

Press release - Paris, 25 October 2012

Good overall performance in Q1 2012/13

Guidance for organic growth in Profit from Recurring Operations close to +6% for the 2012/13 financial year

In summary

Pernod Ricard achieved a **good overall performance** for the first three months of the 2012/13 financial year despite a less favourable macro-economic environment and a difficult base of comparison, with:

- ✓ reported growth of +11%
- ✓ **organic sales growth of +5%:**
 - ❖ double-digit growth⁽¹⁾ in emerging markets⁽²⁾
 - ❖ solid growth⁽¹⁾ in North America
 - ❖ softness⁽¹⁾ in Western Europe
- ✓ as anticipated, a less **favourable macro-economic environment** than that of the 2011/12 financial year, both in emerging and mature markets
- ✓ **unfavourable comparatives**, with organic growth of +11% for the first three months of the 2011/12 financial year

Pierre Pringuet, Chief Executive Officer of Pernod Ricard, took this opportunity to comment: *“In a less favourable macro-economic environment we realised a good overall performance in the first quarter.”* He added: *“We remain confident in our capacity to continue to grow and are setting a target for organic growth in Profit from Recurring Operations close to +6% for the 2012/13 financial year.”*

Overall analysis

The Pernod Ricard Board of Directors, meeting 24 October 2012 and chaired by Danièle Ricard, approved the financial statements for the first quarter 2012/13.

Pernod Ricard's **consolidated net sales** (excluding taxes and duties) totalled **€ 2,203 million for the first three months of the 2012/13 financial year** (from 1 July to 30 September 2012), compared to € 1,987 million in the same period of the previous year. This 11% increase equates to:

- ✓ organic growth of +5%
- ✓ a negative Group structure effect limited to 1%, primarily due to the disposal of certain Canadian activities in 2011/12
- ✓ a highly-favourable 7% positive foreign exchange impact, primarily due to the USD and the Chinese Renminbi

For the full 2012/13 financial year, the updated foreign exchange impact on profit from recurring operations is estimated at € 42 million.

During the first quarter of 2012/13, **strategic brands** reported **sustained value growth: Top 14 sales grew +7%⁽¹⁾** with a continued highly favourable price/mix (+8%⁽¹⁾).

Growth⁽¹⁾ remained strong in **emerging markets⁽²⁾ (+13%)**, although below that of the 2011/12 financial year (+17%⁽¹⁾), and **mature markets** proved resilient with a **stable⁽¹⁾** performance (vs. +2%⁽¹⁾ over the full 2011/12 financial year).

By region:

- ✓ **more moderate, yet still strong growth in Asia** (+13%⁽¹⁾), with China (+18%⁽¹⁾) and India (+18%⁽¹⁾) remaining the main growth drivers
- ✓ **strong momentum in the United States**
- ✓ **ongoing, marked bipolarisation in Europe**, with continued sustained growth in Eastern Europe and a challenging start to the year in Western Europe (-6%⁽¹⁾), which is showing softness compared to financial year 2011/12
- ✓ **decline⁽¹⁾ in France** due to depressed consumption (related to the excise duty hike of 1 January 2012) and the end of destocking

The **comparatives** for the **first quarter** of 2012/13 are **difficult** (+11%⁽¹⁾ in the first quarter of 2011/12) due to (i) the **exceptional performances** achieved in China (+25%⁽¹⁾) and India (+29%⁽¹⁾) and (ii) the **recovery of Duty Free sales** in the Americas in the first quarter of 2011/12.

Organic growth for the **second quarter of 2012/13** will be **adversely affected** by the **technical effects** of the second quarter of 2011/12 (French pre-buying ahead of the excise duty hike and an early Chinese New Year), which had a positive effect of **€ 124 million on sales and € 77 million on Profit from Recurring Operations**.

Detailed analysis by region

- **Asia/Rest of the World** reported more moderate yet still strong growth of +20% to **€ 951 million**, with organic growth of +11%. Martell remains the main growth driver (+24%⁽¹⁾, yet with a less dynamic underlying trend), bolstered by very favourable price/mix, followed by Indian whiskies (+21%⁽¹⁾). The continued strong performance of the new growth drivers (Jacob's Creek, Absolut and champagne) should also be noted. Conversely, Scotch whiskies experienced a slowdown (particularly in Korea, China and Thailand).
 - ✓ **China:** in a less favourable environment, growth remains very dynamic (+18%⁽¹⁾) driven by Martell (market share gains in a less dynamic yet still growing cognac market) and new growth drivers (Jacob's Creek, Absolut and Perrier-Jouët). Given a more difficult economic backdrop, the first quarter proved challenging for Scotch whiskies, the decline of which was in line with the market
 - ✓ **India:** very good performance of the Group which outperformed market growth in value terms, thanks to Indian whiskies (+20%⁽¹⁾) as well as the rapid development of international brands: Top 14 (+10%⁽¹⁾) driven by Chivas Regal, The Glenlivet and Absolut
 - ✓ **Japan:** strong performance of the Top 14 (+8%⁽¹⁾), driven by Perrier-Jouët, Ballantine's and Martell, and of Café de Paris
 - ✓ **Australia:** market share gains⁽³⁾ (+7% in value in a market +3%) driven by the growth of Jacob's Creek (+8%⁽¹⁾), but an overall sales decline⁽¹⁾ mainly due to a difficult basis of comparison
 - ✓ **Africa/Middle East:** slowdown (+5%⁽¹⁾) due to the challenging geopolitical climate in the Middle East
 - ✓ **Other markets:** continued growth in **Duty Free, Vietnam and Taiwan**, albeit at a slower pace than in the 2011/12 financial year. However, **South Korea and Thailand** remain structurally challenging markets.

- In the **Americas**, solid growth was driven by the Premium⁽⁴⁾ brands of the Top 14 (primarily Jameson, The Glenlivet and Perrier-Jouët), which benefited from very favourable price/mix. Sales grew +14% to **€579 million**, representing organic growth of +7%⁽¹⁾.
 - ✓ **United States:** double-digit growth⁽¹⁾.
The Group benefited from (i) an **improvement in its underlying trends**, (ii) **pricing acceleration**, (iii) a **catch-up on shipments** during the first quarter, following excellent depletions in June 2012, and (iv) **early order taking** ahead of price increases and the holiday season.
For the last Nielsen period, Pernod Ricard's brands reported value growth of +4.1%, an improvement compared to the rolling 12-month trend (+2.6%). More specifically, Absolut (Nielsen +2.5%) confirmed a trend that has turned positive since January; Jameson (Nielsen +25%) is still the main growth driver; Malibu (Nielsen +6%) benefited from numerous innovations (Malibu Red in particular); Perrier-Jouët grew volumes significantly and benefited from highly favourable price/mix as well as early order taking for the holidays; The Glenlivet (Nielsen +12%) enjoyed sustained growth.
 - ✓ **Brazil:** shipment declines in the first quarter of 2012/13, primarily due to the reduction of wholesaler stocks, particularly following (i) price increases on 1 July 2012 and (ii) the extension of tax reforms (VAT prepayment); but **underlying trends remain very positive** with strong double-digit growth of strategic brands (Absolut, Chivas) and of Passport



- ✓ **Mexico:** improved trends (sales virtually stable⁽¹⁾ vs. -12%⁽¹⁾ in the 2011/12 financial year) with (i) the first positive effects from the new business model, (ii) strong growth of the strategic brands (Top 14: +19%⁽¹⁾), specifically due to a price effect turned highly positive once again, and (iii) the continued decline of non-strategic brands
 - ✓ **Duty Free:** significant sales decline⁽¹⁾, largely due to technical effects and very high comparatives (business recovery in the first quarter of 2011/12) and the postponement of certain shipments to the second quarter of 2012/13
 - ✓ **Venezuela:** volume declines⁽¹⁾, partly technical (delay in obtaining fiscal stamps), somewhat offset by positive price. Depletions were positive for the quarter.
- **In Europe (excluding France),** sales were stable at € 524 million, an organic decline of -1%.
 - ✓ **Eastern Europe** reported sustained growth (+14%⁽¹⁾):
 - ❖ Russia: the main market contributing to growth (Top 14: +18%⁽¹⁾) driven by Jameson, Chivas, ArArAt, Olmeca and Ballantine's
 - ❖ Ukraine (+8%⁽¹⁾): growth driven by Jameson, Becherovka, ArArAt, Absolut, Ballantine's and Chivas
 - ❖ Poland (-4%⁽¹⁾): decline in the first quarter (adversely affected by a commercial dispute, now resolved), but improved trend for local vodkas, especially Wyborowa: +27%⁽¹⁾
 - ❖ Czech Republic: temporary total ban on spirits sales⁽⁵⁾ following a health issue caused by illicit products
 - ✓ Softness in **Western Europe** (-6%⁽¹⁾):
 - ❖ limited decline of the Top 14 (-2%⁽¹⁾) and slower growth of key local brands (-14%⁽¹⁾)
 - ❖ situation remains challenging in Spain (-5%⁽¹⁾), particularly for Ballantine's
 - ❖ decline in Germany (-6%⁽¹⁾) and Duty Free, primarily due to technical effects (the end of certain promotions and difficult comparatives)
 - **In France,** sales totalled € 149 million, a decline⁽¹⁾ of -8%.

Following the average excise duty hike of +14% as of 1 January 2012, the decline in consumption for the entire spirits market was -2.5% with an even more significantly affected aniseed category (-5.2%).

Against this backdrop, Pernod Ricard gained market share (Nielsen -2.1% since 1 January 2012) with notably the continued excellent performance of Havana Club and Absolut.

For the first quarter of 2012/13, shipments posted a significant decline (-8%⁽¹⁾) amplified by technical effects including (i) residual destocking (representing approximately half of the decline for the quarter) and (ii) the non-renewal of certain promotional activities.

Detailed analysis by brand

The **growth mix** remains **positive** with the Top 14 continuing to grow at a more rapid pace than the Group's overall portfolio:

- The **Top 14** remains the **main growth driver** (volumes -1% and sales +7%⁽¹⁾), with
 - ✓ **Price/mix** that remains **highly favourable** overall
 - ✓ Continued **exceptional performances** of **Martell** (+23%⁽¹⁾) and **Jameson** (+17%⁽¹⁾)
 - ✓ Growth of **white spirits**:
 - Absolut: continued recovery in the US
 - Havana Club: improved trend
 - Beefeater: outstanding growth, particularly in Spain and the US
 - Malibu: driven by innovations
 - ✓ Difficult Q1 2012/13 for **Scotch whiskies**, due to:
 - slower growth in Asia (short-term in China, structural in Korea)
 - difficulties in the Spanish market
 - certain unfavourable technical effects (significant Duty Free shipments in 2011/12, excise duty hike in France, etc.)
 - ✓ Decline⁽¹⁾ of **Ricard** due to depressed consumption in France (excise duty hike), magnified by technical effects (remainder of destocking, promotional phasing)
 - ✓ Strong performance overall for **champagnes**

- Strong performance overall for the **18 key local brands** (volumes +7% and sales +6%⁽¹⁾) with the continued dynamism of Indian whiskies (+21%⁽¹⁾) which outperformed the market and of Passport +19%⁽¹⁾, ArArAt +40%⁽¹⁾ and Olmeca +34%⁽¹⁾

- **Priority Premium Wines** (volumes -3% and stable⁽¹⁾ sales) continued their high-value strategy and geographic diversification, with price/mix of +3%⁽¹⁾ in total and +25%⁽¹⁾ sales growth in Asia.

Strong marketing innovation policy

Marketing innovation remains at the heart of the premiumisation strategy. Here are a few examples:

- ✓ **ABSOLUT TUNE**: the unexpected and sparkling combination of ABSOLUT vodka and crisp Sauvignon Blanc, for a new drinking experience.
- ✓ **Chivas**: continued implementation of the strategy aimed at strengthening the brand's global stature through dedicated advertisements for Chivas Regal 18YO, an original limited edition in partnership with luxury shoe designer Tim Little, and the creation of a magnum specially designed for night on-trade.
- ✓ **Ballantine's**: creation of the first programmable *t-shirtOS* which allows sharing of your Facebook status, tweets, photos, etc. on your t-shirt from your smartphone.

- (1) *Organic sales growth*
- (2) *List of emerging markets provided in the appendix*
- (3) *Aztec panel (wine & spirits) at 16/09/2012*
- (4) *US retail price > USD 17 for spirits and > USD 5 for wines*
- (5) *Spirits with alcohol content of >20% banned from 17/09/2012 to 27/09/2012*

Pernod Ricard is the world's co-leader in wines and spirits with consolidated sales of € 8,215 million in 2011/12. Created in 1975 by the merger of Ricard and Pernod, the Group has undergone sustained development, based on both organic growth and acquisitions: Seagram (2001), Allied Domecq (2005) and Vin & Spirit (2008). Pernod Ricard holds one of the most prestigious brand portfolios in the sector: ABSOLUT Vodka, Ricard pastis, Ballantine's, Chivas Regal, Royal Salute and The Glenlivet Scotch whiskies, Jameson Irish whiskey, Martell cognac, Havana Club rum, Beefeater gin, Kahlúa and Malibu liqueurs, Mumm and Perrier-Jouët champagnes, as well Jacob's Creek, Brancott Estate (formerly Montana), Campo Viejo and Graffigna wines. Pernod Ricard employs a workforce of nearly 18,800 people and operates through a decentralised organisation, with 6 "Brand Companies" and 75 "Market Companies" established in each key market. Pernod Ricard is strongly committed to a sustainable development policy and encourages responsible consumption. Pernod Ricard's strategy and ambition are based on 3 key values that guide its expansion: entrepreneurial spirit, mutual trust and a strong sense of ethics.

Pernod Ricard is listed on the NYSE Euronext exchange (Ticker: RI; ISIN code: FR0000120693) and is a member of the CAC 40 index.

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Appendices 1st quarter 2012/13

Analysis of sales by region

Net Sales (€ millions)	Q1 2011/12		Q1 2012/13		Change		Organic Growth		Group Structure		Forex impact	
France	162	8.1%	149	6.8%	(12)	-8%	(12)	-8%	0	0%	0	0%
Europe excl. France	524	26.4%	524	23.8%	0	0%	(8)	-1%	(2)	0%	10	2%
Americas	508	25.6%	579	26.3%	71	14%	32	7%	(16)	-3%	54	11%
Asia / Rest of the World	794	39.9%	951	43.2%	158	20%	83	11%	(1)	0%	76	10%
World	1,987	100.0%	2,203	100.0%	216	11%	95	5%	(19)	-1%	140	7%

Organic sales growth of the Top 14 brands

	Net Sales organic growth	Volume growth	Price/mix
Absolut	1%	-2%	3%
Chivas Regal	0%	-6%	6%
Ballantine's	-10%	-8%	-2%
Ricard	-13%	-14%	2%
Jameson	17%	12%	6%
Malibu	2%	1%	0%
Beefeater	9%	5%	4%
Kahlua	19%	8%	11%
Havana Club	2%	-1%	3%
Martell	23%	10%	13%
The Glenlivet	24%	20%	4%
Royal Salute	2%	-3%	5%
Mumm	-6%	-6%	1%
Perrier-Jouët	43%	33%	10%
Top 14	7%	-1%	8%

Foreign exchange impact

Forex impact Q1 2012/13 (€ millions)		Average rates evolution			On Net Sales
		2011/12	2012/13	%	
US dollar	USD	1.41	1.25	-11.4%	61
Chinese yuan	CNY	9.07	7.95	-12.3%	41
Pound sterling	GBP	0.88	0.79	-9.8%	10
Canadian dollar	CAD	1.38	1.25	-10.0%	6
Australian dollar	AUD	1.35	1.20	-10.4%	6
Korean won	KRW	1.53	1.42	-7.5%	5
Japanese yen	JPY	109.82	98.38	-10.4%	4
Taiwan dollar	TWD	41.18	37.29	-9.4%	3
New Zealand dollar	NZD	1.70	1.55	-8.8%	2
Russian ruble	RUB	41.15	39.99	-2.8%	2
Mexican peso	MXN	17.38	16.48	-5.2%	2
Hong Kong dollar	HKD	11.01	9.71	-11.8%	2
Malaysian ringgit	MYR	4.27	3.91	-8.5%	2
Brazilian real	BRL	2.31	2.54	10.1%	(2)
Indian rupee	INR	64.67	69.01	6.7%	(9)
Other currencies					7
Total					140

Group structure effect

Group structure Q1 2012/13 (€ millions)	On Net Sales
Canadian activities	(7)
Other	(12)
Total Group Structure	(19)



Pernod Ricard

Créateurs de convivialité

Emerging markets

Asia-Rest of World	Americas	Europe
Algeria	Argentina	Albania
Cambodia	Bolivia	Armenia
Cameroon	Brazil	Azerbaijan
China	Caribbean CESAM	Balkans
Egypt	Chile	Belarus
Gabon	Colombia	Bosnia
India	Costa Rica	Bulgaria
Indonesia	Cuba	Croatia
Iran	Dominican Republic	Georgia
Iraq	Ecuador	Hungary
Ivory Coast	Guatemala	Kazakhstan
Jordan	Honduras	Latvia
Laos	Mexico	Lithuania
Lebanon	Panama	Macedonia
Madagascar	Paraguay	Moldova
Malaysia	Peru	Poland
Maldives	Puerto Rico	Romania
Mauritius	Uruguay	Russia
Morocco	Venezuela	Ukraine
Persian Gulf		
Philippines		
Saudi Arabia		
Senegal		
South Africa		
Sri Lanka		
Syria		
Thailand		
Tunisia		
Turkey		
Vietnam		