Half-Year FINANCIAL REPORT

31 December 2021

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 FY22 totalled €5,959m, with an **organic growth of 17%** (20% reported), with a favourable FX impact linked mainly to strength of US Dollar and Chinese Yuan, vs Euro.

H1 FY22 Sales grew in all regions:

- **Americas +14%:** very dynamic growth in the region, notably USA, Brazil and Travel Retail.
- **Asia-RoW +16%:** excellent growth driven by China, India and Turkey.
- **Europe +21%:** outstanding growth across the region, with rebound in Spain, France, Travel Retail and continued dynamism in Eastern Europe.

Strategic International Brands and Specialty portfolio are driving **strong price/mix** with:

- **Strategic International Brands +19%: broad-based rebound** with all brands growing, notably Jameson, Martell, Ballantine's, Absolut and Chivas Regal, all double-digit.
- **Strategic Local Brands +14%:** driven by recovery of Seagram's Indian whiskies.
- **Specialty Brands +21%: continued very dynamic momentum** of American whiskeys, Malfy, Monkey 47, Redbreast, Lillet and agave portfolio
- **Strategic Wines -6%:** soft first half, due in particular to New Zealand lower harvest.

Price/mix on Strategic Brands was strong, at +6%.

Innovations are in strong growth +43%.

Q2 Sales were €3,242m, with +14% organic growth, slowing vs. Q1 Organic Sales (+20%), cycling higher comparison basis in some markets.

2.1.1. Profit from Recurring Operations

***Group** (€ million)*	31.12.2020	31.12.2021	Reported growth		Organic [1] growth	
Net sales	4 985	5 959	974	20%	834	17%
Gross margin after logistics expenses	3 021	3 640	619	20%	532	18%
Advertising and promotion expenses	(706)	(840)	(134)	19%	(111)	16%
Contribution after advertising and promotion	2 315	2 801	485	21%	422	18%
Profit from Recurring Operations	**1 595**	**1 998**	**403**	**25%**	**355**	**22%**

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

At H1 FY22 Organic Profit from Recurring Operations was €1 998m, an organic growth of +22%, with a strong organic operating margin improvement of +147bps:

- **Gross margin expanding +39bps**:
  - Strong pricing across regions and operational excellence savings,
  - more than compensating inflation in Costs of Goods, notably from logistics and commodities.
- **Phasing in A&P** with acceleration expected in H2 with ratio of c. 16% for FY22.
- **Structure costs reinforcement** to support Sales growth and transformation momentum.
- **Positive FX impact on Profit from Recurring Operation +€39m** with US Dollar and Chinese Yuan appreciation vs. Euro offsetting significant Turkish Lira depreciation.

Business activity by geographic area

***Americas** (€ million)*	31.12.2020	31.12.2021	Reported growth		Organic [1] growth	
Net sales	1 402	1 638	235	17%	196	14%
Gross margin after logistics expenses	909	1 070	161	18%	123	14%
Advertising and promotion expenses	(250)	(264)	(14)	6%	(7)	3%
Contribution after advertising and promotion	659	806	147	22%	117	18%
Profit from Recurring Operations	**459**	**595**	**136**	**30%**	**110**	**24%**

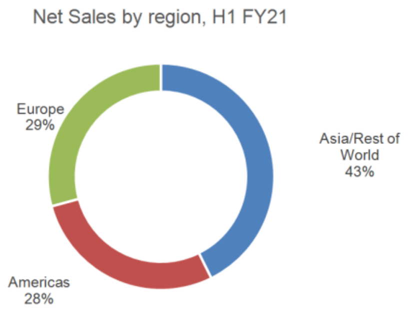
(1) At constant forex and Group structure (organic growth)

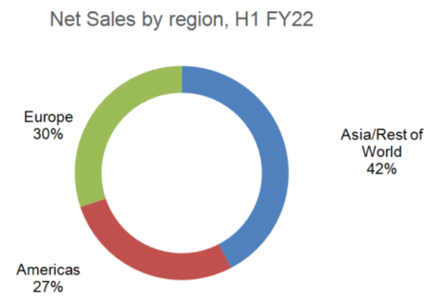
***Asia/Rest of World** (€ million)*	31.12.2020	31.12.2021	Reported growth		Organic [1] growth	
Net sales	2 127	2 524	397	19%	338	16%
Gross margin after logistics expenses	1 232	1 458	226	18%	198	16%
Advertising and promotion expenses	(291)	(361)	(70)	24%	(58)	20%
Contribution after advertising and promotion	940	1 097	157	17%	140	15%
Profit from Recurring Operations	**674**	**814**	**140**	**21%**	**128**	**19%**

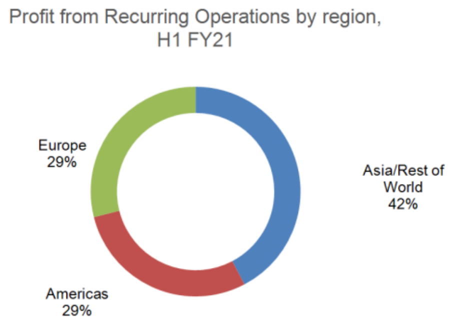
(1) At constant forex and Group structure (organic growth)

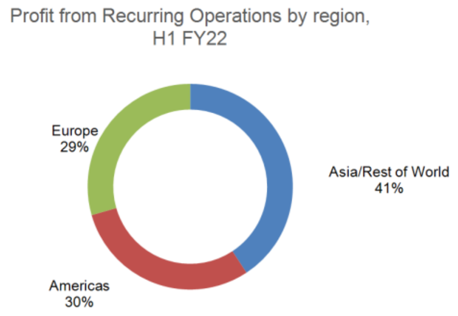
Europe *(€ million)*	31.12.2020	31.12.2021	Reported growth		Organic [1] growth	
Net sales	1 456	1 797	341	23%	300	21%
Gross margin after logistics expenses	881	1 112	231	26%	211	24%
Advertising and promotion expenses	(164)	(214)	(50)	31%	(46)	28%
Contribution after advertising and promotion	717	898	181	25%	165	23%
Profit from Recurring Operations	**461**	**589**	**127**	**28%**	**117**	**25%**

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









2.1.2. Group share of net profit from recurring operations

(€ million)	**31.12.2020**	**31.12.2021**
Profit from Recurring Operations	1 595	1 998
Financial income/(expenses) from recurring operations	(151)	(102)
Corporate income tax on recurring operations	(337)	(436)
Net Profit from discontinued operations, non-controlling interests and share of net profit from equity associates	(20)	(21)
Group share of Net Profit from Recurring Operations[(1)]	**1 087**	**1 438**
Group Net Profit per share from recurring operations – diluted (in euro)	**4,16**	**5,51**

(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.

Net profit from recurring operations amounted to €1,438m, up to +32% in face value compared to H1 2020/21 with:

- Very strong improvement in financial result given recent refinancing (average cost of debt at 2.2%, -91bps).
- Income tax on recurring operation increasing along with profit growth.
- Accretive impact of the share buyback program for the current financial year.

Net debt

Very strong balance sheet with excellent cash performance allowing:

- M&A cash-out on **active portfolio management** (The Whisky Exchange, Sovereign Brands)
- €250m of resumed **share buy-back programme** executed in H1
- €820m **dividend payment** (+€120m vs. LY back to historical high), aligned with c. 50% pay out policy

The Net Debt/EBITDA ratio at average rates1 was 2.4x at 31 December 2021.

[1] Based on average EUR/USD rates: 1.18 in calendar year 2021

2.1.3. Group share of net profit

(€ million)	31.12.2020	31.12.2021
Profit from Recurring Operations	1 595	1 998
Other operating income and expenses	(61)	(2)
Operating profit	**1 534**	**1 995**
Financial income/(expenses) from recurring operations	(151)	(102)
Other financial income/(expenses)	(103)	(32)
Corporate income tax	(294)	(452)
Net Profit from discontinued operations, non-controlling interests and share of net profit from equity associates	(20)	(19)
Group share of Net Profit	**966**	**1 390**

The **Group share of net profit amounted to 1390 M€,** a strong increase of +44% given:

- Increase in Profit from Recurring Operations.
- Lower Non-recurring operating items on a high comparison basis (reorganization costs in H1 FY21 linked to operational adaptation).
- Lower financial expenses with historical low cost of debts.
- Increase in Corporate Income Tax mainly driven by growth of Profit from Recurring Operations.

2.2. 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.

2.3. Outlook

In an ongoing volatile environment with potential disruptions of Covid-19**, Pernod Ricard expects for FY22**:

Continued On-Trade rebound, Off-trade resilience and Travel Retail gradual recovery driving strong diversified Sales momentum across regions.

Dynamic topline driving operating margin expansion albeit moderating vs. H1, with increased investments to fuel growth momentum.

Continued implementation of Transform & Accelerate, including digital transformation to develop Pernod Ricard into a Conviviality Platform.

Strong cash generation while upweighting investments behind key Capex and Strategic inventories.

Acceleration of share buy-back program with additional c. €250m (total of c. €750m for FY22).

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

Definitions and link-up of alternative performance indicators with IFRS indicators are described in the Management report of the Universal Registration Document 2021/22.

2.5. Main related party transactions

Information related to related parties transactions are detailed in note 6.6 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)	**31.12.2020**	**31.12.2021**	**Notes**
Net sales	4 985	5 959	2
Cost of sales	(1 964)	(2 319)	2
Gross margin after logistics expenses	**3 021**	**3 640**	2
Advertising and promotion expenses	(706)	(840)	2
Contribution after advertising and promotion expenses	**2 315**	**2 801**	2
Structure costs	(721)	(803)	
Profit from recurring operations	**1 595**	**1 998**	
Other operating income/(expenses)	(61)	(2)	3.1
Operating profit	**1 534**	**1 995**	
Financial expenses	(265)	(154)	3.2
Financial income	12	20	3.2
Financial income/(expenses)	**(254)**	**(135)**	
Corporate income tax	(294)	(452)	3.3
Share of net profit/(loss) of associates	(2)	2	
Net profit of continued activities	**984**	**1 411**	
Net profit of discontinued and held for sale activities	-	-	4.9
Net profit	**984**	**1 411**	
o/w:			
- Non-controlling interests	18	21	
- Group share	**966**	**1 390**	
Earnings per share - basic (in euros)	3,71	5,34	3.4
Earnings per share - diluted (in euros)	3,70	5,33	3.4

3.2. Half-year consolidated statement of comprehensive income

(€ million)	**31.12.2020**	**31.12.2021**
Net profit for the period	**984**	**1 411**
Non-recyclable items		
Actuarial gains/(losses) related to defined benefit plans	**10**	**19**
Amounts recognised in shareholders' equity	*12*	*25*
Tax impact	*(2)*	*(6)*
Equity instruments	**178**	**(98)**
Unrealized gains and losses recognised in shareholders' equity	*180*	*(100)*
Tax impact	*(2)*	*1*
Recyclable items		
Net investment hedges	**28**	**(15)**
Amounts recognised in shareholders' equity	41	(20)
Tax impact	*(13)*	*6*
Cash flow hedges	**6**	**2**
Amounts recognised in shareholders' equity (1)	*8*	*3*
Tax impact	*(3)*	*(1)*
Translation differences	**(339)**	**375**
Other comprehensive income for the period, net of tax	**(117)**	**283**
Comprehensive income for the period	**866**	**1 693**
o/w:		
- Group share	**862**	**1 665**
- Non-controlling interests	**4**	**28**

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

3.3. Consolidated balance sheet

Assets

(€ million)	30.06.2021	31.12.2021	Notes
Net amounts			
Non-current assets			
Intangible assets	10 725	11 038	4.1
Goodwill	5 505	5 819	4.1
Property, plant and equipment	3 177	3 232	
Non-current financial assets	685	669	4.5
Investments in associates	36	217	
Non-current derivative instruments	65	28	
Deferred tax assets	1 623	1 687	3.3
TOTAL NON-CURRENT ASSETS	**21 816**	**22 690**	
Current assets			
Inventories and work in progress	6 555	6 694	4.2
Trade receivables and other operating receivables	1 126	2 233	
Income taxes receivable	141	77	
Other current assets	413	353	4.4
Current derivative instruments	8	26	
Cash and cash equivalents	2 078	1 997	4.6
TOTAL CURRENT ASSETS	**10 321**	**11 380**	
Assets held for sale	11	0	4.9
TOTAL ASSETS	**32 147**	**34 070**	

Liabilities

(€ million)	30.06.2021	31.12.2021	Notes
Shareholders’ equity			
Capital	406	406	6.1
Share premium	3 052	3 052	
Retained earnings and currency translation adjustments	10 066	10 909	
Group net profit	1 305	1 390	
Group shareholders’ equity	**14 829**	**15 757**	
Non-controlling interests	246	265	
TOTAL SHAREHOLDERS' EQUITY	**15 075**	**16 022**	
Non-current liabilities			
Non-current provisions	253	266	4.5
Provisions for pensions and other long-term employee benefits	477	435	4.5
Deferred tax liabilities	2 825	2 949	3.3
Bonds-non-current	8 787	8 236	4.6
Lease liability non-current	405	402	4.6
Other non-current financial liabilities	108	94	4.6
Non-current derivative instruments	0	3	4.7
TOTAL NON-CURRENT LIABILITIES	**12 854**	**12 385**	
Current liabilities			
Current provisions	163	151	4.5
Trade payables	2 337	2 976	
Income taxes payable	282	423	3.3
Other current liabilities	1 134	886	4.8
Bonds-current	70	785	4.6
Lease liability current	103	105	4.6
Other current financial liabilities	122	333	4.6
Current derivative instruments	6	4	4.7
TOTAL CURRENT LIABILITIES	**4 218**	**5 663**	
Liabilities related to assets held for sale	0	0	4.9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**32 147**	**34 070**	

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 attributable to equity holders of the Parent	Non - controlling interests	Total shareholders' 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	-	-	966	10	184	(299)	-	862	4	866
Capital variation	(5)	-	(519)	-	-	-	525	0	-	0
Share-based payments	-	-	15	-	-	-	-	15	-	15
(Acquisition)/disposal of treasury shares	-	-	(39)	-	-	-	15	(25)	-	(25)
Sale and repurchase agreements	-	-	-	-	-	-	-	-	-	-
Dividends distributed	-	-	(386)	-	-	-	-	(386)	(4)	(391)
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-	-
Other transactions with minority interests	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	1	1
Closing position on 31.12.2020	**406**	**3 052**	**12 069**	**(421)**	**105**	**(631)**	**(144)**	**14 435**	**244**	**14 679**

(€ 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**
IFRIC interpretation on IAS 19 impact	-	-	7	-	-	-	-	7	-	7
Opening position restated on 01.07.2021	**406**	**3 052**	**12 082**	**(320)**	**70**	**(314)**	**(140)**	**14 836**	**246**	**15 082**
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)
Sale and repurchase agreements	-	-	-	-	-	-	-	-	-	-
Dividends distributed	-	-	(465)	-	-	-	-	(465)	(5)	(470)
Changes in scope of consolidation	-	-	-	-	-	-	-	-	-	-
Other transactions with minority interests	-	-	1	-	-	-	-	1	(4)	(3)
Other movements	-	-	(5)	-	-	-	-	(5)	0	(5)
Closing position on 31.12.2021	**406**	**3 052**	**12 993**	**(301)**	**(26)**	**39**	**(405)**	**15 757**	**265**	**16 022**

3.5. Consolidated cash flow statement

(€ million)	**31.12.2020**	**31.12.2021**	**Notes**
Cash flow from operating activities			
Group net profit	966	1 390	
Non-controlling interests	18	21	
Share of net profit/(loss) of associates, net of dividends received	2	(2)	
Financial (income)/expenses	254	135	
Tax (income)/expenses	294	452	
Net profit from discontinued operations	(0)	-	
Depreciation of fixed assets	179	189	
Net change in provisions	(31)	(22)	
Net change in impairment of goodwill, property, plant and equipment and intangible assets	6	-	
Changes in fair value of commercial derivatives	(3)	(3)	
Changes in fair value of biological assets and investments	(2)	(0)	
Net (gain)/loss on disposal of assets	2	(3)	
Share-based payment	15	17	
Self-financing capacity before financing interest and taxes	**1 699**	**2 173**	
Decrease/(increase) in working capital requirements	(364)	(382)	5.1
Interest paid	(222)	(141)	
Interest received	10	20	
Tax paid/received	(135)	(191)	
Net change in cash flow from operating activities	**988**	**1 478**	
Cash flow from investing activities			
Capital expenditure	(174)	(177)	
Proceeds from disposals of property, plant and equipment and intangible assets	21	20	
Change in scope of consolidation	-	0	
Purchases of financial assets and activities	(46)	(471)	5.2
Disposals of financial assets and activities	13	7	**5.2**
Net change in cash flow from investing activities	**(186)**	**(622)**	
Cash flow from financing activities			
Dividends and interim dividends paid	(699)	(820)	
Other changes in shareholders' equity	-	0	
Issuance of debt	1 774	689	5.3
Repayment of debt	(1 782)	(492)	5.3
Repayment of lease debt	(44)	(55)	
(Acquisition)/disposal of treasury shares	(25)	(292)	
Other transactions with non-controlling interests	-	-	
Net change in cash flow from financing activities	**(776)**	**(970)**	
Cash flow from non-current assets held for sale	-	-	
Increase/(decrease) in cash and cash equivalents before foreign exchange impact	**26**	**(114)**	
Effect of exchange rate changes	(6)	33	
Increase/(decrease) in cash and cash equivalents after foreign exchange impact	**20**	**(81)**	
Cash and cash equivalents at beginning of period	**1 935**	**2 078**	
Cash and cash equivalents at end of period	**1 955**	**1 997**	

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 09 February 2022, the Board of Directors approved the condensed consolidated interim financial statements ended 31 December 2021.

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 2021 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 2021.

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 2021, subject to the changes in accounting standards listed under section 1.1.3;
- 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 2021.

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 2021, 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 2021.

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.

3. Changes in accounting standards

During the first half of the year, the Group finalized the calculation of the impacts related to the decision published by the IFRIC in April 2021 relating to IAS 19 "Employee benefits" on attribution of employee benefits to periods of service. This decision clarifies the period over which employee benefits be attributed or granting employee benefits to distribute the IAS 19 charge.

This decision only impacts few plans, mainly in France, and reduce by € 10 million the gross amount before deferred tax, of the retirement provision in the Group's consolidated financial statements. It has no material effect on the cost of services recognized 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 recognized this amount directly in the Group's consolidated reserves. The impact of this decision on Group equity is identified separately in Note 3.4 - Statement of *changes in consolidated equity for the period.*

The effects of the IFRS IC agenda decision published in April 2021 relating to IAS 38 "Intangible assets" on the recognition of configuration and customization costs in a cloud computing arrangement as part of a Software as a service agreement, are still being analyzed by the Group.

As of 1 July 2021, the Group has applied the amendments to IFRS 9, IAS39, IFRS7, 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 finalized negotiations with the counterparties to make the transition to the new indices for currencies concerned as of 31 December 2021 (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.

Note 1.2. Significant events of the semester

1.1. Acquisitions and disposals

During the first half of the 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 Whiskey Exchange.

As part of the dynamic management strategy of its brand portfolio, the Group also sold the Armagnac brand Montesquiou in France.

1.2. Bond issues and redemption

On October 4, 2021, the Pernod Ricard Group, through one of its wholly owned subsidiaries, issued a bond issue of 500 million euros over an 8-year tranche, bearing interest at the fixed annual rate of 0.125%.

On October 21, 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 euros.

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)*	**31.12.2020**	**31.12.2021**	**Variation (M€)**	**Variation (%)**
Net sales	1 456	1 797	341	23%
Gross margin after logistics expenses	881	1 112	231	26%
Advertising and promotion expenses	(164)	(214)	(50)	31%
Contribution after advertising and promotion	717	898	181	25%
Profit from Recurring Operations	**461**	**589**	**127**	**28%**

Americas *(€ million)*	**31.12.2020**	**31.12.2021**	**Variation (M€)**	**Variation (%)**
Net sales	1 402	1 638	235	17%
Gross margin after logistics expenses	909	1 070	161	18%
Advertising and promotion expenses	(250)	(264)	(14)	6%
Contribution after advertising and promotion	659	806	147	22%
Profit from Recurring Operations	**459**	**595**	**136**	**30%**

Asia/Rest of World *(€ million)*	**31.12.2020**	**31.12.2021**	**Variation (M€)**	**Variation (%)**
Net sales	2 127	2 524	397	19%
Gross margin after logistics expenses	1 232	1 458	226	18%
Advertising and promotion expenses	(291)	(361)	(70)	24%

Contribution after advertising and promotion	940	1 097	157	17%
Profit from Recurring Operations	**674**	**814**	**140**	**21%**

Group *(€ million)*	**31.12.2020**	**31.12.2021**	**Variation (M€)**	**Variation (%)**
Net sales	4 985	5 959	974	20%
Gross margin after logistics expenses	3 021	3 640	619	20%
Advertising and promotion expenses	(706)	(840)	(134)	19%
Contribution after advertising and promotion	2 315	2 801	485	21%
Profit from Recurring Operations	**1 595**	**1 998**	**403**	**25%**

Breakdown of sales - Presentation by category

(€ million)	**31.12.2020 published**	**31.12.2020 restated**	**31.12.2021**	**Variation (M€)**	**Variation (%)**
Strategic International Brands	3 190	3 190	3 896	706	22%
Strategic Local Brands	873	873	1 003	130	15%
Priority Premium Wines	239	273	267	(6)	-2%
Speciality	249	249	304	55	22%
Other products	435	401	490	89	22%
TOTAL	**4 985**	**4 985**	**5 959**	**974**	**20%**

Since fiscal year 2021/2022, the "Strategic wines" segment has changed to manage the Group wines' strategy and prioritization. This segmentation change has been applied to the period ended December 31, 2020 for comparison purposes.

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)	**31.12.2020**	**31.12.2021**
Impairment of property, plant and equipment and intangible assets	(4)	-
Gains or losses on asset disposals and acquisition costs	(2)	(2)
Net restructuring and reorganisation expenses	(54)	(8)
Disputes and risks	0	(2)
Other non-current operating income and expenses	(2)	9
Other operating income/(expenses)	**(61)**	**(2)**

At December 31 2021, other operating income and expenses primarily consisted of

- Restructuring expenses for €8 million relating to various reorganisation projects;
- A net profit of €9 million related to positive outcomes on disputes and risks.

Note 3.2. Financial income/(expense)

(€ million)	**31.12.2020**	**31.12.2021**
Interest expense on net financial debt	(144)	(108)
Interest expense on lease liability	(7)	(6)
Interest income on net financial debt	10	20
Net financing cost	**(140)**	**(94)**
Structuring and placement fees	(2)	(1)
Net financial impact of pensions and other long-term employee benefits	(10)	(7)
Other net current financial income (expense)	1	(0)
Financial income/(expense) from recurring operations	**(151)**	**(102)**
Foreign currency gains/(losses)	(31)	(8)
Other non-current financial income/(expenses)	(72)	(24)
Total financial income/(expenses)	**(254)**	**(135)**

At 31 December 2021, net financing costs were mainly composed of bond interests for €95 million.

Financial result is also impacted by the cost of the early bond redemption detailed in Note 1.2 - *Significant events of the semester* for €(24) million, negative foreign exchange impacts for €(8)million, and net financial impact of pensions and other long-term employee benefits for (7) million euros.

Note 3.3. Income tax

Analysis of the income tax expense

(€ million)	**31.12.2020**	**31.12.2021**
Current income tax	(266)	(388)
Deferred income tax	(28)	(64)
Total	**(294)**	**(452)**

Analysis of effective tax rate

(€ million)	**31.12.2020**	**31.12.2021**
Operating profit	1 534	1 995
Financial income/(expense)	(254)	(135)
Taxable profit	**1 280**	**1 860**
Theoretical tax charge at the effective income tax rate in France	(410)	(529)
Impact of tax rate differences by jurisdiction	157	135
Tax impact of variation in exchange rates	(2)	(5)
Re-estimation of deferred tax assets linked to tax rate changes	4	(5)
Impact of tax losses used/not used	(0)	2
Impact of reduced/increased tax rates on taxable results	(0)	0
Taxes on distributions	(20)	(18)
Other impacts	(23)	(34)
Effective tax expense	**(294)**	**(452)**
Effective tax rate	**23%**	**24%**

Deferred taxes are broken down by nature as follows:

(€ million)	**30.06.2021**	**31.12.2021**
Margins in inventories	111	123
Fair value adjustments on assets and liabilities	13	12
Provision for pension benefits	78	73
Loss carried forward	913	908
Provisions (other than provisions for pensions benefits) and other items	509	570
Total deferred tax assets	**1 623**	**1 687**
Accelerated tax depreciation	175	181
Fair value adjustments on assets and liabilities	2 469	2 561
Other items	181	207
Total deferred tax liabilities	**2 825**	**2 949**

The Group Income taxes payables are broken down as follows:

(€ million)	**30.06.2021**	**31.12.2021**
Other current tax liabilities	166	305
Uncertain tax positions	117	119
TOTAL CURRENT TAX LIABILITIES	**282**	**423**

Note 3.4. Earnings per share

	31.12.2020	31.12.2021
Numerator *(€ million)*		
Group share of net profit	966	1 390
Denominator *(in number of shares)*		
Average number of outstanding shares	260 661 241	260 220 390
Dilutive effect of bonus share allocations	737 779	512 863
Dilutive effect of stock options and subscription options	78 621	96 013
Average number of outstanding shares—diluted	**261 477 642**	**260 829 265**
Earnings per share *(€)*		
Earnings per share – basic	3,71	5,34
Earnings per share – diluted	3,70	5,33

Note 4. Notes to the balance sheet

Note 4.1. Intangible assets and goodwill

		Movements in the year					
(€ million)	30.06.2021	Acquisitions	Allowances	Disposals	Translation adjustments	Other movements	31.12.2021
Goodwill	5 642	161	-	-	154	0	5 957
Brands	12 894	23	-	(0)	357	(0)	13 273
Other intangible assets	541	46	-	(57)	11	53	593
GROSS VALUE	**19 077**	**230**	**-**	**(57)**	**521**	**53**	**19 823**
Goodwill	(137)	-	-	-	(1)	(0)	(138)
Brands	(2 369)	-	-	-	(91)	-	(2 460)
Other intangible assets	(341)	-	(25)	57	(6)	(53)	(368)
AMORTISATION/IMPAIRMENT	**(2 847)**	**-**	**(25)**	**57**	**(98)**	**(53)**	**(2 966)**
INTANGIBLE ASSETS, NET	**16 230**	**230**	**(25)**	**(0)**	**424**	**(0)**	**16 857**

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 to foreign exchange evolutions.

Note 4.2. Inventories and work-in-progress

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

		Movements in the year				
(€ million)	30.06.2021	Change in gross values	Change in impairment	Translation adjustments	Other movements	31.12.2021
Raw materials	177	15	-	4	1	198
Work in progress	5 486	8	-	61	(1)	5 554
Goods in inventory	646	21	-	8	-	675
Finished products	331	(24)	-	8	33	348
GROSS VALUE	**6 641**	**20**	**-**	**81**	**33**	**6 775**
Raw materials	(16)	-	1	(0)	(0)	(15)
Work in progress	(29)	-	3	(0)	-	(26)
Goods in inventory	(23)	-	(0)	(1)	-	(25)
Finished products	(17)	-	3	(0)	-	(14)
IMPAIRMENT	**(86)**	**-**	**7**	**(2)**	**(0)**	**(81)**
NET INVENTORIES	**6 555**	**20**	**7**	**79**	**33**	**6 694**

As at 31 December 2021, 82% 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 2021/22, the Group continued to implement its programs to sell the receivables of several subsidiaries. Receivables sold under these programs totaled €919 million at 31 December 2021 and €592 million at 30 June 2021. 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	11	-	11	-	11	11

Note 4.4. Other current assets

Other current assets are broken down as follows:

(€ million)	30.06.2021	31.12.2021
Advances and down payments	39	42
Tax accounts receivable, excluding income tax	258	207
Prepaid expenses	88	74
Other receivables	28	30
TOTAL	**413**	**353**

Note 4.5. Provisions

1. Breakdown of provisions

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

(€ million)	30.06.2021	31.12.2021
Non-current provisions		
Provisions for pensions and other long-term employee benefits	477	435
Other non-current provisions for risks and charges	253	266
Current provisions		
Provisions for restructuring	50	31
Other current provisions for risks and charges	113	121
TOTAL	**893**	**852**

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 2021, the amount of provisions booked by the Group in respect of disputes or risks in which it is involved amounted to €387 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)	**30.06.2021**	**Allowances**	**Used**	**Unused reversals**	**Translation adjustments**	**First-time consolidation**	**Other movements**	**31.12.2021**
Provisions for restructuring	50	3	19	4	-	-	0	31
Other current provisions	113	11	3	2	0	-	1	121
Other non-current provisions	253	21	1	13	0	-	6	266
TOTAL PROVISIONS	**416**	**35**	**24**	**19**	**0**	**-**	**7**	**417**

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)	**30.06.2021**	**31.12.2021**
Net liability / (asset) at beginning of period	**341**	**192**
Impacts IFRIC interpretation IAS 19	**N/A**	**(10)**
Net expense/(income) for the period	58	29
Actuarial (gains)/losses(1)	(126)	(25)
Employer contributions and benefits paid directly by the employer	(47)	(37)
Changes in scope of consolidation	(0)	-
Foreign currency gains and losses	(18)	1
Net liability / (asset) at end of period	**192**	**150**
Amount recognised in assets	(285)	(284)
Amount recognised in liabilities	**477**	**435**

(1) Recognised as items of other comprehensive income.

On 31 December 2021, non-current financial assets (€669 million) include €284 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)*	**31.12.2020**	**31.12.2021**
Service cost	24	23
Interest on provision	3	1
Fees/levies/premiums	5	4
Impact of plan amendments / Reduction of future rights	(8)	-
Impact of liquidation of benefits	-	-
NET EXPENSE/(INCOME) RECOGNISED IN PROFIT AND LOSS	**24**	**29**

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

	30.06.2021			31.12.2021		
(€ million)	Current	Non-current	Total	Current	Non-current	Total
Bonds	**70**	**8 787**	**8 857**	**785**	**8 236**	**9 021**
Syndicated loan	-	-	**-**	-	-	**-**
Commercial paper	7	-	**7**	170	-	**170**
Other loans and financial debts	115	108	**222**	163	94	**258**
Other financial liabilities	**122**	**108**	**229**	**333**	**94**	**428**
GROSS FINANCIAL DEBT	**192**	**8 894**	**9 086**	**1 118**	**8 330**	**9 448**
Fair value hedge derivatives instruments – assets	-	(22)	**(22)**	(10)	(4)	**(14)**
Fair value hedge derivatives instruments – liabilities	-	-	**-**	-	-	**-**
Fair value hedge derivatives	**-**	**(22)**	**(22)**	**(10)**	**(4)**	**(14)**
Net investments hedging derivative instruments - assets	-	(43)	**(43)**	-	(22)	**(22)**
Net investments hedging derivative instruments - liabilities	-	-	**-**	-	-	**-**
Net asset hedging derivative instruments	**-**	**(43)**	**(43)**	**-**	**(22)**	**(22)**
FINANCIAL DEBT AFTER HEDGING	**192**	**8 830**	**9 022**	**1 108**	**8 305**	**9 413**
Cash and cash equivalents	**(2 078)**	**-**	**(2 078)**	**(1 997)**	**-**	**(1 997)**
Net financial debt excluding lease liabilities	**(1 886)**	**8 830**	**6 944**	**(889)**	**8 305**	**7 416**
Lease Liabilities	103	405	508	105	402	507
NET FINANCIAL DEBT	**(1 783)**	**9 235**	**7 452**	**(784)**	**8 707**	**7 923**

2. Breakdown of debt by currency before and after foreign exchange hedging instruments at 30 June 2021 and 31 December 2021

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%**

31.12.2021 *(€ million)*	Gross financial debt	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% debt after hedging	% net debt after hedging
EUR	5 512	262	5 774	(1 100)	4 674	61%	63%
USD	3 841	(95)	3 747	(73)	3 674	40%	50%
GBP	27	-	27	(66)	(40)	0%	-1%
SEK	2	(131)	(129)	(41)	(170)	-1%	-2%
Other currencies	66	(72)	(6)	(716)	(722)	0%	-10%
Financial debt by currency	**9 448**	**(35)**	**9 413**	**(1 997)**	**7 416**	**100%**	**100%**

3. Breakdown of fixed-rate/floating rate debt before and after interest rate hedging instruments at 30 June 2021 and 31 December 2021

	30.06.2021				31.12.2021			
(€ million)	Debt before hedging		Debt after hedging		Debt before hedging		Debt after hedging	
Fixed-rate debt	8 975	99%	8 302	92%	9 242	98%	8 536	91%
Capped floating-rate debt	-	-	-	-	-	-	-	-
Floating-rate debt	47	1%	720	8%	171	2%	877	9%
FINANCIAL DEBT AFTER HEDGING BY TYPE OF RATE	**9 022**	**100%**	**9 022**	**100%**	**9 413**	**100%**	**9 413**	**100%**

At 31 December 2021, before taking into account of any hedges, 98% of the Group's gross debt was fixed-rate and 2% floating-rate. After hedging, the floating-rate part was 9%.

4. Schedule of financial liabilities at 30 June 2021 and 31 December 2021

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 2021 and 31 December 2021.

30.06.2021 *(€ million)*	Balance sheet value	Contractual flows	< 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Nominal value	-	(9 061)	(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 LIABILITY	**(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)**

31.12.2021 ***(€ million)***	Balance sheet value	Contractual flows	< 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Nominal value		(9 434)	(283)	(758)	(513)	(663)	(1 013)	(1 143)	(5 061)
Interest		(1 824)	(98)	(81)	(149)	(149)	(135)	(116)	(1 095)
GROSS FINANCIAL DEBT	**(9 448)**	**(11 258)**	**(381)**	**(839)**	**(662)**	**(812)**	**(1 149)**	**(1 258)**	**(6 156)**
LEASE LIABILITY	**(507)**	**(570)**	**(43)**	**(71)**	**(87)**	**(68)**	**(58)**	**(48)**	**(194)**
Cross currency swaps:	-								
Flows payable		-	-	-	-	-	-	-	-
Flows receivable		-	-	-	-	-	-	-	-
Derivative instruments - liabilities	(7)	(7)	(7)	-	-	-	-	-	-
DERIVATIVE INSTRUMENTS - LIABILITIES	**(7)**	**(7)**	**(7)**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL FINANCIAL LIABILITIES	**(9 962)**	**(11 834)**	**(431)**	**(910)**	**(750)**	**(880)**	**(1 207)**	**(1 306)**	**(6 351)**

5. Credit lines

At 31 December 2021, credit lines comprised the multi-currency syndicated loan of €2,500 million and bilateral lines for €860 million. No drawdowns have been made from these credit lines.

6. Bonds

Nominal amount	Interest rate	Issue date	Maturity	Carrying amount at 31.12.2021 *(€ million)*
800 MUSD	4,25%	12/01/2012	15/07/2022	725
500 MEUR	0,00%	24/10/2019	24/10/2023	499
650 MEUR	2,13%	29/09/2014	27/09/2024	652
250 MEUR	1,13%	27/04/2020	07/04/2025	255
750 MEUR	1,13%	01/04/2020	07/04/2025	751
600 MEUR	1,50%	17/05/2016	18/05/2026	604
600 MUSD	3,25%	08/06/2016	08/06/2026	531
500 MEUR	0,50%	24/10/2019	24/10/2027	498
600 MUSD	1,25%	01/10/2020	01/04/2028	527
500 MEUR	0,13%	04/10/2021	04/10/2029	490
250 MEUR	1,75%	27/04/2020	08/04/2030	266
750 MEUR	1,75%	01/04/2020	08/04/2030	754
900 MUSD	1,63%	01/10/2020	01/04/2031	788
500 MEUR	0,88%	24/10/2019	24/10/2031	494
850 MUSD	5,50%	12/01/2012	15/01/2042	757
500 MUSD	2,75%	01/10/2020	01/10/2050	430
TOTAL BONDS				**9 021**

Note 4.7. Financial instruments

		Breakdown by accounting classification				30.06.2021	
(€ 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	Niveau 1 et 3	-	286	-	-	286	286
Guarantees, deposits, investment-related 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	Niveau 2	29	43	-	-	72	72
Cash and cash equivalents	Niveau 1	2078	-	-	-	2078	2078
Liabilities							
Bonds		-	-	-	8 857	8 857	9 399
Bank debt		-	-	-	229	229	229
Lease liability		-	-	-	508	508	508
Derivative instruments – liabilities	Niveau 2	6	-	-	-	6	6

(€ million)	Measurement level	Breakdown by accounting classification Fair value – profit	Fair value through Equity	Assets at amortised cost	Liabilities at amortised cost	31.12.2021 Balance sheet value	Fair value
Assets							
Equity instruments	Level 1 and 3	-	237	-	-	237	237
Guarantees, deposits, investment-related receivables		-	-	140	-	140	140
Trade receivables and other operating receivables		-	-	2 233	-	2 233	2 233
Other current assets		-	-	367	-	367	367
Derivative instruments – assets	Level 2	32	22	-	-	54	54
Cash and cash equivalents	Level 1	1 997	-	-	-	1 997	1 997
Liabilities							
Bonds		-	-	-	9 021	9 021	9 435
Bank debt		-	-	-	428	428	428
Lease liability		-	-	-	507	507	507
Derivative instruments – liabilities	Level 2	7	-	-	-	7	7

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 2021, the impact was not significant.

Note 4.8. Other current liabilities

Other current liabilities are broken down as follows:

(€ million)	30.06.2021	31.12.2021
Taxes and social payables	718	823
Other operating payables	416	64
TOTAL	**1134**	**886**

Other current liabilities decrease between June 30 and December 31, 2021 is mainly explained by the €347 million interim dividend paid on 7 July 2021. Most of these other current liabilities are due within one year

Note 4.9. Assets held for sale

The Group does not hold significant assets held for sale as defined by IFRS 5 as at December 31st, 2021.

Note 5. Notes to the consolidated cash flow statement

1. Working capital requirement

The working capital requirement has increased by +€382 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: +€27 million;
- trade receivables: +€1 047 million;
- trade payables: €(511) million;
- others: €(181) million.

2. Acquisitions of financial assets and activities

The acquisitions of financial assets and activities net of disposals generated a cash outflow of (464) 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, the Pernod Ricard Group carried out bond issuance/subscriptions for €489 million and bond redemptions for €(499) 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 €163 million.

The Group also paid €61 million in respect of its lease liabilities, of which €54 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 2021 and 31 December 2021:

	Number of shares	Amount (€ million)
Share capital on 30.06.2021	261 876 560	406
Share capital on 31.12.2021	261 876 560	406

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 2021, Pernod Ricard SA and its controlled subsidiaries held 2 313 235 Pernod Ricard shares for a value of €399 million, including €250 million acquired during the period under the share buyback program announced on 1st September 2021.

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 2021, the total dividend in respect of the financial year ended 30 June 2021 was €3.12 per share. An interim dividend payment of €1.33 per share having been paid on 7 July 2021, the balance amounting to €1.79 per share has been paid on 24 November 2021.

Note 6.2. Share-based payments

The Group recognised an expense of €17 million within operating profit relating to stock option and performance-based share applicable on 31 December 2021.

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, 2021	**1 401 955**
Number of options exercised / shares acquired during the period	(214 611)
Number of options / shares cancelled over the period	(41 524)
Number of options / shares newly granted over the period	237 306
Number of outstanding options / shares at December 31, 2021	**1 383 126**

Note 6.3. Off-balance sheet commitments

The Group's off-balance sheet commitments amounted to € 2,312 million as of December 31, 2021, compared to € 2,340 million as of June 30, 2021.

Off-balance sheet commitments received from the Group amounted to € 3,452 million as of December 31, 2021, compared to € 3,450 million as of June 30, 2021.

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 8,811 million Indian rupees (equivalent to € 104.6 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 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.

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 2021, for all litigation and risks in which it is involved, amounted to €387 million, compared to €366 million at 30 June 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 in most countries by a joint venture company called Havana Club Holding SA (HCH), of which Pernod Ricard is a shareholder, and is registered in over 160 countries in which the Havana Club rum is distributed. In the United States, this brand is owned by a Cuban company (Cubaexport). Ownership of this brand is currently being challenged in the United States by a competitor of Pernod Ricard.

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

1. The United States Office of Foreign Assets Control (OFAC) decided that this law had the effect of preventing any renewal of the US trademark registration for the Havana Club brand, which, in the United States, has been owned by Cubaexport since 1976, without obtaining a specific licence from OFAC. In August 2006, the United States Patent and Trademark Office (USPTO) denied the renewal of the said Havana Club trademark registration, following OFAC's refusal to grant a specific licence.

Cubaexport petitioned the Director of the USPTO to reverse this decision and also filed a claim against the OFAC, challenging both OFAC's decision and the law and regulations applied by OFAC. In March 2009, the US District Court for the District of Columbia ruled against Cubaexport. In March 2011, in a two-to-one decision, the Court of Appeals blocked Cubaexport from renewing its trademark. A certiorari petition was filed before the US Supreme Court on 27 January 2012, with the support of the French government, the National Foreign Trade Council and the Washington Legal Foundation. On 14 May 2012, the Supreme Court denied the petition. In November 2015, Cubaexport again applied for a specific licence from OFAC to renew the trademark in the United States. On 11 January 2016, OFAC granted Cubaexport's licence application and on 13 January 2016, the application to the Director of USPTO was declared admissible and the trademark was renewed for the 10-year period ending on 27 January 2016. A request for a further renewal for a period of 10 years from 27 January 2016 was also granted.

2. A competitor of the Group has petitioned the USPTO to cancel the Havana Club trademarks in the United States. In January 2004, the USPTO denied the petition and refused to cancel the trademark registration. As this decision was appealed, proceedings are now 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. The Company continues to actively work with the authorities and courts to resolve pending issues.

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

Moreover, Pernod Ricard India (P) received several notices of tax adjustment for FY07 to 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 2021, 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, 2021 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, 2021

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, 2021,
- the verification of the information presented in the half-yearly management report.

Due to the global crisis related to the Covid-19 pandemic, the condensed half-yearly consolidated financial statements have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that 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 10, 2022

The Statutory Auditors

French original signed by

KPMG Audit		Deloitte & Associés
A Division of KPMG S.A.		
Eric Ropert	Caroline Bruno-Diaz	Marc de Villartay
Partner	*Partner*	*Partner*

Pernod Ricard

Créateurs de convivialité