



## 2003 1st HALF-YEAR RESULTS



25 September 2003

# 2003 1<sup>st</sup> HALF-YEAR RESULTS

**Improvement in Wine and Spirits profitability**

**Growth in consolidated net profit**

**Continuation of rapid reduction in Group debt**



Pernod Ricard



# Key financial results

- ▶ Wine and Spirits sales: + 8% organic growth
- ▶ Wine and Spirits EBIT: + 25% growth on a constant forex basis
- ▶ Group net debt excluding Océane: below € 2 billion
- ▶ Group net profit excluding exceptional items : + 3.7% (organic growth : + 34%)





# Wine & Spirits



# Wine & Spirits

A half-year significantly impacted by exchange rate movements ...

(€ millions)	2002 1 <sup>st</sup> HY	2003 1 <sup>st</sup> HY <i>2002 forex rates</i>	Forex rates impact	2003 1 <sup>st</sup> HY <i>2003 forex rates</i>
Sales	1,503	1,653	(157)	1,496
Gross margin	974	1,099	(114)	985
A&P expenses	(329)	(344)	30	(314)
Distribution costs	(63)	(74)	7	(67)
Overheads and commercial costs	(317)	(351)	25	(326)
<b>EBIT</b>	<b>265</b>	<b>330</b>	<b>(51)</b>	<b>279</b>



# Wine & Spirits

....in a difficult environment...

- ▶ **France: alcoholic beverages market experiences difficult conditions**
- ▶ **Ireland: dramatic increase in duties (+42%) in December 2002**
- ▶ **Japan, Korea, Latin America: difficult economic conditions**
- ▶ **SARS: very significant impact on Asian Duty Free**



# Wine & Spirits

....but a remarkable financial performance

- ▶ Strong improvement in gross margin ratio: up 1.7 basis points on a constant 2002 forex rates basis
- ▶ A&P expenditure ratio maintained at a very high level
- ▶ EBIT margin: up 2.4 basis points on a constant 2002 forex basis

	<b>2002 1st HY</b>	<b>2003 1st HY</b>	<b>2003 1<sup>st</sup> HY 2002 forex rates</b>
Gross Margin/Sales	64.8%	65.8%	66.5%
A&P/Sales	21.9%	21.0%	20.8%
<b>EBIT Margin</b>	<b>17.6%</b>	<b>18.6%</b>	<b>20.0%</b>



# Wine & Spirits

	2002 1st HY	2003 1st HY
Distribution costs /Sales	4.2%	4.5%
Commercial costs and overheads/Sales	21.1%	21.8%

- ▶ The progression in distribution costs reflects changes in the organisation (production, logistics) realised in order to improve the gross margin
- ▶ The evolution of commercial costs and overheads due to:
  - ▶ the progressive adaptation of structures to incorporate the Seagram brands
  - ▶ the allocation of overheads to Wine and Spirits that were previously allocated to the Group's Non-Alcoholic Beverages activities.



# Wine & Spirits

## EBIT

### ► Strong increase ...

(€ millions)	2002 1st HY	2003 1st HY	% Change
<b>EBIT</b>	<b>265</b>	<b>279</b>	<b>+ 5.2%</b>
Forex impact		(51)	- 19.3%
Perimeter impact*		7	+ 2.5%
Organic growth		58	+22%

\*Perimeter impact reflects the time-lag of Seagram integration in some markets

<b>EBIT on a constant forex basis</b>	<b>265</b>	<b>330</b>	<b>+ 25%</b>
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# Wine & Spirits

## EBIT

- ▶ ...which is reflected in the underlying excellent growth

(€ millions)	2002 1 <sup>st</sup> HY	2003 1 <sup>st</sup> HY	% Change
<b>EBIT on a constant forex basis</b>	<b>265</b>	<b>330</b>	<b>+ 25%</b>
Non-recurring items (1)	40		
<b>EBIT on a comparable basis</b>	<b>305</b>	<b>330</b>	<b>+ 8.2%</b>

(1) *Excess inventory, purchase accounting, time-lag of Seagram integration*



# Wine & Spirits

Sales growth in all regions except France

## France

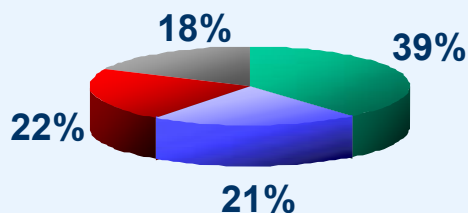
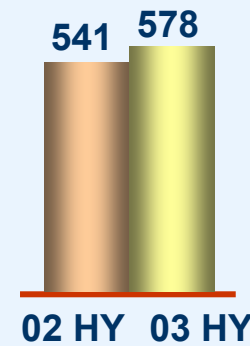
€ millions

## Europe

Total change	-3.7%
Perimeter impact	-
Forex impact	-
<b>Organic growth</b>	<b>-3.7%</b>



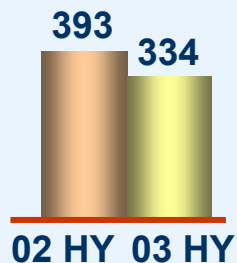
Total change	+6.9%
Perimeter impact	+2.3%
Forex impact	-3.9%
<b>Organic growth</b>	<b>+8.5%</b>



## Americas

## Rest of World

Total change	-15%
Perimeter impact	+1.1%
Forex impact	-22.7%
<b>Organic growth</b>	<b>+6.6%</b>



Total change	+8.5%
Perimeter impact	+4.6%
Forex impact	-15.9%
<b>Organic growth</b>	<b>+19.9%</b>



# Wine & Spirits

## Chivas turnaround (1/2)



Chivas Regal growth: +4%

▶ **Europe:**

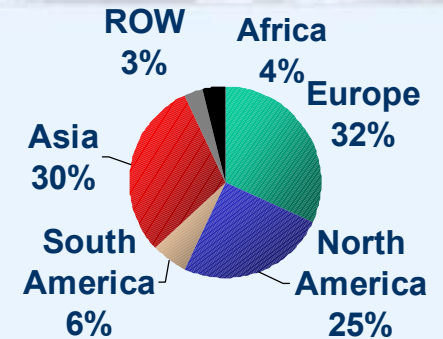
- ▶ Outstanding growth for Chivas in Europe (+27%), notably in Spain and Greece

▶ **Asia:**

- ▶ Marked progress (China x 2.5), with the exception of Japan and Korea
- ▶ Major succes of the return of Royal Salute, which progressed very strongly in Duty Free and in China
- ▶ Launch of Revolve 17 years in Korea
- ▶ Significant impact of SARS on Asian Duty Free

▶ **Americas:**

- ▶ Disappointing results for North America and difficult conditions in Latin America



# Wine & Spirits

## Chivas turnaround (2/2)



- ▶ Significant marketing support in key markets
  - ▶ New global advertising campaign to be launched in October 2003 in more than 35 markets (television, billboards, press)
  - ▶ Very aggressive promotions programme for the last quarter
  - ▶ Improved packaging for the start of 2004

Sustained growth forecasted for 2<sup>nd</sup> half-year

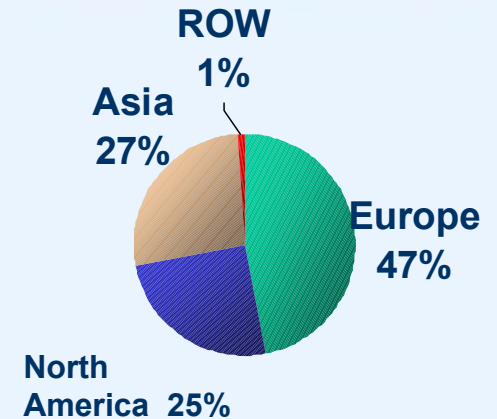


# Wine & Spirits

## Martell turnaround (1/2)



Net growth: + 9%



- ▶ Europe
  - ▶ Vigorous recovery in the United Kingdom
- ▶ Asia:
  - ▶ Very satisfactory growth: +14%
  - ▶ Spectacular growth in China: +83%
  - ▶ Premium market (Cordon Bleu, XO) ⇒ favorable mix effect
- ▶ USA:
  - ▶ Less satisfactory performance pending relaunch



# Wine & Spirits

## *Martell turnaround (2/2)*



- ▶ Implementation of a global revaluation strategy featuring a differentiated communications approach:
  - ▶ USA: launch of the “Rise above” campaign in June/September 2003
  - ▶ Asia: launch of the “Only a few can tell” campaign in November 2003



Continuation of growth in Europe and Asia



# Wine & Spirits

## Growth drivers: Jameson



**Sustained growth: +7%**

- ▶ **Very rapid growth outside France and Ireland: +13%**
- ▶ **Growth > 20% for the USA, Spain, Portugal, Russia, Australia and South Africa**
- ▶ **Travel retail: +14%**

**Maintenance of comparable growth in the 2<sup>nd</sup> half**



# Wine & Spirits

## Growth drivers: Havana Club



**Growth: + 4%**

- ▶ **Growth > 10% in important markets: Italy, Germany, Greece, Switzerland,**
- ▶ **More difficult situation in Spain: launch of Anejo Especial in October**
- ▶ **2<sup>nd</sup> half-year: launch of new advertising campaign, new packagings, increase in media budgets**

**Return to a more sustained growth**



# Wine & Spirits

## Growth drivers: Jacob's Creek



**Growth: + 11%**

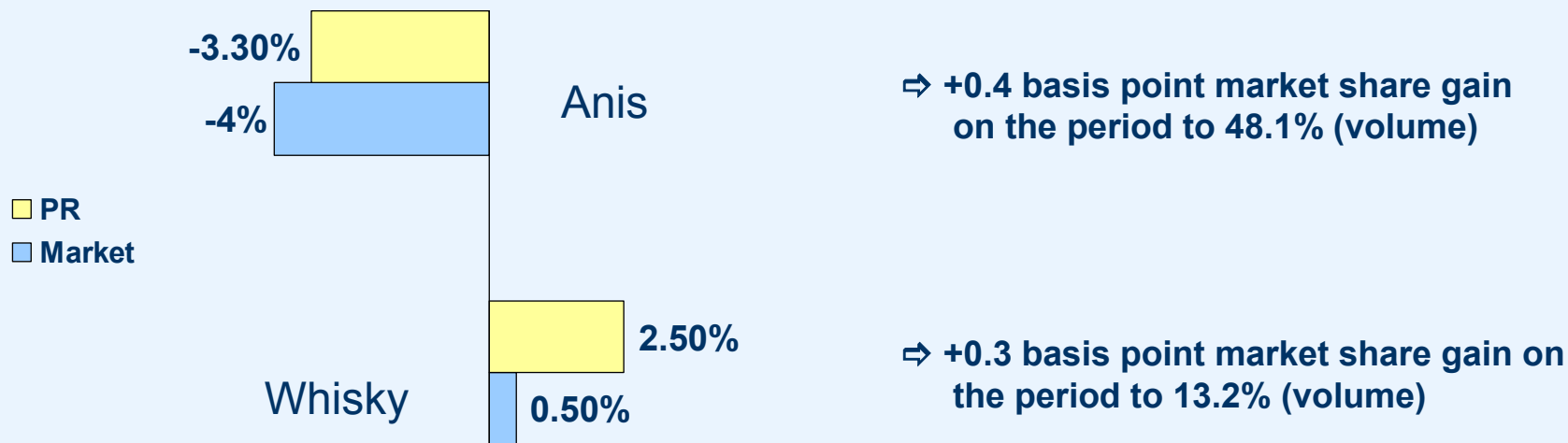
- ▶ **Marked acceleration in 2<sup>nd</sup> quarter (Q2 +17% vs Q1 +5%)**
  - ▶ **vigourous in the USA, Canada and Australia**
  - ▶ **noticeable in the United Kingdom (market leader)**
- ▶ **Development of the superior range Jacob's Creek Reserve > +20%**

**Continuation of double digit growth**



# Wine & Spirits

## French brands performance during the 1<sup>st</sup> half of 2003



Source: IRI panel

- ▶ Difficult start of the year for the Ricard, Pastis 51 and Clan Campbell brands
  - ▶ Additional controls on alcohol and driving
  - ▶ Depressed economic environment

Improving trends noted during the summer in a market that remains difficult





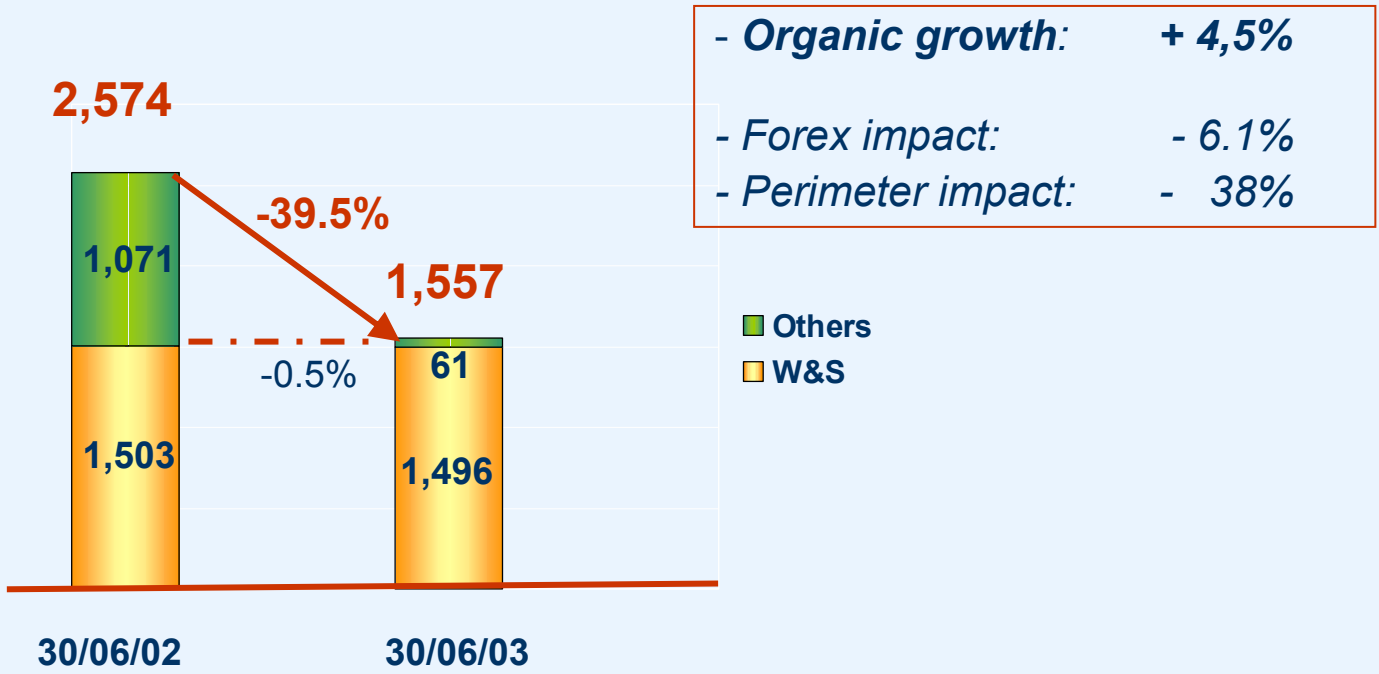
# Consolidated Results



# Consolidated results at 30 June 2003

## Sales

► Confirmation of withdrawal from non-strategic activities



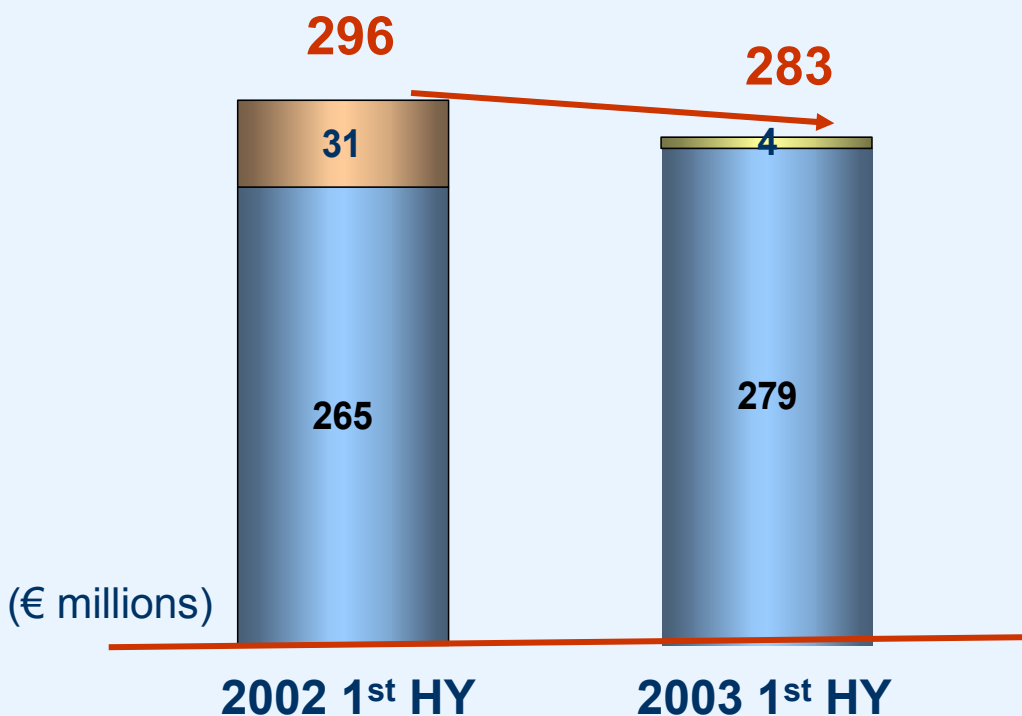
(€ millions)



# Consolidated results

## EBIT

- ▶ The acquisition of Seagram and the refocusing on Wine and Spirits have significantly improved EBIT



EBIT margin: 11.5%

18.2%

	M€	%
Total change	(12.8)	-4.3%
Forex impact	(51.1)	-17.3%
Perimeter impact	(21.5)	-7.3%
<b>Organic growth</b>	<b>59.8</b>	<b>+20.2%</b>

W & S
  Non-strategic activities



# Consolidated results

## Financial expenses

- ▶ Significant drop in financial expenses (40%)

(€ millions)	2002 1st HY	2003 1st HY	△
Interest expense	(84)	(50)	-40%
Dividends received & other financial income	12	3	-52%
Net forex loss	(7)	(7)	-
<b>Net financial cost</b>	<b>(79)</b>	<b>(54)</b>	<b>- 32%</b>

- Average cost of debt ex OCÉANE : 3.5%
- Percentage of debt (ex OCÉANE) hedged or fixed-rate: 87%



# Consolidated results

## Financial expenses

- ▶ Improvement due in major part to reduction in debt

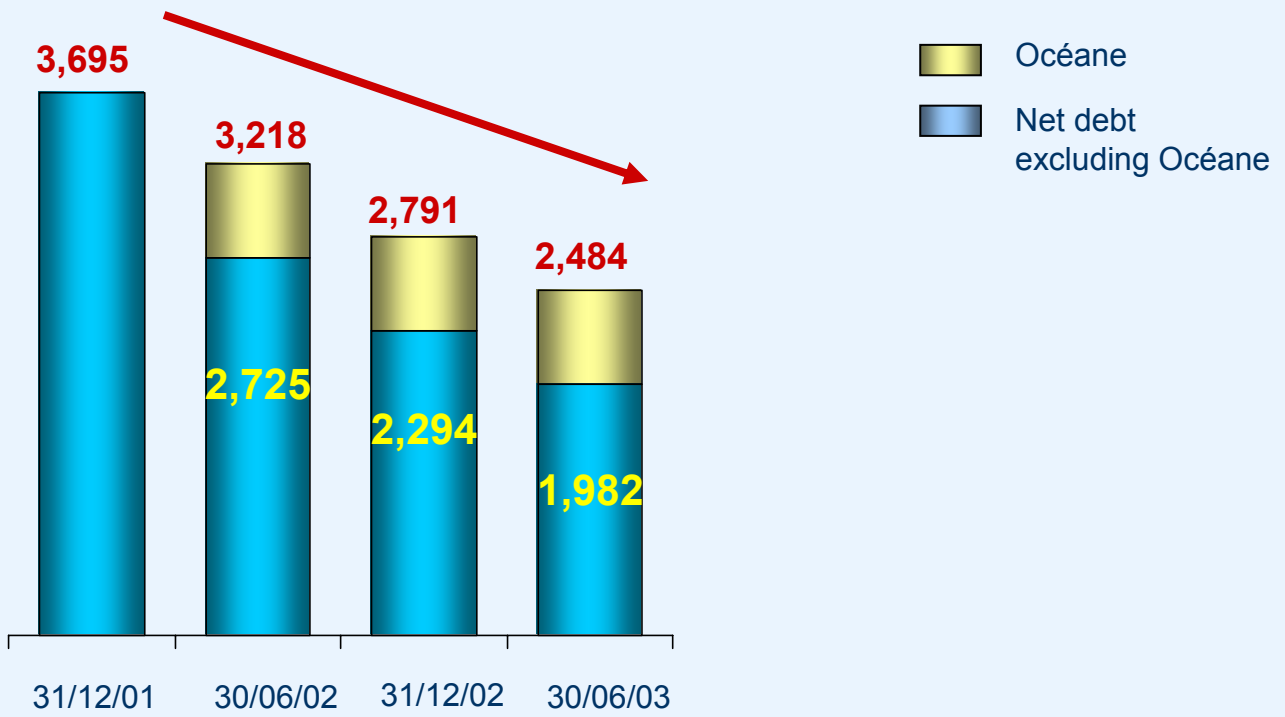
(€ millions)	2003 1st HY
• Debt reduction impact	(18)
• Interest rate reduction impact (average rate dropped to 3.5% from 4.8%)	(10)
• Forex impact on interest	(6)
• <b>Reduction in financial cost</b>	<b>(34)</b>



# Consolidated results

## Group debt

▶ Continuation in rapid reduction of Group debt: net debt (excluding Océane) now below the € 2 billion level



# Consolidated results

## Debt ratios

- ▶ Solvency ratios are approaching pre-Seagram levels

	Dec. 2000	June 2003
Net debt*/EBITDA**	1.7	2.4
EBITDA**/financial cost	7.5	6.9

\* excluding Océane  
\*\* over 12 months rolling



**Margin on syndicated loan = 55 BP in 2003, contract floor level**

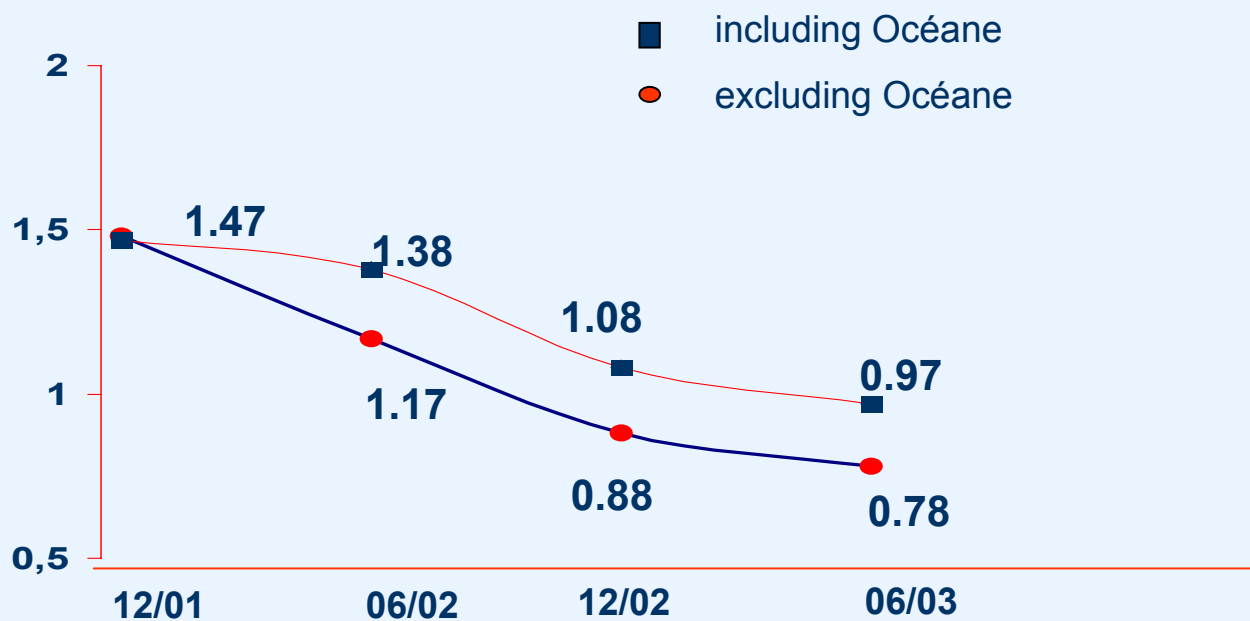


# Consolidated results

## Debt ratios

- ▶ Net debt/shareholders' equity: 0.78

*Net debt/shareholders' equity (Gearing ratio)*



# Consolidated results

## Free Cash Flow

- ▶ Strong progression x 2.4 times
- ▶ Favourable forex impact
- ▶ Controlled evolution of WC ⇒ € 37 million

(€ millions)

	2002 1 <sup>st</sup> HY	2003 1 <sup>st</sup> HY	
<b>Operating Cash flow</b>	<b>160</b>	<b>196</b>	
Change in WC	(17)	37	
Capex	(62)	(36)	
<b>Free Cash Flow</b>	<b>81</b>	<b>197</b>	<b>x 2.4</b>
(Financial investments)/disposals + perimeter impact	345	151	
Dividends (incl. deductions)	(101)	(121)	
Forex	151	80	
<b>Decrease in Group debt*</b>	<b>476</b>	<b>307</b>	

\* Excluding Océane

### Continuation of rapid reduction in Group debt during the 2<sup>nd</sup> half of 2003:

- generation of Free Cash Flow
- disposal in full of Société Générale shares held (€ 185 million gross)



# Consolidated results

## Income tax

### ► Stable income tax rate

Income tax: €( 58) million

Rate: 25.3%

Pretax profit: € (59) million  
Rate: 25.9%

On exceptionals: +€ 1 million

Note: 2002 1<sup>st</sup> HY: 24.2%  
2002: 25.1%



# Consolidated results

## *Analysis of exceptional items*

<b>(€ millions)</b>	<b>2003 1st HY</b>
<b>Capital gains on disposals</b>	<b>9</b>
<b>Provisions for litigation</b>	<b>(4)</b>
<b>Provisions for disposals and other</b>	<b>(4)</b>
<b>Exceptional income</b>	<b>1</b>



# Consolidated results

## Net profit

(€ millions)	2002 1st HY	2003 1st HY	
<b>Pretax profit</b>	<b>217</b>	<b>229</b>	<b>+5.6%</b>
Exceptional income	18	1	
Income tax	(71)	(58)	
Goodwill amortisation	(7)	(8)	
Other	(4)	(3)	
<b>Consolidated net profit</b>	<b>154</b>	<b>161</b>	<b>+4.7%</b>
<b>Net profit excluding exceptional items *</b>	<b>161</b>	<b>167</b>	<b>+3.7%</b>

\* Net profit excluding exceptional items: after-tax profit net of equity affiliates and minorities



# Consolidated results

## ► Net profit excluding exceptional items

(€ millions)	2002 1 <sup>st</sup> HY «2003 perimeter»	2003 1 <sup>st</sup> HY 2002 forex rates	
EBIT	275	334	
Net financial cost	(74)	(60)	
Pretax profit	201	275	
Income tax	(49)	(71)	
Minorities	(5)	(5)	
<b>Profit before exceptional items and goodwill amort.</b>	<b>148</b>	<b>199*</b>	<b>+34%</b>

\* At 30 June 2003, the decline in the US\$/€ exchange rate explains 2/3rds of the negative exchange effect on the net profit

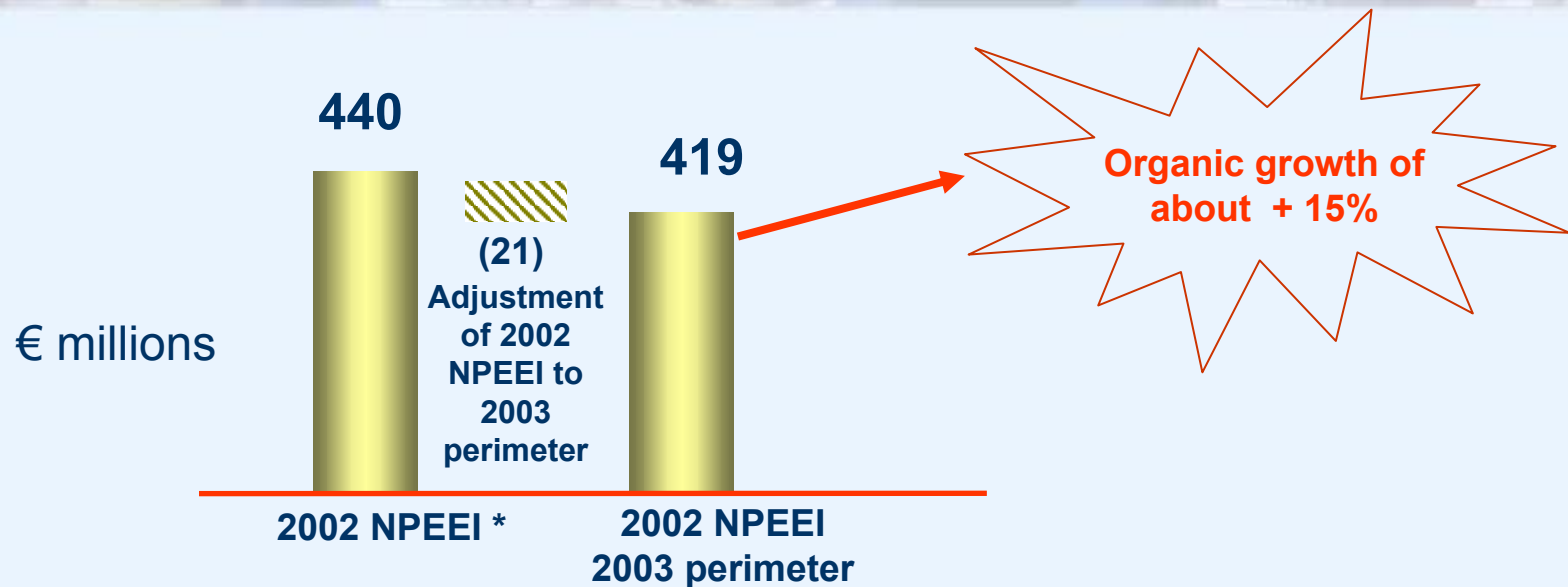




# Outlook and Conclusions



# Outlook and Conclusions



- ▶ Taking into account the good performance for the 1<sup>st</sup> half of 2003....
- ▶ ....NPEEI organic growth\*\* forecast for 2003 has been revised upwards to 15% (compared to +10%, as previously announced in May 2003)

\* Net profit excluding exceptional items: after-tax profit net of equity affiliates and minorities

\*\* On a 2003 perimeter basis, NPEEI growth on a constant forex rates basis







# Appendices



# Consolidated P&L

<i>(€ millions)</i>	2002 1 <sup>st</sup> HY	2003 1 <sup>st</sup> HY	Δ
<b>Sales (excl. T&amp;D)</b>	<b>2,574</b>	<b>1,557</b>	<b>-39.5%</b>
Gross margin*	1,150	1,001	-13.0%
Distribution costs	(108)	(69)	-36.2%
A&P	(354)	(316)	-10.8%
Contribution after A&P	688	616	-10.4%
Overheads and commercial costs	(392)	(333)	-15.0%
<b>EBIT</b>	<b>296</b>	<b>283</b>	<b>-4.3%</b>
Net interest expense	(79)	(54)	-31.7%
<b>Pretax profit</b>	<b>217</b>	<b>229</b>	<b>+5.6%</b>

*\*After production costs*



# Consolidated P&L

(€ millions)

	2002 1 <sup>st</sup> HY	2003 1 <sup>st</sup> HY	%
<b>Pretax profit before exceptional items</b>	<b>217</b>	<b>229</b>	<b>+5.6%</b>
Exceptional items	18	1	N/A
Income taxes	(71)	(58)	-17.4%
Equity affiliates	1	0	N/A
Goodwill amortisation	(7)	(8)	+1.4%
Minorities	(5)	(3)	-
<b>Consolidated net profit</b>	<b>154</b>	<b>161</b>	<b>+4.7%</b>



# Consolidated Balance Sheet

(€ millions)

<b>Assets</b>	<b>2002</b>	<b>2003 1<sup>st</sup> HY</b>	<b>Liabilities</b>	<b>2002</b>	<b>2003 1<sup>st</sup> HY</b>
Tangible and financial assets	1,183	1,057	Shareholders' equity	2,593	2,552
Intangible assets and goodwill	2,335	2,243	Provisions	509	476
Net working capital	2,375	2,212	Net debt incl. Oceane	2,791	2,484
<b>Total</b>	<b>5,893</b>	<b>5,512</b>	<b>Total</b>	<b>5,893</b>	<b>5,512</b>

	<b>2002</b>	<b>2003 1st HY</b>
Océane*	497	502
Other net debt	2 294	1 982

\* Net of redemption premium



# 2003 1<sup>st</sup> half-year results

	Key brands growth (vol)	
	2003HY/2002HY	2003/2002 rolling year to 30 June 2003
Amaro Ramazzotti	+16%	+18%
Jacob's Creek	+11%	+10%
Martell	+9%	+3%
Jameson	+7%	+7%
Havana Club	+4%	+8%
Chivas	+4%	+0%
The Glenlivet	+3%	+5%
Seagram Gin	+1%	+4%
Wild Turkey	-1%	-5%
Clan Campbell	-9%	-5%
Ricard	-9%	-6%
Pastis 51	-12%	-8%
<b>Total 12 Key Brands</b>	<b>+0.2%</b>	<b>+2%</b>
<b>Total Spirits</b>	<b>+7%</b>	<b>+8%</b>
<b>Total Wine</b>	<b>+14%</b>	<b>+13%</b>



# Wine & Spirits: gross margin

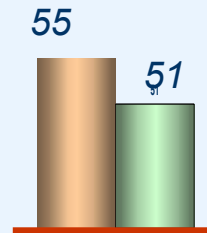
## Organic growth and operating margin by geographic region

**-10.9%**

€ millions

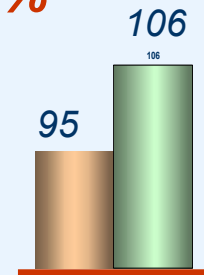
**+13.1%**

19.9%	▶	18.4%
2002 1st HY		2003 1st HY

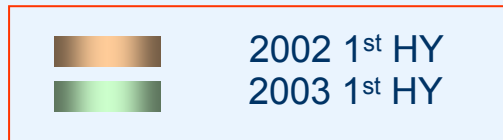


France

17.6%	▶	18.2%
2002 1st HY		2003 1st HY

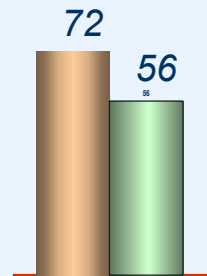


Europe



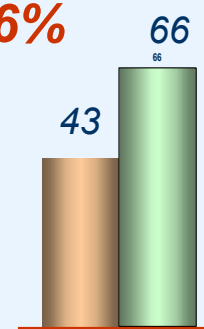
**+19.4%**

18.3%	▶	20.3%
2002 1st HY		2003 1st HY



Americas

14.7%	▶	23.5%
2002 1st HY		2003 1st HY



Rest of World

2003 1st HY: growth margin ratio on a constant forex basis

