

Creators *of* VALUE

—Pernod Ricard has become one of the most important creators of value in the Wines & Spirits sector. In ten years, net sales have multiplied four times over and profit from recurring operations by six. For the coming years, the Group's aim is to create value through three major levers: sales growth, cash conversion and optimal resource allocation.

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Interview

Gilles BOGAERT

Managing Director, Finance

— Gilles Bogaert joined the Group as an internal auditor in 1995, then alternated line management duties with Holding Company duties: He was Vice-President of Administration and Finance of Pernod Ricard Argentina in 1998, Vice-President of Administration and Finance of Pernod Ricard Central & South America (CESAM) in 2002, and Chairman & CEO of Pernod Ricard Brasil in 2008; at the Holding Company, he served as Director of Audit and Business Development of Pernod Ricard in 2003 and, most recently, has been Managing Director, Finance, since July 2009.



THE GROWTH IN OUR PROFITABILITY HAS NOT BEEN AT THE EXPENSE OF OUR BRAND-BUILDING. THESE ARE THE INGREDIENTS OF SOLID AND SUSTAINABLE PERFORMANCE.”



What is your analysis of the Group's financial performance for the year? Did you meet your previously announced targets?

I'm pleased with our performance. We generated a 4% operating margin, better than our initial target of 1%-3%.

The 2% organic growth in net sales is better than the previous year's, when our sales were flat.

The key benefit of Premiumisation, which has been pursued despite the crisis, is that it came with a better mix (higher growth of the Top 14 strategic brands at 4%), which markedly improved the gross margin rate.

Finally—and this is most telling—the growth in profitability was achieved while increasing expenditure on our key brands. Advertising and promotion expenditure actually increased 5%.

So our improved profitability has not been at the expense of our brand-building. These are the ingredients of our solid and healthy performance, we have not sacrificed the long-term to the short-term.

Two years after the start of the crisis, the richness of our portfolio and our excellent geographic exposure are major assets.

The Group has benefited from the momentum of emerging markets (8% organic growth in net sales), particularly Asia, which has offset the more difficult situation in some mature markets, such as Spain.

What was the impact of the euro/dollar exchange rate on profits?

When nearly three-quarters of our profits are in dollars or related currencies, the dollar's appreciation against the euro and other European currencies (GBP, SEK) technically works in our favour. Our Brand Companies produce mainly in Europe and export to our Market Companies around the world.

Over the 2009/2010 financial year, given the high volatility of currencies, the US dollar depreciated slightly against the euro (1.39 vs. 1.37) at average exchange rates, although it did appreciate strongly at year-end (€/US\$ exchange rate of 1.23 at 30 June 2010).

Thus, we did not benefit from a favourable currency impact for the US dollar on the Group's operating profits, but we should do so in 2010/2011.

The currency impact on 2009/2010 profit from recurring operations was negative by €58 million this is due exclusively to the devaluation of the Venezuelan Bolívar.

Pernod Ricard has made debt reduction a priority. How is the Group doing since the sale of its Swedish and Danish assets to Altria of Finland?

Our debt reduction continued at a rapid pace in 2009/2010. Not including currency translation, debt declined by €1,090 million.

This is largely due to the strong generation of free cash flow (€1,110 million), but also to one-time cash-optimisation items: disposals (including Tia Maria, Scandinavian assets) and the dividend reduced to 0.50 per share for financial year 2008/2009.

The best indicator for measuring debt reduction is the net debt/EBITDA ratio (calculated with debt converted at average exchange rates): it fell from 5.4 to 4.9 at end June 2010—which is a significant drop.

With regard to disposals, with €800 million in assets sold at end June (€860 million including disposals of Spanish assets after 30 June 2010), we are close to completing our programme.

Other disposals may be planned if the strategic interest is justified and the price offered is sufficiently attractive.

(...)



WE ANNOUNCED A TARGET OF ONE BILLION EUROS IN DISPOSALS. TO DATE, WITH 800 MILLION EUROS IN ASSETS SOLD, WE ARE CLOSE TO COMPLETING OUR PROGRAMME. ”



(...)

Over the last ten years, Pernod Ricard has demonstrated its ability to create value thanks to a dynamic acquisition policy. What does the Group intend to do now that external growth is no longer a priority?

The Group actually stands out in the sector because of its ability to create value. In 10 years, our net sales have multiplied by four and our profits by six. The acquisitions of Seagram, Allied Domecq, and Vin&Sprit drove these strong growth multiples. But they were not the only factors. We were also able to generate organic growth in both our historic brands and our acquired brands.

Today, the challenge is to continue on this virtuous path by constantly seeking to improve the effectiveness of points of contact with our customers, by promoting a strategic focus, creativity and a quick execution.

That concludes the challenge of our corporate project, Agility. We can add up the major levers of value creation using a simple financial equation: net sales growth, cash conversion and optimal resource allocation.

This financial equation is fully consistent with our major strategic objectives.

Growth in net sales is the main lever for improving our profitability, which is why we must invest in our brands over the long term, by being creative and innovative. Cash conversion will help us reduce our debt. This requires being rigorous in the management of our strategic inventories, capital investments, and working capital requirements. With the crisis, we are seeing a very mixed picture in terms of growth of brands and countries. Value creation is not standardised across the world so choices must be made to optimally allocate our resources.

Does the emphasis on debt reduction and growth affect performance management?

The priority of debt reduction and organic growth increases our performance management requirements.

We have a set of targeted indicators, most of which are used in calculating our managers' bonuses: indicators of profitability (contribution of brands after promotional expenditure, operating profit), operating cash flow, net debt/EBITDA ratio (for executive directors).

The return on capital employed (ROCE) is an increasingly useful indicator, it is very helpful in streamlining the asset base and making the right allocation choice.

How can the Group reconcile decentralisation and cost optimisation?

Our corporate project Agility is, above all, a growth project and decentralisation has been clearly confirmed as one of the cornerstones that sets Pernod Ricard apart. It is a result of our desire to be closer to our consumers and markets. It is an asset to be preserved, we do want to take advantage of our size and continually launch cost-optimising initiatives.

By having a coordinated approach, we can reduce our costs, create value, gain experience and efficiency. For several years, we have been focusing our efforts on our purchasing policy. Now, our direct purchases of raw materials—as well as some indirect purchases such as promotional materials—are pooled on a regional or global basis. Coordinated logistics management can also improve production management and inventory levels.

Likewise, for several years we have been deploying a strategy Group-wide that moves toward convergence of our IT tools.



Lastly, we are pooling administrative duties where it makes sense, with the primary aim of best serving the business.

To continue in this direction, we are committed to promoting the exchange of good practices among teams and not only in regard to business and marketing issues.

To avoid wasting energy or resources in 'reinventing the wheel' simultaneously in several entities, we must rely on the expertise and experience disseminated within the Group.

We must be able to identify the best practices for creating value in a decentralised organisation, circulate them, and see that they are applied.

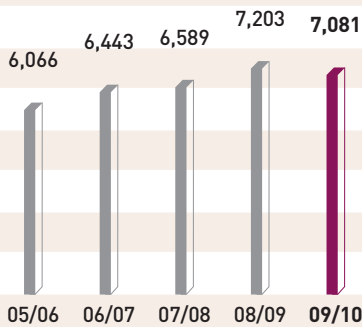


“WE MUST BE
ABLE TO IDENTIFY
THE BEST PRACTICES FOR
CREATING VALUE.”

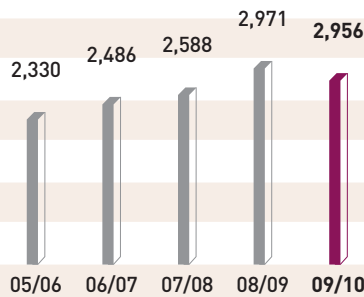
2009/2010 figures

— In an economic environment that had mixed performance, but improved overall in the second half of its financial year, Pernod Ricard posted a healthy financial position, marked by the quality of its results and significant debt reduction.

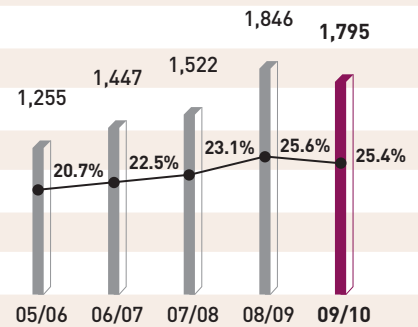
Net sales
In euro millions



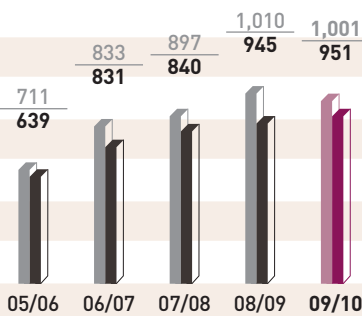
Contribution after advertising and promotion expenses
In euro millions



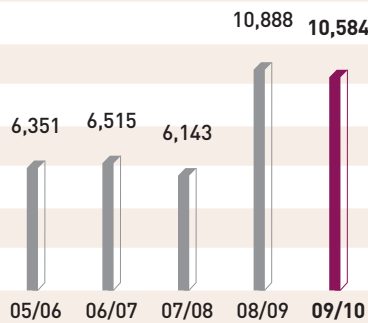
Profit from recurring operations
Operating margin
In euro millions and as a % of net sales



Group profit from recurring operations
Group net profit
In euro millions



Change in net financial debt
In euro millions



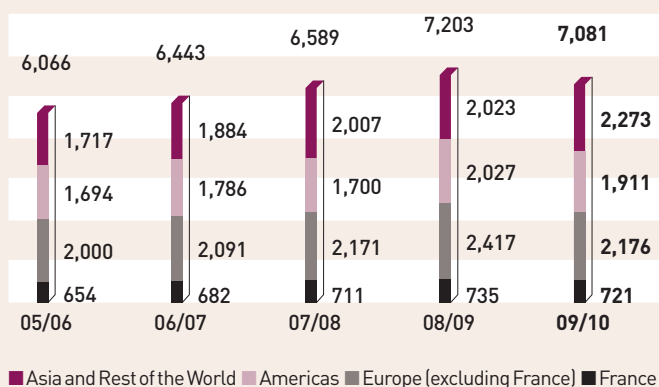
■ Group profit from recurring operations
■ Group net profit



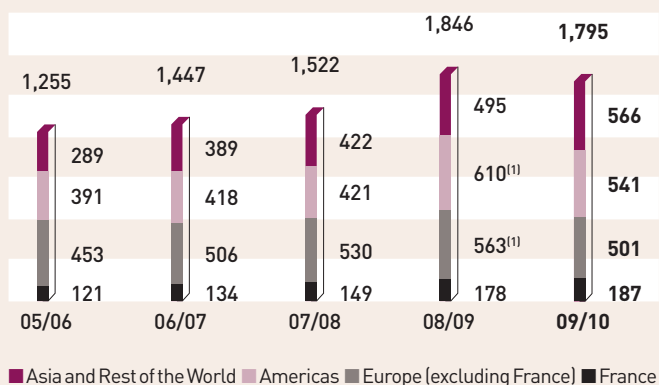
€7,081m
2009/2010
NET SALES

€1,795m
PROFIT FROM
RECURRING OPERATIONS

Sales by region
In euro millions



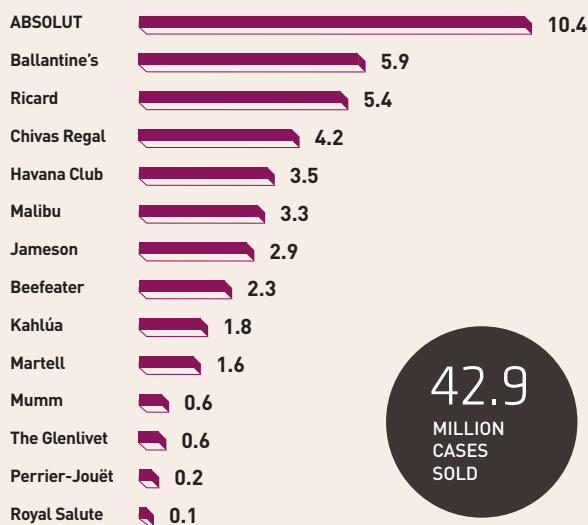
Profit from recurring operations by region
In euro millions



(1) Reclassification of €26 million in other income and expenses in the Americas (-26) and Europe (excluding France) (+26) in 2008/2009.

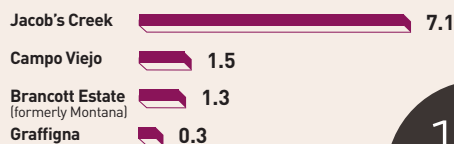
Volume per brand
In millions of 9-litre cases

14 STRATEGIC SPIRITS AND CHAMPAGNE BRANDS



42.9
MILLION
CASES
SOLD

4 PRIORITY PREMIUM WINE BRANDS



10.2
MILLION
CASES
SOLD

FINANCIAL OVERVIEW

Annual consolidated balance sheet

In euro millions

ASSETS	30.06.2009	30.06.2010
Net amounts		
Non-current assets		
Intangible assets	11,310	12,364
Goodwill	4,888	5,393
Property, plant and equipment	1,757	1,823
Biological assets	75	116
Non-current financial assets	105	118
Investments in associates	3	6
Deferred tax assets	1,115	1,307
Non-current derivative instruments	-	20
NON-CURRENT ASSETS	19,253	21,148
Current assets		
Inventories	3,714	4,007
Trade receivables	936	944
Income taxes receivable	58	37
Other current assets	185	218
Current derivative instruments	23	12
Cash and cash equivalents	520	701
CURRENT ASSETS	5,435	5,918
Assets held for sale	178	42
TOTAL ASSETS	24,867	27,107
LIABILITIES AND SHAREHOLDERS' EQUITY	30.06.2009	30.06.2010
Shareholders' equity		
Share capital	401	410
Share premium	3,019	3,022
Retained earnings and currency translation adjustments	3,058	4,739
Group net profit	945	951
GROUP SHAREHOLDERS' EQUITY	7,423	9,122
Minority interests	185	216
TOTAL SHAREHOLDERS' EQUITY	7,608	9,337
Non-current liabilities		
Non-current provisions	521	691
Provisions for pensions and other long-term employee benefits	405	408
Deferred tax liabilities	2,217	2,500
Bonds—non-current	2,523	2,893
Non-current derivative instruments	427	375
Other non-current financial liabilities	8,297	6,925
TOTAL NON-CURRENT LIABILITIES	14,390	13,792
Current liabilities		
Current provisions	312	312
Trade payables	1,759	1,871
Income taxes payable	101	104
Other current liabilities	209	224
Other current financial liabilities	383	317
Bonds—current	17	934
Current derivative instruments	28	212
TOTAL CURRENT LIABILITIES	2,810	3,975
Liabilities held for sale	60	2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	24,867	27,107

Annual consolidated income statement

In euro millions

	30.06.2009	30.06.2010
Net sales	7,203	7,081
Cost of sales	(2,995)	(2,863)
Gross margin after logistics costs	4,208	4,218
Advertising and promotion	(1,237)	(1,262)
Contribution after advertising and promotional expenses	2,971	2,956
Trading costs and overheads	(1,125)	(1,160)
Profit from recurring operations	1,846	1,795
Other operating income	362	234
Other operating expenses	(452)	(322)
Operating profit	1,757	1,707
Financial expenses	(710)	(524)
Financial income	19	17
Interest (expense) income	(691)	(507)
Corporate income tax	(108)	(223)
Share of net profit/(loss) of associates	0	1
Net profit from continuing operations	958	978
Net profit from discontinued operations	8	0
NET PROFIT	966	978
Including:		
• Attributable to minority interests	21	27
• Attributable to equity holders of the Parent	945	951
Earnings per share—basic (in euro) ⁽¹⁾	3.94	3.62
Earnings per share—diluted (in euro) ⁽¹⁾	3.92	3.59
Net earnings per share from continuing operations (excluding discontinued operations)—basic (in euro) ⁽¹⁾	3.91	3.62
Net earnings per share from continuing operations (excluding discontinued operations)—diluted (in euro) ⁽¹⁾	3.88	3.59

(1) In accordance with IAS 33, the following adjustments have been made:

- Earnings per share at 30 June 2009 was adjusted for the bonus rights issue of one share for each 50 shares held on 18 November 2009.

Analysis of business activity by geographic area

In euro millions

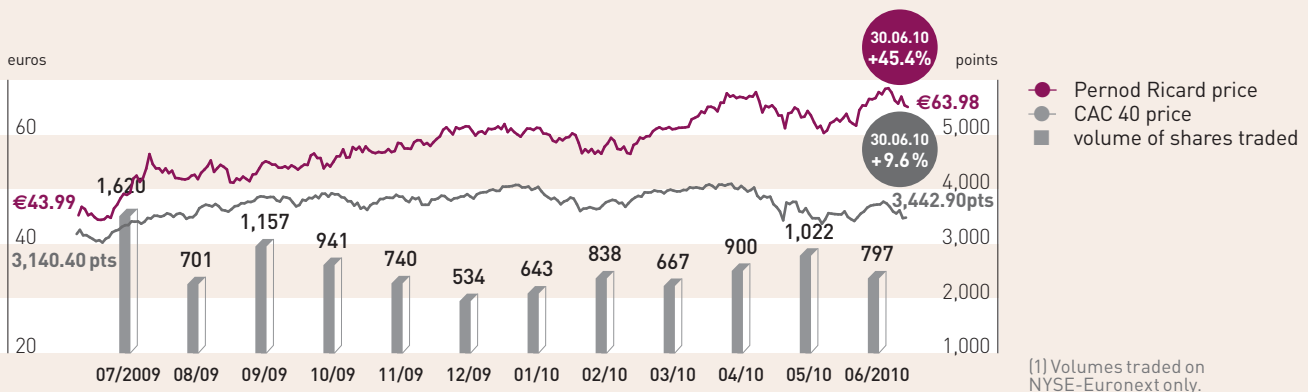
ASIA / REST OF THE WORLD	30.06.2009	30.06.2010	Organic growth	
Net sales	2,023	2,273	181	9%
Gross margin after logistics costs	1,136	1,263	107	10%
Contribution after advertising and promotional expenses	753	839	71	10%
Profit from recurring operations	495	566	66	14%
AMERICAS	30.06.2009	30.06.2010	Organic growth	
Net sales	2,027	1,911	74	4%
Gross margin after logistics costs	1,253	1,193	57	5%
Contribution after advertising and promotional expenses	907	861	34	4%
Profit from recurring operations⁽²⁾	610	541	6	1%
EUROPE (EXCLUDING FRANCE)	30.06.2009	30.06.2010	Organic growth	
Net sales	2,417	2,176	(123)	-5%
Gross margin after logistics costs	1,302	1,234	(10)	-1%
Contribution after advertising and promotional expenses	963	897	(14)	-2%
Profit from recurring operations⁽²⁾	563	501	(14)	-3%
FRANCE	30.06.2009	30.06.2010	Organic growth	
Net sales	735	721	(2)	0%
Gross margin after logistics expenses	518	528	12	2%
Contribution after advertising and promotional expenses	348	358	12	3%
Profit from recurring operations	178	187	11	7%
TOTAL	30.06.2009	30.06.2010	Organic growth	
Net sales	7,203	7,081	130	2%
Gross margin after logistics expenses	4,208	4,218	167	4%
Contribution after advertising and promotional expenses	2,971	2,956	102	4%
Profit from recurring operations	1,846	1,795	69	4%

(2) Reclassification of €26 million in other income and expense between the Americas and Europe in financial year 2008/2009.

2009/2010 Share performance

— In an uncertain macroeconomic environment, Pernod Ricard's share largely outperformed the CAC 40.

Change in the share price over one year in comparison with the CAC 40 index and trading volumes⁽¹⁾



By Denis Fievet
Vice President, Financial Communication and Investor Relations

Pernod Ricard shares: +45% since 1 July 2009

After two turbulent years, stock market indices were up overall for financial year 2009/2010. However, macroeconomic uncertainties surrounding public debt and austerity measures were the source of great volatility. After initially stimulating the indices, the recovery plans then raised fears about their mode of financing. In this environment, Pernod Ricard's share largely outperformed the Paris index by closing at €64 on 30 June 2010. It has posted +45% annual growth since 1 July 2009—significantly better than the CAC 40 (+10%).

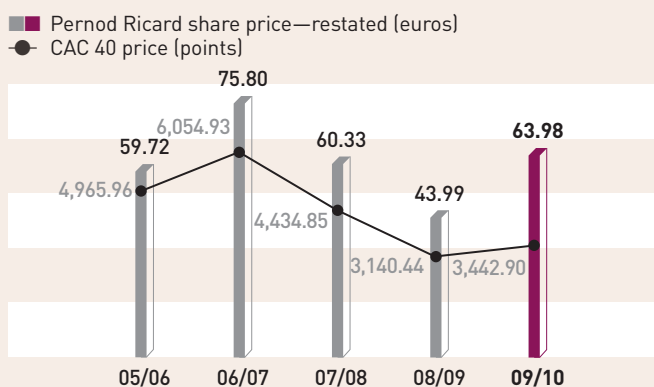
This performance on the stock market is not only due to Pernod Ricard's status as a defensive share in an uncertain environment, but also to its solid financial results. Indeed, during the financial year, Pernod Ricard regularly confirmed or improved its performance targets, while proving its commitment to pursue investments in its brands. In this way, the Group boosted market confidence through the relevance of its strategy and its ability to optimise future growth.



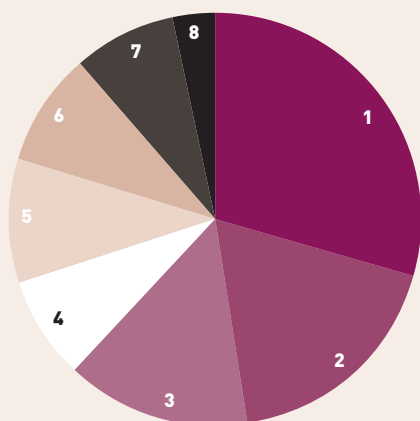
Pernod Ricard is traded on the Paris stock exchange on NYSE Euronext SA Paris Eurolist (compartment A) SRD (deferred settlement service). The Group is included in the CAC 40 index, accounting for 2.015% of total market capitalisation at 30 June 2009. The Pernod Ricard share is eligible for inclusion in French 'PEA' share savings plans (Plan d'Épargne en Actions) and for SRD (Service à Règlement Différé—deferred settlement service).



Value of the Pernod Ricard share over five years (price at 30 June)



Breakdown of share capital at 30 June 2010



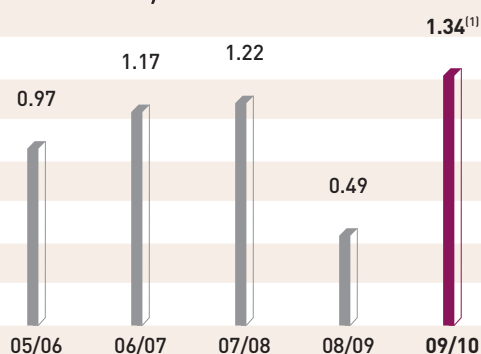
(1) U.S. institutional investors.....	29.5%
(2) French institutional investors.....	18.2%
(3) Société Paul Ricard	14.3%
(4) Other foreign and miscellaneous institutional investors	8.1%
(5) Groupe Bruxelles Lambert.....	9.8%
(6) Individual shareholders.....	8.8%
(7) U.K. institutional investors.....	8.1%
(8) Board + Management + Employees + Treasury shares	3.2%

SHARE OVERVIEW



Net dividend (restated) over the last five financial years

In euros



[1] Subject to the Shareholders' approval.

2010 dividend

At its meeting on 1 September 2010, the Board of Directors decided to submit to the Shareholders' vote a dividend of €1.34 per share. The interim dividend of €0.61 paid on 7 July 2010 would leave a balance of €0.73 per share. Subject to the Shareholders' approval, the ex-date of this balance will be 12 November and the payment date 17 November 2010.

SUMMARY OF STOCK MARKET DATA

	2007/2008	2008/2009	2009/2010
Number of listed shares at 30 June	219,682,974	258,640,536	264,232,313
Average number shares (except Treasury shares)—diluted ^[2]	234,757,940	241,221,105	264,856,425
Stock market capitalisation at 30 June (€m)	14,334	11,605	16,906
Diluted Group net profit from recurring operations per share	4.13	4.27	3.78
Diluted Group net profit from recurring operations per share (after restatement) ^[2]	3.82	4.19	3.78
Dividend per share	1.32	0.5	1.34
Dividend per share after restatement ^[2]	1.22	0.49	1.34
Average monthly volume of trades	21,039	31,627	19,258
Average monthly volume of trades after restatement ^[2]	24,283	36,012	19,351
Highest share price for the financial year	83.3	67.9	67.51
Highest share price for the financial year after restatement ^[2]	76.47	65.29	67.51
Lowest share price for the financial year	61.7	38.6	35.89
Lowest share price for the financial year after restatement ^[2]	55.88	37.06	35.19
Average share price for the financial year	74.03	49.63	58.17
Average share price for the financial year after restatement ^[2]	67.11	47.71	57.32
Share price at 30 June	65.25	44.87	63.98
Share price at 30 June after restatement ^[2]	60.33	43.99	63.98

[2] Historical data were restated to take into account the capital increase through the allocation of one bonus share for 50 shares carried out 18 November 2009.



Paul MANN—Director of Marketing Finance—Pernod Ricard USA—UNITED STATES *by* **Marcos Lopez**

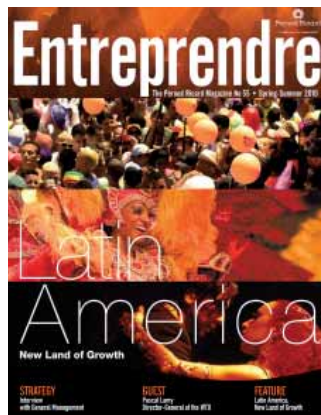
“Despite my very basic English, Paul and I understood each other perfectly—both strangers in New York! He an Englishman with his references to the punk movement—and I, an Argentine... We Argentines appreciate the English sense of humour. I suggested we go to the Lower East side, which I know well. For once, it was I who had to temper Paul’s somewhat transgressive creative mind! We ended our day sharing a good meal in an Irish pub, just like two old friends.”

Conviviality shared with our shareholders

__Pernod Ricard has endeavoured to create a relationship of trust with its shareholders based on open channels of communication and dialogue. With its Club Premium and tailored communication tools, which ensure transparent and quality information, the Group shares with them its culture and spirit of conviviality.

Communications in line with expectations

Pernod Ricard is constantly developing its communications in order to better respond to its shareholders' needs. Communication is centred on two complementary media: the Group's website which provides all the key information in terms of figures, dates, and brands; and 'Entreprendre' magazine, created in 1983 and circulated in three languages to all employees and shareholders. The magazine is the result of the in-depth involvement of both the general management and the subsidiaries. It unlocks the history of the Group and its products and offers detailed coverage of its global strategy, business lines, and know-how. True to its transparency ethic, Pernod Ricard allows its shareholders, like all its stakeholders (analysts, reporters, etc.) to follow the Annual General Meeting in real time. Beginning this year, to promote interactivity, this meeting is being broadcast via webcam. In addition, shareholders will have the option of asking their questions in real time.



Club Premium—a place for contact and culture

To strengthen bonds and introduce shareholders to its culture and roots, Pernod Ricard created Club Premium in 2006. Its

10,500 shareholding members are provided with an information letter, a freephone number, and a dedicated mini-site. The Club also gives them the option of attending many events—both convivial and unique—with themes central to Pernod Ricard's activities and commitments: its products, the environment, and contemporary art. This year shareholders had the option of touring the cellars of G.H. Mumm, Martell, and Perrier-Jouët, taking wine-tasting and cocktail-mixing workshops, and visiting Les Embiez Island, Paul Ricard's Oceanographic Institute, and the Domaine du Mas de Méjanes in Camargue, a region where Paul Ricard has brought back rice farming. In terms of cultural events, several concerts have been held for members, notably by the Orchestre OstinatO, as have various contemporary art exhibitions.

SHAREHOLDERS' DIARY

- 】 21 OCTOBER 2010: 2010/2011 first quarter sales and 2010/2011 full-year guidance
- 】 10 NOVEMBER 2010: Annual General Meeting for the 2009/2010 financial year
- 】 17 FEBRUARY 2011: 2010/2011 half-year sales and results
- 】 05 MAY 2011: 2010/2011 third quarter sales

good PRACTICE



Exceptional cultural events

Pernod Ricard's Club Premium members can experience exceptional moments, such as private tours of exhibitions. In October 2009, they were invited into the world of the FIAC (Foire internationale d'art contemporain—International Contemporary Art Fair), held in the courtyard of the Louvre, with commentary by a lecturer (photo). The day ended with a visit to the exhibition at the Fondation d'Entreprise Ricard, which has been committed to contemporary art since its creation, and supports one artist each year by buying one of his or her works. In January 2010, 350 shareholders also took a private tour of the 'Soulages' show at the Centre Pompidou Museum.



Pernod Ricard

A French Public Limited Company with share capital of €409,560,085.15

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Portraits—Marcos Lopez