Half-year financial report

31 December 2020

Pernod Ricard

Créateurs de convivialité

1. CERTIFICATION BY THE PERSON ASSUMING THE 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 FY21 totalled €4,985m, with an **organic decline of -3.9%** (-8.9% reported), with an unfavourable FX impact linked mainly to Euro appreciation vs. USD and Emerging market currencies.

H1 FY21 Sales declined but Q2 improved vs. Q1. For H1 FY21, the trends were:

- **Americas +2%:** good growth in most domestic markets, with particular dynamism in USA, but significant decline in Travel Retail
- **Asia-RoW -6%:** double-digit growth in China, Turkey, Korea and Pacific, but Covid-related declines in certain Asian markets and Travel Retail. India back to growth in Q2
- **Europe -5%:** continued very strong growth in Germany, UK, Russia and Poland, more than offset by Covid impact in Spain, France, Ireland and Travel Retail

Strategic International Brands declined due to Travel Retail and On-Trade exposure but Specialty Brands were performing very strongly:

- **Strategic International Brands -6%:** solid growth of Malibu, Jameson and The Glenlivet, but overall category impacted by Travel Retail exposure. Martell and Scotch growing in domestic markets
- **Strategic Local Brands -4%:** mainly driven by Seagram's Indian whiskies and Seagram's Gin in Spain
- **Specialty Brands +22%:** continued very dynamic development of Lillet, Malfy, Aberlour, American whiskies (Jefferson's, TX, Rabbit Hole and Smooth Ambler), Avion and Redbreast
- **Strategic Wines +3%:** solid growth thanks mainly to Campo Viejo and Brancott Estate

Pernod Ricard gained or held share in key markets, notably in Europe, despite the On-trade disruption. **Dynamic portfolio management continued**, with Innovation in strong growth (+10%.)

Q2 Sales were €2,750m, with -2.4% organic decline, but improving vs. Q1 Sales (-5.6%), thanks in particular to better trends in China and India.

Pernod Ricard continued to deliver on Transform & Accelerate strategic priorities:

- **USA in strong growth: +5%**
- **China** confirming **return to very strong growth: +13%**
- **India return to growth in Q2: +2%**
- **Gaining or holding share** in key markets, notably in Europe, despite On-trade disruption
- **Dynamic portfolio management, driven by Innovation** in dynamic growth (+10%)
- Driving **2030 Sustainability & Responsibility roadmap,** with significant progress in packaging
- **Accelerating digital transformation** across all functions

Pernod Ricard displayed agility in managing ongoing Covid-19 impact

- Priority continuing to be given to **health, wellbeing and safety** of employees and business partners
- **Travel Retail** managing resources in agile manner
- **A&P both tightly managed and actively redeployed,** depending on market/channel opportunity and reality
- **Operational excellence** driving savings
- **Very strict discipline on Structure costs**
- **Dynamic management of resources** driving improvement in organic operating margin

2.1.1. Profit from Recurring Operations

Group *(€ million)*	**31.12.2019**	**31.12.2020**	**Reported growth**		**Organic (1) growth**	
Net sales	5 474	4 985	(489)	-9%	(209)	-4%
Gross margin after logistics expenses	3 419	3 021	(398)	-12%	(188)	-5%
Advertising and promotion expenses	(842)	(706)	136	-16%	101	-12%
Contribution after advertising and promotion	2 577	2 315	(261)	-10%	(87)	-3%
Profit from Recurring Operations	**1 788**	**1 595**	**(193)**	**-11%**	**(42)**	**-2%**
(1) At constant forex and Group structure (organic growth)						

H1 FY21 Profit from Recurring Operations declined -2.4% organically, with an organic margin improvement of +51bps, thanks to dynamic management of resources and favourable phasing:

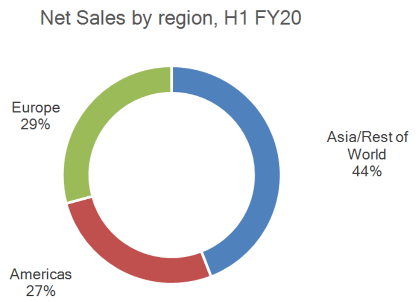
- **Gross margin contracting -108bps**, driven by:
  - **Soft pricing,** with fewer price increases and on solid comparison basis (H1 FY20 +2% on Strategic Brands, benefiting from FY19 Martell price increases)
  - **Adverse mix** primarily linked to decline in Travel Retail
  - **Higher Cost of Goods** mainly from continued agave price pressures and lower fixed cost absorption, offsetting Operational Excellence initiatives
- **A&P: improving by +132bps**, resulting from purpose-based investment, with strong reduction in markets and channels with subdued demand and favourable phasing (ratio of c. 16% expected for FY21, with strong double-digit increase in H2)
- **Structure costs: improving by +27bps**, reflecting dynamic management of resources and FY20 reorganisations
- **Strong negative FX impact on PRO -€155m** due to USD and Emerging market currency depreciation vs. Euro. **A very significant negative FX impact is also expected for full-year FY21.**

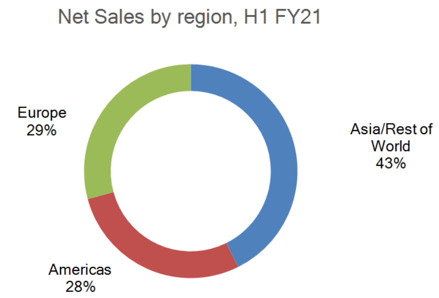
Business activity by geographic area

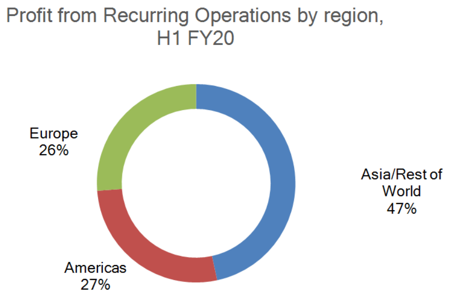
Americas *(€ million)*	**31.12.2019**	**31.12.2020**	**Reported growth**		**Organic (1) growth**	
Net sales	1 461	1 402	(59)	-4%	22	2%
Gross margin after logistics expenses	986	909	(77)	-8%	3	0%
Advertising and promotion expenses	(285)	(250)	35	-12%	18	-6%
Contribution after advertising and promotion	701	659	(43)	-6%	21	3%
Profit from Recurring Operations	**486**	**459**	**(27)**	**-6%**	**27**	**5%**
(1) At constant forex and Group structure (organic growth)						

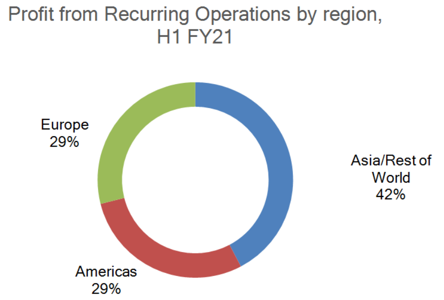
Asia/Rest of World *(€ million)*	**31.12.2019**	**31.12.2020**	**Reported growth**		**Organic (1) growth**	
Net sales	2 415	2 127	(288)	-12%	(148)	-6%
Gross margin after logistics expenses	1 442	1 232	(211)	-15%	(120)	-8%
Advertising and promotion expenses	(341)	(291)	50	-15%	35	-10%
Contribution after advertising and promotion	1 101	940	(161)	-15%	(86)	-8%
Profit from Recurring Operations	**833**	**674**	**(159)**	**-19%**	**(95)**	**-11%**
(1) At constant forex and Group structure (organic growth)						

Europe *(€ million)*	**31.12.2019**	**31.12.2020**	**Reported growth**		**Organic (1) growth**	
Net sales	1 598	1 456	(142)	-9%	(83)	-5%
Gross margin after logistics expenses	991	881	(110)	-11%	(71)	-7%
Advertising and promotion expenses	(216)	(164)	52	-24%	49	-23%
Contribution after advertising and promotion	775	717	(58)	-7%	(22)	-3%
Profit from Recurring Operations	**468**	**461**	**(7)**	**-1%**	**26**	**5%**
(1) At constant forex and Group structure (organic growth)						









Profit from Recurring Operations (PRO) in the **Americas** increased +5% due to:

- **Gross margin contracting -80bps**, driven by adverse mix linked in particular to channel/formats in USA and lesser Travel Retail share, and continued agave cost pressure
- **A&P: improving by +150bps,** reflecting purpose-based investment. Increased investment in USA, with strong reallocations reflecting opportunities and continued support behind Jameson and growth relays
- **Structure costs: improving by +62bps,** reflecting tight resource management in Covid-19 context
- **Strong negative FX impact on PRO -€65m** due mainly to US Dollar and to lesser extent Brazilian Real.

Profit from Recurring Operations (PRO) in the **Asia / Rest of the World** declined -11% organically due to:

- **Gross margin contraction due mainly to adverse market mix (Travel Retail decline)**
- **A&P: improving by +60 bps,** reflecting cautious investment in markets impacted by Covid-19 but strong investment in China
- **Structure costs: -114 bps,** reflecting tight resource management offset by negative one-off costs.

Adverse Emerging market FX impact, in particular from Turkish Lira, Indian Rupee and Chinese RMB

Profit from Recurring Operations (PRO) in the **Europe** grew +5% organically thanks to:

- **Gross margin contraction** due mainly to adverse market mix
- **A&P: improving by +250 bps,** as result of cautious investment in markets impacted by Covid-19, in particular due to ongoing restrictions in On-trade channel across Region
- **Structure costs: improving by +210 bps,** reflecting continuation of strict operating guidelines and efficiencies from reorganisations. Favourable one-off income from land disposals
- **Adverse FX impact** mainly from Russian Ruble

2.1.2. Group share of net profit from recurring operations

(€ million)	**31.12.2019**	**31.12.2020**
Profit from Recurring Operations	1 788	1 595
Financial income/(expenses) from recurring operations	(164)	(151)
Corporate income tax on recurring operations	(392)	(337)
Net Profit from discontinued operations, non-controlling interests and share of net profit from equity associates	(15)	(20)
Group share of Net Profit from Recurring Operations(1)	**1 216**	**1 087**
Group Net Profit per share from recurring operations – diluted (in euro)	**4,58**	**4,16**

(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 financial expenses from recurring operations

Net financial expenses from recurring operations totalled €(151) million, a 14€ million decrease on the comparable period, mainly due to decrease of average cost of debt to 3.2% from 3.7% in H1 FY20, thanks to successful US Dollar bond debt refinancing.

Net debt

Net debt decreased by €443m vs. 30 June 2020 to €7,980m, explained by:

- **Stronger FCF** thanks to improved WCN, lower tax and financial expenses, partly offset by higher non-recurring items
- **Limited M&A cash-out**
- **Lower dividend payment** (-€144m vs LY) reflecting stable payout ratio but lower Net Profit from Recurring Operations resulting from pandemic impact
- **Suspension of Share buyback programme** in April 2020
- **Significant positive FX impact** of €406m mainly due to EUR strenghtening vs. USD

The Net Debt/EBITDA ratio at average rates[1] was 3.4x at 31 December 2020.

Income tax on recurring operations

Income tax from recurring operations amounted to €(337) million, equating to a tax rate of 23.4%, vs. 24.2% in H1 FY20, due to reduction in French tax rate and geographical mix.

Group share of net profit from recurring operations

Group share of Net Profit from Recurring Operations amounted to €1,087 million at 31 December 2010, a decrease of -11% compared to H1 FY20.

2.1.3. Group share of net profit

(€ million)	**31.12.2019**	**31.12.2020**
Profit from Recurring Operations	1 788	1 595
Other operating income and expenses	(152)	(61)
Operating profit	**1 636**	**1 534**
Financial income/(expenses) from recurring operations	(164)	(151)
Other financial income/(expenses)	(1)	(103)
Corporate income tax	(423)	(294)
Net Profit from discontinued operations, non-controlling interests and share of net profit from equity associates	(15)	(20)
Group share of Net Profit	**1 032**	**966**

[1] Based on average EUR/USD rates: 1.14 in calendar year 2020

Other operating income and expenses

Other operating income and expenses amounted to €(61) million at 31 December 2020, mainly from non-recurring expense (€(54)million reorganisation costs reflecting ongoing operational adaptation).

Group share of net profit

Group share of net profit was €966 million, a decline of -6% reflecting decline in Profit from Recurring Operations partially offset by lower non-recurring items.

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

For FY21, Pernod Ricard expects:

- **Continued uncertainty and volatility**, in particular relating to sanitary and economic conditions, resulting in prolonged downturn in Travel Retail and On-trade disruption
- **Sales to return to growth for FY21**, thanks in particular to dynamism in Must-win markets USA, China and India
- Continued implementation of clear strategy with **acceleration of Digital transformation**
- **Dynamic resource management**, with strong reinvestment where efficient (A&P expected at c. 16% ratio for FY21)

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 2019/20.

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)	**31.12.2019**	**31.12.2020**	**Notes**
Net sales	5 474	4 985	2
Cost of sales	(2 055)	(1 964)	2
Gross margin after logistics expenses	**3 419**	**3 021**	2
Advertising and promotion expenses	(842)	(706)	2
Contribution after advertising and promotion expenses	**2 577**	**2 315**	2
Structure costs	(789)	(721)	
Profit from recurring operations	**1 788**	**1 595**	
Other operating income/(expenses)	(152)	(61)	3.1
Operating profit	**1 636**	**1 534**	
Financial expenses	(181)	(265)	3.2
Financial income	15	12	3.2
Financial income/(expenses)	**(166)**	**(254)**	
Corporate income tax	(423)	(294)	3.3
Share of net profit/(loss) of associates	0	(2)	
Net profit of continued activities	**1 047**	**984**	
Net profit of discontinued and held for sale activities	(1)	0	4.9
Net profit	**1 046**	**984**	
o/w:			
- Non-controlling interests	14	18	
- Group share	**1 032**	**966**	
Earnings per share - basic (in euros)	3,91	3,71	3.4
Earnings per share - diluted (in euros)	3,89	3,70	3.4

3.2. Half-year consolidated statement of comprehensive income

(€ million)	**31.12.2019**	**31.12.2020**
Net profit for the period	**1 046**	**984**
Non-recyclable items		
Actuarial gains/(losses) related to defined benefit plans	**(713)**	**10**
Amounts recognised in shareholders' equity	*(859)*	*12*
Tax impact	*146*	*(2)*
Equity instruments	**(110)**	**178**
Unrealized gains and losses recognised in shareholders' equity	*(111)*	*180*
Tax impact	*1*	*(2)*
Recyclable items		
Net investment hedges	**(4)**	**28**
Amounts recognised in shareholders' equity	(4)	41
Tax impact	-	*(13)*
Cash flow hedges	**6**	**6**
Amounts recognised in shareholders' equity(1)	*8*	*8*
Tax impact	*(2)*	*(3)*
Translation differences	**272**	**(339)**
Other comprehensive income for the period, net of tax	**(549)**	**(117)**
Comprehensive income for the period	**497**	**866**
o/w:		
- Group share	**480**	**862**
- Non-controlling interests	**17**	**4**

(1) Including € (2) millions recycled to result for the period.

3.3. Consolidated balance sheet

Assets

(€ million)	30.06.2020	31.12.2020	Notes
Net amounts			
Non-current assets			
Intangible assets	10 965	10 552	4.1
Goodwill	5 611	5 401	4.1
Property, plant and equipment	3 095	3 051	
Non-current financial assets	522	695	4.5
Investments in associates	28	38	
Non-current derivative instruments	54	83	
Deferred tax assets	1 678	1 578	3.3
TOTAL NON-CURRENT ASSETS	**21 953**	**21 398**	
Current assets			
Inventories and work in progress	6 167	6 139	4.2
Trade receivables and other operating receivables	906	1 829	
Income taxes receivable	142	133	
Other current assets	323	299	4.4
Current derivative instruments	12	9	
Cash and cash equivalents	1 935	1 955	4.6
TOTAL CURRENT ASSETS	**9 485**	**10 363**	
Assets held for sale	87	11	4.9
TOTAL ASSETS	**31 525**	**31 772**	

Liabilities

(€ million)	30.06.2020	31.12.2020	Notes
Shareholders' equity			
Capital	411	406	6.1
Share premium	3 052	3 052	
Retained earnings and currency translation adjustments	10 177	10 011	
Group net profit	329	966	
Group shareholders' equity	**13 968**	**14 435**	
Non-controlling interests	243	244	
TOTAL SHAREHOLDERS' EQUITY	**14 211**	**14 679**	
Non-current liabilities			
Non-current provisions	310	308	4.5
Provisions for pensions and other long-term employee benefits	605	550	4.5
Deferred tax liabilities	2 596	2 566	3.3
Bonds-non-current	8 599	8 680	4.6
Lease liability non-current	433	409	4.6
Other non-current financial liabilities	192	82	4.6
Non-current derivative instruments	0	0	4.7
TOTAL NON-CURRENT LIABILITIES	**12 735**	**12 595**	
Current liabilities			
Current provisions	222	187	4.5
Trade payables	1 877	2 345	
Income taxes payable	232	349	3.3
Other current liabilities	1 016	753	4.8
Bonds-current	723	237	4.6
Lease liability current	88	103	4.6
Other current financial liabilities	380	507	4.6
Current derivative instruments	24	16	4.7
TOTAL CURRENT LIABILITIES	**4 563**	**4 497**	
Liabilities related to assets held for sale	16	0	4.9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**31 525**	**31 772**	

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 01.07.2019	**411**	**3 052**	**12 592**	**327**	**34**	**(276)**	**(153)**	**15 987**	**195**	**16 182**
Comprehensive income for the period	-	-	1 032	(713)	(104)	266	-	480	17	497
Capital variation	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	20	-	-	-	-	20	-	20
(Acquisition)/disposal of treasury shares	-	-	(57)	-	-	-	(233)	(289)	-	(289)
Sale and repurchase agreements	-	-	-	-	-	-	-	-	-	-
Dividends distributed	-	-	(513)	-	-	-	-	(513)	(18)	(530)
Changes in scope of consolidation	-	-	-	-	-	-	-	-	26	26
Other transactions with minority interests	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	2	-	-	-	-	2	-	2
Closing position on 31.12.2019	**411**	**3 052**	**13 076**	**(386)**	**(70)**	**(11)**	**(386)**	**15 687**	**220**	**15 907**

(€ 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	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**

3.5. Consolidated cash flow statement

(€ million)	**31.12.2019**	**31.12.2020**	**Notes**
Cash flow from operating activities			
Group net profit	1 032	966	
Non-controlling interests	14	18	
Share of net profit/(loss) of associates, net of dividends received	0	2	
Financial (income)/expenses	166	254	
Tax (income)/expenses	423	294	
Net profit from discontinued operations	1	(0)	
Depreciation of fixed assets	174	179	
Net change in provisions	75	(31)	
Net change in impairment of goodwill, property, plant and equipment and intangible assets	8	6	
Changes in fair value of commercial derivatives	(3)	(3)	
Changes in fair value of biological assets and investments	-	(2)	
Net (gain)/loss on disposal of assets	(7)	2	
Share-based payment	21	15	
Self-financing capacity before financing interest and taxes	**1 903**	**1 699**	
Decrease/(increase) in working capital requirements	(768)	(364)	5.1
Interest paid	(177)	(222)	
Interest received	15	10	
Tax paid/received	(239)	(135)	
Net change in cash flow from operating activities	**734**	**988**	
Cash flow from investing activities			
Capital expenditure	(175)	(174)	
Proceeds from disposals of property, plant and equipment and intangible assets	11	21	
Change in scope of consolidation	-	0	
Purchases of financial assets and activities	(537)	(46)	5.2
Disposals of financial assets and activities	(1)	13	
Net change in cash flow from investing activities	**(702)**	**(186)**	
Cash flow from financing activities			
Dividends and interim dividends paid	(843)	(699)	
Other changes in shareholders' equity	-	0	
Issuance of debt	1 541	1 774	5.3
Repayment of debt	(261)	(1 782)	5.3
Repayment of lease debt	(44)	(44)	
(Acquisition)/disposal of treasury shares	(228)	(25)	
Other transactions with non-controlling interests	-	-	
Net change in cash flow from financing activities	**165**	**(776)**	
Cash flow from non-current assets held for sale	(2)	0	
Increase/(decrease) in cash and cash equivalents before foreign exchange impact	**195**	**26**	
Effect of exchange rate changes	34	(6)	
Increase/(decrease) in cash and cash equivalents after foreign exchange impact	**229**	**20**	
Cash and cash equivalents at beginning of period	**923**	**1 935**	
Cash and cash equivalents at end of period	**1 152**	**1 955**	

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 10 February 2021, the Board of Directors approved the condensed consolidated interim financial statements ended 31 December 2020.

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 2020 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 2020.

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 2020, 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 2020.

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 2020, 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 2020.

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

<u>Standards, amendments and interpretations whose implementation is mandatory from 1 July 2020</u>

As of July 1, 2020, the Group has applied the amendment to IFRS 9 and IFRS 7 published by the IASB in September 2019 and adopted by the European Union as part of the reform of benchmark interest rates. This amendment allows the Group not to take into account uncertainties about the future of reference interest rates in assessing the effectiveness of hedging relationships and/or in evaluating the highly probable nature of the hedged risk, thereby enabling it to secure existing or future hedging relationships until such uncertainties are resolved.

Documented interest rate derivatives hedging debts indexed to a reference rate are presented in note 4.6 "Financial liabilities". In addition, the Group is in the process of analyzing the impact of future changes in benchmark indices. The potential impact on financial information of the replacement of an existing reference rate by another will take effect as soon as Phase 2 of the benchmark interest rate reform is adopted.

No other new standards, amendments or interpretations are applicable to Pernod Ricard as of July 1, 2020.

Note 1.2. Significant events of the semester

1. Impacts of the Covid-19 epidemic

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

In this context, net sales for the period amounted to €4,985 million, down 8.9% compared with HY20. The efforts made by the Group as a whole in terms of advertising and promotional expenditure (down 16.2% compared with HY20) and structure costs (down 8.6% compared with HY20), helped to limit the impact of this crisis on Profit from Recurring Operations. The latter amounted to €1,595 million, down 10.8% compared with HY20.

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

- priority given to the health and safety of its employees and partners;
- active inventory management to maintain a healthy level in main markets;
- active management of resources and cost control to adapt to the crisis;
- dynamic cash management and a strengthened liquidity position thanks to a new bond issue in US dollars over the period and the early redemption of bonds maturing in April 2021 and January 2022 (see Note 1.2.2.2. - Bond issues and redemptions).

Despite the crisis, the Group has continued to implement its Transform & Accelerate agenda.

Impairment tests on brands and goodwill carried out for the closing on June 30, 2020 were carried out in the context of the Covid-19 crisis on the basis of the "weighted multi-scenario" approach, these scenarios reflecting different developments of the pandemic and its economic consequences. For the half-yearly closing, the Group reviewed the relevance of these scenarios and their probability of occurrence in light of the most recent information on the health and economic situation and the half-yearly and forecast performance of its brands. At the end of this analysis, the Group did not identify any new indications of impairment compared to those prevailing at June 30, 2020.

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

2. Other significant events

2.1. Acquisitions and disposals

During the first half of the year, the Group continued the same strategy by strengthening its positions through partnerships/acquisitions of super and ultra-Premium brands in fast-growing categories such as the agreements signed with the companies Ojo de Tigre, owner of the Mezcal brand of the same name, and Vermuteria de Galicia, owner of the Spanish Vermouth Petroni.

These acquisitions represent a total amount of approximately €20 million.

Finally, as part of its strategy of dynamic management of its brand portfolio, the Group also sold the Doble V brand in Spain.

2.2. Bond issues and redemption

On October 1, 2020, the Pernod Ricard Group, through one of its wholly-owned subsidiaries, issued a USD 2 billion bond in three tranches of 7.5, 10.5 and 30 years, bearing interest at a fixed annual rate of 1.25%, 1.625% and 2.75%, respectively.

On November 6, 2020, Pernod Ricard SA redeemed (i) the remaining amount of the 5.75% bonds maturing in April 2021 for a principal amount of USD 500 million, and (ii) all of the 4.45% bonds maturing in January 2022 for a principal amount of USD 1.500 million in accordance with the optional redemption clause provided for in the terms and conditions of these bonds.

These early redemptions gave rise to the payment of an non recurring fee (called “make whole call”) of €72 million.

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)*	**31.12.2019**	**31.12.2020**
Net sales	1 598	1 456
Gross margin after logistics expenses	991	881
Advertising and promotion expenses	(216)	(164)
Contribution after advertising and promotion	775	717
Profit from Recurring Operations	**468**	**461**

Americas *(€ million)*	**31.12.2019**	**31.12.2020**
Net sales	1 461	1 402
Gross margin after logistics expenses	986	909
Advertising and promotion expenses	(285)	(250)
Contribution after advertising and promotion	701	659
Profit from Recurring Operations	**486**	**459**

Asia/Rest of World *(€ million)*	**31.12.2019**	**31.12.2020**
Net sales	2 415	2 127
Gross margin after logistics expenses	1 442	1 232
Advertising and promotion expenses	(341)	(291)
Contribution after advertising and promotion	1 101	940
Profit from Recurring Operations	**833**	**674**

Group *(€ million)*	**31.12.2019**	**31.12.2020**
Net sales	5 474	4 985
Gross margin after logistics expenses	3 419	3 021
Advertising and promotion expenses	(842)	(706)
Contribution after advertising and promotion	2 577	2 315
Profit from Recurring Operations	**1 788**	**1 595**

Breakdown of sales - Presentation by category

(€ million)	**31.12.2019**	**31.12.2020**	**Variation (M€)**	**Variation (%)**
Strategic International Brands	3 592	3 190	(402)	-11%
Priority Premium Wines	240	239	(1)	-1%
Strategic Local Brands	999	873	(126)	-13%
Speciality	197	249	52	26%
Other products	447	435	(12)	-3%
Total	**5 474**	**4 985**	**(489)**	**-9%**

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)	**31.12.2019**	**31.12.2020**
Impairment of property, plant and equipment and intangible assets	-	(4)
Gains or losses on asset disposals and acquisition costs	(10)	(2)
Net restructuring and reorganisation expenses	(115)	(54)
Disputes and risks	(25)	0
Other non-current operating income and expenses	(2)	(2)
Other operating income/(expenses)	**(152)**	**(61)**

As of December 31, 2020, the other operating income and expenses are mainly composed of restructuring expenses for € 54 million. In addition, the costs generated by the health crisis were recognized in profit from recurring operations.

Note 3.2. Financial income/(expense)

(€ million)	**31.12.2019**	**31.12.2020**
Interest expense on net financial debt	(169)	(144)
Interest expense on lease liability	(7)	(7)
Interest income on net financial debt	**15**	10
Net financing cost	(161)	**(140)**
Structuring and placement fees	(1)	(2)
Net financial impact of pensions and other long-term employee benefits	0	(10)
Other net current financial income (expense)	**(3)**	1
Financial income/(expense) from recurring operations	(164)	**(151)**
Foreign currency gains/(losses)	(1)	(31)
Other non-current financial income/(expenses)	**0**	(72)
Total financial income/(expenses)	**(166)**	**(254)**

At 31 December 2020, net financing costs were mainly composed of bond interests for €117 million.

Financial result is also impacted by anticipated dollar bond buy costs operations detailed in Note 2.2 - *Significant events of the semester* for €(72) million, negative foreign exchange impacts for €(31)million, and net financial impact of pensions and other long-term employee benefits for (10) million euros.

Note 3.3. Income tax

Analysis of the income tax expense

(€ million)	**31.12.2019**	**31.12.2020**
Current income tax	(329)	(266)
Deferred income tax	(94)	(28)
Total	**(423)**	**(294)**

Analysis of effective tax rate

(€ million)	**31.12.2019**	**31.12.2020**
Operating profit	1 636	1 534
Financial income/(expense)	(166)	(254)
Taxable profit	**1 470**	**1 280**
Theoretical tax charge at the effective income tax rate in France	(506)	(410)
Impact of tax rate differences by jurisdiction	209	157
Tax impact of variation in exchange rates	1	(2)
Re-estimation of deferred tax assets linked to tax rate changes	(10)	4
Impact of tax losses used/not used	5	(0)
Impact of reduced/increased tax rates on taxable results	2	(0)
Taxes on distributions	(57)	(20)
Other impacts	(68)	(23)
Effective tax expense	**(423)**	**(294)**
Effective tax rate	**-29%**	**-23%**

Deferred taxes are broken down by nature as follows:

(€ million)	**30.06.2020**	**31.12.2020**
Margins in inventories	119	104
Fair value adjustments on assets and liabilities	28	26
Provision for pension benefits	100	91
Loss carried forward	933	845
Provisions (other than provisions for pensions benefits) and other items	498	511
Total deferred tax assets	**1 678**	**1 578**
Accelerated tax depreciation	136	142
Fair value adjustments on assets and liabilities	2 313	2 279
Other items	147	146
Total deferred tax liabilities	**2 596**	**2 566**

The Group Income taxes payables are broken down as follows:

(€ million)	**30.06.2020**	**31.12.2020**
Other current tax liabilities	108	226
Uncertain tax positions	125	123
TOTAL CURRENT TAX LIABILITIES	**232**	**349**

Note 3.4. Earnings per share

	31.12.2019	31.12.2020
Numerator *(€ million)*		
Group share of net profit	1 032	966
Denominator *(in number of shares)*		
Average number of outstanding shares	263 959 445	260 661 241
Dilutive effect of bonus share allocations	1 164 697	737 779
Dilutive effect of stock options and subscription options	138 446	78 621
Average number of outstanding shares—diluted	**265 262 589**	**261 477 642**
Earnings per share *(€)*		
Earnings per share – basic	3,91	3,71
Earnings per share – diluted	3,89	3,70

Note 4. Notes to the balance sheet

Note 4.1. Intangible assets and goodwill

		Movements in the year					
(€ million)	**30.06.2020**	**Acquisitions**	**Allowances**	**Disposals**	**Translation adjustments**	**Other movements**	**31.12.2020**
Goodwill	5 747	8	-	-	(237)	19	5 538
Brands	13 230	6	-	(8)	(601)	6	12 633
Other intangible assets	471	20	-	(4)	(12)	20	495
GROSS VALUE	**19 448**	**34**	**-**	**(11)**	**(850)**	**45**	**18 666**
Goodwill	(136)	-	-	-	(1)	(0)	(137)
Brands	(2 398)	-	(1)	5	158	(0)	(2 236)
Other intangible assets	(338)	-	(21)	3	7	8	(341)
AMORTISATION/IMPAIRMENT	**(2 872)**	**-**	**(22)**	**8**	**165**	**8**	**(2 713)**
INTANGIBLE ASSETS, NET	**16 576**	**34**	**(22)**	**(3)**	**(685)**	**53**	**15 953**

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 broken down at closing as follow:

		Movements in the year				
(€ million)	**30.06.2020**	**Change in gross values**	**Change in impairment**	**Translation adjustments**	**Other movements**	**31.12.2020**
Raw materials	173	(0)	-	(4)	2	170
Work in progress	5 183	54	-	(11)	4	5 230
Goods in inventory	580	(5)	-	(20)	-	554
Finished products	296	(40)	-	(7)	6	254
GROSS VALUE	**6 232**	**8**	**-**	**(43)**	**11**	**6 208**
Raw materials	(11)	-	(1)	0	-	(12)
Work in progress	(23)	-	0	0	(1)	(23)
Goods in inventory	(16)	-	(2)	1	-	(18)
Finished products	(15)	-	(3)	0	1	(17)
IMPAIRMENT	**(65)**	**-**	**(6)**	**2**	**-**	**(70)**
NET INVENTORIES	**6 167**	**8**	**(6)**	**(41)**	**11**	**6 139**

As at 31 December 2020, 80% 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 2020/21, the Group continued to implement its programs to sell the receivables of several subsidiaries. Receivables sold under these programs totaled €750 million at 31 December 2020 and €513 million at 30 June 2020. As substantially all risks and rewards associated with the receivables were transferred, they were derecognised.

Derecognised assets where there is continuing involvement

(€ million)	**Carrying amount of 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	8	-	8	-	8	8

Note 4.4. Other current assets

Other current assets are broken down as follows:

(€ million)	**30.06.2020**	**31.12.2020**
Advances and down payments	40	34
Tax accounts receivable, excluding income tax	195	171
Prepaid expenses	66	70
Other receivables	22	24
TOTAL	**323**	**299**

Note 4.5. Provisions

1. Breakdown of provisions

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

(€ million)	**30.06.2020**	**31.12.2020**
Non-current provisions		
Provisions for pensions and other long-term employee benefits	605	550
Other non-current provisions for risks and charges	310	308
Current provisions		
Provisions for restructuring	101	70
Other current provisions for risks and charges	121	118
TOTAL	**1 138**	**1 046**

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 2020, the amount of provisions booked by the Group in respect of disputes or risks in which it is involved amounted to €426 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)	30.06.2020	Allowances	Used	Unused reversals	Translation adjustments	First-time consolidation	Other movements	31.12.2020
Provisions for restructuring	101	7	37	1	(0)	-	(0)	70
Other current provisions	121	11	6	7	1	-	(4)	118
Other non-current provisions	310	37	1	12	(14)	-	(12)	308
TOTAL PROVISIONS	**533**	**56**	**45**	**19**	**(13)**	**-**	**(16)**	**496**

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)	31.12.2019	31.12.2020
Net liability / (asset) at beginning of period	**(524)**	**341**
Net expense/(income) for the period	21	24
Actuarial (gains)/losses(1)	859	(12)
Employer contributions and benefits paid directly by the employer	(42)	(39)
Changes in scope of consolidation	0	(0)
Foreign currency gains and losses	(19)	(15)
Net liability / (asset) at end of period	**295**	**299**
Amount recognised in assets	259	251
Amount recognised in liabilities	**554**	**550**

(1) Recognised as items of other comprehensive income.

On 31 December 2020, non-current financial assets (€695 million) include €251 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)*	31.12.2019	31.12.2020
Service cost	23	24
Interest on provision	(7)	3
Fees/levies/premiums	6	5
Impact of plan amendments / Reduction of future rights	-	(8)
Impact of liquidation of benefits	(1)	-
NET EXPENSE/(INCOME) RECOGNISED IN PROFIT AND LOSS	**21**	**24**

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

	30.06.2020			31.12.2020		
(€ million)	Current	Non-current	Total	Current	Non-current	Total
Bonds	**723**	**8 599**	**9 322**	**237**	**8 680**	**8 917**
Syndicated loan	-	-	**-**	-	-	**-**
Commercial paper	299	-	**299**	232	-	**232**
Other loans and financial debts	81	192	**273**	275	82	**357**
Other financial liabilities	**380**	**192**	**572**	**507**	**82**	**589**
GROSS FINANCIAL DEBT	**1 103**	**8 791**	**9 894**	**744**	**8 762**	**9 506**
Fair value hedge derivatives instruments – assets	(3)	(40)	**(44)**	-	(30)	**(30)**
Fair value hedge derivatives instruments – liabilities	-	-	**-**	-	-	**-**
Fair value hedge derivatives	**(3)**	**(40)**	**(44)**	**-**	**(30)**	**(30)**
Net investments hedging derivative instruments - assets	-	(13)	**(13)**	-	(53)	**(53)**
Net investments hedging derivative instruments - liabilities	-	-	**-**	-	-	**-**
Net asset hedging derivative instruments	**-**	**(13)**	**(13)**	**-**	**(53)**	**(53)**
FINANCIAL DEBT AFTER HEDGING	**1 100**	**8 737**	**9 837**	**744**	**8 679**	**9 423**
Cash and cash equivalents	**(1 935)**	**-**	**(1 935)**	**(1 955)**	**-**	**(1 955)**
Net financial debt excluding lease liabilities	**(835)**	**8 737**	**7 902**	**(1 212)**	**8 679**	**7 468**
Lease Liabilities	88	433	522	103	409	513
NET FINANCIAL DEBT	**(747)**	**9 171**	**8 424**	**(1 108)**	**9 089**	**7 980**

2. Breakdown of debt by currency before and after foreign exchange hedging instruments at 30 June 2020 and 31 December 2020

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

31.12.2020 *(€ million)*	Gross financial debt	Amount hedged	Debt after hedging	Cash	Net debt after hedging	% debt after hedging	% net debt after hedging
EUR	5 582	(124)	5 458	(1 052)	4 405	58%	59%
USD	3 841	46	3 887	(75)	3 812	41%	51%
GBP	-	(37)	(37)	(80)	(117)	0%	-2%
SEK	4	(117)	(112)	(38)	(151)	-1%	-2%
Other currencies	79	148	228	(710)	(482)	2%	-6%
Financial debt by currency	**9 506**	**(83)**	**9 423**	**(1 955)**	**7 468**	**100%**	**100%**

3. Breakdown of fixed-rate/floating rate debt before and after interest rate hedging instruments at 30 June 2020 and 31 December 2020

(€ million)	30.06.2020				31.12.2020			
	Debt before hedging		Debt after hedging		Debt before hedging		Debt after hedging	
Fixed-rate debt	9 146	93%	8 431	86%	8 831	94%	8 994	95%
Capped floating-rate debt	-	-	-	-	-	-	-	-
Floating-rate debt	691	7%	1 406	14%	592	6%	429	5%
FINANCIAL DEBT AFTER HEDGING BY TYPE OF RATE	**9 837**	**100%**	**9 837**	**100%**	**9 423**	**100%**	**9 423**	**100%**

At 31 December 2020, before taking into account of any hedges, 94% of the Group's gross debt was fixed-rate and 6% floating-rate. After hedging, the floating-rate part was 5%.

4. Schedule of financial liabilities at 30 June 2020 and 31 December 2020

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 2020 and 31 December 2020.

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

31.12.2020 ***(€ million)***	Balance sheet value	Contractual flows	< 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Nominal value	-	(9 473)	(618)	(54)	(663)	(1 011)	(661)	(1 011)	(5 453)
Interest	-	(1 905)	(95)	(86)	(179)	(151)	(142)	(128)	(1 125)
GROSS FINANCIAL DEBT	**(9 506)**	**(11 377)**	**(713)**	**(140)**	**(842)**	**(1 162)**	**(803)**	**(1 139)**	**(6 578)**
LEASE LIABILITY	**(513)**	**(357)**	**(34)**	**(47)**	**(62)**	**(43)**	**(31)**	**(25)**	**(114)**
Cross currency swaps:	-	-	-	-	-	-	-	-	-
Flows payable	-	-	-	-	-	-	-	-	-
Flows receivable	-	-	-	-	-	-	-	-	-
Derivative instruments - liabilities	(16)	(15)	(15)	-	-	-	-	-	-
DERIVATIVE INSTRUMENTS - LIABILITIES	**(16)**	**(15)**	**(15)**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL FINANCIAL LIABILITIES	**(10 035)**	**(11 749)**	**(762)**	**(187)**	**(904)**	**(1 206)**	**(834)**	**(1 165)**	**(6 692)**

5. Credit lines

At 31 December 2020, credit lines mainly 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 31.12.2020 *(€ million)*
201 MUSD	Marge + Libor 6 mois	26/01/2016	26/01/2021	165
800 MUSD	4,25%	12/01/2012	15/07/2022	678
500 MEUR	1,88%	28/09/2015	28/09/2023	499
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	750
600 MEUR	1,50%	17/05/2016	18/05/2026	604
600 MUSD	3,25%	08/06/2016	08/06/2026	497
500 MEUR	0,50%	24/10/2019	24/10/2027	497
600 MUSD	1,25%	01/10/2020	01/04/2028	486
250 MEUR	1,75%	27/04/2020	08/04/2030	267
750 MEUR	1,75%	01/04/2020	08/04/2030	754
900 MUSD	1,63%	01/10/2020	01/04/2031	727
500 MEUR	0,88%	24/10/2019	24/10/2031	493
850 MUSD	5,50%	12/01/2012	15/01/2042	697
500 MUSD	2,75%	01/10/2020	01/10/2050	396
TOTAL BONDS				**8 917**

Note 4.7. Financial instruments

(€ million)	Measurement level	Fair value – profit	Fair value through Equity	Assets at amortised cost	Liabilities at amortised cost	Balance sheet value	Fair value
	Breakdown by accounting classification					30.06.2020	
Assets							
Equity instruments	Level 1 and 3	-	93	-	-	93	93
Guarantees, deposits, investment-related receivables	-	-	-	156	-	156	156
Trade receivables and other operating receivables	-	-	-	906	-	906	906
Other current assets	Level 2	-	-	323	-	323	323
Derivative instruments – assets	Level 1	66	-	-	-	66	66
Cash and cash equivalents	-	1935	-	-	-	1935	1935
Liabilities							
Bonds	-	-	-	-	9 322	9 322	9 749
Bank debt	-	-	-	-	572	572	572
Lease liability	-	-	-	-	522	522	522
Derivative instruments – liabilities	Level 2	24	-	-	-	24	24

(€ million)	Measurement level	Fair value – profit	Fair value through Equity	Assets at amortised cost	Liabilities at amortised cost	Balance sheet value	Fair value
	Breakdown by accounting classification					31.12.2020	
Assets							
Equity instruments	Level 1 and 3	-	287	-	-	287	287
Guarantees, deposits, investment-related receivables		-	-	149	-	149	149
Trade receivables and other operating receivables		-	-	1 829	-	1 829	1 829
Other current assets		-	-	299	-	299	299
Derivative instruments – assets	Level 2	38	54	-	-	92	92
Cash and cash equivalents	Level 1	1 955	-	-	-	1 955	1 955
Liabilities							
Bonds		-	-	-	8 917	8 917	9 463
Bank debt		-	-	-	589	589	589
Lease liability		-	-	-	513	513	513
Derivative instruments – liabilities	Level 2	16	-	-	-	16	16

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 2020, the impact was not significant.

Note 4.8. Other current liabilities

Other current liabilities are broken down as follows:

(€ million)	**30.06.2020**	**31.12.2020**
Taxes and social payables	628	698
Other operating payables	388	54
TOTAL	**1016**	**753**

Other current liabilities decrease between June 30 and December 31, 2020 is mainly explained by the €308 million interim dividend paid on 10 July 2020. 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, 2020.

Note 5. Notes to the consolidated cash flow statement

1. Working capital requirement

The working capital requirement has increased by +€364 million due to a usually stronger activity at the end of December compared to the end of June. It is mainly explained as follows:

- trade receivables: +€923 million;
- trade payables: €(519) million;
- others: €(39) million.

2. Acquisitions of financial assets and activities

The acquisitions of financial assets and activities net of disposals generated a cash outflow of (33) million euros, mainly related to the acquisitions of activities of the period described in paragraph 2.1 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 €1774 million and bond redemptions for €(1,782) million. These transactions mainly correspond to the bond subscriptions and redemptions described in paragraph 2.2 of Note 1.2 – *Significant events of the semester.*

In addition, the Group decreased the stock of commercial paper for €(67) million.

The Group also paid €51 million in respect of its lease liabilities, of which €44 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

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

	Number of shares	Amount (€ million)
Share capital on 30.06.2020	265 421 592	411
Share capital on 31.12.2020	261 876 560	406

All Pernod Ricard shares are issued and fully paid. 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 2020, Pernod Ricard SA and its controlled subsidiaries held 1 047 490 Pernod Ricard shares for a value of €137 million.

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 27 November 2020, the total dividend in respect of the financial year ended 30 June 2020 was €2.66 per share. An interim dividend payment of €1.18 per share having been paid on 10 July 2020, the balance amounting to €1.48 per share has been paid on 11 December 2020.

Note 6.2. Share-based payments

The Group recognised an expense of €15 million within operating profit relating to stock option and performance-based share applicable on 31 December 2020.

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, 2020	**1 856 602**
Number of options exercised / shares acquired during the period	(404 914)
Number of options / shares cancelled over the period	(393 945)
Number of options / shares newly granted over the period	407 549
Number of outstanding options / shares at December 31, 2020	**1 465 292**

Note 6.3. Off-balance sheet commitments

The Group's off-balance sheet commitments amounted to € 2,040 million as of December 31, 2020, compared to € 2,191 million as of June 30, 2020.

Off-balance sheet commitments received from the Group amounted to € 3,445 million as of December 31, 2020, compared to € 3,443 million as of June 30, 2020.

Note 6.4. Contigent liabilities

Pernod Ricard has received several notices of tax adjustment for the financial years 2007 to 2016, specifically concerning, for an amount of 8,020 million Indian rupees (equivalent to € 89.4 million, including interest as of the date of the reassessment), the tax deductibility of promotion and advertising expenses. It should be noted that the level and amount of this risk have been gradually and significantly reduced in recent years and that the Company obtained two court rulings in its favour in FY20 for the period from FY07 to FY14. These court decisions further strengthen Pernod Ricard India's position on the tax deductibility of advertising and promotional expenses. Reassured by these decisions and after consulting with its tax advisers, Pernod Ricard India will continue to dispute the merits of the reassessment proposal and believes it has a probable chance of success in litigation. Accordingly, no provision has been booked for this matter.

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 2020, for all litigation and risks in which it is involved, amounted to €426 million, compared to €431 million at 30 June 2020 (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 12 months a significant impact on the profitability of the Company and/or the Group, other than those described below.

Disputes relating to brands

Havana Club

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

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

1. The United States Office of Foreign Assets Control (OFAC) decided that this law had the effect of preventing any renewal of the US trademark registration for the Havana Club brand, which, in the United States, has been owned by Cubaexport since 1976, without obtaining a specific licence from OFAC. In August 2006, the United States Patent and Trademark Office (USPTO) denied the renewal of the said Havana Club trademark registration, following OFAC's refusal to grant a specific licence. Cubaexport petitioned the Director of the USPTO to reverse this decision and also filed a claim against the OFAC, challenging both OFAC's decision and the law and regulations applied by OFAC. In March 2009, the US District Court for the District of Columbia ruled against Cubaexport. In March 2011, in a two-to-one decision, the Court of Appeals blocked Cubaexport from renewing its trademark. A certiorari petition was filed before the US Supreme Court on 27 January 2012, with the support of the French government, the National Foreign Trade Council and the Washington Legal Foundation. On 14 May 2012, the Supreme Court denied the petition. In November 2015, Cubaexport again applied for a specific licence from OFAC to renew the trademark in the United States. On 11 January 2016, OFAC granted Cubaexport's licence application and on 13 January 2016, the application to the Director of USPTO was declared admissible and the trademark was renewed for the 10-year period ending on 27 January 2016. A request for a further renewal for a period of 10 years from 27 January 2016 was also granted.

2. A competitor of the Group has petitioned the USPTO to cancel the Havana Club trademarks in the United States. In January 2004, the USPTO denied the petition and refused to cancel the trademark registration. As this decision was appealed, proceedings are now ongoing before the Federal District Court for the District of Columbia. These proceedings were stayed pending the outcome of Cubaexport's petition to the USPTO. Following acceptance of the petition by the Director of the USPTO, these judicial proceedings resumed and the plaintiff amended 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.

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

Tax disputes

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

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

India

Pernod Ricard India (P) Ltd has an ongoing dispute with the Indian customs authorities over the declared transaction value of concentrates of alcoholic beverages (CAB) imported into India. Customs are challenging the transaction values, arguing that some competitors used different values for the import of similar goods. This matter was ruled on by the Supreme Court which issued an order in July 2010, setting out the principles applicable for the determination of values which should be taken into account for the calculation of duty. Pernod Ricard India (P) Ltd has already paid the corresponding amounts up to 2001. For the period between 2001 and December 2010, Pernod Ricard India (P) Ltd has paid almost the entire differential duty as determined by customs in Delhi following the initial adjustment notice received in 2011. A second notice, received in 2013 and confirmed by a court on 14 August 2017 has been suspended by the Supreme Court. The Company continues to actively work with the authorities and courts to resolve pending issues.

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

Moreover, Pernod Ricard India (P) received several notices of tax adjustment for FY07 to FY16 relating to the tax deductibility of advertising and promotional expenses (see Note 6.4 – Contingent liabilities). In FY20, Pernod Ricard India (P) obtained two court rulings in its favour in FY20 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. The complaint alleges that the defendants have committed violations of the Colombian Unfair Competition Act and, in particular, articles 7 and 18 thereof, through the illegal import of spirits into Colombia. The complaint alleges that the companies have gained an unfair market advantage over local producers through such activity. The plaintiffs seek to reclaim lost profits and taxes for a four year period between 2013 and 2017. As of December of 2019 the complaint is still pending admission, following the Colombian Competition Authority decision of earlier 2019 declining jurisdiction in favor of Colombian administrative courts. 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 2020, relations between the Group and its associates remained the same as in the financial year ended 30 June 2020, 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

The Cuban government adopted, on December 10th, 2020, a reform dedicated to the unification of its monetary system and leading to the disappearance of the convertible peso (CUC) starting January 1st 2021, and leaving the Cuban peso (CUP) as the only currency in use from July 1st 2021. The accounting treatment for this change being prospective, this reform has no impact on the Group interim consolidated financial statements as of December 31st, 2020. The terms for the actual implementation of the reform and their consequences are being analysed and discussed with the authorities.

Note 7. Consolidation scope

There is no significant change in the consolidation scope in the first half of the 2020/21 financial year.

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

For the period from July 1 to December 31, 2020

> 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,

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, for the period from July 1 to December 31, 2020,
- 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 our review procedures.

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 11, 2020

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

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