the relevant senior management.

Deferred taxes are broken down by nature as follows:

€ million	30.06.2021	30.06.2022
Margins in inventories	111	180
Fair value adjustments on assets and liabilities	13	20
Provisions for pension benefits	78	65
Deferred tax assets related to losses eligible for carryforwards	913	1,028
Provisions (other than provisions for pensions benefits) and other items	509	551
Total deferred tax assets	**1,623**	**1,844**
Accelerated tax depreciation	175	190
Fair value adjustments on assets and liabilities	2,469	2,734
Pension and other hedging assets	181	215
Total deferred tax liabilities	**2,825**	**3,139**

Tax loss carryforwards (recognised and unrecognised) represented potential tax savings of €1,298 million at 30 June 2022 and €1,154 million at 30 June 2021. The potential tax savings at 30 June 2022 and 30 June 2021 relate to tax loss carryforwards with the following expiry dates:

FY21

	Tax effect of loss carryforwards € million	
Years	Losses recognised	Losses not recognised
2021	0	1
2022	0	2
2023	2	4
2024	2	2
2025 and after	727	189
No expiry date	182	43
Total	**913**	**241**

FY22

	Tax effect of loss carryforwards € million	
Years	Losses recognised	Losses not recognised
2022	0	2
2023	0	4
2024	0	5
2025	1	2
2026 and after	836	226
No expiry date	191	31
Total	**1,028**	**270**

The Group income taxes payables are broken down as follows:

€ million	30.06.2021	30.06.2022
Other current tax liabilities	166	151
Uncertain tax positions	117	112
Total current tax liabilities	**282**	**263**

Note 3.4 Earnings per share

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

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

Numerator (€ million)	30.06.2021	30.06.2022
Group share of net profit	1,305	1,996
Denominator (in number of shares)		
Average number of outstanding shares	260,796,076	259,031,734
Dilutive effect of performance share allocations	624,364	544,063
Dilutive effect of stock options and subscription options	93,465	143,644
Average number of outstanding shares – diluted	**261,513,904**	**259,719,441**
Earnings per share (€)		
Earnings per share – basic	5.00	7.71
Earnings per share – diluted	4.99	7.69

Note 3.5 Expenses by type

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

€ million	30.06.2021	30.06.2022
Depreciation, amortisation and impairment expense on property, plant and equipment and intangible assets	**(441)**	**(391)**
Salaries and payroll costs	(1,216)	(1,374)
Pensions, medical expenses and other similar benefits under defined-benefit plans	(46)	(45)
Share-based payments	(28)	(40)
Total employee benefits expense	**(1,290)**	**(1,459)**

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 of the period					
€ million	30.06.2020	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	Other movements	30.06.2021
Goodwill	5,747	15	-	-	(139)	19	5,642
Brands	13,230	13	-	(8)	(346)	6	12,894
Other intangible assets	471	73	-	(42)	(2)	42	541
Gross value	**19,448**	**100**	**-**	**(50)**	**(488)**	**67**	**19,077**
Goodwill	(136)	-	-	-	(1)	(0)	(137)
Brands	(2,398)	-	(72)	7	95	(0)	(2,369)
Other intangible assets	(338)	-	(43)	40	2	(1)	(341)
Amortisation/impairment	**(2,872)**	**-**	**(114)**	**46**	**95**	**(1)**	**(2,847)**
Intangible assets, net	**16,576**	**100**	**(114)**	**(4)**	**(393)**	**66**	**16,230**

		Movements of the period					
€ million	30.06.2021	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	Other movements	30.06.2022
Goodwill	5,642	224	-	0	418	0	6,284
Brands	12,894	58	-	2	985	0	13,935
Other intangible assets	541	73	-	94	31	14	565
Gross value	**19,076**	**354**	**-**	**95**	**1,434**	**15**	**20,784**
Goodwill	(137)	-	-	-	(2)	(0)	(139)
Brands	(2,369)	-	(10)	(1)	(256)	-	(2,634)
Other intangible assets	(340)	-	(42)	(93)	(20)	(45)	(354)
Amortisation/impairment	**(2,847)**	**-**	**(52)**	**(94)**	**(278)**	**(45)**	**(3,127)**
Intangible assets, net	**16,230**	**354**	**(52)**	**1**	**1,156**	**(30)**	**17,657**

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 change in the value of goodwill in the period was mainly due to the acquisitions mentioned in Note 1.2.1 – *Significant events during the financial year – Acquisitions and disposals*, as well as currency fluctuations.

Brands

The entry value of 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 change in the gross value of brands for the period was mainly due to the acquisitions mentioned in Note 1.2.1.1 – *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. Impairment tests on CGUs are carried out in the third quarter and are regularly monitored until the reporting date in order to verify the relevance of the business plans and any changes to the market data underlying the discount rates used.

When the recoverable amount of a CGU is less than its 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, that could be obtained under normal market conditions or earnings multiples observed in recent transactions relating to comparable assets. The discount rate used for these calculations is an after-tax rate applied to after-tax cash flows and corresponds to the weighted average cost of capital. This rate reflects specific rates for each market or 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.

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 asset may have been impaired.

The data and assumptions used for the annual impairment tests are as follows:

€ million	Method used to determine the recoverable amount	Net carrying amount of goodwill at 30.06.2022	Net carrying amount of brands at 30.06.2022	Value in use		
				Discount rate 2021	Discount rate 2022	Perpetual growth rate
Europe	Value in use based on the discounted cash flow method	2,062	4,497	5.70%	5.66%	From -1% to +2.5%
Americas		3,139	5,932	6.48%	7.17%	From -1% to +2.5%
Asia/Rest of the World		944	871	7.24%	7.66%	From -1% to +2.5%

The following table shows the amount of any additional impairment at 30 June 2022 of assets making up the CGUs or goodwill, which would result from:

- 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	0	0	(155)	0
Americas	(1)	0	(141)	0
Asia/Rest of the World	0	0	(46)	0
Total	**(1)**	**0**	**(342)**	**0**

Note 4.2 Property, plant and equipment

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

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

Depreciation of property, plant and equipment is recognised within operating 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 the income statement. Land on which biological assets are planted is measured in accordance with IAS 16.

In accordance with IFRS 16, applicable from 1 July 2019, right-of-use assets for leases are recognised as property, plant and equipment in the class corresponding to the underlying assets, with the corresponding recognition of a lease liability. 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.

		Movements of the period						
€ million	30.06.2020	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	Other movements	30.06.2021	*of which right-of-use assets*
Land	399	4	-	(5)	3	5	405	*53*
Buildings	1,766	84	-	(83)	21	49	1,838	*442*
Machinery and equipment	2,186	60	-	(118)	21	116	2,264	*32*
Other property, plant and equipment	870	80	-	(64)	18	18	923	*75*
Assets in progress	182	217	-	(0)	2	(180)	220	-
Advance on property, plant and equipment	24	9	-	(0)	(0)	(26)	7	-
Gross value	**5,427**	**454**	**-**	**(271)**	**65**	**(17)**	**5,658**	***602***
Land	(40)	-	(9)	2	(1)	(0)	(48)	*(13)*
Buildings	(621)	-	(120)	58	(9)	3	(691)	*(122)*
Machinery and equipment	(1,272)	(0)	(127)	101	(17)	(3)	(1,317)	*(15)*
Other property, plant and equipment	(399)	(0)	(69)	50	(8)	0	(425)	*(35)*
Assets in progress	0	-	(0)	-	-	-	(0)	-
Depreciation/ impairment	**(2,332)**	**(0)**	**(325)**	**211**	**(35)**	**-**	**(2,481)**	***(186)***
Property, plant and equipment, net	**3,095**	**454**	**(325)**	**(60)**	**30**	**(18)**	**3,177**	***416***

€ million	30.06.2021	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	Other movements	30.06.2022	*of which right-of-use assets**
	Movements of the period							
Land	405	96	-	5	8	(1)	503	*62*
Buildings	1,838	110	-	36	53	75	2,040	*497*
Machinery and equipment	2,264	99	-	66	80	131	2,509	*48*
Other property, plant and equipment	923	95	-	37	16	8	1,004	*75*
Assets in progress	220	307	-	1	9	(234)	301	*-*
Advance on property, plant and equipment	7	5	-	0	1	(4)	9	*-*
Gross value	**5,658**	**711**	**-**	**146**	**167**	**(24)**	**6,366**	***682***
Land	(48)	-	(10)	(1)	(2)	1	(59)	*(21)*
Buildings	(691)	(1)	(117)	(30)	(22)	(6)	(807)	*(174)*
Machinery and equipment	(1,317)	-	(141)	(61)	(44)	2	(1,439)	*(22)*
Assets in progress	(425)	(0)	(70)	(29)	(8)	4	(469)	*(41)*
Depreciation/ impairment	**(2,481)**	**(1)**	**(339)**	**(121)**	**(76)**	**1**	**(2,775)**	***(259)***
Property, plant and equipment, net	**3,177**	**710**	**(339)**	**25**	**91**	**(23)**	**3,591**	***424***

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).

Shareholder 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 shareholder 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 shareholder equity and future profitability.

Loans, guarantees and deposits

Loans, guarantees and deposits are valued at amortised cost.

€ million	30.06.2021 Current	30.06.2021 Non-current	30.06.2022 Current	30.06.2022 Non-current
Net financial assets				
Shareholder equity instruments	-	286	-	345
Other financial assets	-	294	-	247
Net loans and receivables				
Loans, receivables and deposits	-	106	-	169
Total net non-current financial assets	**-**	**685**	**-**	**761**
Derivative instruments	8	65	32	4
Financial assets	**8**	**750**	**32**	**766**

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

€ million	30.06.2020	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	Other movements	30.06.2021
		Movements of the period					
Other financial assets	273	(0)	-	-	17	4	294
Shareholder equity instruments	101	51	-	(1)	(2)	144	293
Loans, guarantees and deposits	219	24	-	(11)	(6)	(119)	107
Gross value	**593**	**75**	**-**	**(12)**	**9**	**28**	**694**
Provisions for other financial assets	0		(0)	-	0	-	(0)
Impairment losses recognised on available-for-sale financial assets	-	-	-	-	-	-	-
Provisions on shareholder equity instruments	(7)	-	-	-	0	0	(7)
Provisions for loans, guarantees and deposits	(63)	-	(1)	-	4	59	(2)
Provisions	**(71)**	**-**	**(1)**	**-**	**4**	**59**	**(9)**
Non-current financial assets, net	**522**	**75**	**(1)**	**(12)**	**13**	**87**	**685**

€ million	30.06.2021	Acquisitions	Allowances	Disposals	Foreign currency gains and losses	Other movements	30.06.2022
		Movements of the period					
Other financial assets	294	0	-	0	3	(49)	247
Shareholder equity instruments	293	113	-	3	20	(79)	345
Loans, guarantees and deposits	107	57	-	7	10	3	171
Gross value	**694**	**170**	**-**	**10**	**33**	**(125)**	**763**
Provisions for other financial assets	(0)	-	(0)	-	0	-	(0)
Provisions on shareholder equity instruments	(7)	-	-	-	(0)	7	(0)
Provisions for loans, guarantees and deposits	(2)	-	(0)	(0)	(0)	(0)	(1)
Provisions	**(9)**	**-**	**(0)**	**(0)**	**(0)**	**7**	**(1)**
Non-current financial assets, net	**685**	**170**	**(0)**	**9**	**33**	**(118)**	**761**

Other financial assets at 30 June 2022 included €239 million of plan surplus related to employee benefits, compared to €285 million at the end of June 2021. This change is mainly due to changes in actuarial assumptions over the period (see Note 4.7 – *Provisions*).

At 30 June 2022, shareholder equity instruments consisted mainly of unconsolidated securities held by the Group and in particular those of Jumia Technologies AG, measured at fair value through shareholder equity in the amount of €37 million based on the closing share price of €5.83 on 30 June 2022 (compared with €25.61 per share on 30 June 2021).

Note 4.4 Inventories and work in progress

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

The inventories and work-in-progress are broken down at closing as follow:

		Movements of the period				
€ million	30.06.2020	Change in gross values	Change in impairment	Foreign currency gains and losses	Other movements	30.06.2021
Raw materials	173	3	-	(1)	2	177
Work in progress	5,183	214	-	85	4	5,486
Goods in inventory	580	76	-	(10)	-	646
Finished products	296	32	-	(3)	6	331
Gross value	**6,232**	**325**	**-**	**72**	**11**	**6,640**
Raw materials	(11)	-	(5)	(0)	-	(16)
Work in progress	(23)	-	(5)	(0)	(1)	(29)
Goods in inventory	(16)	-	(7)	(0)	(0)	(23)
Finished products	(15)	-	(3)	0	1	(17)
Impairment	**(65)**	**-**	**(20)**	**(0)**	**-**	**(86)**
Net inventories	**6,167**	**325**	**(20)**	**72**	**11**	**6,555**

		Movements of the period				
€ million	30.06.2021	Change in gross values	Change in impairment	Foreign currency gains and losses	Other movements	30.06.2022
Raw materials	177	41	-	11	(0)	228
Work in progress	5,486	287	-	85	(6)	5,847
Goods in inventory	646	188	-	41	(0)	876
Finished products	331	143	-	22	(2)	495
Gross value	**6,641**	**659**	**-**	**158**	**(8)**	**7,446**
Raw materials	(16)	-	(9)	(1)	0	(15)
Work in progress	(29)	-	(5)	(1)	2	(24)
Goods in inventory	(23)	-	(14)	(3)	(0)	(24)
Finished products	(17)	-	0	(1)	0	(14)
Impairment	**(86)**	**-**	**(27)**	**(5)**	**2**	**(77)**
Net inventories	**6,555**	**659**	**(27)**	**153**	**(6)**	**7,369**

At 30 June 2022, ageing inventories intended mainly for use in whisky and cognac production accounted for 83% 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 2021 and 30 June 2022 by due date:

€ million	Net carrying amount	Not due	Due in accordance with 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 30.06.2021	1,126	958	109	31	10	4	14
O/w impairment	*(104)*	*(16)*	*(1)*	*(2)*	*(3)*	*(7)*	*(74)*
Trade receivables and other operating receivables as of 30.06.2022	1,388	1,181	118	38	31	5	16
O/w impairment	*(127)*	*(25)*	*(3)*	*(19)*	*(9)*	*(8)*	*(63)*

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

€ million	FY21	FY22
At 1 July	**91**	**104**
Allowances during the year	26	28
Reversals during the year	(5)	(9)
Used during the year	(7)	(7)
Foreign currency gains and losses	(1)	11
At 30 June	**104**	**127**

At 30 June 2022, 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 showed no additional credit-related risk. There is no significant concentration of risks.

Over the last two financial years, the Group continued to implement its programmes to sell the receivables of several affiliates. Receivables sold under these programmes totalled €592 million at 30 June 2021 and €602 million at 30 June 2022. As substantially all risks and rewards associated with the receivables were transferred, they were derecognised.

Derecognised assets where there is continuing involvement

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

Note 4.6 Other current assets

Other current assets are broken down as follows:

€ million	30.06.2021	30.06.2022
Advances and down payments	39	51
Tax accounts receivable, excluding income tax	258	268
Prepaid expenses	88	83
Other receivables	28	34
Total	**413**	**435**

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/(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 provisions at the balance sheet date is as follows:

€ million	30.06.2021	30.06.2022
Non-current provisions		
Provisions for pensions and other long-term employee benefits	477	361
Other non-current provisions for risks and charges	253	318
Current provisions		
Provisions for restructuring	50	27
Other current provisions for risks and charges	113	123
Total	**893**	**829**

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

€ million	Movements of the period							
	30.06.2021	Allowances	Used reversals	Unused reversals	Translation adjustments	First-time consolidation	Other movements	30.06.2022
Provisions for restructuring	50	13	27	11	-	1	1	27
Other current provisions	113	27	9	7	0	0	(1)	123
Other non-current provisions	253	64	1	24	5	-	22	318
Total provisions	**416**	**105**	**37**	**42**	**5**	**1**	**22**	**468**

Some Group companies are involved in disputes as part of their normal business activities. They are also subject to tax audits, some of which may lead to an adjustment. The main disputes are described in Note 6.5 – *Disputes*.

At 30 June 2022, the provisions recorded by the Group for all litigation and risks in which it is involved amounted to €441 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 pension benefits

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

- long-term post-employment benefits (retirement bonuses, pensions, medical 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 FY21 and FY22 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 grants pension and retirement benefits and other post-employment benefits (medical insurance or life insurance), in the form of defined contribution or defined benefit plans:

- 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 2022, fully or partly funded benefit obligations totalled €4,022 million, equivalent to 94% 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 2021 and 30 June 2022:

	30.06.2021			30.06.2022		
€ million	Pension commitments	Medical expenses and other employee benefits	Total	Pension commitments	Medical expenses and other employee benefits	Total
Net liability/(asset) at beginning of period	196	145	341	52	140	192
Impacts of IFRIC IAS 19 interpretation				(11)	-	(11)
Net expense/(income) for the period	54	4	58	48	6	55
Actuarial (gains)/losses (1)	(126)	0	(126)	(47)	(16)	(63)
Employer contributions and benefits paid directly by the employer	(47)	-	(47)	(48)	-	(48)
Benefits paid directly by the employer	(8)	(8)	(16)	(9)	(7)	(16)
Changes in scope of consolidation	0	(0)	(0)	0	-	0
Foreign currency gains and losses	(17)	(1)	(18)	3	10	13
Net liability/(asset) at end of period	**52**	**140**	**192**	**(13)**	**134**	**121**
Amount recognised in assets	(285)	-	(285)	(239)	-	(239)
Amount recognised in liabilities	**337**	**140**	**477**	**227**	**134**	**361**

(1) Recognised in "Other comprehensive income".

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

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

	30.06.2021			30.06.2022		
Expense for the financial year € million	Pension commitments	Medical expenses and other employee benefits	Total	Pension commitments	Medical expenses and other employee benefits	Total
Service cost	42	4	46	41	4	45
Interest on provision	3	4	7	(1)	3	2
• o/w interest on the commitment	90	4	93	104	3	107
• o/w interest on the assets	(87)	-	(87)	(106)	-	(106)
• o/w interest on the limitation of the assets	0	-	0	1	-	1
Fees/levies/premiums	8	-	8	9	-	9
Impact of plan amendments/Reduction of future rights	(0)	(7)	(8)	(0)	0	(0)
Impact of liquidation of benefits	0	-	0	0	-	0
Actuarial (gains)/losses	-	5	5	-	(1)	(1)
Effect of asset ceiling (including the impact of IFRIC 14)	-	-	-	-	-	-
Net expense/(income) recognised in profit and loss	**54**	**4**	**58**	**48**	**6**	**55**

6.

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

Net liability recognised in the balance sheet € million	30.06.2021 Pension commitments	30.06.2021 Medical expenses and other employee benefits	30.06.2021 Total	30.06.2022 Pension commitments	30.06.2022 Medical expenses and other employee benefits	30.06.2022 Total
Change in the actuarial value of cumulative benefit obligations						
Actuarial value of cumulative benefit obligations at beginning of period	5,440	145	5,584	5,318	140	5,458
Adjustments to cumulative benefit obligations at the beginning of the financial year – IFRS IC reform	-	-	-	(11)	-	(11)
Cumulative benefit obligations during the financial year	42	4	46	41	4	45
Interest cost (effect of unwinding of discount)	90	4	93	104	3	107
Employee contributions	4	1	5	4	0	4
Benefits paid	(257)	(8)	(265)	(261)	(7)	(268)
Administrative fees/premiums/levies	(0)	-	(0)	(1)	-	(1)
Plan amendments/reduction of future rights	(1)	(7)	(8)	(0)	0	(0)
Liquidation of benefits	0	-	0	0	-	0
Actuarial (gains)/losses	(252)	5	(247)	(1,140)	(17)	(1,157)
Translation differences	251	(1)	249	75	10	85
Changes in scope of consolidation	1	(0)	0	1	-	1
Actuarial value of cumulative benefit obligations at the reporting date	**5,318**	**140**	**5,458**	**4,130**	**134**	**4,264**
Change in the fair value of plan assets						
Fair value of plan assets at beginning of period	5,259	-	5,259	5,307	-	5,307
Interest income on plan assets	87	-	87	106		106
Experience gains/(losses) on plan assets	(101)	-	(101)	(1,084)	-	(1,084)
Employee contributions	4	-	4	4	-	4
Employer contributions and benefits paid directly by the employer	47	-	47	48	-	48
Benefits paid	(249)	-	(249)	(253)	-	(253)
Administrative fees/premiums/levies	(9)	-	(9)	(9)	-	(9)
Plan amendments/reduction of future rights	(1)	-	(1)	-	-	-
Liquidation of benefits	-	-	-	-	-	-
Translation differences	269	-	269	77	-	77
Changes in scope of consolidation	0	-	0	1	-	1
Fair value of plan assets at reporting date	**5,307**	**-**	**5,307**	**4,198**	**-**	**4,198**
Present value of funded benefits	5,206	-	5,206	4,034	-	4,034
Fair value of plan assets	5,307	-	5,307	4,198	-	4,198
Deficit/(surplus) on funded benefits	**(102)**	**-**	**(102)**	**(164)**	**-**	**(164)**
Present value of unfunded benefits	112	140	253	96	134	230
Effect of ceiling on plan assets (including the impact of IFRIC 14)	41	-	41	56	-	56
Net (assets)/liabilities recognised in the balance sheet	**52**	**140**	**192**	**(13)**	**134**	**121**

At 30.06.2022	Actuarial value of cumulative benefit obligations		Fair value of plan assets		Limitation of plan assets		Recognised in liabilities and shareholder equity		Amount recognised in assets	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
United Kingdom	3,174	74%	3,364	80%	0	0%	26	7%	(216)	90%
United States	345	8%	254	6%	0	0%	91	25%	0	0%
Canada	236	6%	275	7%	56	100%	39	11%	(22)	9%
Ireland	238	6%	189	4%	0	0%	49	14%	0	0%
France	105	2%	14	0%	0	0%	91	25%	0	0%
Other countries	166	4%	103	2%	0	0%	64	18%	(1)	0%
Total	**4,264**	**100%**	**4,198**	**100%**	**56**	**100%**	**361**	**100%**	**(239)**	**100%**

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

Breakdown of pension assets	30.06.2021 Pension commitments	30.06.2021 Medical expenses and other employee benefits	30.06.2022 Pension commitments	30.06.2022 Medical expenses and other employee benefits
Shares	11%	Not applicable	11%	Not applicable
Bonds	11%	Not applicable	10%	Not applicable
Other money market funds	0%	Not applicable	1%	Not applicable
Property assets	3%	Not applicable	3%	Not applicable
Other	75%	Not applicable	76%	Not applicable
Total	**100%**	**Not applicable**	**100%**	**Not applicable**

At 30 June 2022, "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 conducted in FY20.

Contributions payable by the Group in FY23 in respect of funded benefits are estimated at €52 million.

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

Benefits to be paid over the next 10 years € million	Pension commitments	Medical expenses and other employee benefits
2023	272	7
2024	278	7
2025	288	7
2026	295	7
2027	316	7
2028-2032	1,638	37

At 30 June 2021 and 30 June 2022, the main assumptions used for the measurement of pension obligations and other long-term employee benefits were as follows:

	30.06.2021		30.06.2022	
Actuarial assumptions in respect of commitments	**Pension commitments**	**Medical expenses and other employee benefits**	**Pension commitments**	**Medical expenses and other employee benefits**
Discount rate	1.97%	2.46%	3.85%	3.56%
Average rate of increase in annuities	3.33%	Not applicable	3.40%	Not applicable
Average salary increase	2.89%	3.26%	3.18%	3.57%
Expected increase in medical expenses				
• Initial rate	Not applicable	5.18%	Not applicable	5.13%
• Final rate	Not applicable	4.00%	Not applicable	4.12%

	30.06.2021		30.06.2022	
Actuarial assumptions in respect of the expense for the financial year	**Pension commitments**	**Medical expenses and other employee benefits**	**Pension commitments**	**Medical expenses and other employee benefits**
Discount rate	1.65%	2.94%	1.97%	2.46%
Average rate of increase in annuities	3.15%	Not applicable	3.33%	Not applicable
Average salary increase	2.46%	2.62%	2.89%	3.26%
Expected increase in medical expenses				
• Initial rate	Not applicable	5.72%	Not applicable	5.18%
• Final rate	Not applicable	4.64%	Not applicable	4.00%

Actuarial assumptions at 30.06.2022 *(pension and other commitments)* By region	**United Kingdom**	**United States**	**Canada**	**Eurozone countries**	**Other non-Eurozone countries**
Discount rate	3.79%	4.42%	4.86%	2.72%	4.78%
Average rate of increase in annuities	3.51%	Not applicable	Not applicable	2.36%	2.34%
Average salary increase	2.51%	2.98%	3.00%	3.34%	6.50%
Expected increase in medical expenses					
• Initial rate	5.50%	5.50%	4.56%	3.86%	Not applicable
• Final rate	5.50%	4.00%	3.56%	3.86%	Not applicable

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

- short-term rate (3-5 years): 0.00% to 0.25%;
- medium-term rate (5-10 years): 0.25% to 0.75%;
- long-term rate (more than 10 years): 0.75% to 1.20%.

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

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

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

€ million	Pension commitments	Medical expenses and other employee benefits	Total
Commitments at 30.06.2022	4,130	134	4,264
Commitments at 30.06.2022 with a 0.5% decrease in the discount rate	4,424	143	4,567
Commitments at 30.06.2022 with a 0.5% increase in the discount rate	3,865	126	3,991

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

	Effect of change		
Post-employment medical benefits € million	With current rate	1% increase	1% decrease
On the present value of the benefit obligations at 30.06.2022	106	9	(7)
On the expense for FY22	5	0	(0)

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

	30.06.2022	
€ million	Pension commitments	Medical expenses and other employee benefits
Amounts of experience losses or (gains) on benefit obligations	74	(2)
Percentage compared with amounts of benefit obligations	1.8%	-1.5%
Amounts of financial assumption losses or (gains) on benefit obligations	(1,157)	(15)
Percentage compared with amounts of benefit obligations	-28.0%	-11.1%
Amounts of demographic assumption losses or (gains) on benefit obligations	(57)	(0)
Percentage compared with amounts of benefit obligations	-1.4%	-0.1%
Amounts of experience losses or (gains) on plan assets	1,084	-
Percentage compared with amounts of plan assets	25.8%	0.0%
Amounts of experience losses or (gains) on the limitation on assets	8	-
Percentage compared with amounts of plan assets	0.2%	0.0%
Average duration (years)	13.63	12.79

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. They take into account the term of the leases. Lease payments may include fixed or variable payments that depend on a rate or index known at the commencement date of the lease.

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

Leases are recognised in the balance sheet from the commencement date. They are presented in "Lease liabilities" with a corresponding entry in "Property, plant and equipment", depending on the nature of the underlying asset (see Note 4.1 – *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 flows from financing activities, while interest payments are reported under "Interest paid" in cash flows from operating activities.

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

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

1. Breakdown of net financial debt by nature and maturity

	30.06.2021			30.06.2022		
€ million	Current	Non-current	Total	Current	Non-current	Total
Bonds	**70**	**8,787**	**8,857**	**842**	**9,238**	**10,079**
Syndicated loan	-	-	-	-	-	-
Commercial paper	7	-	7	180	-	180
Other loans and financial debts	115	108	222	226	179	405
Other financial liabilities	**122**	**108**	**229**	**406**	**179**	**585**
Gross financial debt	**192**	**8,894**	**9,086**	**1,248**	**9,417**	**10,664**
Fair value hedge derivatives instruments – assets	-	(22)	(22)	(5)	-	(5)
Fair value hedge derivatives instruments – liabilities	-	-	-	-	9	9
Fair value hedge derivatives	**-**	**(22)**	**(22)**	**(5)**	**9**	**3**
Net investment hedge derivatives – assets	-	(43)	(43)	-	-	-
Net investment hedge derivatives – liabilities	-	-	-	-	9	9
Net investment hedge derivatives	**-**	**(43)**	**(43)**	**-**	**9**	**9**
Financial debt after hedging	**192**	**8,830**	**9,022**	**1,242**	**9,435**	**10,677**
Cash and cash equivalents	**(2,078)**	**-**	**(2,078)**	**(2,527)**	**-**	**(2,527)**
Net financial debt excluding lease liabilities	**(1,886)**	**8,830**	**6,944**	**(1,284)**	**9,435**	**8,150**
Lease liabilities	**103**	**405**	**508**	**107**	**400**	**507**
Net financial debt	**(1,783)**	**9,235**	**7,452**	**(1,177)**	**9,835**	**8,657**

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	30.06.2021	Total cash flows	Other movements	Change in fair value	Other	30.06.2022
Bonds	**8,857**	**735**	**514**	**(25)**	**-**	**10,079**
Syndicated loan	-	-	-	-	-	-
Commercial paper	7	173	-	-	-	180
Other loans and financial debts	222	163	19	-	-	405
Gross financial debt	**9,086**	**1,070**	**533**	**(25)**	**-**	**10,664**
Fair value hedge derivatives instruments – assets	(22)	-	-	17	-	(5)
Fair value hedge derivatives instruments – liabilities	-	-	-	9	-	9
Fair value hedge derivatives	**(22)**	**-**	**-**	**26**	**-**	**3**
Economic net investment hedge derivatives – assets	(43)	-	43	-	-	-
Economic net investment hedge derivatives – liabilities	-	-	9	-	-	9
Economic net investment hedge derivatives – liabilities	**(43)**	**-**	**52**	**-**	**-**	**9**
Financial debt after hedging	**9,022**	**1,070**	**584**	**0**	**-**	**10,677**
Cash and cash equivalents	(2,078)	(508)	59	-	-	(2,527)
Net financial debt excluding lease liabilities	**6,944**	**562**	**644**	**0**	**-**	**8,150**
Lease liabilities	508	(115)	19	-	95	507
Net financial debt	**7,452**	**447**	**663**	**0**	**95**	**8,657**

2. Breakdown of debt excluding lease liabilities by currency before and after foreign exchange hedging instruments at 30 June 2021 and 30 June 2022

30.06.2021 € million	Gross financial debt	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% debt after hedging	% net debt after hedging
EUR	5,350	135	5,484	(1,273)	4,211	61%	61%
USD	3,677	(119)	3,558	(36)	3,522	39%	51%
GBP	-	12	12	(30)	(18)	0%	0%
SEK	2	(72)	(70)	(38)	(108)	-1%	-2%
Other currencies	57	(19)	37	(700)	(663)	0%	-10%
Financial debt by currency	**9,086**	**(64)**	**9,022**	**(2,078)**	**6,944**	**100%**	**100%**

30.06.2022 € million	Gross financial debt	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% debt after hedging	% net debt after hedging
EUR	6,297	410	6,708	(1,627)	5,081	63%	62%
USD	4,236	(96)	4,140	(128)	4,013	39%	49%
GBP	43	32	75	(46)	29	1%	0%
SEK	1	(64)	(63)	(55)	(118)	-1%	-1%
Other currencies	86	(268)	(182)	(671)	(854)	-2%	-10%
Financial debt by currency	**10,664**	**13**	**10,677**	**(2,527)**	**8,150**	**100%**	**100%**

3. Breakdown of fixed-rate/floating rate debt (excluding lease liabilities) before and after interest rate hedging instruments at 30 June 2021 and 30 June 2022

	30.06.2021				30.06.2022			
€ million	Debt before hedging		Debt after hedging		Debt before hedging		Debt after hedging	
Fixed-rate debt	8,975	99%	8,302	92%	10,398	97%	9,628	90%
Capped floating-rate debt	-	-	-	-	-	-	-	-
Floating-rate debt	47	1%	720	8%	278	3%	1,049	10%
Financial debt after hedging by type of rate	**9,022**	**100%**	**9,022**	**100%**	**10,677**	**100%**	**10,677**	**100%**

At 30 June 2022, before taking account of any hedges, the Group's gross debt was 97% fixed rate and 3% floating rate. After hedging, the floating-rate part was 10%.

4. Schedule of financial liabilities at 30 June 2022

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 2021 and 30 June 2022.

30.06.2021 € million	Carrying amount	Contractual flows	< 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Nominal value	-	(9,061)	(63)	(60)	(690)	(1,017)	(1,667)	(1,122)	(4,442)
Interest	-	(1,856)	(87)	(95)	(168)	(154)	(144)	(119)	(1,088)
Gross financial debt	**(9,086)**	**(10,917)**	**(151)**	**(155)**	**(858)**	**(1,171)**	**(1,811)**	**(1,241)**	**(5,531)**
Lease liabilities	**(508)**	**(572)**	**(42)**	**(69)**	**(90)**	**(66)**	**(56)**	**(47)**	**(202)**
Cross currency swaps	-	-	-	-	-	-	-	-	-
Flows payable	-	-	-	-	-	-	-	-	-
Flows receivable	-	-	-	-	-	-	-	-	-
Derivative instruments – liabilities	(6)	(6)	(6)	-	-	-	-	-	-
Derivative instruments – liabilities	**(6)**	**(6)**	**(6)**	**-**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities	**(9,600)**	**(11,495)**	**(199)**	**(224)**	**(948)**	**(1,236)**	**(1,867)**	**(1,288)**	**(5,733)**

30.06.2022 € million	Carrying amount	Contractual flows	< 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Nominal value	(10,664)	(10,664)	(1,140)	(49)	(532)	(1,693)	(1,200)	(33)	(6,018)
Interest	-	(1,926)	(87)	(97)	(168)	(168)	(143)	(115)	(1,149)
Gross financial debt	**(10,664)**	**(12,590)**	**(1,226)**	**(146)**	**(700)**	**(1,860)**	**(1,342)**	**(148)**	**(7,167)**
Lease liabilities	**(507)**	**(565)**	**(46)**	**(71)**	**(86)**	**(71)**	**(60)**	**(47)**	**(186)**
Cross currency swaps	(9)	-	-	-	-	-	-	-	-
Flows payable	-	(513)	-	(11)	(11)	(492)	-	-	-
Flows receivable	-	476	-	5	5	465	-	-	-
Derivative instruments – liabilities	(18)	(10)	(8)	(0)	(0)	(0)	(0)	-	-
Derivative instruments – liabilities	**(27)**	**(47)**	**(8)**	**(6)**	**(6)**	**(27)**	**(0)**	**-**	**-**
Total financial liabilities	**(11,198)**	**(13,202)**	**(1,280)**	**(222)**	**(791)**	**(1,958)**	**(1,402)**	**(195)**	**(7,353)**

6.

5. Credit lines

At 30 June 2022, credit lines mainly comprised the multi-currency syndicated loan of €2,500 million, a bilateral line of €500 million and a Champagne loan of €260 million. No drawdowns have been made from these credit lines.

6. Bonds

Nominal amount	Interest rate	Issue date	Maturity	Carrying amount at 30.06.2022 € million
US$800 M	4.25%	12.01.2012	15.07.2022	785
€500 M	0.00%	24.10.2019	24.10.2023	499
€650 M	2.13%	29.09.2014	27.09.2024	659
€250 M	1.13%	27.04.2020	07.04.2025	253
€750 M	1.13%	01.04.2020	07.04.2025	748
€600 M	1.50%	17.05.2016	18.05.2026	600
US$600 M	3.25%	08.06.2016	08.06.2026	567
€500 M	0.50%	24.10.2019	24.10.2027	499
US$600 M	1.25%	01.10.2020	01.04.2028	575
€750 M	1.38%*	07.04.2022	07.04.2029	740
€500 M	0.13%	04.10.2021	04.10.2029	491
€250 M	1.75%	27.04.2020	08.04.2030	263
€750 M	1.75%	01.04.2020	08.04.2030	748
US$900 M	1.63%	01.10.2020	01.04.2031	860
€500 M	0.88%	24.10.2019	24.10.2031	496
US$850 M	5.50%	12.01.2012	15.01.2042	826
US$500 M	2.75%	01.10.2020	01.10.2050	469
Total bonds				**10,079**

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

7. Offsetting of financial assets and financial liabilities

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

The amounts offset in the balance sheet were established in accordance with IAS 32. Accordingly, financial assets and financial liabilities are offset and the net amount is shown in the balance sheet if and only if the Group has a legally enforceable right to 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 30.06.2021 € million	Gross financial assets and liabilities	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	2,290	(212)	2,078	-	-	-
Liabilities						
Bank debt	434	(212)	222	-	-	-

At 30.06.2022 € million	Gross financial assets and liabilities	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	2,770	(243)	2,527	-	-	-
Liabilities						
Bank debt	648	(243)	405	-	-	-

Note 4.9 Financial instruments

1. Fair value of financial instruments

€ million	Measurement level	Breakdown by accounting classification: Fair value through profit or loss	Fair value through shareholder equity	Assets at amortised cost	Liabilities at amortised cost	30.06.2021: Carrying amount	Fair value
Assets							
Shareholder equity instruments	Levels 1 and 3	-	286	-	-	286	286
Guarantees, deposits, investment-related loans and receivables		-	-	106	-	106	106
Trade receivables and other operating receivables		-	-	1,126	-	1,126	1,126
Other current assets		-	-	413	-	413	413
Derivative instruments – assets	Level 2	29	43	-	-	72	72
Cash and cash equivalents	Level 1	2,078	-	-	-	2,078	2,078
Liabilities							
Bonds		-	-	-	8,857	8,857	9,399
Bank debt		-	-	-	229	229	229
Lease liability		-	-	-	508	508	508
Derivative instruments – liabilities	Level 2	6	-	-	-	6	6

€ million	Measurement level	Breakdown by accounting classification: Fair value through profit or loss	Fair value through shareholder equity	Assets at amortised cost	Liabilities at amortised cost	30.06.2022: Carrying amount	Fair value
Assets							
Shareholder equity instruments	Levels 1 and 3	-	345	-	-	345	345
Guarantees, deposits, investment-related loans and receivables		-	-	170	-	170	170
Trade receivables and other operating receivables		-	-	1,388	-	1,388	1,388
Other current assets		-	-	435	-	435	435
Derivative instruments – assets	Level 2	21	15	-	-	37	37
Cash and cash equivalents	Level 1	2,527	-	-	-	2,527	2,527
Liabilities							
Bonds		-	-	-	10,079	10,079	9,291
Bank debt		-	-	-	585	585	585
Lease liability		-	-	-	507	507	507
Derivative instruments – liabilities	Level 2	18	9	-	-	27	27

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 the net 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 reporting date;
- derivative instruments: the market value of instruments recognised in the financial statements at the balance sheet date was calculated on the basis of available market data, using current valuation models.

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

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

In accordance with IFRS 13, derivatives were measured taking into account the Credit Valuation Adjustment (CVA) and the Debt Valuation Adjustment (DVA). The measurement is based on historical data (rating of counterparty banks and probability of default). At 30 June 2022, 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 Senior 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

At 30 June 2022, the Group's cash and cash equivalents totalled €2,527 million (compared with €2,078 million at 30 June 2021). An additional €3,260 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 €1,242 million at 30 June 2022 (compared to €192 million at 30 June 2021).

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 2022, 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 affiliates of global banks enjoying the highest agency ratings, it cannot be ruled out that these Group investments may lose some of their liquidity and/or value.

The currency controls in place in certain countries limit the Group's ability to use cash (prohibition on investment with the Group) and, in some cases, delay the possibility of paying dividends (authorisation is required from the relevant authorities, notably in Cuba). At 30 June 2022, the delayed availability cash amounted to €190 million, including €183 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 expense published in euros in the consolidated financial statements, and this could adversely 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 2022, the Pernod Ricard 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.

Maturity of debt and floating-rate EUR hedges (notional value in € million)

At 30.06.2022 € million	< 1 year	> 1 year and < 5 years	> 5 years	Total
Total assets (cash)	1,627	-	-	1,627
Total floating-rate liabilities	(219)	2	(0)	(217)
Net floating-rate debt before hedging	**1,408**	**2**	**(0)**	**1,410**
Derivative instruments	(401)	(9)	-	(410)
Net floating-rate debt after hedging	**1,007**	**(7)**	**(0)**	**1,000**

Maturity of debt and floating-rate USD hedges *(notional value in € million)*

At 30.06.2022 € million	< 1 year	> 1 year and < 5 years	> 5 years	Total
Total assets (cash)	128			128
Total floating-rate liabilities	(118)	9	-	(109)
Net floating-rate debt before hedging	**10**	**9**	**-**	**19**
Derivative instruments	(473)	(201)	-	(674)
Net floating-rate debt after hedging	**(463)**	**(193)**	**-**	**(655)**

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 €4 million.

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

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

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

At 30 June 2022, 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 shareholder 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 shareholder 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 hedge at 30.06.2021 € 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						**22**	**-**
Interest rate risk hedges	Swaps	-	673	-	673	22	-
Interest rate and currency risk hedges	Cross currency swaps	-	-	-	-	-	-
Net investment hedge						**43**	**-**
Currency risk hedges	FX forwards	-	-	-	-	-	-
Interest rate and currency risk hedges	Cross currency swaps	-	460	-	460	43	-
Derivative instruments included in net debt						**64**	**-**
Cash flow hedge						**2**	**0**
Interest rate risk hedges	Swaps	-	-	-	-	-	-
Hedging of currency risk on intragroup financing and operational hedging	Currency swaps and FX forwards and FX options	20	-	-	20	1	-
Commodity risk hedges	Swaps	17	-	-	17	2	0
Non hedge accounting						**6**	**6**
Hedging of currency risk on intragroup financing and operational hedging	Currency swaps and FX forwards	1,494	-	-	1,494	6	6
Interest rate risk hedges	Swaps	-	-	-	-	-	-
Total derivative instruments						**72**	**6**
Total non-current						**65**	**0**
Total current						**8**	**6**

Type of hedge at 30.06.2022 € 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						**5**	**9**
Interest rate risk hedges	Swaps	578	193	-	770	5	9
Interest rate and currency risk hedges	Cross currency swaps	-	-	-	-	-	-
Net investment hedge						**-**	**9**
Currency risk hedges	FX forwards	-	-	-	-	-	-
Interest rate and currency risk hedges	Cross currency swaps	-	460	-	460	-	9
Derivative instruments included in net debt						**5**	**18**
Cash flow hedge						**15**	**0**
Interest rate risk hedges	Swaps	-	-	-	-	-	-
Hedging of currency risk on intragroup financing and operational hedging	Currency swaps & FX Forwards & FX Options	-	-	-	-	-	-
Commodity risk hedges	Swaps	12	-	-	12	15	0
Non hedge accounting						**16**	**9**
Hedging of currency risk on intragroup financing and operational hedging	Currency swaps & FX forwards	1,625	-	-	1,625	16	9
Interest rate risk hedges	Swaps	-	-	-	-	-	-
Total derivative instruments						**37**	**27**
Total non-current						**4**	**18**
Total current						**32**	**9**

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 2022 were not ineffective.

Hedged items (by category and nature of hedge)

Type of hedging at 30.06.2021 € 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	-	682	22	-	Bonds	N/A	N/A
End of hedging	-	-	-	-	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
End of hedging	-	-	-	-	N/A	(6)	-
Currency risk							
Future foreign currency sales hedges	N/A	N/A	N/A	N/A	N/A	1	1
End of hedging	-	-	-	-	N/A	-	-
Commodity risk							
Commodity risk hedges	N/A	N/A	N/A	N/A	N/A	1	1
Net investment hedge (NIH)							
Net assets hedged	421	-	N/A	N/A	N/A	N/A	N/A
End of hedging	-	-	-	-	N/A	-	-

N/A: not applicable.

Type of hedge at 30.06.2022 € 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	-	781	5	9	Bonds	N/A	N/A
End of hedging	-	-	-	-	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	-	-
End of hedging	-	-	-	-	N/A	-	6
Currency risk	-	-	-	-	-	-	-
Future foreign currency sales hedges	N/A	N/A	N/A	N/A	N/A	-	(1)
End of hedging	-	-	-	-	N/A	-	-
Commodity risk	-	-	-	-	-	-	-
Commodity risk hedges	N/A	N/A	N/A	N/A	N/A	5	4
Net investment hedge (NIH)							
Net assets hedged	481	-	N/A	N/A	N/A	N/A	N/A
End of hedging	-	-	-	-	N/A	-	-

N/A: not applicable.

Note 4.11. Other current liabilities

Other current liabilities are broken down as follows:

€ million	30.06.2021	30.06.2022
Taxes and social payables	718	786
Other current liabilities	416	526
Total	**1,134**	**1,311**

Other current liabilities at 30 June 2022 mainly comprise the interim dividend payment of €401 million on 8 July 2022. Most of these other current liabilities are due within one year.

Note 5 Notes to the cash flow statement

1. Working Capital Requirement

Working Capital Requirements increased by +€252 million. It is mainly explained as follows:

- inventory: +€632 million;
- trade receivables: +€185 million;
- trade payables: €(550) million;
- others: €(15) million.

2. Acquisitions of financial investments and activities

The acquisitions of financial investments and activities net of disposals generated a cash outflow of €(723) million, mainly related to acquisitions and disposals of activities in the period, related in particular to the transactions described in paragraph 1.1 of Note 1.2 – *Significant events during the financial year*.

3. Bond issues/repayment of debt

During the financial year, the Pernod Ricard Group carried out bond issuance/subscriptions for €1,564 million and repayment of debt for €493 million. These transactions mainly correspond to the bond subscriptions and redemptions described in paragraph 1.2 of Note 1.2 – *Significant events during the financial year*.

In addition, the Group increased the stock of commercial paper for €173 million.

The Group also paid €127 million in respect of its lease liabilities, of which €115 million related to repayment of the nominal amount and €12 million to interest payments reported in cash flows from operating activities.

Note 6 Additional information

Note 6.1 Shareholder equity

1. Share capital

In April 2022, the Group reduced its share capital by cancelling 3,929,205 shares previously held that were acquired under the Group's share buyback programme. Following this transaction, the capital changed to €399,818,400, divided into 257,947,355 shares with a par value of €1.55 each:

	Number of shares	Amount € million
Share capital on 30.06.2021	261,876,560	406
Share capital on 30.06.2022	257,947,355	400

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

2. Treasury shares

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

On 30 June 2022, Pernod Ricard and its controlled affiliates held 1,014,620 Pernod Ricard shares for a value of €146 million. These treasury shares are reported, at cost, as a deduction from shareholder 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). These shares may be allocated 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 27 April 2022, the Board of Directors decided to pay an interim dividend of €1.56 per share in respect of FY22, *i.e.* a total of €401 million. The interim dividend was paid on 8 July 2022 and recognised under "Other current liabilities" in the balance sheet at 30 June 2022.

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 treasury shares and authorise share-based payment plans.

5. Liquidity agreement

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

Pursuant to this standard, stock options and performance shares granted to employees are measured at fair value. The amount of such fair value is recognised in the income statement over the vesting period of the rights and a corresponding double entry is recognised as an increase in shareholder 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 grants long-term incentive plans to high-level executives, key Group executives and high-potential managers. As of the grant on 10 November 2022, these plans are granted through shares, whether or not subject to internal or external performance conditions; the stock option mechanism is no longer used for new allocations. In addition, for all plans granted during the financial year, the presence condition was revised to three years instead of the four years previously in force.

In the course of FY22, three share allocation plans were set up on 10 November 2021:

- a performance share plan including:
  - a performance condition based on the positioning of the overall performance of the Pernod Ricard share (TSR [1]) compared to the overall performance of a panel of 12 peers over the period from 13 October 2021 to 13 October 2024 inclusive (three years),
  - a performance condition based on the average level of profit from recurring operations compared to budget, measured over three consecutive financial years, including that in which the shares were allocated,
  - a condition relating to the achievement of Corporate Social Responsibility (CSR) targets measured over three consecutive financial years, including that in which the shares were allocated;
- a performance share plan including:
  - a performance condition based on the average level of Profit from Recurring Operations compared to budget, measured over three consecutive financial years, including that in which the shares were allocated,
  - a condition relating to the achievement of Corporate Social Responsibility (CSR) targets measured over three consecutive financial years, including that in which the shares were allocated;
- a share plan without performance conditions.

(1) *Total Shareholder Return.*

The expense recognised for options/shares vested or in the process of being vested during the financial year (period from 1 July 2021 to 30 June 2022) is described below:

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 30.06.2022	Stock option expense for FY22 (€ thousand)
Plan dated 09.11.2017	Purchase	Conditional	15	10.11.2021	09.11.2025	€126.53	56,100	198
Plan dated 21.11.2018	Purchase	Conditional	15	22.11.2022	21.11.2026	€137.78	86,009	545
Plan dated 08.11.2019	Purchase	Conditional	14	09.11.2023	08.11.2027	€162.79	125,578	766
Plan dated 27.11.2020	Purchase	Conditional	14	28.11.2024	27.11.2028	€154.11	136,711	804

Performance shares	Type of shares	Presence of performance condition	Number of beneficiaries	Shares acquired from	Shares vested from	Outstanding shares at 30.06.2022	Share expense for FY22 (€ thousand)
Plan dated 09.11.2017	Free	Conditional	1,000	10.11.2021	10.11.2021	0	1,971
Plan dated 21.11.2018	Free	Conditional	958	22.11.2022	22.11.2022	180,499	5,464
Plan dated 08.11.2019	Free	Conditional	820	09.11.2023	09.11.2023	155,783	5,371
Plan dated 27.11.2020	Free	Conditional	754	28.11.2024	28.11.2024	255,186	8,287
Plan dated 10.11.2021	Free	Conditional and unconditional	777	12.11.2024	12.11.2024	235,359	8,463

The history of stock option plans that have not yet expired is presented in the "Corporate governance" section of the universal registration document.

For vested stock option plans, the total number of options outstanding is 173,368, with an average remaining life of two years and four months.

As at 30 June 2022, the Group recognised an expense of €2.3 million in operating loss for the four stock option plans vested or in the process of vesting during the financial year, as well as an expense of €29.6 million in respect of the four performance share plans.

Annual expenses € million	30.06.2021	30.06.2022
Stock options – through a double entry to shareholder equity	2	2
Performance and bonus shares – through a double entry to shareholder equity	24	30
Total annual expenses	**26**	**32**

Changes made to outstanding stock options/shares during the financial year (period from 1 July 2021 to 30 June 2022) are described below:

Stock options	Type of options	Presence of performance condition	Outstanding options at 30.06.2021	Allocated during the period	Cancelled during the period	Exercised during the period	Expired during the period	Outstanding options at 30.06.2022
Plan dated 06.11.2015	Purchase	Conditional	69,175	0	0	15,477	0	53,698
Plan dated 17.11.2016	Purchase	Conditional	75,872	0	0	12,302	0	63,570
Plan dated 09.11.2017	Purchase	Conditional	77,253	0	0	21,153	0	56,100
Plan dated 21.11.2018	Purchase	Conditional	103,629	0	17,620	0	0	86,009
Plan dated 08.11.2019	Purchase	Conditional	125,578	0	0	0	0	125,578
Plan dated 27.11.2020	Purchase	Conditional	136,711	0	0	0	0	136,711

Performance shares	Type of shares	Presence of performance condition	Outstanding shares at 30.06.2021	Allocated during the period	Cancelled during the period	Transferred during the period	Expired during the period	Outstanding shares at 30.06.2022
Plan dated 09.11.2017	Free	Conditional	186,345	0	2,745	183,600	0	0
Plan dated 21.11.2018	Free	Conditional	192,817	0	11,774	544	0	180,499
Plan dated 08.11.2019	Free	Conditional	166,420	0	10,156	481	0	155,783
Plan dated 27.11.2020	Free	Conditional	267,666	0	12,005	475	0	255,186
Plan dated 10.11.2021	Free	Conditional and unconditional	0	237,306	1,947	0	0	235,359

The average strike price of options exercised during FY22 was €113.82.

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 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 10.11.2021	Free	Unconditional	205.00	N/A	N/A	1.87%	N/A	193.82
Plan dated 10.11.2021	Free	Conditional	205.00	N/A	N/A	1.87%	N/A	193.82
Plan dated 10.11.2021	Free	Conditional	205.00	N/A	23%	1.87%	-0.40%	118.08

N/A: not applicable.
(1) Closing rate at grant date.

The fair values are fixed upon implementation of each plan and do not vary year on year. In addition, only the values relating to the plans allocated during FY22 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.

Three share plans were granted on 10 November 2021.

For one of the plans, part of the grant is contingent on the overall performance of the Pernod Ricard share (TSR [1]) compared to the overall performance of a panel of 12 peers: the shares will be pre-vested on 10 November 2023 provided that the positioning of the overall performance of the Pernod Ricard share (TSR [1]) is equal to or greater than 7th position out of 13 (the number will be determined in stages according to the level of performance achieved). The other part of the allocation of this plan is subject to an internal performance condition, the achievement of which will depend on the average of the Group's profit from recurring operations for the financial years ended 30 June 2022, 30 June 2023 and 30 June 2024 compared to the budgeted profit from recurring operations for each financial year, at constant exchange rates and scope. The fair value here corresponds to the market price of the share on the grant date, less the loss of dividends expected during the vesting period (*i.e.* three years for all beneficiaries) and includes the probability of achieving the TSR performance condition. The IFRS 2 accounting expense of the plan will be adjusted at the latest at the end of the vesting period in relation to this condition.

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

For all these plans, vesting will be definitive if the presence condition is validated on 10 November 2024.

Employee share ownership plan

In the spring of 2022, employees in 24 markets (*i.e.* around 80% of the Group's employees) had the opportunity to participate in the Pernod Ricard share ownership plan, as part of a structured offer, including in particular a 20% discount on the reference share price.

The acquisition price was set at €156.14, corresponding to 80% of the average opening share price over the 20 trading sessions preceding the Chairman & CEO's decision, *i.e.* from 19 April to 9 May 2022.

At 13 May 2022, date of the end of the vesting/withdrawal period, all shares available under this offer (525,183) had been subscribed by the employees of the affiliates present in the 24 markets participating in the plan.

The IFRS 2 expense measuring the benefit offered to employees is measured with reference to the fair value of a discount offered on non-transferable shares.

The IFRS 2 expense recognised in respect of this plan in the FY22 consolidated financial statements amounts to €6.0 million.

This plan did not result in a capital increase, as the shares concerned were bought back by the Group on the secondary market during the FY22 financial year; the employee contribution was also made over the financial year.

Note 6.3 Off-balance sheet commitments

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments given at 30.06.2021	**2,340**	**870**	**1,332**	**138**
Commitments given in relation to companies within the Group	***3***	***1***	***1***	***-***
Investment commitments	3	1	1	-
Commitments given as part of specific transactions	-	-	-	-
Other	-	-	-	-
Commitments given in relation to the financing of the Company	***29***	***22***	***1***	***6***
Financial guarantees given	29	22	1	6
Other	-	-	-	-
Commitments relating to the operating activities of the issuer	***2,308***	***846***	***1,330***	***133***
Firm and irrevocable commitments to purchase raw materials	2,006	628	1,307	70
Tax commitments (customs guarantees and others)	249	179	9	61
Operating lease agreements	10	4	4	1
Other	44	34	9	1

(1) *Total Shareholder Return.*

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments received at 30.06.2021	**3,450**	**40**	**3,368**	**42**
Commitments received in relation to companies within the Group	***0***	***-***	***0***	***-***
Commitments received as part of specific transactions in relation to competition and markets	-	-	-	-
Other	0	-	0	-
Commitments received in relation to the financing of the Company	***3,401***	***36***	***3,363***	***1***
Lines of credit received and not used	3,360	0	3,360	-
Financial guarantees received	41	36	3	1
Other	0	0	-	-
Commitments relating to the operating activities of the issuer	***49***	***4***	***4***	***41***
Contractual commitments related to business activity and business development	47	4	4	40
Other	2	0	0	1

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments given at 30.06.2022	**2,650**	**934**	**1,595**	**121**
Commitments given in relation to companies within the Group	***12***	***12***	***1***	***-***
Investment commitments	12	12	1	-
Commitments given as part of specific transactions	-	-	-	-
Other	-	-	-	-
Commitments given in relation to the financing of the Company	***51***	***26***	***20***	***5***
Financial guarantees given	51	26	20	5
Other	-	-	-	-
Commitments relating to the operating activities of the issuer	***2,587***	***897***	***1,575***	***116***
Firm and irrevocable commitments to purchase raw materials	2,310	724	1,518	67
Tax commitments (customs guarantees and others)	156	97	12	47
Leases	9	3	5	1
Other	113	72	40	1

€ million	Total	< 1 year	> 1 year and < 5 years	> 5 years
Commitments received at 30.06.2022	**3,367**	**300**	**3,011**	**56**
Commitments received in relation to companies within the Group	***0***	***-***	***0***	***-***
Commitments received as part of specific transactions in relation to competition and markets	-	-	-	-
Other	0	-	0	-
Commitments received in relation to the financing of the Company	***3,306***	***294***	***3,011***	***1***
Lines of credit received and not used	3,260	260	3,000	-
Financial guarantees received	46	34	11	1
Other	-	-	-	-
Commitments relating to the operating activities of the issuer	***61***	***6***	***0***	***55***
Contractual commitments related to business activity and business development	60	6	-	54
Other	1	0	0	1

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 2022 (see Note 4.8 – *Financial liabilities*).

2. Firm and irrevocable commitments to purchase raw materials

In the context of their cognac, wine, champagne and whisky production, the Group's main affiliates have signed raw material supply agreements for *eaux-de-vie*, grapes, base wines and grain in the amount of €2,213 million.

Note 6.4 Contingent liabilities

Pernod Ricard has received several notices of tax adjustment for the financial years 2007 to 2018, specifically concerning, for an amount of 9,037 million Indian rupees (equivalent to €110.6 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 FY20 for the period from FY07 to FY14. These 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.

The tax authorities conducted a special audit for financial year 2017 and made tax adjustments for an amount of 2,398 million Indian rupees (equivalent to €29.2 million) on various grounds. Pernod Ricard has challenged the order before the higher appellate forum and believes it has strong chances of relief from the appellate authorities.

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 2022 for all litigation and risks in which it is involved amounted to €441 million, compared with €366 million at 30 June 2021 (see Note 4.7 – *Provisions*), excluding uncertain tax positions recognised in Income tax payable. Pernod Ricard provides no further details (other than in exceptional circumstances), as disclosing the amount of any provision for ongoing litigation could cause the Group serious harm.

To the best of the Company's knowledge, there are no other 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.

6.

2. A competitor of the Group has petitioned the USPTO to cancel the Havana Club trademark registration in the United States. In January 2004, the USPTO denied the petition and refused to cancel the trademark registration. As this decision was appealed, proceedings are now ongoing before the Federal District Court for the District of Columbia (DC Court). These proceedings were stayed pending the outcome of Cubaexport's petition to the USPTO. Following acceptance of the petition by the Director of the USPTO, these judicial proceedings resumed and the plaintiff amended the complaint. In response, Cubaexport and HCH filed two motions in 2016: one to dismiss all actions commenced against them and one to expedite proceedings on certain issues. Both applications have been fully disclosed and are awaiting a decision by the Court. In February 2021, HCH and Cubaexport filed a notice of supplemental authority with the DC Court. To date, after the filing of our notice of supplemental authority, the case is no longer listed as stayed on the DC Court's docket. We are now waiting for the Court's order on the two motions.

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

Tax disputes

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

The assessment of the risk related to each tax dispute is regularly reviewed by the affiliate or region concerned and by the Group's Tax Department, with the assistance of external counsel for the most 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. With regard to imports of alcoholic beverage concentrate (CAB) since 2011, the Indian authorities have issued opinions and reports disputing the values of the transactions. The Group continues to work actively with the authorities and the courts to resolve outstanding 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 FY18 relating to the tax deductibility of advertising and promotional expenses (see Note 6.4 – *Contingent liabilities*). In FY20, 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 – *Corporate 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. In late December 2020, Pernod Ricard Colombia received notice of a similar complaint, initially filed in September 2019 by the departments of Valle and Antioquia (as well as its wholly-owned distillation companies). The complaint alleges that the defendants have committed violations of the Colombian Unfair Competition Act and, in particular, articles 7 and 18 thereof, through the illegal import of spirits into Colombia. The complaints allege that the companies have gained an unfair market advantage over local producers through such activity. The plaintiffs seek damages corresponding to the loss of profits and taxes over the period 2013/17 (2019 in the case of Valle and Antioquia).

Pernod Ricard intends to vigorously defend itself against such allegations. 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 financial year ended 30 June 2022.

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

€ million	30.06.2021	30.06.2022
Board of Directors(1)	1	1
Group Executive Committee		
• Short-term benefits	10	16
• Post-employment benefits	2	4
• Share-based payments(2)	5	7
Total expenses recognised for the financial year	**19**	**28**

(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 shares allocated to the members of the Group Executive Committee.*

In addition, the Executive Director is eligible for the following severance payments (the subject of a related-party agreement approved by the General 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 Events after the reporting period

There are no events after the reporting period having significant impact on the Group's financial statements.

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

	KPMG			Deloitte & Associés			Other			Total		
	Amount (excluding tax)			Amount (excluding tax)			Amount (excluding tax)			Amount (excluding tax)		
€ million	FY21	FY22	%	FY21	FY22	%	FY21	FY22	%	FY21	FY22	%
Audit												
Statutory Auditors, certification, review of individual and consolidated financial statements(3)												
Issuer(2)	0.7	0.7	19%	0.7	0.7	15%	0.0	0.0	0%	1.3	1.4	16%
Fully consolidated affiliates	2.5	2.6	73%	3.4	3.6	75%	0.1	0.2	80%	6.0	6.4	74%
Subtotal	**3.1**	**3.3**	**92%**	**4.1**	**4.3**	**90%**	**0.1**	**0.2**	**80%**	**7.4**	**7.8**	**91%**
Services other than the certification of financial statements(4)												
Issuer(2)	0.1	0.1	2%	0.2	0.3	6%	0.0	0.0	0%	0.3	0.4	4%
Fully consolidated affiliates	0.4	0.2	6%	0.2	0.2	4%	0.0	0.1	20%	0.6	0.5	5%
Including legal, tax, corporate	*0.4*	*0.1*	*2%*	*0.2*	*0.1*	*2%*	*0.0*	*0.0*	*5%*	*0.5*	*0.2*	*2%*
Subtotal	**0.5**	**0.3**	**8%**	**0.4**	**0.5**	**10%**	**0.0**	**0.1**	**20%**	**0.9**	**0.8**	**9%**
Total	**3.6**	**3.6**	**100%**	**4.5**	**4.8**	**100%**	**0.2**	**0.3**	**100%**	**8.3**	**8.7**	**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 shareholder 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 shareholder 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 2022 are presented in Note 1.2 – *Significant events during the financial year*.

Note 7.2 List of main consolidated companies

Companies	Country	% interest 30.06.2021	% interest 30.06.2022	Consolidation method***
Pernod Ricard SA	France	Parent Company	Parent Company	
Laurenskirk (Pty) Ltd	South Africa	80	80	FC
Pernod Ricard South Africa PTY Ltd	South Africa	100	100	FC
Black Forest Distillers GmbH	Germany	100	100	FC
Pernod Ricard Deutschland GmbH	Germany	100	100	FC
Pernod Ricard Andorra, SLU	Andorra	100	100	FC
Pernod Ricard Angola, LDA	Angola	100	100	FC
Pernod Ricard Argentina SRL	Argentina	100	100	FC
Yerevan Brandy Company	Armenia	100	100	FC
Pernod Ricard Pacific Holding Pty Ltd	Australia	100	100	FC
Pernod Ricard Winemakers Pty Ltd	Australia	100	100	FC
Pernod Ricard Austria GmbH	Austria	100	100	FC
Pernod Ricard Belgium SA	Belgium	100	100	FC
Pernod Ricard Brasil Indústria e Comércio ltda.	Brazil	100	100	FC
Pernod Ricard Bulgaria EOOD	Bulgaria	100	100	FC
Corby Spirit and Wine Limited*	Canada	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	100	100	FC
Drinksandco Marketplace, SLU	Spain	100	100	FC
Pernod Ricard España	Spain	100	100	FC
Pernod Ricard Winemakers España, SAU	Spain	100	100	FC
Vermuteria de Galicia	Spain	80	80	FC
Pernod Ricard Estonia OÜ	Estonia	100	100	FC

Companies	Country	% interest 30.06.2021	% interest 30.06.2022	Consolidation method***
Austin, Nichols & Co., Inc.	United States	100	100	FC
Avión Spirits, LLC	United States	100	100	FC
Castle Brands, Inc.	United States	100	100	FC
Del Maguey Inc.	United States	62.36	62.36	FC
Firestone & Robertson Distilling Company LLC	United States	100	100	FC
Pernod Ricard Americas IP Management LLC	United States	100	100	FC
Pernod Ricard Americas Travel Retail LLC	United States	100	100	FC
Pernod Ricard 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
Pernod Ricard USA, LLC	United States	100	100	FC
PRUSA Acquisitions LLC	United States	100	100	FC
Rabbit Hole Spirits, LLC	United States	80	80	FC
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
Château Sainte Marguerite	France	0	60	FC
Domaines Jean Martell	France	100	100	FC
Financière Moulins de Champagne	France	100	100	FC
GH Mumm & Cie SVCS	France	100	100	FC
Le Maine au Bois	France	100	100	FC
Lina 16	France	100	100	FC
Lina 3	France	100	100	FC
Lina 5	France	100	100	FC
Martell & Co SA	France	100	100	FC
Martell Mumm Perrier-Jouët	France	100	100	FC
Vignobles Mumm Perrier-Jouët	France	100	100	FC
Pernod Ricard Finance SA	France	100	100	FC
Pernod Ricard Middle East and North Africa	France	100	100	FC
Pernod Ricard North America SAS	France	100	100	FC
Pernod Ricard France SAS****	France	100	100	FC
Société Lillet Frères	France	100	100	FC
Spirits Partners SAS	France	100	100	FC
Théodore Legras	France	100	100	FC
Pernod Ricard Ghana Limited	Ghana	100	100	FC
Pernod Ricard Hellas ABEE	Greece	100	100	FC
Allied Spirits & Wine (China) Ltd	Hong Kong	100	100	FC
Pernod Ricard Asia Duty Free Ltd	Hong Kong	100	100	FC
Pernod Ricard Hong Kong Ltd	Hong Kong	100	100	FC
Peri Mauritius	Mauritius	100	100	FC
Pernod Ricard India Private Limited	India	100	100	FC
Comrie Limited	Ireland	100	100	FC
Irish Distillers Group Unlimited Company	Ireland	100	100	FC
Irish Distillers Ltd	Ireland	100	100	FC

Companies	Country	% interest 30.06.2021	% interest 30.06.2022	Consolidation method***
Samuelson International DAC	Ireland	100	100	FC
Irish Distillers International LTD	Ireland	100	100	FC
Pernod Ricard Italia SPA	Italy	100	100	FC
The Kyoto Distillery KK	Japan	51	100	FC
Pernod Ricard Japan KK	Japan	100	100	FC
Pernod Ricard Kazakhstan	Kazakhstan	100	100	FC
Pernod Ricard Kenya Limited	Kenya	100	100	FC
Pernod Ricard Lietuva UAB	Lithuania	100	100	FC
La Hechicera Company Sarl	Luxembourg	51	51	FC
Pernod Ricard Malaysia SDN BHD	Malaysia	100	100	FC
Pernod Ricard Maroc	Morocco	100	100	FC
Pernod Ricard Mexico SA de CV	Mexico	100	100	FC
Seagram Myanmar Company Ltd*	Myanmar	34	34	FC
Pernod Ricard Norway AS	Norway	100	100	FC
Pernod Ricard Winemakers New Zealand Limited	New Zealand	100	100	FC
Allied International Holdings BV	Netherlands	100	100	FC
Pernod Ricard Nederland BV	Netherlands	100	100	FC
PR Goal Nederland BV	Netherlands	100	100	FC
Pernod Ricard Peru SA	Peru	100	100	FC
Pernod Ricard Philippines, Inc.	Philippines	70	70	FC
Agros Holding SA	Poland	100	100	FC
Wyborowa SA	Poland	100	100	FC
Pernod Ricard Portugal – Distribuição, SA	Portugal	100	100	FC
Pernod Ricard Dominicana, SA	Dominican Republic	100	100	FC
Jan Becher – Karlovarska Becherovka, a.s.	Czech Republic	100	100	FC
Pernod Ricard Romania SRL	Romania	100	100	FC
Allied Domecq (Holdings) Limited	United Kingdom	100	100	FC
Allied Domecq Limited	United Kingdom	100	100	FC
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**	United Kingdom	100	100	FC
Chivas Brothers International Ltd**	United Kingdom	100	100	FC
Chivas Brothers Pernod Ricard	United Kingdom	100	100	FC
Chivas Holdings (IP) Limited	United Kingdom	100	100	FC
Chivas Investments Limited**	United Kingdom	100	100	FC
Coates & Co (Plymouth) Limited	United Kingdom	100	100	FC
Dillon Bass Ltd	United Kingdom	74	74	FC
Edward Dillon (Bonders) Ltd	United Kingdom	100	100	FC
Goal Acquisitions (Holdings) Ltd	United Kingdom	100	100	FC
Goal Acquisitions Ltd	United Kingdom	100	100	FC
Italicus Ltd	United Kingdom	50.1	50.1	FC

Companies	Country	% interest 30.06.2021	% interest 30.06.2022	Consolidation method***
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
The Whisky Exchange	United Kingdom	0	100	FC
World Brands Duty Free Ltd	United Kingdom	100	100	FC
Pernod Ricard Rouss CJSC	Russia	100	100	FC
Pernod Ricard Singapore PTE Ltd	Singapore	100	100	FC
Pernod Ricard Slovakia s.r.o	Slovakia	100	100	FC
Distilled Innovation AB	Sweden	100	100	FC
Pernod Ricard Sweden AB	Sweden	100	100	FC
The Absolut Company AB	Sweden	100	100	FC
Pernod Ricard Swiss SA	Switzerland	100	100	FC
Pernod Ricard Taiwan Ltd	Taiwan	100	100	FC
Pernod Ricard Thailand Ltd	Thailand	100	100	FC
Pernod Ricard Istanbul Ic ve Dis Ticaret Limited Sirketi	Turkey	100	100	FC
Pernod Ricard Ukraine	Ukraine	100	100	FC
Pernod Ricard Uruguay SA	Uruguay	100	100	FC
Pernod Ricard Vietnam Company Limited	Vietnam	100	100	FC

* *The companies Corby Spirit and Wine Limited and Seagram Myanmar Company Ltd are consolidated using the full consolidation method because of the Group's majority controlling interest in them.*

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

*** *"FC" for fully consolidated.*

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