Annual Report 2006/2007

Pernod Ricard

A sustainable growth strategy

As the world's No. 2 Wines & Spirits group, Pernod Ricard holds a leading position on every continent. With 17,680 employees in more than 70 countries, the Group recorded sales of € 6,443 million in 2006/2007.
Since its creation in 1975, Pernod Ricard has witnessed steady development, founded on both organic growth and a series of acquisitions: the purchase of Allied Domecq in July 2005 is the most recent sign of the Group's worldwide ambitions.
Building on its portfolio of major Premium brands, its presence on every continent and its decentralised organisation, Pernod Ricard intends to continue its momentum of international development.

Sales
€6,443 million

Operating margin
22.5%

Organic growth* in sales
+9.1%

Net profit
€831 million

Operating profit from ordinary activities
€1,447 million

Growth in net profite
+30%

Organic growth* in operating profit from ordinary activities
+21%

* Organic growth not taking into account July for the Allied Domecq brands

A decentralise

The World's
No. 2
in Spirits*

No. 4
in Wines**

- 10 Brand Owners
- 4 Regions spanning 70 countries

* *Pernod Ricard Market View, based on the IWSR (2006) – local and international spirits*
** *Pernod Ricard Market View, based on the IWSR (2006) – Wines > USD 3 a bottle*

15 strategic

d organisation

brands

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Enormous future potential

Chairman's message

An exceptional success story

Pernod Ricard's development over the last 30 years and more is an extraordinary success story, best illustrated by a few salient ratios: over the last five years, we have multiplied our sales (in Wines & Spirits) by 3.5 and our market capitalisation and operating margin by 4, making us the second largest global player in our industry today.

In 2006/2007, the Group delivered vigorous growth, with a rise of 9.1%* in sales, 21%* in operating profit from ordinary activities and 30% in net profit. Each of our strategic brands grew (+13%* on average by value) and all regions contributed to this performance, with Asia and the Americas continuing to power the growth momentum, combined with robust sales in Europe and a promising upturn in the French market.

The integration of Allied Domecq is now complete and all of the expected benefits from the resulting synergies are currently being felt.

Our results testify to the excellence of our business model

This year's performance is proof of the effectiveness of our strategy and the quality of our business organisation, as well as our integration expertise.

From a strategic perspective, the Group has never stopped expanding its international footprint. From being an almost exclusively French organisation in its early years, Pernod Ricard now generates almost 90% of its sales outside France, which makes the Group a truly international player and will be a key factor in ensuring its continued expansion. Another of the Group's strengths is its balanced brand portfolio, which features more product categories and covers more geographic areas than any other portfolio in our industry. Lastly, by building our strategy around the market's growing desire for higher quality products, fuelled by a rise in purchasing power and changing customer aspirations, we are enhancing our value. We call this phenomenon "Premiumisation".

* Organic growth

Our dynamic international presence and excellence in marketing and sales have always been rooted in Pernod Ricard's specific strength, namely a highly responsive decentralised organisation, which plays a vital role in motivating our teams and ensuring our efficiency. On top of this, a powerful sales organisation means that we are the only industry player to sell our products across 70 different countries through our own sales network.

Lastly, our acquisitions of Seagram and Allied Domecq are testimony to the resounding success of our business model in enabling Pernod Ricard to acquire major groups and offer their brands a new lease of life.

An increasingly challenging environment

Our success does not mean that we can rest on our laurels, particularly in a fast-moving economic environment as we have seen only recently with the housing and financial crisis in the United States. However, we are quietly confident of our future in an industry which has proved far less vulnerable than other sectors to market volatility and in which our recent performances have consistently outpaced economic growth.

We have two buffers against a slowdown in economic growth: firstly, our extensive international reach means that we can smooth over the risks of a local crisis and secondly, our comprehensive portfolio of international brands and leading local brands shields us from a fall in local purchasing power.

At the same time, we are understandably seeing public health concerns intensify, and are facing stricter legislation as a result. These public health issues are an integral part of our Corporate Social Responsability priorities. Personally, I am convinced that self-discipline in our industry – as in many others – is the most effective way to embrace a responsible drinking policy. Our Managers share our belief and are striving everywhere to develop concrete initiatives aimed at preventing or lowering alcohol consumption among consumers, especially young people, drivers and pregnant women.

“Each of our 15 strategic brands grew and all regions contributed to this performance, with Asia and the Americas continuing to power the growth momentum.”

Key strengths

Faced with these challenges, our first strength is the diversity of the men and women in the Group. Our Human Resources policy is internationally-focused and has stepped up recruitment of high-potential employees in the 70 countries where we are based. Our aim is to forge increasingly multi-cultural teams by rolling out international mobility, training and talent management programmes.

Another of our strengths is the resounding success of our Premium brands. Our brand portfolio, which combines leading local products with Premium brands, is a formidable growth driver. We will continue to focus on the high-end market and on developing more Premium products, which will accelerate sales and margin growth. At the same time, certain former Allied Domecq brands have been re-launched worldwide, with revamped marketing strategies backed by advertising and promotional campaigns. The benefits of all these initiatives should filter through in the year ahead.

Alongside its Premiumisation policy, Pernod Ricard will look to reinforce its position in high-potential markets for its products. South and Central America and particularly Asia, with the emerging markets of China and India, offer significant prospects for development on account of their population growth, widespread increase in purchasing power and heightened appreciation of luxury products.

Our vision of the future

Our objectives for the coming year are part of a longer-term project anchored around two key goals. Firstly, we want to be the growth leader in our industry by continuing to expand everywhere and anywhere, not only in buoyant emerging countries but also on mature markets. Secondly, we want to enhance the value of the Group, which should be known and recognised for its Premium brands, thus taking us one step closer to the luxury segment. Obviously, acquisitions are a way of helping us achieve these goals by creating a strong growth momentum. After the successful integration of Seagram and Allied Domecq, Pernod Ricard is ready to capitalise on any opportunities that will allow us to strengthen our positions. However, this growth drive must not prevent us from striving to deliver further gains in our operating margin by unlocking organisational or purchasing synergies, allowing us to scale back costs.

I have full confidence in the impressive qualities of our teams across the globe, rallied around the Group’s core values of Conviviality, Sincerity, Entrepreneurship, Integrity and Commitment. Thanks to this “Pernod Ricard spirit” and the proven strengths which have made the Group what it is today, I relish the opportunity to write the next few pages in the wonderful history of Pernod Ricard’s people and the company’s major brands.

Patrick Ricard
Chairman and Chief Executive Officer

A very good financial year in 2006/2007

Analysis by Pierre Pringuet

What is your assessment of the last financial year?

2006/2007 was a very successful year for the Group. Following the remarkably swift operational integration of Allied Domecq in 2005/2006, the past year was spent re-launching the Allied Domecq brands we acquired.

Our teams have worked at full steam to redefine brand strategies, including positioning, packaging and advertising campaigns. To give a few examples, we have seen new platforms for Ballantine's, Beefeater and Stolichnaya, new-look packaging for Malibu and Beefeater, an extension of our Kahlúa range, and the re-launch of Mumm's prestige cuvee R. Lalou. However, Pernod Ricard's historic brands have not been neglected, with the launch of Martell Noblige and Creation Grand Extra and Chivas 25-year-old as well as a new advertising campaign for Havana Club.

The past year also bears testimony to the Group's vitality, with robust growth in sales and profitability.

Our shareholders reaped the full rewards of this performance, with a proposed dividend of €2.52 per share, up 20% year-on-year (41% since the Allied Domecq acquisition), and sharp gains in the share price, which was trading at €90* the day before the operation was announced.

Pierre Pringuet
Managing Director

Two years after the acquisition of Allied Domecq and its swift integration within the Group, what have been the benefits for Pernod Ricard?

All our expectations have been borne out: we now boast an unrivalled brand portfolio as well as an extensive distribution network and post a stronger financial performance.

By offering us leading brands, the acquisition allowed us to round out and reinforce our portfolio, and focus on more upmarket products by implementing a value-driven strategy which moves us ever closer to the luxury segment. The impact of the acquisition from a geographical standpoint has been spectacular: in North America, for example, we doubled our size in the United States and considerably expanded our footprint in Canada and Mexico. Our significant presence on the fast-developing markets of Central Europe and Russia is a real strength, while our leadership in Asia has been reinforced by South Korea.

In addition to the Group's excellent financial performance over the past year, the strategic merits of the acquisition have been confirmed and its benefits will continue to be felt in the years ahead.

What do you think accounts for the Group's performance?

It has to be the unabated enthusiasm of our teams to make the integration a success, alongside their unrelenting commitment and motivation. My congratulations and thanks go to all our employees for the excellence of their achievements.

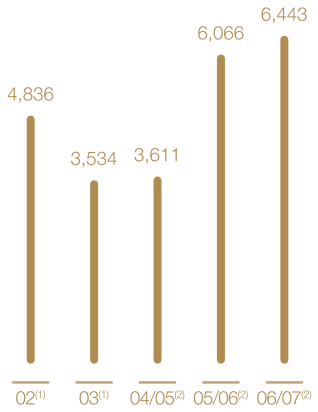
It must not be forgotten that the opportunity to acquire Allied Domecq arose in 2005 just after we had finished integrating Seagram and re-launching its brands, and that the new acquisition required significant efforts from our teams once again. It is important to stress that our decentralised organisation is conducive to this entrepreneurial spirit, which was key to the incredible responsiveness of our staff.

Another critical success factor was the way in which Pernod Ricard's culture and values were immediately taken on board by the 5,000 employees joining us from Allied Domecq.

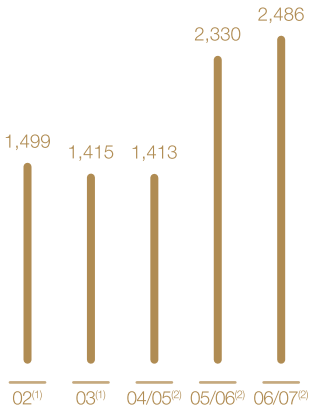
* Share price adjusted to reflect the allocation of one bonus share for every five shares held.

Key figures

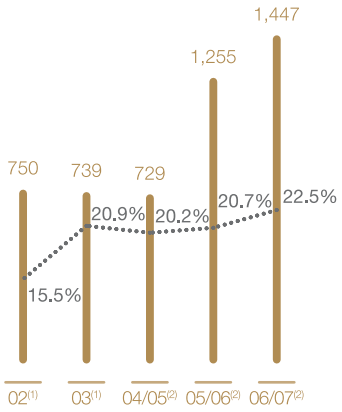
Sales
In euro million



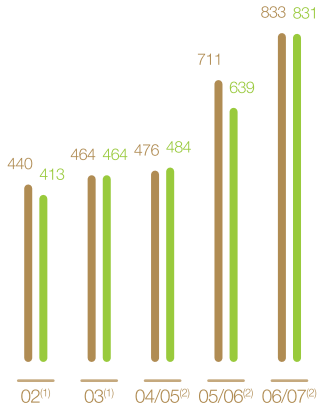
Contribution after advertying and promotional expenses
In euro million



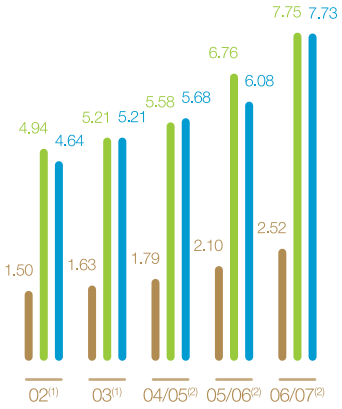
Operating income from ordinary activities/ operating margin
In euro million and as % of sales



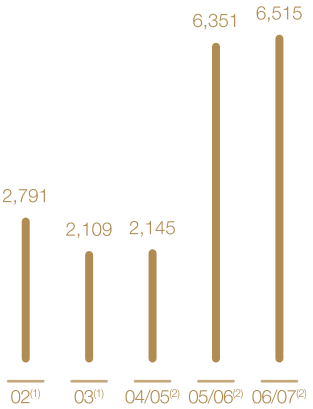
Net profit from ordinary activities/ Net profit
In euro million



Earnings per share/ Dividend per share
In euro



Change in net financial debt
In euro million



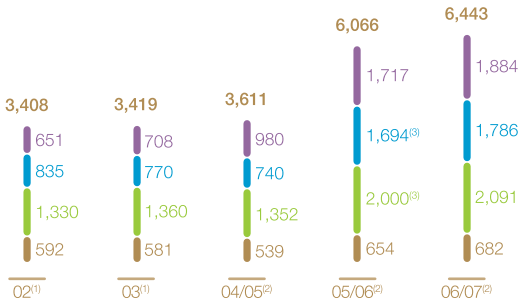
- Net profit from ordinary activities
- Net profit

- Dividend per share
- Net earnings per share from ordinary activities
- Net earnings per share

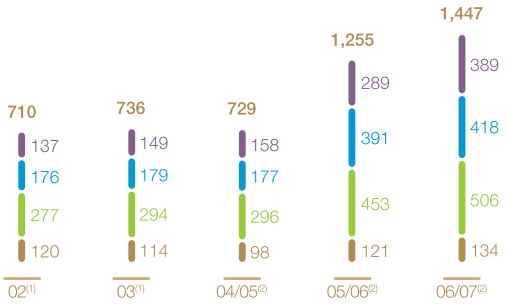
(1) At 31 December – French accounting standards
(2) At 30 June – IFRS

Figures
by region and by brand

Sales by region
In euro million



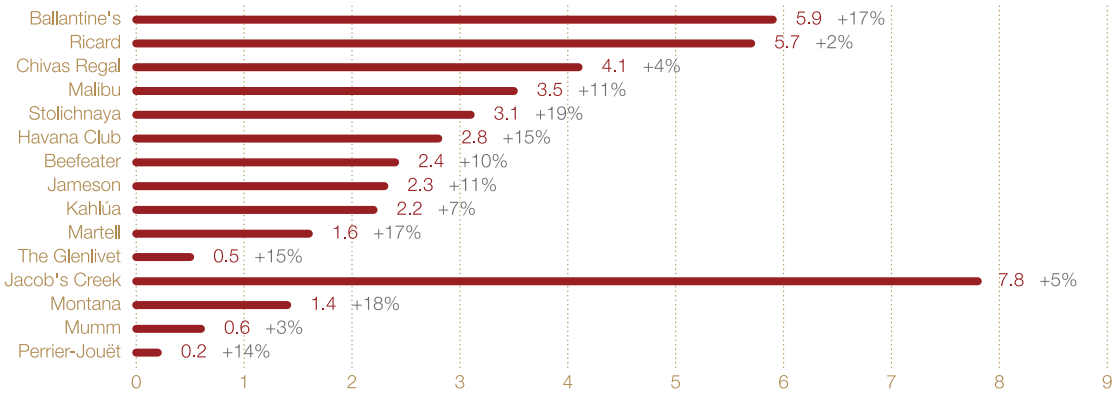
Operating profit from ordinary activities by region
In euro million



(1) At 31 December – French accounting standards
(2) At 30 June – IFRS
(3) In light of a reclassification of bulk sales between Europe and the Americas for an amount of €13 million

France ● Americas ●
Europe ● Asia/Rest of the World ●

Strategic brands
Volumes for 2006/2007 (in millions of 9-litre cases)



"Top 15" Total: 44.1 million cases

“Our growth is based on a raft of leading brands. We focus more particularly on high end products in these ranges.”

One of the Group’s key growth drivers is its development in Asia. Do you think China still offers significant growth potential or do you see other Asian countries taking over from it?

China is, and will continue to be, one of our flagship markets, due to the size of its economy and its exponential growth. At the moment, China is predominantly a cognac and whisky market (for superior Premium brands only), as the recent fervour for our Martell, Chivas, Ballantine’s and Royal Salute brands has shown. But in the near future, we believe that the potential of other products such as vodka and champagne should also be considered and our teams are already hard at work in this area.

However, Asia is more than just China: Singapore and Malaysia are strongly expanding, while Duty Free outlets, Vietnam and Indonesia are delivering vigorous growth. And we shouldn’t forget South Korea and Japan, which, together with China, represent our main profit centres on the Asian continent.

Lastly, India is experiencing the same market trends as China, although a little later than its neighbour. The country is a growth lever for the Group, and the recent abolishment of additional import duties will go a long way towards opening up the Indian market to other brands.

In the context of your Premiumisation strategy, how do you respond to growing consumer demand for high-quality, aged products?

We have to keep in mind the phenomenon of scarcity for aged products such as cognac, Scotch whisky or champagne. In time, this could put the brakes on Premiumisation, but we’re not there yet, I can assure you! We are keeping a watchful eye on consumption trends, which will allow us to anticipate growth and manage our stocks efficiently. At Martell, for example, we are investing €300 million over a period of three years to buy eaux-de-vie and expand our storage capacity. For Scotch whiskies, we have the largest reserves of aged eaux-de-vie in the industry.

You are the fourth largest wine group in the world. How important is wine in Pernod Ricard’s strategy?

We have a strong belief in wine, which presents an excellent strategic fit with our spirits business. What’s more, the global market is growing, including in emerging countries.

Our strategy in the wine segment is clear, and reflects key market trends. Our growth is based on a raft of leading brands, including Jacob’s Creek in Australia, Montana in New Zealand and Campo Viejo in the Spanish La Rioja region. We pay particular attention to the high-end range of these wines, in an increasingly demanding market which, like the spirits segment, is moving towards Premiumisation.

Why do you want to expand your vodka offering?

Vodka is a very important market, which is enjoying robust growth driven by cocktail consumption. But it’s also one of the most attractive Premium categories in the US market (the world’s leading market for international vodka brands), where we are planning to reinforce our presence, not to mention the wealth of opportunities in emerging markets such as Asia. Clearly, we are ready to capitalise on any growth opportunities that may arise.

The Group’s results show a clear improvement in operating margin. How do you plan to continue improving this margin?

Two factors will drive a further improvement in our operating margin. Growth is the first, spurred by a focus on high-margin brands and in particular the “Top 15”. Maintaining a tight rein on costs is the second factor, which we will achieve by implementing more cross-functional initiatives and synergies, particularly in the support functions. We are currently working to scale back expenditure, and have already pinpointed several sources of cost savings, including purchases from industry or purchases of advertising space and promotional materials. Some of the resulting cost savings could be reinvested in brands.

How do you view the recent economic upheaval? Will it have an impact on the first few months of the coming financial year?

First, let me say that from a financial standpoint we have nothing to fear, thanks to the sound ongoing management of our finances. The crisis has not exposed us to either a liquidity or interest rate risk. In terms of the market economy as a whole, the situation should obviously invite caution. Without wishing to play down the impact of the crisis on growth, at this stage we consider that it will have little or no impact on our Group. The Group is looking ahead to the future with full confidence in its deep-rooted strengths.

Over 30 years of uninterrupted growth

Creation of Pernod Ricard

1975
Creation of Pernod Ricard
through the link-up of two French anise-based spirits companies, Pernod and Ricard

Acquisition of Campbell Distillers
(Scotch whiskies) and CDC (Dubonnet, Byrrh, etc.)

First international acquisitions

1981
Acquisition of Austin Nichols Ltd
(producer and distributor of Wild Turkey bourbon)

1982
Takeover of SIAS MPA,
the world's No. 1 producer of fruit preparations for dairy-based desserts

1984
Acquisition of Orangina

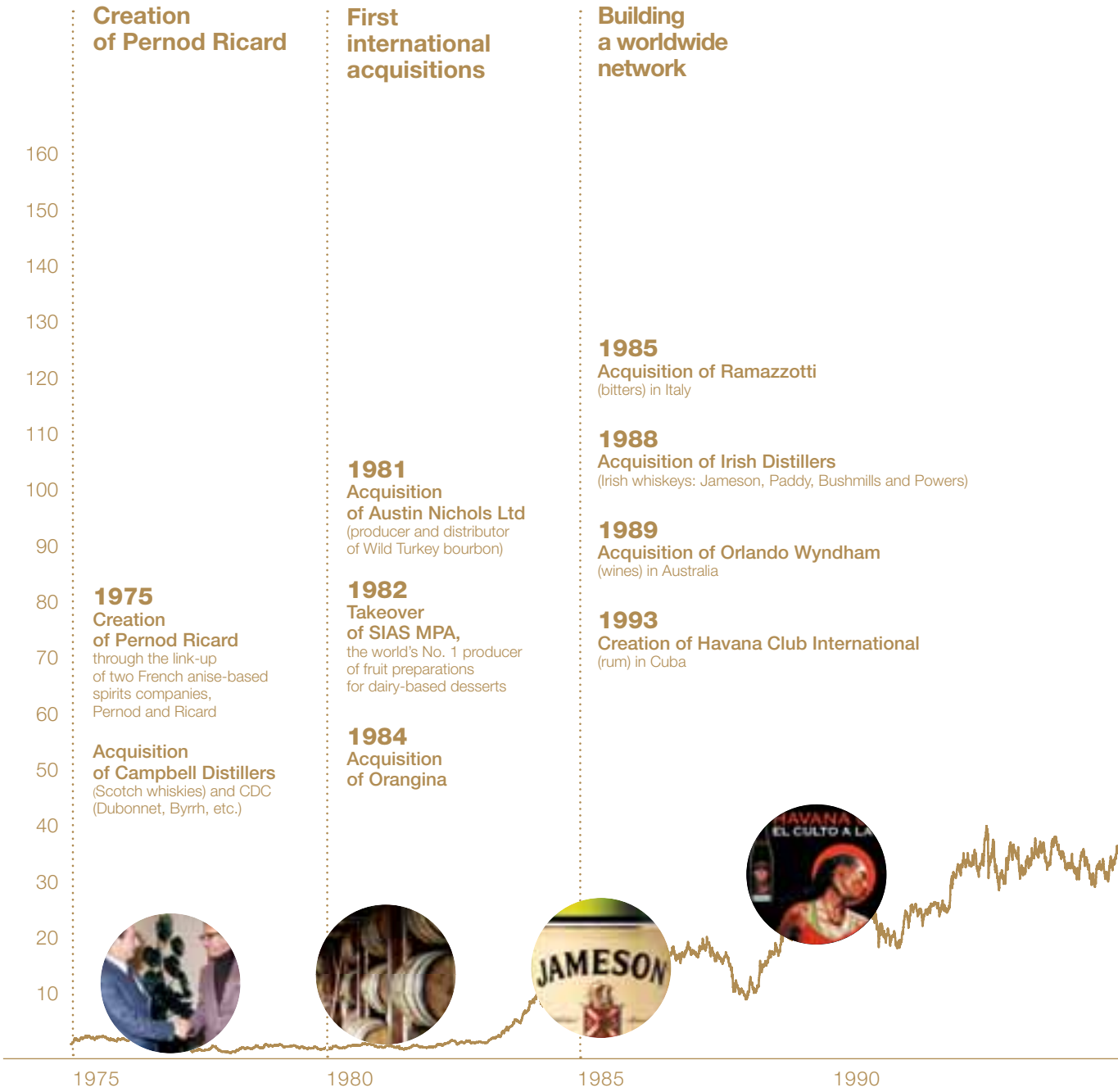
Building a worldwide network

1985
Acquisition of Ramazzotti
(bitters) in Italy

1988
Acquisition of Irish Distillers
(Irish whiskeys: Jameson, Paddy, Bushmills and Powers)

1989
Acquisition of Orlando Wyndham
(wines) in Australia

1993
Creation of Havana Club International
(rum) in Cuba



Pernod Ricard was born in 1975 out of the link-up of the two leading French anise-based spirits specialists: Pernod, founded in 1805 and Ricard, created by Paul Ricard in 1932.
The objectives pursued were to diversify the product range and above all to become increasingly international. The Group gradually set up a portfolio of major international brands and a global distribution network, developing its own sales teams all over the world.
In order to focus on its strategic business of Wines & Spirits, Pernod Ricard decided to withdraw from the non-alcohol sector. It completed the acquisitions of Seagram, then Allied Domecq, making it the No. 2 in this sector.

Consolidation and organisation

Implementation of regionalisation strategy (Brand Owner subsidiaries and Distribution subsidiaries)

1997
Acquisition of Larios
(gin) in Spain

Purchase of an equity stake in Jan Becher

1999
Acquisition of Yerevan Brandy Company

Acquisition of Agros and the international rights for Wyborowa

Strategic refocusing

2001
Sale of Orangina-Pampryl and Yoo Hoo

Purchase of 38% of Seagram's Wines & Spirits businesses

2002/2003
Continued disposal of non-alcohol sector assets
(BWG, SIAS-MPA, Agros, etc.)

Integration of the Seagram businesses and re-launching of the brands

Partnership agreements with Sogrape
for distribution of Sandeman (port), and Kirin for 2003 distribution of Four Roses (bourbon)

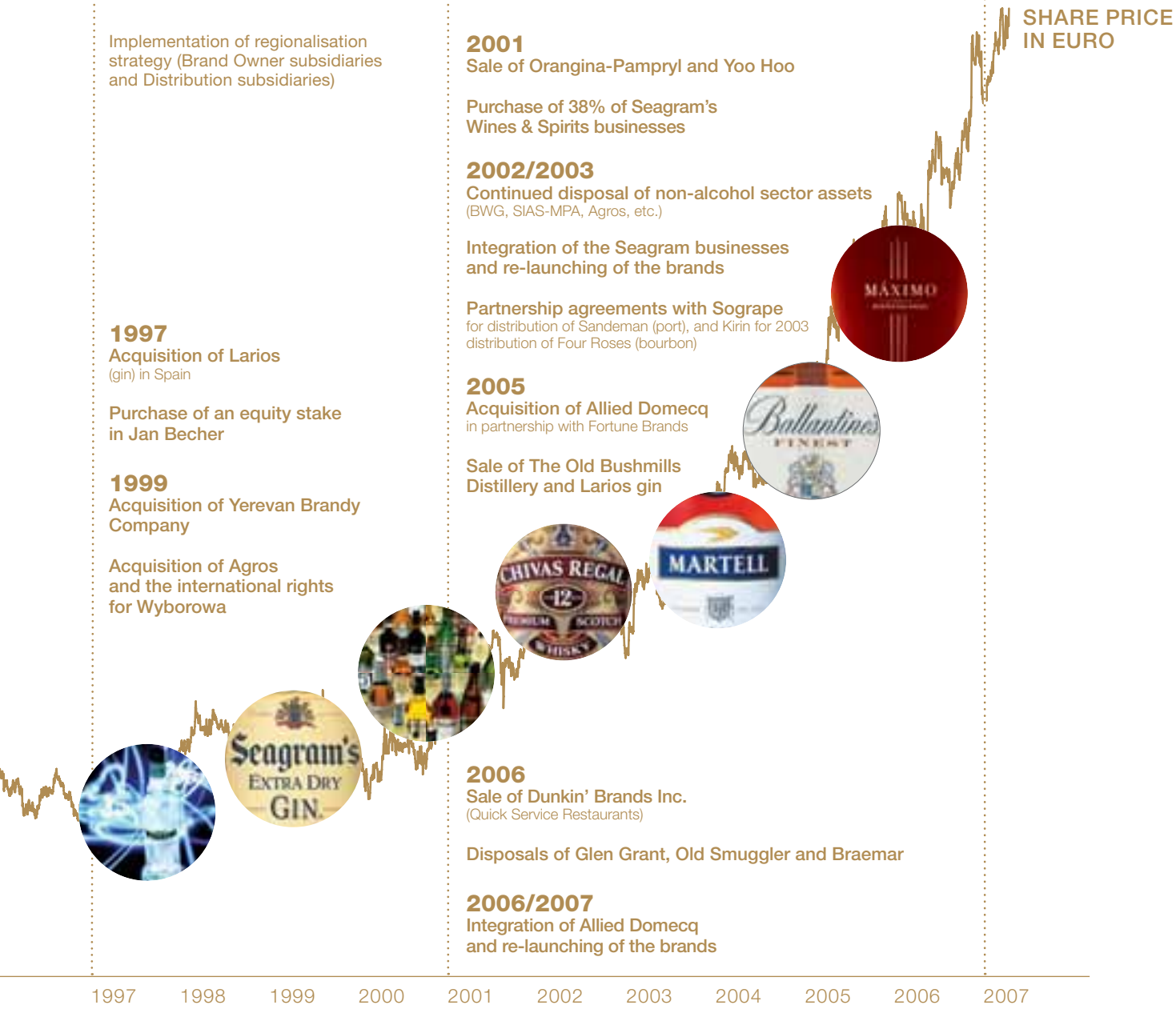
2005
Acquisition of Allied Domecq
in partnership with Fortune Brands

Sale of The Old Bushmills Distillery and Larios gin

2006
Sale of Dunkin' Brands Inc.
(Quick Service Restaurants)

Disposals of Glen Grant, Old Smuggler and Braemar

2006/2007
Integration of Allied Domecq and re-launching of the brands



The year's events

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2006

JULY ▶ 1 Pernod Ricard renews its distribution agreement with Central European Distribution Corporation (CEDC) for the Polish vodka Zubrowka. This agreement covers over 70 countries including France, the brand's largest export market. **SEPTEMBER** ▶ 2 Agreement with Corby to represent Pernod Ricard's brands in Canada and for the takeover of Tia Maria. ▶ Pernod Ricard USA sells the Rich & Rare and Royal Canadian brands to Sazerac (United States). **NOVEMBER** ▶ Successful launch of Pernod Ricard's first bond issue, for a total of €850 million. **DECEMBER** ▶ 3 Pernod Ricard decides to insert the pictogram warning for pregnant women on the back labels of all products marketed in Europe (this is only a requirement in France), and to add a moderate drinking message to advertising all over the world. ▶ 4 Emmanuel Babeau, Deputy Managing Director in charge of Finance is named Financial Manager of the year by the French national association of financial directors and management controllers. ▶ Patrick Ricard receives the Grand Prix de l'Entreprise européenne 2006 in the "Mergers & Acquisitions" category, at the 3rd *Entreprise Européenne* awards.

2007

JANUARY ▶ Distribution of one bonus share for every five shares held. ▶ 5 Inauguration of the Havana Club rum distillery, the world's largest aged rum distillery. **FEBRUARY** ▶ 6 The Madrid Provincial Court holds that Havana Club Holding, a joint venture between Pernod Ricard and its Cuban partners, had indisputably acquired the rights to the Havana Club brand in Spain. ▶ 7 Inauguration of the Visitor Centre at Beefeater's London distillery and launch of the new advertising campaign. **MARCH** ▶ 8 Pernod Ricard unveils its new corporate website: www.pernod-ricard.com. ▶ Sale of Pernod Ricard Trinidad to Blue Waters Products Limited. **MAY** ▶ Press and financial analysts' meeting in China. Presentation of the new advertising campaigns for Ballantine's and Stolichnaya. **JUNE** ▶ 9 Pernod Ricard signs a commitment to promote responsible drinking, alongside the European Commission, in the European Commission's "Alcohol and Health" forum.

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A market powered by the Premium qualities

The global spirits market could be described as enjoying a virtuous circle of consumption: relatively stable overall, but characterised by shifts from lower quality categories to more Premium products. With its portfolio of prestigious brands, Pernod Ricard is among the companies best placed to benefit from this profitable and lasting trend.

Jean-Paul Richard, Vice-President, Marketing, explains the evolving market and Pernod Ricard's positioning.

"Of the three categories making up global consumption, international spirits is the most strategic. While it makes up only 14% of the market by volume, it accounts for almost 60% of sales worldwide, and is also growing at the fastest rate (+3.8% by volume in 2006).

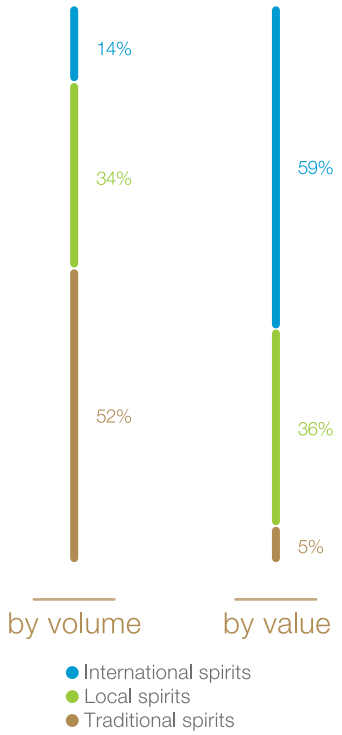
It is in this category of international spirits that the large Wine & Spirits companies are positioning themselves. Pernod Ricard has a strong presence (the Group is No. 2), in particular with our fifteen strategic brands.

Local spirits, the second category by value, constitute a natural growth reservoir for international spirits. These include products which are locally produced, but inspired by international spirits (whiskies, brandies, rums, etc.). This category makes up 34% of all spirit sales by volume and 36% by value, and also registers steady growth (+1% in 2006).

Pernod Ricard also has a strong presence in this category, with leading local brands such as Royal Stag in India, Presidente in Mexico, Montilla in Brazil or Becherovka in the Czech Republic.

The final category is that of traditional spirits (sake and soju in Asian countries, cachaça in Brazil, etc.). This category, which has shrunk by 2% a year over the past decade, represents considerable volumes (52% overall) but holds no significant strategic interest."

Breakdown of the various types of spirits throughout the world



Source: Pernod Ricard Market View based on IWSR (figures for 2006)

The spending that powers Premiumisation

The rising success of Premium references is generated by two separate phenomena.

In the developed countries, we are "drinking less, but better." Consumers want, and are willing to pay for, higher quality, rarer, more prestigious products.

In emerging markets, the increasing purchasing power of the middle classes and the progressive disappearance of trade barriers are drawing consumers towards international, imported spirits and away from local or traditional spirits. This is true today of China and Russia and will no doubt be the case tomorrow in India and Brazil.

Healthy growth for Premium categories

The phenomenon of movement towards higher quality products is even occurring within the international spirits category itself. The segment of Premium products (sold at the highest prices on the market) is the fastest growing: an increase of 10% in 2006 (2 million additional cases sold in the United States, 730,000 in China).

Consumers are prepared to pay a higher price for brands which they perceive as "exceptional" and able to fulfil their desire for excellence. These Premium brands must offer three things: impeccable quality, true originality, and an emotional dimension.

A success story for vodka and whisky

The two most dynamic international spirits in the world are vodka and whisky.

The reasons for the vodka's success are brand creativity (communication and innovation) and its versatile caracter*. The vigour of the U.S. economy, its largest market outside Russia, also serves it well.

Whisky's success is based firstly on the trend towards Premiumisation, which is expressed above all in rising demand for aged whiskies, and secondly on emerging markets (Central and South America, Asia, Central and Eastern Europe). Venezuela, for example, has made it its favourite spirit.

Pernod Ricard's rich brand portfolio offers strong growth opportunities for the most popular spirits, with brands like Stolichnaya and Wyborowa in the vodka sector; Chivas, Ballantine's, Jameson and The Glenlivet for whiskies and Havana Club on the international rum market.

* The versatility of a spirit refers to its propensity to adapt to various dosages, without any change in the cocktail's flavour or colour of which it is the ingredient.

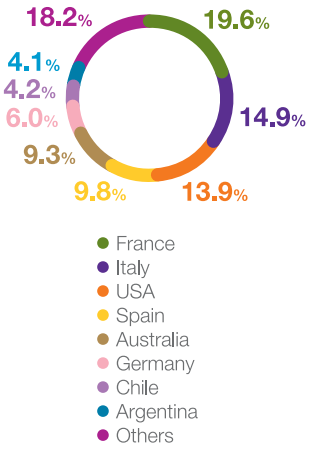
The success of New World wines

In a world market for still wines that remains stable, sales of brand wines costing over USD 3 per bottle have increased by 3.5% a year over the last ten years. Although this market remains dominated by traditional wine producing countries (France, Italy, Germany, etc.), New World wines are the main growth drivers.

Growth in world wine consumption

Average percentage growth per year between 1996 and 2006

Countries of origin of the wines consumed



Four major strategic focuses

Pernod Ricard's strategy is anchored around four main goals:

- **Investing** significantly in strategic brands with global reach
- **Premiumising** the portfolio by concentrating on upmarket products
- **Developing** in emerging markets
- **Pursuing** external growth opportunities

Investing in strategic brands with global reach

Building a portfolio of international brands which are leaders on the major Wines & Spirits market segments has guided the Group's strategy since its creation.

The various external growth operations carried out by Pernod Ricard have allowed the Group to build a portfolio of international brands which are among the most prestigious in its sector. These today form the Group's "Top 15". The following have now been added to the Ricard brand: Jameson Irish whiskey (acquired in 1988), the Australian wine Jacob's Creek (1989), and Havana Club rum (1993). In 2001, the Group acquired the scotch whiskies Chivas Regal, The Glenlivet and Martell brandy. Finally, the purchase of Allied Domecq in 2005 rounded out the portfolio of key brands, with Ballantine's scotch whisky, Malibu and Kahlúa liqueurs, Beefeater and Stolichnaya white spirits, Montana wine from New Zealand and the Mumm and Perrier-Jouët champagnes.

Pernod Ricard's success is primarily rooted in its ability to build strong brands on the back of a powerful worldwide distribution network and an effective marketing policy. Since Jameson, Havana Club and Jacob's Creek joined Pernod Ricard's portfolio, these brands have enjoyed annual double-digit growth on average.

The Group has also shown its skill at giving brands a new lease of life through high quality advertising. The successful re-launches of Chivas Regal, Martell and The Glenlivet are fine examples of this. Even though these brands had tended to be neglected by their former owners, their potential remained intact. Thanks to Pernod Ricard's efforts, the brands are back on a strong upward growth path, contributing significantly to the improved profitability of the Group.

In 2006/2007, Pernod Ricard continued to fine-tune this brand repositioning, with new-look advertising campaigns and extension of the distribution for brands acquired from Allied Domecq, including Ballantine's, Beefeater and Stolichnaya.

The "Top 15" account for 70% of the Group's advertising and promotional expenses and 90% of the year-on-year rise in investment expenditure. Organic growth of the "Top 15" over the financial year came in at +13%, compared to an average of +9.1% for the Group's brands, testifying to the success of this strategy.

Premiumisation of the portfolio driving more profitable growth

Pernod Ricard's strategy is now oriented towards the Premiumisation of its brand portfolio. This chiefly entails developing the Premium quality products of the Group's key brands.

A study of trends in the Wines & Spirits sector over the last 30 years shows that in both the United States and Europe, consumers are drinking less, but transferring their preferences to more authentic, higher quality products. At the same time, in emerging countries such as China or India, the improvement in the standard of living has fuelled strong demand for high-quality imports to the detriment of traditional local brands.

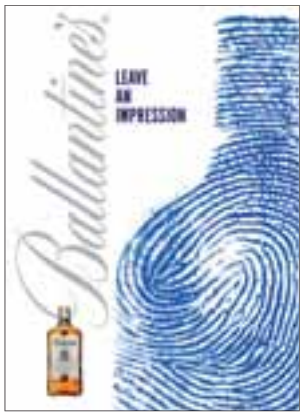
In developed countries, Premiumisation has paved the way for the success of Chivas 12-year-old whisky, The Glenlivet single malt, Jameson Irish whiskey or Havana Club Cuban rum. In China, this trend has powered strong growth in sales of Premium and Super Premium brands of scotch whisky and brandy, such as the aged ranges of Ballantine's, Martell Cordon Bleu and Martell X.O.

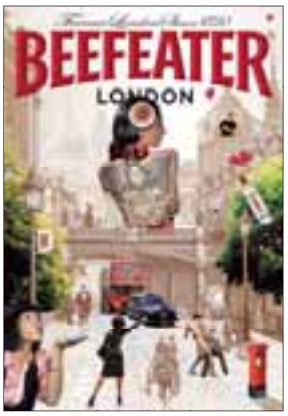
Premium brands can be recognised by their impeccable quality and extremely high-end product ranges featuring limited editions, and they are backed by sophisticated advertising campaigns and luxurious packaging. The launches of Martell Création Grand Extra and Chivas Regal 25-year-old are the most recent examples of this Premiumisation drive.

For a company which aims to maximise value creation for its shareholders, Premium brands are essential: they enjoy vigorous growth and generate margins in excess of the rest of the product range.

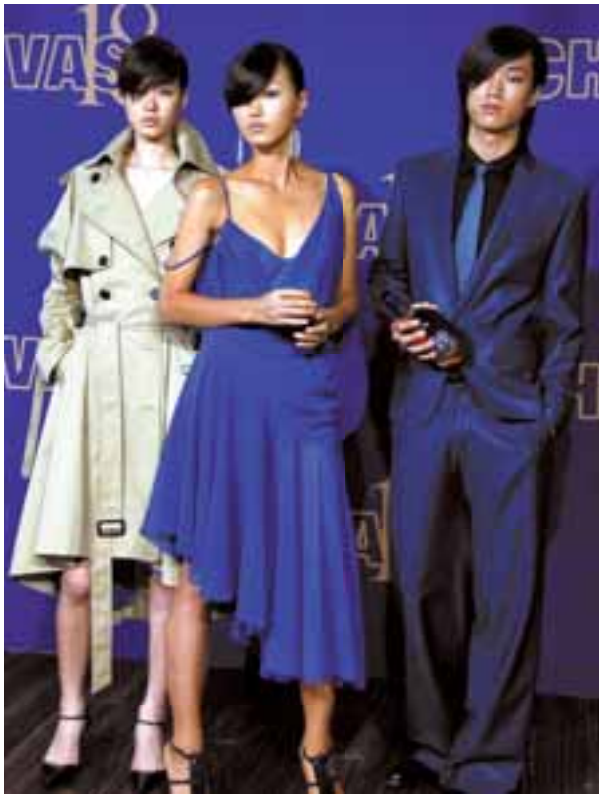
70%

of the Group's advertising and promotional expenses concern the "Top 15".





Creations used in the advertising campaigns for Ballantine's and Beefeater out of France.



A Chivas 18 event in China.

In the wine segment, consumer demand is also increasingly focused on top quality products, and Pernod Ricard is well placed to meet this demand.

Since the acquisition of Allied Domecq, which doubled Pernod Ricard's wine sales, this wine segment has been a major growth driver. To expand volumes and increase profitability in this sector, the Group can build on a number of factors, including a portfolio of important brands from fast-growing markets (Australia, New Zealand, Spain, Argentina), solid knowledge about consumers, marketing and technical expertise, a sound financial base and a worldwide distribution network. In a global market moving increasingly towards Premiumisation, the Group is intent on developing Premium brands at the medium and high end of the range (bottles costing over €7), led by Montana and Jacob's Creek.

Development in emerging markets

Internationalisation has been one of the Group's main strategic aims since its creation. In 1975, Pernod Ricard generated 17% of its sales outside France, compared to 90% today. In order to maintain this international growth momentum, the Group has been expanding its footprint in emerging markets, which currently deliver the strongest growth. As a result, the Group is now a leading player in Asia, as well as in Central and Eastern Europe and Central and South America.

Pernod Ricard is today well-established in most emerging markets such as India, China, Russia, Central Europe, Thailand, Mexico, Venezuela and Brazil. These markets offer high growth opportunities and considerable potential for development over the medium to long term.

To consolidate its presence in these countries, Pernod Ricard often relies on leading local brands such as Royal Stag in India or Montilla in Brazil. The distribution of these brands enables the subsidiaries to develop their networks and hone the expertise of their sales teams on the ground. It also provides a platform from which the Group can launch its strategic brands.

Pursuing external growth opportunities

With a reduced level of debt, the Group can now pursue external growth opportunities.

Following the acquisition of Seagram in 2001 and Allied Domecq in 2005, Pernod Ricard firmly intends to continue playing a leading role in the consolidation of the Wines & Spirits sector. This aim is now possible thanks to the successful integration of these two companies, which delivered synergies in excess of forecasts that helped to swiftly reduce indebtedness. Today, Pernod Ricard is once again poised to study with great attention any investment opportunities that may arise in the market.

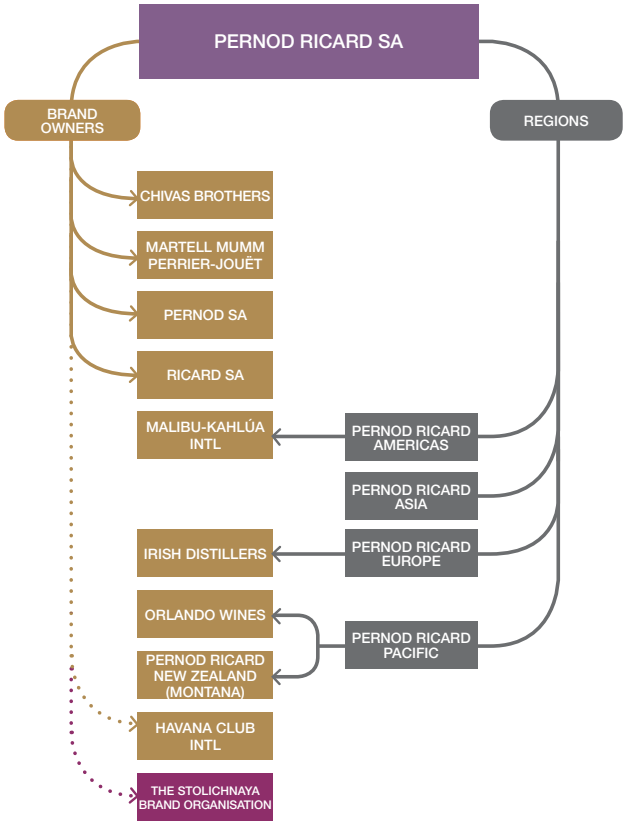
A decentralised business model

Pernod Ricard's business model is based on a decentralised structure built on two pillars:

- **Brand Owners subsidiaries, the "Brand Champions" responsible for:**
  - implementing the overall strategy for each strategic brand;
  - production, quality assurance and protection of industrial property.
- **Distribution subsidiaries, the "Country Champions", responsible for:**
  - adapting international brand strategy to their local markets;
  - marketing and promoting brands, being local or international.

Thanks to its Distribution subsidiaries, the Group covers 70 countries, divided into four major regions.

The Holding company is responsible for piloting the Group's strategy and overseeing its business activities. It coordinates and propounds advancements in the following areas: Human Resources, Finance, Development, Marketing, Legal Affairs, Industrial Operations, Public Affairs, Information Systems and Communication. It is also in charge of external growth transactions, shareholder relations and corporate governance matters.



Bruno Rain

Deputy Managing Director in charge of Human Resources

"A decentralised organisation built around a sense of responsibility."

Pernod Ricard derives much of its strength from its decentralised business model. The Holding company defines the Group's key strategies and its rules of operation, while local Managers are responsible for adapting these to their own needs, and to the local culture and market. The subsidiaries' operational autonomy has helped them to develop a sense of responsibility and teamwork, in a Group where common values are a powerful means of forging solidarity. The room for initiative given to each Manager encourages commitment and resourcefulness. All staff members are therefore responsible for their own performance, and should be rewarded accordingly.

While the Holding company concentrates on piloting strategy and overseeing the Group's business activities, the subsidiaries take operational decisions within their own geographical areas. Decentralisation allows us to take decisions as near as possible to our customers and consumers. Based on consultation, transparency, and trust, this approach creates a strong, federating culture for all employees within the Group. By encouraging an entrepreneurial spirit and the emergence of new talents, decentralisation is seen by everyone as a key source of motivation.

15 STRATEGIC BRANDS

Since the Group was founded, Pernod Ricard's portfolio has expanded steadily through innovation and external growth. The successive acquisitions of Seagram and Allied Domecq have added new, prestigious products to our range.
Among the leading brands with strong growth potential, 15 key brands benefit from particularly intensive marketing efforts. These brands are at the heart of the Group's Premiumisation and international development strategies. The most recently acquired were, for the most part, repositioned during the last financial year.

Translation of the calligraphy: At the heart of Pernod Ricard

RICARD

BALLANTINE'S

CHIVAS REGAL

MALIBU

STOLICHNAYA

HAVANA CLUB

BEEFEATER

KAHLÚA

JAMESON

THE GLENLIVET

MARTELL

MUMM

PERRIER-JOUËT

JACOB'S CREEK

MONTANA

Chivas Brothers

The world's 2nd producer of Scotch whisky and world leader in Premium gin, Chivas Brothers has become a major player in the Spirits sector. The year 2006/2007 was once again witness to the success of sales and marketing initiatives intended to revivify the brands inherited from Allied Domecq: the prestigious Ballantine's whisky and Beefeater Gin. It was also a year in which Premium quality positioning was confirmed. Chivas Brothers now dominates the market for Ultra and Super Premium Scotch, with 50% of worldwide sales. The subsidiary aims to continue developing its brands' potential and become the world leader for Scotch whisky and Premium gin with four leading names in its hand: Chivas Regal, Ballantine's, The Glenlivet, and Beefeater.

CHIVAS REGAL

An icon

A symbol of the success of the brands acquired by Pernod Ricard in 2001 from Seagram, Chivas Regal achieved buoyant sales of 4.1 million cases this year (1.3 million more than in 2002). The reasons for this success: a powerful distribution network and sustained promotional and advertising spending. In the Premium and the Super Premium whisky market, the Chivas Regal 12-year-old and Chivas Regal 18-year-old blends continue to grow, with respectively +3% and +26% in 2006/2007.

Chivas Regal 18-year-old, a leading brand in the Super Premium segment, has been highly successful since its re-launch in 2004. The brand has consistently achieved double digit growth (+27% CAGR). Chivas Regal 18-year-old creates an opportunity for consumers of Chivas 12-year-old to move up the range, but is also appealing to Premium spirit drinkers in their thirties and fourties, as a way to re-discover Chivas Regal.

To support the growth of the brand, Chivas Brothers continued its "The Chivas Life" media campaign, launched in 2003, and extended it in particular to the Duty Free sector. This campaign can now be viewed in 150 countries around the world.

Management Committee Chivas Brothers

At the front (from left to right):

Vanessa Wright (Communications Director), **Christian Porta** (Chairman and CEO), **Graeme Woodcock** (Vice-President, Brand Security) and **Gordon Buist** (Technical Director).

At the back (from left to right):

Tony Schofield (Finance Director), **Martin Riley** (International Marketing Director), **Douglas Cruickshank** (Operations & Spirit Supply Director), **Rick Connor** (Director of Public Affairs), **Scott Livingstone** (Director of Human Resources), **Paul Scanlon** (Commercial Director) and **Aziz Jetha** (Business Development Director).

Brand life

From top to bottom:

Chivas, partner on the white-blanketed green

For the past three years, Chivas has sponsored the Chivas Snow Golf Championship, which takes place in January in Saint-Moritz, Switzerland. More than 150 personalities from twenty countries participated in the 2007 event. An original experience in which golfers are invited to prove their mettle in the snow.

The Chivas Life

Displayed in airports, the "The Chivas Life" campaign reaches some 68 million passengers each year.

A luxury player

In June 2007, Chivas Brothers was accepted into the Walpole, an association of the most prestigious British luxury brands. This membership is a concrete recognition of the company's expertise in creating and promoting luxury brands. The Chivas Brothers brands now stand alongside such prestigious names as Burberry, Dunhill, Christie's, Harrods and Rolls-Royce.

CHIVAS REGAL 18 YEARS OLD

produced in SCOTLAND **enjoyed in MOSCOW**

"Chivas Regal 18 Years Old is a rich and rewarding super Premium blended Scotch whisky. It combines exceptional richness with multi-layered aromas of buttery toffee and dark chocolate, and an extremely long, warm, velvety finish." **Colin Scott, Master Blender**

BALLANTINE'S

Building on its renown

Ballantine's, the undisputed No. 1 Super Premium Scotch in Korea and throughout Asia, is title sponsoring of the "Ballantine's Championship's" golf competition for a minimum of three years The internationally acclaimed Ballantine's range sold 5.9 million cases this year, making it the world's second biggest Scotch whisky in volume and value terms. Ballantine's Scotch whisky enjoys a special status across Asia and is Korea's favourite super-Premium imported Scotch. Ballantine's has won over 60 trophies and medals at international competitions in the past 10 years for quality as a result of its richness of character and balance. Its range, from Ballantine's Finest to the iconic 30 Year Old, is the most extensive in the world of Scotch and is maintained by the latest in a tradition of master blenders that dates back to 1827. Ballantine's has recently unveiled an impactful new advertising campaign based on the first global positioning to encompass the whole Ballantine's family what had not been done for many years.

Brand life

Campains displayed out of France

From left to right:

Leave an impression

The global international campaign - entitled 'Leave an Impression' - is the first created for Ballantine's by Pernod Ricard and is expected to make a big impact among the key target audience. Rolled out on an international scale, it is designed to enhance Ballantine's reputation for quality, status and style. The campaign can be used for the whole range derived from one global positioning for the family that can be adapted and applied to all expressions within the Ballantine's portfolio.

A traditionally modern brand

Chivas Brothers launched a new international advertising campaign for Beefeater in February 2007, entitled "Forever London". A collage of London images and symbols, the campaign exalts the brand's contemporary qualities, against a historic London background.

The Glenlivet 25 Year-Old

New packaging launched in April 2007.

THE GLENLIVET

An international success

The Glenlivet's dynamic performance continued this year, with 15% worldwide growth in sales (against +10% in 2005/2006). The brand exhibited strong growth in its key markets, all of which saw increases in the double digits: +13% in North America, +34% in the United Kingdom, +16% in France, and +18% in the European Duty Free sector. In the United States, The Glenlivet is still the top-selling single malt Scotch.

The year 2007 was one of major launches for this single malt Scotch. In January, Chivas Brothers unveiled The Glenlivet 25-year-old, the most aged permanent product in the range, destined to become a leader on the Ultra Premium whisky segment.

Another major event: the launch of The Glenlivet Nàdurra. Cask strength and non-chill filtered, it is considered to be the "purest expression" of the brand. This new product is now marketed in numerous countries around the world, and received a particularly positive reception in the United States.

BEEFEATER

A record-making brand

Beefeater, a brand with unequalled heritage, is the only Premium gin brand of global scope which is still distilled in London. With sales reaching 2.4 million cases, it is the top brand of Premium gin in the world. Distributed in over 100 countries, once again Beefeater delivered an exceptional performance this year in Spain (2nd largest market in the world for Premium gin), where the brand grew by 14% and maintained its number one imported white spirit position. Beefeater is also the 3rd largest Premium gin in the United States (the leading Premium gin market). The brand also exhibited particularly strong growth in several other countries, including Russia (+37%), the United Kingdom (+10%), and France (+70%).

To anchor Beefeater's global growth, Chivas Brothers rolled out a new positioning across all the brand's markets. The centrepiece: a new advertising campaign, entitled "Forever London" was launched and a new pack designed to enhance the product's Premium credentials was introduced. Moreover, Chivas Brothers undertook a programme of renovation at the brand's Kennington distillery in London and created a centre for the Pernod Ricard business, trade visitors and press. Taken together, these initiatives will continue to maintain Beefeater's position as the world's leading Premium gin.

Irish Distillers

Irish Distillers, which joined the Group in 1988, confirmed its growth potential once again this year. Jameson, its key international whiskey, ranks 42nd among the world's top spirits brands [1] and increased sales in all regions, with 24 markets in double digit growth.

JAMESON

International success

Jameson experienced another successful year, with sales reaching 2.3 million cases (+11% vs 2005/2006). Many markets contributed to this growth, led by Russia (+80%), South Africa (+42%) and the United States (+25%), where nearly a quarter of the Group's Irish whiskey is sold. The world's largest selling Irish whiskey, Jameson, also confirmed its strong growth potential in terms of value, growing by +18%.

Jameson achieved Hot Brand Status in the US market for the 6th year in a row and was awarded the International Spirits Challenge Gold Medal in 2006. Jameson 18-year-old was awarded a Double Gold Medal, the most prestigious award, at the 2007 San Francisco World Spirits Competition.

[1] Impact ranking

The new Jameson visitor centre in Dublin

Irish Distillers made significant investments this year in the renovation and modernisation of The Old Jameson Distillery, one of Dublin's most successful visitor attractions. Officially reopened on 30 April 2007 by the Irish Prime Minister, Bertie Ahern TD, the refurbished facility offers its numerous visitors an expanded range of services as well as an enhanced communication of the brand's success story. The centre has received over two million visitors in the past ten years.

The main sponsorship focus for Jameson is in the area of cinema, a policy which targets a youthful, urban, clientele who are spontaneous and free-spirited and have a passion for Premium brands. At the centre of this programme is the Dublin International Film Festival, which Jameson has partnered for the past five years. The brand also has a three-year commitment to the Tribeca Film Festival in New York. In addition to these large-scale events, other cinema sponsorships around the world have received support from Jameson Irish Whiskey: in South Africa (Cinema Nouveau), Spain (Notodofilmfest.com), Greece (Festival Thessaloniki), Thailand (Bangkok International Film Festival) and Canada (Toronto Film Festival).

Management Committee
Irish Distillers

Front row (from left to right):

Denis O'Flynn (Human Resources Director) and **Conor McQuaid** (International Commercial Director).

Back row (from left to right):

Paul-Robert Bouhier (Marketing Director), **David de Mardt** (Managing Director Pernod Ricard South Africa, a subsidiary of Irish Distillers), **Paul Duffy** (Chairman and Chief Executive Officer), **Maurice Smyth** (Production Director), **Mohit Lal** (Chief Financial Officer) and **Peter Gallogly** (Commercial Director Ireland).

Brand life

From left to right:

More Premium packaging

In June 2007, Irish Distillers unveiled new packaging for the Jameson brand. With a stronger logo, a more visible seal, greater clarity on the labelling, and a taller bottle shape the effect is one of increased grandeur and prestige. This presentation aims to enhance the brand's Premium status and support its growth ambitions.

New visitor centre for the Old Jameson Distillery

2006/2007 advertising campaign (out of France)

Ricard SA

Ricard celebrated its 75th anniversary with a return to growth. The brand has brought new vitality to the anise-based spirits market, as well as reinforcing its own leadership strategy and launching a series of new products.

RICARD

Growth on the agenda

Ricard sales around the world rose by 2% during the 2006/2007 financial year. In France, with growth of 3.6%, the brand's market share within its category now equals 40% of volume and 50% of the value of sales [1].

The brand thus strengthens its leadership on the spirits market, with a total market share of 11.4% [2] by value. On the national anise-based spirits market, Ricard's share rose by +4,1% in volume (for a total of 37% of market share) and +5.4% in value (44% of market share) [2] on the supermarket circuit. Internationally, the brand is growing on West European markets, including Germany (+3.5%), the Netherlands (+12%), and the United Kingdom (+13%), as well as in Eastern Europe, in Bulgaria, Croatia, Hungary, Poland and Romania. Ricard is the top-ranking brand in Belgium, with a market share of 36% [2]. The Spanish market, however, is struggling to find its footing.

Capitalising on authenticity and proximity

The brand's militant advertising slogan, "Un Ricard, un Vrai!" showed renewed success this year, with recognition scores above the standard for the sector. The year 2006/2007 witnessed the rise of Place Ricard, the first consumer magazine for a spirits brand in France, which now counts 110,000 subscribers. Ricard SA also repeated the success of its Ricard Live Music tour, a series of concerts organised in nine cities across France.

75 years: commemorating on every front

For the Ricard brand's 75th anniversary, the subsidiary launched a series of initiatives: creation of a new "Plein Air" line of specialty objects; release of a range of collector' bottles which transcend the classic design; and a new press campaign entitled "Paul Ricard, Creator" rendering homage to the creator of "the real Marseille pastis".

[1] Source: Ricard SA
[2] Source: Nielsen panel cumulative annual data July 2006 – June 2007

Management Committee Ricard SA

From left to right:
Michael Merolli (Marketing Director), **Frédéric Ferrer** (Communications Director), **Bruno Pierrain** (Director of Finance and Administration), **Philippe Savinel** (Chairman and CEO), **Pascal de Marchi** (Director of Operations), **Cédric Ramat** (Director of Human Resources) and **Guillaume Girard-Reydet** (National Sales Director).

Brand life

From left to right:

An unprecedented collection

Ricard is launching four limited edition bottles for the 75th anniversary of its flagship brand. The "75 years of sunshine" and the "Marseille sun" by Gérard Traquandi collectors' bottles will be introduced in French supermarkets at the end of 2007. A third bottle, created a vintage style, is marketed in Belgium since October 2007. Finally, the golden "Bouteille OR", which takes the French word for gold, "or", and plays on the link between the "O" in H_2O and the "R" in Ricard, will only be available on the Duty Free circuit and will make its appearance in early 2008.

The Ricard jug by Robert Stadler

The Ricard Creator campaign

RICARD

produced in FRANCE **enjoyed in BRUSSELS**

Ricard owes its distinctive taste to the finesse of star anise, the freshness of Mediterranean liquorice and to the subtle flavours of Provence. "I'm confident of the quality and proud of the unique taste of my pastis. Ricard bears my name as a binding quality commitment." **Paul Ricard, Creator of the pastis from Marseilles**

Malibu-Kahlúa International

Innovation drove growth for the Malibu and Kahlúa brands in 2006/2007. Malibu Kahlúa International leveraged the opportunities offered by the rising cocktail culture and the popularity of coffee. New flavours, updated packaging and groundbreaking promotions contributed to strong growth for both Malibu (11%) and Kahlúa (7%). In addition, Malibu-Kahlúa's International's brands were honoured with several awards at major international spirits competitions in 2007.

MALIBU

A year of innovations

From look to flavour to promotions, Malibu's growth in 2006/2007 can be attributed to one word: Innovation. The brand posted strong performances in a number of key markets, including Spain (+14%), the U.S. (+10%) and Canada (+9%). The series of major strategic changes for Malibu began with the debut of new packaging for the entire Malibu family. The Premium update highlights the brand's Caribbean authenticity and unifies the line by extending the iconic white bottle to Malibu flavors. Then, Malibu continued to break new ground by introducing Malibu Tropical Banana in the U.S. and Canada.

To support sales of the No. 1 selling coconut rum, Malibu used music to connect with consumers around the world, treating Australians to beachside concerts dubbed Malibu Sunset Socials and hosting a DJ competition called Soundclash in the United Kingdom.

This year the San Francisco World Spirits Competition awarded Malibu Coconut with silver and Malibu Mango with bronze, while Malibu Passion Fruit won bronze at the International Wine & Spirits Competition.

KAHLÚA

An extended range

The world's number one coffee liqueur grew in both the United States (+4%) and Canada (6%), the brand's key markets. Malibu Kahlúa International introduced two exotic new flavours in the U.S. — Kahlúa Hazelnut and Kahlúa French Vanilla. The flavours are a natural extension for the brand, reinvigorating the trade. Further capitalising on coffee trends, Kahlúa Chocolate Latte was launched simultaneously in the Drinks-To-Go and Ready-To-Drink formats in the U.S.

A series of new television advertisements reinforcing the successful "Everyday Exotic" campaign with new ways to add a touch of exotic to ordinary occasions was launched in the U.S. and Canada in February 2006.

Kahlúa Especial and Kahlúa won silver at the 2007 San Francisco World Spirits Competition and International Wine & Spirits Competition, respectively.

Management Committee
Malibu-Kahlúa International

From left to right:

Sandrine Ricard (Vice President, Communications), **Kieran Stevens** (Vice President, Commercial), **Cyril Claquin** (Sr. Vice President, Marketing), **Patrick O'Driscoll** (Chairman and CEO), **Janice Jarrett** (Vice President, Human Resources), **Julius Criscione** (Vice President, Operations & Business Support) and **Thierry Pourchet** (Chief Financial Officer).

Brand life

From left to right:

The new Malibu range

Advertising campaign for Tia Maria

Silver medalist at the San Francisco World Spirits Competition, Tia Maria launched the "Deliciously Mysterious" campaign highlighting the brand's intriguing character in the UK.

MALIBU

essence of the CARRIBEAN **enjoyed in PARIS**

"With its truly original and distinctive taste, Malibu is intrinsically linked with the Caribbean and the warm, vibrant way of life that has become the hallmark of this island region known as Barbados. Malibu has a rounded coconut aroma, lightly toasted, and a creamy coconut taste with vanilla custard notes. Its body is full and luscious with a soft warming rum flavor and a lasting silky finish." **David Doyle, Director of Quality**

Havana Club International

An icon of Cuban culture, the Havana Club brand is registering significant growth. Currently the 34th international Premium spirits brand, Havana Club has strong ambitions. Two strategic pillars support this development: a new rum distillery and an active communications policy.

HAVANA CLUB

Another year of double-digit growth

At the end of June 2007, worldwide sales of Havana Club had grown 15% to 2.8 million cases – double-digit growth, like every year since the 1993 creation of the Franco-Cuban joint venture Havana Club International. This growth is apparent in Cuba, the largest market by volume, but also on the export market, with particularly spectacular performances in Germany (+19%), Greece (+44%), Chile (+73%) and Mexico (+46%), as well as in Belgium, the Czech Republic, the United Kingdom and Canada and in the Duty Free sector, with growth rates of above 20%. At the end of 2006, Havana Club was ranked the 34th international Premium spirits brand.* Today, Havana Club is recognised by the international trade press as one of the most dynamic and promising brands on the market.

A new rum distillery

Located in San José, some thirty kilometres from the centre of Havana, the new Havana Club distillery was inaugurated in January 2007. The site is devoted to production of dark, aged rums, the fastest growing segment worldwide and one on which Havana Club Añejo 7 Años, the brand's flagship product, is the leader. With its six aging cellars, the distillery has one of the largest rum aging capacities in the world.

Combining traditional Cuban rum making with a modern approach, it applies traditional "añejamiento natural" production methods based on successive blending and aging operations supervised by Cuban rum masters. This distillery should make it possible to achieve target sales of 5 million cases in 2013.

Spotlight on Cuban culture

The communications campaign launched in 2006 around the theme "El Culto a la Vida" (cult for life) has had excellent results for the brand's image and reputation. With initial distribution through posters, press and television ads, it was then successfully extended to the entire range of media (promotional offers, public relations and internet) and to numerous countries.
Havana Club has also created two assertively modern websites: www.havana-club.com, showcase for the brand, presents its know-how, its rich product range, and its cocktail tradition; www.havana-cultura.com is an online magazine reporting on the effervescent contemporary art scene in Cuba, a concrete expression of the brand's desire to promote Cuban culture.

* Source : Impact Databank

Management Committee
Havana Club International

At the front (from left to right):
Aurora Callejo (Finance Director), **Karine Lienhard** (Marketing Director) and **Juan Gonzalez** (Vice-Chairman of Cuba Ron).

At the back (from left to right):
Sergio Valdes (Export Director), **Marc Beuve-Méry** (Chief Executive Officer), **Luis Perdomo** (Chairman), **André Leymat** (Industrial Director), **Santiago Rueda** (Director of Logistics and Procurement) and **Manuel Arias** (Sales Director - Cuba).

Brand life

From left to right:

Havana Club rum distillery
The new Havana Club rum distillery was inaugurated in January 2007 in San José, some 30 kilometres from the centre of Havana.

www.havana-club.com website
Home page

HAVANA CLUB MÁXIMO EXTRA AÑEJO

produced in CUBA **enjoyed in BERLIN**

"Havana Club Máximo Extra Añejo is the supreme expression of Cuban rum. It is handcrafted from the finest and oldest rum reserves that silently rest in our cellars. Máximo Extra Añejo is a unique creation of the generosity of all Cuba's master rum blenders, both past and present. It is a synthesis of art, science, magic and talent in blending and ageing that sets Havana Club apart from other rums. There is no rum that better expresses the Cuban rum culture and its rich tradition." **Don José Navarro, Premier Master Blender**

The Stolichnaya Brand Organisation

For its second year with Pernod Ricard, Stolichnaya Russian Vodka continued to exhibit exceptional growth. Its brand company, The Stolichnaya Brand Organisation, was able to profit from the healthy vodka segment and position Stolichnaya as a category leader. With a sales volume of 3.1 million cases, the brand is benefiting from the Premiumisation of its range and increased promotional invests.

STOLICHNAYA

Stolichnaya Russian Vodka, distributed by Pernod Ricard since 2005, confirmed its leadership potential this year. Sales rose above 3 million cases in 2006/2007 (2.6 million last year). The top market by volume is the United States, where Stolichnaya enjoys Super Premium status, with 2.3 million cases sold. The brand company now aims to extend this positioning to other markets. Ultra Premium offering Stolichnaya Elit, the world's most expensive vodka, which was launched in 2004 is helping to firmly establish this positioning for the brand as a whole.

Outside the United States, Europe was the key development region, with growth of +70% due mainly to the United Kingdom, Austria and Greece that together represented 89% of this growth. At the same time, the Stolichnaya Brand Organisation is actively pursuing the development of the brand in Asia and South America. Mexico in particular has shown real development potential (+84%).

The power of authenticity

Stolichnaya received numerous awards for its quality and growth potential over the past year. The brand was included on the Impact 2007 listing of the fifteen brands with the greatest growth potential, published in February 2007. The Ultra Premium Stolichnaya Elit received a score of 97 out of 100 from the Beverage Testing Institute [1] and was awarded its Platinum Medal. This is the best ranking ever achieved by a vodka. Finally, according to the "Power 100" [2] report, Stolichnaya ranks fifth among the most powerful international spirits brands in the world. To increase brand awareness and extend it to new markets, The Stolichnaya Brand Organisation has launched a new advertising campaign, titled "Choose Authenticity" and based on the Russian vodka's heritage and authentic character.

[1] The Beverage Testing Institute is an internationally recognised private agency specialised in blind taste tests and informed commentary in the beverages sector.

[2] "Power 100" is an annual report published by Intangible Business (a specialised consultancy for brand evaluation) which aims to evaluate the strength of the 100 most powerful Wine and Spirits brands in the world.

Management Committee The Stolichnaya Brand Organisation

From left to right:
Howard Southern (Director of Finance and Business development), **Tom Ray** (Commercial Director), **Julia Massies** (Financial Director) and **Ian Jamieson** (Chairman and CEO).

Brand life

From left to right:

Choose Authenticity
Poster from the "Choose Authenticity" ad campaign (used outside France), an expression of the Russian "constructivist" style of art and propaganda utilising bright primary colours and geometric shapes. Also present on the Internet, this campaign demonstrates Stolichnaya's "boldly authentic" and forceful positioning.

An Ultra Premium bottle
Stolichnaya Elit, launched in 2004.

3.1 million
9-litre cases in 2006/2007

Martell Mumm Perrier-Jouët

Martell Mumm Perrier-Jouët continues the trajectory begun when it was created in 2005. With a portfolio of prestigious brands, this subsidiary reaffirms its value-based approach, and has adopted Premiumisation as a major strategy for development. Each of the champagne brands offers exceptional vintages, while Martell is attracting new consumers with its superior qualities.

MARTELL

Results registered in 2006/2007 confirm Martell's excellent performance. The growth of this prestigious cognac is nourished by worldwide consumption trends, particularly in Asian countries, where the more aged qualities are particularly sought after. Martell thus exhibits strong vitality in China, where three of the cognac's superior qualities account for 96% of the brand's growth in terms of value: +67% for Martell XO; +43% for Martell Cordon Bleu and +125% for Martell Noblige. The brand also shows strong growth in emerging markets. In Mexico, Martell has grown by 35%, and in Malaysia by 20%. Finally, the Duty Free sector remains very strong: 23% growth in Europe and 5% in Asia. Today, the subsidiary plans to continue pursuing Premiumisation of its range by promoting the qualities creating the most value, which account for half of the brand's growth by volume.

One step further into the luxury universe

After introducing the new Martell XO in 2005, Martell continued to strengthen its brands. At the end of 2006, the subsidiary unveiled Martell Création Grand Extra for its Duty Free clients in Singapore, with an exceptional display designed to increase the product's visibility at the various points of sale. The launch in China followed, supported by a high-impact publicity campaign. This Ultra Premium quality illustrates the brand's creativity and refinement, and conveys a contemporary and prestigious character. A true homage to the creative spirit of Jean Martell, the bottle, whose architecturally inspired design incorporates a triple arch expressing its kinship with Martell XO, aims to reinforce Martell's territory and recognition among a Premium clientele. 2006/2007 was also the launch year for the Martell Elite Club in Europe. Already active in China since 2002, this Club offers its members a personalised, long-term relationship. Its expansion will make it possible to extend the customer base for superior qualities in Europe.

Management Committee
Martell Mumm Perrier-Jouët

At the front (from left to right):
Thibaut de Poutier de Sone (Commercial Director) and **Christophe Danneaux** (Director of Finance and Administration).

At the back (from left to right):
Éric Benoist (International Marketing Director), **Michel Letter** (Assistant Managing Director of Mumm Perrier-Jouët), **Frédéric Ardouin** (Director and Cellar Master at Martell), **Lionel Breton** (Chairman and CEO), **Jean-François Roucou** (Industrial Director at Martell) and **Éric Douvier** (Director of Human Resources).

Brand life

From left to right:

Martell Création Grand Extra

The new architecturally-inspired Martell Création Grand Extra combines sophistication with strength. Its bottle in the form of a triple arch, the symbol of triumph, is the work of French designer, Serge Mansau.

Launch in China

Launch of Martell Création Grand Extra by Pernod Ricard China in Singapore in December, 2006.

MUMM

Mumm gained ground again this year with growth of 3%. The "red ribbon" brand performed well in France (+4%), where it retains leadership among Premium products. Growth was also strong in the United Kingdom (+4%), Italy (+4%) and Spain (+60%). This performance results from a quality policy – purchasing the best grapes, longer aging on the lees – as well as from the numerous marketing initiatives and events in support of a strategy aimed at developing the brand's "value".

In May, the Maison launched the Mumm Cuvée R. Lalou, as well as the biggest investment plan (vat room, processes, etc.) ever rolled out since the cellars were built in 1852. This champagne brand is associated with numerous events, always in celebration of successes and victories. The Mumm Cordon Rouge jeroboam stands tall on Formula One Grand Prix race podiums. In the area of sailing and adventure, Mumm continues to honour successes in challenges with ambassadors including Ellen MacArthur, Mike Horn, Stéphane Victor or the winners of the major ocean races.

PERRIER-JOUËT

The growth of Perrier-Jouët continues this year (+14%). The brand consolidated its position in France (+47%), Switzerland (+6%) and the United States (+6%). In the context of its Premiumisation strategy, Perrier-Jouët has increased visibility of its prestige vintage, the Cuvée Belle Époque in major luxury establishments around the world. The company is also adopting a new visual identity for the labels of its Grand Brut range. Its new communication campaign highlights the charm, elegance and aesthetics which characterise the brand's spirit.

As a consecration of this policy, the Maison Perrier-Jouët was admitted in spring 2007 to the Comité Colbert, an association of the major luxury brands of France. After Martell in 2006, this new admission constitutes an acknowledgement of the values which the company shares with the Comité Colbert: prestige, excellence, tradition and *savoir-faire*.

Brand life

Back to the roots with Cuvée R. Lalou

The Cuvée R. Lalou, launched in May 2007, is a unique vintage. It comes from a selection of the twelve oldest plots of vine-growing land belonging to G.H. Mumm, which are all situated at the heart of the mythical great vineyards of Champagne, and are particularly well exposed with the best soils in the region. Aged for nearly eight years in the cellars from an already legendary vintage, that of 1998, this rare vintage champagne has been developed for lovers of great wines.

Perrier-Jouët

Initial launch on the US market, on the first day of spring, 21st March, of the new 1999 vintage of the Cuvée de Prestige Belle Époque in New York.

MARTELL CRÉATION GRAND EXTRA

producted in COGNAC **enjoyed in SHANGHAI**

"Creative blend, true essence of the Martell spirit, Martell Création Grand Extra is a cognac both sophisticated and straightforward, true reflection of the asserted personality of its precious eaux-de-vie carefully selected from Martell cellars. Marrying the fresh, fruity notes of eaux-de-vie from the Borderies with the nutty spicy notes of lengthily matured eaux-de-vie from the Grande Champagne ." **Frédéric Ardouin, Cellar Master**

Orlando Wines & Pernod Ricard New Zealand

Managing the best known international wine brand and the world's leading Sauvignon Blanc is both demanding and rewarding. With record sales for Jacob's Creek and Montana, Orlando Wines and Pernod Ricard New Zealand can celebrate another great vintage.

JACOB'S CREEK

Sustainable success

With sales approaching 8 million cases, Jacob's Creek continues to experience strong volume growth in most key markets, driven by New Zealand (+33%), the US (23%), Asia (+18%), Australia (+7%) and Scandinavia (+7%). Following the implementation of a new promotional strategy, encouraging recent sale trends have confirmed a positive outlook in the United Kingdom. The focus on Premiumisation is building momentum, driven by outstanding growth in both the Reserve (+46%) and sparkling (+16%) ranges, while the Heritage Collection continues to reinforce the strong winemaking credentials of Jacob's Creek.

Innovation through extensive consumer and market research has led to the launch of the new Three Vines range and the introduction of the Pinot Grigio, Pinot Noir and Merlot varietals to the Reserve range, all meeting evolving consumer preferences. The success of the "Welcome to our Place" communication campaign has also enhanced consumer connection with Jacob's Creek.

MONTANA

New Zealand's leading wine brand

Sales of Montana wines have reached 1.4 million cases in 2006/2007, supported by strong volume growth in all four key markets: New Zealand (+18%), Australia (+22%), USA (+34%) and the United Kingdom (+14%). This outstanding growth has been driven by the two grape varieties that New Zealand is famous for worldwide, Sauvignon Blanc and Pinot Noir. Montana's commitment to Premiumisation and innovation is once again proving successful, with strong sales growth of Montana Reserve and the successful launches of the first ever méthode traditionnelle wine under the Montana label, Montana Brut Cuvée and an exciting new varietal, Montana Pinot Grigio.

Montana builds consumer engagement through a strong involvement in cultural sponsorships, including the Montana Book Awards and Montana World of WearableArt™ Awards Show which leverage the brand image and contemporary positioning.

Management Committee
Pernod Ricard Pacific

At the front (from left to right):

Mark O'Connell (Managing Director of Pernod Ricard Australia), **Pierre-Yves Calloc'h** (Chief Information Officer of Pernod Ricard Pacific), **Laurent Lacassagne** (Chairman and CEO of Pernod Ricard Pacific), **Nick Blair** (International Sales Director of Pernod Ricard Pacific) and **Nicolas Krantz** (Finance Director of Pernod Ricard Pacific).

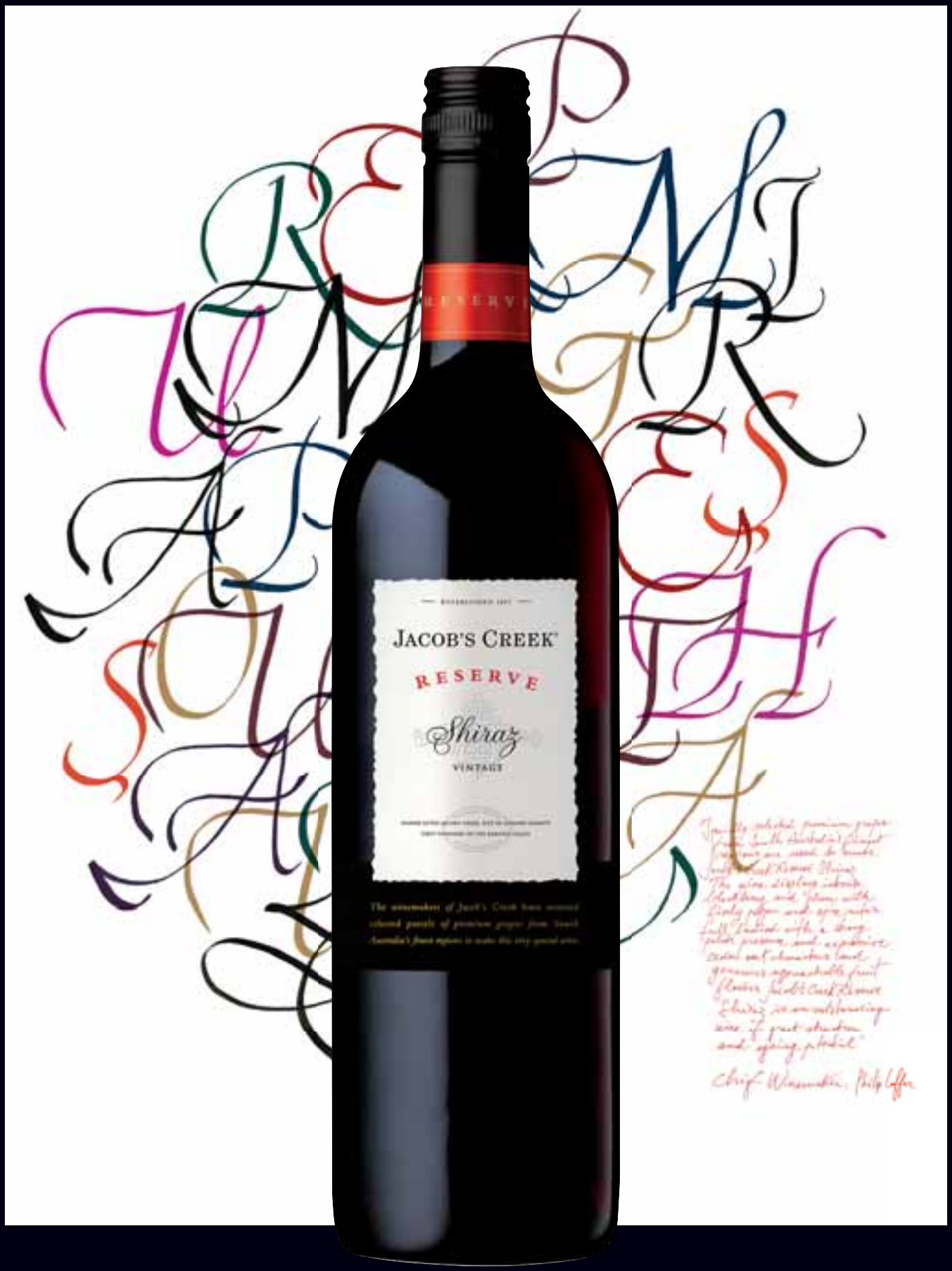
At the back (from left to right):

Stephen Couche (Managing Director of Orlando Wines), **Tim Paech** (Business Development and Travail Retail Director of Pernod Ricard Pacific), **Philip Laffer** (Chief Oenologist of Pernod Ricard Pacific), **Don Lester** (Innovation and Quality Management Director, Pernod Ricard Pacific), **Reuben Summerell** (Supply Chain Director), **Andrew Davie** (Director of Human Resources) and **Fabian Partigliani** (Managing Director of Pernod Ricard New Zealand).

Brand life

Jacob's Creek Three Vines

Great Australian winemaking combined with a touch of European flair is the philosophy behind the new Three Vines range from Jacob's Creek. The range is positioned between existing Traditional and Reserve wines and consists of a Semillon Sauvignon Blanc Viognier, Shiraz Grenache Sangiovese Rosé and Shiraz Cabernet Tempranillo. Three Vines maintains the quality, elegance and approachability Jacob's Creek is renowned for, while providing a more contemporary face to Australia's favourite wine brand.



JACOB'S CREEK RESERVE SHIRAZ

produced in AUSTRALIA **enjoyed in NEW YORK**

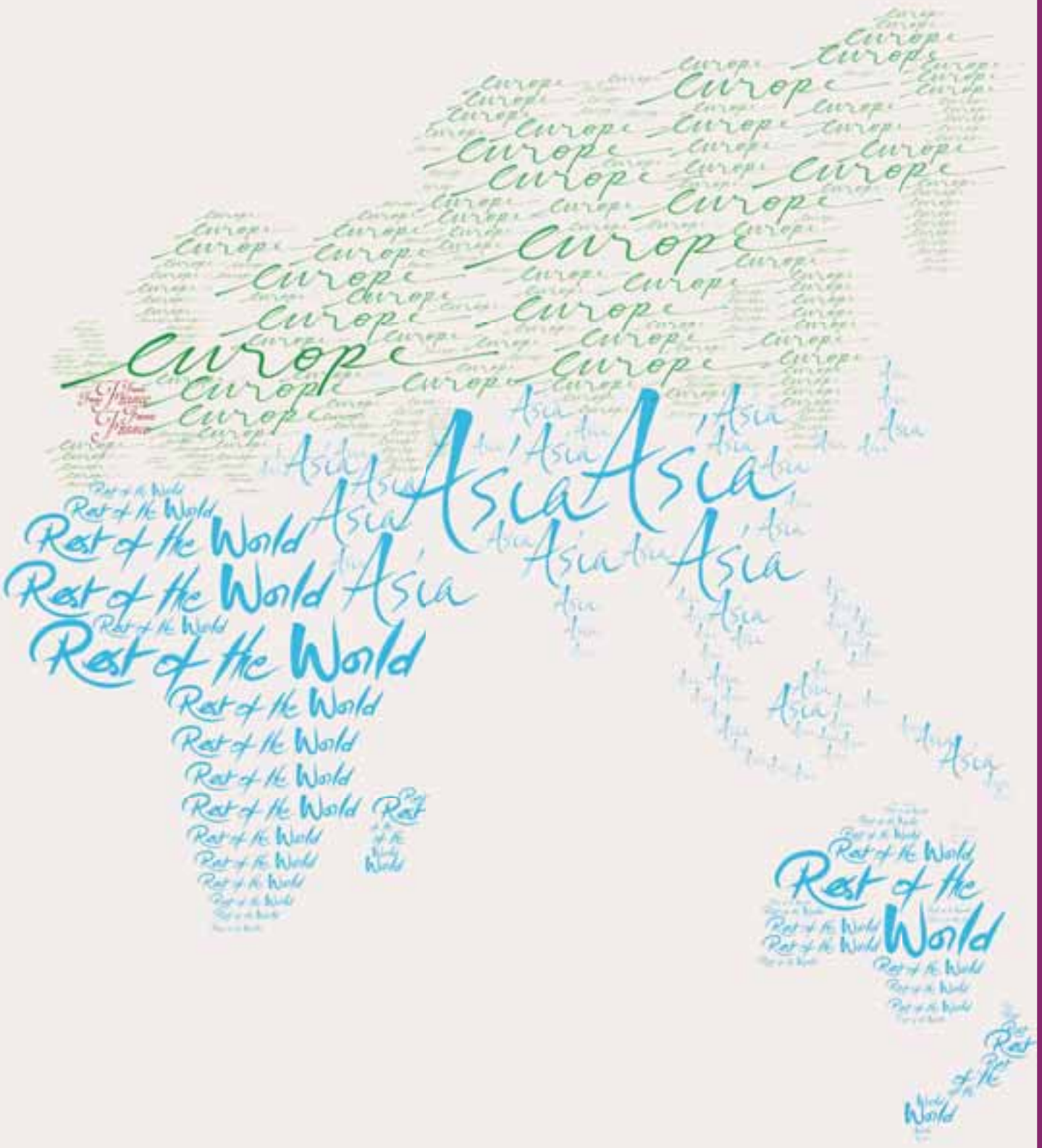
"Specially selected Premium grapes from South Australia's finest regions are used to create Jacob's Creek Reserve Shiraz. The wine displays intense blackberry and plum with lively pepper and spice notes. Full bodied with a strong palate presence, expressive cedar oak characters and generous approachable fruit flavours, Jacob's Creek Reserve Shiraz is an outstanding wine of great structure and ageing potential."
Philip Laffer, Chief Winemaker

4

MAJOR REGIONS

The boundaries of the Group's major regions of operation and development reflect both its historical roots and its strategy of growth through acquisitions.

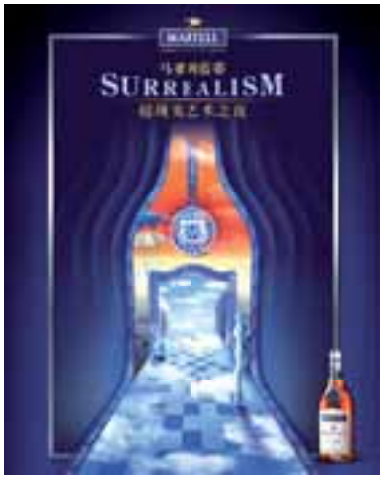
In the beginning there was France, whose two major brands of anise-based products, Ricard and Pernod, gave their names to the Group. Expansion then took place into Europe, the second strategic region, which today generates the largest share of sales and revenues. From these solid foundations, Pernod Ricard took on the conquest of the Americas, Asia and the rest of the world, regions which contributed the strongest growth over the past financial year.


Europe
Asia
Rest of the World

Asia and Rest of the World

Pernod Ricard is the No.1 international Wines and Spirits operator in Asia and understood the Asian market's strong growth potential early on. The Group dedicates significant resources to accelerating the growth of its brands in the Asian region. A powerful distribution network and a well-rounded product range represent major assets for capturing the zone's formidable potential. In the Pacific area, the Group is strongly growing in the wine sector, through its Australian and New Zealand subsidiaries.

Campaign



Poster Martell
Launched in China

ASIA

In Asia, whisky and cognac are by far the most popular spirits, and Pernod Ricard holds very favourable positions in these competitive segments. The Group is the leader in Asia for imported whiskies, with a 40% market share in this segment, while the Martell brand ranks second among Cognac sales, with a 28% market share (+4.5 points).

Pursuing the market "Premiumisation" is essential in the Asian markets, where consumer demand for Premium products continues to grow. Chivas Regal leads the Premium Scotch whisky scene in Asia, with a 29% market share, and Pernod Ricard holds a 68% market share in the dynamic Super and Ultra Premium Scotch whisky segment. The Group also leads the Super Premium cognac market with Martell.

Pernod Ricard pursues growth through innovation to extend its brand range upwards in terms of Premium quality. To illustrate this point, the Group launched several exemplary Premium products this year aimed at the key Asian market, such as Martell Creation Grand Extra, The Glenlivet 25-year-old and Longmorn 16-year-old, as well as Stolichnaya Elit and Wyborowa Exquisite.

Stolichnaya Elit, launched in numerous key markets, spearheaded the Group's pursuit of a strong position in the small but dynamic Super Premium vodka segment. The distribution of Premium products such as Royal Salute 100 Cask, Chivas Regal 18-year-old, Martell XO, Perrier Jouët and Mumm Champagne, along with several brands of wine (e.g Jacob's Creek Heritage range) all increased, as part of the focus on 'Premiumisation'.

China

Pernod Ricard's key brands are in strong demand in China, where the Group is the market leader for imported spirits. Martell continues to make gains in the dynamic cognac segment, with sustained growth of +52%. Sales of the combined whisky portfolio (Chivas Regal, Ballantine's and Royal Salute) delivered total volume

Regional Management Committee
Pernod Ricard Asia

Front Row (from left to right):
Kevin Lee (Managing Director, Pernod Ricard Philippines), **CK Tan** (Managing Director, Pernod Ricard Malaysia), **Philippe Dreano** (President & CEO - Pernod Ricard Asia) and **Horace Ngai** (Managing Director - Pernod Ricard Taiwan).

Middle Row (from left to right):
Phanuwat Wongsriphisant (Managing Director, Pernod Ricard Thailand), **Jean-Christophe Coutures** (President, Jinro Ballantines), **Nicola Sangster** (VP Human Resources, Pernod Ricard Asia) and **Bryan Fry** (VP Marketing, Pernod Ricard Asia).

Far Back row (from left to right):
Fabrice Audan (President & CEO - Pernod Ricard Japan), **Martin Howey** (Managing Director, Pernod Ricard Hong Kong), **Alban Marignier** (VP - Finance - Pernod Ricard Asia), **Philippe Guettat** (Managing Director, Pernod Ricard China), **Param Uberoi** (President & CEO - Seagram India) and **Franck Lapeyre** (Managing Director – Pernod Ricard Singapore, Indonesia and Vietnam).

growth above 10%, of which Chivas Regal is the leading brand, for which China is the top market worldwide in terms of volume. Royal Salute's excellent performance (+16%) strengthens Pernod Ricard's leadership in the Ultra & Super Premium Scotch whisky segment. To reinforce the brands status in this segment, Pernod Ricard launched Royal Salute 38-year-old "Stone of Destiny" in July 2006, with an excellent response. Finally, Ballantine's has proven to be a valuable addition to Pernod Ricard China's portfolio of Premium whiskies with growth of 96% in its first year.

South Korea

Jinro Ballantine's, Pernod Ricard's Korean subsidiary, leads the market with a 35% market share of imported whisky, having successfully made a place for itself in a country with a strong tradition of drinking local spirits. Its key brands, Ballantine's, Royal Salute, Chivas Regal, and Imperial, ensure a first-place ranking in the Premium Scotch whisky segment. With Ballantine's 17-, 21- and 30-year-old, and Royal Salute, the subsidiary defines the Ultra and Super Premium segments, an essential category in South Korea, which is one of the world's top markets for aged whiskies.

Japan

Several brands are thriving in this market, with Chivas Regal maintaining it's leading position in the imported Premium whisky category.

Beefeater represents another major success as the number one brand of imported gin in Japan, where a half of all gin in Asia is sold. Malibu continues to accelerate its growth, driven by focused campaign successfully engaging our target consumers. Kahlua, for its part, maintained its leading position in the region's principal market for imported liqueurs. Finally, 2007 saw the distribution of Mumm and Perrier-Jouët champagne move under the control of Pernod Ricard Japan. Perrier-Jouët's Belle Époque vintage ranks second among prestige vintage cuvees in Japan.

India

In India, Seagram India was able to affirm its position as the leading international wine and spirit player on the market, in spite of significant trade barriers. Its showcase brand in the Premium Indian whiskies segment, Royal Stag, increased its rate of progression (+40%), with sales volumes of more than 5 million cases. To consolidate this growth, the subsidiary continued strong investment and creative innovation on the "Make it Large" promotional campaign. Seagram India also maintained a strong focus on strategic imported spirit and wine brands led by Chivas Regal (+34%).

Taiwan

Pernod Ricard Taiwan successfully implemented its new strategy to increase its position in the key categories of malt and cognac which have a strong presence in the country, through the launch of Ballantine's 8-year-old, Ballantine's 12-year-old Pure Malt and Martell Noblige.

Singapore and Malaysia

Pernod Ricard Singapore and Pernod Ricard Malaysia continued to deliver strong results led by the flagship brands of Martell and Chivas Regal. The launch of the new 'Rise Above' platform on Martell VSOP, and the launch of Martell Creation Grand Extra further solidified Martell's reputation for delivering innovation and creativity in these markets.

Thailand

Pernod Ricard Thailand maintained leadership in the imported spirits category with a 57% market share in the Imported Whisky segment in the context of an unstable political-economic situation. The Group's success in Thailand is illustrated by the popularity of the brand 100 Pipers, which is the unrivalled leader among imported whiskies and holds a 60% market share in the standard Scotch segment.

Duty Free

The Travel Retail market is a strong contributor to Pernod Ricard's growth in Asia. It is one of the major markets for Chivas 18-year-old, and Ballantine's, both of which increased their presence this year. Pernod Ricard continued to lead the Duty Free segment with innovation in the Premium segments of the market through the successful launches of Martell Creation Grand Extra, Martell Cohiba, Longmorn 16, The Glenlivet 25 and Royal Salute 100 Cask, just to name a few.

Campaign

From top to bottom:
Posters from the Korean and Indian campaigns for Imperial whisky and Royal Stag.

Event

Perrier-Jouët in Japan

A promotional programme for champagne was initiated on key markets, including Japan, where the Group took over the control on distribution of Perrier-Jouët.

Campaign

Stoneleigh: Marlborough's magical sunstones

The distinctive "Marlborough's magical sunstones" advertising campaign captures the raw nature of the Stoneleigh brand. It features the sunstones story and places an emphasis on the wines being 100% pure Marlborough.

Brand life

George Wyndham's fine wines

Wyndham Estate has introduced a new range of wines that pay tribute to George Wyndham, the father of Australian Shiraz. Each of the wines epitomise Wyndham Estate's winemaking philosophy – to offer soft, generous, ripe, flavoursome wines.

PACIFIC

Brand Owner for the Group's New Zealand and Australian wines, Pernod Ricard Pacific also has the responsibility for distributing the entire Pernod Ricard brand portfolio in the Pacific region. Through its three business units (Pernod Ricard Australia, Pernod Ricard New Zealand and Pernod Ricard Pacific Travel Retail), several Premiumisation and innovation initiatives have been undertaken in 2006/2007.

Australia

With a strong and balanced wine and spirits portfolio, Pernod Ricard Australia delivered solid results in 2006/2007. In wines, the Jacob's Creek Traditional range improved its leading market share with a volume growth of 7%, while at the ultra-Premium end of the market, the strong performance of the Jacob's Creek Heritage collection further enhanced the high quality wine credentials of Jacob's Creek. The New Zealand wine portfolio also registered strong results led by Montana with a volume growth of 22%. Other initiatives include the launch in the local market of the Wyndham Estate George Wyndham range, the super-Premium price repositioning of Stoneleigh and several successful sparkling wine brand building programs driven by Jacob's Creek and Trilogy.

Moving forward, Pernod Ricard Australia's ambition is to shift the weight of its table wine business into the growing Aus $10 - $20 price segment through Premiumisation, innovation and distribution.

For spirits, Pernod Ricard Australia continues to focus its efforts on the key Premium vodka, whisky and bourbon segments with Stolichnaya, Chivas Regal and Wild Turkey. All three brands delivered double digit growth in 2006/2007.

New Zealand

Pernod Ricard New Zealand is New Zealand's leading winemaker with a value market share over 40%. Strategic wine brands Montana (+18%), Jacob's Creek (+33%) and Stoneleigh (+29%) have been very strong. Innovation and Premiumisation continued with the launch of Montana Brut Cuvée and the successful introduction of Stoneleigh Pinot Grigio. Capitalising on its wine leadership market position, Pernod Ricard New Zealand strongly increased market share in the spirits category of the portfolio, confirming the tremendous growth opportunity.

Pacific Travel Retail

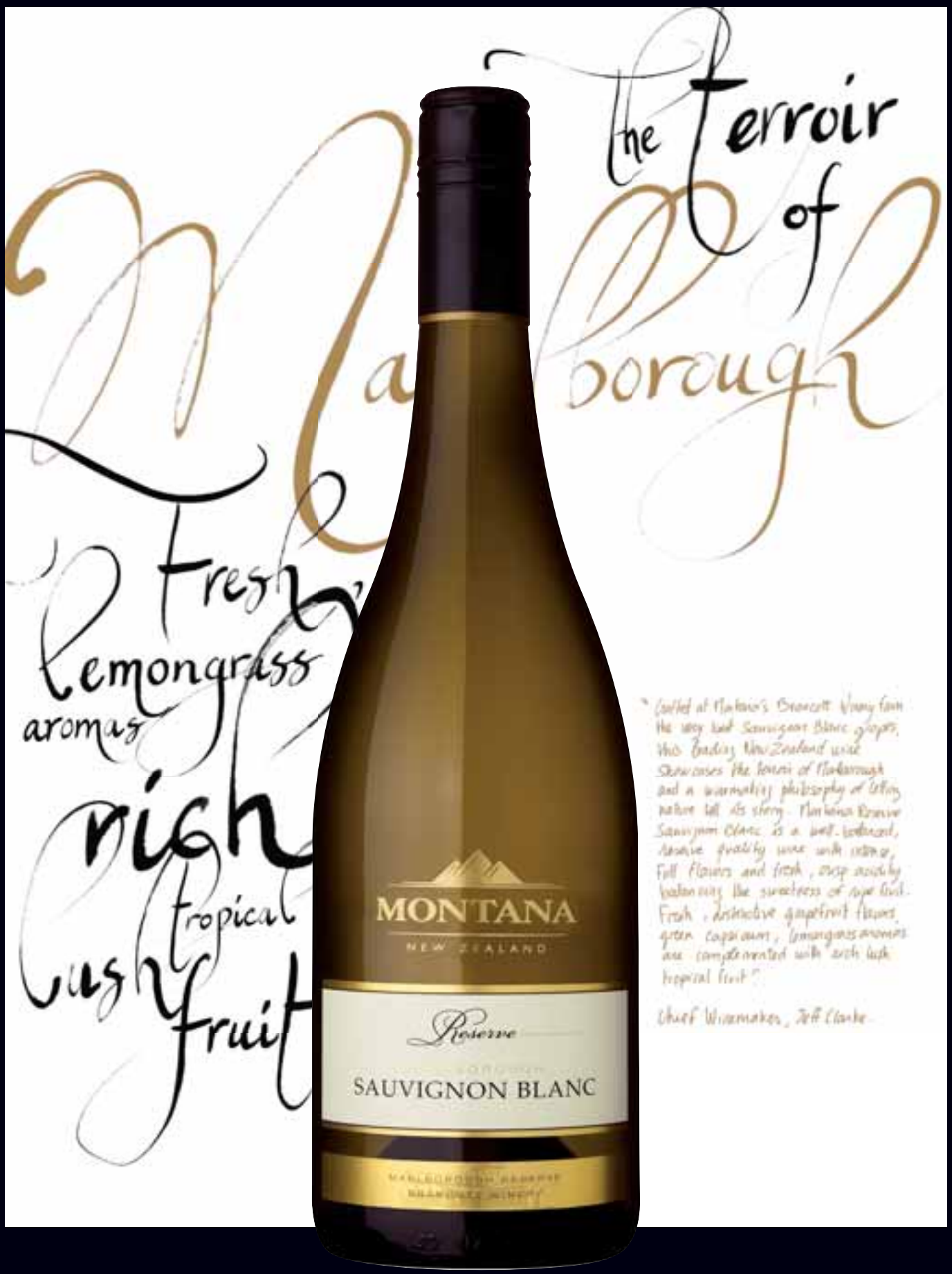
The introduction of new airport security measures for liquids greater than 100ml in August 2006 had an impact on airport duty free sales in Australia and New Zealand. However, the group's luxury spirit brands continued to perform well, in particular Chivas Regal 18 year old, Martell Cordon Bleu and Royal Salute. In the Pacific Islands, the third party distribution network embraced the group's priority brands, with strong volume gains achieved by Ballantine's Finest, Malibu, Jameson, Jacob's Creek and Montana.

Management Committee
Pernod Ricard Pacific

A photo of the Pernod Ricard Pacific Management Committee can be found on page 34.

AFRICA & THE MIDDLE EAST

The Group's presence in Africa & the Middle East is ensured by its subsidiary in South Africa and by the Pernod Ricard Africa & Middle East entity, managed by Jean-Louis Laborde which covers all the countries in the area via local distributors.



MONTANA RESERVE SAUVIGNON BLANC

produced in NEW ZEALAND **enjoyed in LONDON**

"Crafted at Montana's Brancott Winery from the very best Sauvignon Blanc grapes, this leading New Zealand wine showcases the terroir of Marlborough and a winemaking philosophy of letting nature tell its story. Montana Reserve Sauvignon Blanc is a well-balanced, reserve quality wine with intense, full flavours and a fresh, crisp acidity balancing the sweetness of ripe fruit. Fresh, distinctive grapefruit flavours, green capsicum, lemongrass aromas are complemented with rich lush tropical fruit." **Jeff Clarke, Chief Winemaker**

Americas

In 2006/2007, the Americas Region achieved the full benefit of consolidation following the acquisition of Allied Domecq. Synergies, innovation and Premiumisation created exceptional regionwide growth.

Campaign

Advert for Jameson's whiskey

For the US market

In the United States, the traditional Pernod Ricard brands continued to excel. Jameson experienced its biggest growth ever (+25%), positioning the brand as a "must have" for on premise accounts; Seagram's Gin strengthened its leadership, registering an historical record in sales thanks to new packaging and the launch of a Premium quality, the "Distiller's Reserve"; Jacob's Creek reestablished itself as one of the leading Australian wines, with +23% growth; The Glenlivet, the leading single malt in the U.S., enjoyed its best annual growth rate (+13%) in more than 10 years; and Wild Turkey reached the 1-million case mark in annual sales, including exports.

In Latin America, mature markets such as Mexico showed evidence of recovery after years of stagnation while emerging markets such as Brazil, Venezuela and Chile continued to grow. In Mexico, brandy volume was stabilized for the first time in fifteen years, setting up the basis for future growth, and spectacular sales of imported brands – including Martell, which has 62% market share – were fuelled by the leading position and unique sales force of Casa Pedro Domecq. Pernod Ricard Venezuela, despite a quite complex and difficult political environment, continues to be the top market worldwide for Chivas 18 yo, and in Chile, Havana Club is the fastest growing imported rum.

Pernod Ricard Americas' local brands confirm everywhere their key role in supporting the subsidiary's activities. In Brazil, Montilla further strengthened its leadership position in rum as the brand celebrated its 50th anniversary and introduced Montilla Premium Special Edition. In Canada, Wiser's Canadian whisky, led by the flagship Wiser's De Luxe, continued to gain share as the leading Canadian whisky family in the market.

Brand life

Chivas 18 Year Old

Venezuela is Chivas 18 Year Old's first market.

Regional Executive Committee
Pernod Ricard Americas

Seated (from left to right):

Frédéric Villain (Chief Financial Officer) and **Sumeet Lamba** (Vice President Marketing).

Standing (from left to right):

Pascal de Marchi, (Vice President Operations), **Béatrice Léon,** (Information Systems Officer), **Michel Bord** (Chairman and Chief Executive Officer) and **Olivier Delahousse** (Vice President Business Development.

Range extensions

Innovation contributed significantly to the past year's results, particularly in the U.S. market, as the trade and consumers reacted extremely well to such new products as Stoli Blueberi, Kahlúa French Vanilla and Hazelnut; Malibu Tropical Banana (as well as new packaging for the entire Malibu line); Seagram's Gin Distiller's Reserve and Wild Turkey American Honey. Looking ahead, new advertising for both Malibu and Kahlúa are being developed to go on boosting sales.

C Campaign

New packaging and new poster campaign for Azteca de Oro.

The Mexican success

Political stability, respect for macro-economic balances, and a youthful population with soaring purchasing power, all conspire to make Mexico one of the most promising emerging markets. After several years of relative stagnation, the spirits market is once again on the rise (+9% over 12 months as of 31 May 2007) with a marked trend towards Premiumisation of consumption. In this promising sector, Casa Pedro Domecq has consolidated its leading position in the domestic spirits market (20% market share), taking full advantage of its brand portfolio, the most complete of the sector, and of its sales force, the biggest and most well-distributed across the territory.

Overall, Casa Pedro Domecq sales rose 25% by volume this year. This success arises in part from the end to the drop in local brandy consumption, with a special mention for Azteca de Oro, a Premium brand whose volumes rose by 32%. It is also due to the positive results registered by imported brands, particularly in Mexico's two most dynamic categories – whisky and vodka – segments in which Pernod Ricard offers the Chivas, Wyborowa and Stolichnaya brands. In the rum segment, Havana Club has registered very strong growth, with volumes doubling in two years. In the brandy category, Martell's market share, already higher than 60%, is rising continuously. 2006/2007 was also another strong year for tequila, and in particular Olmeca, whose volumes grew by over 30%.

B Brand life

New Premium packaging

Seagram's Gin, the number one selling gin in the U.S., recorded this year its best performance since 1989 (+4%). The brand demonstrated its ability to withstand competition in this highly challenging category. Several actions contributed to this success: the launch of Distiller's Reserve, the introduction of flavored extensions such as Seagram's Apple Twisted Gin, new Premium packaging, advertising and the organization of live concerts.

To strengthen its brand image, Pernod Ricard USA launched an advertising campaign centered around the theme of "Urban Elegance". This campaign targets African American consumers age 25 to 39 and depicts a series of social drinking situations in which Seagram's Gin plays a major role. As a result of this campaign combined with the development of a new look for the bottle (for the first time in forty years) and the launch of Distiller's Reserve, Seagram's Gin was honored by being named one of Brandweek Magazine's Top 10 Super Brand spirits. The brand was designated as a "Mover and Shaker" of the group.

Growth through Premiumisation

In line with the Group's strategy, all the companies have focused successfully on Premium brands, recording outstanding growth. A few examples in the U.S. are Stolichnaya Elit at +77%, Jacob's Creek Reserve at +96%, and Perrier-Jouët Fleur de Champagne (Belle Epoque) at +34%. In Argentina, our wine portfolio is now oriented towards the Premium products, as Graffigna grew +9%, Mumm grew +25%, and Colon, a local wine brand, grew +23%. In Venezuela, Super Premium and Premium whisky volumes increased 34% behind the strong performance of Chivas Regal 12 and 18 year old, Something Special 15 year old and Ballantines 12 year old.

Sale of a distillery

Besides achieving accelerated volume growth, Pernod Ricard Americas has rationalized its portfolio to focus on strategic brands. As part of this process, the Rich and Rare and Royal Canadian whisky brands in the U.S. were sold.

In addition, the completion of the North American industrial footprint involved the June 2007 sale of the Seagram Lawrenceburg distillery in the United States. Significant cost savings will result next year with the concentration of production activities in Fort Smith (U.S.) and Walkerville (Canada).

Pernod Ricard Americas' objectives for the new Fiscal Year are clearly set up: to continue profitable growth on the brands thanks to price increases sustained by significant A&P investments. In the U.S., key growth drivers will include a stronger emphasis on branding and a dramatic increase in the quantity and quality of the on-premise programs. A restructuring of the commercial structure in Brazil will enable Pernod Ricard Americas to capitalize on the Region's strongest emerging growth market. In addition, the regional entity will implement the next steps of its rationalization of the industrial structure in North America.

Marketing

Premiumisation

From left to right:

For Pernod Ricard Americas, Premiumisation is one of the key areas of its development strategy. See beside: showcasing of Stolichnaya Elit and Martell Noblige at exclusive promotional events in the US.

Event

Montilla Rhum

Montilla Rum celebrated its 50th anniversary this year. It is the rum leading brand on the Brazilian market. Pierre Pringuet, Managing Director Pernod Ricard, Edmundo Bontempo, CEO of the Brazilian Cluster (Brazil and Paraguay), and Michel Bord, Chairman & CEO of Pernod Ricard Americas (from left to right) were there to celebrate the anniversary.

JAMESON RAREST VINTAGE RESERVE

produced in IRELAND **enjoyed in SOUTH AFRICA**

"Jameson Rarest Vintage Reserve, with its pot still, spicy character, contains some of our oldest and rarest reserves. It shows the unmistakable characteristics of triple distillation and has been matured in specially commissioned oak casks. Jameson Rarest Vintage Reserve displays virtuosity in the art of whiskey making and the end result is complex, rich and mellow." **Barry Crockett, Master Distiller; Brendan Monks, Master of Wood; Billy Leighton, Master Blender; Dave Quinn, Master of Science.**

Europe (except France)

Europe (except France) is the Group's most important region where revenues have risen sharply by +6.3% (to €2,091 million)*. Integration of Allied Domecq brands is now complete, and has allowed Pernod Ricard Europe to consolidate its positions and to become the leader on certain markets. The company will continue to develop its activity on a continent which still offers significant growth opportunities, particularly in Russia and in Central and Eastern Europe.

Campagne

Beefeater "Londonises" Spain

Last spring, six months before the launch of its new "Forever London" campaign in Spain, Beefeater brought the London Season to Madrid. Three outstanding events aimed to present London's eclecticism and multiculturalism: Beefeater London Fashion, showcasing British style, the Beefeater London Derby horse race, and the Beefeater London Market, together attracted crowds of "Londonised" Spaniards.

2006/2007 was an excellent year for Pernod Ricard Europe, which continued to promote its traditional brands while also managing the integration and renewal of the major brands inherited from the Allied Domecq acquisition. Most European countries are continuing to experience positive trends, including Germany, Russia, Greece, Ireland and Poland. The Duty Free sector is progressing strongly for key brands. Conditions in Italy and the United Kingdom have stabilised.

All our key brands are registering strong growth, particularly the Premium qualities, even in sometimes difficult circumstances, such as the Georgian wine embargo and new governmental measures for controlling alcoholic beverage marketing in Russia. Pernod Ricard Europe has thus achieved very satisfactory results overall, with significant growth in sales of our 15 strategic and 30 local brands (+7%).

The role of our strategic brands

Ballantine's (Germany, Eastern Europe), Beefeater (United Kingdom, Russia), Chivas Regal (Germany, Russia), Havana Club (Germany, Greece), and Stolichnaya (United Kingdom, Greece) are some of our many extremely dynamic brand/market pairings.

Montana and Perrier Jouët are growing strongly, while Mumm is stable; Jacob's Creek is still struggling amid persistent competitive pressures in the United Kingdom. Overall, Europe is exhibiting renewed vigour, with sustained growth throughout the year.

Strong local brands

A quintessential spirits brand in Italy, acquired by Pernod Ricard in 1985, Amaro Ramazzotti has successfully entered the German market. This bitter is now the number one imported spirit in Germany, and enjoys a high level of sales (nearly one million 9-litre cases).

ArArAt, a legendary brandy that joined Pernod Ricard in 1999, is an expression of the culture and character of Armenia. After modernising the offer to promote Premium positioning, Pernod Ricard has designed a new advertising campaign for the countries of Eastern Europe.

* On a like-for-like basis

Regional Executive Committee Pernod Ricard Europe

Seated, from left to right:
Paul Duffy (CEO of Irish Distillers), **Philippe Coutin** (Chairman and CEO of Pernod Ricard Iberia), **César Giron** (Chairman and CEO of Wyborowa), **Armin Ries** (Managing Director of Pernod Ricard Germany Central Europe), **Philippe Hébert** (Director of Administration and Finance of Pernod Ricard Europe), **Thierry Billot** (Chairman and CEO of Pernod Ricard Europe), **Béatrice Morane** (Marketing Director), **Jean-Manuel Spriet** (CEO of Pernod Ricard UK), **Noël Adrian** (CEO of Pernod Ricard Italia) and **Frank Boivin** (CEO of Pernod Ricard Eastern Europe and Pernod Ricard Rouss).

The famed Czech bitter Becherovka, which celebrated its bicentennial in 2007, was purchased by Pernod Ricard in 1997. Repositioned to benefit from the rising popularity of cocktails, it has since progressed strongly in its national market, and is making inroads in Slovakia and also in Germany, Hungary, Ukraine and Poland.

A strategy for growth

Pernod Ricard Europe strives for excellence when implementing Brand Owner strategies locally, relying on the advantages offered by our command of distribution channels in almost all the countries in the region.

Contrasting growth patterns can be observed across Europe. The Group's markets are relatively mature in Western Europe (Spain, United Kingdom, Germany and Italy). However, the breadth of our brand portfolio offers opportunities for consolidating our positions.

Central and East European markets are, for their part, undergoing rapid growth (Russia, Ukraine, Poland and the Balkan states), in an intensely competitive environment. Thanks to its local network, Pernod Ricard is in a position to aim for lasting leadership in this region ripe for development.

Pernod Ricard Europe also intends to continue its expansion in Central and Eastern Europe. The regional subsidiary already holds solid positions in the Premium and Super Premium segments. In a context of rising demand for imported wines and spirits, we plan to further anchor our presence. The subsidiary is targeting those categories of the portfolio which are the most promising candidates to drive future growth – rum, vodka, Premium whisky, cognac and Champagne – while promotion of strong local brands such as Ramazzotti and ArArAt also continues.

Campaign

Campo Viejo revives the Rioja segment

The brand has given itself a full-colour makeover: Its new publicity campaign breaks away from the category's traditional imagery. Resolutely contemporary graphics and a strong colour charter highlight the slogan "A Rioja like no other". The campaign targets a new consumer base which was until now put off by a category perceived as still too traditional.

Brand life

From top to bottom:

Wyborowa going full steam

The Polish *Wódka* Wyborowa is registering exceptional growth following its successful revival in its traditional market, with sales up +43% over the previous year. In 2006, the brand entered the prestigious "millionaires' circle" crossing the threshold of a million cases sold).
The brand benefits in particular from rising interest in Poland, where consumers are beguiled by the welcome their Polish wódka has received abroad. It is also the Premium brand which has shown the strongest growth in this country. Outside of Poland, Wyborowa boasts double-digit growth, especially in China, Canada, Mexico and South America. In the rest of Europe sales are up by +5%. To support its Premiumisation strategy, the Wyborowa "family" has welcomed the new Wyborowa Exquisite, a Super Premium selection which is already extremely successful in over 30 markets. To highlight the attractions of this exceptionally fine "single estate", Wyborowa entrusted the celebrated designer and architect Frank Gehry with the mission of refining its packaging.

Chivas is a great success in Greece

Greece, the world's 12th largest whisky market, represents significant growth potential for Chivas. The brand is now the leader in the Premium whiskies segment in the country. To support its development, the Greek subsidiary Pernod Ricard Hellas is rolling out a communication plan using both traditional and alternative media based on the "Live the Chivas Life" concept. Prestigious evening events showcase the brand and help to strengthen its upmarket image.

Russia, a lever for the Group's growth in Europe

In Russia, in spite of a difficult environment impacted by the embargo on Georgian wines, Pernod Ricard's 15 strategic brands registered extremely strong growth from 2006 to 2007 (+46% by volume). In a country where social success rhymes with the consumption of luxury products, Premium references are particularly sought after. The Super Premium whisky Chivas Regal 18 Year Old rides the coattails of the Russian businessman's success, with the spring 2007 launch of the prestigious "Top 18 financial awards" honouring personal achievements in the area of finance.

A favourable outlook

By focusing its efforts and resources on the most promising brand/market pairings, Pernod Ricard Europe intends to promote development of our 15 strategic brands, while maintaining the good performance of local brands which strengthen the Group's presence in priority markets.

For the coming financial year, Pernod Ricard Europe will continue to pursue this growth strategy, with particular focus on reinforcing the distribution company network, which already covers nearly all the countries in the region today, in order to accelerate sales for the strategic brands.

Event

Campaign displayed in Czech Republic

A grand anniversary for the doyen of Czech brands

In 2007, the Becherovka brand observed its 200th birthday and this oldest of Czech spirits celebrated in style! In honour of the event, Pernod Ricard launched a limited edition bottle, as well as a new television advertising campaign in the Czech Republic. This anniversary is the crowning glory to a year of growth for the brand, which was able to pull itself up and demonstrate its vitality in a difficult Czech market. Becherovka maintains its leadership with a 33.8% market share by volume. Already exported to 35 countries (Slovakia, Germany, Hungary, Poland, Ukraine...), Becherovka shows promising growth potential in Russia and with a new, younger client base.

Brand life

Celebrating wines in the United Kingdom

Pernod Ricard has initiated several actions to strengthen the positions of its major wine brands on the British market. The high point in this dynamic action programme was the launch of the new "Jacob's Creek Three Vines" range at the beginning of 2007.
This creatively packaged range includes three wines formulated from the best Australian vineyards. Based on a strategy of differentiation and a movement towards higher end products, the launch of the new range aims to bring new energy to the Australian wine category as a whole and to promote new opportunities for consumption.
Other initiatives are aimed at increasing the pull of New Zealand wines. In this regard, Pernod Ricard UK has chosen to associate Montana, the leading brand of New Zealand wines, with the publication of a travel guide to wines from different regions of the world.
Montana plans to expand these promotional activities in 2008 with a poster campaign.

BEEFEATER

produced in LONDON **enjoyed in MADRID**

"Beefeater Gin is the only major gin brand still distilled in London. The carefully selected botanicals are steeped in pure grain spirit for twenty four hours prior to distillation. This produces an exceptionally well balanced and complex spirit that presents a range of aromas and flavours. When tasted the citrus notes from the Seville orange and lemon peel gives way to classic juniper and coriander flavours, balanced with the spice of liquorice, almond and angelica." **Desmond Payne, Master Distiller**

France

In France, Ricard and Pernod share the distribution of the Group's brands. 2006/2007 saw a return to growth for both companies, with good performances for the 15 strategic brands.

Brand life

From left to right:

Clan Campbell

Clan Campbell is already the leading whisky in France. To further bolster its position, Ricard SA launched a new, more elegant and contemporary bottle in June. New-look packaging, including a bevelled label and the coat of arms of Clan Campbell of Argyll, serves to heighten the bottle's noble lines.

Advertising saga

Success for the latest instalment in the mythic "Land of Clan Campbell" advertising saga. Since March 2007, new visuals highlight Clan Campbell's image of authenticity.

Campaign

Malibu adverting campaign

Launched this year in France

RICARD SA

With a portfolio of over 30 brands, 15 of them international, Ricard SA is the market leader for spirits in France. Its flagship Ricard brand showed renewed growth in 2006/2007. This success goes hand-in-hand with the achievements on the whiskies, white spirits and champagne markets.

A successful year

The seven major brands which joined Ricard SA's portfolio in 2005 (Beefeater, Stolichnaya, Malibu, Kahlúa, Long John, Perrier-Jouët and Lillet) delivered standout performances. Three showed exceptional growth: Beefeater (+70%), Perrier-Jouët (+47%) and Stolichnaya (sales increased five times over) [1]. Alongside these newer names, the company's traditional Ricard brand is demonstrating renewed growth (+2% worldwide and +3.6% in France). This market leader in anise-based spirits now accounts for 11.4% by value of all spirits sales in France. On the white spirits market, Ricard SA holds a strong position. In addition to dynamic performances from Beefeater and Stolichnaya, the Polish vodka Wyborowa continues to shine with growth of 10% by volume, and more than a million litres sold across all distribution circuits in twelve months [1]. Malibu maintains its leadership in the liqueurs segment with a 16% market share [2]. At the same time, several brands in the portfolio are confirming their development potential. Among these, Lillet has seen sales rise 8% by volume and is building up its presence in supermarkets and the on-trade segment.

The dynamic whisky segment

Ricard SA is the unrivalled whisky leader in the French market, with 18.4% market share by value [3]. Chivas reaffirms its leadership in the Premium Scotch Blend segment, holding a 72% market share in supermarkets [2]. The flagship for the brand in France, Chivas 18-Year-Old, is enjoying outstanding success, with 48% growth in sales by value [2]. In the global whisky market, Clan Campbell maintains its leading position in terms of sales by value [3], and boasts of several good achievements, including 4.5% growth in supermarkets [2] and 3.4% in the on-trade segment [1]. The Glenlivet showed the strongest growth in the single malts market for the second year running, in terms of both volume (+16%) and value (+32%) [2]. Jameson dominates the Irish whiskey segment, with a 52% market share of sales by value [2].

Premiumisation, a major strategic choice

For Ricard SA, Premiumisation is a priority growth strategy. This movement up the range is promoted in particular through a series of prestigious events. For example, Chivas 18-Year-Old was linked this year with the César Award ceremony and the Cannes Film Festival. In addition, this subsidiary launched a programme called "Lands of Whiskies" involving a quality circular sent to 110,000 consumers to present the Premium products of the Chivas, The Glenlivet, Four Roses and Jameson ranges. Finally, to strengthen its presence in upmarket segments, the Cuvée Belle Époque 1999 vintage was launched in May, at the restaurant of celebrated French chef, Hélène Darroze.

[1] Source : Ricard SA July 2006 – June 2007
[2] Source: Nielsen panel cumulative data: July 2006 – June 2007 and IWSR 2006
[3] Source: Nielsen panel cumulative data: July 2006 – June 2007 and IWSR 2006

Management Committee Ricard SA

A photo of Ricard's Management Committee members can be seen on page 24.

PERNOD SA

Pernod SA, which markets around thirty brands in France and over ten internationally, registered growth for the second consecutive year. Sharply focused on its strategic brands with strong growth potential, the company is ready to aim for new horizons.

51 on the rebound

After several difficult years, the 51 brand has stabilised and returned to slight growth in France (+1%) thanks to a variety of initiatives, beginning with the launch of a new advertising campaign entitled "51 tout un numéro" ("51, quite a number"), whose excellent recognition and approval ratings already testify to its success. The creation of "The 51 Club", a series of events in 2,500 sponsored bars, aims to re-energise sales in the on-trade sector. For the Rugby World Cup, the brand launched an ambitious programme targeting clients, consumers and employees, including in particular the limited edition bottle designed by Serge Blanco.

Solid success stories

The Pernod portfolio's star brands are improving their competitive position on the French market. Ballantine's has progressed significantly in the whisky category (+10%) and particularly in the on-trade sector (+18%), thanks to the dedicated efforts of its sales teams. Release of the new "Leave an impression" advertising campaign underpins this success. Havana Club's more than ten-year run of double-digit growth continues, with growth of +16% this year confirming this rum's number-one status. The "Havana Noche" events organised in night clubs are a major contributor to the brand's growth, and will be supplemented beginning in October 2007 by the first "Havana Caliente" advertising campaign.

Mumm confirms its position as the top international brand of champagne in the French market, with growth of +3%, and is also very successful in the on-trade sector (+11%). A diversified action plan was initiated to accelerate growth: a new advertising campaign, non-media events such as Mumm French Riviera or Mumm Musette which were taken up by the press, Club Sixties Mumm parties and the Vintage 1999 launch. The campaign reached a crescendo with the release in the autumn of 2007 of the prestige Cuvée R. Lalou 1998.

A consolidated foundation

The other brands held by Pernod SA are strengthening their positions on the French market. Aberlour's Premiumisation was very positively received: sales of the brand's superior references (12 Years, 15 Years, 16 Years and A'bunadh) now deliver 20% of total sales (two points higher than the previous year). On the wave of this success, the subsidiary is launching Aberlour 10 Years Old sherry cask finish in supermarkets, and Aberlour 18 Years in the on-trade sector, beginning in September 2007.

In the vodka segment, Pernod has consolidated Zubrowka's position as the leading Premium supermarket vodka. Supported by a new advertising campaign, the brand registered growth of +3%. In the area of contemporary liqueurs, the drop in sales of Soho was limited, partly due to the successful launch of Soho guava, which already accounts for 12% of sales by volume.

Brand life

From top to bottom:
Visuals from the Pastis 51 publicity campaign

Limited Edition Serge Blanco bottle

Event

Pernod French Club
Each year, the Pernod brand organises lifestyle evenings reflecting its own distinctive style. Before the events in Paris scheduled for 2008, London, Helsinki and Tokyo have already welcomed the Pernod French Club.

Management Committee
Pernod SA

At the front (from left to right):
Jean-Marc Morel (Director of Operations) and **Frantz Hotton** (Commercial Director, France).

At the back (from left to right):
Jean-François Lalu (Business Development and Projects Director), **Régis Souillet** (Director of Administration and Finance), **Pierre Coppéré** (Chairman and CEO), **Jean-Charles Castellano** (Director of Human Resources) and **Xavier Beysecker** (Marketing and International Director).

THE ETHICS OF A SOCIALLY-MINDED AND ENVIRONMENTALLY RESPONSIBLE GROUP

The main theme pursued by the Group in its relations with all the people with whom its works is respect for people and also for different cultures. Its intention is to help everyone make progress and achieve a sense of fulfilment. The Group's ethics translate into firm commitments to respond to the challenges in the economic, social and environmental landscape. The world of tomorrow will depend on how Pernod Ricard respond to these challenges today. Pernod Ricard's undertakings are perfectly clear and sincere and commit it to rolling out a Sustainable Development strategy right across the board.

Employees
Environment
Consumers
Shareholders
Suppliers & Business Partners

Our commitment to Sustainable Development

COMMITMENTS	SHAREHOLDERS	EMPLOYEES
	OFFER an attractive investment	**DEVELOP** a relationship of trust
CHALLENGES	▸ Promoting value creation for shareholders. ▸ Ensuring transparent and ethical decision-making. ▸ Communicating with shareholders regularly and transparently on Group strategy and topical issues.	▸ Developing employees' personal careers and professional paths. ▸ Rewarding performance and motivating. ▸ Encouraging entrepreneurial spirit. ▸ Promoting diversity. ▸ Favouring a dialogue between employees and management.
RESPONSES	▸ A 26.4% increase in the share price in 2006/2007. ▸ Proposal to the Shareholders Meeting in November 2007 of a dividend that is 20% higher for the financial year. ▸ A further distribution of bonus shares (in January 2007). ▸ Broadcasting of live/recorded press conferences on the website. ▸ Creation in 2006 of a club for shareholders holding twelve shares (which now has over 10,000 members). ▸ A new website launched at the beginning of 2007. ▸ Two issues of Entreprendre devoted to special topics: the world wine market and Asia.	▸ 2.34% of payroll was devoted to training in the past twelve months. ▸ One executive out of five is recruited internally. ▸ Competitiveness of remuneration is verified through routine surveys of market practice. ▸ Two-thirds of employees receive annual appraisals. ▸ 30% of the employees benefit from a system of profit sharing and/or incentive schemes rewarding collective performance. ▸ All teams are made to feel responsible due to decentralisation. ▸ 77% of Group employees are actively represented by employee representatives.

CONSUMERS

PROMOTE
responsible drinking
and offer quality products

- Promoting prevention of risky alcohol consumption, particularly among young adults, drivers and pregnant women.
- Responding to evolving tastes and consumption trends.
- Justifying the "Premium" status of the brands through impeccable product quality.

- Adoption of an internal code on commercial communications.
- Displaying of a pictogram warning depicting a "pregnant woman" on all bottles sold in the European Union and inclusion of a moderate drinking message on all advertising.
- Strengthening of the internal control procedures with regard to ethical advertising: 99 campaigns were assessed this year.
- Creation of networks of research and development experts.
- Quality control at every stage of production and storage, right up to the store shelves. 200 stores were controlled this year in Europe and the United States.
- 78 out of 104 sites were ISO 9001 certified as of 30 June 2007, and 18 more are scheduled to be certified by the end of 2008.

ENVIRONMENT

PRESERVE
the environment and conserve
natural resources

- Limiting the impact of our business activity on the environment by promoting energy conservation and raw material savings, recycling and the protection of water resources.
- Extending the ISO 14001 certification process to all the industrial sites.
- Promoting dissemination of best practices among the Group's subsidiaries.

- Implementation of EMS (Environmental Management Systems).
- 62 out of 104 sites were ISO 14001 certified as of 30 June 2007.
- Annual site-by-site monitoring of the Group's 25 environmental indicators.
- Distribution of good practice guides (effluent treatment, etc.)
- Cross-audits favouring sharing of experiences at 35 sites.
- Finalisation of a pilot study on the impact of transport activities.
- Launch of the training on eco-design of packaging, in Brand Owner subsidiaries.

SUPPLIERS & BUSINESS PARTNERS

SHARE
our ethics

- Ensuring respect for ethical rules relating to employment law.
- Guaranteeing compliance with ethical rules by the Group's Purchasing function.
- Sharing our environmental commitments with our suppliers.

- Implementation of Charters of ethics for all those involved in the Purchasing function (actions and attitudes of buyers towards suppliers).
- An annual analysis of supplier performance at Group level, including criteria relating to environmental awareness and ethical rules.
- Inclusion of a Sustainable Development training module in the training seminar for the Purchasing function in order to promote positive practices among buyers.
- Gradual incorporation of a "social and environmental responsibility" clause into the general purchase conditions of all subsidiaries.
- Close involvement of our employees and packaging suppliers in our eco-design initiative.

Transparency, dialogue and value creation

Pernod Ricard sets great store by its ability to offer shareholders an attractive long-term investment. To enable shareholders to appreciate its strategy and policy in terms of value creation, the Group is committed to providing them with reliable and transparent information on a regular basis.

Q&A WITH

Jean-Dominique Comolli
Member of the Board of Directors
and Chairman of the Remuneration Committee

What is the role of the Remuneration Committee?

The Remuneration Committee is primarily responsible for making recommendations to the Board of Directors on all aspects of directors' remuneration, such as fixed and variable remuneration (bonuses), stock options, free allocations of shares, directors' fees, conditions for retirement and retirement indemnities. It also draws up proposals regarding stock option plans or free share plans for the Group's senior management, as well as the total amount of directors' fees and the proportion to be allocated to each director.

Moreover, the Committee guarantees compliance with the Group's rules regarding remuneration. To fulfil this responsibility, it carries out a host of studies and comparative analyses in conjunction with the Human Resources department, in a bid to broaden the Group's knowledge of all remuneration-related issues. Thanks to the quality of its debates and the strong commitment of its members, Pernod Ricard's Remuneration Committee provides the Group with a high value-added study group.

What criteria do you use to analyse executive directors' remuneration levels?

Executive directors' remuneration is a key to maintaining high levels of motivation while ensuring internal cohesion. This remuneration must reward and motivate the Executive Directors, and enhance their commitment to the Group. However, it must be carefully thought-out, balanced and fair with regard to those inside the company, as well as being seen as such by the shareholders and public opinion. The role of the Remuneration Committee is to ensure that it strikes a balance between the interests of the company and its shareholders and the performance criteria adopted for the executive directors. To make sure remuneration is balanced and fair, a number of criteria must be met. Firstly, the remuneration package should be determined by reference to current market practices. It should also be consistent with the remuneration paid to other senior management executives within the Group, to ensure that the Group's management continues to work effectively together as a team going forward. The remuneration policy should also be easy to understand and stable over time, with a policy revision only in the event of major changes. Lastly, the executive directors' remuneration must be transparent. All communication channels (Annual Report, Annual Shareholders Meeting, etc.) must be used to ensure that the company's stakeholders understand how the executive directors' remuneration levels are set.

What are the main issues concerning profit-sharing and incentive plans?

Profit-sharing and incentive plans are essential. They align the interests of each employee with those of the Group's shareholders, and therefore help drive an improvement in the company's performance while enhancing employees' commitment to the company and strengthening the cohesion of the Group as a whole. Pernod Ricard's profit-sharing and incentive policy is extremely attractive. In countries where this is allowed by local legislation, employees are associated with the performance of their company via a profit-sharing or incentive plan. 600 people already benefit from stock options. The new programme launched in June 2007 will allow more employees to benefit from these schemes through a combined stock option and free share plan, bringing the total number of beneficiaries to 730. By associating a greater number of employees to share price performance, it will help to strengthen the Group's collective momentum.

BALLANTINE'S AGED 17 YEARS

produced in SCOTLAND **enjoyed in SEOUL**

"Ballantine's 17 Years Old is a Golden Amber – a balanced and elegant scotch, with hints of wood and vanilla. On the palate it has a complex, vibrant, honey sweetness with a hint of peat and smoke. On the finish it is long, slightly smoky, with notes of vanilla and finally a hint of salt. An elegant classic, Ballantine's 17 Years Old displays all the flavours of Scotland. Its clear golden amber colour, its refined sweet oak nose and luscious body makes 17 Years Old one of the world's most acclaimed whiskies." **Sandy Hyslop, Master Blender**

Board of Directors

Responsibilities and Composition

The Board of Directors reviews the Group's strategy and oversees its implementation. It is responsible for overseeing the company's management by making a detailed review of the state of business at each meeting: growth in sales, financial results, net debt and cash flow. Alongside the General Management, it helps to ensure the proper functioning of the company based on the opinions and recommendations of the specialised Board committees.

The Board of Directors is composed of 13 members, 7 of whom have been elected for a period of 6 years and 6 of whom have a 4-year term of office. The reduction in the length of the directors' term of office from 6 to 4 years was decided by the Extraordinary Shareholders Meeting of 17 May 2004. Out of the Board's 13 members, 5 have the status of Independent Directors. In this regard, they meet the independence criteria set forth in the Consolidated Report on Corporate Governance, which provides as follows: "A Director is deemed to be independent when he/she has no relations of any kind with the company, its Group or management, which could compromise the exercise of his/her independent judgment."

Directors

Patrick Ricard
Chairman & CEO

Pierre Pringuet
Managing Director

Béatrice Baudinet
Permanent representative of Paul Ricard SA

Richard Burrows

François Gérard

Rafaël Gonzalez-Gallarza

Françoise Hémard

Danièle Ricard

5 Independent Directors

Jean-Dominique Comolli

Lord Douro

Didier Pineau-Valencienne

Gérard Théry

William H. Webb

The Board of Directors in 2006/2007

During the financial year ended 30 June 2007, the Board of Directors met 7 times with an attendance rate of 96%. It approved the annual and interim financial statements, took care of preparations for the Combined Shareholders Meeting and performed acts of day-to-day management. It reviewed the features of the stock option plan and the free share plan, which were both implemented in June 2007. In its discussions and decisions with regard to the Company's strategy, the Board of Directors also studied a certain number of proposed acquisitions or disposals. François Gérard's term of office as Director, which expired at the Annual Shareholders Meeting on 7 November 2006, was renewed for a further term of 4 years.

Board Committees

Four committees examine the topics that are within the specific area of responsibility assigned to them and submit their opinions and recommendations to the Board. These are the Strategic Committee, the Audit Committee, the Remuneration Committee and the Appointments Committee.*

Strategic Committee

Chairman: **Mr Patrick Ricard**

Members: **Mr François Gérard**

Mr Rafaël Gonzalez-Gallarza

Ms Danièle Ricard

The Strategic Committee met 4 times during the financial year 2006/2007. Its main responsibility is to prepare the strategy guidelines for the approval of the Board of Directors.

Remuneration Committee

Chairman: **Mr Jean-Dominique Comolli**
Independent Director

Members: **Lord Douro**
Independent Director

Mr William H. Webb
Independent Director

In September 2005, the Remuneration and Appointments Committee was split into two, in order to separate the Committees and allow them to become more specialised.

The Remuneration Committee's main task is to propose to the Board of Directors the terms and conditions and the amounts of remuneration of the executive directors. The Committee also proposes to the Board of Directors the general policy for awarding stock options, plans for free allocation of shares by the Company, and all measures aimed at promoting employee share ownership.

During the financial year 2006/2007, the Remuneration Committee met 4 times. Its work related to the fixed and variable remuneration of the executive directors, the defined-benefit pension scheme, stock options and free shares, Stock Appreciation Rights and directors' fees.

Audit Committee

Chairman: **Mr Didier Pineau-Valencienne**
Independent Director

Members: **Mr François Gérard**

Mr Gérard Théry
Independent Director

Its main responsibilities are to oversee the Group's accounting operations and to examine any issue of a financial or accounting nature submitted to the Committee by the Board of Directors. During the financial year 2006/2007, the Audit Committee met 7 times. It validated the recommendations made in the reports issued following the 30 audit assignments carried out within the Group. The work of the Audit Committee also focused on corporate governance and the analysis of risk management, a major theme which will also be at the core of the Committee's work in 2007/2008.

Appointments Committee

Chairman: **Mr Jean-Dominique Comolli**
Independent Director

Members: **Lord Douro**
Independent Director

Ms Danièle Ricard

The Appointments Committee met once during the financial year. Its main responsibilities include studying, on behalf of the Board of Directors, all measures aimed at selecting new Directors, deciding on the procedure to be used to look for new members and to reappoint Directors and from time to time verifying compliance with the independence criteria. It also ensures the continuity of the Company's managing bodies by preparing a succession plan for both the Executive Directors and other Directors. During the financial year, the Appointments Committee looked at ways of reorganising the Pernod Ricard's managing entities and the respective succession plans. The Chairman of the Board of Directors, Mr Patrick Ricard, is associated with the thought process regarding new appointments.

* For further details, see page 146 of the financial report.

Management structures

Members of the Group Executive Committee in 2006/2007

The General Management organises meetings of the Group Executive Committee for the following purposes:

- exchanging information on the general operation of the Group and each of its subsidiaries,
- helping to develop strategy and action plans,
- co-ordinating the management of human and financial resources, quality, research, etc.

The Group Executive Committee meets every six weeks and at an annual seminar, to work on the medium-term plan, the strategy and the main positions to be filled, as well as to decide or how to handle the cases of high-potential managers. The Executive Committee met 8 times during the financial year 2006/2007.

Holding Company

A. Patrick Ricard: Chairman and CEO

B. Pierre Pringuet: Managing Director

C. Emmanuel Babeau: Deputy Managing Director in charge of Finance

D. Bruno Rain: Deputy Managing Director in charge of Human Resources[1]

E. Jean-Paul Richard: Vice-President, Marketing

Brand Owners

F. Lionel Breton: Chairman & CEO of Martell Mumm Perrier-Jouët

G. Pierre Coppéré: Chairman & CEO of Pernod SA

H. Christian Porta: Chairman & CEO of Chivas Brothers

I. Philippe Savinel: Chairman & CEO of Ricard SA

Regions

Pernod Ricard Americas

J. Michel Bord: Chairman & CEO of Pernod Ricard Americas

K. Alain Barbet: CEO of Pernod Ricard USA

Pernod Ricard Asia

L. Philippe Dréano: Chairman & CEO of Pernod Ricard Asia

M. Param Uberoi : Chairman & CEO of Pernod Ricard South Asia

Pernod Ricard Europe

N. Thierry Billot: Chairman & CEO of Pernod Ricard Europe

O. Philippe Coutin: Chairman & CEO of Pernod Ricard España[2]

P. Paul Duffy: Chairman and CEO of Irish Distillers

Pernod Ricard Pacific

Q. Laurent Lacassagne: Chairman & CEO of Pernod Ricard Pacific

(1) Since 1st September 2006
(2) Chairman & CEO of Pernod Ricard Iberia since 1st September 2006

General Management

The Group's General Management is carried out by the Chairman & Chief Executive Officer and the Managing Director. The General Management leads meetings of the Group Executive Committee and meetings of the Holding Company's Management. Four times a year, meetings are held with the direct subsidiaries. The budget, the three-year plan, and a review of business activities and strategy are discussed at such meetings.

Holding Company Management

The General Management organises meetings of the Management of the Holding Company for the following purposes:

- exchanging information on the general operation of the Group and on the actions taken or to be taken by each of the functional management departments;
- preparing and coordinating the actions to be implemented by the Holding Company;
- preparing for certain decisions to be made by the Group's General Management.

At the front, from left to right:

Francisco de la Vega
Vice-President, Communications

Bruno Rain
Deputy Managing Director
in charge of Human Resources[1]

Emmanuel Babeau
Deputy Managing Director
in charge of Finance

In the middle, from left to right:

Jean-Pierre Savina
Vice-President, Industrial Operations

Ian FitzSimons
Vice-President, General Counsel

Jean Rodesch
Vice-President, Institutional Affairs

Patrick Ricard
Chairman and CEO

Pierre Pringuet
Managing Director

Jean Chavinier
Vice-President Information Systems

Jean-Paul Richard
Vice-President, Marketing

Denis Fiévet
Vice-President, Financial Communication
& Investor Relations[1]

At the back, from left to right:

Gilles Bogaert
Vice-President, Audit and Development

Armand Hennon
Vice-President, Public Affairs, France

Francesco Taddonio
Vice-President Wines

(1) Since 1st September 2006

Creating value for shareholders

The results obtained by Pernod Ricard over the past financial year confirm the Company's sound financial position and testify the relevance of the strategy adopted. With a share price that gained over 26% during the year, Pernod Ricard is one of the most high-performing companies of the CAC 40. Its dynamic growth enables it to offer its shareholders a dividend which has risen by 20% for 2006/2007.

Q&A WITH

Emmanuel Babeau
Deputy Managing Director in charge of Finance

Pernod Ricard's performance in 2006/2007 once again testifies to its financial strength. What is its recipe for success?

Pernod Ricard's growth model is very simple and based on a three-tiered strategy. The first tier is a powerful business and organic growth momentum (+9% in sales in 2006/2007). The second tier consists in improving the profitability of our portfolio, leading to a steady rise in the ratio between the contribution after advertising and promotional expenses and sales. And the third tier is our ability to ensure that structure costs grow at a slower pace than sales.

What are the Group's priorities now?

We will strive to continue expanding our business based on the model described above. We have already implemented significant synergies this year, and in 2007/2008 will press ahead with our work in this area, as well as with our Premiumisation strategy and portfolio profitability drive. Every year, we step up our efforts with regard to our 15 strategic brands, which spearhead the Group's growth momentum. These "Top 15" brands already account for more than 70% of our advertising and promotional expenditure and 90% of the increase in investment expenditure in 2006/2007. Our outlay has enabled us to launch large-scale campaigns promoting prestigious brands like Ballantine's, Beefeater and Stolichnaya. The ongoing development of these flagship names will be the cornerstone of our strategy in the coming year.

How does Pernod Ricard share its success with its shareholders?

This year's excellent performance means that, at the Shareholders Meeting in November 2007, we can propose a dividend payout representing a rise of 20% over the period. If our recommendation is approved, we will have increased dividends by 41% since the Allied Domecq acquisition. A superb illustration of the transaction's winning formula.

Career path:

Emmanuel Babeau joined Pernod Ricard in 1993 as a Financial Auditor. He then held the position of Head of Financial Services. In 1997, he became Director of Administration and Finance at Pernod Ricard España, in January 2001, he was appointed as Director of Business Development at Pernod Ricard and then as Vice-President, Finance in 2003. He became the Deputy Managing Director in charge of Finance in September 2006.

Share Performance Over The Year

Denis Fiévet
Vice-President, Financial Communication & Investor Relations

“Boosted by the synergies unlocked by the Allied Domecq acquisition in terms of both commercial and structure costs, the year's share performance reflects the markets' confidence in Pernod Ricard's ability to create value, backed by a business model rooted in vigorous organic growth and an effective acquisitions strategy.

After a year focusing on consolidation in 2005/2006 during which the share price climbed 16.7% in line with the CAC 40 index, 2006/2007 saw the Pernod Ricard share gain 26.4%, surpassing the Paris market's leading index, which advanced 21.6%. The Pernod Ricard share price hit an all-time high of €165 on 29 May, to close at €163.95 at the end of the period.

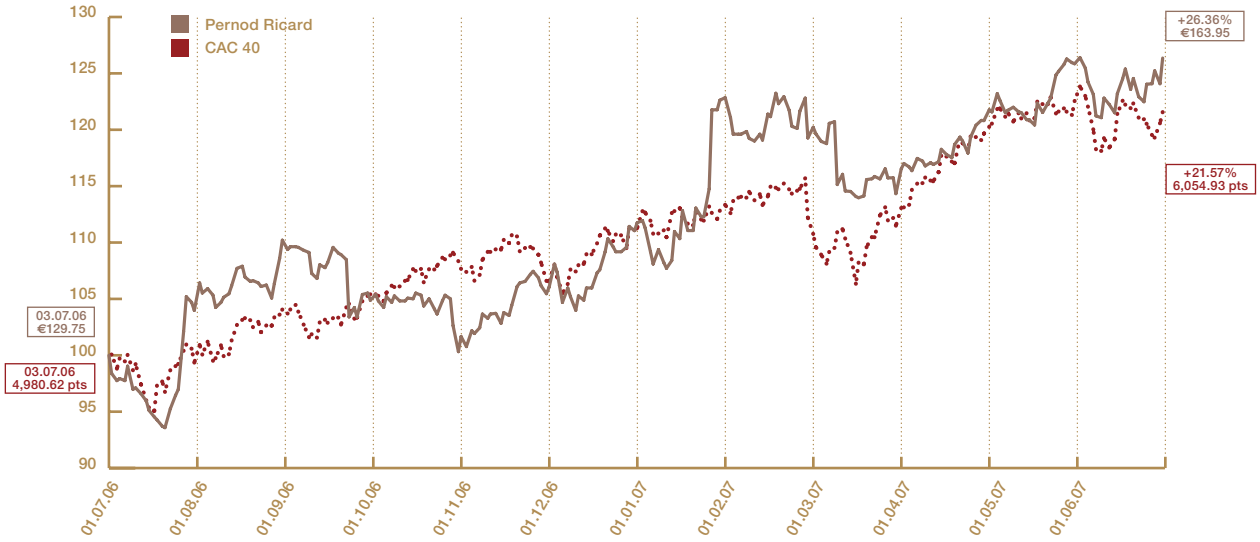
Robust organic growth in sales (+9.1%) and particularly in the 15 key brands (+13%), reflects the successful implementation of commercial synergies benefiting both the historical Pernod Ricard brands and the brands acquired from the integration of Allied Domecq. The merger of the sales networks throughout the world and the creation of a unique Premium wine and spirits portfolio enabled Pernod Ricard to deliver sales growth ahead of its key competitors.

Furthermore, the full-year impacts of the synergies unlocked in terms of structure costs, together with the contribution margin growth from portfolio brands, meant that advertising and marketing investments could be increased, primarily with new campaigns for Ballantine's, Beefeater and Stolichnaya. Pernod Ricard was thus able to press ahead with its strategy of value creation, while ensuring a sharp increase in operating profitability. The share performance reflects the renewed confidence of the financial community in the quality of the strategic choices made by Pernod Ricard and the Group's ability to deliver on the commitments made.”

26.4%
rise in the Pernod Ricard share price
in 2006/2007

The Annual Shareholders Meeting (November 2006)

A performance outstripping the CAC 40 index

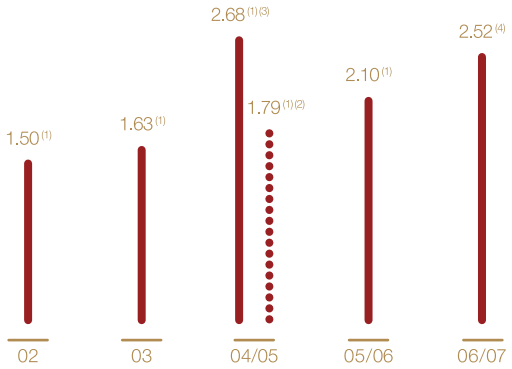


PERNOD RICARD AND THE CAC 40

Pernod Ricard is listed on the Paris stock exchange on the First Market (deferred settlement market) of Euronext Paris SA. The Group is a component of the CAC 40 index, accounting for 1.43% of this index's value (at 30 June 2007). The Pernod Ricard share is eligible for inclusion in the French share savings plan (Plan d'Épargne en Actions) and the Deferred Settlement Service.

+41%
rise
in dividend since 2005

Change in net dividend over the last 5 years



(1) Figures restated to take into account the distributions of bonus shares on 13 December 2003 and 16 January 2007.
(2) Pro forma 12-month period 2004/2005
(3) 18-month financial period
(4) Subject to approval by the Shareholders Meeting of 7 November 2007

An interim dividend of €1.26 per share was paid on 4 July 2007 in respect of the financial year 2006/2007. It is proposed to pay a balance of the same amount, leading to a total dividend payout of €2.52. Taking into account the distribution of bonus shares, on the basis of one new share for five shares held, which took place in January 2007, the dividend relating to the financial year 2006/2007 progressed by 20%. Since the Allied Domecq acquisition, this dividend has increased by 41%.

Pernod Ricard share identification

Codes

ISIN: FR0000120693	REUTERS: PERP.PA
BLOOMBERG: RI: FP	DATASTREAM: F: RCD

Share price performance and trading volumes on the Paris stock market over the last 18 months
(source: Euronext Paris S.A.)

Month	Volumes* (thousands)	Trading value (€ millions)	Average price* (€)	Highest price* (€)	Lowest price* (€)	Month-end price* (€)
Jan. 2006	9,239	1,160	125.59	130.42	122.33	127.50
Feb. 2006	13,308	1,636	122.95	131.50	116.92	120.67
March 2006	12,876	1,625	126.17	134.08	118.58	131.75
Apr. 2006	6,611	857	129.68	132.83	125.83	128.08
May 2006	10,067	1,278	126.92	129.92	122.67	126.92
June 2006	10,796	1,357	125.71	130.92	120.75	129.17
July 2006	17,300	2,191	126.63	138.25	120.42	135.83
Aug. 2006	7,850	1,084	138.04	144.00	133.83	141.92
Sept. 2006	13,278	1,849	139.25	144.58	132.00	136.75
Oct. 2006	10,646	1,439	135.21	137.67	130.17	130.75
Nov. 2006	22,069	3,006	136.19	140.83	131.08	139.33
Dec. 2006	9,193	1,286	139.87	145.33	134.58	145.00
Jan. 2007	16,123	2,371	147.03	162.50	138.17	157.10
Feb. 2007	7,494	1,173	156.53	162.00	151.10	155.99
March 2007	14,926	2,253	150.97	158.60	147.35	151.82
Apr. 2007	8,052	1,235	153.35	157.36	147.75	156.75
May 2007	9,054	1,443	159.40	165.00	155.60	163.29
June 2007	8,167	1,311	160.55	164.82	156.49	163.95

* Historical data has been restated to take into account the increase in the share capital via the capitalisation of reserves and the distribution of bonus shares effective as of 16 January 2007 on the basis of one new share for five old shares.

United Kingdom

MELISSA EARLAM

Executive Director
Head of European beverages equity research at UBS

What is your vision of the Group's strategy?

We see Pernod Ricard's strategy as twofold. It is focused on Premiumising its brands foremost, taking the view that brand building, pricing and Premium extensions are the most profitable sources of long-term sustained growth, a view which aligns the company to the strategy of luxury good players. We estimate that 65% of group EBIT is generated by brands which retail at greater than US$20 per bottle, falling into the "affordable luxury" category. The company is also focused on owning distribution, which allows it to better control the route to market; better and its local brand portfolio in markets such as Brazil, Mexico and India drives the volume to justify this distribution investment.

What do you see as Pernod Ricard's competitive advantage?

This focus on owned distribution, particularly in emerging markets (be in China, India or Russia) is a key competitive advantage, and a model which other Premium spirits companies are looking to replicate. Furthermore, the management's decentralised approach allows Pernod Ricard to respond rapidly to changes in market dynamics and capture opportunities swiftly on a country by country basis.

What are the future opportunities and challenges for Pernod?

Pernod Ricard's strong organic sales growth of 9.1% in 2007FY, illustrates that the first sources of revenue synergies from the Allied Domecq acquisition are already being leveraged. We believe that there is further scope for revenue synergies into 2008E.M&A remains high on the agenda for the management, and we would expect the next 6-12 months to see either the acquisition of the Stolichnaya brand rights or Vin & Sprit (Absolut's owner). Beyond Premium vodka, we believe Premium tequila remains a portfolio gap. We believe that the key challenge facing Pernod Ricard is increased competition in Premium spirits market such as China, and potentially India in the future. However, its first mover advantage, distribution and brand strength are strong defences.

The shareholders at the Annual Shareholders Meeting in 2006.

Establishing a dialogue with shareholders

25 years ago, Pernod Ricard created a magazine aimed especially at its shareholders. This initiative ahead of its time to inform shareholders continues to exist as of today. The spectrum of communication tools available has widened, and thanks to the Internet it can now reach a huge potential audience. Today, Pernod Ricard still applies the same exacting standards of rigour and quality in its communications and relationship with its shareholders.

Q&A WITH

Francisco de la Vega
Vice-President, Communications

What are Pernod Ricard's main objectives for shareholder communications?

Over the last few years, the Group has undergone major changes, first by withdrawing from the non-alcohol sector, and then by making major acquisitions in order to refocus on its core Wine and Spirits business. The role of the Communications team is to explain and support these developments, by anticipating the questions that may be raised by all the persons concerned, not only employees but also all those outside the company, starting with the shareholders. We have to make everyone aware of the radical change in breadth of the Group, as regards its international character but also with respect to the extent of its new brand portfolio and Premiumisation.

What are the main messages you try to get across?

We explain how the Group differs from its competitors, what makes it stand apart and gives it the capacity to progress. This is a business spirit that is specific to Pernod Ricard. We also explain our method of organisation and the advantages of decentralisation in motivating and enhancing the efficiency of our teams. Furthermore, we aim to improve awareness of the Group's will to act and the large number of initiatives it has taken with regard to the promotion of responsible drinking of its products.

How do you communicate in the same way all over the world?

Our sector is perpetually evolving and the sheer amount of brand news means that Pernod Ricard has to have an internationally effective communications system. We have to guarantee the quality and reliability of the information we provide and its delivery all over the world at the same time.

We have added interactivity to our ability to react quickly.

In 2006, we launched a new version of the Group's website, with more modern navigation features and high performing search engines. We now put press releases on-line, and thanks to this process our shareholders can have access to the latest information in real-time.

We also make sure that we coordinate perfectly with our network of communications specialists in our subsidiaries, especially as our exposure in the press and media has greatly expanded on an international basis. This leads to more and more press conferences being held outside France, as was the case this year in London, New York or Shanghai. The more we improve our communications with journalists, the better they will be able to pass on our information to our shareholders.

Career path:

Francisco de la Vega joined the Group in 1987 and successively held the positions of Marketing Manager of the alcohol business line; Group Vice-President, Marketing; Chairman & CEO of Pernod Ricard Canada, and then Chairman & CEO of Pernod Ricard Argentina up until 2003.

Information in real time

A new design for the corporate website

Pernod Ricard unveiled its new corporate website www.pernod-ricard.com in March 2007.
The website's modernised, Premium graphics reflect the Group's new dimensions. Its streamlined structure and straightforward browsing allow visitors to access information more easily. Individual shareholders, financial analysts, investors, journalists and potential candidates now have their own access points directly on the home page. In addition to information with regard to the Group's business, individual shareholders can also consult the current share price, see a video broadcast of the Shareholders Meeting, and retrieve all online publications. A special "Club Premium" section is accessible to club members.

130,000
individual shareholders

50,000 visits were made to the site every month.

1. Share price in real-time and its performance
2. The Annual Shareholders Meeting and conferences with the press and analysts are available live and recorded
3. All the annual reports since 1974
3. The shareholders' magazine, *Entreprendre*, since 2000
3. Financial presentations since 2001
3. A mini-website specifically for members of the "Club Premium"
4. Press releases since 1999 with the possibility to ask to receive them via e-mail
5. An interactive documentary on the Group's history
6. Brands' success stories

The "Club Premium"

Pernod Ricard created the "Club Premium" in 2006, with the goal of strengthening the Group's privileged relationship with its shareholders. The club is opened to all holders of twelve or more registered or bearer shares and membership is complimentary. Today it numbers 10,350 members. Various exclusive offers and services are available to them, such as discounted prices on products, Group production site tours, and cultural events. Over twenty events were offered during the 2006/2007 financial year. Australian wine tasting, Perrier-Jouët champagne sampling, a private guided tour of the Centre Pompidou, …were just some of the "Club Premium" events enjoyed by 2,000 participants this year.
For further information visit: www.pernod-ricard.com/fr/clubPremium

▸ The Premium Newsletter, for shareholders only

Launched in March 2006, the Premium Newsletter is addressed to all Pernod Ricard shareholders who are members of the "Club Premium". It is published quarterly, and provides Group financial news, an in-depth look at a major strategic area, and a detailed profile of a certain brand.

SHAREHOLDER'S AGENDA

- Combined Shareholders Meeting: **7 November 2007**
- 2007/2008 2nd quarter net sales: **24 January 2008**
- 2007/2008 interim results: **28 February 2008**
- 2007/2008 3rd quarter net sales: **30 April 2008**

1,500
people
attended the Annual Shareholders Meeting in November 2006

Entreprendre, an information magazine for shareholders and employees

To keep its shareholders and employees informed of Group news and the Wine and Spirits business, Pernod Ricard has been publishing a specialised magazine called *Entreprendre* since 1983. With a distribution of 70,000 copies in French, English and Spanish, *Entreprendre* is published twice a year and includes a special feature about a major topic of interest: responsible alcohol consumption, development of the Wine sector, discovering the Asian market, etc. The magazines also include such items as management analyses, Group financial news, or key brand performances.

Covers of the two issues of *Entreprendre* published in 2006/2007.

Point of view

France

PATRICK LIGONNET

A Pernod Ricard individual shareholder

How long have you been a "Club Premium" member?

I have owned Pernod Ricard shares since December 2002, and became a member of the "Club Premium" as soon as it was created, in 2006.

What are the advantages you see in being a member of this Club today?

Being a "Club Premium" member allows me to meet the people who are best placed to talk about their work, the Group's employees. Thanks to this membership, I have participated in philanthropic activities (guided tours of museums, exhibitions, etc). I've also been able to try new products at tasting sessions, and benefit from preferential rates, particularly during the end-of-year holiday season.

Is Pernod Ricard open to its shareholders?

The "Club Premium" is an excellent illustration of how the Group maintains a positive relationship with shareholders. Pernod Ricard is one of very few companies with a true shareholders' club offering activities related to its business and to the values it promotes.

Which information sources do you find the most useful?

I feel that the whole range of Pernod Ricard's communication tools, *Entreprendre* magazine, the Premium Newsletter and its website, contribute to broadening shareholders' knowledge of the Group and of the Wine and Spirits segment.

In general, how would you rate the Group's attention to its shareholders?

The Group shows sincere interest in its shareholders, which is a "win-win" strategy: Well-informed shareholders can become effective ambassadors for the Group and its brands.

PERRIER-JOUËT CUVÉE BELLE ÉPOQUE

produced in EPERNAY **enjoyed in TOKYO**

"The Cuvée Belle Époque by Perrier-Jouët is a work of elegance and finesse. The 1999 vintage is straw-coloured with jade highlights, pointing to its significant Chardonnay presence. The nose is of white flowers, as if alluding to the anemones of Emile Gallé, master glassmaker of the Art Nouveau movement. More than just a great wine, Belle Époque is a work of art created in a single, instinctive and passionate brushstroke of the painter."
Hervé Deschamps, Chef de Cave at the House of Perrier-Jouët

Entrepreneurial spirit and conviviality

The quality of human relations within Pernod Ricard and the common values shared by all employees are a key factor in the Group's success, and play a vital role in motivating and integrating new teams. In 2006/2007, Pernod Ricard continued with its human resources management policy aimed at boosting career development by offering training and mobility opportunities. Today, the Group's priority is to broaden the international perspective of its managers.

Q&A WITH

Bruno Rain
Deputy Managing Director in charge of Human Resources

What have been the year's most important developments?

In a decentralised group, mobility is a very important way of spreading corporate culture and transferring know-how. In the early years of its development, Pernod Ricard relied mainly on French expatriates. Today, it is vital for us to leverage the potential of employees who have joined our Group in all four corners of the globe. This is the reasoning behind the "Career Committees", which have been set up to promote international mobility opportunities. Managed by the Group's Human Resources department, Career Committees have been created for each key functional area and are composed of the Directors of Human Resources of Pernod Ricard's direct subsidiaries and the person in charge of the function (Marketing, Finance, etc.) at the Holding Company. The aim of the Committees is to identify all positions available in each of the Group's mid-term key functions and to share ideas on potential candidates.

In concrete terms, what does this initiative bring?

This approach has enabled us to enlarge our talent management policy to include our youngest and most mobile employees. We are now in a better position to identify high-performing employees in the Group on an international scale and to ensure that these employees can benefit from mobility opportunities at our different subsidiaries throughout the world. By identifying potential early on, we can better enhance employees' commitment to the company, notably by offering an attractive international mobility policy.
At the same time, we are pursuing our Potential Development Review (PDR) process, which is designed to provide replacements for positions within the Group's General Management by identifying managerial grade staff who would be capable of holding senior management posts in our key subsidiaries.

What other measures have you put in place for managers?

Two initiatives were launched in 2006/2007. Firstly, we introduced a new stock option programme and free share plan, which increased the number of beneficiaries of these Group incentives. In this regard, we feel it is important to involve employees in the Group success. Secondly, we have set up a specific Management training course alongside the many training programmes available to all managers at our Professional Training Centre. The course is taught by experts from the graduate business school INSEAD, and has been designed to develop the expertise, leadership qualities and managerial abilities of our managers of tomorrow. 30 managers from all over the world attended the training course this year.

What challenges are currently facing the Group?

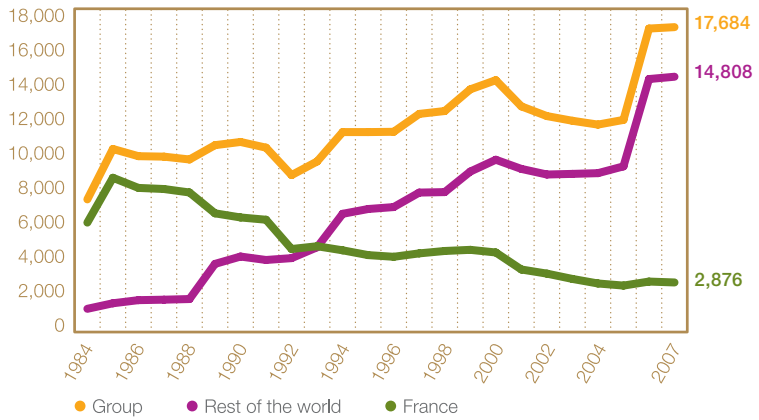
While our organisation is already very efficient, it can still be optimised further. This is why we launched a large-scale project in October 2006 with the aim of improving the way the Group functions at all levels of the entity. Human Resources is a key part of this initiative. To strengthen coherence, we have begun to pool the various support functions of subsidiaries operating in the same geographic area or involved in the same type of business. This cross-functional management approach not only generates synergies but also encourages interaction and joint initiatives between subsidiaries.

Career path:

Bruno Rain has joined the Group in 1987 as Internal Auditor at the Holding. In 1989, he is appointed Finance and Administration Director at SEGM (presently Pernod Ricard Europe), before becoming the Group Finance Director in 1994. In 1997 he is appointed Chairman and CEO of Pernod Ricard Argentina and becomes, three years later, Chairman and CEO of Pernod Ricard Larios, today Pernod Ricard España, before becoming Deputy Managing Director in charge of Human Resources in 2006.

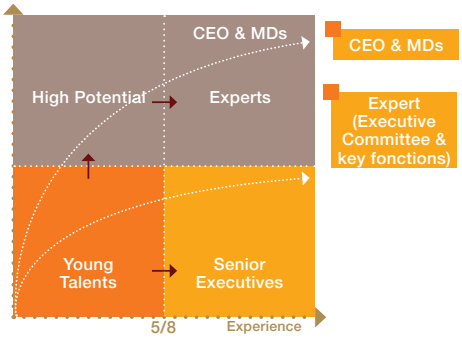
Pernod Ricard employees

Change in the number of worlwide employees since 1984



From 1 July 2006 to 30 June 2007, the number of Pernod Ricard employees remained mainly stable, following a sharp increase in 2005/2006.

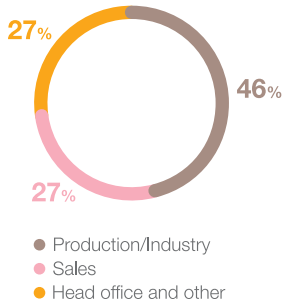
The PDR process



To identify high-potential employees, defined as those who are expected to be able to assume key positions as Managing Directors or Experts in key functional areas, the PDR (Potential Development Review) process takes place in four stages:

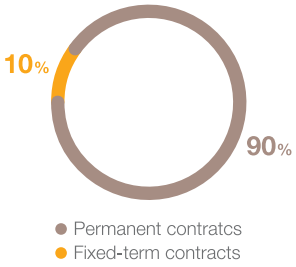
- identifying their professional and language skills;
- evaluating their professional qualities on the basis of a set of standards common to all the Group's subsidiaries;
- evaluating their potential for development and mobility;
- defining an individual career development plan aimed at enhancing all the skills of each of these employees.

Breakdown of workforce by sector



The Group's workforce has been divided into three sectors of activity. The structure of the Group is relatively similar to 2005/2006. The largest number of employees work in the Production sector, which alone accounts for almost one half of the Group's workforce.

Breakdown of workforce by type of employment contract



At 30 June 2007, Pernod Ricard's staff consisted of 15,852 employees on permanent contracts and 1,832 employees on fixed-term contracts. Moderate use continues to be made of fixed-term contracts in the various regions; however, the proportion of fixed-term contracts is relatively significant in the Pacific region, which alone accounts for one-half of all employees on fixed-term contracts, reflecting the big demand for seasonal labour in the wine-growing sector.

Testimonial

China - France

LIYA ZHANG

From Pernod Ricard China
to Pernod Ricard Singapore
via Martell (France)

After graduating from the Fudan University of Shanghai, I held a number of sales positions in central China, before joining Pernod Ricard China's Marketing department. While I was there, I was invited to spend two years as a product manager for Martell in Paris. This was a brilliant experience for me from both a personal and professional perspective, as it allowed me to discover how marketing worked at a Brand Owner. It also gave me an insight into French culture.

I think Martell strongly valued my knowledge of the Chinese market, particularly amid the strong economic growth the country is experiencing. I never felt like a foreigner in France. The conviviality and friendliness of everyone in the Group is a reality, and bears testimony to the importance Pernod Ricard places on the women and men making up its teams.

I'm soon to take up my new position as marketing manager at Pernod Ricard Singapore. The Group has therefore allowed me to evolve and has fully satisfied my own professional expectations, something quite rare if I compare myself to most of my friends from university, who have often found themselves having to change companies.

From top to bottom:

- The Pernod Ricard Training Centre created in 1992 and based at Château de La Voisine in the Paris region.
- Marketing seminar co-organised with HEC Executive Education at the Pernod Ricard Training Centre.

Training

Induction seminars

Alongside the training programmes available to staff members, induction seminars have been designed for new managers joining the Group. Three one-week seminars are offered each year, during which participants meet Managing Directors and Management Committees from a wide range of Group entities, including the Group Holding Company, regional holding companies and the main Brand Owners. Nearly 80 employees attended these seminars in 2006/2007.

Skills development seminars

In addition to the locally-run training courses offered by each Pernod Ricard subsidiary to its employees, the Group proposes a catalogue of skills development seminars in conjunction with external partners, such as the HEC Executive Education in Marketing and Finance. These seminars, which take place at the Pernod Ricard Training Centre, are designed to promote best practices and the core principles underpinning the Group's policies in each functional area, including marketing, finance, sales, manufacturing, communication, public speaking, legal affairs and human relations. Specifically designed for the Wine & Spirits business, these training courses are unusual in that they offer employees the possibility to learn about functional areas other than their own. A total of 37 seminars were held in 2006/2007, attended by almost 500 employees from all four corners of the globe.

Point of view

BRUNO DE MONPLANET

Human Resources Management and Training Director

What are the challenges of a pro-active training policy?

Companies which stand the test of time are those which show their ability to adapt to the changing world around them. There are times when a company's know-how, product range and employee relations are in tune with this environment. At other times, companies find themselves having to make adjustments to keep up with the outside world, to adapt their marketing and financial strategy, as well as their organisational structure or production methods. For this reason, companies have to help their employees adapt, and this is the challenge underpinning the pro-active training policy to which Pernod Ricard is firmly committed.

What are the goals of this training policy?

At Pernod Ricard, training is an integral part of Human Resource management. It is an invaluable tool for partnering all of our employees throughout their career and helping them to successfully integrate within the Group and share its values. Training programmes are designed to contribute to the development of each employee from both a personal and professional perspective. The edge we hold over our competitors lies not only in the strength of our brands, but also in the human quality of our teams. This is why our training policy places equal importance on enhancing employees' leadership and interpersonal skills, as on developing their knowledge of the Group's activities and its best practices.

What are the specific features of training at Pernod Ricard?

Firstly, the Group has special off-site training premises in the form of the Pernod Ricard Training Centre based at the Château de La Voisine in the Rambouillet forest near Paris. The Centre is a formidable means of enhancing integration and meets four different goals: training participants in the specific requirements of the Wine & Spirits business, developing "cross-fertilisation" by fostering exchanges between employees from different subsidiaries, encouraging a multi-cultural approach, and promoting Pernod Ricard's culture and values.

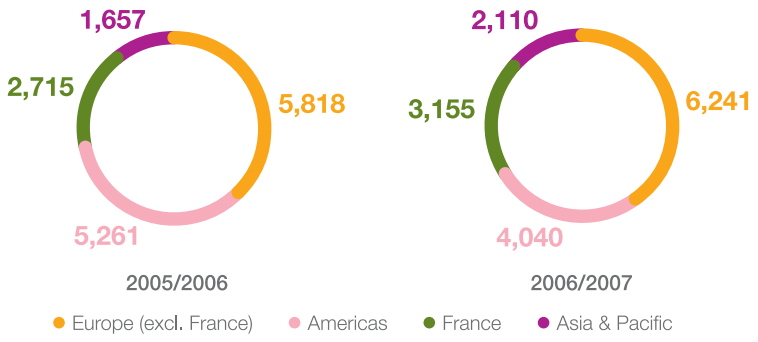
Another aspect of our training policy lies in the effective role played by Group General Management, the Chairmen & Chief Executive Officers of our subsidiaries and their Management Committees in welcoming employees who have recently joined the Group. During the induction seminars held three times a year, these senior managers personally present their companies and their roles, and answer questions from participants. These training sessions are of interest because they enable the Group's employees to get to know one another and help form close-knit teams composed of individuals from a wide variety of geographical backgrounds.

Management training

This year, a new "General Management Programme" was set up in conjunction with the graduate business school INSEAD. The first-ever three-week training course was held in Singapore, the United States and Fontainebleau in France in 2006/2007; it combines a reflection on strategy and the ability of each subsidiary to deal with an international competitive environment with a reflection by the manager about himself and his capacity to drive change. The programme also seeks to develop a creative and innovative approach to the business, by encouraging participants to think out of the box. Some 30 managers attended this programme in 2006/2007.

Participants in the General Management INSEAD Pernod Ricard Programme.

Investment in training (in thousands of euros)



17,684
employees
(on both permanent and fixed-term contracts) at 30 June 2007

69%
of employees
received training (12,183 people) in 2006/2007

Training budget expressed as a percentage of payroll

Training budget expressed as a percentage of payroll	2005/2006	2006/2007	Variation 2007 vs 2006
France	2.09%	2.37%	13.40%
Europe (excl. France)	2.25%	2.57%	14.22%
Americas	2.85%	2.56%	-10.18%
Asia & Pacific	1.51%	1.58%	4.64%
Total	2.26%	2.34%	3.54%

15
million euro
invested in training (2.34% of payroll)

Training costs per region

	Training costs 2006/2007	Number of beneficiaries	Costs per beneficiary (in euros)
France	3,155,300	1,893	1,667
Europe (excl. France)	6,240,681	3,186	1,959
Americas	4,040,188	4,099	986
Asia & Pacific	2,109,452	3,005	702
Total	15,545,621	12,183	1,276

Average costs of
1,276
euro
per employee trained

During the year, 12,183 employees received training. Just over €15 million was invested for this purpose, representing 2.34% of total payroll. The average cost per beneficiary was €1,276.

From top to bottom:

- The members of the Pernod Ricard European Works Council at the meeting held in Cork, Republic of Ireland, in November 2006.
- The European Works Council Newsletter has been distributed to all Pernod Ricard employees in the 25 countries of the European Union in which the Group is present.

Promoting a constructive labour dialogue in Europe

Created in 1999, the Pernod Ricard European Works Council provides a privileged setting for information exchanges and consultations between the General Management of the Group and employee representatives from its subsidiaries in the European Union. The Works Council has 23 members from 12 European countries. At the end of 2007, Poland and the Czech Republic – observer members since 2004 – joined the Committee at the time of its planned reorganisation made necessary by the Allied Domecq acquisition.

At the meeting held on 22 November 2006 in Cork, Republic of Ireland, discussions focused on how best to disseminate Pernod Ricard's values and promote a high-quality dialogue between management and employees. The meeting also looked at a number of different issues from a labour standpoint, including equal opportunities, outsourcing practices, logistics organisation, internal mobility, and growth and performance of the Group. Training was also high on the agenda, as were Quality-Safety-Environment issues, which are closely monitored by Pernod Ricard.

A fair and motivating remuneration policy

The Pernod Ricard Group motivates and enhances employees' commitment to the company by offering a fair remuneration package, linked to individual achievement. The Group has designed a competitive remuneration policy in relation to local practices, which enables it to reward each employee for his or her performance. As far as possible, employee remuneration includes a variable portion based on the results of the subsidiary the employee works for. 30% of employees across the globe received a share of profits in 2006/2007. The Group also endeavours to involve its employees in the development of the company by encouraging employee share ownership. This year, on the recommendation of the Remuneration Committee, Pernod Ricard set up a stock option programme accompanied, for the first time, by a free share plan.

Point of view

ÉRIC DOUVIER

Director of Human Resources
at Martell Mumm Perrier-Jouët

Premiumisation also applies to Human Resources

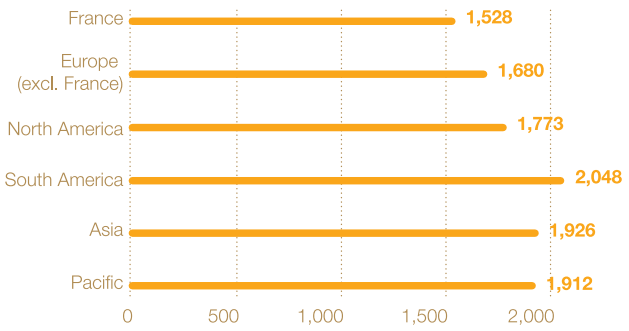
At Martell Mumm Perrier-Jouët, the Human Resources department has launched a process looking into how labour relations can be boosted. This involves an approach echoing the "Premiumisation" efforts undertaken in respect of the product portfolio.

In order to redefine the framework for employment relations, the subsidiary has taken a series of active steps aimed at improving career management. These include drawing up new job descriptions, streamlining organisations and stepping up training initiatives. The subsidiary is also rethinking all of its rules and regulations to ensure greater transparency in terms of its labour policies. Similarly, in-house exchanges are promoted, including lunch meetings based around specific topics between employees and members of the Management Committee, regular management meetings, annual meetings with all employees, and the creation of an Intranet site featuring a dynamic organisation chart.

Another aspect of the Human Resources Premiumisation policy consists in partnering employees more closely along their career path. Martell Mumm Perrier-Jouët has rolled out a number of initiatives in this respect, including a management training cycle spanning several years, career development interviews for all staff members, entertaining training sessions on the supply chain for operators, and an individual professional development plan. These actions are designed to reinforce motivation and enhance employees' sense of belonging, and stem from a belief that the commitment of each employee plays a natural part in improving the performance as a whole.

Lastly, Martell Mumm Perrier-Jouet's refocused Human Resources policy includes planning for the future. The subsidiary is updating the existing retirement schemes and is working to ensure that knowledge is handed down from one generation to the next. This approach which is already under way in the cognac division, is to be extended to champagne.

Average annual working time in hours per region



Working time

	No. of days worked per person	No. of hours worked per day	Annual working time in hours
France	198	7.71	1,528
Europe (excl. France)	225	7.47	1,680
North America	232	7.64	1,773
South America	246	8.33	2,048
Asia	247	7.80	1,926
Pacific	239	8.00	1,912

THE PERNOD RICARD CHARTER

Every new Group employee is given the Pernod Ricard Charter, which includes a Code of Professional Ethics setting out the following rules to be strictly adhered to:

- Abide by the law;
- Act openly and transparently and be trustworthy;
- Behave impeccably and respectfully towards shareholders, customers, consumers, public authorities, suppliers, competitors and colleagues;
- Guarantee quality and safety;
- Respect the environment;
- Put the Group's interest ahead of personal interests in the performance of employment duties;
- Offer equal opportunities and look for possibilities of professional development for all employees;
- Comply with commitments made by professional organisations dealing with the social aspects of alcohol, and in particular personal alcohol consumption.

Testimonial

France - Australia

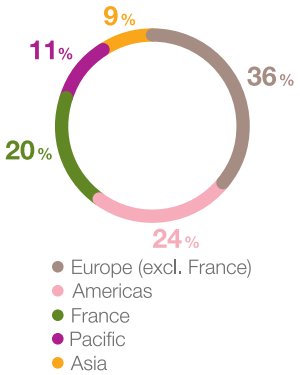
PIERRE-YVES CALLOC'H

From Ricard SA to Pernod Ricard Pacific

After two years as Information Systems Director at Ricard in Marseilles, I had the opportunity of heading up the Information Systems department at Pernod Ricard Pacific, based in Sydney. It was an opportunity for mobility that both my family and myself had been hoping for, although we could never have imagined moving so far away from Provence. What impresses me here is the sheer distance between places. The move was also a chance for me to discover the ins and outs of the wine business as well as the strong international dimension of our customer markets.

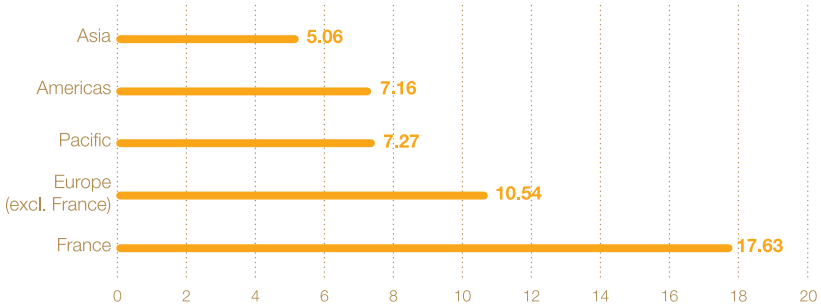
We are also in contact with all of the Group's Brand Owners for which we manage distribution. The Australian subsidiary joined Pernod Ricard in 1989, while Montana in New Zealand only came onboard in 2005. Obviously, this has meant a certain difference in the degree to which the Group's corporate culture has been assimilated, particularly in the case of companies located far from Europe. However, our New Zealand colleagues have a firm belief in their new culture, and have learned that decentralisation is more than just a word!

Payroll per region



The Group's total payroll amounted to €668 million at 30 June 2007.

Average lenght of service at 30 June 2007

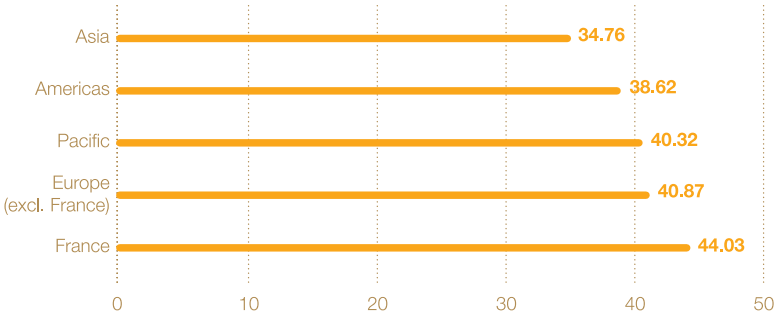


The average length of service of employees is 9 years and 9 months: 10 years and 3 months for men and 9 years and 1 month for women.

40 years
and 1 month

The average age of Group employees (40 years and 9 months for men and 38 years and 8 months for women)

Average age by region at 30 June 2007



Testimonial

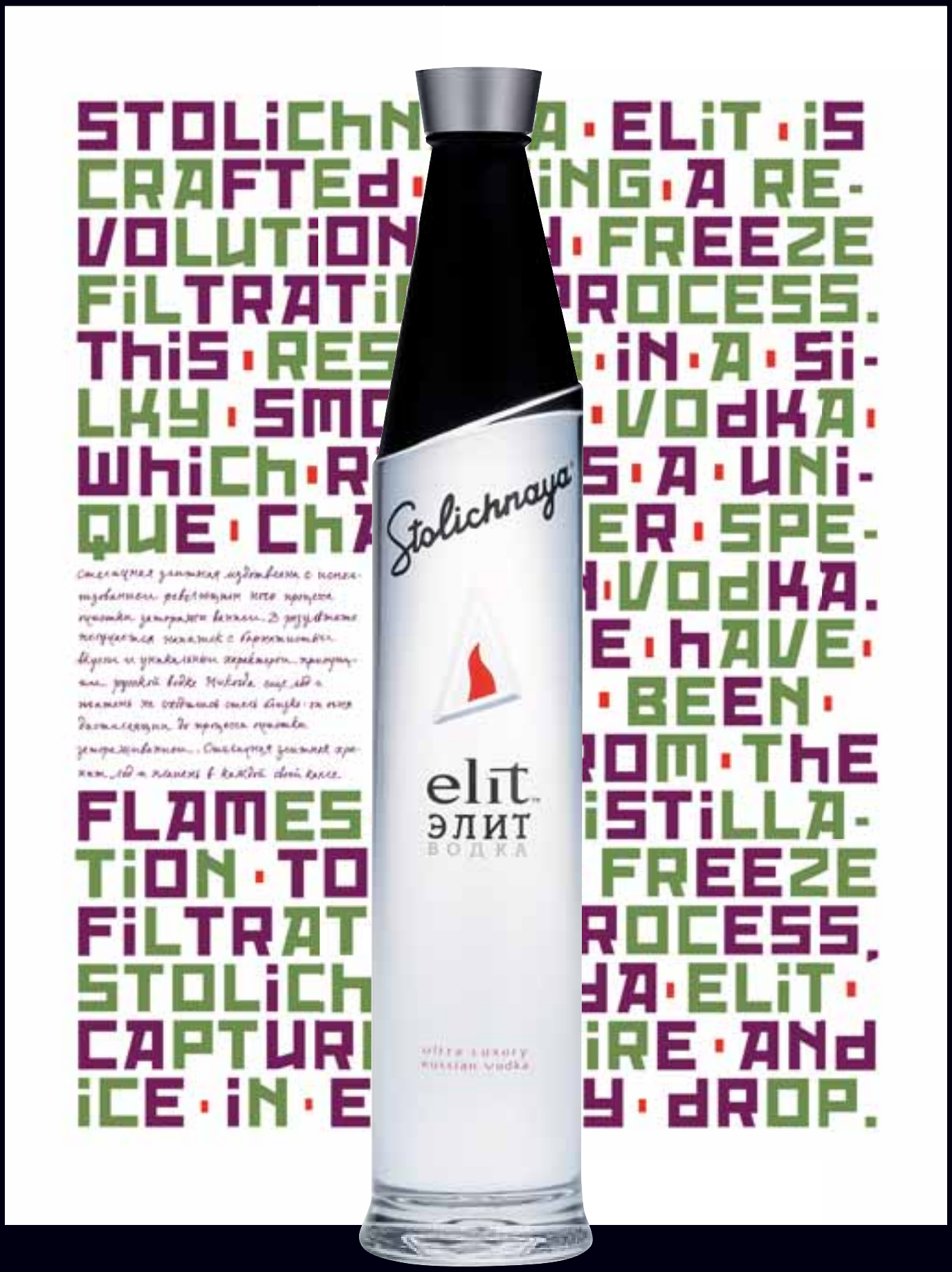
India - Ireland

MOHIT LAL

From Pernod Ricard India to Irish Distillers

When I visited Irish Distillers during my Pernod Ricard induction seminar a few years ago, I never imagined that one day I would be heading up the Finance Division of this historic Group subsidiary. Before joining Irish Distillers, I was Finance Director of Pernod Ricard's Indian subsidiary. This position was a real challenge for me, with a five-fold increase in the company's volumes in the space of seven years, and the creation of a distribution activity in the Persian Gulf.

Since I arrived in Ireland with my family, the warm welcome and friendly working atmosphere have been instrumental in making us feel at home. At Pernod Ricard, decentralisation is a real way of functioning, with the focus being on efficiency and results. The Holding Company fulfils its role as shareholder by encouraging an entrepreneurial approach among its teams and allowing decisions to be made in close proximity to the markets. My current experience has made me appreciate the truly global nature of the Group and has convinced me of its recipe for long-term success, a success that I certainly want to be a part of!

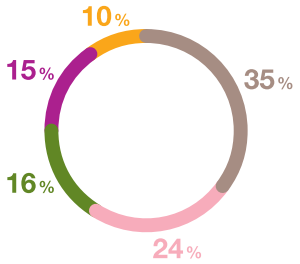


STOLICHNAYA ELIT

produced in RUSSIA **enjoyed in SAN FRANCISCO**

Stolichnaya Elit is crafted using a revolutionary freeze filtration process. This results in a silky smooth vodka which retains a unique character specific to Russian vodka. Never before have fire and ice been so close, from the flames of distillation to the freeze filtration process, Stolichnaya Elit captures fire and ice in every drop.

Breakdown of workforce worldwide at 30 June 2007



- Europe (excl. France)
- Americas
- France
- Pacific
- Asia

84% of the Group's workforce are based outside France and 50% outside Europe.

Breakdown of workforce worldwide

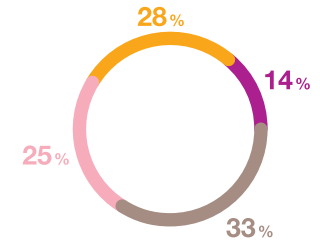
	Dec. 2003	June 2005	June 2006	June 2007
France	3,081	2,695	2,928	2,876
Europe (excl. France)	4,521	4,647	6,212	6,062
Americas	2,517	2,612	4,567	4,265
Asia	1,007	1,147	1,511	1,849
Pacific	1,128	1,203	2,384	2,632
Total	12,254	12,308	17,602	17,684

Staff turnover

	Number of resignations	Turnover rate	Average no. of employees on permanent contracts
Production and distribution workers	215	4.1%	5,261
Office staff	440	11.1%	3,964
Foremen and supervisors	416	9.1%	4,580
Executives and managers	115	4.9%	2,353
Total	1,186	7.3%	16,158

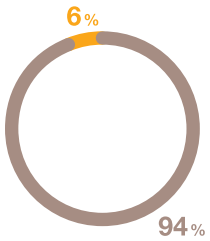
Most additions to the Group's staff consisted of external hires (2,358), chiefly in the Americas and Asia, regions enjoying particularly robust growth. The turnover rate was 7.3% based on the average number of employees on permanent contracts, or 6.7% based on the average total number of employees.

Breakdown of workforce by employment category

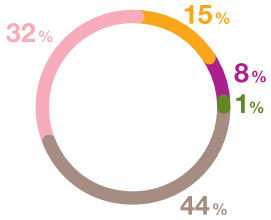


- Production and distribution workers
- Office staff
- Foremen and supervisors
- Executives and managers

Movements in personnel



- External hires
- Group transfer



- Resignations
- Redundancies
- Other dismissals
- Retirements
- Deceases

Testimonial

South Africa - France

FERGUS FITZGERALD

From Pernod Ricard South Africa to Ricard SA

I began my career with the Group when I joined Irish Distillers in 1996, but I was almost immediately transferred to South Africa to take charge of the already fast-growing Jameson brand. There, I held a number of different positions, including Domestic Sales Manager and Marketing Manager, in a decade which saw a strong growth momentum in this market. I learned a lot from this first international mobility experience, and lived through some truly exceptional moments.

What amazed me was the discovery that the expression "The more it's different the more it's the same" actually held true: on very different markets, the same key principles apply, in the same way as our positioning with regard to our international brands.

I have been Regional Sales Manager at Ricard in Toulouse for a year now. I'm very impressed by the strength of the Ricard brand in France, and my vision of the Group has been confirmed: despite our different backgrounds, we all share a single culture and embrace the same values.

Absenteism

% rate of absenteeism	Illness	Maternity leave	Workplace accidents	Travel to work accidents	Other	Rate of absenteeism
France	3.07	0.53	0.24	0.07	0.29	4.22
Europe (excl. France)	2.46	1.01	0.14	0.01	0.10	3.76
Americas	2.08	0.48	0.26	0.00	0.04	2.88
Asia & Pacific	0.99	0.97	0.36	0.00	0.17	2.50
Group average	2.01	0.77	0.23	0.02	0.13	3.17

Overtime

Overtime as a % of annual working time	June 2006	June 2007
France	0.50	0.81
Europe (excl. France)	1.50	1.91
Americas	6.90	4.81
Asia & Pacific	3.70	3.99
Group average	2.70	3.03

Focus

Uniting values

Pernod Ricard participates actively in the personal development of its employees and encourages them in return to apply in practice these five key values:

- **Conviviality**
  At Pernod Ricard, conviviality strengthens team cohesion and facilitates the sharing of information. Hence, exchanges between countries, subsidiaries and above all people are encouraged. Conviviality is a value naturally shared at all levels by everyone. It is above all a state of mind.

- **Simplicity**
  Within Pernod Ricard, teams are of a manageable size and hierarchy is reduced, enabling everyone to express their point of view openly and without hindrance.

- **Entrepreneurial spirit**
  Pernod Ricard considers every employee to be a local expert, and has therefore chosen to focus on decentralisation. Decisions are thus taken as close to the field as possible. This system encourages initiative and creativity. The entrepreneurial spirit of everyone at Pernod Ricard is expressed on a daily basis.

- **Integrity**
  All employees are encouraged and trained to work in an ethical and transparent manner. Shareholders, customers and consumers may therefore have full confidence in the reliability of information disclosed by the Group and its involvement in the local community.

- **Commitment**
  Pernod Ricard employees are proud of their products and are committed to respecting and developing the Group brands ; the Group is in turn committed to respecting its employees and their cultural diversity.

Disabled employees

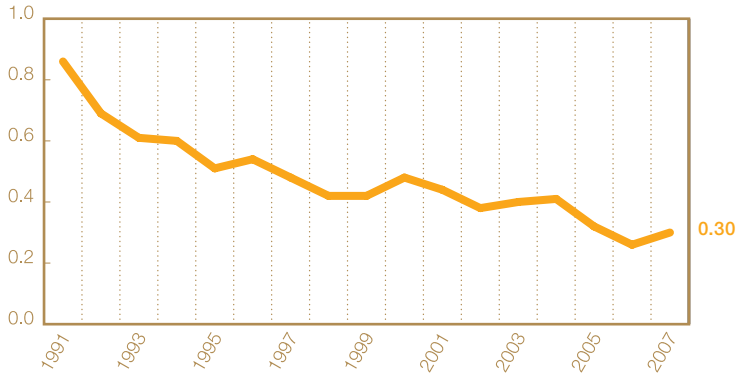
99 out of the 127 Group employees classified as disabled work in France. In a number of countries, such a distinction is considered to be discriminatory. The total provided is therefore much lower than it is in reality due to local practice.

Payroll charges

On a worldwide basis, the average charges payable by employees amount to 12.87%, while the average charges borne by their employer amount to 28.92%. The Group's subsidiaries pay social charges corresponding to the amount provided for by law, and in certain cases (e.g. retirement contributions) in excess of this statutory amount. The average payroll charges in France are 22.84% for employees and 49.60% for the employer.

Severity rate of workplace accidents

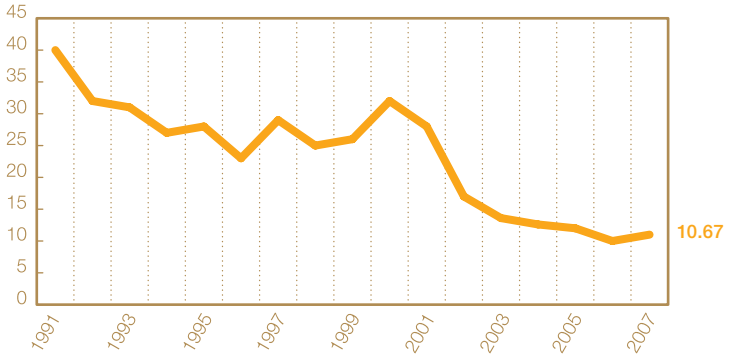
Severity rate of workplace accidents*	2003	2006	2007	2007 vs 2006
France	0.76	0.35	0.32	-8.57%
Europe (excl. France)	0.23	0.12	0.19	58.33%
Americas	0.21	0.23	0.30	30.43%
Asia & Pacific	0.49	0.47	0.46	-2.13%
Average	0.40	0.26	0.30	15.38%



* **Severity rate=** (number of work days lost due to workplace accident over the number of hours worked) x 1,000

Frequency rate of workplace accidents

Frequency rate**	2005	2006	2007	2007 vs 2006
France	20.40	13.75	14.18	3.13%
Europe (excl. France)	2.90	5.38	4.62	-14.13%
Americas	9.20	8.80	13.60	54.55%
Asia & Pacific	13.30	0.66	0.58	-12.12%
Pacific	32.02	28.10	25.15	-10.50%
Group	12.00	10.20	10.67	4.61%



** **Frequency rate=** (number of workplace accidents resulting in lost worktime during the year over the number of hours worked in the year) x 1,000,000

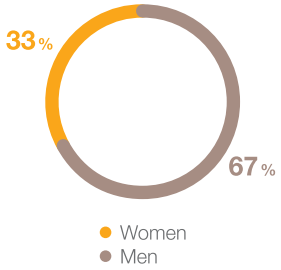
Gender parity

	No. of employees	External hires
Women	5,821	839
Men	11,863	1,519

Proportion of women in the group by professional category

	Production and distribution workers	Office staff	Foremen and supervisors	Executives and managers
Number of women by professional category	1,360	2,460	1,420	581
Proportion of women by professional category	23%	56%	29%	24%
Number of men by professional category	4,644	1,922	3,465	1,832

Breakdown of workforce by gender at 30 June 2007



The proportion of women in the Group is unchanged from last year. Women represent one-third of Pernod Ricard's workforce. 36% of external hires in 2006/2007 were women.

Testimonial

Brazil - Scotland

GUSTAVO ZERBINI

From Pernod Ricard Brasil to Chivas

I started my career in wine & spirits marketing by focusing on strong brands in the Brazilian market, such as Natu Nobilis whisky and Almaden wine. Following a training period in Scotland and London, I've been based in Miami for the past year where I am responsible for most Central and South American markets for Chivas.

Holding a sales position at a leading international brand, and living and travelling abroad have presented a dual challenge for me. Now I have a good overview of our markets and their very different consumer behavioural patterns, even when they are located in the same cultural region.

What I really enjoy in my day-to-day work alongside our subsidiaries is the easy friendliness when talking to people, and the short decision-making circuit which remains close to market needs. My vision of the Group as promoting the values of conviviality and strong interpersonal relationships has not changed and has on the contrary been reinforced, particularly following the Group's annual Sales and Marketing meeting in Les Embiez (in the south of France).

The Pernod Ricard teams applauded by Patrick Ricard at the Sales and Marketing meeting in Les Embiez in April 2007.

Promoting responsible drinking

The self-discipline that Pernod Ricard has always shown in promoting responsible drinking has now been taken on board by all of its subsidiaries, including subsidiaries operating in countries where the local regulations on these issues are the least strict. In 2006/2007, the Group undertook a number of new initiatives and commitments in this area, particularly at the level of the European Union.

Q&A WITH

Jean Rodesch
Responsible for coordinating social responsibility policy

You are in charge of coordinating Pernod Ricard's social responsibility policy at international level. What were the major events of the 2006/2007 financial year?

It was an extremely active year in this arena, beginning with the Annual Shareholders Meeting in November 2006, where Patrick Ricard announced two important initiatives: First, the progressive inclusion of a pictogram alerting pregnant women to the dangers of alcohol consumption on all of our bottles marketed in Europe, and secondly, the adoption of a message urging moderation and responsible drinking in advertising for all our brands around the world. We were also signatories of the "Alcohol and Health" forum set up by the European Commission, which represents a concrete commitment to support or initiate actions aimed at reducing the harmful effects of alcohol abuse. And finally, we multiplied our preventative actions outside Europe, in countries such as Mexico, Venezuela, China, the United States and Australia.

How do you implement this ambitious policy?

We are a decentralised group, but our major social responsibility principles are laid down by the Group Executive Committee. Each Brand Owner and Distribution Subsidiary is required to integrate these principles into their activity, and also to take into account requests expressed locally within society or by local governments. We established a network of "social responsibility correspondents" this year to facilitate sharing of good practices; it currently includes around forty people from all over the world.

In your opinion, should alcohol-related public health policies be defined at global or at local level?

Drinking habits vary between countries and continents, so the local level is of clear relevance. National or local priorities may also differ, such as for example preventing binge drinking in the United Kingdom or Ireland, or prevention of drink driving in France. However, we believe that certain issues merit a response at the global level. This is why we would like our Industry to formulate international commitments in line with the World Health Organisation's desire for stronger policies combating alcohol abuse.

Career path:

Jean Rodesch is a Belgian legal expert. He began his career in the legal departments of European Union institutions before working in the private sector in the food industries. He joined Pernod Ricard twelve years ago as Director of European Affairs, based in Brussels, and has been the company's Vice-President for Institutional Affairs for the past three years.

A global commitment

Pernod Ricard has a long tradition of working to prevent alcohol abuse or inappropriate alcohol consumption. The Group's commitment dates back to 1971 when Jean Hémard, then Chairman of Pernod SA, founded the Institut de Recherche et d'Etudes sur les Boissons (IREB) to research drink-related issues. Numerous responsible drinking associations sprung up in its wake, in which the Group has invested considerable human and financial resources. These include *Entreprise & Prévention* in France, Federación Española de Bebidas Espirituosas (FEBE) in Spain, Mature Enjoyment of Alcohol in Society (MEAS) in Ireland, Fundación de Investigaciones Sociales A.C. (FISAC) in Mexico, and The Drinkaware Trust in the United Kingdom.

Pioneering initiatives

The 2006/2007 financial year saw the Group reinforce its commitment to these issues with a number of homespun initiatives directly targeting consumers. These initiatives were designed to minimise risky consumption, primarily through an uncompromising ethical advertising policy.

Alcohol and pregnancy: A unique initiative in Europe

In 2005, the French Parliament took a stand against what it saw as a continued lack of information about the risk of alcohol consumption during pregnancy (Foetal Alcohol Syndrome, or FAS). An amendment was adopted requiring a warning to this effect to be included on all alcoholic beverages. In October 2006, the government recommended that the message be represented by a pictogram.

Convinced of the need to inform the greatest possible number of consumers within the European single market about the dangers of alcohol consumption during pregnancy, Pernod Ricard has gone a step ahead of current regulatory requirements and decided that from 2007 onwards, all products marketed by the Group in the 27 countries of the European Union would carry this pictogram.

Responsible drinking messages featured in advertisements across the globe

The Group was also a pioneer in requiring that all its brand advertising (both print and audiovisual formats), including online advertising, carry a responsible drinking message or moderate drinking message adapted to local markets and cultures. This decision has been fully operational since the beginning of 2007. In Europe, the Group's initiative looks ahead to the European Spirits Organisation's Charter on Responsible Alcohol Consumption, which provides that all advertising should include responsible drinking messages by 2010.

In the large majority of the world's other regions, where rules on advertising are much more flexible, the Group's innovative action is a first. In China, the responsible drinking message has been tailored to the key local concerns of public healthcare professionals. All of the Group's Chinese advertisements now display the message "Do not drink if you are underage or if you are driving", accompanied by a logo depicting keys being passed from one hand to another with the aim of popularising the "designated driver" concept. In France, Pernod and Ricard have recently added a reference to the website 2340.fr to their statutory warning on brand advertisements. The name of this website, an initiative of *Entreprise & Prévention,* refers to the safe drinking limits defined by the World Health Organisation.

Dedicated advertising campaigns

Brand Owners and Distribution Subsidiaries are also asked to integrate the concept of responsible drinking as far as possible into their corporate communications or brand advertising initiatives.

In this way, the strength of a given brand is used to drive home a responsible drinking message to the consumer. Pernod Ricard USA spearheads the Group's efforts in this area, with its decision to invest 15% of its strategic brand advertising communications in responsible drinking advertisements.

From top to bottom:

- Pictogram warning for pregnant women.
- Label for a bottle of Pernod sold in the United Kingdom.
- Proposed Chinese advertising film for the Chivas brand including a moderate drinking message.
- Promotional operation on the Montana brand website, with an age limit or moderate drinking message.

From top to bottom:

- Campaign by Pernod Ricard Venezuela to promote moderate alcohol consumption.
- Drink Drive prevention campaign for the Natu Nobilis brand in Brazil.
- Visit by Mr Kyprianou, the European Commissioner for Health, to the Holding Company in February 2007.
- System of safe transportation from dance clubs along the Adriatic coast of Romagna set up by Pernod Ricard Italia and Havana Club.

In China, after several years of running corporate campaigns on the dangers of drink driving, Pernod Ricard China is about to launch a commercial film for Chivas showcasing the concept of the designated driver. This has also been a long-standing theme for Seagram India and was used in a recent campaign for the Natu Nobilis brand in Brazil.

Pernod Ricard Venezuela has also recently launched a campaign focusing on moderate or "balanced" (equilibrio) drinking, where each visual deals with a specific risk related to inappropriate alcohol consumption, such as pregnancy, drink driving, and the risk of excessive drinking on the drinker's social or family environment. A genuine momentum around responsible drinking issues thus appears to be gathering pace among Pernod Ricard's subsidiaries across the globe.

Pernod Ricard partners the European Commission's Alcohol and Health Forum

In October 2006, the European Commission adopted a Communication on reducing alcohol-related harm in Europe. This Communication, initiated by European Commissioner Markos Kyprianou, spells out a genuine European strategy for a public health policy addressing drink-related issues, and calls for coordinated efforts from industry professionals to help achieve this aim.

To meet these new imperatives, in February 2007 Patrick Ricard, Pierre Pringuet and a number of the Group's senior managers held a meeting with Commissioner Kyprianou at Pernod Ricard's head office. The discussions covered areas such as combating drink driving, underage drinking, alcohol consumption during pregnancy, responsible marketing and distribution oversight. The Commissioner outlined what action he would like to see taken by the industry and a leading player such as Pernod Ricard, and urged the Group to widely publicise its good practices in this area.

The first tangible result of this meeting was seen on 7 June 2007 when Thierry Billot, Chairman & Chief Executive Officer of Pernod Ricard Europe, represented the Group as an affiliated member of the European Alcohol and Health Forum. The Forum brings together the Commission and representatives from member states, NGOs and the drinks industry with the aim of defining a number of common goals, and is notably intended to result in a series of tangible commitments that can be easily monitored and are enforceable by all.

Local initiatives

The Group Executive Committee has requested that all subsidiaries become active at local level, either in support of specific social welfare associations or by developing their own initiatives. These activities must be consistent with the Group's major commitments, favour partnerships and target at-risk situations or populations.

Preventing drink driving, a major push for Pernod Ricard

Supporting safe driving has been a high priority for the Group ever since Pernod Ricard and its two French subsidiaries, Pernod and Ricard, signed a charter with the French road safety authorities in 2002 – a partnership which has since been extended to include the French national health insurance agency. Here are some of the most noteworthy initiatives launched in 2007, worldwide:

In Italy, Pernod Ricard Italia chose to fully embrace the slogan of the Havana Club brand *"El culto a la vida"* (cult for life) by organising safe and secure transportation from dance clubs along the Adriatic coast of Romagna during the summer season. "Havana Club" buses also serve as a communication tool for promoting sober driving.

In China, our partnership with road safety and police authorities to promote "designated driver" behaviour continues. It includes televised advertising campaigns in Shanghai and new posters with very broad distribution.

In Taiwan, Pernod Ricard launched its first poster campaign to promote "Bob" (the sober driver), encouraging respect for the law. Pernod Ricard Taiwan also co-financed a publicity film on this topic under the aegis of the Taiwan Beverage Forum on Alcohol.

In Mexico, the Casa Pedro Domecq Foundation produced three publicity films around the slogan *"O Tomas O Manejas"* (either you drink, or you drive). These films show, with humour and by analogy, situations where irresponsible behaviour can create risks for both ourselves and for others. The campaign has already received numerous awards, and has had such a positive impact that the Transport Ministry is now using it for its official television campaign on drinking and driving.

In France, the Pernod and Ricard companies are continuing to distribute *"C KI KI Conduit"* (Who's at the wheel) prevention kits (posters, breathalyser tests, tee shirts) as part of every promotional event in night clubs frequented by young adults. Ricard alone distributed over 200,000 breathalyser tests to its customers in 2006. For maximum impact, prevention plans are integrated into these events, and are randomly and anonymously assessed by independent evaluators. Pernod's event evenings have been deemed to completely fulfil their stated prevention objectives. Finally, in 2007, Pernod Ricard and its Pernod and Ricard subsidiaries installed permanent breathalyser test equipment in each of their French locations. These are aimed at personnel and visitors with the goal of developing self-discipline with respect to drink driving laws.

Promoting responsible drinking – the second challenge for Pernod Ricard

The Group is taking action in the face of rising rates of occasional binge drinking among young people in numerous countries, and the lack of guidelines, for many of them, about what it means to drink in moderation.

In Spain, Pernod Ricard is part of the *Federación Españolas de Bebidas Espirituosas* (FEBE) which has just signed a pilot partnership agreement with Andalusian authorities. The goal is to create a prevention programme in certain targeted premises where alcohol is consumed, and to educate about responsible drinking.

In Ireland, Irish Distillers is a founding member of Mature Enjoyment of Alcohol in Society Limited (MEAS). This association recently launched the five-year Drinkaware.ie programme, including initiatives such as a website designed to support Ministry of Health recommendations for risk-free consumption, a television and radio campaign against binge drinking and drunken behaviour, and visibility at summer festivals.

From top to bottom:

- Publicity films on the dangers of drink driving developed by the Casa Pedro Domecq Foundation in Mexico.
- "Had Enough" campaign by MEAS in Ireland, which warns about the consequences of drunken behaviour.

Over
200,000
breathalyser
tests distributed
by Ricard SA in France in 2006

Focus

Malibu Sunset Social: making prevention part of the festivities

Pernod Ricard Australia organised two major music festivals in the spring of 2007, which drew over 10,000 participants. Sponsored by the Malibu brand, these events included a full range of unprecedented measures designed, first of all, to prevent minors from entering the festivals (age was verified during internet registration, and again at the entry point), and, secondly, to educate participants about responsible drinking: a "designated driver" system with the distribution of free soft drinks to ensure safe rides home, responsible drinking announcements by disc jockeys and slogans on plastic cups, and over 160 security and prevention personnel (one for every sixty participants).

Local Kawana Waters police officer Ian Hasted tells us:

"I was impressed by the organisation of these events. I thought there would be incidents, but nothing happened: The organisers took charge of all aspects of security, such as moderating access to alcoholic beverages, respect for the neighbourhood, organising transportation. They also took the excellent decision to promote a 'designated driver' approach. We will use the Malibu Sunset Social as a model for events organised in our region in the future."

From top to bottom:

- "2340" communication campaign by *Entreprise & Prévention* and other professional organisations making the public aware of the WHO's recommended low risk consumption limits.
- International Havana Club advertising campaign (not launched in France) – *Approved.*
- Ricard advertising campaign undertaken in France – *Approved.*

In Poland, Wyborowa.Sa recently created the Polish Vodka Association, which launched an information campaign in tourist areas in the summer of 2007 entitled "water without %", to raise awareness about the dangers of swimming and watersports while under the influence of alcohol.

In France, Pernod Ricard co-sponsored and supported the "2340" communication campaign designed by Entreprise & Prévention and professional organisations from the sector. "2340" illustrates the notion of responsible drinking, with the help of its website, by making the public aware of the World Health Organisation's recommended consumption limits: no more than two units of alcohol (or standard glasses) per day for women, no more than three for men, no more than four at any one time, and zero at least once a week and in certain high-risk situations.

Internal control of advertising ethics

Internal control of advertising ethics is an integral part of the Group's key operational imperatives. Internal control procedures exist at all operating levels and require all countries to conform to the same standards. These procedures do not replace legal requirements or compliance with professional codes of conduct. However, since they are formally set down in writing and also the subject of reports submitted to the Group Executive Committee, they help to strengthen the ethical values embraced by Pernod Ricard.

Formalised internal control procedures

- A prior review of all advertising campaigns, sponsoring events and multimedia marketing tools is mandatory for all 15 key brands and recommended for the 30 leading local brands.
- An evaluation report is issued for each project by the Internal Evaluation Committee within 7 days of the project being submitted. This report can contain one of three opinions:
  - **Green: Unconditional approval** (which may be subject to a number of observations).
  - **Orange: Approval subject** to alterations (but no new submission required).
  - **Red: Rejection** (and new submission required).

As well as this prior review of a developing advertising campaign, a copy advice procedure also exists.

- All commercial communications without exception must comply with the Pernod Ricard Code.
- A report on the compliance of advertising campaigns submitted for review, and the ethical issues raised by these campaigns, are sent to members of the Group Executive Committee for discussion at each of their meetings.

Collegial decisions

The internal control procedure has been entrusted in its operational phase to an Internal Evaluation Committee. This committee is made up of three Group employees who are wholly independent from marketing teams and involved in different capacities in compliance enforcement bodies.

- **Rick Connor** (Chivas) also represents Pernod Ricard within the Portman Group in the United Kingdom, the European Forum for Responsible Drinking (the EFRD) at European level and the International Center for Alcohol Policy (ICAP) internationally.
- **Tom Lalla:** General Counsel at Pernod Ricard USA, is also a member of the Advertising Ethics Oversight Committee of the Distilled Spirit Council of the United States (DISCUS).
- **Armand Hennon** (Pernod Ricard) is also Secretary General of the French association Entreprise et Prévention.

In the event of legal disputes, the Committee also draws on the expertise of **Audrey Yayon-Dauvet,** Vice-President, Intellectual Property at Pernod Ricard, who is consulted regarding the most appropriate action to take.

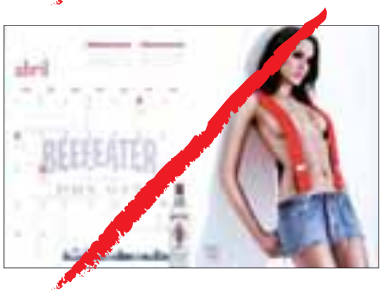
2006/2007 progress assessment

- Between August 2006 and July 2007, the **Committee reviewed 99 advertising campaigns** or special promotional initiatives submitted, representing almost double the number reviewed in the previous financial year (50).
- **96 advertising campaigns** were given a **green** opinion (45 in 2006), **2** were given an **orange** opinion (3 in 2006) and **1** was given a **red** opinion (2 in 2006).

  The two **orange** opinions concerned requests for alterations to be made to the storyboards of televised films, one for the Chivas brand in China (a sponsoring initiative) and one for Ballantine's in Australia. In both cases, the alterations required were minor and related to a possible association between alcohol consumption and sporting performance.

  The **red** opinion was given to a local project involving a calendar, which was considered to violate the terms of the Group's Code as regards the representation of women.
- The copy advice procedure was used on 37 occasions (50 in 2006), in particular for new sponsoring initiatives being developed, issues regarding compliance with the Code in the case of Internet and new media, or promotional events. The copy advice procedure also enables advertising campaigns falling foul of the Code to be altered before being launched.

99
advertising campaigns
reviewed by the Committee between August 2006 and July 2007



From top to bottom:
- Project involving a calendar in Puerto Rico - *Rejected*.

Focus

The Pernod Ricard Code

On 24 April 2007, the Group Executive Committee adopted the Pernod Ricard Code on Commercial Communications. Adapted from the Common Standards for Commercial Communications of the European Forum for Responsible Drinking (EFRD) to which Pernod Ricard previously referred, the Group's Code is applicable to its worldwide operations and features a number of specific provisions that are not found in any other industry code of practice. These include the following:

- All of the Group's worldwide advertising initiatives must feature a moderate drinking message.
- All bottles marketed in countries of the European Union must carry the pictogram alerting pregnant women to the dangers of alcohol consumption.
- No Pernod Ricard brand may be advertised on the hoardings around a race track, or displayed on a motor sports vehicle or racing driver in action.
- Advertisements must not contain gratuitous nudity or obscenity.
- The Group is responsible for informing its external service providers about the Code and of ensuring its enforcement.

Innovation, quality and brand protection

At Pernod Ricard, innovation is at the service of total product quality, through new product development, novel packaging design and improved production methods. To guarantee this quality for consumers, Pernod Ricard is also working to expose counterfeiting and has created a global legal network to protect its brand assets.

Q&A WITH

Ian FitzSimons
Vice-President, General Counsel

Sustaining a coherent brand protection strategy

Why is protecting our brands such a crucial issue for the Group?

Our brands are our core asset, a guarantee for our consumers that they are purchasing authentic and quality products. They allow us to stand out from our competitors on local and international markets. It is therefore of primary importance that our brands, many of which have worldwide stature, should be protected and our exclusive ownership properly managed.

Beyond simply protecting our ownership rights, we work to actively defend our brands against all infringements. On certain markets, for example, we implement strategies with our Brand Security function of combining legal action with consumer awareness campaigns about the harmful effects of counterfeiting, including education of local authorities. The Legal Department is also leading a Task Force specifically devoted to counterfeiting in China.

How are Pernod Ricard brands protected?

We protect our brands in three ways: by registering them, by using them, and by actively opposing all infringements, including counterfeit products and unfair competition.

With the acquisition of Allied Domecq, we doubled the number of brands we own: over 30,000 brands are now registered around the world.

We have worked hard to integrate these new brands into our portfolio, and have created an international network of around 20 lawyers and legal assistants with expertise in intellectual property issues. Four regional offices are responsible for protecting our rights in each of the sectors in which Pernod Ricard is active. The Holding Company's Intellectual Property team run by the new Director of Intellectual Property drives Group policy in this area. This organisation aims for maximum efficiency by combining a global strategy at the Holding Company level with the local vision provided by the regional offices.

We also rolled out common portfolio management software for all of our brands in 2006. Our data base thus integrates all useful information (registration and renewal dates, details of the owner, etc.) for each brand name, in each country around the world.

Career path:

Ian FitzSimons joined the Group in 2002, after being European Legal Director at Seagram. He previously worked for the law firm of Baker & McKenzie in London, specialising in European competition law.

Moving up the range through innovation

Innovation is a major strategic focus for Pernod Ricard's subsidiaries. Whether in production processes, product quality or packaging, every effort has a clear objective: extending range quality upwards. Below is an overview of the Group's latest innovations.

In their quest for Premiumisation, some of the brands favour contemporary designs and are choosing innovative and audacious packaging to reflect the quality of the spirits and wines they contain.

Thus, at Chivas Brothers, very contemporary packaging has been created for the brand new Longmorn 16-Year-Old single malt. The bottle integrates unique materials such as aluminium and leather: a stunning combination which perfectly illustrates the singular nature of this single malt whisky, nicknamed the "hidden jewel" of Speyside.

In the world of cognac, Martell continues to pay homage to its founder's inventiveness with an exquisite flask, created by renowned French designer Serge Manseau for the new Martell Création Grand Extra. The bottle takes a bold and highly innovative line. Created with refinement, it presents a majestically arcing silhouette worthy of this blend of exceptional cognacs.

Creations from scratch

For other subsidiaries, the creative spark is found in the production process itself. Jacob's Creek has embraced innovation with the launch of the "Three Vines" range in spring 2007. These wines are created from two "classic" Australian varietals, allied with a recently imported Mediterranean varietal. The new range, marketed in the United Kingdom and Australia, includes a red wine (Shiraz Cabernet Tempranillo), a rosé (Shiraz Grenache Sangiovese) and a white wine (Sémillon Sauvignon Blanc Viognier).

Uniting the contemporary and the traditional

Other brands adopt an innovative take on their heritage and traditions. The Glenlivet sets the tone by returning to traditional malt whisky production methods. The Glenlivet Nàdurra 16-Year-Old (nàdurra means "natural" in Gaelic) is non-chill filtered and aged in first-fill American oak casks. These distillation methods represent a return to those conceived by George Smith, the inventor of this malt whisky.

The Glenlivet XXV, launched in April 2007, presents all the attributes of a whisky imbued with almost 200 years of history. The first bottles to reach the market contain vintage 1980 malt finished in former sherry casks for almost two years.

Finally, Chivas Brothers' new Ballantine's 12 Years Old finds its originality in a perfect balance between the brand's rich heritage and the bottle's resolutely contemporary look. This new line will also benefit from enhanced visibility in the low ambient light of the bar setting, thanks to a thin UV-sensitive film which covers the bottle and accentuates the luminosity of the golden liquid inside.

Pernod Ricard's

30,000

brand

strong portfolio

A QUALITY-DRIVEN PARTNERSHIP

Since 1994, Pernod Ricard South Africa has been partnering the Robertson winery in its preparation of Long Mountain wines. In the first few years of the partnership, Pernod Ricard's oenologists helped perfect Robertson's wine-making techniques. Today, they are in permanent contact with their counterparts at Robertson to ensure that the rules for preparing and blending the wine are respected on a daily basis. "We are constantly comparing the quality of our wines with local competitor brands, as well as with wines from other regions. This approach has enabled us to progress and provide our brands with long-term growth perspectives", explains Jaco Boonzaier, head of Production at Pernod Ricard South Africa.
The findings of the audit performed by the Group's QSE department in May 2007 testify to the success of the partnership between Pernod Ricard South Africa and the Robertson winery. "The cooperation between both parties is excellent and we have every reason to believe that this will continue into the future", stressed the auditor.

78
out of 104 sites are ISO 9001 certified
(at 30 June 2007)

Ongoing quality control

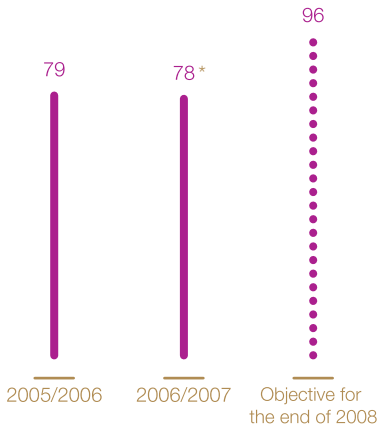
In its Sustainable Development Charter, Pernod Ricard promises to "offer products of the highest quality to consumers". This year, each of the Group's production sites continued and expanded the initiatives launched in previous years:

- Development of a quality assurance system that meets the requirements of ISO 9001/2000 certification. At 30 June 2007, 78 out of the Group's 104 industrial sites were certified to be in compliance with this international standard, while 18 new sites are planning accreditation before the end of 2008.
- Management of food safety through systematic use of the HACCP (Hazard Analysis Critical Control Point) method. At the annual Quality-Safety-Environment conference in January 2007, the first reports from the front line confirmed the utility of implementing the new ISO 22000 standard. Four sites (in Greece, Spain and Ireland) were awarded ISO 22000 certification this year.

The Group's Quality-Safety-Environment department is also pursuing its initiatives, which include:

- performing an annual audit on the presentation of the Group's strategic brands and those of its main competitors in stores (hypermarkets): 11,000 bottles in nearly 200 stores across Europe and the United States were covered by this year's audit;
- continuing with its cross-audit programme, which features a new section on contamination risk management;
- rolling out the customer complaint reporting tool in most subsidiaries (Brand Owners and Distributors);
- distributing Group Quality standards to sub-contractors, and conducting inspections on an ongoing basis to ensure that all partners apply the same quality standards.

Development in the number of ISO 9001 certified sites



* Two ISO 9001 certified sites have been sold in 2006/2007.

Promoting more and more scientific and technical exchanges

In line with the objectives it had set for itself, this year the Pernod Ricard Research Centre (PRRC) undertook a raft of initiatives to bolster its Research and Development networks, including the organisation of half-yearly meetings to promote the exchange of information and ideas. At these meetings, a number of think-tanks were set up to discuss the merits of standardising analytical methods, pooling certain scientific equipment or sharing databases on food safety. In May 2007, the PRRC organised the "Wine Technical Meeting" with the aim of disseminating good wine-growing and wine-making practices within Pernod Ricard. "Knowledge sharing" and "communication" were therefore the bywords of this year's initiatives.

Point of view

VINCENT BEAUMONT

Deputy Director,
Pernod Ricard Research Centre

How is Research currently organised at Pernod Ricard?

On one side, regional technical centres reporting to the Brand Owners are tasked with developing new products in terms of recipes, packaging and design. These centres are based in a number of different countries and bring together scientific and technical experts who work closely alongside the local marketing teams. On the other side, the Pernod Ricard Research Centre (PRRC) coordinates Research initiatives, informs researchers of emerging regulatory issues in the scientific field, and verifies compliance of the strategic brands within their competitive environment, through chemical and sensorial analyses. A network-based organisation allows a constant dialogue between the PRRC and the regional technical centres.
The Research networks, composed of Pernod Ricard researchers from different subsidiaries who have been selected for their product-specific or cross-functional expertise, provide a forum for informal exchanges on scientific and technical topics.

This organisation is essential for an international Group like Pernod Ricard, and guarantees that industrial research duly reflects the concerns of the players on the ground, and helps to spearhead innovation.

Are the objectives of Research the same the world over?

No, and that's why the regional technical centres remain autonomous, in keeping with the Group's policy of decentralisation. However the nature of certain issues, such as the optimisation of energy required for the distilling process or the emulsion stability of creams or liqueurs, may call for a cross-functional analysis to be undertaken.
The contribution of Research is just as significant in other areas, such as in reducing the environmental footprint of our industry, ensuring the impeccable quality of our products, helping in the fight against counterfeit goods or improving our understanding of consumer habits. In all these areas, the efficiency of Research efforts is further enhanced by the pooling of resources, sharing of knowledge and development of synergies.

Conserving the environment

The Group's environmental principles were inherited from visionary and industrial pioneer Paul Ricard. More than 40 years ago in 1966, he founded the Institut océanographique Paul Ricard on the Ile des Embiez, in order to protect the Mediterranean Sea from waste dumped by polluting companies.
This environmental conscience has been passed down and adapted to current standards, mainly through ISO 14001 certification of production sites, the conservation of natural resources, and the introduction of sustainable agricultural practices.

Q&A WITH

Jean-Pierre Savina
Vice-President, Industrial Operations

How did Allied Domecq's sites rank in terms of environmental awareness?

Respect for the environment was an integral part of Allied Domecq's industrial strategy. Their industrial facilities were therefore easily integrated into Pernod Ricard, thanks to very similar environmental policies. The acquisition was a genuine opportunity to exchange our expertise and undoubtedly enabled us to make further headway in environmental matters.

What is the long-term focus of your work?

We remain committed to the policy set out in the Pernod Ricard Sustainable Development Charter, and are working towards two key aims: firstly, we plan to implement a series of measures in our subsidiaries aimed at scaling back our use of natural resources. Secondly, we are intent on sharing our environmental concerns with our suppliers and service providers, and encouraging them to take our principles on board.

What are your current priorities?

First and foremost, because we are extensive users – and sometimes even direct producers (in the case of grapes) – of agricultural commodities, we are committed to sustainable agricultural practices which minimise the impact of our activities on the environment. As regards wine growing, our subsidiaries play an important role in local Sustainable Development initiatives, and this expertise is shared via a special Group committee.

We have also launched a study allowing us to better assess the impact of transportation of our products on greenhouse gas emissions. A number of concrete areas for improvement have already been identified by our subsidiaries and are currently being studied, including transporting goods by river and rail rather than by road.

Lastly, we have a firm belief in the potential of our eco-design methodology to reduce overall packaging waste. Our efforts in this area will continue apace, in close cooperation with the marketing teams at our Brand Owners.

Career path:

After joining the Group in 1977 as a Research Engineer, Jean-Pierre Savina was appointed Head of the Technology Department at the Pernod Ricard Research Centre before becoming Chief Operating Officer for Pernod Ricard USA in 1999. Since 2003, he has been Group Vice-President, Industrial Operations. He has had responsibility for the Pernod Ricard Research Centre since January 2006.

Industrial activity

Slight rise in production

Production at the Group's industrial sites totalled 1,185 million litres over the past 12 months, a 3.5% rise compared with the previous year (1,145 million litres).

The same industrial scope

Pernod Ricard's main industrial properties are its 104 industrial sites (wineries, distilleries, ageing cellars, bottling facilities, and storage and shipment centres), office buildings, and more than 10,000 hectares of vineyards, principally in Australia, New Zealand, Spain, Argentina and France. As a result of the Group's decentralised organisation, these properties are owned directly by the Brand Owner subsidiaries. 7 facilities are classified as Seveso "higher threshold-top tier" threshold" sites, due to the volumes of maturing whiskies stored in their cellars. All of these sites are in Scotland, except for one in Ireland.

At 30 June 2007, the net book value of these properties was €1,675 million.

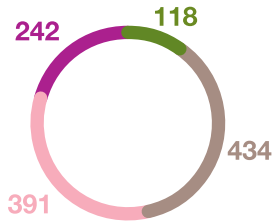
Robust capital expenditure policy

For the 2006/2007 financial year, the Group's capital expenditure amounted to €221.5 million, representing 3.4% of consolidated sales.

The biggest investments for the year related to:
- construction of ageing cellars in Scotland and Ireland for storing future whisky volumes;
- construction of a rum facility in Cuba, encompassing a distillery, ageing cellars and bottling lines;
- reorganisation of production and extension of the industrial facility for Mumm champagne in Rheims, France;
- transfer of bottling activities to the Fort Smith (Arkansas) plant following the sale of the Lawrenceburg (Indiana) factory in the United States;
- improvement of the operating efficiency of wine-making and storage cellars in Australia.

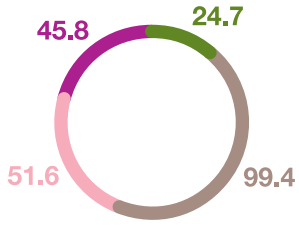
104
industrial sites

Breakdown of world production by region (million litres)



- France **10%**
- Europe (except for France) **37%**
- Americas **33%**
- Asia and Rest of the World **20%**

Group capital expenditure (million euros)



- France **11%**
- Europe (except for France) **45%**
- Americas **23%**
- Asia and Rest of the World **21%**

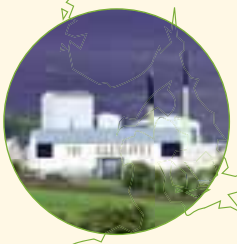
Bodega Ysios in the Rioja region of Spain.

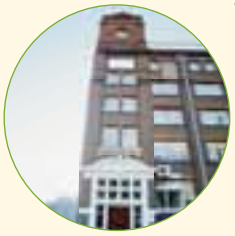
LARGEST VATTING AND BOTTLING CENTRES

The five largest vatting and bottling centres handle 43% of the volumes produced:
- in Australia, 12% at Rowland Flat (bottling of wines);
- in Scotland, 10% at Kilmalid and 7% at Paisley (bottling of whisky);
- in the United States, 7.5% at Lawrenceburg, Indiana (bottling of gin and other spirits);
- in Canada, 6.5% at Walkerville (bottling of spirits).

Industrial scope

Focus Europe


The Glenlivet (Scotland)


Beefeater (England)

Lignères (France)

SCOTLAND
Whisky
189,000t

South
Airdrie
Balgray
Dalmuir
Newbridge
Paisley-Strathclyde
Dumbuck
Willowyard
Kilmalid-Newton

North
Aberlour
Allt a' Bhainne
Glenallachie
Longmorn
Strathisla-Glen Keith
The Glenlivet
Keith Bond
Mulben
Glenburgie
Glendronach
Glentauchers
Miltonduff
Tormore
Scapa

ENGLAND
Kennington
Gin

POLAND
Poznan (2 sites)
Vodka

CZECH REPUBLIC
Karlovy Vary
Bohatice
Bitters

FRANCE
16,900t
Lille, Bessan, Bordeaux, Marseilles: Anise-based spirits
Cubzac: Sparkling wines
Thuir : Wine-based aperitifs
Cognac/Lignères (4 sites): 3 ISO14001 sites Cognac
Rheims, Épernay: Champagne

ITALIE
Canelli
Vins pétillants, amers

GREECE
Mithylène
Ouzo

GEORGIA
1,100t
Telavi
Wines

ARMENIA
Yerevan
Armavir
Aygavan
Berd
Brandy
28,000t

SPAIN
41,300t
Manzanares: Rum, liqueurs
Ambrosio: Wines, liqueurs
Ruavieja: Spirits
Age, Alanis, Cinco Casas, Arienzo Elciego, Aura, Casa de la Viña, Jumilla, Logroño, Pazo de Villarey, Tarsus, Valencia, Vinicola de Navarra, Ysios: Wines

KOREA
Jinro Ballantine's
Whisky

INDIA
Rocky Punjab
Wines
Behror
Nashik
Nashik Winery
Wines
Kolhapur
Daurala
Whisky
21,500t
160t
5,000t

AUSTRALIA
Wines, sparkling wines
73,900t
Wyndham Estate
Rowland Flat
Richmond Grove
Russet Ridge
Morris Wines
Wickham Hill

NEW ZEALAND
Wines
Tamaki
Church Road
Corbans
Gisborne
Framingham
Brancott
53,400t

Framingham Brancott (New Zealand)

Commodities / Total
- **Cereal grain crops** / 513,600t
- **Grapes** / 271,160t
- **Agave** / 11,600t
- **Rice** / 5,600t

104 industrial sites
- **the Group's 5 main sites**
- **62 ISO 14001 sites** (producing 74% of the Group's volumes)

AN EMS

An environmental management system (EMS) corresponds to all of the management methods applied by an organisation to identify and assess the impact of its activities on the environment, and to reduce this impact on an ongoing basis, in conjunction with the various parties involved. The international standard ISO 14001, which was created in 1996, specifies the requirements to be met for setting up, updating and assessing an environmental management system.

62
of our 104 sites
are ISO 14001 certified

A Group that is committed to respecting the environment

Promoting environmental management

All of Pernod Ricard's industrial sites are required to develop an ISO 14001-compliant environmental management system (see definition opposite) and to have the system certified by an independent organisation. At 30 June 2007, 62 out of 104 sites had obtained ISO 14001 certification, and 74% of the Group's 1,185 million litre output was produced at these sites.

By the end of 2008, more than 90% of volumes produced are expected to come from ISO 14001 certified sites.

These efforts are being coordinated by the Group's Quality-Safety-Environment department, which assists subsidiaries by providing them with a number of tools:

- theme-based good practice guides on managing major risks (fire, explosion, accidental spillage, broken glass, contamination, waste treatment, Legionella);
- a Quality-Safety-Environment training seminar organised each year by the Pernod Ricard Professional Training Centre;
- a theme-based intranet site, with access to reference documents on good practices;
- an annual conference allowing environmental officers from all subsidiaries to define and update their priority action steps (see testimonial).

The cross-audit programme begun in 2005 continued and was expanded to include a systematic review of the audited site's environmental performance in relation to other comparable Group sites. 38 sites will be audited in 2007.

Testimonial

New Zealand

VIJAY SINGH

Quality-Compliance-Environment (QSE) Manager for Pernod Ricard New Zealand

As a recent arrival in the Group, I found the annual Quality-Safety-Environment conference a fabulous opportunity to learn about good QSE practice and to liaise with the other subsidiaries. What I learned at this conference allowed me to integrate Pernod Ricard's requirements into our company's "Conquering excellence" programme.

Bodega Juan Alcorta (in the Rioja region of Spain) where the Campo Viejo wine is produced.

Supporting rational agriculture

All Pernod Ricard products are elaborated from agricultural commodities: cereal grains and agave (530,800 tons consumed), grapes (271,160 tons consumed), sugar cane, etc. The Group implements the principles of rational agriculture in its own vineyards and ensures that they are applied by contracted suppliers.

These principles involve in particular carefully selecting additives (fertilisers, pesticides) and limiting their use, optimal use of irrigation water, and preventing soil pollution and deterioration.

The initiatives detailed in 2005/2006 were continued and expanded this year:

- The Yerevan Brandy Company, leading producer of Armenian brandy, increased its number of contracted winegrowers (5,200 compared with 4,000 the previous year). Its integrated team of seven agronomists advises winegrowers to optimise pesticide treatments and the use of fertilisers (see Testimonial).

  New actions are planned in the coming three years to:
  - train winegrowers in safe use of pesticides and provide individual protection gear;
  - supply only additive products selected in Western Europe for their very low impact on the natural environment.
- In the Corbans and Hawkes Bay vineyards in New Zealand, the composting of 1,300 tons of pomace (winemaking residues) and its reintroduction as a fertiliser has made it possible to reduce use of mineral fertilisers by more than 280 tons and of organic material by more than 2,000 tons. This good practice will be extended to all Marlborough vineyards in the coming year.

Consumption of agricultural commodities in tons

Testimonial

Armenia

ANAHIT GASPARYAN

Quality-Security-Environment Manager for Yerevan Brandy Company* (Armenia)

What Group tools do you use in implementing your environmental management system?

The Armenian Republic is young, and does not yet have the regulatory framework and infrastructures which exist in other developed countries. Yerevan Brandy Company (YBC) is therefore a pioneer in the creation of an environmental management system which meets the requirements of international standard ISO 14001. We use all the Group tools which are available to us: Sustainable Development Charter, good practice guides, cross-audits, shared indicators for measuring progress. We also benefit from the expertise of the Pernod Ricard Research Centre in training our grape suppliers in rational viticulture. Finally, we make wide use of the intranet, which gives us rapid access to all available QSE tools.

What are your main areas of environmental progress?

In recent years, our efforts have focused on recycling distillation by-products (vinasses), reducing water consumption and recycling solid waste. In partnership with the Ministry of Agriculture, we currently reuse 100% of our vinasses (13,000 m^3 in 2006/2007) through landspreading; previously disposed of through the public waste system, these vinasses now serve to convert saline soil in the region to arable land, and are used as an organic fertiliser for local farming.

Our water consumption remains high compared with the Group average, to a great extent due to the age of underground conduits. We have begun a vast renovation plan which has already allowed us to reduce our consumption by a factor of five in four years at the Yerevan site.

Because there is no reprocessing available in Armenia for solid waste (glass, plastics, cardboard, etc.), we recycle these directly with local industries or in-house: some of the dividers used in our shipment cases are thus fabricated from the cardboard packaging of our empty bottle shipping pallets.

* Yerevan Brandy Company (YBC) is, with its ArArAt brand, the leading Armenian brandy producer.

From top to bottom:
- Rows planted perpendicular to the slope limit soil erosion.
- Protective netting (New Zealand).

- In the Argentine vineyards, traditional irrigation is progressively being replaced by trickle irrigation: 400 of the 700 hectares are already equipped, with average annual water savings of 6,000 cubic metres per hectare. Trickle irrigation also makes it possible to limit the spread of disease, uniformly control ripening and optimise use of fertilisers and pesticides.

New actions were initiated this year:

- In Livramento, in the south of Brazil, additive product preparation rooms have been equipped with retention zones to eliminate the risk of soil pollution. Efficient planting methods have been applied to limit soil erosion.
- In New Zealand, Montana protects its vineyards from pests (insects, birds) using environmentally friendly biological or physical techniques (pheromone traps, nets).

Establishing a common knowledge base

The inventory of good viticulture practices carried out by the Pernod Ricard Research Centre in early 2007 serves to highlight the breadth of know-how found among Pernod Ricard subsidiaries. These companies participate actively in promoting Sustainable Development at local level.

Thus, since 1997, Pernod Ricard New Zealand has participated in the sustainable viticulture approach promoted by the New Zealand Winegrowers Association. This initiative aims to model best environmental practices in viticulture, to respond to consumer concerns about the environmental impact of winegrowing activities, and to ensure better quality control from the vine to the bottle.

In the province of Rioja (Spain), Domecq Bodegas, the subsidiary which operates the prestigious Juan Alcorta, Ysios and Age vineyards, has participated in the "Life Sinergia" project for the past three years (see *Testimonial*). This project aims to create benchmarks for the most environmentally sound winegrowing and winemaking practices, and then to promote them in less advanced regions. A network of viticulture experts was also created at the beginning of 2007, to promote and enhance experience sharing.

Testimonial

Spain

MARIO EZQUERRO

Director of vineyards
for Domecq Bodegas (Rioja - Spain)
and "Life Sinergia" project coordinator

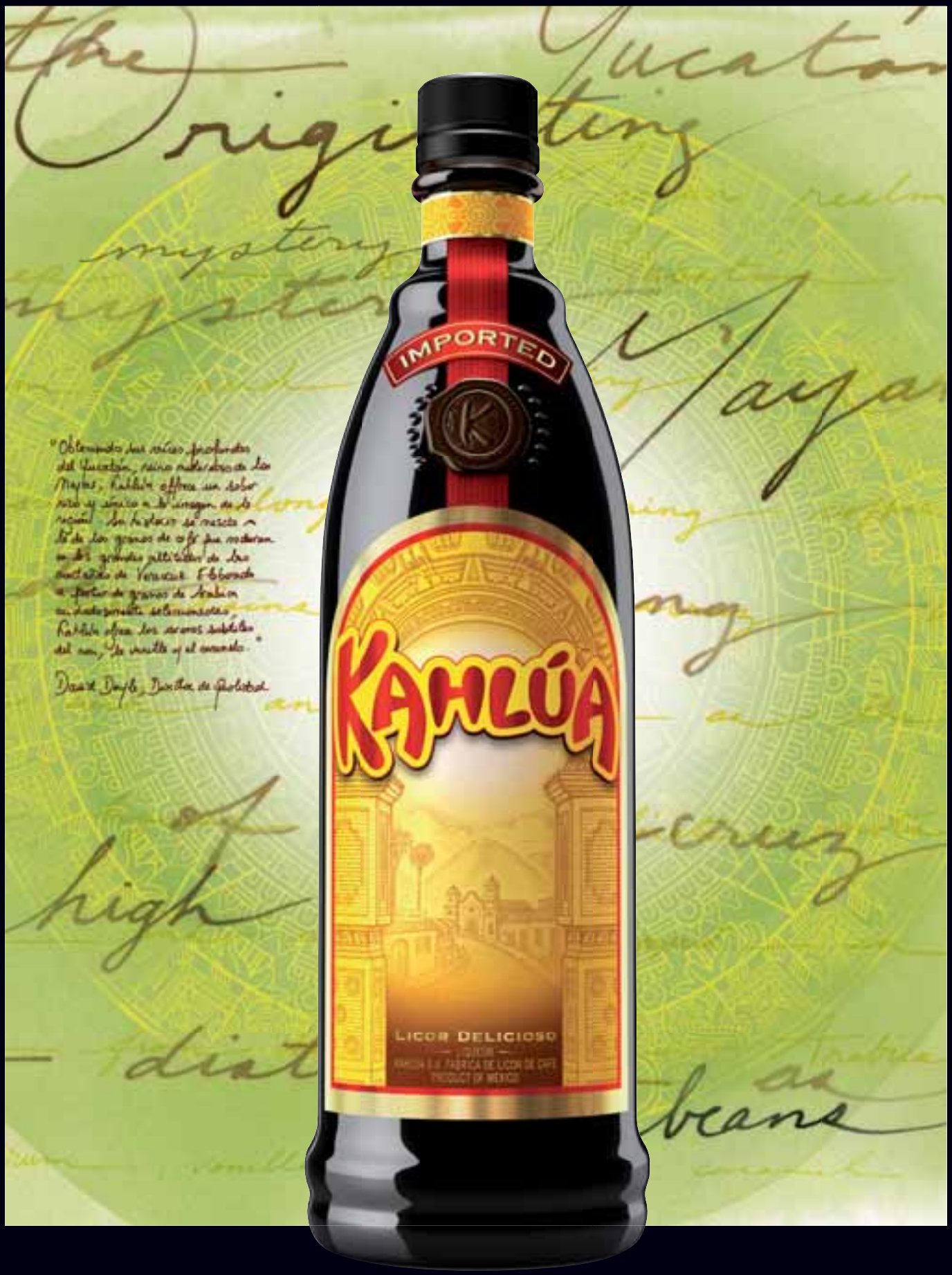
Creating synergies in wines

We have participated in Life Sinergia for the past three years. This project's goal is to design and apply a winegrowing and winemaking production model which optimises resource use and minimises environmental impact throughout the life cycle of the wine. The method used is to:

- invite regional winegrowing professionals and representatives to participate in focus groups, taking their know-how into account in defining good practices;
- use a specific software application to analyse the wine life cycle;
- test environmental preservation techniques in the vineyards;
- raise awareness among players in the wine sector about the good practices defined by the project and give practical demonstrations of these techniques;
- design and test prototype equipment for collecting, storing and transporting grapes in an environmentally respectful manner.

Implementation of this action plan resulted in the publication of a manual indicating compulsory, recommended and proscribed methods for each phase of production.

We are currently applying nearly all the guide's recommendations in our own vineyards. We have also passed them on to our grape suppliers, with a particular accent on the rational use of pesticides.



KAHLÚA

produced in MEXICO **enjoyed in SYDNEY**

"Originating deep in the Yucatan, amidst Mayan realm and mystery, Kahlúa's story has grown alongside ripening coffee beans high in the mountains of Veracruz. With a flavour as rich and distinct as the region, Kahlúa's dark liqueur cradles delicate notes of rum, vanilla and caramel, wrapped in roasted coffee flavour from hand-picked Arabica beans." **David Doyle, Director of Quality**

Taking care at every level

Respecting natural biodiversity

Pernod Ricard's industrial activities are located in geographic areas where fauna and flora are not particularly sensitive. As a result, atmospheric emissions, waste water and the limited volumes of waste to be treated have a limited impact and do not represent a significant risk for the natural environment. Raw materials processed to produce wines and spirits are of agricultural origin, widely available and generally grown locally.

Choosing the best wastewater treatment techniques

To assist the various Pernod Ricard subsidiaries, the group's Quality-Safety-Environment (QSE) Department, with the help of the Pernod Ricard Research Centre, has created a guide presenting the most appropriate techniques for treatment of wastewater arising from production processes used by the Group. This project has several objectives: identifying the techniques used for effluents produced by Pernod Ricard, defining a methodology for selecting and implementing treatment technology, advancing good practices and sharing information between all those involved within the Group.

To date, out of the 90 sites concerned, 48 have been equipped to treat wastewater in-house. Significant resources have been committed to improving treatment efficacy before returning effluents to the natural environment or recycling them for other uses. Various redevelopment or recycling practices are evolving. We can note in particular:
- vineyard irrigation;
- composting sludge from effluent treatment plants;
- use of this sludge as agricultural fertiliser.

48 sites
are fitted with in-house wastewater treatment facilities (out of the 90 sites concerned)

Testimonial

France

DANIELLE KOHLER

Member of the Industrial Processes department of the Pernod Ricard Research Centre

Wastewater treatment: example of the Midleton distillery (Irish Distillers)

The Irish Distillers Midleton distillery (Ireland) generates significant volumes of relatively diluted effluentsa and emissions equal to that of a population of around 14,000 people. To respond to increasing production levels and to treat effluents more efficiently, the purification plant was renovated in 2005 and a membrane bioreactor was installed. This technology purifies water with practically a 99.9% reduction in organic pollutants (from 1,700 to less than 4mg/l BOD); treated water can be directly released into rivers or reused for certain applications. Thanks to the facility's high degree of automation and to daily inspections, this technology has proved to be highly reliable, with stable purification performances, including when the distillery's activity levels vary. Finally, thanks to its compact dimensions and complete absence of olfactory pollution, the system is a perfect fit for the Midleton site, which is located near a residential zone.

Creating an inventory of wastewater treatment facilities, and actively presenting the Midleton facility, have been very beneficial. Beyond a simple transfer of knowledge, these actions have made it possible to encourage contact and information exchange between Group subsidiaries. Thanks to the intranet tool, information is easily and quickly accessible to all who need it.

Effluent treatment plant, Midleton (Ireland).

Designing environmentally sound packaging

Pernod Ricard supports an active eco-design policy. This approach aims to limit the quantity of materials used in packaging the products, and to improve recyclability. Glass and cardboard thus make up over 99% of the Group's packaging by weight.

In 2005/2006, the Group formulated an eco-design methodology. After successfully testing it, Pernod Ricard published a practical guide on the subject. In order to familiarise the Group's teams with this approach, two training seminars were organised, one in Europe in late 2006, the other in the United States in April 2007. These sessions trained packaging buyers and developers from seven Brand Owner subsidiaries. An awareness campaign directed towards marketing managers was also implemented. The goal is to extend this eco-design training to all Brand Owner purchasing and marketing teams by the end of 2008.

ECO-DESIGN

Eco-design consists of integrating environmental considerations from the start of the design process, using a global, multi-criteria approach which takes into account every phase of the product's life cycle. The aim is to optimise environmental impacts (conservation of materials and energy, better recyclability, etc.) without changing the product's functional characteristics.

Testimonial

North America

BRYAN KEATING

Senior Director of Purchasing for the North America region

Mastering eco-design methods

Pernod Ricard North America is working to reduce the materials used in packaging manufacture, and to limit its waste production.

This year, for the first time, several employees were invited to an eco-design training session. For two days the teams worked on practical case studies involving the entire production chain (raw materials, waste management system, etc.). Objective of the course: to gain awareness of the role of cost and environmental factors in packaging manufacture. Thanks to this training, participants are now better prepared to carry out effective initiatives with regard to recyclable packaging, while still ensuring impeccable product quality.

Testimonial

France

MARJORIE GAUTHIER

Packaging Buyer for Ricard SA (France)

Ricard SA: Eco-design on a daily basis

Several projects were developed by Ricard SA during the 2006/2007 financial year. When manufacturing its packaging, Ricard uses biodegradable and totally compostable polymers (thermoplastic sleeves made of corn-based polylactide). These materials are an excellent alternative to traditional petroleum-based products (principally PVC and PET).

Previously, Ricard used polystyrene particles to secure and protect fragile objects in cartons.
These synthetic materials have the drawback of generating waste. Eco-design has replaced polystyrene with packing material derived from potato or corn starch flakes. These new "packing chips" are made of renewable and 100% biodegradable material, but possess the same elasticity properties as polystyrene.

Finally, the subsidiary has also generalised the use of generic boxes for each brand and its various permutations, which can thus be used for different formats and products. This initiative has allowed us to consume five times less boxes – a significant saving for an active eco-design programme with regard to our products.

PERNOD RICARD RECOGNISED BY THE FTSE4GOOD INDEX

FTSE4Good

Following the annual review carried out by the FTSE (Financial Times Stock Exchange) Group in March 2007, Pernod Ricard maintained its standing in the FTSE4Good Sustainable Development index. Created by the stock market index firm FTSE, this index facilitates socially responsible investment for its member companies.
"Among the 2,400 potentially eligible companies evaluated, only 885 (or 37%) fulfilled the social, ethical and environmental criteria of the FTSE4Good index, including Pernod Ricard,» points out David E. Harris, Investment Manager with FTSE Group. In 2007, 25 more French companies were admitted and 17 members were excluded.

Environmental indicators

In order to meet future levels of demand, particularly for whiskies aged several years before bottling, distilled product volumes grew faster than volumes of finished products that were bottled during the 2006/2007 financial year (8.9% compared to 3.5%).

Water consumption

For 2006/2007 the average consumption id 6.42 cubic metres for 1,000 litres of finished, bottled product, that is to say a result 2.3% higher than the previous year.

However, when corrected for the difference between distilled and bottled product, water consumption is down by 0.97% for 1,000 litres distilled, and by 2.74% for other activities.

Energy consumption

Of the total quantity of energy consumed (electricity, gas, fuels, coal and indirect energy), 87% is used for distillation. Overall energy consumption rose by 0.97%, a much lower rate than the growth in activity. This shows the effectiveness of Pernod Ricard energy conservation policies, particularly those optimising use of combustibles (gas, fuels and coal).

Atmospheric emissions

- **CO_2 emissions**
  - Despite a significant 8.9% rise in distilled volumes, CO_2 emissions from combustion rose by only 1.8%, thanks to efforts by subsidiaries to optimise energy yields.
  - A pilot study evaluating the impact of raw material and finished product transport on CO_2 emissions for three European subsidiaries has been completed, and has led to the development of an emissions calculator which will be distributed to the other subsidiaries.
- **CFCs**

  Our inventory of refrigeration facilities now covers all industrial sites, and cites installed quantities of 16,320 kg of HCFC[1] and 4,069 kg of HFC[2]. Gas emissions from leakage equal 2,070 kg of HCFC and 259 kg of HFC.

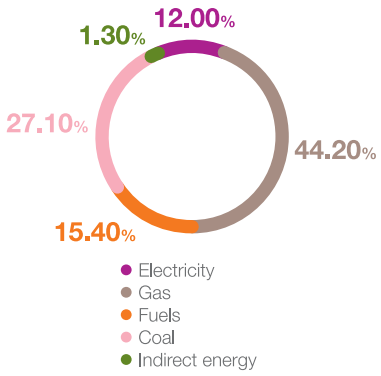
(1) HCFC: partially halogen-based refrigerants, regulated due to their harmful effect on the ozone layer although such effect is limited.
(2) HFC: refrigerants with no effect on the ozone layer.

Energy consumption: electricity, gas, fuels, coal, indirect energy (ratio in MWh/1,000 litres of finished product)

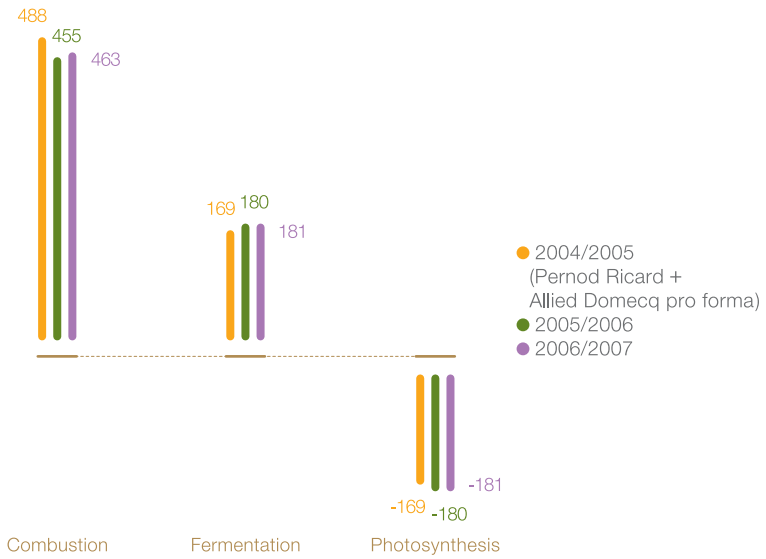
	2004/2005*	2005/2006	2006/2007
Electricity	0.21	0.21	0.21
Gas	1.02	0.83	0.76
Fuels	0.26	0.28	0.27
Coal	0.42	0.43	0.47
Indirect energy	0.21	0.02	0.02
Total	2.12	1.77	1.73

* Pernod Ricard + Allied Domecq pro forma

Energy mix 2006/2007



Evolution of CO_2 emissions in CO_2 equiv. kilotonnes



Testimonial

France

PATRICIA RICARD

President of the Institut océanographique Paul Ricard

The culture of a family company has a natural permanence which makes it easier to make long-term choices. And the long term is the only way to approach environmental issues which require prolonged investment efforts.

The Institut océanographique Paul Ricard is a good example: here, substantial financial resources have been committed to fundamental research for over 40 years. Pernod Ricard does not require immediate results, as the Group is well aware that, in the environmental arena, value is created over time. The excellence of our scientific research ensures us a leading role today, as demonstrated by the partnership signed with WWF France in 2007.

Paul Ricard's founding principles of respect for the environment are now visible at Group level, because it is the duty of a responsible company to create bridges between the sometimes conflicting aims of pursuing immediate results and investing in the future.

Environmental indicators

Subject	Definition	Measurement unit	2006/2007	2005/2006	2004/2005	For 1,000 litres of finished product 2006/2007	2005/2006	2004/2005	GRI
	Number of sites concerned		104	99	102	-	-	-	
Volumes produced	Total production in thousands of litres	kL	1,185,449	1,145,225	1,149,053	-	-	-	
Raw materials	Total quantity of grapes consumed	tonne	271,160	403,500	-	-	-	-	EN1
	Total quantity of cereal grains consumed	tonne	530,800	503,200	-	-	-	-	EN1
Water	Volume consumed	m^3	7,605,066	7,182,064	7,996,403	6.42 m^3 of water	6.27 m^3 of water	6.96 m^3 of water	EN9
Energy	Electricity consumption	MWh	246,290	237,968	237,043	0.21 MWh electricity	0.21 MWh electricity	0.21 MWh electricity	EN3
	Consumption of natural gas and other gases	MWh	905,076	958,149	1,167,359	0.76 MWh gas	0.83 MWh gas	1.02 MWh gas	EN3
	Fuel oil consumption	MWh	316,737	317,591	304,657	0.27 MWh fuel oil	0.28 MWh fuel oil	0.26 MWh fuel oil	EN3
	Coal consumption	MWh	554,715	497,577	477,365	0.47 MWh coal	0.43 MWh coal	0.42 MWh coal	EN3
	Indirect energy purchases	MWh	26,449	18,253	239,683	22 KWh indirect energy	16 KWh indirect energy	209 KWh indirect energy	EN4
CO_2 emissions	Combustion-related emissions	tonne CO_2 eq.	463,310	455,222	488,010	0.39 tonne CO_2 eq.	0.40 tonne CO_2 eq.	0.42 tonne CO_2 eq.	EN17
	Fermentation-related emissions	tonne CO_2 eq.	181,196	180,010	169,171	0.15 tonne CO_2 eq.	0.16 tonne CO_2 eq.	0.15 tonne CO_2 eq.	EN17
Refrigeration gases	Quantity of HCFC refrigeration gases present	kg	16,320	10,870	-	-	-	-	EN18
	Quantity of HFC refrigeration gases present	kg	4,069	3,404	-	-	-	-	EN18
Wastewater	Volume of clean water released into the environment	m^3	2,543,706	1,926,045	1,348,123	2.15 m^3 clean water	1.68 m^3 clean water	1.17 m^3 clean water	EN21
	Volume of wastewater discharged for treatment	m^3	3,288,054	3,534,152	3,768,395	2.77 m^3 wastewater	3.09 m^3 wastewater	3.28 m^3 wastewater	EN21
Organic waste	Quantity of organic waste recycled or recovered	tonne	655,338	617,461	478,195	550 Kg used	540 Kg used	420 Kg tonne	EN21
	Quantity of organic waste landfilled or treated	tonne	18,359	66,015	17,255	15.5 Kg treated	58 Kg treated	15 Kg treated	
Solid waste	Quantity of solid waste (glass, cardboard, etc.) recycled or recovered	tonne	30,455	27,552	38,208	26 Kg recycled	24 Kg recycled	33 Kg recycled	EN20
	Quantity of solid waste landfilled or treated	tonne	10,197	8,646	6,214	8.6 Kg treated	7.5 Kg treated	5 Kg treated	EN20
Hazardous waste	Quantity of hazardous waste treated externally	kg	432,230	363,490	199,538	0.37 Kg treated	0.32 Kg treated	0.17 Kg treated	EN24
Waste from dismantling	Quantity of waste from dismantling treated externally	tonne	205	336	168	-	-	-	
ISO 14001 certification	Percentage of ISO 14001-certified sites		59%	44%	37%				
Sites in protected areas	Number of sites located in a sensitive or protected area		0	0	0				EN12
Investments	Amount of investments for environmental protection	million euros	9.25	13.04	-	-	-	-	EN30
Compliance of the activity	Fines or non-financial penalties due to non-compliance with environmental laws in force	number of fines and penalties	0	0	0		-	-	EN28

MUMM CUVÉE R. LALOU

produced in RHEIMS **enjoyed in CHICAGO**

"The Cuvée R. Lalou marks a return to the House's roots. Expressive of Mumm's exceptional vineyard holdings, it's the fruit of a history dating back nearly two centuries to 1827. This unique cuvée is drawn from the House's oldest vineyard parcels, all of which lie within the bounds of Champagne's legendary Grands Crus with their superlative soils and ideal exposure to the sun. Full-bodied, rich, complex and rare are the epithets that apply to the 1998 vintage." **Didier Mariotti, Chef de Cave at the House of G.H. Mumm**

Contributing to the progress of suppliers

Pernod Ricard's suppliers are encouraged to fulfil Sustainable Development criteria. Their commitment in this area has become one of the major advantages in their selection process and in the decision to continue working with them.

Q&A WITH

John Corrigan
Supply Chain and Purchasing Director

What recent progress has been made in terms of Sustainable Development?

Our strategy has been clearly underpinned by Sustainable Development concerns for several years now. This year, we made further progress in this area by introducing a Sustainable Development awareness course for buyers as part of our training programme. We also organised a number of workshops in different countries to present the eco-design concept. We view these initiatives as key to our development and endeavour to promote their widespread use among marketers and suppliers.

We also revamped the organisation of our Purchasing Department, allowing all of the Group's buyers to participate more actively in Sustainable Development issues. Our buying teams at all levels are encouraged to factor in Sustainable Development considerations when developing their strategy, and ensure an optimum choice of suppliers, distribution channels, means of transportation, raw materials, and so on.

To what extent are your suppliers involved in this Sustainable Development drive?

This year we identified commitment to Sustainable Development by most of our suppliers via a detailed questionnaire, with a response rate of 88%. In addition, at the time of presenting our new purchasing organisation, we invited 39 of our suppliers to Paris with the aim of sharing with them the actions taken in the field of Sustainable Development concerns by the Group's Purchasing Department (ethics, eco-design methodology, etc.).

What are your objectives for the coming year?

We are fully aware of the growing commitment of our customers to Sustainable Development issues. This encourages us to pursue our efforts in this field and to drive changes, not only in our design practices and purchasing policy, but also more generally in our strategy for managing the supply chain.

We have started a major project to improve our supply chain planning, which is not only about efficient use of our assets, but will bring sustainable benefits through reduction of rushed deliveries, air freight, etc. This will continue through this financial year and into the next.

Career path:

Formerly Supply Chain and Purchasing Director at Allied Domecq North America, John Corrigan joined Pernod Ricard in 2005 as Supply Chain and Purchasing Director.

Major actions

Pernod Ricard makes a large promotion of its ethics and values in terms of Sustainable Development among the largest possible number of suppliers and employees.

Involving suppliers

The Sustainable Development questionnaire was sent out this year to suppliers of a large number of subsidiaries. More than 300 suppliers were contacted and responses were received from 246 of them.

The questionnaire asked suppliers about any commitments they may have undertaken in terms of environmental protection (compliance with certification requirements and environmental standards, environmental impact studies, waste reduction programmes, environmental management systems, etc.) and social responsibility (safety, assessment of workplace risks, equal treatment of employees, etc.).

All suppliers have pledged to respect the ethical rules arising from employment laws. 85% of suppliers have carried out an environmental impact assessment of their activities, while 30% have obtained ISO 14001 certification.

A worldwide meeting was organised with Pernod Ricard's key suppliers in connection with the reorganisation of the Group's Purchasing department. The meeting focused on Pernod Ricard's commitments in terms of Sustainable Development, which now include an eco-design methodology.

Mobilising subsidiaries

The 23 Category Managers present at the launch of the new Purchasing organisation were briefed on Sustainable Development issues and the eco-design initiative.

This year, a Sustainable Development module was included for the first time in the Purchasing training seminar run by the Pernod Ricard Professional Training Centre.

A Social Responsibility clause has been written into subsidiaries' general sales conditions.

The Code of Ethics was widely distributed within the Group's subsidiaries (either via intranet or enclosed with buyers' employment contracts), and was also given to certain suppliers.

A number of steps were taken in respect of the eco-design initiative:

- Firstly, at the end of 2006 a training seminar was given to buyers at the Group's main European subsidiaries with a significant packaging activity. A second session was held in the United States for buyers and marketing staff.
- Secondly, the Group distributed its methodology to eco-design, as well as a number of other tools such as description sheets and examples of new product designs.

COMMUNICATING ITS COMMITMENT

THE GLOBAL COMPACT

On 26 July 2000, the former Secretary-General of the United Nations, Kofi Annan, challenged business leaders to join an international initiative – the Global Compact – that would bring companies together with UN agencies, labour and civil society to support 10 environmental and social universal principles. The Global Compact is supported today by 2,900 participants. Pernod Ricard joined the initiative in 2003.
The Global Compact – in order to promote transparency and accountability, showcase best practices and protect the "investment" made by participants – requires companies to communicate with their stakeholders about progress in implementing the ten universal principles.
For year 2006, the Global Compact acknowledged the donation of Pernod Ricard property in the "Hills of Cavalière" to the French Coastal Protection Agency.

To learn more,
see the Global Compact website:
www.unglobalcompact.org

A commitment over time

In 2007/2008, the Purchasing department will continue to step up the Group's Sustainable Development efforts, by:

- sending the Sustainable Development questionnaire to service providers;
- organising training sessions on eco-design, systematically bringing together buyers, product developers, marketing staff, plus occasionally packaging firms, to help participants factor Sustainable Development concerns into their own initiatives;
- supporting suppliers via audits, ongoing assistance and all other actions encouraging them to take on board Sustainable Development issues;
- distributing the results of the survey and the annual report to the main suppliers having responded to the questionnaire, thereby reinforcing the Group's commitment and its desire to share its values with all of its partners.

Testimonial

France

SYLVIANE ARMAGNACQ

Product Safety and Environmental Affairs, Smurfit Kappa (world leader in paper-based packaging)

Smurfit Kappa has made environmentally sound packaging solutions a priority of its Sustainable Development policy. We thus fully share Pernod Ricard's commitments in terms of eco-design. Our engineering and design department takes account of environmental concerns as early as possible in the process, using only the quantity of material strictly necessary to meet our needs. To ensure this, we use specific software programmes which have been networked to our companies across the globe.

We are also setting up tools for calculating the carbon footprint of our products – in other words, the quantity of CO_2 emitted in their production process.

Lastly, we use corrugated board, which is made by mixing different types of paper and is an ideal material for rational use of natural resources. In fact, more than 50% of the energy used to manufacture corrugated board comes from the biomass.
What's more, 75% is made from recycled fibre, while the other 25% is composed of fresh fibre obtained from controlled wood sources.

Testimonial

Pologne

JOLANTA MAZUREK

Supply Chain and Purchasing Director at Wyborowa (Poland)

At Wyroborowa's level, could you tell us how the Sustainable Development concept is managed?
We have undertaken to intensively rebuild our business in Poland. We are introducing and formalising processes which are more in line with Sustainable Development concepts. For example, our production processes are so designed that waste reduction or treatment is under strict supervision and analysis. We use raw rye spirit which comes from rye cultivated only by certain plantations where the environment is really protected. The most sensitive topic is packaging where very close cooperation between marketing, operations and suppliers is simply a 'must'.

How do you use Pernod Ricard's Sustainable Development Charter in your relationship with your suppliers?
We have made our suppliers aware of our policy. They were not surprised, and I would even say, this was expected. In Poland, social responsibility is something where our local law is very strict. The whole area is under governmental monitoring. Currently most of our suppliers are in the European Union, so this makes it easier for us to manage.

Are these values unanimously acknowledged in Poland?
Values we have as a Group are in line with the development of the Polish market, especially with regard to the environment. All the players support the measures in favour of better control of environmental impact.

THE GLENLIVET NÀDURRA

produced in SCOTLAND **enjoyed in LOS ANGELES**

"Nàdurra is the Gaelic word for natural. Revisiting 19th century practices, and unlike most modern whiskies, this single malt is not chill-filtered, giving the mouth feel more body and a richer texture. It is crisp and fresh, fruity and herbal. Superbly balanced, full-bodied and enticing. A bold innovation in single malt." **Hamish Proctor, Distillery Manager**

CORPORATE SPONSORSHIP

Art
Culture
Reflection
of the world

Corporate Sponsorship, openness to the world

“Cultural, humanitarian or environmental sponsorship is a time-honoured tradition at Pernod Ricard. The Group’s efforts in this area are deployed through its long-term partnerships such as the one with the Centre Georges Pompidou, which began in 1997. The Group’s subsidiaries further this commitment by lending their support to hundreds of projects across the globe. In keeping with the Group’s decentralisation strategy, subsidiaries are given free reign when it comes to choosing which local initiatives to sponsor.”

Francisco de la Vega
Vice-President, Communications

Children at Fundacion Ser, sponsored by Pernod Ricard Argentina.

Humanitarian Sponsorship

In Argentina, Pernod Ricard made a donation to Fundacion Ser in October 2006, consisting of 3,000 square metres of land which the Foundation had occupied free of charge since 1994 and which houses its specialised school. Pernod Ricard Argentina also pledged funds to help improve the infrastructure of the buildings. Fundacion Ser, which works to educate and improve the quality of life of disabled children and teenagers, will continue to develop its activities in the Bella Vista district of the Buenos Aires province, where it is the only facility of this kind for disabled children.

In the United Kingdom, the “Chivas Brothers Charity of the Year” is the opportunity for Chivas Brothers employees to nominate their favourite charity in each of the five areas in which Chivas is based (Dumbarton, Paisley, Edinburgh, Speyside and London). In 2006/2007, the five charities that chalked up the most votes each received a cheque for £5,000 (around €7,500). The beneficiaries were charities providing support for children’s causes or funding research into cancer or diabetes. Chivas Brothers also pledges to double any charitable donations made privately by its employees each year (up to an annual maximum of £500, or €750, per employee). In 2005/2006, an amount of £11,000 (€16,400 euros) was donated by Chivas Brothers to charities on behalf of its employees.

United States: Martell launched its Noblige “Nobility Honors”, designed to fund humanitarian causes defended by well-known film stars or leading figures from the arts world. Under its Nobility Honors program in 2006/2007, it donated USD 120,000 (€88,000) to various associations, including the “MANifest Your Destiny” Foundation run by the actor and writer Hill Harper.

India: Through its "One Rupee Fund" programme, Seagram India has been supporting a variety of Indian non-profit-making organisations since 1996, by donating one rupee for every Pernod Ricard bottle sold. These donations have been used to finance a raft of social outreach initiatives to help the disadvantaged people, including pharmacies offering free medical care and free medication, free hepatitis B screening, and support for the Indian National Association for the Blind.

Australia: the winners of the Wild Turkey Joker Poker tournament, a TV event organised by the Wild Turkey brand, donate their winnings to the charity of their choice. In 2006/2007, the brand donated a total of AUD 140,000 to various charities including The Humour Foundation ("Clown Doctors"), Amnesty International and the Royal Children's Hospital in Melbourne.

At Group level, for the past two years Pernod Ricard has sponsored the international outreach association APPEL, which provides healthcare and educational services for deprived children in some of the world's poorest countries. In Haiti, the Group continued to finance the construction of drinking water tanks collecting rainwater on Turtle Island, a region regularly hit by a succession of severe droughts, cyclones and tropical storms. Pernod Ricard also helped to finance the construction of 77 water tanks for families, thereby granting 2,200 people access to drinking water, as well as 5 water tanks for schools supplying more than 1,600 pupils.

In India, the subsidiary, Seagram India helps impoverished populations.

Thanks to APPEL, the association sponsored by Pernod Ricard, close to 4,000 people gained access to drinking water.

From top to bottom:

- The ornamental pond named after Paul Ricard at the Musée du Quai Branly. Pernod Ricard is the first corporate sponsor of the museum.
- Concert given by the Ostinato Orchestra in Shanghai.

Cultural sponsorship

Group: For the past 10 years, Pernod Ricard has been a partner of the Centre Georges Pompidou, a temple for contemporary art fans thanks to its outstanding, world-famous collection of contemporary artworks. In 1997, the Group had financed the water features on the museum's terraces. Since then, Pernod Ricard and the Centre Pompidou have extended their cooperation. In 2007, for example, the Group sponsored the exhibition of sculptor Julio Gonzales (1876-1942), a precursor of modern sculpture. In 2003, Pernod Ricard had already helped the Centre Pompidou add one of Gonzales' sculptures, classified as a "national art treasure", to its permanent collections.

In 2004, the Group became the first major corporate sponsor of the Musée du Quai Branly **in Paris.** This new museum, dedicated to the arts and civilisations of Africa, Asia, Oceania and the Americas, is a genuine crossroads of world cultures. Its magical venue captures the cultural diversity so highly valued by the Pernod Ricard Group, and reflected in its motto "Local roots, Global reach". The building top roof is encircled by a series of ornamental ponds known as "Bassins Paul Ricard". As with the Centre Pompidou, this venue can also be used by Pernod Ricard to host international cultural exchanges.

Since 2004, Pernod Ricard has been sponsoring the Ostinato chamber orchestra, which aims at giving talented young instrumentalists a chance to receive professional training as orchestra musicians. Created in 1997 by conductor Jean-Luc Tingaud, this orchestral workshop is run along the lines of a company, and echoes the core values of Pernod Ricard. The partnership has just been renewed for a further three years. In November 2006, Pernod Ricard China organised the visit of 55 musicians from Ostinato to give two one-off concerts at the **Shanghai** Opera. More than 1,000 guests, including 300 music students and their teachers, attended the event as part of the 8th International Arts Festival of Shanghai.

Strongly rooted in local cultures, Pernod Ricard's brands readily support local cultural initiatives which further the Group's commitment to promoting contemporary art to the widest possible audience.

Havana Club International, together with Pernod S.A. and Pernod Ricard, sponsored the Monstruos Devoradores de Energía ("Energy Devouring Monsters") exhibition at the Grand Palais **in Paris** in August 2007. This exhibition was unveiled at the 9th **Havana** Biennial in 2006, and subsequently travelled to Madrid and Milan. It presented 50 refrigerators from the 1950s that had been renovated and transformed into works of art by fifty Cuban figurative artists. The idea for this collection emerged in the wake of the Cuban government's decision to replace old American refrigerators by more economic Chinese ones, as part of an energy saving drive. Witnesses to Cuban life for half a century, these "energy devouring monsters" rescued from the claws of destruction have begun a new life as works of art.

Cuba: In March 2007, Havana Club launched www.havana-cultura.com. A genuine online magazine, with new features posted every month, this website offers an innovative look at contemporary Cuban culture. The magazine provides a forum for expression for contemporary Cuban figurative artists, musicians, dancers, filmmakers and writers, and visitors to the site can access full-screen, high-volume interviews, documentaries, photos, video clips, music and biographies, among other features.

South Korea: Pernod Ricard Korea is backing Korean culture by lending its support to "Kukak", traditional Korean music. Since 2002, its subsidiary Jinro Ballantine's has awarded "imperial scholarships" to the ten most talented students of the Kukak national primary and secondary school. Jinro Ballantine's also bears the bulk of the costs involved in staging the school gala (more than €40,000 was donated in 2006/2007).

From top to bottom:

- "Energy devouring monsters": refrigerators transformed by Cuban figurative artists on exhibition at the Grand Palais in Paris.
- Homepage of the Havana Club website dedicated to Cuban culture (www.havana-cultural.com).
- An "imperial" scholarship is awarded to a deserving young musician by Pernod Ricard's Korean subsidiary.

A winning work at the 4th Martell Artists of the Year award.

China: For the last four years, Pernod Ricard China has organised the Martell Artists of the Year award, designed to promote China's art development and illustrate Martell's own perspective on creativity. This award ceremony, held at the National Art Museum of China in Beijing, is now one of the most prestigious prizes for artistic achievement in China. The works of the four successful artists were on show at the National Art Museum for two weeks, before exhibiting at the Shanghai Art Museum in June and the Guangdong Museum of Art up to the end of July 2007.

The Martell Art Fund was also set up at the beginning of 2007 with the Chinese Central Academy of Fine Arts. This Fund offers promising young Chinese artists and their teachers exchange programmes with leading art schools in France.

Italy: Pernod Ricard Italia's commitment to contemporary art finds voice in its partnership with the Milan Triennial, the city's most important contemporary arts foundation. This partnership, based around the Havana Club brand, has helped to create a new cultural venue, "Triennale Bovisa", in the city's regenerated northern district of Bovisa in the North of the city.

Thanks to financial support from Pernod Ricard Italia, the "Triennale Bovisa" will be open to the public between 8:00pm and midnight. The Group's Italian subsidiary also sponsors exhibitions, as well as cultural evenings, concerts, (open air) film screenings and readings.

Testimonial

Italy

DAVIDE RAMPELLO

Chairman of the Milan Triennial

What role do cultural institutions play in today's world?

Cultural institutions are an essential means of spreading culture, raising public awareness, and building places where people can experience and learn about art forms. They help to make us more open to engage in a dialogue with other realms of creativity such as trade, science, training and the business world.

How do culture and the business world interact?

Companies themselves are places where creativity, experience and experimentation thrive. We often ask ourselves what role companies should play in the field of culture. I think this question is misleading, as it assumes that business and culture are two separate spheres.

This is simply not the right approach. Companies and cultural institutions are both "cultural beacons" developing new visions of the world. Only by working together harmoniously, with a mutual awareness of their own role, can they offer an all-encompassing perspective on the world. Companies that today partner cultural initiatives help cultural organisations raise standards of efficiency and management.

In turn, culture gives companies an additional perspective and encourages them to appreciate social concerns.

Pernod Ricard Italy's sponsorship of the Milan Triennial is fundamental. For the first time in Italy, it has enabled a cultural institution to open its doors to the public every day until midnight. As well as the financial support that a company can offer, cultural sponsorship must arise out of a deep-seated passion. Our partnership with Pernod Ricard Italy is characterised by its involvement right at the core of the development of our projects. This reflects the very specific culture of the company, but above all the common passion that we share.

The creation of the Ricard Corporate Foundation in 2006 marked the culmination of over ten years' corporate sponsorship of contemporary art. The Foundation supports **French** artistic creations and allows young artists to exhibit their works to the general public. "Offshore", an exhibition unveiled at the Espace Paul Ricard in 2005, was acquired by the French Ministry of Culture this year in order to enrich its National Fund for Contemporary Art.

Every month, the Ricard Foundation also organises its "Rendez-vous de l'imaginaire" where conferences and debates on cultural issues are led by the sociologist Michel Maffesoli.

Hailing Ricard's corporate sponsorship initiatives, the French Minister of Culture invited the Ricard S.A. Award winners to present their work at the Grand Palais in Paris over the summer of 2006, as part of the "Force de l'art" exhibition.

For the last 10 years, Montana has been the naming rights sponsor of the Montana World of WearableArt™ Awards show, an iconic **New Zealand** creative event. Since 1998, Montana has contributed Aud$1million (more than 620,000 euros) to this famous event which draws 33,000 people to its ten day season in Wellington, the country's capital. More than 150 wearable creations from New Zealand and around the world are choreographed and presented in a show.

Exhibition of Ricard S.A. Award winners at the Grand Palais in Paris.

Environmental sponsorship

Ricard's commitment to environmental issues is demonstrated through the Institut océanographique Paul Ricard. It was in 1966 that Paul Ricard realised the extent of the dangers of pollution in the **Mediterranean Sea** and decided to create his own Foundation on the Ile des Embiez to bring these concerns to the attention of the public authorities. The Foundation was established with the aim of discovering and educating people about the sea and about protecting it.

Over the years, the Foundation has successively launched a host of programmes in all fields relating to water, including biology, marine ecology and pollution. Under the leadership of Professor Nardo Vicente, scientists have developed numerous joint projects with public and private partners. All of their publications on these topics are widely respected by the international scientific community.

The Institute finances oceanographical campaigns to raise awareness of issues like biodiversity in the Mediterranean Sea. In June 2007, the scientific team at the Institut océanographique Paul Ricard and the underwater filmmaker Christian Pétron boarded Garlaban on a mission to study and document sea life. Sites that have been studied include the Embiez archipelago, the Scandola nature reserve in Corsica, the Pelagos sanctuary for marine mammals and the Port-Cros national park in the French department of the Var.

Partnership agreement with WWF: In June 2007 the Institut océanographique Paul Ricard signed a partnership agreement with WWF-France to advance scientific research and raise awareness of environmental concerns. With plans spanning a period of 3 years, this partnership will focus its efforts on three complementary environmental issues: protecting marine mammals, combating pollution and promoting sustainable tourism in the Mediterranean Sea.

Patricia Ricard, President of the Institut océanographique Paul Ricard, and Daniel Richard, President of WWF France.

INSTITUT OCEANOGRAPHIQUE PAUL RICARD

Design, creation and publication: TERRE DE SIENNE Paris

Art work entitled "Mélange d'esprit" commissioned from Richard Texier

Every year since its creation, Pernod Ricard has commissioned an original work from a contemporary artist for the cover of its annual report. In 2007, the Group asked Richard Texier, an internationally acclaimed painter and sculptor, to participate in this artistic adventure.

Tracing the path of the stars, the artist uses everything at hand to create a larger-than life universe featuring dream-like landscapes and imaginary geographies which penetrate the very heart of the mystery surrounding us. His artist's studios set up temporarily in locations such as Shanghai, New York or Moscow are proof of his openness to the world, as well as a desire to incorporate different influences within his work and a respect for the human race and for different cultures, values also cherished by Pernod Ricard.

"Mélange d'esprit" emerged out of the artist's meeting with the Group, and depicts ancient and mysterious forms navigating over the seas. The work uses calligraphy and artistic writing as a universal language, set against explosions of ochres and ambers which evoke the earthly hues of the eaux-de-vie.

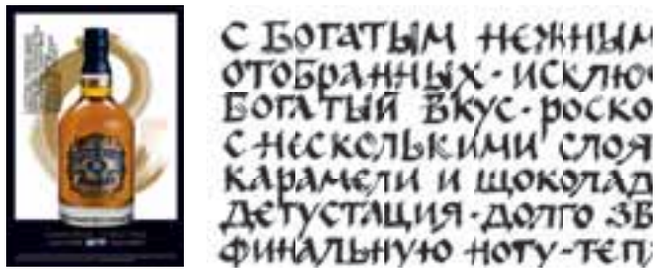
Artist

© Robert Doisneau

Richard Texier

Internationally acclaimed painter and sculptor

Behind the Written Word, the work of Man



CHIVAS

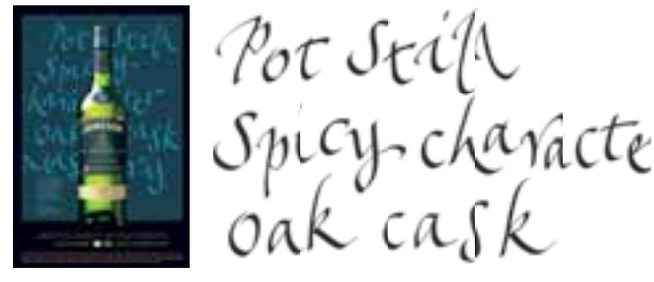
Cyrillic caligraphy by **Catherine Bogrow**

RICARD

Latin calligraphy by **Koala**

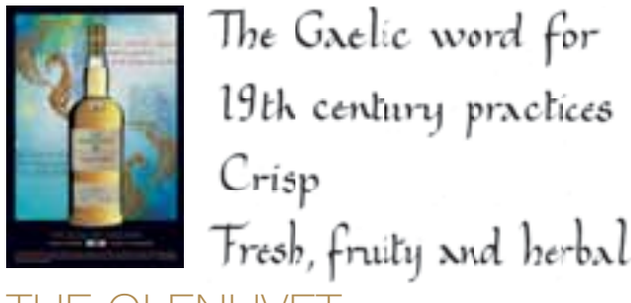
MARTELL

Chinese calligraphy by **Jok-Wah Fong**



JAMESON

Latin calligraphy by **Catherine Bogrow**

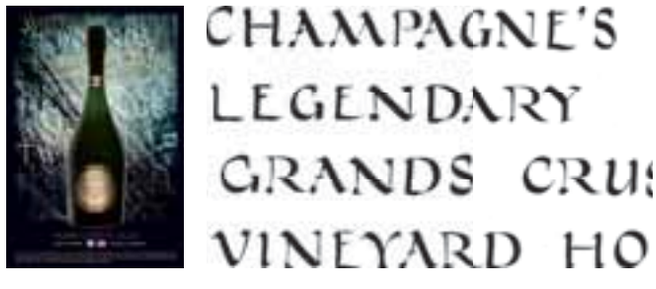


THE GLENLIVET

Latin calligraphy by **Koala**

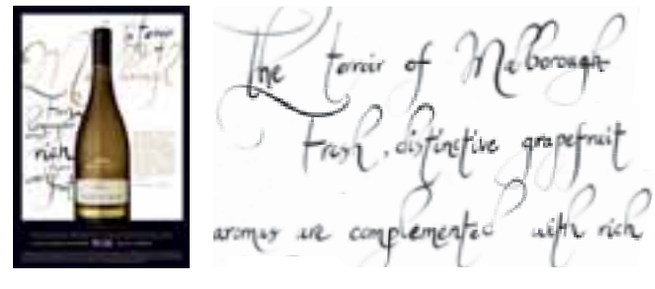
STOLICHNAYA

Latin typography by **Azadeh Tabari**



MUMM

Latin calligraphy by **Koala**



MONTANA

Latin calligraphy by **Azadeh Tabari**

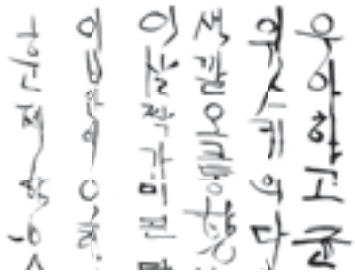
In this year's Annual Report, Pernod Ricard has decided to showcase the Written Word. Latin, Cyrillic, Asian or numerical, all forms of writing are displayed to reflect the diversity of the Group's presence across the globe. Throughout the report, Pernod Ricard's expert producers of wines & spirits wax lyrical in their native tongues about the taste-intensive universe of their products. From their unique descriptions emerge magical words translated into the language of the country in which the product is enjoyed, and sublimated by masters in the art of writing.

MALIBU

Latin calligraphy by **Catherine Bogrow**

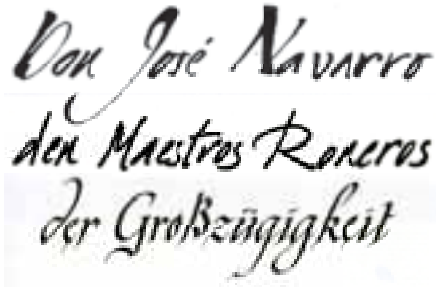
JACOB'S CREEK

Latin calligraphy by **Azadeh Tabari**



BALLANTINE'S

Korean calligraphy by **Jae-Kyoo Chong**



HAVANA CLUB

Latin calligraphy by **Koala**

BEEFEATER

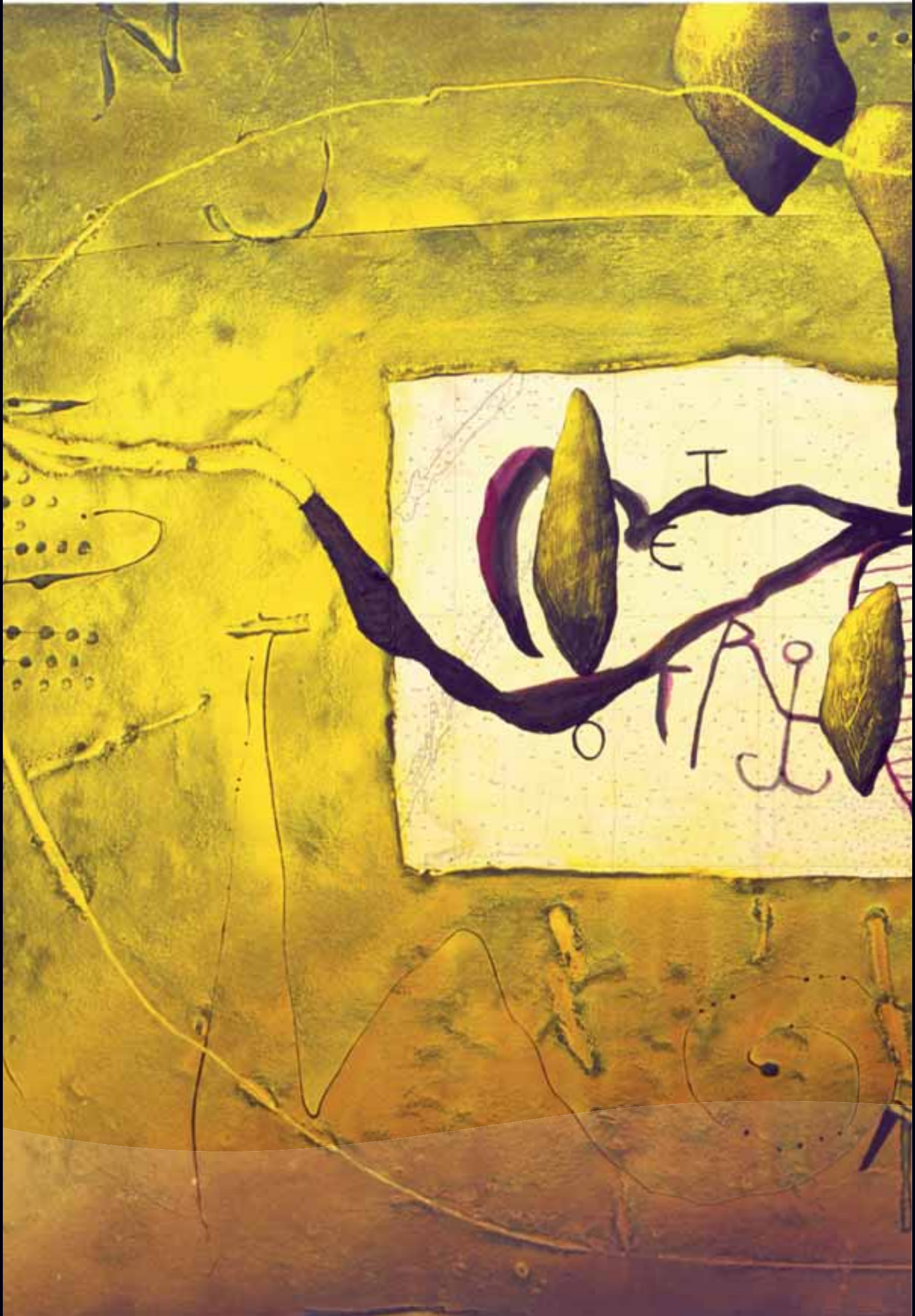
Latin calligraphy by **Catherine Bogrow**

KAHLÚA

Latin calligraphy by **Azadeh Tabari**

PERRIER-JOUËT

Japanese calligraphy by **Taëko Oshima**

Pernod Ricard wishes to thank the calligraphers who have put pen to paper to display their know-how.

Graphic layout and artworks created by Terre de Sienne.