31.12.22 Half-year financial report

Pernod Ricard

Créateurs de convivialité

1. CERTIFICATION BY THE PERSON ASSUMING RESPONSIBILITY FOR THE HALF-YEAR FINANCIAL REPORT

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

Alexandre Ricard

Chairman and CEO

2. HALF-YEAR ACTIVITY REPORT

2.1. Key figures and business analysis

Sales for H1 FY23 reached €7,116m and grew **+12% organically** (+19% reported), with a favourable FX impact of **+€355m** linked mainly to the strength of US Dollar vs. Euro.

H1 FY23 Organic Sales growth was broad-based across all regions:

- **Americas +7%:** dynamic growth driven notably by USA with favorable phasing[1], Brazil and Canada
- **Asia-RoW +18%:** excellent growth driven by India, Turkey, Travel Retail and South East Asia recovery. H1 Sales in China reflecting solid Q1 with good Mid Autumn Festival, but soft Q2 partly offset by favorable shipment phasing ahead of Chinese New Year[2]. Confident outlook for China following lifting of Covid restrictions
- **Europe +6%:** very strong performance with Western Europe and Travel Retail.

All spirits segments are growing double-digit:

- **Strategic International Brands +13%:** strong momentum notably with the Scotch portfolio, Jameson and Absolut
- **Strategic Local Brands +13%:** driven by growth of Seagram's Indian whiskies and Seagram's Gin
- **Specialty Brands +14%:** continued very strong development of Lillet, Italicus, Malfy, Redbreast, Aberlour and Altos
- **Strategic Wines -2%:** softness mostly from UK.

Strong broad-based pricing dynamic at +10%, thanks to strong brand equity. Further price increases planned in H2.

Innovations and Prestige are in strong growth, +16% and +10% respectively.

Q2 Sales were €3,808m, with +12% organic growth, accelerating vs. Q1 organic Sales (+11%).

2.2. Profit from Recurring Operations

***Group** (€ million)*	**31.12.2021**	**31.12.2022**	**Reported growth**		**Organic (1) growth**	
Net sales	5 959	7 116	1 156	19%	686	12%
Gross margin after logistics expenses	3 640	4 368	728	20%	424	12%
Advertising and promotion expenses	(840)	(994)	(154)	18%	(97)	12%
Contribution after advertising and promotion	2 801	3 375	574	20%	327	12%
Profit from Recurring Operations	**1 998**	**2 423**	**425**	**21%**	**229**	**12%**

(1) At constant forex and Group structure (organic growth)

H1 FY23 Profit from Recurring Operations reached €2,423m, an organic growth of +12%, with broadly stable organic operating leverage (-1 bp):

- **Gross margin expanding +5 bps**:
  - Strong broad-based pricing dynamic across brands and geographies and focus on operational efficiencies,
  - offsetting high inflation in Costs of Goods.
- **A&P growing in line with Net Sales** with acceleration expected in H2 to fuel future growth. (Ratio of c. 16% of Net Sales expected for FY23).
- **Structure costs +12%** to support business dynamics and digital transformation momentum.
- **Favorable FX impact on Profit from Recurring Operations O +€139m** mainly from US Dollar appreciation vs. Euro.

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[1] USA H1 Organic Sales growth +5%, ahead of underlying value depletions +3%

[2] Earlier vs. LY

Business activity by geographic area

Americas *(€ million)*	**31.12.2021**	**31.12.2022**	**Reported growth**		**Organic (1) growth**	
Net sales	1 638	2 005	368	22%	118	7%
Gross margin after logistics expenses	1 070	1 314	244	23%	59	6%
Advertising and promotion expenses	(264)	(349)	(85)	32%	(45)	17%
Contribution after advertising and promotion	806	965	159	20%	14	2%
Profit from Recurring Operations	**595**	**697**	**102**	**17%**	**(9)**	**-2%**

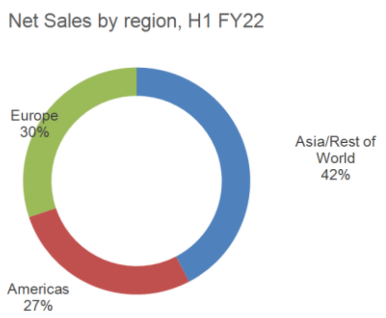
(1) At constant forex and Group structure (organic growth)

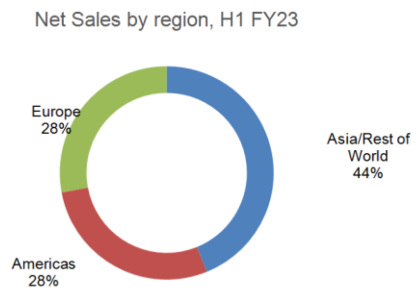
Asia/Rest of World *(€ million)*	**31.12.2021**	**31.12.2022**	**Reported growth**		**Organic (1) growth**	
Net sales	2 524	3 122	597	24%	460	18%
Gross margin after logistics expenses	1 458	1 827	369	25%	285	20%
Advertising and promotion expenses	(361)	(400)	(39)	11%	(25)	7%
Contribution after advertising and promotion	1 097	1 427	331	30%	260	24%
Profit from Recurring Operations	**814**	**1 074**	**260**	**32%**	**194**	**24%**

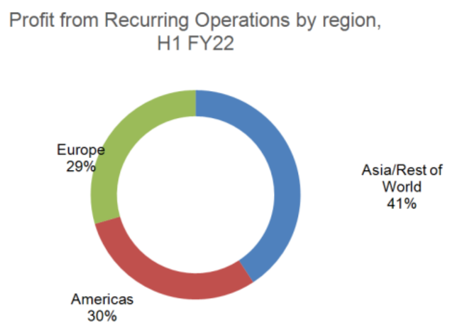
(1) At constant forex and Group structure (organic growth)

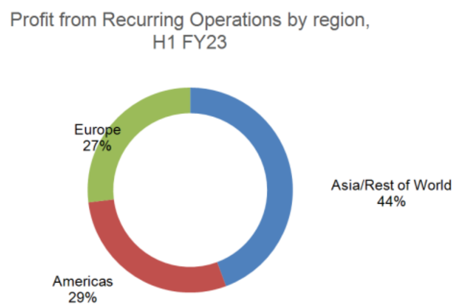
Europe *(€ million)*	**31.12.2021**	**31.12.2022**	**Reported growth**		**Organic (1) growth**	
Net sales	1 797	1 989	191	11%	108	6%
Gross margin after logistics expenses	1 112	1 227	114	10%	79	7%
Advertising and promotion expenses	(214)	(245)	(31)	14%	(27)	13%
Contribution after advertising and promotion	898	982	84	9%	52	6%
Profit from Recurring Operations	**589**	**652**	**64**	**11%**	**45**	**8%**

(1) At constant forex and Group structure (organic growth)









2.2.1. Group share of net profit from recurring operations

(€ million)	**31.12.2021**	**31.12.2022**
Profit from Recurring Operations	1 998	2 423
Financial income/(expenses) from recurring operations	(102)	(134)
Corporate income tax on recurring operations	(436)	(521)
Net Profit from discontinued operations, non-controlling interests and share of net profit from equity associates	(21)	(25)
Group share of Net Profit from Recurring Operations(1)	**1 438**	**1 743**
Group Net Profit per share from recurring operations – diluted (in euro)	**5,51**	**6,77**

(1) Recurring operating income after taking into account current financial expenses, current income tax, income from equity associates, and income from discontinued operations or operations held for sale.

The Group share of Net profit from recurring operations was €1,743m, +21% reported vs. H1 FY22.

Net debt

Solid cash generation with Recurring Free Cash Flow at c. €1bn, -28% vs H1 FY22, reflecting higher operating working capital outflows normalizing post covid recovery and increase in CAPEX and strategic inventories to support future growth of aged portfolio.

2.2.2. Group share of Net Profit

(€ million)	**31.12.2021**	**31.12.2022**
Profit from Recurring Operations	1 998	2 423
Other operating income and expenses	(2)	86
Operating profit	**1 995**	**2 509**
Financial income/(expenses) from recurring operations	(102)	(134)
Other financial income/(expenses)	(32)	(5)
Corporate income tax	(452)	(553)
Net Profit from discontinued operations, non-controlling interests and share of net profit from equity associates	(19)	(25)
Group share of Net Profit	**1 390**	**1 792**

The Group share of Net Profit was €1,792m, +29% reported, mainly reflecting increase in Profit from Recurring Operations.

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

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

2.4. Outlook

In a persistently volatile context, Pernod Ricard has **reinforced confidence** in delivering a strong performance in FY23 driven by our global footprint and the attractiveness of our diversified, premium portfolio:

- **Dynamic, broad-based Net Sales growth** albeit in a normalising environment
- Continuing focus on **revenue growth management and operational efficiencies** to offset cost pressure, in high inflationary environment
- **A&P ratio at c. 16% of Net Sales** and continuing disciplined investments in structure
- **Sustaining Operating margin**
- **Accelerating investments in CAPEX and strategic inventories,** thanks to solid cash generation
- **Confirming €750m share buy-back for FY23** with a new €300m tranche to be launched imminently
- **Positive currency effect expected**

2.5. Definitions and link-up of alternative performance indicators with IFRS indicators

Pernod Ricard's management process is based on the following non-IFRS measures which are chosen for planning and reporting. The Group's management believes these measures provide valuable additional information for users of the financial statements in understanding the Group's performance. These non-IFRS measures should be considered as complementary to the comparable IFRS measures and reported movements therein.

2.5.1. Organic growth

Organic growth is calculated after excluding the impacts of:

- exchange rate movements,
- acquisitions and disposals,
- changes in applicable accounting principles,
- hyperinflation.

Exchange rates impact is calculated by translating the current year results at the prior year's exchange rates.

For acquisitions in the current year, the post-acquisition results are excluded from the organic movement calculations. For acquisitions in the prior year, post-acquisition results are included in the prior year but are included in the organic movement calculation from the anniversary of the acquisition date in the current year.

Where a business, brand, brand distribution right or agency agreement was disposed of or terminated in the prior year, the Group excludes in the organic movement calculations the results for that business from the prior year. For disposals or terminations in the current year, the Group excludes the results for that business from the prior year from the date of the disposal or termination.

The impact of hyperinflation on Net Sales in Turkey is excluded from P&L organic growth calculations by capping unit price increases to a maximum of +26% per year, equivalent to +100% over 3 years.

This measure enables the Group to focus on the performance of the business which is common to both years and which represents those measures that Local Managers are most directly able to influence.

2.5.2. Free Cash Flow

Free Cash Flow comprises the net cash flow from operating activities, aggregated with the proceeds from disposals of property, plant and equipment and intangible assets and after deduction of the capital expenditures.

2.5.3. “Recurring” indicators

The following three measures represent key indicators for the measurement of the recurring performance of the business, excluding significant items that, because of their nature and their unusual occurrence, cannot be considered as inherent to the recurring performance of the Group:

● **Recurring Free Cash Flow**

Recurring Free Cash Flow is calculated by restating Free Cash Flow from non-recurring items.

● **Profit from recurring operations**

Profit from recurring operations corresponds to the operating profit excluding other non-current operating income and expenses.

● **Group share of net profit from recurring operations**

Group net profit from recurring operations corresponds to net profit attributable to equity holders of the parent before other non-recurring operating income and expenses, non-recurring financial income and expenses and non-recurring income taxes.

2.5.4. Net debt

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

2.5.5. EBITDA

EBITDA stands for “earnings before interest, taxes, depreciation and amortisation”. EBITDA is an accounting measure calculated using the Group’s profit from recurring operations excluding depreciation and amortisation on operating fixed assets.

2.6. Main related party transactions

Information related to related parties transactions are detailed in note 6.6 related parties of the notes to the condensed consolidated interim financial statements included in this document.

3. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3.1. Half-year consolidated income statement

(€ million)	**31.12.2021**	**31.12.2022**	**Notes**
Net sales	5 959	7 116	2
Cost of sales	(2 319)	(2 747)	2
Gross margin after logistics expenses	**3 640**	**4 368**	2
Advertising and promotion expenses	(840)	(994)	2
Contribution after advertising and promotion expenses	**2 801**	**3 375**	2
Structure costs	(803)	(951)	2
Profit from recurring operations	**1 998**	**2 423**	
Other operating income/(expenses)	(2)	86	3.1
Operating profit	**1 995**	**2 509**	
Financial expenses	(154)	(163)	3.2
Financial income	20	24	3.2
Financial income/(expenses)	**(135)**	**(139)**	
Corporate income tax	(452)	(553)	3.3
Share of net profit/(loss) of associates	2	(4)	
Net profit of discontinued and held for sale activities	-	-	
Net profit	**1 411**	**1 813**	
o/w:		-	
- Non-controlling interests	21	21	
- Group share	**1 390**	**1 792**	
Earnings per share - basic (in euros)	5,34	6,98	3.4
Earnings per share - diluted (in euros)	5,33	6,96	3.4

3.2. Half-year consolidated statement of comprehensive income

(€ million)	**31.12.2021**	**31.12.2022**
Net profit for the period	**1 411**	**1 813**
Non-recyclable items		
Actuarial gains/(losses) related to defined benefit plans	**19**	**(38)**
Amounts recognised in shareholders' equity	*25*	*(50)*
Tax impact	*(6)*	*13*
Equity instruments	**(98)**	**(15)**
Unrealized gains and losses recognised in shareholders' equity	*(100)*	*(14)*
Tax impact	*1*	*(1)*
Recyclable items		
Net investment hedges	**(15)**	**1**
Amounts recognised in shareholders' equity	(20)	2
Tax impact	*6*	*(0)*
Cash flow hedges	**2**	**(5)**
Amounts recognised in shareholders' equity (1)	*3*	*(6)*
Tax impact	*(1)*	*1*
Translation differences	**375**	**(461)**
Other comprehensive income for the period, net of tax	**283**	**(517)**
Comprehensive income for the period	**1 693**	**1 297**
o/w:		
- Group share	**1 665**	**1 303**
- Non-controlling interests	**28**	**(6)**

(1) No impact recycled to result for the period.

3.3. Consolidated balance sheet

Assets

(€ million)	**30.06.2022**	**31.12.2022**	**Notes**
Net amounts			
Non-current assets			
Intangible assets	11 512	11 313	4.1
Goodwill	6 145	6 993	4.1
Property, plant and equipment	3 591	3 614	
Non-current financial assets	761	757	4.4
Investments in associates	243	40	
Non-current derivative instruments	4	5	
Deferred tax assets	1 844	1 767	
TOTAL NON-CURRENT ASSETS	**24 100**	**24 489**	
Current assets			
Inventories and work in progress	7 369	7 567	4.2
Trade receivables and other operating receivables	1 388	2 469	
Income taxes receivable	145	97	
Other current assets	435	448	4.4
Current derivative instruments	32	10	
Cash and cash equivalents	2 527	1 796	4.6
TOTAL CURRENT ASSETS	**11 896**	**12 386**	
Assets held for sale	15	1	
TOTAL ASSETS	**36 012**	**36 875**	

Liabilities

(€ million)	**30.06.2022**	**31.12.2022**	**Notes**
Shareholders' equity			
Capital	400	400	6.1
Share premium	3 052	3 052	
Retained earnings and currency translation adjustments	10 496	11 170	
Group net profit	1 996	1 793	
Group shareholders' equity	**15 944**	**16 415**	
Non-controlling interests	309	343	
TOTAL SHAREHOLDERS' EQUITY	**16 253**	**16 758**	
Non-current liabilities			
Non-current provisions	318	294	4.5
Provisions for pensions and other long-term employee benefits	361	374	4.5
Deferred tax liabilities	3 139	3 134	3.3
Bonds-non-current	9 238	9 732	4.6
Lease liability non-current	400	390	4.6
Other non-current financial liabilities	179	207	4.6
Non-current derivative instruments	18	22	4.7
TOTAL NON-CURRENT LIABILITIES	**13 653**	**14 153**	
Current liabilities			
Current provisions	150	135	4.5
Trade payables	3 019	3 222	
Income taxes payable	263	391	3.3
Other current liabilities	1 311	971	4.8
Bonds-current	842	575	4.6
Lease liability current	107	100	4.6
Other current financial liabilities	406	558	4.6
Current derivative instruments	9	11	4.7
TOTAL CURRENT LIABILITIES	**6 107**	**5 964**	
Liabilities related to assets held for sale	0	0	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**36 012**	**36 875**	

3.4. Statement of changes in shareholders' equity

(€ million)	Capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Currency translation adjustments	Treasury shares	Equity attribuable to equity holders of the Parent	Non - controlling interests	Total shareholders' 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	-	-	1 390	19	(96)	353	-	1 665	28	1 693
Capital variation	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	17	-	-	-	-	17	-	17
(Acquisition)/ disposal of treasury shares	-	-	(27)	-	-	-	(265)	(292)	-	(292)
Dividends distributed	-	-	(465)	-	-	-	-	(465)	(5)	(470)
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-	-
Other transactions with minority interests	-	-	1	-	-	-	-	1	(4)	(3)
Other movements	-	-	(5)	-	-	-	-	(5)	-	(5)
Closing position on 31.12.2021	**406**	**3 052**	**12 969**	**(301)**	**(26)**	**39**	**(405)**	**15 733**	**265**	**15 997**

[1] The opening adjustment 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.

(€ million)	Capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Changes in fair value	Currency translation adjustments	Treasury shares	Equity attribuable to equity holders of the Parent	Non - controlling interests	Total shareholders ' equity
Opening position on 01.07.2022	**400**	**3 052**	**12 416**	**(268)**	**(4)**	**500**	**(152)**	**15 944**	**309**	**16 253**
Comprehensive income for the period	-	-	1 792	(38)	(20)	(432)	-	1 303	(6)	1 297
Share-based payments	-	-	21	-	-	-	-	21	-	21
(Acquisition)/ disposal of treasury shares	-	-	(23)	-	-	-	(167)	(190)	-	(190)
Dividends distributed	-	-	(656)	-	-	-	-	(656)	(17)	(673)
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-	-
Other transactions with minority interests	-	-	(13)	-	-	-	-	(13)	57	44
Other movements	-	-	5	-	-	-	-	5	0	6
Closing position on 31.12.2022	**400**	**3 052**	**13 543**	**(306)**	**(24)**	**68**	**(319)**	**16 415**	**343**	**16 758**

3.5. Consolidated cash flow statement

(€ million)	**31.12.2021**	**31.12.2022**	**Notes**
Cash flow from operating activities			
Group net profit	1 390	1 792	
Non-controlling interests	21	21	
Share of net profit/(loss) of associates, net of dividends received	(2)	4	
Financial (income)/expenses	135	139	
Tax (income)/expenses	452	553	
Net profit from discontinued operations	-	-	
Depreciation of fixed assets	189	204	
Net change in provisions	(22)	(50)	
Net change in impairment of goodwill, property, plant and equipment and intangible assets	-	8	
Changes in fair value of commercial derivatives	(3)	(4)	
Changes in fair value of biological assets and investments	-	(70)	
Net (gain)/loss on disposal of assets	(3)	(74)	
Share-based payment	17	21	
Self-financing capacity before financing interest and taxes	**2 173**	**2 544**	
Decrease/(increase) in working capital requirements	(382)	(1 024)	5.1
Interest paid	(141)	(154)	
Interest received	20	23	
Tax paid/received	(191)	(265)	
Net change in cash flow from operating activities	**1 478**	**1 124**	
Cash flow from investing activities			
Capital expenditure	(177)	(268)	
Proceeds from disposals of property, plant and equipment and intangible assets	20	98	
Change in scope of consolidation	-	-	
Purchases of financial assets and activities	(471)	(883)	5.2
Disposals of financial assets and activities	7	28	5.2
Net change in cash flow from investing activities	**(622)**	**(1 025)**	
Cash flow from financing activities			
Dividends and interim dividends paid	(820)	(1 065)	
Other changes in shareholders' equity	-	-	
Issuance of debt	689	1 302	5.3
Repayment of debt	(492)	(811)	5.3
Repayment of lease debt	(55)	(58)	
(Acquisition)/disposal of treasury shares	(292)	(190)	
Net change in cash flow from financing activities	**(970)**	**(822)**	
Cash flow from non-current assets held for sale	-	-	
Increase/(decrease) in cash and cash equivalents before foreign exchange impact	**(114)**	**(723)**	
Effect of exchange rate changes	33	(8)	
Increase/(decrease) in cash and cash equivalents after foreign exchange impact	**(81)**	**(731)**	
Cash and cash equivalents at beginning of period	**2 078**	**2 527**	
Cash and cash equivalents at end of period	**1 997**	**1 796**	

3.6. Notes to the consolidated financial statements

Pernod Ricard is a French Company (Société Anonyme), subject to all laws governing commercial companies in France, including in particular the provisions of the French Commercial Code. The Company is headquartered at 5, cours Paul Ricard, 75008 Paris, France and is listed on the Euronext exchange. The condensed consolidated interim financial statements reflect the accounting position of Pernod Ricard and its subsidiaries (hereafter the "Group"). They are reported in millions of euros (€), rounded to the nearest million. The Group manufactures and sells wines and spirits.

On 15 February 2023, the Board of Directors approved the condensed consolidated interim financial statements ended 31 December 2022.

Note 1. Accounting policies and significant events

Note 1.1. Accounting policies

1. Policies and accounting standards governing the preparation of the financial statements

Because of its listing in a country of the European Union (EU), and in accordance with EC regulation 1606/2002, the condensed consolidated interim financial statements of the Group for the first half-year ended 31 December 2022 have been prepared in accordance with IAS 34 (interim financial reporting) of the IFRS (International Financial Reporting Standards) as adopted by the European Union.

The Group has not anticipated any standards, amendments or interpretations published by the IASB but not yet approved or not yet mandatory in the European Union, as of 31 December 2022.

Note that:

- the Group's financial year runs from 1 July to 30 June;
- condensed consolidated interim financial statements were prepared in accordance with the same accounting principles and methods as those used in the preparation of the annual consolidated financial statements at 30 June 2022 ; except for the income tax charge which was calculated based on a forecast for the fiscal year;
- the condensed consolidated interim financial statements do not include all the information required in the preparation of the consolidated financial statements and must be read in conjunction with the consolidated financial statements at 30 June 2022.

Estimates — The preparation of consolidated financial statements in accordance with IFRS requires that Management makes a certain number of estimates and assumptions, which have an impact on the Group's assets, liabilities and shareholders' equity and items of profit and loss during the financial year. These estimates are made on the assumption 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. At 31 December 2022, the Management was not aware of any factors likely to call into question estimates and assumptions used in the preparation of full-year consolidated financial statements at 30 June 2022.

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

2. Seasonality

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

Note 1.2. Significant events of the semester

1.1. Acquisitions and disposals

Strengthening of the partnership with Sovereign Brands

On 30 November 2022, Pernod Ricard entered into an agreement strengthening its partnership with Sovereign Brands and leading to a further investment amounting to approximately 23% being made in addition to the 10% stake held since September 2021. Sovereign Brands is a family company founded by brothers Brett and Brian Berish, who are among the industry's most innovative and creative spirits brand builders. The Group has a unique portfolio of forward-thinking brands in their respective categories, with a global presence and especially in the world's leading wines and spirits market, the USA. This acquisition gives Pernod Ricard a c. 33% stake in its capital and voting rights.

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

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

In addition, this transaction resulted in the recognition of a gain on disposal on the 10% share previously held, recognised in non-recurring income for €69 million, including €24 million from the recycling to the income statement of foreign exchange differences recognized in equity since September 1, 2021.

Acquisition of Código 1530 Ultra Premium and Prestige tequila

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

Assets and liabilities acquired as part of these two transactions

These transactions were recognised on the basis of the accounts prepared by the companies acquired at the transaction date. Given the acquisition dates, the amounts allocated to the identifiable assets acquired and liabilities assumed and to goodwill will be reassessed within one year from the date of these business combinations. Under these conditions, the valuation of the intangible assets, including the brands attributable to these combinations, has not been determined at this stage.

€ million	**Sovereign Brands**
Net assets acquired at 100% *	171
Net assets attributable to non-controlling interests **	115
Provisional goodwill, attributable to owners of the parent	770
Fair value of the consideration transferred and the prior holding	**826**

* Mainly comprising operating assets and cash

** Non-controlling interests are recognised at their share in the fair value of the assets and liabilities of the entities concerned.

€ million	**Código**
Net assets acquired at 100% *	27
Net assets attributable to non-controlling interests **	14
Provisional goodwill, attributable to owners of the parent	210
Fair value of the consideration transferred	**224**

* Mainly comprising operating assets

** Non-controlling interests are recognised at their share in the fair value of the assets and liabilities of the entities concerned.

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1.2. Bond issues and redemption

On July 15, 2022, Pernod Ricard SA redeemed in full an 800 million US dollar bond that had matured, bearing a coupon of 4.25%.

On November 2, 2022, Pernod Ricard SA carried out a Sustainability-linked bond issue denominated in euros, for an amount of €1100 million across two tranches: a EUR 600m 6-Year and a EUR 500m 10-Year, bearing respectively interest at the fixed annual rate of 3.25% and 3.75%. 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 0.125% 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 and 0.25% in the event the failure to achieve the target for either one of the two criteria selected on the date of the second period of observation of the objectives, i.e. at the end of the fiscal year 2030.

This adjustment will apply from the first day of the interest period following the first measurement date and until the maturity of the bond.

Note 2. Operating segments

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

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

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

Europe *(€ million)*	**31.12.2021**	**31.12.2022**	**Variation (M€)**	**Variation (%)**
Net sales	1 797	1 989	191	11%
Gross margin after logistics expenses	1 112	1 227	114	10%
Advertising and promotion expenses	(214)	(245)	(31)	14%
Contribution after advertising and promotion	898	982	84	9%
Profit from Recurring Operations	**589**	**652**	**64**	**11%**

Americas *(€ million)*	**31.12.2021**	**31.12.2022**	**Variation (M€)**	**Variation (%)**
Net sales	1 638	2 005	367	22%
Gross margin after logistics expenses	1 070	1 314	244	23%
Advertising and promotion expenses	(264)	(349)	(85)	32%
Contribution after advertising and promotion	806	965	159	20%
Profit from Recurring Operations	**595**	**697**	**102**	**17%**

Asia/Rest of World *(€ million)*	**31.12.2021**	**31.12.2022**	**Variation (M€)**	**Variation (%)**
Net sales	2 524	3 122	597	24%
Gross margin after logistics expenses	1 458	1 827	369	25%
Advertising and promotion expenses	(361)	(400)	(39)	11%
Contribution after advertising and promotion	1 097	1 427	331	30%
Profit from Recurring Operations	**814**	**1 074**	**260**	**32%**

Group *(€ million)*	**31.12.2021**	**31.12.2022**	**Variation (M€)**	**Variation (%)**
Net sales	5 959	7 116	1 156	19%
Gross margin after logistics expenses	3 640	4 368	728	20%
Advertising and promotion expenses	(840)	(994)	(154)	18%
Contribution after advertising and promotion	2 801	3 375	574	20%
Profit from Recurring Operations	**1 998**	**2 423**	**425**	**21%**

Breakdown of sales - Presentation by category

(€ million)	31.12.2021	31.12.2022	Variation (M€)	Variation (%)
Strategic International Brands	3 896	4 668	772	20%
Strategic Local Brands	1 003	1 215	212	21%
Priority Premium Wines	267	274	7	3%
Speciality	304	379	75	25%
Other products	490	580	90	18%
TOTAL	**5 959**	**7 116**	**1 157**	**19%**

Note 3. Notes to the income statement

Note 3.1. Other operating income and expenses

Other operating income and expenses are broken down as follows:

(€ million)	**31.12.2021**	**31.12.2022**
Impairment of property, plant and equipment and intangible assets	-	(8)
Gains or losses on asset disposals and acquisition costs	(2)	129
Net restructuring and reorganisation expenses	(8)	(48)
Disputes and risks	(2)	11
Other non-current operating income and expenses	9	1
Other operating income/(expenses)	**(2)**	**86**

At December 31 2022, other operating income and expenses primarily consisted of

- A net profit of €129 million in relation to M&A activities from this first semester.
- Non-recurring expenses for €(48) million relating to various reorganisation projects;
- A net profit of €11 million related to positive outcomes on disputes and risks.

Note 3.2. Financial income/(expense)

(€ million)	**31.12.2021**	**31.12.2022**
Interest expense on net financial debt	(108)	(144)
Interest expense on lease liability	(6)	(5)
Interest income on net financial debt	20	24
Net financing cost	**(94)**	**(126)**
Structuring and placement fees	(1)	(1)
Net financial impact of pensions and other long-term employee benefits	(7)	(7)
Other net current financial income (expense)	(0)	(0)
Financial income/(expense) from recurring operations	**(102)**	**(134)**
Foreign currency gains/(losses)	(8)	(5)
Other non-current financial income/(expenses)	(24)	(0)
Total financial income/(expenses)	**(135)**	**(139)**

At 31 December 2022, net financing costs were mainly composed of bond interests for €99 million.

Financial result is also impacted by negative foreign exchange impacts for €(5)million, and net financial impact of pensions and other long-term employee benefits for (7) million euros.

Note 3.3. Income tax

Analysis of effective tax rate

(€ million)	**31.12.2021**	**31.12.2022**
Operating profit	1 995	2 509
Financial income/(expense)	(135)	(139)
Taxable profit	**1 860**	**2 370**
Theoretical tax charge at the effective income tax rate in France	(529)	(612)
Impact of tax rate differences by jurisdiction	135	124
Other impacts	(59)	(65)
Effective tax expense	**(452)**	**(553)**
Effective tax rate	**24%**	**23%**

The income tax expense for the period is calculated by applying the estimated effective income tax rate for the fiscal year, based on the information available as of the interim reporting date.

Note 3.4. Earnings per share

	31.12.2021	**31.12.2022**
Numerator *(€ million)*		
Group share of net profit	1 390	1 792
Denominator *(in number of shares)*		
Average number of outstanding shares	260 220 390	256 635 870
Dilutive effect of bonus share allocations	512 863	612 826
Dilutive effect of stock options and subscription options	96 013	120 667
Average number of outstanding shares—diluted	**260 829 265**	**257 369 363**
Earnings per share *(€)*		
Earnings per share – basic	5,34	6,98
Earnings per share – diluted	5,33	6,96

Note 4. Notes to the balance sheet

Note 4.1. Intangible assets and goodwill

		Movements in the year					
(€ million)	30.06.2022	Acquisitions	Allowances	Disposals	Translation adjustments	Other movements	31.12.2022
Goodwill	6 284	987	-	-	(135)	(4)	7 132
Brands	13 935	0	-	-	(247)	(1)	13 686
Other intangible assets	565	20	-	(14)	(12)	3	561
GROSS VALUE	**20 784**	**1 007**	**-**	**(14)**	**(395)**	**(2)**	**21 380**
Goodwill	(139)	-	-	-	0	0	(139)
Brands	(2 634)	-	(2)	-	61	0	(2 575)
Other intangible assets	(354)	-	(28)	12	8	1	(361)
AMORTISATION/IMPAIRMENT	**(3 127)**	**-**	**(29)**	**12**	**69**	**1**	**(3 074)**
INTANGIBLE ASSETS, NET	**17 657**	**1 007**	**(29)**	**(2)**	**(325)**	**(1)**	**18 306**

Goodwill mainly comes from the acquisitions of Allied Domecq in July 2005 and of Vin&Sprit (« V&S ») in July 2008. The main brands recognised in the balance sheet are: Absolut, Ballantine's, Beefeater, Chivas Regal, Kahlúa, Malibu, Martell and Brancott Estate, most of which were recognised upon the acquisition of Seagram, Allied Domecq and V&S.

The variation of the brands and the goodwill is essentially due the perimeter events described in Note 1.2 and to foreign exchange evolutions.

Note 4.2. Inventories and work-in-progress

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

		Movements in the year				
(€ million)	30.06.2022	Change in gross values	Change in impairment	Translation adjustments	Other movements	31.12.2022
Raw materials	228	49	-	(10)	41	308
Work in progress	5 847	256	-	(84)	(5)	6 014
Goods in inventory	876	(13)	-	(38)	22	846
Finished products	495	(34)	-	(15)	24	469
GROSS VALUE	**7 446**	**258**	**-**	**(147)**	**81**	**7 638**
Raw materials	(15)	-	(1)	0	(0)	(15)
Work in progress	(24)	-	4	0	-	(20)
Goods in inventory	(24)	-	(2)	1	0	(24)
Finished products	(14)	-	1	1	-	(13)
IMPAIRMENT	**(77)**	**-**	**3**	**2**	**(0)**	**(72)**
NET INVENTORIES	**7 369**	**258**	**3**	**(144)**	**81**	**7 567**

As at 31 December 2022, 79% of work-in-progress relate to maturing inventories intended to be used for whisky and cognac production. The Group is not significantly dependent on its suppliers.

Note 4.3. Transfers of financial assets

In the first half of the period 2022/23, the Group continued to implement its programs to sell the receivables of several subsidiaries. Receivables sold under these programs totaled €1 031 million at 31 December 2022 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)	Carrying amount of countinuing involvement				Fair value of continuing involvement	Maximum Exposure
Continuing involvement	Amortised costs	Held to maturity	Available for sale	Financial lliabilities at faire values		
Guarantee deposit – factoring and securisation	12	-	12	-	12	12

Note 4.4. Other current assets

Other current assets are broken down as follows:

(€ million)	30.06.2022	31.12.2022
Advances and down payments	51	51
Tax accounts receivable, excluding income tax	268	241
Prepaid expenses	83	95
Other receivables	34	61
TOTAL	**435**	**448**

Note 4.5. Provisions

1. Breakdown of provisions

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

(€ million)	30.06.2022	31.12.2022
Non-current provisions		
Provisions for pensions and other long-term employee benefits	361	374
Other non-current provisions for risks and charges	318	294
Current provisions		
Provisions for restructuring	27	19
Other current provisions for risks and charges	123	116
TOTAL	**829**	**802**

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

At 31 December 2022, the amount of provisions booked by the Group in respect of disputes or risks in which it is involved amounted to €410 million, excluding uncertain tax positions presented within "Income taxes payables". 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.

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

		Movements of the period						
(€ million)	30.06.2022	Allowances	Used	Unused reversals	Translation adjustments	First-time consolidation	Currency movements	31.12.2022
Provisions for restructuring	27	0	8	0	-	-	(0)	19
Other current provisions	123	7	4	8	0	-	(2)	116
Other non-current provisions	318	26	14	21	3	-	(18)	294
TOTAL PROVISIONS	**468**	**34**	**26**	**29**	**4**	**-**	**(20)**	**429**

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

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.

The table below presents a reconciliation of the provision between 30 June and 31 December for both periods:

(€ million)	**30.06.2022**	**31.12.2022**
Net liability / (asset) at beginning of period	**192**	**121**
Impacts IFRIC interpretation IAS 19	**(11)**	**0**
Net expense/(income) for the period	55	23
Actuarial (gains)/losses (1)	(63)	50
Employer contributions and benefits paid directly by the employer	(48)	(35)
Benefits paid directly by the employer	(16)	(8)
Changes in scope of consolidation	0	-
Foreign currency gains and losses	13	1
Net liability / (asset) at end of period	**121**	**152**
Amount recognised in assets	(239)	(222)
Amount recognised in liabilities	**361**	**374**

(1) Recognised as items of "other comprehensive income".

On 31 December 2022, non-current financial assets (€757 million) include €222 million of plan surplus related to employee benefits.

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

Expense for the period *(€ million)*	**31.12.2021**	**31.12.2022**
Service cost	23	17
Interest on provision	1	1
Fees/levies/premiums	4	5
Impact of plan amendments / Reduction of future rights	-	-
Impact of liquidation of benefits	-	-
NET EXPENSE/(INCOME) RECOGNISED IN PROFIT AND LOSS	**29**	**23**

Note 4.6. Financial liabilities

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

(€ million)	30.06.2022 Current	Non-current	Total	31.12.2022 Current	Non-current	Total
Bonds	**842**	**9 238**	**10 079**	**575**	**9 732**	**10 307**
Syndicated loan	-	-	**-**	-	-	**-**
Commercial paper	180	-	**180**	401	-	**401**
Other loans and financial debts	226	179	**405**	157	207	**364**
Other financial liabilities	**406**	**179**	**585**	**558**	**207**	**765**
GROSS FINANCIAL DEBT	**1 248**	**9 417**	**10 664**	**1 133**	**9 939**	**11 072**
Fair value hedge derivatives instruments – assets	(5)	-	**(5)**	-	-	**-**
Fair value hedge derivatives instruments – liabilities	-	9	**9**	-	14	**14**
Fair value hedge derivatives	**(5)**	**9**	**3**	**-**	**14**	**14**
Net investments hedging derivative instruments - assets	-	-	**-**	-	-	**-**
Net investments hedging derivative instruments - liabilities	-	9	**9**	-	8	**8**
Net asset hedging derivative instruments	**-**	**9**	**9**	**-**	**8**	**8**
FINANCIAL DEBT AFTER HEDGING	**1 242**	**9 435**	**10 677**	**1 133**	**9 961**	**11 094**
Cash and cash equivalents	**(2 527)**	**-**	**(2 527)**	**(1 796)**	**-**	**(1 796)**
Net financial debt excluding lease liabilities	**(1 284)**	**9 435**	**8 150**	**(662)**	**9 961**	**9 299**
Lease Liabilities	107	400	507	100	390	490
NET FINANCIAL DEBT	**(1 177)**	**9 835**	**8 657**	**(563)**	**10 351**	**9 789**

2. Breakdown of debt by currency before and after foreign exchange hedging instruments at 30 June 2022 and 31 December 2022

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%**

31.12.2022 *(€ million)*	**Gross financial debt**	**Amount hedged**	**Debt after hedging**	**Cash**	**Net debt after hedging**	**% debt after hedging**	**% net debt after hedging**
EUR	7 613	(737)	6 876	(618)	6 258	62%	67%
USD	3 369	865	4 234	(327)	3 907	38%	42%
GBP	42	(81)	(39)	(67)	(106)	0%	-1%
SEK	2	(126)	(124)	(52)	(176)	-1%	-2%
Other currencies	46	101	147	(732)	(584)	1%	-6%
Financial debt by currency	**11 072**	**22**	**11 094**	**(1 796)**	**9 299**	**100%**	**100%**

3. Breakdown of fixed-rate/floating rate debt before and after interest rate hedging instruments at 30 June 2022 and 31 December 2022

	30.06.2022				31.12.2022			
(€ million)	**Debt before hedging**		**Debt after hedging**		**Debt before hedging**		**Debt after hedging**	
Fixed-rate debt	10 398	97%	9 628	90%	10 663	96%	10 476	94%
Capped floating-rate debt	-	-	-	-	-	-	-	-
Floating-rate debt	278	3%	1 049	10%	431	4%	619	6%
FINANCIAL DEBT AFTER HEDGING BY TYPE OF RATE	**10 677**	**100%**	**10 677**	**100%**	**11 094**	**100%**	**11 094**	**100%**

At 31 December 2022, before taking into account of any hedges, 96% of the Group's gross debt was fixed-rate and 4% floating-rate. After hedging, the floating-rate part was 6%.

4. Schedule of financial liabilities at 30 June 2022 and 31 December 2022

The following table shows the maturity of future financial liability-related cash flows (nominal and interest). Variable interest flows have been estimated on the basis of rates at 30 June 2022 and 31 December 2022.

30.06.2022 *(€ million)*	**Balance sheet value**	**Contractual flows**	**< 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**> 5 years**
Nominal value	(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 LIABILITY	**(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)		-	-	-	-	-
DERIVATIVE INSTRUMENTS - LIABILITIES	**(27)**	**(47)**	**(8)**	**(6)**	**(6)**	**(27)**	**-**	**-**	**-**
TOTAL FINANCIAL LIABILITIES	**(11 198)**	**(13 202)**	**(1 280)**	**(222)**	**(791)**	**(1 958)**	**(1 402)**	**(195)**	**(7 353)**

31.12.2022 ***(€ million)***	**Balance sheet value**	**Contractual flows**	**< 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**> 5 years**
Nominal value	(11 075)	(11 075)	(499)	(560)	(690)	(1 044)	(1 189)	(536)	(6 556)
Interest		2 105	96	107	203	190	169	151	1 189
GROSS FINANCIAL DEBT	**(11 072)**	**(8 970)**	**(403)**	**(453)**	**(487)**	**(855)**	**(1 020)**	**(385)**	**(5 367)**
LEASE LIABILITY	**(490)**	**(510)**	**(35)**	**(64)**	**(80)**	**(66)**	**(54)**	**(41)**	**(170)**
Cross currency swaps:	(8)								
Flows payable		(500)	(10)	-	(10)	(479)	-	-	-
Flows receivable		476	5	-	5	465	-	-	-
Derivative instruments - liabilities	(25)	(30)	(14)	(3)	(5)	(5)	(3)	-	-
DERIVATIVE INSTRUMENTS - LIABILITIES	**(34)**	**(54)**	**(19)**	**(3)**	**(10)**	**(19)**	**(3)**	**-**	**-**
TOTAL FINANCIAL LIABILITIES	**(11 596)**	**(9 534)**	**(457)**	**(519)**	**(577)**	**(940)**	**(1 076)**	**(426)**	**(5 538)**

5. Credit lines

At 31 December 2022, credit lines 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 31.12.2022 *(€ million)*
500 MEUR	0,00%	24/10/2019	24/10/2023	500
650 MEUR	2,13%	29/09/2014	27/09/2024	653
250 MEUR	1,13%	30/04/2020	07/04/2025	254
750 MEUR	1,13%	06/04/2020	07/04/2025	753
600 MEUR	1,50%	17/05/2016	18/05/2026	604
600 MUSD	3,25%	08/06/2016	08/06/2026	547
500 MEUR	0,50%	24/10/2019	24/10/2027	498
600 MUSD	1,25%	01/10/2020	01/04/2028	561
750 MEUR	1,38%*	07/04/2022	07/04/2029	746
500 MEUR	0,13%	04/10/2021	04/10/2029	491
250 MEUR	1,75%	30/04/2020	08/04/2030	264
750 MEUR	1,75%	06/04/2020	08/04/2030	755
900 MUSD	1,63%	01/10/2020	01/04/2031	838
500 MEUR	0,88%	24/10/2019	24/10/2031	494
850 MUSD	5,50%	12/01/2012	15/01/2042	805
500 MUSD	2,75%	01/10/2020	01/10/2050	457
500 MEUR	3,75%*	02/11/2022	02/11/2032	493
600 MEUR	3,25%*	02/11/2022	02/11/2028	594
TOTAL BONDS				**10 307**

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

Note 4.7. Financial instruments

		Breakdown by accounting classification				30.06.2022	
(€ million)	Measurement level	Fair value – profit	Fair value through Equity	Assets at amortised cost	Liabilities at amortised cost	Balance sheet value	Fair value
Assets							
Equity instruments	Level 1 et 3	-	345	-	-	345	345
Guarantees, deposits, investment-related 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	2527	-	-	-	2527	2527
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

		Breakdown by accounting classification				31.12.2022	
(€ million)	Measurement level	Fair value – profit	Fair value through Equity	Assets at amortised cost	Liabilities at amortised cost	Balance sheet value	Fair value
Assets							
Equity instruments	Level 1 and 3	-	357	-	-	357	357
Guarantees, deposits, investment-related receivables		-	-	171	-	171	171
Trade receivables and other operating receivables		-	-	2 469	-	2 469	2 469
Other current assets		-	-	448	-	448	448
Derivative instruments – assets	Level 2	6	9	-	-	14	14
Cash and cash equivalents	Level 1	1 796	-	-	-	1 796	1 796
Liabilities							
Bonds		-	-	-	10 307	10 307	9 233
Bank debt		-	-	-	765	765	765
Lease liability		-	-	-	490	490	490
Derivative instruments – liabilities	Level 2	25	8	-	-	34	34

The methods used are as follows:

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

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

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

In accordance with IFRS 13, derivatives were measured taking into account the Credit Valuation Adjustment (CVA) and the Debt Valuation Adjustment (DVA). The measurement is based on historical data (rating of counterparty banks and probability of default). At 31 December 2022, the impact was not significant.

Note 4.8. Other current liabilities

Other current liabilities are broken down as follows:

(€ million)	30.06.2022	31.12.2022
Taxes and social payables	786	875
Other operating payables	526	97
TOTAL	**1311**	**971**

Other current liabilities decrease between June 30 and December 31, 2022 is mainly explained by the €401 million interim dividend paid on 8 July 2022. Most of these other current liabilities are due within one year

Note 5. Notes to the consolidated cash flow statement

1. Working capital requirement

The working capital requirement has increased by +€1 024 million due to a usually stronger activity at the end of December compared to the end of June. It is mainly explained as follows:

- Inventory: +€261 million;
- trade receivables: +€1 140 million;
- trade payables: €(308) million;
- others: €(68) million.

2. Acquisitions of financial assets and activities

The acquisitions of financial assets and activities net of disposals generated a cash outflow of (855) million euros, mainly related to the acquisitions of activities of the period described in paragraph 1.1 of Note 1.2 - *Significant events of the semester*.

3. Bond issues/repayment of debt

During the financial year, Pernod Ricard has issued debt for €1 302 million and redeemed debt for €(811) million. These transactions mainly correspond to the bond subscriptions and redemptions described in paragraph 1.2 of Note 1.2 – *Significant events of the semester.*

In addition, the Group increased the stock of commercial paper for €221 million.

The Group also paid €65 million in respect of its lease liabilities, of which €60 million related to repayment of the nominal amount and €6 million to interest payments reported in cash flow from operating activities.

Note 6. Additional information

Note 6.1. Shareholders' equity

1. Share capital

Pernod Ricard's share capital did not change between 1st July 2022 and 31 December 2022:

	Number of shares	Amount (€ million)
Share capital on 30.06.2022	257 947 355	400
Share capital on 31.12.2022	257 947 355	400

All Pernod Ricard shares are issued and fully paid for a nominal value of 1,55 euro. 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

On 31 December 2022, Pernod Ricard SA and its controlled subsidiaries held 1 815 148 Pernod Ricard shares for a value of €311 million, including €150 million acquired during the period under the share buyback program announced on october 2022.

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

3. Dividends paid and proposed

Following the resolution agreed upon during the Shareholders' Meeting of 10 November 2022, the total dividend in respect of the financial year ended 30 June 2022 was €4.12 per share. An interim dividend payment of €1.56 per share having been paid on 8 July 2022, the balance amounting to €2.56 per share has been paid on 29 November 2022.

Note 6.2. Share-based payments

The Group recognised an expense of €21 million within operating profit relating to stock option and performance-based share applicable on 31 December 2022.

Stock option, performance-based share and free share plans are equity settled.

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

	Units
Number of outstanding options / shares at June 30th, 2022	**1 348 493**
Number of options exercised / shares acquired during the period	(193 047)
Number of options / shares cancelled over the period	(63 110)
Number of options / shares newly granted over the period	284 951
Number of outstanding options / shares at December 31, 2022	**1 377 287**

Note 6.3. Off-balance sheet commitments

The Group's off-balance sheet commitments amounted to € 3,481 million as of December 31, 2022, compared to € 2,650 million as of June 30, 2022.

Off-balance sheet commitments received from the Group amounted to € 3,408 million as of December 31, 2022, compared to € 3,367 million as of June 30, 2022.

Note 6.4. Contigent liabilities

Pernod Ricard has received several notices of tax adjustment for the financial years 2007 to 2018, specifically concerning, for an amount of 9,264 million Indian rupees (equivalent to € 105.7 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 favor 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 €27.2 million) on various grounds. Pernod Ricard has challenged the reassessment and maintains strong chances of relief.

Dehli change in excise policy

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

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

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

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

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

Note 6.5. Disputes

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

A provision for such procedures is constituted under "Other provisions for risks and charges" (see Note 4.5 - *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 as at 31 December 2022, for all litigation and risks in which it is involved, amounted to €441 million, compared to €387 million at 31 December 2021 (see Note 4.5 - *Provisions*), excluding uncertain tax positions presented within "Income taxes payables". Pernod Ricard provides no further details (other than in exceptional circumstances), as disclosing the amount of any provision for ongoing litigation could cause the Group serious harm.

To the Company's best knowledge, there are no other governmental, legal or arbitration proceedings pending or threatened, including any proceeding of which the Company is aware, which may have or have had over the last 6 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 by a joint venture company called Havana Club Holding SA (HCH), of which Pernod Ricard is a shareholder, and is registered in over 200 countries in which the Havana Club rum is distributed. In the United States, this brand is owned by a Cuban company (Cubaexport). Ownership of this brand is currently being challenged in the United States by a competitor of Pernod Ricard.

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

1. The United States Office of Foreign Assets Control (OFAC) decided that this law had the effect of preventing any renewal of the US trademark registration for the Havana Club brand, which, in the United States, has been owned by Cubaexport since 1976, without obtaining a specific licence from OFAC. In August 2006, the United States Patent and Trademark Office (USPTO) denied the renewal of the said Havana Club trademark registration, following OFAC's refusal to grant a specific licence. Cubaexport petitioned the Director of the USPTO to reverse this decision and also filed a claim against the OFAC, challenging both OFAC's decision and the law and regulations applied by OFAC. In March 2009, the US District Court for the District of Columbia ruled against Cubaexport. In March 2011, in a two-to-one decision, the Court of Appeals blocked Cubaexport from

renewing its trademark. A certiorari petition was filed before the US Supreme Court on 27 January 2012, with the support of the French government, the National Foreign Trade Council and the Washington Legal Foundation. On 14 May 2012, the Supreme Court denied the petition. In November 2015, Cubaexport again applied for a specific licence from OFAC to renew the trademark in the United States. On 11 January 2016, OFAC granted Cubaexport's licence application and on 13 January 2016, the application to the Director of USPTO was declared admissible and the trademark was renewed for the 10-year period ending on 27 January 2016. A request for a further renewal for a period of 10 years from 27 January 2016 was also granted.

2. A competitor of the Group has petitioned the USPTO to cancel the Havana Club trademarks in the United States. In January 2004, the USPTO denied the petition and refused to cancel the trademark registration. As this decision was appealed, proceedings are now 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: one to dismiss all actions commenced against them and one to expedite proceedings on certain issues. 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 estimation of the risk concerning each dispute is regularly reviewed by the affiliate or region concerned and by the Group's Tax Department, with the assistance of external counsel for the most significant or complex cases. Provisions are recognized 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. As regards the Company's CAB imports since 2011, Indian authorities have issued reports challenging the transaction values as well as a show cause notice issued dated 27June 2022, but failed to disclose all the data underlying their allegations. The Company has filed court requests to obtain such data and continues to actively work with the authorities and courts to resolve pending issues.

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

Moreover, Pernod Ricard India (P) received several notices of tax adjustment for FY07 to 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 favor 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 4.5 – Provisions) or in current tax liabilities (see Note 3.3 – Income tax), when it is probable that a present obligation resulting from a past event will require a settlement the amount of which can be reliably estimated. The amount of the provision is the best estimate of the outflow of resources required to extinguish this liability.

Commercial disputes

Colombia

A complaint was filed before the Colombian Competition Agency (the Superintendencia De Industria Y Comercio) on 14 November 2017 by the Department of Cundinamarca and its wholly owned distilling company Empresa de Licores de Cundinamarca against Pernod Ricard SA, Pernod Ricard Colombia SA and a competitor company. 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 to reclaim lost profits and taxes for a four year period between 2013 and 2017 (2013 to 2019 in the case of Antioquia & Valle). 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

During the first half-year ended 31 December 2021, relations between the Group and its associates remained the same as in the financial year ended 30 June 2022, as mentioned in the Universal Registration Document.

In particular, no transactions considered unusual with regards to their nature or amount occurred over the period.

Note 6.7. Subsequent Events

There are no post-closing events having significant impact on the Group's financial statements.

Note 7. Consolidation scope

The main changes in scope as of December 31, 2022 are presented in *Note 1.2 – Significant events of the semester*.

4. STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEAR FINANCIAL INFORMATION

For the period from July 1 to December 31, 2022

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

To the Shareholders of Pernod Ricard S.A.,

In compliance with the assignment entrusted to us by your Shareholders' meetings and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Pernod Ricard S.A., for the period from July 1 to December 31, 2022,
- the verification of the information presented in the half-yearly management report.

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

Conclusion on the financial statements

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

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

Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris La Défense, February 16, 2023

The Statutory Auditors

French original signed by

KPMG S.A.		Deloitte & Associés
Caroline Bruno-Diaz	Adrien Johner	Marc de Villartay
Partner	*Partner*	*Partner*

Pernod Ricard

Créateurs de convivialité