Pernod Ricard

PERNOD RICARD
Limited Company with a share capital of € 409,016,863
Registered office: 12, place des Etats– Unis, 75783 Paris Cedex 16
Company registration number: 582 041 943 R.C.S. Paris.

HALF-YEAR FINANCIAL REPORT
for the half-year ended 31 December 2009

Unofficial translation, for information purposes only, of the French language

RAPPORT FINANCIER SEMESTRIEL Semestre clos le 31 décembre 2009 of PERNOD RICARD GROUP

The present interim financial report relates to the half-year ended 31 December 2009 and was prepared in accordance with Articles L 451-1-2 III of the French Monetary and Financial Code and 222-4 and subsequent of AMF General Regulations.

CONTENTS

I.	**Certification by the person assuming responsibility for the half-year financial report**	**3**
II.	**Half-year activity report**	**4**
III.	**Condensed consolidated interim financial statements**	**8**
IV.	**Statutory auditors’ report on the consolidated half-year financial information**	**32**

I. Certification by the person assuming responsibility for the half-year financial report

I certify that to the best of my knowledge the 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.

Pierre Pringuet

Chief Executive Officer

II. Half-year activity report

Significant events of the period

On 27 July 2009, the Group sold coffee liqueur brand Tia Maria to Illva Saronno for €125 million.

Key figures and business analysis

1. Profit from recurring operations

(€ million)	31/12/2008 6 months	31/12/2009 6 months	Organic growth	
			In M€	In %
Net sales	4,212	3 789	(121)	(3)%
Gross margin after logistics costs	2,503	2 263	(41)	(2)%
Contribution after advertising and promotional (A&P) expenses	1,772	1 621	3	0%
Profit from recurring operations	1,196	1 062	(4)	(0)%

In a context of a global economic crisis, impacted by a strong increase in unemployment, particularly in Europe and North America, the semester ended as of 31 December 2009 has shown a good resilience of the Group's operations, with an operating margin almost stable at 28.0%, despite continuing strong advertising and promotion expenditures on brands and a favourable trends in foreign exchange rates.

Consolidated net sales amounted to €3,789 million asof 31 December 2009, a 10% decrease on an historical basis and a 3% decrease in organic growth. This decrease reflects difficult market situations in Europe and North America, partially off set by the dynamism of emerging markets and a good resilience of operations in France.

The contribution after advertising and promotion expenses amounted to €1,621 million at 31 December 2009, decreasing by 9%, with a stable organic growth.

Profit from recurring operations decreased by 11% on an historical basis, but remained stable at perimeter and constant foreign exchange rates. This resilience stemmed from the improvement of margins related to a favourable mix/product, the slight decrease in publi-promotional expenses and a good control of structure costs.

2. Analysis of first half-year operations

Net sales and volumes

Net sales decreased by 10% from €4,212 million at 31 December 2008 to €3,789 million at 31 December 2009. This variation stemmed from:

- Negative organic growth of 3%,
- Negative impact of change in scope of consolidation of 3%, representing €(119) million, mainly related to the termination of the distribution of Stolichnaya vodka and to the disposals of Wild Turkey bourbon and of Tia Maria liquor,
- Negative currency effect of 4%, mainly related to the devaluations of American dollar and Mexican peso and to taking into consideration the decline of the foreign exchange rate corresponding to the exchange rate noticed by the Group in Venezuela.

Contribution after A&P expenses

The contribution after advertising and promotion expenses is stable in terms of organic growth, with the following geographic breakdown:

Asia/rest of the world

Asia/rest of the world recorded organic growth of +5% of its contribution after advertising and promotion expenses, driven by China with Martell, India with local whisky brands and Absolut vodka growth towards the region. South Korea, Thaïland

and Duty free markets which have faced some difficulties during the period, have improved their performance during the second quarter. This region has once again benefited from a favourable mix/price increase impact and has increased its profitability.

The Americas recorded stable organic growth of their contribution after advertising and promotion expenses, with a dynamism of Latin America but a more difficult situation in North America.

Europe recorded a negative 4% organic growth of its contribution after advertising and promotion expenses, with difficult situations, particularly in Spain, the United Kingdom and Ireland. In Eastern and Central Europe, although the activity has slowdown during the period, there was an improvement trend during the second quarter.

The contribution after advertising and promotion expenses of France increased by 3% in terms of organic growth, thanks in particular to the Ricard, Absolut, Chivas and Havana Club brands.

Operations by geographic region

France:

(€ million)	31/12/2008 6 months	31/12/2009 6 months	Organic growth	
			In M€	In %
Net sales	404	397	(7)	(2)%
Gross margin after logistics costs	288	291	1	0%
Contribution after A&P expenses	195	202	5	3%
Profit from recurring operations	111	116	4	4%

Europe:

(€ million)	31/12/2008 6 months	31/12/2009 6 months	Organic growth	
			In M€	In %
Net sales	1,497	1,247	(134)	(10)%
Gross margin after logistics costs	837	715	(49)	(6)%
Contribution after A&P expenses	628	543	(21)	(4)%
Profit from recurring operations	411	338	(21)	(5)%

Americas:

(€ million)	31/12/2008 6 months	31/12/2009 6 months	Organic growth	
			In M€	In %
Net sales	1,181	1,000	(7)	(1)%
Gross margin after logistics costs	736	621	5	1%
Contribution after A&P expenses	537	449	0	0%
Profit from recurring operations	387	302	(8)	(2)%

Asia and rest of the world:

(€ million)	31/12/2008 6 months	31/12/2009 6 months	Organic growth	
			In M€	In %
Net sales	1,130	1,145	28	3%
Gross margin after logistics costs	641	635	2	0%
Contribution after A&P expenses	412	426	19	5%
Profit from recurring operations	288	305	21	8%

Profit from recurring operations

Profit from recurring operations decreased by 11%, being a stable organic growth. The gross margin rate noticeably improved at constant exchange rate, thanks to a mix/product improvement. The advertising and promotion expenditures continued and the publi-promotional investments over net sales ratio remained stable at 17% over the period. The structure

costs over net sales ratio decreased slightly because of a slight decrease in the operations and of the development of the sales network in high potential emergent markets.

The profit from recurring operations over net sales ratio slightly decreased by 40 basis points, from 28.4% at 31 December 2008 to 28.0% at 31 December 2009.

Group share of net profit from recurring operations

	31/12/2008 6 months	31/12/2009 6 months
(€ million)		
Profit from recurring operations......................................	1,196	1,062
Interest (expenses) income from recurring operations......	(339)	(246)
Corporate income tax on recurring operations	(169)	(157)
Net profit from discontinued operations, minority interests and share of net income from associates..	(3)	(10)
Group share of net profit from recurring operations.........	685	648

1. Net financial expense from recurring operations

Financial income (expense) from recurring operations amounted to €(246) million at 31 December 2009, compared to €(339) million at 31 December 2008. This strong reduction in financial charges resulted from the decrease in the cost of debt, which dropped by €101 million to €(219) million at 31 Deember 2009. This decrease primarily stemmed from the reduction in the weighted average cost of debt of 4.15% over the period as compared to 5% last year and to the decrease in net debt, related to the share capital increase of €1 billion subscribed on 14 May 2009, to the strong generation of cash flows as well as to the disposals of Wild Turkey bourbon and Tia Maria liquor.

Indebtedness

Net debt was €10,323 million at 31 december 2009. The trend of the self-financing capacity is in line with the operating profit growth. In addition, the good management of net working capital needs and the development of programmes to sell receivables and the reduction of financing costs contributed to the significant decrease in net debt.

2. Corporate income tax on recurring operations

Corporate income tax on recurring operations amounted to €(157) million, being a tax rate of 19.3%.

3. Group share of net profit from recurring operations

Group share of net profit from recurring operations amounted to €648 million at 31 December 2009, being a decrease of 5%, but it would have increased by +6% at constant foreign exchange rate.

Group share of net profit

(€ million)	31/12/2008 6 mois	31/12/2009 6 mois
Profit from recurring operations	1,196	1,062
Other operating income and expenses	(133)	(93)
Operating profit	1,063	969
Interest (expenses) income from recurring operations	(339)	(246)
Other financial income/(expense)	(46)	18
Income tax	(59)	(126)
Net profit from discontinued operations, minority interests and share of net income from associates	(3)	(10)
Group share of net profit	615	604

1. Other operating income and expenses

Other operating income and expenses amounted to a negative €93 million at 31 December 2009 and included:

- Net losses on disposals of assets of €51 million,
- Net restructuring expenses of €15 million,
- Other non recurring income and expenses of €(27) million.

2. Group share of net profit

Group share of net profit was €604 million, a decrease of 2%.

Net result and retained earnings of the Parent company

The net result and retained earnings of the Parent company, Pernod Ricard S.A., amounted to, respectively, €31 million and €1,326 million at 31 December 2009.

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 2008/09 reference document, available from the website of the Autorité des Marchés Financiers or from the Pernod Ricard website.

This risk analysis remains valid for the assessment of major risks over the second half of the financial year.

Outlook

The results of the first half-year ended 31 December 2009 were in line with our expectations. The perspectives for the second semester are more favourable because of improvements in trends noticed during the second quarter and a smaller comparative basis, due to heavy destocking from our clients between January and March 2009.

Main related-party transactions

Information related to related parties transactions are detailed in note 18 of the notes to the condensed consolidated interim financial statements included in this document.

III. Condensed consolidated interim financial statements

Consolidated income statement.

(€ million)	31/12/2008	31/12/2009	Notes
Net sales	4,212	3,789	
Cost of sales	(1,710)	(1,526)	
Gross margin after logistics costs	2,503	2,263	
A&P costs	(731)	(642)	
Contribution after A&P expenses	1,772	1,621	
Selling, general and administrative expenses	(576)	(559)	
Profit from recurring operations	1,196	1,062	
Other operating income and expenses	(133)	(93)	6
Operating profit	1,063	969	
Financial expenses	(398)	(234)	
Financial income	13	6	
Financial income (expenses)	(385)	(228)	5
Income tax	(59)	(126)	7
Share of net profit/(loss) of associates	(1)	1	
Net profit from continuing operations	618	615	
Net profit from discontinued operations	8	0	
Net profit	625	615	
Including:			
- Attributable to minority interests	11	11	
- Attributable to equity holders of the parent	615	604	
Earnings per share - basic (in euros) (1)	2.60	2.30	8
Earnings per share - diluted (in euros) (1)	2.58	2.28	8
Net earnings per share from continuing operations (excluding discontinued operations) — basic (in euros) (1)	2.57	2.30	8
Net earnings per share from continuing operations (excluding discontinued operations) — diluted (in euros) (1)	2.55	2.28	8

(1) In accordance with IAS 33 (Earnings per share), the earnings per share as of 31 December 2008 has been restated to take into account:
- the bonus share grant of one share for 50 shares held on 18 November 2009,
- the capital increase with preferential subscription rights held on 14 May 2009.

Statement of comprehensive income.

(€ million)	31/12/2008	31/12/2009
Net profit for the period	625	615
Net investment hedges		
Amounts recognised in shareholders' equity	(956)	27
Amount recycled in net profit	-	-
Cash flow hedges		
Amounts recognised in shareholders' equity	(276)	94
Amount recycled in net profit	(31)	(89)
Available-for-sale financial assets		
Unrealized gains and losses recognised in shareholders' equity	-	-
Amount removed from equity and included in profit/loss following a disposal	-	-
Exchange differences	47	18
Tax on items recognised directly in shareholders' equity	153	0
Components of other comprehensive income, net of tax	(1,063)	49
Statement of comprehensive income	(438)	664
Including:		
- Attributable to equity holders of the Parent	(449)	649
- Attributable to minority interests	11	15

Consolidated balance sheet.

Assets (€ million)	30/06/2009	31/12/2009	Notes
Net amounts			
Non-current assets			
Intangible assets	11,310	11,271	9
Goodwill	4,888	4,897	9
Property, plant & equipment	1,757	1,717	
Biological assets	75	75	
Non-current financial assets	105	126	
Investments in associates	3	4	
Deferred tax assets	1,115	1,105	7
Non-current assets	19,253	19,196	
Current assets			
Inventories	3,714	3,669	10
Operating receivables	936	1,404	
Income tax receivable	58	40	
Other current assets	185	155	
Current derivative instruments	23	17	
Cash and cash equivalents	520	768	12
Current assets	5,435	6,054	
Assets held for sale	178	32	11
Total assets	24,867	25,282	

Liabilities and shareholders' equity (€ million)	30/06/2009	31/12/2009	Notes
Shareholders' equity			
Share capital	401	409	15
Additional paid-in capital	3,019	3,015	
Retained earnings and currency translation adjustments	3,058	4,065	
Net profit attributable to equity holders of the parent	945	604	
Shareholders' equity - attributable to equity holders of the parent	7,423	8,094	
Minority interests	185	200	
Total shareholders' equity	7,608	8,294	
Non-current liabilities			
Non-current provisions	521	504	12
Provisions for pensions and other long-term employee benefits	405	394	12
Deferred tax liabilities	2,217	2,303	7
Bonds	2,540	2,530	13
Non-current derivative instruments	427	417	13
Other non-current financial liabilities	8,315	7,693	13
Total non-current liabilities	14,425	13,842	
Current liabilities			
Current provisions	312	258	12
Operating payables	1,759	1,980	
Income tax payable	101	139	
Other current liabilities	209	58	
Other current financial liabilities	366	659	13
Current derivative instruments	28	52	
Total current liabilities	2,774	3,147	
Liabilities held for sale	60	0	
Total liabilities and shareholders' equity	24,867	25,282	

Statement of changes in shareholders' equity.

(€ million)	Share capital	Additional paid-in capital	Retained earnings	Changes in fair value	Currency translation adjustments	Treasury shares	Total attributable to equity holders of the parent	Minority interests	Total shareholders' equity
At 01/07/2008 – published	341	2,065	4,637	8	(514)	(117)	**6,420**	177	**6,597**
Amendment to IAS 38			(7)				**(7)**		**(7)**
At 01/07/2008 – restated	341	2,065	4,630	8	(514)	(117)	**6,413**	177	**6,590**
Statement of comprehensive income			615	(213)	(851)		**(449)**	11	**(438)**
Capital increase	0	2					**2**		**2**
Share-based payment			22				**22**		**22**
Purchase/sale of treasury shares						2	**2**		**2**
Dividends distributed			(150)				**(150)**	(6)	**(155)**
Changes in scope of consolidation							**0**		**0**
Other movements			0				**0**	1	**1**
At 31/12/2008	341	2,067	5,117	(205)	(1,365)	(116)	**5,840**	183	**6,023**

(€ million)	Share capital	Additional paid-in capital	Retained Earnings	Changes in fair value	Currency translation adjustments	Treasury shares	Total attributable to equity holders of the parent	Minority interests	Total shareholders' equity
At 01/07/2009	401	3,019	5,340	(173)	(1,045)	(111)	**7,431**	185	**7,615**
Amendment to IAS 38			(7)				**(7)**		**(7)**
At 01/07/2009	401	3,019	5,332	(173)	(1,045)	(111)	**7,423**	185	**7,608**
Statement of comprehensive income			604	4	41		**649**	15	**664**
Capital increase	8	(4)					**4**		**4**
Share-based payment			13				**13**		**13**
Purchase/sale of treasury shares						2	**2**		**2**
Dividends distributed			1				**1**		**1**
Changes in scope of consolidation			(1)				**(1)**		**(1)**
Other movements			1	0	0		**2**	(0)	**1**
At 31/12/2009	409	3,015	5,951	(169)	(1,004)	(110)	**8,094**	200	**8,294**

Consolidated cash flow statement.

(€ million)	31/12/2008	31/12/2009	Notes
Cash flow from operating activities			
Net profit attributable to equity holders of the parent	615	604	
Minority interests	11	11	
Share of net profit/(loss) of associates, net of dividends received	1	(1)	
Financial (income) expense	385	228	5
Income tax expense	59	126	7
Net profit from discontinued operations	(8)	0	
Depreciation and amortisation	81	75	
Net changes in provisions	(50)	(61)	
Net change in impairment of goodwill and intangible assets	(0)	1	
Impact of derivatives hedging trading transactions	3	5	
Fair value adjustments on biological assets	3	(1)	
Net (gain)/loss on disposal of assets	(0)	47	6
Share-based payment	22	13	16
Self-financing capacity before interest and tax	1,121	1,049	
Decrease/(increase) in working capital	(166)	(202)	14
Interest paid	(346)	(247)	
Interest received	13	6	
Income tax paid	(98)	(87)	
Income tax received	35	15	
Cash flow from operating activities	559	533	
Cash flow from investing activities			
Capital expenditure	(116)	(71)	14
Proceeds from disposals of property, plant and equipment and intangible assets	23	138	14
Change in consolidation scope	(5,327)	2	
Cash expenditure on acquisition of non-current financial assets	(25)	(18)	
Cash proceeds from the disposals of non-current financial assets	1	0	
Cash flow from investing activities	(5,444)	51	
Cash flow from financing activities			
Dividends paid	(295)	(133)	15
Other changes in shareholders' equity	2	5	
Issuance of long term debt	10,808	473	14
Repayment of long term debt	(5,505)	(677)	14
(Acquisition)/disposal of treasury shares	2	2	
Cash flow from financing activities	5,011	(330)	
Cash from discontinued activities	8	0	
Increase/(decrease) in cash and cash equivalents (before effect of exchange rate changes)	134	254	
Net effect of exchange rate changes	(24)	(6)	
Increase/(decrease) in cash and cash equivalents (after effect of exchange rate changes)	110	248	
Cash and cash equivalents at beginning of period	421	520	
Cash and cash equivalents at end of period	530	768	

Notes to the condensed consolidated interim 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 12, place des Etats-Unis, 75116 Paris and is listed on the Paris stock market. The condensed consolidated interim financial statements reflect the accounting position of Pernod Ricard and its subsidiaries (hereafter the “Group”). They are reported in million of euros (€), rounded to the nearest million.

The Group manufactures and sells wine and spirits.

On 17 February 2010, the Board of Directors approved the consolidated interim financial statements for the first half-year ended 31 December 2009.

Note 1. – Accounting policies.

1. Principles 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 2009 have been prepared in accordance with IAS 34 (interim financial reporting) of the IFRS (*International Financial Reporting Standards*) as adopted by the European Union.

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 2009, subject to the changes in accounting standards listed under section 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 2009.

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 the company will continue as a going concern, are based on information available at the time of their preparation and reflect the current environment of economic and financial crisis whose scale and depth cannot be reliably forecast. 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 2009, 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 2009.

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. — Premium wine 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 ending 30 June are generally higher than in the second half-year.

3. Changes in accounting policies.

The following standards and interpretations became applicable for Pernod Ricard Group, starting 1 July 2009:

- IFRS 8 Operating segments; this new standard has no impact on the condensed consolidated interim financial statements.
- Amendment to IAS 1 on the presentation of financial statements; the Group has chosen to present the statement of comprehensive income in two statements (income statement and statement of comprehensive income).
- Amendment to IAS 38 (Intangible assets), related to the recognition of advertising and promotional expenses; the impact of this amendment is presented in notes 7 and 10.
- Amendment to IAS 23 on the capitalisation of borrowing costs, applied prospectively from 1st July 2009; this amendment has no significant impact on the condensed consolidated interim financial statements.
- Amendment to IFRS 2 (vesting conditions and cancellations), to IAS 32 and IAS 1 (puttable financial instruments and obligations arising on liquidation), of IFRS 1 and IAS 27 (cost of an investment in a subsidiary, jointly

controlled entity or associate); these amendments have no impact on the condensed consolidated interim financial statements.

- IFRIC 16 interpretation related to hedges of a net investment in a foreign operation; this interpretation has no impact since the Group had already taken into account its requirements.
- Revised standards IFRS 3 (business combination) and IAS 27 (consolidated and separate financial statements); these revised standards have no impact on the condensed consolidated interim financial statements.
- IFRS 7 (financial instruments – disclosure); the Group presents the information required by this standard in its condensed consolidated interim financial statements.
- Interpretations IFRIC 12 (service concession arrangements), IFRIC 13 (customer loyalty programmes), IFRIC 17 (distributions of non-cash assets to owners) and IFRIC 18 (transfers of assets from customers); these interpretations have no significant impact on the condensed consolidated interim financial statements.

Condensed consolidated interim financial statements do not take into account:

- Draft standards and interpretations which still have the status of exposure drafts of the IASB and the IFRIC at the balance sheet date,
- New standards, revisions of existing standards and interpretations published by IASB but not yet approved by the European accounting regulatory committee at the date of the condensed consolidated interim financial statements. These include, in particular, the amendments to IFRS 2 (group cash-settled share-based payment transactions) and IAS 32 (classification of right issues), the revised IAS 24 (related party disclosures) and the new IFRS 9 (financial instruments).
- Standards published by the IASB, adopted at a European level but whose application becomes compulsory in respect of financial years begun after 1 July 2009. These include IFRIC 15 (agreements for the construction of real estate), 2008 amendment to IAS 39 related to eligible hedged items, adopted on 16 September 2009, or revised IFRS 1 (first time adoption of IFRS). The Group is analysing the potential impacts of these standards and interpretations on its consolidated financial statements.

Application of IAS 38 amendment (Intangible asset)

The amendment to IAS 38 related to the recognition of advertising and promotional expenditures requires that all advertising and promotional expenditures be recorded as expenses when the entity has a right to access goods or has received the services. The impact of this change in accounting policy on equity as of 1st July 2008 amounts to €7 million and relates to an amount of €11 million of advertising and promotional articles that were previously capitalised in inventories in the balance sheet, net of deferred taxes of €4 million. The net income as of 31st December 2008 has not been restated since the application of IAS 38 amendment was not significant.

4. Foreign currency translation.
Functional currency. — The functional currency of an entity is the currency of the economic environment in which it mainly operates. In most cases, the functional currency is the entity's local currency. However, in certain entities, a functional currency different from the local currency may be used if it reflects the entity's economic environment and the currency in which most of the entity's transactions are denominated.

The Group carries out business in Venezuela through its subsidiary Pernod Ricard Venezuela which imports and distributes Group's products in Venezuela.

Whereas this subsidiary gets funds in American dollars and currently generates most of its profits in this currency (sales denominated in American dollars and bolivars and purchases mainly from Group's brand owners and denominated in American dollars), the Group management has decided to follow the business performances of Pernod Ricard Venezuela in American dollars. Consequently, the functional currency of this subsidiary has been changed from bolivar to American dollar.

Note 2. – Key events of the period.

On 27 July 2009, the Group sold coffee liqueur brand Tia Maria to Illva Saronno for €125 million.

Note 3. – Consolidation scope.

No significant acquisition or disposal was carried out during the period.

Note 4. – Operating segments

Following its various restructuring initiatives, the Group is focused on the single business line of Wine and Spirits sales. The Group is structured into four primary operating segments constituted by the following geographical regions: France, Europe, the Americas and Asia/Rest of the World.

The Group Management Team assesses the performance of each segment on the basis of sales and its contribution after advertising and promotion expenses, 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.

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.

France:

(€ million)	31/12/2008 6 months	31/12/2009 6 months
Net sales	404	397
Gross margin after logistics costs	288	291
Contribution after A&P expenses	195	202
Profit from recurring operations	111	116

Europe:

(€ million)	31/12/2008 6 months	31/12/2009 6 months
Net sales	1,497	1,247
Gross margin after logistics costs	837	715
Contribution after A&P expenses	628	543
Profit from recurring operations	411	338

Americas:

(€ million)	31/12/2008 6 months	31/12/2009 6 months
Net sales	1,181	1,000
Gross margin after logistics costs	736	621
Contribution after A&P expenses	537	449
Profit from recurring operations	387	302

Asia and rest of the world:

(€ million)	31/12/2008 6 months	31/12/2009 6 months
Net sales	1,130	1,145
Gross margin after logistics costs	641	635
Contribution after A&P expenses	412	426
Profit from recurring operations	288	305

Total:

(€ million)	31/12/2008 6 months	31/12/2009 6 months
Net sales	4,212	3,789
Gross margin after logistics costs	2,503	2,263
Contribution after A&P expenses	1,772	1,621
Profit from recurring operations	1,196	1,062

Note 5. – Financial income/(expenses).

(€ million)	31/12/2008 6 months	31/12/2009 6 months
Financial expenses	(332)	(225)
Financial income	13	6
Net financing cost	(320)	(219)
Structuring and placement fees	(8)	(6)
Net financial impact of pensions and other long-term employee benefits	(10)	(23)
Other financial income (expenses) from recurring operations	(2)	1
Financial income (expense) from recurring operations	(339)	(246)
Foreign currency gains and losses	(21)	21
Other non current financial income (expenses)	(25)	(3)
Financial income (expenses)	(385)	(228)

At 31 December 2009, net financing costs comprised financing costs relating to the syndicated loan (€64 million), to bonds (€56 million), to commercial paper (€2 million), and to interest rate and currency hedges (€98 million).

Note 6. – Other operating income and expenses.

Other operating income and expenses are broken down as follows:

(€ million)	31/12/2008 6 months	31/12/2009 6 months
Restructuring and integration expenses	(56)	(15)
Impairment of assets	0	(1)
Capital gains/(losses) on the disposal of assets	0	(51)
Other non-current expenses	(91)	(43)
Other non-current income	14	16
Other operating income/(expense)	(133)	(93)

Note 7. – Income tax.

Analysis of the income tax expense in the consolidated income statement:

(€ million)	31/12/2008 6 months	31/12/2009 6 months
Current tax	(127)	(111)
Deferred tax	68	(16)
Total	(59)	(126)

Analysis of effective tax rate - Net profit from continuing operations before tax:

(€ million)	31/12/2008 6 months	31/12/2009 6 months
Operating profit	1,063	969
Financial income (expense)	(385)	(228)
Taxable profit	678	741
Expected income tax expense at French Statutory tax rate (34.43%)	(233)	(255)
Impact of differences in tax rates	85	63
Tax impact of exchange rate fluctuations	86	(18)
Impact of tax losses used	8	10
Impact related to the difference in accounting and tax basis of assets disposed of	-	61
Impact of reduced tax rates	3	3
Other impacts	(8)	9
Effective income tax expense	(59)	(126)
Effective tax rate	9%	17%

The improvement in the effective tax rate is explained chiefly by the following factors:

- the impact related to the reversal of deferred tax following the disposal of assets,
- the unequal rate of profit growth between subsidiaries taxed at different rates,
- the tax impacts of exchange rate fluctuations during the period.

Deferred taxes are broken down as follows by nature:

(€ million)	30/06/2009	31/12/2009
Unrealised margins in inventories	83	67
Value adjustments to assets and liabilities	50	44
Provision for pension benefits	122	116
Deferred tax assets related to losses eligible for carry-forward	404	486
Provisions (other than provisions for pensions and other long-term employee benefits) and other	456	392
Total deferred tax assets	1,115	1 105
Accelerated depreciation	33	33
Value adjustments to assets and liabilities	2,015	2 111
Other	168	160
Total deferred tax liabilities	2,217	2 303

Detail of tax on items recognised directly in shareholders' equity:

(€ million)	31/12/2008			31/12/2009		
	Amount before tax	Tax impact	Amount after tax	Amount before tax	Tax impact	Amount after tax
Net investment hedges	(956)	58	(897)	27	0	27
Cash flow hedges	(307)	94	(213)	5	(1)	4
Available-for-sale financial assets	0	0	0	0	0	0
Exchange differences	47	0	47	18	0	18
Other adjustments	0	0	0	0	0	0
Components of other comprehensive income	(1,216)	152	(1,063)	49	0	49

Note 8. – Earnings per share.

Earnings per share and net earnings per share from continuing operations:

	31/12/2008 6 months	31/12/2009 6 months
Numerator (€ million)		
Group share of net profit	615	604
Group share of net profit from continuing operations	607	604
Denominator (in number of shares)		
Average number of outstanding shares at 31 December 2008	218,255,309	
Average number of outstanding shares, adjusted for May 2009 capital increase (*) and including the impact of the free share allocation of November 2009 (**)	236,036,744	262,616,021
Dilutive effect of stock options	1,926,521	2,053,316
Average number of outstanding shares—diluted	237,963,265	264,669,337
Earnings per share (€) – Group share		
Earnings per share – basic	2.60	2.30
Earnings per share - diluted	2.58	2.28
Net earnings per share from continuing operations – basic	2.57	2.30
Net earnings per share from continuing operations – diluted	2.55	2.28

(*): in accordance with IAS 33 (Earnings per share), the dilutive effect of the capital increase with preferential subscription rights held on 14 May 2009 was recognised retrospectively for the two periods shown at 31 December 2008.
(**): in accordance with IAS 33 (Earnings per share), the dilutive effect of the free share allocation was retrospectively taken into account at 31 December 2008. On 18 November 2009, one free share was granted to shareholders for every fifty shares held at that date.

Note 9. – Intangible assets and goodwill.

(€ million)	30/06/2009	31/12/2009
Goodwill	5,112	5,080
Brands	11,413	11,375
Other intangible assets	175	179
Gross amounts	16,700	16,634
Goodwill	(224)	(183)
Brands	(185)	(182)
Other intangible assets	(93)	(101)
Amortisation	(502)	(466)
Net intangible assets	16,199	16,168

Goodwill. — This item primarily includes goodwill originating from the acquisitions of Allied Domecq in July 2005 and of Vin&Sprit in July 2008.

Brands. — The main brands recognised in the balance sheet are: Absolut, Ballantine’s, Beefeater, Chivas Regal, Kahlúa, Malibu, Martell, Mumm, Perrier–Jouët and Montana, most of which were recognised upon the acquisition of Seagram, Allied Domecq and V&S.

The Group is not dependent on any specific patent or licence.

Note 10. – Inventories.

The breakdown of the carrying amount of inventories at the balance sheet date is as follows

(€ million)	30/06/2009	31/12/2009
Raw materials	175	157
Work-in-progress	2,982	3,004
Goods purchased for resale	394	386
Finished goods	241	198
Gross amounts	3,792	3,744
Raw materials	(16)	(16)
Work-in-progress	(28)	(26)
Goods purchased for resale	(16)	(16)
Finished goods	(17)	(17)
Provision for writedown	(77)	(75)
Inventories, net	3,714	3,669

At 31 December 2009, 83% of work-in-progress relate to maturing inventories intended to be used for whisky and cognac production. Pernod Ricard is not significantly dependent on its suppliers.

As a consequence of the application of IAS 38 amendement, €10 million of inventories have been written off with an impact on equity.

Note 11. – Assets held for sale.

On 15 February 2010, the Group has announced that it had signed an agreement to dispose of a number of Swedish and Danish assets to Altia for a cash consideration of SEK835 million, or €82 million. At 31 December 2009, these assets have been presented separately in the balance sheet, for their net book value, as assets held for sale.

Note 12. – Provisions.

1. Breakdown of provisions. — The breakdown of provision amounts in the balance sheet is as follows:

(€ million)	30/06/2009	31/12/2009	Ref.
Non-current provisions			
Provisions for pensions and other long-term employee benefits	405	394	12.3
Other non-current provisions for liabilities and charges	521	504	12.2
Current provisions			
Provisions for restructuring	49	26	12.2
Other current provisions for liabilities and charges	263	232	12.2
Total	1,238	1,156	

2. Changes in provisions (excluding provisions for pensions and other long-term employee benefits):

(€ million)	Movements in the period						
	30/06/2009	Charges	Utilisations	Unused reversals	Translation adjustments	Other movements	31/12/2009
Provisions for restructuring	49	5	(26)	(2)	(0)	1	26
Other current provisions	263	25	(23)	(23)	1	(10)	232
Other non-current provisions	521	25	(2)	(50)	5	5	504
Provisions	833	54	(51)	(76)	6	(4)	762

3. Provisions for pensions and other long-term employee benefits. — The Group grants pension and retirement benefits and other post-employment benefits (sickness insurance or life insurance), in the form of defined contribution or defined benefit plans.

The table below presents a roll-forward of the provision between 30 June 2009 and 31 December 2009:

(€ million)	2008	2009
	All benefits	All benefits
Provision at 30 June	478	405
(Income)/expense for the period	27	39
Plans in surplus	0	10
Employer contributions and benefits paid directly by the employer	(64)	(61)
Change in scope of consolidation	9	0
Translation adjustments	(18)	1
Provision at 31 December	433	394

The net expense recognised in income in respect of pensions and other long-term employee benefits is broken down as follows:

(€ million)	31/12/2008	31/12/2009
	All benefits	All benefits
Benefits acquired in the period	18	15
Interest cost (discounting effect)	109	98
Expected return on plan asset	(100)	(75)
Amortisation of past service cost	0	1
Amortisation of actuarial (gains) and losses	0	0
Effect of ceiling on plan assets	0	0
Effect of settlements and curtailments	0	0
Changes in plans	0	0
Net expense (income) recognised in income	27	39

Note 13. – Financial liabilities.

Net debt, as defined and used by the Group, corresponds to total gross debt (translated at balance sheet date exchange rates), including the amount of transaction, cash flow hedge and fair value hedge derivatives, less cash and cash equivalents.

At 31 December 2009, net debt includes the following items:

(€ million)	30/06/2009	31/12/2009
Bonds issued	2,540	2,530
Current financial liabilities (excluding bonds)	366	659
Non-current financial liabilities (excluding bonds)	8,315	7,693
Non-current derivative instruments relating to the fair value hedging of financial assets and liabilities	188	208
Cash and cash equivalents	(520)	(768)
Net debt	10,888	10,323

1. Breakdown of gross debt by maturity:

(€ million)	30/06/2009	31/12/2009
Short-term debt	332	631
Portion of long-term debt due within 1 year	51	60
Total current debt (less than 1 year)	383	692
Portion of long-term debt due between 1 to 5 years	10,203	9,572
Portion of long-term debt due in more than 5 years	822	827
Total non-current debt (more than 1 year)	11,025	10,399
Gross debt	11,408	11,091

Maturities due within 1 year accounted for 6% of total gross debt.

2. Breakdown of net debt by type and by currency, after the effects of hedging, at 31 December 2009:

(€ million)	Total	Syndicated loan (section 6)	Commercial paper	Bonds (section 7 and 8)	Cash and cash equivalents	Exchange rate swap and others
EUR	5,457	1,352	278	1,674	(162)	2,315
USD	5,959	6,055			(88)	(8)
JPY	94	60			(2)	37
GBP	(536)			856	(40)	(1,351)
Other currencies	(652)				(476)	(177)
Total	10,323	7,467	278	2,530	(768)	815

3. Breakdown of net debt by currency and by maturity, after the effects of hedging, at 31 December 2009:

(€ million)	Total	< 1 year	> 1 year and < 5 years	> 5 years	Cash and cash equivalents
EUR	5,457	1,435	3,390	794	(162)
USD	5,959	(11)	6,058	0	(88)
JPY	94	37	60	0	(2)
GBP	(536)	(549)	54	0	(40)
Other currencies	(652)	(220)	11	33	(476)
Total	10,323	692	9,572	827	(768)

4. Breakdown of types of interest rate hedge by currency at 31 December 2009:

(€ million)	Net debt by currency	Fixed debt	"Capped" variable debt	Non-hedged variable debt	Cash and cash equivalents	% debt hedged/fixed
EUR	5,457	1,875	750	2,994	(162)	48%
USD	5,959	2,603	1,805	1,639	(88)	74%
JPY	94	0	0	97	(2)	0%
GBP	(536)	0	0	(496)	(40)	0%
Other currencies	(652)	0	0	(177)	(476)	0%
Total	10,323	4,478	2,555	4,058	(768)	68%

Of the total €7,033 million of hedged fixed rate debt, €4,478million originated from debt raised or swapped at a fixed rate. On the basis of such debt and interest rates at 31 December 2009, the euro and American dollar collars being activated downward, a 10 basis points change in interest rates would have an impact on the Group's interest costs of €4 million.

5. Schedule of financial liabilities at 31 December 2009. —

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 31 December 2009 rates.

(€ 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
Interest-bearing loans and borrowings:	(10,882)	(11,727)	(771)	(102)	(2,520)	(195)	(6,894)	(356)	(889)
Cross currency swaps:	(208)								
- Payable flows		(1,058)	(5)	(5)	(670)	(4)	(4)	(370)	
- Receivable flows		911	30	14	537	16	16	298	
Derivative instruments – liability position :	(251)	(432)	(98)	(81)	(108)	(91)	(47)	(5)	
Total	(11,340)	(12,305)	(844)	(174)	(2,761)	(273)	(6,929)	(434)	(889)

(*) : including interests

In order to manage its liquidity risk, the Group has cash on hand at 31 December 2009 for €768 million as well as facilities available for €1.9 billion. These facilities allow the Group to be able to reimburse its short term financial debt (less than one year), without any additional financing.

6. Vin&Sprit syndicated loan — On 23 July 2008, Pernod Ricard drew down part of the credit facilities made available under the multi-currency syndicated loan agreement signed on 27 March 2008 for a total available amount of €4,988 million (of which €2,020 million multi-currency) and $10,138 million. At 31 December 2009, drawdowns on this credit facility amounted to €1,352 million, $8,724 million and YEN8,000 million, being a total amount of €7,467 million. The credit facilities, whether revolving or with fixed maturity, denominated in euros, US dollars or multi-currency, bear interest at a rate corresponding to the applicable LIBOR (or, for euro-denominated borrowings, EURIBOR), increased by a pre-determined margin and other mandatory costs. These facilities have maturities ranging from one to five years. These borrowings enabled the Group to repay the amounts due under the syndicated loan signed in August 2005, to finance the cash portion of the Allied Domecq acquisition price and to repay certain debt owed by the Group.

In the context of the syndicated loan, the Group committed itself to complying with the net debt/EBITDA ratio and the EBITDA/financial costs ratio. At 31 December 2009, the Group fully complies with both ratios.

7. Bond issue. — On 6 December 2006, the Group issued bonds for a total amount of €850 million in two tranches which have the following features:

- Tranche 1 – variable rate

The €300 million tranche 1 has a residual maturity of one and a half year (maturity date: 6 June 2011) and carries interest at the Euribor 3-month rate plus 50 basis points.

- Tranche 2 – fixed rate

The €550 million tranche 2 has a residual maturity of four years (maturity date: 6 December 2013), and carries interest

at a fixed rate of 4.625%.

On 15 June 2009, Pernod Ricard SA issued €800 million of bonds with the following characteristics: remaining period to maturity of 5 years (maturity date: 15 January 2015) and bearing fixed-rate interest of 7%.

8. Allied Domecq bonds. — At 31 December 2008, bonds issued by Allied Domecq Financial Services Ltd are composed of an amount of £450 million bearing a nominal interest rate of 6.625% maturing on 18 April 2011 and an amount of £250 million bearing a nominal interest rate of 6.625% maturing on 12 June 2014.

Note 14. – Notes to the consolidated cash flow statement.

1. Changes in working capital requirements. — Pernod Ricard has developed its programmes to sell receivables and has increased the amounts sold by €262 million since the beginning of the period. Since most of the risks and rewards have been transferred, the receivables have been derecognised at 31 December 2009.

2. Acquisitions of non-financial non-current assets. — Acquisitions of non-financial non-current assets primarily comprise the purchase of barrels, casks and equipment, as well as the building of new warehouses or distilleries in production subsidiaries.

3. Disposals of tangibles and intangible assets. — On 27 July 2009, the Group sold coffee liqueur brand Tia Maria to Illva Saronno for €125 million.

4. Increase/decrease in loans. — Following the disposal of the Tia Maria liquor and the development of the programmes to sell receivables, the Group has proceeded to mandatory reimbursements of €60 million and $155 million of the syndicated loan since the beginning of the period.

Note 15. – Shareholders' equity.

1. Share capital. — Pernod Ricard's share capital changed as follows between 1 July and 31 December 2009:

	Number of shares	Amount (€ million)
Share capital at 30 June 2009	258,640,536	401
Bonus share grant	5,174,153	8
Exercise of options as part of share subscription plans	171,853	0
Share capital at 31 December 2009	263,986,542	409

Only one category of shares, fully paid ordinary shares, exists. These shares obtain double voting rights if they have been nominally registered for an uninterrupted period of 10 years.

2. Treasury shares. — At 31 December 2009, Pernod Ricard SA and its controlled subsidiaries held 1,205,901 Pernod Ricard shares for a value of €70 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 2 November 2009, the total dividend in respect of the financial year ended 30 June 2009 was €0.50 per share.

Note 16. – Share-based payments.

The Group recognised an expense of €15 million within operating profit relating to the stock option plans applicable at 31 December 2009 and a €0.2 million expense in respect of the SARs programme (Stock Appreciation Right). A liability of €2 million is recognised in other current liabilities at 31 December 2009 in respect of the SARs programmes.

No new stock option plan has been granted since 30 June 2008. Options granted by the plan of 2 November 2004 became exercisable from 18 November 2008.

All plans are either equity or cash-settled.

The number of unexercised options changed as follows between 30 June 2009 and 31 December 2009:

	Units
Number of unexercised options at 30 June 2008	10,295,637
Number of options exercised during the period	(523,275)
Number of options cancelled over the period	(152,522)
Number of unexercised options at 31 December 2008	9,619,840

Note 17. – Off-balance sheet commitments and litigation.

(€ million)	**Total**	***< 1 year***	***>1 year and < 5 years***	***> 5 years***
Guarantees received	40	30	7	4
Guarantees granted	979	141	797	42
Contractual obligations:				
- Unconditional purchase obligations	796	241	466	89
- Operating lease agreements	224	48	107	69
- Other contractual obligations	17	11	4	2

1. Details of main commitments and obligations.

In the context of past acquisitions, warranties with respect to the adequacy of liabilities, notably of a tax-related nature, were granted. Provisions have been recognised to the extent of the amount of the risks as estimated by Group.

Main guarantees granted:

— The Group guaranteed the Allied Domecq pension fund for the contributions owed to it by Allied Domecq Holdings Ltd and its subsidiaries. In addition, the Group granted a guarantee to the holders of the Allied Domecq bonds, whose amount was €788 million at 31 December 2008.

2. Contractual obligations. — In the context of their wine and champagne production operations, the Group's Australian, New Zealand and French subsidiaries, namely, PR Australia, PR New Zealand and Mumm Perrier–Jouët are committed at 31 December 2009, respectively, in amounts of €181 million, €47 million and €304 million under certain purchase obligations of grapes.

In the context of its cognac production activity, the Group's French subsidiary, Martell, is committed in an amount of €183 million under matured spirit supply agreements.

3. Financial instruments.

— Fair value of financial instruments.

(€ million)	IAS 39 category	Fair value at 31/12/2009	Carrying amount at 31/12/2009	Financial instruments included in net debt
Assets				
Trade receivables	Receivables at amortised cost	1,404	1,404	
Other current assets	Receivables at amortised cost	155	155	
Non-current financial assets:				
- Available-for-sale financial assets	Available-for-sale financial assets at fair value through equity	40	40	
- Guarantees and deposits	Financial assets at fair value through equity	69	69	
- Investment-related loans and receivables	Receivables at amortised cost	4	4	
- Other financial assets	Financial assets at fair value through equity	14	14	
Derivative instruments - assets	Financial assets at fair value	17	17	
Cash and cash equivalents	Financial assets at fair value through income	768	768	768
Cash and cash equivalents				**768**
Liabilities				
Bonds	Financial liabilities at amortised cost	2,579	2,530	2,530
Bank loans – current:				
- Syndicated loan	Financial liabilities at amortised cost	0	0	0
- Commercial paper	Financial liabilities at amortised cost	278	278	278
- Other	Financial liabilities at amortised cost	381	381	381
Bank loans – non-current:				
- Syndicated loan	Financial liabilities at amortised cost	7,467	7,467	7,467
- Other	Financial liabilities at amortised cost	173	173	173
Finance lease obligations	Financial liabilities at amortised cost	54	54	54
Derivative instruments – liabilities	Financial liabilities at fair value	469	469	208
Gross financial debt				**11,091**
Net financial debt				**10,323**

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;

— 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 fair value of forward foreign currency and interest rate and foreign currency swaps were calculated based on available market price and using standard valuation models.

4. Litigation. — Other than non-material litigation and/or litigation arising in the normal course of the Group's business, only developments affecting litigations mentioned in the annual report on the consolidated financial statements at 30 June 2009 are mentioned hereafter:

Disputes relating to brands

Havana Club

The Havana Club brand is owned in most countries by a joint-venture company called Havana Club Holding S.A. (HCH), of which Pernod Ricard is a shareholder. In some countries, including the United States, the brand is owned by a Cuban company called Cubaexport. Ownership of this brand is currently being challenged, particularly in the United States and in Spain by a competitor of Pernod Ricard.

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

The Office of Foreign Assets Control (OFAC) decided that this law had the effect of preventing any renewal of the "Havana Club" brand, which is owned in the United States by Cubaexport. In August 2006, the United States Patent and Trademark Office (USPTO) denied Cubaexport's application for renewal of the Havana Club brand following guidance from OFAC. Cubaexport has petitioned the Director of the USPTO to reverse this decision and has also filed a claim against OFAC in the Federal District Court for the District of Columbia, challenging OFAC's decision and the law and regulations applied by OFAC. On 30 March 2009, the Federal District Court for the District of Columbia ruled against Cubaexport. Cubaexport lodged an appeal against the ruling. A decision could be rendered before the end of 2011. Cubaexport's petition against the USPTO's decision has been stayed pending the final and binding outcome of the OFAC proceedings.

A competitor of the Group has petitioned the USPTO to cancel the Havana Club trademark, which is registered in the name of Cubaexport. On 29 January 2004, the USPTO denied the petition and refused to cancel the trademark registration. As this decision was appealed, proceedings are now pending before the Federal District Court for the District of Columbia. These proceedings have been stayed pending the outcome of Cubaexport's petition to the USPTO.

In August 2006, this competitor introduced a Havana Club rum in the United States which is manufactured in Puerto Rico. Pernod Ricard USA has instituted proceedings in the Federal District Court for the District of Delaware on the grounds that the competitor is falsely claiming to own the Havana Club trademark and that this false claim and the use of the "Havana Club" trademark on rum of non-Cuban origin is misleading to consumers and should be prohibited. A decision could be rendered by the first semester of 2010.

HCH's rights relating to the Havana Club brand were confirmed in June 2005 by the Spanish Court of First Instance as a result of proceedings initiated in 1999, in particular by this same competitor. The decision was appealed by the plaintiffs before the Madrid Provincial Court, but their appeal was rejected in February 2007. They have appealed before the Spanish Supreme Court, which should rule on the substance of the case before 2013 if the appeal is confirmed as being admissible.

Stolichnaya Trademark

Allied Domecq International Holdings B.V. and Allied Domecq Spirits & Wine USA, Inc., together with SPI Spirits and other parties, are defendants in an action brought in the United States District Court for the Southern District of New York by entities that claim to represent the interests of the Russian Federation on matters relating to ownership of the trademarks for vodka products in the United States. In the action, the plaintiffs challenged Allied Domecq International Holdings B.V.'s then-ownership of the Stolichnaya trademark in the United States, and sought damages based on Allied Domecq's sales of Stolichnaya vodka products in the United States, including the disgorgement of all related profits. On 31 March, 2006, Judge George Daniels dismissed all of the plaintiffs' claims concerning Allied Domecq International Holdings B.V.'s then-ownership of the Stolichnaya trademark in the United States. The plaintiffs have filed in the United States Court of Appeals for the Second Circuit an appeal of the portion of the 31 March, 2006 decision dismissing their trademark ownership, trademark infringement and fraud claims (as well as the dismissal of certain claims brought only against the S.P.I. entities). That appeal was argued on 15 December 2009, and supplemental briefings (at the Court's request) was completed on 15 January 2010. The court is expected to rule on the appeal later in 2010.

Commercial disputes

The Republic of Colombia, as well as several Colombian regional departments, brought a lawsuit in October 2004 before the US District Court for the Eastern District of New York against Pernod Ricard S.A., Pernod Ricard USA LLC, Diageo Plc, Diageo North America Inc. (f/k/a Guinness UDV America Inc. f/k/a UDV North America Inc f/k/a Heublein Inc.), United Distillers Manufacturing Inc., UDV North America Inc. and Seagram Export Sales Company Inc.

The plaintiffs' claims are that these companies have committed an act of unfair competition against the Colombian government and its regional departments (which hold a constitutional monopoly on the production and distribution of spirits) by selling their products through illegal distribution circuits and by receiving payments from companies involved in money laundering. Pernod Ricard contests this claim.

The defendants moved to dismiss the lawsuit on a variety of grounds, including that the Court lacks subject matter jurisdiction, that Colombia is a more convenient forum, and that the Complaint fails to state a legal claim. On 19 June 2007, the District Court granted in part and denied in part the defendants' motions to dismiss.

On 18 January 2008, the Second Circuit Court of Appeals refused to review the District Court's decision.

The Parties are now in discovery regarding the Plaintiffs' claims that were not dismissed. Pernod Ricard will continue to

vigorously defend itself against the claims.

Excise duties in Turkey

Allied Domecq Istanbul Iç ve Dis Ticaret Ltd. Sti ("Allied Domecq Istanbul"), as well as some of its competitors, is involved in a customs dispute over the customs valuation of certain Turkish imports. The main issue is whether the duty free sales price can be used as the basis for declaring the customs value of Turkish imports. The customs authorities have taken legal action against Allied Domecq Istanbul in Turkey for non-compliance with customs regulations in respect of 249 imports. Allied Domecq Istanbul is actively defending its position.

Putative class actions in the United States of America

Origin of Stolichnaya

On 18 October 2006, Russian Standard Vodka (USA), Inc. and Roust Trading Limited brought an action against Allied Domecq Spirits & Wine USA, Inc. ("ADSW USA") and Pernod Ricard USA, LLC ("PR USA") in the United States District Court for the Southern District of New York. On 4 December 2006, the plaintiffs filed an amended complaint adding S.P.I. Group SA and S.P.I. Spirits (Cyprus) Limited (together, "SPI") as defendants. The plaintiffs allege that the defendants are engaged, in false advertising under federal and New York State law, and also in unlawful trade practices and unfair competition, by advertising and promoting Stolichnaya vodka as "Russian vodka" and by making certain related claims on their website and in their advertising campaigns. The plaintiffs are also seeking a declaratory judgment by the Court that they have not engaged in false advertising by virtue of their public statements challenging the "Russian" character of Stolichnaya vodka, and are seeking damages, including the disgorgement of all related profits made by the Group.

Since the filing of this case, the parties have been engaged in motion practice and discovery. In February 2009, the defendants all moved for summary judgment. SPI argues principally that the plaintiffs lack standing.

PR USA and ADSW USA primarily argue that the plaintiffs are no longer entitled to seek relief against PR USA and ADSW USA, as they have ceased all involvement with the Stolichnaya brand in the United States. PR USA and ADSW USA also adopt SPI's arguments in their own motion.

In November 2009, the case was reassigned a new Judge. The new Judge held a conference with the parties on 29 January 2010. The Judge has asked the parties to submit a joint letter by 12 February 2010 to report on the status of settlement negotiations. If the case is not settled by that date, the Court has indicated that it will be willing to consider the parties' renewed summary judgment motions.

Note 18. – Related parties.

During the first half-year ended 31 December 2009, relations between the Group and its associates remained the same as in the financial year ended 30 June 2009, as mentioned in the annual report. In particular, no transactions considered unusual with regards to their nature or amount occurred over the period.

Note 19. – Events after the balance sheet date.

On 15 February 2010, the Group has announced that it had signed an agreement to dispose of a number of Swedish and Danish assets to Altia for a cash consideration of SEK835 million, or €82 million.

IV. Statutory auditors' report on the condensed consolidated half-year financial information

This is a free translation into English of the statutory auditors' report on the interim financial statements issued in the French language and is provided solely for the convenience of English speaking readers. The report must be read in conjunction and construed in accordance with French law and French auditing professional standards.

To the Board of Directors,

In accordance with our appointment as statutory auditors by your Shareholders' Meeting, and in application of article L.451-1-2 III of the French monetary and financial code (Code monétaire et financier), we have performed:

- a limited review of the accompanying interim condensed consolidated financial statements of Pernod Ricard for the period from July 1st to December 31st, 2009;
- verifications on the information provided in the interim management report.

These condensed interim consolidated financial statements were prepared under the responsibility of the Board of Directors. As it was the case at June 30th, 2009, they were prepared under conditions of economic and financial crisis, which meant it was difficult to forecast the economic outlook.

Our role is to express our conclusion on these financial statements, based on our limited review.

1. Conclusion on the financial statements

We have conducted our limited review in accordance with professional standards applicable in France.

A limited review mainly consists of interviewing management in charge of accounting and financial matters and applying analytical procedures. These procedures are less broad in scope that those required for an audit performed in accordance with French auditing standards. Accordingly, a limited review only provides moderate assurance, which is less assurance than that provided by an audit, that the financial statements taken as a whole are free of material misstatements.

Based on our limited review, we did not identify any material misstatements that would cause us to believe that the interim condensed consolidated financial statements did not comply with IAS 34, the IFRS standard relating to interim financial reporting adopted by the European Union.

Without qualifying the above conclusion, we draw your attention to note 1.3 "Accounting principles – Changes in accounting standards" to the financial statements which describes a change in accounting policy resulting from the application of IAS 38 amendment related to the recognition of advertising and promotional expenditures.

2. Specific verification

We have also verified the information presented in the interim management report commenting on the interim condensed consolidated financial statements that were the subject of our limited review.

We have nothing to report with respect to the fairness of such information and its consistency with the interim condensed consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, February 17th, 2010

The statutory auditors

Deloitte & Associés	Mazars
Alain Penanguer – Marc de Villartay	Loïc Wallaert