Pernod Ricard

Historic sales growth and accelerated profitability growth in the 1st half year of the 2007/2008 financial year

- **Operating profit from ordinary activities: € 966 million (+15.3%[1])**
- **Net profit Group share: € 588 million (+17.7%)**
- **Upward revision of 2007/2008 full-year profit growth guidance**

Press release - Paris, 28 February 2008
The Board of Directors of Pernod Ricard, meeting on 27 February 2008 under the chairmanship of Patrick Ricard, approved the financial statements for the first half year and outlined prospects for the 2007/2008 full year.

In respect of the 2007/2008 first half year (1 July to 31 December 2007), Pernod Ricard recorded historic sales growth and accelerated profitability growth. These performances were achieved thanks to the success of its 15 strategic brands, in particular in emerging markets[2], as well as to the dynamic sales in mature markets. Volume growth, significant price increases and a markedly improved mix resulted in a very substantial rise in operating profit from ordinary activities, in spite of significantly increased advertising and promotion expenditure.

2007/2008 interim sales

Pernod Ricard consolidated **net sales** (excluding duties and taxes) for the 2007/2008 1st half-year increased by 5.9% to **€ 3,713 million**, being **10.1% organic growth** (2.5% negative foreign exchange effect, 1.5% negative group structure effect).

The 15 strategic brands were the main drivers of this growth. They grew +7% in volume and +13% in value[1], thereby demonstrating the very positive impact of price increases and mix effects. In particular, premium[3] spirits grew +17%[1].

All geographic regions contributed to consolidated sales growth, with an accelerated contribution from emerging countries (+25%[1]). China, India and Russia were, in that order, the leading three contributors to the sales growth.

Improved contribution margin from portfolio

Gross margin after logistics costs increased by +12.8%[1] to € 2,126 million, due to sales growth and a very significant improvement in gross margin ratio, which rose from 56% to 58% on sales, on a constant foreign exchange basis. This resulted from the larger relative size of premium and Top 15 brands and from the implementation of the value strategy throughout the whole portfolio.

This performance enabled the Group to accelerate **advertising and promotion expenditure** growth by **+14.8%[1] to € 623 million,** which was primarily focused on premium brands and emerging countries. The Top 15 benefited notably from 80% of such expenditure growth in the 2007/2008 first half year.

Overall, the contribution after advertising and promotion expenditure grew +12%[1] to € 1,503 million, and represented 40.5% of sales, an increase of 110 bp on a constant foreign exchange basis compared to the previous financial year.

Decrease in Structure costs / Sales ratio

Structure costs increased by 6.5%[1] to € 538 million. This growth was focused on emerging countries, in particular China, Russia and India. Strong sales growth enabled a **further reduction in the structure costs / sales ratio to 14.5%,** a decrease of 30 bp on a constant foreign exchange basis compared to the previous financial year, in line with Group targets.

Operating profit from ordinary activities

Operating profit from ordinary activities increased by 15.3%[1] to € 966 million, along with a 26% operating profit margin, an improvement of 140 bp compared to the previous financial year, on a constant foreign exchange basis.

All geographic regions reported double-digit organic growth in operating profit from ordinary activities:

- Particularly dynamic growth in **Asia/Rest of World and Europe**. The spectacular development of these two regions was notably due to the significant growth of premium brands in emerging markets.
- **In France**, growth was accelerated by well-controlled structure costs and advertising and promotion expenditure.
- The foreign exchange and group structure effects primarily concerned the **Americas** region, whose relative size in the Group's sales and profits decreased, in spite of organic growth similar to other regions.

Negative currency fluctuations (primarily USD and currencies tied to the USD) reduced the growth of operating profit from ordinary activities by € 49 million in the first half year.

Net profit from ordinary activities

Financial expense from ordinary activities totalled € 176 million, comprising € 168 million of debt finance charges (average borrowing cost of about 5.0%, stable compared to the previous financial year), the structuring costs for the funding arrangements for € 6 million, as well as € 2 million in other expenses.

The tax charge on ordinary activities was € 183 million, representing an average rate of 23.1%, slightly down from the previous financial year (23.9%). Finally, the share of **minority interests** in net profit from ordinary activities was stable at € 13 million.

Overall, **net profit from ordinary activities Group share totalled € 594 million,** being a 18.6% increase on a constant foreign exchange basis compared to the first half of 2006/2007, and diluted earnings per share from ordinary activities was € 2.76, being an increase of 18.1% on a constant foreign exchange basis.

Net profit

Other operating income/(expense) was a € 5 million income while non-current financial items mainly related to exchange losses comprised a charge of € 9 million . The tax charge in respect of the non-current result amounted to € 2 million.

As a result, **net profit (Group share) totalled € 588 million**, **a 17.7% increase** compared to the 2006/2007 financial year.

Debt

Net debt at 31 December 2007 amounted to € 6.6 billion, stable compared to 30 June 2007 (€ 6.5 billion). In the first half year, the debt was, as expected, impacted by the cognac restocking programme, the rise in trade receivables due to higher sales at the end of the year in 2007 and the payment of cash dividends.

This resulted in an improved Net Debt (excluding treasury shares)/EBITDA ratio of 3.8 compared to 3.9 at 30 June 2007.

Conclusion and outlook

Patrick Ricard, Chairman and CEO of the Group stated: "*The first half of our 2007/2008 year was exceptional both in terms of the strength of sales and the growth in margins. The increase in profit was such that we decided to accelerate the growth in advertising and marketing expenditure, thus strengthening our growth prospects. This enables us to* ***revise upwards, once again, our 2007/2008 full year guidance and to aim at a growth in operating profit from ordinary activities of at least 12%[4] on a like-for-like basis (foreign exchange and group structure).***"

(1) Organic growth
(2) GNP/capita < USD 10,000
(3) Spirits with a price positioning higher or equal to that of Chivas Regal 12 year old or Martell VS, champagne and wines > USD 10 per bottle
(4) Versus about 12%

About Pernod Ricard

Created by the merger between Pernod and Ricard (1975), the Group has undergone sustained development, founded on both organic growth and acquisitions. The purchase of part of Seagram (2001) and the acquisition of Allied Domecq (2005) have made Pernod Ricard the world's n°2 in wine and spirits with sales of € 6.4 billion in 2006/07.

Pernod Ricard avails of one of the most prestigious brand portfolio in the sector: Ricard aniseed, Ballantine's, Chivas Regal and The Glenlivet whiskies, Jameson's Irish Whiskey, Martell cognac, Havana Club rum, Stolichnaya vodka (distribution rights), Beefeater gin, Kahlúa and Malibu liqueurs, Mumm and Perrier-Jouët champagne, as well as Jacob's Creek and Montana wines.

Pernod Ricard is one of the world's leading companies in wine and Premium spirits, the market segments that are seeing the strongest growth prospects. The Group is number one in the Ultra Premium spirits market.

The Group favours a decentralised organisation, with "Brand Owners" and "Distribution" Companies established in each key market, and employs a workforce of around 18,000 in 70 countries.

In addition, Pernod Ricard is strongly committed to a sustainable development policy and thus encourages responsible consumption in order to prevent alcohol abuse.

For more information: www.pernod-ricard.com

Download the slides on www.pernod-ricard.com and photos on the "Photolibrary" page of the website's "News" section

Shareholder's agenda: 2007/08 3rd Quarter Sales –Wednesday 30 April 2008

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CONSOLIDATED INTERIM INCOME STATEMENT

(€ millions)	31/12/2006	31/12/2007
Net sales	3,507	3,713
Cost of sales	(1,419)	(1,464)
Gross Margin	2,088	2,249
Distribution costs	(125)	(123)
Gross margin after distribution costs	1,963	2,126
A&P expenditure	(561)	(623)
Contribution after A&P expenditure	1,402	1,503
Selling, general and administrative expenses	(516)	(537)
Operating profit from ordinary activities	886	966
Other operating income and expenses	(21)	5
Operating profit	865	970
Net financing cost	(165)	(168)
Other financial income and expenses	(4)	(18)
Financial income and expenses	(169)	(185)
Income tax	(183)	(184)
Share of net profit / (loss) of associates	0	0
Net profit from continuing operations	514	601
Net profit from discontinued operations	0	0
Net profit	514	601
Including:		
Attributable to minority interests	14	13
Attributable to equity holders of the Parent	500	588

CONSOLIDATED INTERIM BALANCE SHEET

Assets (€ millions)	30/06/2007	31/12/2007
Net amounts		
Non-current assets		
Intangible assets	7,836	7,477
Goodwill	3,477	3,367
Property, plant and equipment	1,675	1,598
Biological assets	60	54
Non current financial assets	121	106
Investments in associates	2	2
Deferred tax assets	839	701
Total non current assets	14,010	13,304
Current assets		
Inventories	3,563	3,482
Operating receivables	1,228	1,827
Income tax receivable	91	80
Other current assets	145	126
Current derivative instruments	51	35
Cash and cash equivalents	383	435
Total current assets	5,462	5,986
Total assets	19,472	19,291

Liabilities and shareholders' equity (€ millions)	30/06/2007	31/12/2007
Shareholders' equity		
Share capital	340	340
Additional paid-in capital	2,053	2,059
Retained earnings and currency translation adjustments	3,067	3,393
Net profit attributable to equity holders of the parent	831	588
Shareholders' equity - attributable to equity holders of the parent	6,290	6,381
Minority interests	168	169
Total shareholders' equity	6,458	6,550
Non-current liabilities		
Non-current provisions	534	477
Provisions for pensions and other long-term employee benefits	773	622
Deferred tax liabilities	2,326	2,197
Bonds	2,511	2,479
Non-current derivative instruments	73	100
Other non-current financial liabilities	3,938	3,259
Total non-current liabilities	10,155	9,134
Current liabilities		
Current provisions	355	320
Operating payables	1,773	1,919
Income tax payable	198	80
Other current liabilities	141	31
Other current financial liabilities	375	1,229
Current derivative instruments	16	28
Total current liabilities	2,859	3,607
Total liabilities and shareholders' equity	19,472	19,291

CONDENSED INTERIM CASH FLOW STATEMENT

(€ millions)	31/12/2006 6 months	31/12/2007 6 months
Operating profit	865	970
Depreciation and amortization	70	79
Net changes in provisions	(41)	(65)
Net changes in impairment of goodwill and intangible assets	0	11
Impact of derivatives hedging trading transactions	(1)	2
Fair value adjustments on biological assets	1	2
Net (gain) / loss on disposal assets	(11)	(12)
Stock options impact	14	19
Net cash provided by operating activities before changes in working capital	**897**	**1,006**
Decrease/(increase) in working capital	(284)	(550)
Net cash from operating activities	**612**	**456**
Financial Expenses (Paid) / Received	**(147)**	**(195)**
Tax Expenses (Paid) / Received	**(132)**	**(86)**
(Acquisition) and proceeds from sales of fixed assets	(36)	(56)
Changes in receivables and payables related to non-current assets	(9)	(11)
Free Cash Flow	**289**	**109**
Proceeds/(cash expenditures) from disposals/acquisitions of non-current financial assets	(86)	(90)
Changes in consolidation scope	(552)	(79)
Dividends paid	(228)	(273)
Other changes in shareholders' equity	14	7
(Acquisition)/disposal of treasury shares	6	(7)
Increase / (decrease) in net debt (before effect of exchange rate changes)	**(557)**	**(333)**
Net effect of exchange rate changes	106	217
Increase / (decrease) in net debt (after effect of exchange rate changes)	**(452)**	**(117)**
Net debt at beginning of period	(6,351)	(6,515)
Net debt at end of period	(6,803)	(6,631)

SEGMENT REPORTING

Total:

(€ millions)	31/12/2006 6 months	% Net sales	31/12/2007 6 months	% Net sales	Variation		Organic growth		Change in Group structure	Forex impact
Net sales (Excl. T&D)	**3,507**	*100.0%*	**3,713**	*100.0%*	**206**	*6%*	**348**	*10%*	**(54)**	**(88)**
Gross margin after distribution costs	**1,963**	*56.0%*	**2,126**	*57.3%*	**163**	*8%*	**251**	*13%*	**(7)**	**(80)**
Advertising & promotion	**(561)**	*16.0%*	**(623)**	*16.8%*	**(62)**	*11%*	**(83)**	*15%*	**0**	**20**
Contribution after A&P	**1,402**	*40.0%*	**1,503**	*40.5%*	**101**	*7%*	**168**	*12%*	**(7)**	**(60)**
Profit from ordinary activities	**886**	*25.3%*	**966**	*26.0%*	**80**	*9%*	**135**	*15%*	**(6)**	**(49)**

Asia / Rest of the world:

(€ millions)	31/12/2006 6 months	% Net sales	31/12/2007 6 months	% Net sales	Variation		Organic growth		Change in Group structure	Forex impact
Net sales (Excl. T&D)	**980**	*100.0%*	**1,085**	*100.0%*	**105**	*11%*	**123**	*13%*	**0**	**(19)**
Gross margin after distribution costs	**473**	*48.2%*	**557**	*51.4%*	**84**	*18%*	**103**	*22%*	**0**	**(18)**
Advertising & promotion	**(177)**	*18.1%*	**(205)**	*18.9%*	**(28)**	*16%*	**(35)**	*20%*	**0**	**7**
Contribution after A&P	**295**	*30.1%*	**352**	*32.5%*	**57**	*19%*	**68**	*23%*	**0**	**(11)**
Profit from ordinary activities	**194**	*19.8%*	**233**	*21.5%*	**39**	*20%*	**48**	*25%*	**0**	**(9)**

Americas:

(€ millions)	31/12/2006 6 months	% Net sales	31/12/2007 6 months	% Net sales	Variation		Organic growth		Change in Group structure	Forex impact
Net sales (Excl. T&D)	**984**	*100.0%*	**970**	*100.0%*	**(14)**	*-1%*	**91**	*10%*	**(45)**	**(61)**
Gross margin after distribution costs	**563**	*57.2%*	**552**	*56.9%*	**(11)**	*-2%*	**51**	*9%*	**(7)**	**(55)**
Advertising & promotion	**(150)**	*15.2%*	**(159)**	*16.4%*	**(9)**	*6%*	**(22)**	*14%*	**0**	**12**
Contribution after A&P	**413**	*41.9%*	**393**	*40.5%*	**(20)**	*-5%*	**29**	*7%*	**(6)**	**(43)**
Profit from ordinary activities	**277**	*28.2%*	**265**	*27.3%*	**(13)**	*-5%*	**27**	*10%*	**(6)**	**(35)**

Europe (Excl. France):

(€ millions)	31/12/2006 6 months	% Net sales	31/12/2007 6 months	% Net sales	Variation		*Organic growth*		*Change in Group structure*	*Forex impact*
Net sales (Excl. T&D)	**1,175**	*100.0%*	**1,262**	*100.0%*	**87**	*7%*	**105**	*9%*	**(9)**	**(9)**
Gross margin after distribution costs	**674**	*57.4%*	**747**	*59.2%*	**73**	*11%*	**80**	*12%*	**(1)**	**(7)**
Advertising & promotion	**(151)**	*12.8%*	**(172)**	*13.7%*	**(22)**	*14%*	**(23)**	*15%*	**0**	**1**
Contribution after A&P	**524**	*44.6%*	**575**	*45.6%*	**51**	*10%*	**57**	*11%*	**(1)**	**(6)**
Profit from ordinary activities	**330**	*28.1%*	**372**	*29.5%*	**43**	*13%*	**48**	*15%*	**(1)**	**(5)**

France:

(€ millions)	31/12/2006 6 months	% Net sales	31/12/2007 6 months	% Net sales	Variation		*Organic growth*		*Change in Group structure*	*Forex impact*
Net sales (Excl. T&D)	**368**	*100.0%*	**396**	*100.0%*	**28**	*8%*	**29**	*8%*	**(0)**	**0**
Gross margin after distribution costs	**253**	*68.8%*	**270**	*68.1%*	**17**	*7%*	**17**	*7%*	**(0)**	**0**
Advertising & promotion	**(83)**	*22.5%*	**(87)**	*21.8%*	**(4)**	*5%*	**(4)**	*5%*	**0**	**0**
Contribution after A&P	**170**	*46.3%*	**183**	*46.3%*	**13**	*8%*	**13**	*8%*	**(0)**	**0**
Profit from ordinary activities	**86**	*23.2%*	**96**	*24.2%*	**11**	*12%*	**11**	*12%*	**(0)**	**0**