

# 5.

## Management Report

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# Section

## 5.

### MANAGEMENT REPORT

Key figures from the consolidated financial statements for the year ended 30 June 2020

## 5.1 Key figures from the consolidated financial statements for the year ended 30 June 2020

### 5.1.1 Income statement

€ million	30.06.2019	30.06.2020
Net sales	9,182	8,448
<b>Gross margin after logistics expenses</b>	<b>5,648</b>	<b>5,086</b>
Advertising and promotion expenses	(1,512)	(1,327)
Contribution after advertising & promotion costs	4,137	3,759
Profit from recurring operations	2,581	2,260
<b>Operating profit</b>	<b>2,375</b>	<b>978</b>
Financial income/(expense) from recurring operations	(310)	(366)
Corporate income tax	(582)	(258)
Share of net profit/(loss) of associates and net profit from assets held for sale	0	(3)
<b>NET PROFIT</b>	<b>1,482</b>	<b>350</b>
O/w:		
• Non-controlling interests	27	21
• Group share	1,455	329
<b>EARNINGS PER SHARE – BASIC (€)</b>	<b>5.51</b>	<b>1.25</b>
<b>EARNINGS PER SHARE – DILUTED (€)</b>	<b>5.48</b>	<b>1.24</b>

### 5.1.2 Balance sheet

€ million	30.06.2019 restated*	30.06.2020
<b>Assets</b>		
Non-current assets	22,665	21,953
<i>Of which intangible assets and goodwill</i>	17,074	16,576
Current assets	8,375	9,485
Assets held for sale	5	87
<b>TOTAL ASSETS</b>	<b>31,045</b>	<b>31,525</b>
<b>Liabilities and shareholders' equity</b>		
Consolidated shareholders' equity	16,182	14,211
Non-current liabilities	10,034	12,735
Current liabilities	4,826	4,563
Liabilities held for sale	2	16
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>31,045</b>	<b>31,525</b>

\* The opening liability positions on the Group's balance sheet were restated for the first-time application of IFRIC 23 (reclassification of uncertain tax positions for €150 million from "Non-current provisions" to "Income taxes payable").

### 5.1.3 Net financial debt

€ million	30.06.2019	30.06.2020
Gross non-current financial debt	6,434	8,791
Gross financial debt from recurring operations	1,121	1,103
Non-current hedging instruments – assets	(13)	(53)
Hedging instruments from recurring operations – assets	-	(3)
Non-current derivative instruments – liabilities	2	-
Derivative instruments from recurring operations – liabilities	-	-
Cash and cash equivalents	(923)	(1,935)
<b>NET FINANCIAL DEBT EXCLUDING LEASE DEBT</b>	<b>6,620</b>	<b>7,902</b>
Lease debt (first application of IFRS 16 in FY19/20)	NA	522
<b>NET FINANCIAL DEBT</b>	<b>6,620</b>	<b>8,424</b>
Free Cash Flow <sup>(1)</sup>	1,366	830

(1) The calculation of Free Cash Flow is set out in note 5.3 - Net debt

### 5.1.4 Cash flow statement

€ million	30.06.2019	30.06.2020
Self-financing capacity before financing interest and taxes	2,711	2,423
Net interest paid	(308)	(335)
Net income tax paid	(521)	(474)
Decrease/(increase) in Working Capital Requirement	(181)	(433)
<b>Net change in cash flow from operating activities</b>	<b>1,701</b>	<b>1,181</b>
<b>Net change in cash flow from investment activities</b>	<b>(516)</b>	<b>(936)</b>
<b>Net change in cash flow from financing activities</b>	<b>(1,034)</b>	<b>795</b>
Cash flow from discontinued operations	-	(3)
Opening IFRS 15 impact	16	-
Foreign currency translation adjustments	1	(26)
<b>CASH AND CASH EQUIVALENTS AT START OF PERIOD</b>	<b>754</b>	<b>923</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>923</b>	<b>1,935</b>

## 5.2 Analysis of business activity and results

Performance in the first half-year was solid, with organic operating margin growth of +4.3%, on a high basis of comparison (+12.8% organic growth in the first half of FY19), demonstrating success of the Transform & Accelerate strategic plan:

- diversified growth across Regions and Brands, with a strong price effect on Strategic Brands;
- focus on operational excellence and resource allocation, driving strong organic improvement in PRO margin +51 bp.

While pursuing the long-term transformation plan, the second half was marked by active management of the health crisis:

- priority given to health and safety of employees and business partners;

- strong Off-trade resilience but difficulties in On-trade and Travel Retail.
- Sound inventory position at June end, thanks to robust demand management and supply chain continuity;
- active resource management and strong cost mitigation to adjust to Covid-19 context;
- continued roll-out of 2030 Sustainability & Responsibility roadmap, while developing new measures to support stakeholders during crisis;
- implementation of transformation agenda, including completion of Reconquer project to resume growth in France and reorganisation of Wine business to reignite its performance.

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### MANAGEMENT REPORT Analysis of business activity and results

## 5.2.1 Presentation of results

### 5.2.1.1 Group net profit per share from recurring operations – diluted

€ million	30.06.2019	30.06.2020
Number of shares in circulation – diluted	265,419,549	264,036,831
Profit from recurring operations	2,581	2,260
Operation margin	28.1%	26.8%
Financial income/(expense) from recurring operations	(314)	(328)
Corporate income tax on recurring operations	(586)	(468)
Non-controlling interests, discontinued operations and share of net profit from equity associates	(27)	(25)
<b>GROUP NET PROFIT FROM RECURRING OPERATIONS <sup>(1)</sup></b>	<b>1,654</b>	<b>1,439</b>
<b>GROUP NET EARNINGS PER SHARE FROM RECURRING OPERATIONS – DILUTED (€)</b>	<b>6.23</b>	<b>5.45</b>

(1) Profit from recurring operations adjusted for financial result from recurring operations, recurring income tax, share of net result of associates and profit from assets held for sale, as well as non-controlling interests.

### 5.2.1.2 Profit from recurring operations

Group € million	30.06.2019	30.06.2020	Reported growth	Organic growth <sup>(1)</sup>		
Net sales	9,182	8,448	(734)	-8%	(867)	-10%
Gross margin after logistics expenses	5,648	5,086	(562)	-10%	(653)	-12%
Advertising and promotion expenses	(1,512)	(1,327)	184	-12%	216	-14%
Contribution after advertising & promotion expenses	4,137	3,759	(378)	-9%	(437)	-11%
<b>PROFIT FROM RECURRING OPERATIONS</b>	<b>2,581</b>	<b>2,260</b>	<b>(320)</b>	<b>-12%</b>	<b>(355)</b>	<b>-14%</b>

(1) Organic growth is defined in note 5.5 - Definitions and reconciliation of alternative performance indicators with IFRS indicators.

America € million	30.06.2019	30.06.2020	Reported growth	Organic growth <sup>(1)</sup>		
Net sales	2,545	2,449	(96)	-4%	(161)	-6%
Gross margin after logistics expenses	1,698	1,599	(98)	-6%	(156)	-9%
Advertising and promotion expenses	(504)	(461)	43	-9%	58	-12%
Contribution after advertising & promotion expenses	1,193	1,138	(55)	-5%	(98)	-8%
<b>PROFIT FROM RECURRING OPERATIONS</b>	<b>785</b>	<b>718</b>	<b>(67)</b>	<b>-9%</b>	<b>(101)</b>	<b>-13%</b>

(1) Organic growth is defined in note 5.5 - Definitions and reconciliation of alternative performance indicators with IFRS indicators.

Asia/Rest of World € million	30.06.2019	30.06.2020	Reported growth	Organic growth <sup>(1)</sup>		
Net sales	3,965	3,467	(498)	-13%	(547)	-14%
Gross margin after logistics expenses	2,308	1,969	(339)	-15%	(365)	-16%
Advertising and promotion expenses	(592)	(517)	75	-13%	87	-15%
Contribution after advertising & promotion expenses	1,716	1,452	(264)	-15%	(279)	-16%
<b>PROFIT FROM RECURRING OPERATIONS</b>	<b>1,179</b>	<b>938</b>	<b>(241)</b>	<b>-20%</b>	<b>(247)</b>	<b>-21%</b>

(1) Organic growth is defined in note 5.5 - Definitions and reconciliation of alternative performance indicators with IFRS indicators.

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### MANAGEMENT REPORT Analysis of business activity and results

Europe € million	30.06.2019	30.06.2020	Reported growth		Organic growth <sup>(1)</sup>	
Net sales	2,672	2,532	(140)	-5%	(159)	-6%
Gross margin after logistics expenses	1,643	1,519	(124)	-8%	(131)	-8%
Advertising and promotion expenses	(415)	(349)	66	-16%	71	-17%
Contribution after advertising & promotion expenses	1,228	1,169	(58)	-5%	(60)	-5%
<b>PROFIT FROM RECURRING OPERATIONS</b>	<b>617</b>	<b>605</b>	<b>(12)</b>	<b>-2%</b>	<b>(7)</b>	<b>-1%</b>

(1) Organic growth is defined in note 5.5 - Definitions and reconciliation of alternative performance indicators with IFRS indicators.

## 5.2.2 Organic net sales growth of Strategic International Brands

In million of 9-litre cases	Volumes 30.06.2019	Volumes 30.06.2020	Organic growth <sup>(1)</sup> in net sales	Volume growth	Price/mix
Absolut	11.1	10.3	-11%	-7%	-4%
Chivas Regal	4.5	3.7	-17%	-19%	2%
Ballantine's	7.6	7.2	-8%	-5%	-3%
Ricard	4.4	4.2	-6%	-6%	-1%
Jameson	7.7	7.6	-1%	-2%	0%
Havana Club	4.6	4.2	-6%	-8%	2%
Malibu	3.7	3.9	5%	5%	0%
Beefeater	3.2	3.1	-7%	-4%	-3%
Martell	2.6	2.0	-20%	-24%	5%
The Glenlivet	1.2	1.2	2%	-3%	4%
Royal Salute	0.2	0.2	-2%	-7%	5%
Mumm	0.7	0.6	-13%	-13%	0%
Perrier-Jouët	0.3	0.3	-12%	-21%	8%
<b>STRATEGIC INTERNATIONAL BRANDS</b>	<b>51.9</b>	<b>48.3</b>	<b>-10%</b>	<b>-7%</b>	<b>-3%</b>

(1) Organic growth is defined in note 5.5 - Definitions and reconciliation of alternative performance indicators with IFRS indicators.

Net sales for FY20 totalled €8,448 million, with an organic decline of -9.5% (-8.0% reported, including a favourable foreign exchange impact due chiefly to the appreciation of the US dollar against the euro):

Net sales growth in the first half was robust but the second half was impacted by Covid-19. For FY20, the trends by region were:

- Americas: -6%, with good resilience in USA <sup>(1)</sup> and Canada in slight growth, but double-digit decline in Latin America and Travel Retail;
- Asia-RoW: -14%, driven mainly by China, India and Travel Retail, against a high basis of comparison;
- Europe: -6%, overall good resilience with Germany, UK and Eastern Europe growing and partially offsetting declines in Travel Retail, Spain and France.

Key categories were impacted by the pandemic, but Specialty Brands performed well:

- Strategic International Brands: -10%, after broad-based growth in the first half, mainly driven by Martell, Chivas Regal, Absolut and Ballantine's;
- Strategic Local Brands: -9%, with modest growth at the end of the first nine months, but a strong decline in the fourth quarter, mainly due to Seagram's Indian whiskies, and amplified by the high comparison basis;
- Specialty Brands: +7%, despite Covid-19, thanks to more favourable geographic exposure, with dynamic growth of Lillet, Altos and Redbreast;
- Strategic wines: -4%, due mainly to Jacob's Creek, and despite the growth of Campo Viejo.

Fourth quarter net sales were €1,238 million in FY20, with an organic decline of -36.2% (-37.9% reported), strongly impacted by the progression of the Covid-19 pandemic throughout the world, particularly for Travel Retail and On-trade. The Off-trade held up better than expected, notably in the USA and Europe.

(1) Sell-out at +2% (internal estimate).

### 5.2.3 Contribution after advertising & promotion costs

Gross margin (after logistics expenses) amounted to €5,086 million, an organic decline of 12% (-140 bp) despite a price effect on Strategic Brands of +1%, due to the following factors:

- an adverse mix effect linked to Strategic International Brands, especially Martell and Chivas Regal;
- unfavourable change in Cost of Goods, mainly due to agave and Grain Neutral Spirit (GNS) in India;
- lower fixed cost absorption due to the decline in volumes, despite savings related to operational excellence initiatives.

Advertising and promotional expenses fell by -14% to €1,327 million (+88 bp) thanks to the implementation of a major cost reduction plan in the second half.

### 5.2.4 Profit from recurring operations

Profit from recurring operations (PRO) was down -14% organically, to €2,260 million. The PRO margin erosion was contained to -131 bp, despite a significant reduction in Net sales, demonstrating active cost management. The Structure cost ratio increased by -79 bps, with topline decline reducing fixed cost absorption, despite strong cost discipline. The currency effect (+1% or +€36 million) was primarily driven by the stronger US dollar. The scope effect remained limited to €(2) million. On a reported basis, Profit from Recurring Operations was down -12%.

### 5.2.5 Financial income/expense from recurring operations

Financial expenses from recurring operations were €(328) million, compared with €(314) million the previous period. This represents a slight increase in financial expense from recurring operations mainly due to application of IFRS 16 and Fx impact.

The debt structure at 30 June 2020 was as follow:

- the bond portion was approximately 94% of gross debt;
- the fixed-rate portion was 86% of total debt;
- the weighted average maturity of gross bond debt was six years;
- the Group had €1.9 billion in cash and €3.4 billion undrawn bank credit lines.

### 5.2.6 Group net profit from recurring operations

Tax on profit from recurring operations stood at €468 million. This represents a tax rate on recurring items of 24.2% vs. 25.9% for FY19, due to a reduction in the Indian tax rate (from 34.9% to 25.2%) and a change in the geographical mix.

Non-controlling interests amounted to €21 million.

Group net profit from recurring operations decreased by -13% vs. FY19 to €1,439 million. Diluted net profit per share from recurring operations stood at €5.45, down -13%.

### 5.2.7 Group net profit

Other non-recurring operating income and expenses amounted to €(1,283) million, driven by:

- brand impairment: €(999) million, mainly related to Absolut (€(912) million gross, €(702) million net after tax) and triggered by Covid-19 sanitary crisis;
- restructuring charges €(178) million, including France and the wine branch reorganisation;
- other charges of which €(37) million Covid-19-related promotional event cancellation, charitable donations and supply of hand sanitiser.

Non-current financial income/(expense) of €(38) million mainly due to refinancing operations performed during the period, in particular one-off costs relating to early redemption of 50% of a US\$1 billion bond debt due in April 2021 (as part of the active management of Group debt) and foreign exchange impact.

Non-current tax was a net income of €210 million, driven mainly by deferred tax liability adjustments related to impairment charges and revaluation of deferred taxes (following changes to tax rates in the United Kingdom and India) recognised during the period.

Accordingly, Group net profit stood at €329 million, a decrease of -77% on FY20.

## 5.3 Net debt

**Reconciliation of Net financial debt** – the Group uses net financial debt in the management of its cash and its net debt capacity. A reconciliation of the net financial debt and the main balance sheet items is provided in Note 4.9 – Financial instruments in the Notes to the annual consolidated financial statement. The following table shows the change in Net debt over the year:

€ million	30.06.2019	30.06.2020
<b>Profit from recurring operations</b>	<b>2,581</b>	<b>2,260</b>
<b>Other operating income and expenses</b>	<b>(206)</b>	<b>(1,283)</b>
• Depreciation of fixed assets	226	350
• Net change in impairment of goodwill and property, plant and equipment and intangible assets	69	1,007
• Net change in provisions	7	97
• Restatement of contributions to pension funds acquired from Allied Domecq and others	3	-
• Fair value adjustments on commercial derivatives and biological assets	(7)	(3)
• Net (gain)/loss on disposal of assets	0	(27)
• Share-based payments	40	23
<b>Sub-total of depreciation and amortisation, change in provisions and other</b>	<b>339</b>	<b>1,446</b>
<b>SELF-FINANCING CAPACITY BEFORE FINANCING INTEREST AND TAX <sup>(1)</sup></b>	<b>2,714</b>	<b>2,423</b>
Decrease/(increase) in Working Capital Requirements	(181)	(433)
Net interest and tax payments	(829)	(809)
Net acquisition of non-financial assets and other	(338)	(352)
<b>FREE CASH FLOW</b>	<b>1,366</b>	<b>830</b>
Of which recurring Free Cash Flow	1,477	1,003
Net disposal of financial assets and activities, contributions to pension plans acquired from Allied Domecq and others	181	(587)
Change in the scope of consolidation	-	-
• Capital increase and other changes in shareholders' equity	-	-
• Dividends and interim dividends paid	(645)	(849)
• (Acquisition)/disposal of treasury shares	(121)	(526)
<b>Sub-total dividends, purchase of treasury shares and other</b>	<b>(766)</b>	<b>(1,374)</b>
<b>DECREASE/(INCREASE) IN DEBT (BEFORE FOREIGN EXCHANGE IMPACT)</b>	<b>420</b>	<b>(1,132)</b>
Opening IFRS 15 impact	16	-
Foreign currency translation adjustments	(94)	(69)
Non-cash effect on lease debt	-	(603)
<b>DECREASE/(INCREASE) IN DEBT (AFTER FOREIGN EXCHANGE IMPACT)</b>	<b>342</b>	<b>(1,804)</b>
Net debt at beginning of period	(6,962)	(6,620)
Net debt at end of period	(6,620)	(8,424)

(1) Excluding investments in pension funds acquired from Allied Domecq.

## 5.4 Outlook

For FY21, Pernod Ricard expects:

- continued uncertainty and volatility, in particular relating to sanitary conditions and their impact on social gatherings, On-trade and travel;
- challenging economic conditions;
- prolonged downturn in Travel Retail but resilience of Off-trade in USA and Europe and sequential improvement in China, India and On-trade globally;
- continued implementation of clear strategy, with solid fundamentals, rooted in employee engagement and quality of portfolio;
- continued strict discipline, with clear, purpose-based investment decisions and agility to adjust fast to capture evolving market opportunities.

## 5.5 Definitions and reconciliation of alternative performance indicators with IFRS indicators

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

### 5.5.1 Organic growth

Organic growth is calculated after excluding the impacts of exchange rate movements and acquisitions and disposals.

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

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

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

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

### 5.5.2 Free Cash Flow

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

## 5.6 Material contracts

### 5.6.1 Significant contracts not related to financing

#### 5.6.1.1 Suntory

In 1988, Allied Domecq entered into a series of agreements with Suntory Ltd, one of Japan's leading producers and distributors of spirits. One of the provisions of these agreements concerned the creation of a joint-venture company in Japan called Suntory Allied Ltd, in which 49.99% of the capital and voting rights are owned by Allied Domecq and 50.01% by Suntory Ltd. Suntory Allied Ltd was granted the exclusive distribution rights for certain Allied Domecq brands in Japan until 31 March 2029.

The management of Suntory Allied Ltd is jointly controlled by Pernod Ricard, as successor-in-interest to Allied Domecq, and Suntory Ltd.

### 5.5.3 "Recurring" indicators

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

- **Recurring Free Cash Flow:**

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

- **Profit from recurring operations:**

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

- **Group net profit from recurring operations:**

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

### 5.5.4 Net debt

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

### 5.5.5 EBITDA

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

#### 5.6.1.2 Sale and repurchase agreements

During FY20, Pernod Ricard did not conclude any sale and repurchase agreements. For more details on transactions related to previous sale and repurchase agreements, please refer to the Share buyback programme subsection of Section 9 About the Company and its share capital.



## 5.6.2 Financing contracts

### 5.6.2.1 Credit agreements

#### 2017 Credit Agreement (syndicated credit)

As part of the refinancing of the bank debt taken out in 2012 to cover the Group's short-term financing requirements, Pernod Ricard and certain of its affiliates signed a new five-year €2.5 billion revolving credit facility (the "**Credit Agreement**") on 14 June 2017. As the extension options to six or seven years have been activated, this agreement now expires in 2024.

The obligations of each of the borrowers under the Credit Agreement are guaranteed by Pernod Ricard. No security interest (*sûreté réelle*) was granted under the terms of the Credit Agreement.

#### 2020 Credit Agreement (bilateral credit)

On 23 March 2020, Pernod Ricard and Pernod Ricard Finance signed a bilateral revolving credit facility (as amended by an amendment dated 9 April 2020, the "**Bilateral Credit Agreement**", together with the Credit Agreement, the "**Credit Agreements**") in a principal amount of €600 million, for a period of 12 months, with the option of a 12-month extension.

The obligations of Pernod Ricard Finance under the Bilateral Credit Agreement are guaranteed by Pernod Ricard. No security interest (*sûreté réelle*) was granted under the terms of the Bilateral Credit Agreement.

#### Provisions of the Credit Agreements

The Credit Agreements contain customary representations and warranties, as well as the usual restrictive covenants contained in such contracts, notably restricting the ability of some Group companies (subject to certain exceptions) to pledge their assets as security interest, alter the general nature of the Group's activities or carry out certain acquisition transactions.

The Credit Agreements also set out obligations, including a commitment to provide lenders with adequate information, compliance with a solvency ratio at each half-year end as mentioned hereunder (the "**Solvency Ratio**"), and compliance with certain commitments customary in this type of credit agreement (including the maintenance of the credit's *pari passu* ranking).

### 5.6.2.2 Solvency ratio (total consolidated net debt/consolidated EBITDA)

The Solvency Ratio must be 5.25 or less. At 30 June 2020, the Group was compliant with this solvency ratio (see "Liquidity risks" in this management report).

The Credit Agreements incorporate the main terms of the 2012 syndicated Credit Agreement and, in addition, provide for certain cases of voluntary or compulsory early repayment obligations, depending on circumstances, which are standard practice for credit agreements of this kind (including non-compliance with commitments, change of control and cross default). The Credit Agreements also contain a clause under which the taking of control of Pernod Ricard by any other person or group of persons acting in concert (other than Société Paul Ricard or any group of persons acting in concert with Société Paul Ricard) is likely to constitute grounds for compulsory early repayment.

### 5.6.2.3 Bond issuance

The nominal amount of the Bonds and the interest thereon (the "**Bonds**") constitute direct, unsubordinated and unsecured obligations of Pernod Ricard, ranking equally amongst themselves and *pari passu* with all other unsecured and unsubordinated debt, present and future, of Pernod Ricard. In addition, Pernod Ricard has agreed not to grant any security interest (*sûreté réelle*) with regard to bonds or other debt securities that have been or may be admitted to trading on a regulated market, over-the-counter market or other exchange unless the Bonds benefit from similar security interests or security interests approved by the bondholders.

These bond issuances include a clause regarding change of control, which could lead to the compulsory early repayment of bonds upon request of each bondholder in the event of a change of control of the Company (benefitting a person or a group of persons acting in concert) and leading to a deterioration in the Company's financial rating.

In addition, these bonds may be redeemed early if certain customary events of default arise.

## 5.

MANAGEMENT REPORT  
Material contracts

	Amount (US\$ thousands)	Amount (€ thousands)	Place of issue	Nominal value	Maturity date	Repayment dates	Allocation of net proceeds of the issue	Rate
<b>USD bond of 07.04.2011</b>	1,000,000 of which 500,000 was repaid early on 24 June 2020		Private placement for institutional investors, and subject to New York State (United States) law	US\$150,000 (with multiples of US\$1,000 in excess of this amount)	07.04.2021	Payable annually in arrears on 7 April and 7 October	Repayment of the 2008 syndicated loan in order to extend the Group's debt maturity and a part of the 2008 syndicated loan denominated in US dollars	Annual fixed rate of 5.75%
<b>USD bond of 25.10.2011</b>	1,500,000		Private placement for institutional investors, and subject to New York State (United States) law	US\$150,000 (with multiples of US\$1,000 in excess of this amount)	15.01.2022	Payable annually in arrears on 15 January and 15 July	Repayment of part of the 2008 syndicated loan denominated in US dollars	Annual fixed rate of 4.45%
<b>USD bond of 12.01.2012</b>	850,000		Private placement for institutional investors, and subject to New York State (United States) law	US\$150,000 (with multiples of US\$1,000 in excess of this amount)	15.01.2042	Payable annually in arrears on 15 January and 15 July	Repayment of part of the 2008 syndicated loan denominated in US dollars	Annual fixed rate of 5.50%
<b>USD bond of 12.01.2012</b>	800,000		Private placement for institutional investors, and subject to New York State (United States) law	US\$150,000 (with multiples of US\$1,000 in excess of this amount)	15.07.2022	Payable annually in arrears on 15 January and 15 July	Repayment of part of the 2008 syndicated loan denominated in US dollars	Annual fixed rate of 4.25%
<b>EUR bond of 29.09.2014</b>		650,000	Regulated market of Euronext Paris	100,000	27.09.2024	Payable annually in arrears on 27 September	Repayment of bond debt to extend the maturity of the Group's debt	Annual fixed rate of 2.125%
<b>EUR bond of 28.09.2015</b>		500,000	Regulated market of Euronext Paris	100,000	28.09.2023	Payable annually in arrears on 28 September	Repayment of bond debt to extend the maturity of the Group's debt	Annual fixed rate of 1.875%
<b>USD PANDIOS bond of 26.01.2016</b>	201,000		A single counterparty	1,000,000	26.01.2021	Payable half-yearly as from 26 July 2016	Repayment of bond debt to extend the maturity of the Group's debt	Floating
<b>EUR bond of 17.05.2016</b>		600,000	Regulated market of Euronext Paris	100,000	18.05.2026	Payable annually in arrears on 18 May	Repayment of bond debt to extend the maturity of the Group's debt	Annual fixed rate of 1.50%

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## MANAGEMENT REPORT

## Material contracts

	Amount (US\$ thousands)	Amount (€ thousands)	Place of issue	Nominal value	Maturity date	Repayment dates	Allocation of net proceeds of the issue	Rate
<b>USD bond of 08.06.2016</b>	600,000		Private placement for institutional investors, and subject to New York State (United States) law	US\$150,000 (with multiples of US\$1,000 in excess of this amount)	08.06.2026	Payable annually in arrears on 8 June and 8 December from 8 December 2016	Repayment of short-term debt and bond debt to extend the maturity of the Group's debt	Annual fixed rate of 3.25%
<b>EUR bond of 24.10.2019</b>		500,000	Regulated market of Euronext Paris	100,000	24.10.2023	Payable annually in arrears on 24 October	General financing requirements of the Group	Annual fixed rate of 0%
<b>EUR bond of 24.10.2019</b>		500,000	Regulated market of Euronext Paris	100,000	24.10.2027	Payable annually in arrears on 24 October	General financing requirements of the Group	Annual fixed rate of 0.50%
<b>EUR bond of 24.10.2019</b>		500,000	Regulated market of Euronext Paris	100,000	24.10.2031	Payable annually in arrears on 24 October	General financing requirements of the Group	Annual fixed rate of 0.875%
<b>EUR bond of 06.04.2020</b>		750,000	Regulated market of Euronext Paris	100,000	07.04.2025	Payable annually in arrears on 7 April	General financing requirements of the Group	Annual fixed rate of 1.125%
<b>EUR bond of 06.04.2020</b>		750,000	Regulated market of Euronext Paris	100,000	08.04.2030	Payable annually in arrears on 8 April	General financing requirements of the Group	Annual fixed rate of 1.75%
<b>EUR bond of 30.04.2020</b>		250,000	Regulated market of Euronext Paris	100,000	07.04.2025	Payable annually in arrears on 7 April	General financing requirements of the Group	Annual fixed rate of 1.125%
<b>EUR bond of 30.04.2020</b>		250,000	Regulated market of Euronext Paris	100,000	08.04.2030	Payable annually in arrears on 8 April	General financing requirements of the Group	Annual fixed rate of 1.75%

#### 5.6.2.4 Euro Medium Term Notes (EMTN) Programme

After obtaining the approval of the French Financial Markets Authority on the base prospectus, on 26 May 2020, Pernod Ricard set up a Euro Medium Term Notes (EMTN) programme (the "**Programme**"). According to the terms of the Programme, Pernod Ricard may issue bonds by means of private placements in various currencies. The securities may be admitted to trading on Euronext Paris. The maximum nominal amount of securities outstanding under the Programme is set at €7 billion (or its equivalent in any other currency). At its meeting on 22 April 2020, the Board of Directors authorised the Company to issue bonds under the Programme up to a maximum nominal amount of €1.5 billion (or its equivalent in any other currency) for a period of one year from 22 April 2020.

#### 5.6.2.5 Europe Factoring Agreement

On 15 December 2008, certain affiliates of Pernod Ricard and Pernod Ricard Finance signed a factoring framework agreement with BNP Paribas Factor, to set up a pan-European factoring programme in the gross amount of €350 million, which was increased to €400 million by an addendum dated 23 June 2009. The programme was most recently renewed on 3 December 2018, for a period of five years from 1 January 2019. This programme was agreed in the amount of €500 million. The receivables are sold under the contractual subrogation regime under French law, except where certain local legal restrictions are in force. As substantially all of the risks and rewards related to the receivables are transferred to the purchaser in accordance with this factoring programme, transferred receivables are deconsolidated.

#### 5.6.2.6 Securitisation (Master Receivables Assignment Agreement)

On 24 June 2009, certain affiliates of Pernod Ricard entered into an international securitisation programme arranged by Crédit Agricole CIB. The purpose of the programme was the transfer of eligible commercial receivables to €STR, in accordance with the provisions of a framework agreement dated 24 June 2009 and country-specific agreements entered into at the time that each relevant affiliate joined the programme. This programme was renewed on 17 June 2019 under the terms of an addendum to the framework agreement. The programme amounts to €65 million, US\$230 million, £145 million and 400 million Swedish kronor.

This three-year programme includes a change of control clause that applies to each affiliate participating in the programme as a seller, which could lead to the early repayment of the programme by the affiliate concerned by such change of control. "Change of control" is defined as Pernod Ricard ceasing to hold, directly or indirectly, at least 80% of the share capital or voting rights of an affiliate participating in the programme as a seller, unless (i) Pernod Ricard continues to hold, directly or indirectly, 50% of the share capital or voting rights of such affiliate and (ii) issues, at the request of Crédit Agricole CIB, a guarantee in terms that Crédit Agricole CIB deems satisfactory (acting reasonably) for the purpose of securing the obligations of such affiliate under the securitisation transaction documents.

#### 5.6.2.7 Factoring agreement Pacific

On 18 March 2013, a new agreement for the sale of receivables was signed between Pernod Ricard Winemakers Pty Ltd (formerly Premium Wine Brands Pty <sup>(1)</sup>), Pernod Ricard Winemakers New Zealand Limited (formerly Pernod Ricard New Zealand Limited) and The Royal Bank of Scotland plc. This factoring agreement covers Australia and New Zealand and amounts to AUD128.5 million and NZD45 million. The receivables sale agreement was taken over in full by BNP Paribas on 4 December 2015, replacing The Royal Bank of Scotland plc.

Additional information on the impact of these financing contracts on the Group's financial statements is provided in Notes 4.8.1 – *Breakdown of net financial debt by nature and maturity* and 4.8.7 – *Bonds to the consolidated financial statements*.

(1) Renamed Pernod Ricard Winemakers Pty.