

Outstanding 2007/08 financial year Continuing growth in 2008/09, enhanced by the integration of Vin & Sprit

- ▶ **Net sales: €6,589 million (+9%⁽¹⁾)**
- ▶ **Profit from recurring operations: €1,522 million (+13%⁽¹⁾)**
- ▶ **Net profit from recurring operations - Group share: €897 million (+8%)**
- ▶ **Net profit - Group share: €840 million (+1%)**

Press release - Paris, 18 September 2008

The Pernod Ricard Board of Directors' meeting of 17 September 2008, chaired by Patrick Ricard, approved the financial statements for the 2007/08 financial year ended 30 June 2008.

The 2007/08 financial year was outstanding for Pernod Ricard, marked by:

- Strong sales growth and increased operating profitability in all regions, with sustained dynamism in emerging markets and continuing strong growth in western markets;
- The excellent 13%⁽¹⁾ increase in profit from recurring operations, which resulted in a sharp rise in net profit from recurring operations and a further improvement in debt ratios;
- The acquisition of Vin & Sprit, owner of ABSOLUT VODKA, the world leader for premium vodka.

Dynamic sales

2007/08 full-year net sales (excluding tax and duties) increased by 2% to € 6,589 million, comprising **organic growth of 9%**, a 5% negative foreign exchange effect and a 2% negative group structure effect. This strong dynamism resulted from:

- Continuing strong sales growth in all regions, with in particular a very strong development in emerging markets⁽²⁾ (+22%⁽¹⁾);
- Top 15 (+11%⁽¹⁾) and premium spirits⁽³⁾ (+14%⁽¹⁾) growth;
- Implementation of the value strategy, enhanced by the benefits of price increases and improved mix.

Improved contribution margin

Gross margin after logistics costs increased by +11%⁽¹⁾ to € 3,766 million, due to sales growth and the very sharply improved gross margin/sales ratio, which rose from 55.7% to 57.2% of sales, up 190 bps on a constant foreign exchange basis. The greater proportion represented by premium and Top 15 brands, the implementation of the value strategy applied to the whole portfolio and the cessation or disposal of lower profit-margin operations all contributed to this improvement.

This performance made it again possible to accelerate **advertising and promotional expenditure** growth to **€ 1,178 million (+12%⁽¹⁾)**, further focused on Top 15 brands, premium brands and emerging countries.

In total, **the contribution after advertising and promotional expenses** increased by 10%⁽¹⁾ to € 2,588 million and represented 39.3% of sales, up 110 bps on a constant foreign exchange basis, compared to the previous financial year.

Structure costs control

Structure costs increased by 6%⁽¹⁾ to € 1,067 million. This growth resulted from the continuing development of the Group commercial network in emerging countries where structure costs have increased by 13% while their growth was limited to +5% in other countries. The 2007/08 financial year **structure costs / sales ratio** was 16.2%, being a reduction of 10 bps on a constant foreign exchange basis, compared to the 2006/07 financial year.

Profit from recurring operations

Profit from recurring operations improved by 13%⁽¹⁾ to € 1,522 million. The operating profit margin improved to 23.1%, by 120 bps on a constant foreign exchange basis, compared to the previous financial year.

All regions experienced strong organic growth in profit from recurring operations:

- Organic growth of 18%⁽¹⁾ in **Americas and Asia/Rest of World**, while also sharply increasing advertising and promotion expenditure at a faster pace than sales in both regions.
- In **Europe** (excluding France), growth was more moderate at +7%⁽¹⁾, but was supported by advertising and promotion expenditure increased by 11%⁽¹⁾.
- In **France**, growth reached +11%⁽¹⁾, due in particular to the success of Mumm, Chivas Regal and Ballantine's.

Unfavourable currency movements (primarily affecting the USD and currencies tied to the USD) impacted the 2007/08 profit from recurring operations by a negative € 106 million.

Net profit from recurring operations

Net financial expenses from recurring operations totalled € 333 million. Debt-related financial interests totalled € 316 million (being an average interest rate of about 4.9%, in slight decline compared to the previous financial year), finance structuring costs being € 11 million and other financial expenses €6 million.

Income tax on recurring operations was an expense of € 263 million, being a rate of 22.2%, in slight decline compared to the previous financial year (22.5%). Lastly, **minority interests** amounted to a negative € 29 million.

In total, **net profit from recurring operations - Group share totalled € 897 million**, being an 8% increase (+16% on a constant foreign exchange basis) compared to the 2006/07 financial year and diluted net earnings per share from recurring operations amounted to € 4.13, a 7% increase.

Net profit

Other operating income/(expense) was an € 81 million expense, which primarily comprised € 26 million in restructuring costs, charges relating to the Vin & Sprit acquisition totalling € 109 million and other income of € 54 million.

Consequently, after taking account of € 16 million financial expenses on non-current items and taxation on non-current items, **net profit - Group share totalled € 840 million, a 1% increase** compared to the 2006/07 financial year.

Debt

Net debt at 30 June 2008 amounted to € 6.1 billion, compared to € 6.5 billion at 30 June 2007.

The level of debt was affected in the 2007/08 financial year by the restocking programme of aged categories (cognac, whiskies...), but benefited from the sharp depreciation of the US dollar.

This resulted in an **improved net debt (excluding treasury shares) to EBITDA ratio, which fell to 3.6 from 3.9 at 30 June 2007.**

Pro forma net debt at 30 June 2008, including the impact and costs associated with the Vin & Sprit acquisition, would have been € 11.9 billion.

In the first half of 2008/09, net debt will be adversely affected by the payment of the dividend, the payment of compensation to Maxxium and Fortune Brands and the seasonal rise in WCR. From the second half of 2008/09, strong cash flow generation and the implementation of the non-strategic asset disposal programme should result in a sharp decline in debt.

The net debt / EBITDA ratio reduction objective is set to between 4.5 and 5 at 30 June 2010 and about 4 at 30 June 2011

Dividend: +5%

These results allow the Board of Directors to propose to the Annual General Meeting of 5 November 2008 a cash dividend of € 1.32 per share, up 5% compared to last year's, after taking account of the 2-for-1 share par value split of 15 January 2008. This dividend reflects the growth in net profit from recurring operations and the debt ratio improvement objectives.

Conclusion and outlook

For 2008/09, after low to mid-single digit sales growth in the first quarter linked to a strong comparison basis and several adverse technical items, the Group aims, except for a severe deterioration in the global business environment, at:

- **an organic growth in profit from recurring operations of about 8%**, from Pernod Ricard's original group structure, and
- **a strong positive impact from the Vin & Sprit integration** with strong growth by ABSOLUT VODKA and accelerated realisation of synergies,

Resulting in a guidance for a double digit growth⁽⁴⁾ in **net profit from recurring operations - Group share** over the full 2008/09 financial year.

Patrick Ricard, Chairman and Chief Executive Officer of the Group, commented: "**2007/08 proved an outstanding year** for Pernod Ricard, with in particular sharp growth in sales and profitability and the successful acquisition of ABSOLUT VODKA.

*In spite of a more difficult general environment, the strength of our portfolio and of our global commercial network together with the expected success of ABSOLUT VODKA integration **should enable us to continue the strong growth of our sales and profits.***"

(1) Organic growth

(2) GNP/capita below 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) At current exchange and interests rates



About Pernod Ricard

Created by the merger of Pernod and Ricard (1975), the Group has undergone sustained development, based on both organic growth and acquisitions. The purchase of part of Seagram (2001), the acquisitions of Allied Domecq (2005) and recently of Vin & Sprit (2008) have made Pernod Ricard the world's co-leader in wines and spirits with sales of € 6,589 million in 2007/08.

Pernod Ricard holds one of the most prestigious brand portfolios in the sector: ABSOLUT Premium Vodka, Ricard pastis, Ballantine's, Chivas Regal and The Glenlivet Scotches whiskies, Jameson's Irish Whiskey, Martell cognac, Havana Club rum, Beefeater gin, Kahlúa and Malibu liqueurs, Mumm and Perrier-Jouët champagnes, as well Jacob's Creek and Montana wines.

The Group favours a decentralised organisation, with 7 Brand Owners and 70 Distribution Companies established in each key market, and employs a workforce of more than 19,300 people.

Pernod Ricard is strongly committed to a sustainable development policy and encourages responsible consumption.

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

Download the slides and photos from the www.pernod-ricard.com website on the "Photolibary" page of the "News" section.

Shareholder's agenda: 2008/09 1st Quarter Sales – Thursday 30 October 2008
Combined General Meeting - Wednesday 5 November 2008

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Volume and organic growth of strategic brands

(Millions 9 litre cases)	Volumes 30/06/2008	Volumes 30/06/2007	Volume growth 2007/2008	Net sales organic growth
Chivas Regal	4.5	4.1	10%	11%
Ballantine's	6.4	5.9	9%	11%
Ricard	5.6	5.7	-3%	-1%
Martell	1.6	1.6	2%	24%
Malibu	3.7	3.5	6%	10%
Kahlua	2.1	2.2	-4%	-5%
Jameson	2.6	2.3	15%	21%
Beefeater	2.4	2.4	1%	4%
Stolichnaya	3.4	3.1	9%	12%
Havana Club	3.2	2.8	15%	17%
The Glenlivet	0.6	0.5	10%	14%
Jacob's Creek	8.0	7.8	2%	6%
Mumm	0.7	0.6	11%	18%
Perrier Jouet	0.2	0.2	3%	14%
Montana	1.4	1.4	-2%	9%
15 strategic brands	46.3	44.1	5%	11%

Consolidated income statement

(€ millions)	30/06/2007	30/06/2008	Change
Net sales	6,443	6,589	2.3%
Gross margin *	3,827	3,998	4.5%
Logistics costs	(240)	(232)	-3.3%
Gross Margin after logistics costs	3,587	3,766	5.0%
A&P expenditure	(1,101)	(1,178)	7.0%
Contribution after A&P expenditure	2,486	2,588	4.1%
Structure costs **	(1,039)	(1,066)	2.6%
Profit from recurring operations	1,447	1,522	5.2%
Other operating income and expenses	20	(81)	N/A
Operating profit	1,467	1,441	-1.7%
Financial income/(expense) from recurring operations	(341)	(333)	-2.3%
Non-recurring financial items	(10)	(16)	N/A
Corporate income tax	(260)	(224)	-13.7%
Minority interests and associates	(25)	(29)	15.4%
Net profit - Group share	831	840	1.0%

* after production costs

** including other income and expenses

Consolidated balance sheet

Assets (€ millions)	30/06/2007	30/06/2008
(Net book value)		
Non-current assets		
Intangible assets and goodwill	11,313	10,341
Property, plant and equipment and investments	1,858	1,822
Deferred tax assets	839	722
Total non-current assets	14,010	12,885
Current assets		
Inventories and receivables	5,079	5,125
Cash and cash equivalents	383	421
Total current assets	5,462	5,546
Total assets	19,472	18,431

Liabilities and shareholders' equity (€ millions)	30/06/2007	30/06/2008
Shareholders' equity	6,290	6,420
Minority interests	168	177
of which profit attributable to minority interests	25	29
Shareholders' equity – attributable to equity holders of the parent	6,458	6,597
Non-current provisions and deferred tax liabilities	3,633	3,073
Bonds	2,511	2,352
Non-current financial liabilities and derivative instruments	4,011	3,262
Total non-current liabilities	10,155	8,687
Current provisions	355	287
Operating payables and derivatives	2,128	1,910
Current financial liabilities	375	950
Total current liabilities	2,859	3,147
Total equity and liabilities	19,472	18,431

Movement in net debt

<i>€ millions</i>	30/06/2007 12 months	30/06/2008 12 months
Self-financing capacity	1,490	1,537
Decrease (increase) in working capital requirements	(149)	(533)
Financial income/(expense) and taxes	(548)	(501)
Acquisition of PPE, intangible assets and other	(141)	(188)
Free Cash Flow	653	315
Financial asset disposal/acquisition and payment to pension funds	(757)	(278)
Dividends, treasury shares and others	(242)	(71)
Decrease (increase) in net debt (before currency translation adjustments)	(346)	(34)
Translation adjustment	182	405
Decrease (increase) in net debt (after currency translation adjustments)	(164)	372
Initial debt	(6,351)	(6,515)
Final debt	(6,515)	(6,143)

Segment reporting

Total:

(€ millions)	30/06/2007 12 months		30/06/2008 12 months		Change		Organic growth		Forex impact		Change in Group structure	
Net sales (Excl. T&D)	6,443	100%	6,589	100%	146	2%	547	9%	(297)	-5%	(104)	-2%
Gross margin after logistics costs	3,587	56%	3,766	57%	179	5%	394	11%	(199)	-6%	(15)	0%
Advertising & promotion	(1,101)	17%	(1,178)	18%	(77)	7%	(136)	12%	57	-5%	2	0%
Contribution after A&P	2,486	39%	2,588	39%	102	4%	258	10%	(142)	-6%	(13)	-1%
Profit from recurring operations	1,447	22%	1,522	23%	75	5%	192	13%	(106)	-7%	(11)	-1%

Asia / rest of the world:

(€ millions)	30/06/2007 12 months		30/06/2008 12 months		Change		Organic growth		Forex impact		Change in Group structure	
Net sales (Excl. T&D)	1,884	100%	2,007	100%	123	7%	237	13%	(112)	-6%	(2)	0%
Gross margin after logistics costs	946	50%	1,040	52%	95	10%	166	18%	(72)	-8%	-	0%
Advertising & promotion	(344)	18%	(383)	19%	(39)	11%	(63)	18%	24	-7%	-	0%
Contribution after A&P	601	32%	657	33%	56	9%	103	17%	(47)	-8%	-	0%
Profit from recurring operations	389	21%	422	21%	33	8%	69	18%	(36)	-9%	-	0%

Americas:

(€ millions)	30/06/2007 12 months		30/06/2008 12 months		Change		Organic growth		Forex impact		Change in Group structure	
Net sales (Excl. T&D)	1,786	100%	1,700	100%	(87)	-5%	139	8%	(148)	-8%	(77)	-4%
Gross margin after logistics costs	971	54%	961	57%	(10)	-1%	111	11%	(112)	-12%	(9)	-1%
Advertising & promotion	(283)	16%	(284)	17%	(1)	0%	(29)	10%	28	-10%	-	0%
Contribution after A&P	689	39%	678	40%	(11)	-2%	82	12%	(85)	-12%	(8)	-1%
Profit from recurring operations	418	23%	421	25%	2	1%	74	18%	(65)	-16%	(6)	-1%



Europe:

(€ millions)	30/06/2007 12 months		30/06/2008 12 months		Change		Organic growth		Forex impact		Change in Group structure	
Net sales (Excl. T&D)	2,091	100%	2,171	100%	81	4%	140	7%	(36)	-2%	(23)	-1%
Gross margin after logistics costs	1,202	58%	1,269	58%	67	6%	89	7%	(16)	-1%	(6)	-1%
Advertising & promotion	(312)	15%	(340)	16%	(28)	9%	(34)	11%	5	-2%	1	0%
Contribution after A&P	890	43%	929	43%	39	4%	54	6%	(11)	-1%	(5)	-1%
Profit from recurring operations	506	24%	530	24%	24	5%	35	7%	(6)	-1%	(5)	-1%

France:

(€ millions)	30/06/2007 12 months		30/06/2008 12 months		Change		Organic growth		Forex impact		Change in Group structure	
Net sales (Excl. T&D)	682	100%	711	100%	29	4%	31	5%	-	0%	(2)	0%
Gross margin after logistics costs	467	69%	496	70%	28	6%	28	6%	-	0%	-	0%
Advertising & promotion	(161)	24%	(170)	24%	(9)	6%	(9)	6%	-	0%	-	0%
Contribution after A&P	306	45%	325	46%	19	6%	19	6%	-	0%	-	0%
Profit from recurring operations	134	20%	149	21%	15	12%	15	11%	1	1%	-	0%